THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Precious Metal Resources Holdings Co., Ltd. (the "**Company**"), you should at once hand this circular to the purchaser or the transferee or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

This circular appears for information purpose only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of China Precious Metal Resources Holdings Co., Ltd.

CPM

CHINA PRECIOUS METAL RESOURCES HOLDINGS CO., LTD.
中國貴金屬資源控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1194)

MAJOR ACQUISITION
RELATING TO
ACQUISITION OF GOLD MINES IN THE PRC

Financial Adviser to China Precious Metal Resources Holdings Co., Ltd.

GD 粵海證券有限公司
GUANGDONG SECURITIES LIMITED

A letter from the board of directors of the Company is set out from pages 6 to 36 of this circular.

A notice convening the extraordinary general meeting of the Company to be held at Kennedy Room, Level 7, Conrad Hotel, Pacific Place, 88 Queensway, Hong Kong on Friday, 12 October 2012 at 11:00 a.m. or any adjournment is set out from pages 342 to 343 of this circular. Whether or not you are able to attend the extraordinary general meeting in person, you are requested to complete and return the accompanying form of proxy to the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited at Room 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the extraordinary general meeting of the Company. Completion and return of the form of proxy shall not preclude you from attending and voting at the extraordinary general meeting of the Company should you so wish.

24 September 2012

CONTENTS

In this circular, the following terms shall have the meanings set out below unless the context requires otherwise:

"Acquisition"	the possible acquisition of the Sale Share by the Purchaser from the Vendor pursuant to the Sale and Purchase Agreement
"Additional Earnest Money"	not exceeding RMB300 million (equivalent to approximately HK$369 million) in cash payable by the Purchaser to the Vendor as additional earnest money under the Supplemental Letter of Intent
"Announcements"	the announcements of the Company dated 22 July 2011, 20 January 2012, 6 July 2012, 27 July 2012 and 31 August 2012 in relation to the Acquisition
"Articles"	the articles of association of the Company
"associate(s)"	shall have the meaning as ascribed to it under the Listing Rules
"Board"	the board of Directors
"Business Day(s)"	a day (not being a Saturday, Sunday or days on which a typhoon signal No. 8 or above or black rainstorm warning is hosted in Hong Kong at 10:00 a.m.) on which banks are generally open for general banking business in Hong Kong
"Company"	China Precious Metal Resources Holdings Co. Ltd. (stock code: 1194), a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the main board of the Stock Exchange
"Completion"	the completion of the Acquisition in accordance with the terms and conditions of the Sale and Purchase Agreement
"Completion Date"	the date within 30 Business Days after the conditions precedent to the Sale and Purchase Agreement being fulfilled or waived (as the case may be) or such other date as the parties to the Sale and Purchase Agreement may agree in writing and where the context otherwise requires, the date on which Completion takes place
"connected person(s)"	shall have the meaning as ascribed to it under the Listing Rules and the word "connected" shall be construed accordingly
"Consideration"	the consideration of RMB1,988 million (equivalent to approximately HK$2,445.24 million) payable by the Purchaser to the Vendor for the Acquisition pursuant to the Sale and Purchase Agreement

"Consideration Share(s)"	new Shares to be allotted and issued to the Vendor, credited as fully paid at the Issue Price, in accordance with the terms and conditions of the Sale and Purchase Agreement
"Director(s)"	the director(s) of the Company
"Earnest Money"	RMB300 million (equivalent to approximately HK$369 million) in cash payable by the Purchaser to the Vendor as earnest money under the Letter of Intent
"EGM"	the extraordinary general meeting of the Company to be convened on 12 October 2012 to consider and, if thought fit, approve by the Shareholders the Sale and Purchase Agreement and the transactions contemplated thereunder, including the allotment and issue of the Consideration Shares under the specific mandate
"Enlarged Group"	the Group immediately after the Completion
"Exploration Rights"	the approvals from the relevant government authority in the PRC authorising the Mining Company to conduct exploration activity at certain gold mines located in 中國雲南省普洱市鎮沅縣 (Zhenyuan Country, Pu'er City, Yunnan Province, the PRC*)
"g"	gram(s)
"Gold Mining Approvals"	the gold mining approvals No. 批准證國金字(2009)第064號《開採黃金礦產批准書》and 批准證國金字(2009)第065號《開採黃金礦產批准書》held by the Mining Company for conducting gold mining activities at the Mines
"Group"	the Company and its subsidiaries
"Guarantors"	Mr. Deng Baicheng (鄧百成), Ms. Lau Kin Hung (劉建紅) and Mr. Kam Chuen (甘泉)
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"HK Company"	Fast Trend Investment Limited (弘捷投資有限公司), a limited liability company incorporated in Hong Kong and is wholly owned by the Target Company
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Third Party(ies)"	third party(ies) and its/their ultimate beneficial owner(s) which are independent of the Company and its connected persons
"Issue Price"	the issue price of HK$1.41 per Consideration Share

"km^2"	square kilometer(s)
"Latest Practicable Date"	18 September 2012, being the latest practicable date prior to the printing of this circular for ascertaining certain informtion herein
"Letter of Intent"	the non-legally binding letter of intent dated 22 July 2011 and entered into between the Purchaser and the Vendor in relation to the Acquisition, details of which were set out in the announcement of the Company dated 22 July 2011
"Listing Committee"	the listing sub-committee of the board of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Listing Rules Valuation"	a valuation on the Mines conducted by Roma Appraisals Limited in compliance with Chapter 18 of the Listing Rules
"Long Stop Date"	6 October 2012, or such later date as the relevant parties to the Sale and Purchase Agreement may agree in writing
"Market Valuation"	an independent market valuation on the Mines as at 31 March 2012 undertaken by Roma Appraisals Limited
"Mine I"	普洱恒益礦業有限責任公司鎮沅蝙蝠山金礦 (Pu'er Hengyi Mining Co., Ltd., Zhenyuan Bianfushan Mine*)
"Mine II"	普洱恒益礦業有限責任公司鎮沅上寨金礦 (Pu'er Hengyi Mining Co., Ltd., Zhenyuan Shangzhai Mine*)
"Mines"	comprising Mine I and Mine II
"Mining Company"	普洱恒益礦業有限責任公司 (Pu'er Hengyi Mining Co., Ltd.*), a company established under the laws of the PRC with limited liability and is ultimately wholly owned by the Vendor through the Target Company and the HK Company
"Mining Licences"	the mining licences No. C5300002008124120001573 and C5300002008124120001574 respectively held by the Mining Company for conducting exploitation activity at the Mines
"PRC"	the People's Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
"Purchaser"	China Precious Metal Resources Co., Limited, a wholly-owned subsidiary of the Company incorporated under the laws of the British Virgin Islands with limited liability, being the purchaser under the Sale and Purchase Agreement

"RMB"	Renminbi, the lawful currency of the PRC
"Sale and Purchase Agreement"	the conditional sale and purchase agreement in relation to the Acquisition entered into among the Company, the Purchaser, the Vendor and the Guarantors on 6 July 2012
"Sale Share"	one share of US$1 each in the issued share capital of the Target Company, representing the entire issued share capital of the Target Company as at the date of the Sale and Purchase Agreement
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
"Share(s)"	ordinary share(s) of HK$0.125 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"substantial shareholder(s)"	shall have the meaning as ascribed to it under the Listing Rules
"Supplemental Letter of Intent"	the non-legally binding supplemental letter of intent dated 20 January 2012 and entered into between the Purchaser and the Vendor in relation to the Acquisition, details of which were set out in the announcement of the Company dated 20 January 2012
"t"	tonne(s)
"Takeovers Code"	The Codes on Takeovers and Mergers and Share Repurchases of the Securities and Futures Commission of Hong Kong
"Target Company"	Sinowise Century Limited, a company incorporated under the laws of the British Virgin Islands with limited liability and is wholly owned by the Vendor
"Target Group"	the Target Company and its subsidiaries
"Technical Adviser"	Minarco-MineConsult, an independent technical adviser
"Technical Report"	a technical report on the Mines in compliance with Chapter 18 of the Listing Rules
"US$"	United States dollar(s), the lawful currency of the United States of America
"Valuation Report"	has the meaning ascribed to it under Chapter 18 of the Listing Rules

"Vendor"	Premium Wise Inc., a company incorporated under the laws of the British Virgin Islands, being the vendor under the Sale and Purchase Agreement
"%"	per cent.

For the purpose of this circular, all amounts denominated in RMB have been translated (for information only) into HK$ using the exchange rate of RMB1.00:HK$1.23. No representation is made that any amounts in RMB or HK$ can be or could have been converted at the relevant dates at the above rate or any other rates at all.

If there is any inconsistency between the Chinese names of the PRC entities mentioned in this circular and their English translations, the Chinese names shall prevail.

This circular will remain on the "Latest Listed Company Information" page of the website of the Stock Exchange at http://www.hkexnews.hk and the Company's website at http://cpm.etnet.com.hk for at least seven days from the date of its posting.

** For identification purpose only*

CHINA PRECIOUS METAL RESOURCES HOLDINGS CO., LTD.
中國貴金屬資源控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 1194)

Executive Directors:
Mr. Lam Cham *(Chairman)*
Mr. Dai Xiaobing *(Co-Chairman)*
Mr. Chang Yim Yang
Mr. Deng Guoli
Mr. Zhang Shuguang *(Chief Executive Officer)*
Mr. Zhang Liwei *(Chief Financial Officer)*

Non-executive Director:
Mr. Wang, John Peter Ben

Independent non-executive Directors:
Professor Wong Lung Tak Patrick, *BBS, PhD, J.P.*
Mr. Chan Kin Sang
Professor Xiao Rong Ge

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

Head office and principal place of business in Hong Kong:
Room 3107-9
Shun Tak Centre West Tower
200 Connaught Road Central
Hong Kong

24 September 2012

To the Shareholders

Dear Sir or Madam,

MAJOR ACQUISITION
RELATING TO
ACQUISITION OF GOLD MINES IN THE PRC

INTRODUCTION

References are made to the Announcements regarding the Acquisition.

On 22 July 2011 (after trading hours of the Stock Exchange), the Purchaser (being a wholly-owned subsidiary of the Company) entered into the Letter of Intent with the Vendor regarding the Acquisition. Pursuant to the Letter of Intent, the Purchaser shall pay the Earnest Money in the amount of RMB300 million (equivalent to approximately HK$369 million) (which shall be treated as part of the Consideration in the event that a formal agreement is entered into between the Purchaser and the Vendor, or otherwise be refunded to the Purchaser by the Vendor without interest) to the Vendor. In addition, the Vendor has granted the Purchaser an exclusive period of six months from the date of the Letter of Intent, during which the Vendor shall not engage in negotiations with any other third party for the Acquisition.

As at the Latest Pracaticable Date, the Earnest Money in the amount of RMB300 million (equivalent to approximately HK$369 million) had been paid by the Purchaser to the Vendor.

Subsequently, on 20 January 2012 (after trading hours of the Stock Exchange), the Purchaser entered into the Supplemental Letter of Intent with the Vendor to extend the aforesaid exclusive period for a six-month period up to 21 July 2012. The extended exclusive period may also be further extended subject to mutual agreement between the parties to the Supplemental Letter of Intent.

In addition, pursuant to the Supplemental Letter of Intent, the Purchaser shall pay the Additional Earnest Money in the amount of not exceeding RMB300 million (equivalent to approximately HK$369 million) to the Vendor within 60 days from the date of the Supplemental Letter of Intent. The Additional Earnest Money shall be treated as part of the Consideration in the event that a formal agreement is entered into within the extended exclusive period. Otherwise, the Vendor shall refund the Earnest Money together with the Additional Earnest Money (without interest) of not exceeding RMB600 million (equivalent to approximately HK$738 million) in total to the Purchaser. The Vendor agreed that upon payment of the Additional Earnest Money by the Purchaser, the Purchaser shall be entitled to assign, at its own costs, not more than ten staff to co-manage the Mining Company in conjunction with the existing management team of the Mining Company.

As at the Latest Pracaticable Date, the Additional Earnest Money in the amount of RMB249.80 million (equivalent to approximately HK$307.25 million) had been paid by the Purchaser to the Vendor. Moreover, the Company has, in accordance with the relevant stipulation of the Supplemental Letter of Intent, assigned staff to co-manage the Mining Company in conjunction with the existing management team of the Mining Company since 1 March 2012.

After the preliminary due diligence work conducted by the Group, on 6 July 2012 (after trading hours of the Stock Exchange), the Company, the Purchaser, the Vendor and the Guarantors entered into the Sale and Purchase Agreement, pursuant to which the Purchaser has conditionally agreed to acquire for and the Vendor has conditionally agreed to dispose of the Sale Share at the Consideration of RMB1,988 million (equivalent to approximately HK$2,445.24 million).

The purpose of this circular is to provide you with, among other things, (i) further details of the Acquisition, including but not limited to the business and operations of the Mining Company; (ii) the audited financial information on the Target Group; (iii) the Technical Report; (iv) the Valuation Report; and (v) a notice of EGM at which resolutions will be proposed to consider and, if thought fit, approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

THE SALE AND PURCHASE AGREEMENT

Set out below are the major terms of the Sale and Purchase Agreement:

Date:

6 July 2012

Parties involved:

The Company

Purchaser

China Precious Metal Resources Co., Limited, a wholly-owned subsidiary of the Company.

Vendor

Premium Wise Inc., being the sole shareholder of the Target Company, is an investment holding company. The Vendor is legally and beneficially owned as to 100% by three individual shareholders and one corporate shareholder in the proportion as specified below:

Mr. Deng Baicheng (鄧百成), who is interested in 30% of the equity interest in the Vendor
Ms. Lau Kin Hung (劉建紅), who is interested in 26% of the equity interest in the Vendor
Mr. Kam Chuen (甘泉), who is interested in 40% of the equity interest in the Vendor
Winning Gate Limited, which is interested in 4% of the equity interest in the Vendor

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, each of the Vendor, its shareholders and ultimate beneficial owner(s) (where applicable), and their respective associates is (i) an Independent Third Party; (ii) not a party acting in concert (as defined under the Takeovers Code) with any substantial shareholders of the Company; (iii) do not have relationship among themselves; and (iv) do not have any relationship with the other Shareholders.

In addition, to the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, save for Mr. Deng Baicheng who held 100,000,000 Shares, representing approximately 2.87% of the shareholding interest in the Company, (i) each of the Vendor, its shareholders and ultimate beneficial owner(s) (where applicable), and their respective associates did not hold any Shares or other convertible securities in the Company as at the date of the Sale and Purchase Agreement; and (ii) there were no previous transactions or business relationship between the Company and each of the Vendor, its shareholders and ultimate beneficial owner(s) (where applicable), and their respective associates which would result in aggregation under Rule 14.22 of the Listing Rules.

Guarantors

All of the individual shareholders of the Vendor.

In consideration of the Company and the Purchaser entering into the Sale and Purchase Agreement, each of the Guarantors, on a joint and several basis, unconditionally and irrevocably guarantees to the Company and the Purchaser that the Vendor shall, pursuant to the Sale and Purchase Agreement, duly and punctually perform and observe its obligations under the Sale and Purchase Agreement and pay all the monies payable by the Vendor, including but not limited to any outstanding loans and/or liabilities due by the Target Group when due. The Guarantors also undertake to the Purchaser and the Company that each of them shall procure the Vendor to observe its obligations (whether expressed or implied) under the Sale and Purchase Agreement, including but not limited to the warranties given by the Vendor. If requested, the Guarantors will compensate the shortfall of the Target Group's liabilities prior to the Completion Date by deducting the same from the Consideration or by way of cash (as the case may be).

Assets to be acquired:

Pursuant to the Sale and Purchase Agreement, the Purchaser has conditionally agreed to acquire for and the Vendor has conditionally agreed to dispose of the Sale Share free from all encumbrances at the Consideration. The Sale Share represents the entire issued share capital of the Target Company. The corporate structure of the Target Group is included under the section headed "Corporate structure of the Target Group" below.

As confirmed by the Vendor, the principal assets of the Target Group are the Gold Mining Approvals, the Mining Licences and the Exploration Rights held by the Mining Company.

Pursuant to the Sale and Purchase Agreement, the Vendor shall be responsible to repay all outstanding loans and/or liabilities of each member of the Target Group which were incurred prior to 1 March 2012; whereas the loans and/or liabilities of each member of the Target Group which were incurred from 1 March 2012 onwards shall be borne entirely by the Purchaser.

The Consideration:

The Consideration of RMB1,988 million (equivalent to approximately HK$2,445.24 million) has been/will be settled by the Purchaser in the following manner and subject to adjustment based on the arrangement under the paragraph headed "Adjustment to the Consideration" below:

(i) as to RMB300 million by payment of the Earnest Money;

(ii) as to RMB249.80 million by payment of the Additional Earnest Money;

(iii) as to RMB994 million (equivalent to approximately HK$1,222.62 million) by the issue of 867,106,382 Consideration Shares by the Company at the Issue Price to the Vendor on the Completion Date; and

(iv) as to the balance of RMB444.20 million (equivalent to approximately HK$546.37 million) (the "**Final Instalment**") in cash payable to the Vendor from the Completion Date up to 31 December 2014.

With regard to the Final Instalment, in the event that the whole or part of RMB444.20 million (equivalent to approximately HK$546.37 million) is not paid on the Completion Date, the outstanding amount of the Final Instalment shall be subject to an interest of 6.8% per annum, payable in cash, to be calculated from the Completion Date up to the date of settlement of the relevant outstanding amount of the Final Instalment.

It is the intention of the Company to finance the remaining cash portion of the Consideration by the internal resources of the Group.

Adjustment to the Consideration

The Vendor undertakes to repay all outstanding loans and/or liabilities of each member of the Target Group which were incurred prior to 1 March 2012, being the sum of approximately RMB8.8 million. In the event that any member of the Target Group cannot pay off all of their respective outstanding loans and/or liabilities which were incurred prior to 1 March 2012, the Vendor shall allow the Purchaser to deduct an amount equivalent to such outstanding loans and/or liabilities (including the interest accrued thereon) from the cash portion of the Consideration.

Basis of the Consideration

The Consideration was determined between the Purchaser and the Vendor after arm's length negotiations, taking into account the followings:

(i) the preliminary Market Valuation in the range of approximately RMB2,029 million to RMB2,133 million; and

(ii) the future prospects of the gold mining industry.

The Company has appointed Roma Appraisals Limited (the "**Valuer**") as the competent evaluator (as defined under Chapter 18 of the Listing Rules) and commissioned the Valuer to conduct the Listing Rules Valuation and the Market Valuation. The Listing Rules Valuation is in the range of RMB1,172 million to RMB1,286 million with a preferred value of RMB1,227 million. The Market Valuation was prepared using methodologies in line with the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports 2005 Edition (VALMIN Code). The Market Valuation seeks to evaluate the full market value of the Target Group and accordingly, reflects the value associated with inferred resources and the exploration potential of the Mines, which are specifically excluded from the Listing Rules Valuation as required by the Listing Rules. According to Chapter 18 of the Listing Rules, inferred resource is defined as 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. Whereas according to the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code), inferred resource is defined as a mineral resource for which tonnage, grade and mineral content can be estimated with a low level of confidence.

According to the Valuer, most of the basis and assumptions applied in the preparation of the Listing Rules Valuation and the Market Valuation are the same. The major difference in the basis and assumptions applied is in respect of portfolio of reserves and/or resources included in the valuation.

The cashflow forecast applied in the Market Valuation is longer than that of the Listing Rules Valuation because of the difference in portfolio of reserves and/or resources and the production schedule adopted in the valuation. The length of cashflow forecast is determined by the mine life:

- Only probable reserves are included in the Listing Rules Valuation, and the Mines would continue to operate until all probable reserves are fully exploited in 2020.
- Probable reserves and inferred resources are included in the Market Valuation, and the Mines would continue to operate until all probable reserves and inferred resources are fully exploited in 2035.
- The production schedule for the Listing Rules Valuation is based on the estimates of the Technical Adviser stated in the Technical Report as contained in Appendix V to this circular.
- The production schedule for the Market Valuation is based on the Company's opinion and view that the production of the Mines would ramp up to 750,000 metric t per annum from 2016 and onwards, due to the view that the portion of the inferred resources has a reasonable likelihood of being converted to reserves and being economically mined in the future.

Regarding the expansion plan in 2016, the Company's in-house technical experts have conducted in-depth analysis on the Mines in conjunction with 內蒙古自治區冶金研究院 (Inner Mongolia Autonomous Region Metallurgical Research Institute*) ("**IMARMRI**"), which is the issuer of the feasibility study report regarding the Mines dated April 2012 (the "**Feasibility Study**"), and had discussions with the Technical Adviser. Concerning the actual plan to achieve the production expansion in 2016, the Company has consulted IMARMRI, and was given to understand that further construction work and facilities which are required for such expansion are minimal and practicable. After detailed investigation, the Company, IMARMRI and the Technical Adviser are of the opinion that the production of the Mines can be further increased to 750,000 metric t per annum in 2016 although the annual production rate of 750,000 metric t and mine life duration adopted in the Market Valuation are not substantiated by the Technical Report.

In addition, according to the Feasibility Study, the economic lives of the processing plants of the Mines would last for around 20 to 30 years and thus the Mines could be operated up to 2035. This supports the longer production schedule adopted for the Market Valuation.

IMARMRI was established in 1958 and is a sizeable state-owned enterprise with A classification. As a comprehensive research and development facility, IMARMRI focuses on major researches relating to exploitation, processing and smelting. IMARMRI is also one of the key research institutes in Inner Mongolia, the PRC. IMARMRI has a well-established organisational structure which includes specialised departments and experienced research personnel and senior engineers. Since its establishment, IMARMRI has undertaken different work projects in association with metallurgy, scientific research, design, consultation, feasibility research, resource development and exploitation, safety appraisal, quality examination, etc..

The in-house technical experts of the Company are led by Mr. Duan Jinsun (段錦蓀) ("**Mr. Duan**"). Mr. Duan held various senior positions, such as engineer and research team leader at the Geological Science Research Institute of Yunnan Province and the 15th Geological Brigade of Geological Bureau of Yunnan Province. Mr. Duan is engaged in researches on geology and minerals, and has published various geographic and mineral related monographs. Mr. Duan had been actively engaging in geology and mineral exploration in Yunnan Province organised by the China Academy of Geological Sciences, the Yunnan Province Academy of Geological Science and the Yunnan Provincial Geological Survey Institute for over ten years.

The Feasibility Study was prepared in accordance with, among other things, the Mineral Resources Law of the PRC (《中華人民共和國礦產資源法》), Construction Projects Economic Evaluation Method and Parameter (《建設項目經濟評價方法與參數》) and The Guideline of Investment Project Feasibility Study (《投資項目可行性研究指南》).

On the other hand, as aforesaid, the Market Valuation was prepared under the VALMIN Code to evaluate the full market value of the Mines and reflects the value associated with the inferred resources, which are specifically excluded from the Listing Rules Valuation as required by the Listing Rules. With reference to the Technical Report as contained in Appendix V to this circular, approximately 76.42% of the resources of the Mines included in the Market Valuation are inferred resources. However, as stated in the Technical Report, the Technical Adviser is of the view that the potential is excellent with high probability to increase the resource base and upgrade the resource classification with additional drilling and/or trenching. It is mainly due to the multiple stacked vein style of the mineralisation and currently limited drillings at depth of the project. As a result, the Directors are of the view that the portion of the inferred resources has a reasonable likelihood of being converted (i.e. through the resource conversion drilling program) to reserves and being economically mined in the future, and the mine life could be extended accordingly.

The Directors and the Company's in-house technical experts considered there to be reasonable confidence that the conversion of inferred resources to higher categories would occur through the undertaking of further exploration works. Mining and underground sampling to date have highlighted the continuity of the geological structure and the veins contained within the Mines. This is consistent with the style of mineralisation which occurs within the project. The Directors and the Company's in-house technical experts anticipated that drilling and/or underground sampling on a spacing of 40 meters by 40 meters would be sufficient to upgrade the currently defined resources from inferred resources to indicated resources. Drilling along with underground sampling at a spacing of 10 meters by 10 meters would be envisaged to be sufficient and enable measured level of confidence to be estimated in the resources. In order to enable the Company to further develop the long term plan for the project, an exploration program has been designed to upgrade the resources. To this end, the Company plans to complete around 10,000 meters of infill drilling in 2013 and 2014, and subsequently continues with rolling exploration in order to improve the level of the resources of the Mines.

As the VALMIN Code does not specify that inferred resources should be excluded from valuation, in view of the potential economical value of the inferred resources and it is a common market practice to include part of the inferred resources in economic assessments, the Directors have engaged the Valuer to conduct the Market Valuation to study the value of the portion of the inferred resources.

Given the different assumptions and methods adopted in deriving the Listing Rules Valuation and the Market Valuation of which the Consideration was referenced to, the value of the inferred resources and the exploration potential of the Mines cannot be deduced by way of a simple mathematical deduction and an approximate proportion of the Consideration which relates specifically to the inferred resources cannot be ascertained. The Valuation Report on the Listing Rules Valuation as well as the Technical Report are disclosed in Appendix VI and Appendix V to this circular respectively.

Having considered that apart from the discounted cash flow method under income-based approach, the Valuer has also adopted the guideline transaction method under market-based approach as a reference to arrive at its professional opinion of value; and the fair market value of the Mines was reasonably estimated at approximately RMB2,133 million under the guideline transaction method, which is within a reasonable range to the valuation result of approximately RMB2,029 million under the discounted cash flow method, the Board is of the view that the parameters and assumptions adopted in the Market Valuation (with expansion plan and inclusion of inferred resources in the valuation) are fair and reasonable.

In applying the guideline transaction method under market-based approach, the Valuer has selected transactions of comparable gold mines that had similar mineral resources and similar level of confidence in the resource estimation as the Mines. In particular, the Valuer has considered the geographical locations, percentages of ownership of the gold mines in the transactions and the categories of the resources contained in the gold mines. The fair market value of the Mines was determined based on the amount of gold metal resources of the Mines and the average adjusted consideration-to-metal resource multiple calculated from the comparable transactions.

Based on the Technical Report, the estimated inferred resources of the Mines were 14,818,000 t at March 2012, constituting approximately 76.42% of the total amount of resources of the Mines. In addition, the project also includes four licenced exploration areas in close vicinity with total area of around 41 km^2. Due to the multiple stacked vein style of mineralisation, the Technical Adviser considers the exploration potential of the Mines to be excellent with high probability to increase the currently defined resources with additional drilling and/or trenching. In view of that (i) the inferred resources constitute a major portion of the total amount of resources of the Mines; (ii) the mineral exploration potential estimates of the Mines may give additional value to the Mines; and (iii) the portion of the inferred resources has a reasonable likelihood of being converted to reserves and economically mined in the future, the Directors consider that it is reasonable to determine the Consideration with reference to the Market Valuation.

Having considered that (i) the Acquisition is in line with the business strategy of the Group to develop in the gold mining industry; (ii) the favourable prospects of the gold mining industry as being elaborated under the section headed “Industry overview” of this letter; and (iii) the Consideration represents discount to the Market Valuation, the Board considers that the Consideration, which was arrived at after arm’s length negotiations, is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

Conditions precedent:

Completion of the Sale and Purchase Agreement is conditional upon certain conditions being fulfilled or waived in writing, including but not limited to:

(i) the Purchaser being satisfied with the results of the due diligence review on the Target Group (in relation to assets, finance, operations or any other matters in the Purchaser's opinion being important), including but not limited to (a) the Purchaser being satisfied with the due incorporation of each member of the Target Group and the legality of the Sale Share; (b) the Purchaser having obtained a PRC legal opinion (in such form and substance satisfactory to the Purchaser) from a qualified PRC legal adviser appointed by the Purchaser. The PRC legal opinion should confirm, inter alia, the legality of ownership of assets and the business operations and the due incorporation of the Mining Company; (c) the Purchaser having obtained a technical report from a technical adviser appointed by the Purchaser (in such form and substance satisfactory to the Purchaser), confirming the resources or reserves of the Mines; (d) the Purchaser having obtained the accountants' report (in such form and substance satisfactory to the Purchaser) of the Target Group; and (e) the Purchaser having obtained a valuation report of the Target Group from a valuer appointed by the Purchaser (in such form and substance satisfactory to the Purchaser);

(ii) the Purchaser being satisfied at Completion that the representations, warranties and undertakings given by the Vendor under the Sale and Purchase Agreement remain true, accurate, complete, not misleading or in breach in any material respect and that no event has suggested that there were any material changes in such representations, warranties and undertakings as of the Completion Date;

(iii) from the date of signing of the Sale and Purchase Agreement till Completion, there not being any abnormal operations or any material adverse change in the business, prospects, operations, performance or finance in respect of the Target Group;

(iv) the Vendor having obtained all approvals, confirmations, waivers or consents in respect of the Sale and Purchase Agreement and all transactions contemplated thereunder under applicable laws and regulations from the relevant authorities having jurisdiction over the Vendor or other relevant third parties before the Completion Date;

(v) each member of the Target Group having obtained and maintains in full force and effect any and all consents, permits, orders, licenses, approvals, authorisations, registrations, amendment registrations, notifications, waivers, releases, certificates, filings and any other governmental authorities under the laws of the PRC, Hong Kong and the British Virgin Islands, or any other applicable laws, necessary for the conduct of its business as now being conducted;

(vi) the Listing Committee of the Stock Exchange having granted or agreeing to grant the listing of, and permission to deal in, the Consideration Shares whether subject to condition(s) or not;

(vii) the Sale and Purchase Agreement, the allotment and issue of the Consideration Shares and all transactions contemplated thereunder having been approved by the Shareholders;

(viii) the execution of a deed by the Vendor (in such form and substance satisfactory to the Purchaser), pursuant to which the Vendor agrees to unconditionally and irrevocably waive all outstanding sum owed to the Vendor by the Target Group, and to waive and ensure not to claim any sum against the Target Group after Completion; and

(ix) save as otherwise agreed in the Sale and Purchase Agreement, all licences necessary for the operations of the business validly subsist before Completion and all fees and taxes (if any) having been properly and fully settled.

The Purchaser shall have the right to waive the conditions precedent above (save for conditions (vi) and (vii) which cannot be waived). Save as aforesaid, if the conditions precedent as set out in the Sale and Purchase Agreement have not been fulfilled (or, where applicable, waived by the Purchaser) on or before the Long Stop Date, the Purchaser can terminate the Sale and Purchase Agreement by notice in writing to the Vendor after the Long Stop Date, and the obligations of the Purchaser under the Sale and Purchase Agreement shall terminate thereafter, save for any antecedent breaches.

Save that in the case where the Purchaser is in breach, in the event that the Sale and Purchase Agreement is terminated as aforementioned, the Vendor shall repay the Earnest Money together with the Additional Earnest Money (without interest) and any amount previously paid by the Purchaser to the Vendor within 30 Business Days of despatch of the aforesaid termination notice by the Purchaser.

As at the Latest Practicable Date, condition (i) above had been fulfilled.

Completion:

Completion shall take place on the Completion Date.

The Company has no present intention to change the composition of the Board upon Completion and the Company does not intend to appoint each of the ultimate beneficial owners of the Vendor and/or their respective associates as Director(s) as a result of the Acquisition. Pursuant to the terms of the Sale and Purchase Agreement, the Vendor undertakes to the Company that it and its associates shall not nominate or appoint any person as Director(s) within 12 months from the Completion Date.

The Consideration Shares:

867,106,382 Consideration Shares at the Issue Price of HK$1.41 per Consideration Share will be allotted and issued by the Company to the Vendor on the Completion Date.

The Issue Price of HK$1.41 per Consideration Share represented a premium of around 10% over the average closing price of the Shares for the five consecutive trading days up to and including the date of the Sale and Purchase Agreement (being HK$1.286 per Share). The Issue Price was arrived at after arm's length negotiations between the Purchaser and the Vendor, after taking into account of the prevailing market price of the Shares and the recent condition of the financial market in Hong Kong.

The Issue Price represents:

(i) a discount of approximately 3.42% to the closing price of HK$1.46 per Share as quoted on the Stock Exchange as at the Latest Practicable Date;

(ii) a premium of approximately 11.02% over the closing price of HK$1.27 per Share as quoted on the Stock Exchange on the date of the Sale and Purchase Agreement;

(iii) a premium of approximately 9.64% over the average of the closing prices of approximately HK$1.286 per Share for the last five consecutive trading days up to and including the date of the Sale and Purchase Agreement;

(iv) a premium of approximately 9.39% over the average of the closing prices of approximately HK$1.289 per Share for the last ten consecutive trading days up to and including the date of the Sale and Purchase Agreement; and

(v) a premium of approximately 38.06% over the audited consolidated net asset value of the Group per Share of approximately HK$1.0213 as at 31 December 2011 (based on the audited consolidated net asset value of the Group of approximately HK$3,557.71 million as at 31 December 2011 and 3,483,620,933 issued Shares as at the date of the Sale and Purchase Agreement).

The Consideration Shares represent (i) approximately 24.89% of the existing issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 19.93% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares.

The Consideration Shares shall rank *pari passu* in all respects with the Shares in issue on the allotment and issuance date, including the rights to all dividends, distributions and other payments made or to be made for which the record date falls or after the date of such allotment and issuance.

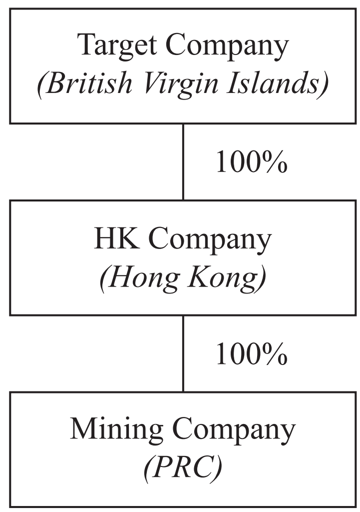
Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares. The Consideration Shares shall be allotted and issued under the specific mandate to be obtained at the EGM. There is no restriction on subsequent sale of the Consideration Shares.

Non-competition undertaking:

Under the Sale and Purchase Agreement, the Vendor has undertaken to the Company and the Purchaser that the Vendor and its associates and affiliates would not directly or indirectly engage in businesses and/or investments which would compete with the businesses of the Target Group in Yunnan Province, the PRC from the date of the Sale and Purchase Agreement.

CORPORATE STRUCTURE OF THE TARGET GROUP

The following chart shows the corporate structure of the Target Group as at the date of the Sale and Purchase Agreement:



INFORMATION ON THE TARGET GROUP

The Target Group comprises the Target Company, the HK Company and the Mining Company.

The Target Company

The Target Company is an investment holding company incorporated in the British Virgin Islands on 9 May 2011 with limited liability and is wholly owned by the Vendor. The principal assets of the Target Company are the 100% equity interest in the HK Company and the Mining Company respectively.

The HK Company

The HK Company is an investment holding company incorporated in Hong Kong on 3 June 2010 with limited liability and is wholly owned by the Target Company. The principal asset of the HK Company is the 100% equity interest in the Mining Company.

The Mining Company

The Mining Company is incorporated in the PRC on 30 May 2008 with limited liability and is wholly owned by the HK Company. The Mining Company holds the Gold Mining Approvals, the Mining Licences as well as the Exploration Rights and is principally engaged in the exploration, exploitation and sale of gold.

Financial information on the Target Group

Set out below is a summary of the audited financial information on the Target Group for the period from 3 June 2010 (being the date of incorporation of the HK Company) to 31 December 2010, the year ended 31 December 2011 and the five months ended 31 May 2012 prepared in accordance with the Hong Kong Financial Reporting Standards:

Consolidated Income Statement	**For the period from 3 June 2010 to 31 December 2010** *RMB'000*	**For the year ended 31 December 2011** *RMB'000*	**For the five months ended 31 May 2012** *RMB'000*
Turnover	—	—	—
Loss before taxation	(13)	(31,163)	(14,377)
Loss for the year/period	(13)	(31,163)	(14,377)

Consolidated Balance Sheet	**As at 31 December 2010** *RMB'000*	**As at 31 December 2011** *RMB'000*	**As at 31 May 2012** *RMB'000*
Total assets	93	443,123	447,484
Total liabilities	(106)	(9,536)	(23,205)
Net (liabilities)/assets	(13)	433,587	424,279

Set out below is a summary of the audited financial information on the Mining Company for the three years ended 31 December 2011 and the five months ended 31 May 2012 prepared in accordance with the Hong Kong Financial Reporting Standards:

Income Statement	**For the year ended 31 December 2009** *RMB'000*	**For the year ended 31 December 2010** *RMB'000*	**For the year ended 31 December 2011** *RMB'000*	**For the five months ended 31 May 2012** *RMB'000*
Turnover	—	—	—	—
Loss before taxation	(33,046)	(15,874)	(30,186)	(13,308)
Loss for the year/period	(33,046)	(15,874)	(30,186)	(13,308)

Balance Sheet	**As at 31 December 2009** *RMB'000*	**As at 31 December 2010** *RMB'000*	**As at 31 December 2011** *RMB'000*	**As at 31 May 2012** *RMB'000*
Total assets	330,295	348,574	385,574	389,935
Total liabilities	(318,438)	(352,591)	(9,536)	(23,205)
Net assets/(liabilities)	11,857	(4,017)	376,038	366,730

The management team of the Mining Company

Based on the information provided by the Vendor, the Directors understand that the Mining Company's management team principally includes the following members:

Mr. Zhang Yuechang (張粵昌), age 60, graduated from the Dalian Institute of Technology (大連工學院) in 1981, with a degree in Mechanical Engineering. He held the positions of director, deputy general manager and general manager successively in Dalian Jiyang Trading Company during the period from 1991 to 1999, and he served as the general manager of Kunming Jinliugu Mining Company Limited from 2002 to 2011. Mr. Zhang has been appointed as the general manager of the Mining Company since August 2011.

Mr. Hong Youqi (洪有琪), age 58, graduated from the Kunming Geological School (昆明地質學院) in 1978, majoring in Geological Reconnaissance. He served in the Yunnan Regional Geological Survey Team as technician from September 1978 to May 1986, and was an engineer of the Third Geology Survey Team in Yunnan Province from June 1986 to December 2006. He also held the position of senior engineer in the Yunnan Provincial Geological Survey Institute from January 2007 to December 2008. Mr. Hong has been appointed as the director of the production technology department of the Mining Company since June 2010.

Mr. Bai Youmin (柏有民), age 48, graduated from the Guangxi Guilin Metallurgy Engineering School (廣西桂林冶金學院) in 1985, majoring in Mining. He worked for Baoshan Feilong Nonferrous Metals Company as the chief of division from 2003 to 2008 and he also held the position of mining manager of Chifeng Sanxiang Mining in Inner Mongolia, the PRC from 2008 to 2011. Mr. Bai has been appointed as the mining manager of the Mining Company since May 2011.

Mr. Wang Ruozhou (王若舟), age 44, studied in the Baotou Iron and Steel Institute (包頭鋼鐵學院) from 1987 to 1990, majoring in Accounting. He worked in the Yaohe Gold Mine of Henan Gold Construction and Installation Company from July 1990 to December 1993. Mr. Wang was the chief of finance in the Yaohe Gold Mine of Henan Gold Construction and Installation Company from December 1993 to April 1995, the chief accountant of Henan Gold Construction and Installation Company from May 1995 to December 2008, and the financial director of Henan Gold Construction and Installation Company from January 2009 to December 2010. Mr. Wang has been appointed as the director of the financial department of the Mining Company since January 2011.

Mr. Zhou Jicheng (周繼成), age 55, graduated from the Fuzhou Institute of Geology (撫州地院) in 1974, with a degree in Mining Geology. He held the positions of technician, assistant engineer and engineer successively in the military from April 1976 onwards. Mr. Zhou has been appointed as the general manager assistant and the director of the mining department of the Mining Company since March 2011.

INFORMATION ON THE MINES

(the below information is extracted from the Technical Report as contained in Appendix V to this circular and according to the management of the Mining Company)

Project overview

The Mines include Mine I and Mine II. The Mines are located in 雲南省普洱市鎮沅縣和平鄉 (Heping Town, Zhenyuan County, Yunan Province, the PRC*) and are accessible by several quality asphalt roads and highways which allow access to Kunming City via Shuitang of Yunan Province. Mine I covers an area of around 2 km^2, with total gold resource of 412,000 troy ounces (12.8 t) and average grade of 2.1 g/t grade in compliance with the JORC Code. Mine II, located approximately 15 kilometers northwest of Mine I, has a mining area of around 7 km^2 and total JORC compliance gold resource of 1,280,000 troy ounces (39.8 t) with average grade of 3.0 g/t.

In addition to the Mining Licences, the project includes four licenced exploration areas in close vicinity with a total area of around 41 km^2. Due to the multiple stacked vein style of mineralisation, the Technical Adviser considers the exploration potential of the Mines to be excellent with high probability to increase the currently defined resources with additional drilling and/or trenching.

Two processing plants will be built for the project. The No. 1 processing plant, with planned capacity of approximately 450 t per day (135 kilotonnes per annum), is scheduled to commence production in December 2012 and the No. 2 processing plant, with designed capacity of approximately 1,500 t per day (450 kilotonnes per annum), is scheduled to commence production in 2013, bringing the total production capacity to nearly 600 kilotonnes per annum by the end of 2013. Further production ramp-up plan is under design.

Given the forecasted cash inflow from the turnover and other income generated from the existing gold mines of the Group as well as the Target Group, the Directors expected that the Group would be able to meet the funding requirements for the Acquisition and business operations of the Target Group in the future.

Reserve, resource and exploration potential estimates

The predominant reserves and resources at the Mines are gold, and the reserve and resource estimates of gold of the Mines in compliance with the JORC Code are as follows:

Reserve estimates of the Mines as at March 2012

The Mines	**Category**	**Quantity** *(000's t)*	**Au** *(g/t)*	**Au metal** *(t)*
	Proved and Probable	4,117	2.9	12.4
Total		**4,117**	**2.9**	**12.4**

Note: As extracted from the Technical Report, the resource estimates of the Mines as illustrated in the below table are inclusive of, and not additional to, the mineral resources modified to produce the reserve estimates as illustrated in the above table.

Resource estimates of the Mines as at March 2012 reported using 0.5 g/t Au cut-off grade for the mineralisation inside the proposed open pits and 0.8 g/t Au cut-off grade for the mineralisation outside the proposed open pits

The Mines	**Category**	**Quantity** *(000's t)*	**Au** *(g/t)*	**Au metal** *(t)*
	Indicated	4,571	3.4	15.4
	Inferred	14,818	2.5	37.3
Total		**19,389**	**2.7**	**52.7**

Furthermore, the mineral exploration potential estimates of the Mines based on the available drilling data and the known continuity of mineralisation are as follows:

Quantity (metric t)		Grade (g/t Au)		Au metal (t)	
Minimum	**Maximum**	**Minimum**	**Maximum**	**Minimum**	**Maximum**
350,000	750,000	2.8	5.5	1.0	4.2

History of exploration

There is a long history of exploration at the Mines dating back to the 1950s. The tables below summarise details pertaining to the historical exploration of the Mines:

Mine I

Year	Activity
1987-1993	Surface and shallow depth preliminary prospecting
1996-1998	Geochemical soil survey, trenching and shallow shaft sampling programme
2003-2006	Surface drilling, trenching and shallow shaft sampling programme
2008-2009	Surface diamond drilling, trench sampling programme and underground channel sampling
2010-2011	Surface diamond drilling, trench sampling programme and underground channel sampling

Mine II

Year	Activity
1985-1988	Preliminary surface exploration activities
1989-1993	Surface diamond drilling programme
1995	Submission of detailed geology report and resource/reserve estimate
2008-2010	Surface diamond drilling, trench sampling programme and underground channel sampling
2010-2011	Surface diamond drilling, trench sampling programme and underground channel sampling

Mining and project development

Small scale open pit and underground mining activities have been undertaken at the Mines.

The Mines are currently in the development phase. Construction of a number of key infrastructure and auxiliary support networks at the Mines has started in 2011 and is on-going with the aim of commencing ore mining at the Mines in December 2012. Two mineral processing plants, the conventional pyrite flotation plants and the plant for treating blended gold-bearing sulphide ores from the Mines are planned to be built.

Set forth below is the expected development timeline of the Mines:

Item		**2012**	**2013**
Mine I	Open cut Underground	Stripping until November Stope access development until November	
Mine II	Open cut Underground	Stripping until November Stope access development until November	
No. 1 Processing plant		Under construction until December	
No. 2 Processing plant			Construction from January to June
Tailing storage		Under construction until November	
Heap leaching pads		Completed	

Production schedule

Conventional open cut mining method is applicable for mining near the surface mineralisation at the Mines. The Mine I open cut mine is expected to close in 2013 while the Mine II open cut mine is expected to close in 2015. However, as aforementioned, the reserve estimates at the Mines are larger and the mine life is likely to extend as illustrated below:

Item	**Units**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Mine I							
ROM ore	’000s t per annum	30	30	25			
ROM grade	Au (g/t)	1.5	1.5	2.2			
Mine II							
ROM ore	’000s t per annum	100	100	100	100	100	35
ROM grade	Au (g/t)	2.1	1.7	3.7	3.0	1.7	1.7
Total	**’000s t per annum**	**130**	**130**	**125**	**100**	**100**	**35**
	Au (g/t)	**2.0**	**1.7**	**3.4**	**3.0**	**1.7**	**1.7**

Underground mining methods, specifically sub-level open stoping, underhand cut-and-fill stoping and shrink stoping, are applicable for mining the deeper mineralisation at the Mines. The possible production rates for the first five years of operation of the Mines are illustrated as follows:

Item	**Units**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
Mine I										
ROM ore	'000s t per annum		110	110	115	140	140	7		
Rom grade	Au (g/t)		1.9	1.9	1.9	1.9	1.9	1.9		
Mine II										
ROM ore	'000s t per annum	75	120	360	360	360	360	425	460	415
ROM grade	Au (g/t)	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3
Total	**'000s t per annum**	**75**	**230**	**470**	**475**	**500**	**500**	**432**	**460**	**415**
	Au (g/t)	**3.3**	**2.6**	**3.0**	**3.0**	**2.9**	**2.9**	**3.3**	**3.3**	**3.3**

Operating and capital costs

The following tables present the estimated operating costs of the Mines using the open cut and underground mining methods respectively:

Open cut mining method

Cost item	Unit	All years
Mining	RMB/ROM t	**59**
Raw material	RMB/ROM t	23
Fuel and power	RMB/ROM t	20
Salary	RMB/ROM t	16
Processing (heap leaching)	RMB/ROM t	**39**
Raw material	RMB/ROM t	13
Fuel and power	RMB/ROM t	23
Salary	RMB/ROM t	4
Maintenance	RMB/ROM t	**27**
General and administration	RMB/ROM t	14
Total operating cash costs	RMB/ROM t	**139**
Mineral resources compensation fee	RMB/ROM t	34
Safety fee	RMB/ROM t	4
Re-simple production fee	RMB/ROM t	18
Total cash costs	RMB/ROM t	**195**
Depreciation	RMB/ROM t	17
Total production costs	**RMB/ROM t**	**212**

Underground mining method

Cost item	Unit	All years
Mining	RMB/ROM t	**86**
Raw material	RMB/ROM t	30
Fuel and power	RMB/ROM t	25
Salary	RMB/ROM t	31
Processing (floatation)	RMB/ROM t	**61**
Raw material	RMB/ROM t	26
Fuel and power	RMB/ROM t	27
Salary	RMB/ROM t	8
Maintenance	RMB/ROM t	**25**
General and administration	RMB/ROM t	**14**
Total operating cash costs	RMB/ROM t	**185**
Mineral resources compensation fee	RMB/ROM t	34
Safety fee	RMB/ROM t	8
Re-simple production fee	RMB/ROM t	18
Total cash costs	RMB/ROM t	**245**
Depreciation	RMB/ROM t	17
Total production costs	RMB/ROM t	**262**

As for capital costs, the open cut capital costs consist of stripping, mining, equipment and heap leach pad preparation; whereas the underground capital costs include construction, underground development, design and equipment. The processing capital costs include construction, design and equipment. Almost 65% of the capital costs are scheduled to occur in 2012 which aligns with the planned production ramp up from 2012 to full production in 2014.

The following table presents the estimated capital costs of the Mines:

Item		Unit	2012	2013	2014	2015	2016	Total
Mine I	Open cut	million RMB	1	0	0	0	0	1
	Underground	million RMB	11	0	0	1	0	12
Mine II	Open cut	million RMB	1	1	0	0	0	2
	Underground	million RMB	47	0	12	3	1	63
Processing plants		million RMB	35	33	0	0	0	68
Tailing storage		million RMB	13	23	0	0	0	36
Land use right		million RMB	23	0	0	0	0	23
Initial working capital		million RMB	9	0	0	0	0	9
Total		**million RMB**	**140**	**57**	**12**	**4**	**1**	**214**

The Gold Mining Approvals, the Mining Licences and the Exploration Rights

At present, the Mining Company has obtained two Gold Mining Approvals, two Mining Licences in respect of the Mines and four Exploration Rights.

The Gold Mining Approvals

Details of the Gold Mining Approvals are summarised as below:

Approval number	Mine	Production scale *(t per annum)*	Expiry date
批准證國金字(2009)第064號《開採黃金礦產批准書》	Mine I	50,000	19 June 2012 *(Note)*
批准證國金字(2009)第065號《開採黃金礦產批准書》	Mine II	50,000	19 June 2012 *(Note)*

The Mining Licences

Details of the Mining Licences are summarised as below:

Licence number	Mine	Area of mine field approximately *(km²)*	Production scale *(t per annum)*	Expiry date
C5300002008124120001573	Mine II	7.0817	140,000	20 June 2022
C5300002008124120001574	Mine I	2.0002	45,000	2 February 2015

The Exploration Rights

Details of the Exploration Rights are summarised as below:

Exploration Rights number	Area of mine field approximately *(km²)*	Expiry date
T53120090602030752	16.03	21 September 2013
T53120090202023968	7.05	19 March 2013
T53120080902014850	2.48	19 July 2013
T53120090202023908	15.00	22 February 2012 *(Note)*

Note: In the process of renewal

As depicted by the above tables, the Gold Mining Approvals and one of the Exploration Rights which are held by the Mining Company have expired. As advised by the PRC legal advisers to the Company, the Mining Company has already applied for extension of the Gold Mining Approvals and the said Exploration Rights and there shall be no foreseeable legal obstacle in relation to such application. Pursuant to the Sale and Purchase Agreement, the Vendor undertakes that the Mining Company shall complete all of such application before the Completion Date.

According to the PRC legal advisers to the Company, the renewal of the Gold Mining Approvals, which requires approval by the Department of Land and Resources of Yunnan Province, is currently pending the issue of certificate by the Ministry of Land and Resources, which is expected to be issued by the end of November 2012, and the Exploration Rights are expected to be renewed by the end of October 2012. Save for the Gold Mining Approvals and one of the Exploration Rights, the Mining Company obtains all licences, permits and government approvals for conducting its existing business and operations in the PRC. Moreover, the existing business and operations of the Mining Company shall not be affected during the course of the aforesaid extension of the Gold Mining Approvals and Exploration Rights.

INDUSTRY OVERVIEW

The most common uses of gold are as a commodity and a monetary asset. Thus, the demand for gold can be divided into two categories: fabrication and investment.

Fabrication of jewelry is the most significant purpose of gold as a commodity. Other fabrication demands include the production of electronics, dental products, as well as many other industrial products due to its superior electrical conductivity, resistance to corrosion, malleability and ductility. The total fabrication (including jewelry, industrial and dental) demand for gold accounted for approximately 53.0% of the global gold demand in 2011. However, the gold demand for jewelry, industrial and dental purposes had fallen by approximately 19.6% from approximately 3,020.0 t in 2002 to approximately 2,426.6 t in 2011 while the aggregate global gold demand had increased by approximately 61.9% from 2002 to 2011. Such increase was mainly attributable to the surge in the demand for investment purpose (including total bar and coin demand, ETF and similar products), and official sector purchases.

Gold is both a liquid investment and a risk management tool during economic instability. Investment demand of gold is a function of the current and anticipated value of gold relative to other investments, such as cash, fixed interest securities, equities and properties. The gold demand for investment purpose (including total bar and coin demand and ETF and similar products) in 2011 was approximately 1,689.7 t, accounting for approximately 36.9% of the global gold demand in 2011, representing an increase of approximately 380.0% since 2002. The increase in gold demand for investment purpose was mainly driven by the surge in the demand for bars and coins. Coupled with the concerns on inflation and the continuous fluctuations of the world economy, the unique investment characteristics of gold provide the much needed value preservation and protective features which are what central banks around the world are looking for.

Set out below is the global gold demand by purposes in 2002 and 2011:

Type of demand	**2002**	**2011**
	(t)	*(t)*
Jewelry	2,662.0	1,973.9
Industrial and dental	358.0	452.7
Investment (including total bar and coin demand and ETF and similar products)	352.0	1,689.7
Official sector purchases	(547.0)	457.9
Total	2,825.0	4,574.2

Source: World Gold Council

The possible increase in gold demand around the world will drive up the gold prices, which will benefit the gold mining industry as both production and selling prices rise. The PRC was the second largest gold consumer in the world in 2011. The PRC's demand for gold is on an increasing trend, with gold demand growing by a compound annual growth rate of approximately 16.0% from 2002 to 2011. The annual gold demand of the PRC for investment purpose totaled approximately 258.9 t in 2011, representing an increase of approximately 38.0% over the previous year.

According to the statistics released by World Gold Council in August 2012, the gold reserves of the PRC amounted to approximately 1,054.1 t, ranking the sixth in the world. Countries and organisations which held over 1,000 t of gold reserves were the United States, Germany, the International Monetary Funds, Italy, France, the PRC and Switzerland. The official world gold reserves were approximately 31,353.4 t and the United States of America held approximately 8,133.5 t of gold, representing approximately 25.9% of the total gold reserves in the world. However, the total gold reserve value in the PRC represented only approximately 1.6% of its total foreign reserve. The potential growth of market demand for gold will be an important factor for driving the rapid growth of domestic gold enterprises in the PRC.

Set out below is the gold spot price in US$ from 2 September 2002 to 31 August 2012:

Source: World Gold Council

The price chart above shows a general rising trend in the spot price of gold during the past ten years. The gold spot price increased from US$312.0 per ounce on 2 September 2002 to US$1,648.5 per ounce on 31 August 2012, representing an increase of more than fourfold. It is noted that 2011 witnessed the uncertainties of economic prospects in the United States of America, the lingering concerns over the European sovereignty debt, the pressure of global inflation and the impact of geopolitical crisis. As a result, risk aversion and investment demand propelled the gold price to rise further, maintaining its upward trend for the past ten years. Having considered the aforementioned factors, the Board is optimistic on the gold price in the future.

REASONS FOR THE ACQUISITION

The Group is principally engaged in the mining, processing of gold ores and sale of gold products. The Group from time to time actively explores the opportunity to acquire quality and efficient gold mine in the PRC in order to expand its gold mineral assets. The Directors consider that the Acquisition is in line with the business strategy of the Group to develop in the gold mining industry with an aim of broadening its income base and enhancing the its future financial performance and profitability.

Due to the above reasons, the Board is of the view that the terms of the Sale and Purchase Agreement are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY

For illustrative purpose only, set out below is a summary of the shareholdings in the Company (i) as at the Latest Practicable Date; (ii) immediately after the allotment and issue of the Consideration Shares; and (iii) immediately after the allotment and issue of the Consideration Shares, the conversion of the existing convertible notes of the Company and the exercise of the subscription rights attaching to the existing warrants of the Company:

	As at the Latest Practicable Date		Immediately after the allotment and issue of the Consideration Shares		Immediately after the allotment and issue of the Consideration Shares, the conversion of the existing convertible notes of the Company and the exercise of the subscription rights attaching to the existing warrants of the Company *(Note 7)*	
	No. of Shares	*%*	*No. of Shares*	*%*	*No. of Shares*	*%*
Aswell Group Limited *(Note 1)*	278,148,670	7.98	278,148,670	6.39	278,148,670	5.97
Mr. Lam Cham *(Note 1)*	7,400,000	0.21	7,400,000	0.17	7,400,000	0.16
Dr. Dai Xiaobing *(Note 2)*	11,000,000	0.32	11,000,000	0.25	11,000,000	0.24
Mr. Zhang Shuguang *(Note 3)*	10,300,000	0.30	10,300,000	0.24	10,300,000	0.22
Lead Pride Holdings Limited *(Note 4)*	190,282,000	5.46	190,282,000	4.37	190,282,000	4.08
Mr. Chang Yim Yang *(Note 4)*	19,172,000	0.55	19,172,000	0.44	19,172,000	0.41
Professor Wong Lung Tak, Patrick *(Note 5)*	800,000	0.02	800,000	0.02	800,000	0.02
Chan Kin Sang *(Note 5)*	800,000	0.02	800,000	0.02	800,000	0.02
The Vendor *(Note 6)*	—	—	867,106,382	19.93	867,106,382	18.61
Holder(s) of the convertible notes	—	—	—	—	59,523,809	1.28
Holder(s) of the warrants	—	—	—	—	249,942,856	5.36
Public Shareholders	2,965,718,263	85.14	2,965,718,263	68.17	2,965,718,263	63.63
Total	**3,483,620,933**	**100**	**4,350,727,315**	**100**	**4,660,193,980**	**100.00**

Notes:

1. Aswell Group Limited is a company incorporated in the British Virgin Islands with limited liability and is beneficially owned as to approximately 29.4% by Mr. Lam Cham. Mr. Lam Cham is an executive Director.

2. Dr. Dai Xiaobing is the co-chairman of the Company.

3. Mr. Zhang Shuguang is the chief executive officer of the Company and an executive Director.

4. Lead Pride Holdings Limited is a company incorporated in the British Virgin Islands with limited liability and is wholly owned by Mr. Chang Yim Yang. Accordingly, Mr. Chang Yim Yang is taken to be interested in the Shares held by Lead Pride Holdings Limited. Apart from his indirect interests through Lead Pride Holdings Limited, Mr. Chang also directly and beneficially holds 19,172,000 Shares. Mr. Chang Yim Yang is an executive Director.

5. Professor Wong Lung Tak, Patrick and Mr. Chan Kin Sang are independent non-executive Directors.

6. To the best of the Directors' knowledge, the Vendor does not have any relationship with the others Shareholders.

7. As at the Latest Practicable Date, the Company had (i) convertible notes in the outstanding principal amount of HK$125 million with conversion price of HK$2.10, being convertible into a maximum of 59,523,809 Shares; and (ii) 249,942,856 warrants granted pursuant to the warrant subscription agreement dated 5 May 2010 with subscription prices of HK$2.60 and HK$3.20, 22 August 2011and 12 June 2012 with subscription price of HK$2.10.

8. As at the Latest Practicable Date, the Company had 324,100,000 outstanding employee share options, with subscription price of HK$1.51, carrying rights to subscribe for 97,230,000, 129,640,000, and 97,230,000 Shares with subscription dates being 24, 36, 48 months from 28 October 2011 respectively. The shareholding structure shown in the above table has assumed no exercise of such share options.

Given the terms and conditions of the Sale and Purchase Agreement, the shareholding of the Vendor would not exceed 30% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares. The Vendor also undertakes to the Company under the Sale and Purchase Agreement that it and its associates shall not nominate or appoint any person as Director(s) within 12 months from the Completion Date. Accordingly, there will not be a change in control of the Company as a result of the Acquisition.

The Company shall comply with the public float requirements under Rule 8.08 of the Listing Rules, being that not less than 25% of the total issued share capital of the Company are held by the public at all times and the Company shall take appropriate steps/measures to ensure sufficient minimum public float of the Shares (if necessary).

POSSIBLE FINANCIAL EFFECTS OF THE ACQUISITION

Upon Completion, the financial results of the Target Group will be fully consolidated into the financial statements of the Group.

Effect on assets/liabilities

As extracted from the interim results announcement of the Company for the six months ended 30 June 2012 (the "**Results Announcement**"), the consolidated total assets and total liabilities of the Group were approximately HK$7,030 million and HK$3,044 million respectively as at 30 June 2012. With reference to the unaudited pro forma financial information on the Enlarged Group as contained in Appendix IV to this circular, the Enlarged Group's total assets and total liabilities would be increased to approximately HK$8,830 million and HK$3,621 million respectively upon Completion.

Effect on earnings

In light of the potential future prospects of the Mines, the Directors are of the view that the Acquisition would likely to have a positive impact on the future earnings of the Enlarged Group.

Effect on gearing

As extracted from the Results Announcement, the Group's gearing level (being calculated as total liabilities (excluding deferred tax liabilities) over total assets) was approximately 33.5% as at 30 June 2012. Upon Completion, according to the unaudited pro forma financial information on the Enlarged Group as contained in Appendix IV to this circular, the total liabilities (excluding deferred tax liabilities) of the Enlarged Group would be increased to approximately HK$2,931 million while the Enlarged Group's total assets would be increased to approximately HK$8,830 million. The Enlarged Group's gearing level would thus become approximately 33.2% upon Completion.

It should be noted that the aforesaid estimations are for illustrative purpose only and do not purport to represent how the financial position of the Enlarged Group will be after the Completion.

RISK FACTORS

Set out below are the risk factors which may be associated with the Acquisition:

Fluctuation in the price and demand of gold

The price of gold in the PRC is highly influenced by the price of gold in the international market. The Directors consider that there are many factors that may influence the price and demand of gold in the international market, including but not limited to the stability of the international economic situation and the fluctuation of the global political and social condition, all of which are beyond the control of the Enlarged Group. Moreover, there is a possibility that the prices of commodities may fall to lower levels and the future price movement of gold (whether upward or downward) are unpredictable at this moment.

Uncertainties in gold exploitation

The amounts of gold resources/reserves at the Mines as at March 2012 may vary from the estimation from the Technical Report because a number of assumptions on the principal factors and variables may to deviate from the actual conditions of the Mines. Furthermore, there is no assurance that the exploitation work to be performed by the Enlarged Group can lead to discovery of economically feasible resources/reserves.

The PRC government regulations on the gold mining industry

The gold mining industry is subject to various government policies and regulations, including but not limited to exploitation, development, production, taxation, labour standard, vocational health and safety, waste treatment, environment monitoring, protection and control, operation management and other issues. Any changes to those policies may increase the operating costs of the Mining Company and hence, adversely affect the operating results of the Enlarged Group.

There is no assurance that the Target Group will be able to comply with all government policies and regulations that are adopted or amended in the future. Failure to comply with such laws and regulations could lead to punitive governmental measures, including forced suspension of operations, which may have a material adverse effect on the financial condition and results of the Target Group.

Validity and renewal of the Gold Mining Approvals and the Mining Licences

Despite the fact that the Mining Company has obtained the Gold Mining Approvals and the Mining Licences for conducting exploitation activity at the Mines during the licenced period, the Gold Mining Approvals and the Mining Licences are subject to renewal in the future and the Mining Company may not be able to renew or extend its exploitation right. In the event that the Mining Company fails to renew the Gold Mining Approvals and/or the Mining Licences upon expiration, the operations and financial performance of the Enlarged Group will be adversely affected.

The valuation on the Target Group

The valuation of the Target Group based on the Valuation Report involves various assumptions and therefore may or may not effectively reflect the true value of the Target Group.

In addition, the Market Valuation which involves various assumptions may or may not effectively reflect the true value of the Mines given that:

(i) the Market Valuation has taken into account the estimated inferred resources of the Mines which are estimated with a low level of confidence and constituting approximately 76.42% of the total amount of resources of the Mines;

(ii) the assumed rate of ore production and mine life duration applied in the Market Valuation are more than the annual ore output and mine life as shown in the Technical Report; and

(iii) the Enlarged Group may not be able to expand the production capacity of the Mines to ascertain the assumed annual production rate of 750,000 metric t under the Market Valuation.

Production safety and environmental protection

As a company engaging in mining and processing in the PRC, production safety and environmental protection are crucial areas affecting the operations of the Mining Company. The PRC government continues to strengthen the enforcement of safety and environmental protection regulations in relation to the mining industry. No assurance can be given that more stringent laws, regulations or policies in these two respects will not be implemented or that the existing laws, regulations or policies will not be more stringently enforced. Should the Mining Company fail to comply with any production safety as well as environmental protection laws or regulations, it would be required to rectify those problems within a limited period, failing to do so will result in suspension of operations. In addition to rectification or operation suspension, fines may also be imposed in accordance with the PRC laws.

Reliance on senior management and technical staff

In the event that members of the senior management or technical staff cease to serve the Target Group or fail to perform their duties as expected in the future, or the Enlarged Group is unable to recruit and train up key and management personnel and technical staff, the Target Group's operations may be materially adversely affected.

Significant and continuous capital investment

The mining business requires significant and continuous capital investment. Natural resources production projects may not be completed as originally planned or scheduled, may exceed the original budgets and may not achieve the intended economic results or commercial viability. Thus, the actual capital investment for operations and development of the Mining Company may significantly exceed the Enlarged Group's budgets because of factors beyond the Enlarged Group's control.

