The following is the text of reports, prepared for the purpose of incorporation in this circular, received from the reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.

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30 August 2013

The Directors
Jinchuan Group International Resources Co. Ltd

Dear Sirs,

We set out below our report on the consolidated financial information ("Financial Information") regarding Jin Rui Mining Investment Limited (the "Target Company") and its subsidiaries (hereinafter collectively referred to as the "Target Group") for the period from 30 November 2011 (date of incorporation of the Target Company) to 31 December 2011, for the year ended 31 December 2012 and for the 6 months ended 30 June 2013 (the "Relevant Periods") for inclusion in a circular issued by Jinchuan Group International Resources Co. Ltd (the "Company") dated 30 August 2013 in connection with, among others, the proposed acquisition of the entire issued share capital of the Target Company (the "Acquisition") (the "Circular").

The Target Company is a company incorporated in the Republic of Mauritius as a limited liability company on 30 November 2011 and is owned as to 100% indirectly by Jinchuan Group Co., Ltd. ("Jinchuan Group"), a state-owned enterprise established in the People's Republic of China (the "PRC") and a substantial shareholder of the Company. The principal activity of the Target Company is investment holding.

Newshelf 1124 (Proprietary) Limited ("Newshelf"), a wholly-owned subsidiary of the Target Company, is a limited liability company incorporated in the Republic of South Africa ("South Africa"). The Target Company, through Newshelf, holds the entire issued share capital of Metorex (Proprietary) Limited (formerly named Metorex Limited) ("Metorex"). Metorex is a company incorporated in South Africa with limited liability and focuses on base metal mining industry, primarily copper and cobalt production.

Jinchuan Group acquired Metorex and its subsidiaries (collectively refer to as the "Metorex Group") through the making of a public takeover offer in July 2011 and the takeover and privatisation was completed on 16 January 2012 upon which Jinchuan Group acquired the entire issued share capital of Metorex. Prior to the acquisition by Jinchuan Group, Metorex was listed on the Johannesburg Stock Exchange and the London Stock Exchange since December 1999. Metorex was delisted from the London Stock Exchange in March 2009 and delisted from the Johannesburg Stock Exchange in January 2012 as a result of Jinchuan Group's takeover and privatisation of Metorex.

Particulars of the subsidiaries of the Target Company are as follows:

Name of subsidiary	Place and date of incorporation	Issued and fully paid-up share capital	Equity interest attributable to the Target Company				Principal activities
			At 31 December		At 30 June	At the date of this report	
			2011	2012	2013		
Abbey Commodities SA ("Abbey") *(note 1)*	British Virgin Islands ("BVI") 12 March 1997	United States Dollar ("US") $50,000	–	100%	– *(note 3)*	–	Dormant
Chibuluma Mines plc ("Chibuluma plc") *(note 1)*	Republic of Zambia ("Zambia") 25 September 1997	US$50,000	–	85%	85%	85%	Copper mining
Copper Resources Corporation ("CRC") *(note 1)*	BVI 25 November 2004	US$104,924,166	–	100%	100%	100%	Investment holding
Kinsenda Copper Company Sarl ("Kinsenda Sarl") *(note 1)*	Democratic Republic of the Congo ("DRC") 29 March 2003	US$1,250,000	–	77%	77%	77%	Copper mining
Maranda Mines (Proprietary) Limited ("Maranda") *(note 1)*	South Africa 19 May 1908	South Africa Rand ("ZAR") 103,289,332	–	100%	100%	100%	In closure
Metorex Copper Corporation (DRC) (Proprietary) Limited ("Metorex Copper Corp") *(note 1)*	South Africa 29 May 2007	ZAR100	–	100%	100%	100%	Investment holding
Metorex Commercial Services (Proprietary) Limited ("Metorex Commercial Services") *(note 1)*	South Africa 24 August 2011	ZAR100	–	100%	– *(note 4)*	–	Dormant
Metorex	South Africa 18 April 1934	US$597,766,000	–	100%	100%	100%	Investment holding
Metorex Share Incentive Scheme (Proprietary) Limited ("Metorex Share Incentive Scheme") *(note 1)*	South Africa 2 June 2010	ZAR100	–	100%	100%	100%	Dormant
Newshelf *(note 2)*	South Africa 13 September 2010	ZAR101	100%	100%	100%	100%	Investment holding
Ruashi Holdings (Proprietary) Limited ("Ruashi Holdings") *(note 1)*	South Africa 3 November 2003	ZAR1,000	–	100%	100%	100%	Investment holding
Ruashi Mining Sprl ("Ruashi Mining") *(note 1)*	DRC 1 July 2010	US$12,000,000	–	75%	75%	75%	Copper and cobalt mining

Notes:

(1) These subsidiaries are directly held by Metorex.

(2) The subsidiary is directly held by the Target Company.

(3) Abbey was dormant for the Relevant Periods. It was liquidated and deregistered during the 6 months ended 30 June 2013.

(4) Metorex Commercial Services was dormant for the Relevant Periods. It was deregistered during the 6 months ended 30 June 2013.

All companies comprising the Target Group have adopted 31 December as their financial year end date. The statutory auditor of the Target Company for the year ended 31 December 2012 is Deloitte & Touche, Mauritius. No audited financial statements have been prepared for Newshelf, Abbey, CRC, Kinsenda Sarl, Metorex Commercial Services, Metorex Share Incentive Scheme and Ruashi Mining since the date of acquisition of Metorex Group or for the Relevant Periods as there are no statutory audit requirements. For the purpose of this report, we have reviewed relevant transactions of Newshelf, Abbey, CRC, Kinsenda Sarl, Metorex Commercial Services, Metorex Share Incentive Scheme and Ruashi Mining since their respective dates of incorporation or acquisition to the date of this report and carried out procedures as we considered necessary for inclusion in the Financial Information relating to these companies.

The statutory financial statements of the entities comprising the Target Group were audited by the following certified public accountants registered in their respective jurisdictions in accordance with IFRSs.

Name of subsidiary	Financial period	Name of statutory auditor
Chibuluma plc	Year ended 31 December 2012	Deloitte & Touche, Zambia
Maranda	Year ended 31 December 2012	Deloitte & Touche, South Africa
Metorex	Year ended 31 December 2012	Deloitte & Touche, South Africa
Metorex Copper Corp	Year ended 31 December 2012	Deloitte & Touche, South Africa
Ruashi Holdings	Year ended 31 December 2012	Deloitte & Touche, South Africa

Note: The statutory financial statements were prepared in accordance with the International Financial Reporting Standards (“IFRSs”).

For the purpose of this report, the directors of the Target Company have prepared the consolidated financial statements of the Target Group for the Relevant Periods in accordance with IFRSs (the “Underlying Financial Statements”). We have undertaken an independent audit of the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” as recommended by the HKICPA.

The Financial Information of the Target Group for the Relevant Periods set out in this report has been prepared from the Underlying Financial Statements. No adjustments were deemed necessary by us to the Underlying Financial Statements in preparing our report for inclusion in the Circular.

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

In our opinion, the Financial Information together with the notes thereon gives, for the purpose of this report, a true and fair view of the state of affairs of the Target Group as at 31 December 2011, 31 December 2012 and 30 June 2013, and of the consolidated results and consolidated cash flows of the Target Group for the Relevant Periods.

The comparative consolidated statements of profit or loss and other comprehensive income, cash flows and changes in equity of the Target Group for the 6 months ended 30 June 2012, together with the notes thereon have been extracted from the Target Group's unaudited consolidated financial information for the same period (the "30 June 2012 Financial Information"), which was prepared by the directors of the Target Company solely for the purpose of this report. We have reviewed the 30 June 2012 Financial Information in accordance with the Hong Kong Standard of Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". Our review of the 30 June 2012 Financial Information consisted of making enquires, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the 30 June 2012 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the 30 June 2012 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with IFRSs.

A. FINANCIAL INFORMATION OF THE TARGET GROUP

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	For the period from 30 November 2011 (date of incorporation) to 31 December 2011	Year ended 31 December 2012	6 months ended 30 June 2012	6 months ended 30 June 2013
		US$'000	US$'000	US$'000 (unaudited)	US$'000
CONTINUING OPERATIONS					
Revenue	5	–	388,990	182,226	203,085
Realisation costs		–	(52,488)	(26,367)	(24,547)
Cost of production	7	–	(269,133)	(106,884)	(152,489)
Mining profit		–	67,369	48,975	26,049
Interest income	8	–	790	680	231
Other income and expenses	9	(18)	11,304	11,742	149,076
Finance costs	10	–	(5,566)	(2,946)	(2,245)
(Loss) profit before taxation	11	(18)	73,897	58,451	173,111
Income tax expense	13	–	(24,648)	(15,432)	(8,390)
(Loss) profit for the period/year from continuing operations		(18)	49,249	43,019	164,721
DISCONTINUED OPERATIONS					
Discontinued operations – other expenditure	32	–	(482)	(726)	(9)
Loss for the period/year from discontinued operations		–	(482)	(726)	(9)
(Loss) profit for the period/year		(18)	48,767	42,293	164,712
Other comprehensive (expense) income:					
Items that may be classified subsequently to profit or loss:					
Exchange differences on translation		–	(1,393)	6,453	(19,996)
Fair value change on cash flow hedges, net of income tax		–	(297)	(797)	(83)
Other comprehensive (expense) income for the period/year		–	(1,690)	5,656	(20,079)
Total comprehensive (expense) income for the period/year		(18)	47,077	47,949	144,633

	For the period from 30 November 2011 (date of incorporation) to 31 December 2011	Year ended 31 December 2012	6 months ended 30 June 2012	2013
	US$'000	*US$'000*	*US$'000* (unaudited)	*US$'000*
(Loss) profit for the period/year attributable to owners of the Target Company				
– from continuing operations	(18)	46,264	36,983	161,457
– from discontinued operations	–	(482)	(726)	(9)
(Loss) profit for the period/year attributable to owners of the Target Company	(18)	45,782	36,257	161,448
Profit for the period/year attributable to non-controlling interests				
– from continuing operations	–	2,985	6,036	3,264
– from discontinued operations	–	–	–	–
Profit for the period/year attributable to non-controlling interests	–	2,985	6,036	3,264
	(18)	48,767	42,293	164,712
Total comprehensive (expense) income attributable to:				
Owners of the Target Company	(18)	44,700	40,942	141,410
Non-controlling interests	–	2,377	7,007	3,223
	(18)	47,077	47,949	144,633

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December		As at 30 June
		2011	**2012**	**2013**
	Notes	*US$'000*	*US$'000*	*US$'000*
Non-current assets				
Property, plant and equipment	15A	–	657,599	655,744
Mineral rights and assets	15B	–	865,075	873,887
Exploration and evaluation assets	15C	–	274,665	274,665
Other non-current assets	16	–	27,281	26,909
		–	1,824,620	1,831,205
Current assets				
Inventories	17	–	60,053	64,220
Trade and other receivables	18	–	53,181	55,043
Amounts due from fellow subsidiaries	20	–	25	32
Derivative financial instruments	21	–	34	862
Tax receivable		–	49	–
Bank balances and cash	22	–	36,663	16,352
		–	150,005	136,509
Current liabilities				
Trade and other payables	23	18	63,282	61,938
Amount due to immediate holding company	20	–	1,085,737	925,773
Borrowings	24	–	70,764	84,906
Short-term provisions	25	–	4,828	4,977
Derivative financial instruments	21	–	331	246
Tax payable		–	8,070	5,107
		18	1,233,012	1,082,947
Net current liabilities		(18)	(1,083,007)	(946,438)
Total assets less current liabilities		(18)	741,613	884,767

