THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in **Sinocop Resources (Holdings) Limited** (the "**Company**") , you should at once hand this circular together with the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or the transfer was effected for transmission to the purchaser or transferee.

SINOCOP RESOURCES (HOLDINGS) LIMITED

中銅資源(控股)有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 476)

(1) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION (2) PLACING OF NEW SHARES UNDER SPECIFIC MANDATE AND (3) NOTICE OF SPECIAL GENERAL MEETING

Financial adviser to the Company

Donvex Capital Limited
富域資本有限公司

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

KINGSTON CORPORATE FINANCE LTD.

A letter from the board of directors of the Company is set out on pages 8 to 91 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on page 92 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 93 to 125 of this circular.

A notice convening the SGM to be held on Wednesday, 30 October 2013 at 11:00 a.m. at Plaza 3, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong is set out on pages 335 to 337 of this circular.

Whether or not you intend to attend the SGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the principal place of business of the Company located at 37th Floor, China Online Centre, 333 Lockhart Road, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the appointed time for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM and any adjournment thereof (as the case may be) should you so wish.

11 October 2013

CONTENTS

Page

DEFINITIONS

In this circular, the following expressions shall have the following meanings unless the context indicates otherwise:

"Acquisition"	the acquisition of the Sale Shares by the Company pursuant to the Acquisition Agreement
"Acquisition Agreement"	the acquisition agreement dated 29 March 2012 and entered into between the Company and the Vendors in relation to the Acquisition
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Business Day"	a day (other than a Saturday or a Sunday) on which banks are generally open for banking business in Hong Kong and the PRC
"BVI"	the British Virgin Islands
"Bye-law(s)"	the bye-law(s) of the Company in force from time to time
"Company"	means Sinocop Resources (Holdings) Limited, a company incorporated under the laws of Bermuda with limited liability and the shares of which are listed on the Stock Exchange (stock code: 476)
"Competent Person"	has the meaning as defined in Chapter 18 of the Listing Rules
"Competent Person's Report"	has the meaning as defined in Chapter 18 of the Listing Rules and is set out in Appendix IV of this Circular
"Completion"	the completion of the Acquisition pursuant to the terms of the Acquisition Agreement
"Completion Date"	the 7th Business Day after the fulfilment or waiver (as the case may be) of the conditions precedent of the Acquisition Agreement (or such other dates as the Vendors and the Purchaser may agree)

"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Consideration"	the consideration for the acquisition of the Sale Shares pursuant to the Acquisition Agreement
"Consideration Share(s)"	the new Share(s), credited as fully paid, to be allotted and issued by the Company to the Vendors (or their respective nominees) as at Completion to satisfy part of the Consideration pursuant to the Acquisition Agreement
"Conversion Price"	HK$0.75 per Conversion Share subject to adjustments in accordance with the terms and conditions of the Convertible Note(s)
"Conversion Share(s)"	the new Share(s) to be allotted and issued by the Company upon conversion of the Convertible Note(s)
"Convertible Note(s)"	the convertible note(s) in the principal amount of HK$2.91 billion to be issued by the Company to the Vendors or their respective nominees for settlement of part of the Consideration
"Deed of Confirmation and Guarantee"	the deed of confirmation and guarantee to be entered into among, the Company, the Purchaser, Sino PowerHouse and the Target Company
"Director(s)"	director(s) of the Company
"Enlarged Group"	the Group as enlarged by the Target Group upon Completion
"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any of his/her delegate
"Exploration Report on the Mineral Resources of Glauberite Mine"	廣西橫縣陶圩礦區陶圩礦段鈣芒硝礦詳查地質報告 prepared by 中化地質礦山總局廣西地質勘查院 (Guangxi Geologic Survey Institute of China Chemical Geology and the Bureau*) and issued on 20th January 2006

"Glauberite Mine"	the Glauberite Mine situated in Guangxi Province with an aggregate area of approximately 8.573 km^2 and owned by the Target Group
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	an independent committee of the Board (comprising Mr. Chan Francis Ping Kuen, Mr. Hu Guang and Mr. Chan Chak Paul, all are independent non-executive Directors) established for making recommendation as to whether the terms of the Acquisition Agreement are, or are not, fair and reasonable so far as the interests of the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole
"Independent Financial Adviser" or "Kingston"	Kingston Corporate Finance Limited, a licensed corporation under the SFO to carry out Type 6 (advising on corporate finance) regulated activity; and the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Acquisition Agreement and the transactions contemplated thereunder
"Independent Shareholder(s)"	the Shareholder(s) other than Sino PowerHouse, its associates, persons acting in concert with any of them and those who are involved in or interested in the Acquisition
"Independent Technical Adviser"	Dr Louis Bucci, being the Principal Consultant and Corporate Consultant of SRK Consulting (Australasia) Pty Ltd ("SRK"), who is able to meet the requirements for competent persons under Chapter 18 of the Listing Rules determined and engaged by the Company
"Independent Third Party(ies)"	(a) party(ies) who is/are not connected person(s) of the Company and who together with its ultimate beneficial owner(s) are independent of the Company and of connected persons of the Company

"Independent Valuers"	Mr. Michael John Warren, the corporate consultant of SRK Consulting (Australasia) Pty Ltd, and Dr. Louis Bucci, both of them are able to meet the requirements for (a) valuers under Chapter 5 of the Listing Rules and (b) competent evaluators under Chapter 18 of the Listing Rules had been determined and engaged by the Company
"Issue Price"	the issue price of HK$0.75 of each Consideration Share
"JORC Code"	the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia (JORC), December 2004
"Last Trading Day"	1 November 2011, being the last trading day for the Shares before the date of the announcement of the Company dated 29 March 2012
"Latest Practicable Date"	8 October 2013, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Date"	on or before 31 December 2013 or such other dates to be agreed by the relevant parties
"Mineral Assets"	mineral assets under Taowei Thenardite Project as defined in the Valuation Report
"Molybdenum Mine"	the Molybdenum Mine situated in Guangxi Province with an aggregate area of approximately 2.1791 km^2 and owned by the Target Group
"Percentage Ratios"	the "percentage ratios" as defined in rule 14.04(9) of the Listing Rules

"Placing Agent"	Changjiang Securities Brokerage (HK) Limited, a corporation licensed to carry out business type 1 (dealing in securities) regulated activities under the SFO
"Placing Agreement"	the Placing Agreement dated 29 March 2012 entered between the Company and the Placing Agent to place, on an underwritten basis, the Placing Shares
"Placing Price"	not less than HK$0.60, but not more than HK$0.75 per Placing Share
"Placing Shares"	not less than 265 million, but not more than 333.3 million new Shares to be placed under the Placing Agreement
"PRC"	the People's Republic of China
"PRC Legal Advisers"	Hills & Co., legal adviser to the Company as to PRC Law
"Purchaser"	China Elegance Resources Limited, a wholly owned subsidiary of the Company
"Sale Shares"	means 100 issued and fully paid shares of US$1.00 each in the capital of the Target Company, representing 100% of the share capital of the Target Company immediately before Completion
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	the special general meeting of the Company to be convened and held at 11:00 a.m. on Wednesday, 30 October 2013 at Plaza 3, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong to approve, among other things, (i) the Acquisition Agreement and the transactions contemplated thereunder, including the Acquisition; (ii) the allotment and issue of the Consideration Shares and Convertible Notes and (iii) the Placing Agreement and the allotment and issue of the Placing Shares

"Share(s)"	ordinary share(s) of HK$0.01 each in the existing share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Shareholder's Loan"	the unsecured debt in the amount of approximately HK$187 million owed by the Target Company to Sino PowerHouse
"Sino PowerHouse"	Sino PowerHouse Corporation, a company incorporated in BVI with limited liability
"Stock Exchange"	the Stock Exchange of Hong Kong Limited
"Substantial Shareholder"	has the meaning ascribed to it under the Listing Rules
"Superseded Acquisition Agreement"	the acquisition agreement dated 1 November 2011 and entered into between the Company and the Vendors, which is subsequently superseded by the Acquisition Agreement in its entirety
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"Taowei Thenardite Project"	development on the Glauberite Mine
"Target Company"	South China Mining Investments Limited, a company incorporated in BVI with limited liability, which, as at the date of this circular, is owned as to 70% by Sino PowerHouse, 25% by Mr. Zhou Bo（周勃）and 5% by Mr. Luan Zhong Jie（欒中杰）
"Target Group"	means the group of the companies consisting of the Target Company and it subsidiaries
"Two Mines"	the Glauberite Mine and Molybdenum Mine
"Valuation Report"	has the meaning as defined in Chapter 18 of the Listing Rules and is set out in Appendix V of this circular
"Vendors"	means Sino PowerHouse, Mr. Zhou Bo（周勃）and Mr. Luan Zhong Jie（欒中杰）

"Wise Goal"	Wise Goal Enterprises Limited, a company incorporated in Hong Kong with limited liability, which is wholly owned by the Target Company
"EJV"	Guangxi Weiri Mining Company Limited*, a Sino-Foreign equity joint venture established by Wise Goal in the PRC
"%"	per cent

Translation of RMB into HK$ is based on the approximate exchange rate of RMB1.00 to HK$1.264 for information purpose only. Such translation should not be construed as a representation that the relevant amounts have been, could have been, or could be converted at that or any other rate or at all.

* *The English translation of the names of companies established in PRC referred to in this circular is for reference only. The official names of those companies are in Chinese.*

SINOCOP RESOURCES (HOLDINGS) LIMITED
中銅資源(控股)有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 476)

Directors:
Executive Directors:
Mr. Cheung Ngan *(Chairman)*
Mr. Chan Chung Chun, Arnold *(Deputy Chairman)*
Mr. Zhau Chong Dei
Mr. Lee Ming Zang

Non-executive Director:
Mr. Li Shaofeng

Independent non-executive Directors:
Mr. Chan Francis Ping Kuen
Mr. Hu Guang
Mr. Chan Chak Paul

Registered Office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head office and principal place of business in Hong Kong
37th Floor
China Online Centre
333 Lockhart Road
Wanchai
Hong Kong

11 October 2013

To the Shareholders,

Dear Sir or Madam,

(1) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION (2) PLACING OF NEW SHARES UNDER SPECIFIC MANDATE AND (3) NOTICE OF SPECIAL GENERAL MEETING

INTRODUCTION

Reference is made to the announcement dated 29 March 2012 in relation to the Purchaser's acquisition of the entire share capital of the Target Company at a total consideration of HK$3 billion of which (i) HK$90 million will be satisfied by the allotment and issue of 120 million Consideration Shares at the Issue Price of HK$0.75 per Consideration Share to the Vendors or their nominees; and (ii) HK$2.91 billion will be satisfied by the issue of Convertible Notes to the Vendors or their nominees at Completion.

The purpose of this circular is to give you, among other things, (i) further information on the Acquisition Agreement and the transactions contemplated thereunder; (ii) the financial information of the Target Group; (iii) the pro forma financial information of the Enlarged Group; (iv) the Competent Person's Report on the Glauberite Mine; (v) the valuation report on the Glauberite Mining Business; (vi) further information on the Placing Agreement and the allotment and issue of the Placing Shares; and (vii) notice of the SGM.

THE ACQUISITION AGREEMENT

Date:	29 March 2012
Vendors:	Sino PowerHouse, Zhou Bo（周勃）, and Luan Zhong Jie（欒中杰）
Purchaser:	China Elegance Resources Limited
Issuer:	The Company

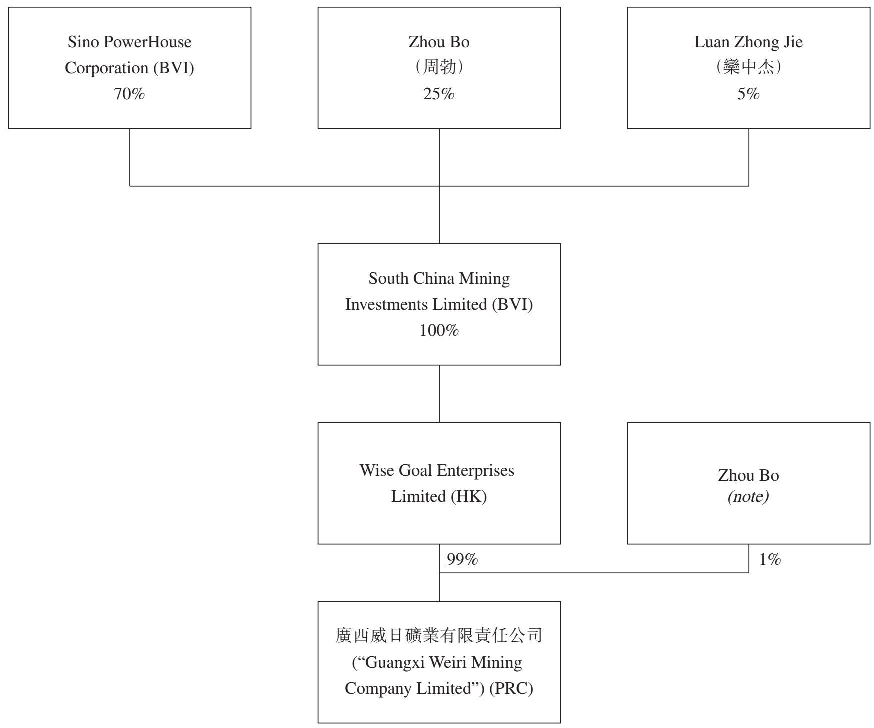
Sino PowerHouse is the legal and beneficial owner of approximately 70% of the issued share capital of the Target Company as at the Latest Practicable Date. The principal business of Sino PowerHouse is investment holding. As at Latest Practicable Date, Sino PowerHouse is owned as to 51% by Mr. Cheung Ngan and 49% by Mr. Chan Chung Chun, Arnold. Mr. Cheung Ngan, being a Director and a substantial shareholder of the Company, owns 22.48% shareholding interest in the Company. Mr. Chan Chung Chun, Arnold is also the Director and holds approximately 0.87% shareholding interest in the Company.

Each of Zhou Bo（周勃）and Luan Zhong Jie（欒中杰）respectively holds approximately 25% and 5% of the issued share capital of the Target Company as at the Latest Practicable Date, and are third parties independent of the Company, the Purchaser and their respective connected persons.

The assets to be acquired by the Company

The Sale Shares, representing the entire issued share capital of the Target Company. The Target Company is the beneficial owner of the Glauberite Mine. It owns the Glauberite Mine through its direct shareholding in Wise Goal, which in turns owns the entire shareholding interest in the EJV, which is the registered owner of the Glauberite Mine. Further information on the Target Company and the Glauberite Mine are set out in the paragraph headed "Information of the Target Group" below.

Shareholding structure of the Target Company



Note: Mr. Zhou Bo, the director of South China Mining Investments Limited, holds 1% of the equity interest of Guangxi Weiri Mining Company Limited on behalf of South China Mining Investments Limited.

The Consideration

The Consideration for the Acquisition is HK$3 billion of which (i) HK$90 million will be satisfied by the allotment and issue of 120 million Consideration Shares at the Issue Price of HK$0.75 per Consideration Share to the Vendors or their nominees; and (ii) HK$2.91 billion will be satisfied by the issue of Convertible Notes to the Vendors or their nominees at Completion.

The Consideration was determined after arm's length negotiations between the Company and the Vendors and was based on the various factors, including:

1. The volume, quality and accessibility of the Glauberite estimated reserves and the relative size of that Glauberite deposits comparable in volume, quality and accessibility to the deposits at other PRC glauberite mines and the potential earnings that may be derived from the deposits at the Glauberite Mine. As at the Latest Practicable Date, the estimated resources of sodium sulfate are approximately 236 million tonnes based on the Competent Person's Report issued by SRK Consulting (Australasia) Pty Ltd in relation to the estimate resource potential in the Glauberite Mine. In view of the estimated resource potential of the Glauberite Mine issued by the SRK Consulting (Australasia) Pty Ltd, the Company has compared with other PRC glauberite mine located in Sichuan Province, which has, based on the public information, estimated resource potential of sodium sulfate of approximately 29 million to 34 million tonnes from each mining area in the PRC.

2. The valuation report prepared by the Independent Valuer as enclosed in Appendix V, as at the Valuation Date, the fair market value of the Taowei Thenardite Project is reasonably stated by the amount of HK$3.72 billion.

3. The Consideration will be satisfied by the allotment and issue of the Consideration Shares and the Convertible Notes which will not involve any immediate cash outlay by the Company.

Based on all the factors set out above, and taking into consideration that completion of the Acquisition is subject to, the satisfaction (or if applicable, the waiver by the Company) of the conditions as stated in the section named "Conditions precedent", the Directors (including the independent non-executive directors) consider that the Consideration is fair and reasonable.

The Consideration was determined after arm's length negotiation between the Vendors and the Company and taking into account the factors considered as set out under the paragraph headed "The Consideration" above.

Consideration Shares

The Consideration Shares to be allotted and issued by the Company to the Vendors or their nominees represent (i) approximately 8.67% of the total Shares in issue as the Latest Practicable Date; and (ii) approximately 7.98% of the total Shares in issue as enlarged by the allotment and issue of the Consideration Shares.

The Consideration Shares will be allotted and issued under a specific mandate proposed to be obtained at the SGM. The Consideration Shares will rank equally among themselves and pari passu in all respects with the Shares in issue on the date of the allotment and issue of the Consideration Shares.

Issue Price and Conversion Price

The Issue Price for each Consideration Share and the Conversion Price of the Conversion Shares are the same at HK$0.75 per Share and was determined after arm's length negotiations between the Company and the Vendors, which represents:

(a) a discount of approximately 3.8% to the closing price of the Shares of HK$0.78 per Share as quoted on the Stock Exchange on the Last Trading Day;

(b) a discount of approximately 2.6% to the average of the closing prices of the Shares of approximately HK$0.77 per Share as quoted on the Stock Exchange for the 5 consecutive trading days up to and including Last Trading Day;

(c) a premium of approximately 1.3% over the average of the closing prices of the Shares of approximately HK$0.74 per Share as quoted on the Stock Exchange for the 10 consecutive trading days up to and including Last Trading Day; and

(d) a premium of approximately 51.5% over the closing price of the Share of HK$0.495 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Directors consider that the proposed Issue Price and Conversion Price are fair and reasonable so far as the Company and the Shareholders are concerned.

Application for listing of Consideration Shares and the Conversion Shares

The Company will apply to the Listing Committee for the listing of, and permission to deal in, the Consideration Shares to be allotted and issued pursuant to the Acquisition Agreement and the Conversion Shares to be allotted and issued upon the exercise of the conversion rights under the Convertible Notes by the holder thereof.

Convertible Notes

Upon Completion, HK$2.91 billion of the Consideration will be satisfied by the issuance of the Convertible Notes by the Company to the Vendors or their nominees. The principal terms of the Convertible Notes are as follows:

Issuer	The Company
Holders of the Convertible Notes	The Vendors or their nominees
Principal amount	HK$2.91 billion
Interest	Interest free
Date of issue	The Completion Date
Conversion Rights	The Convertible Notes are convertible at any time, and from time to time, at the option of the holders of the Convertible Notes, subject to the Conversion Restrictions set out below and to the compliance with the Takeovers Code and Listing Rules and any other statutory and regulatory requirements, if any.
Conversion Shares	3.88 billion Conversion Shares will be issued on full conversion of the Convertible Notes based on the principal amount of HK$2.91 billion and the Conversion Price of HK$0.75 per Conversion Share.

The Conversion Shares represent (i) approximately 280.27% of the existing issued share capital of the Company; (ii) approximately 72.06% of the issued share capital of the Company as enlarged by the Consideration Shares and the Conversion Shares; and (iii) approximately 67.86% of the issued share capital of the Company as enlarged by the Consideration Shares, Conversion Shares and Placing Shares.

Conversion Price

HK$0.75 per Share which represents:

(i) a discount of approximately 3.8% to the closing price of the Shares of HK$0.78 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a discount of approximately 2.6% to the average of the closing prices of the Shares of approximately HK$0.77 per Share as quoted on the Stock Exchange for the 5 consecutive trading days up to and including Last Trading Day;

(iii) a premium of approximately 1.3% over the average of the closing prices of the Shares of approximately HK$0.74 per Share as quoted on the Stock Exchange for the 10 consecutive trading days up to and including Last Trading Day; and

(iv) a premium of approximately 51.5% over the closing price of the Shares of HK$0.495 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

Redemption and/or Conversion at Maturity

Unless previously converted into Conversion Shares or redeemed in accordance with the terms of the Convertible Notes, the Company shall have the option to redeem the entire or part of the outstanding Convertible Notes on the redemption amount equals to the outstanding principal amount of the Convertible Notes or to convert the entire or part of the outstanding Convertible Notes into Conversion Shares at the Conversion Price on the Maturity Date.

Early Redemption	Only the Company shall have the right to redeem the entire or part of the Convertible Notes(s) at the redemption amount equals to the principal amount of the Convertible Note(s) before the Maturity Date but not the holder of the Convertible Notes.
Redemption for Event of Default	The holder(s) of the Convertible Note(s) will have the right at their sole option, to require the Company to redeem all (but not some) of the Convertible Notes following the occurrence of any of the Events of Default including, among other things, the Company having failed to pay any principal amount in respect of the Convertible Note when due; the Company's default, which is not remedied, in the performance of its obligations under the Convertible Notes; or the Company or its subsidiaries having failed to pay their debts when fall due; a receiver taking possession of the whole or any substantial part of the property, assets or revenues of the Company or its subsidiaries; or the Company or its subsidiaries become insolvent or are unable to pay its debts which results in the appointment of any administrator, liquidator or receiver of the Company or its subsidiaries or enter into scheme of arrangement with their creditors; or an order is made or an effective resolution is passed for the winding-up, insolvency, administration or dissolution of the Company; or a moratorium is declared in respect of any indebtedness of the Company or its subsidiaries or any governmental authority seizes or expropriates all or a substantial part of the assets of the Company or its subsidiaries or a distress, seizure or other legal process is levied, enforced or sued out on or against all or any substantial assets or turnover of the Company or its subsidiaries.
Maturity Date	The tenth anniversary date of the Convertible Notes.
Transferability	The Convertible Notes are transferable, provided that none of the Convertible Notes may be transferred to any connected person of the Company.

Conversion Restrictions	No conversion rights will be exercised by any of the holders of the Convertible Notes if upon such conversion and immediately following the issue of the relevant Conversion Shares:(i) such holder and persons acting in concert (as defined in the Takeovers Code) with it would directly or indirectly control or be interested in an aggregate of 30% (or such other amount as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer) or more of the Shares in issue, or if such holder and persons acting in concert (as defined in the Takeovers Code) with it would otherwise be obliged to make a general offer for the Shares in issue not being owned by them under Rule 26 of the Takeovers Code following such conversion, unless the holder thereof has applied for a waiver from the Executive (as defined in the Takeovers Code) to make the mandatory offer or has made the mandatory offer to acquire all the Shares not held by it and its concert parties; or (ii) the public float of the shares would fall below 25% as required under the Listing Rules. The Noteholders jointly and severally undertake to the Company that they would not exercise the Conversion Right under the Convertible Notes which would result in the Acquisition constituting a reverse takeover under Rule 14.06(6) of the Listing Rules. This undertaking would cease to be effective when the Convertible Notes are transferred.
Ranking	The Conversion Shares, when allotted and issued, will rank pari passu in all respects with all Shares in issue on the date of allotment and issue thereof.
Voting rights	Holders of the Convertible Notes will not be permitted to attend or vote at meetings of the Company.
Application for listing	No application will be made by the Company to the Listing Committee for the listing of the Convertible Notes.

Adjustment	The adjustment events will arise as a result of certain change in the share capital of the Company including consolidation or sub-division of shares, capitalization of profits or reserves including the issue of bonus shares to Shareholders out of the Company's retained earnings or the share premium account or capital distribution in cash or specie i.e. the distribution of the Company cash or assets, as the case may be, to the Shareholders in proportion to their respective shareholdings in the Company in that capacity as Shareholders of the Company at the time of distribution by the Company. The adjustment shall not apply in relation to the issue of shares paid out of profits or reserves and the shares issued in lieu of a cash dividend. The adjustment on the Conversion Price will be reviewed and certified by auditors or an approved merchant bank.

Conditions precedent

The Completion is conditional upon the satisfaction (or if applicable, the waiver by the Company) of the following conditions:

(a) the approval of the Shareholders (other than the Vendors, its/his associates, persons acting in concert with any of them, any persons involved or interested in the Acquisition or any other persons who are required to abstain from voting under the Listing Rules) at the SGM convened for the purpose of approving the Acquisition Agreement and the transactions contemplated hereunder, including the Acquisition, the Consideration Shares, and the Convertible Notes;

(b) The Company having completed the due diligence review of the legal and financial of the members of the Target Group and the results of such review being satisfactory to the Company;

(c) The Independent Technical Adviser having completed the Competent Person's Report in respect of the mineral reserves/resources owned by the Target Group in accordance with the requirements of the Listing Rules and the content and results of such report being satisfactory to the Company. In the event that the estimated tonnes of resources of sodium sulfate is 5% below the expected resources from the Competent Person's Report issued by the Independent Technical Adviser, which is in compliance with the JORC Code, consideration will be adjusted in proportion to the shortfall of the estimated tonnes of resources of sodium sulfate;

(d) The Independent Valuer having completed the valuation of the Glauberite Mine in accordance with the income approach and the content and results of such valuation being satisfaction to the Company;

(e) All approvals which are required for the Acquisition by the relevant PRC government department, having been obtained and the content of such approvals being satisfactory to the Company;

(f) Approval for the listing of, and permission to deal in the Consideration Shares and the Conversion Shares having been granted by the Stock Exchange and not having been revoked or withdrawn;

(g) The Company having received an opinion issued by PRC legal adviser in respect of the PRC members of the Target Group and other PRC legal issues and the form and content of such opinion being satisfactory to the Company;

(h) All the warranties being true, accurate and not misleading in all material respects from the date of the Acquisition Agreement to the date of Completion, and the Vendors having complied with their obligations under the warranties in all material respects;

(i) Valid mining licenses relating to the Glauberite Mine having been issued to Target Group by the relevant governmental authority and the form and content of such mining licenses being satisfactory to the Company;

(j) Entering into the Deed of Confirmation and Guarantee by the parties thereto;

(k) The Shares remain listed and traded on the Main Board of the Stock Exchange at all times from the date of the Acquisition Agreement up to (and including) the completion of the transactions contemplated therein;

(l) The independent accountants having completed the audit of the consolidated financial statements relating to the Target Group in accordance with the Listing Rules and the contents and results of such audit being satisfactory to the Company; and

(m) Entering into the Placing Agreement with any financial institution, and the conditions of which shall have been fulfilled.

The reference date to be adopted for the preparation of the valuation report referred to in condition (d) to Completion is currently intended to be 30 June 2013, subject to any change as may be required for the purposes of complying with any legal or regulatory requirement or required by any relevant regulatory authority.

The conditions precedent set out in (a), (c), (e), (f), (g), (i), (j), (l) and (m) above cannot be waived by the Company. The other conditions precedent set out above, being the conditions precedent itemized (b), (d), (h) and (k), may be waived by any party.

Save for the conditions precedent set out in (a), (c), (e), (f), (g), (i), (j), (l) and (m), and in the event that any of the conditions precedent set out above has not been fulfilled (or, if applicable, waived by the Company) on or before 31 December 2013 (or such later date as may be agreed between the Vendors and the Company), the Acquisition Agreement will terminate with immediate effect.

As at the Latest Practicable Date, the condition set out in (b), (d), (h) and (k) have been fulfilled. Pursuant to the conditions precedent set out in (b), the Company was required to perform a due diligence review of the legal and financial of the members of the Target Group. The Company has reviewed the (i) opinion issued by PRC legal adviser in respect of the PRC members of the Target Group and other PRC legal issues, where the form and content of such opinion being satisfactory to the Company; and (ii) accountants' report prepared by the independent auditor of the Target Group as stated in Appendix II, where the auditor is of the opinion that the financial information in the auditor gives a true and fair view of the state of affairs of the Target Group. As such, the due diligence review of the legal and financial of the members of the Target Group as required by conditions precedent set out in (b) has been completed and the results of such review is satisfactory to the Company as at the Latest Practicable Date.

Condition subsequent

(i) The Vendors shall repurchase the Molybdenum Mine from the Purchaser at the consideration of HK$1 within 12 months after Completion;

(ii) The Vendors undertake to the Company that they will jointly and severally be responsible for all operation costs of the Molybdenum Mine and will indemnify the Company against all costs, loss and/or damages (if any) incurred or suffered by the Company and the Purchaser by reason of the Target Company's interest in the Molybdenum Mine before the Molybdenum Mine is transferred back to the Vendors; and

(iii) Subject to the Vendors' fulfillment of all their obligations under (ii) above, the Purchaser agrees that the Vendors shall be entitled to all profits generated from the Molybdenum Mine (if any).

Deed of Confirmation and Guarantee

As at Completion, the Company, the Purchaser, Sino PowerHouse and the Target Company will execute the Deed of Confirmation and Guarantee. The major terms of the Deed of Confirmation and Guarantee are as follows:

1. The Company and the Purchaser guarantee in favour of Sino PowerHouse that they will repay the Shareholder's Loan owed by the Target Company to Sino PowerHouse within two years from the Completion.

2. In the event that the Target Company does not have sufficient fund to repay the Shareholder's Loan within one year from the Completion, Sino PowerHouse has irrevocably and unconditionally undertaken not to demand the repayment of the Shareholder's Loan.

3. The Shareholder's Loan is interest free within two years from the Completion.

Under such circumstance, Sino PowerHouse cannot demand repayment of the Shareholder's Loan within the first year of the Completion if the Target Company does not have sufficient fund. The Directors consider that the Deed of Confirmation and Guarantee is entered into on commercial terms and the terms of the Deed of Confirmation and Guarantee are fair and reasonable, and in the interest of the Group and the Shareholders as a whole.

Completion

The Completion will take place on the 7th Business Day (or such other date as may be agreed in writing by the Company and the Vendors) after all the conditions precedent to which the Company is subject have been fulfilled (or, if applicable, waived by the Company).

EFFECTS OF THE ACQUISITION ON THE SHAREHOLDING OF THE COMPANY

The following table set out, for illustrative purpose only, the effect of the Acquisition on the Shares in issue immediately after the Completion:

	As at the Latest Practicable Date		Immediately after the issue of Placing Shares		Immediately after the issue of Placing Shares and Consideration Shares		Immediately after the issue of Placing Shares, the exercise of Convertible Notes and the issue of Consideration Shares up to approximately 30% for Mr. Cheung Ngan, Mr. Chan Chung Chun, Arnold, Sino PowerHouse, Mr. Zhou Bo and Mr. Luan Zhong Jie		Immediately after the full exercise of Convertible Notes, the issue of Consideration Shares and Placing Shares *(For illustration purpose only)* *(Note 2)*	
	Shares	*Approximate %*	*Shares*	*Approximate %*	*Shares*	*Approximate %*	*Shares*	*Approximate %*	*Shares*	*Approximate %*
Mr. Cheung Ngan *(Note 1)*	311,232,469	22.48	311,232,469	18.12	311,232,469	16.93	311,232,469	15.51	311,232,469	5.44
Sino PowerHouse *(Note 1)*	–	–	–	–	84,000,000	4.57	202,746,228	10.10	2,800,000,000	48.97
Mr. Zhou Bo	–	–	–	–	30,000,000	1.63	72,409,367	3.61	1,000,000,000	17.49
Mr. Luan Zhong Jie	–	–	–	–	6,000,000	0.33	14,481,873	0.72	200,000,000	3.50
Placees	–	–	333,300,000	19.40	333,300,000	18.14	333,300,000	16.60	333,300,000	5.83
Public	1,073,164,331	77.52	1,073,164,331	62.48	1,073,164,331	58.40	1,073,164,331	53.46	1,073,164,331	18.77
Total	1,384,396,800	100.00	1,717,696,800	100.00	1,837,696,800	100.00	2,007,334,268	100.00	5,717,696,800	100.00

Note 1: The 2,800,000,000 shares represent beneficial interest of Sino PowerHouse, which is owned as to 51% by Mr. Cheung Ngan and as to 49% by Mr. Chan Chung Chun, Arnold. Mr. Chan Chung Chun, Arnold owns the underlying shares of 12,000,000 from the share options granted but does not own any shares as at the Latest Practicable Date. Mr. Cheung Ngan owns the underlying shares of 1,200,000 from the share options granted.

Note 2: The shareholding structure of the Company under this scenario does not meet the minimum public float requirement under the Listing Rules. This scenario is for illustration purpose only.

Note 3: As stated in the table above, the Acquisition will not result in a change of control of the Company.

INFORMATION OF THE TARGET GROUP

The Target Company

The Target Company is an investment holding company for the purpose of holding the equity interest in Wise Goal Enterprises Limited.

Wise Goal Enterprises Limited

Wise Goal Enterprises Limited, a wholly owned subsidiary of the Target Company, is an investment holding company which was established for the purpose of holding the equity interest in 廣西威日礦業有限責任公司 ("Guangxi Weiri Mining Company Limited").

Background of 廣西威日礦業有限責任公司 ("Guangxi Weiri Mining Company Limited")

廣西威日礦業有限責任公司 ("Guangxi Weiri Mining Company Limited") was incorporated in the PRC in 2006 with limited liability and is principally engaged in the businesses of mining and sale of mineral resources in the PRC. The acquisition cost of the Glauberite Mine and Molybdenum Mine by the Vendors at 2006 was RMB39.7 million and RMB38.7 million respectively. The audited total acquisition cost and investment made by the Vendors for the Glauberite Mine and Molybdenum Mine as at 30 June 2013 was approximately RMB85.1 million and RMB75 million respectively. As such, the Target Group has a net assets of approximately HKD212.3 million as at 30 June 2013.

Upon acquiring Guangxi Weiri Mining Company Limited, Mr. Cheung Ngan brought in the management team (the "Expert Team") to Guangxi Weiri Mining Company Limited who has been working with Mr. Cheung Ngan since 2006. The above Expert Team has led the Target Group in carrying out evaluation and exploration program for the Glauberite Mine from 2006. Among which, it engaged several professional institutes including Guangxi Geologic Survey Institute of China Chemical Geology and Mine Bureau（中化地質礦山總局廣西地質勘查院）for exploration, Central South University, Chemical Analysis Center（中南大學化學成分分析中心）to perform assay testing, Changsha Design and Research Institute of Ministry of Chemical Industry（化工部長沙設計研究院）to complete a feasibility study, Chengdu University of Technology（成都理工大學）for a market analysis research. Based on the Exploration Report on the Mineral Resources of the Glauberite Mine, the estimated resource of sodium sulfate in the Glauberite Mine was 98.62 million tonnes. Such study is the basis for the assessment of the Independent Technical Adviser appointed by the Company. Based on the studies, the Expert Team could identify and commence the initial exploitation methodology, which was used as the basis for the successful application of various licenses including but not limited to the followings:

(i) arrangement of Ministry of Land and Resources of Guangxi Zhuang Autonomous Region（廣西壯族自治區國土資源廳）to assess the reserve of the Glauberite Mine;

(ii) obtained exploration license in 2007;

(iii) arrangement of Industrial Building Design Academy of Guangxi to design the exploration methodology;

(iv) obtained approval from Guangxi Zhuang Autonomous Region Administration of Work Safety（廣西壯族自治區安全生產監督管理局）in 2009;

(v) arrangement of the mining land reclamation scheme in 2010;

(vi) arrangement of the soil and water conservation scheme and obtained the approval from Guangxi Zhuang Autonomous Region Department of Water Resources（廣西壯族自治區水利廳）in 2010; and

(vii) obtained the environmental and exploitation permit from Environmental Protection Bureau of Nanning（南寧市環境保護局）in 2011.

With the above arrangements, license and permit, the Target Group was able to successfully obtain the mining license of the Glauberite Mine from the Ministry of Land and Resources in July 2011. Mr. Cheung Ngan has invested approximately RMB45.4 million for the above program for the Glauberite Mine after acquiring Guangxi Weiri Mining Company Limited.

Save for the monetary investment by Mr. Cheung Ngan, the Expert Team has increased the (i) intangible assets of Guangxi Weiri Mining Company Limited as a result of going through all the above process; and (ii) the statistic of the Glauberite Mine, including but not limited to the estimated resources, the geological data and composition of raw ores, which is the critical development of the Glauberite Mine for the assessment of SRK Consulting (Australasia) Pty Ltd.

The Two Mines

1. Glauberite Mine

The Glauberite Mine is situated in Guangxi Province, covering an aggregate area of approximately 8.573 km^2. Based on the Exploration Report on the Mineral Resources of Glauberite Mine prepared by the Target Group in accordance with the Grading and Classification Standards of Solid Mineral Exploration of the PRC issued by the Ministry of Land and Resources of the PRC, the Glauberite Mine was estimated to be 98.62 million tonnes of sodium sulfate (Na_2SO_4). The Glauberite Mine, which has completed the exploration process, is currently pending for the capital injection for the commencement of exploitation process.

2. Molybdenum Mine

The Molybdenum Mine is situated in Guangxi Province, covering an aggregate area of approximately 2.1791 km^2. Based on the Exploration Report on the Mineral Resources of Molybdenum Mine prepared by the Target Group in accordance with the Grading and Classification Standards of Solid Mineral Exploration of the PRC issued by the Ministry of Land and Resources of the PRC, the Molybdenum Mine was estimated to be 20,424 tonnes of molybdenum resources. Such report was provided by the Target Group to the Company.

As mentioned in the paragraph of "Condition Subsequent", the Company would not acquire the Molybdenum Mine in this proposed Acquisition because a substantial amount of capital investment into the Molybdenum Mine is required before revenue contribution could be derived from the Molybdenum Mine. The disposal of Molybdenum Mine is the condition subsequent of the Acquisition Agreement as the Board considers that it would take approximately 12 months to complete the disposal of the Molybdenum Mine after consulting with the relevant government department in PRC. In order to ensure the Completion could be made within a reasonable time, the disposal of Molybdenum Mine is the condition subsequent of the Acquisition Agreement instead of a condition precedent. Such arrangement is a commercial decision after the negotiation between the Company and the Vendors. The disposal of the Molybdenum Mine is subject to the approval of the government department in PRC. The Company is currently preparing the application for the transfer of the Molybdenum Mine in accordance to the mine transfer requirements of Ministry of Land and Resources of Guangxi Zhuang Autonomous Region (廣西壯族自治區國土資源廳採礦權轉讓提交材料清單). The application will be submitted to the Ministry of Land and Resources of Guangxi Zhuang Autonomous Region after Completion. The disposal of Molybdenum Mine is expected to be completed on or before 31 October 2014.

In the event that the relevant PRC government department does not approve the disposal of the Molybdenum Mine, the Company is not allowed to dispose the Molybdenum Mine. However, the PRC legal adviser is of view that there is no legal obstacle to dispose the Molybdenum Mine given the disposal procedure is according to the PRC laws and regulations. As stated in the Acquisition Agreement, the Vendors will indemnify all costs, loss and/or damages incurred or suffered by the Company and the Purchaser. No security has been provided by the Purchaser for any loss and/or damages. The PRC legal adviser is of view that (i) the Company is not subject to any penalty for keeping the Molybdenum Mine idle; and (ii) the Company or Guangxi Weiri Mining company Limited has not made any commitment to inject any capital to maintain the Molybdenum Mine.

There is no relationship between the Molybdenum Mine and the Glauberite Mine save for the fact that they are both held by Guangxi Weiri Mining Company Limited. The location of the Two Mines is entirely different. The Board is of the view that the Company would acquire the Glauberite Mine and concentrate on operation of the Glauberite Mine.

According to the Competent Person's Report issued by SRK Consulting (Australasia) Pty Ltd, which is in compliance with the JORC Code, the result of the estimated tonnes of resources of sodium sulfate across inferred and indicated categories:

Classification	Million tonnes (Mt) A	Na_2SO_4 (%) B	Na_2SO_4 (Mt) = A x B
Indicated	1,248	17.50	219
Inferred	98	17.91	17
Total	1,346	17.53	236

According to the SRK Consulting (Australasia) Pty Ltd, which is in compliance with the JORC Code, the estimated resources of sodium sulfate was 236 million tonnes, which is significantly different with the estimation of 98.62 million tonnes from the Grading and Classification Standards of Solid Mineral Exploration of the PRC. Estimation on 98.62 million tonnes was based on previous work performed in 1994 from the drilling holes of 4,768.29 meters, together with detailed exploration work from 2004 to 2005 to collect the geological data. In 2009, SRK Consulting (Australasia) Pty Ltd confirmed previous works performed by the PRC expert and provided recommendations to convert the Chinese-classified Resources to the JORC Code. SRK Consulting (Australasia) Pty Ltd conducted a site visit, drilling additional holes with a total length of 4,987 meters and assaying additional samples in 2011. Accordingly, they re-calculate the mining resources and advised that the estimated sodium sulfate based on JORC Code was 236 million tonnes.

In the announcement on 29 March 2012, the estimated resources of sodium sulfate are approximately 238.1 million tonnes. It was based on the preliminary Competent Person's Report and the report had been revised and finalized to 236 million tonnes as shown on above. The lowered estimated resources of 2 million tonnes were due to a change in estimated average sodium sulfate composition in the Glauberite Mine by 0.1%. The change was due to SRK's further review on the grouping on the categories of glauberite resources, for which the "measured" resources was re-classified to "indicated", some "inferred" resources was re-classified to "indicated" and some was not classified.

Further details on the Glauberite Mine are set out in Appendix IV to this circular.

The Mining Licenses

Details of the mining licenses relating to the Two Mines are summarized below:

Name	Location	License No	Description	Terms of License	Issuing Authority
Glauberite Mine	Heng Xian in Guangxi	C4500002011076210115236	Glauberite	8 July 2011 to 8 July 2041	Ministry of Land and Resources of the Guangxi Zhuang Autonomous Region
Molybdenum Mine	Luchuan County in Guangxi	4500000810030	Molybdenum	7 May 2008 to 7 May 2028	Ministry of Land and Resources of the Guangxi Zhuang Autonomous Region

As the mining licenses of the Two Mines have been granted, Condition Precedent (i) stated above has been fulfilled.

As disclosed in note 14 of Appendix II, as at 31 December 2012 and 30 June 2013, the Target Group held the mining right for the extraction of Glauberite in the PRC, which are stated at cost less accumulated amortisation and subject to impairment. In performing the impairment testing, the directors of the Target Company have assessed the recoverable amount of the mining right which is the higher of the asset's fair value less costs to sell and its value in use. Given the current development status of the mining operation, the directors have determined the fair value less costs to sell to be its recoverable amount. The recoverable amount is derived by using a discounted cash flow ("DCF") analysis. The DCF analysis has incorporated assumptions that a typical market participant would use in the mining right's fair value. The key assumptions used in the DCF analysis has been disclosed in note 14 of Appendix II, and based on such key assumptions, it is concluded that the recoverable amount of the mining right is more than its carrying amount and therefore no impairment is required. The Directors are aware of such key assumptions used in the DCF analysis, and are of the view that such key assumptions are fair and reasonable.

Renewal of the Mining Licenses

According to the latest announcement from the official website of the Ministry of Land and Resources of Guangxi Zhuang Autonomous Region on April 2012, mining licenses can be renewed 30 days prior to their expiration, upon compliance with the prescribed conditions:

1. must be a registered business with the State Administration of Industry and Commerce;

2. the mining activities have been implemented in compliance with the mineral resources development of the Region;

3. in line with national industrial policy. Foreign investment in the mining of mineral resources should comply with The Catalogue for the Guidance of Foreign Investment Industries;

4. renewal procedure can only begin 30 days prior to the expiration of the mining license;

5. the mineral resources within the original mining area is available for further exploitation;

6. there should be a certain boundaries between the mine and any adjacent mines, there should not be overlapping of any two mines; and

7. the consideration for the mine had been settled.

As at the Latest Practicable Date, there is no legal obstacle to the renewal of the mining license of the Glauberite Mine.

Our Processing Operations

Construction of our processing plant

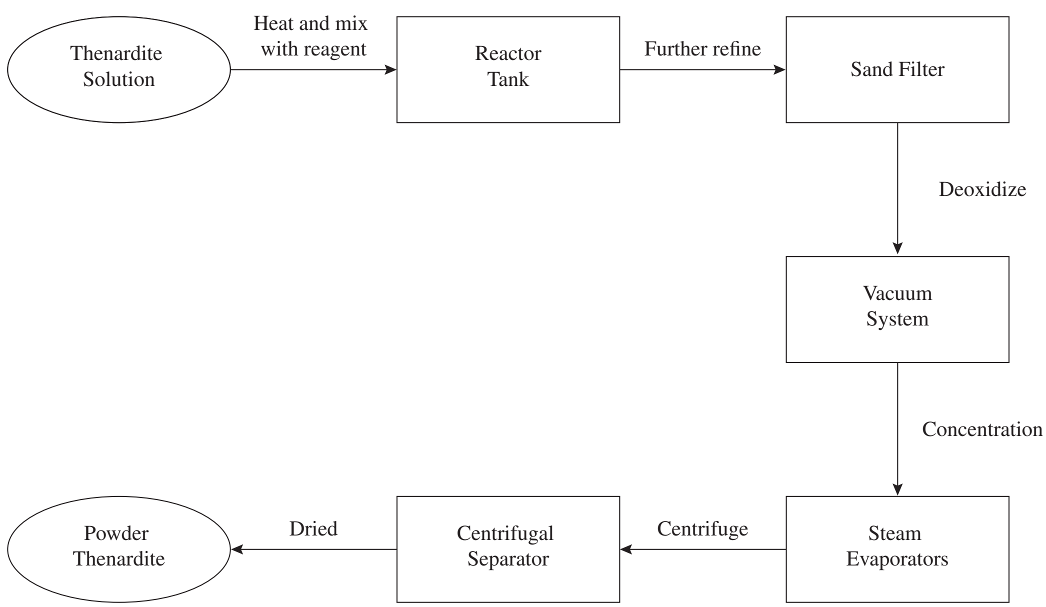
For the construction of processing plant with a capacity of 500,000 tonnes thenardite annually, including the plant's design and construction time, installation time for the equipment, preparation of the electricity supply and etc, the expected time required is around two years.

Production process

As the thenardite solution is pumped above ground, it is heated and pumped into a reactor tank. In the reactor tank, the thenardite is mixed with a reagent (i.e. soda ash and caustic soda) to remove calcium and magnesium. The thenardite is then passed through a sand filter to produce a further refined thenardite. The refined thenardite solution is then deoxidized using a vacuum system.

Steam evaporators in a series are used to concentrate the thenardite. The steam evaporators use residual heat recovery from the steam turbine. After passing through the evaporators, the product is centrifuged and dried to produce powder thenardite.

The following flowchart is the production process of thenardite powder:



Production Facilities

The major equipment used for the mining and production of thenardite includes circulation pumps, boilers, reactor tanks, vacuum system, steam evaporators, centrifugal separators, thermal dryer beds and power generators. All the equipments will be purchased from domestic suppliers. The technical team of the Target Group will work with the equipment suppliers to design, install and operate the production facilities and to ensure that the entire production process will be operated smoothly and economically.

Repair and Maintenance

Repair and maintenance on the production facilities will be conducted on a regular basis in accordance to the period set by the equipment suppliers and actual needs from the operating activities.

Major cost component of the production

Electricity

Electricity used in the production will be sourced from the Xijin hydropower station located in Heng County, Guangxi Zhuang Autonomous Region, PRC. As a contingency, there are two power stations in the Guangxi Zhuang Autonomous Region, PRC being installed, including an additional substation at Shi Tang, and a heat-engine plant at Liujing. It is expected to be no issues with the electricity supply for the production facilities.

Water

For the mining operations, it is planned to source from either the Ganle pumping station or the Qingnian Reservoir located in Heng County, Guangxi Zhuang Autonomous Region, PRC.

Product of Glauberite Mine

The product of Glauberite Mine is thenardite which is a water soluble, white, crystalline, hygroscopic mineral powder. Thenardite is an important raw material used in chemical and light industries and is used extensively in the manufacture of powder detergents, textiles, glass and pharmaceutical products.

Thenardite is classified by its purity, color, density, pH content and inclusion of other minerals. It can be processed into different forms for different end-use requirements.

Glauberite is one of the abundant non-marine evaporates in the PRC. Glauberite is highly soluble and when mixed with water transforms into mirabilite. Mirabilite is an aqueous mixture that is then dehydrated and processed into thenardite.

Historical performance, demand, supply and the prospect of thenardite

According to the information extracted from U.S. Geological Survey (http://minerals.usgs.gov/minerals/pubs/commodity/sodium_sulfate/mcs-2012-nasul.pdf), a major science organization operated under the government of the United States, China remained the leading exporter and producer of natural and synthetic thenardite in the world. As of 2008, China represented about three-fourths of world production capacity and more than 70% of world production.

In order to further assess the historical performance, demand, supply and the prospect of thenardite, we have assess the market analysis research prepared by Chengdu University of Technology, whose source were principally based on third parties industry reports, government data, public industrial database, company internal database and other relevant websites. As refer to such market analysis research prepared by Chengdu University of Technology, the PRC is one of the nations in the world with the most abundant thenardite supply. In addition, the demand of thenardite from the PRC will grow rapidly in the coming five to ten years under supportive policies by the PRC government. In 2010, the total production of thenardite in the PRC was approximately 8.5 million tonnes, in which approximately 2.88 million tonnes and 5.62 million tonnes was for export and domestic consumption respectively. Among other province in the PRC, the Sichuan Province has been the province with the largest production of thenardite, representing about half of the total thenardite production in the PRC.

According to U.S. Geological Survey and Chengdu University of Technology, the primary use of thenardite worldwide is in powdered detergents. Thenardite is a low-cost, inert, white filler in home laundry detergents. Although powdered home laundry detergents may contain as much as 50% thenardite in their formulation, the market for liquid detergents, which do not contain any thenardite, continued to increase. However, with the major downturn in the world economies beginning in 2008, many consumers have reverted to using more powdered laundry detergents because they are less expensive than their liquid counterparts. In nations with strengthening economies, thenardite consumption increased by year end 2011.

Thenardite price trend and fluctuations

According to the information published by U.S. Geological Survey, the average selling price of sodium sulphate has remained stable at approximately US$134 per tonne from 2007 to 2010. The estimated average selling price is slightly increased to approximately US$140 per tonne in 2011.

In order to further assess the thenardite price trend and fluctuations in the PRC, we have also referred to the market analysis research prepared by Chengdu University of Technology, which includes thenardite price trend in the PRC from 2007 to 2010. According to the report, the average after tax selling price of sodium sulphate in the Southern and Eastern China has steadily increased from the range of RMB593 to RMB650 per tonne in 2007 to the range of RMB635 to RMB648 per tonne in 2010. The annual average selling price is forecasted to increase to RMB740 per tonne in year 2015, and grow at 3% yearly from year 2016 to 2030.

Major market players, the extent of competition and the entry/exit barriers

According to the U.S. Geological Survey, thenardite resources are sufficient to last hundreds of years at the present rate of world consumption. The major countries with the most thenardite reserves are the United States, Canada, China, Mexico, Spain and Turkey, where China remained the leading exporter and producer of natural and synthetic thenardite in the world. Besides, countries including Botswana, Egypt, Italy, Mongolia, Romania, and South Africa also possess identified resources of sodium sulphate.

Thenardite also can be obtained as a byproduct from the production of ascorbic acid, boric acid, cellulose, chromium chemicals, lithium carbonate, rayon, resorcinol, silica pigments, and from battery recycling. The quantity and availability of byproduct thenardite are dependent on the production capabilities of the primary industries and the sulfate recovery rates. The uses of thenardite are subject to replacement by other minerals. In pulp and paper, emulsified sulfur and caustic soda (sodium hydroxide) can replace thenardite. In detergents, a variety of products can substitute for thenardite. In glassmaking, soda ash and calcium sulfate have been substituted for thenardite with less-effective results.

As such, market competition exists due to the threat of competitor, the recycling of thenardite or the replacement by other minerals. Barriers to entry to the mining division are generally high due to the large amount of capital expenditure required to establish or close down a competitive mine.

Type of customers and their features, specific market environment and future opportunities and challenges in the industry

According to the U.S. Geological Survey, thenardite consumption in 2012 is expected to be comparable with that of 2011, with detergents remaining the leading sodium-sulfate-consuming sector. If the winter of 2011-12 is relatively mild, byproduct recovery of thenardite from automobile batteries may decline because fewer battery failures during mild winter weather reduce recycling. World production and consumption of thenardite have been stagnant but are expected to increase between 2% to 3% per year in the next few years, especially in Asia and South America.

The specific market breakdown by industry application of thenardite is as follows:

Detergents

Thenardite is used in powder laundry and dishwasher detergents as a processing aid and can constitute substantial portion of the powder. Powder detergents account for approximately 25% to 30% of the overall demand for thenardite and have traditionally been, and remain, the largest market for thenardite throughout the world. Recently, the demand for thenardite has increased due to the following reasons:

(i) Although the need is slowly being reduced, a large amount of thenardite has been used in powdered detergents as filler during the last 30 years. This took place because phosphates, which were traditionally used as fillers in powder detergents, were discovered to be detrimental to the environment. However, thenardite use has begun declining as well, the need for filler has gone down, due to the trend toward using concentrated liquid detergents instead of bulkier powder formulas. However, with the major downturn in the world economies beginning in 2008, many consumers have reverted to using more powdered laundry detergents because they are less expensive than their liquid counterparts.

(ii) As a result from the urbanisation in the developing countries of Asia, South America, and the Middle East, demand for detergents is growing and is expected to remain strong as more consumers start to use washing machines and buy thenardite based detergents i.e. powder laundry. In the mature markets of the United States, Canada and Europe, demand is expected to remain stable. With the current worldwide economic downturn, growth projections is not positively shown clearly.

Textiles

In the textile industry, thenardite is used in the dyeing process for textile fibres. Thenardite is added to textile dye baths to drive the dye from the solution onto the textile fibres. The dyeing process continues until the desired shade is obtained and the rate of dye absorption is governed by the rate of thenardite addition.

It is an ideal compound for this purpose, because it does not corrode the stainless steel vessels as sodium chloride does. Thenardite is a leveling agent, reducing negative chargers on the fibers, which allows the dyes to penetrate evenly. The thenardite in the textile industry in the United States and Western Europe is declining due to textile manufacturers relocating to regions with lower production costs such as the PRC, the rest of Asia and Africa. As a result, it is expected that there is an increased demand from textile operations and hence will increase the thenardite consumption rates in these regions.

Glass

Thenardite helps remove small air bubbles in molten glass and prevents scum formation on the surface of the molten glass in the refining stage. The glass industry and consequent consumption of thenardite depends on the demand in the construction and automobile industries.

Glassmakers in Europe and the United States consume a significant amount of thenardite per year. Thenardite prevents scum formation by the molten glass during refining, and also fluxes the glass. The compound also acts as a fining agent in molten glass, removing small air bubbles and imperfections during the blowing and casting processes. The glass industry in this region has been steady and expected remain steady in the future.

The automobile manufacturing and sales in the PRC is increasing, although at a slower rate, resulting in sustained consumption of thenardite for this application.

Paper and pulp

One notable use for thenardite compound is in the Kraft process, also known as the sulfate process, of wood pulp manufacturing which is widely used to make paper products and building supplies. Although other processes are now used, the Kraft process has been the dominant method of wood pulping since the 1940s. The technology involves impregnating wood chips with thenardite; the wood is heated, causing a reduction of the thenardite into sodium sulfide. This breaks the bond in the cellulose of the wood, making it malleable and able to be extruded.

Production of Kraft pulp has been increasing slightly in the past few years. Some new Kraft mills have opened in Germany recently. The overall market is steady and the consumption in this area remains stable.

Drying and thermal storage

In the laboratory, thenardite is often used as an inert drying compound for organic materials. It removes water from compounds reliably at temperatures below 30˚C (86˚F). Another main use of thenardite is in thermal storage. It has been utilized as a solar heat storage component since the 1950s, because it has a high heat storage capacity and does not change from a solid to a liquid until 90˚F (32˚C). Thenardite is used to store heat in thermal tiles, and put into cells surrounded by solar-heated water, as well as in some computer-cooling and insulating applications.

Food and medical

Thenardite is used as an ingredient in various stock foods and medicines because of its mild laxative properties and anti-inflammatory properties. Thenardite is also used in food dyes as a flavor enhancer in beverages. Medical thenardite is especially popular in the PRC where it is used as a mild laxative and for control of inflammatory. Medical thenardite requires the purity of at least 99.0%. Quality control standards on the production of both food and medical thenardite are high. Manufacturing is typically certified, regulated and closely monitored by government agencies. Capital requirement on such application is high. The thenardite produced by the Target Group could be used in food and medical purposes if appropriate refinery processes is installed on the existing production facilities in response to the relevant quality control standards. However, food and medical is not the target products to be sold by the Target Group.

Other uses

Other uses of thenardite include the manufacture of battery reclamation, cellulose, resorcinol, silica pigments, carpet fresheners, starch, ceramics, printing inks, sulfonated oils, synthetic sponges, sodium dichromate and veterinary medicines. Thenardite is also used in the production processes of chemical feed stocks. Consumption in these applications is relatively small and is not expected to grow substantially.

Business Strategies

A significant goals is to develop a comparable market share in the thenardite market in the PRC. We intend to achieve the goal by pursuing the following strategies:

Further increase the thenardite reserve base by exploring acquisition opportunities

Although we have no targeted mine as at the Latest Practicable Date, we will continue to explore opportunities for growth through selective acquisitions. We will consider the amount, grade, location and structure of the potential mines in order to increase the existing production volume.

Increase Production efficiency and products' quality

We intend to produce in a most efficient and effective way be continuing upgrades the operation procedures. Quality control will be enforced to develop the Company's reputation.

Develop new products through research and development

By cooperating with the institutes in the PRC, new products can be developed to explore new customers. As the operation of the Glauberite Mine is still in its early and conceptual stage, the Company had not yet approached an appropriate institute for cooperation. No solid negotiation or agreement had been commenced as at the Latest Practicable Date although the Company has identified some institution, including Chinese Academy of Sciences（中國科學院）and Peking University（北京大學）.

Business Overview

Since thenardite is an important base material across a wide variety of industries, it is expected that the demand will be closely in line with economic growth of the PRC, and thus being optimistic. The strategic location of Glauberite Mine in Guangxi also enables a favorable logistic route to the target customers for domestic and export trade in Guangdong Province and Asean countries respectively. Asean countries are one of the major export markets for thenardite from the PRC and Guangxi is the only tariff free window for Asean countries import and export trading. The Company believes the Glauberite Mine has a distinct advantage in Asean countries export trade and close access to Guangdong province industrial hub.

Business Plan of the Target Group

(i) Exploitation of Glauberite Mine

Upon completion, the Company will carry out exploitation program by engaging "room solution mining" method to mine for 4.3 million tonnes of ores and produce 575,000 tonnes of thenardite annually in phase I production. This mining method is a proven mining method and is applicable for the Glauberite Mine. As mentioned in Appendix IV of the Competent Person's Report and Appendix V of the Valuation Report, the mining plan will be launched in three phases. Phase I will produce 575,000 tonnes Na_2SO_4 annually after the completion of the processing plant, Phase II will start in 2017 with an additional production rate of 1,150,000 tonnes Na_2SO_4 annually, whereas Phase III will commence in 2020 with an additional production rate of 1,725,000 tonnes Na_2SO_4 annually.

The Target Company has obtained relevant 30 years mining license on 8 July 2011 as described above. The mining license offers a right to mine 4.3 million tonnes of ores for the production of 500,000 tonnes of thenardite products annually. For the exploitation preparation, including the detail design of the exploitation and geo-mechanical studies and the preparation of the ventilation, the expected time required is around one and a half year. The PRC legal adviser confirmed that the Company can renew the mining license with additional 30 years upon the expiry of the existing mining license in year 2041 due to the fact that (i) there is no unforeseeable legal obstacle to the renewal of the mining license of the Glauberite Mine as at the Latest Practicable Date; and (ii) the Glauberite Mine has been identified as large-scale mine by the relevant PRC government departments; and (iii) the Target Group can apply for the additional production capacity for phase II and phase III in accordance to the applicable rules in the PRC.

(ii) Production Plant of thenardite

For the construction of processing plant with a capacity of processing 4.3 million tonnes of ores and production of 575,000 tonnes thenardite annually, including the plant's design and construction time, installation time for the equipment, preparation of the electricity etc, the expected time required is around two years.

(iii) Sale strategy

As the Company expects the commercial production of thenardite in 2015, the Company targets to sell the majority of thenardite in Guangdong province where there are a lot of chemical products manufacturer, including but not limited to powder detergent. The Company has confidence in the sale of thenardite to the manufacturers of chemical products in Guangdong province as the transportation cost of delivering thenardite from the Glauberite Mine to the manufacturers of chemical products in Guangdong province is low considering the location of the Glauberite Mine is at Guangxi province. Most of the supply of thenardite to the manufacturers of chemical products in Guangdong province is from Sichuan province. As such, the transportation cost of delivering thenardite from Sichuan to the manufacturers of chemical products in Guangdong province should be much higher than the transportation cost of delivering thenardite from the Glauberite Mine which is located at Guangxi province.

Management's initial plan was to complete the transaction by 2012 however due to unforeseen delay in the despatch of the circular, management had revised the timeline at which phase I can begin from 2012 to 2013 and the expected time at which commercial production of thenardite was revised from 2014 to 2015.

Overview of Sales and Marketing

As the Target Group's business has not yet commenced operation as at the Latest Practicable Date, no customer has been identified and has agreed to purchase thenardite from the Company as at the Latest Practicable Date. In order to identify potential customers, the Group will expect to (i) communicate regularly with existing clients to learn about their social networks for referral possibilities; (ii) perform regular market research on customer demographics and locations by using all available resources including census data, trade publications and commerce reports; (iii) build a professional sales team and provide regular training to maintain competitiveness. The Board noticed that the Group may face difficulties in identifying customers as it takes time to build the consumer confidence before the brand name has become well established. The Board also noticed that there are other competitors already established in the market and have on-going relationships with their customers. Due to the fact that the geographic location of the Glauberite Mine is close to many of the potential customers, the Board considers the Group will have competitive advantage due to the ability to provide timely delivery products and to save transportation costs. In addition, two members of the management team of the Target Group were specialised in marketing chemical products in the PRC, which contributed to the competitive advantages over other domestic thenardite producers. As refer to the market analysis research prepared by Chengdu University of Technology, the average thenardite consumption per capita in the PRC is substantially lower than the per capita consumption in the developed countries, such that the PRC thenardite market has a larger potential to grow as compared to the world thenardite market. As such, the Board considers the difficulties as discussed above is low due to the (i) positive prospects of the PRC thernadite market; (ii) the competitive location to have better bargaining power with potential customers; and (iii) the management experience of the Target Group in marketing chemical products in the PRC.

Our target customers will be mainly manufacturers of personal care products in Guangdong province including but not limited to washing powder, textile fiber and glass. We plan to enter into annual framework agreements which typically set out the range of supply volume and the range of price for the following year. Sale contract will be entered into between the Company and the customers for a particular bulk purchase of thenardite. Before placing an order, our customers will typically advise us of their quantity needs in advance. Depending on the relevant contract, we may deliver to our customers or our customers may collect the products from our storage facilities. Such practice arrangement is consistent with industry practice.

Pricing

The price of the thenardite will be based on the estimated unit cost, required profit margin and market demand of those period of time. Although annual framework contracts may fix a price range, in practice the price of the products according to market fluctuations can be adjusted by discussion with customers.

Sales and Marketing

The thenardite products will be sold directly to the manufacturers in Guangdong province including but not limited to washing powder, textile fiber and glass. The sales team will be responsible for negotiating sales contracts, product delivery, market research and after sales services. We will request the sale team to communicate with customers from time to time, including collecting feedback from customers on a regular basis.

Competitive Strength

We believe our success would be attributed to a combination of our competitive strength, including the following:

Abundant glauberite ore reserves

We believe our glauberite ore reserves enable us to have a steady supply of raw material for future expansion in thenardite production. We believe that abundant supply will enable us to increase the market share and hence increase the bargaining power on negotiating the selling prices.

Well-positioned to benefit from the growth in demand for thenardite in the PRC

We are well-positioned to benefit from the growth in thenardite demand in the PRC. In order to assess the outlook and prospects of the thenardite market in the PRC, the Company has referenced the market analysis research report issued by Chengdu University of Technology in May 2011, which provides in-depth industry overview analysis, manufacturing development, industry specific factors analysis, government policies analysis, price trend and forecast for the thenardite Industry in the PRC. It projects that the total thenardite consumption in China will be 64 million tonnes in year 2011-2015, 72 million tonnes in year 2016-2020 and 84 million tonnes in year 2021-2025. In anticipation of the increase in demand, our designed production capacity will be 575,000 tonnes per annum by completing phase I of the construction of the production facilities. In year 2017, phase II will start with an additional production rate of 1,150,000 tonnes Na_2SO_4 annually, whereas phase III will commence in year 2020 with an additional production rate of 1,725,000 tonnes Na_2SO_4 annually.

Experienced management team with industry expertise

The management team of the Target Group comprise of 6 members, in which 4 members, specializing in the operating and management of various glauberite mines and 2 members specializing in marketing chemical products in the PRC. Members of our management have an average of above 10 years of experience in the mineral and mining industry and provide for focused marketing efforts, technical knowledge on the operation and knowledge of the regulatory environment in the PRC. Their extensive experience in the mineral and mining industry in the PRC have contributed to our competitive advantages over domestic thenardite producers.

Environmental Protection

The production and operation are subject to the laws, rules and regulations imposed by the PRC government regarding environmental matters and the treatment and discharge of hazardous wastes and materials. Environmental policies will be implemented and that all operation must be undertaken with attention to environmental care. Mining processes inherently generate surface subsidence, solid waste, dust and gas, noise, waste water, and other industrial waste. The production facilities are subject to various pollution control regulations with respect to noise and air pollution and the disposal of waste and hazardous materials. As such, we will establish a pollution control system and installed various types of pollution control equipment in our facilities to reduce, treat and recycle the waste generated in the mining and production process when feasible. We will perform regular and on spot maintenance on our mining production facilities to ensure our equipment and system are in good working condition and in compliance with the applicable environmental rules and standards.

Surface Subsidence

Subsidence is mitigated by the inherent swelling characteristics of the non-soluble strata occurring within and between the glauberite beds. In addition, large barrier and other support pillars will be left intact to protect the integrity of key roadway openings.