Operation risks

The Mining Company's mining/exploration business is subject to a number of risks and hazards, including environmental pollution, accidents or spills, industrial and transportation accidents, unexpected labour shortages and compensatory claims, disputes or strikes, cost increases for contracted and/or purchased goods and services, shortages of required materials and supplies, electrical power interruptions, mechanical and electrical equipment failure, changes in the regulatory environment, natural phenomena such as inclement weather conditions, floods, earthquakes, pit wall failures, tailings dam failures and cave-ins, parallel structure unusual or unexpected climatic conditions which may or may not result from global warming, parallel structure unusual or unexpected geological conditions.

The occurrence of the above risks and hazards may disrupt or result in a suspension of operations of the Mining Company, increase production costs, result in liability to the Mining Company and/or harm its reputation. Such risks and hazards may also result in a breach of the conditions of its mining licences and exploration rights, or any other consents, approvals or authorisations, with consequent exposure to enforcement procedures or even possible revocation of its mining licences and/or exploration rights. Any one or a combination of the factors above may materially and adversely affect the financial condition and results of operations of the Mining Company.

The Acquisition will increase the level of risk exposure of the Enlarged Group. Shareholders should be aware of the aforementioned risk factors, which may not be exhaustive, when considering the Acquisition.

IMPLICATION UNDER THE LISTING RULES

As one of the applicable percentage(s) ratio (as defined under the Listing Rules) in respect of the Acquisition is more than 25% but less than 100%, the Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements under the Listing Rules.

The EGM will be held to consider and, if thought fit, pass the ordinary resolutions to approve the Sale and Purchase Agreement and the transactions contemplated thereunder, including the allotment and issue of the Consideration Shares under the specific mandate. As at the Latest Practicable Date. Mr. Deng Baicheng held 100,000,000 Shares. Mr. Deng Baicheng is also one of the shareholders of the Vendor and has material interest in the Sale and Purchase Agreement, therefore Mr. Deng Baicheng and his associates will be required to abstain from voting at the EGM in respect of the ordinary resolutions relating to the Sale and Purchase Agreement and the transactions contemplated thereunder, including the allotment and issue of the Consideration Shares under the specific mandate.

EGM

A notice convening the EGM to be held at Kennedy Room, Level 7, Conrad Hotel, Pacific Place, 88 Queensway, Hong Kong on Friday, 12 October 2012 at 11:00 a.m. or any adjournment is set out from pages 342 to 343 of this circular.

A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the meeting in person, you are requested to complete and return the accompanying form of proxy to the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited at Room 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time for holding the EGM or adjourned meeting (as the case may be). Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM should you so wish.

RECOMMENDATION

The Board considers that the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder, including the allotment and issue of the Consideration Shares, are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the relevant ordinary resolutions to be proposed at the EGM.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

By order of the Board
China Precious Metal Resources Holdings Co., Ltd.
LAM Cham
Chairman

A. THREE-YEAR FINANCIAL INFORMATION

The financial information of the Group (i) for the six months ended 30 June 2012 is disclosed in the 2012 interim results announcement published on 24 August 2012; (ii) for the year ended 31 December 2011 is disclosed in the annual report of the Company for the year ended 31 December 2011 published on 24 April 2012, from pages 40 to 157; (iii) for the year ended 31 December 2010 is disclosed in the annual report of the Company for the year ended 31 December 2010 published on 19 April 2011, from pages 39 to 153; and (iv) for the year ended 31 December 2009 is disclosed in the annual report of the Company for the year ended 31 December 2009 published on 29 April 2010, from pages 27 to 105; all of which have been published on the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (http://cpm.etnet.com.hk).

B. INDEBTEDNESS STATEMENT

At the close of business on 31 July 2012, being the latest practicable date for the purpose of preparing this indebtedness statement prior to the printing of this circular, the Enlarged Group had the following indebtedness:

	Note	*HK'000*
The Group		
Bank & other borrowings		
— secured	*(a)(i)&(iii)*	1,847,422
— unsecured	*(a)(ii)&(iii)*	97,976
		1,945,398
Convertible bonds	*(b)*	125,000
		2,070,398
The Target Group		
Secured bank loan	*(c)*	6,124
		2,076,522

Notes:

(a) (i) The bank and other borrowings are secured by certain intangible assets of mining rights, fixed assets and construction in progress, inventories and bank deposits of the Group and share charge of certain subsidiaries of the Group, the personal guarantees given by certain executive directors of the Company and the Company's shares held by certain individual shareholders.

(ii) The unsecured bank and other borrowings are guaranteed by certain subsidiaries of the Group, a related party and two independent third parties, except for the amount of HK$24,494,000 which is unguaranteed.

(iii) The above bank and other borrowings are interest-bearing and based on the Group's principal outstanding balances as at 31 July 2012.

(b) As at 31 July 2012, the Group had convertible notes with an aggregate principal amount of HK$125,000,000. The convertible notes entitle the holders to convert the notes into ordinary shares of the Company at the conversion price of $2.1 per share at any time up to the third anniversary date from the date of issue of the convertible notes. The convertible notes bear interest at 6% per annum.

(c) The bank loan is interest-bearing and secured by the Target Group's fixed assets.

Litigations

As at 31 July 2012, no member of the Enlarged Group was engaged in any litigation or claims of material importance known to the Directors to be pending or threatened against any member of the Enlarged Group.

Contingent liabilities

The Group and the Target Group did not have any contingent liabilities as at 31 July 2012.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Enlarged Group did not have outstanding at the close of business on 31 July 2012, any loan capital issued and outstanding or agreed to be issued, bank overdraft, loans or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, guarantees or other material contingent liabilities.

The Board has confirmed that, save as disclosed above, there has not been any material change in the indebtedness or contingent liabilities of the Enlarged Group since 31 July 2012.

Foreign currency amounts have been translated at the approximate exchange rates prevailing at the close of business on 31 July 2012.

C. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirmed that there had been no material adverse change in the financial or trading position of the Group since 31 December 2011, the date to which the latest published audited financial statements of the Group were made up.

D. WORKING CAPITAL STATEMENT

The Directors are of the opinion that, after due and careful enquiry, after taking into account the Enlarged Group's internal resources and the presently available banking facilities and in the absence of unforeseeable circumstances, the Enlarged Group, after the completion of the Acquisition, will have sufficient working capital for its present requirements for a period of twelve months from the date of this circular.

E. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

The Group currently owns and controls four operating mines in the Inner Mongolia, Yunnan and Henan provinces of the PRC. In order to further solidify its position as a dominant player among Hong Kong listing companies and to maintain its fast-paced growth, the Group will seek to acquire more gold mines in the PRC, specifically in Yunnan Province. Furthermore, the Group is exploring opportunities to expand its operations and to develop its professional image as a committed, fast growing, low cost, and highly efficient gold producer in the PRC.

The Directors consider the Acquisition and the future of the gold mining industry to be extremely auspicious. This promising outlook is abundantly evident under the sections headed "Industry overview" and "Reasons for the Acquisition" in the Letter from the Board and in the market statistics contained in the Valuation Report as included in Appendix VI to this circular. This favorable viewpoint is further enhanced by the PRC government's decision to implement a series of economic stimulus measures and various methods to stimulate the domestic demand and stabilise market conditions.

On a broader prospective, the Acquisition is consistent with the Enlarged Group's vision and will enable the Group to further establish its advantages in the gold mining business. The Acquisition will help the Enlarged Group to establish a strong footing in the gold mining business and further improve its financial performance.

The following is the text of the accountants' report on the Target Group, prepared for the purpose of incorporation in this circular, received from the reporting accountants of the Company, CCIF CPA Limited, Certified Public Accountants, Hong Kong.

CCIF
CCIF CPA LIMITED
陳葉馮會計師事務所有限公司
34/F The Lee Gardens
33 Hysan Avenue
Causeway Bay Hong Kong

24 September 2012

The Board of Directors
China Precious Metal Resources Holdings Co., Ltd.

Dear Sirs

We set out below our report on the financial information (the "Financial Information") of Sinowise Century Limited (the "Target Company") and its subsidiaries (hereinafter collectively referred to as the "Target Group") for the period from 3 June 2010 (date of incorporation of the Target Company's direct wholly-owned subsidiary, the HK Company (as defined below)) to 31 December 2010 and the year ended 31 December 2011 and the five months ended 31 May 2012 (the "Relevant Periods") for inclusion in the circular issued by China Precious Metal Resources Holdings Co., Ltd. (the "Company"), a company incorporated in the Cayman Islands with its shares listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") dated 24 September 2012 (the "Circular") in connection with the proposed acquisition of the 100% equity interest in the Target Company.

The Target Company was incorporated in the British Virgin Islands ("BVI") on 9 May 2011 with limited liability. It is engaged in investment holding. Its principal subsidiary, the Mining Company (as defined below), holds certain mining and exploration rights for gold mines located in Pu'er City, Yunnan, the People's Republic of China (the "PRC") and has not yet commenced gold mining and production activities during the Relevant Periods.

The Target Company has interests in the following subsidiaries during the Relevant Periods and as at the date of this report:

Name of subsidiary	Place and date of incorporation/ operations	Equity interest attributable to the Target Group As at 31 December 2010	2011	As at 31 May 2012	Issued and fully paid share/ registered capital	Principal activities
Fast Trend Investment Limited (弘捷投資有限公司) (the "HK Company") *(note 1)*	Hong Kong 3 June 2010	100%	100%	100%	HK$1	Investment holding
普洱恒益礦業有限責任公司 (Pu'er Hengyi Mining Co., Ltd.) (the "Mining Company") *(notes 2 and 3)*	The PRC 30 May 2008	—	100%	100%	RMB50,000,000	Not commence business

Notes:

1. A direct wholly-owned subsidiary of the Target Company.
2. An indirect wholly-owned subsidiary of the Target Company and a wholly-foreign owned enterprise established in the PRC.
3. The English name of the above PRC incorporated entity is for identification purpose only.

No statutory audited financial statements have been prepared for the Target Company since its date of incorporation as it was incorporated in a country where there is no statutory audit requirement. No statutory audited financial statements have been prepared for the HK Company since its date of incorporation as it has not commenced any business, except for investment holding of the Mining Company. For the purpose of this report, we have, however, reviewed all the relevant transactions of the Target Company and the HK Company during the Relevant Periods and carried out such procedures as we considered necessary for inclusion of the Financial Information of these companies in this report.

The statutory financial statements of the Mining Company were prepared in accordance with the relevant accounting principles and financial regulations applicable to the enterprises established in the PRC and were audited by certified public accountants registered in the PRC. The statutory financial statements for the year ended 31 December 2011 were audited by 雲南璽正會計師事務所有限公司 (Yunnan Xizheng Certified Public Accountants Company Limited).

For the purpose of this report, the sole director of the Target Company has prepared the consolidated financial statements of the Target Group for the Relevant Periods in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Underlying Financial Statements"). We have carried out an independent audit on the Underlying Financial Statements in accordance with Hong Kong Auditing Standards issued by HKICPA. We have examined the Underlying Financial Statements and have carried out such procedures as we consider necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information of the Target Group set out in this report has been prepared from the Underlying Financial Statements on the basis set out in note 2 to the Financial Information. No adjustments are considered necessary to the Underlying Financial Statements in preparing our report for inclusion in the Circular.

The Underlying Financial Statements are the responsibility of the sole director of the Target Company who approves the issue. The directors of the Company are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements to form an opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information together with the notes thereon gives, for the purpose of this report, a true and fair view of the state of affairs of the Target Group as at 31 December 2010 and 2011 and 31 May 2012 and of its results and cash flows for the Relevant Periods.

Without qualifying our opinion, we draw attention to note 2(b) to the Financial Information which indicates that the Target Group had net current liabilities of RMB13,717,000 as at 31 May 2012. The Financial Information has been prepared on a going concern basis, the validity of which is dependent on the continual financial support from the ultimate holding company of the Target Company which has agreed to provide continuing financial support to the Target Group so as to enable it to meet its debts and liabilities in full as and when they fall due, and its ability to generate adequate cash flows from its continuing operations. These conditions, along with other matters as set out in note 2(b) to the Financial Information, indicate the existence of material uncertainty which may cast a doubt about the ability of the Target Group to continue as a going concern.

The comparative consolidated income statement, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity of the Target Group for the five months ended 31 May 2011 together with the notes thereon have been extracted from the Target Group's unaudited financial information for same period (the "31 May 2011 Financial Information") which were prepared by the sole director of the Target Company solely for the purpose of this report. We conducted our review in accordance with the Hong Kong Standard on Review Engagements 2400 "Engagements to Review Financial Statements" issued by the HKICPA. A review consists of making inquires, primarily of persons responsible for financial and accounting matters, applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the 31 May 2011 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the 31 May 2011 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information, which conform with HKFRSs.

A. FINANCIAL INFORMATION

Consolidated income statements

	Note	Period from 3 June 2010 to 31 December 2010	Year ended 31 December 2011	Five months ended 31 May 2011	Five months ended 31 May 2012
		RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Turnover		—	—	—	—
Other revenue and other net income/(loss)	3	—	(4,289)	7	(1,067)
Administrative expenses		(13)	(12,884)	(3,740)	(5,552)
Other operating expenses		—	(13,990)	(3,987)	(7,642)
Loss from operations		(13)	(31,163)	(7,720)	(14,261)
Finance costs	4(a)	—	—	—	(116)
Loss before taxation	4	(13)	(31,163)	(7,720)	(14,377)
Income tax	5	—	—	—	—
Loss for the year/period		(13)	(31,163)	(7,720)	(14,377)
Attributable to owners of the Target Company	9	(13)	(31,163)	(7,720)	(14,377)

A. FINANCIAL INFORMATION *(Continued)*

Consolidated statements of comprehensive income

	Period from 3 June 2010 to 31 December 2010	Year ended 31 December 2011	Five months ended 31 May 2011	2012
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Loss for the year/period	(13)	(31,163)	(7,720)	(14,377)
Other comprehensive income/(loss) for the year/period				
Exchange differences on translation of financial statements of foreign operations	—	11,284	3,268	(1,784)
Total comprehensive loss for the year/period (net of tax)	(13)	(19,879)	(4,452)	(16,161)
Attributable to owners of the Company	(13)	(19,879)	(4,452)	(16,161)

A. FINANCIAL INFORMATION *(Continued)*

Consolidated statements of financial position

		As at 31 December		As at 31 May
		2010	2011	2012
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets				
Intangible assets	*10*	—	406,663	408,921
Fixed assets	*11*	—	24,639	25,704
Deposits paid for fixed assets	*12*	—	3,155	3,271
Other deposits	*13*	—	100	100
		—	434,557	437,996
Current assets				
Inventories	*14*	—	1,779	1,991
Other receivables, deposits and prepayments	*15*	—	6,586	7,315
Cash and cash equivalents	*16*	93	201	182
		93	8,566	9,488
Current liabilities				
Other payables	*17*	—	9,536	18,205
Amount due to a related party	*27(a)*	106	—	—
Bank loan	*18*	—	—	5,000
		106	9,536	23,205
Net current liabilities		(13)	(970)	(13,717)
Net (liabilities)/assets		(13)	433,587	424,279
Capital and reserves				
Share capital	*19*	—	—	—
Reserves	*19*	(13)	(19,892)	(36,053)
Equity loan from ultimate holding company	*20*	—	453,479	460,332
Total equity/(capital deficiency) attributable to owners of the Company		(13)	433,587	424,279

A. FINANCIAL INFORMATION *(Continued)*

Consolidated statements of changes in equity

	Share capital *RMB'000* *(Note 19(a))*	Exchange reserve *RMB'000* *(Note 19(b))*	Accumulated losses *RMB'000*	Equity loan from ultimate holding company *RMB'000* *(Note 20)*	Total *RMB'000*
At 3 June 2010	—	—	—	—	—
Change in equity:					
Total comprehensive loss for the period	—	—	(13)	—	(13)
At 31 December 2010	—	—	(13)	—	(13)
At 1 January 2011	—	—	(13)	—	(13)
Change in equity:					
Total comprehensive income/(loss) for the year	—	11,284	(31,163)	—	(19,879)
Equity loan from ultimate holding company	—	—	—	453,479	453,479
At 31 December 2011	—	11,284	(31,176)	453,479	433,587
At 1 January 2012	—	11,284	(31,176)	453,479	433,587
Change in equity:					
Total comprehensive loss for the period	—	(1,784)	(14,377)	—	(16,161)
Equity loan from ultimate holding company	—	—	—	6,853	6,853
At 31 May 2012	—	9,500	(45,553)	460,332	424,279
<u>Unaudited</u>					
At 1 January 2011	—	—	(13)	—	(13)
Change in equity:					
Total comprehensive income/(loss) for the period	—	3,268	(7,720)	—	(4,452)
Equity loan from ultimate holding company	—	—	—	139,413	139,413
At 31 May 2011	—	3,268	(7,733)	139,413	134,948

A. FINANCIAL INFORMATION *(Continued)*

Consolidated statements of cash flows

	Note	Period from 3 June 2010 to 31 December 2010 RMB'000	Year ended 31 December 2011 RMB'000	Five months ended 31 May 2011 RMB'000 (unaudited)	Five months ended 31 May 2012 RMB'000
Operating activities					
Loss before taxation		(13)	(31,163)	(7,720)	(14,377)
Adjustments for:					
Interest income	3	—	(10)	(2)	(1)
Gain on disposal of fixed assets	3	—	(56)	—	—
Depreciation of fixed assets	4(c)	—	1,210	338	742
Finance costs	4(a)	—	—	—	116
Operating loss before changes in working capital:		(13)	(30,019)	(7,384)	(13,520)
Increase in inventories		—	(907)	(1,220)	(212)
Increase in other receivables, deposits and prepayments		—	(4,396)	(2,017)	(729)
Increase/(decrease) in other payables		—	3,287	(2,097)	8,669
Net cash used in operating activities		(13)	(32,035)	(12,718)	(5,792)
Investing activities					
Acquisition of a subsidiary	23	—	(289,937)	—	—
Acquisition of intangible assets		—	(20,667)	(11,410)	(2,258)
Payment for purchase of fixed assets		—	(13,882)	(1,237)	(1,807)
Proceeds from disposal of fixed assets		—	271	—	—
Decrease/(increase) in deposits paid for fixed assets		—	274	(1,454)	(116)
Interest income		—	10	2	1
Net cash used in investing activities		—	(323,931)	(14,099)	(4,180)

A. FINANCIAL INFORMATION *(Continued)*

Consolidated statements of cash flows *(Continued)*

	Period from 3 June 2010 to 31 December 2010	Year ended 31 December 2011	Five months ended 31 May 2011	Five months ended 31 May 2012
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Financing activities				
Increase in equity loan from ultimate holding company	—	344,896	30,830	6,853
Increase/(decrease) in amount due to a related party	106	(106)	(106)	—
Proceeds from bank loan	—	—	—	5,000
Interest paid	—	—	—	(116)
Net cash generated from financing activities	106	344,790	30,724	11,737
Net increase/(decrease) in cash and cash equivalents	93	(11,176)	3,907	1,765
Cash and cash equivalents at beginning of year/period	—	93	93	201
Effect of foreign exchange rate changes	—	11,284	3,268	(1,784)
Cash and cash equivalents at end of year/period	93	201	7,268	182

B. NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Target Company was incorporated in the BVI on 9 May 2011 with limited liability. It is engaged in investment holding. Its principal subsidiary, the Mining Company, holds certain mining and exploration rights for gold mines located in Pu'er City, Yunnan, the PRC and has not yet commenced gold mining and production activities during the Relevant Periods.

The registered office and principal place of business of the Target Company are located at 263 Main Street, P.O. Box 2196, Road Town, Tortola, in the BVI and 中國雲南省普洱市思茅區思亭路105號 (105 Siting Road, Simao District, Pu'er City, Yunnan, the PRC), respectively.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The Financial Information have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The Financial Information also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Target Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Target Group. For the purposes of preparing the Financial Information, the Target Group has not applied any new and revised HKFRS that is not yet effective for the Relevant Periods. The adoption of these new and revised HKFRSs has no significant impact on the Financial Information. The revised and new accounting standards and interpretations issued but not yet effective for the Relevant Periods are set out in note 29.

B. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Basis of preparation of the Financial Information

The Financial Information during the Relevant Periods are prepared as if the current group structure had been in existence throughout the Relevant Periods or since the respective dates of incorporation of the relevant entity, where this is a shorter period. During the Relevant Periods, the Target Company and the HK Company were under the control by Mr. Deng Baicheng, Ms. Lau Kin Hung and Mr. Kam Chuen, who are substantial shareholders of Premium Wise Inc. ("Premium Wise"), the ultimate holding company of the Target Company. Accordingly, the Financial Information have been prepared as if the Target Company had been the holding company of the HK Company throughout the Relevant Periods in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by HKICPA.

As set out in note 23, on 3 March 2011, the HK Company acquired the 100% equity interest in the Mining Company from an independent third party. The acquisition of the Mining Company was accounted for as an asset acquisition using the purchase method.

The Financial Information comprise the financial information of the Target Company and its subsidiaries.

The measurement basis used in the preparation of the Financial Information is the historical cost basis. Items included in the Financial Information of each entity in the Target Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity. The functional currency of the Target Company and its subsidiary in Hong Kong is Hong Kong dollars ($) and that of its subsidiary in the PRC is Renminbi ("RMB"). For the purpose of presenting the consolidated financial statements, the Target Group has adopted RMB as its presentation currency.

The preparation of Financial Information in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

B. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Basis of preparation of the Financial Information *(Continued)*

Judgements made by management in the application of HKFRSs that have significant effect on the Financial Information and estimates with a significant risk of material adjustment in the next year are discussed in note 25.

In preparing the Financial Information, the Target Company's sole director has considered the future liquidity of the Target Group. The Target Group had net current liabilities of RMB13,717,000 as at 31 May 2012. These conditions indicate the existence of material uncertainties which may cast a doubt about the ability of the Target Group to continue as a going concern. Nevertheless, the Target Company's sole director is of the opinion that the Target Group will be able to finance its working capital and financial requirements given that:

(i) the ultimate holding company of the Target Company has agreed to provide financial support to the Target Group so as to enable it to meet its debts and liabilities in full as and when they fall due; and

(ii) based on a cash flow forecast prepared by the Target Company's management for the twelve months ending from the date of approval of this report, the Target Group will be able to generate adequate cash flows from its continuing operations.

Accordingly, the Target Company's sole director is of the opinion that the Target Group is appropriate to prepare the Financial Information on a going concern basis. The Financial Information have not reflected any effects of adjustments if the Target Group was unable to continue to operate as a going concern.

(c) Subsidiaries

Subsidiaries are entities controlled by the Target Group. Control exists when the Target Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the Financial Information from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the Financial Information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

B. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) (i) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Target Group, liabilities incurred by the Target Group to the former owners of the acquiree and the equity interests issued by the Target Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair values, except that:

— a deferred tax asset or liability arising from the assets acquired and liabilities assumed in a business combination and the potential tax effects of temporary differences and carryforwards of an acquiree that exist at the acquisition date or arise as a result of acquisition are recognised and measured in accordance with HKAS 12 *Income Tax*;

— assets or liabilities relating to employee benefit arrangements are recognised and measured in accordance with HKAS 19 *Employee Benefits*;

— liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Target Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and

— assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

B. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) (i) Business combinations *(Continued)*

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or when applicable, on the basis specified in another HKFRS.

Where the consideration transferred by the Target Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39 *Financial Instruments: Recognition and Measurement*, or HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets,* as appropriate, with the corresponding gain or loss being recognised in profit or loss.

B. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) (i) Business combinations *(Continued)*

When a business combination is achieved in stages, the Target Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Target Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Target Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

(ii) Merger Accounting for Common Control Combinations

The Financial Information incorporate the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of comprehensive income, income statement includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

Financial Information during the Relevant Periods are presented as if the entities or businesses had been combined at the beginning of the reporting period or when they first came under common control, whichever is shorter.

B. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Intangible assets

(i) Mining rights

Mining rights with definite useful lives are carried at cost less accumulated amortisation and any accumulated impairment loss (see note 2(i)(ii)). Amortisation is provided using the unit of production method based on the actual production volume over the estimated total proved and probable reserves of the gold mines.

(ii) Exploration rights and assets

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

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

When it can be reasonably ascertained that an exploration property is capable of commercial production, exploration and evaluation costs capitalised are transferred to either mining infrastructure or mining rights and depreciated or amortised by the unit of production method based on the estimated total proved and probable mineral reserves. Costs incurred for exploration which can be directly attributable to the development of mining infrastructure are transferred to mining infrastructure when the exploration reaches the stage of commercial production. All other costs will be transferred to mining rights. Exploration rights and assets are written off to profit or loss if the exploration property is abandoned.

(f) Fixed assets

Fixed assets, other than construction in progress, are stated in the consolidated statements of financial position at cost less accumulated depreciation and impairment losses, if any (see note 2(i)(ii)).

When a lease includes both land and building elements, the Target Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Target Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease.

B. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Fixed assets *(Continued)*

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as interests in leasehold lands held for own use under operating leases and included in fixed assets in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

The cost of self-constructed items of fixed assets includes the cost of materials, direct labour, the initial estimate, where relevant, of the cost of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowings costs (see note 2(s)).

Gains or losses arising from the retirement or disposal of an item of fixed assets are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of fixed assets, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

—	Buildings situated on leasehold land are depreciated on a straight-line basis over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of completion	
—	Machinery and equipment	10 years
—	Furniture and office equipment	3 years
—	Motor vehicles	4 years

Depreciation of mining structures is provided to write off the cost of the mining structures using the unit of production method based on the actual production volume over the estimated total proved and probable reserves of the gold mines.

Where parts of an item of fixed assets have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Construction in progress represents buildings, mining structures and plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is stated at cost less any identified impairment loss. Cost comprises construction expenditure and other direct costs attributable to such projects, if the amount of capital expenditures and the time involved to complete the construction are significant. Construction in progress is classified to the appropriate category of fixed assets when completed and ready for its intended use.

No depreciation is provided in respect of construction in progress until it is substantially complete and ready for its intended use.

B. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Target Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Target Group

Assets held by Target Group under leases which transfer to the Target Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Target Group are classified as operating leases, with the following exceptions:

— Land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Target Group, or taken over from the previous lessee.

(ii) Assets acquired under finance leases

Where the Target Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset or, if lower, the present value of the minimum lease payments of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Target Group will obtain ownership of the asset, the life of the asset, as set out in note 2(f). Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(i)(ii). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each reporting period.

B. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Leased assets *(Continued)*

(iii) Operating lease charges

Where the Target Group has the use of assets under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are written off as an expense of the accounting period in which they are incurred.

The cost of acquiring leasehold land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property.

(h) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any write-down of inventories is recognised as reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(i) Impairment of assets

(i) Impairment of other receivables

Other receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Target Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

B. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Impairment of assets *(Continued)*

(i) Impairment of other receivables (Continued)

— a breach of contract, such as a default or delinquency in interest or principal payments;
— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and
— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, an impairment loss is determined and recognised as follows:

— For other receivables and other financial assets carried at amortised cost, impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

— If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment loss recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Target Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

B. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Impairment of assets *(Continued)*

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

— intangible assets;
— fixed assets;
— deposits paid for fixed assets; and
— other non-current deposits.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less cost to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying amount of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

B. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Impairment of assets *(Continued)*

(ii) Impairment of other assets *(Continued)*

— Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year/period in which the reversals are recognised.

(j) Other receivables

Other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interests method, less allowance for impairment of doubtful debts (see note 2(i)(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(k) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(l) Other payables

Other payables (including amount due to a related party) are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

B. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Income tax

Income tax for the Relevant Periods comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case they are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the Relevant Periods, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Target Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

B. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Income tax *(Continued)*

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not off set. Current tax assets are off set against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Target Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Target Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(o) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the Relevant Periods in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

B. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Employee benefits *(Continued)*

(ii) Termination benefits

Termination benefits are recognised when, and only when, the Target Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(p) Provisions and contingent liabilities

(i) Contingent liabilities assumed in business combinations

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with note 2(p)(ii). Contingent liabilities assumed in a business combination that cannot be reliably fair valued or were not present obligations at the date of acquisition are disclosed in accordance with note 2(p)(ii).

(ii) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Target Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

B. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Provisions and contingent liabilities *(Continued)*

(ii) Provisions and contingent liabilities (Continued)

Provisions for the Target Group's obligations for land rehabilitation are based on estimates of required expenditure at the mines in accordance with the PRC rules and regulations. The Target Group estimates its liabilities for final rehabilitation and mine closure based upon detailed calculations of the amount and timing of the future cash expenditure to perform the required work. Spending estimates are escalated for inflation, then discounted at a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability such that the amount of provision reflects the present value of the expenditures expected to be required to settle the obligation.

(q) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Target Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Interest income

Interest income is recognised as it accrues using the effective interest method.

(r) Translation of foreign currencies

Foreign currency transactions during the Relevant Periods are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the foreign exchange rates ruling at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

B. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Borrowing costs

Borrowing costs are expensed in profit or loss in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(t) Related parties

(a) A person, or a close member of that person's family, is related to the Target Group if that person:

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

(ii) has significant influence over the Target Group; or

(iii) is a member of the key management personnel of the Target Group or the Target Group's parent.

(b) An entity is related to the Target Group if any of the following conditions applies:

(i) The entity and the Target Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group or which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

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

B. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Related parties *(Continued)*

(b) An entity is related to the Target Group if any of the following conditions applies: *(Continued)*

(vi) The entity is controlled or jointly controlled by a person identified in (a).

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

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(u) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Target Group's senior executive management, i.e. the chief operation decision-makers, for the purposes of allocating resources to, and assessing the performance of, the Target Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

The Target Group holds certain mining and exploration rights for the gold mines located in Pu'er City, Yunnan, the PRC and has not yet commenced gold mining and production activities during the Relevant Periods. All of its assets and results were in relation to its gold mining operation in the PRC. Accordingly, no analysis of business and geographical information is presented.

B. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

3. OTHER REVENUE AND OTHER NET INCOME/(LOSS)

	Period from 3 June 2010 to 31 December 2010	Year ended 31 December 2011	Five months ended 31 May 2011	2012
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
(a) Other revenue				
Interest income on financial assets not at fair value through profit or loss:				
Interest income on bank deposits	—	10	2	1
Others	—	5	5	—
	—	15	7	1
(b) Other net income/(loss)				
Gain on disposal of fixed assets	—	56	—	—
Exchange loss	—	(4,360)	—	(1,068)
	—	(4,304)	—	(1,068)
	—	(4,289)	7	(1,067)

B. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

4. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	Period from 3 June 2010 to 31 December 2010	Year ended 31 December 2011	Five months ended 31 May 2011	2012
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
(a) Finance costs				
Interest expenses on financial liabilities not at fair values through profit or loss:				
Interest on bank loan wholly repayable within five years	—	—	—	116
(b) Staff costs (including directors' remuneration)				
Salaries, wages and benefits	—	6,510	1,718	3,158
Contributions to retirement benefit schemes	—	340	42	152
	—	6,850	1,760	3,310
(c) Other items				
Auditor's remuneration	—	30	—	—
Depreciation of fixed assets	—	1,210	338	742
Operating lease charges in respect of land and buildings	—	235	23	2

B. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

5. INCOME TAX

(a) Pursuant to the rules and regulations of the BVI, the Target Company is exempt from any income tax in the BVI.

No provision for the income tax has been provided during the Relevant Periods as the Target Group did not have assessable profits subject to profits tax in Hong Kong and the PRC.

(b) Reconciliation between tax expense and accounting loss at applicable tax rates:

	Period from 3 June 2010 to 31 December 2010	Year ended 31 December 2011	Five months ended 31 May 2011	2012
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Loss before taxation	(13)	(31,163)	(7,720)	(14,377)
Loss before tax calculated at the rates applicable to the tax jurisdiction concern	(2)	(7,461)	(1,927)	(3,514)
Tax effect of non-deductible expenses	2	5,078	1,268	2,588
Tax effect of unrecognised tax losses	—	2,383	659	926
Actual tax expenses	—	—	—	—

6. SOLE DIRECTOR'S REMUNERATION

During the Relevant Periods, no emolument was paid to the sole director of the Target Company. In addition, no emoluments were paid by the Target Company to the sole director as an inducement to join or upon joining the Target Company or as compensation for loss of office. No director waived or agreed to waive any emoluments during the Relevant Periods.

B. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

7. INDIVIDUALS WITH HIGHEST EMOLUMENTS

The five highest paid individuals of the Target Group during the Relevant Periods are as follows:

	Period from 3 June 2010 to 31 December 2010	Year ended 31 December 2011	Five months ended 31 May 2011	2012
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Salaries and allowances	—	1,205	405	540
Retirement scheme contributions	—	—	—	—
	—	1,205	405	540

The emoluments of the five individuals with the highest emoluments were within the range of HK$1 to HK$1,000,000 during the Relevant Periods.

8. DIVIDENDS

No dividends were paid and declared during the Relevant Periods.

9. LOSS ATTRIBUTABLE TO OWNERS OF THE TARGET COMPANY

The consolidated loss attributable to owners of the Target Company includes a loss of RMB0, RMB6,000, RMB6,000 and RMB0 for the year ended 31 December 2010 and 2011 and the five months ended 31 May 2011 and 2012 respectively which has been dealt with in the financial statements of the Target Company.

B. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

10. INTANGIBLE ASSETS

	Mining rights	Exploration rights and assets			Total
		Exploration rights	Exploration and evaluation costs	Sub-total	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost					
At 3 June 2010, 31 December 2010 and 1 January 2011	—	—	—	—	—
Acquisition of a subsidiary *(notes 10(a) & 23)*	345,137	400	40,459	40,859	385,996
Additions	—	988	19,679	20,667	20,667
At 31 December 2011 and 1 January 2012	345,137	1,388	60,138	61,526	406,663
Additions	—	—	2,258	2,258	2,258
At 31 May 2012	345,137	1,388	62,396	63,784	408,921
Accumulated amortisation					
At 3 June 2010, 31 December 2010 and 2011 and 31 May 2012	—	—	—	—	—
Carrying amounts					
At 31 December 2010	—	—	—	—	—
At 31 December 2011	345,137	1,388	60,138	61,526	406,663
At 31 May 2012	345,137	1,388	62,396	63,784	408,921

(a) During the year ended 31 December 2011, the Target Group acquired 100% equity interest in the Mining Company which holds two mining rights and four exploration rights for gold mines located in Pu'er City, Yunnan, the PRC.

(b) As at 31 May 2012, one mining right which will expire in December 2013 was undergoing the application for expansion of the mining area, and another mining right will expire in February 2015. Subsequent to end of the reporting period, the mining right under the application for expansion of the mining area has been approved with a period to June 2022 (note 30 (c)).

(c) As at 31 May 2012, two exploration rights will expire in the period between March 2013 and September 2013 and the remaining two exploration rights which expired in February 2012 and June 2012 respectively were undergoing the renewal process. Subsequent to end of the reporting period, the exploration right which expired in June 2012 has been renewed for a period to July 2013 (note 30(b)).

(d) The sole director of Target Company has sought the PRC lawyer's opinion that there is no foreseeable legal obstacle to the Target Group to obtain the above exploration right. As at the date of approval of this report, the exploration right has not been obtained.

(e) Based on a valuation performed by ROMA Appraisals Limited, an independent firm of professionally qualified valuers, using the market-based approach on 31 March 2012, the sole director of the Target Company is of the opinion that the recoverable amounts of the intangible assets exceeded their carrying amounts during the Relevant Periods.

B. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

11. FIXED ASSETS

	Leasehold lands and buildings held for own use	Machinery and equipment	Furniture and office equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(notes a & b)				*(note c)*	
Cost						
At 3 June 2010, 31 December 2010 and 1 January 2011	—	—	—	—	—	—
Acquisition of a subsidiary *(note 23)*	123	1,922	998	2,271	6,868	12,182
Additions	4,800	729	616	33	7,704	13,882
Transfer	2,449	152	—	—	(2,601)	—
Disposals	—	—	—	(409)	—	(409)
At 31 December 2011 and 1 January 2012	7,372	2,803	1,614	1,895	11,971	25,655
Additions	—	149	68	—	1,590	1,807
At 31 May 2012	7,372	2,952	1,682	1,895	13,561	27,462
Accumulated depreciation and amortisation						
At 3 June 2010, 31 December 2010 and 1 January 2011	—	—	—	—	—	—
Charge for the year	110	216	226	658	—	1,210
Written back on disposals	—	—	—	(194)	—	(194)
At 31 December 2011 and 1 January 2012	110	216	226	464	—	1,016
Charge for the period	146	127	132	337	—	742
At 31 May 2012	256	343	358	801	—	1,758
Carrying amounts						
At 31 December 2010	—	—	—	—	—	—
At 31 December 2011	7,262	2,587	1,388	1,431	11,971	24,639
At 31 May 2012	7,116	2,609	1,324	1,094	13,561	25,704

B. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

11. FIXED ASSETS *(Continued)*

(a) As at 31 December 2011 and 31 May 2012, all leasehold lands and buildings held for own use were situated in Pu'er City, Yunnan, the PRC. The lands were held under medium-term leases.

(b) As at 31 May 2012, all leaseholds lands and buildings held for own use were pledged as security for a bank loan granted to the Target Group (note 22).

(c) The construction in progress primarily relates to the additional production premises, mining structures and facilities of the Target Group.

12. DEPOSITS PAID FOR FIXED ASSETS

The Target Group paid deposits of RMB0, RMB3,155,000 and RMB3,271,000 respectively for purchase of fixed assets as at 31 December 2010 and 2011 and 31 May 2012 respectively.

13. OTHER DEPOSITS

These represent deposits paid for environmental and safety protection for the Target Group's exploitation of gold mines in the PRC. The deposits are refundable upon the Target Group's termination of exploitation of gold mines.

14. INVENTORIES

	As at 31 December		As at 31 May
	2010	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*
Materials and consumables	—	1,779	1,991

B. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

15. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 31 December		As at 31 May
	2010	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*
Deposits and prepayments	—	4,952	6,253
Other receivables	—	1,634	1,062
	—	6,586	7,315

16. CASH AND CASH EQUIVALENTS

	As at 31 December		As at 31 May
	2010	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*
Cash at banks	93	199	170
Cash on hand	—	2	12
Cash and cash equivalents in the consolidated statements of financial position and consolidated statements of cash flows	93	201	182

17. OTHER PAYABLES

	As at 31 December		As at 31 May
	2010	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*
Accrued charges and other payables	—	9,536	18,205

18. BANK LOAN

As at 31 May 2012, the bank loan was repayable within one year and secured by the Target Group's leasehold lands and buildings held for own use (note 22). The effective interest rate on the bank loan was 9.8%.

B. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

19. CAPITAL AND RESERVES

The reconciliation between the opening and closing balances of each component of the Target Group's equity is set out in the consolidated statements of changes in equity.

(a) Share capital

Share capital in the consolidated statement of financial position as at 31 December 2010 represents the issued share capital of HK Company of HK$1 (equivalent to RMB1). Share capital in the consolidated statement of financial position as at 31 December 2011 and 31 May 2012 represents the issued share capital of the Target Company as follows:

	Note	Number of shares	Amount US$	Amount equivalent to RMB
Ordinary share of US$1 each				
Authorised:				
At 9 May 2011 (date of incorporation), 31 December 2011 and 31 May 2012	*(i)*	50,000	50,000	325,000
Issued and fully paid:				
At 9 May 2011 (date of incorporation), 31 December 2011 and 31 May 2012	*(ii)*	1	1	6

Note:

(i) The Target Company was incorporated on 9 May 2011 with an authorised share capital of US$50,000, divided into 50,000 ordinary shares of US$1 each.

(ii) On 20 May 2011, the Target Company issued 1 ordinary share of US$1 each at par.

(b) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

(c) Distributability of reserves

The Target Company has no reserves available for distribution as at 31 December 2010 and 2011 and 31 May 2012.

B. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

19. CAPITAL AND RESERVES *(Continued)*

(d) Capital management

The Target Group's primary objectives when managing capital are to safeguard Target Group's ability to continue as a going concern, so that it can continue to provide returns for equity holders and benefits for other stakeholders with the level of risk and by securing access to finance at a reasonable cost.

The gearing ratio, representing the ratios of total borrowings (including bank loan and amount due to a related party) net of cash and cash equivalents to the total share capital and reserves of the Target Group as follows:

	As at 31 December		As at 31 May
	2010	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*
Total borrowings	106	—	5,000
Less: cash and cash equivalents	(93)	(201)	(182)
Net debt	13	—	4,818
Total equity	(13)	433,587	424,279
Net debt to equity ratio	100%	0%	1%

The management of the Target Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher returns to the owners of the Target Company that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

There were no changes in the Target Group's approach to capital management during the Relevant Periods.

Neither the Target Company nor any of its subsidiaries are subject to externally imposed capital requirements during the Relevant Periods.

20. EQUITY LOAN FROM ULTIMATE HOLDING COMPANY

In the opinion of the sole director of the Target Company, the equity loan from ultimate holding company is equity contribution in nature to provide capital to the Target Group. The loan is unsecured, interest-free and will not be demanded for repayment. Subsequent to the end of the reporting period, the ultimate holding company has conditionally agreed to unconditionally and irrevocably waive its equity loan to the Target Group (note 30(a)).

B. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

21. DEFERRED TAXATION

The Target Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB0, RMB10,987,000 and RMB14,691,000 as at 31 December 2010 and 2011 and 31 May 2012 respectively as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses of the Target Group will expire in the coming two to five years.

22. PLEDGE OF ASSETS

As at 31 May 2012, all of the Target Group's leasehold lands and buildings held for own use were pledged as security for a bank loan granted to the Target Group (notes 11(b) and 18).

23. PURCHASE OF ASSETS THROUGH ACQUISITION OF A SUBSIDIARY

On 21 October 2010, the HK Company entered into a sale and purchase agreement with an independent third party ("the Vendor"), pursuant to which, the HK Company agreed to purchase and the Vendor agreed to sell 100% equity interest in the Mining Company and an equity shareholder loan to the Mining Company of RMB240 million for a consideration of RMB290 million. On 3 March 2011, the acquisition completed and the HK Company obtained the 100% equity interest of the Mining Company. The Mining Company holds certain mining and exploration rights for gold mines located in Pu'er City, Yunnan, the PRC and has not yet commenced gold mining and production activities. The acquisition was accounted for as an asset acquisition. The acquisition of the Mining Company is to diversify into a new business of the Target Group.

B. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

23. PURCHASE OF ASSETS THROUGH ACQUISITION OF A SUBSIDIARY

The assets and liabilities acquired at the date of acquisition are as follows:

	RMB'000
Net assets acquired:	
Intangible assets *(note 10)*	385,996
Fixed assets *(note 11)*	12,182
Deposits paid for fixed assets	3,429
Other deposits	100
Inventories	872
Other receivables, deposits and prepayments	2,190
Cash and cash equivalents	63
Other payables	(6,249)
Amount due to former immediate holding company	(108,583)
	290,000
Consideration is satisfied by:	
Cash	290,000
Net cash outflow arising from acquisition:	
Cash consideration	290,000
Cash and cash equivalents acquired	(63)
	289,937

(i) The Mining Company did not commence any business at the date of the completion of acquisition. Accordingly, its results had no significant impact on the Target Group's consolidated revenue and results for the period between the date of the completion on the acquisition and 31 December 2011.

(ii) The acquisition-related costs of approximately RMB25,000 were borne and paid by the ultimate holding company of the Target Group.

B. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

24. FINANCIAL INSTRUMENTS

The Target Group's major financial instruments include cash and cash equivalents, other receivables and payables, bank loan and amount due to a related party. Details of the financial instruments are disclosed in respective notes. The risk associated with these financial instruments include credit, liquidity and interest rates. These risks are limited by the Target Group's financial management policies described below.

(a) Credit risk

The Target Group's credit risk is primarily attributable to other receivables and bank balances. Management has a credit policy in place and the exposure to the credit risk is monitored on an ongoing basis.

In respect of other receivables, the credit quality of the debtors is assessed by taking into account of their financial position, relationship with the Target Group, credit history and other factors. Management regularly reviews the recoverability about these other receivables and follows up the amounts overdue, if any. The sole director of Target Company is of the opinion that the probability of default by counterparties is low.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

(b) Liquidity risk

As at 31 December 2010 and 2011 and 31 May 2012, the Target Group has net current liabilities of RMB13,000, RMB970,000 and RMB13,717,000 respectively. The Target Group is exposed to liquidity risk of being unable to finance its future working capital and financial requirements when they fall due. To manage liquidity risk, Target Group regularly monitors its current and expected liquidity requirements, to ensure that it maintains sufficient reserves of cash and adequate of funding from its ultimate holding company to meet its liquidity requirements in the short term and longer term.

The Target Company's sole director is of the opinion that Target Group will be able to finance its future working capital and financial requirements as described in note 2(b) to the Financial Information.

The following table details the remaining contractual maturities at the end of each of the reporting period of Target Group's financial liabilities which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date Target Group's financial liabilities can be required to pay:

B. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

24. FINANCIAL INSTRUMENTS *(Continued)*

(b) Liquidity risk *(Continued)*

At 31 December 2010

	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand
	RMB'000	*RMB'000*	*RMB'000*
Amount due to a related party	106	106	106

At 31 December 2011

	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand
	RMB'000	*RMB'000*	*RMB'000*
Other payables	9,536	9,536	9,536

At 31 May 2012

	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand
	RMB'000	*RMB'000*	*RMB'000*
Other payables	18,205	18,205	18,205
Bank loan	5,000	5,000	5,000
	23,205	23,205	23,205

(c) Interest rate risk

The Target Group is exposed to cash flow interest rate risk in relation to variable-rate bank loan and bank balances.

B. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

24. FINANCIAL INSTRUMENTS *(Continued)*

(c) Interest rate risk *(Continued)*

(i) Interest rate profile

The following table details the interest rate profile of the Target Group's variable rate bank loan and bank balances at the end of each of the reporting period:

	As at 31 December		As at 31 May
	2010	**2011**	**2012**
Bank loan (RMB'000)	—	—	5,000
Effective interest rate (%)	—	—	9.8
Bank balances (RMB'000)	93	199	170
Effective interest rate (%)	0.4	0.5	0.5

(ii) Sensitivity analysis

It is estimated that a general increase/decrease of 100 basis points in interest rates for variable rate bank loan and bank balances, with all other variables held constant, would decrease/increase the Target Group's loss after tax and accumulated losses by RMB1,000 and RMB2,000 as at 31 December 2010 and 2011 respectively and increase/decrease its loss after tax and accumulated loss by RMB48,000 at 31 May 2012. Other components of equity would not change in response to the general increase/decrease in interest rates.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for variable rate interest bearing financial instruments in existence at that date. The 100 basis points increase/decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next financial year. The analysis is performed on the same basis for last reporting period.

B. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

24. FINANCIAL INSTRUMENTS *(Continued)*

(d) Estimate of fair values

The following summaries the major methods and assumptions used in estimating the fair values of financial instruments:

(i) Bank loan

The fair value of bank loan is estimated as the present value of future cash flows, discounted at current market rate of interest for similar financial instruments.

(ii) Save as disclosed above, the fair values of cash and bank balances, other receivables and payables and amount due to a related party of the Target Group are not materially different from their carrying amounts as at 31 December 2010 and 2011 and 31 May 2012.

25. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The method, estimates and judgements the directors use in applying the Target Group's accounting policies have a significant impact on the Target Group's financial position and operating results. Some of the accounting policies require the Target Group to apply estimates and judgements on matters that are inherently certain. The critical accounting judgements in applying Target Group's accounting policies are discussed below.

(a) Mining and exploration rights

As further detailed in note 10, the Target Group has one exploration right which expired in February 2012 is undergoing the renewal process. The Target Company's sole director has sought the PRC lawyer's opinion that there is no foreseeable legal obstacle to the Target Group to obtain the above exploration right of gold mines.

(b) Estimates for mine reserves

Proved reserves refer to the economically mineable part of measured resources. Probable reserves include economically mineable part of indicated resources. The process of estimating quantities of reserves is inherently uncertain and complex. It requires significant judgements and decisions based on available geological, geophysical, engineering and economic data. These estimates may change substantially as additional data from ongoing development activities and production performance becomes available and as economic conditions impacting mineral prices and costs change. Reserve estimates are based on current production forecasts, prices and economic conditions. The Target Company's sole director exercises his judgement in estimating the total proved and probable reserves of the ore mines.

B. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

25. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(c) Depreciation and amortisation

Fixed assets are depreciated on a straight-line basis over the estimated useful lives after taking into accounts the estimated residual value. The Target Group reviews annually the useful lives of an asset and its residue value, if any. Interests in leasehold lands held for own use are amortised on a straight-line basis over the shorter of the estimated useful lives of the leased assets and the lease term. Both the period and methods of amortisation are reviewed annually. The depreciation and amortisation expense for future periods is adjusted if there are significant changes from previous estimates.

(d) Valuation of inventories

Inventories are stated at the lower of cost and net realisable value at the end of the reporting period. Net realisable value is determined on the basis of the estimated selling price less the estimated costs necessary to make the sale. The sole director of the Target Company estimates the net realisable value for inventories based primarily on the latest invoice prices and current market conditions. In addition, the sole director performs an inventory review on a product-by-product basis at each year end date and assesses the need for write down of inventories.

(e) Impairments

In considering the impairment losses that may be required for the Target Group's mining and exploration rights and assets, fixed assets and deposits paid for fixed assets, recoverable amount of the asset needs to be determined. The recoverable amount is the greater of the fair value less costs to sell and the value in use. It is difficult to precisely estimate the fair value less costs to sell because quoted market prices for these assets may not be readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to items such as level of sales volume, selling price and amount of operating costs. The Target Group uses all readily available information in determining an amount that is reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of items such as sales volume, selling price and amount of operating costs. Had different parameters and discount rates been used to determine the fair value of the intangible assets, the Target Group's results of operations and financial position could be materially different.

Impairment losses for bad and doubtful debts are assessed and provided based on the sole director's regular review of ageing analysis and evaluation of collectively. A considerable level of judgement is exercised by the sole director when assessing the credit worthiness and past collection history of each individual customer.

An increase or decrease in the above impairment losses would affect the net profit of the Target Group in future years.

B. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

25. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(f) Income tax

Determining income tax provision involves judgement on the future tax treatment of certain transactions. The sole director of the Target Company carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognised for temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised, the sole director's judgement is required to assess the probability of future taxable profits. The sole director's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

(g) Environmental contingencies

During the Relevant Periods and up to the date of approval of this report, the Target Group has not involved in any environmental remediation at this initial stage of development and has complied with the existing environmental legislation requirements. The PRC government, however, may move further forwards more rigorous enforcement of applicable laws and the adoption of more stringent environmental standards. Accordingly, the amount of such future costs is indeterminable by the Target Group. Under existing environmental legislation, management believes that there are no probable liabilities that will have a material adverse effect on the financial position or operating results of the Target Group for the current reporting period.

B. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

26. COMMITMENTS

(a) Capital commitments

As at end of each of the reporting period, the Target Group had capital commitments outstanding not provided for in the Financial Information as follows:

	As at 31 December		As at 31 May
	2010	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*
Contracted but not provided for in respect of:			
— acquisition cost for expansion of mining areas of a mining right	—	—	21,263
— capital expenditure on exploration and evaluation costs	—	821	321
— purchase of fixed assets	1,800	900	600
	1,800	1,721	22,184
Authorised but not contracted for in respect of capital expenditure on mining production plant and structures	—	—	40,047

Save as disclosed above, as at 31 December 2010, the Target Group had capital commitment contracted but not provided for in respect of the acquisition of a subsidiary. Details are set out in note 23.

(b) Operating lease commitments

As at end of each of the reporting period, the Target Group had total future minimum lease payments under non-cancellable operating leases as follows:

	As at 31 December		As at 31 May
	2010	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*
Within one year	—	46	46

The Target Group is the lessee in respect of a number of properties for an initial period of one to two years. None of the leases includes contingent rentals.

B. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

27. RELATED PARTY TRANSACTIONS

(a) Related party transactions and balances

The Target Group had the following related party transactions and balances during the Relevant Periods:

		As at 31 December		As at 31 May
		2010	**2011**	**2012**
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Amount due to a related company				
Ms. Lau King Hung ("Ms. Lau")	*(i) & (ii)*	106	—	—

Note:

(i) Ms. Lau is the sole director of the HK Company for the period from 6 June 2010 to 15 May 2011 and one of the substantial shareholders of the ultimate holding company of the Target Company since its incorporation date and up to 31 May 2012.

(ii) The amount due to a related party is non-trade nature, unsecured, interest-free and repayable on demand.

(b) Key management remuneration

Remuneration for key management personnel of the Target Group, including amounts paid to the highest paid employees as disclosed in note 7 is as follows:

	Period from 3 June 2010 to 31 December	Year ended 31 December	Five months ended 31 May	
	2010	**2011**	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Short-term employee benefits	—	1,205	405	540
Post-employment benefits	—	—	—	—
	—	1,205	405	540

B. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

28. ULTIMATE AND IMMEDIATE HOLDING COMPANY

As at 31 May 2012 and up to the date of this report, the sole director of the Target Company considers the immediate and ultimate holding company of the Target Company to be Premium Wise, a company incorporated in the BVI.

29. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATION ISSUED BUT NOT YET EFFECTIVE FOR THE RELEVANT PERIODS

Up to the date of issue of these financial statements, the HKICPA has issued the following amendments, new standards and interpretations which are not yet effective for the Relevant Periods.

The Target Group has not early applied any of the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRS 1 (Amendments)	Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards — Government Loans[2]
HKFRS 7 (Amendments)	Disclosures - Offsetting Financial Assets and Financial Liabilities[2]
HKFRS 9	Financial Instruments[4]
HKFRS 9 and HKFRS 7 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[4]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[2]
HKFRS 13	Fair Value Measurement[2]
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[1]
HKAS 19 (As revised in 2011)	Employee Benefits[2]
HKAS 27 (As revised in 2011)	Separate Financial Statetments[2]
HKAS 28 (As revised in 2011)	Investment in Associates and Joint Ventures[2]
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial liabilities[3]
HK(IFRIC) — Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]
HKFRSs (Amendments)	Annual Improvements 2009-2011 Cycle[2]

[1] Effective for annual periods beginning on or after 1 July 2012.

[2] Effective for annual periods beginning on or after 1 January 2013.

[3] Effective for annual periods beginning on or after 1 January 2014.

[4] Effective for annual periods beginning on or after 1 January 2015.

B. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

29. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATION ISSUED BUT NOT YET EFFECTIVE FOR THE RELEVANT PERIODS *(Continued)*

The Target Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Target Group's results of operations and financial position except as described below.

HK(IFRIC)-Int 20 addresses the recognition of waste removal costs that are incurred in surface mining activity during the production phase of a mine as an asset, as well as the initial measurement and subsequent measurement of the stripping activity asset. To the extent that the benefit from the stripping activity is realised in the form of inventory produced, the costs incurred are accounted for in accordance with HKAS 2 Inventories. To the extent that the benefit is improved access to ore and when criteria set out in the interpretation are met, the waste removal costs are recognised as a stripping activity asset under non-current assets. The Target Group expects to adopt the interpretation from 1 January 2013.

30. EVENTS AFTER THE REPORTING PERIOD

The Target Group had the following events after the reporting period:

(a) On 6 July 2012, Premium Wise, China Precious Metal Resources Co., Limited ("the Purchaser"), a wholly-owned subsidiary of the Company, and the Company entered into an agreement, pursuant to which Premium Wise conditionally agreed to dispose of the entire equity interest of the Target Company for a consideration of RMB1,998 million and to unconditionally and irrevocably waive all of its loans to the Target Group, including its equity loan to the Target Group (note 20), upon the completion of the above disposal transaction.

(b) As further detailed in note 10(c), on 19 July 2012, the exploration right which expired in June 2012 has been renewed for a period to July 2013.

(c) As further detailed in noted 10(b), on 20 June 2012, the mining right under the application for expansion of the mining area has been approved with a period to June 2022. Pursuant to the agreement entered into between the Target Group and the relevant PRC authority, the acquisition cost for expansion of the mining area of the mining right was RMB21,263,000. The Target Group paid the amount of RMB10,063,000 in June 2012 and the remaining balance will be paid by two installments of RMB5,600,000 and RMB5,600,000 payable on/before May 2013 and May 2014 respectively.

C. FINANCIAL INFORMATION OF THE TARGET COMPANY

The Target Company was incorporated in the BVI on 9 May 2011 and has not carried out any business, except for investment holding in the HK Company, since its incorporation date up to 31 May 2012. The particulars of its statement of financial position as at 31 December 2011 and 31 May 2012 are set out below:

	Note	As at 31 December 2011 RMB'000	As at 31 May 2012 RMB'000
Non-current asset			
Interest in a subsidiary	*1*	453,473	460,326
Net assets		453,473	460,326
Capital and reserves			
Share capital	*2*	—	—
Reserves		(6)	(6)
Equity loan from ultimate holding company	*3*	453,479	460,332
Total equity		453,473	460,326

Notes:

(1) Interest in a subsidiary represents the investment cost in the HK Company at RMB1 and RMB1 as at 31 December 2011 and 31 May 2012 respectively and the loan to the HK Company of RMB453,473,000 and RMB460,326,000 as at 31 December 2011 and 31 May 2012 respectively. In the opinion of the sole director of the Target Company, the loan to the HK Company is equity contribution by the Target Company to the HK Company. The loan is unsecured, interest-free and will not be demanded for repayment.

(2) The details of the Target Company's authorised and issued share capital are set out in note 19(a) in section B in this report.

(3) The details of the equity loan from ultimate holding company are set out in note 20 in Section B in this report.

D. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for the Target Company in respect of any period subsequent to 31 May 2012.

Yours faithfully,

CCIF CPA Limited
Certified Public Accountants
Hong Kong

Leung Chun Wa
Practising Certificate Number P04963

The following is the text of the accountants' report on the Mining Company, prepared for the purpose of incorporation in this circular, received from the reporting accountants of the Company, CCIF CPA Limited, Certified Public Accountants, Hong Kong.

CCIF
CCIF CPA LIMITED
陳葉馮會計師事務所有限公司
34/F The Lee Gardens
33 Hysan Avenue
Causeway Bay Hong Kong

24 September 2012

The Board of Directors
China Precious Metal Resources Holdings Co., Ltd.

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") of 普洱恒益礦業有限責任公司 (Pu'er Hengyi Mining Co., Ltd.) (the "Mining Company") for each of the three years ended 31 December 2009, 2010 and 2011 and the five months ended 31 May 2012 (the "Relevant Periods") for inclusion in the circular issued by China Precious Metal Resources Holdings Co., Ltd. (the "Company"), a company incorporated in the Caymen Islands with its shares listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") dated 24 September 2012 (the "Circular") in connection with the proposed acquisition of 100% equity interest in the Mining Company through the acquisition of 100% equity interest in Sinowise Century Limited (the "Target Company"), a company incorporated in the British Virgin Islands ("BVI") and indirectly holds 100% equity interest in the Mining Company.

The Mining Company was incorporated in the People's Republic of China (the "PRC") on 30 May 2008 with limited liability. It holds certain mining and exploration rights for gold mines located in Pu'er City, Yunnan, the PRC and has not yet commenced gold mining and production activities during the Relevant Periods.

The statutory financial statements of the Mining Company were prepared in accordance with the relevant accounting principles and financial regulations applicable to the enterprises established in the PRC and were audited by certified public accountants registered in the PRC. The statutory financial statements for each of the three years ended 31 December 2009, 2010 and 2011 were audited by 雲南璽正會計師事務所有限公司 (Yunnan Xizheng Certified Public Accountants Company Limited).

For the purpose of this report, the directors of the Mining Company have prepared the financial statements for the Relevant Periods in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Underlying Financial Statements"). We have carried out an independent audit on the Underlying Financial Statements in accordance with Hong Kong Auditing Standards issued by HKICPA. We have examined the Underlying Financial Statements and have carried out such procedures as we consider necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information of the Mining Company set out in this report has been prepared from the Underlying Financial Statements on the basis set out in note 2 to the Financial Information. No adjustments are considered necessary to the Underlying Financial Statements in preparing our report for inclusion in the Circular.

The Underlying Financial Statements are the responsibility of the directors of the Mining Company who approve the issue. The directors of the Company are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information together with the notes thereon gives, for the purpose of this report, a true and fair view of the state of affairs of the Mining Company as at 31 December 2009, 2010 and 2011 and 31 May 2012 and of its results and cash flows for the Relevant Periods.

Without qualifying our opinion, we draw attention to note 2(b) to the Financial Information which indicates that the Mining Company had net current liabilities of RMB13,829,000 as at 31 May 2012. The Financial Information has been prepared on a going concern basis, the validity of which is dependent on the continual financial support from the ultimate and immediate holding companies of the Mining Company which have agreed to provide continuing financial support to the Mining Company so as to enable it to meet its debts and liabilities in full as and when they fall due, and its ability to generate adequate cash flows from its continuing operations. These conditions, along with other matters as set out in note 2(b) to the Financial Information, indicate the existence of a material uncertainty which may cast a doubt about the ability of the Mining Company to continue as a going concern.

The comparative income statement, statement of comprehensive income, statement of cash flows and statement of changes in equity of the Mining Company for the five months ended 31 May 2011 together with the notes thereon have been extracted from the Mining Company's unaudited financial information for same period (the "31 May 2011 Financial Information") which were prepared by the directors of the Mining Company solely for the purpose of this report. We conducted our review in accordance with the Hong Kong Standard on Review Engagements 2400 "Engagements to Review Financial Statements" issued by the HKICPA. A review consists of making inquires, primarily of persons responsible for financial and accounting matters, applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the 31 May 2011 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the 31 May 2011 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information, which conform with HKFRSs.