		As at 31 December		As at 30 June
		2011	2012	2013
	Notes	*US$'000*	*US$'000*	*US$'000*
Non-current liabilities				
Borrowings	24	–	34,818	15,600
Long-term provisions	25	–	19,984	20,040
Deferred tax liabilities	26	–	440,837	459,268
		–	495,639	494,908
Net (liabilities) assets		(18)	245,974	389,859
Capital and reserves				
Share capital	27	–	–	–
Reserves		(18)	44,682	185,734
Equity attributable to owners of the Target Company		(18)	44,682	185,734
Non-controlling interests		–	201,292	204,125
Total equity		(18)	245,974	389,859

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Target Company						
	Share capital	**Translation reserve**	**Hedging reserve**	**Accumulated (losses) profits**	**Total**	**Non-controlling interests**	**Total**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
At date of incorporation on 30 November 2011	–	–	–	–	–	–	–
Loss and total comprehensive expense for the period	–	–	–	(18)	(18)	–	(18)
At 31 December 2011	–	–	–	(18)	(18)	–	(18)
Profit for the year	–	–	–	45,782	45,782	2,985	48,767
Other comprehensive expense for the year	–	(785)	(297)	–	(1,082)	(608)	(1,690)
Total comprehensive (expense) income for the year	–	(785)	(297)	45,782	44,700	2,377	47,077
Acquired from acquisition of a subsidiary *(note 33)*	–	–	–	–	–	202,215	202,215
Dividends paid to non-controlling shareholders of a subsidiary	–	–	–	–	–	(3,300)	(3,300)
At 31 December 2012	–	(785)	(297)	45,764	44,682	201,292	245,974
Profit for the period	–	–	–	161,448	161,448	3,264	164,712
Other comprehensive expense for the period	–	(19,996)	(42)	–	(20,038)	(41)	(20,079)
Total comprehensive (expense) income for the period	–	(19,996)	(42)	161,448	141,410	3,223	144,633
Elimination upon liquidation of a subsidiary	–	1,519	–	(1,877)	(358)	–	(358)
Dividends paid to non-controlling shareholders of a subsidiary	–	–	–	–	–	(390)	(390)
At 30 June 2013	–	(19,262)	(339)	205,335	185,734	204,125	389,859

	Attributable to owners of the Target Company						
	Share capital	**Translation reserve**	**Hedging reserve**	**Accumulated (losses) profits**	**Total**	**Non-controlling interests**	**Total**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
At 1 January 2012	–	–	–	(18)	(18)	–	(18)
Profit for the period	–	–	–	36,257	36,257	6,036	42,293
Other comprehensive income for the period	–	1,737	2,948	–	4,685	971	5,656
Total comprehensive income for the period	–	1,737	2,948	36,257	40,942	7,007	47,949
Acquired from acquisition of a subsidiary *(note 33)*	–	–	–	–	–	202,215	202,215
Dividend paid to non-controlling shareholders of a subsidiary	–	–	–	–	–	(1,800)	(1,800)
At 30 June 2012 (unaudited)	–	1,737	2,948	36,239	40,924	207,422	248,346

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the period from 30 November 2011 (date of incorporation) to 31 December 2011	Year ended 31 December 2012	6 months ended 30 June 2012	6 months ended 30 June 2013
	US$'000	*US$'000*	*US$'000* (unaudited)	*US$'000*
OPERATING ACTIVITIES				
(Loss) profit for the period/year	(18)	48,767	42,293	164,712
Adjustments for:				
Income tax expense	–	24,648	15,432	8,390
Interest income	–	(790)	(680)	(231)
Interest expenses	–	5,566	2,946	2,245
Gain on disposal of a subsidiary	–	(329)	–	–
Loss (gain) on disposal of property, plant and equipment and mineral rights and assets	–	88	–	(18)
Exchange gain	–	(41,369)	(28,926)	(159,048)
Depreciation of property, plant and equipment	–	40,622	19,679	19,333
Amortisation of mineral rights and assets	–	23,546	10,920	13,707
Operating cash flows before movements in working capital	(18)	100,749	61,664	49,090
Refund from rehabilitation trust fund upon completion of restoration work	–	734	–	–
Royalty prepayment paid	–	(21,745)	(10,669)	–
Increase in inventories	–	(5,819)	(5,529)	(4,167)
Decrease (increase) in trade and other receivables	–	38,790	27,533	(1,998)
Increase (decrease) in trade and other payables and provisions	18	(6,185)	(35,312)	4
Cash generated from operations	–	106,524	37,687	42,929
Income tax paid	–	(19,419)	(12,196)	(12,680)
NET CASH FROM OPERATING ACTIVITIES	–	87,105	25,491	30,249

	Notes	For the period from 30 November 2011 (date of incorporation) to 31 December 2011	Year ended 31 December 2012	6 months ended 30 June 2012	6 months ended 30 June 2013
		US$'000	US$'000	US$'000 (unaudited)	US$'000
INVESTING ACTIVITIES					
Interest received		–	790	680	231
Repayment from a DRC state-owned power company		–	704	–	–
Proceeds from disposal of property, plant and equipment and mineral rights and assets		–	555	–	365
Decrease in other long term assets		–	–	–	372
Acquisition of a subsidiary	33	–	(1,056,388)	(1,056,388)	–
Purchase of property, plant and equipment and mineral rights and assets		–	(116,582)	(41,596)	(43,816)
Net cash outflow on disposal of a subsidiary	34	–	(26)	–	–
Advances to fellow subsidiaries		–	(25)	–	–
NET CASH USED IN INVESTING ACTIVITIES		–	(1,170,972)	(1,097,304)	(42,848)
FINANCING ACTIVITIES					
Advance from immediate holding company		–	1,127,106	1,127,106	–
New borrowings raised		–	28,037	19,744	18,774
Repayments of borrowings		–	(25,747)	(7,810)	(23,851)
Interest paid		–	(5,566)	(2,946)	(2,245)
Dividends paid to non-controlling shareholders of a subsidiary		–	(3,300)	(1,800)	(390)
NET CASH FROM (USED IN) FINANCING ACTIVITIES		–	1,120,530	1,134,294	(7,712)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		–	36,663	62,481	(20,311)
Cash and cash equivalents at the beginning of the period/year		–	–	–	36,663
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD/YEAR, representing bank balances and cash		–	36,663	62,481	16,352

NOTES TO THE FINANCIAL INFORMATION OF THE TARGET GROUP

1. GENERAL AND BASIS OF PRESENTATION OF FINANCIAL INFORMATION OF THE TARGET GROUP

The Target Company was incorporated in the Republic of Mauritius as a limited liability company on 30 November 2011. The Target Company's immediate holding company is Jintai Mining Investment Limited, a company incorporated in Hong Kong, and its ultimate holding company is Jinchuan Group, a company established in the PRC. The address of its registered office is 2nd Floor, Ebene Mews, 57 Ebene Cybercity, Mauritius and the address of its principal place of business is Room 4001-02, Lippo Centre, Tower 2, 89 Queensway, Hong Kong.

The Target Company, through its wholly-owned subsidiary, holds the entire issued share capital of Metorex. Metorex is a company incorporated in South Africa with limited liability and focuses on base metal mining, primarily copper and cobalt production.

Jinchuan Group acquired Metorex through a public takeover offer in July 2011. The takeover and privatisation was completed on 16 January 2012 upon which Jinchuan Group acquired the entire issued share capital of Metorex. The results of Metorex together with its subsidiaries are included in the Financial Information since 16 January 2012. Details of the acquisition are set out in note 33.

The Financial Information is presented in US$, which is the functional currency of the Target Company.

In preparing the Underlying Financial Statements of the Target Group, the directors of the Target Company have given careful consideration to the future liquidity of the Target Group in light of the fact that the Target Group's current liabilities exceeded its current assets by US$946,438,000 as at 30 June 2013. After the completion of the Acquisition, the amount due to immediate holding company will be sold to the Company free and clear from all encumbrances. The Company will not demand repayment of the loan until the Target Group has the financial ability to do so at least for the next twelve months from the date of this report. In the event that the Acquisition is not completed, the immediate holding company also agreed not to demand repayment of the amount due to it until the Target Group has the financial ability to do so at least for the next twelve months from the date of this report. In addition, the Target Group has entered into a financing facility of US$80,000,000 with the China Development Bank Corporation subsequent to 30 June 2013. Therefore, the directors of the Target Company are of the opinion that it is appropriate to prepare the Financial Information on a going concern basis.

2. APPLICATION OF IFRSs

For the purpose of preparing and presenting the Financial Information for the Relevant Periods, the Target Group has consistently applied the International Accounting Standards ("IAS"s), IFRSs, Amendments and Interpretations ("IFRIC") (hereinafter collectively referred to as the "IFRSs") which are effective for accounting period beginning on 1 January 2013 throughout the Relevant Periods.

At the date of this report, the following IFRSs have been issued but are not yet effective:

Amendments to IFRS 9 and IFRS 7	Mandatory effective date of IFRS 9 and transition disclosures[2]
Amendments to IFRS 10, IFRS 12 and IAS 27	Investment entities[1]
IFRS 9	Financial instruments[2]
Amendments to IAS 32	Offsetting financial assets and financial liabilities[1]
Amendments to IAS 36	Recoverable amount disclosures for non-financial assets[1]
Amendments to IAS 39	Novation of derivatives and continuation of hedge accounting[1]
IFRIC 21	Levies[1]

[1] Effective for annual periods beginning on or after 1 January 2014.
[2] Effective for annual periods beginning on or after 1 January 2015.

The directors of the Target Company anticipate that the application of these IFRSs will have no material impact on the Target Group's financial performance and positions.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared on the historical cost basis except for derivative financial instruments that are measured at fair value in accordance with the accounting policies set out below which conform with IFRSs. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. These policies have been consistently applied throughout the Relevant Periods.

In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

Basis of consolidation

The Financial Information incorporates the financial statements of the Target Company and entities controlled by the Target Company (its subsidiaries). Control is achieved where the Target Company (i) has the power over the investee, (ii) is exposed, or has rights to variable returns from its involvement with the investee, and (iii) has the ability to use its power to affect its return.

The Target Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of controls listed date.

Income and expenses of subsidiaries acquired or disposed of during the Relevant Periods are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

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

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

Non-controlling interests in subsidiaries are presented separately from the Target Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Target Company and to the non-controlling interests even if the non-controlling interests having a deficit balance.

Changes in the Target Group's ownership interests in existing subsidiaries

When the Target Group loses control of a subsidiary, it (i) derecognises the assets and liabilities of the subsidiary at its carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received, with any resulting difference being recognised as a gain or loss in profit or loss attributable to the Target Group.

Business combinations

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

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

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

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes. Sales is recognised when the product is delivered to the destination specified by the customer or the customer's premises.

For certain sales of minerals, 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 in the Target Group's copper products and movements in market prices up to the date of final pricing, normally 30 and 90 days after initial booking. Revenue on provisionally priced sales is recognised based on the estimated grades of copper in the Target 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.

Interest income from a financial asset 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.

Property, plant and equipment and mineral rights

Mining assets

Mining assets, including building and infrastructure, plant, machinery and shafts, and construction in progress, are recorded at cost of acquisition.

Expenditure incurred to develop new ore bodies, to define mineralisation in existing ore bodies, to establish or expand productive capacity and expenditure designed to maintain productive capacities, are capitalised until commercial levels of production are achieved.

Mineral rights

Mineral rights are recorded at cost of acquisition.

Freehold land

Freehold land is shown at cost and is not depreciated.

Gain or loss on disposal or retirement of assets

An item of property, plant and equipment and mineral rights and assets 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 an item of property, plant and equipment and mineral rights and assets is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Mine development and deferred waste stripping

Mine development costs are capitalised and amortised based on estimated proved and probable ore resources using the unit of production method (the "UOP"). Mine development costs consist of the establishment of access to deposits, preparation for commercial production including permanent excavations, roads, tunnels and advanced removal of overburden and waste rock.

Stripping costs

Normalised stripping costs that are incurred for the production during the period will be recognised as an expense during the period in which they are incurred and will not be deferred.

Deferred stripping costs that are incurred on overburden stripping, which provide improved access to ore, will be capitalised as mine development costs and subsequently amortised based on estimated proved and probable ore resources using the UOP.

