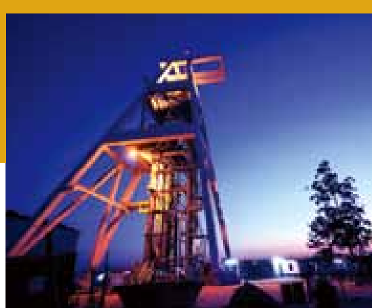
中國有色礦業有限公司

China Nonferrous Mining Corporation Limited

(Incorporated in Hong Kong with limited liability)

Stock Code: 01258

2012 ANNUAL REPORT



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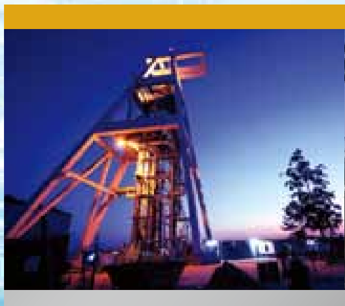
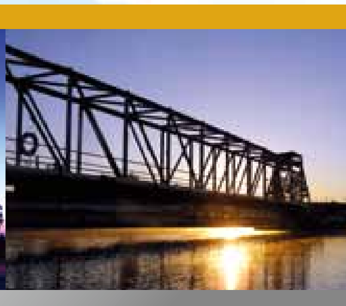
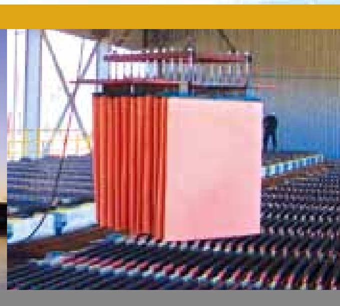

CORPORATE INFORMATION

REGISTERED OFFICE

Room 1201, Allied Kajima Building
138 Gloucester Road
Wanchai, Hong Kong

PRINCIPAL PLACE OF BUSINESS IN ZAMBIA

32 Enos Chomba Road
Kitwe, Zambia

COMPANY'S WEBSITE

www.cnmcl.net

STOCK CODE

1258

DIRECTORS

Non-Executive Director

Mr. Tao Luo *(Chairman)*

Executive Directors

Mr. Xinghu Tao *(Vice Chairman and President)*
Mr. Chunlai Wang *(Vice President)*
Mr. Xingeng Luo *(Vice President)*
Mr. Xinguo Yang *(Vice President)*
Mr. Kaishou Xie *(Vice President)*

Independent Non-Executive Directors

Mr. Chuanyao Sun
Mr. Jingwei Liu
Mr. Shuang Chen

CORPORATE INFORMATION (CONTINUED)

THE COMMITTEES OF THE BOARD

Audit Committee

Mr. Jingwei Liu *(Chairman)*
Mr. Tao Luo
Mr. Shuang Chen

Nomination Committee

Mr. Chuanyao Sun *(Chairman)*
Mr. Tao Luo
Mr. Jingwei Liu

Remuneration Committee

Mr. Shuang Chen *(Chairman)*
Mr. Tao Luo
Mr. Chuanyao Sun

Compliance Committee

Mr. Tao Luo *(Chairman)*
Mr. Shuang Chen
Mr. Chuanyao Sun

JOINT COMPANY SECRETARIES

Mr. Aibin Hu
Ms. Man Yi Wong *(ACIS, ACS)*

LEGAL ADVISER

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HONG KONG SHARE REGISTRAR

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Investor Services Limited
Shops 1712-1716, 17th Floor
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Wanchai, Hong Kong

CHAIRMAN'S STATEMENT

Dear Shareholders,

I would like to extend my heartfelt gratitude to the Shareholders and friends across all sectors for your care, support and help towards China Nonferrous Mining Corporation Limited (the "Company"). As the Chairman of the Company, I would also like to present the results of the Group for the year ended 31 December 2012 to all the Shareholders.

With the support form Shareholders, the Company was successfully listed in Hong Kong on 29 June 2012, becoming the first company to list African assets in the Hong Kong capital market.

With hard work and diligence, we grew amid challenging environment. The Company demonstrated a healthy growth momentum in spite of a weak global nonferrous metals market since the Company's Listing in 2012. In 2012, the Company produced 44,649 tonnes of contained copper in concentrate, 175,280 tonnes of blister copper, 22,315 tonnes of copper cathode and 423,494 tonnes of sulfuric acid, representing a year on year increase of 13.7%, 16.2%, 218.7% and 28.7%, respectively. The Group recorded operating revenue of US$1,532.3 million, net profit of US$168.0 million and profit attributable to owners of the Company of US$98.5 million, representing a year on year increase of 19.3%, 62.7% and 40.7% respectively. Consolidated gross profit margin was 18.5%, up 3.8% year on year. Basic earnings per share was approximately US¢3.23, representing an increase of 20.1% from US¢2.69 in 2011. With the Company's stock gaining more and more recognition among investors, the Share price shows a healthy trend, indicating huge growth potential of the Company.

Hand in hand, we will scale new heights in our growth. Under the care and support from all the Shareholders and friends from all sectors, the management team of the Company will continue to promote our excellent corporate culture cultivated over 15 years of operation in Zambia, enhance our strength as a vertically integrated copper producer, strengthen our corporate governance in strict compliance with the requirements of the Hong Kong Stock Exchange, further optimise industrial distribution, facilitate industrial upgrade, improve management skills, vigilantly comply with regulatory obligations, and steadily enhance the quality and efficiency of our operations. We have confidence in building the Company into a world-class listed company with excellent business performance, high returns and positive corporate image.

Tao LUO
Chairman
China Nonferrous Mining Corporation Limited

19 March 2013

RESULTS HIGHLIGHTS

A STRONG GROWTH IN OPERATING RESULTS

In 2012, the Group recorded revenue of US$1,532.3 million, representing a strong growth of 19.3% year on year.

In 2012, the Group recorded profit attributable to owners of the Company of US$98.5 million, up 40.7% year on year.

In 2012, net cash flows generated from the operating activities of the Group amounted to US$176.4 million, up 4.7% year on year.

RAPID GROWTH IN PRODUCT OUTPUT

In 2012, the Group produced 175,280 tonnes of blister copper, up 16.2% year on year.

In 2012, the Group produced 22,315 tonnes of copper cathode, up 218.7% year on year.

In 2012, the Group produced 423,494 tonnes of sulfuric acid, up 28.7% year on year.

STEADY PROGRESS IN PROJECT DEVELOPMENT

The Congo Huachin Leach Project commenced production officially.

The agitation system of Muliashi Project was completed and put into operation.

Phase II of the Expansion Project of CCS are in vigorous progress.

The environmental impact assessment report for the integrating exploration and construction project of the Chambishi Southeast Mine was official approved by Zambia Environmental Management Agency in September 2012.

Mabende Project, Mwambashi Mine Project and other projects under construction progressed smoothly.

FINANCIAL REVIEW

Results of Operations

The following table sets forth sales volume, average selling price, revenue and percentage contribution to total revenue of the products of the Group during the years indicated.

	For the year ended 31 December							
	2012				2011			
	Sales Volume [1] (Tonnes)	**Average Selling Price (US$ per tonne)**	**Revenue (US$'000)**	**% of Total Revenue (%)**	Sales Volume (Tonnes)	Average Selling Price (US$ per tonne)	Revenue (US$'000)	% of Total Revenue (%)
Blister copper	**166,143**	**7,957**	**1,321,923**	**86.3%**	147,794	8,030	1,186,840	92.5%
Copper cathode	**20,337**	**7,233**	**147,102**	**9.6%**	7,004	8,313	58,223	4.5%
Sulfuric acid	**359,678**	**176**	**63,290**	**4.1%**	338,208	115	38,843	3.0%
Total			**1,532,315**	**100.0%**			1,283,906	100.0%

Note: (1) The sales volumes of all the products (except for sulfuric acid) are on a contained-copper basis.

Revenue

The revenue of the Group increased by 19.3% from US$1,283.9 million in 2011 to US$1,532.3 million in 2012. The Company's business was impacted to some extent by the decline amidst fluctuations in international copper prices since the second half of 2012. However, due to the noticeable growth in the sales volume of blister copper and sulfuric acid of CCS, together with the increase in production and sales volume of copper cathode as a result of the commencement of production of the Congo Huachin Leach Project and the agitation leaching system of Muliashi Project, the Company was still able to maintain an impressive growth in revenue in 2012. In 2012, the Group's revenue from blister copper, copper cathode and sulfuric acid accounted for 86.3%, 9.6% and 4.1%, respectively, of the total revenue.

The revenue from blister copper increased by 11.4% from US$1,186.8 million in 2011 to US$1,321.9 million in 2012. Due to the decline in international copper prices, the average selling price of blister copper decreased by 0.9% from US$8,030 per tonne in 2011 to US$7,957 per tonne in 2012. Notwithstanding this, the Group managed to increase the production volume of blister copper through enhanced internal management and technological renovation in 2012, ensuring the increase of revenue from blister copper. In addition, CCS had a full-year operation in 2012 as compared with one-month suspension of production due to routine maintenance of ISA furnace in June 2011, which also led to the increase in the production volume of blister copper of CCS in 2012 as compared with 2011. The sales volume of blister copper of CCS in 2012 amounted to 166,143 tonnes, representing an increase of 12.4% from 2011.

RESULTS HIGHLIGHTS (CONTINUED)

The revenue from copper cathode increased significantly by 152.7% from US$58.2 million in 2011 to US$147.1 million in 2012. The sales volume of copper cathode increased by 190.4% from 7,004 tonnes in 2011 to 20,337 tonnes in 2012, which was attributable to the significant increase in production volume of copper cathode of the Congo Huachin Leach Project and the agitation leaching system of Muliashi Project since their commencement of production in 2012, partially offset by the decrease in production volume of SML due to the routine repair and maintenance of the electrolytic cells. Although the average selling price of copper cathode, due to the decline in international copper prices, decreased by 13.0% from US$8,313 per tonne in 2011 to US$7,233 per tonne in 2012, the revenue from copper cathode still increased significantly due to the significant increase in the production volume of copper cathode. In addition, the heap leaching system of Muliashi Project has commenced heap construction, further bolstering the growth potential of the Group's production capacity of copper cathode in the future.

The revenue from sulfuric acid increased by 63.0% from US$38.8 million in 2011 to US$63.3 million in 2012, primarily attributable to:

(1) the increase in the production volume of blister copper in 2012 as compared with that in 2011, which in turn increased the production volume and accordingly the sales volume of sulfuric acid, a by-product generated during the production of blister copper, by 6.3% from 338,208 tonnes in 2011 to 359,678 tonnes in 2012; and

(2) an increase of 53.0% in average selling price of sulfuric acid of the Group from US$115 per tonne in 2011 to US$176 per tonne in 2012 in line with the increase in local market price of sulfuric acid.

Cost of sales

The following table sets forth the cost of sales, unit cost of sales, gross profits and gross profit margins of the products of the Group during the years indicated.

	For the year ended 31 December							
	2012				2011			
	Cost of Sales *(US'000)*	**Unit Cost of Sales** *(US$ per tonne)*	**Gross Profit** *(US'000)*	**Gross Profit Margin** *(%)*	Cost of Sales *(US'000)*	Unit Cost of Sales *(US$ per tonne)*	Gross Profit *(US'000)*	Gross Profit Margin *(%)*
Blister copper	**1,144,335**	**6,888**	**177,588**	**13.4%**	1,059,694	7,170	127,146	10.7%
Copper cathode	**94,501**	**4,647**	**52,601**	**35.8%**	25,974	3,709	32,249	55.4%
Sulfuric acid	**10,529**	**29**	**52,761**	**83.4%**	9,980	30	28,863	74.3%
Total	**1,249,365**		**282,950**	**18.5%**	1,095,648		188,258	14.7%

The cost of sales increased by 14.0% from US$1,095.6 million in 2011 to US$1,249.4 million in 2012, primarily due to the increased total costs as a result of the growth in sales volume of blister copper, partially offset by the decrease in international copper prices.

The cost of sales of blister copper increased by 8.0% from US$1,059.7 million in 2011 to US$1,144.3 million in 2012, primarily due to the increase in the sales volume of blister copper of CCS in 2012 over the same period of 2011, partially offset by a decrease of 3.9% in unit cost of sales of blister copper from US$7,170 per tonne in 2011 to US$6,888 per tonne in 2012 as a result of the lower price of copper concentrate purchased from external suppliers attributable to the decrease in international copper prices in 2012.

The cost of sales of copper cathode increased by 263.8% from US$26.0 million in 2011 to US$94.5 million in 2012, primarily due to an increase of 190.4% in the sales volume of copper cathode, coupled with an increase in the unit cost of sales of copper cathode from US$3,709 per tonne in 2011 to US$4,647 per tonne in 2012 as a result of a higher proportion of materials purchased from external supplier for the agitation leaching system of Muliashi Project which was newly put into production.

The cost of sales of sulfuric acid increased by 5.5% from US$10.0 million in 2011 to US$10.5 million in 2012, primarily due to an increase of 6.3% in sales volume of sulfuric acid in 2012 over the same period of 2011, partially offset by a decrease of 0.7% in unit cost of sales from US$30 per tonne in 2011 to US$29 per tonne in 2012.

Gross profit and gross profit margin

The Group recorded a gross profit of US$283.0 million in 2012, representing an increase of 50.3% from US$188.3 million in 2011. The gross profit margin increased by 3.8% from 14.7% in 2011 to 18.5% in 2012. The increases were mainly attributable to the increase in sales volumes of the Group's products, partially offset by the drop in international copper prices and increased volume of copper purchased from external suppliers.

The gross profit margin of blister copper increased from 10.7% in 2011 to 13.4% in 2012, primarily attributable to the following: (1) the lowered fixed costs due to the enhanced economy of scale in the production of blister copper as a result of the increase in the production volume of blister copper, which lowered the unit cost of production of blister copper; and (2) the increased proportion of the blister copper sold by the Group to CNMC International Trade and Yunnan Copper Group to the total sales of blister copper (the terms of the sales contracts entered into by the Group with CNMC International Trade and Yunnan Copper Group determined that the selling prices to these two parties, inclusive of cost, insurance and freight expenses, were higher than the average selling prices to other customers of the Group determined on an Ex Works (EXW) basis), partially offset by the decrease in the average selling price of blister copper in line with the decline in international copper prices which decreased the average selling price of the copper sales of the Group's own mines.

RESULTS HIGHLIGHTS (CONTINUED)

The gross profit margin of copper cathode decreased by 19.6% from 55.4% in 2011 to 35.8% in 2012, primarily due to the decline in international copper prices, coupled with the higher proportion of external copper purchase by the agitation leaching system of the Company's Muliashi Project at the initial stage since it commenced production which lowered the overall gross profit margin of the Company's copper cathode. However, the Company expects an improved gross profit margin for its Muliashi Project as the proportion of self-produced copper increases.

The gross profit margin of sulfuric acid increased from 74.3% in 2011 to 83.4% in 2012, primarily attributable to a sharp increase of 53.3% in average selling price, coupled with a decrease of 0.7% in unit cost of sales of sulfuric acid.

Distribution and selling expenses

The distribution and selling expenses of the Group increased by 24.9% from US$27.9 million in 2011 to US$34.9 million in 2012, primarily due to an increase in transportation and freight expenses as well as insurance expenses as a result of the increase in blister copper sold to CNMC International Trade and Yunnan Copper Group in 2012 as compared with that in 2011.

Administrative expenses

The administrative expenses increased by 26.1% from US$37.0 million in 2011 to US$46.6 million in 2012, primarily due to the increases in, among others, salary expenses and travel expenses as a result of the expansion of operations.

Finance costs

The finance costs of the Group decreased by 35.6% from US$9.2 million in 2011 to US$6.0 million in 2012, primarily due to an increased proportion of the balance of project loans to the total loans of the Group and a decreased proportion of current borrowings in 2012, which led to the increase in interest expenses being capitalised during the reporting period.

Gains/Loss from change in fair value of derivatives

The gains from change in fair value of derivatives decreased by 91.0% from US$10.4 million in 2011 to US$0.9 million in 2012. The Group entered into copper futures contracts to hedge its net exposure to the copper price fluctuations due to the timing difference between the time it expects to procure copper concentrate from external suppliers and the time it expects to sell blister copper to external customers. In 2012, the Group entered into less future contracts in light of market conditions and the copper price fluctuations were less volatile than those in 2011, which led to a smaller gain from change in fair value of derivatives.

Other expenses

Other expenses of the Group decreased by 7.9% from US$11.0 million in 2011 to US$10.1 million in 2012, primarily due to a decrease in costs for operating hospitals and schools from US$3.2 million in 2011 to US$0.8 million, a decrease in exchanges loss from US$4.7 million in 2011 to US$2.9 million, and no bad debt loss in 2012 as compared to a bad debt loss of US$1.2 million in 2011, partially offset by an increase of US$3.6 million in expenses related to the Listing from US$2.3 million in 2011 to US$5.9 million for the reporting period as a result of the completion of the Listing of the Company in 2012.

Income tax expense

The income tax expense of the Group increased by 64.5% from US$15.0 million in 2011 to US$24.7 million in 2012. The effective tax rate increased by 0.1% from 12.7% in 2011 to 12.8% in 2012.

Profit and net profit margin attributable to owners of the Company

As a result of the foregoing, the profit attributable to owners of the Company increased by 40.7% from US$70.0 million in 2011 to US$98.5 million in 2012. Net profit margins attributable to owners of the Company (being the profit attributable to the owners of the Company as a percentage of revenue) were 5.5% in 2011 and 6.4% in 2012 respectively.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows

The following table sets forth certain information regarding the consolidated statements of cash flows of the Group for the periods indicated:

	For the year ended 31 December	
	2012	2011
	(US$'000)	*(US$'000)*
Net cash from operating activities	**176,348**	168,509
Net cash used in investing activities	**(187,760)**	(412,420)
Net cash from financing activities	**58,648**	126,468
Net increase/(decrease) in cash and cash equivalents	**47,236**	(117,443)
Cash and cash equivalents at beginning of the year	**217,303**	336,789
Effect of foreign exchange rate changes	**184**	(2,043)
Cash and cash equivalents at end of the year	**264,723**	217,303

RESULTS HIGHLIGHTS (CONTINUED)

Net cash flows from operating activities

Cash inflows from operating activities are primarily attributable to the sales revenue of copper products and cash outflows are primarily attributable to various operating expenses. Net cash flows generated from the operating activities of the Group increased by 4.7% from US$168.5 million in 2011 to US$176.3 million in 2012, primarily attributable to an increase of 62.9% in the total profit before tax of the Company from US$118.3 million in 2011 to US$192.8 million in 2012, partially offset by the larger increase in inventories in 2012.

Net cash flows used in investing activities

Cash outflows used in investing activities are mainly for the purchase of properties, plants and equipment for copper production. The net cash flows used in investing activities of the Group decreased by 54.5% from US$412.4 million in 2011 to US$187.8 million in 2012, primarily due to the relatively large-scale investment in the in-depth exploration project of the Main Mine at NFCA in 2011. In addition, after the completion of investments in the Congo Huachin Leach Project, the Muliashi Project and the Baluba Center Mine, investments in the reporting period declined comparatively. However, given that a number of the Group's projects are still under construction, the cash investments in fixed assets are expected to remain at a high level. The Group plans to continuously increase the investments in fixed assets, thus underpinning the long-term growth in the results of the Group.

Net cash flows from financing activities

The net cash flows generated from financing activities of the Group in 2012 were US$58.6 million. The cash inflows from financing activities primarily consist of new bank and other borrowings as well as proceeds from capital increase. The cash outflows from financing activities primarily consist of repayments for bank and other borrowings, dividend payments and interest payments. The decrease in cash flows generated from financing activities in 2012 was primarily attributable to the decrease in the balance of bank loans and increase in dividends payment to minority shareholders, partially offset by the proceeds raised from the Company's Global Offering.

Bank balances and cash

The Group's bank balances and cash (including cash, time deposits and demand deposits) increased by US$47.4 million from US$217.3 million as at 31 December 2011 to US$264.7 million as at 31 December 2012.

Trade receivables

The trade receivables of the Group increased by US$24.5 million from US$95.8 million as at 31 December 2011 to US$120.3 million as at 31 December 2012, which is in line with the expansion of the Group's operations.

Inventories

The inventories held by the Group increased by US$166.1 million from US$164.3 million as at 31 December 2011 to US$330.4 million as at 31 December 2012, primarily due to (1) an increase of US$77.7 million in the inventories of finished products in transit as at 31 December 2012 compared to that as at 31 December 2011 as a result of increased sales to the far east region; and (2) an increase of US$80.6 million in the inventories of raw materials of the Group as at 31 December 2012 compared to that as at 31 December 2011 due to changes in the production plan and the market trend.

Trade payables

In line with the expansion of the Group's operations, trade payables of the Group increased by US$84.7 million from US$107.4 million as at 31 December 2011 to US$192.1 million as at 31 December 2012.

Capital expenditure

	For the year ended 31 December	
	2012	2011
	(US$'000)	*(US$'000)*
Mining and ore processing facilities at NFCA	**40,026**	87,109
Mining and ore processing facilities at Luanshya (Baluba Center Mine)	**15,874**	14,696
Smelting facilities at CCS	**70,750**	37,672
Leaching facilities at SML	**11,991**	45,307
Mining and leaching facilities at Luanshya (Muliashi Project)	**63,313**	214,474
Total	**201,954**	399,258

The total capital expenditure of the Group decreased from US$399.3 million in 2011 to US$202.0 million in 2012. During the reporting period, the capital expenditure of the Group was primarily used in the Muliashi Project and phase II of the expansion project of CCS.

RESULTS HIGHLIGHTS (CONTINUED)

MARKET RISK DISCLOSURE

In the normal course of business, the Group's market risks mainly comprise commodity price risk, foreign exchange risk and interest rate risk.

Commodity price risk

The Group's commodity price risk is mainly the exposure to fluctuations in the market price of copper which affect the prices of the major commodities purchased, produced and sold by the Group. To mitigate this risk, the Group has entered into copper futures contracts and provisional price arrangement to manage its exposure in relation to forecasted sales of copper products, forecasted purchase of copper concentrate, inventories and the Group's commitment to sell its copper products.

Foreign currency exchange risk

The Group operates business in Zambia and most of its sales and purchases in the past were denominated in US dollar, its functional currency, while certain sales and purchases were settled in currencies other than its functional currency (mainly Zambia Kwacha, or ZMK, and Reminbi, or RMB), which exposed the Group to foreign currency risk. In addition, according to the latest policies of Zambian government, all sales and purchases in Zambia are required to be quoted and paid in ZMK, which affects the Group's business operation. During the reporting period, the Group did not engage in any foreign currency hedging activities. The Group minimized the effect of such risk primarily through fixing the transactions price at the same timing.

Interest rate risk

The Group is exposed to interest rate risk of cash flow under the impact of interest rates changes of interest-bearing financial assets and liabilities which mainly include interest-bearing restricted bank balances, bank balances and bank and other borrowings at variable interest rates. The Group currently does not have any interest rate hedging policy. However, the Directors of the Group will consider hedging significant interest rate risk should the need arise.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

In 2012, despite the adverse impact from market fluctuations, the Group maintained a strong growth momentum in business development with results of operations amounting to new highs.

During the reporting period, the Group saw a further increase in its production and sales volume and achieved revenue of US$1,532.3 million, representing an increase of 19.3% over the same period in the previous year. The profit attributable to owners of the Company amounted to US$98.5 million, representing a significant growth of 40.7% over the same period in the previous year.

Meanwhile, the Congo Huachin Leach Project and the agitation leaching system of Muliashi Project of the Group commenced production respectively during the reporting period, improving the Group's competitiveness with significantly enhanced production capacities. The other construction projects of the Group, including phase II of the expansion project of CCS and the integrated exploration and construction project of the Chambishi Southeast Mine were also progressing smoothly, underpinning the Group's business growth in the future.

On 29 June 2012, the Company was successfully listed on the Main Board of the Hong Kong Stock Exchange and proceeds raised from the Global Offering have been and will be used by the Group for the operations in Zambia, such as exploration and development of mines, construction of smelting plants, repayment of bank loans and replenishment of working capital.

BUSINESS REVIEW

The Group is a leading, fast growing and vertically integrated copper producer, focusing on the mining, ore processing, leaching, smelting and sales of copper, based in Zambia. The Group also produces sulfuric acid, a by-product generated during the blister copper smelting process.

The businesses of the Group are carried out mainly through its four subsidiaries in Zambia: NFCA, Luanshya, CCS and SML. SML has three joint venture subsidiaries, namely Kakoso Company located in Zambia, Huachin and CNMC-Mabende located in the DRC.

In 2012, blister copper and copper cathode produced by the Group amounted to 175,280 tonnes and 22,315 tonnes respectively, representing increases of 16.2% and 218.7% respectively, over the same period in the previous year; and the sulfuric acid generated increased by 28.7% over the same period in the previous year to 423,494 tonnes. These production growths have spurred a growth of 19.3% in revenue of the Group from US$1,283.9 million in 2011 to US$1,532.3 million in 2012.

