CST MINING GROUP LIMITED
中科礦業集團有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 985)

ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

CHAIRMAN'S STATEMENT

We have done a lot and we have achieved a lot in the six months ended 30th September, 2010. It is a new START and it is a new CST MINING GROUP LIMITED ("CST Mining").

I am writing this Chairman's Statement with great excitement and pleasure. As I was writing this statement, I was told the first copper cathode of CST Mining has just been produced at the Lady Annie SX-EW plant in Australia. This represents a big step towards our goal to become a globally competitive copper miner.

In the last 6 months, we have successfully raised US$600 million, we have completed the acquisition of the Lady Annie Project in Australia, we have completed the acquisition of Chariot Resources Limited, which holds 70% of the Marcona Copper Property in Peru, we have put together a seasoned management team of over 200 mining professionals and workers for our Lady Annie Project, we have resumed mining activities and production at Lady Annie, and we have obtained the EIA for the Mina Justa Project of the Marcona Copper Property in Peru.

It is a long list of what we have done. I believe all these achievement reflect well on our management and their dedication. Furthermore, when we acquired our two copper projects, copper price was around US$6,500 per tonne. Today, copper price is well above US$8,000 per tonne.

I am very confident about the future of CST Mining. We can see a strong global demand for copper. The economies of the BRIC nations (Brazil, Russia, India and China) are still growing very rapidly. Urbanization in these countries is inevitable. With the improvement of living standards, there is also growing demand for various consumer electronics goods. People need copper. However, there is not enough supply coming forward. There is no major discovery of new copper ore bodies in recent years. It also takes years to develop new projects. At the moment, my view is supply cannot match the strong growing demand. This is further supported by the low level of inventory at LME and COMEX.

CST Mining is taking this golden opportunity to become a major copper player in the global market. The vision of CST is “To be a globally competitive copper miner producing in excess of 250,000 tonnes per annum by 2015 “. At the moment, we are very focus on increasing the resources of Lady Annie and to extend the mine life. Our Peruvian team is also working very hard to allow the construction of the Mina Justa Project to commence as soon as possible. I have 100% confidence on our management team and we expect to deliver more good news to our shareholders in the next 6 months.

I am glad that I have appointed Damon as our CEO. Without him, we would not have achieved so much in the last 6 months.

I would like to thank all those people in CST Mining, who have been working dedicatedly in the last six months to bring the copper business of CST from ground zero to this level. In particular, I would like to thank the Lady Annie team, who has been working tirelessly to bring Lady Annie back to production.

We have certainly done a lot and we have achieved a lot in the last six months. This is only the beginning of a great copper company. I am sure my next report will be even more encouraging.

Chiu Tao
Chairman

UNAUDITED INTERIM RESULTS

The Board of Directors (the "Board") of CST Mining Group Limited (the "Company") announces the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2010 with the comparative figures for the corresponding period in 2009 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

	Notes	Six months ended 30 September 2010 HK$'000 (Unaudited)	2009 HK$'000 (Unaudited)
Revenue	3	**25,354**	23,529
Other income	4	**29,451**	61,184
Administrative expenses		**(54,315)**	(37,914)
Acquisition–related costs on business combination	16	**(43,993)**	—
(Loss) gain arising from fair value changes of financial assets at fair value through profit or loss		**(94,397)**	20,322
Gain arising from fair value changes of investment properties		**10,326**	8,577
Loss on early redemption of convertible notes		**—**	(27,328)
Gain arising from fair value changes of derivative financial instruments	4	**—**	9,964
Share-based payments	15	**(64,061)**	—
Finance costs	5	**(2,254)**	(4,870)
(Loss) profit before taxation		**(193,889)**	53,464
Taxation	6	**(32)**	(11,478)
(Loss) profit for the period	7	**(193,921)**	41,986
Other comprehensive income			
Exchange differences arising on translation of foreign operations		**130,621**	—
Gain arising from fair value changes of available-for-sale investments		**5,536**	14,393
Total comprehensive (expense) income for the period		**(57,764)**	56,379

	Notes	Six months ended 30 September 2010 HK$'000 (Unaudited)	2009 HK$'000 (Unaudited)
(Loss) profit for the period attributable to:			
Owners of the Company		**(193,921)**	41,986
Non-controlling interests		**—**	—
		(193,921)	41,986
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(57,764)**	56,379
Non-controlling interests		**—**	—
		(57,764)	56,379
(Loss) earnings per share			
Basic	8	**HK(1.23) cents**	HK1.85 cents
Diluted	8	**HK(1.23) cents**	HK1.49 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER 2010