Depreciation of mining assets and mineral rights

Mining rights and assets, including building and infrastructure and plant, machinery and shafts and mineral rights are depreciated to their residual values based on estimated proved and probable ore reserves using the UOP.

Depreciation of non-mining assets

Buildings and other non-mining assets are recorded at cost and depreciated on the straight-line basis over their expected useful lives, which vary between 4 to 10 years.

Impairment

At the end of the reporting period, the Target Group reviews the carrying amounts of its 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. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset 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 in prior years. A reversal of an impairment loss is recognised as income immediately.

Exploration and evaluation assets

Exploration and evaluation assets are recognised at cost on initial recognition. Subsequent to initial recognition, exploration and evaluation assets are stated at cost less any accumulated impairment losses. Costs of exploration are capitalised pending a determination of whether sufficient quantities of potentially mineral reserves have been discovered.

Exploration and evaluation assets include the cost of exploration rights and the expenditures incurred in the search for mineral resources as well as the determination of the technical feasibility and commercial viability of extracting those resources. When the technical feasibility and commercial viability of extracting mineral resources become demonstrable, previously recognised exploration and evaluation assets are reclassified as tangible assets. These assets are assessed for impairment before reclassification.

Impairment of exploration and evaluation assets

The carrying amount of the exploration and evaluation assets is reviewed annually. Impairment test is performed in accordance with IAS 36 “Impairment of assets” whenever one of the following events or changes in circumstances indicate that the carrying amount may not be recoverable (the list is not exhaustive):

- the period for which the Target Group 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 Target Group has decided to discontinue such activities in the specific area.

- 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.

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset exceeds its recoverable amount.

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 period/year. Taxable profit differs from '(loss) profit before taxation' as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes income and expense that are never taxable nor deductible. The Target Group's liability for current tax is calculated using the tax rate that has been enacted or substantially 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 Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised. Such 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, except where the Target 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 utilise 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 the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the 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 is realised, based on tax rate (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 Target 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 is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax is 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.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at that date.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the Financial Information, the assets and liabilities of the foreign operation are translated into the presentation currency of the Target Group (i.e. US$) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the period/year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the translation reserve).

On the disposal of a foreign operation (i.e. a disposal of the Target Group's entire interest in a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Target Company are reclassified to profit or loss.

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.

Consumable stores and product inventories

Consumable stores are valued at the lower of cost, determined on a weighted average basis, and estimated net realisable value. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Obsolete and slow-moving consumable stores are identified and are written down to their net realisable values. Product inventories are valued at the lower of cost, determined on a weighted average basis, and net realisable value. Costs include direct mining costs and mine overheads.

Retirement benefits

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions. Payments made to state-managed schemes are dealt with as defined contribution plans where the Target Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit plan.

Provisions

Provisions are recognised when the Target Group has a legal or constructive obligation resulting from past events and it is probable that an outflow of resources embodying economic benefits 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. Where a provision is measured using cash flows estimated to settle a present obligation, its carrying amount is the present value of those cash flows.

Provision for rehabilitation and environmental expenditure

Long-term environmental obligations are based on the Target Group's environmental plans, in compliance with current environmental and regulatory requirements.

Full provision is made based on the net present value of the estimated cost of restoring the environmental disturbance that has occurred up to the end of the reporting period. Increases due to additional environmental disturbances are capitalised as property, plant and equipment and depreciated based on estimated proved and probable ore reserves using the UOP.

The estimated cost of rehabilitation is reviewed annually and adjusted as appropriate for changes in legislation or technology. Cost estimates are not reduced by the potential proceeds from the sale of assets or from plant clean-up at closure, in view of the uncertainty of estimating the potential future proceeds.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position 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

The Target Group's financial assets are classified into one of the following categories including financial assets at fair value through profit or loss ("FVTPL") 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. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of asset within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset 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 financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Financial assets at fair value through profit or loss

Financial assets at FVTPL has two subcategories, including financial assets held for trading and those designated as at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Target 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.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Target Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms a part of a contract containing one or more embedded derivatives, and IAS 39 "Financial Instruments: Recognition and measurement" permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the other gains, losses and expenses line item in the consolidated statement of profit or loss and other comprehensive income.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including loan receivable, trade and other receivables, amounts due from fellow subsidiaries and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where 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.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as 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 assets, such as trade 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 Target 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 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 amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

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 loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment 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

Financial liabilities 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 arrangement 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 Target Group after deducting all of its liabilities. Equity instruments issued by the Target Group are recognised at the proceeds received, net of direct issue costs.

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.

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at FVTPL where the financial liabilities are either held for trading or those designated as FVTPL on initial recognition.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near term; or
- on initial recognition it is a part of portfolio of identified financial instruments that the Target 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.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Target Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with gains or losses arising on remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss is included in the other gains, losses and expenses line item in the consolidated statement of profit or loss and other comprehensive income.

Other financial liabilities

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

Derivative financial instruments and hedging

In the ordinary course of its operations, the Target Group may enter into a variety of derivative financial instruments to manage its exposure to commodity prices and foreign exchange rate risk.

Derivatives are initially recognised at fair value at the date when a derivative contract is 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 event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Hedge accounting

The Target Group designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives in respect of commodity price risk or foreign currency risk, as either fair value hedges or cash flow hedges. Hedges of commodity price risk or foreign exchange risk or firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the Target Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Target Group documents whether the hedging instrument that is used in a hedging relationship is effective in offsetting changes in fair values or cash flows of the hedged item.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income and accumulated in hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss and is included in the other income and expenses line item in the consolidated statement of profit or loss and other comprehensive income.

Amounts previously recognised in other comprehensive income and accumulated in equity (hedging reserve) are reclassified to profit or loss in the period when the hedged item is recognised in profit or loss in the same line of the consolidated statement of profit or loss and other comprehensive income as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity (hedging reserve) are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Target Group revokes the hedging relationships, the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity (hedging reserve) at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss.

Derecognition

The Target Group derecognises a financial asset 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. If the Target Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Target Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Target Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Target Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

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

Leases

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.

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a liability and released as a reduction of rental expense over the lease term on a straight-line basis.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Target Group's accounting policies, which are described in note 3, the directors of the Target Company have identified the following judgements and key sources of estimation uncertainty that have significant effect on the amounts recognised in the Financial Information.

The key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year is disclosed below.

Provision for rehabilitation and environmental expenditure

The provision for rehabilitation and environmental costs has been determined by the directors of the Target Company based on their best estimates. The directors of the Target Company estimated this liability for final reclamation and mine closure based upon detailed calculations of the amount and timing of future cash flows spending for a third party to perform the required work, escalated for inflation, then discounted at a discount rate that reflects current market assessments of the time value of money, adjusted for inflation and the risks specific to the liability, such that the provision reflects the present value of the expenditures expected to be required to settle the obligation. However, as the effect on the land and the environment from current mining activities becomes apparent in future periods, the estimate of the associated costs may be subject to change in the future. The provision is reviewed regularly to verify that it properly reflects the present value of the obligation arising from the current and past mining activities (see note 25).

Revenue recognition

The Target Group produces copper cathodes and copper concentrate. Copper products are sold under provisional pricing arrangements where final grades of copper 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 are passed to the customer using history of grades of copper 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 trade receivables. This embedded derivative, is recorded at fair value, with changes in fair value classified as a component of revenue.

Mineral reserves

Technical estimates of the Target Group's mineral reserves are inherently imprecise and represent only approximate amounts because of the subjective judgements involved in developing such information. There are authoritative guidelines regarding the engineering criteria that have to be met before estimated mineral reserves can be designated as "proved" and "probable". Proved and probable mineral reserves estimates are updated on a regular basis and take into account recent economic production and technical information about each mine. In addition, as production levels and technical standards change from year to year, the estimate of proved and probable mineral reserves also changes. Despite the inherent imprecision in these technical estimates, these estimates are used as the basis for calculation of depreciation of mining assets and mining rights and for assessment of impairment losses as appropriate.

Depreciation of mining assets and mineral rights

Mining assets and mineral rights are depreciated using 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. 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 operating and development plan are performed regularly. Any change in estimates will increase or decrease the cost of sales for the period in which the changes occur. The carrying amounts of mining assets and mining rights are set out in notes 15A and 15B.

Deferred tax assets

Deferred tax assets are recognised for all temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Recognition primarily involves judgement regarding the future performance of the particular legal entity or tax group in which the deferred tax asset has been recognised. A variety of other factors are also evaluated in considering whether there is convincing evidence that it is probable that some portion or all of the deferred tax assets will ultimately be realised, such as the amounts of the future taxable profit and tax planning strategies. As at 31 December 2011, 31 December 2012 and 30 June 2013, the recognised deferred tax assets are nil, US$17,682,000 and US$21,547,000, respectively.

Impairment of non-financial assets

The Target Group assesses whether there are any indicators of impairment for all non-financial assets at the end of the reporting period. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, the management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. As at 31 December 2011, 31 December 2012 and 30 June 2013, the carrying amounts of non-current assets (other than loan receivable and rehabilitation trust fund) are nil, US$1,819,084,000 and US$1,825,854,000, respectively.

5. REVENUE

Revenue represents revenue arising from sales of goods. An analysis of the Target Group's revenue from continuing operations for the Relevant Periods is as follows:

	For the period from 30 November 2011 (date of incorporation) to 31 December 2011	Year ended 31 December 2012	6 months ended 30 June 2012	6 months ended 30 June 2013
	US$'000	*US$'000*	*US$'000* (unaudited)	*US$'000*
Continuing operations:				
Sales of copper	–	336,205	153,860	178,485
Sales of cobalt	–	52,785	28,366	24,600
	–	388,990	182,226	203,085

6. SEGMENT INFORMATION

IFRS 8 "Operating segments" requires operating segments to be identified on the basis of internal reports about components of the Target Group that are regularly reviewed by the chief operating decision maker ("CODM") in order to allocate resources to the segment and assess its performance.

The CODM has been identified as the directors of the Target Company and senior management of the Target Group. They review the Target Group's internal reporting for the purposes of resource allocation and assessment of segment performance.

During the period from 30 November 2011 (date of incorporation) to 31 December 2011, the Target Group has not carried on any business. Accordingly, no segment information is presented for this period.

Subsequent to the completion of acquisition of Metorex and its subsidiaries on 16 January 2012, the CODM was provided with internal reports on a site basis for the Target Group's mining operation and the reportable and operating segments of the Target Group are identified as follows:

- Ruashi Mining
- Chibuluma plc
- Kinsenda Sarl

Segment revenues and results

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

For the year ended 31 December 2012

	Ruashi Mining *US$'000*	Chibuluma plc *US$'000*	Kinsenda Sarl *US$'000*	Total *US$'000*
Segment revenue	253,481	135,509	–	388,990
Segment results	14,001	53,368	–	67,369
Unallocated corporate income				42,709
Unallocated corporate expenses				(36,181)
Profit before taxation (continuing operations)				73,897

For the 6 months ended 30 June 2012 (unaudited)

	Ruashi Mining *US$'000*	Chibuluma plc *US$'000*	Kinsenda Sarl *US$'000*	Total *US$'000*
Segment revenue	119,696	62,530	–	182,226
Segment results	21,802	27,173	–	48,975
Unallocated corporate income				33,502
Unallocated corporate expenses				(24,026)
Profit before taxation (continuing operations)				58,451

For the 6 months ended 30 June 2013

	Ruashi Mining *US$'000*	Chibuluma plc *US$'000*	Kinsenda Sarl *US$'000*	Total *US$'000*
Segment revenue	142,672	60,413	–	203,085
Segment results	4,026	22,023	–	26,049
Unallocated corporate income				160,261
Unallocated corporate expenses				(13,199)
Profit before taxation (continuing operations)				173,111

Note: Unallocated corporate income mainly include exchange gains and interest income.

Unallocated corporate expenses mainly include royalties, related cost for acquisition of a subsidiary, finance costs and other unallocated corporate expenses.