RESOURCES AND RESERVES

As at 31 December 2012, the Group's ore reserves and mineral resources reported in accordance with the JORC Code, as adjusted for estimated mining depletion through to year end based on the same assumption as used in the prospectus, were as follows:

(1) Resources

Chambishi Main Mine

	31 December 2012				31 December 2011			
		Average grade				Average grade		
		Total	**Oxide**			Total	Oxide	
JORC category	**Ore** *(Mt)*	**copper**	**copper**	**Cobalt**	Ore *(Mt)*	copper	copper	Cobalt
Measured	**13.57**	**2.28%**	**—**	**—**	5.12	2.50%	—	—
Indicated	**4.77**	**2.15%**	**—**	**—**	5.61	2.49%	—	—
Inferred	**6.06**	**2.25%**	**—**	**—**	8.14	2.42%	—	—

Notes:

1. Geological ore of 1,256,990 tonnes at a grade of 2.32% was consumed in mining activities in 2012.

2. The main mine completed 56 pit drilling holes (坑內鑽探礦孔) of 5,125.62m in 2012.

RESOURCES AND RESERVES *(CONTINUED)*

(1) Resources *(Continued)*

Chambishi West Mine

	31 December 2012				31 December 2011			
		Average grade				Average grade		
JORC category	**Ore** *(Mt)*	**Total copper**	**Oxide copper**	**Cobalt**	Ore *(Mt)*	Total copper	Oxide copper	Cobalt
Oxide ore								
Measured	**3.59**	**2.03%**	**1.06%**	**—**	—	—	—	—
Indicated	**1.35**	**1.86%**	**0.99%**	**—**	6.18	1.86%	1.11%	—
Inferred	**0.24**	**2.21%**	**1.33%**	**—**	—	—	—	—
Sulfide Ore								
Measured	**10.69**	**2.01%**	**—**	**—**	6.19	1.83%	—	—
Indicated	**7.91**	**2.13%**	**—**	**—**	19.08	2.13%	—	—
Inferred	**14.32**	**2.20%**	**—**	**—**	17.32	2.09%	—	—

Notes:

1. Geological ore of 1,189,420 tonnes at a grade of 2.12% was consumed in mining activities in 2012.
2. The Chambishi West Mine completed 3 surface drilling holes (地表鑽探孔) of 1,959.51m, and 31 pit drilling holes (坑內鑽探礦孔) of 2,816.91m in 2012.
3. Certain resources of the Chambishi West Mine were re-classified into the Chambishi Main Mine.

Chambishi Southeast Mine

	31 December 2012				31 December 2011			
		Average grade				Average grade		
JORC category	**Ore** *(Mt)*	**Total copper**	**Oxide copper**	**Cobalt**	Ore *(Mt)*	Total copper	Oxide copper	Cobalt
Measured	**—**	**—**	**—**	**—**	—	—	—	—
Indicated	**47.41**	**2.19%**	**—**	**0.10%**	35.43	2.30%	—	0.12%
Inferred	**102.37**	**1.87%**	**—**	**0.11%**	125.56	1.82%	—	0.10%

Note: 27 surface drilling holes (地表鑽探孔) of 21,795.54m were completed in 2012.

RESOURCES AND RESERVES *(CONTINUED)*

(1) Resources *(Continued)*

Mwambashi Mine

JORC category	31 December 2012 Ore (Mt)	31 December 2012 Average grade Total copper	31 December 2012 Average grade Oxide copper	31 December 2012 Cobalt	31 December 2011 Ore (Mt)	31 December 2011 Average grade Total copper	31 December 2011 Average grade Oxide copper	31 December 2011 Cobalt
Measured	**0.82**	**2.22%**	**0.91%**	**—**	0.82	2.22%	0.91%	—
Indicated	**8.38**	**2.00%**	**0.75%**	**—**	8.38	2.00%	0.75%	—
Inferred	**1.77**	**2.10%**	**0.26%**	**—**	1.77	2.10%	0.26%	—

Note: The Mwambashi Mine has two types of resources, namely high-grade and low-grade resources. Only high-grade resources are disclosed herein.

Kakoso Tailings

JORC category	31 December 2012 Ore (Mt)	31 December 2012 Average grade Total copper	31 December 2012 Average grade Oxide copper	31 December 2012 Cobalt	31 December 2011 Ore (Mt)	31 December 2011 Average grade Total copper	31 December 2011 Average grade Oxide copper	31 December 2011 Cobalt
Measured	**—**	**—**	**—**	**—**	—	—	—	—
Indicated	**—**	**—**	**—**	**—**	—	—	—	—
Inferred	**9.08**	**0.60%**	**0.47%**	**—**	9.08	0.60%	0.47%	—

RESOURCES AND RESERVES *(CONTINUED)*

(1) Resources *(Continued)*

Chambishi Tailings and Ore Piles

	31 December 2012				31 December 2011			
		Average grade				Average grade		
		Total	**Oxide**			Total	Oxide	
JORC category	**Ore**	**copper**	**copper**	**Cobalt**	Ore	copper	copper	Cobalt
	(Mt)				*(Mt)*			
Measured	**—**	**—**	**—**	**—**	—	—	—	—
Indicated	**—**	**—**	**—**	**—**	—	—	—	—
Inferred	**1.27**	**1.33%**	**1.08%**	**0.02%**	1.57	1.33%	1.08%	0.02%

Note: Approximately 250,000 tonnes of pile ores and approximately 46,000 tonnes of tailing ores were processed in 2012.

Baluba Center Mine Sulfide

	31 December 2012				31 December 2011			
		Average grade				Average grade		
		Total	**Oxide**			Total	Oxide	
JORC category	**Ore**	**copper**	**copper**	**Cobalt**	Ore	copper	copper	Cobalt
	(Mt)				*(Mt)*			
Measured	**7.36**	**2.18%**	**0.08%**	**0.15%**	0.70	2.33%	0.06%	0.17%
Indicated	**6.57**	**2.09%**	**0.10%**	**0.15%**	15.91	2.25%	0.08%	0.15%
Inferred	**4.28**	**1.52%**	**0.12%**	**0.08%**	3.88	1.91%	0.10%	0.12%

Note: Baluba Center Mine Sulfide consumed geological ore of approximately 1.32 million tonnes in 2012.

RESOURCES AND RESERVES *(CONTINUED)*

(1) Resources *(Continued)*

Muliashi North Mine

	31 December 2012				31 December 2011			
		Average grade				Average grade		
JORC category	**Ore *(Mt)***	**Total copper**	**Oxide copper**	**Cobalt**	Ore *(Mt)*	Total copper	Oxide copper	Cobalt
Measured	**37.89**	**1.07%**	**0.47%**	**0.02%**	38.87	1.14%	0.67%	0.06%
Indicated	**21.44**	**1.03%**	**0.42%**	**0.02%**	22.13	0.98%	0.59%	0.07%
Inferred	**21.29**	**1.00%**	**0.34%**	**0.02%**	20.02	1.18%	0.41%	0.05%

Muliashi South Oxidize

	31 December 2012				31 December 2011			
		Average grade				Average grade		
JORC category	**Ore *(Mt)***	**Total copper**	**Oxide copper**	**Cobalt**	Ore *(Mt)*	Total copper	Oxide copper	Cobalt
Measured	**—**	**—**	**—**	**—**	—	—	—	—
Indicated	**—**	**—**	**—**	**—**	—	—	—	—
Inferred	**4.40**	**1.73%**	**—**	**—**	4.40	1.73%	—	—

Note: No exploration or mining activities were carried out in 2012.

RESOURCES AND RESERVES *(CONTINUED)*

(1) Resources *(Continued)*

Mashiba Mine

	31 December 2012				31 December 2011			
		Average grade				Average grade		
		Total	Oxide			Total	Oxide	
JORC category	**Ore (Mt)**	**copper**	**copper**	**Cobalt**	Ore (Mt)	copper	copper	Cobalt
Measured	**3.17**	**1.89%**	**0.24%**	**0.02%**	3.17	1.89%	0.24%	0.02%
Indicated	**5.67**	**1.96%**	**0.22%**	**0.03%**	5.67	1.96%	0.22%	0.03%
Inferred	**4.97**	**1.67%**	**0.43%**	**0.04%**	4.97	1.67%	0.43%	0.04%

Note: No exploration or mining activities were carried out in 2012.

Baluba East Mine

	31 December 2012				31 December 2011			
		Average grade				Average grade		
		Total	Oxide			Total	Oxide	
JORC category	**Ore (Mt)**	**copper**	**copper**	**Cobalt**	Ore (Mt)	copper	copper	Cobalt
Measured	**6.40**	**1.90%**	**1.00%**	**—**	6.40	1.90%	1.00%	—
Indicated	**27.64**	**0.77%**	**0.31%**	**—**	27.64	0.77%	0.31%	—
Inferred	**3.27**	**1.03%**	**0.37%**	**—**	3.27	1.03%	0.37%	—

Note: No exploration or mining activities were carried out in 2012.

RESOURCES AND RESERVES *(CONTINUED)*

(2) Reserves

Chambishi Main Mine

	31 December 2012				31 December 2011			
		Average grade				Average grade		
		Total	**Oxide**			Total	Oxide	
JORC category	**Ore**	**copper**	**copper**	**Cobalt**	Ore	copper	copper	Cobalt
	(Mt)				*(Mt)*			
Proved	**4.06**	**1.68%**	**—**	**—**	4.13	1.92%	—	—
Probable	**4.19**	**1.68%**	**—**	**—**	4.52	1.92%	—	—

Note: The Chambishi Main Mine produced ore of 1,136,949 tonnes at a grade of 1.67% in 2012.

Chambishi West Mine

	31 December 2012				31 December 2011			
		Average grade				Average grade		
		Total	**Oxide**			Total	Oxide	
JORC category	**Ore**	**copper**	**copper**	**Cobalt**	Ore	copper	copper	Cobalt
	(Mt)				*(Mt)*			
Oxidize								
Proved	**0.31**	**1.90%**	**0.93%**	**—**	—	—	—	—
Probable	**2.76**	**1.74%**	**0.87%**	**—**	4.97	1.43%	0.85%	—
Sulfide								
Proved	**4.94**	**1.78%**	**—**	**—**	4.99	1.41%	—	—
Probable	**15.40**	**1.81%**	**—**	**—**	15.38	1.64%	—	—

Note: The Chambishi West Mine produced ore of 598,917 tonnes at a grade of 1.86% in 2012.

RESOURCES AND RESERVES *(CONTINUED)*

(2) Reserves *(Continued)*

Chambishi Southeast Mine

	31 December 2012				31 December 2011			
		Average grade				Average grade		
		Total	Oxide			Total	Oxide	
JORC category	Ore (Mt)	copper	copper	Cobalt	Ore (Mt)	copper	copper	Cobalt
Proved	—	—	—	—	—	—	—	—
Probable	38.06	2.01%	—	0.10%	29.72	1.98%	—	0.10%

Baluba Center Mine

	31 December 2012				31 December 2011			
		Average grade				Average grade		
		Total	Oxide			Total	Oxide	
JORC category	Ore (Mt)	copper	copper	Cobalt	Ore (Mt)	copper	copper	Cobalt
Proved	5.15	1.57%	0.06%	0.11%	0.58	1.69%	0.04%	0.12%
Probable	4.60	1.50%	0.07%	0.11%	13.18	1.63%	0.06%	0.11%

Muliashi North Mine

	31 December 2012				31 December 2011			
		Average grade				Average grade		
		Total	Oxide			Total	Oxide	
JORC category	Ore (Mt)	copper	copper	Cobalt	Ore (Mt)	copper	copper	Cobalt
Proved	36.75	1.04%	0.46%	0.02%	38.84	1.11%	0.65%	0.06%
Probable	20.80	1.00%	0.41%	0.02%	22.11	0.95%	0.57%	0.07%

RESOURCES AND RESERVES *(CONTINUED)*

(2) Reserves *(Continued)*

Baluba East Mine

	31 December 2012				31 December 2011			
		Average grade				Average grade		
		Total	Oxide			Total	Oxide	
JORC category	**Ore**	**copper**	**copper**	**Cobalt**	Ore	copper	copper	Cobalt
	(Mt)				*(Mt)*			
Proved	**6.38**	**1.81%**	**0.95%**	**0.02%**	6.38	1.81%	0.95%	0.02%
Probable	**27.57**	**0.73%**	**0.30%**	**0.03%**	27.57	0.73%	0.30%	0.03%

Note: No exploration or mining activities were carried out in 2012.

Mashiba Mine

	31 December 2012				31 December 2011			
		Average grade				Average grade		
		Total	Oxide			Total	Oxide	
JORC category	**Ore**	**copper**	**copper**	**Cobalt**	Ore	copper	copper	Cobalt
	(Mt)				*(Mt)*			
Proved	**2.66**	**1.35%**	**0.17%**	**—**	2.66	1.35%	0.17%	—
Probable	**4.76**	**1.40%**	**0.16%**	**—**	4.76	1.40%	0.16%	—

Note: No exploration or mining activities were carried out in 2012.

PRODUCTION OVERVIEW

NFCA

NFCA mainly operates two mines, namely the Chambishi Main Mine and the Chambishi West Mine, and the ancillary processing plant.

In 2012, contained copper in concentrate produced by the Chambishi Main Mine and the Chambishi West Mine amounted to 26,178 tonnes, representing an increase of 12.6% over the same period in the previous year. Such increase in production volume was primarily attributable to the increase in the production volume of the Chambishi West Mine since its commencement of production; and the relay ability gradually coming into being in the depth of the Chambishi Main Mine. In 2012, the production volume maintained steady growth at large.

Luanshya

Luanshya operates two copper mines under production, namely the Baluba Center Mine and the Muliashi North Mine, and the Muliashi Leach Plant.

Contained copper in concentrate produced by the Baluba Center Mine in 2012 amounted to 17,485 tonnes, representing an increase of 9.2% over the same period in the previous year. The major reason is that the ore processed increased with a stable growth in overall production.

The Muliashi Project has a designed production capacity of copper cathode of 40,000 tonnes per annum. Its leach plant has a newly-established agitation leaching system which had completed the infrastructure construction in the first half of 2012. It produced 10,383 tonnes of copper cathode in 2012. Its heap leaching system commenced heap construction at the end of 2012 and is expected to be put into production in the first half of 2013.

CCS

CCS mainly operates the Chambishi Smelting Plant.

In 2012, blister copper and sulfuric acid produced by CCS amounted to 175,280 tonnes and 423,494 tonnes respectively, representing increases of 16.2% and 28.7% respectively, over the same period in the previous year. The increase of production volume was mainly attributable to the one-month suspension of operation of the ISA furnace for routine maintenance by CCS in 2011 which reduced the production volume in 2011. Meanwhile, the Group managed to increase the production volume of blister copper by technological transformation and renovation to fully exploit the potential of existing facilities and systems as well as enhancing internal management, thereby increasing the production volume of sulfuric acid, a by-product generated during the production of blister copper.

PRODUCTION OVERVIEW *(CONTINUED)*

SML

SML mainly operates the Chambishi Leach Plant, and the Congo Huachin Leach Project through Huachin.

Copper cathode produced by SML in 2012 increased by 70.4% to 11,932 tonnes over the same period in 2011. Although copper cathode produced by the Chambishi Leach Plant in 2012 decreased to 5,206 tonnes, primarily due to the routine repair and maintenance of the electrolytic cells, the Congo Huachin Leach Project produced 6,726 tonnes of copper cathode since its commencement of production in February 2012, which has an annual production capacity of 10,000 tonnes of copper cathode and greatly increased the production volume of SML.

Meanwhile, the SML Chambishi Processing Plant also commenced production as scheduled and recorded a production volume of 986 tonnes of contained copper in concentrate in 2012.

The table below sets forth the production volume of the products of the Group and the year-on-year growth for the periods indicated.

	Production volume for 2012 ***(Tonnes)***	Production volume for 2011 *(Tonnes)*	Year-on-year growth *(%)*
Copper concentrate	**44,649**	39,265	13.7%
Blister copper	**175,280**	150,863	16.2%
Copper cathode	**22,315**	7,003	218.7%
Sulfuric acid	**423,494**	328,842	28.7%

Note: The production volumes of all the products are on a contained-copper basis, except for sulfuric acid.

EXPLORATION, DEVELOPMENT AND MINING COST OF THE GROUP

Expenses of exploration, development, and mining activities of the Group for the year ended 31 December 2012 are set out below:

Unit: Million US dollars	Chambishi Main Mine	Chambishi West Mine	Chambishi Southeast Mine	Mwambashi	Kakoso Tailings	Baluba Center Mine	Muliashi North Mine	Lufubu	Total
Exploration activities									
Drilling and analysis	0.42	0.25	6.6	0.9		0.68	0.11	1.13	10.09
Others									
Sub-total	**0.42**	**0.25**	**6.6**	**0.9**		**0.68**	**0.11**	**1.13**	**10.09**
Development activities (including mine construction)									
Purchases of assets and equipment				3.0		4.04			7.04
Civil work for construction of tunnels and roads			23.88			5.28	25.30		54.46
Staff cost			0.62	0.09					0.71
Others			2.9	0.22	0.11	0.72			3.95
Sub-total			**27.4**	**3.31**	**0.11**	**10.04**	**25.30**		**66.16**
Mining activities (excluding ore processing)									
Staff cost	12.14	5.36				22.47	0.23		40.20
Consumables	4.68	2.07				19.84	2.15		28.74
Fuel, electricity, water and other services	4.87	2.15				16.10			23.12
On-site and remote system management									
Non–income taxes, royalties and other governmental charges	10.73	4.74				3.87	2.58		21.92
Others	9.35	4.13							13.48
Sub-contracting charges	48.44	21.40					31.06		100.90
Depreciation	19.06	8.42				7.50	1.26		36.24
Sub-total	**109.27**	**48.27**				**69.78**	**37.28**		**264.60**

PROJECTS UNDER PROGRESS

Phase II of the Expansion Project of CCS

The Group is forging ahead with the construction of phase II of the expansion project of CCS with designed production capacity of 250,000 tonnes of blister copper and 600,000 tonnes of sulfuric acid per annum upon completion. During the reporting period, the Group has completed the construction of a series of renovation and expansion projects of concentrate sheds and series II oxygen stations and put them into use. The slag flotation system, which enables the Group to recover copper from smelting slag, had been established and commenced production in February 2012. In the second half of 2012, there was an expedited progress in the phase II of the expansion project of CCS. The series II sulfuric acid system and the bismuth recovery system from converter smelting gas were completed and put into production, the smelting (refining) main workshop building (including the ancillary span (付跨)) was completed, installation of the 4# converter (major equipment for smelting) and the anode furnace also commenced, and the construction of the converter heat recovery furnace, anode furnace disc casting machine and series III oxygen station was basically completed and gradually progressed to equipment installation. In 2013, the Company plans to complete the construction of the 4# converter and its ancillary facilities, anode furnace and disc casting system, series III oxygen station, the cobalt recovery sulfuration reduction electric furnace system (鈷回收硫化還原電爐系統) and the comprehensive repair workshop, so as to obtain the production capacity of 250,000 tonnes of blister copper per annum.

The Integrating Exploration and Construction Project of the Chambishi Southeast Mine

The Chambishi Southeast Mine Project under development is one of the key mine projects under development of the Company with a designed ore processing capacity of 3,300,000 tonnes per annum and a production capacity of contained copper in concentrate of approximately 63,000 tonnes per annum. The environmental impact assessment report for this project was official approved by Zambia Environmental Management Agency in September 2012, and this project is expected to commence production in 2016.

The 20,000-tonne Mabende Project of Huachin Metals in the DRC

SML is undertaking the Mabende Project through CNMC-Mabende. The quotation inquiries for some large equipment including the semiautomatic ball mill have been completed, and relevant technological agreements have been signed. At present, the Mabende Project has commenced construction, and is expected to be basically completed by the end of 2013.

The 3,000-tonne Kakoso Tailings Development Project

Kakoso Company is undertaking the Kakoso Tailings Development Project. Preliminary work for the Kakoso Tailings Development Project has been completed. Application for relevant land certificates has been submitted and is pending approval from relevant governmental authorities.

In addition, the Group has obtained the mining license of the Mwambashi Mine, and is currently in the process of reviewing the feasibility study report for Luanshya's cobalt recovery project. The Group is also pressing ahead with the preliminary work for Luanshya's slag copper recovery project and the cobalt recovery from smelting slag, aiming at actively expanding our reserve projects to secure a continuous growth of the Company.

HUMAN RESOURCES

As of 31 December 2012, the Group employed a total of 6,159 employees (as of 31 December 2011: 5,137 employees). The total cost of employees reflected in the consolidated statement of comprehensive income amounted to approximately US$85.7 million (in 2011: US$68.9 million). The increase in the cost of employees was attributable to the increase in the number of employees due to expansion of production scale and the growth in average salaries.

2013 OUTLOOK

Strategy and Prospects

In adherence to expanding exploration and development, the Group continued to increase copper and cobalt reserves and resources. Meanwhile, the Group enhanced the capacities in mining and processing businesses as well as in copper leaching and smelting operations. The Group will continue its focus on research and development along the copper production chain, especially in the areas of separation of copper and cobalt and bioleaching technology.

Investment in exploration and development will be further increased. We will push ahead with the construction of the Chambishi Southeast Mine, actively develop new mines including the Mwambashi Mine, pay great attention to and more efforts in expanding the exploration area, as well as exploration in the areas immediately surrounding and in the depth of the existing mines. Meanwhile, the Group will continue to identify suitable acquisition targets in regions with rich copper resources such as the DRC, with an aim to increase the Group's resources.

It is also the Group's aspiration to, through the development of the Muliashi Project, the 20,000-tonne Mabende Project and the phase II of the expansion project of CCS, expand its capacities in copper smelting and leaching operations, increase the proportion of resources generated from its own mines for copper production and ultimately enhance its profitability by tapping into the advantages of vertical integration in operations.

The Group will further improve its management practices, increase investment and stay in strict compliance with relevant laws and regulations in respect of safety and environmental protection. Meanwhile, it will continue with its social responsibilities, maintain a good corporate image, and provide active support to the local economic and social development.

2013 OUTLOOK *(CONTINUED)*

Future Prospects

Looking into 2013, the effect of European debt crisis and the uncertainties in world economic environment will persist. Recovery of U.S. economy has been lackluster, while emerging economies' growths are lower than expected due to their needs for structural adjustments. China has set a lower growth rate for its economy and adopted a moderately tighter monetary policy. All these factors make the economic environment in 2013 more complicated and volatile. As the demand for base metals, particularly copper, has been dampened, a substantial price recovery is unlikely. However, from a long-term perspective, major economies such as Europe and the US have launched measures to address the sluggish economy growth and China's urbanization trend is evident. Under the effect of "steady growth" policy, including pre-tune and fine-tune strategies, the world's economy is expected to grow gradually. Copper supply growth rate will not change in the near-term, the long-term outlook of copper price continues to be optimistic.

In 2013, the Group will continue to promote the construction of key projects, and further enlarge our reserve and resources of copper and cobalt, and the production capacity of leaching and smelting operations through exploration and development activities. Meanwhile, we will continue to optimize internal management, intensify cost control and improve operation efficiency, so as to secure its profitability.

1. *Continue the construction of key projects*

   With regard to the Muliashi Project, its agitation leaching system was successfully put into production in the second half of 2012, and the heap leaching system is expected to become operational in the first half of 2013. At the same time, we will further strengthen the operation management of open-pit mines and ensure the stability of ore grade and volume. Being scheduled to be completed in 2013, phase II of the expansion project of CCS will, upon completion, bring the production capacity of the Company's blister copper to a new level. In 2013, the 20,000-tonne Mabende Project will also be a main focus of construction, and development of Chambishi Southeast Mine will be carried out in a faster pace.

2. *Improve performance of existing operations*

   The Group will continue to pay due efforts in its mining activities at Chambishi Main Mine, Chambishi West Mine and Baluba Center Mine, so as to increase the production volume of copper concentrate from its own mines. While boosting the production volume of blister copper and sulfuric acid of CCS as well as the leaching operations, the Group will expedite the validation and verification of the cobalt recovery program, with a view to further increase the existing production capacity and returns.

   The Group will further technological innovation and optimize production process. In particular, more efforts will be made in research of bio-metallurgical technology to enhance the processing capacity of low-grade ore. The Group will strengthen cost control and improve management practices to maximize profit. In addition, we will further enhance ability in human resources management and strengthen staff training to provide guarantee for safe and efficient production, while fulfilling corporate social responsibilities.