	Notes	**As at 30 September 2010 HK$'000 (Unaudited)**	As at 31 March 2010 HK$'000 (Audited)
Non-current Assets			
Property, plant and equipment	10	**3,098,094**	49,036
Investment properties	11	**109,867**	99,541
Available-for-sale investments		**124,343**	118,807
Deposit	12	**93,343**	—
Other receivable	13	**76,678**	—
		3,502,325	267,384
Current Assets			
Other receivables, deposits and prepayments		**30,403**	44,066
Financial assets at fair value through profit or loss		**1,814,302**	1,698,011
Bank balances and cash		**1,953,424**	482,691
		3,798,129	2,224,768
Current Liabilities			
Other payables and accrued charges		**88,331**	2,776
Amount due to a non-controlling interest		**1,999**	1,999
Tax payable		**9,447**	9,447
		99,777	14,222
Net Current Assets		**3,698,352**	2,210,546
Total assets less current liabilities		**7,200,677**	2,477,930
Non-current Liability			
Provision for mine rehabilitation cost	12	**88,714**	—
		7,111,963	2,477,930
Capital and Reserves			
Share capital	14	**2,665,697**	318,609
Reserves		**4,446,310**	2,159,365
Equity attributable to owners of the Company		**7,112,007**	2,477,974
Non-controlling interests		**(44)**	(44)
		7,111,963	2,477,930

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2010

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and with the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for investment properties and certain financial instruments, which are measured at fair values.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 March 2010 except as disclosed below.

In the current interim period, the Group has applied for the first time, the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA.

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 32 (Amendment)	Classification of Rights Issues
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC) - Int 17	Distributions of Non-cash Assets to Owners

Except as described below, the adoption of these new and revised HKFRSs had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

HKFRS 3 (Revised 2008) Business Combinations

HKFRS 3 (Revised 2008) Business Combinations has been applied prospectively from 1 April 2010.

Its application has affected the accounting for the acquisition of CST Minerals Lady Annie Pty Ltd. ("CSTLA") (formerly known as Cape Lambert Lady Annie Exploration Pty Ltd.) in the current period.

The impact of adoption of HKFRS 3 (Revised 2008) has been:

- It changes the recognition and subsequent accounting requirements for contingent consideration. Previously, contingent consideration was recognised at the acquisition date only if it met probability and reliably measurable criteria, whereas under the revised Standard the consideration for the acquisition always includes the fair value of any contingent consideration. Once the fair value of the contingent consideration at the acquisition date has been determined, subsequent adjustments are made against the cost of the acquisition only to the extent that

i) they reflect fair value at the acquisition date, and

ii) they occur within the 'measurement period' (a maximum of 12 months from the acquisition date).Under the previous version of the Standard, adjustments to consideration were always made against the cost of the acquisition; and

- It requires acquisition-related costs to be accounted for separately from the business combination. As a result, the Group has recognised HK$43,993,000 of such costs as an expense in profit or loss, whereas previously they would have been accounted for as part of the cost of the acquisition.

In the current period, these changes in policies have affected the accounting for the acquisition of CSTLA as follows:

Condensed consolidated statement of financial position

	30 September 2010 HK$'000
Acquisition-related costs expensed when incurred - profit or (loss)	(43,993)

Condensed consolidated statement of comprehensive income

	Six-months ended 30 September 2010 HK$'000
Increase in loss for the period arising on the recognition of acquisition-related costs when incurred	43,993

In addition, the following accounting policies were adopted during the current period:

Mine property and development assets (included in property, plant and equipment)

Mine property and development assets include costs transferred from exploration and evaluation assets upon the technical feasibility and commercial viability of the extraction of mineral resources on an area of interests are demonstrated, development costs of the mine to the production phase and the amount recognised as provision for mine rehabilitation cost.

The amortisation of mine property and development assets commences when the mine starts commercial production and is calculated on the unit of production basis. Amortisation is based on assessments of proved and probable reserves and a proportion of resources available to be mined by the current production equipment to the extent that such resources are considered to be economically recoverable.

Exploration and evaluation assets (included in property, plant and equipment)

Exploration and evaluation assets are expenditures incurred for (i) acquisition of rights to explore; (ii) topographical, geographical, geochemical and geophysical studies; (iii) exploratory drilling; (iv) trenching; and (v) sampling and activities in relation to evaluating the technical feasibility and commercial viability of extracting a mineral resource.