A. FINANCIAL INFORMATION

Income statements

		Year ended 31 December			Five months ended 31 May	
		2009	**2010**	**2011**	**2011**	**2012**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Turnover		—	—	—	—	—
Other revenue and other net income	*3*	80	101	71	7	1
Administrative expenses		(9,258)	(8,000)	(14,628)	(5,489)	(5,551)
Other operating expenses		(23,868)	(7,975)	(15,629)	(5,626)	(7,642)
Loss from operations		(33,046)	(15,874)	(30,186)	(11,108)	(13,192)
Finance costs	*4(a)*	—	—	—	—	(116)
Loss before taxation	*4*	(33,046)	(15,874)	(30,186)	(11,108)	(13,308)
Income tax	*5*	—	—	—	—	—
Loss for the year/period		(33,046)	(15,874)	(30,186)	(11,108)	(13,308)
Attributable to owners of the Mining Company		(33,046)	(15,874)	(30,186)	(11,108)	(13,308)

A. FINANCIAL INFORMATION *(Continued)*

Statements of comprehensive income

	Year ended 31 December			Five months ended 31 May	
	2009	2010	2011	2011	2012
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Loss for the year/period	(33,046)	(15,874)	(30,186)	(11,108)	(13,308)
Other comprehensive income for the year/period	—	—	—	—	—
Total comprehensive loss for the year/period (net of tax)	(33,046)	(15,874)	(30,186)	(11,108)	(13,308)
Attributable to owners of the Company	(33,046)	(15,874)	(30,186)	(11,108)	(13,308)

A. FINANCIAL INFORMATION *(Continued)*

Statements of financial position

	Note	As at 31 December 2009 RMB'000	As at 31 December 2010 RMB'000	As at 31 December 2011 RMB'000	As at 31 May 2012 RMB'000
Non-current assets					
Intangible assets	9	312,628	327,959	349,226	351,484
Fixed assets	10	5,719	11,457	24,639	25,704
Deposits paid for fixed assets	11	480	3,394	3,155	3,271
Other deposits	12	100	100	100	100
		318,927	342,910	377,120	380,559
Current assets					
Inventories	13	532	715	1,779	1,991
Other receivables, deposits and prepayments	14	432	2,965	6,586	7,315
Cash and cash equivalents	15	10,404	1,984	89	70
		11,368	5,664	8,454	9,376
Current liabilities					
Other payables	16	13,512	5,957	9,536	18,205
Amounts due to related parties	25(a)	304,926	346,634	—	—
Bank loan	17	—	—	—	5,000
		318,438	352,591	9,536	23,205
Net current liabilities		(307,070)	(346,927)	(1,082)	(13,829)
Net assets/(liabilities)		11,857	(4,017)	376,038	366,730
Capital and reserves					
Paid-up capital	18	50,000	50,000	50,000	50,000
Reserves	18	(38,143)	(54,017)	(84,203)	(97,511)
Equity loan from immediate holding company	19	—	—	410,241	414,241
Total equity/ (capital deficiency) attributable to owners of the Company		11,857	(4,017)	376,038	366,730

A. FINANCIAL INFORMATION *(Continued)*

Statements of changes in equity

	Paid-up capital	Accumulated losses	Equity loan from immediate holding company	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 18(a))		*(note 19)*	
At 1 January 2009	50,000	(5,097)	—	44,903
Change in equity:				
Total comprehensive loss for the year	—	(33,046)	—	(33,046)
At 31 December 2009	50,000	(38,143)	—	11,857
At 1 January 2010	50,000	(38,143)	—	11,857
Change in equity:				
Total comprehensive loss for the year	—	(15,874)	—	(15,874)
At 31 December 2010	50,000	(54,017)	—	(4,017)
At 1 January 2011	50,000	(54,017)	—	(4,017)
Change in equity:				
Total comprehensive loss for the year	—	(30,186)	—	(30,186)
Equity loan from immediate holding company	—	—	410,241	410,241
At 31 December 2011	50,000	(84,203)	410,241	376,038
At 1 January 2012	50,000	(84,203)	410,241	376,038
Change in equity:				
Total comprehensive loss for the period	—	(13,308)	—	(13,308)
Equity loan from immediate holding company	—	—	4,000	4,000
At 31 May 2012	50,000	(97,511)	414,241	366,730
Unaudited				
At 1 January 2011	50,000	(54,017)	—	(4,017)
Change in equity:				
Total comprehensive loss for the period	—	(11,108)	—	(11,108)
Equity loan from immediate holding company	—	—	372,288	372,288
At 31 May 2011	50,000	(65,125)	372,288	357,163

A. FINANCIAL INFORMATION *(Continued)*

Statements of cash flows

		Year ended 31 December			Five months ended 31 May	
		2009	**2010**	**2011**	**2011**	**2012**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
Operating activities						
Loss before taxation		(33,046)	(15,874)	(30,186)	(11,108)	(13,308)
Adjustments for:						
Interest income	*3*	(70)	(107)	(9)	(2)	(1)
Loss/(gain) on disposal of fixed assets	*3*	—	11	(56)	—	—
Depreciation of fixed assets	*4(c)*	702	911	1,426	555	742
Finance costs	*4(a)*	—	—	—	—	116
Changes in working capital:						
Increase in inventories		(35)	(183)	(1,064)	(1,377)	(212)
Increase in other receivables, deposits and prepayments		(256)	(2,533)	(3,621)	(1,243)	(729)
Increase/(decrease) in other payables		7,386	(7,555)	3,579	1,400	8,669
Net cash used in operating activities		(25,319)	(25,330)	(29,931)	(11,775)	(4,723)

A. FINANCIAL INFORMATION *(Continued)*

Statements of cash flows *(Continued)*

		Year ended 31 December			Five months ended 31 May	
		2009	2010	2011	2011	2012
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
Investing activities						
Payment for purchase of intangible assets		(15,128)	(17,231)	(21,267)	(12,010)	(2,258)
Proceeds from disposal of fixed assets		—	—	271	—	—
Payment for purchase of fixed assets		(2,985)	(6,660)	(14,823)	(2,179)	(1,807)
Proceeds from disposal of intangible assets		—	1,900	—	—	—
Decrease/(increase) in deposits paid for fixed assets		497	(2,914)	239	(1,489)	(116)
Increase in other deposits		(100)	—	—	—	—
Interest received		70	107	9	2	1
Net cash used in investing activities		(17,646)	(24,798)	(35,571)	(15,676)	(4,180)
Financing activities						
Proceeds from new bank loan		—	—	—	—	5,000
Increase in amounts due to related parties		53,000	41,708	39,279	—	—
Increase in equity loan from immediate holding company		—	—	24,328	25,654	4,000
Interest paid		—	—	—	—	(116)
Net cash generated from financing activities		53,000	41,708	63,607	25,654	8,884
Net increase/(decrease) in cash and cash equivalents		10,035	(8,420)	(1,895)	(1,797)	(19)
Cash and cash equivalents at beginning of year/period		369	10,404	1,984	1,984	89
Cash and cash equivalents at end of year/period		10,404	1,984	89	187	70

B. NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Mining Company was incorporated in the PRC on 30 May 2008 with limited liability. It holds certain mining and exploration rights for the gold mines located in Pu'er City, Yunnan, the PRC and has not yet commenced gold mining and production activities during the Relevant Periods.

Its registered office and principal place of business is located at 中國雲南省普洱市思茅區思亭路105號 (105 Siting Road, Simao District, Pu'er City, Yunnan, the PRC).

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The Financial Information have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The Financial Information also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Mining Company is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Mining Company. For the purposes of preparing the Financial Information, the Mining Company has not applied any new and revised HKFRS that is not yet effective for the Relevant Periods. The adoption of these new and revised HKFRSs has no significant impact on the Financial Information. The revised and new accounting standards and interpretations issued but not yet effective for the Relevant Periods are set out in note 28.

(b) Basis of preparation of the Financial Information

The measurement basis used in the preparation of the Financial Information is the historical cost basis. The functional and presentation currency of the Mining Company is Renminbi ("RMB").

The preparation of Financial Information in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

B. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Basis of preparation of the Financial Information *(Continued)*

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the Financial Information and estimates with a significant risk of material adjustment in the next year are discussed in note 23.

In preparing the Financial Information, the Mining Company's directors have considered the future liquidity of the Mining Company. The Mining Company had net current liabilities of RMB13,829,000 as at 31 May 2012. These conditions indicate the existence of a material uncertainty which may cast a doubt about the ability of the Mining Company to continue as a going concern. Nevertheless, the Mining Company's directors are of the opinion that the Mining Company will be able to finance its working capital and financial requirements given that:

(i) the ultimate and immediate holding companies of the Mining Company have agreed to provide financial support to the Mining Company so as to enable it to meet its debts and liabilities in full as and when they fall due; and

(ii) based on a cash flow forecast prepared by the Mining Company's management for the twelve months ending from the date of approval of this report, the Mining Company will be able to generate adequate cash flows from its continuing operations.

Accordingly, the Mining Company's directors are of the opinion that the Mining Company is appropriate to prepare the Financial Information on a going concern basis. The Financial Information have not reflected any effects of adjustments if the Mining Company was unable to continue to operate as a going concern.

B. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Intangible assets (other than goodwill)

(i) Mining rights

Mining rights with definite useful lives are carried at cost less accumulated amortisation and any accumulated impairment loss (see note 2(g)(ii)). Amortisation is provided using the unit of production method based on the actual production volume over the estimated total proved and probable reserves of the gold mines.

(ii) Exploration rights and assets

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

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

When it can be reasonably ascertained that an exploration property is capable of commercial production, exploration and evaluation costs capitalised are transferred to either mining infrastructure or mining rights and depreciated or amortised by the unit of production method based on the estimated total proved and probable mineral reserves. Costs incurred for exploration which can be directly attributable to the development of mining infrastructure are transferred to mining infrastructure when the exploration reaches the stage of commercial production. All other costs will be transferred to mining rights. Exploration rights and assets are written off to profit or loss if the exploration property is abandoned.

(d) Fixed assets

Fixed assets, other than construction in progress, are stated in the statements of financial position at cost less accumulated depreciation and impairment losses, if any (see note 2(g)(ii)).

When a lease includes both land and building elements, the Mining Company assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Mining Company, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease.

B. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Fixed assets *(Continued)*

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as interests in leasehold lands held for own use under operating leases and included in fixed assets in the statement of financial position and is amortised over the lease term on a straight-line basis.

The cost of self-constructed items of fixed assets includes the cost of materials, direct labour, the initial estimate, where relevant, of the cost of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowings costs (see note 2(p)).

Gains or losses arising from the retirement or disposal of an item of fixed assets are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of fixed assets, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

— Buildings situated on leasehold land are depreciated on a straight-line basis over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of completion

—	Machinery and equipment	10 years
—	Furniture and office equipment	3 years
—	Motor vehicles	4 years

Depreciation of mining structures is provided to write off the cost of the mining structures using the unit of production method based on the actual production volume over the estimated total proved and probable reserves of the gold mines.

Where parts of an item of fixed assets have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Construction in progress represents buildings, mining structures, and plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is stated at cost less any identified impairment loss. Cost comprises construction expenditure and other direct costs attributable to such projects, if the amount of capital expenditures and the time involved to complete the construction are significant. Construction in progress is classified to the appropriate category of fixed assets when completed and ready for its intended use.

No depreciation is provided in respect of construction in progress until it is substantially complete and ready for its intended use.

B. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Mining Company determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Mining Company

Assets held by the Mining Company under leases which transfer to the Mining Company substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Mining Company are classified as operating leases, with the following exception:

— Land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Mining Company, or taken over from the previous lessee.

(ii) Assets acquired under finance leases

Where the Mining Company acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset or, if lower, the present value of the minimum lease payments of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Mining Company will obtain ownership of the asset, the life of the asset, as set out in note 2(d). Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(g)(ii). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each reporting period.

(iii) Operating lease charges

Where the Mining Company has the use of assets under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are written off as an expense of the Relevant Periods in which they are incurred.

The cost of acquiring leasehold land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property.

B. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any write-down of inventories is recognised as reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(g) Impairment of assets

(i) Impairment of other receivables

Other receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Mining Company about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

B. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Impairment of assets *(Continued)*

(i) Impairment of other receivables (Continued)

If any such evidence exists, any impairment loss is determined and recognised as follows:

— For other receivables and other financial assets carried at amortised cost, impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

— If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Mining Company is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

B. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Impairment of assets *(Continued)*

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

— intangible assets;
— fixed assets;
— deposits paid for fixed assets; and
— other non-current deposits.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying amount of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

B. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Impairment of assets *(Continued)*

(ii) Impairment of other assets *(Continued)*

— Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year/period in which the reversals are recognised.

(h) Other receivables

Other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interests method, less allowance for impairment of doubtful debts (see note 2(g)(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(i) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(j) Other payables

Other payables (including amounts due to related parties) are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks, and short-term, highly liquid investments readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

B. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Income tax

Income tax for the Relevant Periods comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case they are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the Relevant Periods, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), in the case of taxable differences, the Mining Company controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

B. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Income tax *(Continued)*

The carrying amount of a deferred tax asset is reviewed at the end of the reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not off set. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Mining Company has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Mining Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(m) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the Relevant Periods in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Termination benefits

Termination benefits are recognised when, and only when, the Mining Company demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

B. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Mining Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Provisions for the Mining Company's obligations for land rehabilitation are based on estimates of required expenditure at the mines in accordance with the PRC rules and regulations. The Mining Company estimates its liabilities for final rehabilitation and mine closure based upon detailed calculations of the amount and timing of the future cash expenditure to perform the required work. Spending estimates are escalated for inflation, then discounted at a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability such that the amount of provision reflects the present value of the expenditures expected to be required to settle the obligation.

(o) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Mining Company and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Interest income

Interest income is recognised as it accrues using the effective interest method.

(p) Borrowing costs

Borrowing costs are expensed in profit or loss in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

B. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Borrowing costs *(Continued)*

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(q) Related parties

(a) A person, or a close member of that person's family, is related to the Mining Company if that person:

- i) has control or joint control over the Mining Company;
- ii) has significant influence over the Mining Company; or
- iii) is a member of the key management personnel of the Mining Company or the Mining Company's parent.

(b) An entity is related to the Mining Company if any of the following conditions applies:

- (i) The entity and the Mining Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group or which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Mining Company or an entity related to the Mining Company.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

B. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Mining Company's senior executive management, i.e., the chief operating decision-makers, for the purposes of allocating resources to, and assessing the performance of, the Mining Company's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

The Mining Company holds certain mining and exploration rights for the gold mines located in Pu'er City, Yunnan, the PRC and has not yet commenced gold mining and production activities during the Relevant Periods. All of its assets and results were in relation to its gold mining operation in the PRC. Accordingly, no analysis of business and geographical information is presented.

3. OTHER REVENUE AND OTHER NET INCOME

	Year ended 31 December			Five months ended 31 May	
	2009	**2010**	**2011**	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Other revenue					
Interest income on financial assets not at fair value through profit or loss:					
Interest income on bank deposits	70	107	9	2	1
Others	10	5	6	5	—
	80	112	15	7	1
Other net income					
(Loss)/gain on disposal of fixed assets	—	(11)	56	—	—
	80	101	71	7	1

B. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

4. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	Year ended 31 December			Five months ended 31 May	
	2009	**2010**	**2011**	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
(a) Finance costs					
Interest expenses on financial liabilities not at fair value through profit or loss: Interest on bank loan wholly repayable within five years	—	—	—	—	116
(b) Staff costs (including directors' remuneration)					
Salaries, wages and benefits	7,068	4,043	7,492	2,701	3,158
Contributions to retirement benefit schemes	25	44	391	93	152
	7,093	4,087	7,883	2,794	3,310
(c) Other items					
Auditor's remuneration	28	30	30	—	—
Depreciation of fixed assets	702	911	1,426	555	742
Operating lease charges in respect of land and buildings	9	88	235	23	2

B. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

5. INCOME TAX

(a) No provision for PRC income tax has been provided as the Mining Company did not have any assessable profits during the Relevant Periods.

(b) Reconciliation between tax expense and accounting loss at applicable tax rate:

	Year ended 31 December			Five months ended 31 May	
	2009	**2010**	**2011**	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Loss before taxation	(33,046)	(15,874)	(30,186)	(11,108)	(13,308)
Loss before taxation calculated at applicable tax rate of 25%	(8,261)	(3,968)	(7,547)	(2,777)	(3,327)
Tax effect of non-deductible expenses	8,261	3,896	4,872	1,827	2,401
Tax effect of unrecognised tax losses	—	72	2,675	950	926
Actual tax expenses	—	—	—	—	—

B. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

6. DIRECTORS' REMUNERATION

Details of directors' remuneration during the Relevant Periods are as follows:

	Directors' Fees	Salaries, allowances and benefits in kind	Retirement scheme contribution	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2009				
段治葵 Duan Zhikui *(Note (a))*	—	—	—	—
Year ended 31 December 2010				
吳光 Wu Guang *(Note (b))*	—	160	—	160
徐海金 Xue Haijin *(Note (c))*	—	59	—	59
劉建紅 Liu Jianhong *(Note (c))*	—	—	—	—
段治葵 Duan Zhikui *(Note (a))*	—	—	—	—
	—	219	—	219
Year ended 31 December 2011				
吳光 Wu Guang	—	212	—	212
徐海金 Xue Haijin	—	90	—	90
劉建紅 Liu Jianhong	—	—	—	—
	—	302	—	302
Five months ended 31 May 2012				
吳光 Wu Guang	—	87	—	87
徐海金 Xue Haijin	—	43	—	43
劉建紅 Liu Jianhong	—	—	—	—
	—	130	—	130
Five months ended 31 May 2011 (unaudited)				
吳光 Wu Guang	—	89	—	89
徐海金 Xue Haijin	—	33	—	33
劉建紅 Liu Jianhong	—	—	—	—
	—	122	—	122

B. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

6. DIRECTORS' REMUNERATION *(Continued)*

Notes:

(a) Appointed on 28 May 2008 and resigned on 12 April 2010

(b) Appointed on 12 April 2010

(c) Appointed on 21 October 2010

(d) The English name of the above PRC individuals are for identification purpose only.

During the Relevant Periods, no emoluments were paid by the Mining Company to the directors as an inducement to join or upon joining the Mining Company or as compensation for loss of office. No directors waived or agreed to waive any emoluments during the Relevant Periods.

7. INDIVIDUALS WITH HIGHEST EMOLUMENTS

The five highest paid individuals of the Mining Company during the Relevant Periods include 0, 1 and 1 and 1 and 1 director during the years ended 31 December 2009, 2010 and 2011 and five months ended 31 May 2011 and 2012 respectively, whose emoluments are disclosed in note 6. The aggregate of the emoluments in respect of the remaining individuals are as follows:

	Year ended 31 December			Five months ended 31 May	
	2009	**2010**	**2011**	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Salaries and allowances	1,395	981	1,255	577	452
Retirement scheme contributions	—	—	—	—	—
	1,395	981	1,255	577	452

The emoluments of all individuals other than the directors with the highest emoluments were within the range of HK$1 to HK$1,000,000 during the Relevant Periods.

8. DIVIDENDS

No dividends were paid and declared during the Relevant Periods.

B. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

9. INTANGIBLE ASSETS

	Mining rights	Exploration rights and assets			Total
		Exploration rights	Exploration and evaluation costs	Sub-total	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost					
At 1 January 2009	287,700	2,300	7,500	9,800	297,500
Additions	—	—	15,128	15,128	15,128
At 31 December 2009 and 1 January 2010	287,700	2,300	22,628	24,928	312,628
Additions	—	—	17,231	17,231	17,231
Disposals	—	(1,900)	—	(1,900)	(1,900)
At 31 December 2010 and 1 January 2011	287,700	400	39,859	40,259	327,959
Additions	—	988	20,279	21,267	21,267
At 31 December 2011 and 1 January 2012	287,700	1,388	60,138	61,526	349,226
Additions	—	—	2,258	2,258	2,258
At 31 May 2012	287,700	1,388	62,396	63,784	351,484
Accumulated amortisation					
At 31 December 2009, 2010 and 2011 and 31 May 2012	—	—	—	—	—
Carrying amounts					
At 31 December 2009	287,700	2,300	22,628	24,928	312,628
At 31 December 2010	287,700	400	39,859	40,259	327,959
At 31 December 2011	287,700	1,388	60,138	61,526	349,226
At 31 May 2012	287,700	1,388	62,396	63,784	351,484

B. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

9. INTANGIBLE ASSETS *(Continued)*

(a) During the Relevant Periods, the Mining Company held two mining rights for gold mines in Pu'er City, Yunnan, the PRC. As at 31 May 2012, one mining right which will expire in December 2013 was undergoing the application for expansion of the mining area, and another mining right will expire in February 2015. Subsequent to end of the reporting period, the mining right under the application for expansion of the mining area has been approved with a period to June 2022 (note 29(b)).

(b) As at 31 December 2009, 2010 and 2011 and 31 May 2012, the Mining Company held twenty-three, four, four and four exploration rights respectively for gold mines in Pu'er City, Yunnan, the PRC. During the year ended 31 December 2010, the Mining Company disposed of nine and ten exploration rights, which were separated from the two mining rights for gold mines as further detailed in (a) above, with carrying amounts of RMB900,000 and RMB1,000,000 respectively to a related party (note 25(a)) and an independent third party for an aggregate consideration of RMB900,000 and RMB1,000,000 respectively.

As at 31 May 2012, two exploration rights will expire in the period between March 2013 and September 2013 and the remaining two exploration rights which expired in February 2012 and June 2012 respectively were undergoing the renewal process. Subsequent to end of the reporting period, the exploration right which expired in June 2012 has been renewed for a period to July 2013 (note 29(a)).

(c) The Mining Company's directors have sought the PRC lawyer's opinion that there is no foreseeable legal obstacle to the Mining Company to obtain the above exploration right. As at the date of approval of this report, the exploration right has not been obtained.

(d) Based on a valuation performed by ROMA Appraisals Limited, an independent firm of professionally qualified valuers, using the market-based approach on 31 March 2012, the directors of the Mining Company are of the opinion that the recoverable amounts of the intangible assets exceeded their carrying amounts during the Relevant Periods.

B. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

10. FIXED ASSETS

	Leasehold lands and buildings held for own use	Machinery and equipment	Furniture and office equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(notes a & b)				*(note c)*	
Cost						
At 1 January 2009	—	1,225	76	2,243	57	3,601
Additions	—	603	280	17	2,085	2,985
Transfer	—	—	64	—	(64)	—
At 31 December 2009 and 1 January 2010	—	1,828	420	2,260	2,078	6,586
Additions	—	278	684	1,521	4,177	6,660
Disposals	—	—	(19)	—	—	(19)
At 31 December 2010 and 1 January 2011	—	2,106	1,085	3,781	6,255	13,227
Additions	4,924	909	640	33	8,317	14,823
Transfer	2,449	152	—	—	(2,601)	—
Disposals	—	—	—	(409)	—	(409)
At 31 December 2011 and 1 January 2012	7,373	3,167	1,725	3,405	11,971	27,641
Additions	—	149	68	—	1,590	1,807
At 31 May 2012	7,373	3,316	1,793	3,405	13,561	29,448

B. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

10. FIXED ASSETS *(Continued)*

	Leasehold lands and buildings held for own use	Machinery and equipment	Furniture and office equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(notes a & b)				*(note c)*	
Accumulated depreciation and amortisation						
At 1 January 2009	—	9	4	152	—	165
Charge for the year	—	140	25	537	—	702
At 31 December 2009 and 1 January 2010	—	149	29	689	—	867
Charge for the year	—	179	60	672	—	911
Written back on disposals	—	—	(8)	—	—	(8)
At 31 December 2010 and 1 January 2011	—	328	81	1,361	—	1,770
Charge for the year	111	252	256	807	—	1,426
Written back on disposals	—	—	—	(194)	—	(194)
At 31 December 2011 and 1 January 2012	111	580	337	1,974	—	3,002
Charge for the period	146	127	132	337	—	742
At 31 May 2012	257	707	469	2,311	—	3,744
Carrying amounts						
At 31 December 2009	—	1,679	391	1,571	2,078	5,719
At 31 December 2010	—	1,778	1,004	2,420	6,255	11,457
At 31 December 2011	7,262	2,587	1,388	1,431	11,971	24,639
At 31 May 2012	7,116	2,609	1,324	1,094	13,561	25,704

B. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

10. FIXED ASSETS *(Continued)*

(a) As 31 December 2011 and 31 May 2012, all leasehold lands and buildings held for own use were situated in Pu'er City, Yunnan, the PRC. The lands were held under medium-term leases.

(b) As at 31 May 2012, all leasehold lands and buildings held for own use were pledged as security for a bank loan granted to the Mining Company (note 21).

(c) The construction in progress primarily relates to the additional production premises, mining structures and facilities of the Mining Company.

11. DEPOSITS PAID FOR FIXED ASSETS

The Mining Company paid deposits of RMB480,000, RMB3,394,000, RMB3,155,000 and RMB3,271,000 for purchase of fixed assets as at 31 December 2009, 2010 and 2011 and 31 May 2012 respectively.

12. OTHER DEPOSITS

These represent deposits paid for environmental and safety protection for the Mining Company's exploitation of gold mines in the PRC. The deposits are refundable upon the Mining Company's termination of exploitation of gold mines.

13. INVENTORIES

				As at
		As at 31 December		**31 May**
	2009	**2010**	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Materials and consumables	532	715	1,779	1,991

B. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

14. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 31 December			As at 31 May
	2009	**2010**	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deposits and prepayments	412	1,734	4,952	6,253
Other receivables	20	1,231	1,634	1,062
	432	2,965	6,586	7,315

15. CASH AND CASH EQUIVALENTS

	As at 31 December			As at 31 May
	2009	**2010**	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash at banks	10,335	1,940	87	58
Cash on hand	69	44	2	12
Cash and cash equivalents in the statements of financial position and statements of cash flows	10,404	1,984	89	70

16. OTHER PAYABLES

	As at 31 December			As at 31 May
	2009	**2010**	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Accrued charges and other payables	13,512	5,957	9,536	18,205

17. BANK LOAN

As at 31 May 2012, the bank loan was repayable within one year and secured by the Mining Company's leasehold lands and buildings held for own use (note 21). The effective interest rate on the bank loan was 9.8%.

B. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

18. CAPITAL AND RESERVES

The reconciliation between the opening and closing balances of each component of the Mining Company's equity is set out in the statements of changes in equity.

(a) Registered and paid-up capital

	RMB'000
Registered and paid-up capital:	
At 1 January 2009, 31 December 2009, 2010 and 2011 and 31 May 2012	50,000

The Mining Company was incorporated on 30 May 2008 with registered and paid-up capital of RMB50,000,000.

(b) Distributability of reserves

The Mining Company did not have reserves available for distribution as at 31 December 2009, 2010 and 2011 and 31 May 2012.

(c) Capital management

The Mining Company's primary objectives when managing capital are to safeguard the Mining Company's ability to continue as a going concern, so that it can continue to provide returns for equity holders and benefits for other stakeholders with the level of risk and by securing access to finance at a reasonable cost.

B. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

18. CAPITAL AND RESERVES *(Continued)*

(c) Capital management *(Continued)*

The gearing ratio, representing the ratios of total borrowings (including bank loan and amounts due to related parties) net of cash and cash equivalents to the total share capital and reserves of the Mining Company as follows:

	As at 31 December			As at 31 May
	2009	**2010**	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total borrowings	304,926	346,634	—	5,000
Less: cash and cash equivalents	(10,404)	(1,984)	(89)	(70)
Net debt	294,522	344,650	—	4,930
Total equity	11,857	(4,017)	376,038	366,730
Net debt to equity ratio	2,484%	8,580%	0%	1%

The Mining Company actively and regularly reviews and manages its capital structure to maintain a balance between the higher returns to the owners of the Mining Company that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

There were no changes in the Mining Company's approach to capital management during the Relevant Periods.

The Mining Company is not subject to externally imposed capital requirements during the Relevant Periods.

19. EQUITY LOAN FROM IMMEDIATE HOLDING COMPANY

In the opinion of the directors of the Mining Company, the equity loan from immediate holding company is equity contribution in nature to provide capital to the Mining Company. The loan is unsecured and interest-free and will not be demanded for repayment.

B. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

20. DEFERRED TAXATION

The Mining Company has not recognised deferred tax assets in respect of cumulative tax losses of RMB0, RMB2,880,000, RMB10,987,000 and RMB14,691,000 as at 31 December 2009, 2010 and 2011 and 31 May 2012 respectively as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses of the Mining Company will expire in the coming two to five years.

21. PLEDGE OF ASSETS

As at 31 May 2012, all of the Mining Company's leasehold lands and buildings held for own use were pledged as security for a bank loan granted to the Mining Company (notes 10(b) and 17).

22. FINANCIAL INSTRUMENTS

The Mining Company's major financial instruments include cash and cash equivalents, other receivables and payables, bank loan and amounts due to related parties. Details of the financial instruments are disclosed in respective notes. The risk associated with these financial instruments include credit, liquidity and interest rate. These risks are limited by the Mining Company's financial management policies described below.

(a) Credit risk

The Mining Company's credit risk is primarily attributable to other receivables and bank balances. Management has a credit policy in place and the exposure to the credit risk is monitored on an ongoing basis.

In respect of other receivables, the credit quality of the debtors is assessed by taking into account of their financial position, relationship with the Mining Company, credit history and other factors. Management regularly reviews the recoverability about these other receivables and follows up the amounts overdue, if any. The Mining Company's directors are of the opinion that the probability of default by counterparties is low.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

B. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

22. FINANCIAL INSTRUMENTS *(Continued)*

(b) Liquidity risk

As at 31 December 2009, 2010 and 2011 and 31 May 2012, the Mining Company has net current liabilities of RMB307,070,000, RMB346,927,000, RMB1,082,000 and RMB13,829,000 respectively. The Mining Company is exposed to liquidity risk of being unable to finance its future working capital and financial requirements when they fall due. To manage liquidity risk, the Mining Company regularly monitors its current and expected liquidity requirements, to ensure that it maintains sufficient reserves of cash and adequate of funding from its ultimate and immediate holding companies to meet its liquidity requirements in the short term and longer term.

The Mining Company's directors are of the opinion that the Mining Company will be able to finance its future working capital and financial requirements as described in note 2(b) to the Financial Information.

The following table details the remaining contractual maturities at the end of each of the reporting period of the Mining Company's financial liabilities which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Mining Company's financial liabilities can be required to pay:

As at 31 December 2009

	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand
	RMB'000	*RMB'000*	*RMB'000*
Other payables	13,512	13,512	13,512
Amounts due to related parties	304,926	304,926	304,926
	318,438	318,438	318,438

B. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

22. FINANCIAL INSTRUMENTS *(Continued)*

(b) Liquidity risk *(Continued)*

As at 31 December 2010

	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand
	RMB'000	*RMB'000*	*RMB'000*
Other payables	5,957	5,957	5,957
Amounts due to related parties	346,634	346,634	346,634
	352,591	352,591	352,591

As at 31 December 2011

	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand
	RMB'000	*RMB'000*	*RMB'000*
Other payables	9,536	9,536	9,536
	9,536	9,536	9,536

As at 31 May 2012

	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand
	RMB'000	*RMB'000*	*RMB'000*
Other payables	18,205	18,205	18,205
Bank loan	5,000	5,000	5,000
	23,205	23,205	23,205

B. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

22. FINANCIAL INSTRUMENTS *(Continued)*

(c) Interest rate risk

The Mining Company is exposed to cash flow interest rate risk in relation to variable-rate bank loan and bank balances.

(i) Interest rate profile

The following table details the interest rate profile of the Mining Company's variable rate bank loan and bank balances at the end of each of the reporting period:

	As at 31 December			As at 31 May
	2009	**2010**	**2011**	**2012**
Bank loan (RMB'000)	—	—	—	5,000
Effective interest rates (%)	—	—	—	9.8
Bank balances (RMB'000)	10,335	1,940	87	58
Effective interest rates (%)	0.4	0.4	0.5	0.5

(ii) Sensitivity analysis

It is estimated that a general increase/decrease of 100 basis points in interest rates for variable rate bank loan and bank balances, with all other variables held constant, would decrease/increase the Mining Company's loss after tax and accumulated losses by RMB103,000, RMB19,000 and RMB1,000 at 31 December 2009, 2010 and 2011 respectively and increase/decrease its loss after tax and accumulated losses by RMB49,000 at 31 May 2012. Other components of equity would not change in response to the general increase/decrease in interest rates.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at end of the reporting period and had been applied to the exposure to interest rate risk for variable rate interest bearing financial instruments in existence at that date. The 100 basis points increase/decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next financial year. The analysis is performed on the same basis for last reporting period.

B. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

22. FINANCIAL INSTRUMENTS *(Continued)*

(d) Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments:

(i) Bank loan

The fair value of bank loan is estimated as the present value of future cash flows, discounted at current market rate of interest for similar financial instruments.

(ii) Save as disclosed above, the fair values of cash and bank balances, other receivables and payables and amounts due to related parties of the Mining Company are not materially different from their carrying amounts as at 31 December 2009, 2010 and 2011 and 31 May 2012.

23. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The method, estimates and judgements the directors use in applying the Mining Company's accounting policies have a significant impact on the Mining Company's financial position and operating results. Some of the accounting policies require the Mining Company to apply estimates and judgements on matters that are inherently uncertain. The critical accounting judgements in applying the Mining Company's accounting policies are discussed below.

(a) Mining and exploration rights

As further detailed in note 9 to the Financial Information, the Mining Company has one exploration right which expired in February 2012 is undergoing the renewal process. The Mining Company's directors have sought the PRC lawyer's opinion that there is no foreseeable legal obstacle to the Mining Company to obtain the above exploration right of gold mines.

(b) Estimates for mine reserves

Proved reserves refer to the economically mineable part of measured resources. Probable reserves include economically mineable part of indicated resources. The process of estimating quantities of reserves is inherently uncertain and complex. It requires significant judgements and decisions based on available geological, geophysical, engineering and economic data. These estimates may change substantially as additional data from ongoing development activities and production performance becomes available and as economic conditions impacting mineral prices and costs change. Reserve estimates are based on current production forecasts, prices and economic conditions. The Mining Company's directors exercise their judgement in estimating the total proved and probable reserves of the ore mines.

B. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

23. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(c) Depreciation and amortisation

Fixed assets are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. The Mining Company reviews annually the useful lives of an asset and its residue value, if any. Interests in leasehold land held for own use are amortised on a straight-line basis over the shorter of the estimated useful lives of the leased assets and the lease term. Both the period and methods of amortisation are reviewed annually. The depreciation and amortisation expense for future periods is adjusted if there are significant changes from previous estimates.

(d) Valuation of inventories

Inventories are stated at the lower of cost and net realisable value at the end of the reporting period. Net realisable value is determined on the basis of the estimated selling price less the estimated costs necessary to make the sale. The Mining Company's directors estimate the net realisable value for inventories based primarily on the latest invoice prices and current market conditions. In addition, the directors perform an inventory review at each year-end date and assess the need for write down of inventories.

(e) Impairments

In considering the impairment losses that may be required for the Mining Company's mining and exploration rights and assets, fixed assets and deposits paid for fixed assets, recoverable amount of the asset needs to be determined. The recoverable amount is the greater of the fair value less costs to sell and the value in use. It is difficult to precisely estimate the fair value less costs to sell because quoted market prices for these assets may not be readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to items such as level of sales volume, selling price and amount of operating costs. The Mining Company uses all readily available information in determining an amount that is reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of items such as sales volume, selling price and amount of operating costs. Had different parameters and discount rates been used to determine the fair value of the intangible assets, the Mining Company's results of operations and financial position could be materially different.

Impairment losses for bad and doubtful debts are assessed and provided based on the Mining Company's directors' regular review of ageing analysis and evaluation of collectively. A considerable level of judgement is exercised by the directors when assessing the credit worthiness and past collection history of each individual customer.

An increase or decrease in the above impairment losses would affect the net profit of the Mining Company in future years.

B. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

23. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(f) Income tax

Determining income tax provision involves judgement on the future tax treatment of certain transactions. The Mining Company's directors carefully evaluate tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognised for temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised, the directors' judgement is required to assess the probability of future taxable profits. The directors' assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

(g) Environmental contingencies

During the Relevant Periods and up to the date of approval of this report, the Mining Company has not involved in any environmental remediation at this initial stage of development and has complied with the existing environmental legislation requirements. The PRC government, however, may move further towards more rigorous enforcement of applicable laws and the adoption of more stringent environmental standards. Accordingly, the amount of such future costs is indeterminable by the Mining Company. Under existing environmental legislation, management believes that there are no probable liabilities that will have a material adverse effect on the financial position or operating results of the Mining Company for the current reporting period.

B. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

24. COMMITMENTS

(a) Capital commitments

As at end of each of the reporting period, the Mining Company had capital commitments outstanding not provided for in the Financial Information as follows:

	As at 31 December			As at 31 May
	2009	**2010**	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted but not provided for in respect of				
— acquisition cost for expansion of mining areas of a mining right	—	—	—	21,263
— capital expenditure on exploration and evaluation costs	—	8,691	821	321
— purchase of fixed assets	—	1,800	900	600
	—	10,491	1,721	22,184
Authorised but not contracted for in respect of capital expenditure on mining production plant and structures	—	—	—	40,047

(b) Operating lease commitments

As at end of each of the reporting period, the Mining Company had total future minimum lease payments under non-cancellable operating lease as follows:

	As at 31 December			As at 31 May
	2009	**2010**	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	6	200	46	46

The Mining Company is the lessee in respect of a number of properties for an initial period of one to two years. None of the leases includes contingent rentals.

B. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

25. RELATED PARTY TRANSACTIONS

(a) Related party transactions and balances

The Mining Company had the following related party transactions and balances during the Relevant Periods:

		Year ended 31 December			Five months ended 31 May	
		2009	2010	2011	2011	2012
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Disposal of exploration rights						
普洱市安岩礦業有限公司 Pu'er An Yan Mining Co., Ltd. ("Pu'er An Yan")	*(v)&(vi)*	—	900	—	—	—

		As at 31 December			As at 31 May
		2009	2010	2011	2012
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due to related parties					
騰沖縣恆益礦產品經貿有限責任公司 Tengchong Hengyi Mining Product Trading Co., Ltd. ("Tengchong Hengyi")	*(i)*	302,926	—	—	—
福建省江夏礦業有限公司 Fujian Jiangxia Mining Co., Ltd. ("Fujian Jiangxia")	*(ii)*	2,000	—	—	—
普洱市錦輝礦業有限公司 Pu'er Jinhui Mining Co., Ltd. ("Pu'er Jinhui")	*(iii), (vii)&(viii)*	—	320,634	—	—
深圳市安岩礦業有限公司 Shenzhen An Yan Mining Co., Ltd. ("Shenzhen An Yan")	*(iv)&(viii)*	—	19,000	—	—
Pu'er An Yan	(v)	—	7,000	—	—
Total	*(ix)*	304,926	346,634	—	—

B. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

25. RELATED PARTY TRANSACTIONS *(Continued)*

(a) Related party transactions and balances *(Continued)*

Notes:

(i) Tengchong Hengyi was the former immediate holding company of the Mining Company during the year ended 31 December 2009 and up to 13 April 2010.

(ii) Fujian Jiangxia was the former intermediate holding company of the Mining Company during the year ended 31 December 2009 and up to 13 April 2010.

(iii) Pu'er Jinhui was the former immediate holding company of the Mining Company for the period from 14 April 2010 to 2 March 2011.

(iv) Shenzehn An Yan was the former ultimate holding company of the Mining Company for the period from 14 April 2010 to 2 March 2011.

(v) Pu'er An Yan was the former fellow subsidiary of the Mining Company for the period from 14 April 2010 to 2 March 2011.

(vi) During the year ended 31 December 2010, the Mining Company disposed of nine exploration rights to the related party with an aggregate consideration of RMB900,000 (note 9(b)). The Mining Company's directors are of the opinion that the above transaction was based on the terms mutually agreed between the Mining Company and the related party.

(vii) During the year ended 31 December 2011, an amount due to Pu'er Jinhui of RMB240 million and all paid-up capital of the Mining Company were acquired by Fast Trend Investment Limited (the "HK Company"), which has became an immediate holding company of the Mining Company since 3 March 2011 and up to date of this report, for a consideration of RMB290 million. Accordingly, the amount was reclassified and included in equity loan from immediate holding company (note 19).

(viii) During the year ended 31 December 2011, two agreements were executed by the Mining Company, the HK Company and Premium Wise Inc., which is the ultimate holding company of the Target Group and two related parties Pu'er Jinhui and Shenzhen An Yan. Pursuant to the agreements, Premium Wise Inc., through the HK Company, assumed the obligations under the amounts due to Pu'er Jinhui and Shenzhen An Yan of RMB90,513,000 and RMB55,400,000, respectively, by the Mining Company. Accordingly, the amounts were reclassified and included in equity loan from immediate holding company (note 19).

(ix) The amounts due to related parties are non-trade nature, unsecured, interest-free and repayable on demand.

(x) The English name of the above PRC incorporated entities are for identification purpose only.

B. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

25. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Key management remuneration

Remuneration for key management personnel of the Mining Company, including amounts paid to the Mining Company's directors as disclosed in note 6 and the highest paid employees as disclosed in note 7 is as follows:

	Year ended 31 December			Five months ended 31 May	
	2009	**2010**	**2011**	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Short-term employee benefits	1,395	1,200	1,557	699	582
Post-employment benefits	—	—	—	—	—
	1,395	1,200	1,557	699	582

26. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2011, the immediate holding company assumed the obligations under the amounts due to related parties by the Mining Company, details are set out in note 25(a) (viii).

27. ULTIMATE HOLDING COMPANY

As at 31 May 2012 and up to the date of this report, the Mining Company's directors consider the ultimate holding company of the Mining Company to be Premium Wise Inc., a company incorporated in the BVI.

B. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

28. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATION ISSUED BUT NOT YET EFFECTIVE FOR THE RELEVANT PERIODS

Up to the date of issue of the Financial Information, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective of the Relevant Periods:

The Mining Company has not early applied any of the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRS 1 (Amendments)	Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards — Government Loans[2]
HKFRS 7 (Amendments)	Disclosures — Offsetting Financial Assets and Financial Liabilities[2]
HKFRS 9	Financial Instruments[4]
HKFRS 9 and HKFRS 7 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[4]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[2]
HKFRS 13	Fair Value Measurement[2]
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[1]
HKAS 19 (2011)	Employee Benefits[2]
HKAS 27 (2011)	Separate Financial Statetments[2]
HKAS 28 (2011)	Investment in Associates and Joint Ventures[2]
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial liabilities[3]
HK(IFRIC) — Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]
HKFRSs (Amendments)	Annual improvements 2009-2011 Cycle[2]

B. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

28. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATION ISSUED BUT NOT YET EFFECTIVE FOR THE RELEVANT PERIODS *(Continued)*

[1] Effective for annual periods beginning on or after 1 July 2012.

[2] Effective for annual periods beginning on or after 1 January 2013.

[3] Effective for annual periods beginning on or after 1 January 2014.

[4] Effective for annual periods beginning on or after 1 January 2015.

The Mining Company is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Mining Company's results of operations and financial position except as described below.

HK(IFRIC) — Int 20 addresses the recognition of waste removal costs that are incurred in surface mining activity during the production phase of a mine as an asset, as well as the initial measurement and subsequent measurement of the stripping activity asset. To the extent that the benefit from the stripping activity is realised in the form of inventory produced, the costs incurred are accounted for in accordance with HKAS 2 Inventories. To the extent that the benefit is improved access to ore and when criteria set out in the interpretation are met, the waste removal costs are recognised as a stripping activity asset under non-current assets. The Company expects to adopt the interpretation from 1 January 2013.

29. EVENTS AFTER THE REPORTING PERIOD

The Mining Company had the following events after the reporting period:

(a) As further detailed in note 9(b), on 19 July 2012, the exploration right which expired in June 2012 has been renewed for a period to July 2013.

(b) As further detailed in noted 9(a), on 20 June 2012, the mining right under the application for expansion of the mining area has been approved with a period to June 2022. Pursuant to the agreement entered into between the Mining Company and the relevant PRC authority, the acquisition cost for expansion of the mining area of the mining right was RMB21,263,000. The Mining Company paid the amount of RMB10,063,000 in June 2012 and the remaining balance will be paid by two installments of RMB5,600,000 and RMB5,600,000 payable on/before May 2013 and May 2014 respectively.

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for the Mining Company in respect of any period subsequent to 31 May 2012.

Yours faithfully,

CCIF CPA Limited
Certified Public Accountants
Hong Kong

Leung Chun Wa
Practising Certificate Number P04963

MANAGEMENT DISCUSSION AND ANALYSIS ON THE TARGET GROUP

Set out below is the management discussion and analysis on the Target Group for the period from 3 June 2010 to 31 December 2010, the year ended 31 December 2011 and the five months ended 31 May 2012:

BUSINESS AND FINANCIAL REVIEW

The Target Company and the HK Company were incorporated in the British Virgin Islands and Hong Kong on 9 May 2011 and 3 June 2010, respectively, with limited liability and have not yet commenced business, except for investment holding. The Mining Company was incorporated in the PRC on 30 May 2008 with limited liability. The Mining Company holds certain mining and exploration rights for gold mines located in Pu'er City, Yunnan Province, the PRC and has not yet commenced gold mining and production activities since its incorporation and up to 31 May 2012. The Target Group had not recorded any turnover for the period from 3 June 2010 to 31 December 2010, the year ended 31 December 2011 and the five months ended 31 May 2012.

The Target Group recorded other net loss of nil, RMB4,289,000 and RMB1,067,000 respectively for the period from 3 June 2010 to 31 December 2010, the year ended 31 December 2011 and the five months ended 31 May 2012 respectively. It mainly comprised exchange loss on translation of equity loan from ultimate holding company of nil, RMB4,360,000 and RMB1,068,000 respectively for the period from 3 June 2010 to 31 December 2010, the year ended 31 December 2011 and the five months ended 31 May 2012.

The Target Group had administrative expenses of RMB13,000, RMB12,884,000 and RMB5,552,000 for the period from 3 June 2010 to 31 December 2010, the year ended 31 December 2011 and the five months ended 31 May 2012 respectively and other operating expenses of nil, RMB13,990,000 and RMB7,642,000 for the period from 3 June 2010 to 31 December 2010, the year ended 31 December 2011 and the five months ended 31 May 2012 respectively. The administrative expenses and other operating expenses significantly increased during the year ended 31 December 2011 as the Target Group completed the acquisition of the Mining Company. The Target Group recorded finance cost of nil, nil and RMB116,000 for the period from 3 June 2010 to 31 December 2010, the year ended 31 December 2011 and the five months ended 31 May 2012 respectively. The increase in finance costs for the five months ended 31 May 2012 was mainly due to a bank loan of RMB5,000,000 obtained by the Target Group.

The Target Group recorded loss before and after tax of RMB13,000, RMB31,163,000 and RMB14,377,000 respectively for the period from 3 June 2010 to 31 December 2010, the year ended 31 December 2011 and the five months ended 31 May 2012 respectively.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2010, 2011 and 31 May 2012, the Target Group had bank loan of nil, nil and RMB5,000,000 respectively; while its other payables were nil, RMB9,536,000 and RMB18,205,000 respectively.

The Target Group had consolidated cash and cash equivalents of RMB93,000, RMB201,000 and RMB182,000 as at 31 December 2010, 2011 and 31 May 2012 respectively. The Target Group's cash and cash equivalents were primarily denominated in RMB and HK$.

The gearing ratio, representing the ratio of total borrowings (including bank loan and amount due to a related party) net of cash and cash equivalents to total share capital and reserves of the Target Group, as at 31 December 2010, 2011 and 31 May 2012 were 100%, 0% and 1% respectively. The Target Group had net liabilities of RMB13,000 as at 31 December 2010 and net assets of RMB433,587,000 and RMB424,279,000 as at 31 December 2011 and 31 May 2012 respectively.

CAPITAL COMMITMENT

The Target Group had capital commitments outstanding not provided for as at the end of each of the reporting period as follows:

	As at 31 December		As at 31 May
	2010	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*
Contracted but not provided for in respect of:			
— acquisition cost for expansion of mining areas of a mining right	—	—	21,263
— capital expenditure on exploration and evaluation costs	—	821	321
— purchase of fixed assets	1,800	900	600
	1,800	1,721	22,184
Authorised but not contracted for in respect of capital expenditure on mining production plant and structures	—	—	40,047

TREASURY POLICIES

The Target Group had no formal treasury policy and did not enter into any form of financial arrangement for hedging for the period from 3 June 2010 to 31 December 2010, the year ended 31 December 2011 and the five months ended 31 May 2012.

EXCHANGE RATE EXPOSURE

The Target Group suffered from the risk of an adverse effect on current or future earnings resulting from fluctuations in the price of gold. The international gold market is predominately priced in US dollars which exposes the Target Company to the risk that fluctuations in RMB/US dollar exchange rates may also have an adverse effect on current or future earnings.

CHARGE OF ASSETS

As at 31 December 2010 and 31 December 2011 there was no pledge of assets of the Target Group.

As at 31 May 2012, the Target Group's bank loan of RMB5,000,000 was secured by the Target Group's leasehold lands held under finance leases and buildings held for own use.

EMPLOYEES AND REMUNERATION POLICY

The employee costs of the Target Group, including directors' emoluments, amounted to nil, RMB6,850,000 and RMB3,310,000 for the period from 3 June 2010 to 31 December 2010, the year ended 31 December 2011 and the five months ended 31 May 2012 respectively.

Remuneration was determined by reference to market terms and the qualifications and experience of the staff concerned. The number of employees of the Target Group were around nil, 160 and 160 as at 31 December 2010, 2011 and 31 May 2012 respectively.

ACQUISITION AND DISPOSAL OF SUBSIDIARIES

The Target Group did not have any significant investments, material acquisition and disposals for the period from 3 June 2010 to 31 December 2010, the year ended 31 December 2011 and the five months ended 31 May 2012, except for the acquisition of the Mining Company. Details are set out in note 23 in the accountant's report of the Target Group in Appendix II-A to this circular.

CONTINGENT LIABILITIES

The Target Group did not have any contingent liabilities as at 31 May 2012.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

a) Introduction

Pursuant to the Sale and Purchase Agreement as set out in this circular, the Company has conditionally agreed to acquire 100% equity interest in the Target Company for a consideration of RMB1,988,000,000 (equivalent to approximately HK$2,445,240,000), which will be satisfied by:

i) cash of RMB994,000,000, which includes amounts of RMB300,000,000 and RMB249,800,000 paid to the Vendor by the Company as the Earnest Money and the Additional Earnest Money in August 2011 and March 2012 respectively and the remaining amount of RMB444,200,000 (the "Final Instalment") in cash payable to the Vendor from the Completion Date and up to 31 December 2014. In the event that the whole or part of the Final Instalment is not paid on the Completion Date, the outstanding amount of the Final Instlment shall be subject to an interest of 6.8% per annum, payable in cash, to be calculated from the Completion Date up to the date of settlement of the relevant outstanding amount of the Final Instalment; and

ii) 867,106,382 new ordinary shares of the Company of HK$0.125 each at an issue price of HK$1.41 per share with the aggregate amount of RMB994,000,000.

The accompanying unaudited pro forma financial information of the Group as enlarged by the Acquisition (the "Enlarged Group") has been prepared to illustrate the effect of the Acquisition.

The unaudited pro forma combined statement of financial position of the Enlarged Group as at 30 June 2012 is prepared as if the Acquisition had been completed on 30 June 2012 and is based on (i) the unaudited consolidated statement of financial position of the Group as at 30 June 2012, which has been extracted from the unaudited interim report of the Company for the six months ended 30 June 2012; and (ii) the audited consolidated statement of financial position of the Target Group as at 31 May 2012 as extracted from the accountants' report thereon as set out in Appendix II-A to this circular, after making pro forma adjustments that are (i) directly attributable to the Acquisition; and (ii) factually supportable.

The unaudited pro forma financial information is prepared to provide information on the Enlarged Group as a result of the Acquisition. As it is prepared for illustration purposes only, it does not purport to represent what the financial position of the Enlarged Group will be on completion of the Acquisition or any future dates.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP *(Continued)*

b) Combined statement of financial position of the Enlarged Group as at 30 June 2012

	The Group as at 30 June 2012 (unaudited)	The Target Group as at 31 May 2012		Total	Pro forma adjustments		Pro forma Enlarged Group
	HK$'000	*RMB'000*	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
	(Note 1)	*(Note 2)*					
Non-current assets							
Intangible assets	3,840,170	408,921	502,972	4,343,142	2,004,377	*3*	6,347,519
Fixed assets (including construction in progress)	1,492,854	25,704	31,616	1,524,470			1,524,470
Deposits paid for gold mining and exploration rights	1,123,560	—	—	1,123,560	(718,555)	*4(i) & 7*	405,005
Available-for-sale financial assets	159,814	—	—	159,814			159,814
Deposits paid for fixed assets	29,849	3,271	4,023	33,872			33,872
Other deposits	9,607	100	123	9,730			9,730
	6,655,854	437,996	538,734	7,194,588			8,480,410
Current assets							
Inventories	111,530	1,991	2,449	113,979			113,979
Trade and other receivables, deposits and prepayments	99,571	7,315	8,997	108,568	(8,654)	*6*	99,914
Pledged bank deposits	48,594	—	—	48,594			48,594
Cash and cash equivalents	114,761	182	225	114,986	(27,769)	*6 & 7*	87,217
	374,456	9,488	11,671	386,127			349,704

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP *(Continued)*

b) Combined statement of financial position of the Enlarged Group as at 30 June 2012 *(Continued)*

	The Group as at 30 June 2012 (unaudited)	The Target Group as at 31 May 2012		Total	Pro forma adjustments	Notes	Pro forma Enlarged Group
	HK$'000	*RMB'000*	*HK$'000*	*HK$'000*	*HK$'000*		*HK$'000*
	(Note 1)	*(Note 2)*					
Current liabilities							
Trade and other payables	241,327	18,205	22,392	263,719			263,719
Other borrowings	170,767	—	—	170,767			170,767
Bank loans and overdrafts	205,588	5,000	6,150	211,738			211,738
Tax payable	64,234	—	—	64,234			64,234
	681,916	23,205	28,542	710,458			710,458
Net current liabilities	(307,460)	(13,717)	(16,871)	(324,331)			(360,754)
Total assets less current liabilities	6,348,394	424,279	521,863	6,870,257			8,119,656
Non-current liabilities							
Other borrowings	958,214	—	—	958,214			958,214
Bank loans	448,787	—	—	448,787			448,787
Unsecured payable	—	—	—	—	548,642	*4(ii)*	548,642
Derivative financial instruments	143,161	—	—	143,161			143,161
Convertibles bonds	121,627	—	—	121,627			121,627
Deferred tax liabilities	689,967	—	—	689,967			689,967
	2,361,756	—	—	2,361,756			2,910,398
Net assets	3,986,638	424,279	521,863	4,508,501			5,209,258
Capital and reserves							
Share capital/paid-up capital	435,453	—	—	435,453	108,388	*5 & 8*	543,841
Reserves	3,551,185	(36,053)	(44,345)	3,506,840	1,158,577	*5 & 8*	4,665,417
Equity loan from ultimate holding company	—	460,332	566,208	566,208	(566,208)	*9*	—
Total equity	3,986,638	424,279	521,863	4,508,501			5,209,258

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP *(Continued)*

c) Notes to the Unaudited Pro Forma Financial Information

1. The financial information of the Group is extracted from the unaudited interim report of the Company for the six months ended 30 June 2012.

2. The financial information of the Target Group is extracted from the accountant's report as set out in Appendix II-A to this circular. The consolidated statement of financial position is translated into HK$ at the exchange rate at 31 May 2012 of RMB1: HK$1.23.

3. The Group will recognise the acquisition of the Target Company as an asset acquisition because the Target Group holds certain mining and exploration rights for gold mines located in Pu'er City, Yunnan, the PRC and has not yet commenced gold mining and production activities.

	HK$'000
Net assets acquired:	
Net assets of the Target Group as at 31 May 2012	521,863
Increase in value of intangible assets *(note (i))*	2,004,377
	2,526,240
Consideration is satisfied by:	
Cash *(note 4)*	1,222,620
Consideration shares *(note 5)*	1,222,620
Total consideration	2,445,240
Acquisition-related costs *(note 6)*	11,000
Borrowing costs on financing the cash portion of the Acquisition consideration *(note 7)*	70,000
Total costs of the Acquisition	2,526,240

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP *(Continued)*

c) Notes to the Unaudited Pro Forma Financial Information *(Continued)*

3. *(Continued)*

i) Based on a valuation of the Mining Company of RMB2,133,000,000 (equivalent to approximately HK$2,623,590,000) on 31 March 2012 performed by ROMA Appraisals Limited ("ROMA"), an independent firm of professionally qualified valuers, using the market-based approach, the Company's directors are of opinion that the valuation amount of the Mining Company is higher than the total cost of Acquisition, and the excess of the total costs of Acquisition over the carrying amounts of the net assets of the Mining Company at 31 May 2012 is attributable to an increase in the value of the intangible assets of the Mining Company of HK$2,004,377,000 upon the completion of the Acquisition. However, the total costs of Acquisition upon the completion of the Acquisition, which is subject to the actual fair value of consideration shares based on market price of the Company's shares on the date of completion of the Acquisition as further detailed in note 5 below, may be different from the estimated total costs of Acquisition as above.

ii) The Company's directors have assessed whether there is any impairment on the intangible assets as at 30 June 2012 as disclosed in the combined statement of financial position of the Enlarged Group in accordance with Hong Kong Accounting Standard 36 "Impairment of Assets". Based on the valuation performed by ROMA in (i) above, the Company's directors have concluded that there is no impairment of the intangible assets. The Company's directors have confirmed that they will apply consistent accounting policies and principal assumptions as used in the valuation report and pro forma financial information to assess impairment of intangible assets in subsequent reporting periods.

4. These represent the adjustments of cash portion of the Acquisition consideration of RMB994,000,000 (equivalent to approximately HK$1,222,620,000), which includes:

i) the aggregate deposits of RMB549,800,000 (equivalent to HK$673,978,000), including amounts of RMB300,000,000 and RMB249,800,000 respectively paid to the Vendor by the Company as the Earnest Money and the Additional Earnest Money in August 2011 and in March 2012, recognised as deposits paid for gold mining and exploration rights in the Company's consolidated statement of financial position as at 30 June 2012; and

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP *(Continued)*

c) Notes to the Unaudited Pro Forma Financial Information *(Continued)*

4. *(Continued)*

   ii) the Final Instalment of RMB444,200,000 (equivalent to approximately HK$548,642,000) in cash payable to the Vendor from the Completion Date and up to 31 December 2014. It is assumed by the Company's directors that the Final Instalment will be paid to the Vender in 2014 in the above unaudited pro forma combined statement of financial position.

5. This represents 867,106,382 new ordinary shares of the Company of HK$0.125 each at the issue price of HK$1.41 per share with total proceeds of HK$1,222,620,000, of which HK$108,388,000 and HK$1,114,232,000 are credited to the Company's issued share capital and share premium respectively. However, the actual share premium amount to be recorded in the financial statements of the Group upon the date of completion of the Acquisition shall be based on the market price of the share of the Company on the date of completion of the Acquisition, which may be different from the estimated share premium as shown in the unaudited pro forma combined statement of financial position.

6. This represents the total estimated acquisition-related costs for the Acquisition of the Target Group of approximately HK$11,000,000 which includes an amount of HK$8,654,000 incurred and included in deposits and prepayments in the Company's consolidated statement of financial position as at 30 June 2012 and an amount of HK$2,346,000 to be incurred upon the completion of the Acquisition.

7. This represents total estimated interests of HK$70,000,000 on the Group's borrowings raised on financing the Earnest Money and the Additional Earnest Money as cash portion of the consideration. The total estimated interests on borrowings include an amount of HK$44,577,000 incurred and capitalised as deposits paid for gold mining and exploration rights in the Company's consolidated statement of financial position as at 30 June 2012 and an estimated additional interest of HK$25,423,000 to be incurred upon the completion of the Acquisition.

8. This represents the elimination of issued share capital and pre-acquisition losses of the Target Group of HK$7 and HK$44,345,000 respectively upon completion of the Acquisition.

9. This represents the waiver of the equity loan of the Target Group due to the Vendor upon completion of the Acquisition pursuant to the Sale and Purchase Agreement.

B. ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the text of the report, prepared for the purpose of incorporation in this circular, received from the reporting accountants of the Company, CCIF CPA Limited, Certified Public Accountants, Hong Kong.

CCIF

CCIF CPA LIMITED
34/F The Lee Gardens
33 Hysan Avenue
Causeway Bay Hong Kong

24 September 2012

The Directors
China Precious Metal Resources Holdings Co., Ltd.

Dear Sirs

We report on the unaudited pro forma financial information (the "Unaudited Pro Forma Financial Information") of China Precious Metal Resources Holdings Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") as set out in Section A in Appendix IV to the circular dated 24 September 2012 (the "Circular") issued by the Company, which has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the proposed acquisition of the 100% equity interest in Sinowise Century Limited (the "Target Company") (together with the Group, hereinafter collectively referred to as the "Enlarged Group") might have affected the financial information presented. The basis of preparation of the unaudited pro forma financial information is set out in Section A of Appendix IV to the Circular.

Respective responsibilities of directors of the Company and the reporting accountants

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 29 (7) of Chapter 4 of The Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owned to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company. The engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29 (1) of Chapter 4 of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purpose only, based on the judgements and assumptions of the directors of the Company, and because of its hypothetical nature, it does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Enlarged Group as at 30 June 2012 or any future date.

Opinion

In our opinion:

a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

b) such basis is consistent with the accounting policies of the Group; and

c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 29 (1) of Chapter 4 of the Listing Rules.

Yours faithfully,

CCIF CPA Limited
Certified Public Accountants
Hong Kong

Leung Chun Wa
Practising Certificate Number P04963

China Precious Metal Resources Holdings Co., Ltd

Zhenyuan Gold Projects
Yunnan Province
People's Republic of China

Independent Technical Review and Competent Person's Report

24 September 2012
Project No. ADV-HK-03690

Competent Person's Report Zhenyuan Gold Projects, China

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Effective Date: 24 September 2012

Compiled by:

____

Jeremy Clark

Principle Consultant Geologist

IMPORTANT INFORMATION ABOUT THIS DOCUMENT

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4. Inputs, subsequent changes and no duty to update

- Runge has created this report using data and information provided by or on behalf of the Client and Client's agents and contractors. Unless specifically stated otherwise, Runge has not independently verified that data and information. Runge accepts no liability for the accuracy or completeness of that data and information, even if that data and information has been incorporated into or relied upon in creating this report (or parts of it).

- The conclusions and opinions contained in this report apply as at the date of the report. Events (including changes to any of the data and information that Runge used in preparing the report) may have occurred since that date which may impact on those conclusions and opinions and make them unreliable. Runge is under no duty to update the report upon the occurrence of any such event, though it reserves the right to do so.

5. Mining Unknown Factors

The ability of any person to achieve forward-looking production and economic targets is dependent on numerous factors that are beyond Runge's control and that Runge cannot anticipate. These factors include, but are not limited to, site-specific mining and geological conditions, management and personnel capabilities, availability of funding to properly operate and capitalize the operation, variations in cost elements and market conditions, developing and operating the mine in an efficient manner, unforeseen changes in legislation and new industry developments. Any of these factors may substantially alter the performance of any mining operation.

China Precious Metal Resources Holdings Co., Ltd
Room 3107-9, Shun Tak Centre West Tower
200 Connaught Road Central
Hong Kong

24 September, 2012

RE: INDEPENDENT TECHNICAL REVIEW AND COMPETENT PERSONS REPORT

Dear Sirs,

Runge Asia Limited ("RAL"), trading as Minarco-MineConsult ("MMC"), has been engaged by China Precious Metal Resources Holdings Co., Ltd (the "Client") to carry out an Independent Technical Review ("ITR") of the Zhenyuan Gold Projects (the "Projects"), which are located in Yunnan Province, China. The Projects are currently owned by Pu'er Hengyi Mining Co., Ltd. (the "Company") and consist of two developing mines and associated processing plants, which primarily aim to produce alloy gold and gold (Au) concentrates.

The process and conclusions of the ITR are presented in the attached Independent Technical Review and Competent Person's Report.

MMC's technical team ("the Team") consisted of Competent Persons, senior geologists, mining engineers, processing engineers, infrastructure engineers and environmental consultants. Members of the Team undertook several site visits to the Project in March, July and August 2011 and in February 2012 to familiarise themselves with site conditions. MMC's Competent Persons were responsible for compiling the report and the JORC Mineral Resources and Ore Reserve estimates (as defined in Annexure B) stated within.

During the site visits, the Team had open discussions with the Company personnel on technical aspects relating to the Project issues. The Company personnel were cooperative and open in facilitating MMC's work.

In addition to work undertaken to generate estimates of JORC Mineral Resources and Ore Reserves, this report relies largely on information provided by the Company and the Client, either directly from the site and other offices, or from reports by other organisations whose work is the property of the Company. The data relied upon for the Statement of JORC Mineral Resource and Ore Reserves completed by MMC have been compiled primarily by the Company. The report is based on information made available to MMC up to the March 2012. Neither the Client nor the Company have advised MMC of any material change, or event likely to cause material change, to the designs or forecasts since the March 2012.

Project Summary and Conclusions

- The Projects consist of the Bianfushan underground and open pit gold mining and processing assets (the "Bianfushan Project") and the Shangzhai underground and open pit gold mining and processing assets (the "Shangzhai Project"), all except one processing asset are currently in the development phase. The Company expects to begin mine production in December 2012.

- The Projects are located near Heping Town, 50 km southeast of Zhenyuan Town, Yunnan Province, China. The Bianfushan Mining Licence has a permitted production capacity of 45 ktpa of ROM ore. After a one year ramp up period, MMC has been informed the Client intends to seek the required permits to increase Bianfushan Project production to 140 ktpa of Run of Mine ("ROM") ore in 2013.

- The Shangzhai Project is contained within a single mining licence area. The Shangzhai Mining Licence has a permitted production capacity of 140 ktpa ROM ore. The Client intends to seek the required permits to increase Shangzhai Project production to 460 ktpa of ROM ore in 2013.

- The Client has received legal opinion that there are no major obstacles to obtain the required permits for the increased production rates of the Projects. MMC has reviewed the "*Legal Opinion Letter for acquisition of Puer Hengyi Co. Ltd.*" ("the legal advice") and makes the comment in a non-legal capacity that there are no apparent reasons to believe that the legal advice cannot be relied upon.

- Both Projects are accessible by a 10 km unsealed road from Heping Town, with good quality sealed roads connecting the major regional town of Zhenyuan. Water and power infrastructure in the area are not seen as limiting factors to the projects development.

- Mineral Resources within the current Mining Licence area have been independently estimated as at the 12th March 2012 by MMC, in accordance with the guidelines of the JORC Code. Using 0.5 g/t Au cut-off grade for the mineralization inside the open pits and 0.8 g/t Au cut-off grade for the mineralisation outside the open pits, the estimated Mineral Resources are 19.4 Mt grading 2.7 g/t Au with 52.7 t of contained gold. MMC is aware that the current Mining Licence has a minimum limit of 1,000 m elevation above sea level (Yellow Sea). An estimated total of 317 kt of Indicated Resources at 1.7 g/t Au, is located below this elevation. Discussions indicate that the Company will apply to extend the exploration licence below this elevation and as a result, MMC has included it in the total Mineral Resources.

Table 1 Zhenyuan Gold Projects — Statement of Mineral Resources as at March, 2012

Licence Area	JORC Classification	Quantity (t)	Au (g/t)	Au Metal (t)	Au Troy ounces
Bianfushan	Indicated	802,000	2.1	1.7	53,000
	Inferred	5,360,000	2.1	11.2	359,000
	Subtotal	6,162,000	2.1	12.8	412,000
Shangzhai	Indicated	3,769,000	3.6	13.7	441,000
	Inferred	9,458,000	2.8	26.1	838,000
	Subtotal	13,227,000	3	39.8	1,280,000
Total	Indicated	4,571,000	3.4	15.4	494,000
	Inferred	14,818,000	2.5	37.3	1,198,000
	Total	19,389,000	2.7	52.7	1,693,000

- Ore Reserves with the current Mining Licence area have been independently estimated as at the 12th March 2012 by MMC in accordance with the recommendations with the JORC Code. The Statement of Ore Reserve using a cut-off of 0.75 g/t Au for the open cuts and 0.83 g/t Au for the underground operations are shown in ***Table 2.***

Table 2 Zhenyuan Gold Projects — Statement of Ore Reserves as at March, 2012.