The accounting policies of operating segments are the same as the Target Group's accounting policies described in note 3. Segment revenue and segment results comprise turnover from external customers and mining profit generated by each segment, respectively.

Segment assets and liabilities

The following is an analysis of the Target Group's assets and liabilities by reportable and operating segments:

	Ruashi Mining	**Chibuluma plc**	**Kinsenda Sarl**	**Total**
	US$'000	*US$'000*	*US$'000*	*US$'000*
At 31 December 2012				
Assets				
Segment assets	1,202,394	252,242	508,035	1,962,671
Unallocated corporate assets				11,954
Consolidated total assets				1,974,625
Liabilities				
Segment liabilities	404,921	110,475	122,890	638,286
Unallocated corporate liabilities:				
Amount due to immediate holding company				1,085,737
Other unallocated corporate liabilities				4,628
Consolidated total liabilities				1,728,651

	Ruashi Mining US$'000	Chibuluma plc US$'000	Kinsenda Sarl US$'000	Total US$'000
At 30 June 2013				
Assets				
Segment assets	1,201,005	239,334	523,577	1,963,916
Unallocated corporate assets				3,798
Consolidated total assets				1,967,714
Liabilities				
Segment liabilities	417,646	92,327	122,693	632,666
Unallocated corporate liabilities:				
Amount due to immediate holding company				925,773
Other unallocated corporate liabilities				19,416
Consolidated total liabilities				1,577,855

Note: Segment assets and segment liabilities comprise total assets and total liabilities of each segment, respectively. Unallocated corporate assets include certain bank balances and cash, other receivables, and other unallocated corporate assets. Other unallocated corporate liabilities include term loans, other payables, provisions for termination benefits and leave pay and bonuses, tax payable and other unallocated corporate liabilities.

Other segment information

For the year ended 31 December 2012

	Ruashi Mining US$'000	Chibuluma plc US$'000	Kinsenda Sarl US$'000	Unallocated US$'000	Total US$'000
Amounts included in the measure of segment results and segment assets:					
Addition to non-current assets *(note)*	1,171,394	188,998	525,488	2,048	1,887,928
Depreciation of property, plant and equipment	25,127	15,332	–	163	40,622
Amortisation of mineral rights and assets	19,607	3,939	–	–	23,546
Loss on disposal of property, plant and equipment	83	1	–	4	88
Exploration expenses	2,565	1,520	338	–	4,423

For the 6 months ended 30 June 2012 (unaudited)

	Ruashi Mining	Chibuluma plc	Kinsenda Sarl	Unallocated	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Amounts included in the measure of segment results and segment assets:					
Addition to non-current assets *(note)*	23,786	6,046	11,700	66	41,598
Depreciation of property, plant and equipment	10,506	9,010	–	163	19,679
Amortisation of mineral rights and assets	9,997	923	–	–	10,920
Exploration expenses	217	358	251	–	826

For the 6 months ended 30 June 2013

	Ruashi Mining	Chibuluma plc	Kinsenda Sarl	Unallocated	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Amounts included in the measure of segment results and segment assets:					
Addition to non-current assets *(note)*	20,316	7,917	15,541	42	43,816
Depreciation of property, plant and equipment	11,943	7,191	–	199	19,333
Amortisation of mineral rights and assets	12,205	1,502	–	–	13,707
Loss on disposal of property, plant and equipment	–	18	–	–	18
Exploration expenses	2,770	2,256	6	–	5,032

Note: Non-current assets excluded loan receivable and rehabilitation trust fund.

Geographical information

As at 31 December 2012 and 30 June 2013, the Target Group's non-current assets (excluding loan receivable and rehabilitation trust fund) are located in Africa. The following is an analysis of the Target Group's revenue from external customers by geographical location of the customers:

	Year ended 31 December	6 months ended 30 June	
	2012	2012	2013
	US$'000	*US$'000* (unaudited)	*US$'000*
Africa	225,503	108,559	102,507
PRC	52,785	28,366	24,600
Switzerland	110,702	45,301	75,978
	388,990	182,226	203,085

Information about major customers

The following is an analysis of revenue from customers of the corresponding year/period contributing over 10% of the total revenue of the Target Group:

	Year ended 31 December	6 months ended 30 June	
	2012	2012	2013
	US$'000	*US$'000* (unaudited)	*US$'000*
Customer A (note a)	135,291	62,312	60,413
Customer B (note a)	110,702	45,301	75,978
Customer C (note a)	90,212	46,247	*
Customer D (note b)	52,785	28,366	24,600
Customer E (note a)	–	–	40,897

Notes:

(a) Revenue from above customers is arising from sales of copper.

(b) Revenue from above customer is arising from sales of cobalt.

* Amount less than 10% of the total revenue.

7. COST OF PRODUCTION

	For the period from 30 November 2011 (date of incorporation) to 31 December	Year ended 31 December	6 months ended 30 June	
	2011	2012	2012	2013
	US$'000	*US$'000*	*US$'000* (unaudited)	*US$'000*
Continuing operations:				
Mining costs	–	26,684	10,698	18,557
Staff costs	–	50,384	19,014	31,249
Processing fee	–	63,069	26,428	44,422
Engineering and technical costs	–	25,954	11,471	12,494
Safety, health, environment and community costs	–	1,852	1,331	1,602
Other on-site mining cost *(note)*	–	37,022	7,343	11,125
Depreciation of property, plant and equipment	–	40,622	19,679	19,333
Amortisation of mineral rights and assets	–	23,546	10,920	13,707
	–	269,133	106,884	152,489

Note: Other on-site mining cost includes fuel, consumable and other costs.

8. INTEREST INCOME

	For the period from 30 November 2011 (date of incorporation) to 31 December 2011	Year ended 31 December 2012	6 months ended 30 June 2012	6 months ended 30 June 2013
	US$'000	*US$'000*	*US$'000* (unaudited)	*US$'000*
Continuing operations:				
Bank interest income	–	790	680	231

9. OTHER INCOME AND EXPENSES

	For the period from 30 November 2011 (date of incorporation) to 31 December 2011	Year ended 31 December 2012	6 months ended 30 June 2012	6 months ended 30 June 2013
	US$'000	*US$'000*	*US$'000* (unaudited)	*US$'000*
Continuing operations:				
(Loss) Gain on disposal of property, plant and equipment	–	(88)	–	18
Acquisition-related costs for acquisition of a subsidiary *(see note 33)*	–	(9,948)	(9,948)	–
Exchange gains	–	42,104	32,156	160,012
Decommissioning expense	–	(924)	(288)	(314)
Royalties	–	(19,984)	(10,844)	(10,088)
Others	(18)	144	666	(552)
	(18)	11,304	11,742	149,076

10. FINANCE COSTS

	For the period from 30 November 2011 (date of incorporation) to 31 December 2011	Year ended 31 December 2012	6 months ended 30 June 2012	6 months ended 30 June 2013
	US$'000	*US$'000*	*US$'000* (unaudited)	*US$'000*
Continuing operations:				
Interest on borrowings wholly repayable within five years *(note)*	–	5,566	2,946	2,245

Note: Included in the amounts for the year ended 31 December 2012 and 6 months ended 30 June 2012 and 30 June 2013 were US$208,000, nil (unaudited) and US$59,000, respectively relating to interest payable on term loan due to ultimate holding company (see notes 24 and 35(a)).

11. (LOSS) PROFIT BEFORE TAXATION

	For the period from 30 November 2011 (date of incorporation) to 31 December 2011	Year ended 31 December 2012	6 months ended 30 June 2012	2013
	US$'000	*US$'000*	*US$'000* (unaudited)	*US$'000*
Continuing operations:				
(Loss) profit before taxation has been arrived at after charging:				
Staff costs				
Directors' emoluments *(note 12)*	–	18	7	7
Other staff costs				
– Salaries and other benefits	–	45,903	16,882	28,933
– Retirement benefits schemes contribution	–	4,463	2,125	2,309
	–	50,384	19,014	31,249
Auditor's remuneration	–	197	97	105
Agency and refining charge (included in realisation costs)	–	14,086	6,480	6,916
Depreciation of property, plant and equipment	–	40,622	19,679	19,333
Amortisation of mineral rights and assets	–	23,546	10,920	13,707
Total depreciation and amortisation	–	64,168	30,599	33,040
Operating lease rentals in respect of equipment, premises and vehicles	–	2,181	214	1,983
Transportation and export clearing costs (included in realisation costs)	–	38,402	19,887	17,631

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

(a) Non-executive director

The remuneration paid to a non-executive director is presented in the table below:

	For the period from 30 November 2011 (date of incorporation) to 31 December 2011	Year ended 31 December 2012	6 months ended 30 June 2012	6 months ended 30 June 2013
	US$'000	*US$'000*	*US$'000* (unaudited)	*US$'000*
P Deneen	–	18	7	7

(b) Executive directors and employees' emoluments

No emoluments were paid or payable to the chief executive and other executive directors of the Target Company during the Relevant Periods. The emoluments of the five highest paid individuals during the Relevant Periods were as follows:

	For the period from 30 November 2011 (date of incorporation) to 31 December 2011	Year ended 31 December 2012	6 months ended 30 June 2012	6 months ended 30 June 2013
	US$'000	*US$'000*	*US$'000* (unaudited)	*US$'000*
Salaries and other benefits	–	1,664	971	974
Retirement benefits schemes contribution	–	89	52	51
Performance related incentive payments	–	684	196	216
	–	2,437	1,219	1,241

Their emoluments were within the following bands:

	For the period from 30 November 2011 (date of incorporation) to 31 December	Year ended 31 December	6 months ended 30 June	
	2011	**2012**	**2012**	**2013**
	No. of employees	*No. of employees*	*No. of employees* (unaudited)	*No. of employees*
HK$1,000,001 to HK$1,500,000 (equivalent to US$128,205 to equivalent to US$192,308)	–	–	–	2
HK$1,500,001 to HK$2,000,000 (equivalent to US$192,309 to equivalent to US$256,410)	–	–	4	1
HK$2,500,001 to HK$3,000,000 (equivalent to US$320,513 to equivalent to US$384,615)	–	–	1	2
HK$3,000,001 to HK$3,500,000 (equivalent to US$384,616 to equivalent to US$448,177)	–	2	–	–
HK$3,500,001 to HK$4,000,000 (equivalent to US$448,178 to equivalent to US$512,821)	–	2	–	–
HK$5,000,001 to HK$5,500,000 (equivalent to US$641,027 to equivalent to US$705,128)	–	1	–	–

During the Relevant Periods, no emoluments were paid by the Target Group to the directors of the Target Company or the five highest paid individuals as an inducement to join or upon joining the Target Group or as compensation for loss of office. No directors of the Target Company waived any emoluments during the Relevant Periods.

13. INCOME TAX EXPENSE

	For the period from 30 November 2011 (date of incorporation) to 31 December 2011	Year ended 31 December 2012	6 months ended 30 June 2012	2013
	US$'000	*US$'000*	*US$'000* (unaudited)	*US$'000*
Continuing operations:				
The tax charge comprises:				
Current taxation				
Corporate income tax in DRC	–	245	–	168
Corporation income tax in Zambia	–	21,644	11,984	9,233
Under provision in prior years	–	49	–	–
	–	21,938	11,984	9,401
Deferred taxation *(note 26)*	–	2,710	3,448	(1,011)
	–	24,648	15,432	8,390

During the period from 30 November 2011 (date of incorporation) to 31 December 2011, the Target Group has not carried out any business, accordingly, no provision for corporate income tax has been made in the Financial Information.

During the year ended 31 December 2012 and 6 months ended 30 June 2012 and 30 June 2013, corporate income tax in South Africa, DRC and Zambia are calculated at 28%, 30% and 42% on the estimated assessable profits, respectively.

During the Relevant Periods, no provision for Hong Kong Profits Tax has been made in the Financial Information as the Target Group has no assessable profit arising in, or derived from Hong Kong.