Exploration and evaluation assets are only recognised if the rights to the area of interest are current and either:

- the expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively by its sale; or
- activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are measured at cost and assessed for impairment if:

- sufficient data exists to determine technical feasibility and commercial viability; or
- facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral reserves in an area of interest are demonstrated, any previously recognised exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mine property and development assets (included in property, plant and equipment).

Provision for mine rehabilitation cost

The Group is required to make payments for rehabilitation of the land in the mining area after the sites have been mined. Provision for mine rehabilitation cost is required when the Group has a present obligation as a result of past event, and it is probable that the Group will be required to settle that obligation. Amount of the provision is estimated as the present value of the expected cash flows to settle the present obligation in accordance with the relevant rules and regulations.

Share-based payment transactions

Equity settled share-based payment transactions

Share options granted to directors and employees of the Company

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognised in profit or loss with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to accumulated losses.

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

HKFRSs (Amendments)	Improvements to HKFRSs 2010[1]
HKAS 24 (Revised)	Related Party Disclosures[3]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[2]
HKFRS 7 (Amendment)	Disclosures - Transfers of Financial Assets[4]
HKFRS 9	Financial Instruments[5]
HK(IFRIC)- Int14 (Amendment)	Prepayments of a Minimum Funding Requirement[3]
HK(IFRIC) - Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]

[1] Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate
[2] Effective for annual periods beginning on or after 1 July 2010
[3] Effective for annual periods beginning on or after 1 January 2011
[4] Effective for annual periods beginning on or after 1 July 2011
[5] Effective for annual periods beginning on or after 1 January 2013

The directors of the Company anticipate that the application of the above new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

During the current period, the Group newly acquired its copper mining businesses following the completion of the acquisition of (i) the entire issued share capital of CSTLA; and (ii) the acquisition of assets and liabilities through acquisition of the entire issued share capital of Chariot Resources Limited, details of which are set out in notes 16 and 17 respectively. The copper mining business forms a new separate business segment during the period ended 30 September 2010.

The following is an analysis of the Group's revenue and results by operating segment, based on information provided to the chief operating decision maker for the purpose of allocating to segments and to assessing their performance, for the period under review:

Investments in financial instruments	–	trading of securities and investments, available-for-sale investments, convertible notes and derivative financial instruments
Property investment	–	properties letting
Mining business	–	copper mining in Australia and Republic of Peru ("Peru")

	Segment revenue		Segment (loss) profit	
	Six months ended 30 September		Six months ended 30 September	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Investments in financial instruments	**23,273**	21,554	**(71,784)**	30,671
Property investment	**2,081**	1,975	**12,000**	10,072
Mining business	**—**	—	**(2,438)**	—
	25,354	23,529	**(62,222)**	40,743
Other income			**29,451**	61,184
Gain arising from fair value change of a derivative financial instruments			**—**	9,964
Acquisition-related costs on business combination			**(43,993)**	—
Share-based payments			**(64,061)**	—
Loss on early redemption of convertible notes			**—**	(27,328)
Central administration costs			**(50,810)**	(26,229)
Finance costs			**(2,254)**	(4,870)
(Loss) profit before taxation			**(193,889)**	53,464
Taxation			**(32)**	(11,478)
(Loss) profit for the period			**(193,921)**	41,986

All of the segment revenue reported above is generated from external customers.

4. OTHER INCOME

	Six months ended 30 September	
	2010	2009
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Bank interest income	**2,336**	1,574
Exchange gain	**26,769**	—
Gain arising from acquisition and disposal of entities (note)	**—**	59,342
Others	**346**	268
	29,451	61,184

Note :

On 24 April 2009, Maxter Investments Limited (the "Purchaser"), a wholly-owned subsidiary of the Company, and the Company, as the Purchaser's guarantor, entered into a conditional sale and purchase agreement with OZ Minerals Agincourt Pty Ltd (the "Vendor") and OZ Minerals Limited, as the Vendor's guarantor, to acquire from the Vendor the entire issued share capital of OZ Minerals Martabe Pty Ltd (the "Target Company") for a consideration being the aggregate of US$211 million and a reimbursement amounted to not exceeding US$11.4 million (the "Consideration"). The Target Company indirectly holds 95% interest in Martabe Gold and Silver project in the Western side of the island of Sumatera in the Province of North Sumatera, in the Batangtoru sub-district, Indonesia.