Licence Area	Type	JORC Classification	Quantity (t)	Au (g/t)	Au Metal (t)	Au Troy ounces
Shangzhai	Open Cut	Probable	535,000	2.3	1.2	37,700
	Underground	Probable	2,935,000	3.3	9.8	315,300
	Subtotal	**—**	**3,470,000**	**3.2**	**11.0**	**353,000**
Bianfushan	Open Cut	Probable	85,000	1.6	0.2	4,300
	Underground	Probable	622,000	1.9	1.2	37,900
	Subtotal	**—**	**707,000**	**1.8**	**1.4**	**42,200**
Total		**—**	**4,117,000**	**2.9**	**12.4**	**395,200**

- Mineralisation within the Project area is open in all directions except where the licence limits the strike extension. Due to the multiple stacked vein style of mineralisation, MMC considers the exploration potential to be excellent with high probability to increase the currently defined Resources with additional drilling and/or trenching.

- MMC is aware the Company also owns three new exploration licences covering a total area of 25.58 sq.km. The geological setting of the exploration licences in the same as that of the Shangzhai Project, as a result MMC considers the exploration potential to be excellent and however this needs to be confirmed with further exploration works.

- MMC has reviewed the characteristics of the mineralised zones included at the Projects with the view to identify suitable mining methods and mine design concepts. MMC envisages that a combination of open pit and underground mining methods will be most suitable for maximising the value of the Projects.

- MMC agrees with *"Zhenyuan Shangzhai Gold Mine and Bianfushan Gold Mine 600 ktpa Feasibility Study of Pu'er Hengyi Minig Co., Ltd"* (the "Feasibility Study") that conventional open pit mining methods, using trucks and excavators is applicable for mining at both Projects. Conventional open pit mine design concepts are recommended, utilising a staged approach to mining cutbacks, with appropriate geotechnical considerations for oxidised material near surface.

- Three underground mining methods have been identified which may be applicable for mining at the Projects based on the characteristics of the mineralisation. These are Sub-level Open Stoping, Underhand Cut and Fill Stoping, and Shrink Stoping. These methods all have advantages and disadvantages and MMC envisages that a combination of the three methods will be required to effectively exploit the varying geometry of the mineralisation.

- Adits are considered appropriate for providing underground access to the Projects given the topography of the region. These should be utilised at varying elevations to provide access to multiple mining levels for personnel and materials, ore and waste movement, and ventilation. The development of an internal decline is also recommended to access sublevels as required in order to optimise haulage efficiency and mine productivity. Considering the relatively shallow depth of the mineralised material and topography, shafts for access and haulage do not present a cost effective solution to the typical underground access and haulage demands.

- It is proposed in the Feasibility Study to construct two mineral processing plants to treat blended gold-bearing sulphide ores from the Projects, at a capacity rate of 1,950 tpd (585 ktpa). The mineral processing plants will be conventional pyrite flotation plants. A concentrate grade of 75 g/t Au from a gold recovery of 85% is planned. The expected production ramp up until to 2014 is 1,950 tpd from a planned 450 tpd mineral processing plant commencing in 2013 and a 1,500 tpd mineral processing plant in mid-2013. The heap leaching capacity in the years following will correspond to the amount of ROM oxidised ore mined from the Shangzhai and Bianfushan Mine.

- The overall forecast capital cost is 68 M RMB for construction of these two mineral processing plants, which is reasonable for plants of this size. There are no capital costs figures available for the proposed heap leaching operations and MMC was informed that all the capital cost for heap leaching facilities has been allocated in the operating cost.

- The overall forecast processing cost for Project's mineral processing plants are approximately 61 RMB per ROM tonne, which is reasonable for a gold flotation operation of this size.

- An Environmental Impact Assessment ("EIA") was granted in 2008 however a Completion Acceptance Inspection ("CAI") is required and has not been obtained. Not all activities planned are covered by the EIA. Approved planning for EHS management for underground mining was not identified. No responsibilities or procedures for environmental management were identified and no intent to undertake occupational disease hazards assessment was communicated.

- Permits for the storage and usage of explosives at the Shangzhai Project were granted in 2011. However based on visual observations, deficiencies against the Safety Code for Small Civil Explosives Magazine (GA838-2009) were identified, e.g. building materials, warning signage and safety distances. The Projects have not undergone fire fighting design approval, and although an emergency response plan exists, it did not cover the storage and use of explosives.

The key risks to the Project identified during the ITR are outlined below:

- Geotechnical assumptions: ground conditions in oxidised and transitional material are expected to be poor, however detailed geotechnical information was not available for review. As such, MMC cannot comment in detail on the ground conditions or stability of the future underground workings.

- Impurity elements (arsenic): the variation in impurity levels does not appear to be well understood as a function of the mining schedule. It is not clear whether the processing facilities, particularly the bag house (arsenic capture), has been designed to handle/capture the upper range of impurities.

- Concentrate marketing: the gold-bearing concentrate produced will be relatively low in quality due to relatively high arsenic levels and the fine size of the gold bearing minerals. This will attract a discount.

- Ore mineralogy: changes in ore mineralogy and the fine size occurrence of gold, may result in lower gold recoveries and lower gold production with potentially higher power consumption and operating costs.

- Mineralisation style: detailed understanding of the mineralisation style and controls on mineralisation in these types of deposits often rests with identification of the main controls of the high grade domains.

- Water and tailings dam management: the operation produces a number of toxic waste streams including acid bearing tailings, cyanide bearing tailings and arsenic trioxide. The management of these waste streams is not well understood.

- Ground control: the mining methods proposed require workers to operate in active stope areas. Working in stopes increases workers' exposure and risk to rock falls. This risk will be greatest in oxidised and transitional material and will increase as mining progresses.

- Mining production: new equipment, installations and operating systems will need to be installed and commissioned in a timely manner to ensure the planned production rate can be successfully achieved.

- Mining and dumping permits: if the required mining permits for the Projects are not granted, planned production rates will not be reached or will be concluded before full extraction is achieved.

MMC has conducted its review and preparation of the Independent Technical Review and Competent Person's Report in accordance with the requirements of Chapter 18 of the Listing Rules of the HKEx. The report is also in compliance with:

- the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (The "JORC Code") 2004 Edition prepared by the Joint Ore Reserves Committee ("JORC") of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and the Minerals Council of Australia; for determining resources and reserves; and

- the "Code for the Technical Assessment of Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports (The "Valmin Code"), 2005 Edition prepared by the VALMIN Committee, a joint committee of The Australasian Institute of Mine and Metallurgy, the Australian Institute of Geoscientists and the Mineral Industry Consultants Association with the participation of the Australian Securities and Investment Commission, the Australian Stock Exchange Limited, the Minerals Council of Australia, the Petroleum Exploration Society of Australia, the Securities Association of Australia and representatives from the Australian finance sector.

MMC operates as an independent technical consultant providing resource evaluation, mining engineering and mine valuation services to the resources and financial services industries. This report was prepared on behalf of MMC by technical specialists, details of whose qualifications and experience are set out in ***Annexure A.***

MMC has been paid, and has agreed to be paid, professional fees for its preparation of this report. However, none of MMC or its directors, staff or sub-consultants who contributed to this report has any interest or entitlement, direct or indirect in:

- the Company, securities of the Company or companies associated with the Company; or

- the Client, securities of the Client or companies associated with the Client;

- the right or options in the Relevant Assets; or

- the outcome of the proposed transaction.

The work undertaken is an ITR of the information provided by or on behalf of the Client, as well as information collected during site inspections completed by MMC as part of the ITR process. It specifically excludes all aspects of legal issues, marketing, commercial and financing matters, insurance, land titles and usage agreements, and any other agreements/contracts that the Company or Client may have entered into.

MMC does not warrant the completeness or accuracy of information provided by the Company or the Client, which has been used in the preparation of this report.

Drafts of this report were provided to the Client, but only for the purpose of confirming the accuracy of factual material and the reasonableness of assumptions relied upon in the report.

Generally, the data available was sufficient for MMC to complete the scope of work. The quality and quantity of data available, and the cooperative assistance, in MMC's view, clearly demonstrated the Client's assistance in the ITR process. All opinions, findings and conclusions expressed in the report are those of MMC and its specialist advisors.

Yours faithfully,

Jeremy Clark

Principle Consultant Geologist

Runge Asia Limited

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1 INTRODUCTION

Runge Asia Limited ("RAL"), trading as Minarco-MineConsult ("MMC"), has been engaged by China Precious Metal Resources Holdings Co., Ltd (the "Client") to carry out an Independent Technical Review ("ITR") of the Zhenyuan Gold Projects (the "Projects"), which are located in Yunnan Province, China. The Projects are currently owned by Pu'er Hengyi Mining Co., Ltd. (the "Company") and consist of two developing mines and associated processing plants which will primarily produce alloy gold and gold (Au) concentrates.

The Projects are all currently at a development stage and consist of two separate assets. The Bianfushan underground (currently developing at 510 metres/month) and open pit (currently stripping 28 kt/month) and processing asset, shall collectively be referred to as (the "Bianfushan Project").The Shangzhai underground (comprising the Shangzhai, Hepingyakou and Langnitang assets currently developing at a combined 1,280 metres/month) and open pit (currently stripping 41 kt/month) and processing asset, which shall collectively be known as (the "Shangzhai Project"). The Projects are located southeast of Heping town, Zhenyuan County, Pu'er city, Yunnan Province, China, as shown in ***Figure 2-1*** and ***Figure 2-2***. Surface diamond drilling programmes have been carried out at the Bianfushan Project since 2003 and the Shangzhai Project since 2008. Mining production is planned to commence in December 2012. The Bianfushan Mining Licence has a permitted production capacity of 45 ktpa of ROM ore. After a one year ramp up period, the Client intends to seek the required permits to increase Bianfushan Project production to 140 ktpa of ROM ore in 2013. The Shangzhai Mining Licence has a permitted production capacity of 140 ktpa ROM ore. After a one year ramp up period, the Client intends to seek the required permits to increase Shangzhai Project production to 460 ktpa of ROM ore in 2013.The Client has proposed construction of two mineral processing plants to treat blended gold-bearing sulphide ores from the Projects, at a capacity rate of 1,950 tpd (585 ktpa). The mineral processing plants are planned to be conventional pyrite flotation plants. A concentrate grade of 75 g/t Au from a forecast Run of Mine ("ROM") grade 4 g/t Au with a gold recovery of 85% is planned. The expected production ramp up until to 2014 is 1,950 tpd from a planned 450 tpd mineral processing plant commencing in 2012 and a 1,500 tpd mineral processing plant in 2013. The heap leaching capacity in the years following will correspond to the amount of ROM oxide ore mined from the Shangzhai and Bianfushan Mine.

1.1 Scope of Work

MMC carried out the following scope of work for the ITR:

- Gathered relevant information on the Projects including Chinese resources and reserves estimates, life of mine production schedules, and operating and capital cost information;
- Reviewed resources and reserves, including quantity and quality of drilling, reliability of historic data, and adequacy of resource estimation methods;
- Completed Mineral Resource and Ore Reserve estimations in compliance with the recommendations of the JORC Code;

- Reviewed and commented on the appropriateness of planned mining methods and mine design in the relevant technical studies;

- Reviewed and commented on the appropriateness of processing methods in the relevant technical studies;

- Reviewed and commented on forecast operating and capital expenditure in the relevant technical studies;

- Reviewed the Company's short and long term development plans;

- Reviewed potential production profiles, and

- Reviewed the environmental, health and safety performance and plans of the Project (completed by independent expert).

1.2 Relevant Assets

The Relevant Assets are located in two separate project areas covered by two current mining licences. The Bianfushan Project is contained within the Bianfushan mining licence, while the Shangzhai Project is contained within the Shangzhai mining licence. Further details pertaining to mining rights are provided in ***Section 2.3*** of this report.

1.3 Review Methodology

MMC's ITR methodology was as follows:

- Preparation for the study by translating and reviewing existing reports. The list of reports reviewed is outlined in ***Section 1.5*** below;

- Multiple site visits were conducted by consultant geologists, environmental consultants, senior mining engineers and a processing engineer between June 2011 and February 2012. Technical issues were discussed with site technical personnel;

- Project information was reviewed;

- MMC prepared this ITR and provided drafts to the Client and its specialist advisers for the purposes of ensuring the factual accuracy of the Report.

The comments and forecasts in this report are based on information compiled by enquiry and verbal comment from the Client. Where possible, this information has been cross checked with hard data or by comment from more than one source. Where there was conflicting information on issues, MMC used its professional judgment to assess the issues.

1.4 Site Visits and Inspections

MMC's technical team which visited the sites ("the Team") consisted of two Chinese resource geologists (Mr Sheng Zhan and Mr Andy Liu), an international senior consultant geologist (Mr Andrew Jones), an international senior consultant mining engineer (Mr Andrew Shepherd) and a Chinese processing engineer (Mr Jim Jiang). Three site visits were completed on 1st-4th August 2011, 10th November 2011 and the 6th-9th of February 2012. During these site visits, the Team inspected the surface exposures, access roads, underground development, the processing plant construction site and conducted general inspections of the surrounding countryside. These visits were also used to gain a better understanding of the Projects and to ensure compliance with the guidelines of the JORC Code for MMC's Mineral Resource Estimation. Particular attention was paid to the drilling, sampling and analytical procedures to ensure no sample bias was occurring and ensure compliance with the JORC Code.

Environmental Resource Management Shanghai Ltd ("ERM") completed a reconnaissance survey of the sites, facilities and adjoining land as well as a review of available documents pertaining to Environmental, Health and Safety ("EHS") issues. Discussions were conducted with onsite personnel and relevant government authorities. The site inspection was conducted by Mr. Guang Cai (Consultant), Ms. Bella Sun (Consultant), Mr. Samuel Wearne (Consultant) and Ms. Amy Hallam (Consultant) of ERM within the period of November 8th — 10th 2011

Open discussions were held with the Company and associated Design Institutes' experts on aspects relating to the technical issues of the Projects. Technical personnel were cooperative and open in facilitating MMC's work.

1.5 Information Sources

The following information sources were provided for review:

Reports

- "*Mineral Resources Development and Utilisation Plan of Zhenyuan Shangzhai Gold Mine of Pu'er Hengyi Mining Co., Ltd.*", Hebei Hongda Oasis Engineering Design Co., Ltd., August, 2011.

- "*Zhenyuan Shangzhai Gold Mine Preliminary Design of Pu'er Hengyi Mining Co., Ltd.*", Kunming Kunze Mining Technical Co., Ltd., September, 2011.

- "*Zhenyuan Bianfushan Gold Mine Preliminary Design of Pu'er Hengyi Mining Co., Ltd.*", Kunming Chengxing Survey and Design Co., Ltd., January, 2011.

- "*Special Safety Section of Zhenyuan Bianfushan Gold Mine Preliminary Design of Pu'er Hengyi Mining Co., Ltd.*", Kunming Chengxing Survey and Design Co., Ltd., January, 2011.

- "*Shangzhai-Langnitang Exploration Design*", Yunnan Geology Survey Institute, May, 2010.
- "*Shangzhai-Langnitang Additional Exploration Design*", Yunnan Geology Survey Institute, October, 2010.
- "*Bianfushan Exploration Design*", Yunnan Geology Survey Institute, May, 2010.
- "*Bianfushan Additional Exploration Design*", Yunnan Geology Survey Institute, May, 2009.
- "*Zhenyuan Bianfushan Gold Mine General Exploration Report*", Yunnan Geology Survey Institute, May, 2009.
- "*Zhenyuan Gold Mine Area Langnitang Detailed Exploration Report*", Yunnan Geology Survey Institute, April, 2010.
- "*Zhenyuan Bianfushan Gold Mine Prospecting Report*", Kunming Kunze Mining Technical Co., Ltd, September, 2011.
- "*Metallurgy Testing Report for a Bench Scale and Pilot Test of Langnitang Gold Ore*", Kunming Supervision and Testing Centre for Mineral Resources (KSTCMR), January, 2011.
- "*Metallurgy Testing Report for a Bench Scale Leaching Test of Arsenic and Organic-Carbon Gold-bearing Concentrate*", Kunming Industrial and Mechanical University, June, 2011.
- "*Testing Report for Agitating and Column Leaching of Oxidised Ore from Bianfushan Mine of Zhenyuan Gold Mining Company*", Dali Beiya Mining Co.,Ltd, 1998.
- "*Design Report for Mining and Heap Leaching of the Shangzhai Surface Oxidised Ore in Zhenyuan County, Yunnan Province*", Yunnan Yuntong Exploration Co. Ltd, July, 2000.
- "*Preliminary Design Draft Report for Henyi Processing Plant (450 tpd)*", unknown writer, 2011.
- "*Proposed Report for Applying Microwave Processing Arsenic and Organic Carbon Gold-bearing Concentrate*", Internal Engineer of the Company, 2011.
- "*Zhenyuan Shangzhai Gold Mine and Bianfushan Gold Mine 600 ktpa Feasibility Study of Pu'er Hengyi Minig Co., Ltd*", Inner Mongolia Autonomous Region Metallurgical Research Institute, April, 2012.
- "*Legal Opinion Letter for acquisition of Puer Hengyi Co. Ltd.*" Beijing Yida Law Firm.

Licences

- Shangzhai Mining Licence C5300002008124120001573
- Bianfushan Mining Licence C5300002008124120001574
- Exploration Licence T53120090202023968
- Exploration Licence T53120090602030752
- Exploration Licence T53120080902014850

1.6 Competent Person and Responsibilities

1.6.1 Mineral Resources

The information in this report that relates to Mineral Resources is based on information compiled by or under the supervision of Mr Jeremy Clark who is a full time employee of MMC and a Member of the Australian Institute of Geoscientists. Mr Jeremy Clark has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he has undertaken to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves', ("The JORC Code").

The Mineral Resources estimate complies with the guidelines of the JORC Code and is therefore suitable for public reporting.

1.6.2 Ore Reserves

The open cut and underground information in this report that relates to the Ore Reserves is based on information compiled by or under the supervision of Mr Tony Cameron who is an associate of MMC and a Fellow of the Australasian Institute of Mining and Metallurgy. Mr Tony Cameron has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves', ("The JORC Code"). Mr Tony Cameron consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.

1.6.3 HKEx Requirements

Mr Jeremy Clark meets the requirements of a Competent Person, as defined by Chapter 18 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. These requirements include:

- Greater than five years' experience relevant to the type of deposit;
- Member of the Australian Institute of Geoscientists ("MAIG");
- Does not have economic or beneficial interest (present or contingent) in any of the reported assets;
- Has not received a fee dependent on the findings outlined in the Competent Person's Report;
- Is not an officer, employee of proposed officer for the issuer or any group, holding or associated Company of the issuer, and
- Assumes overall responsibility for the Competent Person's Report.

1.7 Limitations and Exclusions

The review was based on various reports, plans and tabulations provided by the Client either directly from the mine sites and other offices, or from reports by other organisations whose work is the property of the Client. The Client has not advised MMC of any material change, or event likely to cause material change, to the operations or forecasts since the date of asset inspections.

The work undertaken for this report is that required for a technical review of the information, coupled with such inspections as the Team considered appropriate to prepare this report. It specifically excludes all aspects of legal issues, commercial and financing matters, land titles and agreements, excepting such aspects as may directly influence technical, operational or cost issues.

MMC has specifically excluded making any comments on the competitive position of the Relevant Assets compared with other similar and competing gold producers around the world. MMC strongly advises that any potential investors make their own comprehensive assessment of both the competitive position of the Relevant Assets in the market, and the fundamentals of the gold market at large.

1.7.1 Limited Liability

MMC will not be liable for any loss or damage suffered by a third party relying on this report (regardless of the cause of action, whether breach of contract, tort (including negligence or otherwise) unless and to the extent that that third party has signed a reliance letter in the form required by MMC (in its sole discretion). MMC's liability in respect of this report (if any) will be specified in that reliance letter.

1.7.2 Responsibility and Context of this Report

The contents of this report have been created using data and information provided by or on behalf of the Client. MMC accepts no liability for the accuracy or completeness of data and information provided to it by, or obtained by it from, the Company, the Client or any third parties, even if that data and information has been incorporated into or relied upon in creating this report. The report has been produced by MMC using information that is available to MMC as at the date stated on the cover page. This report cannot be relied upon in any way if the information provided to MMC changes. MMC is under no obligation to update the information contained in the report at any time.

1.7.3 Indemnification

The Client has indemnified and held harmless MMC and its subcontractors, consultants, agents, officers, directors, and employees from and against any and all claims, liabilities, damages, losses, and expenses (including lawyers' fees and other costs of litigation, arbitration or mediation) arising out of or in any way related to:—

- MMC's reliance on any information provided by the Client or the Company; or

- MMC's services or Materials; or

- Any use of or reliance on these services; and

In all cases, save and except in cases of wilful misconduct (including fraud) or gross negligence on the part of MMC and regardless of any breach of contract or strict liability by MMC.

1.7.4 Limitations and Exclusions for Section 12 Safety and Environment

Section 12 'Safety and Environment' were written by an associate, Environmental Resources Management ("ERM").

Disclaimer for Section 12 Safety and Environment

This Section was prepared in accordance with the contracted scope of services for the specific purpose stated and subject to the applicable cost, time and other constraints. In preparing this report, ERM relied on: (a) Client/third party information which was not verified by ERM except to the extent required by the scope of services, and ERM does not accept responsibility for omissions or inaccuracies in the Client/third party information; and (b) information taken at or under the particular times and conditions specified, and ERM does not accept responsibility for any subsequent changes. This report has been prepared solely for use by, and is confidential to the Client and ERM accepts no responsibility for its use by other persons, except where ERM expressly agrees otherwise. This report is subject to copyright protection and the copyright owner reserves its rights. This report does not constitute legal or financial advice.

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This Section or the findings within it must not be used or reproduced, in whole or part, for the purpose of any prospectus, offering circular or similar documentation without the prior written approval of ERM. The reproduction of any extract or summary of this report or the findings of the report, for any use whatsoever, are subject to the prior written approval of ERM. ERM's approval of the use of these or the findings

1.7.5 Intellectual Property

All copyright and other intellectual property rights in this report are owned by and are the property of MMC.

MMC grants the Client a non-transferable, perpetual and royalty-free Licence to use this report for its internal business purposes and to make as many copies of this report as it requires for those purposes.

1.7.6 Mining Unknown Factors

The findings and opinions presented herein are not warranted in any manner, expressed or implied. The ability of the operator, or any other related business unit, to achieve forward-looking production and economic targets is dependent on numerous factors that are beyond the control of MMC and cannot be fully anticipated by MMC. These factors include site-specific mining and geological conditions, the capabilities of management and employees, availability of funding to properly operate and capitalise the operation, variations in cost elements and market conditions, developing and operating the mine in an efficient manner, etc. Unforeseen changes in legislation and new industry developments could substantially alter the performance of any mining operation.

1.8 Capability and Independence

MMC provides advisory services to the mining and finance sectors. Within its core expertise it provides independent technical reviews, resource evaluation, mining engineering and mine valuation services to the resources and financial services industries.

MMC has independently assessed the Relevant Assets of the Company by reviewing pertinent data, including resources, reserves, manpower requirements and the life of mine plans relating to productivity, production, operating costs and capital expenditures. All opinions, findings and conclusions expressed in this Report are those of MMC and its specialist advisors.

Drafts of this report were provided to the Client, but only for the purpose of confirming the accuracy of factual material and the reasonableness of assumptions relied upon in this Report.

MMC has been paid, and has agreed to be paid, professional fees based on a fixed fee estimate for its preparation of this Report. To the best of our knowledge, none of MMC or its directors, staff or specialists who contributed to this report has any interest or entitlement, direct or indirect, in:

- the Company, securities of the Company or companies associated with the Company; or
- the Client, securities of the Client or companies associated with the Client;
- the right or options in the Relevant Assets; or
- the outcome of the proposed transaction.

This ITR was prepared on behalf of MMC by the signatory to this letter, details of whose qualifications and experience are set out in ***Annexure A*** to this ITR. The Specialists who contributed to the findings within this Report have each consented to the matters based on their information in the form and context in which it appears.

2 PROJECT OVERVIEW

The Projects are located in Yunnan Province in the People's Republic of China (PRC) in close proximity to the regional town of Zhenyuan, as shown in ***Figure 2-1*** and ***Figure 2-2***. The Projects consist of developing mines and two associated processing facilities that aim to produce gold concentrates, as shown in ***Table 2-1***.

Table 2-1 Zhenyuan Gold Projects — Summary of Projects

Project Name	Nature of Assets	Current Licence Production Capacity	Maximum Planned Production	Elements
Bianfushan	Developing underground and open pit mines	45 ktpa	140 ktpa	Au
Shangzhai	Developing underground and open pit mines	140 ktpa	460 ktpa	Au
No.1 Processing Plant			135 ktpa	Gold-bearing concentrate
No.2 Processing Plant			450 ktpa	Gold-bearing concentrate
Heap Leaching Pads			Oxide material, as encounter during mining	Gold doré

2.1 Project Environment

The geography within the area of the Projects is mountainous and incised by gullies with elevations varying greatly from southwest to northeast. The elevation ranges from approximately 1,120 m to 2,230 m above sea level.

The climate of the region is a sub-tropical, highland climate with four distinct seasons. The sub-tropical climate results in warm to hot temperatures throughout the year; however, its high elevations and intra-continental location serves to moderate the climate. Obvious vertical zonation of temperature results in mountainous areas experiencing colder temperatures than in the warmer and more humid valleys.

The region has a high level of precipitation with an average annual rainfall of approximately 1,285 mm. The majority of rainfall occurs during the months from June to October, with the remainder of the year typically dry. Temperatures vary from highs in the mid-30's and lows below zero. Occasional winter frosts occur during the months of December and January. Weather conditions typically have minimal influence on mining and exploration activities at the Projects.

The Projects are located in a seismically active region.

2.1.1 Bianfushan Project

The Bianfushan Project consists of developing underground and open pit mines with an associated proposed minerals processing facility which produces gold-bearing concentrate as well as the proposed heap leaching facilities which produce marketable gold doré. The Bianfushan Project will produce 140 ktpa of ROM ore in 2013.

Project Location

The Bianfushan Project is located in Heping Town, Zhenyuan County (***Figure 2-1***) and is accessible by a 10 km unsealed road from Heping Town, with accessible via several quality asphalt roads and highways which allow access to Kunming via Shuitang.

The Geographic coordinates of the Bianfushan Project are:

- Longitude 101°28’30” to 101°29’15”E and
- Latitude 23°52’30” to 23°53’29”N.

Licences and Approvals

The Bianfushan Project is located within a single mining licence area which is currently held by Pu’er Hengyi Mining Co., Ltd and has total area of approximately 2.0002 sq.km. The current mining licence details are outlined in ***Table 2-2*** and illustrated in ***Figure 2-2***.

Table 2-2 Zhenyuan Gold Projects — Bianfushan Mining Licence

Mine/Project	Bianfushan Project
Name of certificate	P.R.China Mining Licence
Certificate No.	C5300002008124120001574
Mine right holder	Pu’er Hengyi Mining Co., Ltd
Location	Heping Town, Zhenyuan County, Yunnan Province, China
Name of minefield	Bianfushan Gold Mine of Pu’er Hengyi Mining Co., Ltd
Company category	Co., Ltd
Mine Method	Open/Underground Mining
Production Scale	45,000 tpa
Minefield acreage	2.0002 sq.km
Elevation	1,720-1,120 m
Validation	February 2nd, 2012 — February 2nd, 2015
Issue Date	February 2nd, 2012

Source: MMC sighted original certificates

The Client has received legal opinion that there are no substantial obstacles to obtain the required production rate increase permit for the Bianfushan Project. MMC has reviewed the "*Legal Opinion Letter for acquisition of Puer Hengyi Co. Ltd.*" ("the legal advice") and makes the comment in a non-legal capacity that there are no apparent reasons to believe that the legal advice cannot be relied upon.

MMC provides this information for reference only and recommends that land titles and ownership rights be reviewed by legal experts.

2.1.2 Shangzhai Project

The Shangzhai Project consists of developing underground and open pit mines, with associated proposed minerals processing facility which produce gold-bearing concentrate as well as the proposed heap leaching facilities which will produce marketable gold doré. The Client intends to produce 460 ktpa of ROM ore from the Shangzhai Project in 2013.

Project Location

The Shangzhai Project is located approximately 15 km northwest of the Bianfushan Project (***Figure 2-1***) and is accessible via several high quality asphalt roads and highways which allow access to Kunming via Shuitang.

The Geographic coordinates of the Shangzhai Project are:

- Longitude 101°24'38" to 101°27'00"E and
- Latitude 23°54'15" to 23°55'41"N.

Licences and Approvals

The Shangzhai Project is located within a single mining licence area which has a total area of 7.0817 sq.km. The details of which are outlined in ***Table 2-3*** and illustrated in ***Figure 2-2***.

Table 2-3 Zhenyuan Gold Projects — Shangzhai Mining Licence

Mine/Project	Shangzhai Project
Name of certificate	P. R. China Mining licence
Certificate No.	C5300002008124120001573
Mine right holder	Pu'er Hengyi Mining Co., Ltd
Location	Shangzhai, Zhenyuan County, Yunnan Province, China
Name of minefield	Shangzhai Gold Mine of Pu'er Hengyi Mining Co., Ltd
Company category	Co., Ltd
Mine Method	Open pit and underground
Production Scale	140,000 tpa
Minefield acreage	7.0817 sq.km
Elevation	1,900-1,000 m
Validation	June 20th, 2012 - June 20th ,2022
Issue Date	June 20th, 2012

Source: MMC sighted scanned copies of the original certificates

The Client has received legal opinion that there are no substantial obstacles to obtain the required production rate increase permit for the Shangzhai Project. MMC has reviewed the legal advice and makes the comment in a non-legal capacity that there are no apparent reasons to believe that the legal advice cannot be relied upon.

2.1.3 Exploration Licences

MMC is aware the Company also owns three new exploration licences covering a total are of 25.56 sq.km as shown in ***Table 2-4, Table 2-5 and Table 2-6.***

Table 2-4 Zhenyuan Gold Projects — Exploration Licence T53120090202023968

Project	**Yunnan Province Zhenyuan County Shangzhai Polymetallic Detailed Exploration**
Licence No.	T53120090202023968
Exploration Right	Pu'er Hengyi Mining Co., Ltd
Address of Exploration Person	Heping Country Zhenyuan County Pu'er City Yunnan Province
Mine/Project Name	Yunnan Province Zhenyuan County Shangzhai Polymetallic Detailed Exploration
Geographical location	Zhenyuan Yi nationality Hani nationality Lahu nationality Autonomous County Pu'er City Yunnan Province
Map No.	F47E001022
Exploration Area	7.05 sq.km
Valid Date	19th March 2012 to 19th March 2013
Exploration Institute	Yunnan Geological and investigation Institute
Address of Exploration Institute	No. 131 Baita Road Kunming City
Issue Date	19th March 2012

Source: MMC sighted scanned copies of the original certificates

Table 2-5 Zhenyuan Gold Projects — Exploration Licence T53120090602030752

Mine/Project	Yunnan Province Zhenyuan County Hepingyakou Area Polymetallic Prospecting
Licence No.	T53120090602030752
Exploration Right	Pu'er Hengyi Mining Co., Ltd
Address of Exploration Person	Zhenyuan County Pu'er City Yunnan Province
Mine/Project Name	Yunnan Province Zhenyuan County Hepingyakou Area Polymetallic Prospecting
Geographical location	Zhenyuan Yi nationality Hani nationality Lahu nationality Autonomous County Pu'er City Yunnan Province
Map No.	F47E001022
Exploration Area	16.03 sq.km
Valid Date	21st Sep 2011 to 21st Sep 2013
Exploration Institute	Yunnan Geological and investigation Institute
Address of Exploration Institute	No, 87 Dongfeng Lane Dongfeng East Road Kunming City
Issue Date	21st September 2011

Source: MMC sighted scanned copies of the original certificates

Table 2-6 Zhenyuan Gold Projects — Exploration Licence T53120080902014850

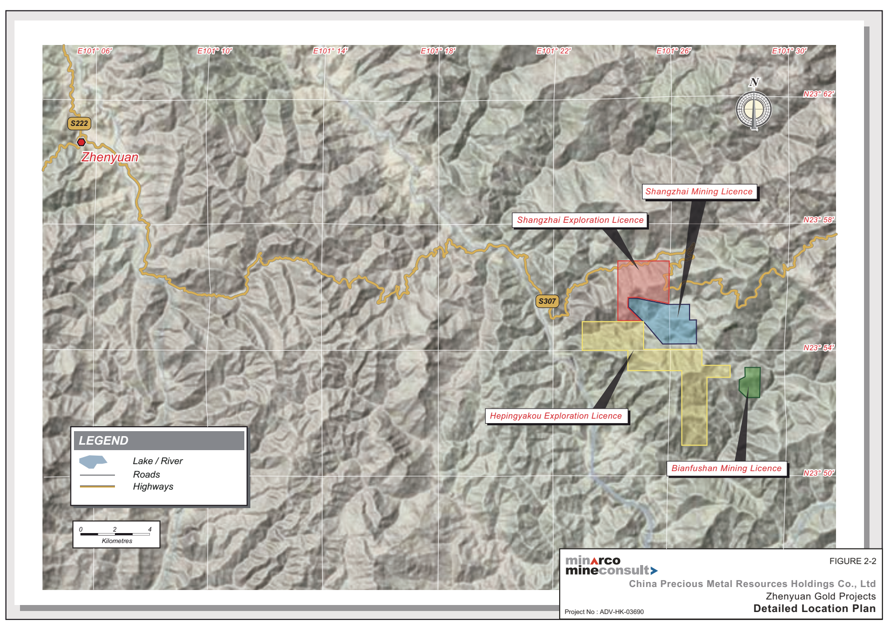
Mine/Project	**Yunnan Province Zhenyuan County Jiazutian Area Gold Polymetallic Prospecting**
Licence No.	T53120080902014850
Exploration Right	Pu'er Hengyi Mining Co., Ltd
Address of Exploration Person	Zhenyuan County Pu'er City Yunnan Province
Mine/Project Name	Yunnan Province Zhenyuan County Jiazutian Area Gold Polymetallic Prospecting Zhenyuan Yi nationality Hani nationality Lahu nationality Autonomous County Pu'er City
Geographical location	Yunnan Province
Map No.	F47E001022
Exploration Area	2.48 sq.km
Valid Date	19th Jul 2012 to 19th Jul 2013
Exploration Institute	Yunnan Geological and investigation Institute
Address of Exploration Institute	No, 131 Baita Kunming City
Issue Date	19th Jul 2019

Source: MMC sighted scanned copies of the original certificates

MMC provides this licence information for reference only and recommends that land titles and ownership rights be reviewed by legal experts.

Figure 2-1 Zhenyuan Gold Projects — General Location Plan

Figure 2-2 Zhenyuan Gold Projects — Detailed Location Plan



2.2 History of Exploration

2.2.1 Bianfushan Project

There is a long history of exploration in the area dating back to the 1950s. In the 1950s, the Mojiang Brigade of the Yunnan Geology Bureau carried out a surface investigation for copper, nickel and asbestos in the Bianfushan Project area.

In the early 1970s, the No.18 Geology Team carried out a general prospecting campaign which included geophysical and geochemical methods. This exploration programme resulted in the identification of gold mineralisation returning indicative grades of 3 g/t in the silicified ultrabasic rocks in Laowangzhai of Zhenyuan County. More detailed and extensive gold exploration in the Zhenyuan area continued later. Details pertaining to the historical exploration of the Bianfushan Project are summarised in ***Table* 2-7** below.

Table 2-7 Zhenyuan Gold Projects — Bianfushan Exploration History

Year	Activity	Conducted By
1987-1993	Surface and shallow depth preliminary prospecting	No.3 Geology Brigade of Yunnan Province
1996-1998	Geochemical soil survey, trenching and shallow shaft sampling programme	Yunnan Tongqin Exploration Co.,Ltd
2003-2006	Surface drilling, trenching and shallow shaft sampling programme	Yunnan Tongqin Exploration Co.,Ltd
2008-2009	Surface diamond drilling, trench sampling programme and underground channel sampling	Yunnan Geology Survey Institute of Yunnan Geological Survey
2010-2011	Surface diamond drilling, trench sampling programme and underground channel sampling	Yunnan Geology Survey Institute of Yunnan Geological Survey

Source: Zhenyuan Bianfushan Gold Mine General Exploration Report

2.2.2 Shangzhai Project

Exploration of the Shangzhai Project was carried out by the No.3 Geology Brigade of Yunnan Province from 1985 to 1988 and included preliminary surface prospecting of the area. This preliminary work subsequently identified the area as prospective for gold mineralisation. Historical exploration activities in the Shangzhai Project area are summarised in ***Table 2-8***.

Table 2-8 Zhenyuan Gold Projects — Shangzhai Project Exploration History

Year	Activity	Conducted By
1985-1988	Preliminary surface exploration activities	No.3 Geology Brigade of Yunnan Province
1989-1993	Surface diamond drilling programme	No.3 Geology Brigade of Yunnan Province
1995	Submission of detailed geology report and Resource/Reserve estimate	No.3 Geology Brigade of Yunnan Province
2008-2010	Surface diamond drilling, trench sampling programme and underground channel sampling	Yunnan Geology Survey Institute
2010-2011	Surface diamond drilling, trench sampling programme and underground channel sampling	Yunnan Geology Survey Institute

Source: Zhenyuan Gold Mine Area Langnitang Detailed Exploration Report

2.3 History of Mining

Small scale open pit and underground mining activities have been undertaken within the Bianfushan Project and the Shangzhai Project.

The Bianfushan Project has been mined since 2003 during which time operations were concentrated on a small mineralised body in the northwest portion of the area. From October 2006 to April 2009 two small mineralised bodies were mined out in the same area, during which it is estimated that approximately 98,750 t was heap leached to produce gold. From May 2009 to August 2010 another mineralised body in the area was mined however no details were provided to MMC for review.

Two open pits located in the western area of the Shangzhai Project were first operated in 2003 and have dimensions of approximately 160 m by 105 m and 135 m by 90 m. These open pits have since ceased operation with approximately 107,900 tonnes of ore extracted from both pits. Mining of the eastern mineralised zone within the Shangzhai Project has yet to commence.

2.4 Project Development

Construction of a number of key infrastructure and auxiliary support networks commenced in 2011 and are on-going with the aim of commencing ore mining in December 2012, as illustrated in ***Table 2-9*** below.

Table 2-9 Zhenyuan Gold Projects — Development Timeline

Item		2012	2013
Shangzhai	Open Cut	Stripping until November	
	Underground	Stope access development until November	
Bianfushan	Open Cut	Stripping until November	
	Underground	Stope access development until November	
No.1 Processing Plant *		Under construction until December	
No.2 Processing Plant *			Construction from January to June
Zhengyuan Tailing Storage		Under construction until November	
Heap Leaching pads		Completed	

Source: Provided by the Client

**Both processing plants will receive feed from all four mining operations.*

2.5 Future Studies

Whilst no approved document has been received by MMC to date, MMC is aware that work is underway to complete Environment Impact Assessments ("EIA").

2.6 Infrastructure

Roads

The operations and facilities are accessible by a mountainous road to Zhenyuan County (90 km) and Kunming (380 km), the capital of the Yunnan province. A cement road is available to the administration facilities in Heping town, while parts of the adit and leaching facilities are accessed by unsealed road. An additional 1-2 km road is required to connect the proposed processing facilities and tailings site.

Power

Power consumption of the processing plant (annually 6.94 M kWh) is currently provided by local a 10 kV power supply from the main grid. MMC consider that there are no foreseeable limitations with power supply but new contracts will need to be negotiated for the increased requirements of mineral processing.

Water

The fresh water supply for the heap leaching facilities and the processing plant will be sourced from the stream located locally in each mining area.

It is proposed that the fresh water supply (292 cu.m/d) is sourced from stream water as well as the dam in front of the tailings dam (approximately 4,000 cu.m/d). Water is recovered from the tailings dam and recycled to the processing plant. MMC considers that there are no foreseeable limitations for water supply; considering the plentiful local rain water (average 1285 mm per annum).

Tailings Dam

One potential site (named Baibuqing) has been identified within 400 m of the proposed No.1 processing plant in the valley. Development of a new tailings dam may be required in the construction of the proposed No.1 processing plant. This tailings dam would have an active capacity of 1.6 million cu.m at 40 m height, which would provide a life of 6 years at a tailings discharge rate 360 k cu.m for the tailings from both proposed No.1 and No.2 processing plants

3 GEOLOGY AND MINERALISATION

3.1 Regional Geology

The Projects are located between the Mojiang-Jinping Fold Belt and the Ailaoshan Fold Belt of the San Jiang Metamorphic Fold System. The San Jiang Metamorphic System is situated on the southwest margin of the Yangzi Platform and the northeast margin of the Simao Block between the Honghe and Amojiang Faults. The area has an extensive history of tectonism including widespread magmatic activity and high level regional metamorphism and migmatisation.

The area located between the Ailaoshan and Honghe Faults is known as the Intracontinental Orogenic Inner Zone. This zone is composed of rocks of the Ailaoshan Group which consist of gneiss, granulite, migmatites and marble. Extensive magmatism in the area has led to widespread distribution of gneissic granite and pegmatite bodies.

The Intracontinental Orogenic Outer Zone is situated between the Ailaoshan Fault and the nearby Amojiang Fault and is composed of Paleozoic metamorphic rock units. Widespread magmatic activity in the area has led to the development of intermediate-acidic intrusive rocks.

The area to the east of the Amojing Fault is classified as a foreland basin. It is predominantly composed of Devonian to Carboniferous aged clastic and carbonate rocks. Minor quantities of chert and mafic volcanic rocks form the basement of the foreland basin and volcanic and intrusive rocks related to the Varsican Orogeny are common throughout the region.

To the west extremely strong tectonic deformation has led to the development of a series of thrust faults within the late Triassic foreland basin sediments of the area. These thrust-nappe systems are a distinctive deformational style within the region. The profound tectonic setting of the region has resulted in numerous important metal deposits that together form part of the Polymetallic Metallogenic Belt of Yunnan Province.

3.2 Local Geology

The Projects are located on a foreland basin resulting from the development of thrust-nappe fault systems. The majority of the Project area is covered by fluvial/alluvial sediment of the Devonian and Cretaceous periods. The stratigraphy is dominated by sandstones, siltstones, mudstones, limestones, carbonates and metamorphic quartzite, phyllite, schists and slates (***Figure 3-1***). The stratigraphic groups all tend to have a northwest orientation with minimal fault offset.

Mineralisation within the area is hosted by a sequence consisting of permeable coarse-grained siliciclastics, pebbled sandstone and limestone breccias of the Suoshan Formation.

The stratigraphy of the Project area has been subdivided into groups, which include (from youngest to oldest):

- *Upper Triassic — Yiwanshui Formation and Lower Member (T_3y^{1-1}):* This formation is composed of purplish red pebbled sandstone, siltstone and silty mudstone. The thickness of this formation is estimated to be 106 m.

- *Permian — Upper Maopenshan Formation (P_2m^b):* This formation occurs in the northern portion of the Shangzhai Project. This formation consists of meta-sandstone bearing volcanic rock. The thickness of the upper and lower unit is approximately 469 m.

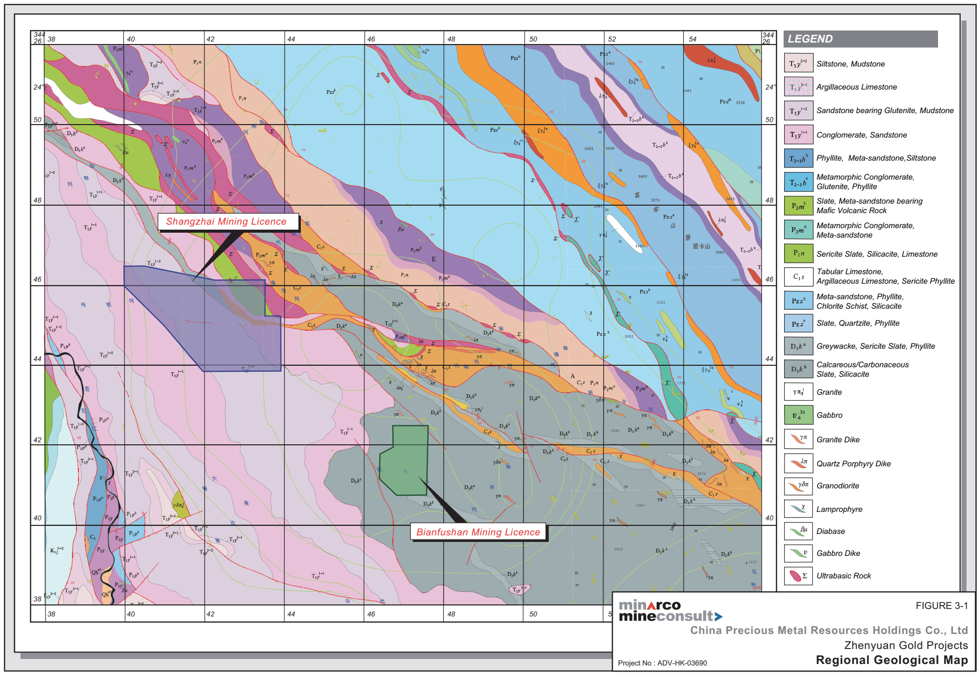
  — *Lower Maopenshan Formation (P_2m^a):* This formation occurs in the far northwest corner of the Shangzhain Project area and consists of metamorphic polymictic conglomerate and meta-sandstone.

- *Carboniferous — Suoshan Formation (C_1s):* This formation occurs in the central area of the Bianfushan Project and the Shangzhai Project and hosts the majority of mineralisation within the Projects. This formation consists of quartzite and sericite slate, argillaceous limestone, limestone, carbonates, sericite slate and siliceous slate. Unit thickness is approximately 220 m.

- *Devonian — Upper Kudumu Formation (D_3k):* This formation is orientated roughly northwest and is composed primarily of bedded quartzite and siliceous slate and limestone. The thickness of this unit is approximately 40 m.

  — *Lower Kudumu Formation (D_3k^{1-1a}):* This unit is primarily composed of calcareous and carbonaceous slates.

Figure 3-1 Zhenyuan Gold Projects — Regional Geological Map



3.2.1 Intrusive

Extensive magmatism related to the Variscan Orogeny has resulted in the emplacement of ultramafic-mafic intrusive rocks, mafic volcanic rocks and acid intrusive rocks. The main lithologies are augite-peridotite, peridotite, gabbro, basalt, and granodiorite.

3.2.2 Structure

Although the region is structurally complex on a local scale there are only two dominant fault sets in the Project. The dominant fault sets strike northwest and approximately north-south. The dominant northwest striking faults belong to the Jiujia-Mojiang Fault System which is composed of parallel faults that extend between 5 and 10 km in length. These faults are the principal control on the formation and distribution of the Ailaoshan gold mineralised zone. Mineralisation also occurs in the north-south oriented strike-slip faults.

Folding is evident in the area with the dominant fold structure being the 325° striking northeast dipping Langnitan Syncline. The Liudashan Anticline and the Bianfushan Anticline are both orientated at 295° and also dip to the northeast.

3.2.3 Deposit Characteristics

There are considerable structural and mineralogical similarities between Projects. ***Figure 3-2*** shows a schematic representation of the mineralisation of the Projects. Deposit characteristics of the Projects are detailed below and shown graphically in ***Figure 3-3.***

Bianfushan Project

MMC has defined 55 mineralised bodies which are sheeted veins of a roughly parallel distribution (***Figure 3-3***). A portion of mineralised bodies outcrop however the majority of veins appear at a depth of 100 m below surface. Mineralisation extends to 450 m below surface in the east and to 680 m below surface in the western area. Vein orientation is generally northeast striking however the northern-most mineralised bodies exhibit a roughly north-south strike and dip 70° towards the east. The currently defined mineralisation extends approximately 1.5 km along strike with the largest mineralised body extending over 760 m along strike and 600m down dip. The remaining bodies range from 100 m to approximately 500 m in length with various dip extents not exceeding 360 m. Veins have a high degree of thickness variability which is consistent with this style of mineralisation. Veins are moderate to steeply dipping, from 40° to 70° for an average dip of approximately 60° towards the east. Another set of small mineralised bodies that form the southeast extent of mineralisation have a shallow dip of approximately 20° towards the southwest.

Shangzhai Project

The Shangzhai Project consists of 2 distinct structural zones. The deposits characteristics in the western and eastern areas of the Project differ in terms of strike orientation, dip and depth extent. Mineralisation in the western portion of the Shangzhai Project is considerably more extensive and is composed of a large number of mineralised bodies that extend over 3.7 km along strike. The most continuous single mineralised body is approximately 780 m long, however the majority of bodies range in length from 70 to 560 m along strike. Mineralisation in the western portion of the Shangzhai Project is situated in a northwest striking brittle-ductile shear zone which is controlled by northwest striking faults. Mineralisation is hosted near the contact of Cretaceous aged sedimentary rocks of the Suoshan Formation and an extensive northeast ultrabasic rock unit. Mineralised bodies range in dip from 50° to 80° for an average dip of 70° towards the east. Mineralisation in this area has been defined to a maximum depth of approximately 540 m below surface.

The eastern mineralised area is composed of 42 mineralised bodies that have a general east-west strike. Mineralisation extends approximately 1.5 km along strike with most mineralised bodies extending from 90 to 490 m in length, however the largest single body is in excess of 630 m long. Mineralisation is hosted in a fracture zone controlled by an east-west striking fault. These mineralised bodies tend to be shallower dipping than those in the west of the Shangzhai Project, with dips ranging from 20° to 55° for an average dip of 30° towards north. The mineralised bodes have a generally parallel distribution and a sheeted vein type geometry like the mineralised bodies in the west of the Shanzhai Project, however the eastern bodies lack the same degree of continuity both laterally and at depth.

Some mineralised bodies are visible at surface however the majority of bodies occur at a relatively shallow depth of approximately 150 m below surface. Mineralisation has been defined up to a depth approximately 270 m below surface.

Figure 3-2 Zhenyuan Gold Projects — Generalised Cross-section of the Projects' Mineralisation

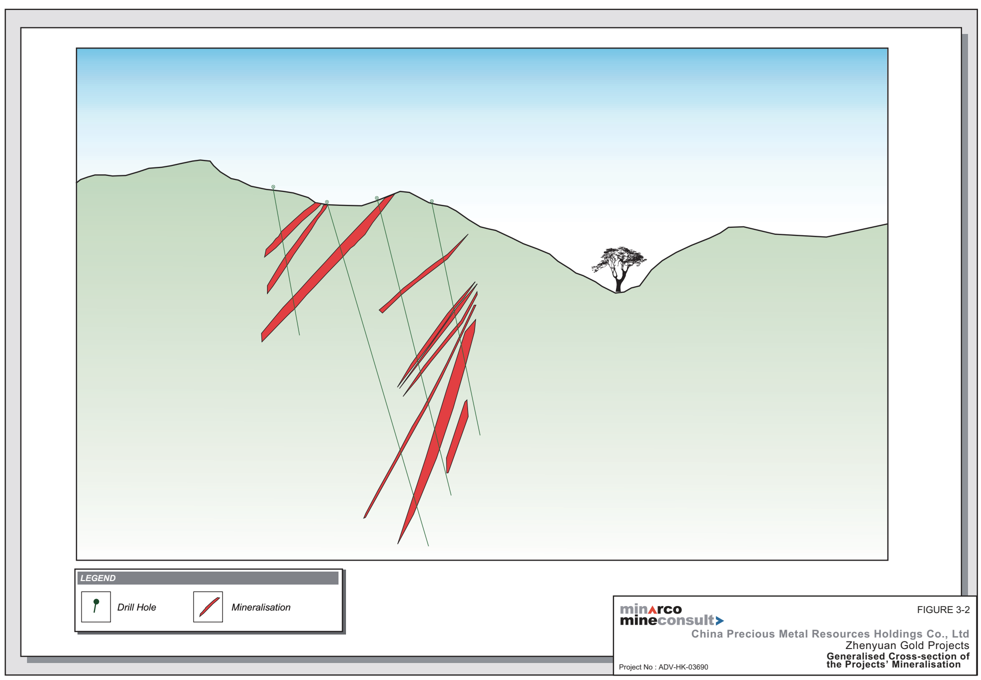
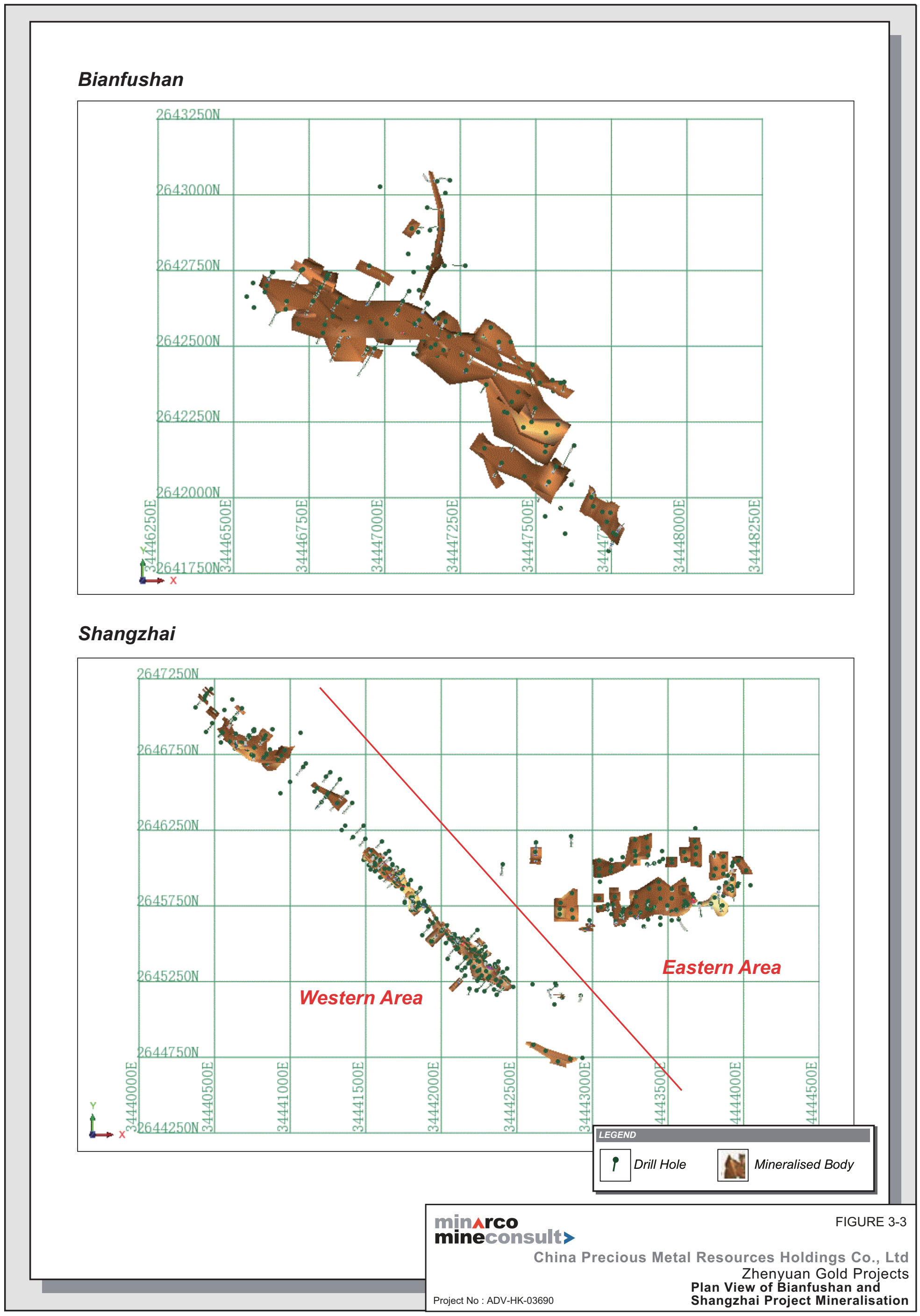


Figure 3-3 Zhenyuan Gold Projects — Plan View of Bianfushan and Shangzhai Project Mineralisation



3.2.4 Mineralisation

Gold mineralisation within the Projects is contained within narrow quartz veins which are hosted by sericite slate, limestone, quartzite, basalt and lamprophyre rocks of the Suoshan Formation. The mineralisation commonly appears within altered cataclastic brecciated wall rock.

The mineralisation style of the Projects is that of a structurally controlled, altered rock epithermal gold deposit. Wall rock alteration consists of carbonatation, sericitisation, silisification, pyritisation and chloritisation.

Commonly occurring minerals consist of native gold, pyrite, arsenopyrite, chalcopyrite, hematite, limonite, magnetite, ilmenite and chromite. The majority of mineralisation occurs within the crystal lattices of sulphide minerals, principally pyrite and arsenopyrite, however native gold is also known to occur. Mineralisation occurs in a variety of forms and textures including as granular structures, disseminations, breccia hosted, and within veins/veinlets.

Gangue minerals consist of quartz, sericite, dolomite, calcite, kaolinite, feldspar and serpentine.

4 DATA VERIFICATION

MMC conducted a review of the digital data provided by the Company for the Projects during the site visits and also as a desktop review to ensure no material issues could be found and there was no cause to consider that the data was not accurate. During this review MMC noted only minor inconsistencies with the provided data, which were subsequently corrected in the digital database which formed the underlying data for the independent JORC Statement of Mineral Resource completed by MMC. These inconsistencies included overlapped hole ID's because of abandoned drill holes (at least 2 holes were re-drilled), differences in elevation between the historic survey coordinates and the recent topographic map (landslip caused by seasonally rain), hardcopy assay results that lacked sufficient identification to assign samples to a drill hole and down hole depth and core trays that were not clearly labelled. During discussions with the Company it was determined that these errors are immaterial to any Mineral Resource completed.

Checks of the digital data by MMC included:

- Checked the relative position of 4 drill holes collars using a hand GPS (2 in the Bianfushan Project area and 2 in the Shangzhai Project area). All locations were consistent with the plans and digital datasets provided;

- Compared 1 original trench sampling sheet from the Bianfushan Project with the digital database; no error was noted;

- Compared the original drilling reports and geology reports of 9 holes of the Bianfushan Project (9%) with the digital database; no error were noted;

- Compared 18 holes' 1,337 original assay certificates of the Bianfushan Project (more than 15% of the total assay results in the digital database) with the digital database, 1 data input error was noted;

- Compared 13 channel sample geological reports, 5 channels sampling sheets and 10 channels' 150 assay results of the Shangzhai Project (10%) with the digital database; 1 sampling error was noted;

- Compared 3 trenches' geological reports and sampling sheets, as well as 8 trenches' 100 assay results of the Shangzhai Project (10%) with the digital database; no error was noted;

- Compared original drilling reports and geology reports of 18 holes of the Shangzhai Project (more than 8% of the digital database) with the digital database; 4 input errors were noted;

- Compared 13 holes' 1065 original assay certificates of the Shangzhai Project (more than 5% of the digital database) with the digital database; no error was noted;

- Inspected the remaining core of 2 drill holes to ensure mineralisation was consistent with the supplied assay results and the relative position of the sample locations were correct;

- Conducted a laboratory visit to review the sample preparation and analytical procedures;

- Conducted a review of the assay and sampling procedures of the core and channel samples;

- Comparison of geological maps, exploration drill plans and digital datasets.

4.1 Quality Assurance and Quality Control

The Quality Assurance and Quality Control data supplied to MMC included internal and external duplicate samples for the pre-2011 drilling and preliminary results for the 2011 drilling. Additionally, MMC completed independent re-assays of the coarse reject material at the SGS Tianjin laboratory for the pre-2011 drilling.

4.1.1 Pre-2011 Internal and External Duplicate Checks

All internal duplicate samples were sourced from the homogenised pulverised material, while the external duplicates where taken from the secondary crushed material (coarse reject). Results of the checks performed are provided below.

The number of duplicate samples is shown in ***Table 4-1***, and the comparison to the original sample is shown graphically in the scatter plots in ***Figure 4-1***.

A review of these scatter plots indicates that generally there is an excellent correlation between the original and the duplicate sample. Early analysis of the data revealed several outliers that were consistent on both internal and external scatter plots. During discussions with the primary sample laboratory it was uncovered that duplicate samples were split from the original material, placed in smaller bags and then labelled by hand. As a result it is highly likely that sample labelling issues during preparation of the duplicates has resulted in the 4 outliers observed and therefore they are not displayed on the provided scatter plots.

Table 4-1 Zhenyuan Gold Projects — Independent Re-Assay and Internal and External Duplicate Results

Bianfushan: Independent Re-Assay	Internal Duplicates	External Duplicates
39	226	17

Shangzhai: Independent Re-Assay	Internal Duplicates	External Duplicates
45	259	336

4.1.2 Independent Pulp Re-assaying for Pre-2011 Drilling

MMC collected a total of 84 pulp samples which were subsequently submitted to the independent SGS Laboratory in Tianjin, China (***Table 4-1***). SGS utilised the four acid digestion method with an AAS finish for determinations. The comparison of the independent sample to the original sample indicates that a good correlation exists (***Figure 4-1***). As mentioned above 4 samples were initially plotted as outliers, most likely due to sample labelling issues occurring during the primary sample splitting process and therefore they are not displayed on the provided scatter plot.

4.1.3 Data Quality Review

The review of the drilling and sampling procedures indicate that international standard practices were used with only very minor or immaterial issues being noted during the review completed by MMC. Furthermore a good correlation is observed for the majority of internal, external and the independent re-assay duplicates, the last one was completed at the SGS laboratory from the pulp samples retrieved from site by MMC. As a result MMC believes the sample preparation and assay determination procedures for the pre-2011 drilling have not resulted in any sample bias and are representative of the sample taken.

4.1.4 Data Verification Statement

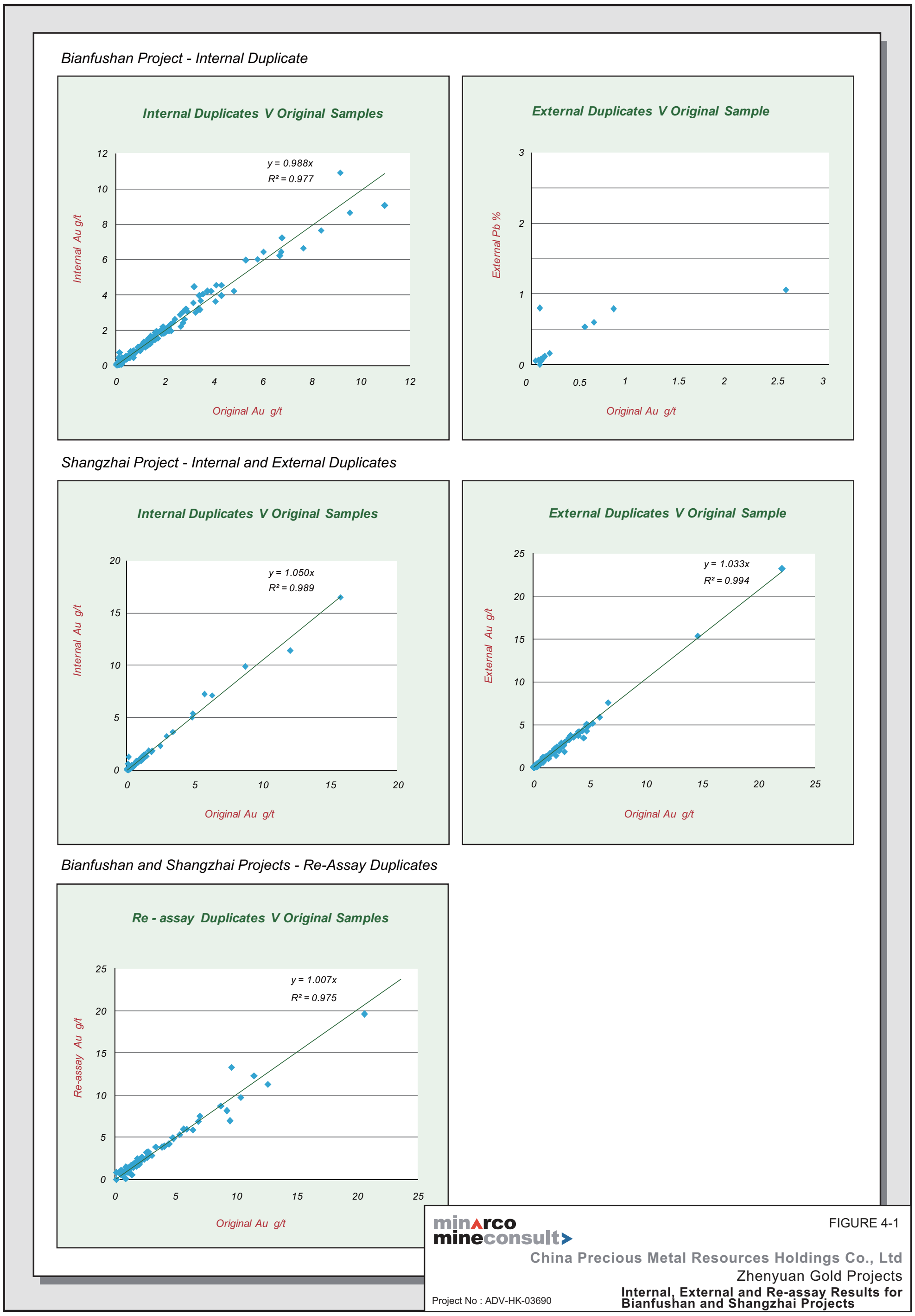
As a result of the above data verification and data quality, the digital database used as the basis for the Statement of JORC Mineral Resources and Ore Reserves is supported by verified certified assay certificates, original drill logs, QAQC, independent assays and independently verified survey data for the pre-2011 drilling. Therefore MMC believes there is sufficient data for the pre-2011 drilling to enable the use of this data in a Mineral Resource estimate and resultant classification following the guidelines set by the JORC Code.