DIRECTORS AND SENIOR MANAGEMENT BIOGRAPHIES

BOARD OF DIRECTORS

Our Board of Directors is responsible for the management and conduct of our business and consists of nine Directors, of whom one is a non-executive Director, five are executive Directors and the remaining three are independent non-executive Directors. The table below sets forth certain information in respect of the members of the Board of Directors of our Company:

Name	Age	Position/Title
Tao Luo	59	Chairman and Non-executive Director
Xinghu Tao	55	Vice Chairman, Executive Director and President
Chunlai Wang	52	Executive Director and Vice President
Xingeng Luo	50	Executive Director and Vice President
Xinguo Yang	39	Executive Director and Vice President
Kaishou Xie	57	Executive Director and Vice President
Chuanyao Sun	68	Independent Non-executive Director
Jingwei Liu	45	Independent Non-executive Director
Shuang Chen	45	Independent Non-executive Director

Tao Luo (羅濤), 59, is the chairman and non-executive Director of our Company and was appointed to our Board on April 12, 2012. He has been the general manager of CNMC since July 2005. He currently also serves as the chairman of China Nonferrous Metal Industry's Foreign Engineering and Construction Co., Ltd. (中國有色金屬建設股份有限公司) (a company listed on the Shenzhen Stock Exchange, SZ000758), ZCCZ and China Nonferrous Metals International Mining Co., Ltd. (中色國際礦業股份有限公司), the non-executive deputy chairman of Chaarat Gold Holdings Limited (a company listed on the Alternative Investment Market of the London Stock Exchange ("AIM"), CGH.L), the non-executive chairman of Kryso Resources Plc (a company listed on AIM, KYS) and the non-executive chairman of Ord River Resources Limited (a company listed on the Australian Stock Exchange, ORD). Mr. Luo has 36 years of experience in the nonferrous metal industry. He was the vice general manager of Aluminum Corporation of China (中國鋁業公司) from 2001 to July 2005. Prior to that, Mr. Luo also served as the vice dean of General Research Institute for Nonferrous Metals (北京有色金屬研究總院), the deputy supervisor of the Human Resources and Training Department of China National Nonferrous Metals Industry Corporation (中國有色金屬工業總公司) and the director general of Human Resources Department of the State Nonferrous Metals Industry Bureau of the PRC (中國國家有色金屬工業局). Mr. Luo graduated from Beijing Open University (北京廣播電視大學) in 1990. He was recognized as a State Council Special Allowance Expert in 2010. Save as disclosed herein, Mr. Luo is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

Xinghu Tao (陶星虎), 55, is the vice chairman, executive Director and president of our Company and was appointed to our Board on July 18, 2011. He has been the vice general manager of CNMC since November 2007. Mr. Tao currently also serves as the chairman of NFCA, CCS, SML, Luanshya and MPongwe and the vice chairman of ZCCZ. Mr. Tao has 31 years of experience in the mining industry. He became the general manager of ZCCZ and NFCA in June 2006 and September 2002, respectively. Mr. Tao worked in Zhongtiaoshan Nonferrous Metals Group Co., Ltd. (中條山有色金屬集團有限公司) ("Zhongtiaoshan") from 1982 to 2002 during which time he held various posts such as the mine manager of Tongkuangyu Mine, and the general manager and director of Zhongtiaoshan. Mr. Tao graduated from the Beijing Steel and Iron Institute (北京鋼鐵學院) (currently the University of Science and Technology Beijing) (北京科技大學) in 1982 with a major in mining engineering. He completed graduate studies in economic management from the Party School of the Central Committee of the Communist Party of China in January 2005. Mr. Tao was recognized as a State Council Special Allowance Expert in 2004 and was recognized as a Senior Mining Engineer (professor level) in 1999. Save as disclosed herein, Mr. Tao is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

Chunlai Wang (王春來), 52, is an executive Director and the vice president of our Company primarily in charge of NFCA. He was appointed to our Board on April 12, 2012. Mr. Wang is also responsible for the human resources department of our Company. Mr. Wang has 32 years of experience in the mining industry. He currently is the general manager and an executive director of NFCA. He is also a director of SML. He served as the deputy general manager of NFCA from 2005 to 2009 and became its executive director in 2007. From 1981 to 2005, Mr. Wang worked in the Dongguashan Copper Mine of Tongling Nonferrous Metals Group Co., Ltd. (銅陵有色金屬集團股份有限公司) (a company listed on the Shenzhen Stock Exchange, SZ000630) during which period he served as a mining engineer, assistant to the mine manager, deputy mine manager and mine manager. Mr. Wang graduated from Anhui Metallurgy College (安徽冶金專科學校) in 1981 with a major in mining and obtained a Master of Business Administration degree from the School of Business of Nanjing University (南京大學工商管理學院) in 2005. Mr. Wang was recognized as a State Council Special Allowance Expert in 2002 and was recognized as a Senior Mining Engineer (professor level) in 2007. Save as disclosed herein, Mr. Wang is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

Xingeng Luo (駱新耿), 50, is an executive Director and the vice president of our Company primarily in charge of Luanshya. He was appointed to our Board on April 12, 2012. Mr. Luo is also responsible for the operations and development as well as investor relations departments of our Company. Mr. Luo has 28 years of experience in the mining industry. He has been the general manager and a director of Luanshya, a director of SML and the general manager of NFCA since September 2009, May 2008 and May 2007, respectively. Prior to joining NFCA in April 2004, Mr. Luo worked at Zhongtiaoshan Nonferrous Metals Group Co., Ltd. (中條山有色金屬集團有限公司) ("Zhongtiaoshan") from July 1984 and became the mine manager of the Hujiayu Mine, under Zhongtiaoshan, August 1998 and being appointed as chief engineer of Zhongtiaoshan in May 2001. Mr. Luo received a bachelor's degree in mining from Jiangxi University of Science and Technology (江西理工大學) in 1984. He was recognized as a State Council Special Allowance Expert in 2005 and was recognized as a Senior Mining Engineer (professor level) in 2002. Save as disclosed herein, Mr. Luo is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

DIRECTORS AND SENIOR MANAGEMENT BIOGRAPHIES (CONTINUED)

Xinguo Yang (楊新國), 39, is an executive Director and the vice president of our Company primarily in charge of CCS. He was appointed to our Board on April 12, 2012. Mr. Yang is also responsible for the administrative department of our Company. Mr. Yang has 18 years of experience in the copper smelting industry. He has been a director and the general manager of CCS since November 2010. Mr. Yang joined CCS in 2006 as the deputy general manager, prior to which he worked as the supervisor of the production department in Yunnan Copper and the supervisor of logistics department in Yunnan Copper Group. Mr. Yang graduated from Kunming Institute of Technology (昆明工學院) (currently the Kunming University of Science and Technology) in 1994 with a major in nonferrous metals metallurgy. Save as disclosed herein, Mr. Yang is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

Kaishou Xie (謝開壽), 57, is an executive Director and the vice president of our Company primarily in charge of SML. He was appointed to our Board on April 12, 2012. He has been an executive director and the general manager of SML since 2008 and 2006, respectively. He is also a director of Huachin. From 2003 to 2006, Mr. Xie served as the general manager of Kunming Jinsharen Chemical Co., Ltd. (昆明金沙人化工有限公司). From 1991 to 2003, Mr. Xie was the workshop director, assistant to the factory director, vice factory director, chief engineer and deputy general manager of Dongchuan Aluminum Co., Ltd. (東川鋁廠). He worked in the Tangdan Mine of Dongchuan Copper Mines Administration from 1972 to 1990. Mr. Xie graduated from the Southwest University of Science and Technology with a degree in law. Save as disclosed herein, Mr. Xie is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

Chuanyao Sun (孫傳堯), 68, is an independent non-executive Director of our Company and was appointed to our Board on April 27, 2012. He has 45 years of experience in the mining industry. Mr. Sun currently serves as an independent director of Sinotech Mineral Exploration Co., Ltd. (中色地科礦產勘查股份有限公司) and Advanced Technology & Materials Co., Ltd. (安泰科技股份有限公司) (a company listed on the Shenzhen Stock Exchange, SZ000969). Mr. Sun joined the Beijing General Research Institute of Mining and Metallurgy (北京礦冶研究總院) ("BGRIMM") in 1981 and served as its dean from February 1988 to February 2007. He worked at the Xinjiang Keketuohai Ore Processing Plant from December 1968 and became its deputy factory director in October 1976. Mr. Sun graduated from Northeastern University (東北大學) with a major in ore processing in 1968 and completed his graduate study in BGRIMM with a major in ore processing in October 1981. He was recognized as a member of Chinese Academy of Engineering in 2003 and awarded with the second prize of the National Science and Technology Advancement Awards (國家科技進步獎). Save as disclosed herein, Mr. Sun is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

Jingwei Liu (劉景偉), 45, is an independent non-executive Director of our Company and was appointed to our Board on April 27, 2012. He currently serves as a partner and the deputy general manager of Shinewing Certified Public Accountants (信永中和會計師事務所). Mr. Liu previously served as a director and the general manager of Beijing Jincheng Gardening Co., Ltd. (北京金城園林公司). He has also served as an independent director of Jinxi Axle Co., Ltd, (晉西車軸股份有限公司) (a company listed on the Shanghai Stock Exchange, SH600495) since 2010 and of Chongqing Fuling Zhacai Group Co., Ltd. (重慶市涪陵榨菜集團股份有限公司) (a company listed on the Shenzhen Stock Exchange, SZ002507) since 2008. Mr. Liu was previously an independent director of Ningxia Orient Tantalum Industry Co., Ltd. (寧夏東方鉭業股份有限公司) (a company listed on the Shenzhen Stock Exchange, SZ000962) from 2005 to April 2011. Mr. Liu graduated from the School of Economics of Beijing Forestry University (北京林業大學經濟管理學院) in 1989 and is a PRC Certified Public Accountant. Save as disclosed herein, Mr. Liu is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

Shuang Chen (陳爽), 45, is an independent non-executive Director of our Company and was appointed to our Board on April 27, 2012. Mr. Chen has been an executive director and the chief executive officer of China Everbright Limited (中國光大控股有限公司) (SEHK 0165) and a director of Everbright Securities Company Limited (光大證券股份有限公司) (a company listed on the Shanghai Stock Exchange, SH601788) since August 2007. He is also an independent director of Noah Holdings Limited (a company listed on the New York Stock Exchange, NOAH.N) since November 2010. He has been appointed as a director of China Everbright Holdings Company Limited since 2002 and deputy general manager thereof since April 2013. Mr. Chen was an executive director and the deputy general manager of China Everbright Limited from September 2004 to August 2007. He worked in the Research and Development, Treaty and Law and Legal Departments of Bank of Communications from July 1992 to February 2001. He is currently a non-official member of Financial Services Development Council, the Chairman of Chinese Financial Association of Hong Kong, the Vice-Chairman of Chinese Securities Association of Hong Kong and the visiting professor of East China University of Political Science and Law (華東政法大學). Mr. Chen obtained a master's degree of laws from East China University of Political Science and Law in 1992 and a Diploma in Legal Studies from the School of Professional and Continuing Education of the University of Hong Kong (香港大學專業進修學院) in 2003. He is a qualified lawyer in the PRC and a senior economist. Save as disclosed herein, Mr. Chen is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

SENIOR MANAGEMENT

Xinghu Tao (陶星虎) is the president of our Company. Please refer to the paragraph headed "Board of Directors" for his biographical background.

Chunlai Wang (王春來) is a vice president of our Company primarily in charge of NFCA. Please refer to the paragraph headed "Board of Directors" for his biographical background.

Xingeng Luo (駱新耿) is a vice president of our Company primarily in charge of Luanshya. Please refer to the paragraph headed "Board of Directors" for his biographical background.

Xinguo Yang (楊新國) is a vice president of our Company primarily in charge of CCS. Please refer to the paragraph headed "Board of Directors" for his biographical background.

Kaishou Xie (謝開壽) is a vice president of our Company primarily in charge of SML. Please refer to the paragraph headed "Board of Directors" for his biographical background.

Hong Han (韓紅), 41, is the chief financial officer of our Company. Ms. Han has 15 years of experience in financial management. She joined CNMC in 1998 and has been the deputy supervisor of the Financial Department since 2003. In 2010, she was appointed as the financial and quality supervisor of phase I of the enterprise resource planning construction project of CNMC. Ms. Han received a bachelor's degree in auditing and a master's degree in accounting from Xi'an Jiaotong University (西安交通大學) in 1995 and 1998, respectively. Ms. Han has been a PRC Certified Public Accountant since 1996 and became a Senior Accountant in 2005. Ms. Han is a member of the Chinese Institute of Certified Public Accountants. Ms. Han is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

Aibin Hu (胡愛斌), 44, is the chief compliance officer and joint company secretary of our Company. He joined Luanshya in November 2009 and currently serves as the board secretary and assistant to the general manager of Luanshya. Mr. Hu has 19 years of experience in the mining industry. He served as the deputy manager of the Administrative Department of NFCA from January 2007 to October 2009. Mr. Hu served as the office secretary of Tongling Nonferrous Metals Group Holdings Co., Ltd. (安徽銅陵有色金屬集團控股公司) from June 2001 to October 2003 and was seconded to the reorganization group of the SASAC from November 2003 to December 2006. Mr. Hu graduated from Anhui Normal University (安徽師範大學) with a bachelor's degree in science in 1994 and received a Master of Business Administration degree from Beijing Jiaotong University (北京交通大學) in 2008. Mr. Hu is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

JOINT COMPANY SECRETARIES

Aibin Hu (胡愛斌), 44, is the joint company secretary and chief compliance officer of our Company. Please refer to the paragraph headed "Senior Management" above for his biographical background.

Man Yi Wong (黃敏儀), 37, was appointed as our joint company secretary on April 27, 2012. Ms. Wong has over 10 years of experience in company secretarial services and served as the company secretary in various companies in Hong Kong since 1995. Since 2011, Ms. Wong has been the Senior Manager of Cheng & Cheng Corporate Services Limited. Ms. Wong graduated from the City University of Hong Kong (香港城市大學) with a Bachelor degree of Business Administration (Honours) in Business Management in 2006 and a Master of Science in Professional Accounting and Corporate Governance in 2009. Ms. Wong has been an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators since 2009 and an associate member of The Taxation Institute of Hong Kong and a member of Certified Tax Adviser of Hong Kong since 2010. Ms. Wong is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Board of Directors and the management of the Group are committed to achieving and maintaining high standards of corporate governance, which they consider to be critical in safeguarding the integrity of the Company's operations and maintaining investors' trust in the Company. The Group had complied with the code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 of the Listing Rules throughout the period from the Listing Date to 31 December 2012.

DIRECTORS' SECURITIES TRANSACTIONS

The Company had adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings as set out in the Model Code.

The Company had made specific enquiry to all the Directors and confirmed that all of them complied with the Model Code throughout the period from the Listing Date to 31 December 2012.

BOARD OF DIRECTORS

As at 31 December 2012, the Board of the Company comprised five executive Directors, namely Mr. Xinghu Tao, Mr. Chunlai Wang, Mr. Xingeng Luo, Mr. Xinguo Yang and Mr. Kaishou Xie; one non-executive Director, namely Mr. Tao Luo; and three independent non-executive Directors, namely Mr. Chuanyao Sun, Mr. Jingwei Liu and Mr. Shuang Chen. Mr. Tao Luo is the chairman of the Board.

The attendances at the Board, respective Board committees meetings and the annual general meeting held either in person or through other electronic means of communication for the period from the Listing Date to 31 December 2012 are as follows:

	Number of meetings held for the period from the Listing Date to 31 December 2012					
	Board	**Audit Committee**	**Nomination Committee**	**Remuneration Committee**	**Compliance Committee**	**AGM**
Mr. Tao Luo	2/2	2/2	1/1	1/1	2/2	0/0
Mr. Xinghu Tao	2/2	N/A	N/A	N/A	N/A	0/0
Mr. Chunlai Wang	2/2	N/A	N/A	N/A	N/A	0/0
Mr. Xingeng Luo	2/2	N/A	N/A	N/A	N/A	0/0
Mr. Xinguo Yang	2/2	N/A	N/A	N/A	N/A	0/0
Mr. Kaishou Xie	2/2	N/A	N/A	N/A	N/A	0/0
Mr. Chuanyao Sun	2/2	N/A	1/1	1/1	2/2	0/0
Mr. Jingwei Liu	2/2	2/2	1/1	N/A	N/A	0/0
Mr. Shuang Chen	2/2	2/2	N/A	1/1	2/2	0/0

BOARD OF DIRECTORS *(CONTINUED)*

The Board shall meet at least four times a year at approximately quarterly intervals. However, as the Company was only listed on the Hong Kong Stock Exchange on 29 June 2012, only two meetings were held during the period under review. The Audit Committee shall meet not less than twice a year to review and discuss the interim and annual consolidated financial statements. The Compliance Committee shall meet at least two times a year to review the Company's internal control policies and corporate management. In addition, both the Nomination Committee and the Remuneration Committee shall meet at least once a year. The Company fully complied with the meeting requirements for board committees in 2012.

The Board is responsible for leading, supervising and managing the Company. The Board supervises the business, strategy and decision making as well as performance of the Group, in a bid to achieve sound growth momentum to improve shareholder value. Each Director executes his duties in good faith and make objective decisions in compliance with requirements of applicable laws and regulations. The Board delegates day-to-day operations of the Company to the management of the Group and also instructs the management to implement the Board's decisions and resolutions. In addition, the Board has also delegated various responsibilities to the Audit Committee, the Nomination Committee, the Remuneration Committee and the Compliance Committee.

The Board also has a balance of skills and experience appropriate for the requirements of the Company's business and it ensures that changes to its composition can be managed without undue disruption. There is sufficient number of non-executive Directors for their views to carry weight. As not less than one-third of the Board is made up of independent non-executive Directors, there is also a strong independent element on the Board, which facilitates the exercise of independent judgment by the Board. One of the independent non-executive Directors, Mr. Jingwei Liu, holds the appropriate professional qualifications as required under Rules 3.10(2) of the Listing Rules.

Pursuant to Rule 3.13 of the Listing Rules, the Company has received written annual confirmation from each independent non-executive Director of his independence and considers that all independent non-executive Directors are independent in accordance with the guidelines set out in the Listing Rules.

The Company has arranged appropriate insurance cover in respect of legal action against all the Directors.

During the year ended 31 December 2012, all the Directors have taken continuous professional development trainings in order to refresh their knowledge and skills and have provided their records to the Company.

CHAIRMAN AND CHIEF EXECUTIVE

The roles of the chairman of the Board and chief executive of the Company are separated, with a clear division of responsibilities. Mr. Tao Luo is the chairman of the Board while Mr. Xinghu Tao is the president of the Company. Mr. Luo, as the chairman of the Board, leads the Board and is responsible for ensuring that the Board works effectively and performs its responsibilities and that all key and appropriate issues are discussed by the Board in a timely manner. Mr Tao, as the president of the Company, is responsible for the management of our business operations.

APPOINTMENT AND RETIREMENT OF DIRECTORS

In accordance with the Article 102 of the Company's Articles of Association, at each annual general meeting, one-third of the directors or, if their number is not three (3) or a multiple of three (3), the number which is nearest to and is at least one-third, shall retire from office by rotation at least once every three (3) years. A retiring director shall be eligible for re-election. In compliance with this provision, Mr. Tao Luo, Mr. Xinghu Tao and Mr. Chunlai Wang shall retire, being one-third of the directors, at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

Pursuant to the Article 107 of the Company's Articles of Association, a director appointed to fill a vacancy or as an additional director, by the Board, shall retire at the next following general meeting and shall then be eligible for re-election. In compliance with this provision, Mr. Chuanyao Sun, Mr. Jingwei Liu and Mr. Shuang Chen, being appointed by the Board on 27 April 2012, shall retire at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

Each of the executive Directors had signed a service agreement with the Company for an initial term of three years commencing from the Listing Date (subject to termination in certain circumstances as stipulated in the relevant service agreement). Each of the non-executive Directors (including three independent non-executive Directors) had signed a letter of appointment with the Company for an initial term of three years commencing from the Listing Date (subject to termination in certain circumstances as stipulated in the relevant letters of appointment).

Save as disclosed herein, none of the Directors has or is proposed to have entered into any service agreement or letter of appointment with any member of the Group (excluding agreements expiring or determinable by any member of the Group within one year without the payment of compensation other than statutory compensation).

PRACTICES OF BOARD MEETINGS

Notices of regular Board meetings are given to all the Directors at least 14 days before the meetings. Schedules and agenda of each meeting are made available to the Directors in advance. All the Directors are given an opportunity to include matters in the agenda for regular Board meetings. For other Board and committee meetings, notices are given within reasonable times in advance. Minutes of all Board meetings and committee meetings are kept by the joint company secretaries and open for the Directors' inspection. Draft and final version of minutes are circulated to the Directors for their comment and records within a reasonable time after the Board meeting is held.

The Directors, upon reasonable request,will be provided with independent professional advice, at the Company's expenses, to assist them perform their duties. They may also have access to the senior management whenever necessary. Senior management would attend all regular Board meetings as and whenever necessary to report and advise the Board on business developments, financial and accounting matters, statutory and regulatory compliance, corporate governance and other major aspects of the Company.

PRACTICES OF BOARD MEETINGS *(CONTINUED)*

Pursuant to the provision of the Company's Articles of Association, a Director shall not vote nor be counted in the quorum at the Board meeting on any resolution approving any contract or arrangement or concerning a matter in which he or any of his associate(s) has, directly or indirectly, a material interest (other than an interest in shares, debentures or other securities of, or otherwise in or through, the Company) unless his interest arises because of specified matters set out in the Articles.

BOARD COMMITTEES

The Board has established the Audit Committee, the Nomination Committee, the Remuneration Committee and the Compliance Committee to oversee particular aspects of the affairs of the Company. Each of these committees is set up with specific written terms of reference. Each committee is delegated with authorities and duties within its terms of reference.

AUDIT COMMITTEE

The Audit Committee was established on 27 April 2012 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The Audit Committee consists of three members being Mr. Jingwei Liu, Mr. Tao Luo and Mr. Shuang Chen. The chairman of the Audit Committee is Mr. Jingwei Liu, who holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules. The primary duties of the Audit Committee are to assist the Board by providing an independent view of the effectiveness of the financial process, internal control and risk management system of the Group, overseeing the audit process and performing other duties and responsibilities assigned by the Board.

The Company's and the Group's financial statements for the year ended 31 December 2012 have been reviewed by the Audit Committee, who was of the opinion that these statements complied with the applicable accounting standards, the Listing Rules and the legal requirements, and that adequate disclosures had been made.

For the period under review, two committee meetings were held and the attendance records of individual members are set out below:

Name of Directors	**Number of meetings attended/held**
Mr. Jingwei Liu	2/2
Mr. Tao Luo	2/2
Mr. Shuang Chen	2/2

NOMINATION COMMITTEE

The Nomination Committee was established on 27 April 2012 with written reference in compliance with paragraph A.5 of the Corporate Governance Code and Corporate Governance Report. The Nomination Committee consists of three members, comprising Mr. Chuanyao Sun, Mr. Tao Luo and Mr. Jingwei Liu. The chairman of the Nomination Committee is Mr. Chuangyao Sun. The primary functions of the Nomination Committee include, without limitation, reviewing the structure, size and composition of the Board of Directors, assessing the independence of independent non-executive Directors and making recommendations to the Board on matters relating to the appointment of Directors.

The Nomination Committee reviewed the appointment of each Director prior to that Director seeking re-election at the forthcoming annual general meeting and was pleased to recommend the re-election of all the six eligible Directors to the Board.

For the period under review, one committee meeting was held and the attendance records of individual members are set out below:

Name of Directors	Number of meetings attended/held
Mr. Chuanyao Sun	1/1
Mr. Tao Luo	1/1
Mr. Jingwei Liu	1/1

REMUNERATION COMMITTEE

The Company established a Remuneration Committee on 27 April 2012 with written terms of reference in compliance with paragraph B.1 of the Corporate Governance Code and Corporate Governance Report. The Remuneration Committee consists of two independent non-executive Directors being Mr. Shuang Chen and Mr. Chuanyao Sun, and a non-executive Director being Mr. Tao Luo. The Remuneration Committee is chaired by Mr. Shuang Chen, an independent non-executive Director. The primary duties of the Remuneration Committee include, but are not limited to, the following: (i) making recommendations to the Board on our policy and structure for all remuneration of the Directors and senior management and on the establishment of a formal and transparent procedure for development policy on such remuneration; (ii) determining the specific remuneration packages of all the Directors and senior management; and (iii) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time.

The Remuneration Committee of the Company has performed the primary duties mentioned above.

For the period under review, one committee meeting was held and the attendance records of individual members are set out below:

Name of Directors	Number of meetings attended/held
Mr. Shuang Chen	1/1
Mr. Tao Luo	1/1
Mr. Chuanyao Sun	1/1

COMPLIANCE COMMITTEE

The Company has established a Compliance Committee on 27 April 2012 with written terms of reference in compliance with paragraph D.3 of the Corporate Governance Code and Corporate Governance Report. The Compliance Committee consists of three members, being Mr. Tao Luo, Mr. Shuang Chen and Mr. Chuanyao Sun. The chairman of the Compliance Committee is Mr. Tao Luo. The primary functions of the Compliance Committee include, without limitation, overseeing and monitoring the compliance status of our business and operations based on the applicable legal and regulatory requirements as well as our own internal control policies and procedures; reviewing regular and special reports submitted by the compliance principal in each subsidiary and requiring such compliance principals to prepare specific reports dealing with particular internal control or compliance issues for review; holding regular meeting to discuss, investigate and make plans for the legal and compliance matters; development and reviewing our policies and practice on corporate government and making recommendations to the Board; and reviewing our compliance with Corporate Governance Code set out in the Listing Rules and disclosure in the corporate governance report section of our consolidated financial statements.

The Compliance Committee of the Company has performed the primary duties mentioned above.

For the period under review, two committee meetings were held and the attendance records of individual members are set out below:

Name of Directors	Number of meetings attended/held
Mr. Tao Luo	2/2
Mr. Shuang Chen	2/2
Mr. Chuanyao Sun	2/2

INDEPENDENT AUDITOR

The Group's independent external auditor is Deloitte Touche Tohmatsu. Deloitte Touche Tohmatsu is responsible for presenting independent opinions on the consolidated financial statements of the Group and the Company in accordance with the results of their auditing work, and reporting to the Shareholders of the Company on the same. Apart from the statutory audit and the annual consolidated financial statement, Deloitte Touche Tohmatsu was also engaged to perform a review of the interim consolidated financial statements of the Group for the six months ended 30 June 2012 and to provide the review of continuing connected transactions service.