Solid Waste

Our mining and manufacture production will generate a large amount of solid waste. One of the solid waste is the ore blocks generated from the production, which are dissolved to produce mirabilite solution. After dissolution processing, the slag is disposed of on site, and the disposal site is later rehabilitated with plant and grass.

Dust and Gas Generation

Airborne dust and waste gas will be produced during underground mining operations. We will remove the underground airborne dust with a ventilation system. The measures will allow the processing plant to operate in compliance with dust/gas emission and control requirements in the PRC.

Waste Water

We will adopte a waste water recycling system. All waste water generated from the production process is recycled underground to be used in glauberite ore dissolution. This operational design allows us to avoid discharge of waste water.

Noise

Noise will be generated during the operation of equipment and machinery, and during underground blasting operations. We will take all reasonable measures to control noise including the use of low noise equipment and providing earplugs to all employees working in areas exposed to high noise levels.

The management of the Company is of the view that all the above environmental protection will incur cost of approximately HK$2.5 million per annum.

As advised by our PRC legal advisers, we have obtained the necessary permits from the Environmental Protection Bureau and no environmental issue is noticed as no production is made in current status.

Environmental rehabilitation

Due to the underground mining method adopted by the Target Group, no significant expenditure on environmental rehabilitation will be incurred. There is, however, no assurance that stringent environmental policies and/or standards on environmental rehabilitation will not be implemented by the relevant authorities in the PRC in the future which require the Target Group to undertake environmental measures. Our financial position may be adversely affected by any environmental liabilities which may be imposed under such new environmental policies and/or standards.

Safety Control

Occupational Health and Safety

In general, underground mining operations involve risks and hazards that might be caused by dust and gas, ground water or other geological factors. However, the Glauberite Mine has relatively lower inherent risk as compared with other types of mines due to the stable conditions of the deposits, and the mining method adopted.

We will obtain all necessary production safety permits for our mining and production facilities before year 2015.

Capital Expenditure

The exploitation preparation and processing plant construction will be carried out simultaneously and total time required is around two years. The capital expenditure for phase I to be required by the Target Group is approximately RMB416.6 million.

With reference to the Competent Person's Report issued by SRK Consulting (Australasia) Pty Ltd, the estimate capital cost for phase I is as follows:

Item	**Cost estimate** *(RMB million)*
Machine and equipment	181.6
Construction	104.9
Installation fee	49.8
Other preparation fee	80.3
Total	416.6

The total capital expenditure is around RMB416.6 million, whereas the capital required for the first year upon Completion is around RMB122 million, which is based on the following:

Item	**Cost estimate** *(RMB million)*	**Required number of month** *(Note 1)*
Infrastructure on mine development (main shaft, auxiliary shaft, ventilation shaft and tunnel)	66.0	12
Infrastructure on mines and ground (including water, electricity, roads)	15.0	6
Ground earthworks and infrastructure	10.0	8
Preliminary design and review on processing and operation	8.0	4
Procurement on construction equipment	6.0	3
Purchase on construction materials	3.0	6
Administrative expenses	2.0	12
Completion on construction design	2.0	2
Others (include report on mining and ground mapping, completion on construction design and collection of relevant license)	10.0	12
Total	122.0	

Note 1:

All the above construction work will be commenced and completed within 12 months upon Completion.

Save for the above, no other significant expenditures will be incurred for the Glauberite Mine in the first 12 months upon Completion. Capital required in the first year mainly consists of the infrastructure on mine development; construction designs and deposits pay for construction equipment. While the capital required for the second year is expected to be greater than the capital required in the first year due to the purchase and installation of processing units, including construction and installation of public work projects and purchase of construction materials. The Board is of the view that RMB122 million is sufficient for the capital required in the first year.

The capital expenditure stated above will be raised by the Company by way of financing, including but not limited to placement. The capital expenditure of RMB122 million of the exploitation preparation and processing plant for the first 12 months after the Completion will be satisfied by the Company by way of placement and the internal funding of the Group. The Board is considered that the Group will have available working capital for 125% of the Group's present requirements for at least the next 12 months. Further details relating to the Placing Agreement will be stated below.

Additional capital expenditure required for phase II and phase III is RMB800 million and 1,200 million respectively. The capital expenditure for phase II and phase III of RMB800 million and RMB1,200 million is estimated based on the size of the exploitation area and the production volume at each phase as compare to the exploitation area of phase I. The estimated exploitation area of phase I, phase II and phase III are 1.43 km^2, 2.86 km^2 and 4.29 km^2 respectively. The estimated annual production volume of thenardite for Phase I, II and III are 575,000 tonnes, 1,150,000 tonnes and 1,725,000 tonnes respectively. The capital expenditure for phase II and phase III will be raised by the operating cash flow after the completion of phase I in year 2015, together with possible fund raising in the capital market by way of placement. Phase II and phase III are expected to commence after the completion of phase I therefore negotiations on the possible fund raising plan had not yet commenced as at the Latest Practicable Date. The Company will commence the fund raising for phase II and phase III until the completion of phase I in year 2015.

Financial information of the Target Group

Based on the audited consolidated financial information of the Target Group, as of 30 June 2013, the audited total assets and net assets of the Target Group amounted to approximately HK$214.2 million and HK$212.3 million respectively. For the year ended 31 December 2011, 2012 and for the six months ended 30 June 2013, the Target Group audited net loss of approximately HK$2.8 million, HK$6.3 million and HK$12.7 million respectively. Please refer to the accountants' report of the Target Group prepared in accordance with Hong Kong Financial Reporting Standards as set out in Appendix II of this circular.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE TARGET GROUP FOR THE YEAR ENDED 31 DECEMBER 2010

Financial review

During the year ended 31 December 2010, the Target Group is principally holding a mining license for the extraction of Molybdenum Mine in the PRC with a term of 20 years ending 7 May 2028. As at 31 December 2010, the associated cost on the mining license of the Molybdenum Mine amounting HK$83,423,000 (2009: HK$71,267,000).

The Target Group also held an exploration right for a Glauberite Mine in the PRC. As at 31 December 2010, the exploration and evaluation cost incurred on the Glauberite Mine amounting HK$91,643,000 (2009: HK$88,196,000).

The production of Molybdenum products has not yet commenced and hence there was no turnover during the year ended 31 December 2010. During the year ended 31 December 2010, loss before income tax of HK$903,000 (2009: HK$1,926,000) represented solely the administrative expenses incurred. The decrease in the administrative expenses during the year was resulted from the decrease in operating activities, including the travelling cost incurred.

Liquidity and financial resources

The Target Group generally financed its operations from the ultimate shareholder of the Target Company. As at 31 December 2010, the net assets value of the Target Group amounted to HK$174,536,000 (2009: HK$159,888,000).

Gearing ratio

The Target Group has no significant liabilities. As at 31 December 2010, the gearing ratio of the Target Group was nil (2009: nil).

Pledge of assets of the Group

As at 31 December 2010, the Target Group held cash and cash equivalents of approximately HK$169,000 (2009: HK$361,000) and no bank deposit (2009: HK$ Nil) was pledged.

Contingent liabilities

The Target Group did not have any contingent liabilities as at 31 December 2010.

Exposure to fluctuations in exchange rates and related hedging

The Target Group mainly operates in the PRC and hence is exposed to foreign exchange risk arising from Chinese Renminbi currency exposures, primarily with respect to the Hong Kong dollars. As such, the exchange rate risk of the Target Group is considered to be relatively low.

Capital structure

On 15 December 2010, the issued share capital of the Target Company was increased from US$1 to US$100 by the allotment of 99 shares of US$1 each at par for cash to broaden the capital base. Accordingly, the share capital of the Target Group comprised 100 issued ordinary share of the Target Company of par value US$1 as at 31 December 2010.

Material acquisition and disposal of subsidiaries and associated companies

During the year ended 31 December 2010, the Target Group did not have any material acquisitions and disposals of subsidiaries and associated companies.

Employees and remuneration policies

During the year ended 31 December 2010, the Target Group employed 5 (2009: 6) employees in total. The total staff costs of the Target Group amounted to approximately HK$200,000 for the year ended 31 December 2010.

The Target Group remunerates and provides benefits for its employees based on current industry practice. Discretionary bonus and other individual performance bonus are awarded to staff based on the financial performance of the Target Group and performance of individual staff.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE TARGET GROUP FOR THE YEAR ENDED 31 DECEMBER 2011

Financial review

On 8 July 2011, the Target Group obtained a mining license with for the extraction of Glauberite in the PRC with a term of 30 years ending 8 July 2041. As at 31 December 2011, the associated cost on the mining license of the Glauberite Mine and the Molybdenum Mine amounting HK$96,913,000 (2010: HK$91,643,000) and HK$87,242,000 (2010: HK$83,423,000) respectively.

The production of Glauberite and Molybdenum products has not yet commenced and hence there was no turnover during the year ended 31 December 2011. During the year ended 31 December 2011, loss before taxation of HK$2,763,000 (2010: HK$903,000) represented solely the administrative expenses incurred. The increase in the administrative expenses during the year mainly resulted from the increase in number of staff and the increase in travelling expenses from performing the operating activities.

Liquidity and financial resources

The Target Group generally financed its operations from the ultimate shareholder of the Target Company. As at 31 December 2011, the net assets value of the Target Group amounted to HK$195,586,000 (2010: HK$174,536,000).

Gearing ratio

The Target Group has no significant liabilities. As at 31 December 2011, the gearing ratio of the Target Group was nil (2010: nil).

Pledge of assets of the Group

As at 31 December 2011, the Target Group held cash and cash equivalents of approximately HK$2,874,000 (2010: HK$169,000) and no bank deposit (2010: HK$ Nil) was pledged.

Contingent liabilities

The Target Group did not have any contingent liabilities as at 31 December 2011.

Exposure to fluctuations in exchange rates and related hedging

The Target Group mainly operates in the PRC and hence is exposed to foreign exchange risk arising from Chinese Renminbi currency exposures, primarily with respect to the Hong Kong dollars. As such, the exchange rate risk of the Target Group is considered to be relatively low.

Capital structure

The share capital of the Target Group comprised 100 issued ordinary share of the Target Company of par value US$1 as at 31 December 2011. No change on the issued share capital of the Target Group during the year ended 31 December 2011.

Material acquisition and disposal of subsidiaries and associated companies

During the year ended 31 December 2011, the Target Group did not have any material acquisitions and disposals of subsidiaries and associated companies.

Employees and remuneration policies

During the year ended 31 December 2011, the Target Group employed 10 (2010: 5) employees in total. The total staff costs of the Target Group amounted to approximately HK$565,000 for the year ended 31 December 2011.

The Target Group remunerates and provides benefits for its employees based on current industry practice. Discretionary bonus and other individual performance bonus are awarded to staff based on the financial performance of the Target Group and performance of individual staff.

MANAGEMENT DISCUSSION AND ANALYSIS OT THE TARGET GROUP FOR THE YEAR ENDED 31 DECEMBER 2012

Financial review

During the year ended 31 December 2012, the Target Group held the mining right for the extraction of Molybdenum Mine and Glauberite in the PRC with a term of 20 years ending 7 May 2028 and 30 years ending 8 July 2041 respectively. As at 31 December 2012, the associated cost on the mining license of the Glauberite Mine and the Molybdenum Mine amounting HK$105,681,000 (2011: HK$96,913,000) and HK$93,295,000 (2011: HK$87,242,000) respectively.

The production of Glauberite and Molybdenum products has not yet commenced and hence there was no turnover during the year ended 31 December 2012. During the year ened 31 December 2012, loss before taxation of HK$6,325,000 (2011: HK$2,763,000) represented solely the administrative expenses incurred. The increase in the administrative expenses during the year mainly resulted from the minimum lease payments in respect of premises under operating leases and increase in salaries and pension contributions.

Liquidity and financial resources

The Target Group generally financed its operations from the ultimate shareholder of the Target Company. As at 31 December 2012, the net assets value of the Target Group amounted to HK$208,664,000 (2011: HK$195,586,000).

Gearing ratio

The Target Group has no significant liabilities. As at 31 December 2012, the gearing ratio of the Target Group was nil (2011: nil).

Pledge of assets of the Group

As at 31 December 2012, the Target Group held cash and cash equivalents of approximately HK$2,583,000 (2011: HK$2,874,000) and no bank deposit (2011: HK$ Nil) was pledged.

Contingent liabilities

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

Exposure to fluctuations in exchange rates and related hedging

The Target Group mainly operates in the PRC and hence is exposed to foreign exchange risk arising from Chinese Renminbi currency exposures, primarily with respect to the Hong Kong dollars. As such, the exchange rate risk of the Target Group is considered to be relatively low.

Capital structure

The share capital of the Target Group comprised 100 issued ordinary share of the Target Company of par value US$1 as at 31 December 2012. No change on the issued share capital of the Target Group during the year ended 31 December 2012.

Material acquisition and disposal of subsidiaries and associated companies

During the year ended 31 December 2012, the Target Group did not have any material acquisitions and disposals of subsidiaries and associated companies.

Employees and remuneration policies

During the year ended 31 December 2012, the Target Group employed 19 (2011: 10) employees in total. The total staff costs of the Target Group amounted to approximately HK$2,497,000 for the year ended 31 December 2012.

The Target Group remunerates and provides benefits for its employees based on current industry practice. Discretionary bonus and other individual performance bonus are awarded to staff based on the financial performance of the Target Group and performance of individual staff.

RISK FACTORS

The operation of the Glauberite Mine involves certain risks, many of which are beyond the control of the Group. These risks can be categorized into (i) risks relating to the business and industry of the Glauberite Mine; and (ii) risks relating to conducting operations in the PRC. Additional risks and uncertainties that are not presently known to the Group, or not expressed or implied below, or that it currently deems to be immaterial, could also have a material adverse effect on its business, financial condition and results of operations.

Risks relating to the business and the industry of the Glauberite Mine

The Target Group may be unable to renew the mining right of the Glauberite Mine

The Target Group has obtained relevant 30 years mining license on 8 July 2011. Under the Mineral Resources Law of the PRC, all mineral resources in the PRC are owned by the PRC government. Typically, the duration for which mining rights are granted cannot exceed the projected number of years of service of a mine, and the consideration for such mining right is appraised on the basis of such service period. There can be no assurance that the Target Group will be able to renew the mining right of the Glauberite Mine on favourable terms, or at all, once such rights expires.

Although the PRC legal adviser has confirmed that the Target Group can renew the mining license with additional 30 years upon the expiry of the existing mining license on year 2041 due to the fact that (i) there is no unforeseeable legal obstacle to the renewal of the mining license of the Glauberite Mine as at the Latest Practicable Date; (ii) the Glauberite Mine has been identified as large-scale mine by the relevant PRC government departments; and (iii) the Target Group can apply for the additional production rate for phase II and phase III in accordance to the applicable rules in the PRC, in case the Group is unable to renew such right due to unpredicted reasons, the total investment in the Glauberite Mine by the Target Group, its financial condition and results of operation will be materially and adversely affected. In view of the above, the Board considers that the risk unable to renew the mining right of the Glauberite Mine is low.

We may be unable to accurately estimate or control our costs for the operation of the Glauberite Mine and we may not be able to obtain sufficient financing to fund the required capital and operating expenditure

Thenardite mining and refining are capital-intensive operation. Total costs incurred in the operation of the Glauberite Mine are influenced by a variety of factors, including but not limited to climatic conditions, availability of labor, production efficiency, change in project scope or conditions, fluctuations in the prices of components and equipment, change in monetary policy, many of which may be beyond our control. Any of which will affect the required capital and operating expenditure in practice and cause inaccuracy in our preliminary estimation.

Also there can be no assurance that we will be able to obtain sufficient funding or obtain funding at all when it is required or that such additional funding will be available on commercially acceptable terms. Continued disruptions in the capital and credit markets as a result of uncertainty, changing or increased regulation of financial institutions, reduced alternatives or the failure of any significant financial institution could adversely affect our access to liquidity.

Should we encounter any such financial difficulties, our production may be restricted, delayed or curtailed and our business, results of operations, financial condition and prospects may be materially and adversely affected.

We need capital to fund our operations and growth which may not be able to obtain acceptable terms, or at all

We need capital to fund capital expenditure associated with our new production facilities. There can be no assurance that we will generate sufficient cash flow for our operation plan. In the event we do not have such operating cash flow, we will need to obtain additional financing. We may be required to scale back our planned capital expenditures, which may adversely affect our ability to achieve economies of scale and implement our planned growth strategy. Our inability to raise additional funds in a timely manner and on terms favourable to us, or at all, may have a material adverse effect on our business, prospects, financial condition and results of operations. As at the Latest Practicable Date, the Board is not aware of any of factor as discussed above that may adversely affect our ability to raise additional funds.

Uncertainties in glauberite resources

It is anticipated that the estimated amount and quality of glauberite resources stated in the Competent Person's Report would be based on a number of assumptions on principal factors and variables, which may prove to deviate from the actual state of the Glauberite Mine, and which would be beyond the Group's control. Furthermore, the estimated amount and quality of glauberite resources may change significantly when new information becomes available or when new factor arises, and the assumptions on which the estimate was based may prove to be inaccurate. Consequently, the actual amount and quality of mineral resources derived from the Glauberite Mine may deviate materially from the amount as estimated by the technical adviser. Any material deviation may adversely affect the profitability of the Enlarged Group's mining operations. As at the Latest Practicable Date, the Board is not aware of any material factor that may draw to the Board's attention in regard of the risk factors as stated above.

We face risk relating to delay in the completion of production plant and production facilities and may further extend the commencement of the commercial sales

The expected time required for the construction of processing plant is estimated at around two years. This estimation is based on certain assumptions including but not limited to the time needed for plant's design and construction time, installation time for the equipment, preparation of electricity supplies and etc. There can be no assurance that the infrastructures can be completed on time. The delay of the start up time of the production process may materially and adversely affect the commencement of the commercial sales.

The thenardite production process is conceptual in nature and there may not be an adequate basis to evaluate our future execution results and prospects

As the development of the Project is still in its early stage, and that the processing flowsheet is conceptual in nature as discussed by SRK, there is a risk that there is difference between the conceptual processing flowsheet and the real production operation. The Company is aware of such risk and has the intention to keep monitoring and modifying the processing flowsheet if necessary to act in concert with the real situation in order to minimise such risk. Should the production process be modified, further capital and operating expenditure may be needed. The commencement of the commercial production may further extended. Any of which materially and adversely affect our business, financial condition and results of operations.

We may not commence commercial production at the operation of the Glauberite Mine as planned

We believe that we will be able to begin production at 0.575 million tonnes per annum in 2015 and increase to 3.45 million tonnes per annum in 2020. However, there can be no assurance that we will be able to adhere to our production schedule or our estimates of the value of the Glauberite Mine will prove accurate. Our development plans may be adversely affected by a variety of factors, such as unusual or unexpected geological conditions, mining dilution, industrial accidents, equipment failures, severe weather conditions and natural disasters, and restrictions imposed by government authorities. Such occurrences could result in damage to mineral properties, mines or processing facilities, interruptions in production, injury or death to persons, damage to our property and monetary losses.

If we are unable to accurately estimate the projected timeframe to reach full production levels, our profitability could be adversely affected

According to the Valuation Report prepared by SRK, the production of the Glauberite Mine will start from year 2015 and reach full production levels after 6 years. The projected timeframe may be adversely affected by a variety of factors, such as delay in the commencement of production, underperformance of labour and production facilities, industrial accident, and natural disasters. Any of which will lead to extension on timeframe to reach full production levels.

If the studies of the Glauberite Mine performed by several professional institutes are unable to accurately reflect the real outcome, it could adversely affect the results of operations

Several Chinese professional institutes are engaged in evaluation and exploration program for the Glauberite Mine form 2006. Among which, Changsha Design and Research Institute of Ministry of Chemical Industry completed a feasibility study. However, as it is only at the early and conceptual stage, the studies only outlined the mining and processing concepts. There were also lack of details in the capital and operating expenditure. There were absence of a detailed development schedule on the production ramps. In view of these, we had invited SRK Consulting (Australasia) Pty Ltd to complete an Independent Technical Assessment and a valuation of the operation of the Glauberite Mine. The Competent Person's Report and the Valuation Report would have a more throughout analysis of the operation of the Glauberite Mine and are enclosed in Appendix IV and V respectively.

We implement the operation of the Glauberite Mine by co-operating with the institutes in the PRC and such co-operation may not be successful

During the operation of the Glauberite Mine, we will co-operate with the institutes in the PRC to develop new products and explore new customers. This necessarily involves certain risks. Such risks include the possibilities that our PRC partners may have disputes with us in connection with the performance of each party's obligations and the scope of each party's responsibilities, have economic or business interests or goals that are inconsistent with or opposed to ours, and be unable or unwilling to fulfill their obligations under co-operation agreements. Also, there can be no assurance that new products can be developed and new customers can be explored. Any of these issues may have a material adverse effect on our business, financial condition and results of operations through disruption to the co-operating relationship or the delay or non-completion of the relevant development projects. In additions, the termination of these co-operating relationship, if not replaced on similar terms, could have a material adverse effect on our business, financial condition and results of operations.

We may not achieve the predicted commercial sales at the operation of the Glauberite Mine

We expect the Glauberite Mine will enable a favorable logistic route to the target customers for domestic trade in Guangdong province and export trade in Asean countries. However, we cannot provide any assurance that the worldwide demand for thenardite will not decrease in the future. A decrease in demand for thenardite may have material adverse effect on the commercial sales, thus our financial condition and results of operations.

Quality/grade of the thenardite products may not be acceptable to the customers

According to the Valuation Report by SRK, glauberite is one of the more abundant non-marine evaporite in China. The solid form as salty precipitate of glauberite is highly soluble in water. It then transforms into mirabilite, an aqueous mixture that is then dehydrated. Finally it processes into thenardite, which is the term used for the solid disodium sulphate product with above 98% sodium sulfate purity. Specialty thenardite, which is the proposed product from the operation of the Glauberite Mine, is characterized by high purity, low magnesium and calcium chloride, extra white colour and large granular size. As specialty thenardite is deemed to be superior, the risk that the thenardite products may not be acceptable to the customers is reasonable to believe as low.

Industry competition and the reliance on the major suppliers and customers

According to the U.S. Geological Survey, thenardite resources are sufficient to last hundreds of years at the present rate of world consumption. The major countries with the most thenardite reserves are the United States, Canada, China, Mexico, Spain and Turkey, where China remained the leading exporter and producer of natural and synthetic thenardite in the world. Besides, countries including Botswana, Egypt, Italy, Mongolia, Romania, and South Africa also possess identified resources of sodium sulphate. As refer to the market analysis research prepared by Chengdu University of Technology, the average thenardite consumption per capita in the PRC is substantially lower than the per capita consumption in the developed countries, such that the PRC thenardite market has a larger potential to grow as compared to the world thenardite market. Although the market risks exist due to the threat of competition, the recycling of thenardite or the replacement by other minerals in both the PRC thenardite market and the world thenardite market, the potential growth of the thenardite market will be mainly driven by new market and new product development.

As at the Latest Practicable Date, the production of Glauberite Mine has not yet commenced, the Target Group has not entered into any agreement and negotiation with any manufacturing material suppliers. The Target Group has not entered into any agreement and negotiation with any customer yet since the commercial sales of the operation of the Glauberite Mine had not yet commenced as well.

If the Target Group relies on a few major suppliers, the Target Group may fail to satisfy customers' orders due to insufficient manufacturing material. If the Target Group relies on a few major customers, the sales of the Target Group may be subject to increased risk when one or few of the existing customers cease to place new orders. The Target Group expects to identify suppliers and customers from different demographics and locations, such that the risk of over reliance on the major suppliers and customers is low.

Volatility of the thenardite prices

The traditional markets for thenardite, such as laundry detergents, textiles, glass and paper and pulp, are mature markets. Thenardite products are not traded on any exchange, therefore no terminal or futures market exists for thenardite products where producers, consumers and traders can fix an official or settlement price. Thenardite pricing is driven by the industry supply and demand dynamics, uniqueness of product specifications and production and transportation costs. According to the information published by U.S. Geological Survey (http://minerals.usgs.gov/minerals/pubs/commodity/sodium_sulfate/mcs-2012-nasul.pdf), the average selling price of sodium sulphate has remained stable at approximately US$134 per tonne from 2007 to 2010. The estimated average selling price is gently increased to approximately US$140 per tonne in 2011. Although the Target Group still faces price risk when commodities prices fluctuate during adverse market conditions, in view of the price of thenardite remained stable in the past few years, it is reasonable to believe that the price risk is low.

The demand for thenardite is limited

Thenardite's largest use is as filler in powdered home laundry detergents. This use can be waning as domestic consumers can switch to compact or liquid detergents that do not compose of thenardite. The glass industry provides another significant application for thenardite, which is used as a fining agent, to help remove small air bubbles from molten glass. It fluxes the glass, and prevents scum formation of the glass melt during refining. However, there is no assurance that its functions related to the production glass cannot be replaced in the future. The prospect and future growth potential of thenardite industry is therefore uncertain, depending on if there are any alternative products which can replace thenardite. As refer to the market analysis research prepared by Chengdu University of Technology, the average thenardite consumption per capita in the PRC is substantially lower than the per capita consumption in the developed countries, such that the PRC thenardite market has a larger potential to grow as compared to the world thenardite market. As such, the risk of replacement will be limited as the potential growth of the thenardite market will be mainly driven by new market and new product development.

Risk relating to global economic and financial conditions, and possible exposure to currency exchange, interest rates and liquidity risks

Since thenardite is an important base material across a wide variety of industries, it is expected that the demand will be closely in line with economic growth of the PRC, and thus being optimistic. The strategic location of Glauberite Mine in Guangxi also enables a favourable logistic route to the target customers for domestic and export trade in Guangdong Province and Asean countries respectively. Asean countries are one of the major export markets for thenardite from the PRC and Guangxi is the only tariff free window for Asean countries import and export trading. The Group believes the Glauberite Mine has a distinct advantage in Asean countries export trade and close access to Guangdong province industrial hub. Since international trades are involved, the Group faces currency exchange risk. During extreme market conditions such as financial crisis, the credit market may be subject to extreme volatility such that the Group may face interest rates and liquidity risks. In general, Shareholders should be aware that once global economic and financial conditions change, there will be a possible adverse effect to the thenardite business of the Group. Having considered the global economic and financial conditions have been improving since the second half of 2012 due to the quantitative easing measures launched by governments of the developed countries, it is reasonable to believe that the risk entitled to global economic and financial conditions, currency exchange, interest rates and liquidity is low.

Processing, storage and transportation of the thenardite

The processing, storage and transportation of the thenardite are subject to a number of operational risks and hazards, which could delay the production and delivery of products, increase the cost of mining and production at the production facilities or result in accidents in our mines or production facilities. These risks and hazards include unexpected technical problems, periodic interruptions due to hazardous weather conditions and natural disasters, industrial accidents, leakage of storage facilities, transportation accidents, power or fuel supply interruptions, fires, earthquakes, flooding and unusual or unexpected variations in mineralization, geological or mining conditions. These risks and hazards may result in personal injury, destruction of production facilities, business interruption, possible legal liability, damage to the corporate image, etc.

In addition, breakdowns of equipment, difficulties or delays in obtaining materials and equipment, natural disasters, industrial accidents or other causes could temporarily disrupt or even shut down our operations, which in turn may also materially and adversely affect our processing and transportation of the products. Although the Group is of the view that the chance of the operational risks in relation to the processing, storage and transportation of thenardite is low, Shareholders should be aware that once these exceptional events happen, there may be a material adverse effect to the Group's business.

The increases in energy costs

The Target Group will use electricity to provide heat and power for thenardite production and thus the costs of electricity will be the largest direct cost in the future. Any increase in electricity prices could materially and adversely affect our business, prospects, financial condition and results of operations. In the event of power shortage or outage, our business, operation, results of operations and financial conditions could be materially and adversely affected. As at the Latest Practicable Date, the Board is not aware of any factor that will substantially influence the energy costs in the PRC as mentioned above.

Company's expertise in the thenardite business and the risk of reliance on the Target Group's existing management

The Group is principally engaged in investment holding, trading of metals and minerals and processing of raw ores. The management of the Company possesses comprehensive mining experience gained through existing business of the Group. In addition, the Expert Team has 6 members in the PRC, in which 4 members, specializing in the operating and management of various glauberite mines and 2 members specializing in marketing chemical products in PRC, which possess relevant experience of the business of the Target Group. However, Shareholders should be aware that the reliance on the Target Group's existing management to manage the Target Group's business may imply extra risk to the Group, including (i) the increase in difficulties in management communication due to the increased size of management team; and (ii) the increased chance of dispute between existing and new management members due to their different scope of knowledge to the new industry. Having considered the management of the Company have the intention to more effectively communicate during the post-acquisition phase to ensure a common understanding of the Enlarged Group as a single entity, it is reasonable to believe the risk attributable to the over reliance of the Target Group's existing management is low.

In the event that the PRC law and regulation relating to the glauberite mine industry has changed and/or concerns from the PRC government has been raised, the management of the Group may not have sufficient experience in dealing with (i) the changes of the law and regulation and (ii) the concerns of the PRC government.

Absence of capital estimation for the ventilation and mine dewatering system and potential surface subsidence from the comment of SRK

SRK had commented that no capital estimate was made for the ventilation and mine dewatering system. After appraisal, the estimated maximum amount of the ventilation and mine dewatering system are approximately RMB4.34 million and RMB1.86 million respectively. Although there is no assurance on the accuracy of these figures, the Board considered that such amount is relatively small to the operation and would not have a great impact on the overall capital cost of the Target Group.

SRK had also commented that there may be potential for substantial surface subsidence to occur over the mining area. We will obtain further details on the geotechnical information during the mining process. We will try to minimize the scope of occurrence and eliminate the risk of cracking into the workings and ingress of surface water to the mine. The occurrence of surface subsidence may be materially and adversely affect our business, results of operations, financial condition and prospects.

We may not be able to develop the operation of the Glauberite Mine at reasonable timing and may be materially and adversely affect our profitability, business and financial condition and results of operations

We have a detailed planning and assess different risk factor of the operation of the Glauberite Mine. However, it can still be influenced by numerous factors, including but not limited to ability to raise sufficient capital from the market, inefficient production, dispute with labour, suppliers and customers, fluctuations in the prices of components and equipment, change in monetary policy, many of which may be beyond our control. Occurrences of any above issues or unable to deal with those risk factor may lead to increase in expenses, delay in the commencement of production and sales and even cease of the operation of the Glauberite Mine. This may be materially and adversely affect our profitability, business and financial condition and results of operations in the coming few years.

Challenges from non-government organization

The challenges refer to potential oppositions that may be proposed by schools and hospitals, etc nearby as they may believe that the Glauberite Mine will adversely affect the health of citizens as well as the local environment. In the event that there is challenge from non-government organization which would have impact on the sustainability of the operation of the Glauberite Mine, it may adversely affect on the development of the operation of the Glauberite Mine. As of the Latest Practicable Date, the Target Group has not encountered any challenge from non-government organization and the Group will continuously negotiate with the local non-government organizations in order to explain to them the economic benefits of the Glauberite Mine for resolving the potential challenges that may be proposed.

Legal claims on the Target Group

No legal claims have been made against the Target Group as at the Latest Practicable Date. In the event that there is legal claim against the Target Group, the Group may have suffered loss from the legal claims.

Government policies, rules and regulations in the country where the Target Group operates

The Target Group faces country risk related to the business environment in the PRC, which is discussed in the section named "Risks relating to conducting operations in the PRC". Nonetheless, the Target Group has the intention to actively monitor relevant government policies, rules and regulations in the country where the Target Group operates, such that the legal risk attributable to these issues is low.

Legal title and permit on the use of land or other assets

In December 2012, Guangxi Weiri obtained the pre-approval from the provincial government for the acquisition of the land use right in Heng County, in Guangxi Province, the PRC, for future construction of the processing plant for the Glauberite Mine. The validity period of the pre-approval is two years starting from the date of pre-approval. The Target Group expects to acquire the land use right before the end of 2014. As at the Latest Practicable Date, the Target Group has determined, and is settling, the compensation to be paid to the land owners for the first 10 hectares out of the 20.99 hectares of the pre-approval land, and is negotiating the compensation for remaining 10.99 hectares pre-approval land. The cost to acquire the 20.99 hectares of the land use right is estimated at RMB12.6 million. As at the Latest Practicable Date, the Target Group is not aware of any foreseeable obstacle regarding the acquisition of the land use right. As the Glauberite Mine is the major assets of the Target Group, the operation of the Target Group may be adversely affected if any third party claims that it is legal or beneficial owner of the land and properties. We cannot give assure that such ownership dispute will not be encountered. If any such dispute or claim occurs, the operation of the Glauberite Mine will be adversely affected. In addition, there is no assurance that the Glauberite Mine would not be subject to any claims for compensation in respect of any illegal and/or unauthorized use of lands owned by third party.

The Target Group has obtained relevant 30 years mining license on 8 July 2011. Under the Mineral Resources Law of the PRC, all mineral resources in the PRC are owned by the PRC government. Typically, the duration for which mining rights are granted cannot exceed the projected number of years of service of a mine, and the consideration for such mining right is appraised on the basis of such service period. There can be no assurance that the Group will be able to renew the mining right of the Glauberite Mine on favourable terms, or at all, once such rights expires. As our PRC legal adviser has advised us that there is no unforeseeable legal obstacle to the renewal of the mining license of the Glauberite Mine as at the Latest Practicable Date, it is reasonable to believe that the risk attributable to the legal title and permit on the land or other assets is low.

Although the PRC legal adviser has confirmed that the Company can renew the mining license with additional 30 years upon the expiry of the existing mining license on year 2041 and the Company can apply for the additional production rate for phase II and phase III in accordance to the applicable rules in the PRC, in case the Group is unable to renew such rights due to unpredicted reasons, the total investment in the Glauberite Mine by the Group, its financial condition and results of operation will be materially and adversely affected.

Risks associated with the conditions to complete the Acquisition

The Completion will take place on the 7th Business Day (or such other date as may be agreed in writing by the Company and the Vendors) after all the conditions precedent to which the Company is subject to have been fulfilled (or, if applicable, waived by the Company). Shareholders should be aware that there is a possibility that the Completion of the Acquisition may not take place. Having considered (i) the condition set out in (b), (d), (h) and (k) under the section named "Conditions precedent" have been fulfilled as at the Latest Practicable Date; and (ii) the due diligence review of the legal and financial of the members of the Target Group pursuant to the conditions precedent set out in (b) has been completed and the results of such review is satisfactory, we believe that the risk attributable to the conditions to complete the Acquisition is low.

Risks relating to conducting operations in the PRC

The political and economic situation in the PRC may affect the glauberite business of the Group

The PRC economy differs from the economies of most developed countries in many respects, including differences in relation to structure, government involvement, level of development, economic growth rate, control of foreign exchange, allocation of resources and balance of payment position. For the past three decades the PRC government has implemented economic reform measures emphasizing utilization of market forces in the development of the PRC economy. Although these reforms will have a positive effect on the PRC's overall long term development, it is unpredictable that whether changes in the economic, political and social conditions of the PRC will adversely affect the current and future business of the Group. If the new policies may benefit the glauberite mining business of the Group in the long term, the Group may not be able to successfully adjust to such policies. If there is a slowdown in the economic growth of the PRC or if its economy experiences a recession, demand for glauberite may also decrease and the business of the Group may be materially and adversely affected. As refer to the market analysis research prepared by Chengdu University of Technology, the average thenardite consumption per capita in the PRC is substantially lower than the per capita consumption in the developed countries, such that the PRC thenardite market has a larger potential to grow as compared to the world thenardite market. As such, the Board considers the risk as discussed above is low due to the positive prospects of the PRC thernadite market.

The business operations of the Glauberite Mine and its production plant depend on the policies and regulations of the PRC government

The Glauberite Mine and its production plant are subject to national, provincial and local governmental laws, regulations, policies and controls. The liabilities, costs, obligations and requirements associated with these laws and regulations may be material and may delay the commencement of, or cause interruptions to, certain parts of our operations. Failure to comply with the relevant laws and regulations in our mining and production operations may result in the suspension of our operations. There can be no assurance that the relevant government agencies will not change such laws or regulations or impose additional or more stringent laws or regulations. Compliance with laws or regulations may require us to incur material capital expenditures or other obligations or liabilities that may have a material adverse effect on our business, prospects, financial condition and results of operations. As at the Latest Practicable Date, the Board is not aware of any material factor in relation to any change in policies or regulations in the PRC that may draw to the Board's attention in regard of the risk factors as stated above.

We may not be able to comply with the mining safety regulations if they become more stringent

Recent significant mining accidents in China have prompted the PRC government to strengthen safety regulations, which resulted in more stringent safety regulations. If the Glauberite Mine and its production plant fail to comply with the relevant safety laws and regulations or fail or pass safety inspections, it may be required to pay penalties or fines to take remedial actions, any of which may result in adverse publicity and potentially significant monetary damages that may have a material adverse effect on its business, prospects and financial condition of operations. As at the Latest Practicable Date, the Board is not aware of any material factor in relation to any change in safety regulations that may draw to the Board's attention in regard of the risk factors as stated above.

We may not be able to comply with the environmental regulations if they become more stringent

The operation of the Glauberite Mine and its production plant would involve the use and discharge toxic, volatile and otherwise hazardous chemicals and wastes in its production processes and are required to comply with all PRC national and local environmental protection laws and regulations. Environmental protection laws and regulations impose fees for the discharge of waste substances, require the establishment of reserves for reclamation and rehabilitation and impose fines for serious environmental offences. The Glauberite Mine is required to obtain various permits, including permits for pollution discharge, in connection with its mining activities or production processes. The Group is also required to apply from the relevant government authorities for the storage and use of hazardous chemicals. There is no assurance that the Group is able to obtain such permits or approval for the storage and use of the hazardous chemicals when required. If the Group cannot obtain such permit or approval, it may be required to shut down those facilities in the Glauberite Mine that fail to correct or cease operations that raise environmental concerns. In additional, if more stringent environmental regulations are adopted in the future, there is no assurance that the Group will be able to comply with such regulations and it may be required to pay penalties to take remedial actions, any of which may result in adverse prospects and results of operations. As at the Latest Practicable Date, the Board is not aware of any material factor in relation to any change in environmental regulations that may draw to the Board's attention in regard of the risk factors as stated above.

The outbreak of any severe communicable disease in the PRC, if uncontrolled, may materially and adversely affect the result of operations of the Group

The outbreak of any severe communicable disease in the PRC, if uncontrolled, could have a material adverse effect on the overall business sentiment and environment in the PRC. This in turn may have a material adverse impact on domestic consumption and, possibly, the overall gross domestic product growth of the PRC. Any contraction or slowdown in the growth of domestic consumption or slowdown in the gross domestic product growth of the PRC may materially and adversely affect the financial position of the Group. As at the Latest Practicable Date, the Board is not aware of any material factor in relation to any outbreak of communicable disease in the PRC that may draw to the Board's attention in regard of the risk factors as stated above.

Laws and Regulations

This section presents a summary of the most significant government regulations or requirements that might affect the Company's business after the Acquisition.

Mining Laws

"Mining Resources Law" and its implementation rules

According to the "Mining Resources Law"《礦產資源法》in the PRC which was promulgated on 19 March 1986, officially implemented on 1 October 1986 and revised on 29 August 1996 and the "Rules for Implementation of the Mining Resources Law"《礦產資源法實施細則》 promulgated on 26 March 1994, (a) the ownership of mining resources belongs to the State and is to be exercised by the State Council on the behalf of the State; (b) the relevant departments that are responsible for geology and mining resources under the State Council may supervise and manage the exploration and exploitation of mining resources nationwide upon authorization of the State Council. The departments of land and resources responsible for geology and mining resources in the provinces, autonomous regions and municipalities directly under the Central Government shall supervise and manage the exploration and exploitation of mining resources within their respective scope of administration in their respective jurisdictions; and (c) any enterprise that is engaged in the exploration for and exploitation of mineral resources must satisfy criteria and apply for exploration and mining rights in accordance with relevant laws, regulations and policies of the PRC prior to the exploration and exploitation of mining resources and register such rights and pay for usage fees. The mining enterprises, in seeking government approval, shall set out in their applications detailed descriptions of the limits of the mining area, the mine design or the mining plan, the production technique to be adopted, and the safety and environmental protection measures to be implemented.

"Measures for the Registration and Administration of Mining Resources Exploitation"

The "Measures for the Registration and Administration of Mining Resources Exploitation" 《礦產資源開採登記管理辦法》("State Council Document No. 241") was promulgated by China's State Council and was officially implemented on 12 February 1998. According to the essence in State Council Document No. 241, for any change in relation to the scope of mining area, key mining minerals, exploitation method and the name of mining enterprise and/or any transfer of mining rights as approved in accordance with the laws, mining right holders must submit registration applications in respect of the changes to relevant registration authorities within the term of the mining permit. In the case that exploitation has still to be continued upon expiry of the mining permit, mining right holders must submit applications to the registry for extension within 30 days prior to the expiry of the mining permit. In the case that a mining right holder fails to submit application for extension prior to the expiry of the mining permit, the mining permit will be automatically terminated.

"Measures for the Administration of the Transfer of Exploration and Mining Rights"

In accordance with the "Measures for the Administration of the Transfer of Exploration and Mining Rights"《探礦權採礦權轉讓管理辦法》promulgated by the State Council of the People's Republic of China on 12 February 1998, prospecting and mining rights cannot be transferred except for the following circumstances, (a) prospecting right holders have the right to carry out specified explorations in the designated areas and the priority to obtain mining rights for mining resources within the exploration areas. Exploration right holders may transfer the exploration right to other parties after fulfilling the specified minimum input to exploration and obtaining approval; (b) in the case that mining enterprises which have obtained mining rights are required to change the entity of the mining right as a result of the change in the ownership of the enterprise's assets arising from the enterprise's merger, separation, joint venture or cooperative operation with other parties, asset disposal or other circumstances, they may transfer the mining right to other parties for exploitation upon approval. In respect of the applicant applying for the transfer of explorationor mining right, the review and approval authorities shall decide on whether to approve the transfer or not within 40 days starting from the date of receipt of the application.

"Measures for the Administration of the Royalties and Fees of Exploration and Mining Rights"

According to the "Measures for the Administration of the Royalties and Fees of Exploration and Mining Rights"《探礦權採礦權使用費和價款管理辦法》promulgated by the Ministry of Finance and the Ministry of Land and Resources on 7 June 1999, any entity that carries out mining resources exploration and exploitation activities within the territory of the PRC and in the sea areas under its jurisdiction must pay royalties and fees for prospecting and mining rights. Royalties for exploration rights are calculated according to the size of the block on a exploration year basis, that is, the annual rate of RMB100 for every square kilometer for the period from the first to third year of exploration and additional RMB100 per year for every square kilometer from the fourth year of exploration onwards but the maximum amount shall not exceed RMB500 per year for every square kilometer. Royalties for mining rights are calculated yearly according to the size of the mining area, that is, RMB1,000 per year for every square kilometer. In respect of the standards for receiving fees for exploration and mining rights, the fees concerned, with the assessed prices as confirmed by the department in charge of geology and mineral resources under the State Council as the basis, must be settled at one time or by installment. However, the maximum payment period of the fees for exploration rights shall not exceed two years while that for mining rights shall not exceed six years. Royalties and fees for exploration and mining rights are to be paid by holders of exploration and mining rights at the time of exploration and exploitation registration or annual inspection. Holders of prospecting and mining rights will pay royalties and fees for exploration and mining rights directly to the "special account for royalties and fees for exploration and mining rights" opened by the finance department in accordance with the standards as confirmed by the registration authorities at the time of exploration and exploitation registration or annual inspection.

"Notice on Relevant Issues Concerning the Deepening of Reforms on the System of Requiring Compensation for the Acquisition of Exploration and Mining Rights" and supplementary notice

In accordance with the "Notice of the Ministry of Finance and the Ministry of Land and Resources on Relevant Issues Concerning the Deepening of Reforms on the System of Requiring Compensation for the Acquisition of Exploration and Mining Rights"《關於深化探礦權採礦權有償取得制度改革有關問題的通知》and the "Supplementary Notice of the Ministry of Finance and the Ministry of Land and Resources on Relevant Issues Concerning the Deepening of Reforms on the System of Requiring Compensation for the Acquisition of Exploration and Mining Rights" promulgated by the Ministry of Finance and the Ministry of Land and Resources on 25 October 2006 and 28 February 2008 respectively, exploration and mining rights must, in principle, be granted for a fee and any holder of exploration and mining rights for proven mineral resources but without making compensation must pay the fees of such rights to the State. Unless otherwise approved, all exploration and mining rights must be granted through public tender, auction or listing. Holders of prospecting and mining rights must settle the full amount of payment required on time.

If it is difficult to settle the fees of prospecting and mining rights for once, the fees maybe paid by installment within the term of the prospecting and mining rights upon approval of the exploration and mining rights approval and registration authorities, of which the fees for prospecting rights may be paid within two years with the payment in the first year not less than 60% of the total while the fees for mining rights may be paid within ten years with the payment in the first year not less than 20% of the total. Holders of exploration and mining rights paying by installment will bear fund possession costs not lower than the levels of bank loan interest rates for the same period.

"Provisions on the Administration of the Collection of Mineral Resources Compensation Fees"

According to the "Provisions on the Administration of the Collection of Mineral Resources Compensation Fees"《礦產資源補償費徵收管理規定》promulgated by the State Council on 27 February 1994 and revised on 3 July 1997, mineral resources compensation fees are calculated at a certain proportion of the sales revenue of mineral products. Mineral resources compensation fees are included in the management fees of enterprises and are calculated according to the following formula:

$$\text{Resources compensation fees} = \text{Sales revenue of mineral products} \times \text{Compensation Fee rate} \times \text{Coefficient of Mining recovery rate}$$

Any adjustment in mineral resources compensation fees shall be jointly confirmed by the Ministry of Finance, the Ministry of Land and Resources and the National Development and Reform Commission and is subject to the approval of the State Council. Mineral resources compensation fees are to be collected by the department of land and resources together with the finance department. Mining right holders shall pay mineral resources compensation fees for the first half year on or before 31 July of each year and fees for the second half year on or before 31 January of the following year. In accordance with the "Reply on Issues Concerning the Collection of Mineral Resources Compensation Fees" (Ministry of Land and Resources Letter No. 259 dated 5 October 1998) issued by the Ministry of Land and Resources, those exploiting mining resources within China and other sea areas under her jurisdiction shall, irrespective of purpose, pay mineral resources compensation fees in accordance with the national provisions and the rate is 2%.

Under specific circumstances, mineral resources compensation fees may be reduced or exempted upon joint approval of the department of land and resources and the finance department at the provincial level. If the reduction in mineral resources compensation fees exceeds 50% of the payable mineral resources compensation fees, the approval of the provincial people's government is required. Any approval for the reduction of mineral resources compensation fees must be reported to the Ministry of Finance and the Ministry of Land and Resources for record-keeping.

"Measures on the Registration and Management of Areas for Surveying Mineral Resources"

The State Council promulgated the "Measures on the Registration and Management of Areas for Surveying Mineral Resources"《礦產資源勘查區塊登記管理辦法》with Decree No. 240 on 12 February 1998 under which a unified system of mineral resource exploration block registration and management is implemented by the State and specific provisions are made with regard to several key aspects as follows: the system of mineral resources exploration block registration and management; the system of restricting maximum surveying area; the system of requiring compensation for the acquisition of exploration rights; the system of exploration investors; the system of exclusive exploration; the system of minimum exploration input; the system for fees of exploration right; the system of exploration right extension and reservation; and the special system of petroleum and natural gas exploration.

Safety Regulations

Measures for Implementation of Safety Production Licensing for Non-Coal Mine Enterprises

According to the Measures for Implementation of Safety Production Licensing for Non-Coal Mine Enterprises（非煤礦礦山企業安全生產許可證實施辦法）promulgated by the State Administration of Works Safety ("SAWS") on May 17, 2004 and the Regulations on Safety Production License（安全生產許可證條例）promulgated by the State Council on January 13, 2004, non-coal mine enterprises must obtain safety production permits pursuant to relevant regulations. Mining enterprises without safety production permits shall not conduct any production activities. The SAWS is responsible for guidance and supervision of the issue of safety production permits for non-coal mine enterprises throughout the country. It is also responsible for issuing safety production permits for non-coal mine enterprises under the central government's management (comprising group companies, corporations and listed companies) as well as off-shore petroleum and natural gas enterprises. The departments of work safety at provincial level are responsible for the issue and administration of safety production licenses for non-coal mine enterprises other than those mentioned above, as well as other non-mining enterprises which own non-coal mines or tailings facilities.

To obtain a production safety permit, a non-coal mine enterprise must satisfy certain production safety requirements. The safety production permit issuance and administration authorities issue safety production permits to enterprises that can meet the production safety requirements pursuant to the relevant provisions. For metal and non-metal enterprises, safety production permits are issued to the enterprise in respect of its individual production systems. Safety production permit are required to be renewed every three years through application to the safety production permit issuance and administration authorities no later than three months prior to the expiration date. If a non-coal mine enterprise passes a safety condition review conducted by the safety production permits issuance and administration authorities, a renewal safety production permit with a term of three years will be issued. If a non-coal mine enterprise could meet certain requirements set forth in the Measures for Implementation of Safety Production Licensing for Non-Coal Mine Enterprises Implementation Rules of Safety, a renewal safety production permit may be issued without a safety condition review.

Mine Safety Law of the People's Republic of China and Its Implementation Rules

In accordance with the Mine Safety Law of the People's Republic of China (中華人民共和國礦山安全法) promulgated by the Standing Committee of the National People's Congress on November 7, 1992 and the "Implementation Rules for the Mine Safety Law of the People's Republic of China" (中華人民共和國礦山安全法實施條例) promulgated by the Ministry of Labor on October 30, 1996, the government departments responsible for labour administration and the authorities in charge of the mining enterprises supervise and administer mine safety.

The design of mine construction projects must comply with the safety rules and technological standards for the mining industry and is subject to the approval of the authorities responsible for mining enterprises. To ensure safety in production, mine construction projects must be built according to the designs approved by the authorities responsible for mining enterprises. Upon completion of the construction of construction facilities, the safety facilities in mine construction projects are subject to inspection for approval by the authorities responsible for mining enterprises and the departments in charge of labour administration. Failure to comply with the safety rules and technological standards in the mining industry would result in the applications for approval and commencement of operations being rejected. Managers of mines shall be responsible for safe production of the relevant enterprises.

Environmental Regulations

The PRC has adopted comprehensive environmental laws and regulations, including the "PRC Environmental Protection Law" promulgated and implemented on 26 December 1989; the "Air Pollution Prevention Law of the People's Republic of China" implemented on 1 September 2000; the "Water Pollution Prevention Law of the People's Republic of China" implemented on 1 June 2008 and the relevant "Implementation Rules of the Water Pollution Prevention Law of the People's Republic of China" implemented on 20 March 2000; and the "Regulations on Environmental Protection of Construction Projects" promulgated and officially implemented on 29 November 1998 and the "Measures for the Administration of Environmental Acceptance Check of Construction Projects Upon Completion" implemented on 1 February 2000. These environmental laws and regulations govern the exploitation and production of specialty metals, which have an impact on the Company's operations. There are national and local environmental quality standards applicable to land rehabilitation, reforestation, emissions control, discharges to surface and subsurface water and the generation, handling, storage, transportation, treatment and disposal of waste materials. To formulate national discharge limits, pursuant to the PRC Environmental

Protection Law, the State Environmental Protection Administration of the PRC assessed the national environmental quality, economy and technical conditions. The PRC Government at provincial level and in the autonomous regions, and municipalities are able to formulate local standards on the discharge of pollutants for items not specified in the national standards. Local governments may subject polluting items included in the national standards to more stringent local standards. The local discharge standards should be reported to the State Environmental Protection Administration of the PRC. All enterprises are subject to the local discharge standards for discharging pollutants in those areas where local discharge standards apply.

The PRC Environmental Protection Law also requires entities producing pollutants or other hazards to include environmental protection plans in their operations and to establish an environmental protection responsibility system. Such entities are required to adopt effective measures to control and prevent waste gases, waste water, waste residue, dust, malodorous gases, radioactive substances and noise, vibration, electromagnetic radiation produced in the course of production or other activities from polluting and damaging the environment.

Enterprises are required to register or file an environmental impact assessment with the local environmental protection bureau for approval before undertaking construction of any new production facility or major expansion or renovation of an existing production facility. The pollution control facilities should be designed, constructed and operated at the same time as the major facilities under construction. The construction project will not be permitted to commence operations unless the environmental protection administration department which approved the environmental impact assessment has determined the facilities are satisfactory.

Any entity that discharges pollutants, whether in the form of emissions, water, noise, or materials, must submit a pollutant discharge declaration statement detailing the amount, type, location and method of treatment. According to the "Regulations for the Administration of the Collection and Usage of Fees for Pollution Discharge" promulgated on 2 January 2003 and implemented on 1 July 2003 and the "Measures for the Administration of Standards for the Collection of Fees for Pollutant Discharge" and the "Regulations for the Administration of the Collection and Usage of Fees for Pollutant Discharge" (effective from 1 July 2003) jointly promulgated by the State Development Planning Commission, the State Environmental Protection Administration, the Ministry of Finance and other relevant government departments, any entity that directly discharges pollutants to the environment must pay fees for pollutant discharge in accordance with the laws. The type and amount of fees for pollutant discharge is to be approved by the environmental protection departments under the local people's government at or above the county level in accordance with the right of approval as provided by the State Environmental Protection Administration and companies discharging pollutants will be notified of the type and amount of the fees.

The local environmental protection bureau will determine an amount of discharge allowable under the law and will issue a pollutant discharge license for that amount of discharge subject to the payment of discharge fees. If an entity discharges more than what is permitted by the pollutant discharge license, the local environmental protection bureau can fine the entity up to several times the discharge fees payable and require the offending entity take measures to remedy the problem within a prescribed time frame, or failing which close its operations.

Taxation

PRC enterprise income tax is calculated based on taxable income determined under PRC GAAP.

Pursuant to the Provisional Regulations on Value-Added Tax and their implementing rules, all entities and individuals that are engaged in the sale of goods, the provision of repairs and replacement services and the importation of goods in China are generally required to pay value-added tax at a rate of 17% of the gross sales proceeds received, less any deductible value-added tax already paid or borne by the taxpayer. Furthermore, when exporting goods, the exporter is entitled to the refund of some or all of the value-added tax that it has already paid or borne.

On March 16, 2007, the National People's Congress approved the draft PRC Enterprise Income Tax Law, which became effective on January 1, 2008. The PRC Enterprise Income Tax Law adopts a uniform tax rate of 25% for all enterprises (including foreign-invested enterprises) and revokes the tax exemption, reduction and preferential treatments applicable to foreign-invested enterprises.

PRC Laws in Relation to Foreign Investments in the Mining Industry

In accordance with the "Catalogue for the Guidance of Foreign Investment Industries (Revision in 2007)"《外商投資產業指導目錄》officially implemented on 1 December 2007, foreign investments in the exploration, exploitation and design of iron ore mines are considered as encouraged investments. According to the "Opinion on Further Encouragement of Foreign Investments" and the "Provisions on Guidance of Foreign Investments" officially implemented on 3 August 1999 and 1 April 2002 respectively, encouraged foreign investments may obtain a number of interests granted by the Chinese government primarily as encouragement.

BOARD'S COMMENT ON COMPETENT PERSON'S REPORT

With reference to the Competent Person's Report, the Board would like to highlight the following comments from SRK:

– The Company has engaged Changsha Design and Research Institute of Ministry of Chemical Industry to issue the document titled "A Feasibility Study on producing device for glauberite's outputting 0.5 Mt of Na_2SO_4 annually in Taowei, Heng County" in August 2011 for the Company to review the outlining of mining and processing concepts and the development of the deposit. Based on the feasibility study as mentioned above, SRK has performed extra drilling in 2011 to confirm mining concept on the historic Chinese estimates of mineralization. As a result, the feasibility study has not incorporate such recent drilling information. The difference between the historic Chinese estimates of mineralisation and the estimates from the most recent drilling information has been stated in Appendix IV under the section named "MINERAL RESOURCE ESTIMATE". The Board is of the view that it is reasonable to use the basis of the mining concept on the historic Chinese estimates of mineralization as (i) it had been largely confirmed by the most recent drilling performed in 2011; (ii) it is commonly the case in the PRC that "Feasibility" stage studies are often completed and reported for mineral properties that would be considered to be at only the exploration stage of development; and (iii) the Changsha Design and Research Institute of Ministry of Chemical Industry is one of the most reputable consultants in the PRC thenardite market.

– SRK is of the opinion that it is reasonable to consider that the capital cost of Phases II and III would be pro-rata of the Phase I estimates based on the size of the exploitation area. SRK expects the operating costs will be higher than the Phase I estimates. The details of the operating costs of the Phases is stated in Appendix V(A). SRK believes that further detailed studies into the operating cost estimates for the Phases II and III base on its production rate is required. The Board is aware of SRK's comment. As such, in order to determine the fairness and reasonableness of the estimation of capital costs and operating costs for Phases II and III, the Board has submitted the cost estimation to the Changsha Design and Research Institute of Ministry of Chemical Industry, who role is an consultant to express an independent opinion to the Target Group regarding the Acquisition. Founded in 1956 under the approval of the State Council of the PRC, the Changsha Design and Research Institute of Ministry of Chemical Industry was one of the most reputable polytechnic universities in the PRC who focused on the disciplines of geology, energy, environmental resources management, engineering and information technology, and is eligible to approve bachelor, master, and doctoral qualifications. As such, in view of its long history of establishment and its focus of disciplines, the Board considers that the Changsha Design and Research Institute of Ministry of Chemical Industry has the qualification and is able to review and comment on the capital costs and operating costs of the Phases. The Changsha Design and Research Institute of Ministry of Chemical Industry considered that the cost estimations are fair and reasonable.

– SRK identified that there were a lack of detail in the capital cost and operating cost in the processing section of the study provided by the Changsha Design and Research Institute of Ministry of Chemical Industry and there was an absence of a detailed development schedule on the production ramps. SRK considered that the forecast for expenditure for the first 12 months is aggressive. The Board had considered SRK's comment and had allowed for an additional 10% of capital commitment to RMB416.7 million as compared to SRK's estimate of RMB 378.8 million. In addition, the Board is of the view that the forecast for expenditure for the first 12 months will consist mostly of mine development; construction designs and deposits pay for construction equipment and since the total expenditure agrees with what the Changsha Design and Research Institute of Ministry of Chemical Industry predicted in their report therefore the total expenditure is considered reasonable.

– The Board is aware of SRK's comment that no capital estimate was made for the ventilation and mine dewatering system. The Board had prepared an appraisal on the capital requirement of the installation of the ventilation and mine dewatering system. The estimated maximum amount of the ventilation and mine dewatering system are approximately RMB4.34 million and RMB1.86 million. The Board considered that such amount is minimal to the operation and the overall capital cost of the Target Group.

– The Board is also aware of SRK's comment that there is potential for substantial surface subsidence to occur over the mining area, which may cause cracking into the workings, and ingress of surface water to the mine. Further details on the geotechnical information will be obtained during the mining process and the Board is considered that the chance and scope of occurrence is limited.

– For the operation of the Glauberite Mine, we propose the use of in-situ leaching (ISL) to extract sodium sulphate from glauberite ores. The Board agrees with SRK's comment that the report prepared by the Changsha Design and Research Institute of Ministry of Chemical Industry in August 2011 is fit for the purpose of a high level review of the process of the leach liquors to final product, downstream of the in-situ leach as the processing concept is preliminary in nature. For further development of the operation of the Glauberite Mine, we will take into account SRK's comments and the review prepared by the Changsha Design and Research Institute of Ministry of Chemical Industry as an overall engineering control flowsheet, and additional ongoing engineering work will be done on each relevant part during construction.

– SRK has recommended for more detailed breakdown and explanation of the capital and operating expenditure estimates for the processing route during the next stage of engineering studies of the operation of Glauberite Mine. The Board will take this advice and in fact, there will be additional ongoing engineering studies on each relevant part during the different development stage of the Glauberite Mine. Among which, more detailed relevant breakdown and explanation of the capital and operating expenditure estimates will be undertaken. The Board is of the view that the magnitude of the provision for capital and operating expenditure estimates is sufficient for the development of the Glauberite Mine, and SRK concurs with this view.

– SRK comments that our forecasted expenditure of the operation of the Glauberite Mine for the first 12 months seems aggressive. As the operation runs on schedule as at the Latest Practicable Date, the Board believes that the expenditure planning is reasonable. We are committed to develop the operation as soon as possible in order to commence the commercial production in 2015, which is in line with SRK comment on our commitment.

BOARD ASSESSMENT ON RISK FACTORS

The Board has assessed the above risk factors involved in the operation of the Glauberite Mine, in particular to the following risk factors:.

Risk concerning unable to renew the mining rights of the Glauberite Mine

At the Latest Practicable Date, the PRC legal adviser has confirmed that the Company can renew the mining license with additional 30 years upon the expiry of the existing mining license on year 2041 due to the fact that (i) there is no unforeseeable legal obstacle to the renewal of the mining license of the Glauberite Mine as at the Latest Practicable Date; (ii) the Glauberite Mine has been identified as large-scale mine by the relevant PRC government departments; and (iii) the Company can apply for the additional production rate for phase II and phase III in accordance to the applicable rules in the PRC. As such, the Board considers that the risk unable to renew the mining rights of the Glauberite Mine is low.

Risk concerning unable to raise capital, unable to obtain on acceptable terms and unable to obtain in a timely manner to fund our operation

We may be unable to accurately predict the capital and operating expenditure amount as a variety of factors may result in increment in expenses. Moreover, the uncertainty in global capital and credit market may cause us unable to obtain financial resources on acceptable terms as well as in a timely manner. As at the Latest Practicable Date, the Board is not aware of any of factors as mentioned in the "Risk Factors" section above may adversely affect our ability to raise additional funds.

Risk concerning challenges from non-government organization

Schools and hospitals, etc near the Galuberite Mine may oppose the operation as the potential adverse effect on the health of citizen and the local environment. We would adhere to the environmental protection standard in PRC and limit the effect to the nearby. As of the Latest Practicable Date, the Target Group has not encountered any challenge from non-government organization and the Group will keep on communicate with the local non-government organizations so as to resolving the potential challenges by explaining to them the economic benefits of the Glauberite Mine.

Risk concerning industry competition

The threat of completion, the recycling of thenardite or the replacement by other minerals in both the PRC and worldwide thenardite market are the market risks of the industry. But we believe that the potential growth of the thenardite market is still at a high pace which is mainly driven by new thenardite products development and increased market demand for thenardite products in PRC.

Risk concerning no long-term contract and agreement were being entered into with potential suppliers and customers

The Target Group will face the risk of insufficient manufacturing material and insufficient sales channel if it relies on a few major suppliers and customers respectively. It expects to identify new suppliers and customers from different demographics and locations and try to enter into long-term agreement with them to ensure stable manufacturing material supply as well as deepen sales channel. In light of the prospect of the market demand of thenardite, the Board is of the view that the risks mentioned above is low.

Risk concerning the decrease of prices and demand of thenardite

The volatilities of the price and demand of thenardite are major risk of the operation of the Glauberite Mine. According to the information published by U.S. Geological Survey, the average selling price of thenardite remained stable in the past few years. From the market analysis research prepared by Chengdu University of Technology, the potential growth of the PRC thenardite market is large as compared to the world thenardite market. New market and new product development will drive the growth of the market demand for thenardite. Thus as at the Latest Practicable Date, the Board is of the view that the demand and price risk of thenardite is low.

Risk relating to the operation of the Glauberite Mine may not be able to achieve commercial production and commercial sales

As at the Latest Practicable Date, the establishment of the production plant in Glauberite Mine is on schedule. The strategic location of Glauberite Mine in Guangxi enables a favorable logistic route to the target customers for domestic and export trade in Guangdong province and Asian countries respectively. It provides a distinct advantage in commercial sales in PRC and worldwide. As such, the operation of the Glauberite Mine faces limited risk on achieving commercial production and commercial sales.

Risk relating to nature and quality of the thenardite and may not be acceptable to the customers

The glauberite will be further refined and processed into specialty thernardite in the operation. We will also keep on monitoring and improving our production process to ensure our thernardite products are up to standard. As at the Latest Practicable Date, the Board believes that the risk of unacceptable nature and quality of the thenardite is low.

Risk relating to processing, storage and transportation of the thenardite

Operational risks and hazards exist in the processing, storage and transportation of the thenardite. It could delay and increase the cost of production and delivery of products. As at the Latest Practicable Date, the Board is not aware of any factor that will substantially increase the chance of the operational risk.

Risk relating to the political and economic situation in the PRC

Although there may be adverse change in the economic, political and social conditions of the PRC and lead to a slowdown in the economic growth, the prospect of the PRC thenardite market is still positive since the average thernardite consumption per capita in the PRC is substantially lower than the per capita consumption in the developed countries. As at the Latest Practicable Date, the Board believes that the risk attributable to the political and economic situation in the PRC is low.

Risk relating to the compliance with the policies, regulations, mining safety regulations and the environmental regulations of PRC if they become more stringent

The Glauberite Mine and its production plant are subject to national, provincial and local governmental laws, regulations, policies and controls. PRC government had strengthen safety regulations because of recent significant mining accidents in China. It had also strengthen the environmental protection laws and regulations as more focus are being placed on environmental issues. Fail to comply may cause adverse effect on the business, prospects and financial condition of operations. As at the Latest Practicable Date, the Broad is not aware of any material factor in relation to any change in policies, regulations, safety regulations and environmental regulations that may draw to the Board's attention in regard of the risk factors as stated above.

Conclusion

Although the operation of the Glauberite Mine is still at conceptual stage and the risks are substantive and intensified, the Board has assessed each of the risk factors and is reasonable to believe that risks of certain events are low. Based on the opinion of SRK as well as the trend and prospect of worldwide and PRC thenardite market, the Board considers that the operation of the Glauberite Mine will be a strong driving force of the Company's turnover and profitability. It is aligned with the Company's strategies and is in the best interest of the Company to better compete in the current market environment. We would conclude that transaction is fair and reasonable.