4.1.5 Data excluded

MMC notes that due to timing constraints a full verification of the assays from the 2011 drilling was unable to be completed. As a result, the assays results from the 2011 drilling were excluded from the dataset utilised to estimate the Mineral Resources. MMC notes that internal and external duplicate checks have been completed, however a full validation of these assays has not been completed as the time of the effective date of the Mineral Resources, In addition no independent core samples were taken by MMC. MMC believes that upon completion of these verification checks, this data could be utilised for a Mineral Resource which is compliant with the JORC Code.

Although the assay data could not be verified, MMC completed a number of checks of the drill core to verify the sample locations and the geological logging. As a result of these checks MMC utilised this data to guide the geological interpretation.

Figure 4-1 Zhenyuan Gold Projects — Internal, External and Re-assay Results for Bianfushan and Shangzhai Projects



5 MINERAL RESOURCES ESTIMATION

5.1 Statement of Mineral Resources

MMC has independently estimated the Mineral Resources contained within the Project areas, based on the data collected by the local Chinese geological team as at March 2011 which was subsequently verified by MMC. The Mineral Resource estimate and underlying data complies with the recommendations in the Australasian Code for Reporting of Mineral Resources and Ore Reserves prepared in 2004 by the Joint Ore Reserves Committee (JORC), therefore it is suitable for public reporting.

The results of the resource estimate for the Projects are tabulated in ***Table 5-1*** below.

Table 5-1 Zhenyuan Gold Projects — Statement of JORC Mineral Resources as at March 2012 Mineral Resource at 0.5 g/t Au cut-off grade for the mineralization inside the open pits and 0.8 g/t Au cut-off grade for the mineralization outside the open pits

Licence Area	JORC Classification	Quantity (t)	Au (g/t)	Au Metal (t)	Au Troy ounces
Bianfushan	Indicated	802,000	2.1	1.7	53,000
	Inferred	5,360,000	2.1	11.2	359,000
	Subtotal	6,162,000	2.1	12.8	412,000
Shangzhai	Indicated	3,769,000	3.6	13.7	441,000
	Inferred	9,458,000	2.8	26.1	838,000
	Subtotal	13,227,000	3	39.8	1,280,000
Total	Indicated	4,571,000	3.4	15.4	494,000
	Inferred	14,818,000	2.5	37.3	1,198,000
	Total	19,389,000	2.7	52.7	1,693,000

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

MMC is aware that the current mining licence has a vertical limit of 1,000 m elevation above sea level (Yellow Sea) for the Shangzhai Project and 1,120 m elevation for the Bianfushan Project. A total of 317,000 t at 1.7 g/t Au of Inferred Mineral Resources is located below this elevation for the Bianfushan Project and no resource for the Shangzhai Project. Discussions indicate that the Company will apply to extend the exploration licence below this elevation and as a result, MMC has included it in the above ***Table 5-1.***

Using 0.5 g/t Au cut-off grade for the mineralization inside the open pits and 0.8 g/t Au cut-off grade for the mineralization outside the open pits, the estimated Mineral Resources are 19.4 Mt grading 2.7 g/t Au with 52.7 t of contained gold.

5.2 JORC Resource Classification

A significant number of holes and trenches have been completed from surface on the deposit. Using the data from the historical and recent drilling MMC constrained a geospatial analysis of the grade distributions gold samples. This detailed statistical analysis suggested that a sample spacing of 40 — 60 m, and 100 m were appropriate for classification of Indicated and Inferred Mineral Resources respectively which would be compliant with the recommended guidelines of the JORC Code. These distances were based on the variogram ranges for the major direction of continuity and the visual inspection of the geology and gold grades from drill hole samples. These distances represent the maximum distance between two composites from at least two different drill holes or other works. The areas classified as Indicated and Inferred are shown graphically in ***Figure 5-1*** and ***Figure 5-2***.

5.3 Exploration Potential

Mining Licences

Mineralisation within the Project area is open in all directions except where the licence limits the strike extension. Due to the multiple stacked vein style of mineralisation, MMC considers the exploration potential to be excellent with high probability to increase the currently defined Resources with additional drilling and/or trenching. Drilling to date has focused on veins which are exposed at surface which are known to extend at depth. The majority of drilling is near surface with all the main veins within the Project open at depthbeyond the current drilling. MMC believes there is a high likelihood these veins extend beyond the depth of the current resource which highlights the excellent potential of the Project. In addition several veins within the Project area are blind and do not outcrop on surface. These veins have been identified during the recent drilling and are typical of the style of mineralisation. Due to the large tenement hlding, there is excellent potential for further blind veins to the discovered with further exploration works. MMC considers there to be several areas where potential exists to increase the resource base and the resource classification. Specifically there are opportunities to:

- Convert the currently defined Inferred Mineral Resource to the Indicated category. MMC envisages this can be achieved through infill drilling and surface trenching between the current 80 m to 100 m profiles, particularly within the main mineralised bodies. MMC envisages a drill and trench spacing of 40 m to 50 m would be required to upgrade the Mineral Resource to the Indicated category. This would enable these resources to be included in a Reserve estimate which could potentially increase the current estimated mine life.

- Down dip and adjacent to current Mineral Resource. Importantly the main mineralised bodies are all open down dip and limited drilling have been completed at depth beneath the planned underground mine, as a result MMC believes there is excellent potential to expand the resource and resource classification through additional drilling at depth.

Mineral Exploration Potential Estimate

MMC has estimated the exploration potential based on the available drilling data and the know continuity of mineralisation. MMC's Mineral Resource estimate includes inferred resource to a maximum of 100 m from a drill hole; MMC believes that there is the likelihood that the main veins will continue at deep. As a result the exploration potential estimate encompasses the material which is beyond 100 m from a drill hole up to a distance of 150 m, as shown in ***Table 5-2.*** MMC has estimated this material by extending the mineralised envelopes to the required depth and estimating the grades using the average grade of the deposit and the maximum potential grade given the assays results.

Further to the above parameters, MMC has compare these exploration potential estimate to adjacent properties. This comparison suggests similar styles of mineralisation and similar grade ranges. As a result, MMC considers this estimate to be appropriate.

Table 5-2 Zhenyuan Gold Projects — Exploration Potential Estimate

Quantity (Metric Tonnes)		Grade (g/t Au)		Au Metal (t)	
Minimum	Maximum	Minimum	Maximum	Minimum	Maximum
350,000	750,000	2.8	5.5	1.0	4.2

MMC notes, that the estimate for exploration potential covers the area directly down dip of the main veins which show good continuity. MMC believes there are areas beyond the additional 50 m down dip and in other areas of the deposit which show good potential to expand the currently defined resource, however there is insufficient to enable their inclusion in an Exploration Potential estimate

Exploration Licences

MMC has not been supplied with any information pertaining to exploration works completed within the exploration licences within the Project areas, however, MMC understands some regional geological mapping has been completed. The exploration licences are located adjacent to the Shangzhai Project Mining licence, within portions being directly along strike of the currently defined Mineral Resource.

The geological setting of the exploration licences in the same as that of the Shangzhai Project, as a result MMC considers the exploration potential to be excellent, however this needs to be confirmed with further exploration works. Discussions with the Company have indicated that insufficient data is available to complete a Mineral Resource Statement, which is compliant with the recommended guidelines of the JORC Code.

Figure 5-1 Zhenyuan Gold Projects — Bianfushan Project — 3 Dimensional View of Interpretation and Classification

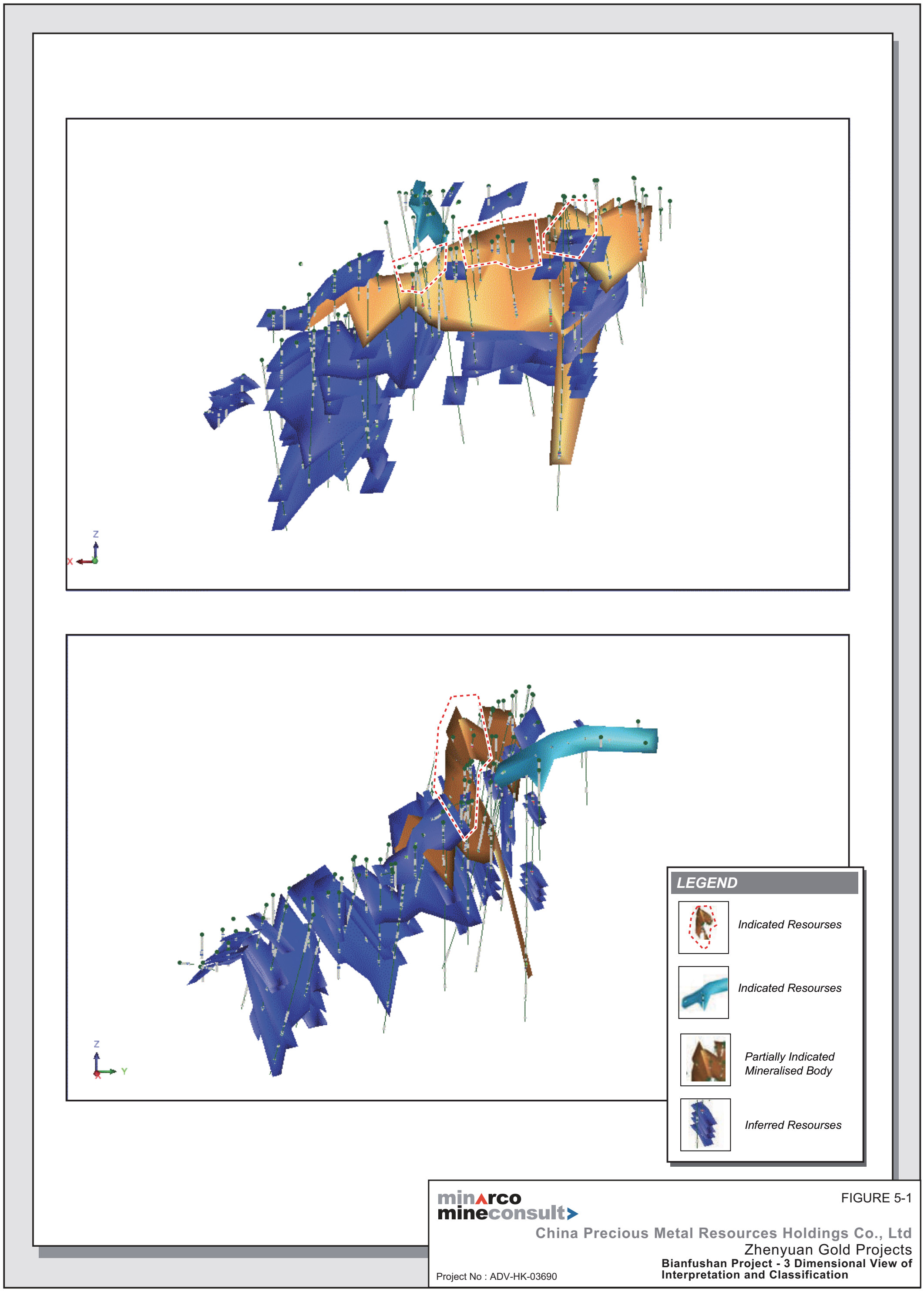


Figure 5-2 Zhenyuan Gold Projects — Shangzhai Project — 3 Dimensional View of Interpretation and Classification

5.3.1 Estimation Parameters and Methodology

The Mineral Resource estimate was completed using the following parameters:

- The Shangzhai gold resource covers approximately 7.1 sq.km with lateral extents from 34,439,913.62E to 34,443,893.63E and 2,644,768.96N to 2,647,438.97N. The Bianfushan gold resource covers approximately 2.0 sq.km with lateral extents from 34,446,529.10E to 34,447,808E and 2,641,580.90N to 2,643,400N. The known resources of both assets reach a maximum depth below surface of approximately 600 m.

- 104 drill holes and 34 trenches were used to define the resource envelopes for the Bianfushan Project. Drilling has been conducted on 80 m spaced NW-SE sections along the strike of the mineralisation, with 40 m spacing in dip direction. 300 drill holes, 76 trenches, 23 surface strips, 44 adits and 18 shallow shafts were used to define the resource envelopes for the Shangzhai Project. Drilling has been conducted on 40 m spaced NW-SE sections along strike of the mineralisation for the west part of the resource and 80 m spaced E-W sections along strike of the mineralisation for the east part of the resource, with 80 m spacing in dip direction.

- Two resource estimation specific site visits were conducted by Mr Andrew Jones and Mr Sheng Zhan in August, 2011 and Mr Andy Liu in February, 2012.

- For the Shangzhai Project, diamond drilling was inclined and vertical with core recovery within the mineralised zones generally greater than 92.7%. For the Bianfushan Project, diamond drilling was inclined and vertical with core recovery within the mineralised zones generally greater than 85%. Drill rigs used 130mm diameter bits in the shallow part and reduced this to 75mm at depth.

- Sampling of both projects was completed according to Chinese regulation with the procedures reviewed by MMC. Sampling of the drill holes was carried out on generally 1m intervals however varied according to geology, resulting in lengths ranging from 0.26 to 2.25m with only minor un-regularly short and/or long samples.

- Sample preparation and assay determinations for all drill cores were completed at the laboratory of Yunnan Province Geophysical and Mineral Bureau Brigade No.3 (Dianxi Testing Institute). Assay determinations consisted of Au.

- For both Projects quality control samples were collected on a regular basis throughout the exploration program. Internal and external duplicate samples were analysed. For the Bianfushan Project a total of 226 internal samples were completed by the laboratory of Yunnan Province Geophysical and Mineral Bureau Brigade No.3 (Dianxi Testing Institute), while external checks were completed at the Ministry of Land and Resources P.R.C Mineral monitor and Inspection Centre, Kunming. For the Shangzhai Project a total of 259 internal samples were completed by the laboratory of Yunnan Province Geophysical and Mineral Bureau Brigade No.3 (Dianxi Testing Institute), while 336 external checks were completed at the Ministry of Land and Resources P.R.C Mineral monitor and Inspection Centre, Kunming.

- 39 pulverized reject samples from the Bianfushan Project and 45 pulverized reject samples from the Shangzhai Project were collected by MMC and sent to SGS Tianjin for analysis as part of the data verification process.

- The Shangzhai Project had all holes surveyed at the collar using Leica TC402 Total Station. Downhole surveys were taken according to Chinese regulation. For the Bianfushan Project all holes were surveyed at the collar using Nikon 325 Total Station. Downhole surveys were taken every 50 meters and at the final depth of the drill hole by using JXY-2 inclinometer.

- The Chinese 1980 survey system was used for the estimate.

- Wireframes were constructed based on 3 dimensional interpretations of the mineralised bodies. Mineralised envelopes were positioned on mineralised contacts using a nominal 0.5 g/t Au cut-off grade with no minimum downhole length.

- All samples within mineralised envelopes were composited to 1.5 m. A 20 g/t high grade cut was applied to the Shangzhai estimation and no high grade cut was necessary for the Bianfushan estimation.

- For the Shangzhai estimation, three Surpac block models were generated to encompass the full extent of mineralisation. The models were created using a block size of 10 m by 20 m by 5 m vertical with sub-cells of 0.625 m by 1.25 m by 0.3125 m. For the Bianfushan estimation, one Surpac block models was generated using a block size of 10 m by 20 m by 5 m vertical with sub-cells of 0.625 m by 1.25 m by 0.3125 m.

- The inverse distance squared method with an isotropic search was used to estimate Au using drill hole composites from within the wireframes. A first pass radius of 60 m was used based on the drill density through the mineralized zone increasing to a radius of 100 m and 250 m for the second and third pass. The minimum number of samples decreased from 8 and 5 to 1 for the first and second to the third passes while a maximum of 20 samples was used for all passes.

- A total of 129 samples were taken for bulk density analysis from trenches, tunnels and drill holes. The average value 2.75 g/t was applied as the bulk density for all material.

6 ORE RESERVES

6.1 Open Pit Reserves

JORC Ore Reserves estimated for this report followed the guidelines of the JORC Code and only used the economically mineable portion of the Indicated Mineral Resources, taking into account any diluting materials and allowances for losses which may occur when the material is mined. There are no Measured Mineral Resources for either Project. Significant exploration potential exists, which may lead to the identification of Reserves in addition to those listed below. To enable the estimation of the Ore Reserves, MMC has:

- Reviewed the Feasibility Study including the operating and capital costs prior and after Reserves were defined.
- Characterised mineralisation at the Projects;
- Reviewed the applied mining method and current life of mine designs;
- Verified the mining losses and dilutions applied in the Feasibility Report as suitable for use in an Ore Reserve estimate;
- Determined the economic open pit limits;
- Converted the modelled grades into a single Revenue based grade;
- Determined a suitable cut-off grade; and
- Completed economic modelling to determine the economic viability (a positive Net Present Value)of extraction of the Ore Reserves. The Feasibility Study capital expenditure estimates were considered to be suitable although the Ore Reserves tonnage estimated by MMC was less than the Feasibility Study estimate. In addition, as there was no material change to planned mining and processing equipment (CAPEX), the Feasibility Study unit costs (OPEX) were considered to be appropriate.

6.1.1 JORC Open Pit Ore Reserves Estimation Parameters

MMC has determined suitable modifying factors to apply in the estimation process following discussions with site personnel and review of the Feasibility Study and the proposed life of mine plan, mining method, and processing plant recoveries to the areas of the Projects where Indicated Mineral Resources have been estimated. Measured Resources have not been estimated for the Projects. Inferred Resources cannot be used for Ore Reserves estimation.

The estimation parameters are summarised in ***Tables 6-1*** and ***Table 6-2***.

Table 6-1 Zhenyuan Gold Projects — Optimisation Parameters

Description	Units	Value
Mining Cost	RMB/ROM t	59
Processing Cost	RMB/ROM t	61 *
Mining Recovery	%	95
Mining Dilution	%	5
Pit Slope	Degrees	≥42

Source: Feasibility Study Report for Shangzhai and Bianfushan Gold Mine 600 ktpa project, April, 2012.

* *The sulphide processing costs was deemed most suitable as the density of material suggests only a minority will be oxide.*

Table 6-2 Zhenyuan Gold Projects — Processing Recovery and Sales Price

Item	Units	Recovery
Au Recovery	%	70(oxide) 85 (sulphide)
Au Concentrate Transfer Price (net of smelting cost and arsenic discount)	RMB/gram	280

Source: Feasibility Study Report for Shangzhai and Bianfushan Gold Mine 600 ktpa project, April, 2012

6.1.2 JORC Open Cut Ore Reserves Estimation Procedure

Pit Limit

The quantity of open cut Ore Reserve within the Projects has been determined using Whittle Four-X Pit Optimisation software. This package is an industry standard tool for applying mining and processing parameters to a geological block model to determine the value of each block and the largest economic (or optimum) pit for a given commodity price.

The detailed pit design was created using Surpac Mine Planning Software from the selected optimised pit shell based on a maximum cash flow.

The mountainous terrain and the pit designs are shown in ***Figure 6-1*** and ***Figure 6-2***.

Cut-off Grade

The cut-off grade calculation focussed on gold with no assumed credits for other metals. For the selected optimum pit each block of material must be able to be economically mined and hauled. The economic balance between ore and waste, commonly known as the cut-off grade, can be determined by comparing the Net Return against the cost of processing less any other ore related costs. A cut-off grade of 0.75 g/t ore was calculated for the open pits.

Reporting

The open pit Ore Reserve was estimated and reported using Gemcom Surpac Geology and Mine Planning Software after optimisation using Whittle Four-X. The Ore Reserve estimation applied the reserve estimation parameters to the 3-D geological model created by MMC for the JORC Mineral Resource estimate. The following steps were completed to accurately estimate Ore Reserves:

- A mining recovery factor was applied;
- A mining dilution factor was applied;
- A mining schedule was generated, which incorporated the estimated life of mine cut-off grade.
- A processing recovery was applied to the estimated ROM tonnes; and
- Product (alloy gold) grams were estimated and a sales price applied.

An economic model was generated incorporating operating and capital costs and revenue. MMC reviewed the operating and capital cost estimates prior to application in the economic model. Additional capital costs were included in the economic model to allow for sustaining capital over the life of mine for the installed equipment and infrastructure.

Summary of Ore Reserve

The Ore Reserve estimate for the Projects have been summarised in ***Table 6-3*** below. The Indicated Mineral Resources reported in ***Section 5*** are inclusive of, and not additional to, the Mineral Resources modified to produce the estimate reported below.

Table 6-3 Zhenyuan Gold Projects — MMC Statement of JORC Open Cut Ore Reserves Estimate as at 12th March 2012

Licence Area	JORC Classification	Quantity (t)	Au (g/t)	Au Metal (t)	Au Troy ounces
Shangzhai	Proved	—	—	—	—
	Probable	535,000	2.3	1.2	37,700
	Subtotal	**535,000**	**2.3**	**1.2**	**37,700**
Bianfushan	Proved	—	—	—	—
	Probable	85,000	1.6	0.2	4,300
	Subtotal	**85,000**	**1.6**	**0.2**	**4,300**
Total	Proved	—	—	—	—
	Probable	620,000	2.2	1.4	42,000
	Total	**620,000**	**2.2**	**1.4**	**42,000**

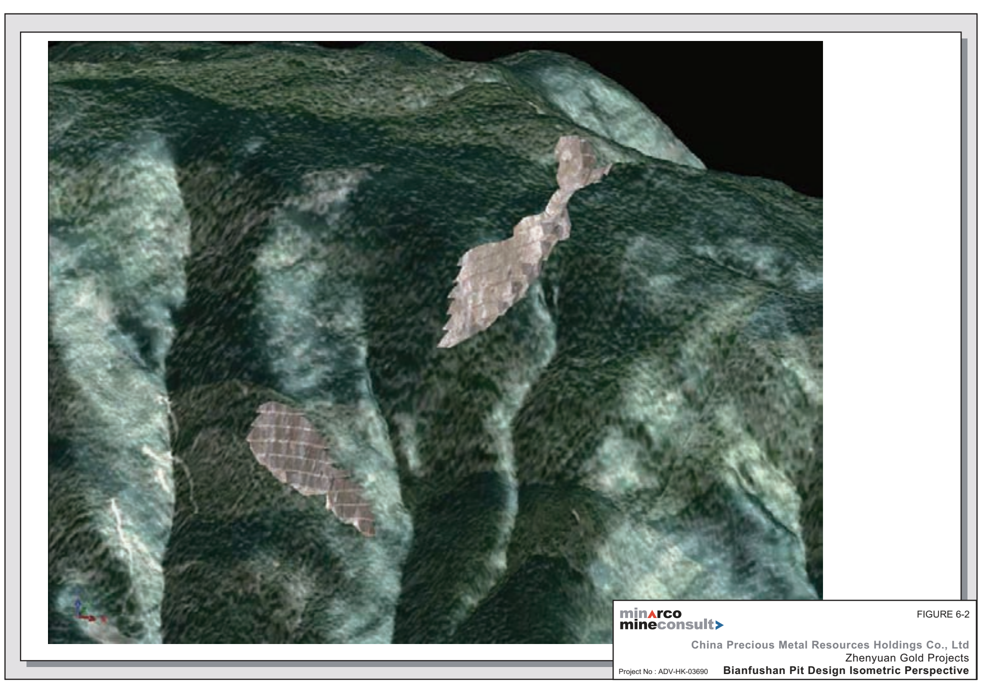
Note: Figures reported are rounded to two decimal places.

Pit Design

The estimate of the open pit Ore Reserve is based on two separate pits along strike of mineralisation. Two pits have been designed by MMC, rather than one continuous pit, due to lack of mineralisation in the centre of the current resource estimate. Compared with the Feasibility Study, MMC's pit designs are located in the same location, but are different in shape and size.

Figure 6-1 Zhenyuan Gold Projects — Shangzhai Pit Design Isometric Perspective

Figure 6-2 Zhenyuan Gold Projects — Bianfushan Pit Design Isometric Perspective



6.2 Underground Reserves

The JORC Code defines Ore Reserves as the economically mineable portion of a Measured and/or Indicated Mineral Resource, taking into account any diluting materials and allowances for losses which may occur when the material is mined.

The Ore Reserves estimate for the underground portions of the Projects has been summarised in ***Table 6-4***. The Indicated Mineral Resources reported in ***Section 5*** are inclusive of, and not additional to, the Mineral Resources modified to produce the Ore Reserve estimate reported below (note there are no Measured Resources).

Table 6-4 Zhenyuan Gold Projects — MMC Statement of JORC Underground Ore Reserves Estimate as at 12th March 2012

Licence Area	JORC Classification	Quantity (t)	Au (g/t)	Au Metal (t)	Au Troy ounces
Shangzhai	Proved	—	—	—	—
	Probable	2,935,000	3.3	9.8	315,300
	Subtotal	**2,935,000**	**3.3**	**9.8**	**315,300**
Bianfushan	Proved	—	—	—	—
	Probable	622,000	1.9	1.2	37,900
	Subtotal	**622,000**	**1.9**	**1.2**	**37,900**
Total	Proved	—	—	—	—
	Probable	3,557,000	3.1	11.0	353,200
	Total	**3,557,000**	**3.1**	**11.0**	**353,200**

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

To enable the estimation of Ore Reserves, MMC has:

- Examined and characterised the Projects on a lode by lode basis;
- Reviewed the proposed mining methods and current life of mine designs;
- Estimated appropriate mining parameters for ore loss and dilution;
- Reviewed the Feasibility Study operating and capital cost prior to and after Reserves were defined.
- Estimated cut-off grades suitable for use in an Ore Reserve estimate, and

- Completed economic modelling to determine the economic viability (positive net present value) of extraction of the Ore Reserves. Full Feasibility Study capital expenditure estimates were deemed to still be suitable although the Reserves tonnage is less than the Feasibility Study was based on. Feasibility Study unit costs were used.

This process and the findings are outlined in more detail below.

6.2.1 Description of Mining Method

The Feasibility Study reports for the development of the Bainfushan and Shangzhai Projects propose the use of three underground mining methods called Sub-level Open Stoping, Underhand Cut-and-Fill and Shrink Stoping. These are selective mining methods and are suited to the variable geometry and high grade tenure of the Projects. Based on the methods to be applied, for the purposes of Ore Reserve estimation, MMC propose that stoping blocks narrower than 5 m shall use the Underhand or Shrink Stoping methods while blocks wider than 5 m shall use the Sub-level method. These mining methods are defined in further detail in ***Section 7***.

6.2.2 JORC Underground Ore Reserve Estimate

JORC Ore Reserve Estimation Parameters

MMC has determined suitable mining parameters to apply in the Ore Reserves estimation process following discussions with site personnel, review of the Feasibility Study, and review and application of the proposed life of mine plan, mining methods, and processing plant recoveries to the areas of the Projects where Measured and Indicated Mineral Resources have been estimated.

The following parameters have been used in the Ore Reserves Estimate:

- Life-of-Mine Cut-off Grade (Industrial Cut-off Grade) of 0.83 g/t Au after dilution and losses. This is the minimum grade for each stoping block that can be economically extracted taking into account all operating and capital costs forecast in the Feasibility Study;

- Minimum Cut-off grade (Operational Cut-off Grade) of 0.24 g/t Au after dilution and losses. This is the minimum grade for any parcel of ore within or adjacent to a stoping block that can be economically extracted taking into account all variable costs directly associated with mining, processing and concentrate handling forecast in the Feasibility Study;

- Minimum mining width (including ore and planned waste dilution) is 0.8 m, which is based on the equipment selected in the Feasibility Study;

- Mining dilution factor of 12.7% has been used for Sub-level Open Stoping, assuming 0.5 m over-break of hangingwall and footwall contacts, 0.2 m crown over-break and 5% mucking loss applied to the proposed stope geometries;

- Mining dilution factor of 9.4% has been used for Underhand Cut-and-Fill Mining, assuming 0.3 m over-break of hanging wall and footwall contacts, 0.3 m crown over-break and 2.5% mucking loss applied to the proposed stope geometries;

- Mining dilution factor of 9.9% has been used for Shrink Stoping, assuming 0.3 m over-break of hanging wall and footwall contacts, 0.3 m crown over-break and 2.5% mucking loss applied to the proposed stope geometries;

- Based on the geometry of the stoping shapes produced, an overall mining dilution factor of 10.5% has been applied to the overall resource;

- Recovery factor of 89.8% has been determined for Sub-level Open Stoping based on the proposed stope geometry;

- Recovery factor of 84.4% has been determined for Underhand Cut-and-Fill Mining based on the proposed stope geometry;

- Recovery factor of 90.1% has been determined for Shrink Stoping based on the proposed stope geometry, and

- Based on the geometry of the stoping shapes produced, an overall mining recovery factor of 89% has been applied to the overall resource.

JORC Ore Reserve Estimation Procedure

Ore Reserves were estimated using Surpac Mine Planning Software. The Ore Reserve estimation applied the reserve estimation parameters to the 3-D geological block model created for the Mineral Resource estimate. The following steps were completed as part of the estimation process:

- The block model was examined and the appropriate mining method for each part of the Mineral Resource was identified based on horizontal width;

- Appropriate stoping shapes for the selected mining method and minimum mining width were created on 5 m sections around mineralisation within the licence area and above the minimum cut-off grade before mining losses and dilution;

- Internal waste required to be mined to stope a parcel of ore was shaped with that parcel of ore;

- The stoping shapes were reviewed to confirm the mining method selected based on the resource;
- Tonnes and grade were reported for each stoping shape on 5 m vertical sections, and between the mining level intervals outlined in the Feasibility Study and associated diagrams;
- The appropriate recovery factor was applied according to the dip of the orebody;
- The appropriate mining dilution was added according to the designated mining method. The grade of the applied dilution material was 0 g/t Au;
- The Minimum Cut-off Grade was applied to the diluted stoping shapes. Stoping shapes below the Minimum Cut-off Grade were excluded from the Ore Reserve estimate;
- Diluted stoping shapes remaining were combined into relevant stoping blocks;
- The Life-of-mine Cut-off Grade was applied to all stoping blocks. Stoping blocks below the Life-of-mine cut-off grade were excluded from the Ore Reserve estimate;
- Stoping blocks were carried through to the surface where applicable. It is envisaged that these blocks are to be mined, and not left unmined as crown pillars; and
- Ore Reserves within the Indicated Mineral Resource were classified as Probable.

7 MINING

MMC has been provided with the Feasibility Study which describes development of the Bainfushan and Shangzhai Projects. These reports describe a combination of open cut and underground mining methods; however, they are based on resource estimates that are materially different from MMC's Mineral Resource estimate, both in terms of resource size and complexity.

MMC has reviewed the critical characteristics of the mineralised zones included at the Projects with the view to identify suitable mining methods and mine design concepts for MMC's Indicated Mineral Resource. MMC envisages that a combination of open pit and underground mining methods will be most suitable for maximising value at the Projects.

The mineralised zones at the Projects consist mainly of sub-parallel veins within sets. Individual veins are generally narrow. Vein dip is generally steep, varying locally from vertical to flat, however veins are generally consistent along strike. Vein depth varies considerably from outcropping, where mineralisation is oxidised, to approximately 680 m below surface where mineralisation is sulphide. Ground conditions are expected to be poor, especially in the oxide and transitional areas. Local topography is steep.

7.1 Open Cut Mining

MMC agrees with the Feasibility Study that conventional open cut mining is applicable for mining near surface mineralisation at the Projects. This method is described as follows.

7.1.1 Mining Method

The geology and geometry of the deposit suggests open cut mining can be used with the following characteristics:

- waste dumping exclusively on surface dumps,
- excavator mining; in backhoe configuration, and
- truck haulage to surface ore stockpiles and waste disposal dumps.

Open cut mining will be completed on 5 m flitches to form a 10 m bench, which supports grade control of the ore zones. Note that 100% of the ore requires drilling and blasting.

The Feasibility Study proposes the operation utilise four 19.7 t CAT320C excavators and eight Chinese 8 t trucks to haul ore and waste from within the pit to the processing plant or waste dump for the Shangzhai Project. The Feasibility Study proposes the operation utilise two 23 t JY230E excavators and six Chinese 8 t trucks for the Bianfushan Project. This equipment is suitable for the required task and the Client stated the exact number of machines used can readily be flexed as a contract mining company is supplying them. As the contractor is supplying this machinery, no capital expenditure is attributed to it in either the Feasibility Study or the Ore Reserve calculations.

The Feasibility Study proposed waste dump location is outside the current mining licence area. No dumping permit exists for the area. The Client has expressed an intention to lease further land for the purpose of waste dumping. Alternatively, the limited detrital ore waste volume could be stored within the current mining licence area, if approved by the government.

The lack of grade control procedures was also noted. Survey guidance and mine planning at the Bianfushan Project has resulted in the mine processing waste material. Therefore the waste that is processed ends up in the tailing dam.

7.1.2 Production Schedule

The Projects are currently in a development phase and the Company expects to begin ore mining in December 2012. According to the Feasibility Study the Shangzhai Project open cut mine is forecast to close in 2015 (Year 3) and the Bianfushan Project open cut mine is forecast to close in 2013 (Year 1). MMC considers the production schedules to be reasonable and achievable, however, the MMC calculated Reserve is larger and estimates that the mine life will extend as illustrated in. given in ***Table 7-1***.

Table 7-1 Zhenyuan Gold Projects — Open Cut Planned Production Rates

Item	Units	2013	2014	2015	2016	2017	2018
Shangzhai							
ROM Ore	Ktpa	100	100	100	100	100	35
ROM Grade	Au g/t	2.1	1.7	3.7	3	1.7	1.7
Bianfushan							
ROM Ore	Ktpa	30	30	25			
ROM Grade	Au g/t	1.5	1.5	2.2			
Total	**Ktpa**	**130**	**130**	**125**	**100**	**100**	**35**
	Au g/t	**2**	**1.7**	**3.4**	**3**	**1.7**	**1.7**

Source: MMC

MMC envisages annual tonnages and grade will fluctuate over the life of mine due to natural variations in bulk density and grade distribution throughout the resource and the rate of mining the Client chooses to apply. Additionally, potential delays associated with development of supporting infrastructure or Project approvals may affect the projected production.

7.1.3 Mine Design

Table 7-2 describes the open pit mining parameters currently used and planned at the Projects.

The proposed open cut mine at the Shangzhai Project consists of 10 m benches from 1,570 m to 1,890 m in two pit shells, as shown in ***Figure 6-1***. In the Feasibility Study, the overall proposed strip ratio is approximately 12:1 (waste tonne to ore tonne), whereas the strip ratio for the Ore Reserves calculated by MMC is approximately 2.3:1 (waste tonne to ore tonne).

The proposed ultimate open pit mine at the Bianfushan Project consists of 10 m benches from 1,605 m to 1,675 m in two pit shells, as shown in ***Figure 6-2***. In the Feasibility Study, the overall proposed strip ratio is 10:1 (waste tonnes to ore tonne), however the strip ratio for the Ore Reserves estimated by MMC is approximately 3.0:1 (waste tonne to ore tonne).

Table 7-2 Zhenyuan Gold Projects — Open Cut Mining Parameters

Mining Parameter	Units	Open Pit
Overall Slope Angles	Degrees	42° — 46°
Bench Height	M	10
Bench Slope	Degrees	60°
Safety Berm Width	M	4
Cleaning Berm Width	M	6
Road Width	M	6
Road Slope	%	8
Ore Loss	% weight	5
Ore Dilution	% weight	5
Cut Off Grade (Oxide)	g/t	1

Source: Feasibility Study Report for Shangzhai and Bianfushan Gold Mine 600 ktpa project, April, 2012

7.1.4 Mining Equipment

A detailed equipment list is summarised in ***Annexure E***. MMC considers the equipment is suitable for the proposed mining operation and may be readily modified to meet circumstances.

7.1.5 Comments and Recommendations

The mining method, mine design and forecast production rates are considered by MMC to be technically achievable and suitable for the Projects. To ensure successful implementation and optimisation of the mine plans MMC provides the following recommendations:

- Use of waste from the pit on the road for maintenance;
- Carry out a geotechnical review to steepen the pit slope to reduce waste movement;
- Carry out further processing studies to potentially increase the Reserves estimate;

- Use of a full time surveyor and geologist to minimise waste movement and optimise grade through the processing plants; and

- Use of sloped cleaning berms to assist in water control during high rainfall periods.

7.2 Underground Mining

Based on the Feasibility Study reports, MMC has reviewed three underground mining methods applicable for mining deeper mineralisation at the Projects. These are detailed below. Final selection of which mining method to implement in each mining area is dependent on the vein geometry and ground conditions expected within that area. This decision should be made after relevant investigations and options studies have been undertaken.

7.2.1 Production Schedule

The underground Projects are currently in the development phase, with the Company expecting to begin ore mining in December 2012. Possible production rates for the first 5 years of operation are illustrated below. MMC notes that the Feasibility Study for the Projects defines a mine life of 16 years for the Shangzhai Project, and 15 years for the Bianfushan Project. The Reserves defined by MMC supports a 9 year life for the Shangzhai Project and a 6 year life for the Bianfushan Project at the production rates specified in the Feasibility Study. These figures do not however, account for Inferred Resources. The production schedule applied by MCC is provided in ***Table 7-3*** below, which applies the Company defined production rates to the Reserve tonnages defined by MMC.

Table 7-3 Zhenyuan Gold Projects — Underground Proposed Production Rates

Item	Unit	2012	2013	2014	2015	2016	2017	2018	2019	2020
Shangzhai										
ROM Ore	ktpa	75	120	360	360	360	360	425	460	415
ROM Grade	Au g/t	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3
Bianfushan										
ROM Ore	ktpa		110	110	115	140	140	7		
ROM Grade	Au g/t		1.9	1.9	1.9	1.9	1.9	1.9		
Total	**ktpa**	**75**	**230**	**470**	**475**	**500**	**500**	**432**	**460**	**415**
	Au g/t	**3.3**	**2.6**	**3.0**	**3.0**	**2.9**	**2.9**	**3.3**	**3.3**	**3.3**

Source: MMC

MMC considers the annual production quantities and grades shown in ***Table 7-3*** to be technically reasonable and achievable. MMC envisages minor variations in annual tonnages and expects grade fluctuations over the life of mine. In particular, MMC suggest that the planned production grades are likely to show some decline after the first 5 years based on the Ore Reserve estimation results. Further variation from year to year would also be expected as the result of natural variations in bulk density and grade distribution throughout the resource. Additionally, potential delays associated with development of supporting infrastructure or Project approvals may affect the projected production expansion.

7.2.2 Mining Methods

In reviewing the Feasibility Study provided by the Client, MMC has identified three underground mining methods applicable for underground mining of the projects. These are specifically Sub-Level Open Stoping, Underhand Cut-and-Fill Stoping and Shrink Stoping.

Sub-Level Open Stoping

Sub-level Stoping is a conventional underground mining method which is both flexible and relatively selective. It is suited to deposits of variable dimension and shape, and for rock of varying strength characteristics. The bulk mining nature of this method leads to reduced unit mining costs as the mechanised extraction methodology generates significant broken rock quantities for relatively low input costs. This method is also suitable for mineralised bodies with variable geometry and/or weak wall rocks, as increased recovery and reduced dilutions may be achieved.

Stopes are accessed by two main levels at the top and bottom of the stope, plus sub-levels serviced generally by an internal decline. The stopes are mined in lifts from the bottom of the level to the top of the level. As each lift is mined a void is created which is then either backfilled, generally with a tailings product from the processing plant, or serves as the void into which the lifts above can be fired. If backfilling is chosen to address ground stability concerns, the top portion of each backfill layer may be filled with a cement mix to provide a solid work floor to support heavy equipment. The process is repeated until the top level of each mining panel is reached. The bottom lift of each panel may also be filled with high cement backfill to enable mining of panels beneath it to ensure minimal pillars are left and recovery of the resource is maximised.

Sub-Level Stoping accesses and extracts the mineralisation parallel to the strike of the vein. This method is suited to narrower mineralised veins where the entire width can be mined without producing an unstable stope crown. Successful implementation is therefore dependant on understanding the geotechnical conditions of both the mineralised material and wall rocks, and monitoring and mitigating geotechnical hazards as they develop. This is generally done by controlling the size of the stope exposed and use of conventional ground support methodologies.

Sub-level Stoping is a method commonly implemented and successfully used in China. It is generally well understood by design institutes, and MMC expects that accessing and employing management, supervisors and miners with experience with this method will not be difficult. It is well suited to the geometry of the mineralised veins and the ground conditions expected. Also, as it is a method where the stope can be backfilled during the mining process, allowing easier extraction of parallel veins within the vein-set as geotechnical problems relating to ground stress relaxation will be partially controlled. With careful stope sequencing, this should result in greater recovery of the mineralisation compared to non-filling methods.

This stoping method is shown in ***Figure 7-1***.

Underhand Cut-and-Fill Stoping

Underhand Cut-and-Fill Stoping is a relatively specialised underground mining method that is reasonably flexible and selective. This method is generally implemented in narrow mineralised veins that have weak rocks (both mineralised rocks and waste rocks) that cannot be economically supported over significant spans, and especially if the vein also has a relatively flat dip. The method has a higher mining cost compared to most underground mining methods; however the advantages offered by this method are often required for safe and economic extraction of mineralised bodies with poor ground conditions and/or unfavourable geometry.

The Underhand Cut-and-Fill Stoping methodology is a modified version of the Sub-level Open Stoping method described above. Access is the same with two main levels top and bottom and sub-levels serviced generally by an internal decline. The major difference however is that lifts are mined from the top of the stope towards the bottom. As each lift is mined a void is created which is then filled with a high strength cemented backfill, generally a cemented tailings product from the processing plant. Once this backfill is cured to an appropriate strength, the lift below is mined exposing the cemented backfill above. The process is repeated until the level below is reached.

Underhand Cut-and-Fill Stoping is a longitudinal method accessing and extracting the mineralisation parallel to the strike of the vein. This method is dependent on the strength of the backfill material used, and is therefore suited to narrower mineralised veins where cement requirements and/or cure times can be reduced. Successful implementation is dependent on understanding the characteristics of the fill product used, and geotechnical conditions of the wall rocks.

This type of mining is commonly implemented and successfully used in nickel and gold mines where veins are generally narrow and ground conditions are poor. While this method is not common to China, the critical element of safely mining under backfill is known. This process is often undertaken to extract crown pillars and increase ore recovery. MMC therefore expects that employing personnel with relevant experience and who require limited training is achievable.

This method is well suited to the geometry of the mineralised veins and the ground conditions expected. Also, as with the method described above, this method utilises backfill so geotechnical problems relating to ground stress relaxation will be partially controlled. With careful stope sequencing, this should allow easier extraction of parallel veins within the vein-set and should result in greater recovery of the mineralisation compared to non-filling methods.

This stoping method is shown in ***Figure 7-2***.

Shrink Stoping

Shrink Stoping is a selective and conventional narrow vein mining method used in mineralised veins where ground conditions are suitable for mining and exposing an entire stope without producing an unstable crown or walls. Depending on the final stope geometry implemented, this mining method may result in lower dilution rates than most bulk underground mining methods.

Shrink Stoping is a longitudinal method where stopes are orientated parallel to the strike of the mineralised vein. The mineralised vein is divided into pre-determined panels which may be extracted independently depending on arrangement of pillars. Stopes are accessed by two main levels at the top and bottom of the stope, plus sub-levels serviced generally by an internal shaft or inclined ladderway.

The stopes are mined in lifts from the bottom to the top of the stope. After drilling and firing, broken mineralised material fills the lower mining lift which provides the working surface for drilling production blastholes for the next mining lift. Before blasthole drilling can commence, a controlled volume of broken material is extracted from the bottom of the stope to account for expansion of rock from firing and to provide a suitable working space. Once the top of the stope is reached, a crown pillar is retained at the top of the stope to separate it from the panel above.

Once the stope has been completely fired, the need for broken mineralised material within the stope no longer exists as working room is no longer required. The stope can then been fully emptied from the bottom level, called the extraction level. The extraction level for each panel generally includes a series of drawbells, which are developed to funnel broken rock into the draw-points for easier extraction. The rock surrounding these drawbells is generally not extracted as part of the mining sequence, and is classified as sterilised ore.

The need to leave fired mineralised material in the stope until the stope is fully fired is the major disadvantage of this method. This requirement means that significant operating expenditure must be spent early in the stope life, with revenue from that stope only realised at the end of the stope life. Depending on stope size and mining rate, this payback time is generally many months.

Each stope panel includes a rib pillar which is left at the ends to separate it from the panel alongside and assist with ground stability. These pillars are generally partially mined to provide sub-level access to the shrink stope working area. The remaining rib pillar is generally not extracted as part of the mining sequence, and is classified as sterilised ore.

Recovery of the mineralised material can be increased by the use of backfill after the stope has been emptied. A cemented backfill of sufficient strength to be exposed can allow the mining of rib pillars and crown pillars. The success of this pillar extraction will be dependent on the local ground conditions and the extraction sequence. The use of backfill will also have the added benefit of increasing regional stability which will reduce stress induced impact on adjacent parallel veins.

This method is suited to narrower mineralised veins with satisfactory ground conditions where the entire stope can be mined without producing unstable walls. Successful implementation is therefore dependant on understanding the geotechnical conditions of both the mineralised material and wall rocks, and monitoring and mitigating geotechnical hazards as they develop. This is generally done by limiting the size of the stope and use of conventional ground support methodologies.

Shrink Stoping is a method very commonly implemented and successfully used in China. It is well understood by design institutes, and MMC expects that accessing and employing management, supervisors and miners with experience with this method will not be difficult. It is well suited to the geometry of the mineralised veins and some of the areas where better ground conditions are expected. However, if the conventional methodology of not backfilling the stope after mining is used, geotechnical problems relating to ground stress relaxation may be induced. This will compromise mining of sub-parallel veins within the vein-set and have a subsequent negative impact on recovery.

This stoping method is shown in ***Figure 7-3***.

Figure 7-1 Zhenyuan Gold Projects — Sub-Level Open Stoping

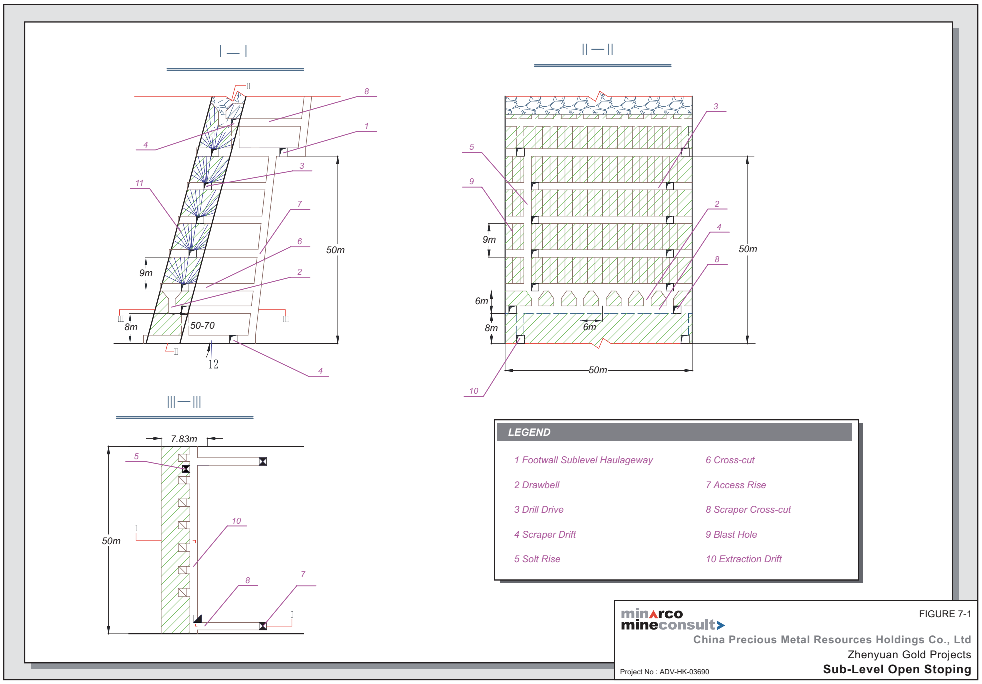


Figure 7-2 Zhenyuan Gold Projects — Underhand Cut-and-Fill Stoping

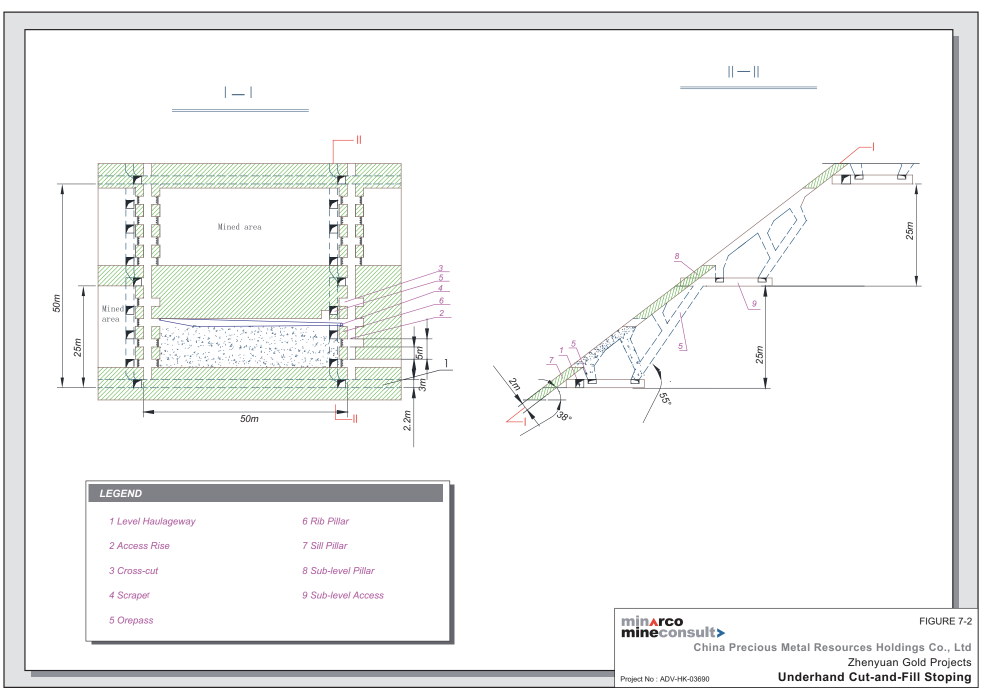
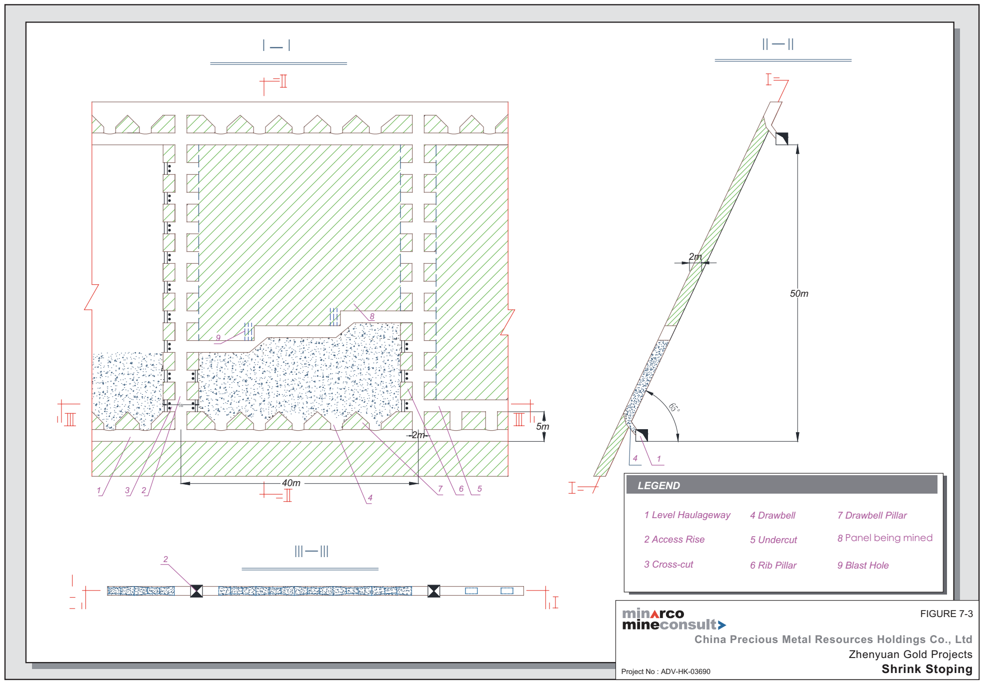


Figure 7-3 Zhenyuan Gold Projects — Shrink Stoping



7.2.3 *Underground Mine Design*

Given the relatively steep terrain, adits are considered appropriate for underground access to the Projects. A number of adits at varying elevations could be used to provide multiple accesses to mining levels for personnel and materials, ore and waste movement, and ventilation. An internal decline could be developed to access sub-levels as required. Considering the shallow depth of the top of the mineralised material and the difficult topography, the use of shafts for access and haulage is not recommended. The requirements for backfill will need to be carefully scheduled and a source of backfill materials identified.

7.2.4 *Comments and Recommendations*

The mining method, mine design concept and forecast production rates currently proposed are considered by MMC to be technically achievable and suitable for the Projects. A key concept of the current mine plan is the implementation of Cut-and-Fill mining methods, to minimise ore losses and dilutions of high grade material. The effective implementation of such methods will require thorough analysis of suitable materials for use as the fill material. This is typically a combination of mine development waste rock, and processing tailings products.

To ensure successful implementation and optimisation of the mine plans, MMC provides the following recommendations:

- Once trial processing commences, complete an evaluation and design programme for the tailings and back-fill products. The programme should include (but not be limited to) testing the compressive strength of back-fill at various cement proportions, water content, pH levels, particle size distributions and cure times. Drainage properties at various particle size distributions should also be measured. Once the back-fill product design is optimised, a QAQC programme should be developed to measure achieved performance and variance to design. An understanding of back-fill performance will underpin design of stable back-fill spans which will determine safe panel lengths in Cut-and-Fill stopes, safe exposure sizes and necessary properties of back-fill stope crowns.

- A geotechnical review of ore and waste rock properties and development of a ground control management plan should be progressively completed as further development is undertaken. This review should include (but not be limited to) testing compressive strength of all rock types to be encountered in the mine, measurement of joint sets including spacing, orientation and state, wedge formation analysis, rock densities, weathering profiles, in-situ stress testing including orientation and magnitude, induced stress modelling, reactive ground, and development of a regional shear model. Maximum stable ore and waste exposures should be determined and appropriate ground support selected. Stope geometry, including maximum width of longitudinal stopes, ratio of width of primary to secondary transverse stopes, panel length and height of mining lift should be reviewed and optimised to minimise dilution and cement requirements for backfill, and maximise productivity.

- Some operating risks of the Cut-and-Fill mining method will require ongoing management. Effective mine scheduling will be required to ensure the planned productivity is maintained as the production rate per stope will be limited. Additionally, as workers must enter the stope during mining operations there is an increased safety hazard associated with rock-falls. This hazard will increase as mining progresses. These risks may be controlled through effective mine management and implementation of a ground control management plan.

- Variable Cut-Off Grades present an opportunity to maximise the Zhenyuan Project value. The Cut-off Grade should be increased at the beginning of the operation due to reduced productivity during ramp-up and reduced recoveries at the processing plant. The Cut-off Grade can also be increased to improve revenue early in the Zhenyuan Project development and reduce capital payback time. The Cut-off Grade can then be reduced. This will help optimise the production schedule to increase revenues earlier in the life. MMC recommends a Cut-off Grade study be completed to determine the optimum Cut-off Grade at relevant stages of the mine life.

8 PROCESSING PLANT AND MINERALOGY

The Project's processing facilities were visited by MMC personnel on the 10th of November, 2011. The heap leaching facilities were inspected and data for the current operation was gathered.

8.1 Primary Ore

8.1.1 Primary Ore Metallurgical Testing

Shangzhai Primary Ore Testing Programme

The 2011 Exploration and Utilisation Planning Report by Hebei Hongda Lvzhou Engineering and Design Company provides details of the flotation and roasting test programme with the Shangzhai primary (sulphide) ore as well as a column cyanide leaching test programme with the Shangzhai oxidised ore..

The primary ore tests, based on a 3,500 kg sample with a gold grade of 3.65 g/t, included lock cycle flotation testing using one stage of rougher/scavenger flotation and two stages of cleaning, followed by concentrate roasting and cyanide leaching of the calcined product. Individual results were as follows:

- Flotation achieved a mass of 5.15% with a concentrate grade of 73 g/t gold (26.5 g/t silver) for recovery of 85% for gold and 30% for silver.
- Roasting and cyanide leaching yielded a gold recovery of 91.3% (28.5% silver recovery).

Overall recoveries from the primary ore were 77.6% gold and 8.6% for silver.

The oxidised ore column tests were based on a 150 kg trench samples at a gold grade of 3.47 g/t and investigated the feed size, spray strength, cyanide and sodium hydroxide consumption as well as the waste water treatment. The test used 2 m diameter columns with an ore size of 4-40 mm size which recovered 85.8% of the gold with an overall recovery of 83% after carbon absorption and electrowinning.

Pilot Testing Programme

A bench scale and pilot test campaign was developed and conducted by Kunming Supervision and Testing Centre for Mineral Resources (KSTCMR) in January, 2011 to provide the basic technical parameters to develop and design the flotation operation.

Approximately 22.3 tonnes of sample was collected, consisting of blended samples from the 20 locations of Langnitang (a district of Shangzai) underground mines. The sample was collected on 4 different occasions. A report for 6 tonnes of sample collected for pilot testing was provided for review. The individual samples were blended into a bulk sample for mineralogy and testing.

The composite samples appear to be representative of the whole mining area, based on the data reviewed as well as discussions with the Company. Based on observations, there was consistency between the composite sample and the ore body in terms of composition, mineralogy and grain size. Proper sampling procedures and processes were employed to prepare the composite sample.

After standardising the flotation reagent types and dosages, open cycle tests at the selected primary and re-grind sizes were carried out to confirm the flotation performance. Locked cycle test work was then conducted to establish the impact of circulating loads including reagent build-up upon the flotation performance. The testing programme included grinding, roughing, scavenging and cleaning. It was concluded that a re-grind was not required. The locked cycle testing results are summarized in ***Table 8-1***, which shows that a concentrate 78-83 g/t gold and up to 88% gold recovery was possible at the finer grind size.

Table 8-1 Zhenyuan Gold Projects — Locked Cycle Testing Results

Size	Mass %	Feed Grade (g/t) Au	Concentrate Grade (g/t) Au	Recovery (%) Au
P_{85}=74 microns	4.67	4.13	78.07	88.24
P_{80}=74 microns	4.41	4.29	83.17	88.42

Source: 2011 Metallurgy Testing Report by KSTCMR

A large number of tests were conducted investigating gold recovery from the flotation tailings. Neither the re-grinding followed by flotation nor cyanide leaching of the tailings significantly improved the gold recovery. Whilst roasting the tailings followed by cyanide leaching recovered 46% of the gold, this method is not considered economic.

A continuous pilot plant scale test work programme was conducted to demonstrate and optimise the flotation circuit performance as well as provide parameters for the processing plant design. The testing programme included a grinding to P_{86}=74 microns with a capacity of 40-44 kg per hour followed by one stage of roughing, three stages of scavenging and two stages of cleaning circuit over 54 hours of operation. Subsequently a process mass balance was prepared. The pilot plant test results are summarized in ***Table 8-2***, which confirmed that 88% gold recovery was achievable at P_{86}=74 microns however at a reduced concentrate grade (49 g/t gold).

Table 8-2 Zhenyuan Gold Projects — Pilot Plant Testing Results

Product	Mass (%)	Au Grade (g/t)	Au Recovery (%)
Concentrate	6.96	49.33	88.04
Tailings	93.04	0.50	11.96
Feed	100	3.90	100

Source: 2011 Metallurgy Testing Report by KSTCMR

The only source of concentrate revenue is gold (78 g/t for Locked Cycle Testing and 49 g/t for Pilot Plant Testing). The impurity elements in the concentrate, namely sulphur, arsenic, organic carbon and antimony. The impurity elements in the concentrate will attract a discount in payments as MMC expects a lower roasting — refinery recovery rate and higher refinery costs. The Client provided a letter of intent to purchase concentrate from a local smelter.

8.1.2 Proposed Mineral Processing Plant

The proposed mineral processing plant is based on the metallurgical testing results as well as the nearby mineral processing operations. It is proposed that two plants would be built to treat the blended gold-bearing sulphide ores from the Projects, at an overall rate of 1950 tpd (585 ktpa). The No.1 mineral processing plant (450 tpd) is scheduled to commence production in 2012 followed by the No.2 mineral processing plant (1,500 tpd) in 2013. The plants would have similar processing flowsheet and design principles.

The No.1 processing plant will be a conventional pyrite flotation plant with capacity of 450 tpd. MMC visited the selected site for the processing plant and tailings dam, which is approximately 5 km from the mines. The proposed tailings dam will be located downstream of the nearby processing plant.

A summary of the proposed processing plants is presented in ***Table 8-3***.

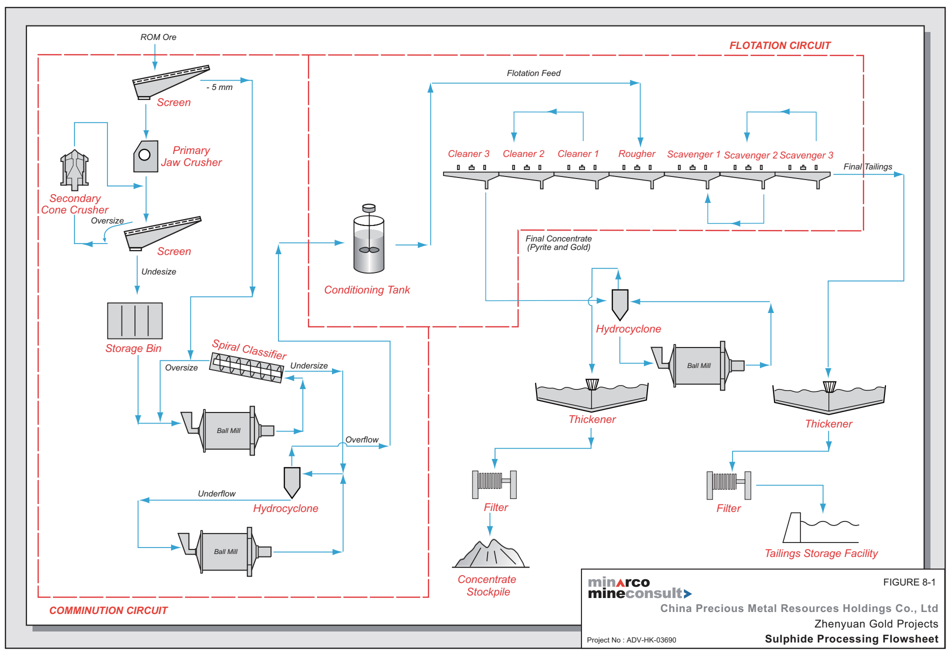
Table 8-3 Zhenyuan Gold Projects — Proposed Processing Plant Overview

<table>
<tr><th>Name of Plant</th><th>Daily Capacity tpd</th><th>Annual Capacity ktpa</th><th>Ore Type</th><th>Status</th></tr>
<tr><td>Zhenyuan No.1</td><td>450</td><td>135</td><td rowspan="2">Primary: gold bearing sulphides</td><td rowspan="2">Feasibility</td></tr>
<tr><td>Zhenyuan No.2</td><td>1500</td><td>450</td></tr>
</table>

Note: 300 operating days per year

The proposed mineral processing flowsheet and plant are conventional and suitable for the processing of pyrite-gold material (refer to ***Figure 8-1***). The flotation circuit would consist of one stage of roughing followed by three stages of scavenging, the scavenger concentrate being returned to the rougher feed and the rougher concentrate being upgraded in three stages of cleaning. The flotation tailings would be dewatered by thickening and filtered with discs before reporting to a tailings dam for storage, while the final concentrate would be dewatered by filtration before being dispatched to the gold refinery.