The tax charge for the Relevant Periods can be reconciled to the (loss) profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	For the period from 30 November 2011 (date of incorporation) to 31 December 2011	Year ended 31 December 2012	6 months ended 30 June	
			2012	2013
	US$'000	*US$'000*	*US$'000* (unaudited)	*US$'000*
(Loss) profit before taxation (continuing operations)	(18)	73,897	58,451	173,111
Tax at income tax rate in Zambia for operation at 42%	–	22,415	5,291	6,141
Tax at income tax rate in DRC for operation at 30%	–	4,201	12,353	13,085
Tax at income tax rate in South Africa for operations at 28%	(5)	1,828	2,959	32,163
	(5)	28,444	20,603	51,389
Tax effect of expenses not deductible for tax purposes	5	6,609	2,937	1,235
Tax effect of income not taxable for tax purpose	–	(11,584)	(8,748)	(44,790)
Underprovision in prior years	–	49	–	–
Tax effect of deductible temporary difference not recognised	–	1,130	640	556
Taxation for the period/year (continuing operations)	–	24,648	15,432	8,390

14. (LOSS) EARNINGS PER SHARE

No (loss) earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful.

15. PROPERTY, PLANT AND EQUIPMENT, MINERAL RIGHTS AND ASSETS, EXPLORATION AND EVALUATION ASSETS

15A. PROPERTY, PLANT AND EQUIPMENT

	Freehold land	Buildings and infrastructure	Plant, machinery and shafts	Construction in progress	Others	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000* *(note)*	*US$'000*
At 30 November 2011 (date of incorporation) and 31 December 2011						
Cost	–	–	–	–	–	–
Accumulated depreciation	–	–	–	–	–	–
Carrying amount	–	–	–	–	–	–
At 1 January 2012, net of accumulated depreciation	–	–	–	–	–	–
Acquired from acquisition of a subsidiary	5,374	15,358	408,802	118,362	81,504	629,400
Depreciation provided during the year	–	(1,487)	(33,293)	–	(5,842)	(40,622)
Additions	–	583	14,330	34,238	24,346	73,497
Disposals	–	–	(17)	–	(626)	(643)
Disposal of a subsidiary	–	–	–	–	(2,253)	(2,253)
Transfers	–	2,924	3,733	(12,977)	6,320	–
Currency realignment	–	(104)	(619)	–	(1,057)	(1,780)
At 31 December 2012, net of accumulated depreciation	5,374	17,274	392,936	139,623	102,392	657,599
At 31 December 2012						
Cost	5,374	24,675	614,625	139,623	125,751	910,048
Accumulated depreciation	–	(7,401)	(221,689)	–	(23,359)	(252,449)
Carrying amount	5,374	17,274	392,936	139,623	102,392	657,599

	Freehold land	Buildings and infrastructure	Plant, machinery and shafts	Construction in progress	Others	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000* *(note)*	*US$'000*
At 1 January 2013, net of accumulated depreciation	5,374	17,274	392,936	139,623	102,392	657,599
Depreciation provided during the period	–	(793)	(17,213)	–	(1,327)	(19,333)
Additions	–	182	5,624	19,207	586	25,599
Disposals	–	(302)	–	–	(45)	(347)
Transfers	59	1,627	15,451	(13,184)	(11,673)	(7,720)
Currency realignment	–	–	–	–	(54)	(54)
At 30 June 2013, net of accumulated depreciation	5,433	17,988	396,798	145,646	89,879	655,744
At 30 June 2013						
Cost	5,433	25,634	602,817	145,646	103,691	883,221
Accumulated depreciation	–	(7,646)	(206,019)	–	(13,812)	(227,477)
Carrying amount	5,433	17,988	396,798	145,646	89,879	655,744

Note: Included in others are decommissioning asset, motor vehicles, furniture and fixtures and computer equipment.

15B. MINERAL RIGHTS AND ASSETS

	Mineral rights and assets
	US$'000
At 30 November 2011 (date of incorporation) and 31 December 2011	
Cost	–
Accumulated depreciation and amortisation	–
Carrying amount	–
At 1 January 2012, net of accumulated depreciation and amortisation	–
Acquired from acquisition of a subsidiary	845,536
Additions	43,085
Depreciation and amortisation provided during the year	(23,546)
At 31 December 2012, net of accumulated depreciation and amortisation	865,075
At 31 December 2012	
Cost	1,208,418
Accumulated depreciation and amortisation	(343,343)
Carrying amount	865,075
At 1 January 2013, net of accumulated depreciation and amortisation	865,075
Additions	18,217
Depreciation and amortisation provided during the period	(13,707)
Transfers	6,400
Currency realignment	(2,098)
At 30 June 2013, net of accumulated depreciation and amortisation	873,887
At 30 June 2013	
Cost	1,229,085
Accumulated depreciation and amortisation	(355,198)
Carrying amount	873,887

15C. EXPLORATION AND EVALUATION ASSETS

	Exploration and evaluation assets
	US$'000
At 30 November 2011 (date of incorporation), 31 December 2011 and at 1 January 2012	–
Acquired from acquisition of a subsidiary	274,665
At 31 December 2012 and 30 June 2013	274,665

Exploration and evaluation assets represent the rights to evaluating the technical feasibility and commercial viability of extracting inferred mineral resources in the Target Group's exploration mines. The management considers that the determination of commercial viability is still in progress as at 31 December 2012 and 30 June 2013.

During the year ended 31 December 2012 and 6 months ended 30 June 2012 and 30 June 2013, the directors of the Target Company determine that there are no facts and circumstances suggesting the carrying amount of exploration and evaluation assets exceeds their recoverable amount and no impairment is recognised.

As at 31 December 2011, 31 December 2012 and 30 June 2013, the Target Group's property, plant and equipment, mineral rights and assets and exploration and evaluation assets with carrying value of nil, US$1,741,871,000 and US$1,745,687,000 respectively, were pledged to secure borrowings.

16. OTHER NON-CURRENT ASSETS

	As at 31 December		As at
	2011	2012	30 June 2013
	US$'000	*US$'000*	*US$'000*
Loan to a DRC state-owned power company *(note a)*	–	7,426	7,258
Less: amount to be recovered within 1 year included in trade and other receivables *(note 18)*	–	(2,000)	(2,000)
	–	5,426	5,258
Royalty prepayment to non-controlling shareholders of subsidiaries	–	21,745	21,558
Rehabilitation trust fund *(note b)*		110	93
	–	27,281	26,909

Notes:

(a) It represents a loan provided to a DRC state-owned power company for the construction and commissioning of a high-voltage powerline and substation in the DRC to secure the future power supply to the Target Group. The loan carries interest at London Interbank Offered Rate plus 2% per annum. It is unsecured and recoverable over five years commencing from April 2011.

(b) Payments are made to rehabilitation trusts or investment accounts held by banking institutions with the intention of fully funding these liabilities as required by the governments in South Africa for the mines that have already closed.

17. INVENTORIES

	As at 31 December		As at
	2011	**2012**	**30 June 2013**
	US$'000	*US$'000*	*US$'000*
Consumable stores	–	37,436	39,602
Product inventories	–	22,617	24,618
	–	60,053	64,220

As at 31 December 2012 and 30 June 2013, the Target Group's inventories of US$58,336,000 and US$63,082,000, respectively, were pledged to secure borrowings.

18. TRADE AND OTHER RECEIVABLES

	As at 31 December		As at
	2011	**2012**	**30 June 2013**
	US$'000	*US$'000*	*US$'000*
Trade receivables	–	23,379	27,522
Other receivables and prepayments	–	13,829	14,923
Loan to a DRC state-owned power company			
– current *(note 16)*	–	2,000	2,000
Value-added tax recoverable	–	13,973	10,598
	–	53,181	55,043

The following is an aged analysis of trade receivables presented based on invoice date, which approximated to the date of revenue recognition, at the end of the reporting period.

	As at 31 December		As at
	2011	**2012**	**30 June 2013**
	US$'000	*US$'000*	*US$'000*
0 – 30 days	–	21,037	25,521
31 – 60 days	–	1,104	829
61 – 90 days	–	1,238	1,172
	–	23,379	27,522

As at 31 December 2012 and 30 June 2013, the Target Group provided customers a credit period ranging from 15 days to 90 days. Before accepting new customers, the Target Group uses a credit bureau to perform a credit assessment to assess the potential customers' credit limit and credit quality.

As at 31 December 2012 and 30 June 2013, the Target Group's trade receivables of approximately US$15,000,000 and US$13,000,000, respectively, were pledged to secure borrowings.

Included in trade and other receivables at 31 December 2012 and 30 June 2013 was an amount due from ultimate holding company of US$3,172,000 and US$4,665,000, respectively, which was of trade nature. The Target Group allowed credit period of 30 days.

There were no trade receivables that are past due as at 31 December 2011, 31 December 2012 and 30 June 2013.

19. TRANSFER OF FINANCIAL ASSETS

The following were the Target Group's financial assets that were transferred to banks by discounting those trade invoices on a fully recourse basis. As the Target Group has not transferred the significant risk and rewards relating to these trade invoices, it continues to recognise the full carrying amount of these trade invoices and has recognised the cash received on the transfer as a secured borrowing. These financial assets are carried at amortised cost in the Target Group's consolidated statement of financial position.

	Trade invoices discounted to banks with full recourse		
	As at 31 December		As at
	2011	2012	30 June 2013
	US$'000	*US$'000*	*US$'000*
Carrying amount of transferred assets	–	4,963	4,964
Carrying amount of associated liabilities	–	(4,963)	(4,964)
	–	–	–

20. AMOUNTS DUE FROM FELLOW SUBSIDIARIES AND AMOUNT DUE TO IMMEDIATE HOLDING COMPANY

The amounts due from fellow subsidiaries and amount due to immediate holding company are unsecured, interest-free and repayable on demand.

21. DERIVATIVE FINANCIAL INSTRUMENTS

	Assets			Liabilities		
	As at 31 December		As at	As at 31 December		As at
	2011	2012	30 June 2013	2011	2012	30 June 2013
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Cash flow hedges:						
Commodity derivative contracts	–	–	–	–	331	246
Foreign currency forward contracts	–	34	862	–	–	–
	–	34	862	–	331	246

Major terms of the commodity derivative contracts (with net settlement option) as at 31 December 2012 are as follows:

Quantity	Maturity	Commodity forward price
Copper 1,275 metric tonnes	January 2013	Sell at US$8,235/metric tonne

Major terms of the foreign currency forward contract (with net settlement option) as at 31 December 2012 are as follows:

Notional amount	Maturity	Swaps
ZAR15,375,000	March 2013	The Target Group will receive ZAR15,375,000 while paying US$1,760,000 at a forward rate of 8.74

Major terms of the commodity derivative contracts with net settlement option as at 30 June 2013 are as follows:

Quantity	**Maturity**	**Commodity forward price**
Copper 3,704 metric tonnes	June-August 2013	Sell at US$7,414/metric tonne

Major terms of the foreign currency swap contract (with net settlement option) as at 30 June 2013 are as follows:

Notional amount	**Maturity**	**Foreign Currency Forward**
ZAR 15,375,000	June-August 2013	The Target Group will receive ZAR 15,375,000 while paying US$1,739,000 at a forward rate of 8.84.

Commodity derivative contracts utilised by the Target Group are mainly standardised copper futures contracts quoted in London Metal Exchange. The fair value of the commodity derivative contracts represents the difference between the quoted market price of commodity derivative contracts at the end of the reporting period and the quoted price at inception of the contracts.

Hedge accounting

The Target Group utilises commodity derivative contracts to hedge its exposure to variability in cash flows attributable to price fluctuation risk associated with highly probable forecast sales of copper products. The Target Group's foreign currency forward contracts have been designated as highly effective hedging instruments in order to manage the Target Group's foreign currency exposure in relation to foreign currency denominated monetary items e.g. payable for local purchases. For the purpose of hedge accounting, these hedging transactions of the Target Group are classified as cash flow hedge.