The remuneration paid to Deloitte Touche Tohmatsu in respect of audit services and other non-auditing services for the year ended 31 December 2012 amounted to US$410,000 (RMB2,580,000) and US$176,000 (RMB1,107,000) respectively.

COMPANY SECRETARIES

Mr. Aibin Hu and Ms. Man Yi Wong are the joint company secretaries of the Company. Ms. Wong is a senior manager of Cheng & Cheng Corporate Services Limited. Ms. Wong's primary corporate contact person at the Company is Mr. Aibin Hu.

The joint company secretaries of the Company have taken no less than 15 hours of relevant professional training.

FINANCIAL REPORTING

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Group, which were prepared in accordance with statutory requirements and applicable accounting standards.

The auditor's report for the consolidated financial statements for the year ended 31 December 2012 is set out on pages 57 to 58 of this annual report.

INTERNAL CONTROL

The Board recognises its responsibility for maintaining an adequate and sound internal control system and through the Audit Committee, the Compliance Committee and an external firm of qualified accountants to provide internal control services, conducts reviews on the effectiveness of these systems at least annually, covering all material controls, including financial, operational and compliance controls, and risk management functions.

In addition, to enhance the corporate governance of the Group, the Company made endeavors in several aspects during the year under review. First of all, the Company implemented a three-tiered compliance work structure comprising the Compliance Committee (at the Board level), the Chief Compliance Officer (at the senior management level) and compliance principal at each subsidiary (at the subsidiary level). The compliance principal at each subsidiary reports to the Chief Compliance Officer who reports to the Compliance Committee. Secondly, in order to regulate the behaviors of the Group companies, improve internal control, safeguard investors' interests and enhance operational management, the Company promulgated and implemented 25 internal regulations including the "Management System of Code on Corporate Governance Practices of China Nonferrous Mining Corporation Limited" and "Management System of Information Disclosure of China Nonferrous Mining Corporation Limited". In addition, the Company had announced the terms of reference of the Audit Committee, the Remuneration Committee, the Nomination Committee and the Compliance Committee on its website at www.cnmcl.net and on the website of the Hong Kong Stock Exchange at www.hkexnews.hk. Thirdly, the Group continued to educate and provide training to its staff as part of its efforts to ensure the continuing operation of the Company in compliance with relevant laws and regulations.

INTERNAL CONTROL *(CONTINUED)*

The purpose of the Group's internal control is to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage rather than eliminate risks of failure in operational systems so that the Company's objectives can be achieved.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Group emphasises the importance of maintaining good communication with the Shareholders and investors, so as to increase the Company's transparency and undertaking by the Shareholders. The annual general meeting provides a useful forum for Shareholders to exchange views with the Board. The members of the Board are pleased to answer Shareholders' questions. To foster two-way communication amongst the Company, its Shareholders and potential investors, the Company has established an Investor Relations Department to respond to enquiries from Shareholders and the public. In the event that a Shareholder wishes to put forward a proposal to the Board, he may put forth his enquiry in writing to the Investor Relations Department which will act on the subject matter accordingly. In addition, the Company is committed to maximising the use of its website as a channel to provide updated information in a timely manner and strengthen the communication with both the Shareholders and the public.

In addition, in accordance with the provisions of the Company's Articles of Associations, an extraordinary general meeting may be convened on requisition as provided by the Companies Ordinance. According to the Companies Ordinance, the Directors, on the requisition of Shareholders holding at the date of the deposit of the requisition not less than one-twentieth of such of the paid-up capital of the Company as at the date of the deposit carries the right of voting at general meetings of the company, forthwith proceed duly to convene an extraordinary general meeting of the Company.

INVESTOR RELATIONS

The Group strongly believes that investor relations are an integral part of maintaining good corporate governance of a listed company. During the reporting period, the Group has been actively maintaining contact with investors and keeping them abreast of the latest industry updates, corporate communications and business development in a timely manner, so as to establish a platform for fair, open and transparent information disclosure. One of the joint company secretaries, Mr. Aibin Hu, together with Mr. Shuai Hao are responsible for the investor relations of the Group with the full support from the Board and the senior management. Mr. Hu can be contacted by email at huab@cnmc.com.cn, by telephone at +86 10 8442 6886 and by fax at +86 10 8442 6376. Mr. Hao can be contacted by email at haos@cnmc.com.cn and by telephone at +86 10 8442 6232. During the reporting period, the Group actively participated in various investor relations activities and provided on-time information to investors through its company website.

INVESTOR RELATIONS *(CONTINUED)*

1. Ongoing Communications with Shareholders, Investors and Analysts

The Group has adopted an active and progressive approach to provide the Shareholders and investors of the Group with the opportunity to communicate with the senior management of the Group through one-on-one and group meetings to share with them the financial performance and future prospects of the Group.

2. Results Announcement

The Group had prepared detailed results reports upon finalization of interim and annual results of the Group. Investors' presentations and press conferences were also held to provide updates in relation to the market environment, financial performance, operating strategies and future prospects to the public in an accurate and effective manner, so as to maintain the Group's transparent investor relations strategy and strengthen the communications with the public.

3. Maintaining Interactive Communications with Media

The Group is endeavored to maintain a close relationship with the overseas and local media, and disseminate the Group's updates to the public through various channels, ranging from organizing press conferences for interim and annual results announcements and arranging media interviews with the management of the Group, and thus increasing the Group's publicity and further strengthening its corporate image and position.

4. Timely Dissemination of Latest Corporate Updates

Company website is considered to be one of the quickest means to communicate with investors. Through on-going information dissemination, the company's website www.cnmcl.net serves as a platform to communicate with the public. The Group regularly updated the website contents, disseminated the latest corporate updates, developments and disclosed financial information of the Group so as to enable the public to obtain such information in a timely manner. In addition, the Group also swiftly responded to different enquiries made by the Shareholders, investors, analysts and media by means of email, facsimile and telephone; and published announcements, press releases and other latest updates on the development of the Group, so as to strengthen the effectiveness of information dissemination.

CORPORATE SOCIAL RESPONSIBILITY

"Delivering returns to shareholders, employees and the society through corporate development" is the mission of the Group. In 2012, embracing the concept of "cooperation for mutual benefits and development", subsidiaries of the Group strived to improve corporate development and increase economic benefits in compliance with relevant laws and regulations in Zambia concerning safety and environmental protection. Meanwhile, it spared no efforts in fulfilling its corporate social responsibility in respect of production safety, environment protection, employment provision and local public welfare undertakings.

The Group gave top priority on prior education and training in safe production and made great efforts in safety inspection. Through on-going identification of various hidden defects in safety and corresponding strict rectification, the Group keeps establishing and improving rules and regulations in safe production. In addition, the Group adopted a dynamic management approach for the implementation of responsibilities and index. As a result, the Group's production safety performance kept improving and a safe and civilized work environment was created.

The Group has been attaching great importance to the harmony between enterprise growth, and the nature, the community and the people, and endeavoring to build a environmentally friendly mining enterprise and achieve resources recycling. In 2012, the Group made noticeable achievements in safety management and there occurred no production accidents of a "relatively major" level or above, showing a stable condition of production safety.

On the basis of the copper industry and its own continuous development and growth, the Group actively drove the development of other local industries. Through driving the development of related industries, more job opportunities are created for local people. As such, the Group made outstanding contribution to the improvement in the standard of living of local people by continuously promoting the economic development and social progress in Zambia.

The Group actively presses ahead with a localized operation on a people-oriented principle, and gives full play to the role of local employees and attaches great importance to the physical and psychological health as well as occupational development of employees, thereby enhancing employee loyalty and enthusiasm and achieving the growth of both the Group and its employees.

In 2012, the Group actively involved itself in local public welfare activities by donations in cash or in-kind, including repair of roads and marketplaces, and donation of ambulance, power generating equipments, seeds and fertilizer, etc., which brought benefits to local agriculture, education, health care, culture and sports and public welfare sectors, and won high praise from Zambia government and local people. As such, a good image was established for the Group as a pioneer in Sino-Zambia economic cooperation and a bridge to carry forward friendship between both countries, creating favourable external environment for the long-term operation and development of the Group.

REPORT OF THE DIRECTORS

The Directors present the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2012.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Group is principally engaged in exploration, mining, ore processing, leaching, smelting and sale of copper cathodes, blister copper and sulfuric acid. There has been no significant charge in the Group's principal activities for the year ended 31 December 2012.

CORPORATE REORGANIZATION

The Company was incorporated in Hong Kong on 18 July 2011 with limited liability under the Companies Ordinance. The Group underwent a pre-Listing reorganization exercise in 2011 pursuant to which the Company became the ultimate holding company of the Group. Details of the pre-Listing reorganization were set out in the Prospectus.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The Company was listed on the Hong Kong Stock Exchange on 29 June 2012. Net proceeds from the Global Offering have been and will continue to be used by the Group for the operations in Zambia, such as exploration and development of mines, construction of smelting plants, repayment of bank loans and replenishment of working capital, which are in compliance with the intended use of proceeds as disclosed in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

According to the intended usages as set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus, the application of such proceeds during the year ended 31 December 2012 was as follow:

	Net Proceeds *(US$'000)*		
Items	**Available**	**Utilised**	**Unutilised**
Exploration and development of the Chambishi Southeast Mine	72,000	72,000	—
Expansion of the Chambishi Copper Smelter	48,000	48,000	—
The Muliashi Project	12,000	12,000	—
Development of the Mwambashi Project	12,000	—	12,000
Acquisitions of Companies with existing exploration rights and additional mining assets	37,000	—	37,000
Repayment of certain existing loans	36,000	36,000	—
Working Capital and other general corporate purposes	30,770	13,280	17,490
Total	247,770	181,280	66,490

The remaining balance of the net proceeds has been placed in interest bearing deposit accounts with banks.

REPORT OF THE DIRECTORS (CONTINUED)

RESULTS

The Group's operating results for the year ended 31 December 2012 and the financial position of the Group as at 31 December 2012 are set out on pages 59 to 145 in the audited consolidated financial statements of this annual report.

DIVIDENDS

The Board has not recommended the payment of dividend for the year ended 31 December 2012.

SUMMARY OF FINANCIAL INFORMATION

A summary of the consolidated results, assets and liabilities of the Group for the last four financial years, as extracted from the audited consolidated financial statements of the Group and the Prospectus, is set out on page 146 in this annual report.

BANK AND OTHER BORROWINGS

Details of bank borrowings of the Group during the year ended 31 December 2012 are set out in note 24 to the consolidated financial statements.

CHARITABLE DONATIONS

Charitable donations made by the Company during the year ended 31 December 2012 amounted to US$497,000.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 31 December 2012 are set out in note 15 to the consolidated financial statements.

RESERVES

Details of change in the reserves of the Group during the year ended 31 December 2012 are set out in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

As at 31 December 2012, the Company had distributable reserves amounting to US$514,000.

SHARE CAPITAL

Details of the changes in share capital of the Company during the year ended 31 December 2012 and as at that date are set out in note 26 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association and there is no restriction against such rights which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities throughout the period from the Listing Date to 31 December 2012.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2012, sales to the Group's five largest customers accounted for 95.4% of the Group's total sales for the year ended 31 December 2012, and sales to its largest customer, being the Retained Group, accounted for 54.1% of the Group's total sales for the year ended 31 December 2012. The second largest customer, namely Yunnan Copper Group, is a Substantial Shareholder of CCS.

Purchases from the Group's five largest suppliers in aggregate accounted for approximately 59.0% of the total purchases for the year ended 31 December 2012 and purchases from the largest supplier accounted for approximately 22.9% of total purchases for the year ended 31 December 2012. The fourth largest supplier, Fifteen MCC Africa, is a fellow subsidiary of CNMC, the ultimate Controlling Shareholder of the Company.

Save as disclosed above, none of the Directors, their associates or any shareholders of the Company (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any interest in the Group's five largest customers and suppliers during the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2012.

DIRECTORS

The Directors of the Company during the year were as follows:

Non-Executive Director:
Mr. Tao Luo (appointed on 12 April 2012)

Executive Directors:
Mr. Xinghu Tao (appointed on 18 July 2011)
Mr. Chunlai Wang (appointed on 12 April 2012)
Mr. Xingeng Luo (appointed on 12 April 2012)
Mr. Xinguo Yang (appointed on 12 April 2012)
Mr. Kaishou Xie (appointed on 12 April 2012)

Independent Non-Executive Directors:
Mr. Chuanyao Sun (appointed on 27 April 2012)
Mr. Jingwei Liu (appointed on 27 April 2012)
Mr. Shuang Chen (appointed on 27 April 2012)

DIRECTORS *(CONTINUED)*

In accordance with the Company's Articles of Association, at each annual general meeting, one-third of the directors or, if their number is not three (3) or a multiple of three (3), the number which is nearest to and is at least one-third, shall retire from office by rotation at least once every three (3) years. A retiring director shall be eligible for re-election. A director appointed to fill a vacancy or as an additional director shall retire at the next following general meeting and shall then be eligible for re-election. In compliance with the provisions of the Articles, Mr. Tao Luo, Mr. Xinghu Tao, Mr. Chunlai Wang, Mr. Chuanyao Sun, Mr. Jingwei Liu and Mr. Shuang Chen shall retire at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

The Company has received annual confirmation of independence from the three independent non-executive Directors in accordance with Rule 3.13 of the Listing Rules and considers them to be independent.

DIRECTORS AND SENIOR MANAGEMENT

The biographies of the Directors and senior management are set out on page 30 to page 34 in this annual report.

DIRECTORS' INTERESTS IN CONTRACTS

No Directors had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, or any of its holding companies, subsidiaries or fellow subsidiaries was a party during the year ended 31 December 2012.

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTOR'S INTERESTS IN COMPETING BUSINESS

None of the Directors of the company had engaged in any business or had any interest in business which competes or may constitutes competition directly or indirectly (within the meaning of the Listing Rules) with the business of the Group throughout the year ended 31 December 2012.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year were rights to acquire benefits by means of the acquisition of Shares of the Company granted to any Director or their respective spouse or minor children; or were any such rights exercised by them or was the Company, or any of its subsidiaries a party to any arrangement to enable those persons to acquire such rights in any other body corporate.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITION IN SHARES AND UNDERLYING SHARES

As at 31 December 2012, none of the Directors or chief executive had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as required to be recorded in the register kept by the Company pursuant to Section 352 of the SFO; or interests or short positions which fall to be disclosed to the Company and the Hong Kong Stock Exchange pursuant to the Model Code as stipulated in the Listing Rules.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTEREST AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

As at 31 December 2012, so far as it is known to the Directors and chief executive of the Company, the following persons (other than the Directors and chief executive of the Company) had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Hong Kong Stock Exchange pursuant to the provisions of Section 336 of the SFO:

Substantial Shareholder	Capacity/ Nature of interest	Long/short position	Number of shares	Approximate percentage of shareholdings
CNMD*(Note)*	Registered owner	Long position	2,600,000,000	74.52%
CNMC	Interest in a controlled corporation	Long position	2,600,000,000	74.52%

Note: CNMD is a wholly-owned subsidiary of CNMC and therefore, by virtue of the SFO, CNMC is deemed or taken to be interested in all the Shares which are owned by CNMD.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTEREST AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES *(CONTINUED)*

As at 31 December 2012, each of the following entities were directly and/or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group:

Member of our Group	Entity with 10% or more interest (other than member of the Group)	Percentage of that entity's interest
NFCA	ZCCM-IH	15%
Luanshya	ZCCM-IH *(Note)*	15%
CCS	Yunnan Copper Group	40%
SML	Hainan Sino-Africa Mining	30%
Huachin	Huachin SPRL	37.5%
Kakoso Company	Shenzen Resources Limited	12%
CNMC-Mabende	Huachin SPRL	40%

Note: As at 31 December 2012, CNMC held another 5% interest in Luanshya on trust for ZCCM-IH. The transfer of such 5% interest by CNMC to ZCCM-IH had been completed by 10 January 2013.

Save as disclosed above, as at 31 December 2012, no other person had any interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Hong Kong Stock Exchange pursuant to Section 336 of the SFO or, were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote under all circumstances at general meetings of any other member of the Group.

RETIREMENT BENEFIT SCHEMES

Details of the retirement benefit schemes of the Group are set out in note 38 to the consolidated financial statements.

SHARE OPTION SCHEME

The Group has not adopted any share option scheme.

CONNECTED TRANSACTIONS

During the year ended 31 December 2012, the Group had the following continuing connected transactions subject to reporting and announcement requirements but exempt from the independent Shareholders' approval requirements:

CONNECTED TRANSACTIONS *(CONTINUED)*

1. CNMC Copper Supply Framework Agreement

On 14 May 2012, the Company entered into the CNMC Copper Supply Framework Agreement with CNMC pursuant to which the Company agreed to sell, or procure its subsidiaries to sell, copper products including blister copper and copper cathode to the Retained Group. Details of the CNMC Copper Supply Framework Agreement were disclosed in the section headed "Connected Transactions" in the Prospectus. During the year ended 31 December 2012, the revenue from the sale of copper products to the Retained Group amounted to US$828,571,000.

CNMC held 100% and 74.52% of the Company's issued share capital before and after the Listing, respectively. The Retained Group consists of CNMC and its subsidiaries, excluding the Group. Both CNMC and the Retained Group constitute connected persons of the Company under the Listing Rules.

2. Yunnan Copper Supply Framework Agreement

On 14 May 2012, the Company entered into the Yunnan Copper Supply Framework Agreement with Yunnan Copper Group pursuant to which the Company agreed to sell, or procure its subsidiaries to sell, copper products to Yunnan Copper Group and its subsidiaries. Details of the Yunnan Copper Supply Framework Agreement were disclosed in the section headed "Connected Transactions" in the Prospectus. During the year ended 31 December 2012, the revenue from the sale of copper products to Yunnan Copper Group and its subsidiaries amounted to US$386,974,000.

Yunnan Copper Group is a Substantial Shareholder of CCS holding 40% of the issued share capital of CCS. Yunnan Copper Group and its subsidiaries constitute connected persons of the Company under the Listing Rules.

3. Huachin Ore Supply Framework Agreement

On 14 May 2012, the Company entered into the Huachin Ore Supply Framework Agreement with Huachin Minerals pursuant to which the Company agreed to purchase, or procure its subsidiaries to purchase, ores mined by Huachin Minerals. Details of the Huachin Ore Supply Framework Agreement were disclosed in the section headed "Connected Transactions" in the Prospectus. During the year ended 31 December 2012, the Group had not made any purchase of ores from Huachin Minerals.

Huachin Minerals is 70% owned by Mr. Ng Siu Kam, who holds the entire interest in Huachin SPRL. Huachin SPRL holds 37.5% of Huachin, one of the Company's subsidiaries. Huachin Minerals constitute a connected person of the Company under the Listing Rules.

CONNECTED TRANSACTIONS *(CONTINUED)*

4. Mutual Supply Framework Agreement

On 14 May 2012, the Company entered into the Mutual Supply Framework Agreement with CNMC pursuant to which both parties agreed to provide, or procure their respective subsidiaries to provide certain raw materials, products and services to each other, and CNMC agreed to provide, or procure its subsidiaries to provide transportation and logistics services to the Group. Details of the Mutual Supply Framework Agreement were disclosed in the section headed "Connected Transactions" in the Prospectus. During the year ended 31 December 2012, the amount paid by the Group for the provision of raw materials, products and services provided by the Retained Group amounted to US$189,637,000; and the revenue from the provision of raw materials, products and services to the Retained Group amounted to US$3,431,000.

5. Properties Leasing Framework Agreement

On 14 May 2012, the Company entered into the Properties Leasing Framework Agreement with CNMC pursuant to which CNMC agreed to lease certain buildings and properties to the Group for general business and ancillary purposes. Details of the Properties Leasing Framework Agreement were disclosed in the section headed "Connected Transactions" in the Prospectus. During the year ended 31 December 2012, the rentals paid to the Retained Group amounted to US$6,567,000.

6. Guarantees from CNMC

During the year ended 31 December 2012, CNMC continued to guarantee certain external borrowings of the Group provided by third party independent financial institutions which involved the Group providing security deposit. Details of such secured loans and guarantees were disclosed in the section headed "Connected Transactions" in the Prospectus.

Further, the secured loan agreement dated 12 August 2009 between CCS and China Construction Bank, Johannesburg Branch disclosed in the "Connected Transactions" section of the Prospectus had expired on 17 August 2012. On 14 November 2012, CCS obtained a replacement term loan facility of US$70,000,000 for general corporate purposes from China Construction Bank, Johannesburg Branch. The facility is repayable in full on or before 12 October 2015. The facility involved China Construction Bank Corporation, Beijing Branch issuing a guarantee or letter of credit for an amount of US$70,000,000 to China Construction Bank, Johannesburg Branch and CCS providing a security deposit of US$2,000,000. China Construction Bank, Beijing Branch charged CNMC guarantee fees calculated at 1.7% per annum of the guaranteed amount in respect of the guarantee it issued to China Construction Bank, Johannesburg Branch. Pursuant to a guarantee contract dated 26 September 2012 between CCS and CNMC, CCS had agreed to reimburse CNMC for any guarantee fees it paid to China Construction Bank, Beijing Branch in this connection.

As at 31 December 2012, the outstanding amounts of the secured loans taken out by CCS and Luanshya with China Construction Bank, Johannesburg Branch amounted to US$70,000,000 and US$100,000,000, respectively.

CONNECTED TRANSACTIONS *(CONTINUED)*

7. Guarantee fees to CNMC

During the year ended 31 December 2012, the Group had reimbursed CNMC certain guarantee fees in respect of certain guarantee provided by CNMC. Details of some of these guarantee fees were disclosed in the section headed "Connected Transactions" in the Prospectus.

In addition, after the Listing, the Group had procured the following loans guaranteed by CNMC which involved the Group paying guarantee fees to CNMC:

- On 13 September 2012, Luanshya entered into a loan contract with Industrial and Commercial Bank of China (Europe) S.A. in respect of a fixed term loan for 1,093 days in the amount of US$60,000,000 for working capital. This loan involved the Industrial and Commercial Bank of China Limited, Beijing Branch issuing a legal and valid letter of credit or guarantee to Industrial and Commercial Bank of China (Europe) S.A.. Industrial and Commercial Bank of China Limited, Beijing Branch charged CNMC guarantee fees at a rate of 0.2875% per quarter of the guaranteed amount in respect of the guarantee it issued to Industrial and Commercial Bank of China (Europe) S.A.. Pursuant to a guarantee contract dated 5 September 2012 between Luanshya and CNMC, Luanshya had agreed to reimburse CNMC for any guarantee fees it paid to Industrial and Commercial Bank of China Limited, Beijing Branch in this connection.

- On 14 November 2012, CCS obtained a term loan facility of US$70,000,000 for general corporate purposes from China Construction Bank, Johannesburg Branch which was guaranteed by CNMC. The facility is repayable in full on or before 12 October 2015. The facility involved China Construction Bank Corporation, Beijing Branch issuing a guarantee or letter of credit for an amount of US$70,000,000 to China Construction Bank, Johannesburg Branch and CCS providing a security deposit of US$2,000,000. China Construction Bank, Beijing Branch charged CNMC guarantee fees calculated at 1.7% per annum of the guaranteed amount in respect of the guarantee it issued to China Construction Bank, Johannesburg Branch. Pursuant to a guarantee contract dated 26 September 2012 between CCS and CNMC, CCS had agreed to reimburse CNMC for any guarantee fees it paid to China Construction Bank, Beijing Branch in this connection.

CONNECTED TRANSACTIONS *(CONTINUED)*

7. Guarantee fees to CNMC *(Continued)*

- On 13 December 2012, Luanshya entered into a loan contract with Industrial and Commercial Bank of China (Europe) S.A. in respect of a fixed term loan for 1,095 days in the amount of US$45,000,000 for working capital. This loan involved the Industrial and Commercial Bank of China Limited, Beijing Branch issuing a legal and valid letter of credit or guarantee to Industrial and Commercial Bank of China (Europe) S.A.. Industrial and Commercial Bank of China Limited, Beijing Branch charged CNMC guarantee fees at a rate of 0.275% per quarter of the guaranteed amount in respect of the guarantee it issued to Industrial and Commercial Bank of China (Europe) S.A.. Pursuant to a guarantee contract dated 3 December 2012 between Luanshya and CNMC, Luanshya had agreed to reimburse CNMC for any guarantee fees it paid to Industrial and Commercial Bank of China Limited, Beijing Branch in this connection.

During the year ended 31 December 2012, the aggregate amount of guarantee fees paid by the Group to CNMC amounted to US$1,561,000. This amount exceeded the annual cap of US$1,150,000 for the year ended 31 December 2012 set out in the Prospectus. Please refer to "Basis for Qualified Conclusion" paragraph below for more details.

For related party transactions disclosed in note 36 to the financial consolidated statements which constituted connected transactions under the Listing Rules, the Company has complied with all the relevant requirements under Chapter 14A of the Listing Rules.

The independent non-executive Directors have reviewed the above continuing connected transactions of the Group and have confirmed that these transactions have been entered into: (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders of the Company as a whole.

The Company's auditor has been engaged to report on the continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued its qualified letter containing its findings and conclusions, which are extracted below, in respect of the above-mentioned connected transactions disclosed by the Company in this annual report in accordance with Rule 14A.38 of the Listing Rules.