Figure 8-1 Zhenyuan Gold Projects — Sulphide Processing Flowsheet



Flowsheet Description

Ore will be blended from the various stopes and pits prior to transportation to the crushing plant. ROM material (-300 mm) will be fed to a screen and oversize (+5 mm) will divert to a jaw crusher. The crushed ore will report to the secondary screen and the oversize ore will divert to the secondary cone crusher before storage in the fine ore storage bin.

Ore will be recovered from the fine ore storage bin and fed to a two stage grinding circuit. The first stage will consist of a primary ball mill in closed circuit with a spiral classifier. The undersize will feed the second stage of ball milling in closed circuit with hydrocyclones. The hydrocyclone overflow will report by gravity to a flotation conditioning tank.

The flotation circuit will consist of a bank of rougher cells followed by a bank containing three stages of scavenging cells and three stages of cleaning cells. Both the second and third scavenger concentrates will report back to the feed of the previous scavenger stage, while the first scavenger concentrate will report to rougher feed. The rougher concentrate will be upgraded in three stages of cleaning with the first cleaner tailings reporting to the rougher feed.

The final cleaner concentrate will report to a hydrocyclone in closed circuit with the ball mill before being dewatered by thickening and filtration and recovered to a storage stockpile before transportation to the nearby gold refinery.

The scavenger flotation tailings, which would be thickened and dewatered in a filter, will report directly to the tailings dam with water recovery, from the concentrate dewatering sump as well as tailings dam, returned to the processing plant.

Equipment

The key proposed processing equipment is summarised in ***Appendix E***. MMC considers the equipment is suitable for a plant of this capacity and is typical of conventional Chinese pyrite-gold flotation processing plants.

Forecast Mineral Processing Performance

The proposed production performance is outlined in ***Table 8-4***, which shows a mined grade of approximately 3.3 g/t Au achieving a concentrate grade of 75 g/t Au for a mineral processing recovery of 85%. The planned production rate ramp up until to 2013 is 600 ktpa, MMC considers the ramp up schedule is optimistic and is dependent upon completion of an access road and other infrastructure which has not yet started construction. MMC considers actual production may feasibly reach 600 ktpa as planned in the mining schedule. The Client has expressed interest in further expanding the productive capacity of the flotation circuit to 750 Ktpa in 2016, if further Resources can be converted to Reserves and mining licences are granted for this higher production capacity.

Table 8-4 Zhenyuan Gold Projects — Expected Production Performance

Items	Unit	2012	2013	2014	2015	2016	2017	2018	2019	2020
Feed tonnes	Kt	75	360	600	600	600	600	467	460	415
Feed grade	g/t	3.3	2.4	2.7	3.1	2.9	2.7	3.2	3.3	3.3
Concentrate tonnes	Kt	2.81	9.72	18.48	20.97	19.83	18.36	16.35	17.20	15.52
Concentrate grade	g/t	75	75	75	75	75	75	75	75	75
Tailings grade	g/t	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Recovery	%	85	85	85	85	85	85	85	85	85

Source: MMC

MMC considers that a gold recovery of 85% at a concentrate grade of 75 g/t is achievable with the proposed feed grades based on the nearby processing plants and the bench scale testwork, although the pilot plant did produce a lower grade concentrate (45 g/t).

Based on the current status of the processing plant construction, the following limitations should be observed:

- MMC considers the processing capacity of 75 ktpa (annualised rate only) ROM material by 2012 and 360 ktpa ROM material by 2013 is optimistic,
- The proposed processing capacity is highly dependent on the mining production rate,
- The continuous large scale pilot plant testing only achieved a concentrate grade of 49 g/t,
- Additionally, the concentrate grade is dependent on flotation circuit performance. MMC considers a concentrate grade of 75 g/t as optimistic,
- MMC considers the feed grade supplied by the Client to be overstated when compared to the JORC compliant Reserves calculated by MMC,
- Gold recovery may be less with lower feed grades,
- Lower feed grades mean that substantially less gold will be produced than forecast, and
- The gold-bearing concentrate containing arsenic and organic carbon which would cause discount of the revenue and marketing of the product,

8.2 Oxidised Material

8.2.1 Oxidised Materials Leaching Testing

Yunnan Yuntong Exploration Co., Ltd conducted an agitating leaching programme followed with cyanide column leaching in 1998 based on the Bianfushan oxidised ore.

The column cyanide leach testing achieved an overall gold recovery of 81% at a lime consumption of 8.5 kg/t and cyanide 0.6 kg/t.

Mineralogy

A mineralogy investigation found that the oxidised ore was a brown sandstone with mudstone in the fractures. The metallic mineralogy was dominated by limonite with trace impurities such as arsenic, antimony and carbon. Non-metallic minerals included quartz, feldspar, dolomite and mica. The gold was present as sheet and tree patterns which occurred between and within pyrite.

The testing report indicated that the mineralised material of the Project's proposed mines is low grade oxidised ore which would respond satisfactorily to conventional cyanide leaching. Further examination of the open cut mineralised material revealed the presence of oxidised material which should be treated by heap leaching. The lower part of the open cut ore body is dominated by sulphide material which would be processed through standard flotation methods as described in ***Section 8.1***.

Agitating Leaching Test

Agitated leach testing was conducted on two samples (2 kg). One sample crushed to minus 10 mm and one uncrushed were put under the same test conditions to investigate both the cyanide dosage and size upon the gold recovery. It was found that the uncrushed ore using cyanide consumption of 0.2 kg/t had higher recovery (98%) than the crushed ore with cyanide consumption 0.6 kg/t (67%). The uncrushed ore tests have better leaching performance than crushed ore (10 mm). This suggests the ore is amenable to cyanide leaching.

Column Leaching Test

A more comprehensive column leach testing (38 kg material in one column) was conducted, examining many variables.

Due to the lower gold grade of the open cut oxidised material, heap leaching was selected as the preferred treatment method. The gold recovery is estimated at 70% for as-mined or uncrushed ores, based on the tests results, which would be possible to increase to 80%. These gold recoveries are supported by historical practice with this particular mineralised material type as well as metallurgical testing. MMC accepts these gold recoveries for the heap leaching operation.

8.2.2 Heap Leaching Operations

Overview

During the site visit, MMC inspected two existing open pits at the Projects. The existing Bianfushan and Shangzhai dump stockpiles indicate that heap leaching has been practiced for several years.

Bianfushan No.1 run-out pad dumps were observed in the vicinity of the Bianfushan open pit which has been in operation since 2009. Some other leaching operations were observed in the nearby area.

Bianfushan No.2 on-off pad with two leaching ponds nearby were also observed at the bottom of the current stripping for the current open cut mine programme.

Uncrushed ROM ore from the open pit was trucked to the cyanide leaching pads, with the pregnant liquor stored in the nearby liquid ponds prior to gold recovery with absorption onto carbon. The loaded carbon was then sent to the outsourced smelting plant to produce marketable gold doré.

Shangzhai Historical Heap Leaching

Historical heap leaching production at overall rate of 100 kt oxidised ore has been completed since 2000; this was supported by a leaching plan and design report prepared by Yunnan Yuntong Exploration Company. MMC reviewed the report and the approach appears to be reasonable and reflects common practice. The available data in the report included an infrastructure investigation, production rate and proposed processing parameters as well as capital expenditure and operating cost assumptions.

The mining proposal states that crushed ROM at 19 ktpa would be stacked on either two or three on-off pads to a height of 2.6 m each with an area of 3,300 sq.m for leaching.

The heap leaching operation proposes that 6 kg/t lime and 0.4 kg/t of cyanide will be consumed. The leaching period will be 30-40 days.

It is proposed that the mined ore from the pits would be stacked on either two or three on-off separate pads for leaching with the solution reporting to the carbon absorption facility. The gold would be recovered from the loaded carbon by a third party and a gold doré produced. The proposed heap leaching flowsheet is presented in ***Figure 8-2***.

In the design report, a trade-off study was conducted to establish the basis for on-off pads, comparing cement, plastic film felt and PVC materials. A cement base was selected for the on-off pads.

Description

ROM material normally does not require any crushing prior to heap leaching, except for some material mined from deeper in the open cuts. This material will be dumped into a single stage PEX 250 mm x 400 mm crusher and the crushed ore (minus 40 mm) would be hauled to either two or three 3,300 sq.m pads for leaching.

Barren solution is applied using PVC drip emitters placed on the top of the stacked ore to begin the leaching process. Alkali solution adjusts the leaching condition to pH 10-11 with lime and cyanide (0.6 g/L). The cyanide solution strength is 0.15% — 0.1 % during the initial leaching stage and 0.03% — 0.05% during the later stage.

Six pumps are proposed to provide a spray solution 20-30 L/sq.m per hour for two pads. Sprays operate for one hour at a time and at least 8 hours in one day.

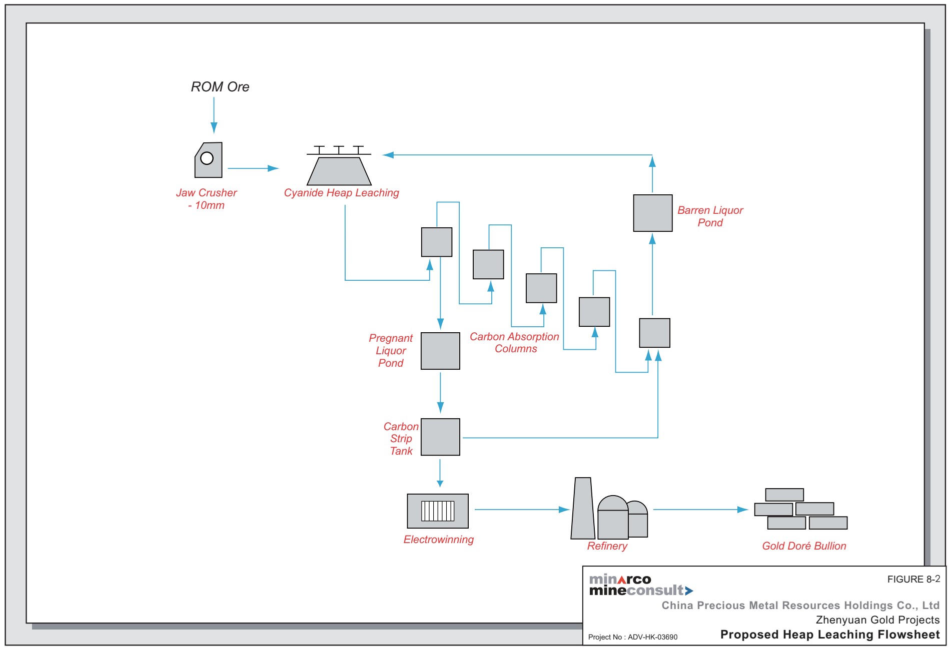
The gold bearing solution collects at the base of the leach pad and would flow to a 6.88 sq.m solid settling pond before reporting to the pregnant liquor pond. The pond (120 cu.m) will be sized to handle any rainfall events. An additional external solution pond (60 cu.m) would be installed to contain any leaching solution in excess of that required for normal operations if an event such as a flood occurred.

The clarified pregnant solution from the pregnant liquor pond would be pumped to a carbon absorption system to recover the gold. Absorption takes place in several carbon absorption columns (each containing 250-270 kg carbon) in series. Carbon would be advanced counter-current to the solution flow by carbon advance pumps. Barren solution from the last absorption column would flow to a barren tank from where it would be recycled and pumped to the ore heap for further leaching.

Loaded carbon from the absorption circuit would be transferred to a third party stripping and electrowinning facility for recovery of the gold. Precious metals would be recovered from the strip solution by electrowinning and the gold-rich sludge would be collected and filtered. The filter cake would be melted in an induction furnace and poured into doré bars. The stripped carbon would be washed and then re-activated before returning it back to the operation.

The material on the pad after leaching is removed and safely stored on the site.

Figure 8-2 Zhenyuan Gold Projects — Proposed Heap Leaching Flowsheet



Equipment

The key processing equipment in the design for the Heap Leaching operation is summarised in ***Annexure E***. MMC observed some old facilities on the Shangzhai leaching site. Apparently some equipment and facilities will be re-used in the new operation, presumably after refurbishment.

Historical Performance

The performance records of the historical leaching operation are unavailable. The production performance stated in the 2000 design report is given in ***Table 8-5***. The gold recovery appears conservative based on the metallurgy testing.

Table 8-5 Zhenyuan Gold Projects — Historically Designed Heap Leaching Production Performance

Items	Unit	Designed
Total Ore Tonnes	Kt	56
Mined Grade	g/t	5
Leaching Recovery	%	70
Gold Metal	kg	175.3
Mine Life	year	3

Source: Leaching Design by Yunnan Yuntong Exploration Co. Ltd, July, 2000.

**A higher recovery is expected for future heap leaching operations.*

Bianfushan Current Heap Leaching

The current operation of the Bianfushan Project provided information which is generally consistent with the design of historical operations. MMC observed the current heap leaching operation flowsheet which appears similar to ***Figure 8-2***. The equipment seems commonly used as listed in ***Appendix B2***.

The heap leaching operation of the oxidised ores (1.30 g/t Au) achieved a recovery of between 70%-80%. The loaded carbon from the absorption circuit is treated in the external refinery plants and the recovery is unknown. The third party gold absorption/recovery of 90% appears inexplicably low.

In summary, MMC considers that overall gold recovery of between 70%-80% would be reasonable based on the historical data as well as the current operation using the development ore. This figure would vary with the mined ore grade.

Planned Heap Leaching

The heap leaching capacity in the years following will correspond to the amount of ROM oxdised ore mined from the Shangzhai and Bianfushan Mine. MMC cannot accurately predict the volume or timing of the mining of this material.

MMC assumes the overall recovery and operating cost of each heap leaching operation would be similar. The capital expenditure of each pad would vary with the feed ore.

9 OPERATING AND CAPITAL COSTS

9.1 Operating Costs

The operating expenditure presented in ***Table 9-1*** and ***Table 9-2*** are derived from the Feasibility Study and illustrate the estimated operating unit costs for all years of operation. Actual expenditure will vary from year to year and reflect the mining schedule. No cost detail or variation for different levels of production has been calculated or reviewed.

MMC considers the open cut and underground mining unit costs as reasonable.

The overall processing cost for the flotation processing plant is approximately 61 RMB per ROM tonne. Power and materials (consumables and maintenance items) dominate the operating costs with milling media as the highest consumable cost. MMC considers that this operating cost is reasonable for a gold flotation operation of this size.

The operating cost of heap leaching is approximately 39 RMB per ROM tonne. This cost is considered appropriate for oxidised material compared to other similar heap leaching operations in China.

Table 9-1 Zhenyuan Gold Projects — Forecast Open Cut Mining Operating Costs

Cost Item	Unit	All Years
Mining	**RMB/ROM t**	**59**
Raw Material	RMB/ROM t	23
Fuel and Power	RMB/ROM t	20
Salary	RMB/ROM t	16
Processing (Heap Leaching)*	**RMB/ROM t**	**39**
Raw Material	RMB/ROM t	13
Fuel and Power	RMB/ROM t	23
Salary	RMB/ROM t	4
Maintenance	**RMB/ROM t**	**27**
General and Administration	**RMB/ROM t**	**14**
Total Operating Cash Costs	**RMB/ROM t**	**139**
Mineral resources compensation fee	RMB/ROM t	34
Safety fee	RMB/ROM t	4
Re-simple production fee	RMB/ROM t	18
Total Cash Costs	**RMB/ROM t**	**195**
Depreciation	RMB/ROM t	17
Total Production Costs	**RMB/ROM t**	**212**

Source: Provided by the Client

** Note: Open cut mined material will incur a leaching cost of 39 RMB/ROM t if it is oxide and 61 RMB/ROM t flotation processing costs of it is sulphide.*

Table 9-2 Zhenyuan Gold Projects –Forecast Underground Mining Operating Costs

Cost Item	Unit	All Years
Mining	**RMB/ROM t**	**86**
Raw Material	RMB/ROM t	30
Fuel and Power	RMB/ROM t	25
Salary	RMB/ROM t	31
Processing	**RMB/ROM t**	**61**
Raw Material	RMB/ROM t	26
Fuel and Power	RMB/ROM t	27
Salary	RMB/ROM t	8
Maintenance	**RMB/ROM t**	**25**
General and Administration	**RMB/ROM t**	**14**
Total Operating Cash Costs	**RMB/ROM t**	**185**
Mineral resources compensation fee	RMB/ROM t	34
Safety fee	RMB/ROM t	8
Re-simple production fee	RMB/ROM t	18
Total Cash Costs	**RMB/ROM t**	**245**
Depreciation	RMB/ROM t	17
Total Production Costs	**RMB/ROM t**	**262**

Source: Provided by the Client

9.2 Capital Costs

The capital cost schedule from the Feasibility Study is given in ***Table 9-3***. MMC considers the estimated capital costs to be reasonable and understands the estimate is based on the latest available construction and contract rates.

The Open Cut capital costs consist of stripping, mining, equipment and heap leach pad preparation. MMC considers this element of the capital cost estimate to be reasonable because contract miners are being used and they supply their own equipment.

The Underground capital costs include construction, underground development, design and equipment.

The Processing capital costs include construction, design and equipment and appear higher relative to other similar processing plants in China.

Almost 65% of the capital costs are scheduled to occur in 2012 which aligns with the planned production ramp up from 2012 to full production in 2014.

Table 9-3 Zhenyuan Gold Projects –Forecast Total Capital Expenditure

Item		Unit	2012	2013	2014	2015	2016	Total
Shangzhai	Open Cut	M RMB	1	1	0	0	0	**2**
	Underground	M RMB	47	0	12	3	1	**63**
Bianfushan	Open Cut	M RMB	1	0	0	0	0	**1**
	Underground	M RMB	11	0	0	1	0	**12**
Processing plants		M RMB	35	33	0	0	0	**68**
Tailing Storage		M RMB	13	23	0	0	0	**36**
Land Use Right		M RMB	23	0	0	0	0	**23**
Initial Working Capital		M RMB	9	0	0	0	0	**9**
Total		**M RMB**	**140**	**57**	**12**	**4**	**1**	**214**

Source: Provided by the Client

10 OPERATIONAL SAFETY

MMC reviewed the Special Safety Chapter of the Preliminary Design, written by the Design Institute in January 2010. This chapter was independently reviewed in September 2010 by Kunming Chengxing Survey and Design Co., Ltd. MMC considers the Special Safety Chapter, which details the potential safety issues and prevention practices for the Projects, as adequate for a conceptual level safety planning.

10.1 Ventilation

Ventilation is a fundamental system for underground mining that plays a vital role in providing fresh air, diluting potentially dangerous gases and preventing the build-up of dust.

The mine workings will be ventilated with fresh air entering through intake air-ways and returning through the exhaust air-ways. The Feasibility Study further recommends the use of a rotating axial flow fan (KD-8-No25). The planned ventilation capacity is approximately 104 cu.m/sec, which will be subject to the results of a ventilation simulation study. Development drives and other blind headings will be ventilated by means of an auxiliary fan located in fresh primary air flow, feeding air under positive pressure through ventilation duct to the face. The return air will travel along the drive.

Apart from fans and ventilation ducts, ventilation equipment also includes ventilation doors, regulators, seals, and measurement stations. This equipment ensures reliable air flow along the required routes. Careful management and maintenance of these items is needed to ensure safety and production. For fire fighting, axial flow fans enable the direction of ventilation flow to be reversed within 10 minutes, while performing at approximately 60% of normal airflow.

10.2 Mine Water Control

Natural drainage using gravity is used in the open cut and in development drives underground to collect and direct water to storage facilities where it can be pumped to permanent storage. The design water discharge rate was stated to be 1,440cu.m/d. The following controls will be deployed.

- Establish an underground drainage system including pump station, water storage sumps, ditches, and other drainage facilities at 1,200 m level where water is pumped to the surface.

- Ensure adequate pumping capacity with redundancy for maintenance/breakdown.

10.3 Dust Control

Dust is generated by all mining processes and long-term inhalation of dust by the underground workers is a key hazard which may result in various lung diseases. This hazard will be significantly increased if asbestiform minerals are present. The Safety Special Chapter requires implementation of a series of measures for controlling dust as follows.

- Proper ventilation.

- Establishment of water sprinkler systems under the control of a specially appointed person.

- Regular dust inspections.

- Personal protective equipment for those who come into contact with dust.

10.4 Fire Prevention and Extinguishment

The Preliminary Design outlined some common extinguishment methods. Careful management and adequate fire fighting equipment will be needed for both underground and surface facilities.

10.5 Mine Rescue Team

The Projects' plan to establish a mine rescue team, and provide the necessary equipment and health care and first aid station onsite.

11 ENVIRONMENT AND HEALTH

MMC commissioned ERM Shanghai Ltd ("ERM") to undertake an environmental, health, safety and social ("EHSS") risk and performance review of the Projects.

ERM completed a reconnaissance survey of the sites, facilities under construction, and adjoining land as well as a review of available documents pertaining to EHSS issues. Only the Bianfushan Project area and the eastern and western mineralised zones of the Shangzhai Project area were visited during the site visit. The third section of the Shangzhai Project; the northern mineralised zone was not visited due to time constraints and as reportedly, no activities had yet been undertaken in that section. Interviews were conducted with site representatives.

The site inspection was conducted by Mr Guang Cai (Consultant), Ms Bella Sun (Consultant), Mr Samuel Wearne (Consultant) and Ms Amy Hallam (Consultant) of ERM within the period of November 8 to 10, 2011 (inclusive).

11.1 Environmental and Social Overview

11.1.1 Environmental Setting

The proposed Bianfushan Gold Mine and the Shangzhai Gold Mine are located in Heping Township, Zhenyuan County, Puer City, Yunnan, China. The mining areas are located approximately 50 km southeast of the Zhenyuan County in the sub-tropical Ailaoshan Mountain Range. The mining areas are predominantly covered by dense forest vegetation, whilst some agriculture activity is sparsely distributed in the area. Within the Shangzhai mining area, some project components, including the processing plant and tailings storage facility (TSF) are proposed to be located in the neighbouring State forest. A road towards this area was being constructed at the time of the site visit. The elevation of the site ranges between 1,125 m and 2,231 m.

The region has a sub-tropical plateau monsoon climate with strong vertical variations. Precipitation is higher during the rainy season from June-October, averaging 1,285 cm while the annual evaporation potential is 1,178 cm. Temperatures vary from highs in the mid-30's and lows beneath zero. Microclimatic differences also exist, mountain tops are usually cold and valley floors are humid and hot.

The mining site is susceptible to geological hazards; according to a survey conducted in 1983 and 1984. 12 earthquakes with magnitude greater than 6.0, 7 earthquakes of a magnitude between 5 and 6, and 17 earthquakes magnitude between 4 and 5 have historically been recorded.

Surface water bodies within and near the mining area include the Mayang River, Nazhuang River and Mangang River. Based on the site observation and the site management, these rivers are located further than 1 km from the mining area. A small unnamed stream flows by the base of the underground tunnel at the Langnitang Section of Shangzhai Mine, approximately 50 m away from the proposed mining activities. The close proximity of the stream makes it vulnerable to potential contamination. Drinking water abstraction downstream of the stream could not be confirmed.

11.1.2 Social Setting

The Projects are located in Zhenyuan Yi and Laku Autonomous County. The area has a population density of 49 people/sq.km. The natural population growth rate is 0.457%.

The county is less developed compared to national averages. The major industries in the county are mining, logging, and sugar production.

Zhenyuan is home to a large number of minority groups, including the Dai, Lisu, Wa, Hani and Kucong. The local ethnic groups largely depend on agricultural activities for income and food. The main agricultural products include grain, rice, peanut, sugar cane and tea.

The area surrounding the mine areas is dominated by agriculture and animal herding. Another gold mine exists in the near vicinity of the proposed work site. Due to the mountainous terrain, road access throughout the area is typically windy and steep. Both Project areas are serviced by mains electricity. The final sections of the roads servicing both mine areas are currently unpaved and very steep.

Some households may be sparsely distributed within the mining area and were observed near the Langnitang section of the Shangzhai mining area. Based on observation, there was no housing within 1 km of the open cut area at Bianfushan. The proposed location of the tailing storage and processing plant area is in a State forest and as such, it is also isolated from local communities. Based on observations during the site visit in November 2011, the road to access the proposed TSF site, and the undercutting which it has entailed, passes directly below a number of agricultural areas and through one village, which the Company indicated was outside of the mining licence.

11.2 EHS Performance and Potential EHSS Liabilities

11.2.1 EHSS Governance and Management System

At the time of site visit, heap leaching was observed and overburden stripping reportedly recently undertaken at Bianfushan, and construction works of a road and initial drilling of two underground tunnels at Shangzhai were being undertaken. An Environmental Impact Assessment (EIA) for the heap leaching operations carried out at both areas was prepared by the previous owner in 1998 and approval was granted to the Company in 2008 with conditions on the reclamation of spent heap leach sites. A Completion Acceptance Inspection (CAI) should have been undertaken prior to any new leaching activities being undertaken; however the Company had not obtained this at the time of the site visit. The new Project also includes underground mining, which is not covered in the previous EIA. Site management indicated that an EIA to cover all activities proposed under the new Project was currently under preparation.

At the corporate level, health and safety was incorporated into the Company structure and safety permitting and procedures were in place for open cut mining. Approved planning for EHS management specific for underground mining was not identified at the time of site visit. No clear responsibilities or procedures for environmental management were identified and no intent to undertake the occupational disease hazards assessment was communicated during the site visit in November 2011. Discussions regarding safety and mine management indicated an awareness of some safety and environmental standards such as the need to relocate the explosives storage area to a more appropriate area and the general process needed to neutralise cyanide in the spent ore at heap leach pads. A limited understanding of the potential for environmental risks from contamination and what commonly comprises adequate remediation was apparent.

The comparatively speedy progression of project activities ahead of EHS compliance and the management measures the approval process should precipitate, reflect an apparent disunion at the corporate level between project design and planning with regard to EHS considerations. During the site visit in November 2011, on-site management communicated a lack of awareness of the actual level of EHS permitting obtained, and the operational requirements therein.

The lack of valid EHS approvals and the associated absence of data and modelling, prohibit the Environmental, Health and Safety and Social (EHSS) assessment from definitively quantifying the EHSS risks discussed herein. Regardless, the apparent lack of scientific rationale in EHSS management, and the governance structure from which this arises, is itself considered to comprise a risk and heightens the level of uncertainty regarding the appropriateness of current and planned EHS management identified via on-site observations. This is particularly relevant for measures required to manage waste rock, soil stability, drainage and heap leach pad design and operation, as further discussed elsewhere in this report.

11.2.2 Water, Soil and Wastewater Management

At the Bianfushan mining area, water is currently sourced from mountain runoff. Shangzhai mining area is in the early stages of construction and reportedly, some water will be abstracted from surface water body and transmitted via pipelines. At the time of the site visit, the Company had already obtained a water abstraction permit with a total volume of 100,000 cu.m per year.

Management indicated there was negligible mine water produced in the tunnels which were being developed at the Langnitang section of the Shangzhai mining area. Given the early stage of the mining activities in the Shangzhai area, future wastewater management practices were not clearly defined and current activities produced minimal wastewater.

During the site visit in November 2011, drainage management at the Bianfushan mining area was considered to be poor, based on visual observation. The operating heap leach pad used three layers of plastic lining under both the leaching pad and within the leachate baths. Containment around the pad appeared inadequate to cope with high rates of runoff due to a short and shallow gradient at the sides and as the integrity of the lining quickly deteriorated a short distance from the bottom of the heap. At the time of the site visit, the quantity of run-off was low and appeared completely contained. Based on discussions with the site management, during closure of the heap leach pad, management expected solutions in the leachate ponds to reach compliance after minimal or no treatment; without a clear supporting rationale, this approach is considered to comprise an environmental risk.

The Bianfushan mining area has very steep topography, with the heap leach pad at the base of the site, directly located near a steep drop off. Above this, the haulage road traverses across the face of the slope to reach the pit at the slope's apex, where stripping had reportedly been conducted. The face of the slope where extraction will be undertaken was also cleared of vegetation. Based on observation, preliminary topsoil removal and storage had not been undertaken and topsoil was present on the slope surface. Given the steep gradient of the slope, there may be a risk of erosion and landslides, especially during the wet season. Management indicated that during wet weather, the Bainfushan mining area was not used. The apparent risks of soil stability and susceptibility to erosion may comprise a safety issue, as well as a potential source of surface water pollution via sedimentation and in a serious landslide event, potential damage to the integrity of the operations and cyanide containment at the heap leach pad.

At Langnitang section in the Shangzhai mining area, management indicated an intention to store waste rock adjacent to the stream and were unaware of the acid forming potential in the waste rock. The risks associated with this to the stream are discussed under 'waste disposal'.

11.2.3 Emissions to Air

Sources of air emissions include dust, vehicle emissions and the volatisation of cyanide. Given the small scale operations at Bianfushan, and the initial stages of the Project at Shangzhai, air emissions identified at the time of the site visit in November 2011 were not considered to pose a major risk. Future beneficiation processes at the proposed processing plant for the Shangzhai mining area may result in further air emissions, however, the Project design and related EHS assessment has not yet been completed.

11.2.4 Waste Disposal

A small amount of ore from the tunnelling activity was collected on bare ground at the Langnitang section of Shangzhai mining area. Management indicated an intent to store waste rock from the tunnelling and underground mining as backfill and to create a dam next to the stream. Given that the target ore-body for underground mining contains a pyrite component, storage of the ore and waste rock may present a risk for acid rock drainage (ARD) when exposed to air and water. Site management indicated that the ore pile observed during the site visit was temporary, and were unaware of the acid forming potential in the waste rock. They suggested that levels of pyrite in waste rock were expected to be very small so as not to pose a large environmental threat however quantitative and/or qualitative rational to support this was not provided.

The waste cyanide containers at Bianfushan were observed to be discarded on bare land on-site. Site management reported that containers will be rinsed with neutralization agents and then buried offsite in the mine area.

The lack of data prohibits a definitive analysis of the risks from these waste management activities, however an apparent absence of scientific rational for the current and proposed waste disposal and ARD management is itself sufficient to represent an environmental risk, as discussed previously.

11.2.5 Soil and Groundwater Contamination

Historic heap leaching using cyanide solution has previously been undertaken.

The Company indicated that in 2010, local environmental authorities undertook testing of the discharge water from the spent ore heaps operated by previous owners at Bianfushan, and found the water to be compliant with regulatory standards however ERM was not able to review these results. The drainage system was then filled and the area disused. Similarly, historic heap leach areas at the Shangzhai section of Shangzhai mining area were said by the Company to have been treated by the previous operator and that the current subsurface discharges were compliant. Some water is still collected from the heaps via remnant infrastructure, but is no longer used for any purpose.

Current heap leach operations were observed at Bianfushan. No testing had reportedly been undertaken, except for operational purposes. Based on site observation, contamination may exist from the inadequate coverage of lining and/or run-off control, as discussed in the water management section.

An underground storage tank, reportedly three to four years old, is used to store diesel at the Shangzhai section, however, little information was available and no monitoring has been conducted regarding the integrity of the tank.

Risks to soil and groundwater (and surface water) associated with ARD are discussed under waste disposal.

11.2.6 Environmental Monitoring

Cyanide and pH are monitored at the Bianfushan for operational purposes and discharges at spent heap leach pads were monitored in 2010 and found to be compliant. In June 2011, the Company commissioned Yunnan Provincial Environmental Monitoring Centre to undertake an analysis of soil samples; however the location of these samples and the documentation to define the applicable limits was not available for ERM's review. At the time of site visit, no routine environmental monitoring was yet being undertaken including any soil and groundwater testing.

11.2.7 Occupational Health and Safety

Explosives at the Langnitang section of the Shangzhai mining area were stored in a gated area, with a security post, camera and lightening rod. Reportedly, the normal storage quantity is approximately three to four tonnes. Permits for the storage and usage of explosives were granted in 2011. However, based on visual observations during the site visit, potential deficiencies against the *Safety Code for Small Civil Explosives Magazine (GA838-2009)* were identified, e.g. building materials, warning signage and safety distances. Site Management volunteered that the area was temporary until a more suitable site could be prepared, and permitting was obtained on the basis of it being transferred to more appropriate premises.

The Company has developed occupational health and safety procedures, however a spot check on PPE provision compared to management descriptions and documentation was found to be discrepant. On-site warnings and identification of hazardous substances (cyanide) around the Bianfushan heap leach pad appeared inadequate.

The mining areas have not undergone fire fighting design approval for the Projects and although an emergency response plan exists, it did not cover the storage and use of explosives.

Safety conditions of underground tunnelling activities were not assessed during the site visit.

11.2.8 Rehabilitation Plan

A rehabilitation deposit had not yet been paid by the Company for the Projects. According to the Company, the Water and Soil Conservation Plan for the new Projects was under preparation. The EIA approval dated 2008, required that the Company should properly restore the spent heap leach pads left by the previous owner however it lacked specific requirements. Reclamation of spent heap leach pads in both Bianfushan and Shangzhai reportedly involved neutralisation of cyanide and filling of ponds after compliance of the wastewater was achieved. Based on observations during the site visit, no biological rehabilitation through replanting was identified, however spent heap leach pads were recolonized by a number of weed species whilst some steeper slopes and surfaces were left bare.

11.2.9 Community Relations

Management had indicated that no resettlement had been undertaken, or was required for the planned activities at any of the mining areas. At the time of the site visit, construction activities at Shangzhai (road building and initiation of tunnelling) had encroached very near to an uphill dwelling of unknown ownership status. The proximity of the road to this dwelling and uphill agricultural areas along this/other roads may comprise a potential risk if the Client has not engaged in meaningful engagement and necessary resettlement processes. Given the natural potential for landslides in the region and the undercutting undertaken for during road construction, a risk to the community may exist, but could not be quantified given the lack of documentation and completion of approval processes.

12 RISKS

Mining is a relatively high risk business when compared to other industrial and commercial operations. Each deposit has unique characteristics and responses during mining and processing, which can never be wholly predicted. MMC's review of the Projects indicate project risk profiles typical of mining projects at similar levels of Resource Estimation, mine planning and project development.

MMC has classified risks associated with the Project based on Guidance Note 7 issued by The Stock Exchange of Hong Kong Limited. Risks are ranked as High ("**H**"), Medium ("**M**") or Low ("**L**"), and are determined by assessing the perceived consequence of a risk and its likelihood of occurring using the following definitions.

Consequence of risk:

- **Major:** the factor, if uncorrected, will have a material effect (>15%-20%) on the project cash flow and performance and could potentially lead to project failure;

- **Moderate:** the factor, if uncorrected, could have a significant effect (10% to 15%-20%) on the project cash flow and performance unless mitigated by some corrective action, and

- **Minor:** the factor, if uncorrected, will have a minor (<10%) on project cash flow and performance.

Likelihood of risk occurring within a 7 year timeframe:

- **Likely:** will probably occur;

- **Possible:** may occur, and

- **Unlikely:** unlikely to occur.

The consequence of a risk and its likelihood of occurring are then combined in an overall risk assessment to determine the risk rank as shown in ***Table 12-1***. MMC notes that these risk assessments are necessarily subjective and qualitative.

Table 12-1 Zhenyuan Gold Projects — Risk Assessment Determination

		Consequence	
Likelihood	**Minor**	**Moderate**	**Major**
Likely	Medium	High	High
Possible	Low	Medium	High
Unlikely	Low	Low	Medium

12.1 Risk Summary

Expected Project risks with suggested controls are documented in ***Table 12-2***. MMC envisages that in most instances it is likely that through enacting controls identified through detailed review of the Project's operation, existing documentation and additional technical studies, many of the normally encountered project risks may be mitigated.

Table 12-2 Zhenyuan Gold Projects — Project Risk Summary

Risk Rank	Risk Description and Suggested Further Review	Mitigant	Area of Impact
M	**Geotechnical Assumptions:** Ground conditions in oxidised and transitional material is expected to be poor, however detailed geotechnical information was not available for review. As such, MMC cannot comment in detail on the ground conditions or stability of the future underground workings.	Undertake geotechnical testing programme and develop and implement a Ground Control Management Plan. Monitor underground workings and manage as required.	Underground production rate, dilution, recovery and operating costs.
M	**Impurity Elements(arsenic)** The variation in impurity levels does not appear to be well understood as a function of the mining schedule. It is not clear whether the processing facilities, particularly the bag house (arsenic capture), has been sized to handle/capture the upper range of impurities.	Obtain data on the variability of the impurity elements by deposit and within each deposit.	Operation and revenue

Risk Rank	Risk Description and Suggested Further Review	Mitigant	Area of Impact
M	**Concentrate Marketing** The gold-bearing concentrate produced will be low in quality due to high arsenic levels and the fine size of the gold bearing minerals. This will attract a discount.	Quality marketing.	Revenue
M	**Ore Mineralogy** Changes in ore mineralogy and the fine size occurrence of gold may result in lower gold recoveries and lower gold production with potentially higher power consumption and operating costs.	Fine grinding and proper operations control; forward process testing of future ores to be mined	Processing performance
M	**Mineralisation Style:** Detailed understanding of the mineralisation style and controls on mineralisation in these types of deposits often rests with identification of the main controls of the high grade domains.	Review upon commencement of underground production and grade control activities.	Resource estimation.
M	**Water and Tailings Dam Management** The operation produces a number of toxic waste streams including acid bearing tailings, cyanide bearing tailings and arsenic trioxide. The management of these waste streams is not well understood.	More details of the waste management proposals are required and validation that it does meet local and government environmental requirements.	Environmental performance
M	**Ground Control:** The mining methods proposed require workers to operate in active stope areas. Working in stopes increases a workers exposure and risk to rock falls. This risk will be greatest in oxidised and transitional material and will increase as mining progresses.	Undertake geotechnical testing programme and develop and implement a Ground Control Management Plan. Monitor underground workings and manage as required.	Safety of Mine Personnel

Risk Rank	Risk Description and Suggested Further Review	Mitigant	Area of Impact
M	**Mining Production:** New equipment, installations and operating systems will need to be installed and commissioned in a timely manner to ensure the planned production rate can be successfully achieved.	Careful planning for a smooth ramping up period to ensure that the newly implemented systems are adequate to handle the production rate.	Underground production rate and operating costs.
M	**Mining and dumping permits:** If the required mining permits for the Projects are not granted, planned production rates will not be reached or will be concluded before full extraction is achieved.		
L	**Asbestiform Dust:** Potential for asbestiform minerals exists in the mining areas. Inhalation of abestiform dust can lead to lung diseases.	Development of an appropriate procedure for identifying and handling potentially asbestiform material.	Safety of Mine Personnel
L	**Bulk Density:** Review of the data supplied indicates a correlation of bulk density with grade. As the distribution of the high grade is not fully understood there is potential to either under estimate or overestimate the bulk density, potentially resulting in an under or over estimation of resource tonnes respectively.	Complete further bulk density determination	Resource tonnage estimate
L	**Processing Feed Rates and Grades:** The plant feed rates and grades may be variable. This may result in lower than forecast concentrate production and gold recoveries if lower than the metallurgy testing samples.	The processing performance over the longer term is expected to meet the planned design levels.	Processing performance

Risk Rank	Risk Description and Suggested Further Review	Mitigant	Area of Impact
L	**Heap Leaching Study** There is insufficient planning for future heap leaching operations of oxidised ores. Lower feed grades may result in lower gold production as well as potentially lower gold recoveries.	Proper management of the open mining and leaching operation	Leaching performance
L	**Environmental Permitting:** A Completion Acceptance Inspection is required and has not been obtained. Not all activities planned are covered by the EIA.	Engage environmental permitting experts.	Regulatory non-compliance.
L	**Environmental Hazards:** Scientific rationale does not exist to support measures to manage mineralised and waste rock, soil stability, drainage and heap leach pad design and operation.	Engage environmental experts.	Environmental damage.
L	**Environmental Management:** Approved planning, responsibilities or procedures for environmental management or intent to undertake occupational disease hazards assessment was identified.	Engage environmental experts.	Environmental damage and personnel safety.
L	**Topography:** The Bianfushan Project has very steep topography. There may be a risk of erosion and landslides, especially during the wet season. Risks from soil stability and susceptibility to erosion may comprise a safety issue, as well as a source of water pollution via sedimentation.	Geotechnical slope monitoring	Safety, mining costs and continuity of ore supply.

13 ANNEXURE A — QUALIFICATIONS AND EXPERIENCE

Philippe Baudry — General Manager — China and Mongolia, Bsc. Mineral Exploration and Mining Geology, Assoc Dip Geo science, Grad Cert Geostatistics, MAIG

Philippe is a geologist with over 14 years of experience. He has worked as a consultant geologist for over 6 years first with Resource Evaluations and subsequently with Runge after they acquired the ResEval group in 2008. During this time Philippe has worked extensively in Russia assisting with the development of two large scale copper porphyry projects from exploration to feasibility level, as well as carrying out due diligence studies on metalliferous projects throughout Russia. His work in Australia has included resource estimates for BHPB, St Barbara Mines and many other clients both in Australia and overseas on most styles of mineralisation and metals. Philippe furthered his modelling and geostatistic skills in 2008 by completing a Post Graduate Certificate in Geostatistics at Edith Cowan University. Philippe relocated to China in 2008 and has since Project managed numerous Due Diligences and Independent Technical Reviews for private acquisitions and IPO listings purposes mostly in China and Mongolia.

Prior to working as a consultant Philippe spent 7 years working in the Western Australian Goldfields in various positions from mine geologist in a large scale open cut gold mine through to Senior Underground Geologist. Before this time Philippe worked as a contractor on early stage gold and metal exploration projects in central and northern Australia.

With relevant experience in a wide range of commodity and deposit types, Philippe meets the requirements for Qualified Person for 43.3-101 reporting, and Competent Person ("CP") for JORC reporting for most metalliferous Mineral Resources. Philippe is a member of the Australian Institute of Geoscientists.

Jeremy Clark — Senior Consultant Geologist — Beijing, Bsc. with Honours in Applied Geology, Grad Cert Geostatistics, MAIG

Jeremy has over 9 years of experience working in the mining industry. During this time he has been responsible for the planning, implementation and supervision of various exploration programs, open pit and underground production duties, detailed structural and geological mapping and logging and a wide range of experience in resource estimation techniques. Jeremy's wide range of experience within various mining operations in Australia and recent experience working in South and North America gives him an excellent practical and theoretical basis for resource estimation of various metalliferous deposits including iron ore and extensive experience in reporting resource under the recommendations of the NI-43.3-101 reporting code.

With relevant experience in a wide range of commodity and deposit types, Jeremy meets the requirements for Qualified Person for 43.3-101 reporting, and Competent Person ("CP") for JORC reporting for most metalliferous Mineral Resources. Jeremy is a member of the Australian Institute of Geoscientists.

Andrew Newell — BE, MEngSc, University of Melbourne, PhD, University of Cape Town. Member of the SME, CIMM, AusIMM& IEA as well as a Chartered Professional Engineer, Australasia

Over 30 years of broad experience in the fields of minerals processing, hydrometallurgy, plant design, process engineering (including equipment selection and design) and metallurgical testwork. Andrew has worked on five iron ore projects, one involving flotation, and is knowledgeable about iron ore processing techniques such as magnetic separation. The experience includes operating and management experience in base-metal concentrators, precious metal leaching facilities as well as diamond processing and base-metal smelting in several countries, including Chile, Peru, South Africa, USA and Australia. Responsible for the design of flotation equipment, concentrators and commissioning of flotation and precious metals leach plants. In addition, Andrew has had experience in process and process plant evaluations, due diligence audits, feasibility studies and metallurgical test work and program development.

Tony Cameron — Independent Consultant, Bachelor of Engineering(Mining) — University of Queensland, First Class Mine Manager (WA), Grad. Diploma. Business — Curtin University, Maters Commercial Law — Melbourne University, Fellow of Australasian Institute of Mining and Metallurgy

Tony has worked as a mining engineer for over 20 years and an independent mining engineering consultant for 8 years and has been working as an associate in Beijing with MMC for one year. As an independent mining consultant, Tony has completed a range of projects including technical valuations, life-of-mine designs and scheduling, pit optimisation, development of economic models, mine reserves estimation and reporting.

Prior to becoming a mining consultant Tony worked with a number of underground and open cut mining companies in coal and metalliferous mines in various roles. Tony's management roles included Area Manager for Macmahon Contractors, Mining Manager for Tiwest, and Mining Superintendent for Sons of Gwalia and St Barbara Mines.

With relevant experience in a wide range of commodity and deposit types, Tony meets the requirements for Qualified Person for 43-101 reporting, and Competent Person ("CP") for JORC reporting for both metalliferous and coal open cut Reserves. Tony is a Fellow of the Australian Institute of Mining and Metallurgy.

Jim Jiang- Senior Processing Consultant, Bachelor and Master of Mineral Processing Engineering (Central South University)

Jim has 9 years of experience in mineral processing with laboratory research, metallurgical test work, plant operation, metallurgy and process plant evaluations and pre-feasibility studies on a wide range of commodity types. He has had site experience on a copper-gold mine in China, working as processing engineer with China Gold Group Corporation.

Since joining MMC in 2007, he has been involved on many technical review projects, with his work including pre-feasibility studies and reviewing processing plants (feasibility study, plant design and operational performance) in base-metal concentrators, precious metal leaching facilities as well as iron processing and base-metal smelting in several countries, including China, Mongolia, Malaysia, Russia.

Andrew Shepherd— Project Manager, Senior Mining Engineer — Bachelor of Engineering, Mining — Curtin University WASM, Graduate Diploma of Finance and Banking — Curtin University, MBA — Curtin University

Andrew is a mining engineer with over 16 years of experience in the Australian and Chinese mining industries. With a strong background in economic evaluation, Andrew gained post graduate qualifications in finance and business administration, leading to a specialisation in the management of prefeasibility studies and Independent Technical Reviews.

In recent years Andrew has lead teams which were performing commercial and Government approvals negotiations, business analysis, strategic and long term mine planning, ITRs and due diligence studies. These roles included participation in several large mining and processing prefeasibility studies in the iron ore, nickel and uranium industries, and ITRs for coal, base metals and iron ore projects.

Michael Eckert — Senior Mining Engineer, BEng (Mining) — UQ, First Class Mine Manager's Certificate of Competency (underground metalliferous) — Qld, First Class Mine Manager's Certificate of Competency — WA, Member of the Australasian Institute of Mining and Metallurgy

Michael has 10 years' experience working in the mining industry. During this time he has worked for several underground base metals (Cu, Zn and Pb polymetallic deposits) operations in Australia and Indonesia. He has a strong operational background having held various positions such as Underground Mine Manager, Senior Mining Engineer, Project Engineer, and various Production Engineering roles.

Michael has broad experience in the design, development, operation and management of underground metalliferous mines. This includes planning and operating experience in multiple mining methods such as open and sublevel open stoping, room and pillar, post pillar Cut-and-Fill, Avoca stoping, plus multiple filling methods.

With relevant experience in a wide range of commodity and deposit types, Michael meets the requirements for Competent Person ("CP") for JORC reporting for most underground metalliferous Ore Reserves. Michael is a member of the Australasian Institute of Mining and Metallurgy.

Peilin Guo — Mining Engineer — BM. (Mining Engineering), China University of Mining & Technology (Beijing)

Peilin has 8 years of experience working in the domestic and international mining industry, including in underground coal operations, open pit nickel laterite operations, and as a consultant in a mining software company. As a consultant, he performed geological modelling, resource estimation, mining design and software training for coal, iron, gold, copper, limestone and nickel-cobalt projects. Peilin is an expert user of AUTOCAD and SURPAC.

Since joining Runge in 2011, Peilin has worked on more than 10 iron ore, gold, copper, lead, zinc, rare earth and coal projects in China, Mongolia and Africa. He has been actively involved in many technical review projects, with his work including reviewing and designing. All of his work is in accordance with the JORC Code (Australia, Africa, Europe and Asia) or the NI-43-101 code (Canada and South America) and the HKEx (Hong Kong Exchange) Listing Rules.

Sheng Zhan — Consultant Geologist — China, PhD in Tectonics (Peking University and Universite d'Orleans, 2007), BSc in Geology (Peking University, 2002)

Sheng has 5 years of working experience in the mining industry. His experiences include data collaboration, 3D modelling, block modelling, resource estimation, field technical visits, report drafting and project evaluation of many different mineral projects. His commodity experience includes coal, iron ore, gold, copper, nickel, moly, lead, zinc, titanium, tin, uranium and rare earth elements. His involvement in mineral projects ranged from green field grass roots level, to pre-production level. He has visited more than 30 countries and most provinces in China, stayed in France, Canada, Mongolia, Namibia and the Democratic Republic of the Congo for more than 3 months for different mineral projects.

During his work with Runge from 2010 to the present, Sheng has worked on more than 20 coal, Iron ore, gold, copper, nickel, moly, lead, zinc, titanium and tin projects in China, Mongolia and Africa. This work specifically has included resource estimation and geological reviews of deposits. These deposits include but are not limited to (as they are confidential) one Iron ore project and one Moly project in Mongolia; one Iron ore project in Liberia, west Africa; 5 coal projects in Xinjiang, Inner Mongolia, Henan and Shanxi provinces of China; 4 gold projects in Shandong, Heibei, Xinjiang and Shaanxi provinces of China; 3 copper projects in Tibet, Shaanxi and Hubei provinces of China; 3 Iron ore projects in Shandong, Xinjiang and Sichuan provinces of China; the Shizizan skarn Pb-Zn-Ag deposits in Yunnan province of China (China Polymetalic); the Huangjinmei gold deposit and Huaba cupper-vanadium deposit in Shaanxi province of China (Huili Resources); the Tonglvshan, Fengshan, Chimashan and Tongshankou cupper deposits in Hubei province of China (Daye Non-ferrous). All of these deposits were estimated in accordance with the JORC Code (Australia, Africa, Europe and Asia) or the NI-43-101 code (Canada and South America) and resulted or will be result in Public releases or Technical reports.

Prior to joining Runge Sheng initially worked as a project manager for China Uranium Corporation Ltd and then as a department manager for Mongolia International Resources Ltd. During this time he reviewed geology at more than 120 uranium, gold, rare earth elements and iron ore projects and successful invested 3 of them. He has good knowledge of the resources estimation and evaluation of mineral projects as well as the project management. He also served as board director of Toronto Stock Exchange listing Western Prospector Group Ltd (WNP.TSX), board secretary of Zhonghe Resources Namibia Ltd and board director of Western Prospector Mongolia Ltd (all these 3 companies were owned by China Uranium Corporation Ltd at that time).

Corey Freeman — Senior Mining Engineer, Bachelor of Engineering, Mining (Honours) — University of South Australia, Graduate Diploma of Applied Finance and Investment — FINSIA, MAusIMM

Corey Freeman is a mining engineer with over fourteen years' exposure to underground operational, mine planning and technical roles in mineral resource companies in Australia. He has broad exposure to a variety of mining methodologies across various mineral deposits coupled with a well-developed understanding of the commercial, functional and safety management aspects of mining operations. Corey has an extensive knowledge of current detailed mining costs for contractors and operators.

With substantial experience in a wide range of commodity and deposit types, Corey meets the requirements for Competent Person for JORC reporting for most metalliferous Mineral Reserves.

Joe McDiarmid — Principal Consultant, Runge Ltd Industry Consultants. BEng Mining, MAusIMM.

Joe has 15 years of exposure to underground operational, technical and leadership roles in mineral resource companies in Australia. He has broad exposure to a variety of mining methodologies across four principal mineral deposits coupled with a well-developed understanding of the commercial, functional and safety management aspects of mining operations. Joe has proven ability at leading large teams, direct reports and sub-contractors simultaneously. With substantial experience in a wide range of commodity and deposit types, Joe meets the requirements for Competent Person for JORC reporting for most metalliferous Mineral Reserves.

Hongbo Liu, Mining Engineer, National Register of Safety Engineers, China University of Mining & Technology (Beijing)

Hongbo Liu graduated with a bachelor degree in mining engineering from Hebei University of Engineering in 2003, was granted a master's degree from China University of Mining and Technology in 2006 and qualified for the National Register of Safety Engineers in 2009.

From 2006 to late 2011, Hongbo was employed at Gemcom Software International Inc. China. He performed in a project management and technology support engineer capacity on projects using Surpac and MineSched software training.

During his work with Runge from 2011 to the present, he has been actively involved in many technical review projects including iron, gold copper and lead mine projects in China and Africa. His work includes data reviewing, open pit optimization, open pit and underground mine designing and scheduling. All of his work is in accordance with the JORC Code (Australia, Africa, Europe and Asia) or the NI-43-101 code (Canada and South America) and the Hong Kong Exchange listing rules.

Huanru Si — Mining Consultant Camborne School of Mines, University of Exeter, UK, 2011 & RWTH Aachen University, Germany, 2011

Huanru is a graduate from the Camborne School of Mines (UK) where he undertook a joint MSc program with RWTH Aachen University (Germany). Prior to this he completed both Bachelor and Master's courses in Mining Engineering at Chongqing University, China.

Huanru has demonstrated his strong ability to solve practical problems in numerous mining projects (coal, nickel and gold) during his academic career, which included internships with Atlas Copco and Minmetals and as a consultant with Runge.

Mark Burdett — Senior Consultant Geologist (China) — Bachelor of Science (Honours) — Geology, University of Melbourne

Mark is a geologist with over 10 years of experience in the Australian mining industry. After gaining experience in mine geology, Mark entered into various resource geologist roles.

In recent years Mark worked for Oz Minerals as the Senior Resource Geologist and was responsible for updating the Prominent Hill Resource (IOCG) including the management of infill and extensional drilling programs. Prior to this Mark worked as a resource geologist on various deposits including iron, gold and lead/zinc. Mark has also worked as a mine/project geologist for BHP (Pilbara) and Perilya (Broken Hill). Mark is proficient in Vulcan 3D software and is a member of the AUSIMM.

Tanya Nayda — Mine Geologist, BSc. Geology/Economic Geology

Tanya has worked as a mine geologist and geological technician at BHP Billiton's Cannington Ag-Pb-Zn Mine since September 2007. As a production geologist Tanya was in charge of maintaining geological data sets, stockpile and grade reporting and management, production reconciliation and reporting, drilling hole design, supervision of underground diamond drilling programs, geological core logging, underground geological mapping and interpretation, face mapping and grade control, QAQC of assay data, wireframe modelling, geological assessment of underground development and stope design, etc.

Tanya is a native English speaker; she also has spoken and written skills in Mandarin Chinese and Portuguese.

Anthony Antulov — BE, Curtin University WASM, Member of Australasian Institute of Mining and Metallurgy

Anthony is a Mining Engineer with 7 years of experience and specialises in short term through to long term mine planning. He has a balance of practical operational experience as well as a solid technical foundation. Over the last 4 years Anthony has worked for Oktedi Mining Ltd based in Papua New Guinea and also BHP Billiton Iron Ore Long Term Mine Planning based in Perth. At Oktedi he was responsible for Medium to Long Term Mine Plans as well as mentoring and training local Mining Engineers to an Australian standard. At BHP Billiton Iron Ore he was responsible for Life of Asset Planning for the 85 million tonne per annum Yandi Iron Ore mine.

Anthony has worked on mining projects from feasibility all the way to production and has an understanding of the practical issues involved in mine construction. He also has a good understanding of how to do business in challenging locations. Commodity experience includes gold, copper, manganese and iron ore. Country experience includes Australia, Papua New Guinea and Mongolia.

With relevant experience in a wide range of commodity and deposit types, Anthony meets the requirements for Competent Person ("CP") for JORC reporting for metalliferous open cut Reserves. Anthony is a member of the Australian Institute of Mining and Metallurgy.

Roger Zhi Yao Dong — Graduate Engineer, Bachelor of Engineering (Chemical), Bachelor of Laws — University of Melbourne

Roger graduated from the University of Melbourne in December 2011 with a Bachelor of Engineering (honours) and a Bachelor of Laws (honours). He joined Runge Ltd Beijing in 2012 as part of the Australian Chamber of Commerce Graduate Scholarship program. He has had experience in industrial processing research and has also interned at a number of law firms in Melbourne.

Company's Relevant Experience

Minarco-MineConsult, part of the Runge Group, is a premier international consulting and engineering firm. It provides a full range of services from pure technical consulting through to strategic corporate advice, undertaking assignments on mining projects covering a range of commodities and countries, serving clients in most of the countries on the West Pacific Rim.

Minarco-MineConsult maintains a full time staff of qualified specialists in the fields of mining engineering, geology, process and metallurgical engineering, environmental and geotechnical engineering, and environmental economics.

Minarco-MineConsult typically completes over 200 assignments per year and has over 300 professionals (through its parent Runge Group) available in disciplines including:

- Mining Engineering;
- Minerals Processing;
- Coal Handling and Preparation;
- Power Generation;
- Environmental Management;
- Geology;
- Contracts Management;
- Project Management;
- Finance;
- Commercial Negotiations.

The roots of Minarco-MineConsult were established in the Australian mining industry. Minarco-MineConsult is committed to compliance with the codes which regulate Australian corporations and consultants and has established an International business which has continued to give its clients and those that rely on its work the confidence that can be associated by the use of the relevant Australian codes.

These codes include:

- The Australian Corporation Law;
- The Australian Institute of Company Directors Code of Conduct;
- The Securities Institute of Australia Code of Ethics;
- The Australasian Institute of Mining and Metallurgy Code of Ethics;
- The Australasian Code for Reporting of Exploration Results, Mined Resources and Ore Reserves (The JORC Code).

Minarco-MineConsult has conducted numerous mining technical due diligence programs and reporting for IPO's and capital raisings over the past six years, with involvement in projects raising a total of over $US 10 billion of capital. This and other work is summarised in ***Table A1***.

Table A1 Mining Related IPO and Capital Raising Due Diligence Experience

2011 China Precious Metal Resources Holdings Co., Ltd; Luanling Project; Competent Persons Report of Mineral Resources and Ore Reserves under JORC and Independent Technical Review for inclusion in a HKEx Circular to support the acquisition of multiple underground gold mining assets in Henan Province, China.

2011 HaoTian Resources Group Limited; Competent Persons Report of Coal Resources and Reserves under JORC and Independent Technical Review for inclusion in a HKEx Circular to support acquisition of and underground coal mines in Xinjiang Autonomous Region, China.

2011 King Stone Energy Group., Ltd; Competent Persons Report of Coal Resources and Reserves under JORC and Independent Technical Review for inclusion in a HKEx Circular to support acquisition of 2 underground coal mines in Shanxi Province, China.

2010 China Precious Metal Resources Holdings Co., Ltd; Kangshan Gold Mine; Competent Persons Report of Mineral Resources and Ore Reserves under JORC and Independent Technical Review for inclusion in a HKEx Circular to support the acquisition of multiple underground gold mining assets in Henan Province, China.

2010 Century Sunshine Group Holdings Limited; Competent Persons Report of Mineral Resources and Ore Reserves under JORC and Independent Technical Review for inclusion in a HKEx Circular to support the acquisition of a serpentinite mining asset in Jiangsu Province, China.

2010 Doxen Energy Group Limited; Independent Technical Review and estimation of Coal Resources under JORC for inclusion in a HKEx Circular to support the acquisition of a coal mining asset in Xinjiang Autonomous Region, China.

2010 KwongHing International Holdings (Bermuda) Limited; Independent Technical Review for inclusion in a HKEx Circular to support a Very Substantial Acquisition.

2009 Metallurgical Corporation Of China Ltd ("MCC"); Independent Technical Review for inclusion in a Prospectus to support a stock exchange listing on the Hong Kong Stock Exchange.

2009 Nubrands Group Holdings Limited, Guyi Coal Mine; Independent Technical Review for inclusion in a Stock Exchange Circular to support a mining asset purchase by a listed Hong Kong Company.

2008 China Blue Chemical Limited, Wangji and Dayukou Phosphate Mines: Independent Technical Review for inclusion in a Stock Exchange Circular to support a mining asset purchase by a listed Hong Kong Company.

2008 Kenfair International (Holdings) Limited, Shengping Coal Mine: Independent Technical Review for inclusion in a Stock Exchange Circular to support a mining asset purchase by a listed Hong Kong Company.

2007 China Railway Group Limited, African Copper/Cobalt Assets: Capital raising for mining assets on the Hong Kong Stock Exchange. Preparation of Competent Persons Report for planned IPO on the HKEx.

2007 KoYo Ecological Agrotech (Group) Limited Sichuan Phosphate: Independent Technical Review for inclusion in a Stock Exchange Circular to support a mining asset purchase by a listed Hong Kong Company.

2007 Prosperity International Holdings (H.K.) Limited, Guilin Granite Project: Independent Technical Review for inclusion in a Stock Exchange Circular to support a mining asset purchase by a listed Hong Kong Company.

2007 China Primary Resources — Independent Technical Review for inclusion in a Stock Exchange Circular to support a mining asset purchase by China Primary Resources.

2007 China Railway Group Limited, African Copper/Cobalt Assets: Capital raising for mining assets on the Hong Kong Stock Exchange. Preparation of Competent Persons Report for planned IPO on the HKEx.

2007 Gloucester Coal Limited — Independent Technical Review for Australian Stock Exchange Scheme of Arrangement.

2007 Confidential Hong Kong Private Equity Partners — Independent Technical Review to support private equity capital raising to purchase lead/zinc mining assets in Tibet.

2007 Confidential International Investor — Independent Technical Review to support private equity capital raising to purchase iron ore assets in Hubei. Preparation of ITR.

2007 Whitehaven Coal Limited — Independent Technical Review for Australian Stock Exchange IPO.

2007 Confidential Privately Owned Coke Producer — Capital raising for purchase of Coal Mines and downstream coal washing, coke production and chemical production facilities. Preparation of Competent Persons Report for planned IPO on the HKEx.

2007 China Molybdenum Co. Ltd. — Capital raising for large scale Molybdenum mine on the Hong Kong Stock Exchange. Preparation of Competent Person Report for IPO on the HKEx.

2007 Confidential International Investor — Independent Technical Review to support purchase of Gold Mine In Hubei Province.

2006 Excel Mining — Independent Technical Review for Australian Stock Exchange Scheme of Arrangement.

2006 Celadon Mining Investment Group (UK) — Capital raising for coal mine purchase in China and planned subsequent listing on AIM.

2005 Yanzhou Coal Mining Company Limited — Independent Technical Review of coal projects to satisfy ongoing listing requirements of the HKEx and NYSE following IPO.

2004 Excel Mining — Independent Technical Review for Australian Stock Exchange IPO (current market capitalisation over $US1billion).

2004 Excel Mining — Independent Market Review for Australian Stock Exchange IPO.

2003 New Hope — Independent Market Review for Australian Stock Exchange IPO.

2003 Confidential — Independent Market Review on 50 Mtpa operation in Kazakhstan for LSE listing (has not proceeded).

2003 Xstrata plc — Competent Person's Report for London Stock Exchange Chapter 19 Report for Acquisition of MIM Assets including mines, rail and port review ($US 2.5 billion).

2002 Xstrata plc — Competent Person's Report for London Stock Exchange IPO ($US2.3 billion).

2002 Kaltim Prima, Indonesia — Independent Technical Review for advising Project financiers to acquisition ($US445 million).

2001 Enex Resources — Independent Technical Review for Australian Stock Exchange IPO.

2001 Macarthur Coal Limited — Independent Technical Report and Market Review for Australian Stock Exchange IPO.

14 ANNEXURE B — GLOSSARY OF TERMS

The key terms used in this report include:

- **AIG** Australian Institute of Geoscientist
- **AUSIMM** stands for Australasian Institute of Mining and Metallurgy
- **Company** means China Precious Metal Resources Holdings Co., Ltd
- **Competent Person** stands for Competent Person under the recommendations of the JORC Code and or HKEx Chapter 18 listing rules.
- **Cut-Off Grade ('cog')**

Resource cog: is the lowest grade of mineralised material that qualifies as having reasonable economic potential for eventual extraction and supports a geologically justifiable and continuous mineralisation domain.

Economic/Reserve cog: is the lowest grade of mineralised material that qualifies as economically mineable and available in a given deposit after application of modifying factors and economic assessment at given commodity prices. It may be defined on the basis of economic evaluation, or on physical or chemical attributes that define an acceptable product specification.