At the inception of the above hedging relationships, the Target Group formally designates and documents the hedge relationship, risk management objective and strategy for undertaking the hedge. The cash flow hedge mentioned above was assessed to be highly effective.

22. BANK BALANCES AND CASH

Bank balances comprising cash and short-term deposits with an original maturity of three months or less carried at prevailing market deposit rate. As at 31 December 2012 and 30 June 2013, the effective interest rate of these deposits ranged from 0.1% to 3.0% and 0.1% to 4.5% per annum respectively.

23. TRADE AND OTHER PAYABLES

	As at 31 December		**As at**
	2011	**2012**	**30 June 2013**
	US$'000	*US$'000*	*US$'000*
Trade payables	–	36,561	31,583
Other payables and accruals	18	26,721	30,355
	18	63,282	61,938

Included in other payables and accruals are accrual for freight charges, and export clearing charges, and other general operational related payables.

The following is aged analysis of trade payables based on the invoice date at the end of the reporting period.

	As at 31 December		**As at**
	2011	**2012**	**30 June 2013**
	US$'000	*US$'000*	*US$'000*
0 – 30 days	–	21,980	21,776
31 – 60 days	–	8,267	9,253
61 – 90 days	–	2,457	44
Over 90 days	–	3,857	510
	–	36,561	31,583

As at 31 December 2012 and 30 June 2013, the credit period on purchases of goods ranged from 30 days to 60 days.

24. BORROWINGS

	As at 31 December		As at
	2011	**2012**	**30 June 2013**
	US$'000	*US$'000*	*US$'000*
Term loans *(note)*	–	100,619	95,542
Trade invoices discounting facility	–	4,963	4,964
	–	105,582	100,506
Secured	–	73,566	51,977
Unsecured	–	32,016	48,529
	–	105,582	100,506

The Target Group's borrowings are repayable as follows:

	As at 31 December		As at
	2011	**2012**	**30 June 2013**
	US$'000	*US$'000*	*US$'000*
Within one year	–	70,764	84,906
More than one year, but not exceeding two years	–	22,818	7,200
More than two years, but not exceeding five years	–	12,000	8,400
	–	105,582	100,506
Less: Amount due within one year shown under current liabilities	–	(70,764)	(84,906)
Amount due after one year shown as non-current liabilities	–	34,818	15,600

As at 31 December 2012 and 30 June 2013, the effective interest rate on the Target Group's borrowings ranged from 1.91% to 6.10% and 1.80% to 5.27%, respectively, per annum.

As at 31 December 2012 and 30 June 2013, all the outstanding borrowings are denominated in US$.

Note: As at 31 December 2012 and 30 June 2013, term loan due to ultimate holding company included above amounted to US$3,174,000 and US$10,341,000, respectively. The term loans carried at effective interest rate of 4.68% during the year ended 31 December 2012, and at effective interest rate ranged from 3.25% to 4.68% during the 6 months ended 30 June 2013. The term loans are repayable within one year.

25. PROVISIONS

	As at 31 December		As at
	2011	**2012**	**30 June 2013**
	US$'000	*US$'000*	*US$'000*
Long-term provisions			
Rehabilitation and environmental provision *(note)*	–	19,984	20,040
Short-term provisions			
Termination benefits	–	92	74
Rehabilitation and environmental provision *(note)*	–	982	982
Leave pay and bonuses	–	3,754	3,921
	–	4,828	4,977
Total provisions	–	24,812	25,017

	For the period from 30 November 2011 (date of incorporation) to 31 December 2011	Year ended 31 December 2012	6 months ended 30 June 2013
	US$'000	*US$'000*	*US$'000*
At beginning of the period/year	–	–	24,812
Acquired on acquisition of a subsidiary *(see note 33)*	–	24,021	–
Utilised during the period/year	–	(852)	(2,040)
Released during the period/year	–	(136)	(116)
Provided during the period/year	–	4,655	2,721
Disposal of a subsidiary	–	(2,607)	–
Currency realignment	–	(269)	(360)
At end of the period/year	–	24,812	25,017

Note: The Target Group is exposed to environmental liabilities relating to its mining operations. Estimates of the cost of environmental and other remedial work such as reclamation costs, close-down and restoration and pollution control are made on an annual basis, based on the estimated life of the mines.

Rehabilitation and environmental provisions classified as short-term represents the amount estimated to be settled within one year as at the end of the reporting period.

26. DEFERRED TAX

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances before offsetting:

	As at 31 December		As at
	2011	2012	30 June 2013
	US$'000	*US$'000*	*US$'000*
Deferred tax assets	–	(17,682)	(21,547)
Deferred tax liabilities	–	458,519	480,815
	–	440,837	459,268

The following are the major deferred tax liabilities (assets) recognised and movements thereon during the current and prior reporting periods:

	Fair value on property, plant and equipment, mineral rights and assets and exploration and evaluation assets	Leave pay provisions	Other provisions	Foreign exchange difference arising from intra-group balances	Tax losses	Others *(note)*	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
At 30 November 2011 (date of incorporation) and 31 December 2011	–	–	–	–	–	–	–
Acquired from acquisition of a subsidiary *(Note 33)*	471,330	(160)	(3,298)	(10,937)	(23,341)	4,922	438,516
(Credit) charge to profit or loss *(Note 13)*	(19,605)	(44)	2,264	6,086	11,748	2,261	2,710
Charge to other comprehensive income	–	–	–	–	–	(389)	(389)
At 31 December 2012	451,725	(204)	(1,034)	(4,851)	(11,593)	6,794	440,837
(Credit) charge to profit or loss *(Note 13)*	(5,698)	(61)	(2,946)	20,682	(5,918)	(7,070)	(1,011)
Charge to other comprehensive income	–	9	20	18,714	180	519	19,442
At 30 June 2013	446,027	(256)	(3,960)	34,545	(17,331)	243	459,268

Note: Other include tax deduction on qualified capital expenditures, hedging instruments and others.

As at 31 December 2011, 31 December 2012 and 30 June 2013, the Target Group has deductible temporary differences in respect of fair value on property, plant and equipment, mineral rights and assets and exploration and evaluation assets and tax losses of nil, US$26,761,000 and US$22,342,000, respectively. No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

As at 31 December 2011, 31 December 2012 and 30 June 2013, the Target Group does not recognise deferred tax liability in relation to withholding tax on undistributed profits of its subsidiaries of nil, US$2,615,000 and US$3,243,000, respectively, because the Target Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

27. SHARE CAPITAL

	Number of share	Amount
		US$'000
Ordinary share of US$1		
Authorised:		
On 30 November 2011 (date of incorporation) and balance as at 31 December 2011, 31 December 2012 and 30 June 2013	1	–
Issued and fully paid:		
Issue of share on 30 November 2011 and balance as at 31 December 2011, 31 December 2012 and 30 June 2013	1	–

The Target Company is incorporated on 30 November 2011 with an authorised share capital of US$1 divided into 1 ordinary share of US$1.

28. FINANCIAL INSTRUMENTS

Capital risk management

The Target Group manages its capital to maintain a balance between continuity of cash flows from operating activities and the flexibility through the use of borrowings. The Target Group also monitors the current and expected liquidity requirements and its compliance with lending covenants regularly to ensure that sufficient working capital and adequate committed lines of funding are maintained to meet its liquidity requirements.

The capital structure of the Target Group consists of debts, which include amount due to immediate holding company, borrowings, bank balances and equity attributable to owners of the Target Company, comprising issued capital and reserves.

The management reviews the capital structure on a regular basis. As part of this review, the management considers the cost of capital and the associated risk, and takes appropriate actions to adjust the Target Group's capital structure through new share issues as well as the issue of new debts or the redemption of existing debts.

Categories of financial instruments

	As at 31 December		As at
	2011	**2012**	**30 June 2013**
	US$'000	*US$'000*	*US$'000*
Financial assets			
Loans and receivables (including cash and cash equivalents)	–	68,488	52,219
Derivative financial instruments in designated hedge accounting relationships	–	34	862
Financial liabilities			
At amortised cost	–	1,230,434	1,064,555
Derivative financial instruments in designated hedge accounting relationships	–	331	246

Financial risk management objectives and policies

The Target Group's major financial instruments include loan receivable, trade and other receivables, amounts due from fellow subsidiaries, bank balances and cash, derivative financial instruments, trade and other payables, amount due to immediate holding company and borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

The carrying amounts of the Target Group's monetary liabilities denominated in a foreign currency, i.e. a currency other than the functional currency of the respective group entities, which mainly represent amount due to immediate holding company, at the end of the reporting period are as follows:

	South Africa Rand
	US$'000
As at 31 December 2011	
Assets	–
Liabilities	–
As at 31 December 2012	
Assets	–
Liabilities	1,085,737
As at 30 June 2013	
Assets	–
Liabilities	925,773

The Target Group manages its foreign currency risk by closely monitoring the movements of foreign currency exchange rates. Other than the foreign currency forward contract as disclosed in note 21, the Target Group currently has not entered into any foreign currency forward contracts to hedge against foreign currency risk.

Sensitivity analysis

The Target Group is mainly exposed to fluctuation against a foreign currency of South Africa Rand. The following table details the Target Group's sensitivity to a 5% increase and decrease in functional currency. 5% represents management's assessment of the reasonably possible change in a foreign exchange rate. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in a foreign currency rate. A positive number below indicates a decrease in profit for the year where functional currency of each group entity strengthens 5% against the relevant foreign currency. For a 5% weakening of functional currency of each group entity against the relevant foreign currency, there would be an equal and opposite impact on the profit for the year.

	As at 31 December		**As at**
	2011	**2012**	**30 June 2013**
	US$'000	*US$'000*	*US$'000*
South Africa Rand	–	54,287	46,289

In the opinion of directors of the Target Company, the sensitivity analysis is unrepresentative of inherent foreign exchange risk as the period/year end exposure does not reflect the exposure during the period/year.

Interest rate risk

The Target Group is exposed to cash flow interest rate risk in relation to floating-rate loan receivable and borrowings with reference to the London Interbank Offered Rate. The management continuously monitors interest rate exposure and will consider hedging interest rate risk should the need arise.

The Target Group is also exposed to fair value interest rate risk in relation to fixed-rate borrowings. The management continuously monitors interest rate exposure.

The Target Group's bank balances have exposure to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances. The directors of the Target Company consider that the Target Group's exposure of the short-term bank deposits to interest rate risk is not significant as interest bearing bank balances are with short maturity period.

Sensitivity analysis

The sensitivity analysis has been determined based on the exposure to interest rates for floating-rate interest bearing loan receivable and borrowings. The analysis is prepared assuming those balances outstanding at the end of the reporting period were outstanding for the whole year/period. A 50 basis point increase or decrease which represents the management's assessment of the reasonably possible change in interest rates is used.

If the interest rate on loan receivable and borrowings carried at floating-rate had been 50 basis points higher/lower and all other variables were held constant, the (loss) profit for the period/year ended 31 December 2011, 31 December 2012 and 30 June 2013 would decrease by nil, US$310,000 and US$303,000, respectively.

In the opinion of directors of the Target Company, the sensitivity analysis is unrepresentative of inherent interest rate risk as the period/year end exposure does not reflect the exposure during the period/year.

Commodity price risk

The Target Group is also exposed to commodity price risk, i.e. copper price. In order to minimise the commodity price risk, other than provisional price arrangement detailed in note 3, the Target Group also enters into forward contracts to hedge the exposure to fluctuations in mineral prices on specific transactions. The contracts are matched with anticipated future cash flows from mineral sales.

Credit risk

The Target Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations at the end of the reporting period in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. In order to minimise the credit risk, the directors of the Target Company have delegated the management to be responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Target Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Target Company consider that the Target Group's credit risk is significantly reduced.

The credit risk for bank deposits and bank balances exposed is considered minimal as such amounts are placed with various banks with good credit ratings and there is no significant concentration of credit risk.