"Basis for qualified conclusion"

During the year ended 31 December 2012, the Group entered into new guarantee contracts with CNMC for certain additional external borrowings granted by banks. Accordingly, the guarantee fees paid to CNMC have increased to US$1,561,000 for the year ended 31 December 2012, which exceeded the maximum aggregate value of US$1,150,000 for that year as disclosed in the Prospectus in respect of the Disclosed Continuing Corrected Transactions (defined below). On 7 March 2013, the Company made an announcement to disclose the fact that guarantee fee exceeded the maximum aggregate value for the year ended 31 December 2012 and to revise the maximum aggregate value for the years ending 31 December 2013 and 2014.

Qualified conclusion

Based on the foregoing, in respect of the continuing connected transactions disclosed in the Prospectus (the "Disclosed Continuing Connected Transactions"), the Company's auditor confirmed that:

a. nothing has come to its attention that causes it to believe that the Disclosed Continuing Connected Transactions have not been approved by the Company's Board of Directors;

b. for transactions involving the provision of goods or services by the Group, nothing has come to its attention that causes it to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Company;

c. nothing has come to its attention that causes it to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions;

d. with respect to the aggregate amount of each of the continuing connected transactions set out in the Prospectus, except for the guarantee fees paid to CNMC as described in the "Basis for Qualified Conclusion" paragraph above, nothing has come to its attention that causes it to believe that the Disclosed Continuing Connected Transactions have exceeded the maximum aggregate annual value disclosed in the Prospectus in respect of each of the Disclosed Continuing Connected Transactions."

A copy of the auditor's letter has been provided by the Company to the Hong Kong Stock Exchange.

NON-COMPETITION UNDERTAKING

As disclosed in the Prospectus, the independent non-executive Directors will review, on an annual basis, the compliance by CNMC and its associates with the Non-Competition Undertaking under the Deed of Non-Competition Undertaking, including whether to pursue any business opportunities which may be referred or offered to the Company by the Retained Group. The Company has received an annual confirmation from CNMC in respect of its compliance with the Non-Competition Undertaking. The independent non-executive Directors of the Company have reviewed the status of compliance of the Non-Competition Undertaking for the year ended 31 December 2012 and confirmed that all the undertakings under the Deed of Non-Competition Undertaking have been complied with by CNMC.

COMPLIANCE WITH PROVISIONS OF CORPORATE GOVERNANCE CODE

The Group had complied with the code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 of the Listing Rules throughout the period from the Listing Date to 31 December 2012.

SUFFICIENCY OF PUBLIC FLOATING

Based on the information that is publicly available to the Company and as far as the Directors are aware, the Company has maintained at least 25% of public float as at the date of this annual report.

AUDIT COMMITTEE

The Group's audited consolidated financial statements for the year ended 31 December 2012 have been reviewed by the Audit Committee, who were of the opinion that such statements complied with the applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosures had been made.

AUDITOR

A resolution for the re-appointment of Messrs. Deloitte Touche Tohmatsu as auditor of the Company is to be submitted at the forthcoming annual general meeting.

On Behalf of the Board of Directors
Tao LUO
Chairman

19 March 2013

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

TO THE MEMBERS OF
CHINA NONFERROUS MINING CORPORATION LIMITED
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of China Nonferrous Mining Corporation Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 59 to 145, which comprise the consolidated and the Company's statements of financial position as at 31 December 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

19 March 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	2012 US$'000	2011 US$'000
Revenue	5, 6	**1,532,315**	1,283,906
Cost of sales		**(1,249,365)**	(1,095,648)
Gross profit		**282,950**	188,258
Other income and gains	7	**6,440**	4,835
Distribution and selling expenses		**(34,871)**	(27,917)
Administrative expenses		**(46,618)**	(36,983)
Finance costs	8	**(5,957)**	(9,248)
Gain arising on change in fair value of derivatives	25	**937**	10,369
Other expenses	9	**(10,131)**	(11,004)
Profit before tax		**192,750**	118,310
Income tax expense	10	**(24,706)**	(15,020)
Profit for the year	6, 11	**168,044**	103,290
Profit and total comprehensive income attributable to:			
Owners of the Company		**98,544**	70,014
Non-controlling interests		**69,500**	33,276
		168,044	103,290
Earnings per share	14		
— Basic *(US cents)*		**3.23**	2.69
— Diluted *(US cents)*		**3.23**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2012

	Notes	**2012 US$'000**	2011 US$'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**1,006,959**	875,833
Interest in an associate	16	**2,143**	—
Restricted bank balances	21	**12,128**	9,978
Other assets	20	**12,916**	14,414
Finance lease receivables	17	**27,015**	23,351
Deferred tax assets	29	**—**	2,149
		1,061,161	925,725
CURRENT ASSETS			
Inventories	18	**330,415**	164,281
Finance lease receivables	17	**8,793**	6,483
Trade receivables	19	**120,306**	95,786
Prepayments and other receivables	20	**60,594**	56,084
Restricted bank balances	21	**2,281**	7,557
Bank balances and cash	21	**264,723**	217,303
		787,112	547,494
CURRENT LIABILITIES			
Trade payables	22	**192,110**	107,364
Other payables and accrued expenses	23	**84,337**	57,116
Income tax payable		**5,021**	87
Bank and other borrowings			
— due within one year	24	**11,000**	199,000
Derivatives, at fair value	25	**—**	775
		292,468	364,342
NET CURRENT ASSETS		**494,644**	183,152
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,555,805**	1,108,877

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AT 31 DECEMBER 2012

	Notes	2012 US$'000	2011 US$'000
CAPITAL AND RESERVES			
Share capital	26	**447,901**	333,333
Share premium		**165,332**	35,256
Retained profits		**102,259**	3,715
Equity attributable to owners of the Company		**715,492**	372,304
Non-controlling interests		**135,546**	117,046
TOTAL EQUITY		**851,038**	489,350
NON-CURRENT LIABILITIES			
Bank and other borrowings			
— due after one year	24	**578,450**	512,179
Deferred revenue	27	**17,811**	11,458
Provision for restoration, rehabilitation and environmental costs	28	**15,272**	17,452
Deferred tax liabilities	29	**93,234**	78,438
		704,767	619,527
		1,555,805	1,108,877

The consolidated financial statement on pages 59 to 145 were approved and authorised for issue by the Board of Directors on 19 March 2013 and are signed on its behalf by:

Tao Luo
DIRECTOR

Xinghu Tao
DIRECTOR

STATEMENT OF FINANCIAL POSITION OF THE COMPANY

AT 31 DECEMBER 2012

	Notes	2012 US$'000	2011 US$'000
NON-CURRENT ASSETS			
Equipment		**28**	—
Investment in a subsidiary	30	**315,859**	315,859
Receivable from a subsidiary	31	**60,729**	52,730
Loans to subsidiaries	31	**168,000**	—
		544,616	368,589
CURRENT ASSETS			
Due from subsidiaries	31	**1,414**	—
Prepayments	20	**—**	1,719
Bank balances and cash	21	**68,406**	—
		69,820	1,719
CURRENT LIABILITIES			
Other payables and accrued expenses	23	**689**	4,000
		689	4,000
NET CURRENT ASSETS/(LIABILITIES)		**69,131**	(2,281)
TOTAL ASSETS LESS CURRENT LIABILITIES		**613,747**	366,308
CAPITAL AND RESERVES			
Share capital	26	**447,901**	333,333
Share premium	40	**165,332**	35,256
Retained profits/(accumulated losses)	40	**514**	(2,281)
TOTAL EQUITY		**613,747**	366,308

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2012

	Attributable to owners of the Company						
	Capital *US$'000*	Share premium *US$'000* *(Note 40)*	Other reserves *US$'000*	Retained profits *US$'000*	Sub-total *US$'000*	Non-controlling interests *US$'000*	Total *US$'000*
At 1 January 2011	15,652	—	130,253	172,798	318,703	86,357	405,060
Profit and total comprehensive income for the year	—	—	—	70,014	70,014	33,276	103,290
Contribution from non-controlling shareholder of a subsidiary *(Note 37(i))*	—	—	—	—	—	3,750	3,750
Reorganisation *(Note 1)*	317,681	35,256	(130,253)	(222,684)	—	—	—
Dividend declared *(Note 13)*	—	—	—	(16,413)	(16,413)	(6,337)	(22,750)
At 31 December 2011	333,333	35,256	—	3,715	372,304	117,046	489,350
Shares issued *(Note 1)*	114,568	137,626	—	—	252,194	—	252,194
Share issue expenses	—	(7,550)	—	—	(7,550)	—	(7,550)
Profit and total comprehensive income for the year	—	—	—	98,544	98,544	69,500	168,044
Dividend declared by subsidiaries	—	—	—	—	—	(51,000)	(51,000)
At 31 December 2012	447,901	165,332	—	102,259	715,492	135,546	851,038

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	2012 US$'000	2011 US$'000
OPERATING ACTIVITIES			
Profit before tax		**192,750**	118,310
Adjustments for:			
Depreciation of property, plant and equipment	11	**71,045**	59,388
Interest income	7	**(416)**	(233)
Finance income earned under finance leases to a fellow subsidiary	7	**(1,162)**	(1,049)
Gain arising on changes in fair value of derivatives	25	**(937)**	(10,369)
Impairment loss (reversed)/recognised on trade receivables, net	9	**(2,203)**	1,168
Gain on disposal of property, plant and equipment, net	9	**—**	(605)
Finance costs	8	**5,957**	9,248
Operating cash flows before movements in working capital		**265,034**	175,858
(Increase)/decrease in inventories		**(166,134)**	13,243
(Increase)/decrease in trade and other receivables, prepayments and other assets		**(37,243)**	74,075
Decrease in investments in derivatives		**10,000**	5,001
Increase/(decrease) in trade and other payables and accrued expenses		**107,518**	(97,190)
Cash generated from operations		**179,175**	170,987
Income tax paid		**(2,827)**	(2,478)
NET CASH FROM OPERATING ACTIVITIES		**176,348**	168,509

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

	2012 *US$'000*	2011 *US$'000*
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(192,558)**	(393,049)
Placement of restricted bank balances	**(924)**	—
Investment in an associate	**(2,143)**	—
Withdrawal of restricted bank balances	**4,050**	2,635
Purchase of property, plant and equipment under finance leases to a fellow subsidiary	**(14,388)**	(34,881)
Repayment of finance lease receivables from a fellow subsidiary	**8,414**	5,047
Interest received	**416**	233
Finance income earned under finance leases to a fellow subsidiary received	**1,162**	1,049
Receipts of government grants	**6,353**	5,831
Proceeds from disposal of property, plant and equipment	**1,858**	715
NET CASH USED IN INVESTING ACTIVITIES	**(187,760)**	(412,420)
FINANCING ACTIVITIES		
Shares issued	**252,194**	—
Share issue expenses paid	**(7,550)**	—
New bank and other borrowings raised	**175,000**	287,139
Repayment of bank and other borrowings	**(296,729)**	(118,039)
Dividends paid	**—**	(21,413)
Dividends paid to non-controlling shareholders	**(49,350)**	(7,237)
Interest paid	**(14,917)**	(13,982)
NET CASH FROM FINANCING ACTIVITIES	**58,648**	126,468
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**47,236**	(117,443)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**217,303**	336,789
Effect of foreign exchange rate changes	**184**	(2,043)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR represented by bank balances and cash	**264,723**	217,303

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

1. GENERAL INFORMATION

China Nonferrous Mining Corporation Limited (the "Company") was incorporated in Hong Kong on 18 July 2011 with limited liability. Its parent and ultimate holding company are China Nonferrous Mining Development Limited ("CNMD"), incorporated in the British Virgin Islands, and China Nonferrous Metal Mining (Group) Co., Ltd ("CNMC"), incorporated in the People's Republic of China (the "PRC"), respectively. The registered office of the Company is located at Room 1201, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong, and its principal place of business is located at 32 Enos Chomba Road, Kitwe, Zambia.

On 28 June 2012, the Company completed its global offering of 870,000,000 ordinary shares of the Company with nominal value of HK$1.00 each at an offer price of HK$2.20 per ordinary share of the Company (the "Global Offering") and its ordinary shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") with effect from 29 June 2012.

On 25 July 2012, the Company issued an additional 19,036,000 ordinary shares of the Company with nominal value of HK$1.00 each at an issue price of HK$2.20 each pursuant to the over-allotment option granted to the international underwriters pursuant to the Global Offering.

Reorganisation of the Group

Pursuant to a share swap agreement dated 21 November 2011 entered into between CNMC and CNMD, CNMD (as purchaser) acquired the 85%, 80%, 60% and 55%, respectively, issued share capital of NFC Africa Mining PLC ("NFCA"), CNMC Luanshya Copper Mines PLC ("Luanshya"), Chambishi Copper Smelter Limited ("CCS") and Sino-Metals Leach Zambia Limited ("SML"), respectively, representing the equity interests in NFCA, Luanshya, CCS and SML held by CNMC, from CNMC (as seller) for an aggregate consideration of US$349,620,000. The consideration was satisfied by the allotment and issue of 349,620,000 ordinary shares of US$1.00 each of CNMD to CNMC.

Pursuant to a share swap agreement dated 22 November 2011 entered into between CNMD and the Company, the Company (as purchaser) acquired the 85%, 80%, 60% and 55%, respectively, issued share capital of NFCA, Luanshya, CCS and SML, respectively, representing the equity interests in NFCA, Luanshya, CCS and SML held by CNMD, from CNMD (as seller) for an aggregate consideration of HK$2,599,999,999 (equivalent to approximately US$333,333,333). The consideration was satisfied by the allotment and issue of 2,599,999,999 ordinary shares of HK$1.00 each of the Company to CNMD. Pursuant to a deed of assignment dated 22 November 2011, CNMC assigned its receivable of US$106,058,000 due from Luanshya to the Company at nil consideration.

1. GENERAL INFORMATION *(CONTINUED)*

Pursuant to a share swap agreement dated 2 December 2011 entered into between the Company and China Nonferrous Mining Holdings Limited ("CNMH"), CNMH (as purchaser) acquired the 85%, 80%, 60% and 55%, respectively, issued share capital of NFCA, Luanshya, CCS and SML, respectively, representing the equity interests in NFCA, Luanshya, CCS and SML held by the Company, from the Company (as seller) for an aggregate consideration of Euro171,152,000 (equivalent to approximately US$243,562,000). The consideration was satisfied by the allotment and issue of 171,152,000 ordinary shares of Euro1.00 each of CNMH to the Company.

Upon the completion of the above share swap transactions, CNMC held 100% of CNMD which held 100% equity interest in the Company. The Company held 100% equity interest in CNMH which in turn held 85%, 80%, 60% and 55%, respectively, equity interests in NFCA, Luanshya, CCS and SML, respectively, since 2 December 2011, the date of the completion of the reorganisation (the "Reorganisation").

The Company and its subsidiaries (collectively referred to as the "Group") is under the control of CNMC prior and after the Reorganisation and the Group is therefore regarded as a continuing entity. Accordingly, for the purpose of the preparation of these consolidated financial statements of the Group, the Company was regarded as the holding company of the companies comprising the Group from 1 January 2011 throughout the year ended 31 December 2011.

The consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended 31 December 2011 include the results, changes in equity and cash flows of the companies comprising the Group as if the current group structure had been in existence throughout 2011.

The functional currency of companies comprising the Group is United States dollars ("US$") and the consolidated financial statements have been presented in US$.

The principal activity of the Company is investment holding. The activities of the subsidiaries of the Company are set out in the note 30.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following amendments to standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are mandatorily effective for the annual period beginning on or after 1 January 2012.

Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets
Amendments to HKFRS 7	Financial Instruments: Disclosures — Transfers of Financial Assets

The application of the amendments to standards in the current year has had no material impact on the Group's financial performance and position for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

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

[1] Effective for annual periods beginning on or after 1 January 2013
[2] Effective for annual periods beginning on or after 1 January 2014
[3] Effective for annual periods beginning on or after 1 January 2015
[4] Effective for annual periods beginning on or after 1 July 2012

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(CONTINUED)*

New and revised standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards that are relevant to the Group are described below.

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements. HK (SIC)-Int 12 *Consolidation — Special Purpose Entities* will be withdrawn upon the effective of HKFRS 10. Under HKFRS 10, there is only one basis for consolidation, that is, control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

These five standards, together with the amendments relating to the provisional guidance, are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The directors of the Company (the "Directors") anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning on 1 January 2013 and the application of these five standards will have no material impact on the consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(CONTINUED)*

New and revised standards on consolidation, joint arrangements, associates and disclosures *(Continued)*

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 *Financial Instruments: Disclosures* will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The Directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning on 1 January 2013 and that the application of the HKFRS 13 may result in more extensive disclosures in the consolidated financial statements.

HK(IFRIC)-Int 20 Stripping Costs in the Production Phase of a Surface Mine

HK(IFRIC)-Int 20 *Stripping Costs in the Production Phase of a Surface Mine* applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine ("production stripping costs"). Under the interpretation, the costs from this waste removal activity ("stripping") which provide improved access to ore is recognised as a non-current asset ("stripping activity asset") when certain criteria are met, whereas the costs of normal on-going operational stripping activities are accounted for in accordance with HKAS 2 *Inventories*. The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset and classified as tangible or intangible according to the nature of the existing asset of which it forms part.

HK(IFRIC)-Int 20 is effective for annual periods beginning on or after 1 January 2013. The Directors anticipate that the interpretation will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. The adoption is not expected to have material impact on the Group's consolidated financial statements because the current accounting treatment for the stripping costs is consistent with the requirements under this interpretation.

The Directors anticipate that the application of the other new and revised HKFRSs will have no material impact on these consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's statement of financial position at cost less any impairment loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

The requirements of HKAS 39 *Financial Instruments: Recognition and Measurements* are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interest in the associate that are not related to the Group.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivables for goods sold in the normal course of business, net of allowances, applicable sales taxes and mineral royalty.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Revenue recognition *(Continued)*

Sale of goods

Revenue from the sales of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

In most instances, sales revenue is recognised when the product is delivered to the destination specified by the customer, which is typically the vessel on which it is shipped, the destination port or the customer's premises.

For certain sales of the Group, the sales price is determined on a provisional basis at the date of sale, as the final selling price is subject to the grades of copper, gold and silver in the Group's copper products and movements in market prices up to the date of final pricing, normally ranging from 30 to 180 days after initial booking. Revenue on provisionally priced sales is recognised based on the estimated grades of copper, gold and silver in the Group's copper products and fair value of the total consideration receivable. The revenue adjustment mechanism embedded within provisionally priced sales arrangements has the character of a commodity derivative. Accordingly, the fair value of the final sales price adjustment is re-estimated continuously and changes in fair value are recognised as an adjustment to revenue. In all cases, fair value is estimated by reference to forward market prices.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Revenue recognition *(Continued)*

Dividend and interest income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Interest income from a financial asset is recognised when it is probably that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the porting period, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as the amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statements of financial position under trade and other receivables.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased assets and recognised on a straight-line basis over the lease term.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Leasehold land for own use

When a lease includes both land and building elements, the 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 Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

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 "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Foreign currencies

The functional currency of companies comprising the Group is US$. In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control, joint control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control and joint control. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before tax" as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associate, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilse the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purpose (other than construction in progress as described below), are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Construction in progress is carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Construction in progress is classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property, plant and equipment, commences when the assets are ready for their intended use.

Mining properties in the course of development or construction are not depreciated. Capitalised mining properties costs are depreciated once commercial production commences, as described in "Property, plant and equipment — mining properties and leases".

All other items of mining related property are depreciated over the shorter of the asset's useful life of 5 to 30 years or the life of mine on a straight-line basis.

Depreciation for other property, plant and equipment (other than construction in progress) is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Land and buildings	10 to 30 years
Machinery and equipment	3 to 10 years
Motor vehicles	5 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of any item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Property, plant and equipment *(Continued)*

Exploration and evaluation expenditure

The Group capitalises only expenditures directly attributable to exploration and evaluation activities, including acquisition of exploration rights, topographical and geological studies, exploratory drilling, trenching, sampling, and activities in relation to evaluating the technical feasibility and commercial viability of extracting a mineral resource during exploration and evaluation phase related to a specific area of interest to the extent that:

- the Group's right to tenure of the area of interest is current; and
- the costs incurred are expected to be recouped through successful development and exploitation of the area of interest.

All other exploration and evaluation expenditures are charged to profit and loss as incurred.

These capitalised expenditures are stated at cost less impairment and are firstly capitalised as property, plant and equipment under the heading of "Construction in progress" in the year in which they are incurred.

A "feasibility study" consists of a comprehensive study of the viability of a mineral project that has advanced to a phase where the mining method has established, and which, if an effective method of mineral processing has been determined, includes a financial analysis based on reasonable assumptions of technical, engineering and operating economic factors, and the evaluation of other relevant factors. The feasibility study allows the Group to conclude whether it is demonstrable that it will obtain future economic benefits from the expenditures.

Once the final feasibility study has been completed and a development decision has been taken, accumulated capitalised exploration and evaluation expenditures in respect of an area of interest are transferred to non-current assets as "Property, plant and equipment". In circumstances when an area of interest is abandoned or management decides it is not commercially viable, any accumulated costs in respect of that area are written off in the period the decision is made.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Property, plant and equipment *(Continued)*

Exploration and evaluation expenditure (Continued)

Capitalised exploration and evaluation expenditures are assessed for impairment when facts and circumstances indicate that the carrying amount of an exploration and evaluation expenditure may exceed its recoverable amount. Once a development decision has been taken, the capitalised expenditures are also assessed for impairment before reclassification. An impairment test is performed if any of the following indicators are present:

- the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; or
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

For the purposes of assessing impairment, the capitalised exploration and evaluation expenditures subject to testing are grouped with other operating assets located in the same geographical region as one cash generating unit.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Property, plant and equipment *(Continued)*

Mining properties and leases

The costs of mining properties and leases, which include the costs of acquiring and developing mining properties and mining rights, are firstly capitalised as property, plant and equipment under the heading of "Construction in progress" in the year in which they are incurred and then reclassified to the heading of "Mining properties and leases" when they are ready for commercial production.

When a decision is taken that a mining property is viable for commercial production, all further pre-production primary development expenditure other than land, buildings, plant and equipment, etc. is capitalised as part of the cost of the mining property until the mining property is capable of commercial production. From that point, capitalised mining properties and leases costs are depreciated on a unit-of-production basis over the total estimated remaining commercial reserves of each property or a group of properties.

Stripping costs incurred in the development of a mine (or pit) before the production commences are capitalised as part of the cost of constructing the mine (or pit) and subsequently amortised over the life of the mine (or pit) on a unit of production basis. Stripping costs and secondary development expenditure, mainly comprising of costs on blasting, haulage, excavation, etc. incurred during the production stage of an ore body are charged to profit or loss as incurred.

In circumstances where a mining property is abandoned, the cumulative capitalised costs relating to the property are written off in the period.

Commercial reserves are proved and probable reserves. Changes in the commercial reserves affecting unit of production calculations are dealt with prospectively over the revised remaining reserves.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Impairment of tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and 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 the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand, and short-term deposits with an original maturity of three months or less, which are readily convertible into a known amount of cash.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Inventories

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

Cost is determined on the following bases:

- Purchased copper concentrate and all other materials, including stores and spares, are valued on weighted average basis.
- Finished products are valued at raw material cost plus costs of conversion, comprising labor costs and an attributable proportion of manufacturing overheads based on normal levels of activity.

Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Environmental rehabilitation

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the development or ongoing production of a mine or production facilities. Costs arising from the installation of plant and other site preparation work, discounted to net present value, are provided for and a corresponding amount is capitalised at the start of each project, as soon as the obligation to incur such costs arises. These costs are charged to profit or loss over the life of the operation through the depreciation of the asset and the unwinding of the discount on the provision. The cost estimates are reviewed periodically and are adjusted to reflect known developments which may have an impact on the cost estimates or life of operations. The cost of the related asset is adjusted for changes in the provision due to factors such as updated cost estimates, new disturbance and revisions to discount rates. The adjusted cost of the asset is depreciated prospectively over the lives of the assets to which they relate. The unwinding of the discount is shown as a finance cost in profit or loss.

Costs for restoration of subsequent site damage which is caused on an ongoing basis during production are provided for at their net present values and charged to profit or loss as extraction progresses. Where the costs of site restoration are not anticipated to be significant, they are expensed as incurred.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: "financial assets at fair value through profit or loss" (FVTPL), "held-to-maturity investments", "available-for-sale (AFS) financial assets" and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial instruments *(Continued)*

Financial assets (Continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets and is included in the "other income and gains" line item in the consolidated statement of comprehensive Income. Fair value is determined in the manner described in note 33.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial instruments *(Continued)*

Financial assets (Continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, amounts due from subsidiaries, restricted bank balances, bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets (including finance lease receivables)

Financial assets other than those at FVTPL and finance lease receivables, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganisation.

For certain categories of financial asset, such as trade and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is 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.

The carrying amounts of financial assets is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. When a trade and other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss. Changes in the carrying amount of the allowance account are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets *(Continued)*

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is held for trading.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any interest paid on the financial liability. Fair value is determined in the manner described in note 33.

Other financial liabilities

Other financial liabilities (including trade and other payables, amount due to the ultimate holding company, bank and other borrowings) are subsequently measured at amortised cost using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments (Continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis other than financial liabilities classified as at FVTPL.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which case the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Derecognition

The Group derecognises a financial asset (including finance lease receivables) only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset (including finance lease receivables) in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the Directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. 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.