- **g/t** stands for grams per tonne
- **HKEx** stands for Hong Kong Stock Exchange
- **ITR** stands for Independent Technical Review
- **JORC** stands for Joint Ore Reserves Committee
- **JORC Code** refers to the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves 2004 edition, which is used to determine resources and reserves, and is published by JORC of the Australasian Institute of Mining and Metallurgy, the Australian Institute of Geoscientists and the Minerals Council of Australia
- **km** stands for kilometre
- **kt** stands for 000's of tonnes
- **ktpa** stands for 000's tonne per annum
- **LOM plan** stands for Life of Mine Plan
- **m** stands for metres
- **mine production** is the total raw production from any particular mine
- **mining rights** means the rights to mine mineral resources and obtain mineral products in areas where mining activities are licensed
- **Ml** stands for mega litre which is equal to one million litres
- **MMC** refers to Minarco-MineConsult
- **Mt** stands for mega tonnes which is equal to one million tonnes
- **RMB** stands for Chinese Renminbi Currency Unit; 10^3 RMB means 1,000 RMB
- **ROM** stands for run-of-mine, being material as mined before beneficiation

- **t** stands for tonne
- **tonne** refers to metric tonne
- **tpd** stands for tonnes per day
- **tph** stands for tonnes per hour
- **VALMIN Code** refers to the code and guidelines for technical assessment and or valuation of mineral and petroleum assets and mineral and petroleum securities for independent expert reports
- **$** refers to United States dollar currency
- **¥** is the symbol for the Chinese Renminbi Currency Unit

Note: Where the terms Competent Person, Inferred Resources and Measured and Indicated Resources are used in this report, they have the same meaning as in the JORC Code.

15 ANNEXURE C — CHINESE AND OTHER INTERNATIONAL RESOURCE REPORTING STANDARDS

Chinese Resource Reporting Standards

In 1999, with a view to creating a standard that was comparable with international resource reporting standards, The Chinese National Land and Resource Department introduced its own national standard for the Classification of Resources/Reserves for Solid Fuels and Mineral Commodities (GB/T 17766-1999).

This code was to replace the previous code (China GB 13908-1992 — General rules for Geological Exploration of Solid Ore Resources) and was based upon the United Nations international code (UN Economic and Society Committee, UN document ENERGY/WP.1/R.70). Some elements of the American resource reporting standards were included and modifications made to suit Chinese conditions. All new resource estimates are reported under this new code and old estimates either re-estimated or converted to the new system.

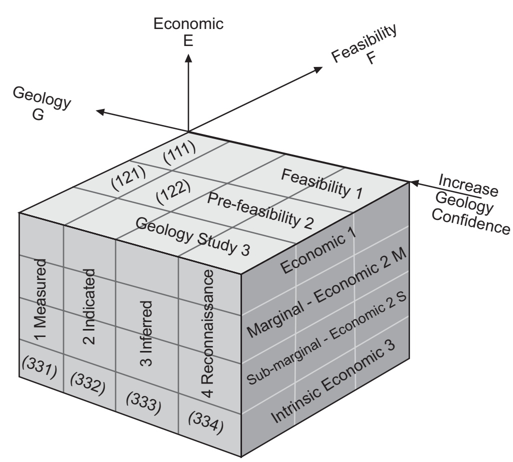
The previous Chinese standard (GB 13908-1992) divided resources into four categories (A, B, C and D) which were loosely comparable to the JORC — (December 2004) classifications of Measured Resource (A-B), Indicated Resource (B-C) and Inferred Resource (D). The old standard was more prescriptive than JORC in that it specified minimum borehole spacings (see ***Table C1***) for each category, along with implied levels of geological understanding.

Table C1 Borehole Spacing Comparison (Chinese, UN and JORC Codes)

(Chinese Reserve Code)	Classification (Chinese Reserve Class)	UN Code	JORC (Dec 2004)	Minimum Borehole/ Drill Line Spacing
A	111 — 121		Measured	<100 m
B	121 — 122	331	Measured	<=100 m x 100 m
C	122 — 2 M22	332	Indicated	<=200 m x 100 m
D	122	333	Inferred	>200 m

The old code was essentially a geological classification, taking little account of the deposits economics or the level of mining studies that had been carried out on it. The new code (see ***Figure C1***) attempts to address this by using a three component system (EFG) that considers the deposit economics (E), the level of mining feasibility studies that have been carried out (F) and the level of geological confidence (G) using a numerical ranking.

Figure C1 New Chinese Resource/Reserve Classification Matrix (1999)



This system produces a three digit code for a deposit that reflects these three variables. For example a deposit classified as a 121 is economically viable (1), has had pre-feasibility studies carried out (2) and is well understood geologically (1). Various suffixes are used to distinguish Basic Reserves — essentially JORC Resources — (121b) from Extractable Reserves (121) and to identify the assumed economic viability (S or M). Certain categories are not allowed, for example pre-feasibility or feasibility level studies cannot be conducted on Inferred Resources, and so 123 and 113 are invalid classifications. Also Extractable Reserves are not estimated for marginally economic (or lesser) deposits so the (b) suffix is considered redundant. The term Intrinsically Economic indicates that while the deposit may be economic, insufficient studies have been carried out to clearly determine its status.

A tabulation of this concept is shown in ***Table C2***.

Table C2 New Chinese Resource/Reserve Categories (1999)

<table>
<tr><td rowspan="3">Economic Viability</td><td colspan="4">Geological Confidence</td></tr>
<tr><td colspan="3">Identified Mineral Resource</td><td>Undiscovered Resource</td></tr>
<tr><td>Measured (1)</td><td>Indicated (2)</td><td>Inferred (3)</td><td>Reconnaissance (4)</td></tr>
<tr><td rowspan="4">Economic (1)</td><td>Basic Reserve
Resource — 111b</td><td rowspan="2"></td><td rowspan="12"></td><td rowspan="12"></td></tr>
<tr><td>Proved Extractable
Reserve — 111</td></tr>
<tr><td>Basic Reserve
Resource 121b</td><td>Basic Reserve
Resource -122b</td></tr>
<tr><td>Probable Extractable
Reserve — 121</td><td>Probable Extractable
Reserve -122</td></tr>
<tr><td rowspan="4">Marginally
Economic (2 M)</td><td>Resource</td><td rowspan="2"></td></tr>
<tr><td>2 m11</td></tr>
<tr><td>Resource</td><td>Resource</td></tr>
<tr><td>2 M21</td><td>2 M22</td></tr>
<tr><td rowspan="4">Sub-marginally
Economic (2S)</td><td>Resource</td><td rowspan="2"></td></tr>
<tr><td>2S11</td></tr>
<tr><td>Resource</td><td>Resource</td></tr>
<tr><td>2S21</td><td>2S22</td></tr>
<tr><td>Intrinsically
Economic (3)</td><td>Resource 331</td><td>Resource 332</td><td>Resource 333</td><td>Resource 334</td></tr>
</table>

Note: First digit reflects Economic viability; 1= Economic; 2 m=Marginally Economic; 2S= Sub-marginally Economic; 3=Intrinsically Economic; 4=Economic interest undefined.

Second digit reflects Feasibility assessment stage, 1=Feasibility; 2=Pre-feasibility; 3=Geological study.

Third digit reflects Geological assurance, 1=Measured, 2=Indicated, 3=Inferred, 4=Reconnaissance.

b=Basic Reserve (prior to recovery factors, mining losses and dilution) — JORC Resource.

Unlike the old code, the new code does not specify required borehole spacings for each category. In the case of copper Cobalt and Gold (and other metals), there is an accompanying Chinese Professional Standard (DZ/T 0214-2002) that lays out rules for determining the level of geological confidence.

International Standards and the JORC Code for Resources

Two main styles of resource reporting codes exist internationally. These are the American style (USA and much of South America) and the JORC style (Australia, South Africa, Canada, and UK). This is further complicated by the listing and reporting requirements of different stock exchanges. It is generally true that a resource estimation that complies with the JORC code (or one of its sister codes) will meet the standards of most international investors.

The new Chinese code is a blend of the old Chinese Code and the codes in current use today, including JORC and the current United Nations (UN) standard, with some additional local components added.

JORC is a non-prescriptive code, in that it does not lay out specific limits for resource classification in terms of such things as borehole spacing. Instead it emphasises the principles of transparency, materiality and the role of the Competent Person. Whilst some guidelines do exist (e.g. the Australian Guidelines for the Estimation of Coal Resources and Reserves) they are not mandatory and classification is left in the hands of the Competent Person. When combined with its Professional Standards (which are effectively mandatory), the Chinese code is much more prescriptive but does not include the role of the Competent Person.

An examination of the details of the Chinese code suggests that in terms of broad categorisation, the levels of geological confidence ascribed to Measured and Indicated resources are quite similar in both the codes. The ranges of borehole spacings, thickness cut-offs and quality limitations that are enforced by the Chinese system would generally result in the same resource classification under the JORC Code.

The JORC Code uses the following definitions for Mineral Resources and Ore Reserves:

Measured Mineral Resource is that part of Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a **high** level of confidence. It is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are spaced closely enough to confirm geological and grade continuity.

Indicated Mineral Resource is that part of Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a **reasonable** level of confidence. It is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed.

Inferred Mineral Resource is that part of Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a **low** level of confidence. It is inferred from geological evidence and assumed but not verified geological and/or grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes which may be limited or of uncertain quality and reliability.

Exploration Target/Results includes data and information generated by exploration programmes that may be of use to investors. The reporting of such information is common in the **early** stages of exploration and is usually based on limited surface chip sampling, geochemical and geophysical surveys. Discussion of target size and type must be expressed so that it cannot be misrepresented as an estimate of Mineral Resources or Ore Reserves.

A '**Proved Ore Reserve**' is the economically mineable part of a Measured Mineral Resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified.

A Proved Ore Reserve represents the highest confidence category of Ore Reserve estimates. This requires detailed exploration and quality data "points of observation" to provide high geological confidence.

A '**Probable Ore Reserve**' is the economically mineable part of an Indicated, and in some circumstances, a Measured Mineral Resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistic ally assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified.

A Probable Ore Reserve has a lower level of confidence than a Proved Ore Reserve but has adequate reliability as the basis of mining studies.

16 ANNEXURE D — JORC ORE RESERVE CHECKLIST

Section	Comment
1. Is the Reserve derived from JORC compliant Resource Statement? Who are the competent persons?	The JORC compliant Ore Reserve Estimate is signed by Mr Tony Cameron (Associate of Runge Ltd, Senior Mining Engineer), and is derived from a JORC compliant Mineral Resource Estimate signed by Mr Jeremy Clark (Runge Ltd, Senior Geologist).
2. What is the current Project status?	The Projects are currently in development.
3. What cut off parameters and physical limits have been applied in estimating the Reserves?	Open Cut: 0.75 g/t Au Minimum (Operational) COG. Underground: 0.24 g/t Au Minimum (Operational) COG and 0.83 g/t Au Life-of-Mine (Industrial) grade. 5m sections were created and reported on vertical mining level intervals using Surpac. Any diluted 5m interval below the Minimum cut-off grade was removed. Any diluted stoping block below the Life-of-Mine cut-off grade was removed.

Section	Comment
4. What mining and geotechnical assumptions have been made?	Open Cut: The overall wall angle ranges between 42 and 46 degrees. Note 42 degrees can be considered as the angle of repose, therefore of minimal risk to Reserves. The mining assumptions provided by the Design Institute are realistic and achievable. Underground: Mining dilution of 12.7% for sub-level open stoping, 9.4% for underhand cut-and-fill stoping and 9.9% for shrink stoping These are based on 0.3m over-break in waste and ore for underhand cut-and-fill and shrink stoping, and 0.5m over-break in waste and ore for sub-level open stoping, Recovery factor of 89.0% assumed for all mining areas.
5. Is there a metallurgical process used and what is suitability to the type of operation?	Two proposed flotation facilities, with capacity of separately 450 tpd and 1,500 tpd, are proposed to treat the blended primary sulphide ore from the Projects. One existing and two proposed heap leaching facilities are planned to process the oxidised materials.
6. How have the Project capital, operating costs and royalties been derived?	Costs used were derived from the Feasibility Study for each mine. The total operating costs used for calculation of Minimum Cut-off Grade were 223.9 RMB/t ROM at open cut mining and 274.43 RMB/t ROM at underground mining.
7. What is the market demand and supply of this commodity and what are the price and volume forecasts of the Reserves based upon?	Strong current and forecast demand.
8. Any other factors that may potentially affect the viability of the Projects and the status of titles and approvals required for the Projects?	Consolidated mine planning is required.
9. What is the basis for the classification of the Ore Reserves and proportion of Ore Reserves which have been derived from Measured Ore Resources?	Classification of Ore Reserves has been derived by considering the Indicated resources and the level of mine planning. Only Probable Reserves exist within the resource model and have been reported. Inferred resources have been excluded from the estimate.

Section	Comment
10. Results of audits or reviews of Reserves Statements.	As per findings in this review, plus internal reconciliation and peer review.
11. Relative accuracy and confidence of the Reserves Estimate.	There is reasonable confidence in the Ore Reserve. A more detailed knowledge of grade and orebody geometry variability would refine the modifying factors being applied.

17 ANNEXURE E — EQUIPMENT LISTS

Table E1 Zhenyuan Gold Projects- Shangzhai Open Cut Mining Equipment Inventory List

Equipment	Model	Existing	Purchase	Total
Excavator	CAT320c	0	4	4
Dump truck	8T	0	8	8
Loader	ZL40	0	2	2
Air compressor	XATS156	0	7	7
Down-the-hole drill	KQD-80	0	7	7
Sprinkle	Dongfeng	0	1	1

Source: Feasibility Study Report for Shangzhai and Bianfushan Gold Mine 600 ktpa project, April, 2012

Table E2 Zhenyuan Gold Projects- Bianfushan Open Cut Mining Equipment Inventory List

Equipment	Model	Existing	Purchase	Total
Excavator	JY230E	2	0	2
Dump truck	8T	5	1	6
Loader	ZL40	1	0	1

Source: Feasibility Study Report for Shangzhai and Bianfushan Gold Mine 600 ktpa project, April, 2012

Table E3 Zhenyuan Gold Projects- Underground Mining Equipment Inventory List

Equipment	Model	Working	Standby	Total
Rock drill	YT-24	20	10	30
Dump truck	YSP-45	30	7	37
Loader	JK58-1No4	15	4	19

Source: Feasibility Study Report for Shangzhai and Bianfushan Gold Mine 600 ktpa project, April, 2012

Table E4 Zhenyuan Gold Projects- Proposed Heap Plant Equipment List

Equipment	Specification	Units
Crusher	PE 250 mmx400 mm	1
Vibrating Screen	YA1836	1
Belt Conveyor	TD-300 B=800 mm	1
Loader	EL408	1
Solution Pumps	IS65-50-160	6
	IS65-50-160A	4
Adsorption Tower	800mm Φ x1.8m	8

Source: 2000 Leaching Design by Yunnan Yuntong Exploration Co. Ltd

Table E5 Zhenyuan Gold Projects — Proposed Equipment List- Zhenyuan Flotation Plant

Main Equipment	Specification	Unit	Unit kW
No.1 Processing Plant			
Jaw Crusher	PE 400 mmx600 mm	1	30
Cone Crusher	GYP 900 mm Ø	1	110
Primary Screen	2YAH1542	1	15
Secondary Screen	YA1542	1	11
Primary Ball Mill	MQG 2.4 mØ x 3.6 m	1	155
Secondary Ball Mill	MQY 1.5 mØ x 3.6 m	1	210
Spiral Classifier	FG—2000	1	7.5
Hydrocyclones	300 mm Ø	1	15
Conditioning Tank	XB2.5 m Ø	1	17
Rougher-Scavenger Flotation	XF-4	14	15
Cleaner Flotation	XF-1.1	8	5.5
Concentrate Thickener	9m Ø	1	7.5
Tailings Thickener	24m Ø	1	7.5
Disc Filter	ZPG-10	1	7
Pressure Filter	XMZG700/2000-UK	1	11
No.2 Processing Plant			
Feeder	DZG-1300x1300	1	5.5
Jaw Crusher	C80	1	75
Cone Crusher	GP100MF	1	90
Circular Vibrating Screen	YAH1848	1	15
Electric Vibrator Feeder	DZG800x2500	1	1.5x2
Electric Vibrator Feeder	DZG400x1000	4	0.25
Ball Mill	MQG2736	2	400
Spiral Classifier	2FG-20	2	18
Hydrocyclone	FX-300x6	2	
Overflow Ball Mill	MQY2136	2	210
Conditioning Tank	XB2500	2	11
Flotation	CHF-14	8	18.5
Flotation	BSK/XCF-8	18	22
Flotation	SF-2.8	12	11
Thickener	NG-9	2	3
Thickener	NG-24	2	7.5
Conditioning Tank	Φ4.5x5	2	7.5
Slurry Pump	80ZBYL-450	2	75
Filter Press	XMZ700/2000	2	11

Source: Feasibility Study Report for Shangzhai and Bianfushan Gold Mine 600 ktpa project, April, 2012

END OF REPORT

ROMA

MINE VALUATION




FOR
CHINA PRECIOUS METAL RESOURCES HOLDINGS CO., LTD.

PREPARED BY
ROMA APPRAISALS LIMITED

DATE: 24 SEPTEMBER 2012

We Value Assets | We Value Our Clients

Contents

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24 September 2012

China Precious Metal Resources Holdings Co., Ltd.
Room 3107-3109, West Tower,
Shun Tak Centre,
No. 200 Connaught Road,
Central, Hong Kong

Dear Sir/Madam,

Re: Valuation of the Mines Owned by Pu'er Hengyi Mining Co., Ltd. (普洱恆益礦業有限責任公司)

SUMMARY

In accordance with the instructions from China Precious Metal Resources Holdings Co., Ltd. (hereinafter referred to as the "Company"), we have performed a valuation of the two mines located at Yunnan Province, the People's Republic of China (the "PRC") (collectively referred to as the "Mines"), namely Bianfushan Mine (hereinafter referred to as "Mine 1") and Shangzhai Mine (hereinafter referred to as "Mine 2"), owned by Pu'er Hengyi Mining Co., Ltd. (普洱恆益礦業有限責任公司) (hereinafter referred to as the "Business Enterprise") as at 31 March 2012 (hereinafter referred to as the "Date of Valuation"). The Business Enterprise holds mining licences and mineral exploration licences of the Mines in the PRC. According to the Company's announcement dated 22 July 2011, China Precious Metal Resources Co., Limited, a wholly-owned subsidiary of the Company, entered into letter of intent dated 22 July 2011 with Premium Wise Inc., regarding the possible acquisition of Sinowise Century Limited, which wholly-owns the Business Enterprise.

This report states the purpose of valuation, scope of work, economic and industry overviews, overviews of the Business Enterprise and the Mines, basis of valuation, investigation and analysis, valuation methodology, major assumptions, risk factors, information reviewed, limiting conditions, references and presents our opinion of values. Photos of the Mines, and abbreviations and glossary are included in appendix I and appendix II of this report respectively.

This report has been prepared in accordance with the guidelines set by the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports ("VALMIN Code") established by the VALMIN Committee in Australia in 2005 and Chapter 18 of the Listing Rules of the Stock Exchange of Hong Kong Limited ("Listing Rule Chapter 18"). This report is prepared based on information compiled by and under the supervision of Emmanuel Ekow Mensah who is an employee of Roma Appraisals Limited (hereinafter referred to as "Roma Appraisals"). In particular, Emmanuel Ekow Mensah is the author of this report and has reviewed all the major assumptions adopted in the valuation model and ensured this valuation report is compliant with the VALMIN Code and Listing Rule Chapter 18.

The Business Enterprise was incorporated in the PRC on 30 May 2008 with limited liability. The Business Enterprise is principally engaged in exploration, exploitation and sale of gold. The Business Enterprise owns two major gold projects in the PRC: Both Mine 1 and Mine 2 are developing underground and open pit mines.

According to the Independent Technical Review and Competent Person's Report on the Mines (hereinafter referred to as the "Competent Person's Report") prepared by Minarco-MineConsult (hereinafter referred to as the "Technical Consultant"), the reserve and resource estimates of gold estimated in relation to the Mines were respectively as follows:

Open Pit Ore Reserve Estimate of the Mines as at 12 March 2012

Licence Area	JORC Classification	Quantity (t)	Au (g/t)	Au Metal (t)	Au Metal (troy oz)
Bianfushan	Proved	—	—	—	—
	Probable	85,000	1.6	0.2	4,300
	Subtotal	**85,000**	**1.6**	**0.2**	**4,300**
Shangzhai	Proved	—	—	—	—
	Probable	535,000	2.3	1.2	37,700
	Subtotal	**535,000**	**2.3**	**1.2**	**37,700**
Total	Proved	—	—	—	—
	Probable	620,000	2.2	1.4	42,000
	Total	**620,000**	**2.2**	**1.4**	**42,000**

Source: Competent Person's Report

Note: Totals may not add up due to rounding.

Mining recovery, mining dilution and processing recovery were applied.

Underground Ore Reserve Estimate of the Mines as at 12 March 2012

Licence Area	JORC Classification	Quantity (t)	Au (g/t)	Au Metal (t)	Au Metal (troy oz)
Bianfushan	Proved	—	—	—	—
	Probable	622,000	1.9	1.2	37,900
	Subtotal	**622,000**	**1.9**	**1.2**	**37,900**
Shangzhai	Proved	—	—	—	—
	Probable	2,935,000	3.3	9.8	315,300
	Subtotal	**2,935,000**	**3.3**	**9.8**	**315,300**
Total	Proved	—	—	—	—
	Probable	3,557,000	3.1	11.0	353,200
	Total	**3,557,000**	**3.1**	**11.0**	**353,200**

Source: Competent Person's Report

Note: Totals may not add up due to rounding.

Mining parameters for ore loss and dilution were applied.

Resource Estimate of the Mines as at March 2012

Licence Area	JORC Classification	Quantity (t)	Au (g/t)	Au Metal (t)	Au Metal (troy oz)
Bianfushan	Indicated	802,000	2.1	1.7	53,000
	Inferred	5,360,000	2.1	11.2	359,000
	Subtotal	**6,162,000**	**2.1**	**12.8**	**412,000**
Shangzhai	Indicated	3,769,000	3.6	13.7	441,000
	Inferred	9,458,000	2.8	26.1	838,000
	Subtotal	**13,227,000**	**3**	**39.8**	**1,280,000**
Total	Indicated	4,571,000	3.4	15.4	494,000
	Inferred	14,818,000	2.5	37.3	1,198,000
	Total	**19,389,000**	**2.7**	**52.7**	**1,693,000**

Source: Competent Person's Report

Note: Totals may not add up due to rounding.

Our investigations included discussions with members of the management of the Company and the Business Enterprise in relation to the development and prospects of the gold mining industry in China and worldwide, and the development, operations and other relevant information of the Business Enterprise and the Mines. In addition, we have made relevant inquiries and obtained further information and statistical figures regarding the gold mining industry from external public sources as we considered necessary for the purpose of the valuation.

As part of our analysis, we have reviewed such financial information and other pertinent data concerning the Business Enterprise and the Mines provided to us by the management of the Company and the Business Enterprise and have considered such information and data as attainable and reasonable. We have also consulted other sources of financial and business information. We also relied upon the information provided by and the parameters advised by the Technical Consultant, who has conducted site visits to the Mines.

The valuation of the Mines requires consideration of all pertinent factors, which may or may not affect the operation of the business and its ability to generate future investment returns. In the process of valuing the Mines, we have taken into account of the operations, performance and financial information of the Business Enterprise. We have considered the adoption of the Income-Based Approach in arriving at the Chapter 18 Value of the Mines.

Based on the investigation and analysis conducted, the valuation method employed, and the sensitivity analyses performed, the Chapter 18 Value of the Mines as at the Date of Valuation, in our opinion, was reasonably stated as follows:

Chapter 18 Value of the Mines as at 31 March 2012

	Range	**Preferred Value**
	RMB	*RMB*
Chapter 18 Value of the Mines :	**1,172,000,000 to 1,286,000,000**	**1,227,000,000**

1. PURPOSE OF VALUATION

This report is prepared solely for the use of the directors and management of the Company. The Company is a public company listed on the Stock Exchange of Hong Kong Limited (Stock code: 1194.HK). In addition, Roma Appraisals Limited (hereinafter referred to as "Roma Appraisals") acknowledges that this report may be made available to the Company for public documentation purpose and included in the Company's circular only.

Roma Appraisals assumes no responsibility whatsoever to any person other than the Company in respect of, or arising out of, the contents of this report. If others choose to rely in any way on the contents of this report they do so entirely at their own risk.

2. SCOPE OF WORK

Our valuation conclusion is based on the assumptions stated herein and the information provided by the management of the Company, the management of the Business Enterprise and/or its representative(s) (together referred as the "Management").

In preparing this report, we have had discussions with the Management and the Technical Consultant in relation to the development and prospect of the gold mining industry, the development, operations and other relevant information of the Business Enterprise and the Mines. As part of our analysis, we have reviewed such financial information and other pertinent data concerning the Business Enterprise and the Mines provided to us by the Management and have considered such information and data as attainable and reasonable.

We have no reason to believe that any material facts have been withheld from us. However, we do not warrant that our investigations have revealed all of the matters which an audit or more extensive examination might disclose.

3. ECONOMIC OVERVIEW

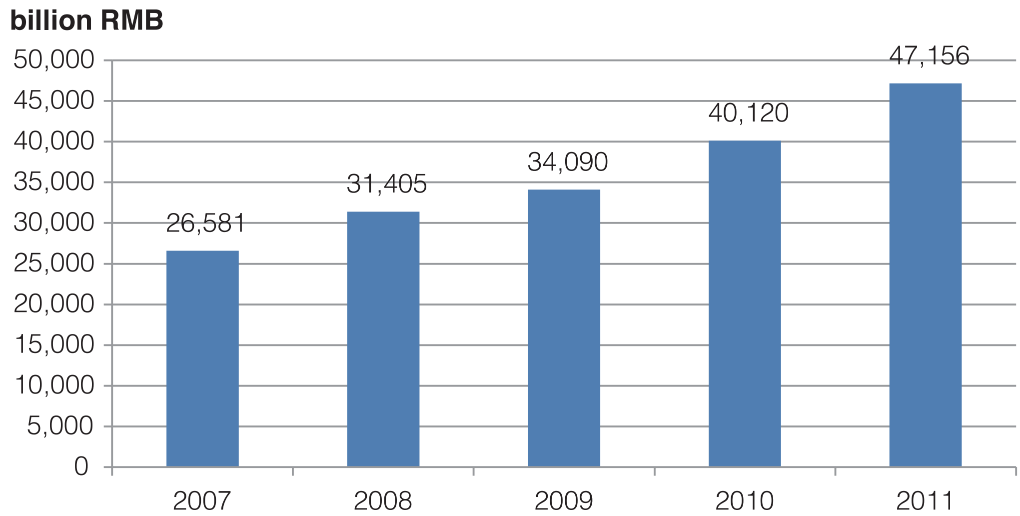
3.1. Overview of the Economy in China

According to the National Bureau of Statistics of China, the nominal gross domestic product ("GDP") in the first quarter of 2012 was RMB10,799.5 billion, an increase of 8.1% over the previous year. China was the third largest economy in the world, ranked after the European Union and the United States, in terms of nominal GDP measured by the International Monetary Fund ("IMF") in 2010. Despite the global financial crisis in late 2008, the Chinese economy continued to be supported by the Chinese government through spending in infrastructure and real estates.

Throughout 2009, the global economic downturn reduced foreign demand for Chinese exports for the first time in many years. The government vowed to continue reforming the economy and emphasized the need to increase domestic consumption in order to make China less dependent on foreign exports. China's economy rebounded quickly in 2010, outperforming all other major economies with robust GDP growth and the economy remained in strong growth in 2011.

Over the past decade from 2002 to 2011, compound annual growth rate of China's nominal GDP was 15.7% and in the government's latest plan, it is targeted to grow at 7% for the period from 2011 to 2015. Figure 1 further illustrates the nominal GDP of China from 2007 to 2011.

Figure 1 — China's Nominal Gross Domestic Product from 2007 to 2011

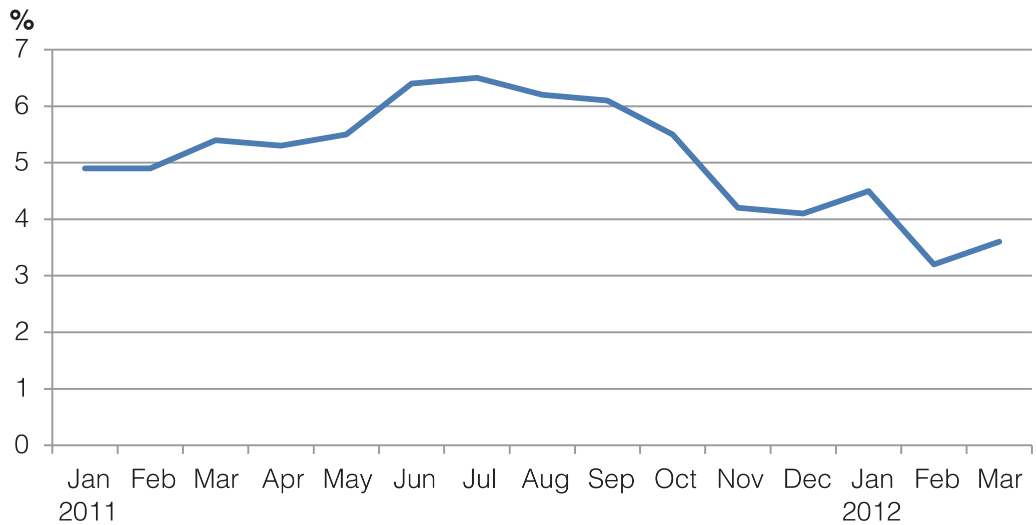


Source: National Bureau of Statistics of China

3.2. Inflation in China

Tackling inflation problem has long been the top priority of the Chinese government as high prices are considered as one of the causes of social unrest. For such a fast-growing economy, the middle-class' demand for food and commodities has been rising continuously. Inflation in China has been driven mainly by food prices, which have been stayed high in 2011. The consumer price index demonstrated an uptrend in the first half of 2011. Thanks to the government's policies in suppressing commodity prices, the inflation slowed in the second half of 2011. Figure 2 shows the year-over-year change in consumer price index of China from January 2011 to March 2012.

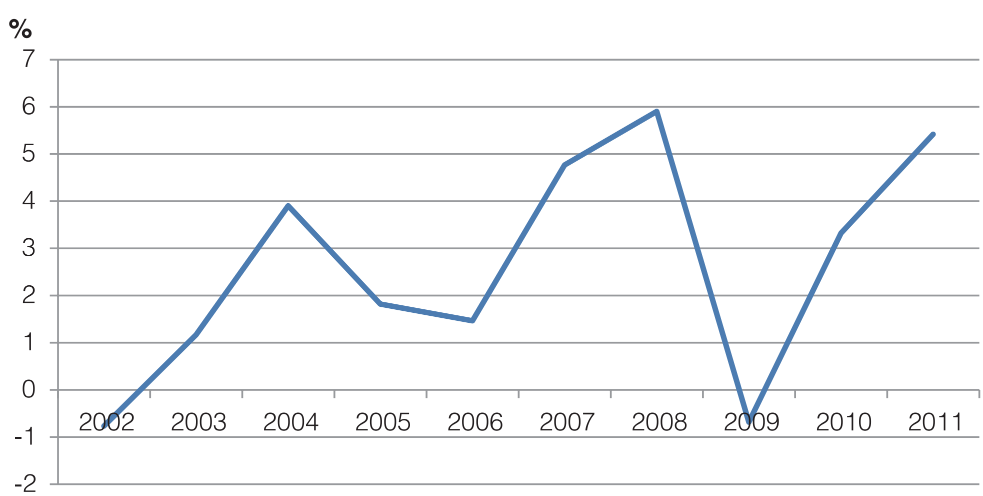
Figure 2 — Year-over-year Change in China's Consumer Price Index from January 2011 to March 2012



Source: Bloomberg

China's inflation rate was volatile during the past decade. According to the IMF, the average inflation rate in China increased sharply from 1.5% in 2006 to 4.8% in 2007 and 5.9% in 2008, and then dropped drastically to -0.7% in 2009. The inflation rate rebounded in 2010 to 3.3%. The inflation rate continued to rise in 2011 and reached 5.4%. According to the forecast by the IMF, the long-term inflation rate of China is expected to be around 3%. Figure 3 shows the historical trend of China's inflation rate from 2002 to 2011.

Figure 3 — China's Inflation Rate from 2002 to 2011



Source: International Monetary Fund

4. INDUSTRY OVERVIEW

4.1. Gold Industry

4.1.1. Gold Demand

Demand for gold is mainly derived from four sectors, namely jewellery consumption, technology, investment, and the official sector.

Global demand in the first quarter of 2012 amounted to 519.8 tonnes, a 6.3% down from the same quarter of 2011, according to the World Gold Council. India and China are the two largest markets for gold jewellery, combined to account for more than half of total world demand. Figure 4 shows the global identifiable jewellery consumption from the first quarter of 2010 to the first quarter of 2012.

Figure 4 — Global Identifiable Gold Demand for Jewellery Consumption

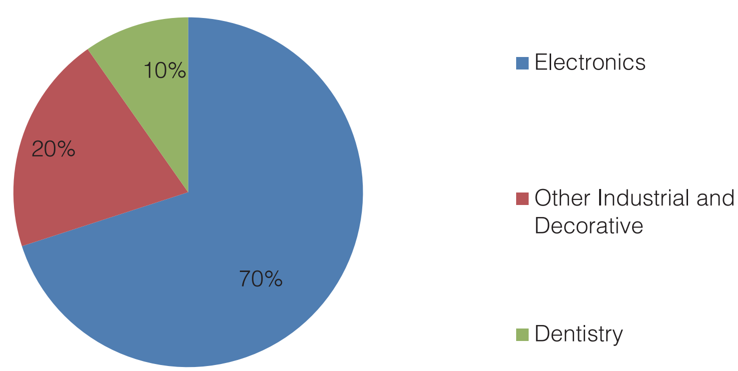
Quarter	Identifiable Gold Demand for Jewellery Consumption (in tonnes)
2010 Q1	521.3
Q2	416.8
Q3	516.7
Q4	562.9
2011 Q1	554.7
Q2	473.6
Q3	468.9
Q4	475.7
2012 Q1	519.8

Source: World Gold Council

It is expected that there will be growth of jewellery demand in China with the country's rising income levels. Yet, the World Gold Council forecasts that such demand will remain on a more moderate growth path as the market matures and economic growth decelerates.

Gold demand in the technology sector decreased by 6.8% year-on-year to 107.7 tonnes in the first quarter of 2012. The main issues are high gold prices and uncertainties in the European economies after the recent European debt crisis. The volume of gold used in electronics amounted to 75.4 tonnes, a 6.2% decrease compared with the same quarter last year. This could also be attributed to global economic downturn which lowered consumer sentiment during the period. Demand from the other industrial and decorative segment also suffered from an 8.0% year-on-year decrease to 21.8 tonnes in this quarter. In the dental sector, demand slid 7.1% year-on-year to 10.5 tonnes during this period, which has long been the result of steady substitution to other materials. Figure 5 shows the composition of gold demand from the technology sector in the first quarter of 2012.

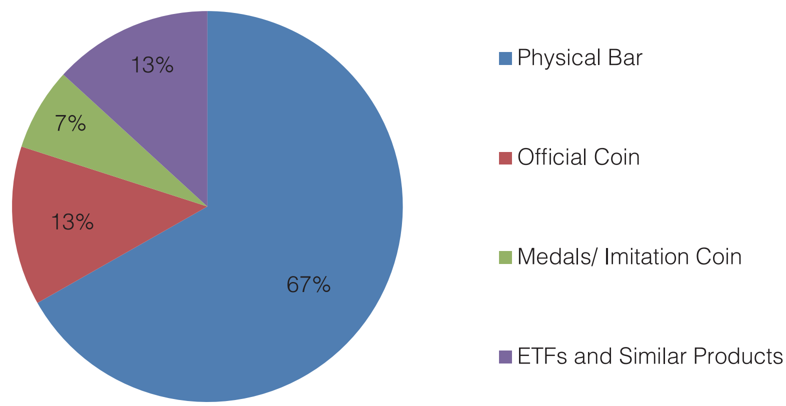
Figure 5 — The Composition of Technology Demand for Gold in the First Quarter of 2012



Source: World Gold Council

Gold demand for investment, which includes all demand for gold bars and coins, and exchange traded funds ("ETFs") and similar products. This figure in the first quarter of 2012 amounts to 389.3 tonnes, which was an increase of 13.3% year-on-year. Among various sub-categories, physical bar demand accounted for 66.8% of the investment demand for gold, totaled 260.0 tonnes in the first quarter of 2012. Figure 6 shows the composition of investment demand for gold in the first quarter of 2012.

Figure 6 — The Composition of Investment Demand for Gold in the First Quarter of 2012



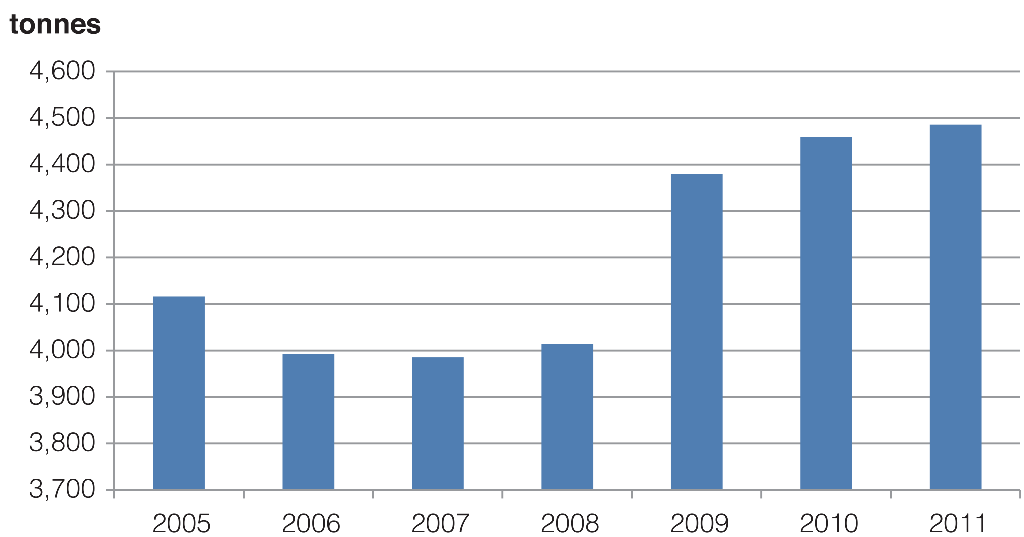
Source: World Gold Council

There has been a substantial increase on the gold demand from official sector purchases across the globe over the past year from 77.3 tonnes in 2010 to 456.4 tonnes in 2011. The rapid growth of foreign exchange reserves in a number of developing economies pushed several central banks to increase their gold holdings in order to maintain the ratio of gold to their foreign exchange reserves.

4.1.2. Gold Supply

The supply of gold worldwide has been on a downward trend from 2005 to 2008. Two major factors were the de-hedging by gold producers and reducing contributions from official sector sales over the past few years. A bounce back had been observed from 2009 onwards when supply of gold increased to 4,459 tonnes in 2010 and 4,486 tonnes in 2011. Figure 7 illustrates the world gold supply from 2005 to 2011.

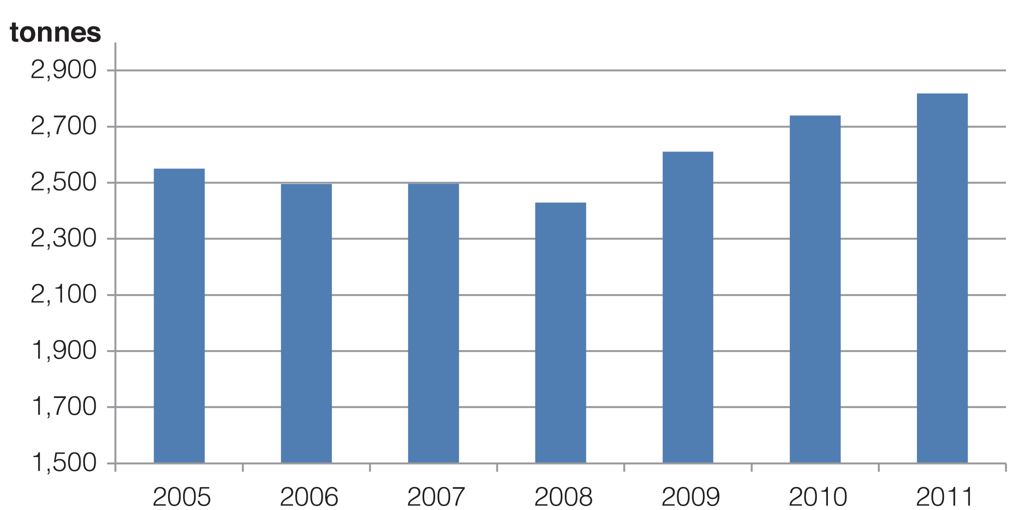
Figure 7 — World Supply of Gold from 2005 to 2011



Source: GFMS Limited

The world gold mine production followed a similar pattern over the past few years. The volume amounted to 2,818 tonnes in 2011, a 2.8% increase over the previous year. Figure 8 shows the world gold mine production from 2005 to 2011.

Figure 8 — World Gold Mine Production from 2005 to 2011

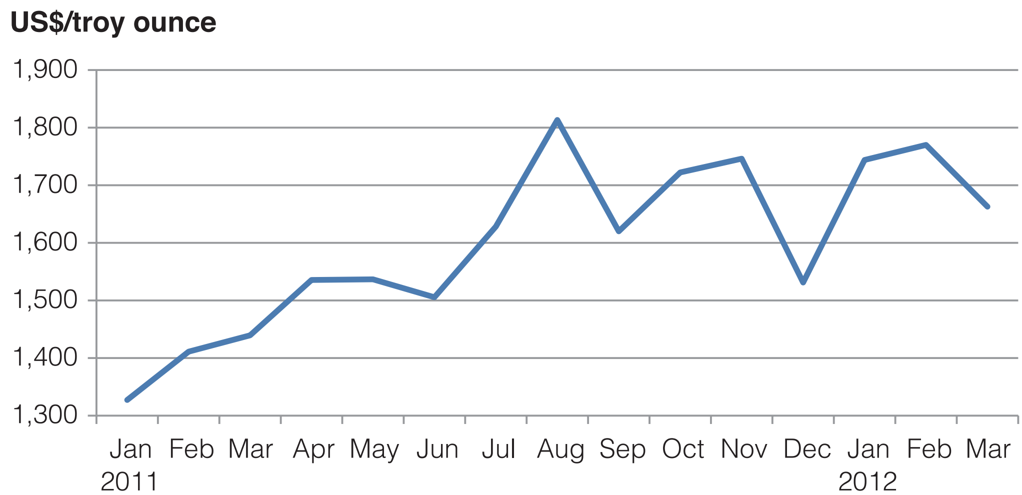


Source: GFMS Limited

4.1.3. Spot Price

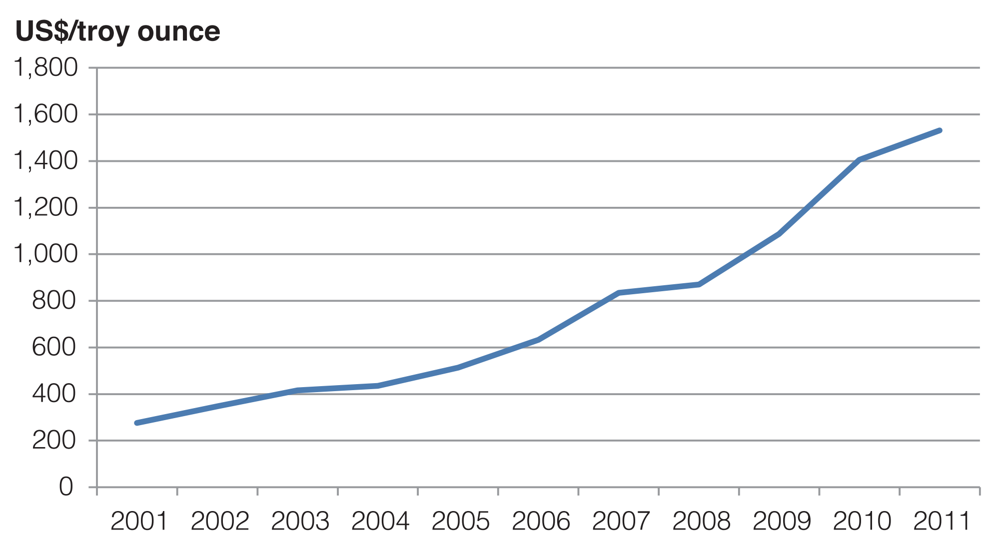
The gold price has experienced a substantial increase over the past decade. The closing spot price in 2011 was more than five times higher than that in 2001. The closing spot price per troy ounce in March 2012 was US$ 1,662, a 15.5% increase in the twelve-month period from March 2011. Figure 9 shows the monthly closing spot prices from January 2011 to March 2012, and figure 10 shows the closing spot prices from 2001 to 2011.

Figure 9 — Monthly Closing Spot Prices of Gold from January 2011 to March 2012



Source: Bloomberg

Figure 10 — Closing Spot Prices of Gold from 2001 to 2011



Source: Bloomberg

4.1.4. Gold Industry in China

The economy of China was least affected during the global economic recession in late 2008. While consumer demand for gold in the fourth quarter in 2009 began to recover among most of the countries, China was the country that had the largest demand in terms of value in the first quarter of 2012. Figure 11 below shows the comparison of consumer demand for gold in some selected countries between the first quarter of 2011 and that of 2012.

Figure 11 — Comparison of Consumer Demand for Gold among Some Selected Countries

Country/Region	2011 Q1 (US$ million)	2012 Q1 (US$ million)	Percentage Change
India	12,952	11,284	-12.9%
Mainland China	10,364	13,870	+33.8%
Hong Kong	345	375	+8.7%
Taiwan	140	196	+40.0%
South Korea	268	277	+3.4%
Middle East	2,399	2,717	+13.3%
United States	1,759	1,697	-3.5%
United Kingdom	140	163	+16.4%
Germany	1,681	1,158	-31.1%
Italy	178	188	+5.6%
Switzerland	1,255	1,098	-12.5%

Source: World Gold Council

Data releases according to the National Bureau of Statistics of China showed that China's GDP in the first quarter of 2012 was RMB10,799.5 billion, an 8.1% increase compared with that of the first quarter of 2011. Such economic growth was reflected in a 9.8% increase in consumer demand for gold from the first quarter of 2011 to that of 2012, reaching 255.2 tonnes. Figure 12 compares the volume of consumer demand for gold in China.

Figure 12 — Consumer Demand for Gold in China

	2011 Q1 (tonnes)	2012 Q1 (tonnes)	Percentage Change
Jewellery	145.1	156.6	+7.9%
Net Retail Investment	87.4	98.6	+12.8%
Total	232.5	255.2	+9.8%

Source: World Gold Council

5. THE BUSINESS ENTERPRISE AND THE MINES

5.1. Overview of the Business Enterprise

The Business Enterprise was incorporated in the PRC on 30 May 2008 with limited liability and is wholly-owned by Fast Trend Investment Limited (弘捷投資有限公司), a limited liability company incorporated in Hong Kong and is wholly owned by Sinowise Century Limited. The Business Enterprise currently holds the mining licences and mineral exploration licences of the Mines and is principally engaged in exploration, exploitation and sale of gold. The Business Enterprise owns two major gold projects in the PRC: Both Mine 1 and Mine 2 are developing underground and open pit mines.

The Business Enterprise holds two mining licences in relation to the Mines. Important details of the mining licences are as follows:

Name of Minefield	:	普洱恒益礦業有限責任公司鎮沅蝙蝠山金礦
Licence Number	:	C5300002008124120001574
Mine Method	:	Open/Underground Mining
Production Scale	:	45,000 tpa
Minefield Acreage	:	2.0002 sq.km
Validity Period	:	2 February 2012 to 2 February 2015

Name of Minefield	:	普洱恒益礦業有限責任公司鎮沅上寨金礦
Licence Number	:	C5300002008124120001573
Mine Method	:	Open/Underground Mining
Production Scale	:	140,000 tpa
Minefield Acreage	:	7.0817 sq.km
Validity Period	:	20 June 2012 to 20 June 2022

The Business Enterprise also holds four exploration licences in relation to the Mines. Important details of the exploration licences are as follows:

Name of Exploration Project	:	雲南省鎮沅縣和平丫口地區金多金屬礦普查
Licence Number	:	T53120090602030752
Exploration Area	:	16.03 sq.km
Validity Period	:	21 September 2011 to 21 September 2013

Name of Exploration Project	:	雲南省鎮沅縣上寨金多金屬礦詳查
Licence Number	:	T53120090202023968
Exploration Area	:	7.05 sq.km
Validity Period	:	19 March 2012 to 19 March 2013

Name of Exploration Project	:	雲南省鎮沅縣假足田金多金屬礦詳查
Licence Number	:	T53120080902014850
Exploration Area	:	2.48 sq.km
Validity Period	:	19 July 2012 to 19 July 2013

Name of Exploration Project	:	雲南省鎮沅縣蝙蝠金多金屬礦詳查
Licence Number	:	T53120090202023908
Exploration Area	:	15.00 sq.km
Validity Period	:	22 June 2011 to 22 February 2012

5.2. Overview of Mine 1 and Mine 2

5.2.1. Bianfushan Mine ("Mine 1")

Mine 1 is located in Heping Town, Zhenyuan County and is accessible by a 10 kilometres unsealed road from Heping Town, accessible via several quality asphalt roads and highways which allow access to Kunming via Shuitang. The geographic coordinates of Mine 1 are longitude 101˚28'30" to 101˚29'15"E and latitude 23˚52'30" to 23˚53'29"N.

5.2.2. Shangzhai Mine ("Mine 2")

Mine 2 is located approximately 15 kilometres northwest of Mine 1 and is accessible via several high quality asphalt roads and highways which allow access to Kunming via Shuitang. The geographic coordinates of Mine 2 are longitude 101˚24'38" to 101˚27'00"E and latitude 23˚54'15" to 23˚55'41"N.

5.3. Reserve and Resource Estimates

According to the Competent Person's Report, the reserve and resource estimates of gold estimated in relation to the Mines were respectively as follows:

Open Pit Ore Reserve Estimate of the Mines as at 12 March 2012

Licence Area	JORC Classification	Quantity (t)	Au (g/t)	Au Metal (t)	Au Metal (troy oz)
Bianfushan	Proved	—	—	—	—
	Probable	85,000	1.6	0.2	4,300
	Subtotal	**85,000**	**1.6**	**0.2**	**4,300**
Shangzhai	Proved	—	—	—	—
	Probable	535,000	2.3	1.2	37,700
	Subtotal	**535,000**	**2.3**	**1.2**	**37,700**
Total	Proved	—	—	—	—
	Probable	620,000	2.2	1.4	42,000
	Total	**620,000**	**2.2**	**1.4**	**42,000**

Source: Competent Person's Report

Note: Totals may not add up due to rounding.

Mining recovery, mining dilution and processing recovery were applied.

Underground Ore Reserve Estimate of the Mines as at 12 March 2012

Licence Area	JORC Classification	Quantity (t)	Au (g/t)	Au Metal (t)	Au Metal (troy oz)
Bianfushan	Proved	—	—	—	—
	Probable	622,000	1.9	1.2	37,900
	Subtotal	**622,000**	**1.9**	**1.2**	**37,900**
Shangzhai	Proved	—	—	—	—
	Probable	2,935,000	3.3	9.8	315,300
	Subtotal	**2,935,000**	**3.3**	**9.8**	**315,300**
Total	Proved	—	—	—	—
	Probable	3,557,000	3.1	11.0	353,200
	Total	**3,557,000**	**3.1**	**11.0**	**353,200**

Source: Competent Person's Report

Note: Totals may not add up due to rounding.

Mining parameters for ore loss and dilution were applied.

Resource Estimate of the Mines as at March 2012

Licence Area	JORC Classification	Quantity (t)	Au (g/t)	Au Metal (t)	Au Metal (troy oz)
Bianfushan	Indicated	802,000	2.1	1.7	53,000
	Inferred	5,360,000	2.1	11.2	359,000
	Subtotal	**6,162,000**	**2.1**	**12.8**	**412,000**
Shangzhai	Indicated	3,769,000	3.6	13.7	441,000
	Inferred	9,458,000	2.8	26.1	838,000
	Subtotal	**13,227,000**	**3**	**39.8**	**1,280,000**
Total	Indicated	4,571,000	3.4	15.4	494,000
	Inferred	14,818,000	2.5	37.3	1,198,000
	Total	**19,389,000**	**2.7**	**52.7**	**1,693,000**

Source: Competent Person's Report

Note: Totals may not add up due to rounding.

After our thorough review, we considered that the information contained in the Competent Person's Report could be reasonably relied on.

5.4. Mining Method and Processing

According to the Competent Person's Report, there is a combination of open pit and underground mining methods applicable for the Mines. The Technical Consultant envisaged that a combination of open pit and underground mining methods will be most suitable for maximizing value at the Mines.

5.4.1. Open Pit Mining Method

The Technical Consultant advised that conventional open pit mining is applicable for mining near surface mineralisation at the Mines. The geology and geometry of the deposit suggests open pit mining can be used with the certain characteristics, namely waste dumping exclusively on surface dumps, excavator mining in backhoe configuration, and truck haulage to surface ore stockpiles and waste disposal dumps.

5.4.2. Underground Mining Method

The Technical Consultant has identified three underground mining methods which may be applicable for mining deeper mineralisation at the Mines, namely sub-level open stoping, underhand cut-and-fill stoping and shrink stoping. Final selection of which mining method to implement in each mining area is dependent on the vein geometry and ground conditions expected within that area. This decision should be made after relevant investigations and trade-off studies have been undertaken.

5.4.2.1. Sub-Level Open Stoping

Sub-level open stoping is a conventional underground mining method which is both flexible and selective. The bulk mining nature of this method leads to reduced unit mining costs as the mechanised extraction methodology generates significant broken rock quantities for relatively low input costs. This method is commonly implemented and successfully used in China. It is well understood by design institutes, and the Technical Consultant expected that accessing and employing management, supervisors and miners with experience with this method will not be difficult.

5.4.2.2. Underhand Cut and Fill Stoping

Underhand cut-and-fill stoping is a relatively specialised underground mining method that is reasonably flexible and selective. This is a method commonly implemented and successfully used in nickel and gold mines where veins are generally narrow and ground conditions are poor. While this method is not common to China, the critical element of safely mining under backfill is known. This process is often undertaken to extract crown pillars and increase ore recovery. The Technical Consultant therefore expected that employing personnel with relevant experience and who require limited training is achievable.

5.4.2.3. Shrink Stoping

Shrink stoping is a selective and conventional narrow vein mining method, and used in mineralized veins where ground conditions are suitable for mining and exposing and entire stope without producing an unstable crown or walls. This is a method very commonly implemented and successfully used in China. It is well understood by design institutes, and the Technical Consultant expected that accessing and employing management, supervisors and miners with experience with this method will not be difficult.

5.4.3. Processing Operation

5.4.3.1. Mineral Processing Plants

According to the Competent Person's Report, it is proposed that two mineral processing plants would be built to treat the blended gold-bearing sulphide ores from the Mines at an overall rate of 1,950 tonnes per day ("tpd"). The No.1 mineral processing plant (450 tpd), which would be a conventional pyrite flotation plant, would commence production in 2012. The No.2 mineral processing plant (1,500 tpd) would commence production in 2013. Both plants would have similar processing flowsheet and design principles.

5.4.3.2. Heap Leaching Operation

There are two existing open pits in Mine 1 and one in Mine 2. The existing Mine 1 and Mine 2 dump stockpiles indicate that heap leaching has been practiced for several years. Bianfushan No.1 run-out pad dumps were observed in the vicinity of the Mine 1 open pit which has been in operation since 2009 by local miners. Some other leaching operations were observed in the nearby area. Bianfushan No.2 on-off pad with two leaching ponds nearby were also observed at the bottom of the current stripping for current open cut mine programme.

The planned heap leaching capacity in the years following will correspond to the amount of ROM oxidised ores mined from Mine 1 and Mine 2.

5.5. Project Infrastructure

5.5.1. Roads

The operation and facilities is accessible by a mountainous road to Dianyuan County (90 kilometres) and Kunming (380 kilometres), the capital of the Yunnan province. A cement road is available to the administration facilities in Heping town, while parts of the adit and leaching facilities are accessed by dirt road. An additional 1 to 2 kilometre road is required to connect the proposed processing facilities and tailings site.

5.5.2. Power

Power consumption of the processing plant (annually 6.94 million kWh) would be provided by local a 10 kilovolt power supply from the main grid. The Technical Consultant considered that there are no foreseeable limitations with power supply, but new contract will need to be negotiated for the increased requirements of mineral processing.

5.5.3. Water

The fresh water supply for the heap leaching facilities and the processing plant would be sourced from the stream located locally in each mining area. It was proposed that the fresh water supply to be sourced from the stream water as well as the dam in front of tailings dam. Water is recovered from the tailings dam and recycled to the processing plant. The effect of reprocessing water on processing was tested, which is supported by the tests for processing water recovery. The Technical Consultant considered that there are no foreseeable limitations with water supply; considering the abundance of local rain water.

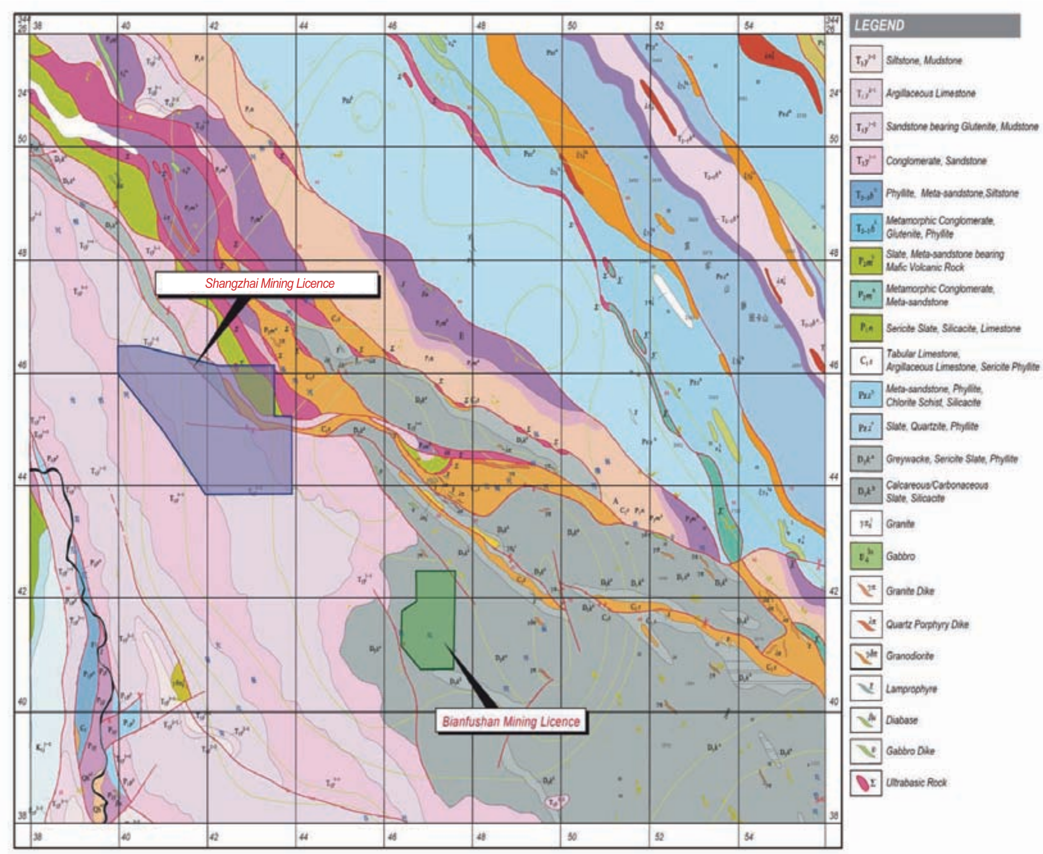
5.5.4. Tailings Dam

One potential site has been identified within 400 metres of the processing plant in the valley. Development of new tailings dam may be required in the construction of the processing plant. The tailings dam would have an active capacity of 1.6 million cubic metres, which would provide a life of 6 years at a tailings discharge rate of 360,000 cubic metres.

5.6. Geological Setting and Mineralisation

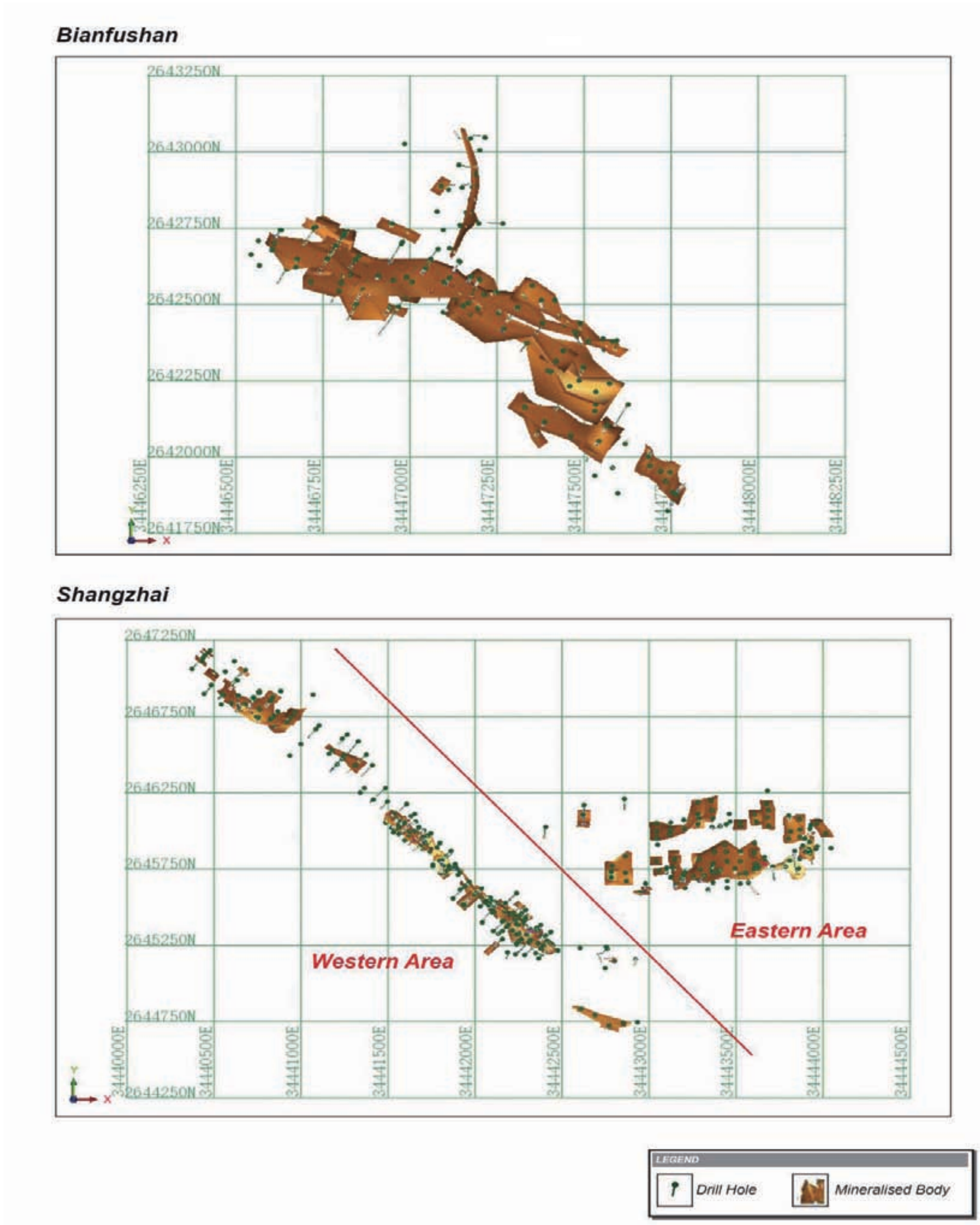
According to the Competent Person's Report, the Mines are located between the Mojiang-Jinping Fold Belt and the Ailaoshan Fold Belt of the San Jiang Metamorphic Fold System. In terms of local geology, the Mines are located on a foreland basin resulting from the development of thrust-nappe fault systems. The majority of the Mines' area is covered by fluvial/alluvial sediment of the Devonian and Cretaceous periods. The stratigraphy is dominated by sandstones, siltstones, mudstones, limestones, carbonates and metamorphic quartzite, phyllite, schists and slates. For details, please refer to section 3 "Geology and Mineralisation" of the Competent Person's Report. Figures 13 and 14 show the regional geological map and plan view of mineralization of the Mines respectively.

Figure 13 — Regional Geological Map of the Mines



Source: Competent Person's Report

Figure 14 — Plan View of Mineralization of the Mines



Source: Competent Person's Report

6. BASIS OF VALUATION

Fair Market Value is defined as "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 or petroleum asset or security 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".

In accordance with Listing Rule Chapter 18, Inferred Resources are not permitted in determining the Chapter 18 Value of the Mines. Hence, the Chapter 18 Value does not reflect a fair market value.