REASONS FOR THE ACQUISITION

The Board expects that there will be an increasing demand for mineral resources and the global thenardite demand in the PRC had increased in the few years as a result of the urbanization in the PRC. The Board considers that this is the right opportunity for the Group to further invest in the development and expansion of its mining business. One of the development objectives of the Group is to increase its reserve of non-ferrous metal resources save for the copper ores processing project in Chile which has been commenced in 2008. In this connection, the Company has identified the Target Group as an appropriate acquisition target and considers that the Acquisition would allow the Group to significantly increase its ores reserve and expand to other mining business. The demand of relatively consumerable products, including washing powder and detergent, in the second or third tier cities in the PRC will increase as a result of the improvement of the living standard of the people in the PRC. As such, the demand for thenardite will increase as a result of the increased demand in consumerable products with relatively higher quality. Therefore, demand for thenardite is closely in line with the economic growth in the PRC, the Directors are optimistic about the future prospects and demand for thenardite.

The Directors consider that the Acquisition is an opportune investment for the Group and expect that the Acquisition will present the Group with favourable long term prospects.

In view of the above, the Directors (including the independent non-executive directors) consider that the terms and conditions of the Acquisition Agreement, including the Consideration and the Issue Price and the Acquisition are in the interest of the Company and the Shareholders as a whole.

EXPERIENCE OF THE MANAGEMENT OF THE COMPANY

Mr. Cheung Ngan, aged 56, Chairman and Executive Director of the Company, has extensive experience in mining business in the PRC. Mr. Cheung has over 15 years' substantial experience in iron and steel manufacturing and trading in Hong Kong and the PRC, including his several years with a listed company in Hong Kong, specializing in the trading and manufacturing of iron and steel, management of iron and steel refineries, and management in exploration and exploitation of a silicon mine in Fujian, the PRC. Mr. Cheung has also engaged his own exploration and exploitation mining business in the PRC including exploration of coal mine in XinJiang as well as in exploration and exploitation of copper mine in Chile since 2006. Mr. Cheung was in charge of the mining Expert Team and has set exploration and mining objectives such as making decision on how and where to make further drill holes. Mr. Cheung makes this strategic decision step by step after considering ongoing situation outcome changes and new geology information as advised by the Expert Team. This kind of decision is part of an overall project plan and it has led to the objectives of increasing confirmed resources and approximate resources allocation into different resources category under JORC Code. Mr. Cheung also directs the Expert Team, in co-operation with other contracted professional technical institutes, to carry out initial design of mining and processing alternatives. These designs are in accordance with Mr. Cheung's pre-determined criteria and objectives, and the Expert Team will report to him from time to time for approval or for further elaboration. As such, the Expert Team had completed a feasibility study based on Mr. Cheung directives and objectives.

Mr. Chan Chung Chun, Arnold, aged 53, has been the Executive Director of the Company since its establishment in 1995. He was in charge of financial matters including the fund raising activities. He also supervised and managed the mining business especially in logistic and sales since 2006. Mr. Chan has contributed to the Group's competitive advantages over the mineral products in the PRC and provided for focused marketing efforts. Mr. Chan has joined Mr. Cheung in managing the exploration of coal mine in XinJiang as well as in exploration and exploitation of copper mine in Chile since 2006. Mr. Chan has formulated the marketing directive with reference to the strategic location of the Glauberite Mine, and has determined the product specification in responding to prevailing and future market needs. As such the Expert Team has followed this directive in carrying out marketing in PRC and in exploring Asean countries export.

Mr. Zhau Chong Dei, aged 46, an Executive Director of the Company, is a senior engineer in the People's Republic of China (the "PRC"). He has been working for various exploration projects. He was specialized and in charge in the complete cycle of glauberite exploration from designing exploration program to on-site program execution and management, raw data testing and performing relevant analysis, and then finally preparation of resources report for governmental approval. Further details of his relevant experience in glauberite mining are included in the section below named "EXPERIENCE OF THE EXPERT TEAM OF THE GROUP".

Mr. Lee Ming Zang, aged 58, an Executive Director of the Company, is a senior engineer in the PRC. He was specialized and in charge in the complete cycle of exploitation for glauberite from designing of mining program to construction of mining tunnel and shaft tunnel, exploitation of mine-room for solution leaching, building of ventilation shaft, and installation of solution piping circuit inside the underground mine. Further details of his relevant experience in glauberite mining are included in the section below named "EXPERIENCE OF THE EXPERT TEAM OF THE GROUP".

EXPERIENCE OF THE EXPERT TEAM OF THE GROUP

Mr. Zhau Chong Dei

Mr. Zhau Chong Dei, aged 46, graduated in 1988 from Lianyungang Chemical Mining College major in exploration geology. Mr. Zhau was a registered senior engineer and has been working for various exploration project since his graduation to the present. In his over 20 years experiences, Mr. Zhau was specialized and in charge in the complete cycle of glauberite exploration from designing exploration program to on-site program execution and management, raw data testing and performing relevant analysis, and then finally preparation of resources report for governmental approval.

Mr. Zhau's exploration experiences from 1992 to 2011 includes:

(i) 1992 to 1993: Shuangliuhelin Glauberite mine area in Sichuan Province（四川省芒硝礦雙流鶴林鈣芒硝礦區）

In charge for the whole complete exploration cycle of a glauberite mine in Shuangliu County of Sichuan with 3.2 square kilometers 1:5000 mapping, of which 5 drill holes and its logging, together with raw data testing and analysis were done, and then finally a resources report of 38 million tonnes of glauberite ores at category B (the PRC resources classification category) was approved by Mineral Reserves Committee of Sichuan Province in 1993;

(ii) 1993 to 1995: Block South Qinglong Glauberite mine in Nongle Glauberite mine area in Pengshan County of Sichuan Province（四川省彭山縣農樂鈣芒硝礦區青龍南礦段）

In charge for the whole complete exploration cycle of a glauberite mine in Pengshan county of Sichuan with 5 square kilometers 1:5000 mapping, of which 3 drill holes and its logging, 7,530 meters of 1:5000 exploration line cross section survey, together with raw data testing and analysis were done, and then finally a resources report of 315 million tonnes of glauberite ores at category B and C (the PRC resources classification category) was approved by Mineral Reserves Committee of Sichuan Province in 1995;

(iii) 1995 to 1997: Block Yihe Glauberite mine in Nongle Glauberite mine area in Pengshan County of Sichuan Province（四川省彭山縣農樂鈣芒硝礦區義和礦段）

In charge for the whole complete exploration cycle of a glauberite mine in Pengshan county of Sichuan with 12 square kilometers 1:5000 mapping, of which 3 drill holes and its logging, 3,005 meters of 1:5000 exploration line cross section survey, together with raw data testing and analysis were done, and then finally a resources report of 696 million tonnes of glauberite ores at category B and C (the PRC resources classification category) was approved by Mineral Reserves Committee of Sichuan Province in 1997;

(iv) 1999 to 2004

In charge for the whole complete exploration cycle of two detail exploration report in Sichuan for a salt chemical mine and were approved by Mineral Resources and Reserves Evaluation Center in Sichuan Province in 2002 and 2005 respectively;

(v) 2004 to 2008

In charge for the whole complete exploration cycle of two detail exploration report in Yunnan for a salt chemical mine and were approved by Yunnan information Reserves Evaluation Center in 2007 and 2008 respectively;

(vi) 2009 to 2011: Glauberite mine in Deng Temple, Pengshan County of Sichuan Province *（四川省彭山縣鄧廟芒硝礦）*

In charge for the whole complete exploration cycle of a glauberite mine in Pengshan county of Sichuan with 1.5 square kilometers 1:5000 mapping, of which 7 drill holes and its logging, 11,579 meters of 1:5000 exploration line cross section survey, together with raw data testing and analysis were done, and then finally a resources report was completed and is now in the process of approval by the government.

Mr. Zhau has been appointed as the director of the Group on 29 March 2012.

Mr. Lee Ming Zang

Mr. Lee Ming Zang, aged 58, graduated from Chongqing University major in exploitation engineering in 1981. Mr. Lee was a registered senior engineer and since his graduation, he has been working for various companies as exploitation engineer or Mine-chief. In his 30 years experiences, Mr. Lee was specialized and in charge in the complete cycle of exploitation for glauberite from designing of mining program to construction of mining tunnel and shaft tunnel, exploitation of mine-room for solution leaching, building of ventilation shaft, and installation of solution piping circuit inside the underground mine.

Mr. Lee's exploitation experiences from 1990 to 2009 includes:

(i) 1990 to 1993: Wutongqiao Sulfate Plant *（五通橋硫酸鹽廠）*

In charge for the whole complete exploitation cycle of a chemical plant in Wutongqiao of Sichuan, with an annual exploitation of 2.4 million tonnes of chemical salts ores;

(ii) 1994 to 1997: Salinization Industrial Group Co., Ltd. *（四川眉山鹽化工業集團股份有限公司）*

In charge for the whole complete exploitation cycle of a chemical company in Meishan of Sichuan with annual construction of a cross sectional underground mine area of approximately 6,400 square meters, and 16,000 meters annual tunneling progress to facilitates an annual exploitation of 3.8 million tonnes of glauberite ores;

(iii) 1998 to 2001: Sichuan Chemical Lindane Shuttle Group（四川應林丹梭化工集團）

In charge for the whole complete exploitation cycle of a chemical products group in Sichuan with annual construction of a cross sectional underground mine area of approximately 4,800 square meters, and 12,000 meters annual tunneling progress, and three mine solution leaching pools to facilitates an annual exploitation of 3.5 million tonnes of glauberite ores;

(iv) 2002 to 2005: Sichuan Shuttle Huakang Chemical Co., Ltd.（四川丹梭華康化工有限公司）

In charge for the whole complete exploitation cycle of a chemical company in Sichuan with annual construction of a cross sectional underground mine area of approximately 3,200 square meters, and 8,000 meters annual tunneling progress, and two mine solution leaching pools to facilitates an annual exploitation of 2.5 million tonnes of glauberite ores;

(v) 2006 to 2009: Sichuan Shunhong Chemical Co., Ltd.（四川神虹化工有限公司）

In charge for the whole complete exploitation cycle of a chemical company in Sichuan with annual construction of a cross sectional underground mine area of approximately 4,000 square meters, and 10,000 meters annual tunneling progress, and three mine solution leaching pools to facilitates an annual exploitation of 2.8 million tonnes of glauberite ores.

Mr. Lee has been appointed as the director of the Group on 29 March 2012.

Mr. Tsang Kin Wah

Mr. Tsang Kin Wah, aged 53, graduated from The Kunming Geological School（昆明地質學校）major in geophysics. Mr. Tsang was a registered senior engineer specializing in Physical Geology and is currently our geophysic engineer. Mr. Tsang was used to work for Sichuan Bureau of Geology – Panxi Geological Brigade Geophysical team as a physical geology engineer from 1981 to 1993, and then with Sichuan Bureau of Geology（四川地礦局）as chief engineer in charge. Mr. Tsang has extensive experience in exploration by employing Physical Geology and he is currently the senior management position of project manager of the Group. For every mine, the very first step is to assess the mineral prospect in order to determine if there is any possibility of its existence and more understanding of its relevant possible location. One of the most common methods is to go through Physical Geological technology, including but not limited to gravity; magnetic and electricity method. The Glauberite Mine is no exception and had gone through the above three same procedures. During the decades with Sichuan Bureau of Geology, Mr. Tsang had been exposed to a wide range of exploitation and exploration tasks of glauberite projects. During which Mr. Tsang handled several prospecting medium size glauberite projects in Meishan County and Pengshan County of Sichuan, by using mostly magnetic method, as supplemented by electricity and gravity method to locate glauberite. Mr. Tsang successfully separate metal and non-metal minerals, as well as its likely minerals layers by accurately interpret the reaction data, and his works was proved by subsequent drillings that his findings of glauberite are correct. Since the drilling grid requirement for glauberite is relatively diverse as compared to metal mines, therefore Mr. Tsang had been involved in those glauberite mines in Meishan and Pengshan county during its exploitation phase by employing the same technics regarding its possible outbound distribution, as such, the exploitation plan will take into account these information and may be adjusted accordingly. The Group believed that with Mr. Tsang's extensive experience in geophysics, we can be able to interpret physical geological data accurately and thus able to form an ongoing adjustment in employing exploitation strategy.

Mr. Hu Yuen Ming

Mr. Hu Yuen Ming, aged 48, is a registered engineer and has worked for Sichuan Bureau of Geology – Panxi Geological team from 1983 to 1992 in the mining section. During such period with Sichuan Bureau of Geology, Mr. Hu had been involved in the exploration and processing flow sheet design for a few chemical salt projects including potassium and glauberite projects. Since most of the glauberite mine of the PRC is in Sichuan Province and many of the exploration, as well as processing design of glauberite mine were being done by the Bureau. From 1993 to 2004, Mr. Hu swift from mining section to the processing plant section, Sichuan Bureau of Geology – Panxi Chemical Plant, and gradually become the processing plant manager specialize in copper products production. Mr. Hu is currently the production engineer of the Group responsible for organizing mining and production co-ordination. Upon Completion, Mr. Hu will be assigned as the senior management position of senior project manager of the Group.

Mr. Hu Lik Yi

Mr. Hu Lik Yi, aged 55, graduated from Chengdu University of Technology (成都理工大學) in 1987. Mr. Hu is a registered senior engineer and a geologist. He had extensive working experience in geology and had worked for Sichuan Bureau of Geology in many different projects from 1987 to 2004, including but not limited to ferrous and non-ferrous metals, silicon and kaolinite, potassium and other salts including glauberite. Mr. Hu is currently the geologist responsible for exploration and exploitation geological design.

EXPERIENCE OF THE EXPERT TEAM OF THE TARGET GROUP

The Expert Team has 6 members in the PRC, in which 4 members, specializing in the operating and management of various glauberite mines and 2 members specializing in marketing chemical products in PRC. The Expert Team reports directly to Mr. Cheung and Mr. Chan since 2006.

Mr. Deng Min Li

Mr. Deng Min Li, aged 63, graduated from Chengdu University of Science and Technology (formerly named 成都工學院) in 1977 and is currently head of operation of the Glauberite Mine. Mr. Deng was a registered chemical engineer and a senior engineer specializing on salt chemical. From 1994 to 2003, Mr. Deng was a senior engineer with Zigong City of Light Industry Research and Design Institute（自貢市輕工業設計研究院）and act as a professional project manager for the Institute specialized in development and start-up operation management of glauberite mine, as well as bringing the project up to a stable thenardite production. During that period, Mr. Deng led a group of engineers from the Institute to formulate engineering, procurement and construction management (EPCM) proposal of glauberite mine for the client and then carry out and supervise the program after mutually agreed on it. Zigong City of Light Industry Research and Design Institute is one of the most popular technical institute in the PRC to deliver EPCM for glauberite industry. Mr. Deng has extensive experience in salt chemical industry and during the period with Zigong City of Light Industry Research and Design Institute, he has completed many projects; including but not limited to a reengineering of 150,000 tonnes per annum thenardite production line for Pengshan Sodium Sulphate Plant in Sichuan（四川彭山元明粉廠）, a 100,000 tonnes per annum mine and thenardite production line project development for Shanghai Pacific Chemical Group Co., Ltd. – Sodium Sulfate Huaiyang（上海太平洋化工集團淮陽元明粉有限公司）and a 200,000 tonnes per annum mine and thenardite production line project development for Jiangsu Yinzhu Chemical Group（江蘇銀珠化工集團）, a 100,000 tonnes per annum thenardite production line project development for Hunan Xinli Chemical（湖南新澧化工）and a 200,000 tonnes per annum thenardite production line project development for Jiangsu southerly（江蘇南風）. Upon Completion, Mr. Deng will be appointed as the senior management position of Chief Production Engineer for the Enlarged Group.

Mr. Ho Man Shing

Mr. Ho Man Shing, aged 59, graduated from China University of Mining and Technology in 1981. He is currently the senior operation engineer of the Glauberite Mine and is responsible for planning and coordination of mining and production development. Mr. Ho is a registered senior engineer and used to be a mine shaft technical officer and deputy chief mine engineer of Neijiang Phoenix Mountains Coal Mine (內江市鳳凰山煤礦) up and until 1995. After that Mr. Ho joined Sichuan Hongya Build Qingyijiang Sodium Sulphate Plant (四川洪雅籌建青衣江元明粉廠) and left in 2004. During which Mr. Ho was the chief engineer and deputy plant manager who is responsible to carry out glauberite exploitation by employing room solution mining method, he led a group of engineers to ensure the continuous smooth supply of mineral solution to the plant. He is responsible for the overall technical management for the circuit between the mine and the plant. As such, Mr. Ho is therefore partially responsible for the smooth production of the plant.

Mr. Ching Cheung Chi

Mr. Ching Cheung Chi, aged 57, graduated from Sichuan Radio and TV University (四川廣播電視大學) in 1983 and is a registered mechanical engineer. Mr. Ching was a technical manager of Zigong Light Industry Machinery Factory (自貢輕工機械廠) and has extensive experience in mechanical facilities especially in salt chemical industry. He has also work for Special Salt Factory in Sichuan (四川特種鹽廠), Sichuan Sangdi Electric Co., Ltd. (四川桑迪電器有限公司) and Sichuan Elegance Trading Co. Ltd. (四川風采貿易有限公司) for more than 10 years. Mr. Ching is currently the chief plant facilities manager of the Glauberite Mine.

Ms. Tam Kin Ying

Ms. Tam Kin Ying, aged 60, graduated from Sichuan Province Salt School (四川省鹽業學校) in 1976 and is a registered economic engineer. Ms. Tam worked for Sichuan Province Light Industry Design Institute (四川省自貢市輕工業設計院) as an economic engineer for over two decades, during which she performed a lot of economic project evaluation and investment budgeting including but not limited to Jiangsu Yinzhu Chemical Plant (江蘇銀珠化工廠集團) and Hunan Lixian New Li Industrial Co., Ltd. (湖南澧縣新澧實業有限公司). Ms. Tam is currently an engineer of the Glauberite Mine responsible for technical analysis and facilities investment analysis.

Mr. Wang On Ping

Mr. Wang On Ping, aged 45, graduated from Southwest Institute of Technology（西南工學院）and is currently head of marketing department of the Glauberite Mine. Mr. Wang has been working in washing detergent and sodium products industry since 1998. During which Mr. Wang spend most of his time in Guangdong especially Dongguan, and he has extensive sales network and marketing experience for chemical products in Guangdong province. Mr. Wang is responsible for assisting the formulation and implementation of Company's marketing and products strategy.

Mr. Wang Hoi Man

Mr. Wang Hoi Man, aged 39, graduated from Sichuan Institute of Light Industry and Chemical（四川輕化工學院）in 1998. Before turning his career into sales and marketing, Mr. Wang was a production foreman in washing detergent industry. From 2001 onwards, Mr. Wang was responsible for sales and marketing liaison and has been devoted to explore chemical products markets in both Guangdong province and other province surrounding Sichuan province. Mr. Wang is currently responsible for customer relationship and liaison.

The Placing

The Placing Agreement contains the terms summarized below:

Parties	The Company The Placing Agent
Date	29 March 2012
The Placing Agreement	The Company has agreed to appoint the Placing Agent and the Placing Agent has agreed to act as the sole placing agent of the Company to place not less than 265 million Placing Shares but not more than 333.3 million Placing Shares in the share capital of the Company on a fully underwritten basis to independent investors at the price no less than HK$0.60 but not more than HK$0.75 per Placing Share.

Placing Agent	Changjiang Securities Brokerage (HK) Limited is the placing agent for the Placing. The Placing Agent will receive a placement commission of 3% on the gross proceeds of the Placing. To the best of the Director's knowledge, information and belief having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owner are third parties independent of the Company, its Connected Person and the Vendors.
Placees	The Placing Shares are to be placed to not less than six placees (which may be independent individuals, corporate and/or institutional investors) and their ultimate beneficial owners are third parties independent of the Company, its Connected Person and the Vendors. No placees nor the Placing Agent will become a substantial shareholder as a result of the Placing, pursuance to the clause contained in the Placing Agreement.
Placing Price	The maximum Placing Price is not more than HK$0.75 per Placing Share. This price represents (i) a discount of approximately 3.8% to the closing price of the Shares of HK$0.78 per Share as quoted on the Stock Exchange on the Last Trading Day; (ii) a discount of approximately 2.6% to the average of the closing prices of the Shares of approximately HK$0.77 per Share as quoted on the Stock Exchange for the 5 consecutive trading days up to and including Last Trading Day; and (iii) a premium of approximately 1.3% to the average of the closing prices of the Shares of approximately HK$0.74 per Share as quoted on the Stock Exchange for the 10 consecutive trading days up to and including Last Trading Day.

The minimum Placing Price is not less than HK$0.6 per Placing Share. This price represents (i) a discount of approximately 23.1% to the closing price of the Shares of HK$0.78 per Share as quoted on the Stock Exchange on the Last Trading Day; (ii) a discount of approximately 22.1% to the average of the closing prices of the Shares of approximately HK$0.77 per Share as quoted on the Stock Exchange for the 5 consecutive trading days up to and including Last Trading Day; and (iii) a discount of approximately 18.9% to the average of the closing prices of the Shares of approximately HK$0.74 per Share as quoted on the Stock Exchange for the 10 consecutive trading days up to and including Last Trading Day.

The Placing Price and the discount to market price were agreed after arm's length negotiations, in view of the fact that the Placing is fully underwritten by the Placing Agent.

It is agreed that if on the day on which the resumption of trading in the Shares on the Stock Exchange takes place, the closing price of the Shares fall outside the aforesaid range of the Placing Price, i.e. less than HK$0.60 per Share or higher than HK$0.75 per Share, the Company and the Placing Agent will use their best effort to re-negotiate the Placing Price but the gross proceeds of the Placing shall not be more than HK$200 million. As at the Latest Practicable Date, the Company and the Placing Agent have not re-negotiated the Placing Price. The Company will seek independent shareholders' approval of the price range for the Placing Price at the SGM.

The gross proceeds from the Placing will be from HK$159 million to HK$199 million. The minimum gross proceeds to be raised from the Placing is HK$159 million if the closing price of the Shares fall outside the range of Placing Price, which is less than HK$0.6 per Share or higher than HK$0.75 per Share.

	The net proceeds of the Placing is approximately from HK$154 million and HK$193 million. The net price raised per Share upon completion of the Placing will be approximately HK$0.58 to HK$0.73 per Share.
Rights	The Placing Shares will on issue rank equally with the other Shares then in issue.
Number of Placing Shares	Minimum of 265 million Placing Shares but not more than 333.3 million Placing Shares are to be placed at different intervals during the Placing Period, representing approximately 19.14% to 24.08% of the existing issued share capital of the Company and approximately 16.07% to 19.40% of the issued share capital of the Company as enlarged by the Placing Shares. The issue of Placing Shares is fully underwritten by the Placing Agent.
Conditions Precedent	The Placing is conditional (i) upon the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Placing Shares; and (ii) upon satisfaction of condition precedent under the Acquisition Agreement and Convertible Notes Subscription Agreement.
Placing Period	The period commencing from the date of the Placing Agreement and ending on the Long Stop Date for Placing.
Long Stop Date for Placing	31 March 2013 or such other date as may be agreed between the Company and the Placing Agent.
Authority to issue the Placing Shares	The Placing Shares are to be issued by the Company under the specific mandate. Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Placing Shares.

FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

Principal business activities of the Group

The Group is principally engaged in investment holding, metals and minerals trading and processing of raw ores. As at the Latest Practicable Date, the Group has not entered or proposed to enter into any agreement, arrangement, understanding, or undertaking, whether formal or informal and whether express or implied, a negotiation (whether concluded or not) with the intention to dispose of/downsize its existing business.

Financial and trading prospects of the Enlarged Group

According to an article titled "2013 Economic Statistics and Indicators" from the website of EconomyWatch (http://www.economywatch.com/economic-statistics/year/2013/), the GDP growth for the PRC in 2013 is expected to reach 9.475%. According to an article (http://news.xinhuanet.com/fortune/2011-03/15/c_121187878.htm) published on 15 March 2011 by 新華網 (www.news.cn), the PRC government announced to maintain an annual GDP growth at 7% for the five years from 2012 to 2017. As such, based on the aforesaid, the Directors opine that it is reasonable to believe that the PRC economy will maintain a steady development in forthcoming years.

In view of the above, along with the development of the PRC economy, the demand of consumerable products including washing powder and detergent in the second or third tier cities in the PRC will increase as a result of the improvement of the living standard of the people in the PRC. As such, the demand for thenardite, being one of the major component of washing powder and detergent, will increase as a result of the increased demand in consumerable products with relatively higher quality. By acquiring the Glauberite Mines, the Group should capture the increasing demand of thenardite in PRC.

In addition, the investment in the joint venture company in Chile is a long term investment and will also contribute to the Group's investment return in the long run. The directors will cautiously consider any appropriate measure if necessary, as well as any adjustment to the pace of development.

During 2012, the price of iron ores has remained fluctuating both upward and downward, hence the Group will continue its concentration on the trading of nickel ores, for which the price is relatively less affected by the global economy. The Group will monitor and respond to the market demand, and will adjust its trading products mix from time to time.

As at the Latest Practicable Date, the Company does not have any agreement, arrangement, understanding, intention or negotiation (concluded or otherwise) about any disposal, termination or scaling-down of its existing business.

POSSIBLE FINANCIAL EFFECTS OF THE ACQUISITION

Since Completion, the Target Group will be treated as a subsidiary of the Company and will be accounted for in the consolidated financial statements of the Group.

Assets and liabilities

As stated in the annual report of the Company for the year ended 31 March 2013, the consolidated total assets and total liabilities of the Group as at 31 March 2013 were approximately HK$293.5 million and approximately HK$56.0 million respectively.

According to the pro forma financial information of the Enlarged Group as contained in Appendix III of this circular, the pro forma total assets and total liabilities of the Enlarged Group are approximately HK$3,330.0 million and approximately HK$216.5 million respectively upon Completion, as calculated based on the applicable assumptions.

Gearing ratio

According to the annual report of the Company for the year ended 31 March 2013, the gearing ratio (calculated as total borrowings divided by equity attributable to the owners of the Company) of the Group as at 31 March 2013 was nil. Upon Completion, the gearing ratio of the Enlarged Group (calculated as total borrowings, include amount due to a related company, divided by equity attributable to the owners of the Company) as calculated based on the pro forma financial information of the Enlarged Group as contained in Appendix III of this circular is approximately 5.3%.

Earnings

Target Group recorded an audited net loss attributable to the owners for the six months ended 30 June 2013 of HK$12.7 million. In light of the potential future prospects of Target Group, it is expected that consolidating the financial results of Target Group into the Group would have a favourable long term prospects on the Enlarged Group's earnings upon Completion.

SPECIFIC MANDATE FOR THE ISSUE OF THE CONSIDERATION SHARES, CONVERSION SHARES AND PLACING SHARES

In contemplation of proposed allotment and issue of the Consideration Shares, Conversion Shares and Placing Shares pursuant to the terms of the Acquisition Agreement and Placing Agreement, the Company proposes to seek the grant of the specific mandate from the Shareholders at the SGM.

IMPLICATIONS UNDER THE LISTING RULES

The Acquisition constitutes a very substantial acquisition for the Company pursuant to Rule 14.06(5) of the Listing Rules as the applicable percentage ratios exceed 100% and is therefore subject to the reporting, announcement and approval of the Shareholders at the SGM pursuant to Rule 14.49 of the Listing Rules.

As at the Latest Practicable Date, Mr. Cheung Ngan, holding 51% shareholding interest of Sino PowerHouse, (which is one of the Vendors) is a Director and a substantial shareholder of the Company holding approximately 22.48% shareholding interest of the Company. Mr. Chan Chung Chun, Arnold, holding 49% shareholding interest of Sino PowerHouse (which is one of the Vendors) is also a Director and holding approximately 0.87% underlying shares of the Company. Mr. Cheung Ngan and Mr. Chan Chung Chun, Arnold are connected persons of the Company by virtue of their being Directors and Mr. Cheung Ngan is also a substantial shareholder of the Company and hence, the Acquisition also constitutes a connected transaction of the Company. The Acquisition, which includes the allotment and issue of the Consideration Shares and Convertible Notes, is therefore subject to the approval by the Independent Shareholders at the SGM. As Mr. Cheung Ngan, the Chairman and an Executive Director of the Company, and Mr. Chan Chung Chun, Arnold, an Executive Director of the Company, have a material interest in the Acquisition Agreement and the transactions contemplated thereunder, Mr. Cheung Ngan, Mr. Chan Chung Chun, Arnold, and their associates are required to abstain from voting on the relevant resolutions to be proposed at the SGM to approve the Acquisition Agreement and the transactions contemplated thereunder.

The entering into the Deed of Confirmation and Guarantee constituted a connected transaction of financial assistance for the Company under Rule 14A.13(2)(b) of the Listing Rules. The Company will comply in full with the requirements of the Listing Rules in respect of the financial assistance as and when appropriate.

The Directors (including the independent non-executive directors) confirm that the terms and conditions of the Acquisition Agreement are fair and reasonable and negotiated on an arm's length basis upon normal commercial terms. Having considered the terms and conditions of the Acquisition Agreement and the benefits that may be obtained from the Acquisition, the Directors (including the independent non-executive directors) further confirm that the Acquisition Agreement and the Acquisition are in the interest of the Group and the Shareholders as a whole.

In compliance with the requirements of Chapter 18 of the Listing Rules, the Company has appointed (i) SRK to issue the Competent Person's Report to provide the estimated amounts of resources and reserves in respect of the Glauberite Mine in accordance with the JORC Code; and (ii) a qualified valuer to issue the Valuation Report on Target Group.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the said technical advisers and the valuer and their respective ultimate beneficial owners and associates are Independent Third Parties.

The Directors and the technical advisers confirm that no material changes have occurred since the date of the independent review and the Competent Person's Report.

SPECIAL GENERAL MEETING

A notice convening the SGM is set out on pages 335 to 337 of this circular. If you are unable to attend the SGM in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's principal place of business in Hong Kong located at 37th Floor, China Online Centre, 333 Lockhart Road, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of this proxy form will not preclude you from attending and voting at the meeting if you so wish.

RECOMMENDATION

Having considered the reasons set out herein, the Directors are of the opinion that the terms of the Acquisition Agreement are on normal commercial terms, fair and reasonable and that the Acquisition is in the interests of the Company and the Shareholders as a whole. Mr. Cheung Ngan and Mr. Chan Chung Chun, Arnold had abstained from voting at the board meeting approving the Acquisition Agreement and all transactions contemplated in the Acquisition Agreement. The Directors recommend the Shareholders to vote in favour of the resolution as set out in the notice of SGM to approve, among other things, the transactions contemplated under the Acquisition Agreement and grant of specific mandate to issue the Placing Shares at the SGM.

ADDITIONAL INFORMATION

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

By the Order of the Board
Sinocop Resource (Holdings) Limited
Cheung Ngan
Chairman

SINOCOP RESOURCES (HOLDINGS) LIMITED
中 銅 資 源（控 股）有 限 公 司

(Incorporated in Bermuda with limited liability)

(Stock code: 476)

11 October 2013

To the Shareholders

Dear Sirs,

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION

We refer to the circular of Sinocop Resources (Holdings) Limited (the "Company") dated 11 October 2013 (the "Circular"), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to advise you as to whether, in our opinion, the terms of the Acquisition Agreement are fair and reasonable so far as the interests of the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

Kingston has been appointed as the independent financial advisor to advise us and you regarding the terms of the Acquisition Agreement and the transaction(s) contemplated thereunder. Details of its advice, together with the principal factors and reasons it has taken into consideration in giving its advice, are set out in the "Letter from Independent Financial Adviser" on pages 93 to 125 of the Circular. Your attention is also drawn to the "Letter from the Board" set out on pages 8 to 91 of the Circular and the additional information set out in the appendices to the Circular.

Having considered the terms of the Acquisition Agreement and the advice of Independent Financial Adviser and the other principal factors contained in the "Letter from the Board" in this circular, we are of the opinion that the terms of the Acquisition Agreement and the transaction(s) contemplated thereunder are fair and reasonable so far as the Company and the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Shareholders to vote in favour of the ordinary resolution(s) to be proposed at the SGM to approve the Acquisition Agreement and the transaction(s) contemplated thereunder.

Yours faithfully,
The Independent Board Committee

Mr. Chan Francis Ping Kuen	**Mr. Hu Guang**	**Mr. Chan Chak Paul**
Independent non-executive Directors	*Independent non-executive Directors*	*Independent non-executive Directors*

The following is the full text of the letter of advice from Kingston to the Independent Board Committee and the Independent Shareholders regarding the Acquisition, for the purpose of incorporation into this circular.

KINGSTON CORPORATE FINANCE LTD.
Suite 2801, 28th Floor
One International Finance Centre
1 Harbour View Street, Central, Hong Kong

11 October 2013

To: The Independent Board Committee and the Independent Shareholders

Dear Sirs,

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION

INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Acquisition Agreement, details of which are set out in the letter from the Board (the "**Board Letter**") contained in this circular to the Shareholders dated 11 October 2013, of which this letter forms part. Unless otherwise stated, defined terms used herein shall have the same meanings as those defined in the Circular.

On 29 March 2012, the Purchaser, the Vendors and the Company entered into the Acquisition Agreement, pursuant to which, among other things, the Purchaser has conditionally agreed to purchase, and the Vendors have conditionally agreed to sell, the Sale Shares at a total consideration of HK$3 billion involving the allotment and issue of Consideration Shares and the issue of Convertible Notes.

As one or more of the applicable percentage ratios in respect of the Acquisition exceed 100%, the Acquisition constitutes a very substantial acquisition on the part of the Company. The Target Company is owned as to 70%, 25% and 5% by Sino PowerHouse, Mr. Zhou Bo and Mr. Luan Zhong Jie respectively and Sino PowerHouse is owned as to 51% and 49% by Mr. Cheung Ngan ("**Mr. Cheung**") and Mr. Chan Chung Chun, Arnold ("**Mr. Chan**"). As at the Latest Practicable Date, Mr. Cheung is an executive Director and a substantial shareholder of the Company holding approximately 22.48% shareholding interest of the Company. Mr. Chan is also an executive Director holding approximately 0.87% underlying shares of the Company. Hence, Mr. Cheung and Mr. Chan are connected persons of the Company and accordingly, the Acquisition and the transactions contemplated thereunder also constitute a connected transaction on the part of the Company, which is therefore subject to the reporting, announcement and the independent shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules. Mr. Cheung and Mr. Chan will abstain from voting in respect the resolution approving the Acquisition and transactions contemplated thereunder at the SGM.

An Independent Board Committee comprising all independent non-executive Directors, namely Mr. Chan Francis Ping Kuen, Mr. Hu Guang and Mr. Chan Chak Paul, has been formed to consider and advise the Independent Shareholders whether the terms of the Acquisition Agreement are on normal commercial terms, in ordinary and usual course of business, fair and reasonable so far the Company and the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. We, Kingston, have been appointed as the independent financial adviser to advise the Independent Board Committee in these respects.

BASES OF OUR OPINION

In formulating our advice and opinion, we have relied on the accuracy of the information and representations contained in this circular which have been considered to be complete and relevant and the information obtained from the public domain. We have assumed that all statements, information and representations made or referred to in this circular, for which the Directors are solely responsible, were true, accurate and complete in all material respects at the time when they were made and will continue to be so as at the date of this circular. We have also assumed that all statements of belief, opinion and intention made by the Directors in the Circular were reasonably made after due and careful enquiry and were based on honestly held opinions. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the management of the Company and we have been advised by the Directors and the management of the Company that no material fact has been omitted from the information and representations provided in and referred to in this circular. We have no reason to suspect that any material information has been withheld bythe Directors or the management of the Company. We have not, however, carried out any independent verification of the information provided to us by the Directors and the management of the Company and the information obtained from the public domain, nor have we conducted any independent investigation into the affairs, the business and financial position and the future prospects of each member of the Group, the Target Group and their respective shareholders and associates. Our opinion is based on the information and representations available to us as of the date of this letter. We have no obligation to update our advice and opinion to take into account circumstances and events occurring after the date of this letter. As a result, circumstances and events could occur prior to the approval of the Acquisition that, if known to us at the time when we had rendered our advice and opinion, would have altered our advice and opinion.

INFORMATION OF THE GROUP

The Group is principally engaged in investment holding, trading of metals and minerals and processing of raw ores. As represented by the Directors and mentioned in the annual report of the Company for the year ended 31 March 2013 (the "**2013 Annual Report**"), the Group continued with the copper ores processing and trading operation in Chile through its subsidiary, Minera Catania Verde S.A. ("**Verde**") in Chile, which is 60% held by the Company. The other business partners are Tong Guan Resources Holdings Ltd. and Catania Copper (Chile) Limited. Verde had engaged several consultants in Chile for the design and construction of the copper ores processing plant and had successfully obtained environmental approval in early 2009. In consideration of the change in operating environment and other factors, the Company decided to delay the construction of the ores processing facilities in Chile until 2016. In addition, the Group currently concentrates on trading of nickel ores, for which the prices are relatively less affected by the global economy.

For the year ended 31 March 2013, the Group had recorded a turnover of approximately HK$261.6 million (2012: HK$144.2 million). The increase in turnover was mainly due to the increase in trading volume of nickel ores during the year. The Group recorded a loss of approximately HK$27.3 million for the year ended 31 March 2013 as compared to a loss of HK$25.3 million in last year. Such an increase in loss was due to the written off of prepayments amounting to HK$3.9 million as the prepayments for certain machineries were no longer utilised as resulted from the delay on construction of ores processing plant in Chile. The rendering of engineering and drilling services in Chile also led to the increase in administrative expenses to approximately HK$51.4 million (2012: HK$37.1 million) as more labour and spare parts was consumed during the year and depreciation charges amounting to HK$4.1 million (2012: HK$3.9 million) was recognised in profit and loss during the year whereas they were capitalised in the construction in progress in previous year.

INFORMATION OF THE TARGET GROUP

The Target Company is incorporated in the BVI and owned as to as to 70%, 25% and 5% by Sino PowerHouse, Mr. Zhou Bo and Mr. Luan Zhong Jie respectively. It is principally engaged in investment holding and owns the Glauberite Mine and the Molybdenum Mine through its direct shareholding in Wise Goal, which in turns owns the entire shareholding interest in EJV.

The Glauberite Mine is situated in the east of Nanning, Guangxi Province, the PRC, covering an aggregate area of approximately 8.573 km^2. The mining license for the Glauberite Mine (license no.: C4500002011076210115236), which was issued by Ministry of Land and Resources of the Guangxi Zhuang Autonomous Region) in 2011 (the "**Mining License**"), is the right for extraction of Glauberite ores within the mining area with a term of 30 years ending 8 July 2041 with a production capacity of 4.3 million tonnes of ore per annum. The major mineral involved is sodium sulphate. According to the Competent Person's Report issued by SRK Consulting (Australasia) Pty Ltd. ("**SRK**") in compliance with the JORC Code contained in Appendix IV to this circular, the estimated resources of sodium sulphate was 236 million tonnes, which are across the indicated and inferred categories:

Classification	**Million tonnes A**	**Sodium sulfate** *(%)* **B**	**Sodium sulfate** *(million tonnes)* **= A × B**
Indicated	1,248	17.50	219
Inferred	98	17.91	17
Total	1,346	17.53	236

According to the Valuation Report as set out in the Appendix V to this circular, the fair market value of the Taowei Thenardite Project, at the valuation date of 30 June 2013, is in the range of HK$3,279 million to HK$4,224 million with a preferred value of HK$3,718 million.

Tabularised below is a summary of the audited financial information on the Target Group for each of the three years ended 31 December 2010, 2011 and 2012 and for the six months ended 30 June 2013 (the "**Relevant Period**") as extracted from Appendix II of this circular:

				For the six months ended
	For the year ended 31 December			**30 June**
	2010	**2011**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(audited)
Turnover	–	–	–	–
Loss for the year/period	(903)	(2,763)	(6,325)	(12,720)

				As at
	As at 31 December			**30 June**
	2010	**2011**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(audited)
Total assets	175,288	196,185	210,348	214,201
Total liabilities	752	599	1,684	1,887
Net assets	174,536	195,586	208,664	212,314

The Target Group has not yet commenced business and therefore it has no turnover for the Relevant Period. The loss for the year/period for each of the three years ended 31 December 2010, 2011 and 2012 and for the six months ended 30 June 2013 were attributable to the administrative expenses including staff costs and minimum lease payments in respect of premises under operating leases incurred and the finance costs.

As at 30 June 2013, total assets of the Target Group were mainly comprised of the intangible assets including the exploration and evaluation assets and mining rights for the mineral resources of the Molybdenum Mine and Glauberite Mine in the PRC of HK$202.4 million in total.

Please refer to the section headed "Information of the Target Group" contained in the Board Letter, Appendices II, IV and V to this circular for the detailed information of the Target Group and the Glauberite Mine.

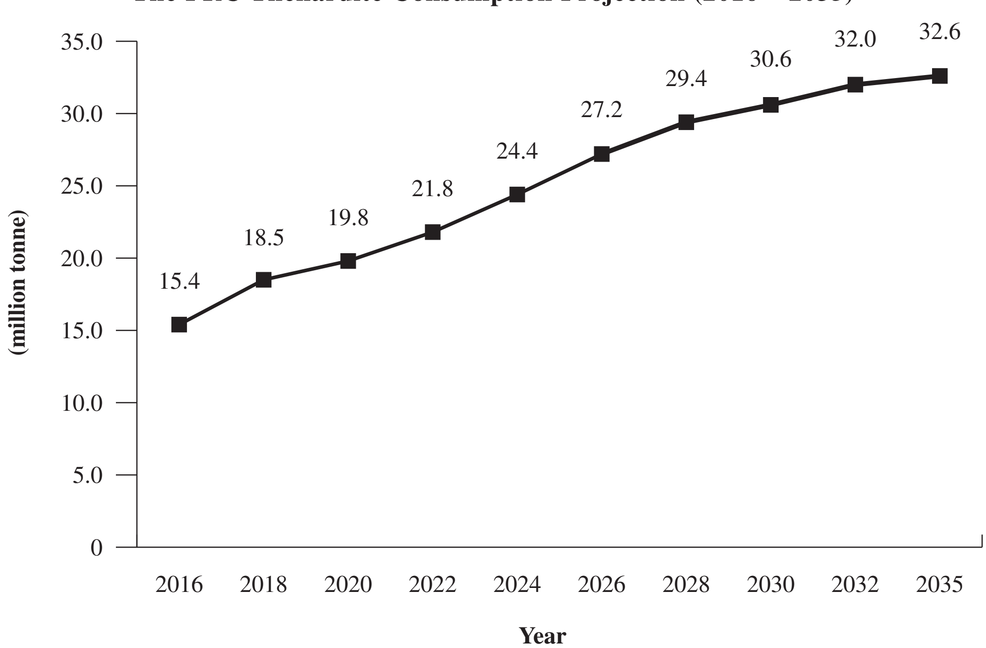
INDUSTRY OVERVIEW

The product of Glauberite Mine is thenardite which is a water soluble, white, crystalline, hygroscopic mineral powder. Thenardite is an important raw material used in chemical and light industries and is used extensively in the manufacture of powder detergents, textiles, glass and pharmaceutical products.

According to the information extracted from U.S. Geological Survey issued in January 2012, a major science organization operated under the government of the United States, the PRC remained the leading exporter and producer of natural and synthetic thenardite in the world.

With reference to the market analysis research prepared by Chengdu University of Technology (the "**CUT Report**") issued on May 2011, the PRC is one of the nations in the world with the most abundant thenardite supply. The total production of the thenardite in PRC in 2010 was approximately 8.5 million tonnes, in which approximately 2.88 million tonnes and 5.62 million tonnes were for export and domestic consumption respectively. In addition, the demand of thenardite from the PRC will grow rapidly in the coming five to ten years under supportive policies by the PRC government. The projected total thenardite consumption in the PRC for each of the periods from 2011 to 2015, 2016 to 2020 and 2021 to 2025 is 64 million tonnes, 72 million tonnes and 84 million tonnes respectively. The following chart shows the projected PRC thenardite consumption for the period from 2016 to 2035.

The PRC Thenardite Consumption Projection (2016 – 2035)



Source: The CUT Report

The CUT Report also mentioned that the annual average selling prices of thenardite have increased steadily in recent years. The following table shows the historical annual average selling prices of thenardite for the Eastern and Southern China during the period from 2007 to 2010.

	2007	**2008**	**2009**	**2010**
(RMB per tonne)				
Eastern China	593	620	618.5	635
Southern China	650	685	659	648.5

Source: The CUT Report

According to the CUT Report, the annual average selling prices of thenardite for the PRC is forecasted to continue to increase from RMB625 per tonne for 2011 to RMB740 per tonne in 2015, representing a compound annual growth rate of approximately 4.3% and continue to grow at a rate of 3% per year during 2016 to 2030.

PRINCIPAL TERMS OF THE ACQUISITION AGREEMENT

On 29 March 2012, the Purchaser, the Vendors and the Company entered into the Acquisition Agreement, pursuant to which, among other things, the Purchaser has conditionally agreed to purchase, and the Vendors have conditionally agreed to sell, the Sale Shares at a total consideration of HK$3 billion of which (i) HK$90 million will be satisfied by the allotment and issue of 120 million Consideration Shares at the Issue Price of HK$0.75 per Consideration Share to the Vendors or their nominees; and (ii) HK$2.91 billion will be satisfied by the issue of Convertible Notes to the Vendors or their nominees at Completion.

Please refer to the section headed "The Acquisition Agreement" contained in the Board Letter for further details of the Acquisition Agreement including the terms of the Consideration Shares and the Convertible Notes.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion, we have considered the following principal factors and reasons:

Reasons for the Acquisition

As set out in the Board Letter, one of the development objectives of the Group is to increase its reserve of non-ferrous metal resources save for the copper ores processing project in Chile (the "**Chile Project**") which has been commenced in 2008. The entering into of the Acquisition will allow the Group to significantly increase its ores reserves and expand into other mining business to broaden its income stream. We note from the 2013 Annual Report that the Chile Project will be delayed to 2016 after considering of the risk of global economic downturn and the change in operating environment. As such, we concur with the Directors' view that the Acquisition will allow the Group to reallocate its resources to develop new business with prospects given the development in its existing business in Chile has been slowed down.

The Board also considers the demand of thenardite in the PRC had increased in the past few years as a result of the increase in demand for consumerable products, including washing powder and detergent, from the consumers in the second or third tier cities in the PRC, as a result of urbanisation and improvement in their living standard. According to the CUT Report, it is expected that the demand and average selling price of thenardite will increase continuously in the coming years as disclosed in the section headed "Industry Overview" in above. As such, we concur with the Directors' view that the Acquisition will present the Group with favourable long term prospects.

In view of the aforesaid, we concur with the Directors' view that the Acquisition is in the interests of the Company and the Shareholders as a whole.

The Consideration

The Consideration for the Acquisition is HK$3 billion of which (i) HK$90 million will be satisfied by the allotment and issue of 120 million Consideration Shares at the Issue Price of HK$0.75 per Consideration Share to the Vendors or their nominees; and (ii) HK$2.91 billion will be satisfied by the issue of Convertible Notes to the Vendors or their nominees at Completion.

Basis in determining the Consideration

As advised by the Directors, the Consideration was determined after arm's length negotiations between the Company and the Vendors principally with reference to (i) the preferred fair value of the Taowei Thenardite Project of approximately HK$3.72 billion as at 30 June 2013 (the "**Fair Value**") conducted by SRK by income based approach (the "**Valuation**") and (ii) the volume, quality and accessibility of the Glauberite estimated reserves and the potential earnings that may be derived from the deposits at the Glauberite Mine.

We have reviewed and discussed with SRK on the appraisal approaches and assumptions set out in the Valuation Report, and are of the view that they are reasonably prepared in alignment with market practice. Please refer to the paragraph headed "Valuation Report" below for further details. The Consideration represents a discount of approximately 19.35% to the Fair Value.

In addition, we note that the audited total acquisition cost and investment made by the Vendors for the Glauberite Mine as at 30 June 2013 was approximately RMB85.1 million (the "**Initial Costs**"). The Consideration represents a significant premium to the Initial Costs (the "**Premium**"). In order to assess the fairness and reasonable of the Premium, we have discussed with the management of the Company and noted that Mr. Cheung brought in a management team (the "**Expert Team**") to the EJV, which has applied and holds the mining license of the Glauberite Mine, who has been working with Mr. Cheung since 2006. The Expert Team has led the Target Group to engage several professional institutes to carry out, among other things, exploration, assay testing, feasibility study, market analysis research and identity and commence of initial exploitation methodology. It enables the EJV to successfully obtain the exploration license, relevant approvals, mining license of the Glauberite Mine and increase its intangible assets and detailed information on the Glauberite Mine for future assessment and valuation after performing all preparation works by Mr. Cheung and his Expert Team. As such, we concur with the Directors' view that the Premium is justifiable in light of Mr. Cheung's monetary and non-monetary contribution to the Glauberite Mine.

Having considered (i) the reasons for the Acquisition, (ii) the Consideration represents a discount to the Fair Value and (iii) the contribution made by Mr. Cheung and his Expert Team for obtaining the relevant licenses and approvals, we concur with the Directors' view that the basis in determining the Consideration is fair and reasonable.

Payment method of the Consideration

We have discussed with the management of the Company and note that the issue of the Consideration Shares and the Convertible Notes to satisfy the Consideration has the benefit of preserving the internal resources of the Group and also reduce the cash outflow. We note from the annual reports of the Company that the Group recorded cash and bank balances of approximately HK$76.0 million, HK$62.5 million and HK$40.6 million as at 31 March 2011, 2012 and 2013 respectively.

In consideration of the prior and current cash positions of the Group and having considered the combination issue of the Consideration Shares and the Convertible Notes would not reduce cash outflow of the Group and hence preserve the financial flexibility of the Group for its future development, we consider the settlement method by way of Consideration Shares and the Convertible Notes are in the interests of the Company and the Shareholders as a whole.

Consideration Shares

Upon Completion, HK$90 million of the Consideration will be satisfied by the allotment and issue of 120 million Consideration Shares at the Issue Price of HK$0.75 per Consideration Share under specific mandate to the Vendors or their nominees at Completion. The Consideration Shares will rank equally among themselves and *pari passu* in all respects with the Shares in issue on the date of the allotment and issue of the Consideration Shares.

The Consideration Shares to be allotted and issued by the Company to the Vendors or their nominees represent (i) approximately 8.67% of the total Shares in issue as the Latest Practicable Date; and (ii) approximately 7.98% of the total Shares in issue as enlarged by the allotment and issue of the Consideration Shares.

- *Comparison of the Issue Price with prevailing Share prices*

The Issue Price, which is equal to the Conversion Price, was determined after arm's length negotiations between the Company and the Vendors and represents:

(a) a discount of approximately 3.85% to the closing price of the Shares of HK$0.78 per Share as quoted on the Stock Exchange on the Last Trading Day;

(b) a discount of approximately 2.60% to the average of the closing prices of the Shares of approximately HK$0.77 per Share as quoted on the Stock Exchange for the 5 consecutive trading days up to and including Last Trading Day;

(c) a premium of approximately 1.35% over the average of the closing prices of the Shares of approximately HK$0.74 per Share as quoted on the Stock Exchange for the 10 consecutive trading days up to and including Last Trading Day; and

(d) a premium of approximately 51.52% over the closing price of the Shares of HK$0.495 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

- *Comparable analysis on the Issue Price*

For the purpose of further assessing the fairness and reasonableness of the Issue Price, we have, based on information available from the Stock Exchange's website and to the best of our knowledge, identified relevant very substantial acquisitions, connected transactions or not, that involved issues of new shares by companies listed on the Stock Exchange as consideration for acquisitions of assets/businesses (the "**Consideration Shares Comparables**") during the period of the past 12 months prior to the date of the Acquisition Agreement of 29 March 2012 (the "**Relevant Period**"). The Relevant Period is the shortest period providing sufficient number of comparables to generate the reasonable mean under the then market condition for comparison purpose. The Consideration Shares Comparables is only for general reference of market practice only as there should not be identical to the Acquisition.

Company name (Stock code)	Date of the announcement	(Discount) of the issue price to the closing price per share on the last trading date prior to the date of the announcement *(Approximate %)*	(Discount) of the issue price to the average closing price per share for the last five consecutive trading days up to and including the last trading day prior to the date of the announcement *(Approximate %)*	Premium/ (Discount) of the issue price over/to the average closing price per share for the last ten consecutive trading days up to and including the last trading day prior to the date of the announcement *(Approximate %)*
Wing Hing International (Holdings) Limited (currently known as Taung Gold International Limited) (0621)	4 April 2011	(31.67)	(22.64)	(18.00)
Huayu Expressway Group Limited (1823) *(Note)*	12 April 2011	(7.25)	(7.25)	(7.91)
Oriental Ginza Holdings Limited (currently known as Carnival Group International Holdings Limited) (0996)	6 October 2011	(13.50)	0.00	(1.10)
Tsun Yip Holdings Limited (currently known as CNC Holdings Limited) (8356)	11 October 2011	(59.59)	(58.74)	(56.20)
ChinaVision Media Group Limited (1060) *(Note)*	21 October 2011	(13.98)	(8.26)	(6.76)
New City (China) Development Limited (currently known as New City Development Group Limited) (0456)	15 November 2011	(88.68)	(88.68)	(88.64)
Minimum		**(88.68)**	**(88.68)**	**(88.64)**
Maximum		**(7.25)**	**0.00**	**(1.10)**
Mean		**(35.78)**	**(30.93)**	**(29.77)**
The Company		**(3.85)**	**(2.60)**	**1.35**

Source: www.hkexnews.hk and Bloomberg

Note: The relevant very substantial acquisitions are also the connected transactions of the companies (the "**Connected Consideration Shares Comparables**").

As illustrated in the above table:

1. For the issue prices of the consideration shares of the Consideration Shares Comparables to the closing price per share on the last trading date prior to the respective dates of the announcements ranged from a discount of approximately 7.25% to 88.68% (the "**First Range**") with a mean of approximately 35.78%. The discount of the Issue Price to the closing price of the Share on the Last Trading Day of approximately 3.85% (the "**First Discount**") is below the First Range.

2. For the issue prices of the consideration shares of the Consideration Shares Comparables to the average closing price per share for the last five consecutive trading days up to and including the last trading day prior to respective dates of the announcements ranged from a discount of approximately 0% to 88.68% (the "**Second Range**") with a mean of approximately 30.93%. The discount of the Issue Price to the average closing price of the Shares for the five consecutive trading days up and including the Last Trading Day of approximately 2.6% (the "**Second Discount**") falls within the Second Range.

3. For the issue prices of the consideration shares of the Consideration Shares Comparables to the average closing price per share for the last ten consecutive trading days up to and including the last trading days prior to the respective dates of the announcements ranged from a discount of approximately 1.10% to 88.64% (the "**Third Range**") with a mean of approximately 29.77%. The Issue Price represents a premium over the average closing price of the ten consecutive trading days up and including Last Trading Day of approximately 1.35% (the "**Third Premium**") and falls beyond the Third Range.

4. The First Discount and Second Discount are below the respective discounts of the issue prices of the Connected Consideration Shares Comparables to (i) the closing price of the share on the last trading day prior to the respective dates of the announcements and (ii) the average closing price per share for the last five consecutive trading days up to and including the last trading day prior to respective dates of the announcements. The Third Premium falls beyond the respective discounts of the issue prices of the Connected Consideration Shares Comparables to the average closing price per share for the last ten consecutive trading days up to and including the last trading day, prior to the respective dates of the announcements.

In light of the above, we consider the Issue Price is fair and reasonable.

Convertible Notes

Upon Completion, HK$2.91 billion of the Consideration will be satisfied by the issuance of the 10-year Convertible Notes by the Company to the Vendors or their nominees at the initial conversion price of HK$0.75 per Conversion Shares, subject to adjustments, for conversion of 3.88 billion Conversion Shares at Completion. The Convertible Bonds are interest free and transferable, provided that none of the Convertible Notes may be transferred to any connected person of the Company.

The Convertible Notes are convertible at any time, and from time to time, at the option of the holders of the Convertible Notes, subject to the conversion restrictions set out in the terms of the Convertible Notes in relation to the compliance with the relevant requirements of the Takeovers Code and the Listing Rules. The Company has the option to early redeem the entire or part of the Convertible Note(s) at the redemption amount equals to the principal amount of the Convertible Note(s) before the Maturity Date but not the holders of the Convertible Notes. The Company shall redeem or convert the outstanding Convertible Notes at the Conversion Price on the Maturity Date. The holder(s) of the Convertible Note(s) will have the right at their sole option, to require the Company to redeem all (but not some) of the Convertible Notes following the occurrence of any of the events of default.

For details of the terms of the Convertible Notes, please refer to the section headed "Convertible Notes" of the Board Letter.

The Conversion Shares represent (i) approximately 280.27% of the existing issued share capital of the Company; (ii) approximately 72.06% of the issued share capital of the Company as enlarged by the Consideration Shares and the Conversion Shares; and (iii) approximately 67.86% of the issued share capital of the Company as enlarged by the Consideration Shares, Conversion Shares and Placing Shares.

- *Comparison of the Conversion Price with prevailing Share prices*

The Conversion Price was determined after arm's length negotiations between the Company and the Vendors and was equal to the Issue Price. Please refer to the section headed "Comparison of the Issue Price with prevailing Share prices" for the comparison in above of the Conversion Price with prevailing Share prices.

- *Comparable analysis on principal terms of the Convertible Notes*

To assess the fairness and reasonableness of the terms of the Convertible Notes, we focus on reviewing the term to maturity, interest rate, conversion price and the early redemption clause of the Convertible Notes.

For the purpose of further assessing the fairness and reasonableness of the principal terms of the Convertible Notes, we have, based on information available from the Stock Exchange's website and to the best of our knowledge, identified relevant very substantial acquisitions, connected transactions or not (the "**CN Comparables**") that involved issues of convertible bonds/notes by companies listed on the Main Board of the Stock Exchange as consideration for acquisitions of assets/businesses during the Relevant Period. The Relevant Period is the shortest period providing sufficient number of comparables to generate the reasonable mean under the then market condition for comparison purpose. The CN Comparables is only for general reference of market practice only as there should not be identical to the Acquisition.

Company name (Stock code)	Date of the announcement	Term to maturity *(years)*	Interest rate *(%)*	Premium/(discount) of the conversion price of the convertible bonds or notes over/(to) the closing price per share on the last trading date prior to the date of announcement *(Approximate %)*	Premium/(discount) of the conversion price of the convertible bonds or notes over/(to) the average closing price per share for last five consecutive trading days up to and including the last trading day prior to the date of the announcement *(Approximate %)*
Inno-Tech Holdings Limited (8202)	21 July 2011	3	0	4.11	(3.55)
Hsin Chong Construction Group Ltd. (0404) *(Note 1)*	28 July 2011	7	0	(2.50)	1.30
China Grand Forestry Green Resources Group Limited (currently known as China Sandi Holdings Limited) (0910)	30 September 2011	5	0	4.90	3.45
Oriental Ginza Holdings Limited (currently known as Carnival Group International Holdings Limited) (0996)	6 October 2011	5	0	(13.50)	0.00
Tsun Yip Holdings Limited (currently known as CNC Holdings Limited) (8356)	11 October 2011	3	5	(59.59)	(58.74)
Bao Yuan Holdings Limited (currently known as China Household Holdings Limited) (0692)	2 November 2011	3	2	(16.67)	(18.03)
Long Success International (Holdings) Limited (8017) *(Notes 1 & 2)*	13 December 2011	2	0	6.67	19.40
Minimum		**2**	**0**	**(59.59)**	**(58.74)**
Maximum		**7**	**5**	**6.67**	**19.40**
Mean			**1.0**	**(10.94)**	**(8.02)**
The Company		**10**	**0**	**(3.85)**	**(2.60)**

Source: www.hkexnews.hk and Bloomberg

Notes:

1. The relevant very substantial acquisitions are also the connected transactions of the companies (the "**Connected CN Comparables**").

2. As referred to the announcement of Long Success International (Holdings) Limited ("**Long Success**") dated 19 April 2012, the sale and purchase agreement in relation to the very substantial acquisition of Long Success was terminated on 19 April 2012.

Term to maturity

The terms of the CN Comparables and the Connected CN Comparables both ranged from 2 years to 7 years. The term of the Convertible Notes of 10 years is slightly longer than the range of the terms of the CN Comparables and the Connected CN Comparables. Given that the Convertible Notes with longer maturity allow the Group to have flexibility for financial planning and decide the appropriate timing to redeem the outstanding Convertible Notes, it is favourable to the Group.

Interest rate

The Convertible Notes do not bear any interest while the CN Comparables carry annual interest ranged from nil to 5% with the mean of approximately 1.0%. It is favourable for the Group to pay no interest for the Convertible Notes and such terms are comparable to those of the Connected CN Comparables which carry no interest.

Conversion Price

As illustrated from the table above:

1. For the conversion prices of the convertible bonds or notes of the CN Comparables to the closing price per share on the last trading date prior to the respective dates of the announcements ranged from a premium of approximately 6.67% to a discount of approximately 59.59% with a mean of a discount of approximately 10.94%. The discount of the Conversion Price to the closing price of the Shares on the Last Trading Day of approximately 3.85% (the "**First CN Discount**") falls within the range of the CN Comparables above.

2. For the conversion prices of the convertible bonds or notes of the CN Comparables to the average closing price per share for last five consecutive trading days up to and including the last trading days prior to the respective dates of the announcements ranged from a premium of approximately 19.40% to a discount of approximately 58.74% with a mean of a discount of 8.02%. The discount of the Conversion Price to the average closing price for the five consecutive trading days up and including the Last Trading Day of approximately 2.6% (the "**Second CN Discount**") is within the range of the CN Comparables above.

3. For the conversion prices of the convertible bonds or notes of the Connected CN Comparables to the last trading date prior to the respective dates of the announcements ranged from a premium of approximately 6.67% to a discount of approximately 2.5%. The First CN Discount is slightly lower than the respective range of the Connected CN Comparables.

4. For the conversion prices of the convertible bonds or notes of the Connected CN Comparables to the average closing price per share for last five consecutive trading days up to and including the last trading days prior to the respective dates of the announcements ranged from a premium of approximately 1.3% to 19.40%, while the Company records a slight Second CN Discount.

Despite the First CN Discount and the Second CN Discount are slightly unfavourable in compared with those of the Connected CN Comparables, we consider that the Conversion Price is fair and reasonable given that the First Discount and the Second Discount fall within both ranges of the CN Comparables as mentioned above.

Early redemption

The Company has the option to early redeem the entire or part of the Convertible Note(s) at the redemption amount equals to the principal amount of the Convertible Note(s) before the Maturity Date but not the holders of the Convertible Notes. As the Company has the right, not the obligation, to force the conversion of the Convertible Notes, we consider that the early redemption clause of the Convertible Notes is favorable to the Company.

Other terms

We have also reviewed the other terms of the Convertible Notes and are not aware of any terms which are uncommon to normal market practice.

Accordingly, we consider the terms of the Convertible Notes are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

Deed of Confirmation and Guarantee

As at Completion, the Company, the Purchaser, Sino PowerHouse and the Target Company will execute the Deed of Confirmation and Guarantee. We have reviewed the major terms of the Deed of Confirmation and Guarantee, which includes:

1. the Company and the Purchaser guarantee in favour of Sino PowerHouse that they will repay the Shareholder's Loan owed by the Target Company to Sino PowerHouse within two years from the Completion;

2. in the event that the Target Company does not have sufficient fund to repay the Shareholder's Loan within one year from the Completion, Sino PowerHouse has irrevocably and unconditionally undertaken not to demand the repayment of the Shareholder's Loan; and

3. the Shareholder's Loan is interest free within two years from the Completion.

Pursuant to the aforesaid terms, Sino PowerHouse will not demand repayment of the Shareholder's Loan within the first year of the Completion if the Target Company does not have sufficient fund. We concur with the Directors' view that such arrangement provides the Group with financial flexibility given the Group is not required to repay the Shareholders' Loan immediately before the Target Company generates sufficient fund for repayment of the Shareholder's Loan, which is in the interest of the Company and the Shareholders as a whole.

THE VALUATION REPORT

Wise Goal has appointed SRK to carry out an independent technical assessment on the asset, reviewing aspects of the geology and resource estimation, as well as studies relating to preliminary mining and processing options for the deposit of the Glauberite Mine. We understand that SRK has conducted its review and preparation of the Competent Person's Report dated 31 May 2013 in accordance with the requirements of Chapter 18 of the Listing Rules. The report has been prepared to the standard of, and is considered by SRK to be, a technical assessment report under the guidelines of the VALMIN Code. The VALMIN Code incorporates the JORC Code for the reporting of mineral resources and ore reserves, which is suitable for public reporting and meets the reporting standards of Chapter 18 of the Listing Rules.

In accordance with Rule 18.09(3) of the Listing Rules, a mineral company proposing to acquire or dispose of assets which are solely or mainly mineral or petroleum assets as part of a relevant notifiable transaction must produce a valuation report in the case of a major (or above) acquisition, which must form part of the relevant circular, on the mineral or petroleum assets being acquired as part of the relevant notifiable transaction. As such, Wise Goal has also appointed SRK as the competent evaluator to value the Taowei Thenardite Project at the valuation date of 30 June 2013 (the "**Valuation**"). We understand that the Valuation Report has been prepared in accordance with Chapter 18 of the Listing Rules and the guidelines set out in the VALMIN Code.

SRK has valued the Taowei Thernardite Project on the basis of fair market value on an on-going concern basis. Fair market value is defined as "in respect of mineral asset, the amount of money (or the cash equivalent of some other consideration) determined by the expert in accordance with the provisions of the VALMIN Code for which the mineral relevant asset should change hands on the relevant date in an open and unrestricted market between a willing buyer and a willing seller in an "arm's length" transaction, with each party acting knowledgeably, prudently and without compulsion". We understand that SRK (i) has reviewed the previous valuation report on the Taowei Thernardite Project provided by Wise Goal and technical-economic model, in light of queries from the Stock Exchange; (ii) has created a separate technical-economic model ("**TEM**"); (iii) has reviewed the TEM provided by Wise Goal and carried out internal peer review by SRK; and (iv) prepared the Valuation Report and competed its work in July 2013.

The Valuation contains calculations and forecasts based substantially on data contained in the Competent Person's Report and those provided by Wise Goal. The SRK team consisted of Mr. Michael John Warren, Corporate Consultant (Project Evaluations) and Dr. Louis Bucci, Principal Consultant (Project Evaluations) who completed the majority of the work programme. Internal Peer Review of the model was completed by Mr. Anthony Stepcich, Principal Consultant (Project Evaluations), with overall internal Peer Review of the report completed by Mr. Romeo Ayoub, Principal Consultant (Project Evaluations).