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

Revenue recognition

The Group produces blister copper, copper cathodes, copper concentrate and sulfuric acid. Copper products are sold under provisional pricing arrangements where final grades of copper, gold and silver in copper products are agreed based on third-party examination and final prices are set at a specified date based on market prices. Revenues are recognised when title and risk pass to the customer using history of grades of copper, gold and silver in copper products based on internal examination statistics and forward prices for the expected date of final settlement. Besides, changes between the prices recorded upon recognition of revenue and the final price due to fluctuations in copper market prices result in the existence of an embedded derivative in the trade receivables. This embedded derivative is recorded at fair value, with changes in fair value classified as a component of revenue.

Income taxes

Current income taxes are recorded based on estimated income taxes payable for the current year and significant judgment is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provision in the period in which such determination is made. Deferred income tax assets and liabilities are recognised for temporary differences between the tax and accounting bases of assets and liabilities using tax rates in which the differences are expected to reverse. Deferred tax assets relating to tax losses are recognised when the Directors consider to be probable that tax losses can be utilised. The outcome of their actual utilisation may be different.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(CONTINUED)*

Restoration, rehabilitation and environmental costs

Provision is made for costs associated with restoration and rehabilitation of mining sites and certain production facilities of the Group as soon as the obligation to incur such costs arises. Such restoration and closure costs are typical of mining, leaching and smelting industries and they are normally incurred at the end of the life of the mine and production facilities. The costs are estimated on the basis of mine/plant closure plans and the estimated discounted costs of dismantling and removing these facilities and the costs of restoration are capitalised when incurred reflecting the Group's obligations at that time. A corresponding provision is created on the liability side.

The capitalised asset is charged to profit or loss over the life of the asset through depreciation over the life of the operation and the provision is increased each period via unwinding the discount on the provision. Management estimates are based on local legislation. The actual costs and cash outflows may differ from estimates because of changes in laws and regulations, changes in prices, analysis of site conditions and changes in restoration technology.

The Group provides for such costs in accordance with statutory requirements.

Depreciation of mining properties and leases

Mining properties and leases costs are depreciated using the unit of production method (the "UOP"). The calculation of the UOP rate of depreciation, and therefore the annual depreciation charge to operations, can fluctuate from initial estimates. This could generally result when there are significant changes in any of the factors or assumptions used in estimating mine reserves, notably changes in the geology of the reserves and assumptions used in determining the economic feasibility of the reserves. Such changes in reserves could similarly impact the useful lives of assets depreciated on a straight-line basis, where those lives are limited to the life of the project, which, in turn is limited to the life of the proved and probable mineral reserves. Estimates of proved and probable reserves are prepared by experts in extraction, geology and reserve determination. Assessments of UOP rates against the estimated reserve base and the operating and development plan are performed regularly.

Estimated impairment of trade receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit and loss when there is objective evidence that the asset is impaired.

In making the estimates, the Directors considered detailed procedures have been in place to monitor this risk. In estimating whether allowance for bad and doubtful debts is required, the Group takes into consideration the ageing status and the likelihood of collection. Following the identification of doubtful debts, the responsible sales personnel discuss with the relevant customers and report on the recoverability. When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise.

Details of movements of allowance for trade receivables are disclosed in note 19.

5. REVENUE

An analysis of the Group's revenue from sale of goods for the year is as follows:

	2012	2011
	US$'000	*US$'000*
Blister copper	**1,321,923**	1,186,840
Copper cathodes	**147,102**	58,223
Sulfuric acid	**63,290**	38,843
	1,532,315	1,283,906

6. SEGMENT INFORMATION

Information reported to the President of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods produced.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

- Mining — Exploration and mining of copper mines in Chambishi and Baluba and production of copper concentrate;
- Leaching — Production and sale of copper cathodes (including exploration and mining of copper mines in Muliashi which supply copper ores solely for the leaching plant in Muliashi, collectively the Muliashi Project) which are produced using the solvent extraction-electrowinning technology; and
- Smelting — Production and sale of blister copper and sulfuric acid which are produced using ISA smelting technology.

6. SEGMENT INFORMATION *(CONTINUED)*

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segment.

	2012	2011
	US$'000	*US$'000*
Segment revenue		
Revenue from external customers		
— Mining	**—**	—
— Leaching	**147,102**	58,223
— Smelting	**1,385,213**	1,225,683
	1,532,315	1,283,906
Inter-segment sales		
— Mining	**285,906**	285,835
— Leaching	**—**	—
— Smelting	**9,514**	1,676
	295,420	287,511
Total segment revenue		
— Mining	**285,906**	285,835
— Leaching	**147,102**	58,223
— Smelting	**1,394,727**	1,227,359
	1,827,735	1,571,417
Elimination*	**(295,420)**	(287,511)
Revenue for the year	**1,532,315**	1,283,906

* Inter-segment sales were conducted at terms mutually agreed among the companies comprising the Group.

6. SEGMENT INFORMATION *(CONTINUED)*

Segment revenue and results *(Continued)*

	2012 **US$'000**	2011 US$'000
Segment profit		
— Mining	**20,881**	28,751
— Leaching	**27,126**	28,020
— Smelting	**132,620**	49,190
	180,627	105,961
Unallocated income*	**11,232**	—
Unallocated expenses*	**(8,487)**	(2,281)
Elimination	**(15,328)**	(390)
Profit for the year	**168,044**	103,290

* The unallocated income and expenses mainly represent the income and expenses of the Company and CNMH, an investment holding companies of the Group.

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit for the year earned by each segment. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

6. SEGMENT INFORMATION *(CONTINUED)*

Segment assets and liabilities

	2012 US$'000	2011 US$'000
Segment assets		
— Mining	**709,386**	596,030
— Leaching	**459,742**	386,689
— Smelting	**663,135**	523,450
Total segment assets	**1,832,263**	1,506,169
Unallocated assets*	**68,434**	1,719
Elimination	**(52,424)**	(34,669)
Consolidated total assets	**1,848,273**	1,473,219
Segment liabilities		
— Mining	**387,445**	652,257
— Leaching	**420,044**	6,399
— Smelting	**477,624**	350,558
Total segment liabilities	**1,285,113**	1,009,214
Unallocated liabilities*	**689**	4,000
Elimination	**(288,567)**	(29,345)
Consolidated total liabilities	**997,235**	983,869

* The unallocated assets and liabilities mainly represent those of the Company and CNMH.

For the purposes of monitoring segment performance and allocating resources between segments, all assets and liabilities, except for certain assets and liabilities of the Company and CNMH, are allocated to reportable and operating segments.

6. SEGMENT INFORMATION *(CONTINUED)*

Other segment information

	2012	2011
	US$'000	*US$'000*
Interest income		
— Mining	**47**	9
— Leaching	**—**	—
— Smelting	**219**	224
	266	233
Unallocated interest income*	**150**	—
	416	233
Finance income earned under finance leases to a fellow subsidiary		
— Mining	**—**	—
— Leaching	**1,162**	1,049
— Smelting	**—**	—
	1,162	1,049
Gain arising on changes in fair value of derivatives		
— Mining	**—**	—
— Leaching	**—**	—
— Smelting	**937**	10,369
	937	10,369
Finance costs		
— Mining	**(4,500)**	(3,702)
— Leaching	**—**	—
— Smelting	**(1,457)**	(5,546)
	(5,957)	(9,248)

6. SEGMENT INFORMATION *(CONTINUED)*

Other segment information *(Continued)*

	2012	2011
	US$'000	*US$'000*
Income tax expense		
— Mining	**(14,196)**	(14,392)
— Leaching	**(5,169)**	(317)
— Smelting	**(5,341)**	(311)
	(24,706)	(15,020)
Depreciation		
— Mining	**(41,971)**	(41,523)
— Leaching	**(13,011)**	(3,755)
— Smelting	**(16,063)**	(14,110)
	(71,045)	(59,388)
Impairment loss reversed/(recognised) on trade receivables, net		
— Mining	**—**	(354)
— Leaching	**814**	(814)
— Smelting	**1,389**	—
	2,203	(1,168)
Additions to non-current assets#		
— Mining	**(55,900)**	(101,805)
— Leaching	**(75,303)**	(259,781)
— Smelting	**(70,750)**	(37,672)
	(201,953)	(399,258)

* Represents interest income earned from bank balances of the Company and CNMH.

\# Excluding financial instruments and deferred tax assets.

6. SEGMENT INFORMATION *(CONTINUED)*

Revenue from major products

The Group's revenue from its major products is set out in note 5.

Geographical information

The Group's operation is mainly in Zambia and US$987,636,000 (2011: US$861,444,000) and US$34,382,000 (2011: US$28,803,000) of its non-current assets (other than financial instruments and deferred tax assets) are in Zambia and Democratic Republic of Congo (the "DRC"), respectively.

The Group's revenue from external customers by their geographical locations is detailed below:

	2012 ***US$'000***	2011 *US$'000*
PRC	**1,215,545**	825,841
Hong Kong	**677**	22,315
Switzerland	**251,975**	365,594
Luxembourg	**828**	31,496
Zambia	**63,290**	38,840
	1,532,315	1,283,906

6. SEGMENT INFORMATION *(CONTINUED)*

Information about major customers

Revenue from customers contributing over 10% of the total revenue of the Group are as follows:

	2012	2011
	US$'000	*US$'000*
Customer A		
— Mining	**—**	—
— Leaching	**43,881**	28,007
— Smelting	**784,690**	626,874
Customer B		
— Mining	**—**	—
— Leaching	**—**	—
— Smelting	**386,974**	170,960
Customer C		
— Mining	**—**	—
— Leaching	**72,529**	30,216
— Smelting	**141,197**	85,552
	1,429,271	941,609

7. OTHER INCOME AND GAINS

	2012	2011
	US$'000	*US$'000*
Interest income	**416**	233
Finance income earned under finance leases to a fellow subsidiary	**1,162**	1,049
Revenue from construction contracts, net of expenses	**—**	1,715
Net income from sale of spare parts and other materials	**1,254**	1,052
Impairment loss reversed on trade receivables	**2,203**	—
Others	**1,405**	786
	6,440	4,835

8. FINANCE COSTS

	2012	2011
	US$'000	*US$'000*
Interest on bank and other borrowings:		
— wholly repayable within five years	**8,850**	8,543
— wholly repayable beyond five years	**6,067**	5,439
Total borrowing costs	**14,917**	13,982
The unwinding of the discount *(Note 28)*	**298**	268
Less: Borrowing costs capitalised in construction in progress	**(9,258)**	(5,002)
	5,957	9,248
The weighted average capitalisation rate on funds borrowed, generally (per annum)	**1.2%-2.3%**	1.1%-1.3%

9. OTHER EXPENSES

	2012	2011
	US$'000	*US$'000*
Foreign exchange losses	**2,938**	4,739
Net gain on disposal of property, plant and equipment, net	**—**	(605)
Impairment loss recognised on trade receivables	**—**	1,168
Listing expenses	**5,864**	2,281
Others	**1,329**	3,421
	10,131	11,004

10. INCOME TAX EXPENSE

Income tax expense recognised in profit or loss:

	2012	2011
	US$'000	*US$'000*
Current tax:		
— Zambia Income Tax	**2,917**	1,030
— Ireland Income Tax	**4,844**	—
	7,761	1,030
Deferred tax *(Note 29)*	**16,945**	13,990
Total income tax expense	**24,706**	15,020

Hong Kong profits tax is calculated at 16.5% (2011: 16.5%) on the estimated assessable profit. No provision for Hong Kong profits tax has been made as there was no assessable profit arising in Hong Kong during the years ended 31 December 2011 and 2012.

Income Tax in Ireland is calculated at 12.5% (2011: 12.5%) on the estimated assessable income. No provision for Ireland income tax has been made during the year ended 31 December 2011 as there was no assessable income arising in Ireland.

Income Tax in the DRC is calculated at 30% (2011: 30%) on the estimated assessable income. No provision for DRC income tax has been made as there was no assessable profit arising in the DRC during the years ended 31 December 2011 and 2012.

Income Tax in Zambia is calculated at 35% (2011: 35%) on the assessable income, except for that arising from mining activities which is 30% (2011: 30%) on the relevant assessable income.

The Group enjoyed the following income tax incentives:

- On 3 April 2009, CCS was granted ten-year income tax incentives for zero rate of income tax for the first five profitable years; 50% of income tax relief for the next three years thereafter; and 25% of income tax relief for the remaining 2 years. The first profitable year of CCS, for Income Tax purpose, is 2010.

- On 10 June 2011, SML was granted ten-year income tax incentives for zero rate of income tax for the first five profitable years; 50% of income tax relief for the next three years thereafter; and 25% of income tax relief for the remaining 2 years. The first profitable year of SML, for Income Tax purpose, is 2008.

10. INCOME TAX EXPENSE *(CONTINUED)*

Other taxes

The Group is also subject to Value Added Tax ("VAT") at 16% on purchases and sales in Zambia whereas VAT is exempted on export, and relevant input VAT paid for purchases supported by valid VAT invoices could be refunded by the Zambia Revenue Authority (the "ZRA") to the extent total input VAT paid on purchases exceeds total output VAT payable on domestic sales.

In addition, NFCA and Luanshya are also subject to mineral royalty at 3% on sale of taxable mining products before 1 April 2012, at 6% on sale of taxable mining products thereafter. On 25 September 2009, according to Statutory Instrument No. 66 of 2009, the Commissioner of ZRA shall remit the whole or part of the mineral royalties payable by Luanshya not exceeding US$9 million which was fully utilised by Luanshya up to June 2012.

In the opinion of the Company's Zambian counsel, pursuant to the Convention between the Republic of Zambia and Ireland for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Tax on Income, distribution of dividends to CNMH, a wholly owned subsidiary of the Company and an investment holding company incorporated under the laws of Ireland, from its Zambian subsidiaries is exempt from such withholding tax save for instances where CNMH has a permanent establishment in Zambia. The Directors confirm that CNMH has no permanent establishment in Zambia, and therefore are of the view that no provision for withholding tax on the undistributed profit of the Zambian subsidiaries is required to be made for both years.

Certain dividend income of CNMH from Zambia subsidiaries may be subject to Irish Income Tax at 12.5%. At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was US$12,547,000 (31 December 2011: US$10,895,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

10. INCOME TAX EXPENSE *(CONTINUED)*

Other taxes *(Continued)*

The tax charge for the year can be reconciled to the profit before tax per the consolidated statement of comprehensive income as follows:

	2012 ***US$'000***	2011 *US$'000*
Profit before tax	**192,750**	118,310
Tax at Income Tax rate in Ireland		
— for operations at 12.5%	**9,681**	—
Tax at Profits Tax rate in Hong Kong		
— for operations at 16.5%	**461**	—
Tax at Income Tax rate in the DRC		
— for operations at 30%	**4,679**	—
Tax at Income Tax rate in Zambia		
— for operations at 30%	**10,926**	12,142
— for operations at 35%	**54,441**	27,243
	80,188	39,385
Tax effect of expenses not deductible for tax purpose	**4,289**	4,150
Tax effect of income not taxable for tax purpose	**(7,328)**	—
Tax losses not recognised	**1,391**	—
Effect of tax incentives granted to the Group	**(53,834)**	(28,515)
Income tax expense for the year	**24,706**	15,020
Effective tax rate	**12.8%**	12.7%

11. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging/(crediting):

	2012	2011
	US$'000	*US$'000*
Depreciation of property, plant and equipment	**71,045**	59,388
Auditor's remuneration	**895**	140
Staff costs:		
Salaries, wages and welfare (including Directors' remuneration as disclosed in Note 12)	**78,195**	63,543
Retirement benefit schemes contributions	**12,578**	9,495
Total staff costs	**90,773**	73,038
Less: Amounts included in construction in progress	**(5,046)**	(2,345)
	85,727	70,693
Cost of inventories recognised as an expense	**1,249,365**	1,095,648
Donations	**497**	584
Minimum lease payments in respect of		
— Land and buildings	**6,567**	5,047
— Machinery and equipment	**21**	80

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Directors

Details of the emoluments paid or payable to the Directors are as follows:

	2012				
Name of director	Fees *US$'000*	Salaries and other allowances *US$'000*	Discretionary performance bonus *US$'000*	Retirement benefit schemes contributions *US$'000*	Total emoluments *US$'000*
Executive Directors					
Mr. Xinghu Tao	—	—	—	—	—
Mr. Chunlai Wang	—	153	47	6	206
Mr. Xingeng Luo	—	174	42	6	222
Mr. Xinguo Yang	—	135	105	3	243
Mr. Kaishou Xie	—	84	105	—	189
Non-Executive Director					
Mr. Tao Luo	—	—	—	—	—
Independent Non-executive Directors					
Mr. Chuanyao Sun	—	20	—	—	20
Mr. Jingwei Liu	—	20	—	—	20
Mr. Shuang Chen	—	20	—	—	20
	—	606	299	15	920

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS *(CONTINUED)*

Directors *(Continued)*

	2011				
Name of director	Fees	Salaries and other allowances	Discretionary performance bonus	Retirement benefit schemes contributions	Total emoluments
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Executive Directors					
Mr. Xinghu Tao	—	—	—	—	—
Mr. Chunlai Wang	—	209	—	10	219
Mr. Xingeng Luo	—	209	—	10	219
Mr. Xinguo Yang	—	198	—	—	198
Mr. Kaishou Xie	—	193	—	—	193
Non-Executive Director					
Mr. Tao Luo	—	—	—	—	—
Independent Non-Executive Directors					
Mr. Chuanyao Sun	—	—	—	—	—
Mr. Jingwei Liu	—	—	—	—	—
Mr. Shuang Chen	—	—	—	—	—
	—	809	—	20	829

No Directors waived any emoluments in the year ended 31 December 2012 (2011: Nil).

Mr. Xinghu Tao, the President of the Company, assumes the role as a chief executive and his emoluments for services rendered by him have been borne by CNMC.

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS *(CONTINUED)*

Employees

Of the five individuals with the highest emoluments in the Group, three (2011: four) were Directors whose emoluments are included in the disclosure above. The emoluments of the remaining two (2011: one) individuals were as follows:

	2012	2011
	US$'000	*US$'000*
Salaries and other allowances	**454**	198
Retirement benefit schemes contributions	**19**	15
	473	213

The emoluments of the above employees were within the following bands:

	2012	2011
	Number of employees	
HK$nil to HK$1,000,000	**—**	—
HK$1,000,001 to HK$1,500,000	**—**	—
HK$1,500,001 to HK$2,000,000	**2**	1

13. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2012, nor has any dividend been proposed since the end of the reporting period.

The dividends recognised as distribution for the year ended 31 December 2011 represented the dividends paid by the following subsidiaries to their then shareholders.

	US$'000
NFCA	10,000
SML	15,000
	25,000
Less: Dividends of SML declared to NFCA eliminated at consolidation	(2,250)
	22,750

14. EARNINGS PER SHARE

	2012	2011
Profit for the year attributable to owners of the Company for the purposes of basic and diluted earnings per share *(in US$'000)*	**98,544**	70,014
Weighted average number of shares for the purposes of basic and diluted earnings per share *('000)*	**3,050,453**	2,600,000

The weighted average number of ordinary shares for the purpose of basic earnings per share for the year ended 31 December 2011 has been calculated assuming the Reorganisation had been effective on 1 January 2011.

During the year ended 31 December 2012, the effect of the over-allotment option on diluted earnings per share is insignificant.

No diluted earnings per share is presented for the year ended 31 December 2011 as the Company and its subsidiaries did not have potential ordinary shares outstanding.

15. PROPERTY, PLANT AND EQUIPMENT

THE GROUP

	Mining properties and leases *US'000*	Land and buildings *US'000*	Machinery and equipment *US'000*	Motor vehicles *US'000*	Construction in progress *US'000*	Total *US'000*
Cost:						
At 1 January 2011	121,849	125,832	228,378	28,497	196,634	701,190
Additions	1,773	682	16,124	12,215	366,578	397,372
Transfer from construction in progress	79,357	29,899	48,389	—	(157,645)	—
Disposals	(2,540)	—	(1,437)	(570)	—	(4,547)
At 31 December 2011	200,439	156,413	291,454	40,142	405,567	1,094,015
Additions	22,184	1,040	9,284	4,152	167,369	204,029
Transfer from construction in progress	133,596	38,054	199,245	—	(370,895)	—
Disposals	—	—	(9,649)	(1,332)	—	(10,981)
At 31 December 2012	356,219	195,507	490,334	42,962	202,041	1,287,063
Depreciation:						
At 1 January 2011	(63,743)	(13,800)	(77,590)	(8,098)	—	(163,231)
Depreciation	(10,216)	(6,258)	(32,999)	(9,915)	—	(59,388)
Disposals	2,539	—	1,363	535	—	4,437
At 31 December 2011	(71,420)	(20,058)	(109,226)	(17,478)	—	(218,182)
Depreciation	(12,364)	(8,152)	(42,581)	(7,948)	—	(71,045)
Disposals	—	—	8,050	1,073	—	9,123
At 31 December 2012	(83,784)	(28,210)	(143,757)	(24,353)	—	(280,104)
Carrying amounts:						
At 31 December 2012	272,435	167,297	346,577	18,609	202,041	1,006,959
At 31 December 2011	129,019	136,355	182,228	22,664	405,567	875,833

15. PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

Except for certain pieces of land of Luanshya amounting to US$532,000 (2011: US$542,000), in Zambia held under medium-term lease, the above land and buildings are located in Zambia held under long-term lease.

The Group is in the process of obtaining land use right certificates for certain parcels of its land for its tailing storage facility and several residential areas, which in the opinion of the Directors, are not crucial to the operations of the Group.

16. INTEREST IN AN ASSOCIATE

THE GROUP

As at 31 December 2012, the amount represents the Group's share of net assets of the associate. As at 31 December 2012, the associate had property, plant and equipment of US$7,143,000 and did not have any revenue and results for the year then ended.

Details of the associate of the Group as at the end of the reporting period are set out below:

Name of company	Place/Country of operations and date of incorporation	Issued and fully paid-up ordinary capital	**Equity interest/ voting power attributable to the Company as at 31 December 2012** %	**Equity interest/ voting power attributable to the Company as at 31 December** 2011 %	Principal activities
Huachin Minerals SPRL *(Note)*	The DRC 27 January 2012	US$5,000,000	**20.33**	N/A	Mining, exploration and sale of copper ores

Note: The associate is indirectly held by the Company as to 30% and 70% of the issued and paid-up ordinary share capital of the associate, which is unlisted, are directly held by SML and Mr. Ng Siu Kam, respectively. Pursuant to the relevant joint venture agreement of the associate, the Group had commitment to invest in the associate amounting to US$2,143,000. In February 2012, the Group had fulfilled such commitment.

17. FINANCE LEASE RECEIVABLES

THE GROUP

The Group had purchased certain machinery and equipment which were leased out under finance leases to a fellow subsidiary. All interest rates inherent in the leases are fixed at the contract date over the lease terms.

	2012	2011
	US$'000	*US$'000*
Analysed as:		
Current	**8,793**	6,483
Non-current	**27,015**	23,351
	35,808	29,834

	Minimum lease payments		**Present value of minimum lease payments**	
	2012	2011	**2012**	2011
	US$'000	*US$'000*	***US$'000***	*US$'000*
Finance lease receivables comprise:				
Within one year	**10,660**	8,083	**8,793**	6,483
In more than one year but not more than two years	**10,660**	7,473	**9,327**	6,242
In more than two years but not more than five years	**18,700**	18,460	**17,688**	17,109
	40,020	34,016	**35,808**	29,834
Less: Unearned finance income	**(4,212)**	(4,182)	**N/A**	N/A
Present value of minimum lease payment receivables	**35,808**	29,834	**35,808**	29,834

During the year ended 31 December 2012, effective interest rates of the above finance leases range from 5.6% to 6.1% per annum (2011: 5.6% to 6.1% per annum).

The finance leases are not used to pledge as security for any borrowings of the Group. In the event of default by the lessee, the Group has the right to sell the lease assets. At the end of the lease term, the lease assets will be transferred to the fellow subsidiary at nil consideration.

18. INVENTORIES

THE GROUP

	2012 US$'000	2011 US$'000
Raw materials	**110,781**	42,071
Spare parts and consumables	**52,957**	41,078
Work in progress	**18,442**	10,604
Finished goods	**148,235**	70,528
	330,415	164,281

19. TRADE RECEIVABLES

THE GROUP

	2012 US$'000	2011 US$'000
Trade receivables	**121,928**	99,611
Less: Allowance of doubtful debts	**(1,622)**	(3,825)
	120,306	95,786

19. TRADE RECEIVABLES *(CONTINUED)*

THE GROUP *(Continued)*

The following is an aged analysis of trade receivables, presented based on the date of delivery of goods which approximated the respective dates on which revenue was recognised, net of allowance for doubtful debts:

	2012	2011
	US$'000	*US$'000*
Within 1 month	**108,236**	84,913
More than 1 month, but less than 3 months	**6,652**	9,712
More than 3 months, but less than 6 months	**1,566**	82
More than 6 months, but less than 12 months	**1,414**	874
Over 1 year	**2,438**	205
	120,306	95,786

The Group sells blister copper and copper cathodes under provisional pricing arrangements where final grades of copper, gold and silver in copper products are agreed based on third-party examination and final prices are set at a specified date based on market prices. Revenues are recognised when title and risk pass to the customer using past history of grades of copper, gold and silver in copper products based on internal examination statistics and forward prices for the expected date of final settlement. The Group normally requires prepayments from customers before goods dispatch with the remainder to be settled not exceeding one month upon issuance of sales invoice. Allowances for doubtful debts are recognised against trade receivables based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position.