On the same date, Polytex Investments Inc., a wholly-owned subsidiary of the Company and the immediate holding company of the Purchaser, granted Acewick Holdings Limited ("Acewick"), a wholly-owned subsidiary of G-Resources, a call option to acquire the entire issued share capital of the Purchaser. The exercise price of the option was the aggregate of the Consideration plus US$10 million which was satisfied by the allotment and issue of ordinary shares of G-Resources. On 9 May 2009, Acewick exercised the call option for a total consideration of US$221 million plus a reimbursement of US$6.56 million. US$211 million out of US$221 million and the reimbursement were settled by cash and US$10 million was settled by 221,428,571 equity shares of G-Resources at HK$0.35 per share.

Upon the completion of these two transactions, a gain of HK$77,500,000 after netting off a transaction cost of HK$18,158,000 which could not be reimbursed from G-Resources, were recognised in other income for the six months ended 30 September 2009. In addition, a gain of HK$9,964,000 arising from the fair value change of 221,428,571 equity shares of G-Resources from 9 May 2009 to the transaction's completion date were recognised in profit or loss for the six months ended 30 September 2009. At 31 March 2010 and 30 September 2010, the equity shares of G-Resources were classified as available-for-sale investments.

5. FINANCE COSTS

	Six months ended 30 September	
	2010	2009
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Interest on borrowings wholly repayable within five years:		
Other borrowings	**2,254**	380
Convertible notes (note)	**—**	4,490
	2,254	4,870

Note: On 17 August 2009, the Company redeemed the zero coupon convertible notes with face value of HK$100,000,000 issued on 21 July 2008 through exercising the early redemption option and recognised a loss on early redemption of HK$27,328,000.

6. TAXATION

	Six months ended 30 September	
	2010	2009
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Current tax:		
Hong Kong Profits Tax	**—**	11,435
Other jurisdictions	**32**	43
	32	11,478

No Hong Kong Profit Tax was provided during the current period since the Group has no assessable profit in current period.

Hong Kong Profits tax is 16.5% for both of the six months ended 30 September 2010 and 30 September 2009 respectively.

Taxation in other jurisdictions is based on the rates prevailing in the relevant jurisdictions.

7. (LOSS) PROFIT FOR THE PERIOD

	Six months ended 30 September 2010 HK$'000 (unaudited)	2009 HK$'000 (unaudited)
(Loss) profit for the period has been arrived at after charging (crediting):		
Depreciation	**5,163**	640
Staff costs		
Directors' remuneration (including HK$64,061,000 share-based payments (six months ended 30 September 2009: Nil))	**79,025**	8,580
Contributions to the Mandatory Provident Fund	**92**	42
Other staff costs	**3,038**	2,291
Total staff cost	**82,155**	10,913
Minimum lease payments under operating leases in respect of rented premises	**1,088**	2,821
Allowance for bad and doubtful debts	**575**	—
Bank interest income	**(2,336)**	(1,574)
Gross rental income less direct operating expenses from investment properties that generated rental income during the period of HK$361,000 (six months ended 30 September 2009: HK$337,000)	**(1,720)**	(1,638)

8. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 September	
	2010	2009
(Loss) earnings	**HK$'000**	HK$'000
(Loss) earnings for the purposes of basic (loss) earnings per share attributable to the owners of the Company	**(193,921)**	41,986
Effect of dilutive potential ordinary shares:		
Interest on convertible notes	**—**	4,490
(Loss) earnings for the purposes of diluted (loss) earnings per share attributable to the owners of the Company	**(193,921)**	46,476

	Six months ended 30 September	
	2010	2009
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**15,764,106**	2,270,601
Effect of dilutive potential ordinary shares:		
Convertible notes (Note)	**—**	754,098
Warrants (Note)	**—**	92,198
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	**15,764,106**	3,116,897

Note: The convertible notes were fully redeemed during the year ended 31 March 2010. The computation of diluted loss per share for the six months ended 30 September 2010 does not assume the exercise of warrants since their exercise would result in a decrease in loss per share presented.

9. DIVIDEND

No dividends were paid, declared or proposed during the current period. The directors do not recommend the payment of an interim dividend during the six months ended 30 September 2010 (six months ended 30 September 2009: Nil).

10. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2010, the Group acquired additions of mine property and development assets of HK$2,610,973,000, and other property, plant and equipment of HK$140,290,000 through acquisition of a subsidiary and acquisition of assets and liabilities through acquisition of subsidiaries, which are set out in notes 16 and 17 respectively.