We have reviewed the qualifications and prior experience of working team of the SRK. Dr. Louis Bucci is able to meet the requirements for competent persons under Chapter 18 of the Listing Rules. Mr. Michael John Warren and Dr. Louis Bucci are able to meet the requirements for (a) valuers under Chapter 5 of the Listing Rules and (b) competent evaluators under Chapter 18 of the Listing Rules. We have also discussed with the SRK in relation to their terms of engagement and reviewed their engagement letter, in particular, their scope of work, and considered that their scope of work is appropriate to the opinion required to be given and there is no limitation on the scope of work which might adversely impact on the degree of assurance given by them in their reports.

Valuation approaches and methodology

According to the Valuation Report, the "fair market value" is usually comprised of two components, the underlying technical value of the mineral asset and a premium or discount related to market, strategic or other considerations.

Development status of the mineral assets

According to the Valuation Report, valuation methods in common usage for mineral assets are dependent on numerous factors including and not necessarily limited to: the purpose of the valuation undertaken; the development status of the mineral assets; and the extent and reliability of available information. The application of valuation approach and method to mineral assets is largely dependent upon determined development status. As such, SRK has evaluated the development status of the Mineral Assets.

As disclosed in the Valuation Report, in accordance with VALMIN Code, mineral assets comprise all property including but not limited to real property, intellectual property, mining and exploration tenements held or acquired in connection with the exploration of, the development of and the production from those tenements together with all plant, equipment and infrastructure owned or acquired for the development, extraction and processing of minerals in connection with those tenements. Most of mineral assets can be classified as (i) Exploration Property; (ii) Advanced Exploration Property; (iii) Pre-development Property; (iv) Development Property; and (v) Operating Mines.

We understand from SRK that after their review on the Competent Person's Report and information provided by Wise Goal and discussion with management of the Target Group and the Changsha Design and Research Institute of Ministry of Chemical Industry ("**Changsha Institute**"), which has completed to prepare the report on "A feasibility study on producing device for glauberite's outputting 0.5 Mt of Na_2SO_4 annually in Taowei, Heng County" in August 2011 ("**FS**"), SRK considers the Mineral Assets can be classified as Development Property, which are the properties that a decision has been made to proceed with construction and/or production, but which are not yet commissioned or is not yet operating at design levels. As set out in the Valuation Report, in general, market based approach or income based approach will be adopted to value the Development Property.

Valuation approach

We understand from SRK that they have considered the three generally accepted approaches in common use for determining the fair value of the mineral assets, namely (i) market based approach, (ii) cost based approach and (iii) income based approach.

Market based approach

The "market cased approach" (also referred to as the sales comparison based approach) considers the sales of similar or substitute mineral assets or properties and related market data, and establishes a value estimate by process involving comparison. For the mining and metals sector the methodologies applied are by consideration of indirect means which seeks to compare the subject mineral asset or property to similar mineral assets or properties which have been sold/transacted in an open market. Accordingly, value in this instance is established by the principle of substitution which simply means that if one thing is similar to another and could be used for the other, then they must be equal. Furthermore, the price of two alike and similar items should approximate one another. Examples of valuation of methods employed for the market based approach include the guideline company method, the guideline transaction method, the analysis of prior transactions in the ownership of the subject company, and the rules of thumb. The mineral asset or property used for comparison must serve as a reasonable basis for comparison.

SRK advised us that the adoption of the market based approach was not appropriate in valuing the Mineral Assets as it required the valuer to look into the transactions recently completed on an arm's length basis where the subject business is sufficiently similar to that being valued. It was however, often difficult to find comparable assets and to obtain full details of such transactions as all relevant information may not be in the public domain. Also, they were not aware of any suitable comparable transactions and considered the data available for performing valuation under the income based approach is more reliable. As such, they did not apply the market based approach for the Valuation.

Cost based approach

The cost based approach (also referred to as asset-based approach) considers the possibility that, as a substitute for the purchase of a given mineral asset or property, one could construct another mineral asset or property that is either a replacement of the original or one that could furnish equal utility. We understand from SRK that it considers the cost approach is generally not appropriate for valuing mineral assets or properties however this is normally applied for valuing tangible assets other than mineral assets or properties. Thus, SRK considers the cost based approach is not appropriate for the Valuation.

Income based approach

The income based approach (also referred to as the income capitalisation approach) considers income and expense data relating to the mineral asset or property being valued and estimates value through a capitalisation process. Accordingly, this is based on the principle of anticipation of benefits and includes all valuation methods that are based on the income or cashflow generation potential of the mineral asset or property. The underlying theory of this approach is that the value of the mineral asset or property can be measured by the present worth of the economic benefits to be received over the useful life of the mineral asset or property. Based on this valuation principle, the income based approach estimates the future benefits and discounts them to their present values using a discount rate appropriate for the risks associated with realising those benefits.

For the income based approach, the most widely used valuation method applied for mineral assets or properties (Pre-development, Development and Operating Mines) is discounted cashflow ("**DCF**"). This method considers the majority of factors that influence the value of the business enterprise, including expected changes in the mineral asset or property's operating activity and profitability. Projected cash flows of the subject asset are discounted using end-point discounting and the sum of the present values of the discounted interim cashflows and the discounted terminal value (if applicable) are added to provide an indication of value for the mineral asset or property appraised, commonly referred to as the net present value ("**NPV**"). We understand, in the opinion of SRK, the income based approach and specifically the DCF methodology is the most appropriate for the Valuation.

According to the Valuation Report, the income based approach requires three elements: (i) a forecast of the expected future cashflows, (ii) the selection of an appropriate discount rate and (iii) a determination of terminal value, beyond the forecast period if considered applicable. We have discussed with SRK regarding the major assumptions made, in particular, (i) the major items for forecasting of the expected future cashflows; (ii) the discount rate; and (iii) terminal value.

(i) Forecast of the expected future cashflows

Mineral resources

SRK has classified the mineral resources in accordance with the JORC Code. According to the Competent Person's Report, the mineral resources of the Taowei Thenardiate Project comprises of 219 million tonnes and 17 million tonnes of indicated and inferred resources of sodium sulphate respectively. We note that SRK has estimated the amount of the mineral resources by only using the indicated resources to estimate the mining inventory, which is in compliance of Rule 18.30(3) of the Listing Rules that inferred resources are not considered in the Valuation.

We consider that extracting data from the Competent Person's Report and only accounting for the indicated resources by SRK are in compliance of the relevant requirements of the Listing Rules and acceptable.

Thenardite production

SRK assumes the thenardite production tonnes per annum of the Taowei Thenardiate Project begins ramping up to a production rate of 575,000 tonnes ("**Phase I**") for the period from 2015 to 2016, then expands to 1 million or 1.725 million tonnes ("**Phase II**") for the period from 2017 to 2019, then expands further to 3.45 million tonnes ("**Phase III**") for the period from 2020 to 2037. We have discussed with SRK and the Company regarding the feasibility to achieve the production plan under the stipulated timeframe.

The management of the Company advised us that due to unforeseen delay in despatch of the circular, the Target Group has already revised the timeline to start commercial production of thernadite after the completion of the processing plant under Phase I to year 2014 to 2015 from its original expected commencement time from year 2012 to 2013. In addition, it only allows the EJV to mine 4.3 million tonnes of ores annually under the Mining License. The approved production capacity under the Mining License is not sufficient to meet the production needs for Phase II and Phase III. As confirmed by the PRC legal adviser of the Company, there is no legal obstacle for the EJV to apply for additional production capacity for Phase II and Phase III in accordance to the applicable rules in the PRC. SRK advised that it is feasible for the Taowei Thenardiate Project to commence production in 2015 after the completion of the processing plant.

Sales price of thenardite

According to the Valuation Report, the management of the Company advised SRK that they believed the thernadite produced under the Taowei Thenardite Project would achieve a sales price of RMB832.50 per tonne (value added tax ("**VAT**") included). SRK also estimates the annual growth in revenue with reference to more industry specific Producer Price Index (Non-Ferrous Metal Mining and Dressing) for the PRC from the year 2008 to 2013.

As advised by the Directors, the Group prepares to produce specialty thenardite from the minerals extracted from the Glauberite Mine, which is tailor-made products to satisfy specific needs of the clients in different industries and is able to sell at a higher price in compared with the powder thenardite.

In order to assess the sales price of the thenardite adopted in the forecast, SRK has made reference of the annual reports of China Lumena New Materials Corp. (stock code: 67) ("**Lumena**"), which is a company listed on the Main Board of the Stock Exchange principally engaged in manufacturing and sale of polyphenylene sulfide ("**PPS**") products including PPS resin, PPS fibre and PPS compounds and processing and sale of powder thenardite, specialty thenardite and medical thenardite to derive the base sales price of thernadite. SRK derives the 5-year average sales price of specialty thernadite for the period between 2008 and 2012 based on the information contained in the annual reports of Lumena for comparison purpose. The net of VAT and VAT included 5-year average sales price of specialty thernadite are approximately RMB806.07 per tonne and RMB943.10 per tonne respectively. SRK notes that the projected price of RMB832.50 per tonne (VAT included) is approximately RMB110.6 per tonne below the 5-year average sales price of RMB943.1 per tonne for the period between 2008 and 2012 and RMB123.8 per tonne above the 2012 average price of specialty thenardite of approximately RMB708.7 per tonne.

SRK have also reviewed the quotations of specialty thenardite made in May 2013, which was provided by Wise Goal, the range of which was from RMB1,000 per tonne to RMB1,300 per tonne, and other quotations for powder thenardite made in July 2013, the range of which was from RMB600 per tonne to RMB650 per tonne. All prices are with VAT.

Having considered RMB832.50 per tonne (VAT included) is approximately at the current mid-price level, and in the absence of other reliable forecasts for future thenardite sale prices, SRK accepts that the forecast provided by Wise Goal for the expected specialty thenardite from the Taowei Thenardite Project of RMB832.50 per tonne (VAT included), is a reasonable forecast. In addition, as SRK recognises that the sales price of the specialty thernardite is a significant risk for the Valuation. Hence, SRK performed sensitivity studies which provided results for declines in the thenardite sales price and set out in the section headed "5.17 Weighted options and sensitivity study" contained in the Valuation Report.

We have discussed with SRK and obtained the aforesaid quotations for review. We have also researched and noted that there is no thenardite price index generally accepted by the market. In light of the above, we consider SRK has taken reasonable steps to assess the sales price of specialty thenardite in light of the constraints to obtain sales price information of specialty thenardite.

Operating and capital costs

As stated in the Valuation Report, the operating and capital costs adopted are based on the unit cost per tonne of product taken from the FS, which is prepared by Changsha Institute. We have obtained and reviewed the qualification and prior experience of Changsha Institute to assess its competence to prepare the FS. We note that Changsha Institute, a scientific and technological enterprise in the province of Hunan directly under the PRC central government, was established in 1978. It is one of the most reputable institute in the PRC focusing on the disciplines of geology, environmental resources management, engineering and information technology and consultants in the PRC. Over the past 30 years, Changsha Institute has accomplished over 2,600 projects in respects of project surveying and investigation, engineering design, construction supervision and consulting and has undertaken more than 100 national and provincial key scientific research projects, of which about 80 projects have won national and provincial awards such as the first and second awards for National Scientific and Technological Progress, the gold and silver medals for Excellent Engineering Design, the first award for National Excellent Engineering Consultation and National Award for Engineering Quality. The customers of Changsha Institute are covering 21 districts and provinces, municipalities and autonomous regions in the PRC. It has offered designs and technical services to customers from Turkey, Iran, Mongolia, Uzbekistan, Turkmenistan and Laos and has established fruitful cooperative relationship with some noted companies from the United States of America, Australia, the Netherlands, Poland, Israel and Chile. In addition, we note that Changsha Institute has prior experience in handling projects similar to the Taowei Thenardite Project including the engineering design of (i) an accessory mine project for the expansion of a washing auxiliary detergent plant which involved mining of calcium type mirabilite in Sichuan province, (ii) an anhydrous sodium sulfate mine project in Hunan Province and (iii) an anhydrous sodium sulfate mine auxiliary project in Hengxian, Guangxi province, which is located in the same county of that of the Taowei Thenardite Project. In consideration of the above, we are advised by SRK and concur with the Directors that Changsha Institute is competent to prepare the FS.

We understand from SRK that it has reviewed the estimated operating and capital costs as extracted from the FS and set out the details and its comments on the estimation in the section headed "Executive Summary" and "6.6 Mining cost estimates" in the Competent Person's Report. SRK also uses the general Producer Price Index for the PRC from year 2004 to 2013 to estimate the annual growth in operating and capital costs.

We note that SRK has provided a general comment in the Competent Person's Report that it is not clear if there are any test results or other data to support the key design criteria and operating and capital costs estimates for the processing route. Some of the categories allocated to cost centres are confusing in a western context, but may be standard in the PRC, and misinterpreted in the translation of the FS. Given the early stage of development of the Taowei Thenardite Project, and that the processing flowsheet is conceptual in nature, SRK recommends that a more detailed breakdown and explanation of the operating and capital costs estimates be undertaken during the next stage of engineering studies.

SRK considers that the FS only represents a scoping or conceptual engineer study, and additional engineering studies are recommended and this is normal for the development of mining projects globally. SRK advises that the magnitude of the estimates presented to demonstrate a commitment by the Target Group to develop the project as fast as possible, post raising of capital from the market. Despite (i) the uncertainties given the lack of detail in the operating and capital costs numbers provided in the processing section of the FS, (ii) the absence of a detailed development schedule relative to predicted production ramps and (iii) the forecast for expenditure for the first 12 months seems aggressive, SRK considers that it is appropriate to adopt what the Changsha Institute predicts for total expenditure in the FS.

We have discussed with SRK and confirmed with the management of the Company, given that the Taowei Thenardite Project is in its early stage of development, and that the processing flowsheet is conceptual in nature, the management of the Target Group will follow up with SRK recommendation to prepare a more detailed breakdown and explanation of the operating and capital costs during the next stage of engineering studies.

As such, SRK advises us that the existing information contained in the FS, being the best available information, and the major assumptions construct the DCF model in valuing the Mineral Assets, are generally acceptable in early development stage of the Taowei Thenardite Project based on its professional judgment and prior experience obtained from similar projects.

In light of (i) the expertise, qualification and prior experience of Changsha Institute which is competent to prepare the FS and (ii) SRK considers the forecast for the operating and capital costs are appropriate and the best available information adopted to prepare the Valuation at the early stage of development of the Taowei Thenardite Project based on its professional judgment, we consider the adoption of estimated operating and capital costs taken from the FS to prepare the Valuation is appropriate.

(ii) Discount rate

We have discussed with SRK regarding the determination of the base case discount rate of 13.05% adopted in the Valuation. We understand from the SRK that the discount rate (i.e. weighted average cost of capital ("**WACC**")) was calculated based on Capital Asset Pricing Model and reflects, among others, (i) risk-free rate, being the rate of the 10 year PRC Government Bond Rate as at 30 June 2013; (ii) the market risk premium sourced from Shenzhen Shanghai 300 Market Index; and (iii) on a debt-free basis. SRK confirmed us that the rate of the 10 year PRC Government Bond Rate and the market risk premium sourced from Shenzhen Shanghai 300 Market Index are the most relevant and reliable reference adopted to estimate the risk-free rate and the market risk premium respectively based on its professional judgment. We have reviewed the information extracted from the Bloomberg's database provided by SRK to verify the figures adopted to estimate the risk-free rate and the market risk premium used in the Valuation. In addition, SRK advised us that in order to eliminate the impact on value of the different long-term financing options available to a potential purchaser of the business, analysis is generally made on a debt-free basis. Hence, SRK adopts a debt-free basis to derive the discount rate. Taking into account of the above, we concur with the Directors that the discount rate is reasonably determined. However, the discount rate adopted will affect the Valuation. Shareholders could refer to the section headed "5.20 Valuation Components" in the Valuation Report for more information about the consequence of the Valuation for the changes of the discount rates.

(iii) Terminal value

With regard to the terminal value, SRK recognised that the previous valuation spreadsheet provided by Wise Goal depicted a 42 year mine life, so SRK created another copy of the model and expanded it to 42 years, including extending the discount factor calculation.

The 42 year TEM resulted in a similar NPV outcome to the 25 year TEM, so SRK concentrated on the 25 year TEM for all further work. As advised by SRK, it is a commonly adopted method to determine the terminal value adopted in the TEM.

(iv) Conclusion

The management of the Company confirmed that they have reviewed and satisfied themselves with the basis of the underlying assumptions in connection with the Valuation. We have discussed with SRK regarding its rationale for adopting the abovementioned major assumptions and SRK has also confirmed that the methodology and parameters used in assessing the fair market value of the Taowei Thenardite Project, including the major assumptions adopted, are in alignment with market practice.

In light of the above, we consider that the valuation methodology adopted to derive the Valuation to be fair and reasonable.

POSSIBLE FINANCIAL EFFECTS OF THE ACQUISITION

The pro forma financial information of the Enlarged Group as contained in Appendix III of this circular (the "**Pro forma Financial Information**") sets out various analyses on the potential financial effects on the Acquisition on the Group. It should note that the figures and financial impact shown in this section are for illustrative purpose only.

Since Completion, the companies of the Target Group will be treated as subsidiaries of the Company and will be accounted for in the consolidated financial statements of the Group.

Assets and liabilities

As stated in the 2013 Annual Report, the consolidated total assets and total liabilities of the Group as at 31 March 2013 were approximately HK$293.5 million and approximately HK$56.0 million respectively.

According to the Pro forma Financial Information, the pro forma total assets and total liabilities of the Enlarged Group are approximately HK$3,330.0 million and approximately HK$216.5 million respectively upon Completion, as calculated based on the applicable assumptions.

Gearing ratio

According to the 2013 Annual Report, the gearing ratio (calculated as total borrowings divided by equity attributable to the owners of the Company) of the Group as at 31 March 2013 was nil. Upon Completion, the gearing ratio of the Enlarged Group (calculated as total borrowings including amount due to a related company, divided by equity attributable to the owners of the Company) as calculated based on the Pro Forma Financial Information is approximately 5.3%.

Earnings

The Target Group recorded an audited net loss attributable to the owners for the six months ended 30 June 2013 of HK$12.7 million. In light of the potential future prospects of Target Group, the Directors expect that consolidating the financial results of Target Group into the Group would have a favourable long term prospects on the Enlarged Group's earnings upon Completion.

EFFECTS OF THE ACQUISITION ON THE SHAREHOLDING OF THE COMPANY

The following table set out, for illustrative purpose only, the effect of the Acquisition on the Shares in issue immediately after the Completion:

	As at the Latest Practicable Date		Immediately after the issue of Placing Shares		Immediately after the issue of Placing Shares and Consideration Shares		Immediately after the issue of Placing Shares, the exercise of Convertible Notes and the issue of Consideration Shares up to approximately 30% for Mr. Cheung, Mr. Chan, Sino PowerHouse, Mr. Zhou Bo and Mr. Luan Zhong Jie		Immediately after the full exercise of Convertible Notes, the issue of Consideration Shares and Placing Shares *(For illustration purpose only)* *(Note 2)*	
	Shares	*Approximate %*	*Shares*	*Approximate %*	*Shares*	*Approximate %*	*Shares*	*Approximate %*	*Shares*	*Approximate %*
Mr. Cheung *(Note 1)*	311,232,469	22.48	311,232,469	18.12	311,232,469	16.93	311,232,469	15.51	311,232,469	5.44
Sino PowerHouse *(Note 1)*	–	–	–	–	84,000,000	4.57	202,746,228	10.10	2,800,000,000	48.97
Mr. Zhou Bo	–	–	–	–	30,000,000	1.63	72,409,367	3.61	1,000,000,000	17.49
Mr. Luan Zhong Jie	–	–	–	–	6,000,000	0.33	14,481,873	0.72	200,000,000	3.50
Placees	–	–	333,300,000	19.40	333,300,000	18.14	333,300,000	16.60	333,300,000	5.83
Public	1,073,164,331	77.52	1,073,164,331	62.48	1,073,164,331	58.40	1,073,164,331	53.46	1,073,164,331	18.77
Total	1,384,396,800	100.00	1,717,696,800	100.00	1,837,696,800	100.00	2,007,334,268	100.00	5,717,696,800	100.00

Notes:

1. The 2,800,000,000 Shares represent beneficial interest of Sino PowerHouse, which is owned as to 51% by Mr. Cheung and as to 49% by Mr. Chan. Mr. Chan owns the underlying Shares of 12,000,000 from the share options granted but does not own any shares as at the Latest Practicable Date. Mr. Cheung owns the underlying Shares of 1,200,000 from the share options granted.

2. The shareholding structure of the Company under this scenario does not meet the minimum public float requirement under the Listing Rules. This scenario is for illustration purpose only.

3. As stated in the table above, the Acquisition will not result in a change of control of the Company.

As set out above, immediately after the exercise of Convertible Notes, the issue of Consideration Shares and Placing Shares in full, the existing Independent Shareholders will be diluted from approximately 77.52% to 18.77%. We have reviewed the maximum dilution effect arising from (i) the issue of the consideration shares and/or (ii) the conversion of the convertible bonds/notes as consideration and/or (iii) the issue of new shares to settle the considerations of the relevant transactions of the Consideration Shares Comparables and the CN Comparables to the existing independent shareholders of the companies. We note that it is not uncommon to record significant dilution effect to the shareholding interests of the existing independent shareholders of the companies. Given that (i) the Acquisition will bring potential growth for the Group after penetrating into the thenardite industry and broaden the income base of the Group and (ii) the Group does not able to settle the Consideration in cash in immediate future, we are of the view that the dilution effect on the shareholdings of the existing Independent Shareholders is acceptable despite it is unfavorable to have significant dilution effect to the existing Independent Shareholders brought by the Acquisition.

RISK FACTORS

We would like to draw the attention of the unfavaourable risk factors contained inherited in the nature of the resources and business operations of the Glauberite Mine, many of which are beyond the control of the Group. These risks can be categorized into (i) risks relating to the business and industry of the Glauberite Mine; and (ii) risks relating to conducting operations in the PRC.

We have, based on information available from the Stock Exchange's website and to the best of our knowledge, identified six circulars issued by companies listed on the Stock Exchange on very substantial acquisitions regarding acquisition of mineral assets/business (the "**Minerals VSA**") during the period from the past 12 months prior to the date of the Acquisition Agreement of 29 March 2012 up to the Latest Practicable Date and reviewed the risk factors section set out in the circulars of the Minerals VSA. We note that most of the risk factors contained in the section "Risk factors" to the Board Letter are the common risks associated with mining business.

In addition, we (i) have discussed some specific risk factors with the management of the Company such as the risks concerning (a) unable to renew the mining right of the Glauberite Mine; (b) the legal title and permit on the use of land or other assets; (c) unable to raise capital on acceptable terms and timely manner; (d) inadequate basis to evaluate the future execution results and prospects given that the thenardite production process is conceptual in nature; and (e) the quality or grade of the thenardite products may not be acceptable to the customers and (ii) have reviewed the section on "Board assessment on risk factors" set out in the Board Letter so as to assess the risks inherited in the nature of the resources and business operations of the Glauberite Mine.

Furthermore, we would like to draw the attention of the Shareholders about the risks regarding (i) the successful implementation of the production plan under the Taowei Thenardite Project given the thenardiate production process is conceptual in nature and (ii) the reliability of the Valuation to appraise the Fair Value.

Regarding the successful implementation of the production plan under the Taowei Thenardite Project, as advised by the management of the Company, they, together with the Expert Team, will continuously refine and monitor the production plan of the Taowei Thenardite Project so as to ensure implementing the project in an effective and timely manner. They will also engage Changsha Institute and other relevant professionals to assist in design, construction and management of the infrastructure, the production facilities and the production process of the Taowei Thenardite Project. In light of the above, we concur with the Directors that the feasibility to carry out the production plan under the Taowei Thenardite Project in a timely manner is enhanced.

In respect of the reliability of the Valuation, although the Valuation may not be accurate and may overstate the Fair Value as there is no assurance that the estimated parameters and assumptions adopted in the Valuation can be sustained and continue to be valid in the future. The Directors, after their due diligence, consider that the estimated parameters and assumptions adopted in the Valuation Report are based on the best available information and form a reasonable basis for them to make reference for determining the Consideration.

In consideration of (i) most of the risks are common risks to mining business; (ii) the representation of the Directors that some risks are unlikely to occur and able to be mitigated; and (iii) the reasons for and commercial benefits arising from the Acquisition, we concur with the Board that the entering into of the Acquisition Agreement is still in the interests of the Shareholders and the Company as a whole despite some of the risks are beyond the control of the Group and cannot be mitigated entirely.

RECOMMENDATION

Having considered the above principal factors and analysis, we consider the terms of the Acquisition Agreement are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and Shareholders as a whole. Accordingly, we recommend (i) the Independent Board Committee to advise the Independent Shareholders; and (ii) the Independent Shareholders, to vote in favour of the relevant resolution at the SGM to approve the Acquisition Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Kingston Corporate Finance Limited
Gregory Ho
Director

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the three years ended 31 March 2011, 2012 and 2013 is disclosed in the following documents which have been published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.sinocop.hk):

The audited consolidated financial statements of the Group for the year ended 31 March 2013 has been set out in pages 37 to 108 of the annual report 2013 of the Company which was posted on 26 July 2013 on the Stock Exchange's website. Please also see below quick link to the annual report 2013:

http://www.hkexnews.hk/listedco/listconews/SEHK/2013/0726/LTN20130726286.pdf

The audited consolidated financial statements of the Group for the year ended 31 March 2012 has been set out in pages 31 to 100 of the annual report 2012 of the Company which was posted on 12 July 2012 on the Stock Exchange's website. Please also see below quick link to the annual report 2012:

http://www.hkexnews.hk/listedco/listconews/SEHK/2012/0712/LTN20120712295.pdf

The audited consolidated financial statements of the Group for the year ended 31 March 2011 has been set out in pages 28 to 92 of the annual report 2011 of the Company which was posted on 6 July 2011 on the Stock Exchange's website. Please also see below quick link to the annual report 2011:

http://www.hkexnews.hk/listedco/listconews/SEHK/2011/0706/LTN20110706332.pdf

2. STATEMENT OF INDEBTEDNESS

At the close of business on 31 August 2013, being the latest practicable date for the purpose of ascertaining information contained in this statement of indebtedness prior to the printing of this circular, the indebtedness of the Enlarged Group was as follows:

Borrowings

The Enlarged Group had no outstanding borrowings as at the close of business of 31 August 2013.

Banking facilities

The Company's directors Mr. Cheung Ngan and Mr. Chan Chung Chun, Arnold, have provided an unlimited personal guarantee to a bank as a security for bank borrowings provided to the Group for its trading activities from time to time.

Security and guarantees

As at the close of business on 31 August 2013, the Enlarged Group had no pledge of assets.

Contingent liabilities

As at the close of business on 31 August 2013, the Enlarged Group had no significant contingent liabilities.

Commitments

As at the close of business on 31 August 2013, the Enlarged Group had the following capital commitment:

	HK$'000
Acquisition of property, plant and equipment	3,464
Capital expenditure for the mining right	300
Capital expenditure in respect of the construction of ores processing plant in Chile	3,771

Disclaimers

Saved as aforesaid and apart from intra-group liabilities and normal trade payables in the ordinary course of business, as at the close of business on 31 August 2013, the Enlarged Group did not have any bank loans, bank overdrafts and liabilities under acceptances (other than normal trade bills) or other similar indebtedness, debentures or other loan capital, mortgages, charges, finance leases or hire purchase commitments, guarantees or other material contingent liabilities.

The Directors have confirmed that there have been no material changes in the indebtedness, contingent liabilities and commitments of the Enlarged Group since 31 August 2013 up to the Latest Practicable Date.

3. WORKING CAPITAL

The Directors are of the opinion that the Enlarged Group has sufficient working capital for 125% of its present requirements for at least 12 months from the date of this circular after taking into account the present financial resources, including its internally generated funds and proposed placing arrangement, and the banking facilities presently available to the Enlarged Group.

4. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 March 2013, being the date to which the Group's latest published audited consolidated financial statements were made up.

5. MANAGEMENT DISCUSSION AND ANALYSIS OF THE RESULTS OF THE GROUP

Set out below is the management discussion and analysis of the Group for the three years ended 31 March 2011, 2012 and 2013 as extracted from the annual report of the Group.

Management Discussion and Analysis for the year ended 31 March 2011

Financial review

Results

During the year ended 31 March 2011, the Group recorded a turnover of approximately HK$312.4 million (2010: HK$389.8 million). The decrease in turnover was mainly due to the decrease in sales volume and the change in composition of metals and minerals traded during the year.

The gross profit margin has decreased from 15.3% in last year to 1.8% for the year ended 31 March 2011. The decrease in gross profit margin was mainly due to the different composition of products traded. As compare to last year, the trading volume of iron ores was substantially decreased during the year due to its price fluctuation as well as its lower profit margin. As such, the Group had concentrated its trading in nickel ores, the price of which is less fluctuated but with a relatively lower gross profit margin. As a result, the gross profit had decreased to approximately HK$5.7 million during the year (2010: HK$59.8 million).

The Group recorded a loss of approximately HK$52.9 million for the year as compared to a loss of HK$32.4 million for the last year. Such an increase in loss was mainly due to the decrease in gross profit as discussed above. There was also a provision for impairment loss on prepayments of approximately HK$8.1 million as the unfavourable political conditions in Africa has affected the supplier's ability to supply products to the Group and hence the recoverability of the prepayment has become doubtful.

The loss attributable to the owners of the Company was HK$43.1 million (2010: HK$25.2 million). Basic and diluted loss per share for the year was HK$0.03 per share (2010: HK$0.02 per share).

Dividend

The directors of the Company do not recommend the payment of any dividend for the year ended 31 March 2011.

Business review

Metals and minerals trading

Driven by worldwide relaxed monetary policy, the price of commodity soars up substantially. This leads to a significant price fluctuation especially for iron ores and hence the decrease in both demand and hence profit margin from the Group's customers in the PRC. As a result, the Group's turnover and gross profit of iron ores trading decreased significantly during the year. As such, the Group had diversified its trading business to nickel ores during the year, the price of which is less fluctuated as compared to the iron ores traded. The Group will monitor and respond to the market demand, and will adjust its trading product mix from time to time.

Ores processing and trading

The Company continued with the copper ores processing and trading operation in Chile through its joint venture company, TGLP. TGLP was 60% held by the Company through its wholly-owned subsidiary, Sinocop Resources (Chile) Limited. The other joint venture partners are Tong Guan Resources Holdings Ltd. and Catania Copper (Chile) Limited. TGLP's wholly-owned subsidiary in Chile, Minera Catania Verde S.A. ("Verde"), had engaged several local and international consultants in respect of the design and construction of the copper ores processing plant and had obtained environmental licenses from the Chilean Government in early 2009.

As a result of the global financial crisis happened at the end of 2008, the Group had slowed down the progress on the development of the ores processing plant in Chile. Looking back to 2009 and 2010, the world economy has shown positive signs of recovery, but the full effect is not clearly shown yet. The second round of quantitative easing policy from the United States has increased the market volatility and expected inflation. However, further quantitative easing policy and the direction of the monetary policy from the United States and the PRC will remain as a significant uncertainty factor to affect the worldwide economy in the future. Hence the Group will continue to monitor the development progress closely and cautiously and to adjust the development progress and review the situation including allowing for operational design adjustments from time to time.

Notwithstanding the aforementioned, Verde has continued the expenditure program in the Chilean projects such as engaging various experts locally for the construction in progress.

Liquidity and financial resources

On 21 October 2010, the Company announced to propose a placement of up to 110,000,000 new shares at the issue price of HK$0.4 per placing share (the "Placing"). The Directors have considered various ways of raising funds and consider that the Placing represents an attractive opportunity to raise capital for the Company while broadening the shareholder base and capital base of the Company. The Placing was completed on 9 November 2010 and 110,000,000 new shares were issued to independent third parties. The net proceeds of approximately HK$42.6 million were used for the general working capital purpose and future potential investments.

Gearing ratio

The Group's gearing ratio as at 31 March 2011 was 0.4% (2010: 2.3%), based on the total borrowings under finance leases amounted to HK$0.7 million (2010: HK$3.4 million) and the equity attributable to the owners of the Company of HK$173.3 million (2010: HK$148.0 million). Of the Group's borrowings under finance leases, HK$0.7 million (2010: HK$2.7 million) is due within one year and HK$ Nil (2010: HK$0.7 million) is due in more than one year but not exceeding two years.

Pledge of assets of the Group

As at 31 March 2011, the Group had cash and bank balances of approximately HK$76.0 million (2010: HK$77.6 million). The Group had also obtained banking facilities of US$12.0 million (2010: US$12.0 million), equivalent to approximately HK$93.6 million (2010: approximately HK$93.6 million), none of which had been utilised as at 31 March 2011 (2010: HK$ Nil). As at 31 March 2011, no bank deposit (2010: HK$ Nil) was pledged to secure these banking facilities.

Exposure to fluctuations in exchange rates and related hedging

The operating cash flows of the Group are mainly denominated in HK dollars, US dollars and Chilean pesos. Certain bank deposits, receivables and payables of the Group are denominated in US dollars and Chilean pesos. Foreign exchange exposure in respect of US dollars is considered to be minimal as HK dollars is pegged to US dollars. For other currencies, the Group will closely monitor the currency exposure and, when considers appropriate, will take the necessary actions to ensure that such exposure is properly hedged.

Prospects

Despite the global prices of commodities remain at relatively high level, the PRC has continuously shown its efforts on preventing inflation by implementing various fiscal policy. It is still believed that the global economy will still continue to fluctuate in the near future and the prices of metals and minerals will remain volatile. However, the trend of PRC's economic growth in the foreseeable future will continue to be strong. Hence, the directors remain cautiously optimistic about the future prospects of the Group's metals and minerals trading business as well as the development of the ores processing and trading business.

The directors also believe that the investment in the joint venture company, TGLP, represents a long term investment and will contribute to the Group's success and investment return in the long run.

In the meantime, the Group will continue to monitor the current market situation and may take any appropriate action as necessary which will benefit the Group as a whole.

Contingent liabilities

At 31 March 2011, the Company had provided a corporate guarantee of US$12.0 million (2010: US$12.0 million) to a bank in respect of banking facilities granted to the Group. The banking facilities were not utilised by the Group as at 31 March 2011 (2010: Nil).

Employees and remuneration policies

As at 31 March 2011, the Group employed 47 (2010: 71) full time managerial and skilled staff principally in Hong Kong and Chile.

The Group remunerates and provides benefits for its employees based on current industry practice. Discretionary bonus and other individual performance bonus are awarded to staff based on the financial performance of the Group and performance of individual staff. In Chile, the Group provides staff welfare for its employees in accordance with prevailing labour legislation. In Hong Kong, the Group provides staff benefits including mandatory provident fund scheme and medical scheme. In addition, share options are granted to eligible employees in accordance with the terms of the Company's share option scheme.

Management Discussion and Analysis for the year ended 31 March 2012

Financial review

Results

During the year ended 31 March 2012, the Group recorded a turnover of approximately HK$144.2 million (2011: HK$312.4 million). The decrease in turnover was mainly due to the reason that the Group has no iron ore trading during the year, as compare to last year, iron ores trading accounted for approximately two-thirds of its turnover.

As mentioned in last year annual report, the trading volume of iron ores has been substantially decreased during the financial year ended 31 March 2011 due to its price fluctuation as well as its lower profit margin, and as such, the Group had concentrated its trading in nickel ores, the price of which is less fluctuated but with a relatively lower gross profit margin. The Group has continued to concentrate its trading in nickel ores during the year, nevertheless, the gross profit margin has been increased from 1.8% in last year to 7.3% in this current year. The improvement in gross profit margin is mainly due to the increase in selling price of the products traded and a lower sea freight costs.

The Group recorded a loss of approximately HK$25.3 million for the year as compared to a loss of HK$52.9 million in last year. Such a decrease in loss was mainly due to the increase in gross profit as discussed above and decrease in administrative expense to approximately HK$37.1 million (2011: HK$58.4 million). The decrease in administrative expenses was resulted from effective cost control in addition to no further impairment was made in current year as compared to a provision for impairment loss on prepayment of HK$8.1 million in previous year.

The loss attributable to the owners of the Company was HK$21.3 million (2011: HK$43.1 million). Basic and diluted loss per share for the year was HK$0.0154 per share (2011: HK$0.0331 per share).

Dividend

The directors of the Company do not recommend the payment of any dividend for the year ended 31 March 2012.

Business review

Metals and minerals trading

During the year, the price of iron ores has remained fluctuating both upward and downward, hence the Group continued its concentration on the trading of nickel ores, for which the price is relatively less affected by global economy. The Group will monitor and respond to the market demand, and will adjust its trading products mix from time to time.

Ores processing and trading

The Company continued with the copper ores processing and trading operation in Chile through its joint venture company, of which 60% was held by the Company. The other joint venture partners are Tong Guan Resources Holdings Ltd. and Catania Copper (Chile) Limited. The wholly-owned subsidiary of the joint venture company, Verde in Chile, had engaged several local and international consultants in respect of the design and construction of the copper ores processing plant.

The Group had slowed down the progress on the development of ores processing plant in Chile since the financial crisis in late 2008. Although there are signs of recovery during 2009 and 2010, at the same time, European sovereign debt crisis has been intensifying meanwhile. The recent turmoil of European economic uncertainty due to the sovereign debt crisis, together with possible further quantitative easing policy from the United States, has largely increased the financial market volatility and hence the risk of global economic downturn. The Group will be very cautious in responding to the current global economic situation and will continue to monitor the development progress including consideration of operational design adjustments from time to time. The Group will also consider any further appropriate action if necessary. Having considered the above, Verde has continued the expenditure program cautiously such as engaging various experts locally for the construction in progress.

Liquidity and financial resources

The Group generally financed its operations by internal resources. As at 31 March 2012, the net assets value of the Group amounted to approximately HK$257.1 million (2011: HK$283.2 million). The Group has no significant liabilities.

Gearing ratio

As at 31 March 2012, the gearing ratio of the Group was nil (2011: 0.4%) as the borrowings under finance leases was fully settled during the year. The gearing ratio as at 31 March 2011 was based on the total borrowing under finance leases amounted to HK$0.7 million and equity attributable to the owners of the Company of HK$173.3 million. As at 31 March 2012, the equity attributable to the owners of the Company was HK$152.6 million.

Pledge of assets of the Group

As at 31 March 2012, the Group had cash and bank balances of approximately HK$62.4 million (2011: HK$76.0 million). As at 31 March 2012, no bank deposit (2011: HK$Nil) was pledged.

Exposure to fluctuations in exchange rates and related hedging

The operating cash flows of the Group are mainly denominated in HK dollars, US dollars and Chilean pesos. Certain bank deposits, receivables and payables of the Group are denominated in US dollars and Chilean pesos. Foreign exchange exposure in respect of US dollars is considered to be minimal as HK dollars is pegged to US dollars. For other currencies, the Group will closely monitor the currency exposure and, when considers appropriate, will take the necessary actions to ensure that such exposure is properly hedged.

Prospects

The recent fluctuation on the global economy, including the European sovereign debt crisis and the doubt on US government deficit cut, has largely increased the risk of global economic downturn. Nevertheless, infrastructure will continue in the Twelfth Five-year Plan of the PRC. Accordingly, the directors remain cautiously optimistic about the trend of the PRC economic growth in the foreseeable future and hence the future prospects of the Group's metals and minerals trading business in the long run.

The directors also believe that the investment in the joint venture company in Chile is a long term investment and will contribute to the Group's success and investment return in the long run. In responding to the current economic situation, the directors will cautiously consider any appropriate measure if necessary, as well as any adjustment to the pace of development.

In the meantime, the Group will continue to seek business opportunity and to take any appropriate action as necessary which will benefit to the Group. As mentioned in Note 34 of the audited consolidated financial statements of the Group for the year ended 31 March 2012, an agreement has been entered into between the Company and the vendors in respect of a very substantial acquisition and a connected transaction of the Company on 29 March 2012. The transaction is to acquire a target company which is the beneficiary of a glauberite mine located in Guangxi, the PRC. The product of the glauberite mine is thenardite which is an important raw material used in chemical and light industries. The Group expects that there will be an increasing thenardite demand in the PRC as a result of the continuing urbanisation in the PRC. The Board considers that this is the right opportunity for the Group to further invest in the development and expansion of its mining business and to increase its reserve of non-ferrous metal resources. It was expected that the acquisition will present the Group with favourable long term prospects.

Contingent liabilities

As at 31 March 2011, the Company had provided a corporate guarantee of US$12 million to a bank as a security for the banking facilities granted to the Group. The banking facilities were not utilised by the Group at 31 March 2011. These bank facilities had expired as at 31 March 2012. The Company is awaiting a formal notice from the bank of the release of the deed of charge.

Employees and remuneration policies

As at 31 March 2012, the Group employed 37 (2011: 47) full time managerial and skilled staff principally in Hong Kong and Chile.

The Group remunerates and provides benefits for its employees based on current industry practice. Discretionary bonus and other individual performance bonus are awarded to staff based on the financial performance of the Group and performance of individual staff. In Chile, the Group provides staff welfare for its employees in accordance with prevailing labour legislation. In Hong Kong, the Group provides staff benefits including mandatory provident fund scheme and medical scheme. In addition, share options are granted to eligible employees in accordance with the terms of the Company’s share option scheme.

Management Discussion and Analysis for the year ended 31 March 2013

Financial review

Results

During the year ended 31 March 2013, the Group had recorded a turnover of approximately HK$261.6 million (2012: HK$144.2 million). The increase in turnover was mainly due to the increase in trading volume of nickel ores during the year.

The Group has continued to concentrate its trading in nickel ores during the year. Gross profit margin has been decreased from 7.3% in last year to 5.2% in this current year. The decrease in gross profit margin was mainly due to the increasing purchase and related cost and cost of sea freight during the year. Notwithstanding the decrease in gross profit margin, gross profit increased to approximately HK$13.7 million (2012: HK$10.5 million) as resulted from the increase in turnover as mentioned above.

The Group recorded a loss of approximately HK$27.3 million for the year as compared to a loss of HK$25.3 million in last year. Such an increase in loss was due to the written off of prepayments amounting to HK$3.9 million as the prepayments for certain machinery are no longer utilised as resulted from the delay on construction of ores processing plant in Chile. Other income and gains increased to approximately HK$13.4 million (2012: HK$1.8 million), it was mainly derived from rendering engineering and drilling services in Chile amounting to HK$10.2 million (2012: HK$Nil). The rendering of engineering and drilling services in Chile also lead to the increase in administrative expenses to approximately HK$51.4 million (2012: HK$37.1 million) as more labour and spare parts was consumed during the year and depreciation charges amounting to HK$4.1 million (2012: HK$3.9 million) was recognised in profit and loss during the year whereas they are capitalised in the construction in progress in previous year.

The loss attributable to the owners of the Company was HK$23.2 million (2012: HK$21.3 million). Basic and diluted loss per share for the year was HK$0.0168 per share (2012: HK$0.0154 per share).

Dividend

The directors of the Company do not recommend the payment of any dividend for the year ended 31 March 2013.

Business review

Metals and minerals trading

During the year, the price of iron ores is still fluctuating both upward and downward and hence no trading of iron ores is resulted as the risk involved is considered relatively high. Accordingly, the Group continued its concentration on the trading of nickel ores, for which the price is relatively less affected by global economy. The Group will continue to monitor and respond to the market demand, and will adjust its trading products mix from time to time.

Ores processing and trading

The Company continued with the copper ores processing and trading operation in Chile through its subsidiary, Verde in Chile, which is 60% held by the Company. The other business partners are Tong Guan Resources Holdings Ltd. and Catania Copper (Chile) Limited. Verde had engaged several consultants in Chile for the design and construction of the copper ores processing plant. Verde had successfully obtained environmental approval in early 2009.

The Group had slowed down the progress on the development of ores processing plant in 2009 after the financial crisis in late 2008. After the financial crisis, the quantitative easing policy and European sovereign debt crisis have also largely increased the financial market volatility and hence the risk of global economic downturn. Accordingly, the Group was very cautious and has considered operational design adjustments from time to time, and as such, the project development was in a rather slow pace in the past few years.

In addition to the global economic uncertainty, water resources are also an important issue to the mining industry within the region where Verde operates. Water is a scarce resource within the region and the people relies basically on underground water in the region. Verde had acquired underground water use right during the years ended 31 March 2007 and 31 March 2010 for this reason. However, the underground water resources in the region have been suffering a severe decrease due to drastic drought weather since the end of 2011 and seriously affected the normal water supply for human consumption and agricultural activity. As such, in March 2013, Chilean Government has declared this region a zone of water scarcity by a governmental decree in order to priorities water usage for public health. Under the decree, anyone can use the water resources to secure human health and cultivation even without water use rights, hence, it is expected that the water resources will be consumed faster and intensify the water scarcity issue.

The Group had obtained a legal opinion from our Chilean lawyer regarding the Chilean governmental decree which advised that the situation may affect Verde's possibility of sourcing water. The Company considered that the current water scarcity situation may not be a permanent situation although it is unable to predict the timing for its recovery. Having considered the above factors, and taking note of the current business objectives of the Group and resource allocation, the Group has decided to delay further work on the construction of the ores processing facilities in Chile until 2016. The Company will review the situation annually, and should the situation becomes more clear and favourable, the Company will consider to resume project development in Chile accordingly.

Liquidity and financial resources

The Group generally financed its operations by internal resources. As at 31 March 2013, the net asset value of the Group amounted to approximately HK$237.5 million (2012: HK$257.1 million).

Geraing ratio

As at 31 March 2013, the gearing ratio of the Group was nil (2012: Nil) and the equity attributable to the owners of the Company was HK$135.6 million (2012: HK$152.6 million).

Pledge of assets of the group

As at 31 March 2013, the Group had cash and bank balances of approximately HK$40.6 million (2012: HK$62.5 million) and no bank deposit (2012: HK$Nil) was pledged.

Exposure to fluctuations in exchange rates and related hegding

The operating cash flows of the Group are mainly denominated in HK dollars, US dollars and Chilean pesos. Certain bank deposits, receivables and payables of the Group are denominated in US dollars and Chilean pesos. Foreign exchange exposure in respect of US dollars is considered to be minimal as HK dollars is pegged to US dollars. For other currencies, the Group will closely monitor the currency exposure and, when considers appropriate, will take the necessary actions to ensure that such exposure is properly hedged.

Prospects

It is expected that the economy in the PRC is still expected to grow gradually within the expected course. Accordingly, the directors remain cautiously optimistic about the trend of the PRC economic growth in the foreseeable future and hence the future prospects of the Group's metals and minerals trading business in the long run.

In the meantime, the Group will continue to seek business opportunity and to take any appropriate action as necessary which will benefit to the Group. As mentioned in the last annual report, an agreement has been entered into between the Company and the vendors in respect of a very substantial acquisition and a connected transaction of the Company on 29 March 2012. The transaction is to acquire a target company which is the beneficiary of a glauberite mine located in Guangxi, the PRC. The product of the glauberite mine is thenardite which is an important raw material used in chemical and light industries. The Group expects that there will be an increasing thenardite demand in the PRC as a result of the continuing urbanisation in the PRC. The Board considers that this is the right opportunity for the Group to further invest in the development and expansion of its mining business and to increase its reserve of non-ferrous metal resources. It was expected that the acquisition will present the Group with favourable long term prospects.

Contingent liabilities

At 31 March 2013, the Group did not have any significant contingent liabilities.

Employees and remuneration policies

As at 31 March 2013, the Group employed 44 (2012: 37) full time managerial and skilled staff principally in Hong Kong and Chile.

The Group remunerates and provides benefits for its employees based on current industry practice. Discretionary bonus and other individual performance bonus are awarded to staff based on the financial performance of the Group and performance of individual staff. In Chile, the Group provides staff welfare for its employees in accordance with prevailing labour legislation. In Hong Kong, the Group provides staff benefits including mandatory provident fund scheme and medical scheme. In addition, share options are granted to eligible employees in accordance with the terms of the Company's share option scheme.

A. ACCOUNTANTS' REPORT

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, received from the Company's reporting accountants, BDO Limited, Certified Public Accountants, Hong Kong.

BDO

Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話：+852 2218 8288
傳真：+852 2815 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

11 October 2013

The Board of Directors
Sinocop Resources (Holdings) Limited
37th Floor, China Online Centre
333 Lockhart Road
Wanchai
Hong Kong

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") of South China Mining Investments Limited (the "Target Company") and its subsidiaries (hereinafter collectively referred to as the "Target Group") which comprises the consolidated statement of financial position as at 31 December 2010, 2011 and 2012 and 30 June 2013, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for each of the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013 (the "Relevant Periods") and the notes thereto, for inclusion in the circular of Sinocop Resources (Holdings) Limited (the "Company") dated 11 October 2013 (the "Circular") in connection with the acquisition agreement dated 29 March 2012 entered into between China Elegance Resources Limited (the "Purchaser"), a wholly owned subsidiary of the Company, and Sino PowerHouse Corporation, Mr. Zhou Bo and Mr. Luan Zhong Jie (the "Vendors") pursuant to which the Purchaser would acquire from the Vendors the entire issued capital of the Target Company at a consideration of HK$3 billion (the "Acquisition").

The Target Company is an investment holding company incorporated in the British Virgin Islands as a limited liability company on 26 May 2005 under the name of CE Media Group Limited. On 27 August 2010, the name of the company was changed to South Africa Mining Investments Limited. The name of the company was further changed to South China Mining Investments Limited on 10 December 2010.

The Target Company established 廣西威日礦業有限責任公司 (Guangxi Weiri Mining Company Limited) ("Guangxi Weiri") in the People's Republic of China (the "PRC") on 21 March 2006, which is principally engaged in the business of mining and sale of mineral resources in the PRC. Wise Goal Enterprises Limited ("Wise Goal") was incorporated in Hong Kong on 10 June 2010 with limited liability and became the wholly owned subsidiary of the Target Company on 8 December 2010. On 13 October 2011, the Target Company transferred its entire 100% equity interest in Guangxi Weiri to Wise Goal, with 1% of the equity interest of Guangxi Weiri being held by Mr. Zhou Bo, a director of the Target Company, on behalf of Wise Goal. There was no change in the structure of the Target Group since then. Particulars of the subsidiaries comprising the Target Group at the date of this report are set out in Note 15 of Section C below.

All the companies comprising the Target Group have adopted 31 December as their financial year end date.

No audited financial statements of the Target Company have been prepared since its incorporation date as there is no statutory audit requirement under the regulations of its jurisdiction of incorporation. No statutory audited financial statements of Wise Goal have been prepared as the company has not involved in any significant business transactions since incorporation other than holding the equity interest in Guangxi Weiri as described above. The statutory financial statements of Guangxi Weiri for the years ended 31 December 2010, 2011 and 2012 have been prepared in accordance with the generally accepted accounting principles in the PRC and were audited by 廣西天源會計師事務所有限公司, certified public accountants registered in the PRC. No audited financial statements of Guangxi Weiri have been prepared for the six months ended 30 June 2013.

For the purpose of this report, the directors of the Target Company have prepared consolidated financial statements of the Target Group in accordance with Hong Kong Financial Reporting Standards which also include Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (hereinafter collectively referred to as "HKFRSs"), the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") for the Relevant Periods (the "Underlying Financial Statements").

The Financial Information has been prepared based on the Underlying Financial Statements with no adjustment made thereon.

DIRECTORS' RESPONSIBILITIES

The directors of the Target Company are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with HKFRSs issued by the HKICPA, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules, and for such internal control as the directors of the Target Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error. The directors of the Company are responsible for the contents of the Circular in which this report is included.

REPORTING ACCOUNTANTS' RESPONSIBILITIES

Our responsibility is to form an opinion on the Financial Information based on our procedures and to report our opinion to you. For the purpose of this report, we have carried out audit procedures in respect of the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and have examined the Financial Information of the Target Group and carried out appropriate procedures we considered necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

OPINION

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Target Group as at 31 December 2010, 2011 and 2012 and 30 June 2013 and of the results and cash flows of the Target Group for each of the Relevant Periods then ended.

REVIEW OF COMPARATIVE FINANCIAL INFORMATION

For the purpose of this report, we have reviewed the comparative financial information of the Target Group for the six months ended 30 June 2012 which comprises the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Target Group for the six months ended 30 June 2012 together with the notes thereto (the "30 June 2012 Financial Information"), prepared in accordance with the accounting policies set out in Note 4 of Section C below which are in conformity with HKFRSs, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

The directors of the Target Company are responsible for the preparation and presentation of the 30 June 2012 Financial Information in accordance with the accounting policies set out in Note 4 of Section C below which are in conformity with HKFRSs, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules.

Our responsibility is to express a conclusion on the 30 June 2012 Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, 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.

Based on our review, nothing has come to our attention that causes us to believe that the 30 June 2012 Financial Information, for the purpose of this report, is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

B. FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

					Six months ended	
		Year ended 31 December			30 June	30 June
		2010	2011	2012	2012	2013
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(Unaudited)	
Turnover	*6*	–	–	–	–	–
Other income and losses	*7*	–	(10)	8	2	218
Administrative expenses		(903)	(2,753)	(6,333)	(3,048)	(3,612)
Finance costs	*8*	–	–	–	–	(9,326)
Loss before income tax	*8*	(903)	(2,763)	(6,325)	(3,046)	(12,720)
Income tax	*10(a)*	–	–	–	–	–
Loss for the year/period		(903)	(2,763)	(6,325)	(3,046)	(12,720)
Other comprehensive income for the year: Items that may be reclassified subsequently to profit or loss: Exchange differences on translation of financial statements of foreign operations		6,405	8,097	1,742	(2,040)	3,352
Total comprehensive income for the year/period		5,502	5,334	(4,583)	(5,086)	(9,368)
Loss per share – Basic	*12*	(151)	(28)	(63)	(30)	(127)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December			As at 30 June
		2010	2011	2012	2013
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets					
Property, plant and equipment	*13*	53	1,029	2,642	2,407
Intangible assets	*14*	175,066	184,155	198,976	202,448
Total non-current assets		175,119	185,184	201,618	204,855
Current assets					
Other receivables, deposits and prepayments		–	8,127	6,147	6,739
Cash and bank balances	*16*	169	2,874	2,583	2,607
Total current assets		169	11,001	8,730	9,346
Total assets		175,288	196,185	210,348	214,201
Current liabilities					
Other payables and accruals		752	599	1,684	1,887
Net current (liabilities)/assets		(583)	10,402	7,046	7,459
NET ASSETS		174,536	195,586	208,664	212,314
Equity					
Share capital	*17*	1	1	1	1
Reserves		11,214	16,548	11,965	2,597
Shareholder's contributions	*19(b)*	163,321	179,037	196,698	209,716
TOTAL EQUITY		174,536	195,586	208,664	212,314

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital *HK$'000* *(Note 17)*	Foreign currency translation reserve *HK$'000*	Accumulated losses *HK$'000*	Shareholder's contributions *HK$'000* *(Note 19(b))*	Total equity *HK$'000*
At 1 January 2010	–	10,621	(4,909)	154,176	159,888
Loss for the year	–	–	(903)	–	(903)
Other comprehensive income	–	6,405	–	–	6,405
Total comprehensive income	–	6,405	(903)	–	5,502
Issue of shares	1	–	–	–	1
Shareholder's contributions	–	–	–	9,145	9,145
At 31 December 2010	1	17,026	(5,812)	163,321	174,536
Loss for the year	–	–	(2,763)	–	(2,763)
Other comprehensive income	–	8,097	–	–	8,097
Total comprehensive income	–	8,097	(2,763)	–	5,334
Shareholder's contributions	–	–	–	15,716	15,716
At 31 December 2011	1	25,123	(8,575)	179,037	195,586
Loss for the year	–	–	(6,325)	–	(6,325)
Other comprehensive income	–	1,742	–	–	1,742
Total comprehensive income	–	1,742	(6,325)	–	(4,583)
Shareholder's contributions	–	–	–	17,661	17,661
At 31 December 2012	1	26,865	(14,900)	196,698	208,664
Loss for the period	–	–	(12,720)	–	(12,720)
Other comprehensive income	–	3,352	–	–	3,352
Total comprehensive income	–	3,352	(12,720)	–	(9,368)
Shareholder's contributions	–	–	–	13,018	13,018
At 30 June 2013	1	30,217	(27,620)	209,716	212,314

	Share capital	Foreign currency translation reserve	Accumulated losses	Shareholder's contributions	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 17)			*(Note 19(b))*	
For the six months ended 30 June 2012 (Unaudited)					
At 1 January 2012	1	25,123	(8,575)	179,037	195,586
Loss for the period	–	–	(3,046)	–	(3,046)
Other comprehensive income	–	(2,040)	–	–	(2,040)
Total comprehensive income	–	(2,040)	(3,046)	–	(5,086)
Shareholder's contributions	–	–	–	10,107	10,107
At 30 June 2012	1	23,083	(11,621)	189,144	200,607

Foreign currency translation reserve represents foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in Note 4(l) to the Financial Information.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Year ended 31 December			Six months ended 30 June	30 June
		2010	2011	2012	2012	2013
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
					(Unaudited)	
Operating activities						
Loss before income tax		(903)	(2,763)	(6,325)	(3,046)	(12,720)
Adjustments for:						
Interest income		–	(1)	(4)	(1)	(218)
Depreciation		83	41	277	123	281
Interest expenses		–	–	–	–	9,326
Write off of property, plant and equipment		225	–	–	–	–
Operating cash flows before movements in working capital		(595)	(2,723)	(6,052)	(2,924)	(3,331)
(Increase)/decrease in other receivables, deposits and prepayments		–	(8,127)	1,627	2,236	(592)
Increase/(decrease) in other payables and accruals		461	(201)	753	2,218	203
Net cash (used in)/generated from operating activities		(134)	(11,051)	(3,672)	1,530	(3,720)
Investing activities						
Payments to acquire property, plant and equipment		–	(993)	(1,500)	(1,381)	(7)
Exploration and evaluation expenditure		(9,272)	(121)	(4,983)	(4,991)	–
Expenditure for the mining right		–	(1,008)	(7,913)	(5,235)	(199)
Interest received		–	1	4	1	218
Net cash (used in)/generated from investing activities		(9,272)	(2,121)	(14,392)	(11,606)	12
Financing activities						
Issue of shares	*17*	1	–	–	–	–
Proceeds from borrowings		–	–	–	–	248,694
Repayment of borrowings		–	–	–	–	(258,020)
Increase in shareholder's contributions		9,145	15,716	17,661	10,107	13,018
Net cash generated from financing activities		9,146	15,716	17,661	10,107	3,692

		Year ended 31 December			Six months ended	
					30 June	30 June
		2010	2011	2012	2012	2013
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(Unaudited)	
Net (decrease)/increase in cash and cash equivalents		(260)	2,544	(403)	31	(16)
Cash and cash equivalents at beginning of year/period		361	169	2,874	2,874	2,583
Effect of foreign exchange rate changes		68	161	112	9	40
Cash and cash equivalents at end of year/period		169	2,874	2,583	2,914	2,607
Analysis of the balances of cash and cash equivalents						
Cash and bank balances		169	2,874	2,583	2,914	2,607

C. NOTES TO THE FINANCIAL INFORMATION

1. Corporate information

The Target Company was incorporated in the British Virgin Islands as a limited liability company on 26 May 2005 under the name of CE Media Group Limited. The name of the company was changed to South Africa Mining Investments Limited and South China Mining Investments Limited on 27 August 2010 and 10 December 2010 respectively. Its registered office and principal place of business are located at Portcullis TrustNet (BVI) Limited of Portcullis, TrustNet Chambers, P.O. Box 3444, Road Town, Tortola, British Virgin Islands and 37/F, China Online Centre, 333 Lockhart Road, Wanchai, Hong Kong respectively.

The principal activity of the Target Company is investment holding. The principal activities and other particulars of its subsidiaries are set out in Note 15.

2. Basis of preparation

(a) Statement of compliance

The Financial Information has been prepared in accordance with HKFRSs, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules.

(b) Basis of measurement

(i) The Financial Information has been prepared under the historical cost convention.

(ii) The preparation of Financial Information in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors of the Target Company to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements are disclosed in Note 5 to the Financial Information.

(c) Functional and presentation currency

The Financial Information is presented in Hong Kong dollars ("HK$") which is the functional currency and presentation currency of the Target Company.

3. Adoption of Hong Kong Financial Reporting Standards

For the purpose of preparing and presenting the Financial Information for the Relevant Periods, the Target Group has adopted all the new/revised HKFRSs, which are relevant to its operations and effective during the Relevant Periods.

The following new/revised HKFRSs that are potentially relevant to the Target Group's Financial Information, have been issued but are not effective for the Relevant Periods and have not been early adopted.

Amendments to HKFRS 7 and HKFRS 9	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[2]
Amendments to HKAS 32	Presentation – Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
HKFRS 9	Financial Instruments[2]
HK(IFRIC) – Interpretation 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 Target Group is in the process of making an assessment of the potential impact of these new/revised HKFRSs and the directors of the Target Company so far concluded that the application of these new/revised HKFRSs will have no material impact on the Target Group's Financial Information.

4. Principal accounting policies

(a) Basis of consolidation

The Financial Information comprise the financial statements of the Target Company and its subsidiaries for the Relevant Periods. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the Financial Information. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

(b) Subsidiaries

A subsidiary is an entity over which the Target Company is able to exercise control. Control is achieved where the Target Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance and overhaul costs, is recognised in profit or loss in the year in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the property, plant and equipment, the expenditure is capitalised as an additional cost thereof.

Depreciation is charged so as to write off the cost of items of property, plant and equipment over their estimated useful lives using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period. The expected useful lives of property, plant and equipment are as follows:

Leasehold improvements	Over the remaining life of the leases but not exceeding 5 years
Office equipment	5 years
Furniture and fixtures	5 years
Motor vehicles	5 years

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's recoverable amount.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the net sale proceeds and the carrying amount of the relevant asset and is recognised in profit or loss.

(d) Mining rights

Mining rights are stated at cost less accumulated amortisation and any impairment losses and are amortised using the units of production method utilising only proven and probable reserves of the mines.

(e) Exploration and evaluation assets

Exploration and evaluation assets include topographical and geological surveys, exploratory drilling, sampling and trenching and activities in relation to commercial and technical feasibility studies, and expenditure incurred to secure further mineralisation in existing ore bodies and to expand the capacity of a mine. Expenditure incurred prior to acquiring legal rights to explore an area is charged to profit or loss as incurred.

Exploration and evaluation assets are recognised at cost on initial recognition. Subsequent to initial recognition, they are stated at cost less any accumulated impairment losses and no amortisation charge is recognised. Costs expensed during the exploration and evaluation phase including expenditure incurred before obtaining the legal rights to explore specific area are charged to profit or loss.

The carrying amount of the exploration and evaluation assets is reviewed annually and adjusted for impairment in accordance with HKAS 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; or

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

An impairment loss is recognised in the consolidated statement of comprehensive income whenever the carrying amount of an asset exceeds its recoverable amount.

The recoverable amount is the higher of the exploration and evaluation assets' fair value less costs to sell and their value in use. For the purposes of assessing impairment, the exploration and evaluation assets subject to testing are grouped into each area of interest for which exploration activities are undertaken.

When the technical feasibility and commercial viability of extracting mineral resources become demonstrable, previously recognised exploration and evaluation assets are classified to "Property, plant and equipment" and "Mining right", as appropriate. These assets are tested for impairment before their reclassification.

(f) Impairment of tangible and intangible assets

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

Intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

(g) Financial instruments

Financial assets and financial liabilities are recognised in 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.

(i) Financial assets

The Target Group's financial assets are loans and receivables. 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 assets within the time frame established by regulation or convention in the marketplace.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are 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 impaired.

Objective evidence of impairment could include:

– significant financial difficulty of the issuer or counterparty;

– default or delinquency in interest or principal payments;

– it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

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

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

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

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 periods. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments.

Derecognition of financial assets

The Target Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or 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 recognises its retained interest in the asset and an associated liability for amounts it may have to pay. 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.

(ii) Financial liabilities and equity instrument issued by the Target Group

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

Financial liabilities are initially measured at fair value, net of transaction costs and subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

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 periods. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate, a shorter period.

Derecognition of financial liabilities

The Target Group derecognises financial liabilities when, and only when, the Target Group's obligations are discharged, cancelled or they expire.

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(i) Leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases.

The Target Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

(j) Provisions and contingent liabilities

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

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

(k) Income tax

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

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised to the extent that it is probable that taxable profits will be available against which those 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.

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

Deferred tax liabilities are recognised for taxable temporary differences arising on 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.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Target Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Target Group intends to settle its current tax assets and liabilities on a net basis.

Income tax is recognised in profit or loss except when it relates to items recognised in other comprehensive income, in which case the income tax is recognised in other comprehensive income.

(l) Foreign currencies

In preparing the financial statements of the individual entities, transactions in currencies other than the functional currency of that entity (the "foreign currencies") are recorded in its functional currency at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement and translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which cases, the exchange differences are also recognised in other comprehensive income.

On consolidation, the assets and liabilities of the Target Group's foreign operation (including comparatives) are expressed in HK$ using exchange rates prevailing at the end of each reporting period. Income and expenses items (including comparatives) are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

(m) Employees' benefits

(i) Short-term benefits

Salaries, annual bonuses, paid annual leaves and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees.

(ii) Pension obligations

Employees of the Target Company's subsidiary operated in the PRC is required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute certain percentages of its payroll costs to the central pension scheme. The contributions are charged to profit or loss in the period in which they are incurred.

(n) Borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets, which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(o) Related parties

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

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

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

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

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

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

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

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

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

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

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

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

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

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

(p) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Target Group and when the revenue can be measured reliably.

Interest income is accrued on a time-apportioned basis by reference to the principal outstanding and the effective interest rate applicable.

5. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Target Group's accounting policies, the directors of the Target Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

Estimation of useful lives of property, plant and equipment

The Target Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Impairment of non-current assets

The Target Group assesses whether there are any indicators of impairment for all non-current assets at the end of each reporting period. Intangible assets not yet available for use are tested for impairment annually and at other times when such an indicator exists. Other non-current assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. In determining whether an asset is impaired or the event previously causing the impairment no longer exists, management has to exercise judgement in the area of asset impairment, particularly in assessing (i) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (ii) whether the carrying value of an asset can be supported by the net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate.

Provision for restoration and environmental costs

Provision for restoration and environmental costs are determined by the management based on their best estimates of the current and future cost and past experience. If the expectation differs from the original estimate, such difference will impact the cost of production charged in the period in which such estimate is changed. As at 31 December 2010, 2011 and 2012 and 30 June 2013, the directors determined that no provision for restoration and environmental costs was required.