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Credit limits granted to customers are reviewed regularly. Trade receivables disclosed above include amounts (see below for aged analysis) which are past due at the end of the reporting period for which the Group has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Group to the counterparty.

19. TRADE RECEIVABLES *(CONTINUED)*

THE GROUP *(Continued)*

Age of receivables that are past due but not impaired is analysed as follows:

	2012	2011
	US$'000	*US$'000*
Overdue by:		
Within 1 month	**24,510**	39,396
More than 1 month, but less than 3 months	**173**	9,712
More than 3 months, but less than 6 months	**1,566**	82
More than 6 months, but less than 12 months	**1,414**	874
Over 1 year	**2,438**	205
	30,101	50,269

Movement in the allowance for doubtful debts is as follows:

	2012	2011
	US$'000	*US$'000*
Balance at the beginning of the year	**(3,825)**	(2,657)
Impairment losses reversed /(recognised) on trade receivables, net	**2,203**	(1,168)
Balance at the end of the year	**(1,622)**	(3,825)

In determining the recoverability of a trade receivable, the Directors consider any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. Although the Group's largest three (2011: three) customers accounted for significant portion of 93% (2011: 73%) of its sales, these customers are large and reputable in the market and have traded with the Group with good settlement history. The remaining sales revenue is attributable to a number of customers in different countries. In the opinion of the Directors, the Group has concentration of credit risk because 71% (2011: 79%) of the trade receivables was due from the Group's three (2011: three) largest customers.

19. TRADE RECEIVABLES *(CONTINUED)*

THE GROUP *(Continued)*

The Group does not hold any collateral over these balances.

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of US$1,622,000 (2011: US$3,825,000).

Included in the Group's trade receivables are balances with the following related parties:

	2012 **US$'000**	2011 *US$'000*
Fellow subsidiaries	**65,149**	58,591
A subsidiary of a non-controlling shareholder of a subsidiary	**13,327**	13,784
	78,476	72,375

The above balances with related parties are unsecured, interest-free and are repayable according to the relevant sales contracts.

20. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

THE GROUP

	2012 **US$'000**	2011 *US$'000*
Non-current:		
Deposits for property, plant and equipment	**2,260**	4,336
Contributions to Environment Protection Fund *(Note 28)*	**1,434**	1,434
Prepayments for electricity*	**9,222**	8,644
	12,916	14,414
Current:		
Prepayments for inventories and others	**28,985**	9,461
VAT receivables	**19,251**	23,336
Deposits in futures margin accounts	**4,521**	14,359
Other receivables	**7,837**	8,928
	60,594	56,084

20. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS *(CONTINUED)*

THE GROUP *(Continued)*

* Pursuant to a power supply agreement (the "Power Supply Agreement") and a connection agreement (the "Connection Agreement") entered into between a subsidiary of the Group, Luanshya, and a power supply company, Copperbelt Energy Corporation Plc ("Copperbelt Energy"), in Zambia, Luanshya undertook to construct certain power supply network assets (the "Network Assets") to enable Copperbelt Energy to supply the electricity to the mining/leaching project of Luanshya in Muliashi, Copperbelt Province of Zambia. According to the Connection Agreement, Luanshya shall transfer the Network Assets to Copperbelt Energy upon the completion of the construction for a consideration of US$3,725,000 payable by Copperbelt Energy to Luanshya within the seventh anniversary from the date of transfer, subject to Luanshya's fulfillment of consumption of electricity prescribed in the Connection Agreement.

The total construction cost of the Network Assets is US$ 9,442,000 and the construction of the Network Assets completed in March 2012.

The Directors consider that the construction costs for the Network Assets are, in substance, prepayments for electricity that will be amortised over the tenure of the Power Supply Agreement (expiring in January 2025) upon the commencement of electricity consumption by Luanshya. During the year ended 31 December 2012, the prepayment for electricity released to profit or loss is amounting to US$ 220,000 (2011: Nil).

Included in the Group's prepayments, other receivables and other assets are balances with the following related parties:

	2012	2011
	US$'000	*US$'000*
CNMC and fellow subsidiaries	**8,955**	12,886
Associate	**—**	897
Non-controlling shareholders of subsidiaries	**172**	444
	9,127	14,227

The above balances with related parties are unsecured, interest-free and are repayable on demand.

THE COMPANY

The amount as at 31 December 2011 mainly represented prepaid listing expenses.

21. RESTRICTED BANK BALANCES/BANK BALANCES AND CASH

THE GROUP

(i) Restricted bank balances

The Group's restricted bank balances are analysed as follows:

	2012	2011
	US$'000	*US$'000*
Pledged for bank loans:		
— repayable after 1 year classified as non-current assets	**4,154**	2,004
— repayable within 1 year classified as current assets	**—**	2,126
Designated as deposits classified as non-current assets:		
— for issuing letters of guarantee to secure future restoration costs as required by the government of Zambia *(Note 28)*	**7,974**	7,974
Designated as deposits classified as current assets:		
— for custom clearance	**1,181**	563
— for issuing letters of credit	**1,100**	4,868
	14,409	17,535

The restricted bank balances carry interest at rates ranging from 0.1% to 3.1% (2011: 0.1% to 3.0%) per annum.

(ii) Bank balances and cash

Bank balances carry interest at market rates ranging from 0.1% to 3.1% (2011: 0.1% to 3.0%) per annum.

THE COMPANY

Bank balances carry interest at market rates at 0.1% (2011: 0.1%) per annum.

22. TRADE PAYABLES

THE GROUP

The following is an aged analysis of trade payables, presented based on the purchase date:

	2012	2011
	US$'000	*US$'000*
Within 1 month	**117,613**	56,363
More than 1 month, but less than 3 months	**63,202**	33,872
More than 3 months, but less than 6 months	**8,955**	732
More than 6 months, but less than 12 months	**1,262**	3,725
Over 1 year	**1,078**	12,672
	192,110	107,364

The average credit period on purchases of certain goods is within 3 months and most payables are paid within the credit time frame.

Included in the Group's trade payables are balances with the following related parties:

	2012	2011
	US$'000	*US$'000*
CNMC and fellow subsidiaries	**29,527**	3,044

The above balances with related parties are unsecured, interest-free and are repayable on demand.

23. OTHER PAYABLES AND ACCRUED EXPENSES

THE GROUP

	2012 US$'000	2011 US$'000
Receipts in advance from customers	**19,202**	9,124
Accrued expenses	**33,991**	20,005
Payables for properties, plant and equipment	**17,783**	15,168
Dividends payable to non-controlling shareholders of subsidiaries	**3,150**	1,500
Other payables*	**10,211**	11,319
	84,337	57,116

* Included a provision for legal cases of US$300,000 (2011: US$300,000), details of which are set out in note 39.

Included in the Group's other payables and accrued expenses are balances with the following related parties:

	2012 US$'000	2011 US$'000
CNMC and fellow subsidiaries	**47,500**	26,276
Non-controlling shareholders of subsidiaries	**3,150**	1,500
	50,650	27,776

The above balances with related parties are unsecured, interest-free and are repayable on demand.

THE COMPANY

The balance as at 31 December 2012 represents accrued expenses and the balance as at 31 December 2011 represents amounts due to the ultimate holding company.

24. BANK AND OTHER BORROWINGS

THE GROUP

	Notes	**2012** **US$'000**	2011 US$'000
Bank borrowings			
— secured	(1)	**170,000**	170,000
— unsecured	(2)	**419,450**	435,450
Loans from CNMC, unsecured	(3)	**—**	82,068
Loans from a non-controlling shareholder of a subsidiary, unsecured	(4)	**—**	23,661
		589,450	711,179
Carrying amount repayable:			
Within one year		**11,000**	199,000
More than one year, but not exceeding two years		**11,000**	19,000
More than two years, but not exceeding five years		**290,000**	149,661
More than five years		**277,450**	343,518
		589,450	711,179
Less: Amounts shown under current liabilities		**(11,000)**	(199,000)
		578,450	512,179

Notes:

(1) The bank loans as at 31 December 2012 bore interest at rates varied based on London Interbank Offered Rate ("LIBOR"), ranging from 1.1% to 2.1% per annum (2011: 1.2% to 1.5% per annum) and are secured by certain restricted bank balances of US$4,154,000 (2011: US$4,130,000) and guarantee by CNMC. The bank loans are repayable on 12 February 2015 and 12 October 2015.

(2) CNMC had provided guarantees in favor of banks of bank loans of US$339,450,000 (2011: US$355,450,000) obtained by the Group. In addition, CNMC and a non-controlling shareholder of a subsidiary had provided joint-guarantees in favor of bank of bank loans of US$80,000,000 (2011: US$80,000,000) obtained by the Group.

The bank loans as at 31 December 2012 bore interest at rates varied based on LIBOR ranging from 1.41% to 2.58% per annum (2011: 1.46% to 4.58% per annum).

24. BANK AND OTHER BORROWINGS *(CONTINUED)*

THE GROUP *(Continued)*

Notes: (Continued)

(3) The loans from CNMC as at 31 December 2011 bore interest at rates varied based on LIBOR or RMB benchmark loan rate published by the People's Bank of China, ranging from 2.5% to 7.1% per annum, and are repayable from 20 November 2014 to 17 November 2018 according to the relevant loan agreements. The Group early repaid these loans in 2012.

(4) The loans from a non-controlling shareholder of a subsidiary as at 31 December 2011 bore interest at rates varied based on LIBOR, ranging from 2.0% to 2.1% per annum, and are repayable from 10 January 2013 to 30 June 2014. The Group early repaid these loans in 2012.

25. DERIVATIVES

THE GROUP

	2012 ***US$'000***	2011 *US$'000*
Copper futures contracts, at fair value	**—**	775

Details of the above futures contracts are analysed as follows:

	At December 31 **2012**	2011
Number of contracts		
— Buy	**—**	—
— Sell	**—**	25
Exercise price *(in US$)*	**—**	7,150–8,190
Maturity date	**—**	January 6, 2012- February 29, 2012

The Group entered into certain copper futures contracts during the year to hedge its risk associated with the prices of its blister copper sold as follows:

	2012	2011
Number of contracts		
— Buy	**241**	56
— Sell	**256**	101
Exercise price *(in US$)*	**7,255–8,745**	7,150–9,950
Gain arising on change in fair value of derivatives recognised in profit or loss *(in US$'000)*	**937**	10,369

All contracts expired/closed as at 31 December 2012.

26. SHARE CAPITAL

	Number of shares		Share capital	
	2012	2011	**2012**	2011
	('000)	('000)	**HK$'000**	HK$'000
Ordinary shares of HK$1.00 each				
Authorised:				
At date of incorporation on 18 July 2011/ beginning of the year	**5,000,000**	100	**5,000,000**	100
Increase on 6 October 2011	**—**	4,999,900	**—**	4,999,900
At end of the year	**5,000,000**	5,000,000	**5,000,000**	5,000,000
Issued and fully paid:				
At date of incorporation on 18 July 2011/ beginning of the year	**2,600,000**	—	**2,600,000**	—
Issued pursuant to the Reorganisation	**—**	2,600,000	**—**	2,600,000
Issued pursuant to the Global Offering *(Note 1)*	**870,000**	—	**870,000**	—
Issued pursuant to the over-allotment option granted to the international underwriters pursuant to the Global Offering *(Note 1)*	**19,036**	—	**19,036**	—
At end of the year	**3,489,036**	2,600,000	**3,489,036**	2,600,000

26. SHARE CAPITAL *(CONTINUED)*

	2012	2011
	US$'000	*US$'000*
Presented in the consolidated and the Company's financial statements as	**447,901**	333,333

The balance of capital at 1 January 2011 represents the aggregate of the capital of companies comprising the Group attributable to CNMC prior to the Reorganisation.

The Company was incorporated with an authorised share capital of HK$100,000, divided into 100,000 ordinary shares of HK$1.00 each. At the date of incorporation, 1 ordinary share of HK$1.00 was issued at HK$1.00 paid to an initial subscriber which was then transferred to CNMD. On 6 October, 2011, the Company's authorised share capital increased from 100,000 ordinary shares of HK$1.00 each to 5,000,000,000 ordinary shares of HK$1.00 each.

27. DEFERRED REVENUE

THE GROUP

	2012	2011
	US$'000	*US$'000*
Balance at beginning of year	**11,458**	5,627
Receipts of grants during the year	**6,353**	5,831
Balance at end of year	**17,811**	11,458

The above balances represented grants received from Ministry of Finance of the PRC to subsidise the Group's capital expenditure and interest incurred in its copper mines exploration and development activities in Zambia which were capitalised under mining properties and leases.

28. PROVISION FOR RESTORATION, REHABILITATION AND ENVIRONMENTAL COSTS

THE GROUP

	2012	2011
	US$'000	*US$'000*
Balance at beginning of year	**17,452**	16,479
Provisions (reversed)/recognised	**(2,478)**	705
Unwinding of discount *(Note 8)*	**298**	268
Balance at end of year	**15,272**	17,452

The Group's provision for restoration, rehabilitation and environmental costs is related to the Group's subsidiaries in Zambia which are involved in mining, leaching and smelting operations. The provision represents the accrued cost required to provide adequate restoration and rehabilitation measured by qualified professionals in Zambia, as discounted at rates ranging from 1.75% to 3.02% per annum (2011: 1.64% to 2.03% per annum), upon the completion of their operations. These amounts will be settled when rehabilitation is undertaken, generally at the end of a project life, which ranges from 2 to 38 years.

The Group is required, under the prevailing regulations, to make an annual contribution equal to one-fifth of 5% to 20% of the estimated restoration costs into an Environmental Protection Fund which is administrated by the Government of the Republic of Zambia. The regulations also require that the balance of the estimated restoration costs be secured using letters of guarantee. All companies in the Group have provided the relevant letters of guarantee as at 31 December 2012 (Note 21 (i)), except for SML, which has not received a demand notice at the date of issuance of these consolidated financial statements.

The Directors opined that adequate provision has been made at the end of each reporting period.

29. DEFERRED TAXATION

THE GROUP

Deferred tax assets/(liabilities)

	2012	2011
	US$'000	*US$'000*
Deferred tax assets	—	2,149
Deferred tax liabilities	**(93,234)**	(78,438)

The following are the major deferred tax balances recognised and movements thereon during the current and prior years:

	Property, plant and equipment	**Tax losses**	**Total**
	US$'000	*US$'000*	*US$'000*
Balance at 1 January 2011	(116,835)	54,536	(62,299)
(Charge)/credit to profit or loss	(82,074)	68,084	(13,990)
Balance at 31 December 2011	(198,909)	122,620	(76,289)
(Charge)/credit to profit or loss	(25,428)	8,483	(16,945)
Balance at 31 December 2012	(224,337)	131,103	(93,234)

As at 31 December 2012, the Group has unused tax losses of US$437,010,000 (2011: US$408,733,000) in respect of the subsidiaries in Zambia available for offset against future profits.

As at 31 December 2012, deferred tax assets of US$131,103,000 (2011: US$122,620,000) have been recognised as at 31 December 2012 in respect of the losses of these subsidiaries in Zambia. Subject to agreement with the Zambia Revenue Authority, the above tax losses of these subsidiaries are available to be carried forward up to a maximum of ten years from the year in which they are incurred for set off against future taxable profits from the same source of those subsidiaries.

30. INVESTMENT IN A SUBSIDIARY

THE COMPANY

	2012	2011
	US$'000	*US$'000*
Cost of investment in an unlisted subsidiary	**315,859**	315,859

Details of the Group's subsidiaries at the end of the reporting period are set out below:

Name of company	Place/Country of operations and date of incorporation	Issued and fully paid-up ordinary share capital	Equity interest attributable to the Company as at 31 December 2012 %	2011 %	Principal activities
CNMH *(Note 1)*	Ireland 23 September 2011	Euro171,152,002	**100**	100	Investment holding
NFCA *(Note 2)*	Zambia 5 March 1998	US$9,000,001	**85**	85	Exploration and mining of copper and production of copper concentrate
CCS *(Note 2)*	Zambia 19 July 2006	US$2,000	**60**	60	Production and sale of blister copper and sulfuric acid
SML *(Note 2, 3)*	Zambia 3 December 2004	US$1,000	**67.75**	67.75	Production and sale of copper cathodes
Luanshya *(Note 2)*	Zambia 10 July 2003	US$10,000,001	**80**	80	Exploration and mining of copper and production of copper concentrate and copper cathode
Kakoso Metals Leach Limited ("Kakoso") *(Note 2, 5)*	Zambia 18 August 2010	ZMK10,000,000	**59.62**	59.62	Inactive
Huachin Metals Leach SPRL *(Note 2, 5)*	The DRC 17 December 2010	US$10,000,000	**42.34**	42.34	Production and sale of copper cathodes and sulfuric acid
Green Home Farm Limited ("Green Home") *(Note 2, 4)*	Zambia 12 July 2012	ZMK5,000,000	**85**	—	Farming
CNMC Huachin Mabende Mining SPRL *(Note 2, 5)*	The DRC 5 October 2012	*(Note 6)*	**40.65**	—	Inactive

30. INVESTMENT IN A SUBSIDIARY *(CONTINUED)*

THE COMPANY *(Continued)*

Notes:

(1) The ordinary share capital of this company is directly held by the Company.

(2) The ordinary share capital of these companies is indirectly held by the Company.

(3) 55% and 15% of the issued and paid-up ordinary share capital of SML are directly held by CNMH and NFCA, respectively.

(4) Green Home is a wholly-owned subsidiary of NFCA.

(5) Incorporated by SML and other non-controlling shareholders, 88%, 62.5% and 60% of the issued and paid-up ordinary share capital of Kakoso, Huachin Minerals SPRL and CNMC Huachin Mabende Mining SPRL, respectively, are directly held and controlled by SML.

(6) The registered capital of this subsidiary is US$10,000,000. As at 31 December 2012, the capital has not been paid-up by its investors.

31. AMOUNTS DUE FROM/LOANS TO SUBSIDIARIES

THE COMPANY

	Notes	**2012** **US$'000**	2011 *US$'000*
Non-current:			
Receivable from a subsidiary			
— Luanshya	(i)	**60,729**	52,730
Loans to subsidiaries			
— NFCA	(ii)	**72,000**	—
— Luanshya	(iii)	**48,000**	—
— CCS	(iv)	**48,000**	—
		168,000	—
Current:			
Due from subsidiaries	(v)	**1,414**	—

31. AMOUNTS DUE FROM/LOANS TO SUBSIDIARIES *(CONTINUED)*

THE COMPANY *(Continued)*

Notes:

(i) The receivable from Luanshya of US$106,058,000 was assigned to the Company from CNMC pursuant to a deed of assignment dated 22 November 2011 in the Reorganisation (Note 1). The receivable is unsecured and interest-free. The Directors consider that the balance will not be repayable within one year. Fair value adjustment amounting to US$53,328,000 in respect of the receivable, calculated using a discount rate of 15% per annum and a term of five years has been recognised as part of the cost of investment in Luanshya.

(ii) The balance is unsecured and bears interest at rate of 4.5% per annum. US$34,100,000 of the balance is repayable in July 2017 and the remainder of the balance is repayable in September 2017.

(iii) The balance is unsecured, bears interest at rate of 4.5% per annum and is repayable in July 2017.

(iv) The balance is unsecured, bears interest at rate of 4.5% per annum and is repayable in August 2017.

(v) The balance represents interest receivables from subsidiaries and is repayable according to the relevant loan agreements.

32. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt (which includes bank and other borrowings), restricted bank balances, bank balances and cash and equity attributable to owners of the Company (comprising capital, share premium, other reserves and retained profits).

The Group is not subject to any externally imposed capital requirements.

32. CAPITAL MANAGEMENT *(CONTINUED)*

Gearing ratio

The Group's management committee reviews the capital structure on a regular basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital.

The gearing ratio of the Group at the end of the reporting period was as follows:

	Notes	2012 US$'000	2011 US$'000
Debts	(i)	**589,450**	711,179
Less: Restricted bank balances, bank balances and cash		**(279,132)**	(234,838)
Net debt		**310,318**	476,341
Equity	(ii)	**715,492**	372,304
Net debt to equity ratio		**43.4%**	127.9%

Notes:

(i) Debt comprises non-current and current bank and other borrowings as detailed in note 24.

(ii) Equity includes capital, share premium, other reserves and retained profits attributable to owners of the Company.

33. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2012	2011
	US$'000	*US$'000*
THE GROUP		
Financial assets		
Loans and receivables		
(including restricted bank balances, bank balances and cash)	**411,796**	377,247
Finance lease receivables	**35,808**	29,834
Financial liabilities		
Amortised costs	**812,704**	846,530
Derivatives	**—**	775
THE COMPANY		
Financial assets		
Loans and receivables		
(including restricted bank balances, bank balances and cash)	**298,549**	52,730
Financial liabilities		
Amortised costs	**214**	4,000

Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, restricted bank balances, bank balances and cash, trade and other payables, finance lease receivables, bank and other borrowings and derivatives. The Company's major financial instruments include amounts due from subsidiaries and loan to subsidiaries, bank balances and cash and other payables. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The Directors manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

33. FINANCIAL INSTRUMENTS *(CONTINUED)*

Financial risk management objectives and policies *(Continued)*

Market risk

(i) Currency risk

The Group's significant operation is in Zambia and most of its sales and purchases were denominated in US$, the functional currency of the companies comprising the Group, while certain sales and purchases were settled in currencies (mainly Zambia Kwacha ("ZMK") and Renminbi ("RMB") other than the functional currency of these group entities that expose the Group to foreign currency risk.

The Company's currency risk is primarily arising from the bank balances denominated in HK$.

The carrying amounts of the Group's and the Company's foreign currency denominated monetary assets and liabilities are as follows:

THE GROUP

	2012	2011
	US$'000	*US$'000*
ZMK denominated monetary assets	**60,596**	25,396
ZMK denominated monetary liabilities	**(11,846)**	(2,874)
RMB denominated monetary assets	**18,336**	26,573
RMB denominated monetary liabilities	**(79)**	(44,677)
HK$ denominated monetary assets	**14,521**	—

33. FINANCIAL INSTRUMENTS *(CONTINUED)*

Financial risk management objectives and policies *(Continued)*

Market risk (Continued)

(i) Currency risk *(Continued)*

THE COMPANY

	2012	2011
	US$'000	*US$'000*
HK$ denominated monetary assets	**14,521**	—

The sensitivity analysis below has been determined based on the exposure to exchange rates of ZMK, RMB and HK$ against US$. For a 5%, 10%, 15% weakening/strengthening of ZMK, RMB and HK$ against US$ and all other variables being held constant, there would have no impact on the Group's total equity apart from the retained profits and the effect on the Group's and the Company's profit before tax are as follows:

THE GROUP

	2012	2011
	US$'000	*US$'000*
	Increase/(Decrease)	
ZMK against US$		
Weakening		
— 5%	**(2,437)**	(1,126)
— 10%	**(4,874)**	(2,252)
— 15%	**(7,312)**	(3,378)
Strengthening		
— 5%	**2,437**	1,126
— 10%	**4,874**	2,252
— 15%	**7,312**	3,378

33. FINANCIAL INSTRUMENTS *(CONTINUED)*

Financial risk management objectives and policies *(Continued)*

Market risk (Continued)

(i) Currency risk *(Continued)*

THE GROUP *(Continued)*

	2012	2011
	US$'000	*US$'000*
	Increase/(Decrease)	
RMB against US$		
Weakening		
— 5%	**(913)**	905
— 10%	**(1,826)**	1,810
— 15%	**(2,738)**	2,716
Strengthening		
— 5%	**913**	(905)
— 10%	**1,826**	(1,810)
— 15%	**2,738**	(2,716)
HK$ against US$		
Weakening		
— 5%	**(726)**	—
— 10%	**(1,452)**	—
— 15%	**(2,178)**	—
Strengthening		
— 5%	**726**	—
— 10%	**1,452**	—
— 15%	**2,178**	—

33. FINANCIAL INSTRUMENTS *(CONTINUED)*

Financial risk management objectives and policies *(Continued)*

Market risk (Continued)

(i) Currency risk *(Continued)*

THE COMPANY

	2012	2011
	US$'000	*US$'000*
	Increase/(Decrease)	
HK$ against US$		
Weakening		
— 5%	**(726)**	—
— 10%	**(1,452)**	—
— 15%	**(2,178)**	—
Strengthening		
— 5%	**726**	—
— 10%	**1,452**	—
— 15%	**2,178**	—

(ii) Interest rate risk management

The Group is exposed to cash flow interest rate risk through the impact of rate changes on interest-bearing financial assets and liabilities, mainly interest-bearing restricted bank balances, bank balances and bank and other borrowings at variable interest rates. The Group currently does not have an interest rate hedging policy. However, the Directors will consider hedging significant interest rate risk should the need arise.

The Company is exposed to fair value interest rate risk in relation to fixed rate loans to subsidiaries, details of which are set out in note 31.

The sensitivity analysis below has been determined based on the exposure to interest rates for interest-bearing restricted bank balances, bank balances and variable rate bank and other borrowings at the end of each reporting period and assumed that the amount of assets and liabilities outstanding at the end of each reporting period was outstanding for the whole year.