The Target Group's copper and cobalt sales are allocated between four customers for the year ended 31 December 2012 and five customers for the 6 months ended 30 June 2013, all of whom have a good track record with respect to settling receivables within the agreed credit period.

Liquidity risk

In management of the liquidity risk, the Target Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Target Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowings and ensures compliance with loan covenants, if any. The Target Group's current liabilities exceeded its current assets by US$946,438,000 as at 30 June 2013. After the completion of the Acquisition, the amount due to immediate holding company will be sold to the Company free and clear from all encumbrances. The Company will not demand repayment of the loan until the Target Group has the financial ability to do so at least for the next twelve months from the date of this report. In the event that the Acquisition is not completed, the immediate holding company also agreed not to demand repayment of the amount due to it until the Target Group has the financial ability to do so at least for the next twelve months from the date of this report. In addition, the Target Group has entered into a financing facility of US$80,000,000 with the China Development Bank Corporation subsequent to 30 June 2013. Therefore, the directors of the Target Company are of the opinion that it is appropriate to prepare the Financial Information on a going concern basis.

The following table details the Target Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Target Group can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from market interest rate at the end of the reporting period.

In addition, the following table details the Target Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash (inflows) and outflows on derivative instruments settled on a net basis. The liquidity analyses for the Target Group's derivative financial instruments are prepared based on the contractual maturities as the management considers that the contractual maturities are essential for an understanding of the timing of the cash flows of the derivatives.

	Weighted average interest rate	On demand and within one year	Over one year but not more than five years	Total undiscounted cash flows	Carrying amount
	%	*US$'000*	*US$'000*	*US$'000*	*US$'000*
As at 31 December 2012					
Non-derivative financial liabilities					
Trade and other payables	–	39,115	–	39,115	39,115
Amount due to immediate holding company	–	1,085,737	–	1,085,737	1,085,737
Borrowings	3.20	72,464	36,107	108,571	105,582
		1,197,316	36,107	1,233,423	1,230,434
Derivative – net settlement					
– net inflow	–	(34)	–	(34)	(34)
– net outflow	–	331	–	331	331
As at 30 June 2013					
Non-derivative financial liabilities					
Trade and other payables	–	38,276	–	38,276	38,276
Amount due to immediate holding company	–	925,773	–	925,773	925,773
Borrowings	3.12	86,151	16,942	103,093	100,506
		1,050,200	16,942	1,067,142	1,064,555
Derivative – net settlement					
– net inflow	–	(862)	–	(862)	(862)
– net outflow	–	246	–	246	246

Fair value measurements of financial instruments

The fair values of derivative financial instruments are measured at fair value by reference to the valuation provided by counterparty financial institutions for these instruments.

The directors of the Target Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate to their fair values.

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 market 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).
- 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).

There were no transfers between Levels 1, 2 and 3 during the Relevant Periods.

The fair value of commodity derivative contracts as at 31 December 2012 and 30 June 2013 are liability of US$331,000 and US$246,000, respectively, determined by those derived by the forward rate (from observable forward rates in active market at the end of the reporting period)

The valuation of all commodity derivative contracts are classified in level 1 of the fair value hierarchy with the fair value derived from quoted price (unadjusted) in active market for identifiable assets or liabilities.

The fair value of foreign currency forward contracts as at 31 December 2012 and 30 June 2013 are assets of US$34,000 and US$862,000 respectively, determined by discounted cash flow that future cash flow are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and forward contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.

The valuation of all foreign currency forward contracts are classified in level 2 of the fair value hierarchy with the fair value derived from inputs other than quoted prices that are observable for the asset or liability,either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Commodity derivative contracts and foreign currency forward contracts are measured at fair value subsequent to initial recognition and grouped into Level 1 and Level 2, respectively.

Except as detailed above, the directors of the Target Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost approximate to their fair values.

29. LEASE COMMITMENTS

At the end of the reporting period, the Target Group was committed to make the following future minimum lease payments under non-cancellable operating leases which fall due as follows:

	As at 31 December		As at
	2011	**2012**	**30 June 2013**
	US$'000	*US$'000*	*US$'000*
Within one year	–	2,465	2,451
In the second to fifth years inclusive	–	2,230	2,224
	–	4,695	4,675

Operating lease payments represent rental payable by the Target Group for certain of its equipment, premises and vehicles. Lease is negotiated and rental is fixed originally for a lease term ranging from one to five years.

30. COMMITMENTS

	As at 31 December		As at
	2011	**2012**	**30 June 2013**
	US$'000	*US$'000*	*US$'000*
Capital expenditure in respect of property, plant and equipment, mineral rights and assets and exploration and evaluation assets			
– authorised but not contracted for	–	9,005	221,882
– contracted for but not provided	–	5,540	38,691
	–	14,545	260,573

31. RETIREMENT BENEFIT INFORMATION

Contributions are made by the South African companies to independent pension and provident funds which are defined contribution retirement benefit plans governed by the Pension Funds Act, 1956. All eligible employees are required to become members of these schemes.

DRC employees contribute to the DRC National Social Security Fund in accordance with applicable labour laws. All eligible Zambian employees are required to join and contribute to an external pension fund, Africa Life. Both funds are defined contribution retirement benefits plans.

The assets of the schemes are held separately from those of the Target Group in funds under the control of the trustees. The amounts incurred for retirement benefit scheme contributions are disclosed in note 11. According to the respective schemes, those contributions are not refundable nor forfeitable.

32. DISCONTINUED OPERATIONS – OTHER EXPENDITURE

O'Okiep Copper Company (Proprietary) Limited ("OCC") and Maranda are classified as discontinued operations and OCC was disposed of during the year ended 31 December 2012.

The operating results of OCC and Maranda are detailed below:

	For the period from 30 November 2011 (date of incorporation) to 31 December	Year ended 31 December	6 months ended 30 June	
	2011	2012	2012	2013
	US$'000	*US$'000*	*US$'000* (unaudited)	*US$'000*
Other expenditures	–	(482)	(726)	(9)
	–	(482)	(726)	(9)

The cash flows incurred by OCC and Maranda during the Relevant Periods are insignificant.

33. ACQUISITION OF A SUBSIDIARY

On 16 January 2012, Newshelf acquired the entire equity interests in Metorex, which is principally engaged in the business of copper and cobalt mining, for a consideration of ZAR9,111,350,000 (equivalent to US$1,117,052,000). Upon completion of the acquisition, Metorex became a wholly-owned subsidiary of Newshelf. Metorex was acquired so as to establish a platform for the acquisition, exploration, development and operation of copper and cobalt projects in Africa.

Acquisition-related costs amounting to US$9,948,000 have been recognised as an expense during the year ended 31 December 2012, within the other income and expenses line item in the consolidated statement of profit or loss and other comprehensive income.

	2012
	US$'000
Fair value of assets acquired and liabilities assumed at the date of acquisition:	
Property, plant and equipment	629,400
Mineral rights and assets	845,536
Exploration and evaluation assets	274,665
Other non-current assets	8,974
Inventories	54,234
Trade and other receivables	88,502
Derivative financial instruments	1,098
Bank balances and cash	60,664
Trade and other payables	(73,687)
Borrowings	(103,292)
Tax payable	(4,290)
Provisions	(24,021)
Deferred tax liabilities	(438,516)
Net assets acquired	1,319,267

On the date of acquisition, fair value adjustments of US$829,603,000 and US$169,168,000 have been made to mineral rights and assets and exploration and evaluation assets respectively, with the recognition of corresponding adjustments to deferred tax liabilities amounting to US$257,464,000 and US$50,750,000, respectively. The assets acquired and liabilities assumed were fair valued by Asset Appraisal Limited, an independent qualified valuer not connected to the Target Group. The address of Asset Appraisal Limited is Room 802, 8/F, On Hong Commercial Building, 145 Hennessy Road, Wanchai, Hong Kong. The fair values of loan receivable and trade and other receivables approximate to their respective gross contractual amounts.

	2012
	US$'000
Goodwill arising on acquisition:	
Consideration	1,117,052
Add: Non-controlling interests of subsidiaries of Metorex	202,215
Less: Net assets acquired	(1,319,267)
	–

Non-controlling interests:

The non-controlling interests recognised at the acquisition date was measured by reference to the proportionate share of the acquiree's identifiable net assets and amounted to US$202,215,000.

	2012
	US$'000
Net cash outflow arising on acquisition:	
Cash consideration paid	(1,117,052)
Bank balances and cash acquired	60,664
	(1,056,388)

Included in profit for the year ended 31 December 2012 is profit of US$17,356,000 attributable to the additional business generated by Metorex. Revenue for the year ended 31 December 2012 includes US$388,990,000 generated from Metorex.

Had the acquisition been completed on 1 January 2012, total group revenue for the year ended 31 December 2012 would have been US$408,051,000 and profit for the year ended 31 December 2012 would have been US$43,781,000 after taking into account additional depreciation and amortisation charges arising from fair value adjustment on mineral rights and assets and exploration and evaluation assets upon acquisition. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Target Group that actually would have been achieved had the acquisition been completed on 1 January 2012, nor is it intended to be a projection of future results.

34. DISPOSAL OF A SUBSIDIARY

In December 2012, the Target Group disposed of the entire equity interests in a subsidiary, OCC, for a consideration of ZAR10 (equivalent to US$1) to an independent third party, OCC mainly owns a retired mine in South Africa.

	2012
	US$'000
Analysis of assets disposed of and liabilities derecognised over which control was lost at the date of disposal:	
Property, plant, equipment	2,253
Trade and other receivables	35
Bank balances and cash	26
Trade and other payables	(36)
Provisions	(2,607)
Net liabilities disposed of	(329)

	US$'000
Gain on disposal of a subsidiary:	
Consideration received	–
Net liabilities disposed of	(329)
Gain on disposal	(329)

	2012
	US$'000
Net cash outflow arising on disposal:	
Cash consideration received	–
Less: Cash and cash equivalents disposed of	(26)
	(26)

During the 6 months ended 30 June 2013, the Metorex Group made no disposals, while Abbey was liquidated and deregistered and Metorex Commercial Services was deregistered. Both these companies were dormant with limited transactions.

35. RELATED PARTY TRANSACTIONS

(a) Transaction with related parties

Apart from details of the balances with related companies disclosed in the respective notes, the Target Group entered into the following transactions with related parties during the Relevant Periods:

	For the period from 30 November 2011 (date of incorporation) to 31 December	Year ended 31 December	6 months ended 30 June	
	2011	2012	2012	2013
	US$'000	*US$'000*	*US$'000* (unaudited)	*US$'000*
Sales of goods to ultimate holding company	–	52,785	28,366	24,600
Interest expenses on term loan due to ultimate holding company	–	208	–	59

(b) Compensation of key management personnel

Details of the remuneration of key management personnel, who are the five highest paid individuals, during the Relevant Periods, are set out in note 12.

B. EVENTS AFTER THE END OF REPORTING PERIOD

The Target Group has entered into a financing facility of US$80,000,000 with the China Development Bank Corporation subsequent to 30 June 2013.

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Group, the Target Company or its subsidiaries in respect of any period subsequent to 30 June 2013.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

2. MANAGEMENT DISCUSSION AND ANALYSIS OF THE TARGET GROUP

The Target Group comprises the Target Company, Newshelf and the Metorex Group. The Target Company owns the entire issued share capital of Newshelf, which in turn owns entire issued share capital of Metorex.

Jinchuan Group acquired Metorex and its subsidiaries through the making of a public takeover in July 2011 and the takeover and privatisation of Metorex was completed on 16 January 2012. Jinchuan Group used the Target Company and Newshelf as special purpose vehicles for undertaking the takeover, and upon completion of the takeover, Newshelf is an investment holding company which does not carry out any business other than holding its 100% shareholding interest in Metorex, and the Target Company is also an investment holding company which does not carry out any business other than holding its 100% shareholding interest in Newshelf, and hence Metorex.