6. Turnover and segment reporting

The Target Group has not yet commenced business production and therefore it has no turnover for the Relevant Periods.

The Target Group determines its operating segments based on the reports reviewed by the chief operating decision maker that are used to make strategic decisions. The Target Group operates in a single segment, which is the exploration, mining and sale of mineral resources.

7. Other income and losses

	Year ended 31 December			Six months ended 30 June	Six months ended 30 June
	2010	2011	2012	2012	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Net exchange (loss)/gain	–	(11)	4	1	–
Interest income	–	1	4	1	218
	–	(10)	8	2	218

8. Loss before income tax

Loss before income tax is arrived at after charging:

	Year ended 31 December			Six months ended 30 June	Six months ended 30 June
	2010	2011	2012	2012	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Auditor's remuneration	–	20	7	7	7
Depreciation	83	41	277	123	281
Finance costs					
– Interest on borrowings wholly repayable within five years *(Note)*	–	–	–	–	9,326
Minimum lease payments in respect of premises under operating leases	–	–	858	349	382
Staff costs (excluding directors' remuneration – *Note 9*)					
– Salaries and other benefits	100	434	1,781	938	947
– Pension contributions	100	131	716	293	375
Write off of property, plant and equipment	225	–	–	–	–

Note: In March 2013, the Target Group obtained a loan of RMB200 million, equivalent to HK$248,694,000, from a finance company in the PRC to finance the future development and production of the Glauberite Mine. The loan was for a term of three years, interest bearing at 15% per annum and payable quarterly. Due to the unanticipated delay in completing the Acquisition, the Target Group decided to repay the loan at the end of June 2013 and the relevant interest expense was recognised in profit or loss.

9. Directors' remuneration and five highest paid individuals

(a) Directors' remuneration

	Year ended 31 December			Six months ended 30 June	
	2010	**2011**	**2012**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Fees	–	–	–	–	–
Salaries	–	10	222	111	112

Only one director of the Target Company received remuneration during the years ended 31 December 2011 and 2012 and the six months ended 30 June 2012 and 2013.

(b) Five highest paid individuals

The five highest paid individuals of the Target Group for the year ended 31 December 2012 and the six months ended 30 June 2012 and 2013 included the director of the Target Company who received the remuneration as set out in Note (a) above. Details of the remuneration of the remaining non-director highest paid individuals of the Target Group during the Relevant Periods are as follows:

	Year ended 31 December			Six months ended 30 June	
	2010	**2011**	**2012**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Salaries	63	164	815	383	429
Pension contributions	42	70	343	161	181
	105	234	1,158	544	610

The number of non-director highest paid individuals whose remuneration fell within the following band is as follows:

	Year ended 31 December			Six months ended 30 June	
	2010	**2011**	**2012**	**2012**	**2013**
	Number of employees	*Number of employees*	*Number of employees*	*Number of employees* (Unaudited)	*Number of employees*
HK$Nil to HK$1,000,000	5	5	4	4	4

10. Income tax

(a) No Hong Kong profits tax has been provided as the Target Group did not carry on a business in Hong Kong during the Relevant Periods.

PRC enterprise income tax has not been provided as the Target Group had no assessable profits arising from its subsidiary operated in the PRC during the Relevant Periods.

(b) The income tax for the each of the Relevant Periods can be reconciled to the loss before income tax as stated in the consolidated statement of comprehensive income as follows:

	Year ended 31 December			Six months ended 30 June	30 June
	2010	**2011**	**2012**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Loss before income tax	(903)	(2,763)	(6,325)	(3,046)	(12,720)
Tax credit at the PRC enterprise income tax rate of 25%	(226)	(691)	(1,581)	(762)	(3,180)
Tax effect of expenses not deductible for taxation purposes	226	691	1,581	762	3,180
Income tax for the year/period	–	–	–	–	–

(c) The Target Group has no significant unrecognised deferred tax asset or liability as at the end of each of the Relevant Periods.

11. Dividend

No dividend has been proposed or paid by the Target Company in respect of each of the Relevant Periods.

12. Loss per share

The calculation of the basic loss per share attributable to owners of the Target Company is based on the following data:

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Loss for the year/period attributable to owners of the Target Company	(903)	(2,763)	(6,325)	(3,046)	(12,720)

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	Number of shares	*Number of shares*	*Number of shares*	*Number of shares*	*Number of shares*
				(Unaudited)	
Weighted average number of ordinary shares in issue	6	100	100	100	100

No diluted loss per share had been calculated as no diluting events existed for the Relevant Periods.

13. Property, plant and equipment

	Leasehold improvements HK$'000	Office equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost:					
At 1 January 2010	113	61	–	366	540
Write off	–	–	–	(369)	(369)
Exchange realignment	5	2	–	3	10
At 31 December 2010	118	63	–	–	181
Additions	–	19	–	974	993
Exchange realignment	5	3	–	23	31
At 31 December 2011	123	85	–	997	1,205
Additions	1,204	434	228	–	1,866
Exchange realignment	13	5	2	8	28
At 31 December 2012	1,340	524	230	1,005	3,099
Additions	–	7	–	–	7
Exchange realignment	22	9	4	17	52
At 30 June 2013	1,362	540	234	1,022	3,158
Accumulated depreciation:					
At 1 January 2010	43	34	–	108	185
Charge for the year	36	12	–	35	83
Write off	–	–	–	(144)	(144)
Exchange realignment	2	1	–	1	4
At 31 December 2010	81	47	–	–	128
Charge for the year	27	14	–	–	41
Exchange realignment	5	2	–	–	7
At 31 December 2011	113	63	–	–	176
Charge for the year	10	55	23	189	277
Exchange realignment	1	1	–	2	4
At 31 December 2012	124	119	23	191	457
Charge for the period	122	42	22	95	281
Exchange realignment	4	3	1	5	13
At 30 June 2013	250	164	46	291	751
Carrying amount:					
At 30 June 2013	1,112	376	188	731	2,407
At 31 December 2012	1,216	405	207	814	2,642
At 31 December 2011	10	22	–	997	1,029
At 31 December 2010	37	16	–	–	53

14. Intangible assets

	Exploration and evaluation assets	**Mining right**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Cost:			
At 1 January 2010	159,463	–	159,463
Additions	9,272	–	9,272
Exchange realignment	6,331	–	6,331
At 31 December 2010	175,066	–	175,066
Additions	121	1,056	1,177
Reclassification	(93,671)	93,671	–
Exchange realignment	5,726	2,186	7,912
At 31 December 2011	87,242	96,913	184,155
Additions	5,302	7,913	13,215
Exchange realignment	751	855	1,606
At 31 December 2012	93,295	105,681	198,976
Additions	–	199	199
Exchange realignment	1,533	1,740	3,273
At 30 June 2013	94,828	107,620	202,448

During the Relevant Periods, the Target Group adopted HKFRS 6 "Exploration for and Evaluation of Mineral Resources" in the recognition of exploration and evaluation assets in relation to the qualified expenditure incurred by its subsidiary, Guangxi Weiri, for the exploration for and evaluation of mineral resources of Molybdenum and Glauberite in the PRC. They are stated at cost less any accumulated impairment losses.

Guangxi Weiri obtained the right for the extraction of Molybdenum in the PRC in 2008 with a term of 20 years ending 7 May 2028. The production of Molybdenum products has not yet commenced and the technical feasibility and commercial viability of extracting these mineral resources are not demonstrable and therefore the associated exploration and evaluation assets are not qualified for reclassification to the mining right in accordance with HKFRS 6 for the Relevant Periods. As at 31 December 2010, 2011 and 2012 and 30 June 2013, the carrying amounts of the exploration and evaluation assets in respect of the Molybdenum Mine were HK$83,423,000, HK$87,242,000, HK$93,295,000 and HK$94,828,000 respectively.

In July 2011, Guangxi Weiri obtained the right for the extraction of Glauberite in the PRC with a term of 30 years ending 8 July 2041. Guangxi Weiri has completed the feasibility study of this mining operation and the commercial viability of extracting the minerals is demonstrable. In accordance with the requirements as stated in HKFRS 6, the Target Group reclassified all associated exploration and evaluation assets with a carrying amount of HK$93,671,000 to mining right in 2011. Prior to such reclassification, the carrying amount of the exploration and evaluation assets in respect of the Glauberite Mine as at 31 December 2010 was HK$91,643,000. The directors of the Target Group have performed impairment assessment of these assets and are of the opinion that no impairment is required before the said reclassification.

Guangxi Weiri further recognised qualified expenditure of about HK$7,913,000 and HK$199,000 incurred for the development of the Glauberite project during the year ended 31 December 2012 and the six months ended 30 June 2013 respectively as intangible assets in accordance with the requirements as set out in HKAS 38 "Intangible Assets".

The directors of the Target Company have assessed if there is any indicator for impairment of the exploration and evaluation assets in accordance with HKFRS 6 at the end of each of the Relevant Periods. They are of the opinion that no impairment should be provided in respect of the exploration and evaluation assets at the end of each of the Relevant Periods.

As at 31 December 2011 and 2012 and 30 June 2013, the Target Group held the mining right for the extraction of Glauberite in the PRC, which are stated at cost less accumulated amortisation and subject to impairment. Guangxi Weiri has not yet commenced production and therefore no amortisation has been provided during the year ended 31 December 2012 and the six months ended 30 June 2013. In performing the impairment testing, the directors of the Target Company have assessed the recoverable amount of the mining right which is the higher of the asset's fair value less costs to sell and its value in use. Given the current development status of the mining operation, the directors have determined the fair value less costs to sell to be its recoverable amount. The recoverable amount is derived by using a discounted cash flow ("DCF") analysis. The DCF analysis has incorporated assumptions that a typical market participant would use in the mining right's fair value.

The key assumptions used in the DCF analysis include:

(i) Cash flow projection is determined for a period of 10 years up to 2022 when management expected the investment in the mining project would be recovered. The first year of production is taken to be year 2015 based on the senior management's current best estimated production plan.

(ii) The post-tax discount rate of 19.83% applied to the cash flow projection reflects the required rate of return for the mining license. The aforesaid rate are derived from weighted-average-cost-of-capital, which is determined by reference to the discount rates of comparable publicly traded companies in various stock exchanges, plus an aggregated risk premium to account for illiquidity risk, policy risk, operation risk and safety risk pertinent to the mining license as an intangible asset.

(iii) Sales prices of thenardite products used in DCF are estimated by senior management with reference to market information. The growth rate for sales and revenue is based on the geometric average China Producer Price Index-Non-Ferrous Metals Mining and Dressing YoY during the period from 2008 to 2013 and growth rate for operating cost is based on the geometric average China Producer Price Index YoY during the period from 2004 to 2013.

(iv) The exchange rate for RMB to HK$ with reference to the approximate spot rate as of 30 June 2013 is taken to be RMB0.7910 to HK$1 and will remain unchanged throughout the projection period.

(v) The Target Group is able to renew the relevant license for the mining right upon its existing expiry date.

Based on the above DCF analysis, the management concluded that the recoverable amount is more than the carrying amount and no impairment is required.

15. Interests in subsidiaries

Particulars of the subsidiaries of the Target Company as at 30 June 2013 are as follows:

Name of company	Place of incorporation/ establishment and operations	Issued ordinary share capital/ paid-up registered capital	Percentage of equity interest attributable to the Target Company		Principal activities
			Direct	Indirect	
Wise Goal Enterprises Limited ("Wise Goal") (i)	Hong Kong	HK$1	100%	–	Investment holding
廣西威日礦業有限責任公司 (Guangxi Weiri Mining Company Limited) ("Guangxi Weiri") (i) & (ii)	The PRC	RMB32,341,600 (iii)	–	100%	Mining and sale of mineral resources in the PRC

Note:

(i) No statutory audit was carried out by BDO Limited or other member firms of BDO International Limited during the Relevant Periods.

(ii) The English name of this subsidiary represents the best effort by the Target Group's management to translate its Chinese name as this subsidiary has no official English name.

(iii) In March 2006, the Target Company established Guangxi Weiri in the PRC with a registered capital of RMB5,000,000. In July 2011, the Target Company transferred its entire equity interest in Guangxi Weiri to Wise Goal, with 1% of the equity interest of Guangxi Weiri being held by Mr. Zhou Bo, a director of the Target Company, on behalf of Wise Goal. After the transfer, Wise Goal injected additional capital of RMB27,341,600 into Guangxi Weiri whose registered capital was accordingly increased to RMB32,341,600.

16. Cash and bank balances

At 31 December 2010, 2011 and 2012 and 30 June 2013, the aggregate cash and bank balances of the Target Group denominated in RMB amounted to approximately HK$47,000, HK$298,000, HK$110,000 and HK$319,000 respectively. RMB is not freely convertible into other currencies; however, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Target Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

17. Share capital

	Number of shares	*US$*	*HK$*	*HK$'000*
Authorised:				
Ordinary shares of US$1 each	50,000	50,000	390,000	390
Issued and fully paid:				
At 1 January 2010	1	1	8	–
Issue of shares *(ii)*	99	99	772	1
At 31 December 2010, 2011 and 2012 and 30 June 2012 and 2013	100	100	780	1

Note:

(i) The Target Company was incorporated with an authorised share capital of US$50,000 divided into 50,000 shares of US$1 each. 1 share was issued to the subscriber to the Memorandum of Association at par for cash on incorporation to provide the initial capital.

(ii) On 15 December 2010, the issued share capital of the Target Company was increased to US$100 by the allotment of 99 shares of US$1 each at par for cash to broaden the capital base. Such shares rank pari passu in all respects with the existing share of the Target Company.

18. Commitments

(a) Capital commitments

At 31 December 2010, 2011 and 2012 and 30 June 2013, the Target Group had the following capital commitments contracted but not provided for in these financial statements:

	As at 31 December			As at 30 June
	2010	**2011**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Capital expenditure in respect of the mining operations	–	4,830	299	303

(b) Operating lease commitments

The Target Group as lessee

The Target Group leases its office premises and staff quarters under operating lease arrangements, with leases negotiated for terms ranging from two to five years. None of the leases includes contingent rentals.

At 31 December 2010, 2011 and 2012 and 30 June 2013, the Target Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31 December			As at 30 June
	2010	**2011**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	–	613	852	850
After one year but within five years	–	2,401	2,028	1,644
	–	3,014	2,880	2,494

19. Related party transactions

Transactions between the Target Company and its subsidiaries, which are related parties of the Target Company, have been eliminated on consolidation and are not disclosed in this note. Save for disclosed elsewhere in the Financial Information, the Target Group had the following major transactions with related parties during the Relevant Periods:

(a) As set out in the paragraph headed "The Acquisition Agreement" in the Letter from the Board on page 9 of this circular, on 29 March 2012, China Elegance Resources Limited (the "Purchaser"), a wholly owned subsidiary of the Company, and Sino PowerHouse, Mr. Zhou Bo and Mr. Luan Zhong Jie (the "Vendors") entered into an acquisition agreement pursuant to which the Purchaser would acquire from the Vendors the entire issued capital of the Target Company at a consideration of HK$3 billion (the "Acquisition"). Mr. Cheung Ngan and Mr. Chan Chung Chun, Arnold who jointly and directly held the entire equity interest in Sino PowerHouse are also the substantial shareholders and directors of the Company. The terms of the Acquisition are set out in the Circular.

(b) Shareholder's contributions represent capital contributions by the shareholder, Sino PowerHouse, to the Target Company.

Sino PowerHouse provided interest free and unsecured loans to the Target Company. As Sino PowerHouse has undertaken not to demand repayment of any part of the loans from the Target Company in the foreseeable future, the shareholder's loans are accounted for as shareholder's contributions and included in equity of the Target Group.

However, as a condition to be fulfilled subsequent to the completion of the Acquisition, the Company, the Purchaser, Sino PowerHouse and the Target Company will enter into a deed of confirmation and guarantee, pursuant to which, the Company and the Purchaser will guarantee in favour of Sino PowerHouse that the Target Company will repay the shareholder's loans to Sino PowerHouse at zero interest rate within two years from the Completion. Sino PowerHouse also irrevocably and unconditionally undertaken not to demand the repayment of the shareholder's loans within one year from the Completion in the event that the Target Company has insufficient fund to repay the said shareholder's loans.

(c) Pursuant to the acquisition agreement signed in relation to the Acquisition and as a condition to be fulfilled subsequent to the completion of the Acquisition, the Vendors shall repurchase the Molybdenum Mine currently held by the Target Group from the Purchaser at the consideration of HK$1 within 12 months after the Completion. The Vendors undertake that they will jointly and severally be responsible for all operation costs of the Molybdenum Mine and will indemnify the Target Group against all costs, losses and/or damages (if any) incurred or suffered before the Molybdenum Mine is transferred back to the Vendors. Subject to the Vendors' fulfilment of all their obligations detailed above, the Vendors shall be entitled to all profits generated from the Molybdenum Mine (if any).

(d) Members of key management during the Relevant Periods comprised only of the directors whose remuneration is set out in Note 9 to the Financial Information.

20. Capital risk management

The Target Group's objective of managing capital is to safeguard the Target Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

In order to maintain or adjust the capital structure, the Target Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debts.

The capital structure of the Target Group consists of cash and cash equivalents and equity attributable to owners of the Target Company and comprising share capital and reserves.

21. Financial risk management

The main risks arising from the Target Group's financial instruments in the normal course of the Target Group's business are credit risk, liquidity risk, interest rate risk and foreign currency risk.

These risks are limited by the Target's Group financial management policies and practices described below.

(a) Credit risk

The credit risk of the Target Group mainly arises from cash and cash equivalents and other receivables. Management has credit policy in place and the exposure to this credit risk is monitored on an ongoing basis.

Substantially all of the Target Group's cash and cash equivalents are held in major financial institutions located in Hong Kong and the PRC, which management believes are of high credit quality.

(b) Liquidity risk

The Target Group has not yet commenced business and it relies on the financial support from its shareholders to meet its financial obligations.

The Target Group's financial liabilities at the end of the reporting period are all interest-free and due within one year or repayable on demand.

(c) Interest rate risk

As the Target Group has no significant interest-bearing assets and liabilities, the Target Group's operating cash flows are substantially independent of changes in market interest rate.

(d) Foreign currency risk

The Target Group has transactional currency exposures. Such exposures arise from the business operations in the PRC denominated in the RMB. Most of the Target Group's assets and liabilities are denominated in RMB, which is the functional currency of Guangxi Weiri. The Target Group does not expect any significant exposure to foreign currency risks.

The Target Group currently does not have a foreign currency hedging policy. The Target Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(e) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2010, 2011 and 2012 and 30 June 2013.

22. Summary of financial assets and financial liabilities by category

The carrying amounts of the Target Group's financial assets and financial liabilities as recognised at 31 December 2010, 2011 and 2012 and 30 June 2013 may be categorised as follows:

	As at 31 December			As at 30 June
	2010	**2011**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets				
Loans and receivables (including cash and cash equivalents) measured at amortised cost	169	3,044	4,068	3,698
Financial liabilities				
Financial liabilities measured at amortised cost	752	599	1,684	1,887

D. SUBSEQUENT EVENTS

No events have occurred subsequent to 30 June 2013 which require adjustment to or disclosure in the Financial Information.

E. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Group in respect of any period subsequent to 30 June 2013 and up to the date of this report. No dividend or other distributions has been declared, made or paid by Target Company in respect of any period subsequent to 30 June 2013.

Yours faithfully,

BDO Limited
Certified Public Accountants
Hong Kong
Shiu Hong NG
Practising Certificate Number: P03752

A. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, received from the Company's reporting accountants, BDO Limited, Certified Public Accountants, Hong Kong.

BDO

Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話：+852 2218 8288
傳真：+852 2815 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

11 October 2013

The Board of Directors
Sinocop Resources (Holdings) Limited
37th Floor, China Online Centre
333 Lockhart Road
Wanchai
Hong Kong

Dear Sirs,

We have completed our assurance engagement to report on the compilation of pro forma financial information of Sinocop Resources (Holdings) Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated statement of financial position as at 31 March 2013, the pro forma consolidated statement of comprehensive income and the pro forma consolidated statement of cash flows for the year ended 31 March 2013, and related notes as set out on pages 187 to 197 of the circular of the Company dated 11 October 2013 (the "Circular"). The applicable criteria on the basis of which the directors have compiled the pro forma financial information are described on page 186 of Appendix III to the Circular.

The pro forma financial information has been compiled by the directors to illustrate the impact of the Group's proposed acquisition of the entire equity interest in South China Mining Investments Limited (the "Target Company") (together with the Group, hereinafter collectively referred to as the "Enlarged Group") on the Group's financial position as at 31 March 2013 and its financial performance and cash flows for the year ended 31 March 2013 as if the transaction was completed on 31 March 2013 and had taken place at 1 April 2012 respectively. As part of this process, information about the Group's financial position, financial performance and cash flows has been extracted by the directors from the Group's financial statements for year ended 31 March 2013, on which an audit report has been published.

Directors' responsibilities for the pro forma financial information

The directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Reporting accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements (HKSAE) 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For the purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in the Circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purpose of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 March 2013 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

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

Opinion

In our opinion:

(a) the pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

BDO Limited
Certified Public Accountants
Hong Kong
Shiu Hong NG
Practising Certificate Number: P03752

B. PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

Introduction

The following is the pro forma financial information of the Enlarged Group as if the acquisition of the entire equity interest in the Target Company (hereinafter referred to as the "Acquisition") was completed on 31 March 2013 for the pro forma consolidated statement of financial position and had been completed at the commencement of the year ended 31 March 2013 for the pro forma consolidated statement of comprehensive income and the pro forma consolidated statement of cash flows. The accompanying pro forma financial information of the Enlarged Group has been prepared to illustrate the effect of the Acquisition. Details of the Acquisition are set out in the Letter from the Board contained in this circular.

The pro forma financial information of the Enlarged Group has been prepared in accordance with Paragraph 4.29(1) and Paragraph 14.69(4)(a)(ii) of the Listing Rules. It has been prepared by the directors of the Company for illustrative purposes only.

The pro forma financial information of the Enlarged Group is prepared based on the audited consolidated financial statements of the Group as of and for the year ended 31 March 2013, which has been extracted from the Company's annual report for the year then ended; the audited consolidated financial statements of the Target Group as extracted from the accountants' report thereon set out in Appendix II to this circular, and adjusted on a pro forma basis to reflect the effect of the Acquisition. These pro forma adjustments are (i) directly attributable to the Acquisition and not relating to other future events and decision and (ii) factually supportable based on the terms as stipulated in the Acquisition Agreement.

The pro forma financial information of the Enlarged Group is based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purposes. Accordingly, as a result of the uncertain nature of the accompanying pro forma financial information of the Enlarged Group, it may not give a true picture of the actual financial position or results of operations of the Enlarged Group that would have been attained had the Acquisition been completed on the specified dates indicated herein. Further, the pro forma financial information of the Enlarged Group does not purport to predict the future financial position or results of operations of the Enlarged Group.

The pro forma financial information of the Enlarged Group should be read in conjunction with the accountants' report as set out in Appendix II to this circular, the historical financial information of the Group set out in the published annual report of the Company for the year ended 31 March 2013 and other financial information included elsewhere in this circular.

(I) PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE ENLARGED GROUP

The pro forma consolidated statement of financial position of the Enlarged Group is prepared based on the consolidated statement of financial position of the Group as at 31 March 2013 which has been extracted from the published annual report of the Company for the year ended 31 March 2013 and the audited consolidated statement of financial position of the Target Group as at 30 June 2013 as set out in Appendix II to this circular, and adjusted to reflect the effect of the Acquisition.

As the pro forma consolidated statement of financial position of the Enlarged Group was prepared for illustrative purpose only and because of its nature, it may not give a true picture of the financial position of the Enlarged Group at the period ended to which it is made up to or for any future period.

	The Group as at 31 March 2013	**The Target Group as at 30 June 2013**		**Pro forma adjustments**	**Pro forma of the Enlarged Group**
	HK$'000	*HK$'000*	*Notes*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*			
Non-current assets					
Property, plant and equipment	12,521	2,407			14,928
Construction in progress	96,485	–			96,485
Interests in associates	613	–			613
Goodwill	48,324	–			48,324
Other intangible assets:					
Water use rights and others	15,365	–			15,365
Exploration and evaluation assets	–	94,828	*(Note 3(v))*	(94,828)	–
Mining right	–	107,620	*(Note 3(i))*	2,768,380	2,876,000
Value-added-tax recoverable	14,535	–			14,535
Total non-current assets	187,843	204,855			3,066,250
Current assets					
Accounts receivable	22,737	–			22,737
Other receivables, deposits and prepayments	42,298	6,739	*(Note 5)*	(1,921)	47,116
Cash and bank balances	40,629	2,607	*(Note 4(i))*	154,230	193,855
			(Note 5)	(3,611)	
Total current assets	105,664	9,346			263,708
Total assets	293,507	214,201			3,329,958

	The Group as at 31 March 2013 *HK$'000* *(Note 1)*	The Target Group as at 30 June 2013 *HK$'000* *(Note 2)*	*Notes*	Pro forma adjustments *HK$'000*	Pro forma of the Enlarged Group *HK$'000*
Current liabilities					
Accounts payable	22,737	–			22,737
Customers' deposits	14,798	–			14,798
Other payables and accruals	15,810	1,887			17,697
Receipts in advance	2,709	–			2,709
Total current liabilities	56,054	1,887			57,941
Net current assets	49,610	7,459			205,767
Total assets less current liabilities	237,453	212,314			3,272,017
Non-current liabilities					
Amount due to a related company	–	–	*(Note 3(vi))*	158,575	158,575
Total liabilities	56,054	1,887			216,516
NET ASSETS	237,453	212,314			3,113,442
Equity					
Share capital	13,844	1	*(Note 3(vii))*	(1)	17,694
			(Note 3(iii))	1,200	
			(Note 4(ii))	2,650	
Reserves	121,726	2,597	*(Note 3(vii))*	(30,217)	2,993,865
			(Note 3(vii))	27,620	
			(Note 3(iii))	70,800	
			(Note 3(iv))	2,655,291	
			(Note 4(ii))	156,350	
			(Note 4(iii))	(4,770)	
			(Note 5)	(5,532)	
Shareholder's contributions	–	209,716	*(Note 3(vi))*	(209,716)	–
Equity attributable to owners of the Company	135,570	212,314			3,011,559
Non-controlling interests	101,883	–			101,883
TOTAL EQUITY	237,453	212,314			3,113,442

(II) PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF THE ENLARGED GROUP

The pro forma consolidated statement of comprehensive income of the Enlarged Group is prepared based on the audited consolidated statement of comprehensive income of the Group for the year ended 31 March 2013 which has been extracted from the published annual report of the Company for the year ended 31 March 2013 and the audited consolidated statement of comprehensive income of the Target Group for the year ended 31 December 2012 as set out in Appendix II to this circular, and adjusted to reflect the effect of the Acquisition.

As the pro forma consolidated statement of comprehensive income of the Enlarged Group was prepared for illustrative purpose only and because of its nature, it may not give a true picture of the financial results of the Enlarged Group for the year ended to which it is made up to or for any future period.

	The Group for the year ended 31 March 2013	**The Target Group for the year ended 31 December 2012**		**Pro forma adjustments**	**Pro forma of the Enlarged Group**
	HK$'000	*HK$'000*	*Notes*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*			
Turnover	261,613	–			261,613
Cost of sales	(247,915)	–			(247,915)
Gross profit	13,698	–			13,698
Other income and other gains	13,440	8			13,448
Administrative expenses	(51,395)	(6,333)	*(Note 5)*	(5,532)	(63,260)
Finance costs	(2,944)	–	*(Note 3(vi))*	(23,786)	(26,730)
Share of loss of an associate	(80)	–			(80)
Loss before income tax	(27,281)	(6,325)			(62,924)
Income tax	–	–			–
Loss for the year	(27,281)	(6,325)			(62,924)

	The Group for the year ended 31 March 2013 HK$'000 (Note 1)	The Target Group for the year ended 31 December 2012 HK$'000 (Note 2)	Notes	Pro forma adjustments HK$'000	Pro forma of the Enlarged Group HK$'000
Other comprehensive income for the year					
Exchange differences arising on translation of foreign operations	4,997	1,742			6,739
Total comprehensive income for the year	(22,284)	(4,583)			(56,185)
Loss attributable to:					
– Owners of the Company	(23,209)	(6,325)			(58,852)
– Non-controlling interests	(4,072)	–			(4,072)
	(27,281)	(6,325)			(62,924)
Total comprehensive income attributable to:					
– Owners of the Company	(19,688)	(4,583)			(53,589)
– Non-controlling interests	(2,596)	–			(2,596)
	(22,284)	(4,583)			(56,185)

(III) PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF THE ENLARGED GROUP

The pro forma consolidated statement of cash flows of the Enlarged Group is prepared based on the audited consolidated statement of cash flows of the Group for the year ended 31 March 2013 which has been extracted from the published annual report of the Company for the year ended 31 March 2013 and the audited consolidated statement of cash flows of the Target Group for the year ended 31 December 2012 as set out in Appendix II to this circular, and adjusted to reflect the effect of the Acquisition.

As the pro forma consolidated statement of cash flows of the Enlarged Group was prepared for illustrative purpose only and because of its nature, it may not give a true picture of the cash flows of the Enlarged Group for the year ended to which it is made up to or for any future period.

	The Group for the year ended 31 March 2013 *HK$'000* *(Note 1)*	**The Target Group for the year ended 31 December 2012** *HK$'000* *(Note 2)*	*Notes*	**Pro forma adjustments** *HK$'000*	**Pro forma of the Enlarged Group** *HK$'000*
Operating activities					
Loss before income tax	(27,281)	(6,325)	*(Note 5)*	(5,532)	(62,924)
			(Note 3(vi))	(23,786)	
Adjustments for:					
Interest income	(2)	(4)			(6)
Interest expenses	2,944	–	*(Note 3(vi))*	23,786	26,730
Depreciation of property, plant and equipment	7,192	277			7,469
Share-based payments	2,633	–			2,633
Write off of prepayments	3,945	–			3,945
Write off of other receivables	235	–			235
Gain on disposal of property, plant and equipment	(496)	–			(496)
Share of loss of an associate	80	–			80
Operating cash flows before movements in working capital	(10,750)	(6,052)			(22,334)
Increase in accounts receivable	(22,737)	–			(22,737)
(Increase)/decrease in other receivables, deposits and prepayments	(37,766)	1,627	*(Note 5)*	1,921	(34,218)
Decrease in value-added-tax recoverable	769	–			769
Increase in accounts payable	22,737	–			22,737
Increase in customers' deposits	14,798	–			14,798
Increase in other payables and accruals	14,358	753			15,111
Decrease in receipts in advance	(1,066)	–			(1,066)
Net cash used in operating activities	(19,657)	(3,672)			(26,940)

	The Group for the year ended 31 March 2013 HK$'000 (Note 1)	The Target Group for the year ended 31 December 2012 HK$'000 (Note 2)	Notes	Pro forma adjustments HK$'000	Pro forma of the Enlarged Group HK$'000
Investing activities					
Payments to acquire property, plant and equipment	(33)	(1,500)			(1,533)
Proceed from disposal of property, plant and equipment	496	–			496
Exploration and evaluation expenditure	–	(4,983)			(4,983)
Expenditure for the mining right	–	(7,913)			(7,913)
Interest received	2	4			6
Net cash generated from/(used in) investing activities	465	(14,392)			(13,927)
Financing activities					
Increase in shareholder's contributions	–	17,661	*(Note 3(vi))*	(17,661)	–
Increase in amount due to a related company	–	–	*(Note 3(vi))*	17,661	17,661
Interest paid	(2,944)	–			(2,944)
Net proceeds from issue of new shares	–	–	*(Note 4(i))*	154,230	154,230
Net cash (used in)/generated from financing activities	(2,944)	17,661			168,947
Net (decrease)/increase in cash and cash equivalents	(22,136)	(403)			128,080
Cash and cash equivalents at beginning of year	62,460	2,874			65,334
Effect of foreign exchange rate changes	305	112			417
Cash and cash equivalents at end of year	40,629	2,583			193,831
Analysis of the balances of cash and cash equivalents					
Cash and bank balances	40,629	2,583			193,831

Notes:

1. The amounts of the Group as stated in the pro forma consolidated statement of financial position, consolidated statement of comprehensive income and consolidated statement of cash flows are extracted from the published annual report of the Company for the year ended 31 March 2013.

2. The assets and liabilities of the Target Group as at 30 June 2013 and its income and expenses and cash flows for the year ended 31 December 2012 are derived from the Financial Information of the Target Group in Appendix II to this circular.

3. Pursuant to the Acquisition Agreement among the Company, the Purchaser and the Vendors, the consideration of the Acquisition in aggregate of HK$3,000,000,000, which will be settled in the following manners:

   (a) HK$90,000,000 of the consideration shall be settled by issuance of 120,000,000 Consideration Shares at the issue price of HK$0.75 per Consideration Share by the Company to the Vendors upon Completion; and

   (b) HK$2,910,000,000 of the consideration shall be settled by issuance of Convertible Notes by the Company to Vendors upon Completion.

   The Target Group engages in mining and sale of mineral resources in the PRC and has not yet entered the development stage of the mining operation. The Acquisition is therefore to be accounted for as a purchase of assets and liabilities as the operation of the Target Group proposed to be acquired does not constitute a business in accordance with Hong Kong Financial Reporting Standard 3 (Revised) "Business Combination". Upon Completion, the Company shall identify and recognise the individual identifiable assets acquired and liabilities assumed. The cost of purchase shall be allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase.

   As the Acquisition is considered as a purchase of assets and liabilities and part of the consideration is to be settled by the Company's equity instruments, the Acquisition is a share-based payment transaction. According to Hong Kong Financial Reporting Standard 2 "Share-based Payment" (the "HKFRS 2"), the fair value of the equity instruments should be recognised based on the fair value of the net assets acquired. The main component of the net assets acquired is the mining right of the Glauberite Mine.

   Management of the Company has engaged Ascent Partners Valuation Service Limited, an independent professional firm of valuers (the "Valuers") to value the mining right of the Target Group as at 30 June 2013. The Valuers adopted the income approach by reference to the cash flow projections of Glauberite Mine prepared for a 25-year period and determined the fair value of the mining right at approximately HK$2,876,000,000 as at 30 June 2013 having regards to a number of risk factors associated with the operation of the Glauberite Mine. The directors of the Company consider this value to be reasonable and appropriate.

   On the above basis, the following pro forma adjustments are made to reflect the effect of the Acquisition on the pro forma consolidated statement of financial position of the Enlarged Group as if the Acquisition was completed on 31 March 2013 and the effect of the Acquisition on the pro forma consolidated statement of comprehensive income and the pro forma statement of cash flows of the Enlarged Group as if the Acquisition had been completed on 1 April 2012.

(i) The pro forma adjustment represents cost to be allocated to mining right arising on the Acquisition as if the Acquisition was completed on 31 March 2013:

		HK$'000
Carrying value of mining right		107,620
Cost allocated to mining right		2,768,380
Fair value of mining right		2,876,000
Less: Other net liabilities of the Target Group assumed		
Net assets of the Target Group as extracted from the Accountants' Report set out in Appendix II	212,314	
Less: Carrying value of mining right	(107,620)	
Adjustment on exploration and evaluation assets *(Note 3(v))*	(94,828)	
Fair value of shareholder's contributions repayable *(Note 3(vi))*	(158,575)	
		(148,709)
Fair value of net assets acquired from the Target Group		2,727,291

The principal asset acquired in the Acquisition is a mining right held by the Target Group. The directors of the Company are of the view that the fair values of other identified assets acquired and liabilities assumed of the Target Group equal their respective carrying amounts, except the shareholder's contributions which are also subject to fair value adjustment. The management confirmed that this accounting treatment will apply consistently upon Completion.

The fair value of the mining right, the purchase consideration and shareholder's contributions and the amount of cost allocation derived from the Acquisition are subject to change and shall be reassessed at the time of actual completion of the Acquisition.

For the purpose of this pro forma financial information, the directors of the Company have performed impairment assessment on the mining right acquired in accordance with Hong Kong Accounting Standard 36 "Impairment of Assets". Management of the Company has considered the value of mining right of the Target Group by reference to the fair value of the mining right determined by Valuers as at 30 June 2013 as discussed above. It is assumed that the fair value of the mining right as at 30 June 2013 approximated the fair value at 31 March 2013 and management considers that there is no impairment in the value of the mining right acquired as if the Acquisition was completed on 31 March 2013.

The reporting accountants of the Company concurred with the directors' assessment of impairment of the mining right as stated in the pro forma consolidated statement of financial position of the Enlarged Group as at 31 March 2013.

(ii) The fair value of the consideration transferred as at 31 March 2013 is determined by reference to the fair value of the net assets of the Target Group acquired as follows:

	HK$'000
Consideration Shares *(Note 3(iii))*	72,000
Convertible Notes *(Note 3(iv))*	2,655,291
Fair value of net assets acquired from the Target Group	2,727,291

(iii) The Company will issue 120,000,000 Consideration Shares to Vendors as settlement of part of the consideration of the Acquisition. The fair value of the Consideration Shares amounted to approximately HK$72,000,000 based on the closing price of the Company's shares of HK$0.60 per share as at the date of Completion which is assumed to be 31 March 2013. The adjustments represent the nominal value of share capital of HK$1,200,000 and excess of the aggregate consideration over the nominal value of the shares of HK$70,800,000 which is credited to the share premium account of the Company.

The value of the Consideration Shares is subject to change and shall be reassessed at the time of actual completion of the Acquisition.

(iv) The Convertible Notes with a principal amount of HK$2,910,000,000 are non-interest bearing and will mature on the tenth anniversary of the date of issue. The Convertible Notes can be converted at any time, and from time to time, at the option of the holders, subject to the conversion restrictions and compliance with the Takeovers Code and the Listing Rules, from the date of issue at a conversion price of HK$0.75 per share (the "Conversion Price"). Only the Company shall have the right to redeem the entire or part of the outstanding Convertible Notes at the amount equals to the outstanding principal amount of the Convertible Notes or to convert the entire or part of the outstanding Convertible Notes into conversion shares at the Conversion Price on the maturity date but not the holders of the Convertible Notes.

Under the above terms of the Convertible Notes, the Company can choose to redeem the Convertible Notes in cash on the maturity or convert into conversion shares. Management of the Company has determined that the Company does not have a present obligation to settle in cash. Accordingly, the issue of the Convertible Notes as part of the consideration for the Acquisition is accounted for as an equity-settled share-based payment under HKFRS 2.

For the purpose of the pro forma consolidated statement of financial position, the fair value of the Convertible Notes as at 30 June 2013 is determined as the residue value of HK$2,655,291,000, being the fair value of the nets assets of the Target Group acquired less the fair value of the Consideration Shares. The fair value of the Convertible Notes is assumed to remain unchanged as at 31 March 2013. As the Convertible Notes is an equity instrument in that the Company has the option to issue conversion shares at the Conversion Price on the maturity date and has no obligation to settle in cash, the entire fair value amount of HK$2,655,291,000 is credited to the Convertible Notes equity reserve on issuance of the Convertible Notes.

The fair value of the Convertible Notes is subject to change and shall be reassessed at the time of actual completion of the Acquisition.

(v) Pursuant to the condition subsequent to the Acquisition Agreement as further detailed in the paragraph headed "Condition subsequent" in the letter from the Board on page 18 of this circular, the Vendors shall repurchase the Molybdenum Mine from the Purchaser at a consideration of HK$1 within 12 months after Completion. The carrying amount of exploration and evaluation assets relating to Molybdenum Mine of HK$94,828,000 is adjusted to HK$1 upon Completion.

(vi) Pursuant to the Deed of Confirmation and Guarantee among the Company, the Purchaser, Sino PowerHouse and the Target Company as further detailed in the paragraph headed "Deed of Confirmation and Guarantee" in the letter from the Board on page 19 of this circular, shareholder's contributions representing shareholder's loans made by Sino PowerHouse to the Target Company with a principal amount of HK$209,716,000 are unsecured, non-interest bearing and will mature on the second anniversary of the date of Completion, assumed to be 31 March 2013, for the purpose of the pro forma financial information.

The estimated fair value of the shareholder's contributions of approximately HK$158,575,000 is determined using an interest rate of 15% per annum based on the actual interest rate of a loan the Target Group obtained in March 2013 from a finance company in the PRC. A fair value adjustment of approximately HK$51,141,000 is therefore made to the principal amount of the shareholder's contributions.

For the purpose of the pro forma consolidated statement of financial position, the pro forma adjustment represents the re-classification of the shareholder's contributions to amount due to a related company upon Completion.

For the purpose of the pro forma consolidated statement of comprehensive income, it is assumed that the fair value of the shareholder's contributions as at 31 March 2013 approximated the fair value as at 1 April 2012. The pro forma adjustment represents the annual imputed interest expenses on the amount due to a related company of approximately HK$23,786,000. This adjustment will have a continuing effect on the Enlarged Group.

For the purpose of the pro forma consolidated statement of cash flows, the pro forma adjustment represents the re-classification of increase or decrease in the shareholder's contributions to increase or decrease in amount due to a related company upon Completion.

(vii) The adjustment represents the elimination of the pre-acquisition reserves and share capital of the Target Group.

4. Pursuant to the placing agreement dated 29 March 2012, the Company has agreed to place, through the placing agent, not less than 265 million and not more than 333.3 million new ordinary shares of the Company (the "Placing") at an exercise price not less than HK$0.60 per share and not more than HK$0.75 per share. If the market price of the Company's shares is less than HK$0.60 per share or above HK$0.75, the Company and the Placing Agent will use their best effort to renegotiate the Placing Price.

   The closing price of the Company's shares as at the date of Completion which is assumed to be 31 March 2013 was HK$0.60 per share and the following adjustments assumed 265 million new ordinary shares of the Company will be issued at HK$0.60 per share upon Completion.

   (i) The pro forma adjustment of approximately HK$154,230,000 represents the net proceeds from the Placing.

   (ii) The adjustments represent share capital of HK$2,650,000 at nominal value and excess of the aggregate consideration over the nominal value of the shares of HK$156,350,000 which is credited to the share premium account of the Company.

   (iii) HK$4,770,000 represents placing commission of 3% on the principal amount of the Placing payable to the placing agent and it is debited to the share premium of the Company. The pro forma adjustment is not expected to have a continuing effect on the Enlarged Group.

   The proceeds from the Placing is subject to change and shall be reassessed at time of actual completion of the Acquisition.

5. For the purposes of the pro forma consolidated statement of comprehensive income and consolidated statement of cash flows, the adjustment represents payment for estimated acquisition related costs (including fees to legal advisers, financial adviser, independent financial adviser, reporting accountants, valuers, printer, and other expenses) of approximately HK$5,532,000, which should be expensed in the pro forma consolidated statement of comprehensive income upon Completion. The pro forma adjustment is not expected to have a continuing effect on the Enlarged Group.

   For the purpose of the pro forma consolidated statement of financial position and consolidated statement of cash flows, the estimated acquisition-related costs were satisfied by the utilisation of deposit paid of HK$1,921,000 and cash payment of HK$3,611,000.

6. For the purpose of the pro forma financial information, the balances arising from the Acquisition that are stated in Renminbi are converted into Hong Kong dollars at the exchange rate of RMB0.8071: HK$1 on 31 March 2013. No representation is made that the RMB amounts have been, could have been or may be converted to Hong Kong dollars or vice versa, at that rate.

The following is the Competent Person's Report received from SRK Consulting (Australasia) Pty Ltd, a copy in full color of the Competent Person's Report is also available on the website of Sinocop Resources (Holdings) Limited (www.sinocop.hk).

Independent Technical Assessment of the Taowei Glauberite Project

Report Prepared for

Wise Goal Enterprises Limited

Report Prepared by

SRK Consulting (Australasia) Pty Ltd
Project Number WIS001
31 May 2013

Independent Technical Assessment of the Taowei Glauberite Project

Wise Goal Enterprises Limited
37/F, China Online Centre, 333 Lockhart Road, Wanchai, Hong Kong

SRK Consulting (Australasia) Pty Ltd
Level 8, 365 Queen Street, Melbourne, Victoria 3000, Australia

e-mail: melbourne@srk.com.au
website: srk.com.au

Tel: +61 3 8677 1900
Fax: +61 3 8677 1901

SRK Project Number WIS001

May 2013

Compiled by

Dr Louis Bucci
Principal Consultant
(Project Evaluations)
Email: lbucci@srk.com.au

Peer Reviewed by

Michael John Warren
Corporate Consultant
(Project Evaluations)

Authors:

Dr Louis Bucci; Dr Gavin Chan; Danny Kentwell; Kirsty Sheerin; Andrew Banks; Anne-Marie Ebbles; Timothy Newton; Jessica Binoir; Michael John Warren

EXECUTIVE SUMMARY

The Taowei Na_2SO_4 deposit is located within the Taowei Basin, 60 km east of Nanning in Guangxi Province, of the People's Republic of China ("the PRC"). SRK Consulting ("SRK") has undertaken an Independent Technical Report ("ITR") on the asset, reviewing aspects of geology and Resource estimation, as well as studies relating to preliminary mining and processing options for the deposit. SRK's ITR is provided in a format which meets the requirements for a proposed listing on the Main Board of the Stock Exchange of Hong Kong Limited ("Stock Exchange").

The Taowei deposit is situated within a Mesozoic Basin, with glauberite mineralization associated with inland-lake facies red clastic-chemical rocks of the Xinlong Formation. The deposit has been explored historically, with initial work commencing in the early 1990's. SRK has used historic (pre-2011) and current (2011) drilling results as a basis to develop a three dimensional geological model for the deposit, and to complete an estimation of Mineral Resources. SRK's Resource estimate has been prepared in accordance with the guidelines of the Australasian Code for reporting of exploration results, Mineral Resources and Ore Reserves (The JORC Code, 2004).

SRK reviewed part of the 2011 cores in May 2011 while the drill rig was operating, and can confirm having observed glauberite mineralization from the current drilling. The Company has a designated facility to store the cores, and sampling of the core was based on guidelines recommended by SRK. A total of 899 samples from the 2011 drilling were analysed by the laboratory of the Zhongnan University, with Na_2SO_4, $MgSO_4$, NaCl, K^+, Na^+, Ca^{2+}, Mg^{2+}, Cl^-, SO_4^{2-}, HCO_3^- CO_3^{2-}, KCl, absorption water and total water analysed.

Resource estimation was undertaken within six geologically modelled mineralised domains, with the tabulated Mineral Resource summary presented in Table ES-1. SRK considers the overall level of risk associated with this particular Resource estimate as being Low to Moderate. SRK considers that the identified risks can be mitigated through additional drilling, which is currently being planned by the Company.

A document titled *"A Feasibility Study on producing device for glauberite's outputting 0.5 Mt of Na_2SO_4 annually in Taowei, Heng County"* has been completed by the Changsha Design and Research Institute of Ministry of Chemical Industry, in August 2011. The document outlines mining and processing concepts for development of the deposit. SRK has reviewed this study, and note that the study has not incorporated the most recent drilling information. Instead, it has based the mining concept on the historic Chinese estimates of mineralization, which are largely confirmed by the 2011 drilling.

The proposed mining method is a room and pillar solution mining method, which is a proven mining method for this type of deposit and has been applied in various places of the PRC, including Xinjiang, Sichuan and Guangxi. The construction period is estimated to be two years, which SRK considers to be optimistic, given that construction design, procurement and implementation are scheduled concurrently.

The mine is planned to mine 4 Mtpa to produce 500 ktpa of Na_2SO_4 through 130 m long x 60 m wide x 30 m high stopes, in Phase I of mining. The study suggests that stopes are developed at 90 m/month/team, with 12 teams, and therefore it has been estimated that 1,080 m is to be developed per month. This development rate allows for 6.5 stopes to be developed per year, and SRK believe that this development rate is sufficient to achieve the proposed production rate. The Company propose an increased production rate for Phases II (from 500 ktpa to 1,500 ktpa of Na_2SO_4) and III (from 1,500 ktpa to 3,000 ktpa of Na_2SO_4). SRK believe that the ramp-up to Phase III production rate is technically feasible. Further detailed scheduling of the orebody is required to determine how long the higher production rates could be maintained for, and the increased production would require an increase in the labor force and mining equipment.

Table ES-1: Total Taowei Na_2SO_4 Resource

Wireframe	Classification	Tonnes (Mt)	Na_2SO_4 *(%)*	Na_2SO_4 (Mt)
North Orebody 1	Indicated	473	18.12	86
	Inferred	–	–	–
North Orebody 2	Indicated	–	–	–
	Inferred	37	18.92	7
Central Orebody 1	Indicated	581	16.77	98
	Inferred	49	16.76	8
Central Orebody 2	Indicated	43	14.99	6
	Inferred	–	–	–
East Orebody 1	Indicated	151	19.1	29
	Inferred	12	19.63	2
Sub Total	**Indicated**	**1248**	**17.5**	**219**
	Inferred	**98**	**17.91**	**17**
Total	**Indicated + Inferred**	**1346**	**17.53**	**236**

* *All tonnages are rounded to the nearest million tonnes to reflect the inherent level of confidence associated with the Resource Estimation. The Mineral Resource was estimated within constraining wireframe solids based on geological limits of the mineralised and internal waste units. Nominal cut off for defining the geological unit is 10% Na_2SO_4.*

The mining capital cost estimate that has been included in the Changsha Design and Research Institute of Ministry of Chemical Industry study indicates a total requirement of RMB72.2M, allocated across mining equipment, development, shafts and services. The total estimate breakdown by category is considered by SRK to be appropriate; however, SRK notes that no estimate for ventilation and mine dewatering capital requirements has been included.

The breakdown of the mine operating costs included in the study indicates approximately RMB53.6M per annum at full production, which equates to RMB107.2 per t of Na_2SO_4. These costs include the labor, fuel, water and mining consumables. SRK believe that the operating cost estimate should also include additional costs for ventilation and mine dewatering. Given the early stage of development of the Project, SRK considers these estimates to be appropriate.

For mining Phases II and III, it is SRK's opinion that it is not unreasonable to consider that the capital cost would be pro-rata of the Phase I estimates, but it would be unlikely that the operating costs would be lower than the Phase I estimates. Further detailed studies into increasing the production rate are required to determine the cost estimates for the Phase II and III production rates.

The proposed mining concept is preliminary in nature, which is appropriate given the category of Mineral Resources currently defined. However, despite being at an early stage of development, a detailed development and production schedule should be established for the mine. SRK considers that there is sufficient information to undertake that work at present.

The Taowei Project proposes the use of in-situ leaching (ISL) to extract sodium sulphate from glauberite ores. The generated process solution will contain impurities, which will require removal via a process of purification, crystallisation, and drying. The process is considered by SRK to be fairly simple, and uses well established unit operations.

The capital cost estimate provided by the Changsha Design and Research Institute of Ministry of Chemical Industry has been reviewed by SRK, and including installation, is estimated at RMB125,460,200. Financing costs are then added to give a total investment of RMB416.68 million. This is the all-inclusive cost covering the mine, plant, utilities and services. SRK considers the overall cost plausible for a fairly simple process plant built in the PRC.

The total process operating cost is estimated at RMB108,795,994 per year. The cost estimate is broken down and traceable to unit costs and consumption rates, with most of the cost assumptions considered plausible. Steam generation accounts for up to 63% of the operating costs, and at the proposed consumption rate, is in agreement with the mass and energy balance. However, SRK considers the product packaging costs to be on the high side, and power and maintenance costs to be a little low.

As a general comment, it is not clear if there are any test results or other data to support the key design criteria and CAPEX/OPEX estimates for the processing route. Some of the categories allocated to cost centres are confusing in a western context, but may be standard in the PRC, and misinterpreted in the translation of the Changsha Design and Research Institute of Ministry of Chemical Industry document. Given the early stage of development of the Project, and that the processing flowsheet is conceptual in nature, SRK recommends that a more detailed breakdown and explanation of the CAPEX/OPEX estimates be undertaken during the next stage of engineering studies.

Despite the uncertainties given the lack of detail in the CAPEX and OPEX numbers provided in the processing section of the study provided by the Changsha Design and Research Institute of Ministry of Chemical Industry, and the absence of a detailed development schedule relative to predicted production ramps, the forecast for expenditure for the first 12 months seems aggressive, but appropriate to what the Changsha Design and Research Institute of Ministry of Chemical Industry predict for total expenditure in their report.

It should be noted that SRK considers the Changsha Design and Research Institute of Ministry of Chemical Industry document to represent a Scoping or conceptual engineer study, and additional engineering studies are recommended. This normal for the development of mining projects globally. SRK considers the magnitude of the estimates presented to demonstrate a commitment by the Company to develop the Project as fast as possible, post raising of capital from the market.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

DISCLAIMER

The opinions expressed in this Report have been based on the information supplied to SRK Consulting (Australasia) (SRK) by Wise Goal Enterprises Limited ("WGEL", the "Client" or "Company"). The opinions in this Report are provided in response to a specific request from WGEL to do so. SRK has exercised all due care in reviewing the supplied information. Whilst SRK has compared key supplied data with expected values, the accuracy of the results and conclusions from the review are entirely reliant on the accuracy and completeness of the supplied data. SRK does not accept responsibility for any errors or omissions in the supplied information and does not accept any consequential liability arising from commercial decisions or actions resulting from them. Opinions presented in this Report apply to the site conditions and features as they existed at the time of SRK's investigations, and those reasonably foreseeable. These opinions do not necessarily apply to conditions and features that may arise after the date of this Report, about which SRK had no prior knowledge nor had the opportunity to evaluate.

LIST OF ABBREVIATIONS

Abbreviation	Meaning
Avg	average
BD	bulk density
CAPEX	capital expenditure
DTM	digital terrain model
E	east
E–W	east-west
GIS	geographic information system
Glauberite	Light coloured mineral ($Na_2Ca(SO_4)_2$)
JORC Code	Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia (JORC), December 2004.
k	thousand
kg	kilogram
km	kilometres
km^2	square kilometres
m	metre

Abbreviation	Meaning
M^3	metres cubed
Max.	maximum
Min.	minimum
mm	millimetres
M	million
m^3	cubic metre
mE	metres east
mN	metres north
Mo	chemical symbol for molybdenum
MRMR	Mining Rock Mass Rating
m RL	metres reduced level
mS	metres south
Mt	million tonnes
Mtpa	million tonnes per annum
N	north
Na	chemical symbol for sodium
NE	northeast
NW	northwest
OPEX	operating expenditure
OS	oversize
PMF	probable maximum flood
S	south
SE	southeast
SO_4	chemical symbol for sulfate
SRK	SRK Consulting (Australasia) Pty Ltd
SW	southwest
t	tonne
VALMIN Code	Australian code for the technical assessment and valuation on mineral and petroleum assets and securities for independent expert reports.
W	west

1 INTRODUCTION AND SCOPE OF REPORT

Wise Goal Enterprises Limited ("WGEL", the "Client", or "Company") commissioned SRK Consulting (Australasia) ("SRK") to undertake an Independent Technical Report ("ITR") of the Taowei Glauberite Project (the "Project"), located in Guangxi Autonomous Region, near the town of Yulin in Heng County, the PRC. SRK's ITR is required to be provided in a format which meets the requirements for a proposed listing on the Main Board of the Stock Exchange.

2 PROGRAMME OBJECTIVES AND WORK PROGRAMME

2.1 Programme objectives

The programme objective is to provide WGEL with an ITR suitable for inclusion in documents for the purpose of the proposed listing on the Main Board of the Stock Exchange.

2.2 Reporting Standard

This Report has been prepared to the standard of, and is considered by SRK to be, a Technical Assessment Report under the guidelines of the VALMIN Code. The VALMIN Code is the code adopted by the Australasian Institute of Mining and Metallurgy and the standard is binding upon all AusIMM members. The VALMIN Code incorporates the JORC Code for the reporting of Mineral Resources and Ore Reserves.

This Report is not a Valuation Report and does not express an opinion as to the value of Glauberite assets.

2.3 Project team

SRK has utilised a multi-disciplinary team to conduct this review and to provide discipline based input to the ITR.

The team members and their primary area of responsibility are summarised below (Table 2-1).

Table 2-1: Project team and responsibility

Consultant Name	Title/Discipline
Dr. Louis Bucci	Principal Consultant (Project Evaluations)
	Team Leader, Project Manager, Geology and site review and reporting
Michael John Warren	Corporate Consultant (Project Evaluations)
	Final report peer review
Dr. Gavin Chan	Senior Consultant (Geology)
	Geological Modelling and Reporting
Jessica Binoir	Senior Consultant (Geology)
	Modelling and Reporting
Kirsty Sheerin	Consultant (Geology)
	Geostatistics
Danny Kentwell	Principal Consultant (Resource Evaluation)
	Resource Estimation and Reporting
Andrew Banks	Principal Consultant (Resource Geology)
	Resource Estimation and Reporting
Anne-Marie Ebbels	Principal Consultant (Mining)
	Conceptual Mining Study
Tim Newton	Associate Consultant (Mineral Processing)
	Proposed processing flow sheet

2.4 Competent Person Statement

2.4.1 Mineral Resources

The information in this report that relates to Mineral Resources is based on work done by Dr Louis Bucci, Mr. Andrew Banks, Jessica Binoir, Kirsty Sheerin and Dr Gavin Chan, and has been Peer Reviewed by Mr. Danny Kentwell. Dr Bucci and Mr. Kentwell take overall responsibility for the Resource Estimate and Dr Gavin Chan takes responsibility for the geological model. Mr. Andrew Banks and Dr Gavin Chan are Members of The Australasian Institute of Mining and Metallurgy and Dr Louis Bucci is a Member of the Australian Institute of Geoscientists. Mr. Kentwell is a Fellow of the Australasian Institute of Mining and Metallurgy. Dr Louis Bucci, Dr Gavin Chan and Mr. Danny Kentwell are full time employees of SRK Consulting (Australasia) and Andrew Banks was a full time employee of SRK from June 2011 until February 2012.

All have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration, and to the activity they are undertaking to qualify as Competent Persons in terms of the Australasian Code for reporting of exploration results, Mineral Resources and Ore Reserves (The JORC Code, 2004), and for inclusion of such information in this Report in the form and context in which it appears.

2.4.2 Stock Exchange Requirements

Dr Louis Bucci meets the definitions of Competent Person, set out in Chapter 18 of the Stock Exchange listing rules. Dr Bucci:

- Is a member of Australian Institute of Geoscientists (MAIG);
- Has more than five years' experience relevant to the type of deposit;
- Is independent of the issuer applying all of the tests in sections 18.21 and 18.22 of the listing rules of Stock Exchange;
- Does not have any economic or beneficial interest (present or contingent) in any of the reported asset;

- Has not received a fee dependent on the findings outlined in the Competent Person's Report;

- Is not an officer, employee of proposed officer for the issuer or any group, holding or associated company of the issuer; and

- Assumes overall responsibility for the Competent Person's Report.

2.5 Statement of SRK Independence

Neither SRK nor any of the authors of this Report have any material present or contingent interest in the outcome of this Report, nor do they have any pecuniary or other interest that could be reasonably regarded as being capable of affecting their independence or that of SRK.

SRK has no prior association with WGEL in regard to the mineral assets that are the subject of this Report. SRK has no beneficial interest in the outcome of the technical assessment being capable of affecting its independence.

SRK's fee for completing this Report is based on its normal professional daily rates plus reimbursement of incidental expenses. The payment of that professional fee is not contingent upon the outcome of the Report.

2.6 Representation

WGEL has represented in writing to SRK that full disclosure has been made of all material information and that, to the best of its knowledge and understanding, such information is complete, accurate and true.

2.7 Indemnities

As recommended by the VALMIN Code, WGEL has provided SRK with an indemnity under which SRK is to be compensated for any liability and/or any additional work or expenditure resulting from any additional work required:

- which results from SRK's reliance on information provided by WGEL or to WGEL not providing material information; or

- which relates to any consequential extension workload through queries, questions or public hearings arising from this Report.

2.8 Consents

SRK consents to this Report being included, in full, in the WGEL prospectus, in the form and context in which the technical assessment is provided, and not for any other purpose.

SRK provides this consent on the basis that the technical assessments expressed in the Summary and in the individual sections of this Report are considered with, and not independently of, the information set out in the complete Report and the Cover Letter.

2.9 Limitations

SRK, after due enquiry and subject to the limitations of the Report hereunder, confirms that:

- The input, handling, computation and output of the geological data and Resources information has been conducted professionally and accurately and to the high standards commonly expected within the Geoscience profession;

- In conducting this assessment, SRK has assessed and addressed all activities and technical matters which might reasonably be considered to be relevant and material to such an assessment conducted to internationally accepted standards. Based on observations, interviews with appropriate staff and a review of available documentation, SRK has, after reasonable enquiry, been satisfied that there are no outstanding relevant material issues other than those indicated in this report. However it is impossible to dismiss absolutely the possibility that parts of the site or adjacent properties may give rise to additional issues; and

- The conclusions presented in this report are professional opinions based solely upon SRK's interpretations of the documentation received, interviews and conversations with personnel knowledgeable about the site and other available information, as referenced in this report. These conclusions are intended exclusively for the purposes stated herein.

For these reasons, prospective estimators should make their own assumptions and their own assessments of the subject matter of this report.

Opinions presented in this report apply to the sites conditions and features as they existed at the time of SRK's investigations, and those reasonably foreseeable. These opinions cannot necessarily apply to conditions and features that may arise after the date of this report, about which SRK have had no prior knowledge, nor had the opportunity to evaluate.

3 TAOWEI GLAUBERITE PROJECT

3.1 Property Description

The Taowei Glauberite Project is located 60 km east of Nanning, adjacent to the town of Taowei, Heng County, Guangxi Autonomous Region, in the PRC (Figure 3-1). The Taowei deposit has been defined over an area of approximately 30km^2, located between 109˚ 05'30" to 109˚07'30" east, and 22˚49'00" to 22˚51'00" north. The Project area is accessed by Binyang and Hengxian roads, and is 35 kilometres from the Heng County.

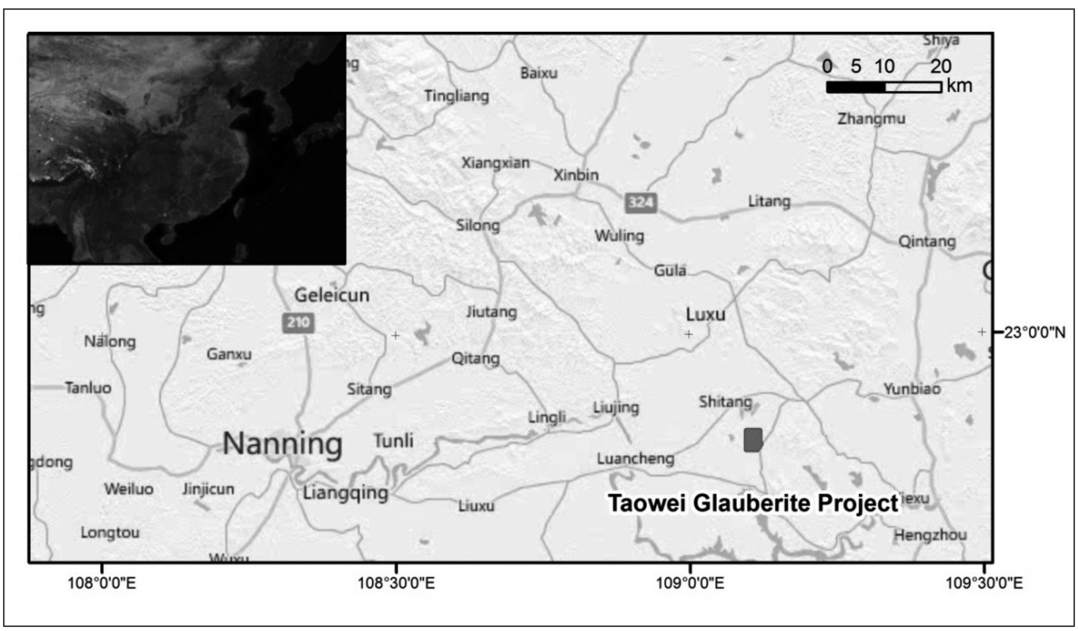


Figure 3-1: Location of Taowei glauberite Project

3.2 Climate and Physiography

The climate of the Project area is sub-tropical monsoon. It is generally mild with few frosts and rare snow. The recorded maximum and minimum temperatures are 39°C and -1°C respectively, with an average temperature of 21.9°C. Annual climate averages include: relative humidity of ~79%; wind speed of 2.5 m/s; rainfall of ~1,415mm; and evaporation of ~1,655 mm (Wen et al., 2005).

3.3 Tenement Details

The Project is located within Mining Tenement C4500002011076210115236, held by Guangxi Weiri Mining Company Limited. The formal Project name allocated to the tenement is "Guangxi Weiri Mining Company Pty Ltd, Taoxu area, Hengxian County, Glauberite Mine", where SRK is informed that underground mining has been approved for the tenement. The approved production capacity is reportedly 4,300,000 tpa. The tenement is valid until July 8th, 2041. Tenement details are presented in Table 3-1. SRK has not and is not qualified to complete legal due diligence on the tenement status.

Table 3-1: Tenement details for the Taowei Deposit

Mining Licence No.	C4500002011076210115236
Mine Owner	Guangxi Weiri Mining Company Limited
Address	Room 1001, Block A, Tingtaoge, Nanhubi Yuan, 1 Bihubei Road, Nanning City
Mine Name	Guangxi Weiri Mining Company Limited, Taoxu area, Heng Xian County, Glauberite Mine
Ore Type	Glauberite, gypsum
Mining Method	Underground
Production Capacity	4,300,000 tpa
Mine Area	8.573 km^2
Valid Period	8 July 2011 to 8 July 2041
Mining Depths	163.9 m to 535.75 m level

3.4 Previous work

The main period of exploration works was completed on the Taowei deposit between October 1990 and October 1994. These works were undertaken by the Guangxi Geological Exploration Team of the Ministry of Chemical Industry, who carried out reconnaissance investigations on the deposit, and reported the findings in 1995. The main exploration works completed as part of this deposit assessment, are listed in Table 3-2.