33. FINANCIAL INSTRUMENTS *(CONTINUED)*

Financial risk management objectives and policies *(Continued)*

Market risk (Continued)

(ii) Interest rate risk management *(Continued)*

If interest rates on bank and other borrowings had been 100 basis points ("BPs") lower (such effect on restricted bank balances and bank balances, however, had been ignored as most of them bore interest at minimal rate at the end of each reporting period) and all other variables were held constant, there would have no impact on the Group's total equity apart from retained profits and the potential effect on profit before tax is as follows:

	2012	2011
	US$'000	*US$'000*
Increase in profit before tax for the year	**4,924**	3,037

If interest rates on bank and other borrowings had been 100 BPs higher and all other variables were held constant, there would have no impact on the Group's total equity apart from retained profits and the potential effect on profit before tax is as follows:

	2012	2011
	US$'000	*US$'000*
Decrease in profit before tax for the year	**(3,678)**	(676)

33. FINANCIAL INSTRUMENTS *(CONTINUED)*

Financial risk management objectives and policies *(Continued)*

Market risk (Continued)

(iii) Commodity price risk

The Group's commodity price risk is mainly the exposure to fluctuations in the prevailing market price of copper which are the major commodities purchased, produced and sold by the Group. To minimise this risk, the Group enters into copper futures contracts and provisional price arrangement to manage the Group's exposure in relation to forecasted sales of copper products, forecasted purchases of copper concentrate, inventories and firm commitments to sell the Group's copper products.

Financial assets and liabilities of the Group whose fair value change in line with the fluctuations in the prevailing market price of copper mainly comprise copper futures contracts and provisional price arrangements. If all prices of copper futures had been increased by 10% and all other variables were held constant, there would have no impact on the Group's total equity apart from retained profits and the potential effect on profit before tax is as follows:

	2012 ***US$'000***	2011 *US$'000*
(Decrease)/increase in profit before tax for the year	**(10,177)**	9,729

There would be an equal and opposite impact on the profit before tax for the year where there had been 10% decrease in all prices of copper futures.

33. FINANCIAL INSTRUMENTS *(CONTINUED)*

Financial risk management objectives and policies *(Continued)*

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations at the end of each reporting period in relation to each class of recognised financial assets is the carrying amount of those assets stated in the consolidated statements of financial position.

The Group's credit risk is primarily attributable to its trade and other receivables, and finance lease receivables. In order to minimise the credit risk, the Group's management continuously monitors the level of exposure to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

The Company's credit risk is related to the amounts due from subsidiaries and loan to subsidiaries. The Directors consider that the Company's credit risk is limited as the subsidiary has the ability to repay the amounts owed to the Company as and when is required by the Company.

The credit risk on restricted bank balances and bank balances is minimal as such amounts are placed in banks with good reputation.

The Group has concentration of credit risk because 71% (2011: 79%) of the trade receivables was due from the Group's three (2011: three) largest customers.

Other than the above, the Group does not have significant concentration of credit risk.

Liquidity risk management

The Directors have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity requirements. The Group manages liquidity risk by maintaining banking facilities and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of its financial assets and liabilities.

33. FINANCIAL INSTRUMENTS *(CONTINUED)*

Financial risk management objectives and policies *(Continued)*

Liquidity risk management (Continued)

The following table details the Group's and the Company's remaining contractual maturity for its financial liabilities. The table has been drawn up to reflect the undiscounted cash flows of non-derivative financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. The interest payments are computed using contractual rates or if variable, based on the prevailing market rate at the end of each reporting period. For derivatives settled on a net basis, the table has been drawn up based on undiscounted contractual net cash flows.

	Weighted average interest rate %	Less than 6 months US$'000	Over 6 months but not more than 1 year US$'000	1 to 5 years US$'000	More than 5 years US$'000	Total undiscounted cash flows US$'000	Carrying amounts US$'000
THE GROUP							
31 December 2012							
Trade and other payables		223,254	—	—	—	223,254	223,254
Bank and other borrowings	2.04%	14,821	3,807	329,827	299,049	647,504	589,450
		238,075	3,807	329,827	299,049	870,758	812,704
31 December 2011							
Trade and other payables		135,351	—	—	—	135,351	135,351
Bank and other borrowings*	1.54%	26,647	188,066	204,255	376,475	795,443	711,179
Derivatives		775	—	—	—	775	775
		162,773	188,066	204,255	376,475	931,569	847,305
THE COMPANY							
31 December 2012							
Amount due to ultimate holding company		214	—	—	—	214	214
31 December 2011							
Amount due to ultimate holding company		4,000	—	—	—	4,000	4,000

33. FINANCIAL INSTRUMENTS *(CONTINUED)*

Financial risk management objectives and policies *(Continued)*

Liquidity risk management (Continued)

* The below expected repayment dates of the bank and other borrowings amounted to US$711,179,000 as at 31 December 2011 have been taken into account the Group's intention to early repay the loans from CNMC and a non-controlling shareholder of a subsidiary after the listing of the Company's share on the Hong Kong Stock Exchange:

	The undiscounted cash flows
	US$'000
Less than 6 months	26,647
Over 6 months but not more than 1 year	287,099
1 to 5 years	166,438
More than 5 years	296,098
	776,282

Fair value of financial instruments

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using rates from observable current market transaction as input. The fair value of derivative instruments are calculated using quoted prices.

The Directors consider that the carrying amounts of financial assets, financial liabilities recorded at amortised cost in these consolidated financial statements approximate their fair values at the end of each reporting period.

33. FINANCIAL INSTRUMENTS *(CONTINUED)*

Financial risk management objectives and policies *(Continued)*

Fair value of financial instruments (Continued)

Fair value measurements recognised in the consolidated statements of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	**Level 2**	**Level 3**	**Total**
	US$'000	*US$'000*	*US$'000*	*US$'000*
31 December 2012				
Financial liabilities				
Derivative instruments	—	—	—	—
31 December 2011				
Financial liabilities				
Derivative instruments	—	775	—	775

34. OPERATING LEASE — THE GROUP AS LESSEE

At the end of the reporting period, the Group had commitments for future minimum lease payments under a non-cancellable operating lease in respect of buildings and properties of CNMC and a fellow subsidiary in the PRC and Zambia for general and ancillary purposes which fall due as follows:

	2012	2011
	US$'000	*US$'000*
Within one year	**6,373**	6,567
In the second to fifth years inclusive	**3,111**	9,453
	9,484	16,020

Operating lease payments to a fellow subsidiary represent rentals payable by the Group under a property rent agreement signed on 30 June 2011 between a subsidiary of the Company, CCS, and a fellow subsidiary of the Group. The lease period is from 1 July 2011 to 30 June 2014 and rentals are determined on a fixed amount plus a variable amount calculated at LIBOR+0.4% per annum of the value of the assets leased to CCS less accumulated payments of the fixed amounts made.

35. CAPITAL COMMITMENTS

THE GROUP

	2012	2011
	US$'000	*US$'000*
Capital expenditure contracted for but not provided for in respect of:		
— acquisition of property, plant and equipment	**245,861**	284,159
Capital expenditure authorised but not contracted for in respect of:		
— acquisition of property, plant and equipment	**1,117,789**	1,057,213

In addition to the above, as at 31 December 2011, the Group had commitment to invest in an associate amounting to US$2,143,000 pursuant to the relevant joint venture agreement of that associate. In February 2012, the Group had fulfilled such commitment to invest in this associate.

36. RELATED PARTY TRANSACTIONS

THE GROUP

Other than the transactions and balances with related parties disclosed elsewhere in these consolidated financial statements, during the year, the Group had the following significant transactions with related parties:

	Notes	**Related parties**	**2012** **US$'000**	2011 *US$'000*
Sales of:				
— Blister copper	(i)	Fellow subsidiary	**784,690**	626,874
	(i)	Subsidiary of a non-controlling shareholder of a subsidiary	**386,974**	170,960
— Copper cathodes	(i)	Fellow subsidiaries	**43,881**	28,007
— Other materials	(i)	Fellow subsidiary	**2,246**	1,729
Construction revenue	(i), (iii)	Fellow subsidiary	**—**	1,715
Services income	(i)	Fellow subsidiary	**23**	118
Finance income earned under finance leases	(i),(iv)	Fellow subsidiary	**1,162**	1,049
Purchases of:				
— Plant and equipment	(i)	Fellow subsidiaries	**(35,090)**	(93,046)
— Materials	(i)	Fellow subsidiaries	**(60,960)**	(38,467)
— Electricity	(i)	Fellow subsidiary	**(11,003)**	(8,229)
— Services	(i)	Fellow subsidiaries	**(80,988)**	(98,096)
— Freight and transportation	(i)	Fellow subsidiaries	**(1,596)**	(9,453)
Rental expenses	(i)	Fellow subsidiary	**(6,270)**	(4,688)
Rental expenses	(i)	CNMC	**(297)**	(359)
Interest expense	(ii)	CNMC	**(3,369)**	(1,811)
	(ii)	Non-controlling shareholder of a subsidiary	**(234)**	(641)
Guarantee fees	(i)	CNMC	**(1,561)**	(2,135)

36. RELATED PARTY TRANSACTIONS *(CONTINUED)*

THE GROUP *(Continued)*

Notes:

(i) These transactions were conducted in accordance with terms of the relevant agreements.

(ii) The interest expense arose from unsecured loans from CNMC and a non-controlling shareholder of a subsidiary of the Group. Further details of the loans at the end of the reporting period are set out in note 24.

(iii) The amount represents an income from a fellow subsidiary under a construction contract in respect of the construction of a transformer station in Zambia. During the year ended 31 December 2011, the construction of the transformer station has been completed and a net revenue of US$1,715,000 was recognised in profit or loss.

(iv) The finance income earned under finance leases arose from the finance leases to a fellow subsidiary. Details of the finance leases are set out in note 17.

In addition to the above, the Group also had the following transactions with the related parties:

(i) Apart from those disclosed above, CNMC also provided guarantees to banks, at nil consideration, for granting unsecured loans to the Group. Further details are set out in note 24.

(ii) The details of remuneration of key management personnel, represents emoluments of the Directors, are set out in note 12.

(iii) On 1 July 2009, a subsidiary of the Company, CCS, entered into an agreement with Fifteen MCC Africa Construction & Trade Ltd. ("Fifteen MCC Africa"), a fellow subsidiary, (the "Fifteen MCC Africa Agreement") pursuant to which that subsidiary agreed to provide certain living quarters to Fifteen MCC Africa on a free of charge basis. Fifteen MCC Africa shall pay for the use of water and electricity and other expenses such as repair and any applicable tax in Zambia. The Fifteen MCC Africa Agreement shall remain for as long as CCS is in existence. As Fifteen MCC Africa provides construction as well as equipment repair and maintenance services to CCS on an ongoing basis, it requires accommodation for its staff based in Zambia.

(iv) On 1 July 2011, a subsidiary of the Company, CCS entered into a debt transfer and offset agreement with CNMC and Zambia China Economic and Trade Cooperation Zone Development Company Limited ("ZCCZ"), a fellow subsidiary, pursuant to which CCS and ZCCZ agreed to set off an amount payable to ZCCZ by CCS of US$8,877,000 against the amount receivable by CCS from ZCCZ of US$62,698,000.

Pursuant to the same agreement, CCS, CNMC and ZCCZ agreed to transfer a shareholder's loan owed by CCS to CNMC of US$39,327,000 to ZCCZ.

Immediately after the set off and the transfer of the shareholder's loan, CCS's receivable due from ZCCZ became US$14,494,000 and CCS's shareholder's loan payable to CNMC became nil. The balance of US$14,494,000 has been settled by ZCCZ during the year ended 31 December 2011.

37. MAJOR NON-CASH TRANSACTIONS

(i) During the year ended 31 December 2011, the Group and a non-controlling shareholder of a subsidiary injected additional capital to Huachin Metals Leach SPRL amounting to US$6,250,000, in cash, and US$3,750,000, in form of property, plant and equipment. The injection of additional capital in form of property, plant and equipment is a non-cash transaction.

(ii) Pursuant to the Reorganisation, in 2011, the Company issued and allotted as fully paid up capital of HK$2,599,999,999 (equivalent to US$333,333,000) which comprise of 2,599,999,999 ordinary shares at HK$1.00 each to CNMD, which is a non-cash transaction.

(iii) Pursuant to the debt transfer and offset agreement entered into among CCS, CNMC and ZCCZ (Note 36 (iv)), (i) CCS and ZCCZ agreed to set off an amount payable to ZCCZ by CCS of US$8,877,000 against the amount receivable by CCS from ZCCZ of US$62,698,000; and (ii) CCS, CNMC and ZCCZ agreed to transfer a shareholder's loan owed by CCS to CNMC of US$39,327,000 to ZCCZ. They are all non-cash transactions.

38. RETIREMENT BENEFIT SCHEMES

The employees of the Group's subsidiaries in Zambia are members of the state-managed retirement benefits scheme operated by the Zambia government. The subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits scheme to fund the benefits. Besides, certain employees of the Group are also members of the state-managed retirement benefits scheme operated by the PRC government. The Group also contributes a certain percentage of their payroll to the retirement benefits scheme to fund the benefits.

The only obligation of the Group with respect to the aforesaid retirement benefits schemes is to make the required contributions under the schemes.

39. CONTINGENT LIABILITIES

As at the date of approval of these consolidated financial statements, the Group was the defendant for various claims involving alleged unfair/unlawful termination or breach of employment contracts, wrongful calculation of wages/benefits, compensation for injuries and false imprisonment and defamation.

As at 31 December 2012, the Group has made relevant provision for the potential liabilities of US$300,000 (2011: US$300,000) which the Directors opined is adequate based on the present assessments by the Group's legal advisers.

40. MOVEMENTS IN RESERVES OF THE COMPANY

	Share premium*	Retained profits/ (Accumulated losses)	Total
	US$'000	*US$'000*	*US$'000*
At 18 July 2011 (date of incorporation)	—	—	—
Reorganisation	35,256	—	35,256
Loss and total comprehensive expense for the year	—	(2,281)	(2,281)
At 31 December 2011	35,256	(2,281)	32,975
Shares issued	137,626	—	137,626
Share issue expenses	(7,550)	—	(7,550)
Profit and total comprehensive income for the year	—	2,795	2,795
At 31 December 2012	165,332	514	165,846

* Share premium as at 31 December 2011 represents the excess of the aggregate amount of (i) net assets of NFCA, Luanshya, CCS and SML attributable to the Company; and (ii) a receivable of US$106,058,000 assigned to the Company over the total nominal value of the share capital issued by the Company in the Reorganisation.

41. EVENT AFTER THE REPORTING PERIOD

On 7 March 2013, the Company entered into a framework agreement with CNMC, pursuant to which the subsidiaries of the Company will reimburse CNMC for any guarantee fees that it will pay to third party financial institutions for the unconditional irrecoverable letters of guarantee to be issued.

FOUR YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for last four financial years, as extracted from the published audited financial statements and the Prospectus, is set out below.

Results

	Year ended 31 December			
	2012	2011	2010	2009
	US$'000	*US$'000*	*US$'000*	*US$'000*
Revenue	**1,532,315**	1,283,906	1,357,285	696,290
Gross profit	**282,950**	188,258	216,139	91,740
Profit before tax	**192,750**	118,310	127,584	105,827
Net profit	**168,044**	103,290	107,382	94,347
Profit attributable to owners of the Company	**98,544**	70,014	73,911	81,674

Assets, Liabilities, Non-controlling interests and Equity attributable to owners of the Company

	At 31 December			
	2012	2011	2010	2009
	US$'000	*US$'000*	*US$'000*	*US$'000*
Non-current assets	**1,061,161**	925,725	557,486	446,966
Current assets	**787,112**	547,494	801,936	621,130
Total assets	**1,848,273**	1,473,219	1,359,422	1,068,096
Current liabilities	**292,468**	364,342	440,299	300,977
Net current assets	**494,644**	183,152	361,637	320,153
Non-current liabilities	**704,767**	619,527	514,063	440,941
Equity attributable to owners of the Company	**715,492**	372,304	318,703	267,067
Non-controlling interests	**135,546**	117,046	86,357	59,111

DEFINITIONS

In this annual report, unless the context otherwise requires, the following words and expressions shall have the following meanings.

"AGM"	the annual general meeting of the Company
"Articles of Association" or "Articles"	the articles of association of the Company that were adopted on 27 April 2012
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Audit Committee"	the audit committee of the Board
"Board of Directors" or "Board"	the board of Directors of the Company
"BVI"	the British Virgin Islands
"CCS"	Chambishi Copper Smelter Limited (謙比希銅冶煉有限公司*), a company incorporated in Zambia on 19 July 2006 and a subsidiary of the Company
"Chambishi Leach Plant"	the copper leaching plant located in the Copperbelt province in Zambia held by SML and where SML undertakes its leaching operations
"China" or "PRC"	the People's Republic of China. For the purpose of this report and for geographical reference only and except where the context requires, references in this prospectus to "China" and the "PRC" do not include Taiwan, the Macau Special Administrative Region and Hong Kong Special Administrative Region
"CNMC"	China Nonferrous Metal Mining (Group) Co., Ltd* (中國有色礦業集團有限公司), a state-owned enterprise incorporated under the laws of the PRC in 1997 with operating history dating back to 1983, directly administered by SASAC, and the ultimate Controlling Shareholder of the Company
"CNMC Copper Supply Framework Agreement"	the copper supply framework agreement dated 14 May 2012 entered into between the Company and CNMC
"CNMC International Trade"	CNMC International Trade Ltd*(中色國際貿易有限公司), a company incorporated under the laws of the PRC on 28 August 2007 and a subsidiary of CNMC

"CNMC-Mabende"	CNMC Huachin Mabende Mining SPRL (中色華鑫馬本德礦業有限公司*), a joint venture established in the DRC on 9 November 2012 by SML and Huachin SPRL, an associate of the Group
"CNMD"	China Nonferrous Mining Development Limited (中色礦業發展有限公司), an investment holding company incorporated under the laws of the BVI on 12 July 2011, a wholly owned subsidiary of CNMC and the Controlling Shareholder of the Company
"CNMH"	China Nonferrous Mining Holdings Limited (中色礦業控股有限公司*), an investment holding company incorporated under the laws of the Republic of Ireland on 23 September 2011 and a wholly owned subsidiary of the Company
"Companies Ordinance"	the Companies Ordinance of Hong Kong (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company", "we", "us" or "our"	China Nonferrous Mining Corporation Limited (中國有色礦業有限公司), a company incorporated in Hong Kong on 18 July 2011 with limited liability under the Companies Ordinance and, except where the context otherwise requires, all of its subsidiaries or where the context refers to any time prior to its incorporation, the business which its predecessors or the predecessors of its present subsidiaries were engaged in and which were subsequently assumed by it
"Compliance Committee"	the compliance committee of the Board
"Congo Huachin Leach Project"	the leaching plant in the DRC owned by Huachin
"connected person(s)"	has the meaning ascribed thereto in the Listing Rules
"connected transaction(s)"	has the meaning ascribed thereto in the Listing Rules
"Controlling Shareholder"	has the meaning ascribed thereto under the Listing Rules
"Deed of Non-Competition Undertaking"	a deed of non-competition undertaking dated 14 May 2012 entered into between CNMC and the Company under which CNMC has given us certain undertakings in respect of the conduct of certain of its activities outside the PRC
"Director(s)"	director(s) of the Company
"DRC"	The Democratic Republic of the Congo

"Fifteen MCC Africa"	Fifteen MCC Africa Construction & Trade Ltd (中國十五冶非洲建築貿易公司*), a company incorporated under the laws of Zambia on 24 May 2007 and a fellow subsidiary of CNMC
"Global Offering"	the offering of the Shares of the Company for subscription by the public in Hong Kong and purchase by institutional and professional investors as described in the Prospectus
"Group", "we" or "us"	the Company and its subsidiaries or any of them, or where the context so requires, in respect of the period before the Company became the holding company of its present subsidiaries, the present subsidiaries of the Company
"Hainan Sino-Africa Mining"	China Hainan Sino-Africa Mining Investment Ltd. (海南中非礦業投資有限公司), a company incorporated under the laws of the PRC in October 2004 holding 30% of SML
"HK$" or "Hong Kong dollar(s)"	Hong Kong dollars and cents respectively, the lawful currency for the time being of Hong Kong
"HKFRS"	Hong Kong Financial Reporting Standard, as issued by the Hong Kong Institute of Certified Public Accountants
"Hong Kong" or "HK"	The Hong Kong Special Administrative Region of the People's Republic of China
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Huachin"	Huachin Metals Leach SPRL (中色華鑫濕法冶煉公司*), a company incorporated under the laws of the DRC on 17 December 2010 and a subsidiary of SML
"Huachin Minerals"	Huachin Minerals SPRL (華鑫礦產有限公司*), a company incorporated under the laws of the DRC on 27 January 2011 and an associate of the Company
"Huachin Ore Supply Framework Agreement"	the ore supply framework agreement entered into between the Company and Huachin Minerals
"JORC"	the Australasian Joint Ore Reserves Committee
"JORC Code"	the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves

"Kakoso Tailings Development Project"	the development of tailing resources in approximately 25 kilometers north of Chingola, Zambia undertaken by Kakoso Company
"Kakoso Company"	Kakoso Metals Leach Limited, a company incorporated under the laws of Zambia on 18 August 2010, and a subsidiary of SML
"LIBOR"	London Interbank Offer Rate
"Listing"	the listing of the Shares on the Main Board of the Hong Kong Stock Exchange on 29 June 2012
"Listing Date"	the date the Shares of the Company were listed on the Main Board of the Hong Kong Stock Exchange, being 29 June 2012
"Listing Rules"	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
"Luanshya"	CNMC Luanshya Copper Mines PLC (中色盧安夏銅業有限公司*), formerly Luanshya Copper Mines PLC, a company incorporated in Zambia on 10 July 2003 and a subsidiary of the Company
"Mabende Project"	the project undertaken by SML through CNMC-Mabende to construct and operate a leaching plant in the DRC
"Main Board"	the Main Board of the Hong Kong Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules
"MPongwe"	CNMC MPongwe Mining Company Ltd (中色鵬威礦業有限公司*), a company incorporated in Zambia on 3 May 2010, and a subsidiary of CNMC
"Muliashi Project"	an integrated project involving the mining and leaching of copper oxide ores undertaken by Luanshya, including the Muliashi North Mine, the Muliashi Leach Plant and the planned Baluba East Mine
"Mutual Supply Framework Agreement"	the mutual supply framework agreement dated 14 May 2012 entered into between the Company and CNMC
"NFCA"	NFC Africa Mining PLC (中色非洲礦業有限公司*), a company incorporated in Zambia on 5 March 1998, and a subsidiary of the Company

"Nomination Committee"	the nomination committee of the Board
"Non-Competition Undertaking"	the non-competition undertaking set out in the Deed of Non-Competition Undertaking
"PRC government" or "State"	the government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities)
"Properties Leasing Framework Agreement"	the properties leasing framework agreement dated 14 May 2012 entered into between the Company and CNMC
"Prospectus"	the prospectus dated 20 June 2012 issued by the Company in connection with the Global Offering and the Listing
"Remuneration Committee"	the remuneration committee of the Board
"Renminbi" or "RMB"	Renminbi yuan, the lawful currency of the PRC
"Retained Group"	CNMC and its subsidiaries (excluding the Group)
"SFO"	the Securities and Futures Ordinance of Hong Kong (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) with nominal value of HK$1.00 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Shares of the Company
"SML"	Sino-Metals Leach Zambia Limited (贊比亞謙比希濕法冶煉有限公司*), a company incorporated under the laws of Zambia on 3 December 2004 and a subsidiary of the Company
"subsidiary" or "subsidiaries"	has the meaning ascribed thereto in section 2 of the Companies Ordinance
"Substantial Shareholder"	has the meaning ascribed thereto in the Listing Rules

"United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US¢" or "US cent(s)"	United States cents, the lawful currency for the time being of the United States
"US$" or "US dollar(s)"	United States dollars, the lawful currency for the time being of the United States
"VAT"	value-added tax; all amounts are exclusive of VAT in this report except indicated otherwise
"Yunnan Copper"	Yunnan Copper Industry Co., Ltd*(雲南銅業股份有限公司), a company incorporated under the laws of the PRC on 15 May 1998 and a subsidiary of Yunnan Copper Group
"Yunnan Copper Group"	Yunnan Copper Industry (Group) Co., Ltd* (雲南銅業集團有限公司), a company incorporated under the laws of the PRC in April 1996 holding 40% of the issued share capital of CCS
"Yunnan Copper Supply Framework Agreement"	the copper supply framework agreement dated 14 May 2012 entered into between the Company and Yunnan Copper Group
"Zambia"	The Republic of Zambia
"ZCCM"	Zambia Consolidated Copper Mines Limited, a company incorporated in Zambia in 1982 and succeeded by ZCCM-IH
"ZCCM-IH"	Zambia Consolidated Copper Mines Investments Holdings Plc, the successor company to ZCCM, majority owned by the Government of Zambia
"ZCCZ"	Zambia-China Economic & Trade Cooperation Zone Development Ltd (贊比亞中國經濟貿易合作區發展有限公司*), a company incorporated in Zambia on 16 January 2007 and a subsidiary of CNMC
"ZMK"	Zambian Kwacha, the lawful currency for the time being of Zambia

* *Translation of English or Chinese terms for reference purposes only.*

中國有色礦業有限公司
China Nonferrous Mining Corporation Limited