7. INVESTIGATION AND ANALYSIS

Our investigation included discussions with members of the Management in relation to the development and prospect of the gold mining industry in China and worldwide, and the development, operations and other relevant information of the Business Enterprise and the Mines. In addition, we have made relevant inquiries and obtained further information and statistical figures regarding the gold mining industry from external public sources as we considered necessary for the purpose of the valuation.

As part of our analysis, we have reviewed such financial information and other pertinent data concerning the Business Enterprise and the Mines provided to us by the Management and have considered such information and data as attainable and reasonable. We have also consulted other sources of financial and business information. We relied upon the information provided by and the parameters advised by the Technical Consultant who has conducted site visits. However, we recognize that the Technical Consultant is a substantial mineral industry consulting firm with a high standing in global mineral industry. We considered that the opinions expressed by the Technical Consultant and the information contained in the Competent Person's Report are appropriate for the purposes of this valuation.

The valuation of the Mines requires consideration of all pertinent factors, which may or may not affect the operation of the Business Enterprise and its ability to generate future investment returns. The factors considered in our valuation include, but are not necessarily limited to, the following:

- The nature and prospect of the Business Enterprise and the Mines;
- The financial condition of the Business Enterprise and the Mines;
- The economy in general and the specific economic environment and market elements affecting the businesses, industries and markets;
- Relevant licences and agreements;

- The business risk of the Mines such as the ability in maintaining competent technical and professional personnel; and

- Investment returns and market transactions of entities engaged in similar mineral assets.

8. VALUATION METHODOLOGY

There are generally three accepted approaches to obtain the Chapter 18 Value of the Mines, namely the Market-Based Approach, Income-Based Approach and Asset-Based Approach. Each of these approaches is appropriate in one or more circumstances, and sometimes, two or more approaches may be used together. Whether to adopt a particular approach will be determined by the most commonly adopted practice in valuing mineral assets that are similar in nature.

8.1. Market-Based Approach

The Market-Based Approach values a mineral asset by comparing prices at which other mineral assets in a similar nature changed hands in arm's length transactions. The underlying theory of this approach is that one would not pay more than one would have to for an equally desirable alternative. By adopting this approach, the valuer will first look for valuation indications of prices of other similar mineral assets that have been sold recently.

The right transactions employed in analyzing indications of values need to be sold at an arm's length basis, assuming that the buyers and sellers are well informed and have no special motivations or compulsions to buy or to sell.

8.2. Income-Based Approach

The Income-Based Approach focuses on the economic benefits due to the income producing capability of the mineral asset. The underlying theory of this approach is that the value of the mineral asset can be measured by the present worth of the economic benefits to be received over the useful life of the mineral asset. Based on this valuation principle, the Income-Based Approach estimates the future economic benefits and discounts them to their present values using a discount rate appropriate for the risks associated with realizing those benefits.

Alternatively, this present value can be calculated by capitalizing the economic benefits to be received in the next period at an appropriate capitalization rate. This is subject to the assumption that the mineral asset will continue to maintain stable economic benefits and growth rate.

8.3. Asset-Based Approach

The Asset-Based Approach values a mineral asset by aggregating the costs of developing the asset to its current condition, or replacing that asset.

8.4. Mine Valuation

In the process of valuing the Mines, we have taken into account the operations, performance and financial information of the Business Enterprise. The Income-Based Approach could better reflect the value of the mine since feasibility study is available and intensive studies and assessments were included in the Competent Person's Report. We have therefore considered the adoption of the Income-Based Approach in arriving at the Chapter 18 Value of the Mines.

8.5. Discounted Cash Flow

Under the Income-Based Approach, we have adopted the discounted cash flow ("DCF") method, which is based on a simple reversal calculation to restate all future cash flows in present terms. The expected free cash flow for each year was determined as follows:

Expected Free Cash Flow = Net Profit + Depreciation + After-Tax Interest Expense - Change in Working Capital - Capital Expenditure

The present value of the expected free cash flows was calculated as follows:

$$PVCF = CF_1/(1+r)^1 + CF_2/(1+r)^2 + \ldots + CF_n/(1+r)^n$$

In which
PVCF = Present value of the expected free cash flows;
CF = Expected free cash flow;
r = Discount rate; and
n = Number of years.

8.5.1. Discount Rates of the Mines

In selecting the appropriate discount rates to be applied in the valuation, we have taken into account several major factors including the risks related to the operations of the Mines, our knowledge of discount rates commonly applied in valuing mining projects under the DCF method and considerations of the cost of debt.

The discount rates were obtained based on the experience and professional judgment of the competent evaluator (hereinafter referred to as the "Competent Evaluator") as well as the actual status of the Mines and other important factors, such as commodity price and country risks. In determining the appropriate discount rate to be adopted, the Competent Evaluator has studied the Competent Person's Report prepared by the Technical Consultant with due care to fully understand the operation and future plan of the Mines and reviewed all pertinent information concerning the Mines as provided by the Management, including gold concentrate sales contract entered between the Business Enterprise and a gold refinery company and historical financial statements. Moreover, the Competent Evaluator has conducted site visit to the Mines and had face-to-face meetings with the Management to understand the current status of the Mines, general gold mining industry and practices in the PRC. In particular, the Competent Evaluator has interviewed the Management and key personnel of the Mines on the risk factors and respective mitigation measures regarding the Mines. After our analysis and assessment, we have adopted 10.30% as the discount rate for the Mines as in our opinion that is appropriate for the risks involved in the mining operations of Mines.

8.5.2. Portfolio of Reserves Included in the Valuation

According to Listing Rule Chapter 18, valuations for Inferred Resources are not permitted. Only Probable Reserves were included in the valuation of the Mines with reference to the Competent Person's Report. These reserve figures have incorporated mining dilution and mining losses, and have also been based on an appropriate level of mine planning, mine design and scheduling.

8.5.3. Cash Flow Projection

The profit and loss forecast of the Mines presented as follows:

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020
ROM Ore Production *('000 tonnes)*	75	360	600	600	600	600	467	460	415
Total Gold Production *('000 grams)*	0	191	161	319	225	128	45	0	0
Total Gold Concentrate Production *('000 tonnes)*	3	8	19	19	19	19	19	20	18
Gold Price *(RMB/gram)*	340	340	340	340	340	340	340	340	340
Gold Concentrate Price *(RMB/tonne)*	24,703	24,703	24,703	24,703	24,703	24,703	24,703	24,703	24,703
Total Revenue *(RMB'000)*	81,521	264,308	514,974	571,661	555,427	522,272	481,509	499,997	451,084
Open Pit Unit Production Cost *(RMB/ROM tonne)*	181	181	181	181	181	181	181	181	181
Underground Unit Production Cost *(RMB/ROM tonne)*	232	232	232	232	232	232	232	232	232
Total Production Cost *(RMB'000)*	17,400	76,890	132,570	132,825	134,100	134,100	106,559	106,720	96,280
Gross Profit *(RMB'000)*	64,121	187,418	382,404	438,836	421,327	388,172	374,950	393,277	354,804
Other Operating Costs *(RMB'000)*	1,050	5,040	8,400	8,400	8,400	8,400	6,538	6,440	5,810
Depreciation Expense *(RMB'000)*	11,767	22,164	23,364	23,764	23,864	23,864	23,864	23,864	62,125
Earnings Before Tax *(RMB'000)*	51,304	160,214	350,640	406,672	389,063	355,908	344,548	362,973	286,869
Income Tax Expense *(RMB'000)*	12,826	40,053	87,660	101,668	97,266	88,977	86,137	90,743	71,717
Net Profit *(RMB'000)*	38,478	120,160	262,980	305,004	291,797	266,931	258,411	272,230	215,152

The cash flow projection of the Mines is presented as follows:

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020
Net Profit *(RMB'000)*	38,478	120,160	262,980	305,004	291,797	266,931	258,411	272,230	215,152
Depreciation Expense *(RMB'000)*	11,767	22,164	23,364	23,764	23,864	23,864	23,864	23,864	62,125
Change in Working Capital *(RMB'000)*	5,981	23,287	24,687	2,131	-233	-1,204	-9,188	717	-48,027
Capital Expenditure *(RMB'000)*	140,000	57,000	12,000	4,000	1,000	0	0	0	0
Free Cash Flow *(RMB'000)*	-95,736	62,037	249,657	322,637	314,894	292,000	291,462	295,377	325,304
Discount Factor	0.964	0.885	0.802	0.727	0.659	0.598	0.542	0.491	0.445
Present Value of Free Cash Flow *(RMB'000)*	-92,265	54,885	200,244	234,610	207,593	174,521	157,930	145,102	144,878

8.5.3.1 Production Schedule

According to the Competent Person's Report, the estimated open pit and underground Probable Reserves for Mine 1 were about 85,000 tonnes and 622,000 tonnes respectively as at 12 March 2012. The run-of-mine ("ROM") ore production of Mine 1 was forecast to be commenced in 2013. The annual ROM ore production was forecast to be 140,000 tonnes from 2013 to 2017 and 7,000 tonnes in 2018.

The estimated open pit and underground Probable Reserves for Mine 2 were about 535,000 tonnes and 2,935,000 tonnes respectively as at 12 March 2012. The annual ROM ore production of Mine 2 was forecast to be 75,000 tonnes in 2012, 220,000 tonnes in 2013, 460,000 tonnes from 2014 to 2019, and 415,000 tonnes in 2020 respectively.

8.5.3.2 Revenue

In determining the estimated gold price to be adopted in the financial projection, we have conducted analyses on the historical gold price. The gold price fluctuated over the years and it has increased five times in the past decade, arriving at a high level in 2011. During the 12-month period from 1 April 2011 to 31 March 2012, the gold price has reached the highest point of about RMB393 per gram in September 2011. Considering the fact that inflation and gold price fluctuations are highly uncertain and unpredictable, we adopted a conservative and reasonable basis in estimating the gold price by adopting the trailing 12-month average gold price as at the date of valuation. The trailing 12-month average gold price was RMB340 per gram as at the Date of Valuation, according to the price of 9995 gold traded in the Shanghai Gold Exchange.

Steady gold price with no escalation was adopted in the projection from 2012 onwards to minimize the influence of subjective inputs on the model outcomes. The projected revenues were obtained by multiplying the adopted gold price to the respective product sales of the gold products as forecast in the Competent Person's Report.

The price of gold concentrate adopted in 2012 for the gold concentrate production was RMB24,703 per tonne, with reference to the sales contract entered between the Business Enterprise and a gold refinery company as advised by the Management. Steady gold price with no escalation was adopted in projection from 2012 onwards. The projected revenues were obtained by multiplying the adopted gold concentrate price to the respective product sales of the gold concentrate products as forecast in the Competent Person's Report.

8.5.3.3 Operating Costs

The production costs adopted were sourced from the Competent Person's Report. The open pit and underground unit production costs were RMB181 per ROM tonne and RMB232 per ROM tonne respectively. Other operating costs comprise of general and administration expenses, which were estimated according to the Competent Person's Report.

8.5.3.4 Depreciation Expense

The depreciation expense was estimated by the straight-line depreciation of the fixed assets and construction in progress for the year ended 31 December 2011, which was RMB24,638,915, with a useful life of 10 years. The depreciation expense also included straight-line depreciation of the forecast capital expenditure with a useful life of 10 years.

8.5.3.5 Income Tax Expense

According to the Company, the income tax expense was estimated by adopting a tax rate of 25%.

8.5.3.6 Net Income

Net income was derived by subtracting the operating costs, depreciation expenses and income tax expenses from the revenue.

8.5.3.7 Working Capital

The change in working capital was estimated with reference to the average working capital ratios of the comparable companies, namely Zhaojin Mining Industry Company Limited (Stock code: 1818.HK), Zijin Mining Group Company Limited (Stock code: 2899.HK) and Lingbao Gold Company Limited (Stock code: 3330.HK), as extracted from Bloomberg.

8.5.3.8 Capital Expenditure

The forecast capital expenditure consisted of stripping, mining, equipment and heap leach pad preparation according to the Competent Person's Report.

8.6. Sensitivity Analyses

To determine how the different values of an independent variable would impact a particular dependent variable under a given set of assumptions, sensitivity analyses were carried out on the Chapter 18 Value of the Mines in respect of the discount rates, gold prices, total operating costs and capital expenditure from the status quo. The results of the sensitivity analyses for the valuation of the Mines were as follows respectively:

Absolute Change in Discount Rate	Applied Discount Rate (%)	Chapter 18 Value of the Mines (RMB)
+2%	12.30	1,120,000,000
+1%	11.30	1,172,000,000
0%	10.30	1,227,000,000
-1%	9.30	1,286,000,000
-2%	8.30	1,349,000,000

Percentage Change in Gold Price Adopted	Chapter 18 Value of the Mines (RMB)
+2%	1,266,000,000
+1%	1,247,000,000
0%	1,227,000,000
-1%	1,208,000,000
-2%	1,189,000,000

Percentage Change in Total Operating Costs	Chapter 18 Value of the Mines (RMB)
+2%	1,217,000,000
+1%	1,222,000,000
0%	1,227,000,000
-1%	1,233,000,000
-2%	1,238,000,000

Percentage Change in Capital Expenditure	Chapter 18 Value of the Mines (RMB)
+10%	1,211,000,000
+5%	1,219,000,000
0%	1,227,000,000
-5%	1,236,000,000
-10%	1,244,000,000

Figures 15 and 16 illustrate the results of the sensitivity analyses of the Mines respectively.

Figure 15 — Sensitivity Analysis on the Discount Rate of the Mines

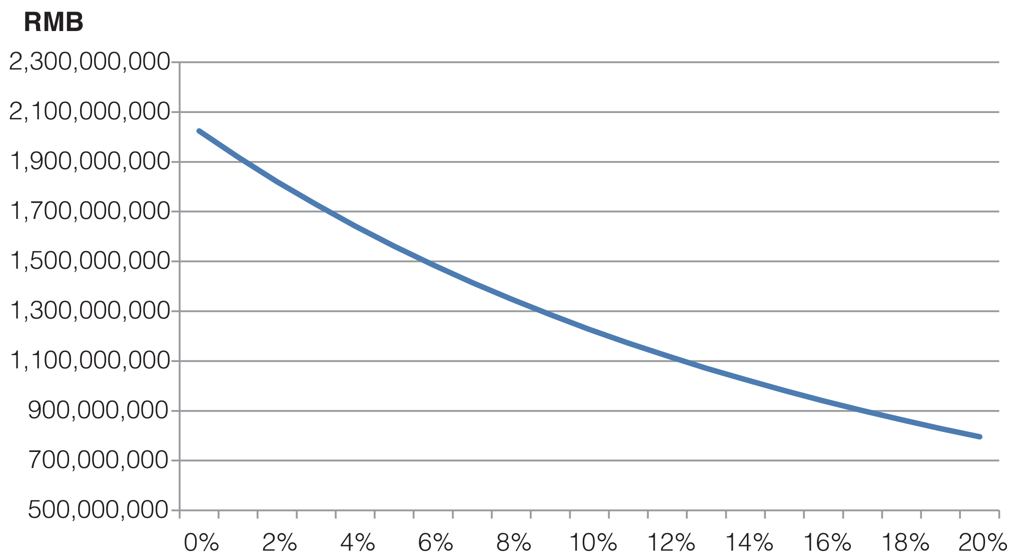
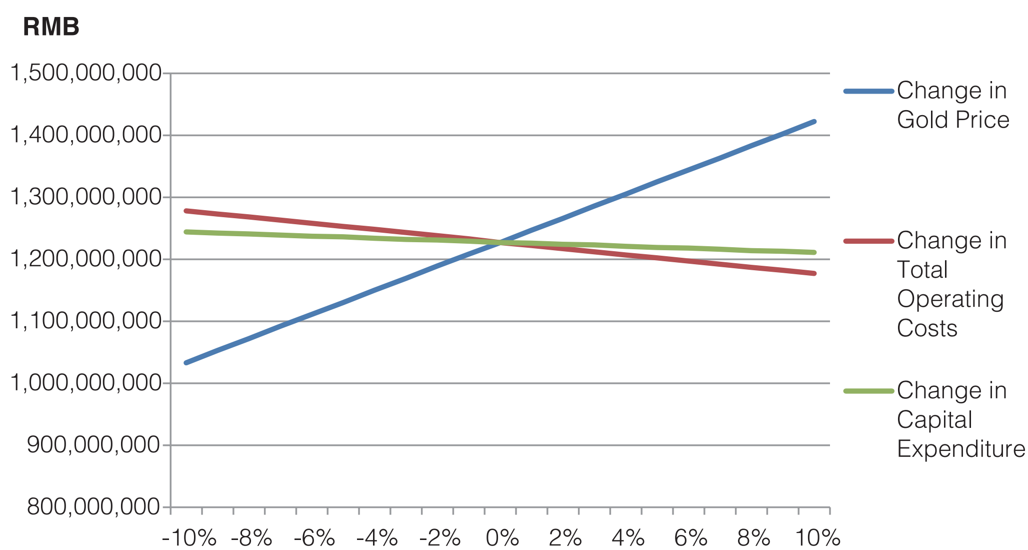


Figure 16 — Sensitivity Analyses on the Gold Price, Total Operating Costs and Capital Expenditure of the Mines



9. MAJOR ASSUMPTIONS

We have adopted certain specific assumptions in our valuation and the major ones are as follows:

- The Business Enterprise has free and uninterrupted rights to operate the Mines throughout the period until all probable reserves of the Mines are fully exploited and subject to no land premium or any payment to the government of substantial amount;
- All relevant legal approvals and business certificates or licences to operate the business in the localities in which the Mines operate or intend to operate would be officially obtained and renewable upon expiry;
- The Mines will be operated by the Business Enterprise as planned;
- There exists a reliable and adequate transportation network and capacity for processing the mining products;
- There will be no major changes in the current taxation laws in the localities in which the Mines operate or intend to operate and the rates of tax payable shall remain unchanged and all applicable laws and regulations will be complied with;
- There will be no major changes in the political, legal, economic or financial conditions in the localities in which the Mines operate or intend to operate, which would adversely affect the revenues attributable to and the profitability of the Mines; and
- Interest rates and exchange rates in the localities for the operation of the Mines will not differ materially from those presently prevailed.

10. RISK FACTORS

The following are the risk factors of the Mines which have been considered in the valuation:

10.1. Reserves and Resources

There is possibility in the failure to achieve projected grades and tonnages. Estimates of resources and reserves may also change when new information becomes available or new factors arise. There may be variability in the quality of the deposits which may impact the total tonnages produced. Interpretations and deductions of the geology and controls on the mineralization on which the reserve and resource estimates are based (i.e. past drilling, sampling and similar examination) may potentially be found to be inaccurate when further drilling or the commencement of actual production. Any adjustment could affect the development and mining plans, which could materially and adversely affect the revenues and the valuation of the Mines. There can be no assurance the recovery from exploration assay tests will be the same under on-site conditions or in production-scale operations.

10.2. Future Gold Price and Global Economy

Revenues of the Mines depend on future gold price and they are highly sensitive to gold price fluctuations, both positively and negatively. A huge fall in commodity prices would substantially reduce the values of the Mines. The worst case is that the Mines would become uneconomical.

10.3. Processing

The operating cost estimates are based on a number of assumptions. The mining business is capital intensive and the development and exploitation of reserves and resources, the depreciation and unavailability of machinery and equipment and the expansion of production capacity will require substantial capital expenditures. There may be potential increases in operating costs which arise from unforeseen operating complexities due to increases of the fuel price or inflation. Operations may not be completed within the scope of the time planned, may exceed the original budgets and may not achieve the intended economic results or commercial viability, all of which could have a material adverse effect on the results of operations and the business.

10.4. Tenements and Licence Extension

The mining licences and exploration licences form the basis of the values of the Mines. There is a risk that the application to extend the term of the mining and exploration licences might not be extended.

10.5. Future Plans

Any changes to the production plans or the differences between the future and the actual productions may happen. Those variances may or may not be material.

11. INFORMATION REVIEWED

Our opinion requires consideration of relevant factors and information affecting the Chapter 18 Value of the Mines. The factors and information considered included, but were not necessarily limited to, the following:

- The Competent Person's Report provided by the Management;
- Copies of the mining licences and exploration licences of the Mines provided by the Management;
- Financial statements of the Business Enterprise provided by the Management;
- Registrations and legal documents related to the Business Enterprise and the Mines provided by the Management, including certificates of incorporation and land use permit agreements;

- Historical information of the Business Enterprise and the Mines provided by the Management;
- Market trends of the gold mining industry in China and worldwide;
- General descriptions in relation to the Business Enterprise and the Mines; and
- Economic outlook in China.

We have also conducted research from various sources to verify the reasonableness and fairness of information provided and we believe that such information is reasonable and reliable. We have assumed the accuracy of information provided and relied to a considerable extent on such information in arriving at our opinion.

12. LIMITING CONDITIONS

The valuation reflects facts and conditions existing at the Date of Valuation. Subsequent events or circumstances have not been considered and we are not required to update our report for such events and conditions.

We would particularly point out that our valuation was based on the information such as the company background, business nature and market share of the Business Enterprise provided to us.

To the best of our knowledge, all data set forth in this report are reasonable and accurately determined. The data, opinions, or estimates identified as being furnished by others that have been used in formulating this analysis are gathered from reliable sources; yet, no guarantee is made nor liability assumed for their accuracy.

We have relied to a considerable extent on the historical and/or prospective information provided by the Management and other third parties in arriving at our opinion of values. The information has not been audited or compiled by us. We are not in the position to verify the accuracy of all information provided to us. However, we have had no reason to doubt the truth and accuracy of the information provided to us and to doubt that any material facts have been omitted from the information provided. No responsibilities for the operation and financial information that have not been provided to us are accepted.

We assumed that the Management is competent and perform duties under the company regulation. Also, ownership of the Mines was in responsible hands, unless otherwise stated in this report. The quality of the Management may have direct impact on the viability of the business as well as the Chapter 18 Value of the Mines.

We have not investigated the title to or any legal liabilities of the Mines and have assumed no responsibility for the titles to the Mines appraised.

Our conclusion of the Chapter 18 Value was derived from generally accepted valuation procedures and practices that rely substantially on the use of various assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. The conclusion and various estimates may not be separated into parts, and/or used out of the context presented herein, and/or used together with any other valuation or study.

We assume no responsibility whatsoever to any person other than the directors and management of the Company in respect of, or arising out of, the content of this report. If others choose to rely in any way on the contents of this report, they do so entirely at their own risk.

No changes to any item in any part of this report shall be made by anyone except Roma Appraisals. We accept no responsibility for any such unauthorized changes. Neither all nor any part of this report shall be disseminated to the public without the written consent and approval of Roma Appraisals through any means of communication or referenced in any publications, including but not limited to advertising, public relations, news or sales media.

This report may not be reproduced, in whole or in part, and utilized by any third parties for any purpose, without the written consent and approval of Roma Appraisals.

The working papers and models for this valuation are being kept in our files and would be available for further references. We would be available to support our valuation if required. The title of this report shall not pass to the Company until all professional fees have been paid in full.

13. REFERENCES

The list of sources of information cited in this report is stated as follows:

- Bloomberg;
- Feasibility report of the Mines (普洱恒益礦業有限責任公司鎮沅上寨金礦、蝙蝠山金礦60萬t/年採選建設項目可行性研究報告);
- GFMS Limited;
- International Monetary Fund;
- National Bureau of Statistics of China;
- The Competent Person’s Report; and
- World Gold Council.

14. REMARKS

Unless otherwise stated, all monetary amounts stated in this valuation report are in Renminbi (RMB).

We hereby confirm that we have neither present nor prospective interests in the Company, the Business Enterprise, the Mines and its holding companies, subsidiaries and associated companies, or the values reported herein.

15. OPINION OF VALUE

Based on the investigation and analysis stated above, the valuation method employed, and the sensitivity analyses performed, the Chapter 18 Value of the Mines as at the Date of Valuation, in our opinion, was reasonably stated as follows:

Chapter 18 Value of the Mines as at 31 March 2012

	Range	**Preferred Value**
	RMB	*RMB*
Chapter 18 Value of the Mines:	1,172,000,000 to 1,286,000,000	1,227,000,000

Yours faithfully,
For and on behalf of
Roma Appraisals Limited

Emmanuel Ekow Mensah
Competent Evaluator

Ian D. Buckingham

Philip A. Jones

Kelvin Luk

Steven Hodgson

Note:

Mr. Ken Yue, Ms. Angela Kwan, Mr. Michael Li, Mr. Terry Hui, Ms. Winnie Lam and Mr. Stephen Chan are the contributors of the valuation report.

Statement of Qualification of the Competent Evaluator — Emmanuel Ekow Mensah

I, Emmanuel Ekow Mensah, hereby confirm that:

- I have carried out the assignment for Roma Appraisals Limited, located at:
  Unit 3806, 38/F, China Resources Building,
  26 Harbour Road, Wan Chai, Hong Kong

  Tel: (852) 2529 6878
  Fax: (852) 2529 6808

- I graduated with Bachelor of Science Degree in Geological Engineering in Kwame Nkrumah University of Science and Technology.

- I am a member of the Australasian Institute of Mining and Metallurgy ("AusIMM").

- I have studied Listing Rule Chapter 18 and understood the definition "Competent Evaluator". My past relevant experience, qualifications and my affiliation with professional associations have fulfilled the requirements to be a "Competent Evaluator" as set out in the listing rules for the purpose of the valuation report.

- I take overall responsibility at the capacity of the Competent Evaluator.

- This valuation report is prepared based on information compiled by me and under my supervision. I am an associate of Roma Appraisals Limited. I am the author of this report and have reviewed all the major assumptions adopted in the valuation model and ensured the valuation report is compliant with the VALMIN Code.

- I have neither present nor prospective interests in the Mines, the Business Enterprise, the Company or the values reported herein.

- I am not aware of any material fact or material change with respect to the subject matter of the valuation report that is not reflected in the valuation report.

- This report has been prepared in accordance with the guidelines set by the VALMIN Code (2005) established by the VALMIN Committee in Australia.

APPENDIX I — PHOTOS OF THE MINES

Open Cut Mining Operations

Heap Leach Pad

Adsorption, Desorption and Recovery (ADR) Plant

Drilled Cores at the Core Shed

APPENDIX II — ABBREVIATIONS AND GLOSSARY

μ	Micron	km^2	square kilometre
˚C	degree Celsius	kPa	kilopascal
˚F	degree Fahrenheit	kVA	kilovolt-amperes
μg	microgram	kW	kilowatt
A	ampere	kWh	kilowatt-hour
a	Annum	L	litre
Bbl	barrels	L/s	litres per second
bcm	bank cubic metre	M	metre
btu	British thermal units	M	Mega (million)
C$	Canadian Dollars	m^2	square metre
cal	Calorie	m^3	cubic metre
CFM	cubic metres per minute	Min	minute
cm	centimetre	MASL	metres above sea level
cm^2	square centimetre	Mm	millimetre
d	Day	mph	miles per hour
dia	diameter	MVA	megavolt-amperes
dmt	dry metric tonne	MW	megawatt
dwt	deadweight ton	MWh	megawatt-hour
FOB	free on board	m^3/h	cubic metres per hour
ft	Foot	opt, oz/st	ounce per short ton
ft/s	foot per second	oz	Troy ounce (31.1035g)
ft^2	square foot	oz/dmt	ounce per dry metric tonne
ft^3	cubic foot	ppm	part per million
g	Gram	psia	pound per square inch absolute
G	giga (billion)		
Gal	Imperial gallon	Psig	pound per square inch gauge
g/L	gram per litre	RL	relative elevation
g/t	gram per tonne	S	second
gpm	Imperial gallons per minute	SG	Specific Gravity
gr/ft^3	grain per cubic foot	St	short ton
gr/m^3	grain per cubic metre	Stpa	short ton per year
hr	Hour	Stpd	short ton per day
ha	hectare	T	metric tonne
hp	horsepower	Tpa	metric tonne per year
in	Inch	Tpd	metric tonne per day
in^2	square inch	US$	United States Dollars
J	Joule USgpm	USg	United States gallon
k	kilo (thousand)	USgpm	US gallon per minute
kcal	kilocalorie	V	Volt
kg	kilogram	W	Watt
km	kilometre	wmt	wet metric tonne
km/h	kilometre per hour	yd^3	cubic yard
		Yr	Year

DCF	Discounted Cash Flow
ETF	Exchange Traded Funds
GDP	Gross Domestic Product
IMF	International Monetary Fund
RMB	Renminbi
VALMIN Code	Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports 2005 Edition

Vigers Appraisal And Consulting Limited
International Assets Appraisal Consultants

10th Floor, The Grande Building
398 Kwun Tong Road
Kowloon
Hong Kong

24 September 2012

The Directors
China Precious Metal Resources Holdings Co., Ltd.
Room 3107-9, Shun Tak West Tower
200 Connaught Road
Central
Hong Kong

Dear Sirs,

Re: Valuation of various properties located in the People's Republic of China (the "PRC)

In accordance with the instruction of China Precious Metal Resources Holdings Co., Ltd. (the "Company") for us to value the property interests held by the Target Group in the PRC, we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of such property interests as at 30 June 2012 ("date of valuation") for public circular purpose.

Our valuation is our opinion of the market value of the property interest which we would define market value as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

In valuing the property interests No. 1 in Group I, we have adopted a combination of the market approach and depreciated replacement cost approach in assessing the land portion of the properties and the buildings and structures standing on the land respectively. Hence, the sum of the two results represents the market value of the properties as a whole. In the valuation of the land portions, reference has been made to the sales evidence as available to us in the locality. Due to the nature of the buildings and structures, they cannot be valued on the basis of market value and they have therefore been valued on the basis of their depreciated replacement costs. The depreciated replacement cost approach considers the cost to reproduce or replace in new condition the properties appraised in accordance with current construction costs for similar properties in the localities, with allowance for accrued depreciation as evidenced by observed condition or obsolescence present, whether arising from physical, functional or economic causes. The depreciated replacement cost approach generally furnishes the most reliable indication of value for property interests in the absence of a known market based on comparable sales. The approach is generally subject to adequate potential profitability of the business or of the whole entity.

For property interests No. 2 in Group II which is leased by the Target Group in the PRC, we have assigned no commercial value to it mainly due to the prohibition against assignment or sub-letting, the lack of substantial profit rents or the short term nature of such interest.

Our valuation has been made on the assumption that the owners sell the property interests in the market without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any other similar arrangement which could serve to increase the values of the property interests. Furthermore, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the properties and no forced sale situation in any manner is assumed in our valuation.

In the course of our valuation, we have assumed that all consents, approvals and licences from relevant PRC government authorities for development of the property interests in the PRC will be granted without any onerous conditions or undue delay. Moreover, we have also assumed free and uninterrupted rights to use, occupy or assign the property interests for the whole of the unexpired term as granted.

We have not caused title searches to be made for the property interests in the PRC at the relevant government bureau in the PRC. We have been provided with extracts of title documents relating to the property interests. However, we have not inspected the original documents to verify ownership or to verify the existence of any subsequent amendments which do not appear on the copies handed to us. In undertaking our valuation of the property interests in the PRC, we have relied on the legal opinions (the "PRC legal opinion") provided by the Company's PRC legal adviser, Beijing Yida Law Firm (北京市億達律師事務所).

We have relied to a considerable extent on information provided by the Company and have accepted advice given to us by the Company on such matters as planning approvals or statutory notices, easements, tenure, occupation, lettings, site and floor areas and in the identification of the property interests and other relevant matter. We have also been advised by the Company that no material facts had been concealed or omitted in the information provided to us. All documents have been used for reference only.

All dimensions, measurements and areas included in the attached valuation certificate are based on information contained in the documents provided to us by the Company and are approximations only. No on-site measurement has been taken.

We have inspected the exteriors and, where possible, the interiors of the properties. However, we have not carried out a structural survey nor have we inspected woodwork or other parts of the structures which are covered, unexposed or inaccessible and we are therefore unable to report that any such parts of the properties are free from defect. No tests were carried out on any of the services.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on property interests nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

Our valuation is prepared in accordance with the HKIS Valuation Standards on Properties (First Edition 2005) published by the Hong Kong Institute of Surveyors (HKIS) and the requirements set out in Chapter 5 and Practice Notes 12 & 16 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited.

Unless otherwise stated, all monetary amounts stated are in Renminbi (RMB). The exchange rate used in valuing the property interests in the PRC as at 30 June 2012 was HK$1.00 = RMB0.82. There has been no significant fluctuation in the exchange rates for Hong Kong Dollars (HK$) against RMB between that date and the date of this letter.

We enclosed herewith our summary of valuation and the valuation certificates.

Yours faithfully,
For and on behalf of
Vigers Appraisal And Consulting Limited
Raymond Ho Kai Kwong
Registered Professional Surveyor
MRICS MHKIS MSc(e-com)
China Real Estate Appraiser
Managing Director

Note: Mr. Raymond Ho Kai Kwong, Chartered Surveyor, MRICS MHKIS MSc(e-com), has over twenty five years' experiences in undertaking valuations of properties in Hong Kong and has over eighteen years' experiences in valuations of properties in the PRC.

SUMMARY OF VALUATION

Group I — Property interests held by the Target Group for owner occupation in the PRC

	Property	Market value in existing state as at 30 June 2012
1.	Two parcels of lands and various buildings erected thereon located at an office and residential area of Heping Xiang People's Government, Zhenyuan County, Puer City, Yunnan Province, the PRC	RMB4,400,000 (equivalent to approximately HK$5,370,000)
	Sub-total	**RMB4,400,000 (equivalent to approximately HK$5,370,000)**

Group II — Property interests rented by the Target Group for owner occupation in the PRC

	Property	Market value in existing state as at 30 June 2012
2.	A residential unit Unit 3002, Dan Yuan 2, Block 8, Xing Ya Jun Yuan Xiao Qu, Middle Section of Beijing Road, Panlong District, Kunming City, Yunnan Province, the PRC	Nil
	Sub-total	**Nil**
	Total	**RMB4,400,000 (equivalent to approximately HK$5,370,000)**

VALUATION CERTIFICATE

Group I — Property interests held by the Target Group for owner occupation in the PRC

	Property	Description and Tenure	Particulars of Occupancy	Market value in existing state as at 30 June 2012
1.	Two parcels of lands and various buildings erected thereon located at an office and residential area of Heping Xiang People's Government, Zhenyuan County, Puer City, Yunnan Province, the PRC	The property comprises 2 parcels of lands together with 8 buildings completed between 1995 and 2000 erected thereon and various ancillary structures. As advised by the Company, the buildings have been renovated in March 2011. The property has a total site area of approximately 5,086.3 sq.m. and has a total gross floor area of approximately 3,169.91 sq.m. As at the date of valuation, the land has obtained the State-owned Land Use Rights Certificates and all the buildings have obtained the Building Ownership Certificates. Particulars of the land portion and the building portion of the property are summarized in Notes 1 to 3 and Note 4 respectively. The property has been granted a land use rights for a term of 50 years expiring on 15 August 2060 for other commercial and service uses. There are 3 mining areas located in the surrounding and various structures and various structures are under construction for mining purpose. Upon our site inspection, the external condition of the buildings was fair.	The property is occupied by the Puer Hengyi Mining Co., Ltd. (普洱恒益礦業有限責任公司) for office and dormitory uses. A portion of evacuation floor of Dormitory 4 with gross floor area approximately 79.82 sq.m. has been leased to government staffs at an annual rental of RMB600. (Please refer to Note 7 for details.)	RMB4,400,000 (equivalent to approximately HK$5,370,000) (See Notes 5 to 6 below)

Notes:

1. According to a Land Use Rights Certificate (Document No.: Zhen Guo Yong (2011) Di 0332) dated 1 December 2011, the land use rights of a parcel of land having a site area of approximately 4,309.9 sq.m. has been granted to Puer Hengyi Mining Co., Ltd. (hereinafter referred to "Hengyi") (普洱恒益礦業有限責任公司) for a term of 50 years expiring on 15 August 2060 for other commercial and service uses.

2. According to a Land Use Rights Certificate (Document No.: Zhen Guo Yong (2011) Di 0333) dated 1 December 2011, the land use rights of a parcel of land having a site area of approximately 776.4 sq.m. has been granted to Hengyi for a term of 50 years expiring on 15 August 2060 for other commercial and service uses.

3. Pursuant to Heping Xiang Government State-owned Asset Transfer Contract entered into between Zhen Yuan Yi Ethnic Group Ha Ni Ethnic Group La Hu Ethnic Group Autonomous County Heping Xiang People's Government (hereinafter referred to "Heping Xiang People's Government") (the Seller) and Hengyi (the Purchaser) dated 16 August 2010, 2 parcels of lands have a total site area of approximately 5,224.3 sq.m. and 8 buildings have a total gross floor area of approximately 3,169.91 sq.m. was agreed to be purchased by the Purchaser at a total consideration of RMB4,800,000. The land use rights has been granted for a term of 50 years.

4. According to 2 Building Ownership Certificates (Document Nos.:Zhen Yuan Xian Fang Quan Zheng He Ping Xiang Zi Di 20113370 and 20113371) both dated 14 April 2011 issued by Zhen Yuan Yi Ethnic Group Ha Ni Ethnic Group La Hu Ethnic Group Autonomous County People's Government, 8 buildings with a total gross floor area of approximately 3,169.91 sq.m. are vested in Hengyi. The details of the buildings with Building Ownership Certificates are as follows:

No.	**Building Name**	**Gross Floor Area** *(sq.m.)*	**No. of Storey**	**Designed Usage**	**Building Ownership Certificate (Document No.)**
1	Office	516.45	3	Office	Zhen Yuan Xian Fang Quan Zheng He Ping Xiang Zi Di 20113370
2	Composite Building	180.81	1	Composite	Zhen Yuan Xian Fang Quan Zheng He Ping Xiang Zi Di 20113370
3	Canteen	90.17	1	Canteen	Zhen Yuan Xian Fang Quan Zheng He Ping Xiang Zi Di 20113370
4	Dormitory 1	223.26	1	Residential	Zhen Yuan Xian Fang Quan Zheng He Ping Xiang Zi Di 20113370

No.	Building Name	Gross Floor Area (sq.m.)	No. of Storey	Designed Usage	Building Ownership Certificate (Document No.)
5	Kitchen	165.96	1	Kitchen	Zhen Yuan Xian Fang Quan Zheng He Ping Xiang Zi Di 20113370
6	Dormitory 2	276.86	1	Residential	Zhen Yuan Xian Fang Quan Zheng He Ping Xiang Zi Di 20113371
7	Dormitory 3	1,077.86	3	Residential	Zhen Yuan Xian Fang Quan Zheng He Ping Xiang Zi Di 20113371
8	Dormitory 4	638.54	3	Composite	Zhen Yuan Xian Fang Quan Zheng He Ping Xiang Zi Di 20113371
	Total	**3,169.91**			

5. For reference purpose, on the assumption that the ancillary structures are able to be freely transfer, lease and mortgage in the market, the depreciated replacement cost of the structures was RMB2,330,000 (equivalent to approximately HK$2,840,000) as at the date of valuation.

6. As advised by the Company, Hengyi has mining rights of the 3 mining areas in the surrounding under mining contracts but the land use rights of the mining areas is not vested in Hengyi and therefore the structures and structures which are under construction in the mining areas cannot be freely transfer in the market, we have ascribed no commercial value to these structures. For reference purpose, on the assumption that the structures can be freely transfer, lease and mortgage in the market, the depreciated replacement cost of the structures erected on the mining areas was RMB490,000 (equivalent to approximately HK$598,000) and the structures which are under construction on the assumption that the construction and planning permits and construction work commencement permits had been obtained and the structures which are under construction can be freely transfer, lease and mortgage in the market, the depreciated replacement cost of the structures which are under construction in the mining areas was RMB14,390,000 (equivalent to approximately HK$17,550,000) as at the date of valuation.

7. A portion of evacuation floor of Dormitory 4 with gross floor area approximately 79.82 sq.m. has been leased to government staffs at an annual rental of RMB600. As advised by the Company, before the target group purchased the Dormitory 4, the government staff has already rented a portion of Dormitory 4. After the target group purchased the Dormitory 4, the government staff continues to rent the place but no tenancy agreement was signed for this tenancy. As advised by the Company, the tenancy will be continued upon the Completion.

8. The PRC legal opinion states, inter alia, the following:

    (i) The ownership of the land use rights is legally vested in Hengyi. Hengyi is legally entitled to use, occupy, transfer, lease, mortgage or dispose of the land use rights. The lands have been pledged for bank loan.

    (ii) The ownership of the buildings is legally vested in Hengyi. Hengyi is legally entitled to use, occupy, transfer, lease, mortgage or dispose of the buildings. The buildings have been pledged for bank loan.

    (iii) The structures roof tiles and renovation of composite building have been pledged for bank loan whilst other structures have not been pledged for bank loan. Approvals issued by the relevant government authorities have been obtained for construction of the structures.

    (iv) The structures which are under construction have not been pledged for bank loan. Approvals issued by the relevant government authorities have been obtained for construction of the structures.

VALUATION CERTIFICATE

Group II — Property interests rented by the Target Group for owner occupation in the PRC

	Property	Description and Tenure	Particulars of Occupancy	Market value in existing state as at 30 June 2012
2.	A residential unit Unit 3002, Dan Yuan 2, Block 8, Xing Ya Jun Yuan Xiao Qu, Middle Section of Beijing Road, Panlong District, Kunming City, Yunnan Province, the PRC	The property comprises a residential unit located on Level 30 of a 33-storey building completed in about 2008. The property has a gross floor area of approximately 115.42 sq.m. Upon our site inspection, the external condition of the building was fair.	The property is leased to the Puer Hengyi Mining Co., Ltd. (普洱恒益礦業有限責任公司) by Wang Jing (汪靜) (an independent third party) for a term of a year from 20 July 2011and expiring on 19 July 2012 at a monthly rent of about RMB3,800 exclusive of electricity and water charges. The lease has been renewed for a term of a year commencing from 20 July 2012 and expiring on 19 July 2013 at a monthly rent of about RMB3,800 exclusive of electricity and water charges. The property is occupied by the Target Group for residential use.	No commercial value

Notes:

1. Pursuant to a lease agreement entered into between Wang Jing (汪靜) (the Lessor) and the Puer Hengyi Mining Co., Ltd. (hereinafter referred to "Hengyi") (普洱恒益礦業有限責任公司) (the lessee) dated 20 June 2011, the property has a gross floor area of approximately 115.42 sq.m. is leased to the lessee for a term of a year from 20 July 2011and expiring on 19 July 2012 at a monthly rent of RMB3,800 exclusive of electricity and water charges.

2. Pursuant to a lease agreement entered into between Wang Jing (汪靜) (the Lessor) and Hengyi (the lessee) dated 20 June 2012, the property has a gross floor area of approximately 115.4 sq.m. is leased to the lessee for a term of a year from 20 July 2012 and expiring on 19 July 2013 at a monthly rent of RMB3,800 exclusive of electricity and water charges.

3. The PRC legal opinion states, inter alia, the following:

   (i) The lessor has the legal title to lease the property to Hengyi.

   (ii) The two leases have not been registered with the appropriate government authorities. However, the non-registration does not affect the validity of the lease agreements. The legal opinion does not foresee any legal impediment for Hengyi to use the property according to the terms of the lease agreements. The relevant government authorities may require Hengyi to register the leases within a certain period, if the leases have not been registered beyond the period, the relevant government authorities may require Hengyi to pay a penalty of an amount between RMB1,000 and RMB10,000. Hengyi is urging the lessor to provide the relevant documents for register the lease agreements, the legal opinion consider that it is less likely the relevant government authorities will impose penalty on Hengyi in near future.

   (iii) The property is not subject to any mortgage.

   (iv) The property has been used for its prescribed use.

PROPERTY INTEREST, PROPERTY VALUATION AND RECONCILIATION OF APPRAISED PROPERTY VALUES WITH NET BOOK VALUES (RULE 5.07)

Vigers Appraisal and Consulting Limited, an independent valuer, has valued the leasehold lands and buildings and structures erected on the properties held by the Target Group at 30 June 2012 and is of the opinion that the market value of the leasehold lands and buildings and structures erected on the properties was amounted to RMB21,610,000 as at 30 June 2012.

Set forth below is the reconciliation of the valuation figure of the Target Group's properties with the figures included in the consolidated financial statements of the Target Group:

	Leasehold lands and buildings held for own use	**Construction in progress**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Net book value as at 31 May 2012 per the Target Group's accountants' report in Appendix II-A	7,116	13,561	20,677
Movements during the period (unaudited)			
Additions during the period			829
Depreciation charge for the period			(29)
Net book value as at 30 June 2012			21,477
Valuation surplus			133
Valuation of the leasehold lands and buildings and structures as at 30 June 2012 as set out in the valuation report in Appendix VII			21,610 *(Refer to notes 1 to 3 below)*

Notes:

1. Regarding Property 1 from pages 324 to 327 of Appendix VII, the market value of lands and buildings with land use rights certificates and building ownership certificates respectively was RMB4,400,000 (equivalent to approximately HK$5,370,000) as at the date of valuation.

2. Regarding Property 1 from pages 324 to 327 of Appendix VII, for reference purpose, on the assumption that the ancillary structures are able to be freely transferred, leased and mortgaged in the market, the depreciated replacement cost of the structures was RMB2,330,000 (equivalent to approximately HK$2,840,000) as at the date of valuation.

3. Regarding Property 1 from pages 324 to 327 of Appendix VII, as advised by the Company, Puer Hengyi Mining Co., Ltd. (普洱恒益礦業有限責任公司) (hereinafter referred to "**Hengyi**") has mining rights of the three mining areas in the surrounding under mining contracts but the land use rights of the mining areas are not vested in Hengyi and the structures and structures which are under construction in the mining areas cannot be freely transfered in the market, we have therefore ascribed no commercial value to these structures. For reference purpose, on the assumption that the structures can be freely transferred, leased and mortgaged in the market, the depreciated replacement cost of the structures erected on the mining areas was RMB490,000 (equivalent to approximately HK$598,000) and the structures which are under construction on the assumption that the construction and planning permits and construction work commencement permits had been obtained and the structures which are under construction can be freely transferred, leased and mortgaged in the market, the depreciated replacement cost of the structures which are under construction in the mining areas was RMB14,390,000 (equivalent to approximately HK$17,550,000) as at the date of valuation.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies Ordinance and the Listing Rules for the purpose of giving information with regard to the Enlarged Group. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. SHARE CAPTIAL

The authorised and issued share capital of the Company as at the Latest Practicable Date and following the Completion were and are expected to be as follows:

Authorised:		***HK$***
10,000,000,000	Shares	1,250,000,000
Issued and fully paid:		
3,483,620,933	Shares as at the Latest Practicable Date	435,452,616
867,106,382	Consideration Shares	108,388,298
Total (for illustrative purpose)		
4,350,727,315	Shares	543,840,914

All of the Shares in issue and to be issued rank and will rank *pari passu* in all respects with each other, including, in particular, as to dividends, voting rights and return of capital. The Shares in issue and the Consideration Shares to be issued are or will be listed on the Stock Exchange.

3. DISCLOSURE OF INTERESTS

(a) Directors' interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests or short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Director and chief executive of the Company is taken or deemed to have under such provisions of the SFO); or which (b) were required to be entered into the register maintained by the Company, pursuant to Section 352 of the SFO; or which (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules are set out below:

Interest in shares of the Company

Name of Directors	Nature of interest and capacity	Number of Shares	Approximate percentage of interest
Mr. LAM Cham *(a)*	Corporate (L)	278,148,670	7.98%
	Personal (L)	7,400,000	0.21%
	Personal (S)	6,000,000	0.17%
Dr. DAI Xiaobing *(b)*	Personal (L)	11,000,000	0.32%
	Personal (S)	10,000,000	0.29%
Mr. ZHANG Shuguang *(c)*	Personal (L)	10,300,000	0.30%
Mr. CHANG Yim Yang *(d)*	Corporate (L)	190,282,000	5.46%
	Personal (L)	19,172,000	0.55%
Dr. WONG Lung Tak, Patrick, *PhD, BBS, J.P. (e)*	Personal (L)	800,000	0.02%
Mr. CHAN Kin Sang *(e)*	Personal (L)	800,000	0.02%

L: Long Position
S: Short Position

Notes:

(a) Mr. Lam Cham is the chairman of the Company. Aswell Group Limited is a company incorporated in the British Virgin Islands with limited liability and is approximately 29.4% owned by Mr. Lam Cham.

(b) Dr. Dai Xiaobing is the co-chairman of the Company.

(c) Mr. Zhang Shuguang is the chief executive officer of the Company and an executive Director.

(d) Mr. Chang Yim Yang is an executive Director. Lead Pride Holdings Limited ("**Lead Pride**") is wholly-owned by Mr. Chang Yim Yang. Accordingly, Mr. Chang Yim Yang is taken to be interested in the Shares held by Lead Pride. Apart from his indirect interests through Lead Pride, 19,172,000 Shares are directly and beneficially owned by Mr. Chang Yim Yang.

(e) Professor Wong Lung Tak, Patrick and Mr. Chan Kin Sang are independent non-executive Directors.

Long positions in the underlying shares of the Company

	Date of grant	Exercise price *HK$*	Number of share options outstanding
Mr. Lam Cham *(a)*	28 October 2011	1.51	20,000,000
Dr. Dai Xiaobing *(b)*	28 October 2011	1.51	20,000,000
Mr. Chang Yim Yang *(c)*	28 October 2011	1.51	20,000,000
Mr. Deng Guoli *(c)*	28 October 2011	1.51	20,000,000
Mr. Zhang Shuguang *(d)*	28 October 2011	1.51	20,000,000
Mr. Wang, John Peter Ben *(e)*	28 October 2011	1.51	3,000,000
Professor Wong Lung Tak, Patrick, *BBS, PhD, J.P. (f)*	28 October 2011	1.51	3,000,000
Mr. Chan Kin Sang *(f)*	28 October 2011	1.51	3,000,000
Professor Xiao Rong Ge *(f)*	28 October 2011	1.51	3,000,000
Total			112,000,000

Notes:

(a) Mr. Lam Cham is the chairman of the Company. Aswell Group Limited is a company incorporated in the British Virgin Islands with limited liability and is approximately 29.4% owned by Mr. Lam Cham.

(b) Dr. Dai Xiaobing is the co-chairman of the Company.

(c) Mr. Chang Yim Yang and Mr. Deng Guoli are executive Directors.

(d) Mr. Zhang Shuguang is the chief executive officer of the Company and an executive Director.

(e) Mr. Wang, John Peter Ben is a non-executive Director.

(f) Professor Wong Lung Tak, Patrick, Mr. Chan Kin Sang and Professor Xiao Rong Ge are independent non-executive Directors.

The above share options are with exercisable periods from 28 October 2013 to 27 October 2017.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, the chief executive of the Company nor their associates, had any other interests or short positions in the Shares, underlying Shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Director or chief executive of the Company is taken or deemed to have under such provisions of the SFO); or which (b) were required to be entered into the register maintained by the Company, pursuant to Section 352 of the SFO; or which (c) were required to be notified to the Company or the Stock Exchange, pursuant to the Model Code for Securities Transaction by Directors of Listed Companies contained in the Listing Rules.

(b) Persons who have interests or short positions which are discloseable under Divisions 2 and 3 of Part XV of the SFO

As at the Latest Practicable Date, the register of substantial shareholders maintained under Section 336 of the SFO shown that the Company has been notified of the following interests, being 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the Directors and the chief executive of the Company.

Long position in shares of the Company

Name of Shareholders	Nature of interest and capacity	Total number of Shares held	Approximate percentage of interest
Aswell Group	Corporate *(a)*	278,148,670	7.98%
Lead Pride	Corporate *(b)*	190,282,000	5.46%
Raiffeisen Bank International AG	Corporate *(c)*	417,914,285	11.99%
Market Vectors ETF — Market Vectors Junior Gold Miners ETF	Corporate	174,808,000	5.02%
The Bank of New York Mellon Corporation	Corporate	174,494,000	5.01%

Notes:

(a) Aswell Group is a company incorporated in the British Virgin Islands with limited liability which is legally and beneficially owned as to approximately 29.4% by Mr. Lam Cham.

(b) Lead Pride is wholly-owned by Mr. Chang Yim Yang, an executive Director.

(c) Raiffeisen Bank International AG, the holder of HK$93,480,000 in face value warrants of the Company which will entitle the warrant holder to subscribe for 44,514,285 new Shares in full at the subscription price of HK$2.10 per new Share (subject to adjustments from time to time).

Raiffeisen Bank International AG has a security interest in Shares held by seven individual Shareholders and none of them is a controlling shareholder of the Company (as defined in the Listing Rules). The charge of Shares is a total of 373,400,000 Shares.

Save as disclosed above, as at the Latest Practicable Date, the Directors and chief executive of the Company were not aware of any person (other than a Director or chief executive of the Company) who had any other interests or short positions in the Shares or underlying Shares and debentures of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

4. DIRECTORS' SERVICE CONTRACTS

The service contract of Mr. LAM Cham as executive Director was renewed for a fixed term of three years commencing from 19 June 2010. The service contract of Mr. CHANG Yim Yang as executive Director was renewed for a fixed term of three years commencing from 19 June 2011. Dr. DAI Xiaobing was first appointed as executive Director on 16 November 2009 for a term of three years. Mr. DENG Guoli was first appointed as executive Director on 3 March 2011 for a term of three years. Mr. ZHANG Shuguang was first appointed as executive Director on 6 September 2011 for a term of three years. Mr. ZHANG Liwei was first appointed as an executive Director on 1 January 2012 for a term of three years. Independent non-executive Directors Professor WONG Lung Tak, Patrick, *BBS, PhD, J.P.* and Mr. CHAN Kin Sang were appointed by the Company for a term of three years commencing from 19 June 2010. Mr. WANG John Peter Ben was first appointed as non-executive Director on 21 January 2010 for a term of three years. Professor XIAO Rong Ge was first appointed as independent non-executive Director on 21 January 2010 for a term of three years.

There is no specific clause in all the service contracts providing for the amount of compensation in case of early termination. Each Director was subject to retirement by rotation and re-election at the Company's annual general meetings in accordance with the Articles.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or proposed Directors had any existing service contract or proposed service contract with any member of the Enlarged Group which will not expire or is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

5. DIRECTORS' INTERESTS IN THE ENLARGED GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE ENLARGED GROUP

As at the Latest Practicable Date, none of the Directors or proposed Directors, directly or indirectly, had any interest in any assets which had since 31 December 2011 (being the date to which the latest published audited financial statements of the Group were made up) been acquired or disposed of by or leased to any member of the Enlarged Group, or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

There was no contract or arrangement subsisting as at the Latest Practicable Date, in which any of the Directors were materially interested and which was significant to the business of the Enlarged Group.

6. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective associates had any interest in a business which competes or may compete with the businesses of the Enlarged Group (as would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them was a controlling shareholder of the Company).

7. QUALIFICATIONS AND CONSENTS OF EXPERTS

The following are the qualifications of the experts who have given opinion or advice which are contained in this circular:

Name	Qualification
CCIF CPA Limited	Certified public accountants
Vigers Appraisals & Consulting Limited	Independent valuer
Roma Appraisals Limited	Independent valuer
Minarco — Mine Consult	Independent technical adviser
Beijing Yida Law Firm	Legal adviser as to the PRC laws

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its report, letter and/or reference to its name or opinion in the form and context in which it appears.

As at the Latest Practicable Date, all the experts above were not beneficially interested in the share capital of any member of the Enlarged Group nor did they have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group.

As at the Latest Practicable Date, all the experts above did not, directly or indirectly, had any interest in any assets which had since 31 December 2011 (being the date to which the latest published audited financial statements of the Group were made up) been acquired or disposed of by or leased to any member of the Enlarged Group, or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

8. MATERIAL CONTRACTS

The Enlarged Group had entered into the following contracts within two years immediately preceding the date of this circular and up to the Latest Practicable Date which are contracts not being in the ordinary course of business of the Company or may be material:

The Group

1. On 2 September 2010, China Precious Metal Resources Co., Limited ("**CPMR**"), being a wholly-owned subsidiary of the Company, as the purchaser, entered into a sale and purchase agreement with Simple Best Limited ("**Simple Best**") as the vendor, pursuant to which the purchaser conditionally agreed to purchase and the vendor conditionally agreed to sell the entire issued share capital of Decent Connection Overseas Limited **("Decent")** at a consideration of HK$1,380,000,000, further details of which are set out in the announcement of the Company dated 2 September 2010.

2. On 2 September 2010, CPMR as the assignee, entered into the assignment of loan in connection with the acquisition mentioned in (1) above with Simple Best as the assignor, pursuant to which the assignor unconditionally agreed to assign the loan of HK$34,239,490 owed by Decent to the assignor, to the assignee at no consideration.

3. On 16 September 2010, 欒川縣金興礦業有限責任公司 (Luanchuan County Jinxing Mining Co., Ltd.*) ("**Luanchuan Company**"), a subsidiary indirectly owned by the Company, entered into two agreements with the Nineth Group ("**the Nineth Group**") and the Sixth Group ("**the Sixth Group**"), both being Independent Third Parties, of Kangshan Village of Baitu Town*（白土鄉康山村九組和六組）respectively on matters concerning the compensation of a land legally occupied by Luanchuan Company. According to the two aforesaid agreements, the respective parties thereto agreed that Luanchuan Company shall pay RMB18,000 and RMB20,000 per annum to the Nineth Group and the Sixth Group respectively as annual compensation award. The said two agreements shall be valid from 16 September 2010 to 15 September 2013.

4. On 29 September 2010, CPMR as the purchaser, entered into a supplemental agreement with Simple Best as the vendor and its guarantor in relation to the change of the terms of the convertible notes under the sale and purchase agreement dated 2 September 2010.

5. On 21 December 2010, CPMR as the purchaser, entered into a sale and purchase agreement (as further amended by a supplemental agreement dated 6 February 2012) with Eastgold Capital Limited ("**Eastgold**") as the vendor, pursuant to which the purchaser conditionally agreed to purchase and the vendor conditionally agreed to sell the entire issued share capital of Wah Heen Holdings Limited at a consideration of HK$1,180,000,000, further details of which are set out in the announcement of the Company dated 21 December 2010.

6. On 21 December 2010, CPMR as the assignee, entered into the assignment of loan in connection with the acquisition mentioned in (5) above with Eastgold as the assignor, pursuant to which the assignor unconditionally agreed to assign the loan of RMB20,000,000 owed by Eastgold to the assignor, to the assignee at no consideration.

7. On 22 August 2011, the Company executed a warrant instrument, pursuant to which the Company has issued HK$93,480,000 in face value warrants which will entitle the warrantholders to subscribe for new Shares at HK$2.10 per Share (subject to adjustment from time to time). The warrant instrument was executed in consideration of the facility made available by Raiffeisen Bank International AG, Labuan Branch pursuant to a facility agreement in respect of a facility of US$40,000,000. The issue price of the warrants is nil.

8. On 16 January 2012, the Group entered into an agreement with China Resources SZITIC Trust Co., Ltd (華潤深國投信托有限公司) ("**China Resources**"), pursuant to which China Resources agreed to lend the Group a loan of RMB300 million which is secured by a mining right of the Group and fixed assets of a subsidiary of the Group, and the guarantees given by Mr. Chang Yim Yang, an executive Director.

9. On 6 February 2012, CPMR as the purchaser, entered into a supplemental agreement with Eastgold as the vendor, pursuant to which the purchaser and the vendor agreed to revise the payment terms under the sale and purchase agreement mentioned in (5) above.

10. On 25 April 2012, Decent, being a wholly-owned subsidiary of the Company as the issuer, Hongkong T&R Mining Investment Limited, being a wholly-owned subsidiary of Decent as the guarantor, CPMR, the Company as the guarantor, and Components and Materials M&A Private Equity Fund as the investor, entered into a share purchase agreement, pursuant to which Decent agreed to issue and allot 50,000,000 redeemable preferred shares to the investor at the subscription amount of US$50,000,000, all of which shall be redeemable on the 5th anniversary of the issue date.

11. On 12 June 2012, the Company executed a warrant instrument, pursuant to which the Company has issued HK$116,400,000 in face value warrants which will entitle the warrantholders to subscribe for new Shares at HK$2.10 per Share (subject to adjustment from time to time) in consideration of the share purchase agreement mentioned in (10) above. The issue price of the warrants is nil.

12. The Sale and Purchase Agreement.

The Target Group

1. On 6 March 2012, 鎮沅縣農村信用合作社(Zhenyuan County Rural Credit Cooperatives*) as the lender and the Mining Company as the borrower entered into a working capital revolving loan agreement, pursuant to which the Mining Company borrowed a revolving loan of a limit of RMB5 million for working capital for a period of one year from the date of the said loan agreement.

9. LITIGATION

As at the Latest Practicable Date, no member of the Enlarged Group was engaged in any litigation or claims of material importance known to the Directors to be pending or threatened against any member of the Enlarged Group.

10. GENERAL

(a) The registered address of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

(b) The head office and principal place of business of the Company in Hong Kong is at Rooms 3107-9, Shun Tak Centre West Tower, 200 Connaught Road Central, Hong Kong.

(c) The company secretary of the Company is Ms. Yim Siu Hung ("**Ms. Yim**"). Ms. Yim holds a degree in law and a degree in accountancy. She is an associate member of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. She has years of extensive experience in the company secretarial sector and has worked for international accounting and law firms and listed companies in Hong Kong.

(d) In the event of any inconsistency, the English text of this circular shall prevail over the Chinese text.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during business hours at the head office and principal place of business of the Company at Rooms 3107-9, Shun Tak Centre West Tower, 200 Connaught Road Central, Hong Kong from the date of this circular up to and including the date of EGM:

(a) the Articles and memorandum of association of the Company;

(b) the Sale and Purchase Agreement;

(c) the technical report as set out in Appendix V to this circular;

(d) the valuation reports as set out in Appendices VI and VII to this circular;

(e) the annual reports of the Company for the financial years ended 31 December 2011 and 31 December 2010; and

(f) the accountants' reports on the Target Group and the Mining Company as set out in Appendices II-A and II-B to this circular respectively;

(g) the report on unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this circular;

(h) all the agreements/contracts as referred to in this circular;

(i) the written consents from the experts as referred to under the section headed "Qualifications and consents of experts" in this appendix; and

(j) this circular.

CHINA PRECIOUS METAL RESOURCES HOLDINGS CO., LTD.
中國貴金屬資源控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 1194)

NOTICE IS HEREBY GIVEN THAT the extraordinary general meeting of China Precious Metal Resources Holdings Co., Ltd. (the "**Company**") (the "**EGM**") will be held at Kennedy Room, Level 7, Conrad Hotel, Pacific Place, 88 Queensway, Hong Kong on Friday, 12 October 2012 at 11:00 a.m. for the purpose of considering and, if thought fit, passing, with or without modification, the following resolution as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. "**THAT** the sale and purchase agreement (the "**Agreement**") dated 6 July 2012 entered into among China Precious Metal Resources Co., Limited, as the purchaser (the "**Purchaser**"), Premium Wise Inc. as the vendor (the "**Vendor**"), and Mr. Deng Baicheng (鄧百成), Ms. Lau Kin Hung (劉建紅) and Mr. Kam Chuen (甘泉) (collectively the guarantors) in relation to the acquisition of the entire issued share capital of Sinowise Century Limited at an aggregate consideration of RMB1,988 million (equivalent to approximately HK$2,445.24 million) (the "**Acquisition**"), upon the terms and subject to the conditions set out in the Agreement (a copy of which has been produced at the EGM and marked "A" and initialed by the chairman of the EGM for identification purpose) be and is hereby ratified, approved, and confirmed";

2. "**THAT** subject to and conditional upon the passing of resolution no.1 above, the board of directors (the "**Director(s)**") (the "**Board**") of the Company be and is hereby authorised to allot and issue up to 867,106,382 consideration shares at an issue price of HK$1.41 (the "**Consideration Shares**") to the Vendor for the purpose of satisfying part of the consideration for the Acquisition"; and

3. "**THAT** any one Director be and is/are hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/her/them to be incidental to, ancillary to or in connection with the matters contemplated in or relating to the Agreement and the issue and allotment of the Consideration Shares as he/she/they may consider necessary, desirable or expedient."

By order of the Board
China Precious Metal Resources Holdings Co., Ltd.
LAM Cham
Chairman

Hong Kong, 24 September 2012

Head office and principal place of business in Hong Kong:
Room 3107-9
Shun Tak Centre West Tower
200 Connaught Road Central
Hong Kong

Notes:

1. Any member entitled to attend and vote at the EGM shall be entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a member.

2. Where there are joint holders of any Share, any one of such joint holder may vote either in person or by proxy in respect of such Share as if he was solely entitled thereto, but if more than one of such joint holders be present at the EGM, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the principal register and where applicable, any branch register of members of the Company to be maintained at such place within or outside the Cayman Islands as the Board shall determine from time to time in respect of the joint holding.

3. The form of proxy and (if required by the Board) the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, shall be delivered to the Company's Hong Kong branch share register, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the EGM or adjourned meeting at which the person named in the form of proxy proposes to vote and in default the form of proxy shall not be treated as valid.

4. The form of proxy for use at the EGM is enclosed herewith.