Table 3-2: Previous work completed between 1990 and 1994

Item	Quantity	Unit	Comments
1:10,000 topographic and geological survey	30	km^2	Simple survey
Fixed geological point measurement	278	N/A	From mapping data
Drill holes	34	holes	–
Diamond core drilling	5,934.24	m	1,165.95 m of short-hole drilling, testing results from trenching and pitting; 4,768.29 m of long-hole drilling
Trenching	500	m^3	Across 7 trenches
Core samples for chemical analysis	1,202	samples	Including 937 Na_2SO_4 samples, 265 Ca_2SO_4 samples, and 5 Cl samples
Petrographic and ore examination	120	samples	Including 56 samples examined by geology institute of chemical industry department
Full spectroscopic analysis	11	samples	–
Gypsum sample for combinatorial analysis	85	samples	Duplicate samples were taken for basic analysis from the gangue of orebody and the wallrock in the hanging and footwalls
Water solubility test	3	samples	The samples were collected from duplicate core samples
Internal duplicate examination	76	samples	–
External examination	12	samples	–
Hydrographic boreholes	10	holes	–

Item	Quantity	Unit	Comments
1:10,000 hydrogeological survey	34	km^2	–
Surface water measurement	43	samples	–
Hydrochemical sample	46	samples	–
Water sample for total analysis	5	samples	These were provided by geophysical prospecting team of Chemical Geology and Exploration Company
Sample for sporopollen analysis	19	samples	They were provided by geophysical prospecting team of Chemical Geology and Exploration Company, with only 7 samples obtaining results
Density measurements	29	samples	They were collected from duplicate core sample
1:5,000 exploratory line profile survey	3	lines	Total of 5,475.09 m surveyed

Following on from the general investigations, detailed exploration was carried out from November 2004 to May 2005 (Table 3-3) by the same Team, and the work was verified by experts at China Chemical Geology and Mine Bureau in July 2005. The experts considered the detailed exploration as appropriate in regards to the exploration approach and layout of drilling, and reported that all the original geological data are real and complete and comply with the Chinese Exploration Regulations.

Table 3-3: Detailed exploration completed between November 2004 and May 2005

Item	Quantity	Unit	Comments
1:10,000 geological survey	12	km^2	Reconnaissance
Drill holes	4	holes	Verification drilling
Core drilling	1,575.83	m	–
Trenching	142.74	m^3	–
Samples for basic analysis	382	samples	–
Density measurements	62	samples	–
Internal duplicate examination	40	samples	–
External examination	20	samples	–
Combinatorial sample	10	samples	Unclear on what this represents
Petrographic and ore examination	20	samples	–
Physical mechanics tests	6	samples	–
Water solubility tests	1	samples	–
Exploratory line profile survey	2,467	m	–

In June 2009, SRK was commissioned by the owner of the Taowei Project to undertake an independent technical assessment of the Project. SRK conducted a site visit; confirmed previous works and provided recommendations on work required to convert the Chinese-classified Resource to those appropriate for reporting under the guidelines of the JORC Code.

WGEL implemented SRK's recommendations, including twinning 4 historic holes and drilling 5 new holes with a total drilled meters of 4,987 m, completed between May and August 2011. A Resource estimate of the Taowei deposit, completed in accordance with the guidelines of the JORC Code, was prepared by SRK in November 2011. An update was prepared in July 2012. The Changsha Design and Research Institute of Ministry of Chemical Industry prepared a "pre-feasibility study" in November 2011. The new Resource estimate and the pre-feasibility study, supplemented by additional information provided by WGEL, form the basis of SRK's ITR for the Taowei Project.

4 GEOLOGY AND DATABASE

4.1 Regional Geology

Regional geological mapping at 1:200,000 scale by the Guangxi Geologic Survey Institute of China Chemical Geology and Mine Bureau (Figure 4-1), indicates that the Taowei deposit is located within the Taowei Basin, which lies at the north-eastern end of a Mesozoic Basin stretching from Datang of Yongning County, to Liantang of Heng County. The Mesozoic Basin is over 10 km long and 3~4 km wide, and has an approximate area of 55 km^2.

The strata of interest are associated with inland-lake facies red clastic-chemical rocks of the Xinlong Formation, which are a set of lower Cretaceous strata deposited in this Basin (Li *et al.,* 2006). The Xinlong Formation can be divided into Upper and Lower segments, and up to 6 "lithozones" are defined as based on sedimentary features and chemical composition as ascertained from the drilling data. The glauberite mineralisation defined to date, is located within the lower part of the Xinlong Formation (Li *et al*., 2006).

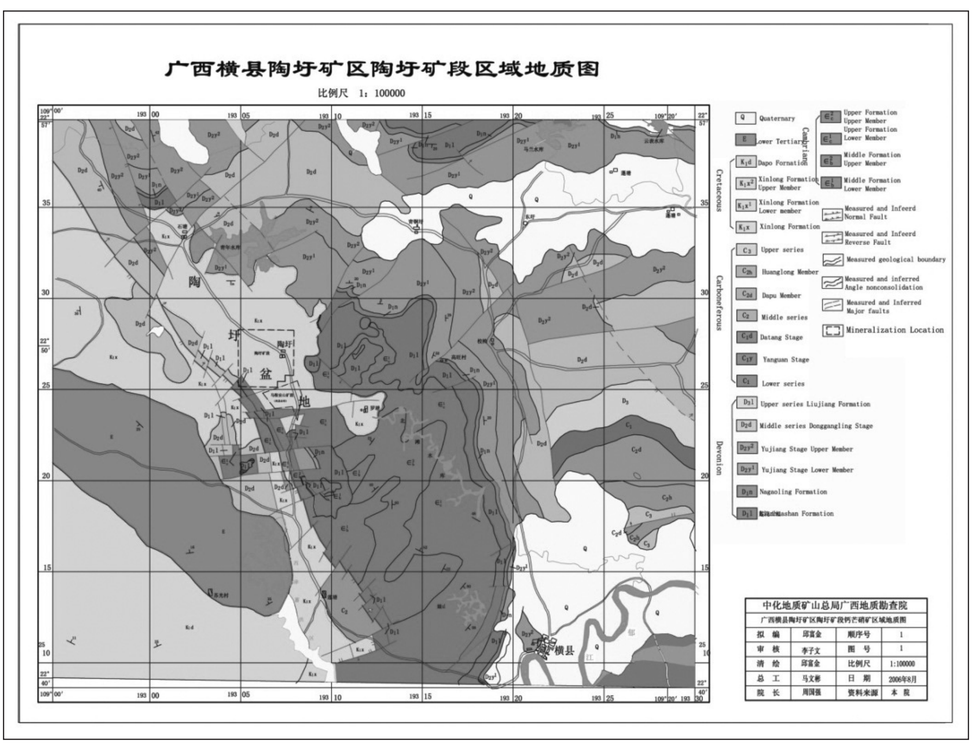


Figure 4-1: Regional geological setting of the Taowei Project

4.2 Formation of Glauberite Deposits

The glauberite deposits of the Taowei Basin are evaporites, formed in a similar manner to other evaporitic salt deposits globally. Their deposition requires a stable continental setting, an arid environment and a closed deposition basin.

It is likely that the Taowei deposits were formed in large saline lakes. When evaporation exceeded inflow, the salinity of the lake water increases. When the water reaches saturation, the first salt mineral deposited is commonly anhydrite; as the concentration of the bittern increases, other salt minerals are deposited, including glauberite if the chemistry of the bittern is suitably high in Na.

Deposition of the evaporites continues as long as the climate continues to be arid and evaporation is much greater than inflow. During more humid periods, the lake water will be diluted by the inflow of fresh water, and the increased inflow carries with it clastic sediments, leading to the formation of sediments such as the conglomerates and mudstones recorded in the drilling data. The Taowei basin records a long lived history of alternation between periods of extreme aridity, marked by thick evaporite deposits, and more humid periods, marked by mudstone beds.

4.3 Local Geology

4.3.1 Lithostratigraphy

The local geological setting of the Taowei Project is dominated by units of the Xinlong Formation, the Upper and Lower segments of which can be differentiated based on composition and stratigraphic position (Figure 4-2).

Upper segments are unmineralized, and consist of calcareous silty mudstone (210m thick; $K_1x_2^a$) and calcareous mudstone and marlite (20-30m thick; $K_1x_2^b$).

The Lower segment comprises a Basal Conglomerate unit ($K_1x_1^a$) which unconformably overlies the basement units, and is in turn overlain by conglomeratic calcareous siltstone ($K_1x_1^b$) Gypsum-bearing silty mudstone ($K_1x_1^c$). Unit $K_1x_1^c$ contains significant anhydrite (10~30%), although it is uneven in distribution, and contains no glauberite.

The glauberite-bearing unit ($K_1x_1^d$) is claret to gray in colour, and contains up to 2 layers of glauberite of varying thickness (see cross section of Figure 4-2). Glauberite occurs as an aplitic phase in both thickly banded and thinly bedded units. Mineralogically, $K_1x_1^d$ mainly consists of glauberite, anhydrite and sericite, overprinted by secondary quartz material (silicification and veining). The total thickness of the unit is estimated as ranging from 67 to 178 m, based on drilling.

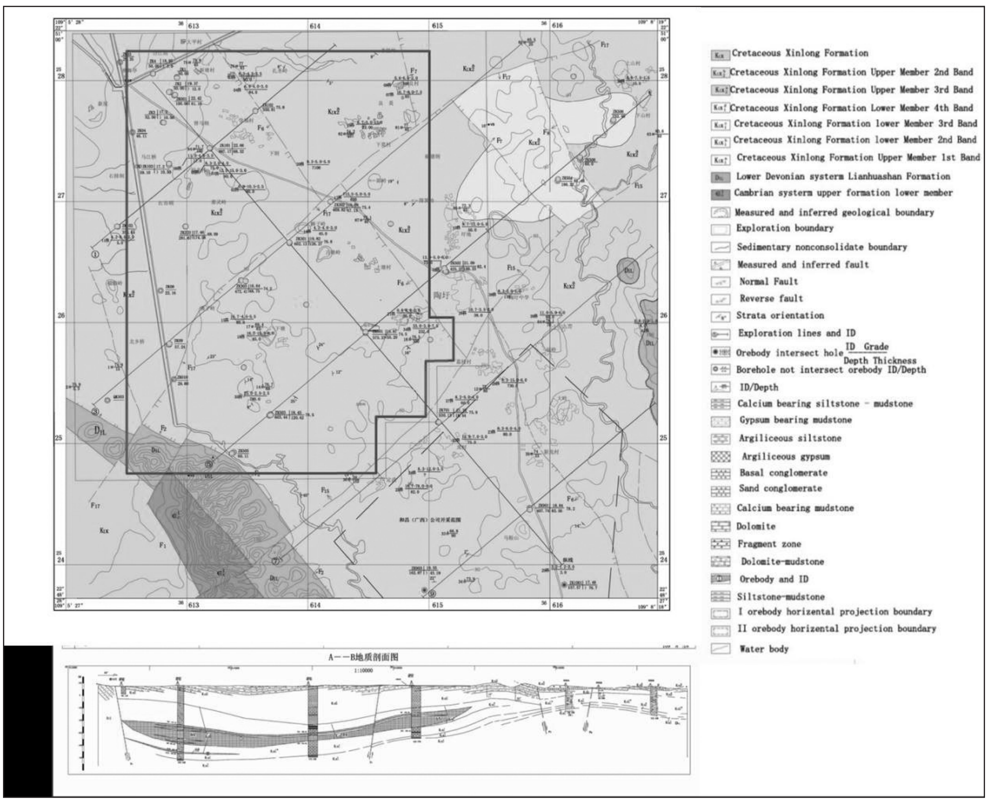


Figure 4-2: Local geological setting at Taowei

Red outline: mining tenement; green dots: drill holes

4.3.2 Structure

The geological structure of this area includes folds and faults. The Taowei Basin represents a gentle synclinal fold, which is generally basinal in shape, inclining to the centre of the deposit area from all sides. Dips on the limbs of the syncline range from several degrees to 20°.

The basin is transected by numerous faults, which trend NW and NE, and dip shallowly towards the SW, and steeply towards the NE, respectively. Cross-sectional interpretations indicate the termination and offset of mineralized zones by these faults.

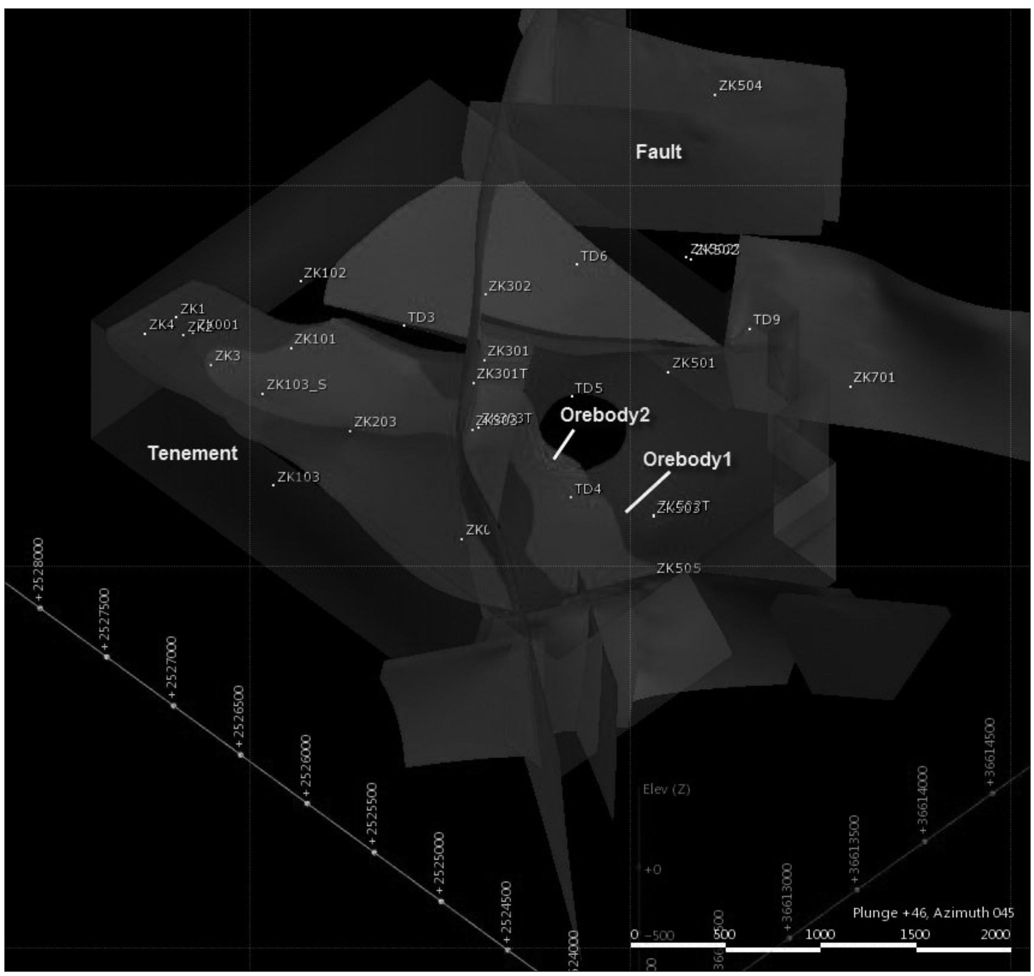


Figure 4-3: Leapfrog 3D model, showing the modelled synformal glauberite units are cut by a number of normal faults.

Looking NE, Tenement boundary: grey; fault: blue or red

4.3.3 Geometry of Mineralisation

There are currently two discrete zones of glauberite mineralisation defined in the Project area. The zones are startabound, and broadly follow the NW-trending synclinal morphology of the hosting basin mineralised zones and are named Orebody 1 and Orebody 2 (Figure 4-3).

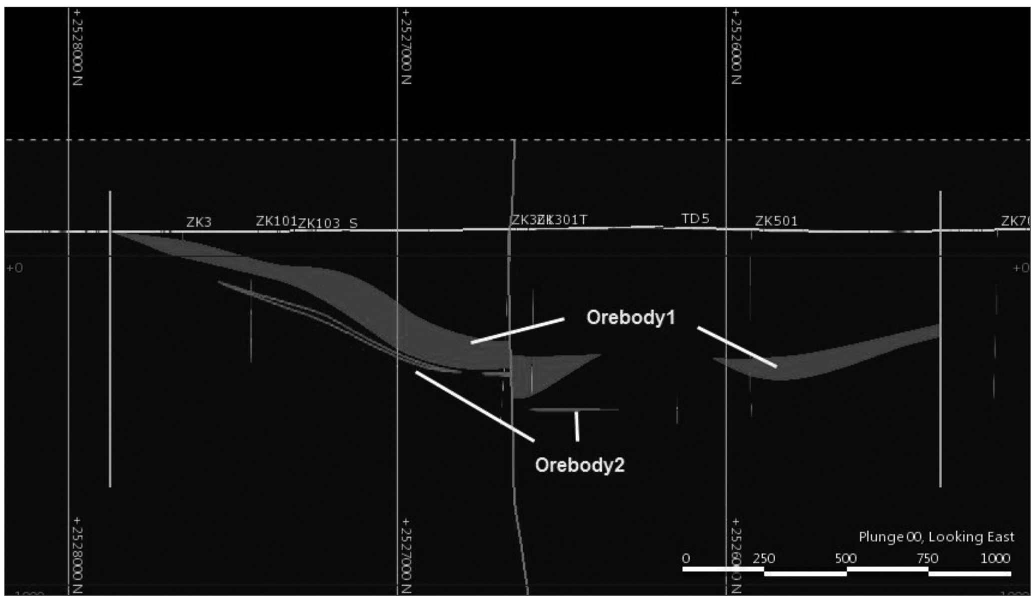


Figure 4-4: NS cross-section showing two discrete zones of glauberite units

Orebody 1 is interpreted to be mostly located with the licence area, and occurs at depths of 30 m to 560 m below the land surface. Drilling indicates that the average thickness average thickness of Orebody 1 is 80 m.

The hangingwall contact of Orebody 2 is located from 30 m to 70 m below the footwall contact of Orebody 1, at a depth ranging from 150 m to 560 m below the current land surface. Drilling indicates that it has an average thickness of 17 m, and that it is distributed over approximately 1 km^2.

Drilling data indicate that the long axis of Orebody 1 trends NE and is defined between drill holes ZK4 and ZK501, and is over 5 km in length, extending beyond the tenement boundary. The width of the Orebody 1 is defined between drill holes ZK505 and TD6, and is about 2 km long. Drilling in 2011 revealed that mineralisation does not develop in the proximity of TD5.

Orebody 2 is much thinner then Orebody 1, with drilling indicating that the long axis of the Orebody is defined between drill holes ZK101 and TD5d, which is approximately 2 km long. The width of the orebody varies between 300 and 600 m.

4.4 Geological Modelling

A 3D geological model was constructed by SRK and forms one of the inputs to the Resource block modelling. The geological model captures the geology at a scale appropriate for the anticipated mining method and taking into consideration the geologically viable scales of mining selectivity.

Leapfrog, a three dimensional software package was used for wireframe modelling of the glauberite units and bounding faults. The model input data included 1:10,000 scale geological map (Zhou *et al.* 2005) and the historic and 2011 drilling data. All historic and 2011 drilling records were compiled to a digital database and imported into Leapfrog together with the geological map.

To maintain consistency between historic and 2011 geological logging, all glauberite ore units were defined as Na_2SO_4 ≥10%. Section interpretation was then conducted. Glauberite contact lines in drilling intercepts were digitised by snapping to drill trace. Faults shown on the geological map were also digitised. Wireframes were constructed from the contact lines and fault traces and later converted to solid wireframes for use in Resource block modelling.

5 MINERAL RESOURCE ESTIMATE

5.1 Historic Data

5.1.1 Sampling and Assaying

Drill core sampling was initiated by half core sampling, and sample sizes are reported as "mostly 1~2m long" (Li *et al.,* 2006). Analysis was completed by the 12th Laboratory of Guangxi Geologic Survey Institute of China Chemical Geology and Mine Bureau, with a total of 59 samples internally cross-check assayed with a reported high correlation of grade at 98%. External check samples (32) were undertaken by the Hunan Institute of Analyzing and Utilization for Mineral Resource, and the Central Laboratory of China Chemical Geology and Mine Bureau. A "good correlation" of grade was reported (Li *et al.,* 2006).

5.1.2 Estimation of Quantum of Mineralisation

Reported Parameters for the Chinese Classified Mineralisation

As based on the original drilling data, the Guangxi Geologic Survey Institute of China Chemical Geology and Mine Bureau have defined two discrete laterally extensive mineralized zones. The Bureau has used simple polygonal methods to estimate a tonnage and average grade for the defined Mineralisation, following the "*Chinese resource classification scheme*" (see Bucci *et al.,* 2007). Two tonnage and grade estimates at different levels of category allocation for the Chinese classification scheme have been defined (Section 5.1.3). They are not reported in accordance of the JORC Code. However, the estimates are material to the understanding of the deposit, and are discussed herein.

The Guangxi Geologic Survey Institute of China Chemical Geology and Mine Bureau have assessed the Mineralisation following the guidelines set for salt deposits in the PRC. These are:

- GB/T 17766-1999 Classification of Solid Mineral Resources/ Reserve;

- GB/T 13908-2002 General Requirements for Solid Mineral Exploration;

- DZ/T 0212-2002 Specifications for Salt-lake and Salt Mineral Exploration; and

- DZ/T 0033-2002 Specifications for Compilation of Geological Report of Solid-mineral Exploration/Mine-closing.

The Bureau has determined that the Mineralisation in general has small-scale variability in terms of morphology, internal structure, thickness and grade distribution (Li *et al.,* 2006). This determination is based on broadly 1,000 m x 500 m spaced diamond core drilling (Figure 5-1), with reported drill core recoveries of over 70%.

Sampling and Assaying

Drill core sampling was initiated by half core sampling, and sample sizes are reported as "mostly 1~2m long" (Li *et al.,* 2006). Analysis was completed by the 12th Laboratory of Guangxi Geologic Survey Institute of China Chemical Geology and Mine Bureau, with a total of 59 samples internally cross-check assayed with a reported high correlation of grade at 98%. External check samples (32) were undertaken by the Hunan Institute of Analyzing and Utilization for Mineral Resource, and the Central Laboratory of China Chemical Geology and Mine Bureau. A "good correlation" of grade was reported (Li *et al.,* 2006).

It should be noted that the assay technique employed for sample analysis is not reported, and SRK did not have access to core rejects and the laboratories which undertook the analyses. However, validation drilling has confirmed the historic drilling results.

Grade Parameters

According to Appendix E (General Industrial Index for Salt Lake and Salt Minerals) of the Specifications for Salt Lake and Salt Mineral Exploration (Wen et al., 2005), the following grade parameters have been prescribed and used in the Chinese classified Mineralisation estimates:

- Cut-off Grade: Na_2SO_4 ≥ 10%;
- Mineralisation Grade Classes:
    - Class I Mineralisation: Na_2SO_4 ≥ 35%;
    - Class II grade Mineralisation: Na_2SO_4 = 25 to 35%; and
    - Class III grade Mineralisation: Na_2SO_4 = 15 to 25%

Mineralisation Thickness

The historic drilling is mostly vertical (90-87°), and the host strata is interpreted to be dipping gently up to 20°. As such, where the Mineralisation is intersected, it has been interpreted that the interval represents the true thickness of Mineralisation. This thickness has been used in the Chinese estimates of Mineralisation tonnage. In accordance with the regulations governing grade parameters, a minable thickness of ore ≥ 1m was applied, and a minimum waste thickness of 1 m.

An average thickness was used for each mineralized zone; this was the arithmetic average of the thickness of all intercepts in the mineralized zone (Wen *et al.,* 2005). The grade assigned to each mineralized intercept was the averaged length-weighted grade of all intercepts in that mineralized zone (Wen *et al.,* 2005).

Mineralisation Area and Distribution

Given that the Mineralisation is generally flat-lying in geometry, and is broadly of a consistent thickness, the areal extent of the Mineralisation has been defined by projecting half the distance (500 m) of the drilling grid from the last intersection in drilling. This method has been used to define the limits of the area authorised for either 333 or 332 Mineralisation category allocation.

The Resource areas are further restricted by the application of surface exclusion areas based of prescribed offsets from "permanent structures" such as major roads, industrial complexes and habitation. The surface exclusion areas are projected vertically onto the orebodies. These irregular polygons are shown as the long dashed lines in Figure 5-1.

The exclusions are understood by SRK to be related to project specific arrangements with the local authorities at the time, and are not part of the requirements of the Chinese Mineral classification system (pers comm. WGEL, 2012).

In total, fifteen (15) blocks have been defined in Chinese classified Mineralisation tonnage and grade estimates for 332 (Table 5-1) and 333 (Table 5-2) categories that lie outside the exclusion areas.

The calculated area for blocks assigned to each mineralized zone was determined by plotting the control co-ordinates which define block margins into Auto CAD2004, where the area was estimated using the polygon area calculation function of CAD2004 (Li *et al.,* 2006).

Density and Volume Determination

For intercepts of varying Mineralisation classes (i.e. I, II, or III), 61 samples were collected from drill cores, among which there are 12 category II samples and 49 category III samples (Wen *et al.,* 2005). These returned average density values of 2.71t/m^3 and 2.69t/m^3, respectively. A density of 2.69t/m^3 was used in the tonnage estimations (Wen *et al.,* 2005).

The volume for Mineralisation blocks assigned to each mineralized zone was calculated as the plan area multiplied by the average thickness.

Calculation Parameters

The formula prescribed by the Guangxi Geologic Survey Institute of China Chemical Geology and Mine Bureau for calculation of Chinese classified Mineralisation estimates is as follows:

- $Q = V \times D$

Where, Q – Quantum of Mineralisation (10,000 tonnes)
V – Mineralisation Volume (m^3)
D – Density of Mineralisation (t/m^3)

Specific calculation of the quantum of Na_2SO_4 is prescribed as follows:

- $P_1 = Q \times C_1$

Where, P_1 – Quantum of Na_2SO_4 (10,000 tonnes)
Q – Quantum of Mineralisation (10,000 tonnes)
C_1 – Average Grade of Na_2SO_4 (%)

5.1.3 Chinese Classified Mineralisation Category Allocation

Two Chinese-classified mineralisation categories have been reported for the Taowei Deposit by the Guangxi Geologic Survey Institute of China Chemical Geology and Mine Bureau, across two discrete mineralized zones (referred to in reports as "*Orebody 1*" and "*Orebody 2*"). However, it is unclear how much of each Chinese-classified mineralisation is attributed to each mineralized zone.

A direct translation of the Bureau report states definition of:

- An "Indicated Intrinsically Economic Resource Reserve (332)"

- An "Inferred Intrinsically Economic Resource Reserve (333)"

Although the terms "*Resource*" and "*Reserve*" are the direct translations from Chinese, they are not equivalent to similar terms as defined under the JORC Code. To avoid confusion, and in compliance with the VALMIN Code, the terms "*332 Chinese-classified Mineralisation*" and "*333 Chinese classified Mineralisation*" will be used herein.

The 332 Chinese-classified Mineralisation is delineated by "*ore-controlling boreholes with grid of 1000 x 1000~500m*". SRK has been informed that this means that the area authorised for 332 category allocation is constrained by drill data at its margins. This is confirmed by the surface-projected plan for mineralisation (Figure 5-1).

The 333 Chinese-classified Mineralisation is delineated by "*extrapolation and block delineated by single-engineering ore point*". SRK interprets this to mean that the area authorised for 333 category allocation has been projected a prescribed distance from the last intercept of Mineralisation in the drilling. This is also confirmed by the surface-projected plan for Mineralisation (Figure 5-1).

The parameters used in the estimation of the 332 and 333 Chinese-classified Mineralisation are presented in Table 5-1 and Table 5-2.

The report submitted by the Guangxi Geologic Survey Institute of China Chemical Geology and Mine Bureau estimates 332 + 333 Chinese-classified Mineralisation of approximately 525 million tonnes outside the exclusion areas, at an average grade of 18.66% Na_2SO_4, including ~325 million tonnes of 332 classified material at an average grade of 18.9% Na_2SO_4, and ~200 million tonnes of 333 classified material at an average grade of 18.43% Na_2SO_4 (Table 5-3).

The Bureau estimates that this is equivalent to 99 million tonnes of Na2SO4 (332 + 333) including 62 million tonnes of Na_2SO_4 at 332 category, and 36 million tonnes of Na_2SO_4 at 333 category (Wen *et al.,* 2005).

It should be clearly understood that the 333 and 332 estimates are not reported in accordance of the JORC Code.

Table 5-1: Block parameters used in the 332 Chinese Classified Mineralisation estimates

Block ID	332-1	332-2	332-3	332-4	332-5	332-6
Avg. Block thickness (m)	30	20	98	73	88	63
Area of Block (m^2)	63,124	27,525	522,008	355,210	131,507	495,572
Volume (m^3)	1,918,338	548,023	50,901,000	26,040,445	11,534,479	31,196,257
Density (t/m^3)	3	3	3	3	3	3
Tonnage (10,000t)	516	147	13,692	7,005	3,103	8,392
Avg. grade	22	19	1,866	18	18	20
Na_2SO_4 (10,000t)	114	28	2,555	1,290	573	1,649

Table 5-2: Block parameters used in the 333 Chinese Classified Mineralisation estimates

Block ID	333-1	333-2	333-3	333-4	333-5	333-6	333-7	333-8	333-9
Avg. Block thickness (m)	8	10	93	71	86	69	52	41	20
Area of Block (m^2)	13,703	76,367	492,291	302,315	189,403	340,134	56,534	69,671	87,793
Volume (m^3)	53,305	374,198	22,802,919	10,762,414	8,179,369	23,578,089	1,482,321	1,443,235	882,759
Density (t/m^3)	3	3	3	3	3	3	3	3	3
Tonnage (10,000t)	14	101	6,134	2,895	2,200	6,343	399	388	327
Avg. grade	18	16	17	18	19	19	20	21	22
Na_2SO_4 (10,000t)	3	16	1,059	514	411	1,239	79	80	53

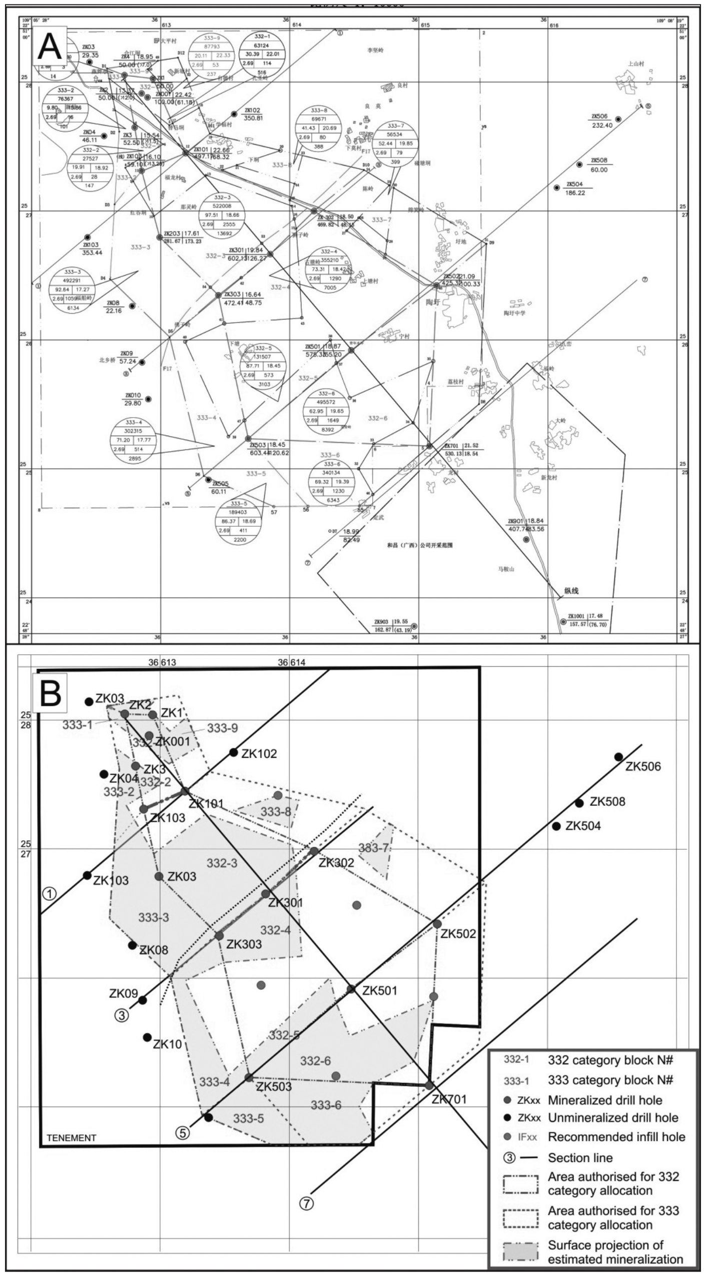


Figure 5-1: Distribution of blocks allocated to the two Chinese classified Mineralisation categories

A. Map showing the distribution of Chinese classified Mineralisation as presented in the Guangxi Geologic Survey Institute of China Chemical Geology and Mine Bureau report

B. SRK annotated Bureau map

Table 5-3: Reported Chinese classified Mineralisation for Orebody 1 and Orebody 2

Mineralized Zone	Chinese Classified Category and Code*	Mineralisation Quantity (10,000 tonnes)	Na_2SO_4 Quantity (10,000 tonnes)	Average Grade Na_2SO_4 (%)
Orebody 1 and 2	Indicated Intrinsically Economic Resource* (332)	32,855	6,209	18.9
	Inferred Intrinsically Economic Resource* (333)	19,822	3,653	18.43
	(332) + (333)	52,677	9,862	18.72

* *The term "Resource" is the direct translation from Chinese documents, and is not equivalent to similar terms as defined under the JORC Code*

5.1.4 SRK's Assessment of the Chinese-Classified Mineralisation Estimate

The Chinese estimation procedure for salt deposits in the PRC is prescribed by the Ministry of Land and Resources, and governed by the regulations listed above. As such, the Bureau has followed a simplistic polygonal estimation method.

The parameters and procedures outlined in the regulations are quite specific in regards to drill spacing and sampling, and are applied universally to all deposits which fit the broad description of being a "Salt-lake" or "Salt Mineral" style of Mineralisation. As such, the rigid framework outlined for assessment of the quantum of any metals which may be attributed to these Mineralisation styles, can lead to an over or under estimation of the contained tonnes and grade, in this case, of Na_2SO_4.

As is commonly the case in the PRC, "Feasibility" stage studies are often completed and reported for mineral properties that would be considered to be at only the exploration stage of development in other jurisdictions. This appears to be the case for the Taowei deposit, where Chinese classified Mineralisation has been defined on limited drilling data and sample test work. This is not to say that the Project is flawed in regards to the reported Mineralisation. However, it is SRK's opinion that the currently reported Chinese classified quantum of Mineralisation is based on lower levels of supporting data than would be expected under the jurisdiction of the JORC Code for the definition of a Mineral Resource.

SRK's general comments on the historic geological and quantum of Mineralisation understanding for the Taowei deposit are:

- Although documented in geological maps and sections, the structural complexity of the Taowei deposit area is still at the early stages of understanding in terms of its impact on the estimated Chinese classified Mineralisation;

- The drill spacing is quite wide (1,000 m x 500 m), and an assumption has been made that Mineralisation will remain homogenously distributed in terms of its thickness and grade, particularly at the margins of the deposit, and between drill holes. This may be valid given the depositional model for the Mineralisation style, and has been confirmed through validation drilling;

- The polygonal estimation method assumes continuity of grade and Mineralisation over large distances. Wise Goal Enterprises has verified the continuity of mineralisation with infill drilling which was completed to the standards which are contained within the JORC Code;

- As is typical of Chinese resource standards, little Quality Assurance/ Quality Control ("QA/QC") information as would be expected in a Western country is available in regards to the analysis of drill core. In particular, the analytical technique used to determine Na_2SO_4 values is unclear but SRK expects it has been completed within the standards required by Chinese authorities. Regardless, verification drilling has confirmed the historic drilling results on which the Chinese estimate is based;

- Despite the uncertainties in regards to the estimated quantum of Mineralisation, it is SRK's opinion that the reported Mineralisation can be upgraded to JORC compliancy, through verification and infill drilling. This has been completed and confirms historic results.

The reports submitted by the Bureau have been subsequently reviewed by Nanning Chuwei Resource Consulting Co., Ltd ("NCRC"), which holds a Government Qualification Certificate of Mineral Resource Reserve Assessment Agency (Certificate No.; 0024) as issued by the Ministry of Land and Resources China in September 2002. As such, it is recognised as an authoritative body in regards to Chinese Mineralisation estimate reviews.

The NCRC acknowledged that the compilation of geologic data and estimation of Mineralisation basically complies with the related specifications. It also states that the degree of exploration roughly meets the requirements of detailed exploration in order to estimate 333 and 332 Mineralisation categories, and the report was therefore used as the basis for further exploration to upgrade these estimates.

In summary, historic exploration has resulted in the definition of two mineralized zones (Orebody 1 and 2), which were reported by the exploration team, and verified by the Guangxi Geologic Survey Institute of China Chemical Geology and Mine Bureau. Simplistic polygonal estimates based on cross-sectional interpretation from widely spaced drilling, resulted in the definition of Chinese classified Mineralisation estimates. The drilling data on which the estimates are based have been largely confirmed by subsequent verification and infill drilling (see Section 5.2).

5.2 2011 Drilling Data

Three drilling programmes were conducted in the Project area in 1990-1993, 2004-2005 and 2011. The drilling campaign vintage influences the reliability of the resultant sample data. The main reason is related to sampling protocols and assay techniques that improve with time (Table 5-4).

Table 5-4 Drill hole database (1990-1993, 2004-2005 and 2011)

Hole ID	Easting	Northing	Elevation	Total Depth	Year
ZK101	36613188	2527442	80.50	497.17	1990-1993
ZK103	36612422	2526795	76.98	353.44	1990-1993
ZK103_S	36612853	2527312	74.80	59.10	1990-1993
ZK301	36613846	2526663	83.40	602.85	1990-1993
ZK501	36614475	2525923	80.60	575.33	1990-1993
ZK502	36615137	2526423	83.50	425.37	1990-1993
ZK503	36613682	2525233	78.93	603.44	1990-1993
ZK504	36616066	2527184	87.18	186.22	1990-1993
ZK506	36616523	2527674	86.40	232.40	1990-1993
ZK701	36615081	2525176	81.40	530.13	1990-1993
ZK001	36612902	2527881	77.80	100.00	1990-1993
ZK2	36612853	2527906	77.80	50.00	1990-1993
ZK3	36612807	2527652	76.90	52.50	1990-1993
ZK4	36612719	2528056	77.50	50.00	1990-1993
CZK01	36616195	2528034	91.73	135.22	1990-1993
CZK02	36616113	2528632	91.24	123.10	1990-1993
ZK102	36613565	2527749	82.50	350.81	2004-2005
ZK302	36614185	2526998	84.70	469.82	2004-2005
ZK303	36613448	2526349	78.60	472.41	2004-2005
ZK203	36612988	2526794	78.09	281.67	2004-2005
TD4	36613470	2525630	83.00	600.66	2011
TD5	36613984	2526148	90.00	599.50	2011
TD6	36614683	2526816	81.00	600.80	2011
TD9	36615011	2525858	68.00	578.50	2011

Hole ID	Easting	Northing	Elevation	Total Depth	Year
ZK303T	36613485	2526344	75.00	470.60	2011
ZK502T	36615128	2526450	83.00	420.30	2011
ZK503T	36613692	2525236	81.00	600.70	2011
TD3	36613727	2527138	79.00	533.40	2011
ZK301T	36613690	2526586	84.00	582.26	2011

In 2011, a total of 8 diamond holes for 4986.72 m were drilled in the Project area. The core recovery rate was greater than 95%. HQ wireline core (75 mm) was used to penetrate the weathering zone, whereas NQ wireline (60 mm) was used for the remainder of the drill run. All holes were vertical and surveyed by gyroscopic method.

5.2.1 Sample Preparation and Analysis

The cores were geologically logged, and mineralised intervals were halved by using a dry hand held core saw. Half core was then sent for assay. SRK was able to review part of the cores in May 2011 while the rig was operating. The Company has a designated and secure facility to store the cores.

All samples are 2m long or shorter. The latter occurred when sampled against geological boundaries. A total of 899 samples were analysed by the laboratory of the Zhongnan University. Na_2SO_4, $MgSO_4$, NaCl, K^+, Na^+, Ca^{2+}, Mg_2^+, Cl^-, SO_4^{2-}, HCO_3^- CO_3^{2-}, KCl, absorption water and total water were analysed.

5.2.2 Quality Assurance and Quality Control Procedures

Quality Assurance and Quality Control Procedures (QAQC) followed the guidelines as presented by SRK in the document "Sampling and QAQC procedures for Glauberite mineralization in the Taowei Project, Guangxi Province, the PRC".

For quality control, 24 samples from hole TD4 were selected for inter-laboratory checking. These samples were assayed at Chengdu Resources Laboratory. With the exception of a few outliers, assay from two different laboratories show reasonable correlation of Na_2SO_4 with an R value of 0.89 (Figure 5-2).

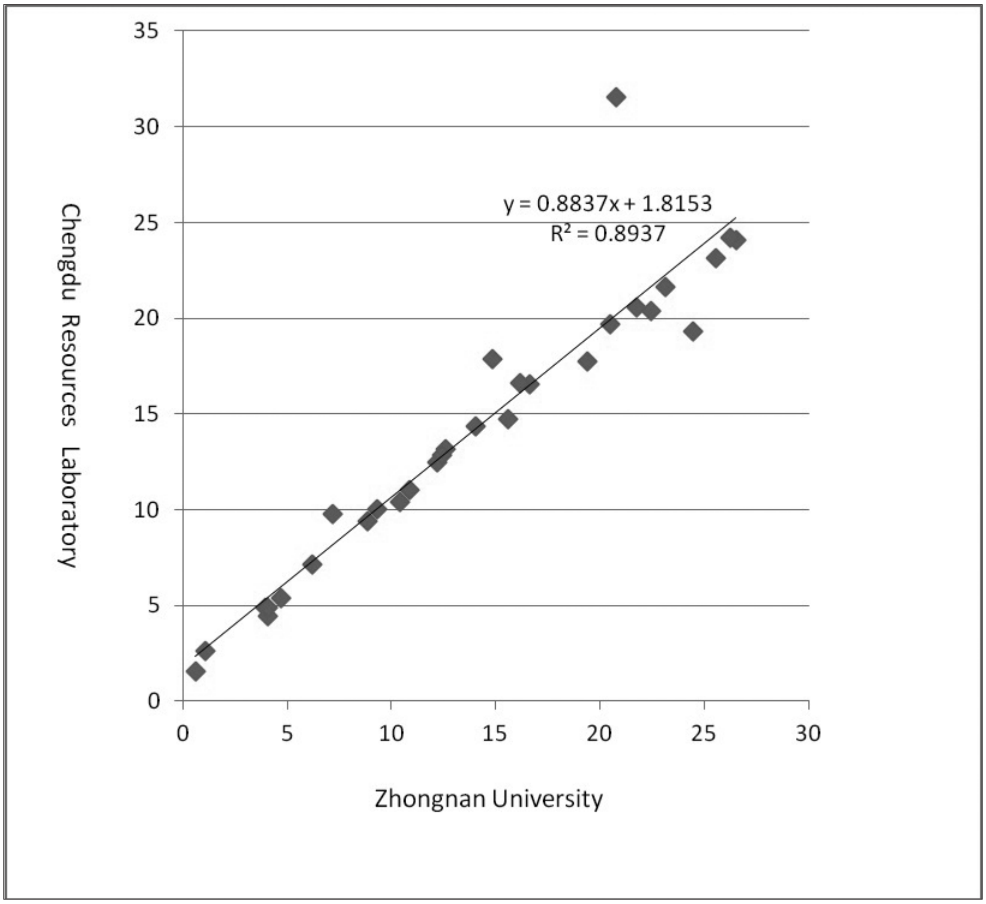


Figure 5-2: Inter-laboratory check, Na_2SO_4%

Duplicate/repeat samples were also taken from ten drill holes (Table 5-5), and with the exception of two outliers, show good correlation of Na_2SO_4 with an R value of 0.97 (Figure 5-3).

Table 5-5: Duplicate sample checks

Drill Hole Sample ID	Na_2SO_4 (%)	
	Original	Repeat
ZK303–H–2	1.91	0.53
ZK303–H–23	1.38	1.21
ZK303–H–69	0.46	0.64
TD4–H–2	23.67	25.53
TD4–H–38	13.77	15.37
TD4–H–48	16.78	14.41
TD4–H–92	4.91	7.64
TD5–H–27	0.90	0.99
TD5–H–31	0.79	1.01
TD5–H–50	0.67	0.73

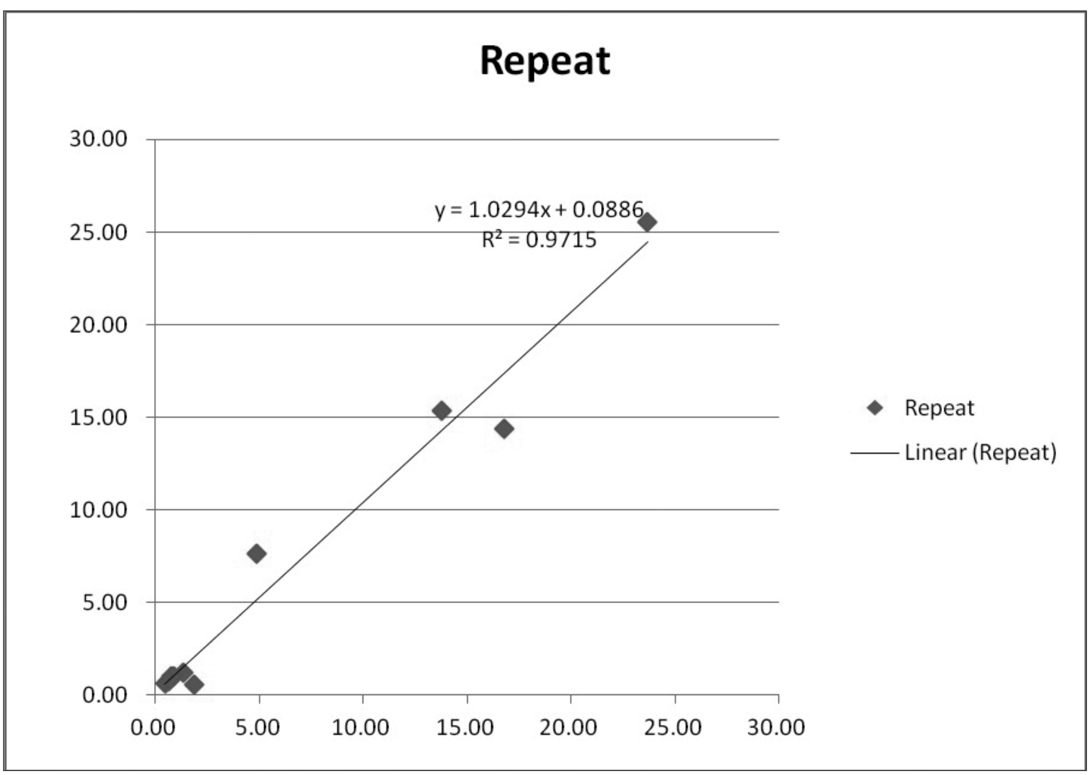


Figure 5-3: Plot of Duplicate sample checks

5.2.3 Domaining

The Taowei deposit is controlled by a gentle syncline, which is generally basinal in shape, inclining to the centre of the deposit area from all sides. The deposit comprises two orebodies: a major Orebody 1 and subordinate Orebody 2 which are hosted within the $K_1x_1^d$ stratum. The glauberite-bearing units are cut by two sets of normal faults (NE- and NW-striking) which were defined as the domain boundaries (see Figure 4-3). Six domains have been defined, including the North Ore Zone 1, North Ore Zone 2, Central Ore Zone 1 and Central Ore Zone 2, East Ore Zone and Northeast Ore Zone.

5.3 2011 Resource Estimate

5.3.1 Introduction

Resource estimation has been undertaken on the six geologically modelled mineralised domains. These are considered to all be part of one geostatistical domain for estimation purposes.

The estimation process has been undertaken using Vulcan geological modelling software ("Vulcan"). This is an industry accepted package and is considered an appropriate method for use in the generation of Resource estimates to be reported in accordance with the JORC Code (2004).

5.3.2 Composites Statistics

As part of its overall verification and validation process, SRK undertook exploratory data analysis of the samples produced for the Taowei deposit.

Due to the large mineralisation zone thickness, and relatively uniform nature of the mineralisation, coupled with the relatively few number of drill holes, 25 m thick composite samples were generated for grade estimation purposes. These composites include all internal waste (less than 10% Na_2SO_4) material, but were limited to the mineralisation zone boundary. As such, some near boundary composite samples will be less than 25 m in thickness. Full mineralisation zone composites were also generated as a check, and provided comparable results following estimation.

Of the 97 composite samples, only 2 showed results greater than two standard deviations from the mean, with one being a 0.36% glauberite sample from Hole ZK3 associated with a thin composite coinciding with the mineralisation zone boundary.

The following graph illustrates the glauberite concentration distribution for all drill holes with the lease boundary.

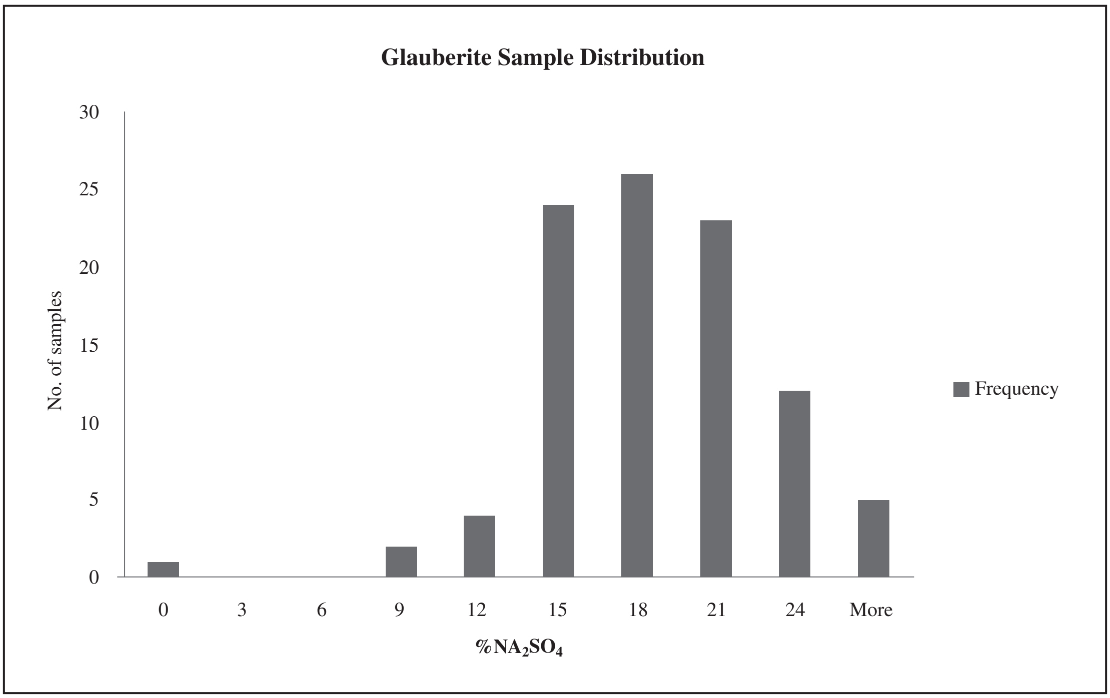


Figure 5-4: Drill hole data Validation – Composite Na_2SO_4 Distribution

Table 5-6: Descriptive Statistics – Composite Samples

Descriptive Statistics	
Mean	17.21
Standard Error	0.42
Median	16.97
Mode	#N/A
Standard Deviation	4.17
Sample Variance	17.38
Kurtosis	1.94
Skewness	-0.46
Range	26.70
Minimum	0.36
Maximum	27.06
Sum	1,669.68
Count	97.00
Confidence Level (95.0%)	0.84

Both the graph and associated descriptive statistics indicate a population approaching a normal distribution and there is no evidence of mixed data populations. For estimation purposes, all drill hole data is considered to be within one geostatistical domain.

5.3.3 Block model

A block model was created by SRK in Vulcan. The selection of an appropriate parent cell estimation block size was carefully considered based upon the density of data points. An optimal block size adequately defines the ore zones within the block model, whilst simultaneously not compromising the localised calculated block variances. The drill spacing is in the range of 500 m to 1,000 m by northing and easting; which is considered reasonable, given the relatively thick and consistent nature of the orebodies across the tenement area, as well as the consistency displayed within the sample results.

The parent cell estimation block sizes chosen were 50 m East by 50m North by 10m RL with sub-celling of 2 m x 2 m x 2 m used for all ore zones. Whilst this may be considered a closely spaced block size for the drilling density it has been done as provision for the numerous structural features that separate the ore zones of the deposit, for improved orebody boundary delineation and to allow for updates to occur where closer spaced structural or quality delineation may be required in the future. Only one variable being estimated means that there is no discernible effect on modelling time with this block density.

Table 5-7: Block Model Properties

	X	Y	Z
Origin	36612300	2524630	-1000
Parent Cell size (m)	50	50	10
Child Cell size (m)	2	2	2
Number of cells	60	76	150

A comprehensive set of verification tests were conducted on the block model created by SRK.

These tests included the following:

- Cross sectional verification and validation of the block model vs. drill hole and wireframe data;
- Wireframe volume tests using Vulcan's wireframe verification toolset; and
- Block model volume verification tests.

The results of the volumetric verification tests were positive and indicate that the wireframes and corresponding coded block model volumetrics reported by SRK are reproducible and consistent.

5.3.4 Grade Estimation

Grade estimation was undertaken using the inverse distance squared modelling algorithm. A search ellipsoid of 2,000 m x 2,000 m x 200 m was used for estimation purposes. These distances are considered comparable to those used by SRK on similar thick, stratiform type deposits with limited quality variation. Both the drillhole and sample data and subsequent geological modelling process appear to support this and indicate an appropriate of level of confidence is possible in both structural and quality continuity of the deposit over these distances.

Volume Estimation

No minimum thickness cut-off has been applied and neither has any depth limitation. All volume calculations for this Resource estimate have been based upon the SRK geological modelling undertaken in Leapfrog and Vulcan software packages. A manual estimate using area, average thickness and relative density was determined for validation of the results.

5.3.5 Density

The Taowei Glauberite Deposit Resource tonnage was estimated using a relative density of 2.69g/cm^3 based upon 61 samples from historic drilling. Density values range between 2.69 and 2.73 g/cm^3.

5.3.6 Basis for Resource Classification Categories

The Taowei Glauberite Deposit Resource estimate is based on cored boreholes which have:

- Ore Zone quality (Na_2SO_4) data; and
- Detailed lithological data.

The following Resource categories have been estimated after consideration of the geological data:

- SRK has not allocated any Measured Resource. Although there is a portion of the Resource that contains drilling at an average spacing of less than 500 m, which could possibly be allocated Measured status, there remains concerns about the extent of local small scale faulting and offsetting given the large scale faults and offsets that are known. Minor sub 10% Na_2SO_4 intervals within the overall thickness of the modelled orebodies are found in some holes. These have been included as dilution in the SRK estimate but their extent and lateral continuity is untested at the current drill spacing. The application of exclusion zones to previous Resource calculations, while not part of the official Chinese classification requirements and not applied to SRK's overall Resource estimate, are also a consideration in the Resource classification.

- Indicated Resources have been identified within the Taowei Project area. These have been based on areas that contain approximately 1,000 m spaced drilling which have reliable data for both ore zone thickness and ore zone quality. In areas where large scale faulting is present, Indicated area limits are terminated at the fault and not extended beyond.

- Inferred Resources have been identified within the Taowei Project area. These have been based on the remaining area with drillholes which have reliable data for both ore zone thickness and ore zone quality, with no part of the Inferred Resource extending further than 1,000 m from a drillhole.

Classification areas are shown in Figure 5-5 and Figure 5-6.

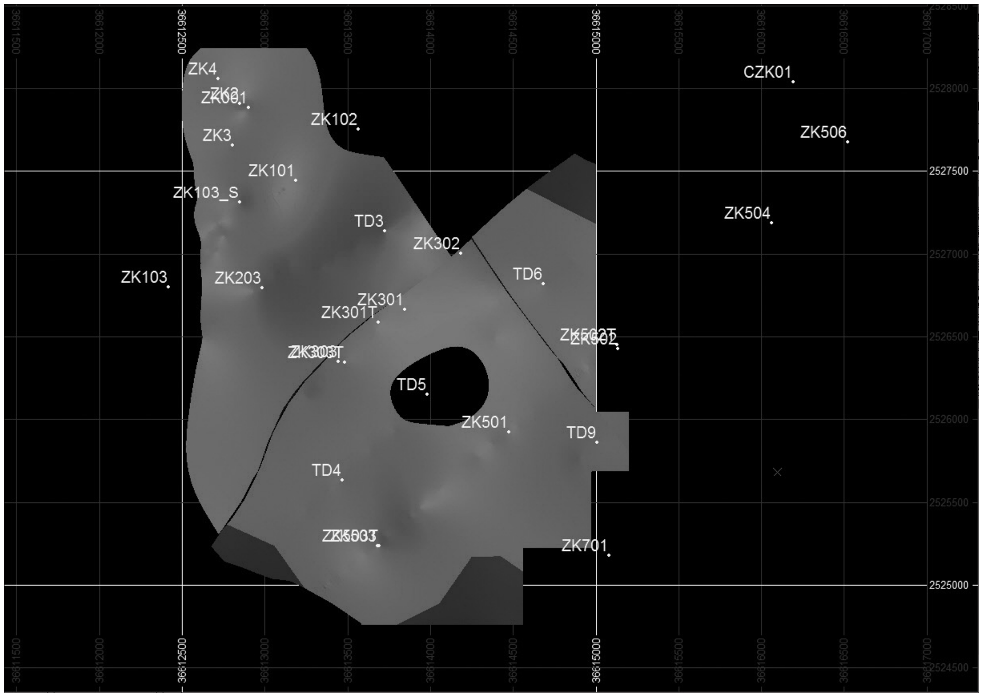


Figure 5-5: Orebody 1 Resource Classification areas

Red = Indicated, blue = Inferred

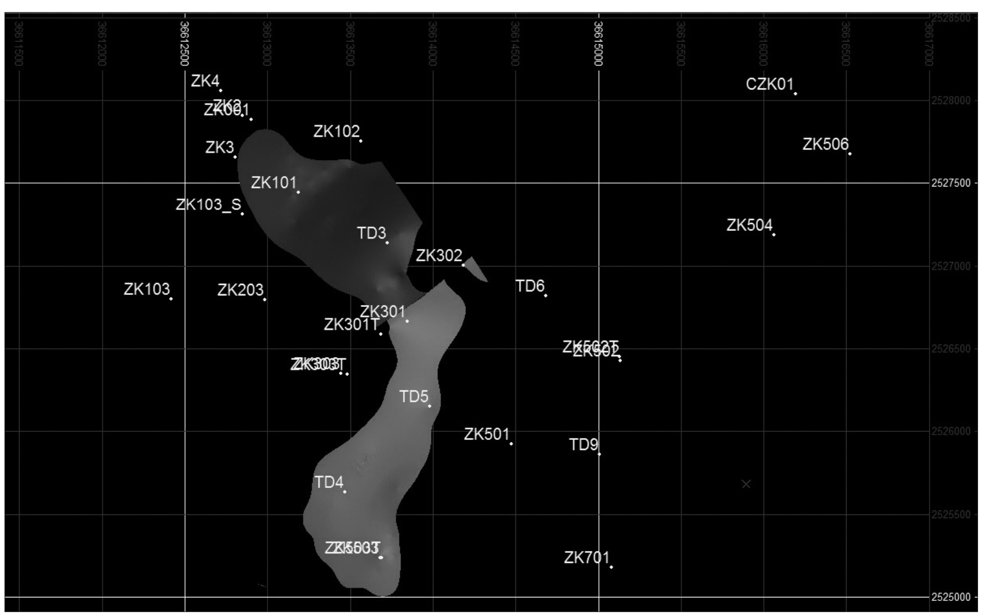


Figure 5-6: Orebody 2 Resource Classification areas

Red = Indicated, blue = Inferred

5.3.7 Resource Tabulation

SRK has classified the Mineral Resources in accordance with the Australian JORC Code (2004). The tabulated Mineral Resource summary is presented in Table 5-8. The Northeast Ore Zone has been included in the estimation process, as it has been modelled and estimated based on historical data. However, no tonnages or quality have been reported due to the absence of any recent drill hole lithology or sample data within this particular ore zone.

The checklist in Table 5-9 has been compiled to identify SRK's opinion as to the levels of risk associated with this particular Resource estimate.

Table 5-8: Total Taowei Na_2SO_4 Resource

Wireframe	**Classification**	**Tonnes (Mt)**	**Na_2SO_4 *(%)***	**Na_2SO_4 (Mt)**
North Orebody 1	Indicated	473	18.12	86
	Inferred	–	–	–
North Orebody 2	Indicated	–	–	–
	Inferred	37	18.92	7
Central Orebody 1	Indicated	581	16.77	98
	Inferred	49	16.76	8
Central Orebody 2	Indicated	43	14.99	6
	Inferred	–	–	–
East Orebody 1	Indicated	151	19.1	29
	Inferred	12	19.63	2
Sub Total	**Indicated**	**1,248**	**17.5**	**219**
	Inferred	**98**	**17.91**	**17**
Total	**Indicated + Inferred**	**1,346**	**17.53**	**236**

* *All tonnages are rounded to the nearest million tonnes to reflect the inherent level of confidence associated with the Resource Estimation. The Mineral Resource was estimated within constraining wireframe solids based on geological limits of the mineralised and internal waste units. Nominal cut off for defining the geological unit is 10% Na_2SO_4.*

Table 5-9: Summary Checklist of Criteria Considered Being Material to the Taowei Glauberite Resource Estimate

Criteria	Relevance to Taowei Glauberite Resources	Risk to Resource Estimate (SRK Opinion)
Sampling Techniques and Data		
Sampling techniques	• Core samples with documentation detailing the methodology used to take the samples.	Low
Drilling techniques	• Single tube core drilling	Low
Downhole survey	• Gyroscopic	Low
Core photos and core review	• Available and comprehensive	Low
Drill sample recovery	• Reported as >95%	Low
Quality of assay data and laboratory tests	• Glauberite quality samples analyzed using an industry accredited laboratory.	Low
Type of assay data and laboratory tests	• Samples were assayed at Zhongnan University using ICP-OES. Inter-laboratory checks were conducted at Chengdu Resources Laboratory.	Low
Location of data points and surface topography	• Drill hole collar locations have been surveyed (easting, northing and RL) by GPS and provided to SRK in Excel spreadsheet format. • Detailed topographic survey data for the Project was not available/supplied. A surface topographic model was developed in the Vulcan system using the surveyed drill hole collar RL data. Because of the depth of the mineralized strata of interest, is unlikely to materially affect the Resource estimate.	Low

Criteria	Relevance to Taowei Glauberite Resources	Risk to Resource Estimate (SRK Opinion)
Data density and distribution	• The typical drill hole spacing in the Taowei Glauberite Deposit is 500 m to 1,000 m. • The Taowei Glauberite Deposit Resource estimate is based on drillholes which have valid Na_2SO_4 quality assay data. Sample compositing by density weighting is performed on 25 m-thick composite samples in the Vulcan system over the entirety of the reported ore intersection. • Geological structure has been identified within the tenement, but is not expected to materially affect the ore zones as identified.	Low to Medium
Orientation of data in relation to geological structure	• Drillholes were vertically oriented. The Glauberite ore zones are gently dipping.	Low
Estimation and Reporting of Glauberite Resources		
Database integrity	• Borehole data supplied in Excel, CSV and text format.	Low
Geological Model and Interpretation	• SRK generated an electronic geological and Resource model. • Preliminary Glauberite ore zone correlation was undertaken by SRK. • A number of large faults have been included in the model, but small to medium scale faults may well be present throughout the tenement.	Moderate

Criteria	Relevance to Taowei Glauberite Resources	Risk to Resource Estimate (SRK Opinion)
SRK Geological Model	• The geological model and associated Glauberite Resource Estimate is current to November 2011. • The Resource model and estimations were developed using leapfrog and Vulcan geological software system. This Vulcan Block model was subsequently used to estimate Resources. • The modeling algorithm used for generating the geological model is the inverse distance squared technique. • A quick manual estimate using area, average thickness and RD was determined for validation of the results.	Low to moderate
Cut-off parameters	• SRK estimated the tonnages based on no minimum ore zone thickness cut-off. • A 14% Na_2SO_4 cut-off was applied to the modeling of the individual ore zones. No subsequent quality parameter cut-off was applied to the Resource estimate. • The Resources are not limited vertically by a depth from surface cut-off.	Moderate
Mining factors or assumptions	• In Chinese FS. Appropriate for stage of development	Moderate
Metallurgical factors or assumptions	• In Chinese FS. Appropriate for stage of development	Moderate

5.3.8 Comparison to previous Resource

For comparison with the previous Chinese estimation of Mineralization, the SRK Resource outside the previously used exclusion zone is shown in Table 5-10. (Note that Table 5-8 is inclusive of Table 5-10). The areas remaining after the exclusion is applied with classification areas are shown in Figure 5-7 and Figure 5-8. The SRK Resource has a larger tonnage due to the 3D modelling process, the inclusion of new holes and the inclusion of minor amounts of internal dilution. The overall grade is also slightly lower at 17.2% compared to 18.7% Na_2SO_4.