In addition, the Group also incurred expenditures on other property, plant and equipment of HK$1,292,000, construction in progress of HK$22,038,000, mine property and development assets of HK$85,573,000, exploration and evaluation assets of HK$51,317,000 during the current period.

11. INVESTMENT PROPERTIES

The fair values of the Group's investment properties at 30 September 2010 and 31 March 2010 have been arrived at on the basis of valuations carried out as of these dates by Asset Appraisal Limited, an independent qualified professional valuers not connected with the Group. The valuation was arrived at by reference to market evidence of transactions prices for similar properties.

12. DEPOSIT/PROVISION FOR MINE REHABILITATION COST

The amount was acquired as a result of acquisition of a subsidiary and acquisition of acquisition of assets and liabilities through acquisition of subsidiaries set out in notes 16 and 17 respectively.

In accordance with relevant rules and regulations in Australia and Peru, the Group accrued for the cost of land rehabilitation and mine closure for the Group's copper mines. The provision for rehabilitation cost has been estimated in accordance with the local rules and regulations in the said two regions.

The amount of deposit represents deposit paid by the Group to a bank as required by the government of Queensland, Australia for operating in the mining industry in Queensland, Australia. The deposit are restricted until the cessation of mining activities or closure of mines and the environmental rehabilitation work of relevant mines meets government's requirement.

13. OTHER RECEIVABLE

Other receivables as at 30 September 2010 comprises Peruvian sales tax receivables.

The Group has recorded the sales tax paid in Peru as a recoverable asset. This amount is refundable in cash under the sales tax early recovery program or as a deduction of export tax on export of mineral products produced by the Group.

In the opinion of the directors, the amount will not be refunded within twelve months from 30 September 2010 based on the management's mineral production plan, and therefore it is classified as non-current asset.

14. SHARE CAPITAL

	Number of Shares	**Share capital** HK$'000
Ordinary shares of HK$0.10 each:		
Authorised		
At 30 September 2010 and 31 March 2010	50,000,000,000	5,000,000
Issued and fully paid		
At 1 April 2010	3,186,087,644	318,609
Issue of shares	23,400,000,000	2,340,000
Issue of shares upon exercise of warrants	70,880,765	7,088
At 30 September 2010	26,656,968,409	2,665,697

On 25 June 2010, the Company placed 23,400,000,000 ordinary shares of HK$0.10 each in the share capital of the Company at a placing price of HK$0.20 per share, at a proceeds of HK$4,680,000,000. The proceeds received are mainly used for the settlement of the consideration for acquisition of the subsidiaries.

As a result of the placing of shares and the grant of share options with details set out in note 15, the subscription prices of the outstanding warrants was adjusted from HK$0.20 per share to HK$0.113 per share.

During the period, 66,975,636 and 3,905,129 warrants were exercised, resulting in the issuance of 66,975,636 and 3,905,129 ordinary shares of HK$0.10 each of the Company at a subscription price of HK$0.20 and HK$0.113 respectively per share. The new shares rank pari passu with the then existing shares in all respects.

At 30 September 2010, the Company had outstanding 457,571,133 (31 March 2010: 528,451,898) warrants.

15. SHARE-BASED PAYMENTS

The Company has a share option scheme for directors and eligible employees of the Group.

In the current period, 2,566,000,000 share options were granted to the directors and eligible employees of the Group.

Fair values of the options are determined at the dates of grant using the Binominal model. Share-based payment of HK$64,061,000 was recognized over the vesting period during the current period.

16. ACQUISITION OF A SUBSIDIARY

On 31 May 2010, the Group acquired the entire issued share capital of CSTLA. An aggregate cash consideration of Australian dollars ("A$") 130 million (equivalent to approximately HK$858,572,000), was paid by the Group on the acquisition date, with an additional cash consideration of up to A$5 million (equivalent to approximately HK$36,386,000) to be paid by the Group if and when certain milestones with reference to the production of copper cathode and the delineation of additional ore reserves are achieved. CSTLA is engaged in copper mining business and its principal assets are mining property and development assets, located in north-western Queensland, Australia. Commercial production is expected to commence in December 2010.

Consideration transferred

	HK$'000
Cash	858,572
Contingent consideration arrangement (note)	16,239
	874,811

Note: Based on the relevant agreement, the Group is required to pay (i) an additional amount of A$2,500,000 upon the production of the first 10,000 tonnes of copper cathode from CSTLA and (ii) a further A$2,500,000 upon the delineation of additional ore reserves containing 25,000 tonnes of contained copper. A$2,231,000 (equivalent to approximately HK$16,239,000) represents the estimated fair value of the obligation stated in (i).