The Target Company was incorporated on 30 November 2011. During the period from its incorporation date to 31 December 2011, the Target Company did not engage in any activity save for the incurrence of certain immaterial set up expenses. For the six months ended 30 June 2012 and also the year ended 31 December 2012, the financial results of the Metorex Group are included in the financial information of the Target Company since 16 January 2012 upon completion of the takeover acquisition of Metorex by Newshelf. In view that (i) the Target Company has been in existence for less than two full financial years; and (ii) the Target Company and Newshelf are only investment holding companies with no business other than their interest in the Metorex Group since 16 January 2012, it would not be meaningful to conduct a full period on period discussion and analysis of the financial results of the Target Group. Shareholders should refer to section 2 of Appendix II to this circular for a discussion and analysis on the financial results of the Metorex Group for the 18 months ended 31 December 2010, the year ended 31 December 2011, the year ended 31 December 2012 and the six months ended 30 June 2013, which comprises the operating subsidiaries that are within the Target Group.

Accordingly, the following paragraphs only contain discussions on selected items of the financial information of the Target Group.

Consolidated Statements of Profit or Loss and Other Comprehensive Income

	For the period from 30 November 2011 (date of incorporation) to 31 December 2011	Year ended 31 December 2012	Six months ended 30 June 2012	Six months ended 30 June 2013
	US$'000	*US$'000*	*US$'000* (unaudited)	*US$'000*
CONTINUING OPERATIONS				
Revenue	–	388,990	182,226	203,085
Realisation costs	–	(52,488)	(26,367)	(24,547)
Cost of production	–	(269,133)	(106,884)	(152,489)
Mining profit	–	67,369	48,975	26,049
Interest income	–	790	680	231
Other income and expenses	(18)	11,304	11,742	149,076
Finance costs	–	(5,566)	(2,946)	(2,245)
(Loss) profit before taxation	(18)	73,897	58,451	173,111
Income tax expense	–	(24,648)	(15,432)	(8,390)
(Loss) profit for the period/year from continuing operations	**(18)**	**49,249**	**43,019**	**164,721**
DISCONTINUED OPERATIONS				
Discontinued operations – other expenditure	–	(482)	(726)	(9)
Loss for the period/year from discontinued operations	–	(482)	(726)	(9)
(Loss) profit for the period/year	(18)	48,767	42,293	164,712
Other comprehensive expense:				
Items that may be classified subsequently to profit or loss:				
Exchange differences on translation	–	(1,393)	6,453	(19,996)
Fair value change on cash flow hedges, net of income tax	–	(297)	(797)	(83)
Other comprehensive (expense) income for the period/year	–	(1,690)	5,656	(20,079)
Total comprehensive (expense) income for the period/year	**(18)**	**47,077**	**47,949**	**144,633**
(Loss) profit for the period/year attributable to owners of the Target Company				
– from continuing operations	(18)	46,264	36,983	161,457
– from discontinued operations	–	(482)	(726)	(9)
(Loss) profit for the period/year attributable to owners of the Target Company	(18)	45,782	36,257	161,448
Profit for the period/year attributable to non-controlling interests				
– from continuing operations	–	2,985	6,036	3,264
– from discontinued operations	–	–	–	–
Profit for the period/year attributable to non-controlling interests	–	2,985	6,036	3,264
	(18)	48,767	42,293	164,712
Total comprehensive (expense) income attributable to:				
Owners of the Target Company	(18)	44,700	40,942	141,410
Non-controlling interests	–	2,377	7,007	3,223
	(18)	**47,077**	**47,949**	**144,633**

Consolidated Statements of Financial Position

	As at 31 December		As at 30 June
	2011	2012	2013
	US$'000	*US$'000*	*US$'000*
Non-current assets			
Property, plant and equipment	–	657,599	655,744
Mineral rights and assets	–	865,075	873,887
Exploration and evaluation assets	–	274,665	274,665
Other non-current assets	–	27,281	26,909
	–	1,824,620	1,831,205
Current assets			
Inventories	–	60,053	64,220
Trade and other receivables	–	53,181	55,043
Amounts due from fellow subsidiaries	–	25	32
Derivative financial instruments	–	34	862
Tax receivable	–	49	–
Bank balances and cash	–	36,663	16,352
	–	**150,005**	**136,509**
Current liabilities			
Trade and other payables	18	63,282	61,938
Amount due to immediate holding company	–	1,085,737	925,773
Borrowings	–	70,764	84,906
Short-term provisions	–	4,828	4,977
Derivative financial instruments	–	331	246
Tax payable	–	8,070	5,107
	18	1,233,012	1,082,947
Net current liabilities	**(18)**	**(1,083,007)**	**(946,438)**
Total assets less current liabilities	(18)	741,613	884,767
Non-current liabilities			
Borrowings	–	34,818	15,600
Long-term provisions	–	19,984	20,040
Deferred tax liabilities	–	440,837	459,268
	–	495,639	494,908
Net (liabilities) assets	**(18)**	**245,974**	**389,859**
Capital and reserves			
Share capital	–	–	–
Reserves	(18)	44,682	185,734
Equity attributable to owners of the Target Company	(18)	44,682	185,734
Non-controlling interests	–	201,292	204,125
Total equity	**(18)**	**245,974**	**389,859**

(a) Six months ended 30 June 2012 compared to six months ended 30 June 2013

As the Target Company and Newshelf are only investment holding companies with no business activities other than their interest in the Metorex Group since 16 January 2012, the financial results of the Target Group for the six months ended 30 June 2012 and the six months ended 30 June 2013 primarily comprised of the financial results of the Metorex Group for the corresponding periods. There are however certain key differences between the financial results of the Target Group and those of the Metorex Group. Accordingly, the discussions set out below only compare certain key items of financial information of the Target Group for these periods which do not form part of the financial results of the Metorex Group.

The total cost of production of continuing operations for the Target Group for the six months ended 30 June 2013 increased by 42.7% to US$152.5 million from US$106.9 million for the six months ended 30 June 2012. In addition to the increase being attributable to the increase in total cost of production of the Metorex Group over these periods, the increase was also attributable to the higher amount of the amortisation costs of mineral rights and assets being recognised as a result of the increase in the units of production for the six months ended 30 June 2013 as compared with the units of production for the six months ended 30 June 2012. Please refer to note 3 to the financial information of the Target Group in this appendix for details of the accounting policy adopted for the amortisation and depreciation of mineral rights and assets.

The other income of continuing operations for the Target Group for the six months ended 30 June 2013 increased by 11.7 times to US$149.1 million from US$11.7 million for the six months ended 30 June 2012. This was primarily due to the depreciation of South African Rand against U.S. Dollar during the six months ended 30 June 2013 which resulted in exchange gains being derived on the amount of shareholder's loan of ZAR9,193.4 million (equivalent to approximately US$925.8 million as of 30 June 2013) from Jintai Mining Investment Limited which is denominated in South African Rand (being the Sale Loans). As such shareholder's loan will be sold by Jintai Mining Investment Limited to the Company as part of the Acquisition, upon Completion, exchange gain or loss on such loan (even though the loan may continue to remain outstanding) will not be reflected in the consolidated financial results of the Company due to intragroup eliminations.

Primarily as a result of the items described above, the profit before taxation of continuing operations for the Target Group for the six months ended 30 June 2013 increased by 2.0 times to US$173.1 million from US$58.5 million for the six months ended 30 June 2012. Also, the profit for the period of continuing operations for the Target Group for the six months ended 30 June 2013 increased by 2.8 times to US$164.7 million from US$43.0 million for the six months ended 30 June 2012.

(b) Year ended 31 December 2012

As the Target Company was only incorporated on 30 November 2011, it would not be meaningful to include a discussion on the period on period comparison of the consolidated financial results of the Target Company for the period from 30 November 2011 to 31 December 2011, compared with the consolidated financial results of the Target Company for the year ended 31 December 2012. Accordingly, the discussions set out below only highlight certain items which represent the key differences between the financial information of the Target Group and the financial information of the Metorex Group for the year ended 31 December 2012.

Selected items of statements of profit or loss and other comprehensive income

As the Target Company had only acquired the Metorex Group on 16 January 2012, the consolidated financial results of the Target Company for the year ended 31 December 2012 had only included the financial results of the Metorex Group from 16 January 2012 to 31 December 2012.

The total cost of production of continuing operations for the Target Group for the year ended 31 December 2012 was US$269.1 million, which was greater than the cost of production of the Metorex Group of US$255.8 million for the same year. This was attributable to the higher amortisation and depreciation costs of mineral rights and assets incurred by the Target Group than that incurred by the Metorex Group over the same year. This was because the amortisation and depreciation costs of mineral rights and assets of the Target Company have taken into account the additional amortisation and depreciation costs arising from the fair value adjustment on mineral rights and assets due to the difference between the acquisition consideration paid by Newshelf for the acquisition of Metorex and the fair value of the net assets of the Metorex Group at the time of the acquisition.

The Target Group had a total other income of continuing operations of US$11.3 million for the year ended 31 December 2012, whilst the Metorex Group had a total other expenses of US$22.8 million for the same year. This was attributable to the exchange gains of US$42.1 million derived by the Target Group which was partially offset by the costs of US$9.9 million incurred by Newshelf for the acquisition of Metorex during the year.

The Target Group's income tax expense of continuing operations for the year ended 31 December 2012 was US$24.6 million, whilst the Metorex Group's income tax expense was US$41.4 million. This was because the additional amortisation and depreciation costs of mineral rights and assets had given rise to deferred tax credits of the Target Group and hence the release of the relevant deferred tax liabilities which had the effect of reducing the overall income tax expense for the year.

Primarily as a result of the items described above, the Target Group's profit of continuing operations for the year ended 31 December 2012 was US$49.2 million, compared to the profit for the year of the Metorex Group of US$28.5 million over the same year.

Selected items of statements of financial position

The mineral rights and assets of the Target Group as at 31 December 2012 was US$865.1 million, whilst the Metorex Group's mineral rights and assets as at the same date was US$215.8 million. This was because the Target Group has accounted for the difference between the acquisition consideration paid by Newshelf for the acquisition of Metorex and the fair value of the net assets of the Metorex Group at the time of the acquisition as additional value of the mineral rights and assets of the acquiree company. The acquisition has also created an additional amount of exploration and evaluation assets of US$274.7 million being accounted for by the Target Group as of 31 December 2012.

A breakdown of the value of the mining rights acquired by the Target Group (through the acquisition of the Metorex Group) as at 16 January 2012 was as follows:

	US$ million
Ruashi Mine (including Musonoi Est Project)	524.1
Chibuluma plc	74.4
Kinsenda Sarl (including Lubembe Project)	247.0
	845.5

The Target Group's total current liabilities as at 31 December 2012 were US$1,233.0 million, whilst the Metorex Group's total current liabilities as at the same date were US$147.3 million. This was because the Target Group's had additional borrowings in the form of an interest-free shareholder's loan of ZAR9,193.4 million (equivalent to approximately US$925.8 million as of 30 June 2013) which was provided by its immediate holding company, Jintai Mining Investment Limited (namely, the Seller), to fund the consideration for the acquisition of Metorex by Newshelf (the shareholder's loan, being the Sale Loans, will be transferred and assigned by the Seller to the Company upon Completion). It is understood that, in view of the net current liability position, the Target Group will not be demanded for repayment of the shareholder's loan by the Seller.

The Target Group's total non-current liabilities as at 31 December 2012 were US$495.6 million, whilst the Metorex Group's total non-current liabilities as at the same date were US$194.7 million. This was because the Target Group had to account for additional deferred tax liability associated with the additional value of mineral rights and assets and exploration and evaluation assets as described above.

Primarily as a result of the items described above, the Target Group had a net current liability position of US$1,083.0 million whilst the Metorex Group had a net current assets position of US$0.7 million as at 31 December 2012, and the Target Group had net assets of US$246.0 million whilst the Metorex Group had net assets of US$652.0 million as at 31 December 2012.