Table 5-10: Resource outside the old exclusion zone for comparison with previous estimate

Wireframe	**Classification**	**Tonnes (Mt)**	**Na_2SO_4 *(%)***	**Na_2SO_4 (Mt)**
North Orebody 1	Indicated	324	18.00	58
	Inferred	–	–	–
North Orebody 2	Indicated	–	–	–
	Inferred	15	18.83	3
Central Orebody 1	Indicated	340	16.65	57
	Inferred	45	16.78	7
Central Orebody 2	Indicated	16	14.92	2
	Inferred	–	–	–
East Orebody 1	Indicated	19	20.00	4
	Inferred	–	–	–
Sub Total	**Indicated**	**699**	**17.33**	**121**
	Inferred	**60**	**17.29**	**10**
Total	**Indicated + Inferred**	**759**	**17.33**	**132**

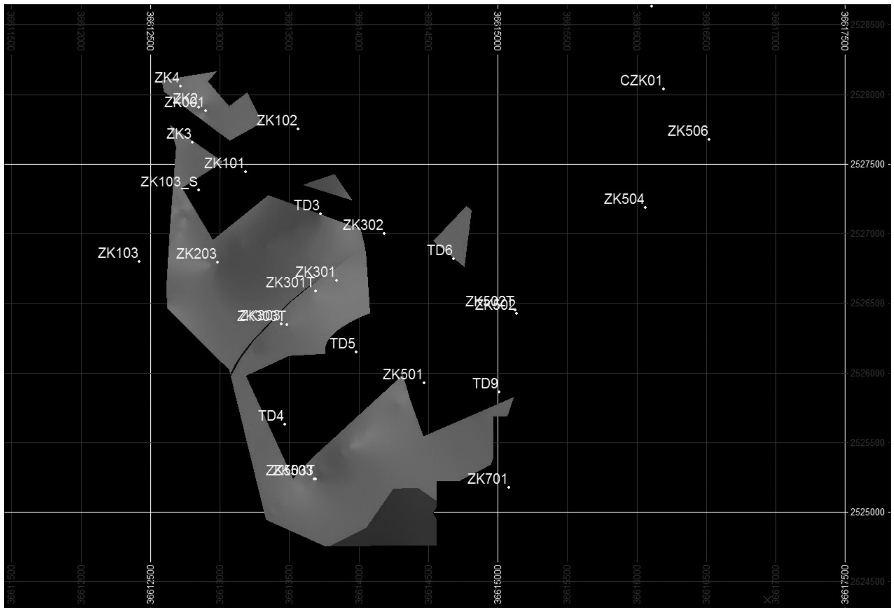


Figure 5-7: Orebody 1 with land use exclusion applied Resource Classification areas

Red = Indicated, blue = Inferred

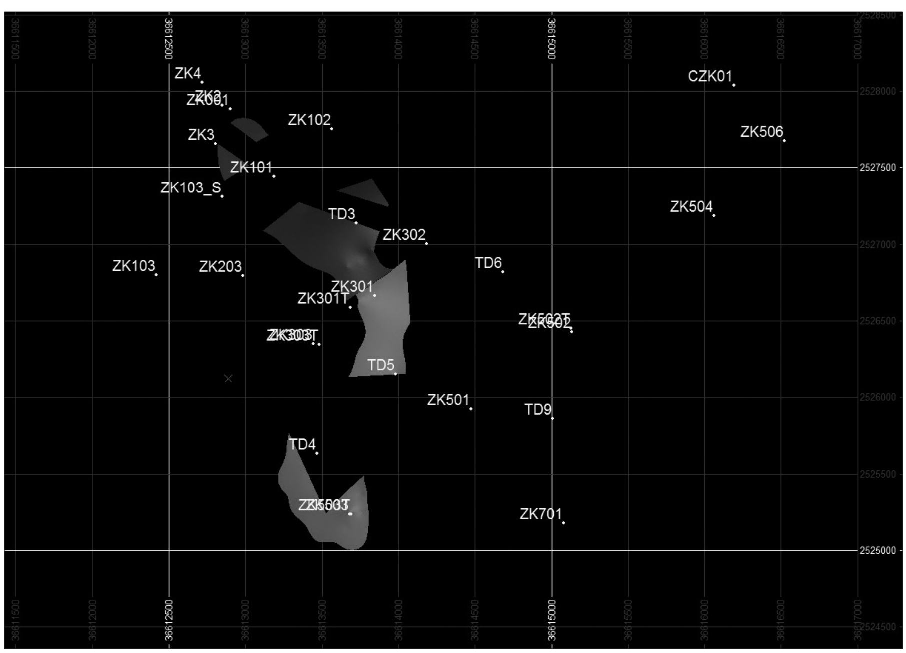


Figure 5-8: Orebody 2 with land use exclusion applied Resource Classification areas

Red = Indicated, blue = Inferred

6 PRELIMINARY MINING CONCEPT

6.1 Introduction

The mining information has been sourced from the document "*A Feasibility Study on producing device for glauberite's outputting 0.5 Mt of* Na_2SO_4 *annually in Taowei, Heng County*" completed by the Changsha Design and Research Institute of Ministry of Chemical Industry in August 2011. This document is referred to as "FS" herein.

SRK note that the FS has not incorporated the most recent drilling information and the JORC Code compliant Resource estimation described in this Report. SRK considers that the mining method, mine design, whilst at high level is still appropriate for the Project and envisages that there will be not any significant impact on the life-of-mine production profile.

SRK has reviewed this document with the objective of identifying any issues with the presented mining concepts. The document in its entirety is presented in the Appendix of this report.

6.2 Physical Mining Conditions

The mining method that has been designed for the Project is a room and pillar solution mining method. This method is a proven mining method for this type of deposit and has been applied in various places of the PRC, including Xinjiang, Sichuan and Guangxi.

The mine is designed for the Orebody 1, which has a reported average thickness of 82 m, with a reported average grade of 18.7% Na_2SO_4. The Orebody 2 has a reported average thickness of 16.8 m, and a reported average grade of 18.7% Na_2SO_4. The mine design assumes that the Orebody 1 has a Reserve of 516 Mt as based on historic Chinese estimates, and due to the apparently low inventory of the Orebody 2 (11.1 Mt), this orebody is not planned to be mined. It is proposed that the ore in Orebody 1 will be mined in two phases; Phase 1 ore above -240 m RL, and Phase 2 ore below -240 m RL.

Geological interpretation from drilling indicates that the orebody 1 is gently-dipping, varying between 5° and 20°, with the upper section characterized by a steeper dip than the lower section, which is almost horizontal. The host rock to the mineralization has been geotechnically tested, and it has been determined that this rock type is impermeable. The floor and back rock strata are typically mudstone, interbedded with argillaceous rock, anhydrite, and a small quantity of quartz. There are no plans for ground support within the lateral development. Further work on the geotechnical conditions of the mine is required. SRK is of the opinion that ground support will be required where the development intersects the faults.

6.3 Mine Access

The mine access is via two shafts and there are also two exhaust ventilation shafts. Details of the shafts are listed in Table 6-1.

Table 6-1: Shaft Details

Shaft	Length	Designed Use
Main Shaft	410 m	Intake air, hoisting
Auxiliary Shaft	410 m	Intake fresh air, equipment and material transportation, personnel access to mine, water main, solution pipelines
West Exhaust Shaft	140 m	Exhaust Air
East Exhaust Shaft	140 m	Exhaust Air

The western side of the orebody will be mined first, so the eastern ventilation shaft will not be mined until required.

6.4 Mine Design

The mine will apply a solution mining technique based on "rooms" which includes a combination of room-and-pillar mining method with solution recovery of the soluble ore within the designed 130 m long x 60 m wide x 30 m high stopes.

The orebody has been split into east and west areas and it is planned to mine the west area first with a top-down sequence. The mining of the west area will then be followed by the mining of the eastern area.

Each stope is designed to have two levels of rooms mined and then the pillars will be blasted prior to the stope being sealed with one meter thick waterproof barricades in the access drive approximately 10 m from the stope, where ground conditions are good with no jointed rock. Pipes for the sulphate solution are placed in the barricade along with observation holes.

Each stope has a 3 m x 4 m roadway designed along the perimeter of the ore body with a 6 m pillar to the rooms which is connected to the upper level with a 2 m x 2 m raise. Each level has three drives designed parallel along the strike of the ore with between 19 m and 22 m spacing. The cross-cuts are designed at 20 m spacing, staggered between the levels. Water at 30˚ C is to be injected into the stope through the waterproof barricade on the upper level. Once the sulphate solution reaches a concentration of 220g/l, it is then pumped from the bottom of the stope into the glauberite reticulation system. The stope is then charged with fresh water and the process repeated. When the concentration doesn't reach 220g/l, the solution is pumped into the next stope.

It should be noted that a sensitivity analysis presented in the FS suggests that if the concentration of the leached solution is higher than the 220g/l design parameter (sensitivity modelled on 240g/l, 260g/l and 280g/l), an increase in products will result at 550 ktpa, 600 ktpa and 650 ktpa, respectively. According to the Company, the results of leaching tests by Zhongnan University mostly achieved a concentration of 250g/l. Given these higher concentrations relative to the 220g/l design parameter, it is not unreasonable to expect a direct proportional increase in production rate as suggested in the sensitivity analysis of the FS.

The operating life of an individual stope is between three and five years. It has been assumed that the rock barriers surrounding the stope are impermeable; however, further assessment of the ground conditions is required.

The ventilation for the mine has been planned to deliver 88 m^3/s, which equates to 2 m^3/s for each working area. This quantity of air is comparable to similar operating mines in the district. Secondary ventilation fans and duct will be used for the ventilation of 'dead-end' headings.

The mine is planned to mine 4 Mtpa to produce 500 ktpa of Na_2SO_4 (Phase I mining). With the proposed mining concept, the mine life for the Orebody 1 is estimated to be 53 years. The stopes are scheduled to be developed at 90 m/month/team, with 12 teams, and therefore it has been estimated that 1,080 m is to be developed per month. This development rate allows for 6.5 stopes to be developed per year. SRK believe that this development rate is sufficient to achieve the proposed production rate. The construction period is estimated to be two years, which SRK considers to be optimistic because construction design, procurement and implementation are scheduled concurrently.

Ore from development will be transported to the surface via electric locomotives to the shaft, and then hoisted to the surface where it is placed in a surface leaching pond and covered with a nitrate solution. Two ponds are proposed for use, and the waste residue will be transported to the tailings storage facility. The Na_2SO_4 pregnant solution will be pumped to the processing plant.

Waste is planned to be placed in the stope where required. The anhydrite in the ore is expected to expand when the sulphate solution is added to the stope. The source of the waste and the method of placement into the stope has not yet been defined.

The Company propose an increased production rate for Phases II and III (i.e. 1,500 ktpa of Na_2SO_4 for Phase II, and 3,000 ktpa of Na_2SO_4 for Phase III). This means increasing the mining rate from 4 Mtpa in Phase I, to 12 Mtpa and 24 Mtpa for Phases II and III, respectively.

SRK believe that the ramp-up to Phase III production rate is technically feasible. At a high-level, there appears that the quantity of stopes could be mined and maintained to achieve the higher production rates. Further detailed scheduling of the orebody is required to determine how long the higher production rates could be maintained for.

The increased production would require an increase in the labour force and mining equipment. SRK believe that it is not unreasonable to consider that the capital cost would be pro-rata of the Phase I capital costs, but it would be unlikely that the operating costs would be lower than the Phase I operating costs. Further detailed studies into increasing the production rate are required to determine the cost estimates for the Phase II and III production rates.

6.5 Mine Services

Water for both industrial and residential use is planned to be sourced from either the Ganle pumping station or the Qingnian Reservoir. The water will be required to be treated for residential use.

The electricity for the mine will be sourced from the Xijin hydropower station, which services the substations of Heng county and Liangwei. Both have surplus capacity to service the mine. As a contingency, there is an additional substation at Shi Tang, and a heat-engine plant at Liujing being installed. There are expected to be no issues with the electricity supply for the mine and processing plant. However, SRK has not been furnished with formal documents from the utility providers to confirm this.

6.6 Mining Cost Estimates

6.6.1 Mining Capital Costs

The mining capital cost estimate that has been included in the Chinese Institute report and is shown in Table 6-2.

Table 6-2: Capital Costs

Item	Cost Estimate (RMB million)
Mining Equipment	6.1
Shafts	66.1
Total	72.2

The breakdown of the mining capital costs are shown in Figure 6-1 and SRK believes that the breakdown between the categories is appropriate. SRK believe that the capital cost estimate should also include an estimate for ventilation and mine dewatering capital requirements.

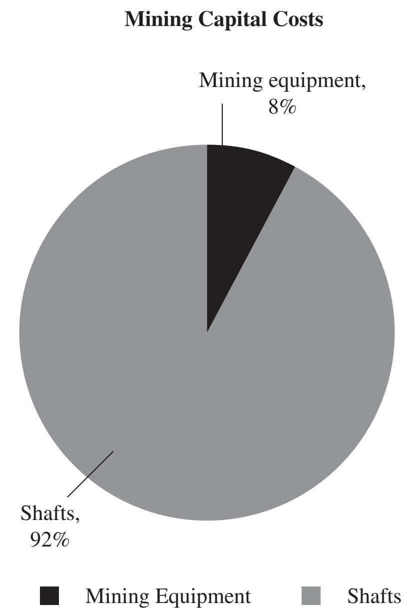


Figure 6-1: Breakdown of the Mining Capital Costs

6.6.2 Mining Operating Costs

The breakdown of the operating costs included in the Chinese Institute report is shown in Figure 6-2. The mine operating costs is approximately RMB53.6M per annum at full production which equates to RMB107.2 per t of Na_2SO_4. These costs include the labor, fuel, water and mining consumables. SRK believe that the operating cost estimate should also include additional costs for ventilation and mine dewatering.

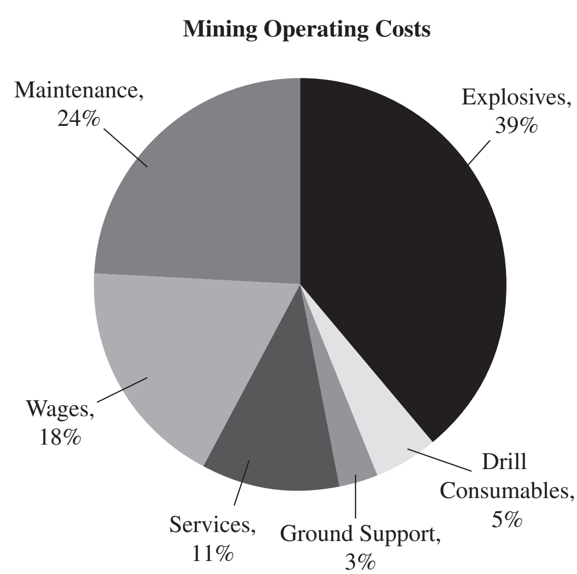


Figure 6-2: Breakdown of Mining Operating Costs Estimate

6.7 Risks and Opportunities

SRK considers the following technical mining risks for the project, given the current stage of development of the assets:

- There is potential for the rock surrounding the stopes containing structures that are not impermeable and therefore there is potential for additional cost required to ensure that the sulphate solution is contained in the stope. This has not been considered within the proposed mining concept, but SRK is informed that studies are underway; and

- There is potential for substantial surface subsidence to occur over the mining area, which may cause cracking into the workings, and ingress of surface water to the mine. Geotechnical studies are recommended to be conducted in order to further understand this risk. This has not been considered within the proposed mining concept, but SRK is informed that studies are underway.

The mining opportunities associated with the project are:

- There is potential to (expediently) increase the mining rate, if demand of product increases. An increase in the production rate would require additional processing and mining capacity.

6.8 Further Work

SRK recommends the following additional work to validate the current FS as undertaken by the Institute:

- A detailed development and production schedule should be developed for the mine, and is the current focus of the Company;

- Areas that may require backfilling to manage potential surface subsidence require identification. The source and quantities of any backfill material required, needs resolution, and the Company plans to undertake this work in the next phase of studies;

- Completion of a geological engineering review of the ore body including structural geology, is recommended to provide additional geotechnical information on potential ground conditions for mining. SRK is informed that this work is being processed in conjunction with subsidence studies; and

- Further detailed studies into increasing the production rate are required to determine the cost estimates for the proposed Phase II and III production rates.

7 PRELIMINARY PROCESSING CONCEPT

7.1 Introduction

The Taowei Project proposes the use of in-situ leaching (ISL) to extract sodium sulphate from glauberite ores. This section reviews the processing of the leach liquors to final product, downstream of the in-situ leach. The review is based entirely on the same FS as reviewed for Section 6, prepared by the Changsha Design and Research Institute of Ministry of Chemical Industry in August 2011.

As a general comment, the English translation of the FS document is not to a high standard. It repeatedly uses inconsistent terminology and levels of detail, and the technical descriptions are often ambiguous. In some cases it resembles a concept or scoping study as expected by western mining companies, while in some areas it includes excessive information. There is also no equipment or stream numbering system to link the equipment list and flow diagrams. This may lead to some misinterpretation of the details.

Despite these problems, the documentation can generally be understood for the purpose of a high level review, and given that the processing concept is preliminary in nature, is fit for purpose.

7.2 Feed Solution

The process plant proposes to treat a leach solution from the mine of the following nominal composition (Table 7-1).

Table 7-1: Leach solution nominal composition

Compound	**Abundance**
Na_2SO_4	18.61%
$CaSO_4$	0.24%
$MgSO_4$	0.06%
NaCl	0.07%
H_2O	81.02%

The potential range of variations in composition is not clear. The plant design is based on the assumption of a steady average concentration and flow. There is no mention of other common cations such as potassium, aluminium and iron. It seems likely that various impurities will be present, but these are apparently not considered in the study.

7.3 Process Plant

An in-situ leach generates a process solution containing calcium and magnesium as well as sodium sulphate. The surface process plant is required to purify the solution and produce 500,000 tpa of sodium sulphate product.

Section 7 in the FS, "processing factory", gives an overview of the various methods available for processing of mirabilite ore (another term used for glauberite), with some history of their application in the PRC.

The selected process consists of three main stages:

- Purification: Removal of calcium and magnesium salts by precipitation;
- Crystallisation: Evaporation to produce sodium sulphate crystals; and
- Drying: to produce final product.

The process is fairly simple and uses well established unit operations. There are no obvious omissions or errors in the overall circuit selection and design. The equipment sizing and selection has not been reviewed in detail in the FS. However, there is nothing particularly difficult about the design and no serious obstacles to constructing a suitable plant. Materials of construction should be fairly standard, and there are no unusual hazards or environmental risks in the process.

7.4 Purification

The study describes three alternative processes for removal of Ca and Mg. In each case, magnesium is removed first, using either lime or caustic to raise the pH and precipitate a hydroxide. Calcium is then removed by precipitation as a carbonate, using either carbon dioxide or sodium carbonate.

The study recommends lime for Mg removal and carbon dioxide for Ca removal. This is clearly the best option from the capital and operating costs presented. It is apparently a well-established process in the Glauberite industry.

The area flow diagram (HC11Z19Y-8) gives no information about stream flows and composition within the area. The overview level diagram (HC11Z19Y-13) shows input and output streams only, with component mass flows only.

Leach solution is pumped from the mine to two feed solution storage tanks at 360 t/h. The storage tanks provide 28 hours of feed capacity.

Solution is heated through 2 stages of plate heat exchangers using hot condensate from the evaporation section before being pumped to the reaction vessels. The target process temperature is 45 to 50˚ C. The reaction and settling times are quite long and it is not clear how this temperature can be sustained, particularly with reagent addition, and gas sparging in stage 2. The design institute have responded that "*there will be an automatic pre-heat thermostat in the processing design*". No further details are available.

The flow diagram shows three (3) parallel reaction tanks in each stage, each with separate outlets for solution and slurry. The process is apparently run batch-wise, with sequential precipitation and thickening in each tank. They are depicted as flat bottomed tanks but the equipment list describes them as "settled barrel". A conical base would seem more appropriate for settling applications. Agitation is not mentioned.

Each of the purification stages includes three (3) vessels of 19m diameter x 16m high. Assuming flat bottomed tanks, this works out to give almost forty three (43) hours per stage. However, Table 7-1 in the FS specifies only four (4) hours for each reaction and ten (10) hours for sedimentation. The tanks appear oversized for purpose, and could be reduced.

It is not clear if there are any test results or other data to support the key design criteria such as reaction residence time. These are simply stated as values. The design institute claim to have based the design on experience from other operations in the PRC. However, without further details, it is difficult to independently verify their claims.

The second stage uses both caustic and carbon dioxide gas to precipitate calcium carbonate. The CO_2 rate is specified (0.7 kg/h) but the caustic rate is not. The CO_2 is apparently generated from the power generation facility.

The residue solids are pumped to the "heap leaching" area. Section 7.5.2 in the FS specifies a solid content of 15%. The aqueous phase would contain the same Na_2SO_4 concentration as the feed liquor, so this residue represents loss of about 2% of product. There is no further description of this "heap leaching" area. It is presumably a residue storage area, with an irrigation and drainage system to recover some of the lost product.

7.5 Crystallization and Drying

Following removal of Ca and Mg, the solution is specified as containing only sodium sulphate with some sodium chloride. Sodium sulphate is then crystallized by applying heat and vacuum to evaporate water.

Multi-effect vacuum evaporators are commonly used in crystallisation processes. The number of stages is a trade-off between capital and operating cost. More stages means higher energy efficiency but extra equipment. The study considers 4 and 5 stages and concludes that 5 is optimal. This seems a reasonable conclusion.

The level of chloride is potentially corrosive, particularly at the higher temperatures in the evaporators. It appears from the equipment list that this has been considered in some detail, with various alloys (stainless steel 316L, 2205, etc) selected throughout the relevant areas.

As with the purification section, the design criteria are simply stated with no indication of the source of the information. A purified liquor storage tank is shown on the flow diagrams. And this is likely the "charging barrel" in the equipment list, which would provide sixteen (16) hours of surge.

The crystallisation train operates in a series/parallel configuration. Purified liquor enters at stage 5, and is then split to the other 4 stages. Heat is applied to stage 1, and vacuum is applied to stage 5. The temperature and pressure decrease from stage 1 to 5, with sulphate slurry from stages 1 to 4 settled in a thickener, and then further dewatered by centrifuge. The liquor is recycled to the crystallisation circuit, while the solids are sent to drying.

A 6 m diameter thickener is specified, which suggests a settling rate of 2.5 t/(h.m^2). This is a quite high rate but should be achievable for this type of solids. Two centrifuges of 35 t/h capacity are specified, with 'one for standby'. For a production rate of 64 t/h, both units will need to run almost continuously.

The dryer is described as "internally heating type fluidized bed dryer", with a 900kW rating. The mass balance shows 2.39 t/h of steam, along with some product losses. Evaporating this mass of water theoretically requires 1,500kW, so the dryer may be undersized.

7.6 Life of Mine Projections

7.6.1 Production Rate

The production rate is a function of:

- Supply rate of liquor from the mine;
- Concentration of Na_2SO_4 in feed liquor;
- Plant throughput capacity;
- Plant availability and utilisation; and
- Recovery of Na_2SO_4 to final product.

The design is based on the expected average mine leach solution. It is not clear whether the design includes any safety margin to cope with periods of lower concentration.

The mass balance (HC11Z19Y-13) shows a final product rate of 64.35 t/h. At the specified 7,900 hours per year operation, this works out to 508,365 t/year of product. Achieving this production rate requires:

- 351 t/h feed solution;
- 18.61% Na_2SO_4 in feed solution; and
- 97.9% recovery.

Some of the equipment appears to have excess throughput capacity. For example, the solution feed pumps are rated at 450 m^3/h (495 t/h), with a duty/standby arrangement.

The recovery projection appears reasonable. The main recovery loss is in the calcium and magnesium slurry, so higher losses would be seen if these impurities are at higher levels. The lost Na_2SO_4 could be partially recovered by heap leaching the waste.

7.6.2 Product Quality

The mass balance indicates a 99.4% pure Na_2SO_4 product, with some water and sodium chloride as impurities. This implies complete removal of Ca, Mg and any other cations. The purification section should be capable of removing all Mg and Ca, provided the reagent doses are properly controlled and flow rates are within the plant capacity. There is no chloride bleed in the evaporation circuit, so any variations in feed concentration would affect product purity. However, by regulating the evaporator appropriately, it is possible that production can be further adjusted to produce custom made specialty products such as coloured products, and large granular size products. This evaporator regulation process requires little additional capital investment, although additional testwork is required in the next stage of study to quantify these estimates.

7.7 Operating Cost

The total process operating cost is estimated at RMB108,795,994 per year. The cost estimate is broken down into raw materials, power, labour, etc. Each of the costs is traceable to unit costs and consumption rates. Most of the cost assumptions seem plausible, although it is not clear what some categories mean.

By far the largest single cost is steam, accounting for 63% of the total. The steam cost is based on 650,000 tonnes per year at RMB105 per tonne. The consumption rate is 1.3t/t product, which is in agreement with the mass and energy balance. The FS does not seem to explain how the unit cost is derived.

The operating costs are summarised in Table 7-2.

Table 7-2: Estimated Operating Costs

Description	**RMB million**
Raw materials	
Quicklime	1.37
Flocculant	0.09
"*Packets*"	12.23
Fuel and power	
Circulating cooling water	7.50
Water consumption	0.81
Electricity	5.63
Steam	68.25
Wages and welfare	3.20
Repairs	0.09
Sundry plant costs	3.36
Other costs – administration	4.16
Other costs	2.10
TOTAL	**108.80**

Flocculant consumption is 15 t/year. This works out at only 30 g/t product, which is a fairly typical rate for general thickener operation.

RMB12 million per year is allocated to "*packets*". Table 7-3 in the FS document describes this item as "*basketwork outside plastics inside*". It is not clear what this major cost item really consists of, as it seems a lot for product packaging. RMB7.5 million for "*circulating cooling water*" seems fairly high and it is not clear what the cost is actually for.

The electricity cost is based on 23,763,800 kWh/year and RMB0.237/kWh. The consumption rate works out at 3.0MW, or 6kWh per tonne of ore. Section 9.3.2 of the FS document states calculated load of the processing factory at 3331kW, so the cost estimate may be a little low.

Wages and welfare are based on 128 staff costing RMB25,000 each. It is not clear if this is just wages, or include all costs associated with labour, including transport, meals and accommodation. Typically, total labour cost would be reported.

The cost of maintenance for both mining and processing is estimated at RMB10.09 million. Almost all is allocated to mining, with only RMB90,098 allocated to processing. It is not clear why the costs have been skewed in this way. Paragraph 16.1.4 of the FS document cites "*3% of the fixed assets*" as a repair charge. This percentage would seem too low in a western context, but may be possible in the PRC. The capital cost estimate shows "*investment in fixed assets*" as RMB416,642,800. At 3% of this value, the cost is estimated at RMB12.5 million. The operating cost estimate therefore appears to be on the low side.

7.8 Capital Costs

The capital cost estimate has been reviewed in spread sheet form. Equipment costs have been estimated as presented in Table 7-3.

Table 7-3: Capital Cost Estimate

Item	**Estimate (RMB)**
Process	23,471,400
Sodium sulphate manufacturing	67,238,700
Bagging and palletizing system	14,031,400
Total	**104,741,500**

Installation is estimated at RMB20,718,700, to give a process plant installed cost of RMB125,460,200. The installation factor appears low by western standards, but may be achievable in the PRC.

The categories as presented are not very clear in the English translation of the FS document.

Table 7-4 summarises the key capital costs, with some assumptions by SRK as to what the categories refer to. Financing costs (10%) are then added to give a total investment of RMB416.68 million. This is the all-inclusive cost covering the mine, plant, utilities and services.

Despite the confusing categories and unfamiliar costing method, the overall cost appears plausible for a fairly simple process plant built in the PRC. The costs appear to be built up from a fairly detailed equipment list, with consideration of all the major cost areas.

Table 7-4: Summary of Key Capital Costs

Item N#	Description	RMBmillion	SRK's Assumption on Meaning
1.1	Development system	72.2	Roads & mine development
1.2	Processing craft device	125.6	Process plant equipment
1.3	Production building	17.6	Buildings and other structures
2	Auxiliary production project	2.4	EH&S, workshop, warehouse
3	Public project	114.9	Power station, water treatment, control systems
4	Service projects	3.8	Offices etc
	TOTAL – "first part"	**336.3**	
	TOTAL – "second part"	**42.4**	Land acquisition, EPCM
	TOTAL – "first and second parts"	**378.8**	

7.9 Conclusions

- The presented FS documentation is not considered by SRK to be at Feasibility Study level (+/-10% to 15% accuracy). The level of detail is appropriate for a scoping study, which satisfies Chapter 18 rules, as the project is not yet in operation;

- The process route is fairly simple and conventional, and is appropriate to the Project;

- The operation may be affected by variations in the quality of liquor from the in-situ leach. There may be periods of lower recovery and higher product impurities as a consequence; and

- The operating and capital cost estimates are unfamiliar in terms of method and classification. Some of the details are difficult to follow and verify from the documentation provided. However, based on a broad overview, they appear to be plausible and with no obvious omissions or errors. The estimates seem to be based on suitably detailed input information, but some of the calculations are not fully traceable.

8 RISK ASSESSMENT

Mining is a relatively high-risk industry comparing with other industrial or commercial operations. SRK has undertaken a risk assessment of various technical aspects that might affect the Project (Table 8-1). Risk has been classified as minor, moderate or major, based on the following definitions.

- Major Risk: the factor poses an immediate danger of a failure, which if uncorrected, will have a material effect (>15% to 20%) on the project cash flow and performance and could potentially lead to project failure;

- Moderate Risk: the factor, if uncorrected, could have a significant effect (10% to 15% or 20%) on the project cash flow and performance unless mitigated by some corrective action; and

- Minor Risk: the factor, if uncorrected, will have little or no effect (<10%) on project cash flow and performance.

The likelihood of a risk within a 7-year time frame is considered as:

- Likely: will probably occur;
- Possible: may occur; and
- Unlikely: unlikely to occur.

The degree or consequence of a risk and its likelihood are combined into an overall risk assessment Table 8-1.

Table 8-1: SRK Risk Assessment

Variable	Likelihood	Consequence	Overall
Geology and Resources			
Lower Resources	Unlikely	Moderate	Low
Significant lateral variation	Possible	Moderate	Medium
Significant unexpected faulting	Possible	Moderate	Medium
Mining			
Unstable underground conditions	Possible	Moderate	Medium
Surface subsidence	Possible	Moderate	Medium
Mineral Processing			
Lower throughput	Unlikely	Moderate	Low
Lower availability	Unlikely	Moderate	Low
Lower recovery	Unlikely	Moderate	Low
Lower product purity	Likely	Moderate	Medium
Higher capital cost	Possible	Moderate	Medium
Higher operating cost	Possible	Moderate	Medium
Project delays	Possible	Moderate	Medium

9 CONCLUSIONS AND RECOMMENDATIONS

9.1 Geology and Mineral Resources

The Taowei Glauberite Project is located 60 km east of Nanning, within Mining Tenement C4500002011076210115236, held by Guangxi Weiri Mining Company Limited. SRK is informed that underground mining has been approved for the tenement at a production capacity of 4,300,000 tpa, which is valid until July 8th, 2041.

The Taowei deposit is located within the Taowei Basin, which lies within a Mesozoic Basin stretching from Datang of Yongning County, to Liantang of Heng County. Glauberite mineralization is associated with inland-lake facies red clastic-chemical rocks of the Xinlong Formation, which can be divided into Upper and Lower segments. The glauberite mineralisation defined to date is located within the lower part of the Xinlong Formation (Li *et al.*, 2006).

Both historic (pre-2011; 20 holes for 6,150.98m) and current drilling (2011; 8 holes for 4,986.72m) have been used by SRK to develop a three dimensional geological model on which the estimation of Resources is based. The 2011 drilling returned core recoveries of greater than 95%, with all holes drilled vertically and surveyed by gyroscopic method. The historic drill holes were also vertical, but with variable recoveries generally above 70%. SRK has placed reliance on the 2011 drilling to constrain grades, mineralization intervals and continuity of mineralization between holes. Where there was a discrepancy between the pre-2011 and the 2011 drilling, the results of the 2011 were used in preference.

SRK reviewed part of the 2011 cores in May 2011 while the drill rig was operating, and can confirm having observed glauberite mineralization from the current drilling. The Company has a designated facility to store the cores, and sampling of the core was based on guidelines recommended by SRK. A total of 899 samples were analysed by the laboratory of the Zhongnan University, with Na_2SO_4, $MgSO_4$, NaCl, K^+, Na^+, Ca^{2+}, Mg^{2+}, Cl^-, SO_4^{2-}, HCO_3^- CO_3^{2-}, KCl, absorption water and total water analysed. For QC, 24 samples were selected for inter-laboratory checking, and with the exception of a few outliers, assay results from two different laboratories show reasonable correlation of Na_2SO_4.

Resource estimation was undertaken within six geologically modelled mineralised domains, and SRK has classified the Mineral Resources in accordance with the JORC Code. The parent cell estimation block sizes chosen were 50 m East by 50 m North by 10m RL with sub-celling of 2 m x 2 m x 2 m used for all ore zones. Grade estimation was undertaken using the inverse distance squared modelling algorithm, and a search ellipsoid of 2000 m x 2000 m x 200 m.

The tabulated Mineral Resource summary is presented in Table 9-1.

Table 9-1: Total Taowei Na_2SO_4 Resource

Wireframe	**Classification**	**Tonnes (Mt)**	**Na_2SO_4** *(%)*	**Na_2SO_4 (Mt)**
North Orebody 1	Indicated	473	18.12	86
	Inferred	–	–	–
North Orebody 2	Indicated	–	–	–
	Inferred	37	18.92	7
Central Orebody 1	Indicated	581	16.77	98
	Inferred	49	16.76	8
Central Orebody 2	Indicated	43	14.99	6
	Inferred	–	–	–
East Orebody 1	Indicated	151	19.1	29
	Inferred	12	19.63	2
Sub Total	**Indicated**	**1248**	**17.5**	**219**
	Inferred	**98**	**17.91**	**17**
Total	**Indicated + Inferred**	**1346**	**17.53**	**236**

* *All tonnages are rounded to the nearest million tonnes to reflect the inherent level of confidence associated with the Resource Estimation. The Mineral Resource was estimated within constraining wireframe solids based on geological limits of the mineralised and internal waste units. Nominal cut off for defining the geological unit is 10% Na_2SO_4.*

SRK considers the overall level of risk associated with this particular Resource estimate as being Low to Moderate. SRK considers that the identified risks (see Table 5-9) can be mitigated through additional drilling, which is currently being planned by the Company.

9.2 Preliminary Mining Concept

The mining information has been sourced from a report ("FS") completed by the Changsha Design and Research Institute of Ministry of Chemical Industry in August 2011, and is presented in Appendix B. SRK note that the FS has not incorporated the most recent drilling information and the JORC Code compliant Resource estimation described in this Report. Instead, it has based the mining concept on the historic Chinese estimates of mineralization, which are largely confirmed by the 2011 drilling.

The mining method that has been designed is a room and pillar solution mining method, which is a proven mining method for this type of deposit and has been applied in various places of the PRC, including Xinjiang, Sichuan and Guangxi. The construction period is estimated to be two years, which SRK considers to be optimistic, because construction design, procurement and implementation are scheduled concurrently.

The mine is planned to mine 4 Mtpa to produce 500 ktpa of Na_2SO_4 through 130 m long x 60 m wide x 30 m high stopes. The FS suggests that stopes are developed at 90 m/month/team, with 12 teams, and therefore it has been estimated that 1,080 m is to be developed per month. This development rate allows for 6.5 stopes to be developed per year, and SRK believe that this development rate is sufficient to achieve the proposed production rate. It is proposed that the ore in Orebody 1 will be mined in two phases; Phase 1 ore above -240 m RL, and Phase 2 ore below -240 m RL. SRK considers this appropriate.

The mining capital cost estimate that has been included in the FS indicates a total requirement of RMB72.2M, allocated across mining equipment, shafts and services. The total estimate breakdown by category is considered by SRK to be appropriate; however, SRK notes that no estimate for ventilation and mine dewatering capital requirements has been included.

The breakdown of the mine operating costs included in the FS indicates approximately RMB53.6M per annum at full production, which equates to RMB107.2 per t of Na_2SO_4. These costs include the labor, fuel, water and mining consumables. SRK believe that the operating cost estimate should also include additional costs for ventilation and mine dewatering. Given the early stage of development of the Project, SRK considers these estimates to be appropriate.

The Company propose an increased production rate for Phases II (1,500 ktpa of Na_2SO_4) and III (3,000 ktpa of Na_2SO_4). SRK believe that the ramp-up to Phase III production rate is technically feasible. Further detailed scheduling of the orebody is required to determine how long the higher production rates could be maintained for, and the increased production would require an increase in the labour force and mining equipment. SRK believe that it is not unreasonable to consider that the capital cost would be pro-rata of the Phase I capital costs, but it would be unlikely that the operating costs would be lower than the Phase I operating costs. Further detailed studies into increasing the production rate are required to determine the cost estimates for the Phase II and III production rates.

The proposed mining concept is preliminary in nature, which is appropriate given the category of Mineral Resource currently defined. SRK recommends that additional geotechnical studies be implemented to better determine the ground conditions within the mining area. Specifically, the potential for surface subsidence over the mining area, which may cause cracking into the workings, and ingress of surface water to the mine, is high. Geotechnical studies are recommended in order to further understand this risk. In addition, despite being at an early stage of development, a detailed development and production schedule should be established for the mine. SRK considers that there is sufficient information to undertake that work at present, as a next phase of study.

9.3 Preliminary Processing Concept

The Taowei Project proposes the use of in-situ leaching (ISL) to extract sodium sulphate from glauberite ores. The generated process solution will contain impurities, which will require removal via a process of purification, crystallisation, and drying. The process is considered by SRK to be fairly simple, and uses well established unit operations.

The capital cost estimate has been reviewed by SRK, and including installation, is estimated at RMB125,460,200. Financing costs are then added to give a total investment of RMB416.68 million. This is the all-inclusive cost covering the mine, plant, utilities and services. SRK considers the overall cost plausible for a fairly simple process plant built in the PRC.

The total process operating cost is estimated at RMB108,795,994 per year. The cost estimate is broken down and traceable to unit costs and consumption rates, with most of the cost assumptions considered plausible. Steam generation accounts for up to 63% of the operating costs, and at the proposed consumption rate, is in agreement with the mass and energy balance. However, SRK considers the product packaging costs to be on the high side, and power and maintenance costs to be a little low. The currently estimated operating costs seems plausible.

As a general comment, it is not clear if there are any test results or other data to support the key design criteria and CAPEX/OPEX estimates for the processing route. Some of the categories allocated to cost centres are confusing in a western context, but may be standard in the PRC, and misinterpreted in the translation of the FS. Given the early stage of development of the Project, and that the processing flowsheet is conceptual in nature, SRK recommends that a more detailed breakdown and explanation of the CAPEX/OPEX estimates be undertaken during the next stage of engineering studies prior to construction.

Despite the need for more detailed breakdown and explanation of in the CAPEX and OPEX numbers provided in the FS, as well as a detailed development schedule relative to predicted production ramps and ramp up as suggested above, the forecast for expenditure for the first 12 months seems aggressive, but appropriate to what the Institute predict for total expenditure in their FS report. It should be noted that SRK considers the FS to represent a Scoping or conceptual engineer study, and additional engineering studies are recommended, as is normal for the development of mining projects globally. SRK considers the magnitude of the estimates presented to demonstrate a commitment by the Company to develop the Project as fast as possible, post raising of capital from the market.

Prepared by
Dr Louis Bucci
Principal Consultant (Project Evaluations)

Reviewed by
Michael John Warren
Corporate Consultant (Project Evaluations)

All data used as source material plus the text, tables, figures, and attachments of this document have been reviewed and prepared in accordance with generally accepted professional engineering and environmental practices.

10 REFERENCES

Li, Z., Qui, F., Ma, W. & Gao, Z., 2006. Geologic Report on Detailed Exploration of Taowei Glauberite Mine of Taowei Mine Field in Heng County of Guangxi Province, Appraisal Opinions January 20, 2006. Chinese report by Nanning Chuwei Consulting Co., Ltd, translated into English (unpublished), 23pp.

Wen, L., Gao, F. & Qiang, Z., 2005. Geologic Report on Detailed Exploration of Taowei Glauberite Mine of Taowei Mine Field in Heng County of Guangxi Province. Chinese report by Office of Guangxi Geologic Survey Institute of China Chemical Geology and Mine Bureau, translated to English (unpublished), 91pp.

VALUATION REPORT OF THE TAOWEI THENARDITE PROJECT

Report prepared for Wise Goal Enterprises Limited

Report Prepared by

srk consulting

SRK Consulting (Australasia) Pty Ltd
Project Number: WIS004
July 2013

VALUATION REPORT OF THE TAOWEI THENARDITE PROJECT

Wise Goal Enterprises Limited
37/F, China Online Centre, 333 Lockhart Road, Wanchai, Hong Kong

SRK Consulting (Australasia) Pty Ltd
Level 2, 44 Market Street, Sydney NSW 2000

e-mail: sydney@srk.com.au
website: srk.com.au

Tel: +61 2 8079 1200
Fax: +61 2 8079 1222

SRK Project Number WIS004

July 2013

Compiled by

Michael John Warren
Corporate Consultant
(Project Evaluations)

Email: mwarren@srk.com.au

Peer Reviewed by

Romeo Ayoub
Principal Consultant
(Project Evaluations)

EXECUTIVE SUMMARY

Introduction

SRK Consulting (Australasia) Pty Ltd ("SRK") completed an Independent Technical Assessment of the Taowei Thenardite Project (the "Project") and completed a report for Wise Goal Enterprises Limited ("WGEL") in May 2013. WGEL requested SRK to complete a valuation of the project in 2013. This report provides details of SRK's methodology and the results of the valuation estimate.

The objective of the SRK work was to provide a technical-economic model and report of the Taowei Project which would meet all required international standards and in a format suitable for submission to HKEx.

The work programme consisted of the following items:

- Review of the April 2013 report and technical-economic model, in light of queries from the HKEx;
- Creation of a separate technical-economic model;
- Review of the technical-economic model by WGEL and internal Peer Review by SRK; and
- Reporting.

The work programme was completed in July 2013.

Valuation Basis

SRK has valued the Taowei Thenardite Project on the basis of Fair Market Value on an on-going concern basis. The "Fair Market Value" is defined in the Valmin Code (2005) as:

"In respect of a mineral asset, the amount of money (or the cash equivalent of some other consideration) determined by the relevant expert in accordance with the provisions of the Valmin Code (2005) for which the mineral asset should change hands on the relevant date in an open and unrestricted market between a willing buyer and a willing seller in an 'arm's length' transaction, with each party acting, knowledgeably, prudently and without compulsion."

The Fair Market Value is usually comprised of two components, the underlying Technical Value of the mineral asset (defined herein), and a premium or discount related to market, strategic or other considerations.

After considering additional work completed since 2011, SRK now considers the Project to be at a stage where technical parameters, mining methods and processing plans are sufficiently advanced that operating and capital cost estimates can be estimated and used in a technical-economic model ("TEM") which forecasts the likely cashflow from the Project.

A preliminary cashflow model provided by WGEL was used by SRK to guide the creation of a TEM of the Taowei Thenardite project.

The SRK TEM was created using an SRK template and assumes production and cashflow for 25 years in annual increments. The SRK TEM was on a nominal basis, ie, inflation of costs and the thenardite sales price escalated throughout the model.

Cashflow Forecast and Valuation Summary

The forecast cashflow of the Project can be summarised as shown in the Figure ES1. The internal rate of return ("IRR") was calculated at 34%. Cashflow breakeven occurs in 2020, year 8 of the Project.

After consideration of the studies completed, the review of the technical-economic model, sensitivity studies and impact of varying projected sales prices, SRK believes the value of the Taowei Thenardite Project, at the valuation date of 30 June 2013, is in the range of HK$3,279M to HK$4,224M with a preferred value of HK$3,718M.

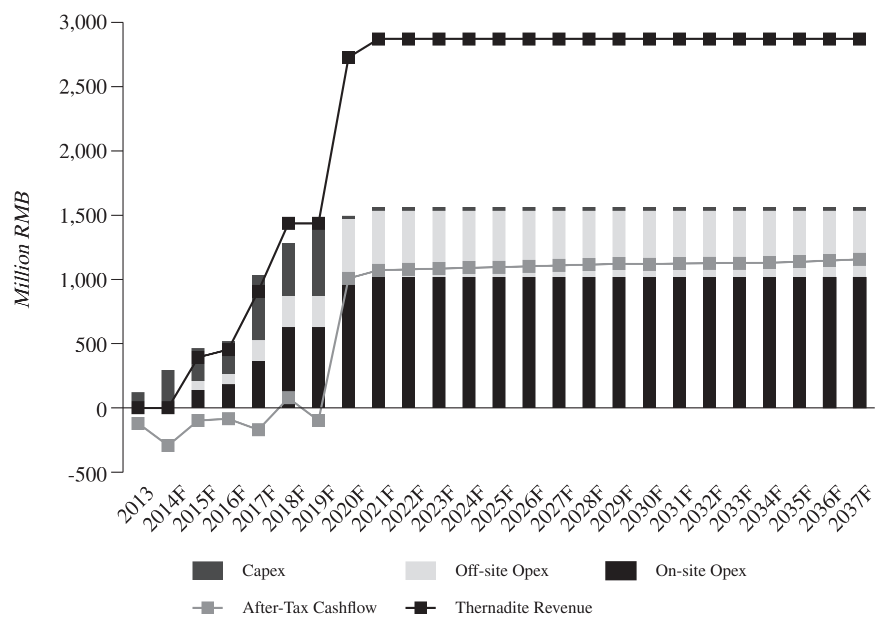


Figure ES1: Forecast Project Cashflow, 2013 to 2037

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

APPENDICES

Appendix A – Extract from Technical-Economic Model

DISCLAIMER

The opinions expressed in this Report have been based on the information supplied to SRK Consulting (Australasia) Pty Ltd ("SRK") by Wise Goal Enterprises Limited ("WGEL"). The opinions in this Report are provided in response to a specific request from WGEL to do so. SRK has exercised all due care in reviewing the supplied information. Whilst SRK has compared key supplied data with expected values, the accuracy of the results and conclusions from the review are entirely reliant on the accuracy and completeness of the supplied data. SRK does not accept responsibility for any errors or omissions in the supplied information and does not accept any consequential liability arising from commercial decisions or actions resulting from them. Opinions presented in this Report apply to the site conditions and features as they existed at the time of SRK's investigations, and those reasonably foreseeable. These opinions do not necessarily apply to conditions and features that may arise after the date of this Report, about which SRK had no prior knowledge nor had the opportunity to evaluate.

1 INTRODUCTION AND SCOPE OF REPORT

SRK Consulting (Australasia) Pty Ltd ("SRK") completed an Independent Technical Assessment of the Taowei Thenardite Project (the "Project") and completed a report for Wise Goal Enterprises Limited ("WGEL") in May 2013. WGEL requested SRK to complete a valuation of the project in 2013. This report provides details of SRK's methodology and the results of the valuation estimate.

2 BACKGROUND AND BRIEF

2.1 Background of the Project

WGEL provided a copy of a previous valuation report to SRK and a copy of the Excel spreadsheet model used to calculate a value of the Project. WGEL requested SRK to review the report and spreadsheet as background for SRK to complete a valuation of the Project and a report.

3 PROGRAMME OBJECTIVES AND WORK PROGRAMME

3.1 Programme objectives

The objective of the SRK work was to provide a technical-economic model ("TEM") and report for the Taowei Project which would meet all required international standards, and be in a format suitable for submission to Hong Kong Exchanges and Clearing Limited ("HKEx").

3.2 Purpose of the Report

The purpose of this Report is to provide an independent valuation of the Taowei Project.

3.3 Reporting Standard

This Report has been prepared to the standard of, and is considered by SRK to be, a Valuation Report under the guidelines of the VALMIN Code (2005).

The VALMIN Code (2005) is the code adopted by The Australasian Institute of Mining and Metallurgy (AusIMM) and the Australian Institute of Geoscientists ("AIG") and the standard is binding upon all AusIMM and AIG members. The VALMIN Code (2005) incorporates the JORC Code (2004) for the reporting of Mineral Resources and Ore Reserves.

3.4 Work programme

SRK created a spreadsheet model of the Project in Excel and provided a copy to WGEL for discussion and review of factual matters. Once the model was completed, this report was written to record the detail and results included in the model.

The work programme consisted of the following items:

- Review of the April 2013 report and technical-economic model, in light of queries from the HKEx;
- Creation of a separate technical-economic model;
- Review of the technical-economic model by WGEL and internal Peer Review by SRK; and
- Reporting.

The work programme was completed in July 2013.

3.5 Project team

The SRK team consisted of Mr Michael John Warren, Corporate Consultant (Project Evaluations) and Dr. Louis Bucci, Principal Consultant (Project Evaluations) who completed the majority of the work programme. Internal Peer Review of the model was completed by Mr Anthony Stepcich, Principal Consultant (Project Evaluations), with overall internal Peer Review of the report completed by Mr Romeo Ayoub, Principal Consultant (Project Evaluations).

3.6 Statement of SRK independence

Neither SRK nor any of the authors of this Report have any material present or contingent interest in the outcome of this Report, nor do they have any pecuniary or other interest that could be reasonably regarded as being capable of affecting their independence or that of SRK.

SRK has no prior association with WGEL in regard to the mineral assets that are the subject of this Report other than the completion of an Independent Technical Assessment of the Project in 2013. SRK has no beneficial interest in the outcome of the technical assessment being capable of affecting its independence.

SRK's fee for completing this Report is based on its normal professional daily rates plus reimbursement of incidental expenses. The payment of that professional fee is not contingent upon the outcome of the Report.

3.7 Representation

WGEL has represented to SRK that full disclosure has been made of all material information and that, to the best of its knowledge and understanding, such information is complete, accurate and true.

3.8 Indemnities

As recommended by the VALMIN Code, WGEL has agreed to provide SRK with an indemnity under which SRK is to be compensated for any liability and/or any additional work or expenditure resulting from any additional work required:

- which results from SRK's reliance on information provided by WGEL or to WGEL not providing material information; or
- which relates to any consequential extension workload through queries, questions or public hearings arising from this Report.

3.9 Consent

SRK consents to this Report being included, in full, in documents that WGEL proposes to submit to HKEx, in the form and context in which the technical assessment is provided, and not for any other purpose.

SRK provides this consent on the basis that the assessments expressed in the Summary and in the individual sections of this Report are considered with, and not independently of, the information set out in the complete Report and the Cover Letter.

4 TECHNICAL VALUATION APPROACH

4.1 Introduction

The following section provides discussion and comment on the valuation approach and methodologies adopted by SRK in determining the Technical Value for WGEL asset. Valuation methods in common usage for mineral assets are dependent on numerous factors including and not necessarily limited to: the purpose of the valuation undertaken; the development status of the mineral assets; and the extent and reliability of available information.

4.2 Mineral Asset – development status

In accordance with Valmin Code (2005), mineral assets comprise all property including but not limited to real property, intellectual property, mining and exploration tenements held or acquired in connection with the exploration of, the development of and the production from those tenements together with all plant, equipment and infrastructure owned or acquired for the development, extraction and processing of minerals in connection with those tenements.

Most mineral assets can be classified as either:

- **Exploration Property**: properties where mineralisation may or may not have been identified, but where a Mineral Resource has not been identified;

- **Advanced Exploration Property:** properties where considerable exploration has been undertaken and specific targets have been identified that warrant further detailed evaluation, usually by drill testing, trenching or some other form of detailed geological sampling. A Mineral Resource estimate may or may not have been made, but sufficient work will have been undertaken on at least one prospect to provide both a good understanding of the type of mineralisation present and encouragement that further work will elevate one or more of the prospects to the Mineral Resource category;

- **Pre-Development Property:** properties where Mineral Resources have been identified and their extent estimated (possibly incompletely) but where a decision to proceed with development has not been made. Properties at the early assessment stage, properties for which a decision has been made not to proceed with development, properties on care and maintenance and properties held on retention titles are included in this category if Mineral Resources have been identified, even if no further Valuation, Technical Assessment, delineation or advanced exploration is being undertaken;

- **Development Property:** properties for which a decision has been made to proceed with construction and/or production, but which are not yet commissioned or are not yet operating at design levels; and

- **Operating Mines:** mineral properties, particularly mines and processing plants that have been commissioned and are in production.

Accordingly, SRK considers on this basis that the WGEL asset can be classified as an Development Property.

4.3 Valuation Approach and Valuation Methods

There are three main generally accepted analytical valuation approaches that are in common use for determining Fair Market Value of mineral assets (defined below), each of which is described below and which largely rely on the principle of substitution, using market derived data.

The "**Fair Market Value**" is defined in the Valmin Code (2005) as:

"In respect of a mineral asset, the amount of money (or the cash equivalent of some other consideration) determined by the relevant expert in accordance with the provisions of the Valmin Code (2005) for which the mineral asset should change hands on the relevant date in an open and unrestricted market between a willing buyer and a willing seller in an "arm's length" transaction, with each party acting, knowledgeably, prudently and without compulsion."

The Fair Market Value is usually comprised of two components, the underlying Technical Value of the mineral asset (defined herein), and a premium or discount related to market, strategic or other considerations.

Valuation methods are, in general, subsets of valuation approaches and for example the Income Based Approach comprises several methods. Furthermore, some methods can be considered to be primary methods for valuation while others are secondary methods or rules of thumb considered suitable only to benchmark valuations completed using primary methods.

In summary, however, the various recognised valuation methods are designed to provide the most accurate estimate of the mineral asset or property value in each of the various categories of development. In some instances, a particular mineral asset or property or project may comprise assets which logically fall under more than one of the previously discussed development categories.

4.3.1 Income Based Approach and Methods

The "**Income Based Approach**" (also referred to as the Income Capitalisation Approach) considers income and expense data relating to the mineral asset or property being valued and estimates value through a capitalisation process. Accordingly, this is based on the principle of anticipation of benefits and includes all valuation methods that are based on the income or cashflow generation potential of the mineral asset or property.

The underlying theory of this approach is that the value of the mineral asset or property can be measured by the present worth of the economic benefits to be received over the useful life of the mineral asset or property. Based on this valuation principle, the Income Based Approach estimates the future benefits and discounts them to their present values using a discount rate appropriate for the risks associated with realising those benefits.

Alternatively, this present value can be calculated by capitalising the economic benefits to be received in the next period at an appropriate capitalisation rate. This is, however, subject to the assumption that the mineral asset or property will continue to maintain stable economic benefits and growth rate.

For the Income Based Approach, the most widely used valuation method applied for mineral assets or properties (pre-development, development and operating mines) is discounted cashflow ("DCF"). This method considers the majority of factors that influence the value of the business enterprise, including expected changes in the mineral asset or property's operating activity and profitability.

The approach requires three elements:

- a forecast of the expected future cashflows;
- the selection of an appropriate discount rate; and
- a determination of terminal value, beyond the forecast period if considered applicable.

Under this approach, it is necessary to utilize projections of revenues, operating expenses, depreciation, income taxes, capital expenditures, and working capital requirements. The present value of the resulting cashflows provides an indicated value of the total invested capital in the operating business enterprise. In order to eliminate the impact on value of the different long-term financing options available to a potential purchaser of the business, analysis is generally made on a debt-free basis. That is, the projections themselves have not considered the use of borrowed money. Prospective financing structures are however considered in determining an appropriate discount rate.

The projected cashflows are discounted using end-point discounting and the sum of the present values of the discounted interim cashflows and the discounted terminal value (if applicable) are added to provide an indication of value for the mineral asset or property appraised, commonly referred to as the net present value ("NPV").

4.3.2 Market Based Approach and Methods

The "**Market Based Approach**" (also referred to as the Sales Comparison Based Approach) considers the sales of similar or substitute mineral assets or properties and related market data, and establishes a value estimate by process involving comparison. For the mining and metals sector the methodologies applied are by consideration of indirect means which seeks to compare the subject mineral asset or property to similar mineral assets or properties which have been sold/transacted in an open market. Accordingly, value in this instance is established by the principle of substitution which simply means that if one thing is similar to another and could be used for the other, then they must be equal. Furthermore, the price of two alike and similar items should approximate one another.

Examples of valuation of methods employed for the Market Based Approach include the guideline company methods, the guideline transaction method, the analysis of prior transactions in the ownership of the subject company, and the rules of thumb. The mineral asset or property used for comparison must serve as a reasonable basis for comparison and factors to be considered in judging whether a reasonable basis for comparison exists include:

- A sufficient similarity of qualitative and quantitative investment characteristics;
- The amount and verifiability of data known about the similar investment; and/or
- Whether or not the price of the similar investment was obtained in an arm's length transaction, or a forced or distressed sale.

The "**Guideline Companies Method**" (also the "Guideline Public Companies Method"), is a method within the market approach, whereby share prices of similar, actively traded publicly owned companies are applied to the subject company through valuation multiples.

The "**Guideline Transaction Method**", (also the "Merger and Acquisition Methodology"), is a method within the market approach whereby pricing multiples are derived from transactions of significant interests in public or privately owned companies engaged in the same or similar lines of business.

Indicators of value normally applied include the following ratios:

- Market Value of long term debt plus market capitalisation less net working capital ("long-term assets") divided by sales revenue;
- Market Value of long term assets divided by earnings before interest taxation depreciation and amortisation ("EBITDA");
- Book value of shareholders equity;
- Market value or transaction price divided by: the total equivalent units of contained metal/mineral included in Mineral Resources or Ore Reserves, annual production capacity of metal/minerals, area of mineral concessions expressed in km^2 or ha; and
- The ratio of the market value or transaction price to the total equivalent units of contained metal/mineral included in Mineral Resources or Ore Reserves divided by the current spot price of the relevant metal/mineral.

4.3.3 Cost Based Approach and Methods

The "**Cost Based Approach**" (also referred to as the Asset-Based Approach) considers the possibility that, as a substitute for the purchase of a given mineral asset or property, one could construct another mineral asset or property that is either a replacement of the original or one that could furnish equal utility.

Accordingly, this is based on the principle of contribution to value which relies on the general concept that the earning power of a mineral asset or property is derived primarily from the value of the assets net of liabilities. The assumption of this approach is that when each of the elements of working capital, tangible and intangible assets is individually valued, their sum represents the value of a mineral asset or property and equals to the value of its invested capital ("*equity and long term debt*"). In other words, the value of the mineral asset or property is represented by the money that has been made available to purchase the mineral assets or property needed.

The **Cost Based Approach** is generally not appropriate for valuing mineral assets or properties however this is normally applied for valuing tangible assets other than mineral assets or properties. Typical methods applied in this case include the "depreciated replacement cost method" and "market method".

The International Valuation Standards ("IVS") recognise that there are categories of assets for which market-based evidence may be unavailable because of their specialised nature. Property that is rarely, if ever, sold in the market, except by way of a sale of the business or entity of which it is part, due to uniqueness arising from its specialised nature and design, its configuration, size, location, or otherwise, is called "Specialised Property".

Property, plant and equipment that are commonly traded in the market must be distinguished from specialised assets. Upon consideration of relevant facts, property accounted as transport, office furniture, office equipment and computers, are generally concluded to have a secondary market. The other fixed assets are designated as "Specialised Assets".

Data for fair (market) value estimates for machinery and equipment which are subject to valuation are generally determined based on producers and dealers price lists for equivalent new assets taking into account secondary market data related to changes in equivalent asset value depending on age and physical condition of the property.

IVS endorse the application of either a "market method" income or "depreciated replacement" cost approach to the valuation of Specialised Property. Depreciated replacement cost method is considered appropriate in assessing the value of Specialised Assets for financial reporting purposes, where direct market evidence is limited or unavailable. The majority of the plant and equipment for mineral assets and properties are concluded to be Specialised Property. Therefore the depreciated replacement cost approach is primarily used in estimating the fair value of the specialised operational tangible fixed assets, as required by IVS.

Typical considerations used as part of depreciated replacement cost approach are the cost of new tangible fixed assets less physical deterioration, and the cost of new less physical deterioration and functional obsolescence.

4.3.4 Application to Valuation of Mineral Assets

The application of valuation approach and method to mineral assets is largely dependent upon determined development status. Table 4-1 specifically compares the application of the three valuation approach categories to mineral assets classified as: Exploration Property, Advanced Exploration Property, Development Property or Operating Property. Table 4-2 provides an assessment of the application of differing valuation methods within each valuation approach as well as their relative ranking.

Table 4-1: Valuation approach

Valuation Approach	Exploration Property	Advanced Exploration Property	Development Property	Operating Property
Income	No	In some cases	Yes	Yes
Market	Yes	Yes	Yes	Yes
Cost	Yes	In some cases	No	No

Table 4-2: Valuation method ranking

Approach	Method	Method Ranking	Comments
Income	Discounted Cash flow	Primary	Very widely used
	Monte Cario Analysis	Primary	Less widely used
	Option Pricing	Primary	Not widely used and not widely understood
	Probabilistic Methods	Secondary	No widely used, not much accepted
Market	Comparable Transactions	Primary	Widely used with variations
	Option Agreement Terms	Primary	Widely used but option aspect commonly not discounted
	Gross "in situ" Metal Value	Secondary	Not acceptable
	Net Metal Value or Value per unit of metal	Secondary	Widely used rule of thumb
	Value per Unit Area	Secondary	Used for large Exploration Properties
	Market Capitalization	Secondary	More applicable to Valuation of single property asset junior companies than to properties
Cost	Appraised Value	Primary	Widely used but not accepted by all regulators
	Multiple of Exploration Expenditure	Primary	Similar to the Appraised Value Method but includes a multiplier factor
	Geoscience Factor	Secondary	Not widely used

4.3.5 Exploration Property and Advanced Exploration Property

In the case of an Exploration Property, and to a lesser extent an Advanced Exploration Property, the potential is more speculative and the valuation is dependent to a large extent on the informed, professional opinion of the valuator. Where useful previous and committed future exploration expenditure is known or can be reasonably estimated, the Multiple of Exploration Expenditure ("MEE") method is considered to represent one of the more appropriate valuation techniques. This method involves assigning a premium or discount to the relevant effective Expenditure Base ("EB"), represented by past and future committed expenditure, through application of a Prospectivity Enhancement Multiplier ("PEM"). This factor directly relates to the success or failure of exploration completed to date, and to an assessment of the future potential of the asset. The method is based on the premise that a 'grass roots' project commences with a nominal value that increases with positive exploration results from increasing exploration expenditure. Conversely, where exploration results are consistently negative, exploration expenditure will decrease along with the value.

The MEE method (also known as the Past Expenditure Method) relies on the assumption that well directed exploration adds value to a property. This is not always the case and exploration can also downgrade a property. The PEM which is applied to the effective expenditure therefore commonly ranges from 0.5 to 3.0. The PEM generally falls within the following ranges:

- 0.5 to 1.0 where work to date or historic data justifies the next stage of exploration;
- to 2.0 where strong indications of potential for economic mineralisation have been identified; and
- 2.1 to 3.0 where quality intersections or exposures indicative of economic resources are present.

Where Mineral Resources remain in the Inferred Mineral Resource category, reflecting a lower perceived level of technical confidence, the application of mining parameters is inappropriate and their economic value may not be demonstrated using the more conventional DCF/NPV approach. A similar situation may apply where economic viability cannot be readily demonstrated for a Mineral Resource assigned to a higher confidence category.

In these instances it is frequently appropriate to adopt the in situ Mineral Resource (or "Yardstick") method of valuation for these mineral assets or properties. This technique involves application of a heavily discounted valuation of the total in-situ metal contained within the resource. Historically, this usually equates to a range of 2.0% to 4.5% of the spot commodity price as at the valuation date, but may vary substantially in response to a range of additional factors including physiography, infrastructure and the proximity of a suitable processing facility.

4.3.6 Pre-Development, Development and Operating Property

Mineral assets and or properties which are classified as either a Pre-Development, Development or Operating Property are generally accompanied by Measured and Indicated Mineral Resources and Ore Reserves, specifically where technical studies completed to a minimum of pre-feasibility study level demonstrate that extraction is both technically feasible and economically viable. In such instances mining and processing assumptions, operating expenditures and capital expenditures are either known or can be reasonably determined. Accordingly, valuations can be derived with a reasonable degree of confidence by compiling a DCF and determining the NPV.

4.3.7 Summary

Following consideration of the supporting technical documentation in respect of the Taowei deposit, SRK considers that the property development status to be at a Development Property level. Accordingly, SRK have decided on the Income Based Approach and specifically the DCF methodology as its valuation method.

5 VALUATION RESULTS

5.1 Introduction

The Taowei Thenardite Project is located 60 km east of Nanning in Quangxi Province, People's Republic of China ("PRC"). The Project has Indicated and Inferred Resources, estimated following the guidelines of the JORC Code (2004), and has completed a range of studies by Chinese Institutes. A document titled a "Feasibility Study" ("FS") was completed on the Project by the Changsha Design and Research Institute of Ministry of Chemistry Industry in August 2011. SRK reviewed the proposed mining and processing methods and capital and operating cost estimates presented in this document, and considered the proposal to be technically feasible and appropriate given the stage of development of the asset. In May 2013, SRK opined that the work completed at that time to represent a Scoping Study and that additional engineering studies were recommended.

5.2 Tenement Details

The Project is located within Mining Tenement C4500002011076210115236, held by Guangxi Weiri Mining Company Ltd. The formal Project name allocated to the tenement is "Guangxi Weiri Mining Company Pty Ltd, Taowei area, Heng Xian County, Glauberite Mine", where SRK is informed that underground mining has been approved for the tenement. The approved production capacity is reportedly 4,300,000 tpa, the tenement is valid until 8 July 2041. Tenement details are presented in Table 5-1. SRK has not and is not qualified to complete legal due diligence on the tenement status.

Table 5-1: Tenement details for Taowei deposit

Mining Licence No.	**C4500002011076210115236**
Mine Owner	Guangxi Weiri Mining Company Limited
Address	Room 1001, Block A, Tingtaoge, Nanhubi Yuan, 1 Bihubei Road, Nanning City
Mine Name	Guangxi Weiri Mining Company Limited, Taoxu area, Hengxian County, Glauberite Mine
Ore Type	Glauberite, gypsum
Mining Method	Underground
Production Capacity	4,300,000 tpa
Mine Area	8.573 km^2
Valid Period	8 July 2011 to 2041
Mining Depths	163.9 m to 535.75 m level

5.3 Background to Thenardite

The chemical name for thenardite is disodium sulphate (Na_2SO_4) which is an inorganic chemical produced from non-marine evaporite deposits. Glauberite (Na_2SO_4 % $CaSO_4$) is one of the more abundant non-marine evaporates in China. Glauberite appears in solid form in arid regions as a salty precipitate. Glauberite is highly soluble and when mixed with water transforms into mirabilite (Na_2SO_4 % 10 H_2O). Mirabilite is an aqueous mixture that is then dehydrated and processed into thenardite, which is the term used for the solid Na_2SO_4 product with above 98% sodium sulfate purity. Natural thenardite products tend to be of higher purity than those that are produced as synthetic by-products.

Thenardite has uses in the soap and detergent industry, the textile industry (to assist the dying process), the wood pulp industry, the glass industry and the drying and thermal storage industry.

Specialty thenardite, which is the proposed product from the Taowei Project, is characterised by high purity, low magnesium and calcium chloride, extra white colour and large granular size. Specialty thenardite is deemed to be superior as it can improve the quality of downstream products and reduce production costs.

5.4 Thenardite Market Summary

Thenardite is an important raw material for over 20 industries including detergents, papers, textiles, chemicals, pharmaceuticals, fertilisers, construction materials and synthetic fibres. China produces most of its own requirements of thenardite and the production quantities from 2005 to 2010 are shown in Figure 5-1. In 2010 the PRC produced 8.5 million tonnes (Mt) of thenardite.

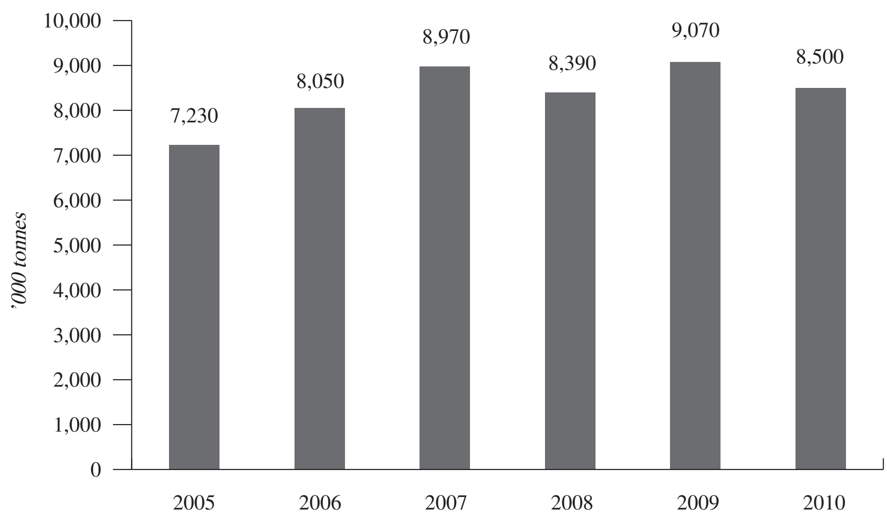


Figure 5-1: Production tonnage of thenardite in the PRC, 2005 to 2010

In the period 2005 to 2010, the amount of thenardite imported to the PRC was insignificant and in the range of 850 to 3,700 tonnes. The PRC exported up to a third of the thenardite produced in the period 2005 to 2010, with 27% of total production exported in 2005 (1.925 Mt), which rose to 34% in 2010 (2.883 Mt).

The quality of Chinese manufactured thenardite has improved from 2008 to 2012, and demand for higher quality thenardite has increased.

5.5 Business Overview

Sinocop Resources (Holdings) Limited stated in their announcement to the HKEx in 2012 that *"since thenardite is an important base material across a wide variety of industries, it is expected that the demand will be closely in line with economic growth of the PRC, and thus being optimistic. The strategic location of Taowei Thenardite Project in Guangxi also enables a favourable logistic route to the target customers for domestic and export trade in Guangdong Province and Asian countries respectively. Asian countries are one of the major export markets for thenardite from the PRC and Guangxi is the only tariff free window for Asian countries import and export trading. The Company believes the Taowei Thenardite Project has a distinct advantage in Asian countries export trade and close access to Guangdong Province industrial hub."* (Sinocop, 2012).

5.6 Valuation Basis

SRK has valued the Taowei Thenardite Project on the basis of Fair Market Value on an on-going concern basis.

After considering additional work completed since 2011, SRK now believes the Project to be at a stage where technical parameters, mining methods and processing plans are sufficiently advanced that operating and capital cost estimates can be estimated and used in a TEM which forecasts the likely cashflow from the Project.

A spreadsheet model provided by WGEL was used by SRK to guide the creation of a TEM of the Taowei Thenardite project.

The SRK TEM was created using an SRK template and assumes production and cashflow for 25 years in annual increments. SRK indicates that a TEM beyond 25 years will incur large discount factors and additional years after 25 years have little impact on the Net Present Value (NPV) results. The SRK TEM was on a nominal basis, i.e., inflation of costs and the thenardite sales price were inflated throughout the model.

5.7 Mineral Resources & Mining Inventory

5.7.1 Mineral Resources

SRK has classified the Mineral Resources in accordance with the JORC Code (2004). The tabulated Mineral Resource summary is presented.

Table 5-2: Mineral resource estimate

Wireframe	Classification	Tonnes (Mt)	Na_2SO_4 (%)	Na_2SO_4 (Mt)
North Orebody 1	Indicated	473	18.12	86
	Inferred	–	–	–
North Orebody 2	Indicated	–	–	–
	Inferred	37	18.92	7
Central Orebody 1	Indicated	581	16.77	98
	Inferred	49	16.76	8
Central Orebody 2	Indicated	43	14.99	6
	Inferred	–	–	–
East Orebody 1	Indicated	151	19.1	29
	Inferred	12	19.63	2
Sub Total	**Indicated**	**1,248**	**17.5**	**219**
	Inferred	**98**	**17.91**	**17**
Total	**Indicated + Inferred**	**1,346**	**17.53**	**236**

* *All tonnages are rounded to the nearest million tonnes to reflect the inherent level of confidence associated with the Resource estimation. The Mineral Resource was estimated within constraining wireframe solids based on geological limits of the mineralised and internal waste units. Nominal cut off for defining the geological unit is 10% Na_2So_4.*

5.7.2 Conversion to Mining Inventory

SRK has made an estimate of how much of the Mineral Resource could be converted into a Mining Inventory using only Indicated Resources.

SRK has adopted an Indicated Resource to Conceptual Mining Inventory conversion ratio of 83%, where overall stopes sizes of 138m x 68m and mined area 130m x 60m, are assumed. Pillars between the "stopes" are assumed to be being 8 m wide.

5.8 Options

The TEM allows the running of the three options presented by WGEL, as follows:

1 The Chinese Feasibility Study case (Option 0), at a production rate of 575,000 tpa of thenardite;

2 Option 1, at a production rate of 1,725,000 tpa of thenardite; and

3 Option 2, at a production rate of 3,450,000 tpa of thenardite.

Each option is sequenced after the previous option and each incurs additional capital costs, with no reduction in operating costs.

5.9 Production

The following Figure 5-2 shows the thenardite production tonnes per annum, assuming expansion Option 2 is implemented. Note the Project starts with Option 0 and begins ramping up to a production rate of 0.575 Mtpa (from 2015 to 2016), then expands in Option 1 to 1.725 Mtpa (from 2017 to 2019), then expands further in Option 2 to 3.45 Mtpa (from 2020 to 2037).

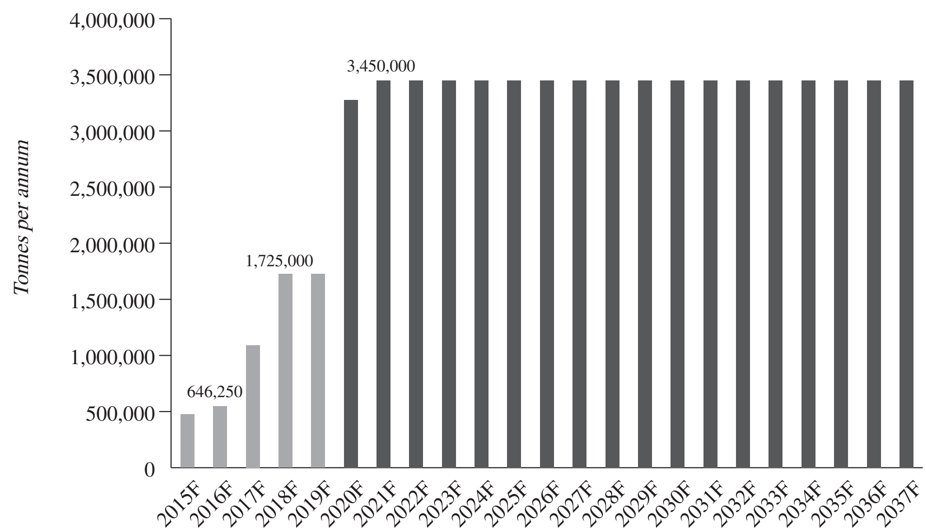


Figure 5-2: Forecast thenardite production quantities, 2015 to 2037

5.10 Sales price for thenardite

The historical price of thenardite has been documented in annual reports by China Lumena New Materials Corporation (Lumena) as shown in Table 5-3. Note that the two rows shown are sales prices net of 17% VAT and with VAT included.

Lumena did not provide separate data on Powder Thenardite or Specialty Thenardite in 2012. The 2012 prices below were derived by using the overall percentage price decrease provided by Lumena for 2010 and 2011.

Table 5-3: Sales price history of specialty thernadite

	2008	2009	2010	2011	2012	Five years average
Specialty Thernadite Sales price (RMB/t) (1) Net of VAT	856.36	860.37	900.24	807.64	605.73	806.07
Specialty Thernadite Sales price (RMB/t) – VAT included	1,001.94	1,006.64	1,053.29	944.94	708.70	943.10

(1) Sourced or derived from Annual Reports of Lumena

In the annual report for 2012, Lumena referred to "intensified competition in the industrial-grade thenardite (including powder thenardite and specialty thenardite) which exerted pressure on the sales volume and the selling price of thenardite".

WGEL advised SRK that they believed the thernadite from the Taowei Project would achieve a sales price of RMB832.50/t (VAT included). SRK notes that this projected price is RMB110.6/t (c. 12%) below the five year average from 2008 to 2012 and RMB123.8/t (c. 17%) above the 2012 average price. However, SRK was provided with quotations of specialty thenardite made in May 2013, the range of which was from RMB1,000/t to RMB1,300/t, and other quotations for powder thenardite in July 2013, the range of which was from RMB600/t to RMB650/t. All prices are with VAT. Having considered RMB832.50/t is approximately at the current mid-price level, and in the absence of other reliable forecasts for future thenardite sale prices, SRK accepts that the WGEL forecast for the expected specialty thenardite from the Taowei Project of RMB832.50/t (VAT included), is a reasonable forecast.

SRK recognises that the sales price of specialty thenardite is a significant risk for the Project, and SRK has completed sensitivity studies which provided results for 5% and 10% declines in the thenardite sales price assumed in the base case TEM. Results of the sensitivity study are reported in Section 5.17.

5.11 Operating Costs

Operating costs are based on the unit cost per tonne of product shown in Table 5-4, which are taken from the FS report. Operating cost components per annum for mining and processing are shown separately in Figure 5-3 and Figure 5-4.

Annual offsite operating costs and taxes are forecast to be incurred as shown in Table 5-5. A VAT refund is provided at the rate of 17% of production costs and the annual VAT cost on turnover and local taxes are shown in Figure 5-5.

Table 5-4: Unit operating costs per tonne of product

Unit operating cost component	Units	Value
Mining Opex	¥/t	44.55
Wages & Welfare	¥/t	16.43
Fuel and Electricity	¥/t	9.85
Maintenance Costs	¥/t	17.39
Other Admin	¥/t	3.77
Other Expenses	¥/t	1.26
Subtotal mining opex	**¥/t**	**93.25**
Reagents	¥/t	23.82
Wages & Welfare	¥/t	5.57
Fuel and Electricity	¥/t	142.94
Maintenance Costs	¥/t	0.16
Other Admin	¥/t	7.23
Other Expenses	¥/t	3.64
Subtotal processing opex	**¥/t**	**183.36**
Total Unit Operating Cost	**¥/t**	**276.61**

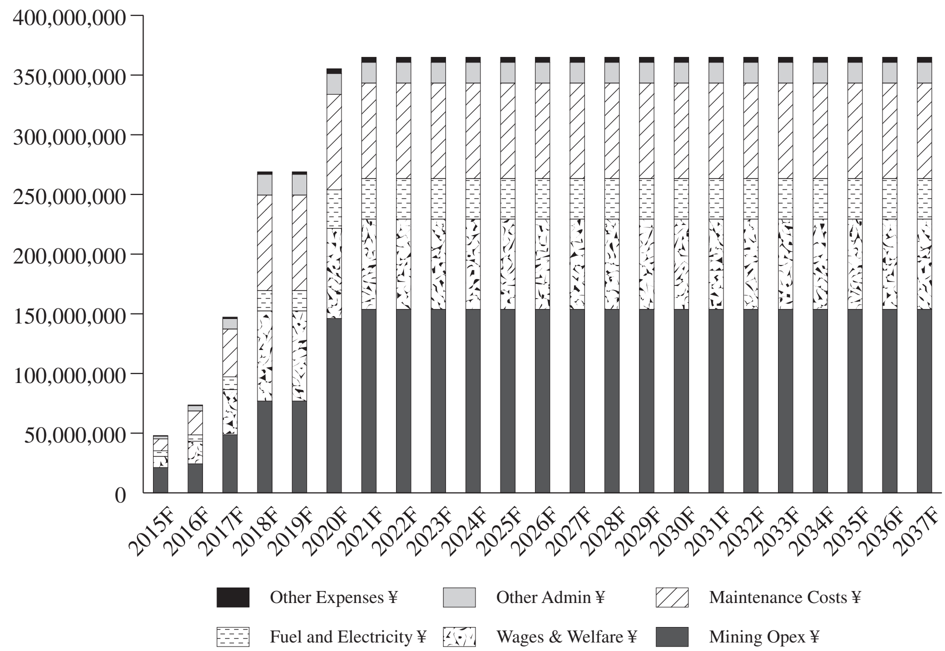


Figure 5-3: Mining operating costs, 2015 to 2037

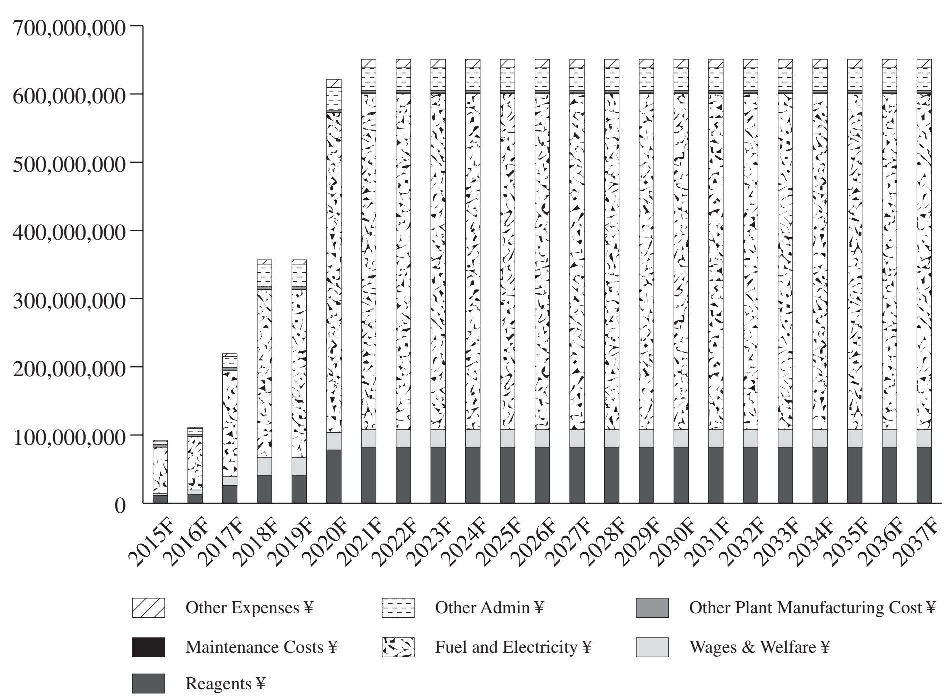


Figure 5-4: Processing operating costs, 2015 to 2037

Table 5-5: Marketing costs, VAT and local tax rates

Cost item	Cost as % of sales revenue
Marketing and Sales cost	4%
VAT on turnover	17%
Town maintenance tax	7%
Education tax	3%
Regional education additional tax	2%
Resources tax	1%
Mineral resources compensation tax	2%

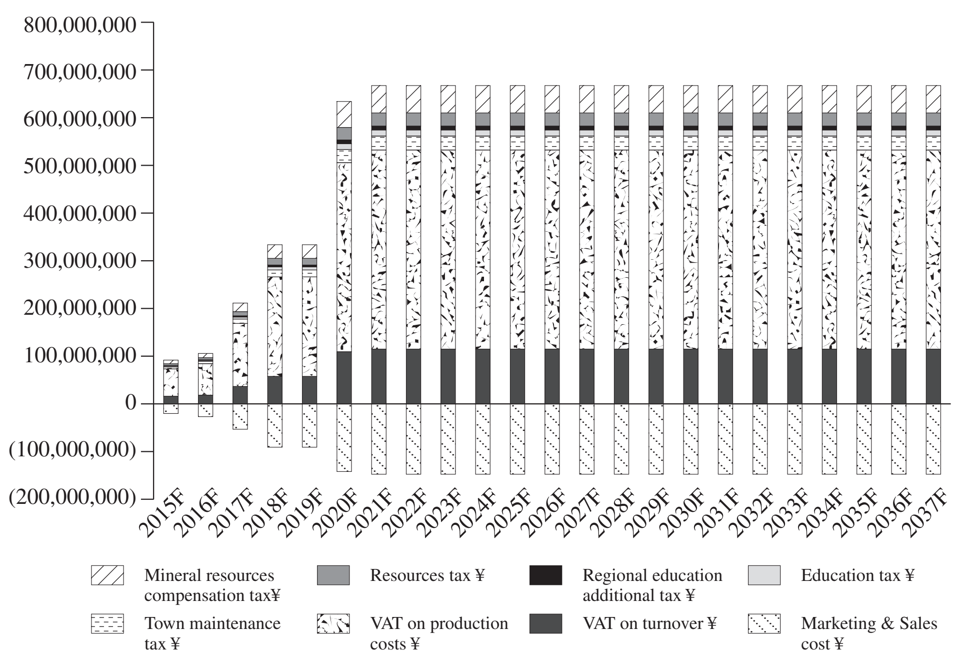


Figure 5-5: Forecast offsite operating costs and taxes, 2015 to 2037

5.12 Capital Costs

Annual expansion capital costs are forecast as shown in Table 5-6. Figure 5-6 shows both expansion capital and sustaining capital cost forecasts, which is based on RMB8/t of product.

Table 5-6: Forecast project capital costs by option

		2013	2014	2015	2016	2017	2018	2019
Option 0	RMB M	120.000	296.643	–	–	–	–	–
Option 1	RMB M	–	–	250.000	250.000	300.000	–	–
Option 2	RMB M	–	–	–	–	200.000	400.000	600.000
Total Capital Expenditure	**RMB M**	**120.000**	**296.643**	**250.000**	**250.000**	**500.000**	**400.000**	**600.000**

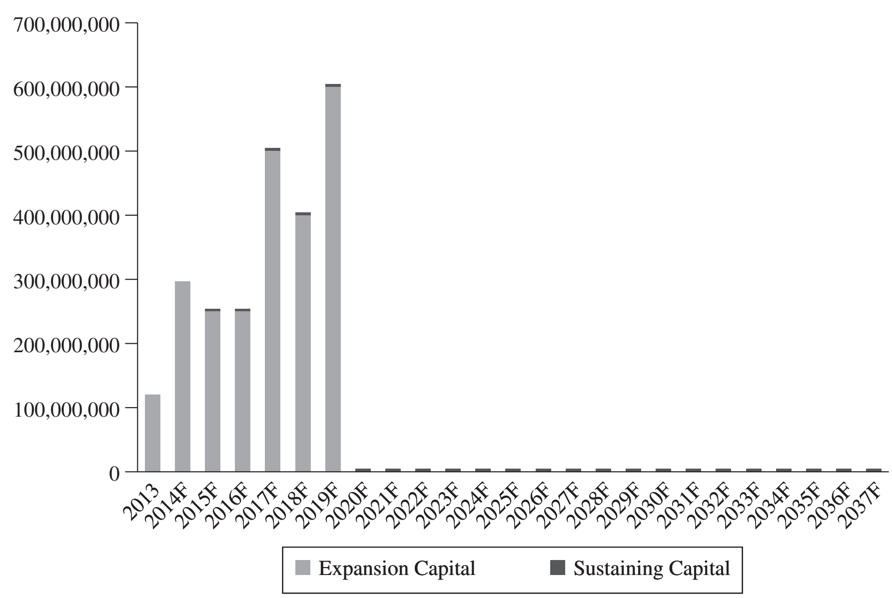


Figure 5-6: Expansion and sustaining capital costs, 2013 to 2037

5.13 Depreciation and Tax

A depreciation schedule was created for use in tax calculations. SRK was advised by WGEL that in China, asset depreciation is not allowed until revenue is generated, i.e., "tax losses" are not recognised. All assets were depreciated over a 15 year life starting from 2015. In the last 15 years of the Project Life, all assets were depreciated over the remaining life of the Project. SRK checked that the total depreciated amount matched the capital expenditure required to purchase the assets.

5.14 Weighted Average Cost of Capital

The selection of the preferred discount rate was based on analysis by SRK using the Capital Asset Pricing Model, which provides guidance on calculating the Weighted Average Cost of Capital (WACC) as shown in the sections below.

5.14.1 Inputs to Discount Rate Calculation

Beta is a measure of a stock's volatility in relation to the market and a value for beta is required to calculate a WACC. SRK has used an unlevered beta of 0.8810 in its discount rate calculation. This beta was derived from listed companies in similar industries as shown in Table 5-7.

The Central Bank Rate is based on the 10 year PRC Government Bond Rate from Bloomberg of 3.61%. The Market Risk Premium of 10.71% is sourced from the Shenzhen Shanghai 300 Market Index less the risk free rate.

Table 5-7: Research relating to beta versus company size

Guideline Company	67.HK	ICP.CN	KRN.CN	POTASIOA. CI	SXX.LN	Weighted Av.
Total Debt (M)	HK$6,026	HK$0	HK$0	HK$2,733	HK$0	
D/E	74.3%	0.00%	0.00%	107.95%	0.00%	**53.18%**
Effective Tax Rate	20.79%	0.00%	0.00%	0.00%	0.00%	
Levered Beta	1.5040	1.1870	0.9990	0.4680	1.0770	
Unlevered Beta	0.9468	1.1870	0.9990	0.2251	1.0770	**0.8810**
Share Price	HK$1.45	HK$3.76	HK$45.53	HK$1.31	HK$3.18	
Book Value/Share	HK$3.25	HK$3.63	HK$25.56	HK$0.75	HK$0.88	
EPS	HK$0.30	(HK$0.54)	(HK$2.56)	HK$0.18	(HK$0.70)	
# of Shares O/S (M)	5,593.96	151.41	21.99	1936	1,339.03	
Market Cap. (M)	HK$8,111	HK$569	HK$1,001	HK$2,532	HK$4,258	
P/E Ratio	4.83	0.00	0.00	7.27	0.00	**3.50**
P/B Ratio	0.45	1.04	1.78	1.74	3.61	**1.57**

5.14.2 Nominal WACC

As the SRK uses data which is provided in nominal terms (inflated), the appropriate WACC must be a Nominal WACC. The method for calculating a Nominal WACC is shown in Table 5-8.

Table 5-8: Nominal WACC

Discount Rate Calculation	
Central Bank Rate	3.61%
Market Risk Premium	10.71%
Beta	0.8810
Cost of Equity (in nominal terms)	13.05%
Debt Margin	2.00%
Cost of Debt	5.61%
Tax Rate	25.00%
Post-tax Cost of Debt	4.2%
Target Debt Equity Ratio	0.0%
Weighted Average Cost of Capital – WACC (Nominal)	13.05%

The base case WACC calculated was 13.05%. The variable increment for discount rate variation was set at 1%, so that the TEM provided NPVs at a WACC of 12.05%, 13.05% and 14.05%. This 1% WACC increment provides a range of NPVs that is sufficiently "narrow" to be acceptable to authorities such as the Australian Securities and Investment Commission ("ASIC"). ASIC has a stated preference for the range of value in valuation reports to be not so wide that is presents little information to potential investors.

Given the TEM is in nominal terms, the model cashflows were escalated by the following factors:

- Opex & Capex: The major cost components are fuel, electricity, maintenance, wages etc. The general Producer Price Index from year 2004 to 2013 was used to to estimate the annual growth in production costs. Therefore a growth rate of 2.6%pa was adopted for opex and capex escalation.

- Revenue: The more industry specific Producer Price Index (Non-Ferrous Metal Mining and Dressing) was used to estimate the annual growth in revenue, since thenardite is considered to be raw material that supplies to the downstream industry. As such, this index is more relevant, and a growth rate of 3.22%pa was adopted on the revenue escalation.

5.15 Cashflow Summary

The cashflow components of the Project can be summarised as shown in Figure 5-7.

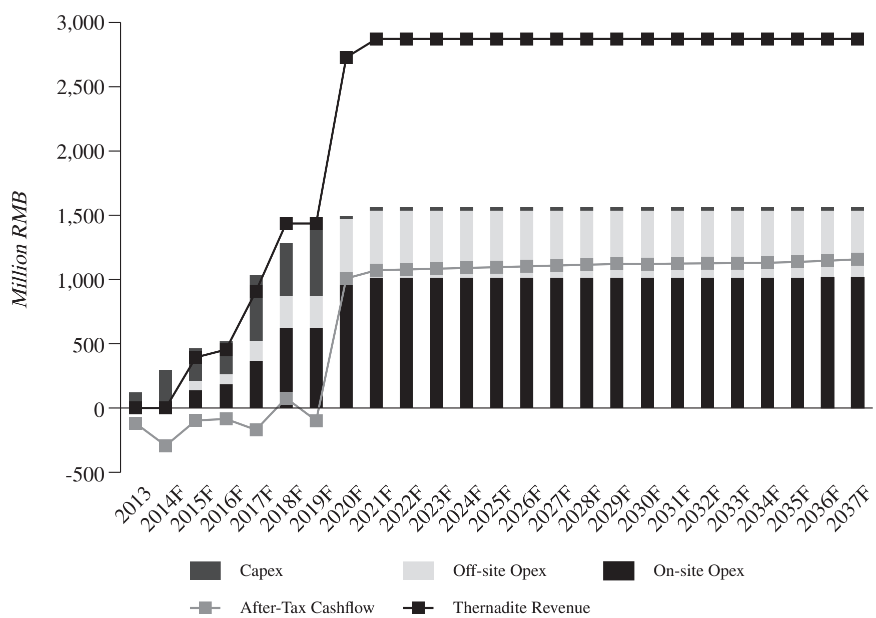


Figure 5-7: Project cashflow forecast, 2013 to 2037

5.16 Remaining Resources Value

At the end of 25 years there was 66% of the Mineral Resource remaining, therefore this Mineral Resource was valued using the average NPV per resource tonne from the TEM, then discounted using the WACC discount rate for 25 years.

The value of the remaining Mineral resource was added to the NPV calculation to estimate a total value of the project.

5.17 Weighted Options and Sensitivity Study

The three options were given a weighting according to SRK's perception of the likelihood of the Project being built at that production rate. The FS case (Option 0) was given a weighting of 10%, as this Project is unlikely to remain at that scale of production, as an expansion is considered likely. Option 1 was given a weighting of 50% and Option 2 was given a weighting of 40%. The weighted average of the three cases was then calculated and in SRK's opinion, represents the technical value of the project, based on the assumptions used.

A sensitivity study was completed on various inputs to the TEM, and is presented in Table 5-9 and Figure 5-8. As expected the thenardite sales price has the largest impact on the NPV of the Project, with operating costs and capital costs not the most sensitive items for NPV for this Project.

Table 5-9: Results of NPV sensitivity study HK$M

Sensitivity	On-Site Opex	Off-Site Opex	Capex	Thenardite Price
25%	$2,860	$3,296	$3,399	$6,427
20%	$3,032	$3,381	$3,463	$5,742
15%	$3,203	$3,465	$3,527	$5,236
10%	$3,375	$3,549	$3,591	$4,730
5%	$3,547	$3,634	$3,654	$4,224
0%	$3,718	$3,718	$3,718	$3,718
-5%	$3,890	$3,803	$3,782	$3,212
-10%	$4,062	$3,887	$3,846	$2,707
-15%	$4,233	$3,971	$3,910	$2,201
-20%	$4,405	$4,056	$3,974	$1,695
-25%	$4,577	$4,140	$4,037	$1,189

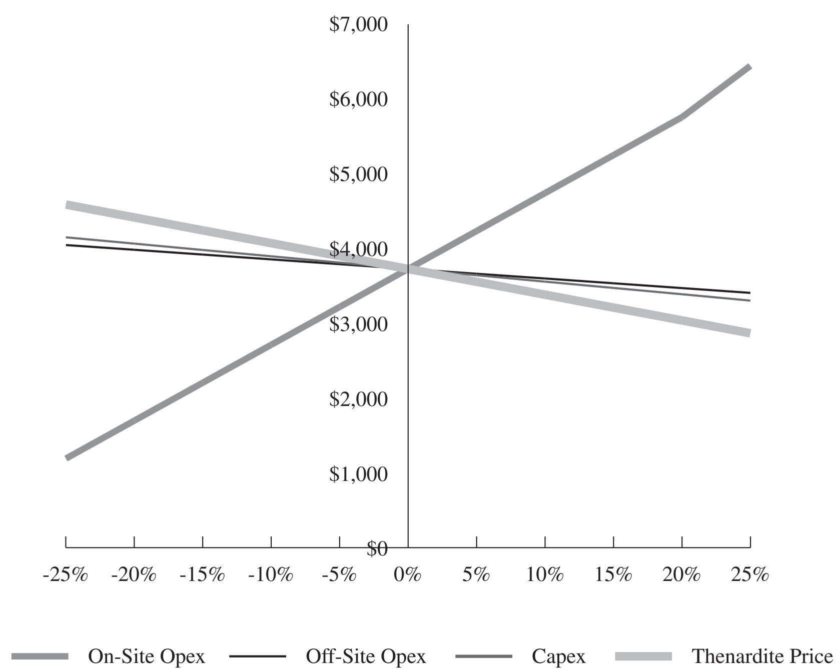


Figure 5-8: Results of NPV sensitivity study HK$M

5.18 Time Periods and Valuation Date

SRK recognised that the previous valuation spreadsheet provided by WGEL depicted a 42 year mine life, so SRK created another copy of the model and expanded it to 42 years, including extending the discount factor calculation. The 42 year TEM resulted in a similar NPV outcome to the 25 year TEM, so SRK concentrated on the 25 year TEM for all further work.

As advised by WGEL, the valuation date was set as 30 June 2013.

5.19 Market Adjustment

According to the study “Marketability and Value: Measuring the Illiquidity Discount” by Aswath Damodaran, Professor of Finance at the Stern School of Business at New York University, relatively more liquid assets are valued higher than relatively illiquid assets. A non-marketability discount (illiquidity discount) should therefore be applied in order to compensate the effect of illiquidity on the company value. The study found that restricted (and hence illiquid) stocks traded at discounts of 25 to 35%, relative to their unrestricted counterparts. Since many of these valuations are for tax court the median range of illiquidity discount should be around 25% to 35%. According to this paper, the illiquidity discounts adopted in a number of tax court cases are in the same range. A non-marketability (illiquidity) discount of 25%, was adopted for the purpose of this valuation.

The value calculated from the NPV results of the TEM were adjusted downwards by 25% to take account of “poor marketability” which could restrict the Project from achieving the sales and revenue forecasts.

5.20 Valuation Components

The 25 year life TEM produced the results shown in Table 5-10 and Table 5-11. Cashflow breakeven occurs in 2020, in year 8 of the Project.

Table 5-10: Weighted NPV including residual resources

DCF Discount Rate	**12.05%**	**13.05%**	**14.05%**
Weighted NPV (M RMB)	4,445.2	3,912.8	3,450.1
Weighted NPV (M US$)	726.4	639.4	563.8
Weighted NPV (M HK$)	5,632.9	**4,958.3**	4,372.0

Table 5-11: NPV after poor marketability discount of 25%

DCF Discount Rate	**12.05%**	**13.05%**	**14.05%**
Discounted NPV (M RMB)	3,333.9	2,934.6	2,587.6
Discounted NPV (M US$)	544.8	479.5	422.8
Discounted NPV (M HK$)	4,224.7	**3,718.7**	3,279.0

6 RISK ASSESSMENT

SRK undertook a Risk Assessment following the guidelines set out in Australian Standard AS/NZS 4360 and provided a qualitative assessment of the likelihood and consequence of each risk identified, considering the current level of information. Table 6-1, Table 6-2 and Table 6-3 present SRK's risk classification criteria a 5 x 5 matrix, used in accordance with AS/NZS 4360. SRK's final Risk Assessment is presented in Table 6-4.

Table 6-1: Likelihood

Level	**Descriptor**	**Description**
A	Almost Certain	Is expected to occur in most circumstances.
B	Likely	Will probably occur in most circumstances.
C	Possible	Might occur at some time.
D	Unlikely	Could occur at some time.
E	Rare	May occur only in exceptional circumstances.

Table 6-2: Consequence

Level	Descriptor	Description
1	Insignificant	Financial loss insignificant.
2	Minor	Minor financial loss.
3	Moderate	Medium financial loss.
4	Major	Major financial loss; Loss of production capability.
5	Catastrophic	Huge financial loss.

Table 6-3: Risk matrix

	Consequences				
Likelihood	Insignificant 1	Minor 2	Moderate 3	Major 4	Catastrophic 5
A (almost certain)	High Risk	High Risk	Extreme Risk	Extreme Risk	Extreme Risk
B (likely)	Moderate Risk	High Risk	High Risk	Extreme Risk	Extreme Risk
C (possible)	Low Risk	Moderate Risk	High Risk	Extreme Risk	Extreme Risk
D (unlikely)	Low Risk	Low Risk	Moderate Risk	High Risk	Extreme Risk
E (rare)	Low Risk	Low Risk	Moderate Risk	High Risk	High Risk

Table 6-4: Risk assessment

	Risk Assessment			
Valuation Risks	Likelihood	Consequence	Level of Risk	Comments
Inability to renew the mining rights of the Glauberite Mine	Rare	Moderate	Moderate Risk	Confirmation from the PRC legal adviser that i) there is no legal obstacle to the renewal of the mining licence, ii) the Glauberite Mine has been identified as large-scale mine and iii) ability to apply for additional production rate for phase II and III.
Political and economic situation in the PRC	Rare	Moderate	Moderate Risk	At the time of writing there are no political or economic events known to SRK.
Compliance with policies, regulations, mining safety regulations and the environmental regulations of PRC if they become more stringent	Unlikely	Minor	Low Risk	Recent strengthening of safety regulations and envionmental protection laws and regulations. As of the Latest Practicable Date, no material factor has been drawn to the SRK's attention.
Inflation	Unlikely	Moderate	Moderate Risk	Risk of eroding the profitability of the Guangxi glauberite mine.
Exchange rate	Unlikely	Moderate	Moderate Risk	Guangxi glauberite mine production exported worldwide, change in exchange rate would severely affect the mine income.

	Risk Assessment			
Valuation Risks	**Likelihood**	**Consequence**	**Level of Risk**	**Comments**
Challenges from non-government organizations	Unlikely	Moderate	Moderate Risk	No challenge encountered as of the Latest Practicable Date. Active communication with non-government organization. Plan to adhere to the environmental protection standard in PRC and limit the effect of the Glauberite Mine operations to the nearby.
No long-term contract and agreement were being entered into potential suppliers and customers	Rare	Minor	Low Risk	Relying on local production suppliers in restricted geographical area. Company to identify and enter long-term agreement with new suppliers and customers.
Industry competition	Unlikely	Moderate	Moderate Risk	Aware of market risks. High demand for thenardite products in PRC.
Decrease of prices and demand of thenardite	Rare	Moderate	Moderate Risk	Average selling price stable in the last few years according to U.S. Geological Survey. Potential growth of the PRC thenardite market considered as large (compared to world market) by Chengdu University of Technology.
Uncertainties in glauberite resources	Rare	Moderate	Moderate Risk	SRK aware that any material deviation may adversely affect the profitability of the Enlarged Group's mining operations. As of the Latest Practicable Date, no material factor has been drawn to the SRK's attention.
Nature and quality of the thenardite considered as non-acceptable by the customers	Rare	Moderate	Moderate Risk	Thenardite to be further refined and processed into specialty thenardite in the operation. Monitoring and production process improvement to ensure standard quality.
Processing, storage and transportation of the thenardite	Rare	Moderate	Moderate Risk	Risk awareness. As of the Latest Practicable Date, the SRK is not aware of any factor which will substantially increase the chance of operational risk.
Conceptual thenardite production process, for which there may not be any adequate basis to evaluate the company future execution results and prospects	Rare	Moderate	Moderate Risk	Aware of risks affecting the capital and operating expenditure as well as the commencement of production if the production process was to be modified.
Technological changes	Rare	Insignificant	Low Risk	Risk to make substancial capital expenditures to keep up with technological changes.
Absence of capital estimation for the ventilation and mine dewatering system and potential surface subsidence (according to SRK comment)	Rare	Insignificant	Low Risk	Subsequent estimation of mine dewatering and ventilation systems, which amounts were considered by SRK as not having a great impact on the operation and overall capital cost of the Target Group. Geotechnical information to be obtained during the mining progress.
Operation of the Glauberite Mine may not be able to achieve commercial production and commercial sales	Rare	Moderate	Moderate Risk	As of the Latest Practicable Date, establishment of production plant on schedule. Favorable location for domestic and export trade in Asia.
Not achieving the commercial production schedule of the Glauberite Mine	Rare	Moderate	Moderate Risk	Identification of the risks leading to a delay in commercial production and related to mineral properties, mines or processing facilities, interruptions in production, injury or death to persons, damage to the company property and monetary losses.

	Risk Assessment			
Valuation Risks	**Likelihood**	**Consequence**	**Level of Risk**	**Comments**
Delay in completion of production plant and production facilities which may further extend the commencement of the commercial sales	Rare	Moderate	Moderate Risk	2-years timeframe for construction of processing plant but no assurance that this will be completed on time, with consequences on commencement of commercial sales.
Inability to develop the operation of the Glauberite Mine in a reasonable time and risk of adversely affecting the company profitability, business and financial condition and results of operations	Rare	Moderate	Moderate Risk	Identification of risks which may lead to increase in expenses, delay in the commencement of production and sales and cease of operation of the Glauberite Mine.
Inability to raise capital, to obtain on acceptable terms and to obtain in a timely manner to fund operations	Unlikely	Major	High Risk	Aware of capital raise related risks. At the Latest Practicable Date, SRK does not see the companies ability to raise funds adversely affected.
Company specific risk	Rare	Moderate	Moderate Risk	Possibility of severe exogenous or endogenous operational incidence cannot be precluded.

7 VALUATIONS CONCLUSIONS

After consideration of the studies completed, the review of the TEM, sensitivity studies and impact of varying projected sales prices, SRK believes the value of the Taowei Thenardite Project, at the valuation date of 30 June 2013, is in the range of HK$3,279M to HK$4,224M with a preferred value of HK$3,718M.

Written by

Michael John Warren
Corporate Consultant (Project Evaluations)

Peer Reviewed by

Romeo Ayoub
Principal Consultant (Project Evaluations)

8 REFERENCES

China Lumena New Materials Corporation, Annual Reports, 2012, 2011, 2010 and 2009.

JORC Code (2004).

Sinocop Resources (Holdings) Limited, *"Very substantial acquisition and connected transaction"*, notice to HKEx, 29 March 2012.

SRK Consulting, *Independent Technical Assessment of the Taowei Glauberite Project*, August 2011.

VALMIN Code (2005).

"Marketability and Value: Measuring the Illiquidity Discount" by Aswath Damodaran, Stern Business School.

9 CERTIFICATE OF COMPETENT EVALUATOR

I, Michael John Warren herby certify:

1. I am a Corporate Consultant (Project Evaluations) employed by SRK Consulting (Australasia) Pty Ltd who have an office at Level 2, 44 Market Street, Sydney NSW, 2000 Australia.

2. My qualifications include a Bachelor of Science in Mining Engineering from the University of New South Wales where I graduated in 1980 and a Master Degree in Business Administration from Macquarie University where I graduated in 1991.

3. I am a Fellow of the Australasian Institute of Mining and Metallurgy and a Fellow of the Australasian Institute of Company Directors.

4. I have practised my profession continuously since 1973 (I completed my undergraduate degree while working full time as a trainee with Rio Tinto).

5. I have prepared the "Valuation Report of the Taowei Thenardite Project", dated June 2013 under the guidelines contained in the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports (the "Valmin Code") (2005).

6. I have read the definition of "Competent Evaluator" as set out in Chapter 18 of the Listing Rules of the Stock Exchange of Hong Kong Limited and certify by reason of my education, qualifications, affiliation with a professional association and my past similar experience, that I fulfil the requirements to be a Competent Evaluator for the purpose of this Valuation Report.

7. I have had no prior involvement with the property that is the subject of the Valuation Report, other than as Peer Reviewer of an SRK report titled "Independent Technical Assessment of the Taowei Glauberite Project", dated May 2013.

8. I have no present, nor contingent interests in the Company or the Project.

9. I consent to the inclusion of the Valuation Report in documents that WGEL proposes to submit to HKEx.

Signed

M J Warren
Date: 19 July 2013

10 CERTIFICATE OF COMPETENT EVALUATOR

I, Louis Bucci hereby certify:

1. I am a Principal Consultant (Project Evaluations) employed by SRK Consulting (Australasia) Pty Ltd who have an office at Level 8, 365 Queen Street, Melbourne VIC, 3000 Australia.

2. My qualifications include a Doctor of Philosophy in Economic Geology from the University of Western Australia where I graduated in 2001, and a Bachelor of Applied Science (Geology) with First Class Honours from the University of Technology Sydney, where I graduated in 1996.

3. I am a Member of the Australian Institute of Geoscientists, and a Member of the Australasian Institute of Company Directors.

4. I have practised my profession continuously since 2001.

5. I have prepared the "Valuation Report of the Taowei Thenardite Project", dated June 2013 under the guidelines contained in the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports (the "Valmin Code") (2005).

6. I have read the definition of "Competent Evaluator" as set out in Chapter 18 of the Listing Rules of the Stock Exchange of Hong Kong Limited and certify by reason of my education, qualifications, affiliation with a professional association and my past similar experience, that I fulfil the requirements to be a Competent Evaluator for the purpose of this Valuation Report.

7. I have had no prior involvement with the property that is the subject of the Valuation Report, other than as Project Manager of an SRK report titled "Independent Technical Assessment of the Taowei Glauberite Project", dated May 2013.

8. I have no present, nor contingent interests in the Company or the Project.

9. I consent to the inclusion of the Valuation Report in documents that WGEL proposes to submit to HKEx.

Signed

Dr Louis Bucci
Date: 19 July 2013

	Year number	1	2	3	4	5	6	7	8	9	10
		2013	**2014F**	**2015F**	**2016F**	**2017F**	**2018F**	**2019F**	**2020F**	**2021F**	**2022F**
Development	m	–	–	19,005	21,885	23,036	23,036	23,036	23,036	23,036	23,036
Stope blasting	t	–	–	3,093,777	3,562,531	3,750,033	3,750,033	3,750,033	3,750,033	3,750,033	3,750,033
Ore Mined	t	–	–	3,795,000	4,370,000	4,600,000	4,600,000	4,600,000	4,600,000	4,600,000	4,600,000
Indicated Resources (start of year)	t of contained Na_2SO_4	219,000,000	219,000,000	219,000,000	218,428,464	217,770,331	217,077,560	216,384,789	215,692,018	214,999,247	214,306,476
Thenardite produced	t	–	–	474,375	546,250	575,000	575,000	575,000	575,000	575,000	575,000
Extraction percentage	%	–	–	83%	83%	83%	83%	83%	83%	83%	83%
Resource depletion	t of contained Na_2SO_4	–	–	571,536	658,133	692,771	692,771	692,771	692,771	692,771	692,771
Remaining Resource (start of year)	t of contained Na_2SO_4	219,000,000	219,000,000	218,428,464	217,770,331	217,077,560	216,384,789	215,692,018	214,999,247	214,306,476	213,613,705
Resource consumed	%	–	–	0.26%	0.56%	0.88%	1.19%	1.51%	1.83%	2.14%	2.46%
Revenue											
Thenardite Sold	t	–	–	474,375	546,250	575,000	575,000	575,000	575,000	575,000	575,000
Sales price (post VAT)	¥/t	–	–	833	833	833	833	833	833	833	833
Thenardite Sales Revenue Nominal	¥	–	–	434,307,770	516,215,584	560,881,816	578,942,211	597,584,150	616,826,360	636,688,168	657,189,527
Unit Operating Cost											
Mine Opex	¥/t	–	–	93.25	93.25	93.25	93.25	93.25	93.25	93.25	93.25
Processing opex	¥/t	–	–	183.36	183.36	183.36	183.36	183.36	183.36	183.36	183.36
Total Unit Operating Cost	¥/t	–	–	276.61	276.61	276.61	276.61	276.61	276.61	276.61	276.61
Operating Cost											
Mine Opex	¥	–	–	48,018,502	73,635,221	75,235,348	75,235,348	75,235,348	75,235,348	75,235,348	75,235,348
Processing opex	¥	–	–	91,648,641	111,345,306	116,244,492	116,244,492	116,244,492	116,244,492	116,244,492	116,244,492
Total Operating Cost Nominal	¥	–	–	150,846,880	204,981,871	217,700,717	223,360,936	229,168,320	235,126,697	241,239,991	247,512,230
Profit from Operations	¥	–	–	283,460,890	311,233,713	343,181,099	355,581,275	368,415,830	381,699,663	395,448,178	409,677,297
% of revenue		–	–	65%	60%	61%	61%	62%	62%	62%	62%
Unit costs off-site											
Sales Royalty/Tax	¥/t	–	–	–	–	–	–	–	–	–	–
Marketing & Sales cost	¥/t	–	–	33.30	33.30	33.30	33.30	33.30	33.30	33.30	33.30
VAT on turnover	¥/t	–	–	120.96	120.96	120.96	120.96	120.96	120.96	120.96	120.96
VAT on production costs	¥/t	–	–	(42.78)	(49.20)	(48.39)	(48.39)	(48.39)	(48.39)	(48.39)	(48.39)
Town maintenance tax	¥/t	–	–	8.47	8.47	8.47	8.47	8.47	8.47	8.47	8.47
Education tax	¥/t	–	–	3.63	3.63	3.63	3.63	3.63	3.63	3.63	3.63
Regional education additional tax	¥/t	–	–	2.42	2.42	2.42	2.42	2.42	2.42	2.42	2.42
Resources tax	¥/t	–	–	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00
Mineral resources compensation tax	¥/t	–	–	16.65	16.65	16.65	16.65	16.65	16.65	16.65	16.65
Turnover		–	–	394,917,188	454,753,125	478,687,500	478,687,500	478,687,500	478,687,500	478,687,500	478,687,500
Marketing & Sales cost	¥	–	–	15,796,688	18,190,125	19,147,500	19,147,500	19,147,500	19,147,500	19,147,500	19,147,500
VAT on turnover	¥	–	–	57,381,130	66,075,240	69,552,885	69,552,885	69,552,885	69,552,885	69,552,885	69,552,885
VAT on production costs	¥	–	–	(20,293,517)	(26,877,512)	(27,821,857)	(27,821,857)	(27,821,857)	(27,821,857)	(27,821,857)	(27,821,857)
Town maintenance tax	¥	–	–	4,016,679	4,625,267	4,868,702	4,868,702	4,868,702	4,868,702	4,868,702	4,868,702
Education tax	¥	–	–	1,721,434	1,982,257	2,086,587	2,086,587	2,086,587	2,086,587	2,086,587	2,086,587
Regional education additional tax	¥	–	–	1,147,623	1,321,505	1,391,058	1,391,058	1,391,058	1,391,058	1,391,058	1,391,058
Resources tax	¥	–	–	3,795,000	4,370,000	4,600,000	4,600,000	4,600,000	4,600,000	4,600,000	4,600,000
Mineral resources compensation tax	¥	–	–	7,898,344	9,095,063	9,573,750	9,573,750	9,573,750	9,573,750	9,573,750	9,573,750
Total off-site Costs Nominal	¥	–	–	**77,183,708**	**87,300,381**	**94,819,069**	**97,284,365**	**99,813,758**	**102,408,916**	**105,071,548**	**107,803,408**

	Year number	1	2	3	4	5	6	7	8	9	10
		2013	2014F	2015F	2016F	2017F	2018F	2019F	2020F	2021F	2022F
Capital Costs											
Option 0	¥	120,000,000	296,642,803	–	–	–	–	–	–	–	–
Option 1	¥	–	–	250,000,000	250,000,000	300,000,000	–	–	–	–	–
Option 2	¥	–	–	–	–	200,000,000	400,000,000	600,000,000	–	–	–
Option chosen	¥	120,000,000	296,642,803	–	–	–	–	–	–	–	–
Sustaining Capital	¥	–	–	3,795,000	4,370,000	4,600,000	4,600,000	4,600,000	4,600,000	4,600,000	4,600,000
Total Capital Expenditure Nominal	¥	123,120,000	312,268,759	4,098,773	4,842,514	5,229,915	5,365,893	5,505,406	5,648,547	5,795,409	5,946,089
Profit & Loss Statement		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
EBITDA		–	–	206,277,183	223,933,332	248,362,030	258,296,910	268,602,071	279,290,747	290,376,630	301,873,889
DA		–	–	29,299,169	29,622,003	29,970,664	30,328,390	30,695,417	31,071,987	31,458,348	31,854,754
EBIT		–	–	176,978,014	194,311,329	218,391,366	227,968,520	237,906,654	248,218,760	258,918,282	270,019,135
Tax Losses carried forward		–	–	–	–	–	–	–	–	–	–
Tax Losses added		–	–	–	–	–	–	–	–	–	–
Tax Losses used		–	–	–	–	–	–	–	–	–	–
Taxable Income/(Loss)		–	–	176,978,014	194,311,329	218,391,366	227,968,520	237,906,654	248,218,760	258,918,282	270,019,135
Corporate Tax Rate		25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Tax Owing		–	–	44,244,503	48,577,832	54,597,841	56,992,130	59,476,664	62,054,690	64,729,571	67,504,784
Net Profit After Tax		–	–	132,733,510	145,733,496	163,793,524	170,976,390	178,429,991	186,164,070	194,188,712	202,514,351
Valuation as at:	30/06/2013										
Revenue		–	–	434,307,770	516,215,584	560,881,816	578,942,211	597,584,150	616,826,360	636,688,168	657,189,527
OPEX		–	–	228,030,588	292,282,252	312,519,786	320,645,301	328,982,079	337,535,613	346,311,539	355,315,639
CAPEX		123,120,000	312,268,759	4,098,773	4,842,514	5,229,915	5,365,893	5,505,406	5,648,547	5,795,409	5,946,089
TAX		–	–	44,244,503	48,577,832	54,597,841	56,992,130	59,476,664	62,054,690	64,729,571	67,504,784
After Tax Cash Flow		**(123,120,000)**	**(312,268,759)**	**157,933,906**	**170,512,986**	**188,534,273**	**195,938,887**	**203,620,002**	**211,587,510**	**219,851,651**	**228,423,016**
DCF Discount Rate	**12.05%**	**13.05%**	**14.05%**								
Weighted NPV (M RMB)	4,445.2	3,912.8	3,450.1								
Weighted NPV (M US$)	726.4	639.4	563.8								
Weighted NPV (M HK$)	5,632.9	**4,958.3**	4,372.0								
NPV Discount for Shares	25%										
DCF Discount Rate	**12.05%**	**13.05%**	**14.05%**								
Discounted NPV (M RMB)	3,333.9	2,934.6	2,587.6								
Discounted NPV (M US$)	544.8	479.5	422.8								
Discounted NPV (M HK$)	4,224.7	**3,718.7**	3,279.0								

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein misleading.

2. SHARE CAPITAL

Share capital

The authorized and issued share capital of the Company as (i) at the Latest Practicable Date, and (ii) immediately after Completion are as follows:

As at the Latest Practicable Date

Authorized		*HK$*
50,000,000,000	Shares	500,000,000
Issued and fully paid		
1,384,396,800	Shares	13,843,968
Immediately after the issue of Placing Shares		
1,717,696,800	Shares	17,176,968

Immediately after the issue of the Placing Shares and Completion

Authorized		*HK$*
50,000,000,000	Shares	500,000,000
Issued and fully paid		
Immediately after the issue of Placing Shares and Consideration Shares		
1,837,696,800	Shares	18,376,968
Immediately after the issue of Placing Shares, the exercise of Convertible Notes and the issue of Consideration Shares up to approximately 30% for Mr. Cheung Ngan, Mr. Chan Chung Chun, Arnold, Sino PowerHouse, Mr. Zhou Bo and Mr. Luan Zhong Jie		
2,007,334,268	Shares	20,073,343
Immediately after the full exercise of Convertible Notes, the issue of Consideration Shares and Placing Shares (For illustration purpose only)		
5,717,696,800	Shares	57,176,968

The Shares are primarily listed on the Main Board of the Stock Exchange. No part of the Share or loan capital of the Company is listed or dealt in, nor is listing or permission to deal in the Share or loan capital of the Company being, or proposed to be, sought on any other stock exchange.

There are no arrangements under which future dividends will be waived or agreed to be waived.

3. DISCLOSURE OF INTERESTS

Interests of Directors

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules (the "**Model Code**"), were as follows:

Name of Director	Nature of Interest	Number of Shares or underlying shares (long position)	Approximate percentage of the issued share capital of the Company/ associated company
Mr. Cheung Ngan	Beneficial owner & interest of controlled corporation	3,112,432,469 *(Note 1)*	224.82%
	Interest of controlled corporation	1,000 *(Note 2)*	20%
Mr. Chan Chung Chun, Arnold	Beneficial owner & interest of controlled corporation	2,812,000,000 *(Note 3)*	203.12%
	Interest of controlled corporation	1,000 *(Note 4)*	20%

Name of Director	Nature of Interest	Number of Shares or underlying shares (long position)	Approximate percentage of the issued share capital of the Company/ associated company
Mr. Li Shaofeng	Beneficial owner	12,000,000 *(Note 5)*	0.87%
Mr. Chan Francis Ping Kuen	Beneficial owner	1,200,000 *(Note 5)*	0.087%
Mr. Hu Guang	Beneficial owner	1,200,000 *(Note 5)*	0.087%

Notes:

1. The 3,112,432,469 shares include:

   a) the underlying shares of 1,200,000 from the share options granted on 16 December 2009 at exercise price of HK$0.46; and

   b) the Shares and underlying shares of 2,800,000,000 from the Consideration Shares of 84,000,000 and Convertible Notes of 2,716,000,000 which were agreed to be issued to Sino PowerHouse Corporation, which was beneficially owned as to 51% by Mr. Cheung Ngan and as to 49% by Mr. Chan Chung Chun, Arnold, upon completion of acquisition of the Target Company.

2. The 1,000 shares represent the indirect interest in Tong Guan La Plata Company Limited ("TGLP"), which is 60% indirectly held by the Company and hence is an associated corporation. The 20% beneficial interest in TGLP is held by Catania Copper (Chile) Limited. Catania Copper (Chile) Limited is 40% held by Great Base Holdings Limited and 60% held by Catania Mining Limited. Catania Mining Limited is 55% held by CM Universal Corporation. Mr. Cheung Ngan held 50% interest in Great Base Holdings Limited and 51% interest in CM Universal Corporation.

3. The 2,812,000,000 shares include the underlying shares of 12,000,000 from the share options granted on 16 December 2009 at exercise price of HK$0.46 and the Shares and underlying shares of 2,800,000,000 as set out in Note 1b above.

4. The 1,000 shares represent the indirect interest in TGLP, which is 60% indirectly held by the Company and hence is an associated corporation. The 20% beneficial interest in TGLP is held by Catania Copper (Chile) Limited. Catania Copper (Chile) Limited is 40% held by Great Base Holdings Limited and 60% held by Catania Mining Limited. Catania Mining Limited is 55% held by CM Universal Corporation. Mr. Chan Chung Chun, Arnold held 50% interest in Great Base Holdings Limited and 49% interest in CM Universal Corporation.

5. Being options to acquire ordinary shares of the Company granted on 16 December 2009 at exercise price of HK$0.46.

Save as disclosed above, as at the Latest Practicable Date, none of the directors of the Company have interest or short positions in the shares and underlying shares or other securities of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 & 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange.

Interests in contract of arrangement

None of the Directors had any material interests in contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Group taken as a whole.

Interests in assets

None of the Directors has any direct or indirect interest in any assets acquired or disposed of by or leased to any member of the Group or is proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2013, being the date to which the latest published audited consolidated financial statements of the Group were made up.

4. INTERESTS OF SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors or chief executives of the Company, the following persons (other than a Director or chief executive of the Company) who, as at the Latest Practicable Date, had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who, as at the Latest Practicable Date, was directly and indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group, or had any options in respect of such capital, were as follows:

Name of Shareholder	Nature of Interest	Number of Shares or underlying shares (long position)	Approximate percentage of the issued share capital of the Company
Mr. Cheung Ngan	Beneficial owner & interest of controlled corporation	3,112,432,469 *(Note 1)*	224.82%
Mr. Chan Chung Chun, Arnold	Beneficial owner & interest of controlled corporation	2,812,000,000 *(Note 2)*	203.12%
Sino PowerHouse Corporation	Beneficial owner	2,800,000,000 *(Note 3)*	202.25%
Mr. Zhou Bo	Beneficial owner	1,000,000,000 *(Note 4)*	72.23%
Mr. Luan Zhong Jie	Beneficial owner	200,000,000 *(Note 5)*	14.44%

Notes:

1. The 3,112,432,469 shares include:

   (a) the underlying shares of 1,200,000 from the share options granted on 16 December 2009 at exercise price of HK$0.46; and

   (b) the Shares and underlying shares of 2,800,000,000 from the Consideration Shares of 84,000,000 and Convertible Notes of 2,716,000,000 which were agreed to be issued to Sino PowerHouse Corporation, which was beneficially owned as to 51% by Mr. Cheung Ngan and as to 49% by Mr. Chan Chung Chun, Arnold, upon completion of acquisition of the Target Company.

2. The 2,812,000,000 shares include the underlying shares of 12,000,000 from the share options granted on 16 December 2009 at exercise price of HK$0.46 and the Shares and underlying shares of 2,800,000,000 as set out in Note 1b above.

3. The Shares and underlying shares of 2,800,000,000 from the Consideration Shares of 84,000,000 and Convertible Notes of 2,716,000,000 which were agreed to be issued to Sino PowerHouse Corporation upon completion of acquisition of the Target Company.

4. The Shares and underlying shares of 1,000,000,000 from the Consideration Shares of 30,000,000 and Convertible Notes of 970,000,000 which were agreed to be issued to Mr. Zhou Bo upon completion of acquisition of the Target Company.

5. The Shares and underlying shares of 200,000,000 from the Consideration Shares of 6,000,000 and Convertible Notes of 194,000,000 which were agreed to be issued to Mr. Luan Zhong Jie upon completion of acquisition of the Target Company.

Save as disclosed above, so far as is known to the Directors or chief executives of the Company, the Company had not been notified of any other interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or any persons (other than the Directors and chief executives of the Company) who, as at the Latest Practicable Date, was directly and indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group, or had any options in respect of such capital.

5. SERVICE CONTRACT

As the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which does not expire or is not terminable by such member of the Group within one year without payment of compensation (other than statutory compensation).

6. LITIGATION

As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief and based on information provided by the Vendors, the Target Group was not engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to the Directors to be pending or threatened by or against any member of the Target Group.

7. COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors or their respective associates had any interest in any business which competes or may compete, either directly or indirectly, with the business of the Group or have or may have any other conflicts of interest with the Group pursuant to the Listing Rules.

8. DIRECTORS' INTEREST IN CONTRACTS AND ASSETS

i. Save for the Acquisition Agreement, as at the Latest Practicable Date, none of the Directors were materially interested in any subsisting contract or arrangement which is significant in relation to the business of the Group.

ii. Save for the Acquisition Agreement, as at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31 March 2013, being the date to which the latest published audited accounts of the Group were made up, acquired or disposed of by, or leased to any member of the Group, or were proposed to be acquired or disposed of, or leased to any member of the Group.

9. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given their opinions and advice which are contained or referred to in this circular:

Name	Qualification
Donvex Capital Limited (“Donvex”)	A corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO
Kingston Corporate Finance Limited	A corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO
BDO Limited (“BDO”)	Certified Public Accountants
SRK Consulting (Australasia) Pty Ltd (“SRK”)	Competent Person and Independent Valuer

Each of Donvex, Kingston, BDO and SRK has given and has not withdrawn its written consent to the issue of this circular, with the inclusion of and references to its names, opinions and/or reports in the form and context in which it appears.

As of the Latest Practicable Date, none of the experts above was beneficially interested in the share capital of any member of the Enlarged Group nor did they have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group.

As at the Latest Practicable Date, all the experts above did not have any direct or indirect interest in any assets which have been acquired, or disposed of by, or leased to any member of the Enlarged Group, or are proposed to be acquired, or disposed of by, or leased to any member of the Enlarged Group since 31 March 2013 (the date to which the latest published audited consolidated financial statements of the Group were made up).

10. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by the members of the Enlarged Group within two years immediately preceding the date of this circular, which are or may be material:

(a) the Acquisition Agreement;

(b) the subscription agreements for the Convertible Notes; and

(c) the Placing Agreement.

11. MISCELLANEOUS

(a) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and the head office and principal place of business in Hong Kong is at 37th Floor, China Online Centre, 333 Lockhart Road, Wanchai, Hong Kong.

(b) The company secretary of the Company is Mr. Chan Chung Chun, Arnold, who is a member of Hong Kong Institute of Certified Public Accountants.

(c) The branch share registrar of the Company in Hong Kong is Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong.

(d) The English text of this circular shall prevail over the Chinese text.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Company at 37th Floor, China Online Centre, 333 Lockhart Road, Wanchai, Hong Kong during normal business hours on any weekday (except Saturdays, Sundays and public holidays), from the date of this circular up to and including the date of the SGM:

(a) the memorandum of association of the Company and the Bye-Laws;

(b) the material contracts referred to in the paragraph headed "Material Contracts" in this Appendix;

(c) the published annual reports of the Company for the three financial years ended 31 March 2011, 2012 and 2013;

(d) the letter from the Independent Financial Adviser as set out in this circular;

(e) the accountant's report of the Target Group as set out in Appendix II to this circular;

(f) the report on pro forma financial information of the Enlarged Group as set out in Appendix III to this circular;

(g) the Competent Person's Report prepared by SRK as set out in Appendix IV to this circular;

(h) the Valuation Report prepared by SRK as set out in Appendix V to this circular;

(i) the Acquisition Agreement;

(j) the written consents from the experts referred to under the paragraph headed "Experts and Consents" in this Appendix; and

(k) this circular.

SINOCOP RESOURCES (HOLDINGS) LIMITED
中銅資源(控股)有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 476)

NOTICE IS HEREBY GIVEN that a special general meeting of Sinocop Resources (Holdings) Limited (the "**Company**") will be held at Plaza 3, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong at 11:00 a.m. on Wednesday, 30 October 2013 for the purpose of considering and, if thought fit, passing, with or without modification, the following resolutions:

ORDINARY RESOLUTIONS

1. "**THAT**:

   (a) the acquisition agreement (the "**Acquisition Agreement**") dated 29 March 2012 entered into among China Elegance Resources Limited, a wholly owned subsidiary of the Company, as purchaser, Sino PowerHouse Corporation, Zhou Bo(周勃), and Luan Zhong Jie(欒中杰)as vendors (a copy of which has been produced to the meeting and marked "A" and initialed by the chairman of the meeting for the purpose of identification) in relation to, among other matters, the acquisition of the entire issued share capital of South China Mining Investments Limited (the "**Acquisition**") and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed;

   (b) the issue of the convertible notes in an aggregate principal amount of HK$2.91 billion (the "**Convertible Notes**"), the principal terms and conditions of which are set out or referred to in the circular of the Company dated 11 October 2013 (a copy of which has been produced to the meeting and marked "B" and initialed by the chairman of the meeting for the purpose of identification), pursuant to the terms and conditions of the Acquisition Agreement be and is hereby approved;

(c) the issue and allotment of such number of shares of HK$0.01 each in the share capital of the Company (the "**Shares**") which may fall to be issued upon the exercise of the conversion rights attaching to the Convertible Notes be and is hereby approved;

(d) the issue and allotment of 120 million Shares, credited as fully paid at an issue price of HK$0.75 per Share, by the Company as consideration shares pursuant to the terms and conditions of the Acquisition Agreement be and is hereby approved; and

(e) the directors of the Company (the "**Directors**") be and are hereby authorised to execute such all other documents, do all other acts and things and take such action as may in the opinion of the Directors be necessary, desirable or expedient to implement and give effect to the Acquisition Agreement and any other transactions contemplated under the Acquisition Agreement."

2. "**THAT**:

(a) the placing agreement dated 29 March 2012 entered into between the Company as issuer and Changjiang Securities Brokerage (HK) Limited as placing agent in relation to the placing of not less than 265 million but not more than 333.3 million new Shares (the ''**Placing Shares**'') in the share capital of the Company at a placing price of not less than HK$0.60 per Placing Share but not more than HK$0.75 per Placing Share (the ''**Placing Agreement**'') on an underwritten basis (a copy of which marked ''C'' has been produced to the meeting and signed by the chairman of the meeting for the purpose of identification) and all transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

(b) conditional upon, among others, the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the Placing Shares and fulfillment of conditions set out in the Placing Agreement, the issue and allotment of the Placing Shares, pursuant to and subject to the terms and conditions of the Placing Agreement, be and are hereby approved; and

(c) the Directors be and are hereby authorised to exercise all the powers of the Company and take all steps as might in the opinion of the Directors be desirable, necessary or expedient in connection with the implementation of the transactions contemplated under the Placing Agreement and in relation to the issue and allotment of the Placing Shares, including, without limitation to, the execution, amendment, supplement, delivery, submission and implementation of any further documents or agreements.''

By order of the Board
Sinocop Resources (Holdings) Limited
Cheung Ngan
Chairman

Hong Kong, 11 October 2013

Registered Office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head office and Principal Place of Business in Hong Kong:
37th Floor
China Online Centre
333 Lockhart Road
Wanchai
Hong Kong

Notes:

1. Any Shareholder entitled to attend and vote at the meeting convened by the above notice is entitled to appoint a proxy in respect of the whole or any part of his holding of shares to attend and vote in his stead. A proxy need not be a Shareholder of the Company.

2. In order to be valid, the form of proxy, together with any power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney or other authority, must be deposited at the principal place of business of the Company located at 37th Floor, China Online Centre, 333 Lockhart Road, Wanchai, Hong Kong, not less than 48 hours prior to the meeting.

3. The register of Shareholders of the Company will be closed from Monday, 28 October 2013 to Wednesday, 30 October 2013, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for attending this special general meeting, all duly completed and signed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Branch Registrars in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 25 October 2013.