Acquisition-related costs amount to HK$43,993,000 (mainly related to finance cost) have been excluded from the cost of acquisition and have been recognised as an expense in the current period.

Assets and liabilities recognised at the date of acquisition

	HK$'000
Current assets	
Bank balances and cash	374
Other receivables, deposit and prepayments	3,482
Non-current assets	
Deposit	4,608
Property, plant and equipment	
- mine property and development assets	835,444
- other property, plant and equipment	138,692
Current liability	
Other payables and accrued charges	(29,047)
Non-current liability	
Provision for mine rehabilitation cost	(78,742)
	874,811

The deferred tax liability arising on fair value adjustment on property, plant and equipment was offset by the deferred tax assets resulting from tax losses of CSTLA at the date of acquisition.

The initial accounting for the above acquisition has been determined provisionally, awaiting the receipt of professional valuation in relation to the underlying assets and liabilities of the acquired subsidiary, especially the valuation of property, plant and equipment.

17. ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISTION OF SUBSIDIARIES

On 11 June 2010, the Group acquired the entire issued capital of Chariot Resources Limited ("Chariot", together with its subsidiaries are hereinafter collectively referred to as "Chariot Group") at an aggregate cash consideration of Canadian dollars ("C$") 249,682,000 (equivalent to approximately HK$1,863,956,000). The principal assets of Chariot Group are holding the mine property and development assets and construction in progress of a copper mine located in Peru ("Mina Justa Project"). The Mina Justa Project has not yet commenced mining operation. The acquisition has been accounted for as an acquisition of assets and liabilities as the companies acquired are not business.

The net assets acquired through the acquisition was summarised as follows:

	HK$'000
Net assets acquired:	
Property, plant and equipment	
- mine property and development assets	**1,775,529**
- other property, plant and equipment	**1,598**
Other receivable	**77,203**
Other receivables, deposit and prepayments	**33,768**
Bank balances and cash	**87,701**
Other payables and accrued charges	**(29,146)**
Provision for mine rehabilitation cost	**(2,346)**
	(1,944,307)
Total consideration satisfied by:	
Cash	**1,863,956**
Directly attributable costs	**80,351**
	1,944,307

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

The revenue of the Group for the six months period ended 30 September 2010 (the "Period") was approximately HK$25.35 million. Compared with the corresponding period of last year, there was an increase by an amount of approximately HK$1.83 million. The increase is mainly attributable to the increase of dividend income from the Group's securities investment.

Compared with the previous corresponding period, the revenue from investments in the financial instruments segment and property investment segment increased approximately 7.98% and 5.37% respectively. With a stable occupancy rate, rental income provided a steady cash flow to the Group for the Period and is expected to continue in the future. Other income was down by 51.86% from approximately HK$61.18 million for last corresponding period to approximately HK$29.45 million for the Period as there was no similar other income on disposal subsidiaries in the Period. The administration expenses for the period were approximately HK$54.32 million representing an increase of approximately 43.29% when compared with the same period of last year. The increase is mainly due to expenses related to additional operating expenses incurred for business expansion during the Period including legal and professional fee and staff cost of the Group. A total sum of HK$43.99 million related to acquisition cost of Lady Annie Project was excluded from the cost of acquisition under the current Hong Kong accounting standards and recognised as an expense in the Period. During the Period, the Company recognized a non-cash share-based payments amounted to HK$64.06 million in respect of share options granted to senior staff and management of the Group.

The European sovereign debt problems triggered by Portugal, Italy, Ireland, Greece and Spain, and the financial policies of the People Republic of China had caused fluctuations in the financial market during the Period. The performance of the Group's investments held for trading was affected. It is expected that those factors will continue to affect the market sentiment and the market will still volatile. A loss arising from fair value changes of investments held for trading in the amount of approximately HK$94.40 million was recorded. There was a gain of approximately HK$20.32 million for the previous corresponding period. Overall, the loss for the Period was approximately HK$193.92 million as compared with the gain of approximately HK$41.99 million in the preceding period.

Net Asset Value

As at 30 September 2010, the Group had a bank balance and cash of approximately HK$1,953.42 million. Bank deposit of approximately HK93.34 million was pledged to bank as a guarantee for mining lease in Australia and a guarantee for corporate card of an Australian subsidiary. Fair value of available-for-sale investments and financial assets at fair value through profit or loss were approximately HK$124.34 million and HK$1,814.30 million respectively. As at 30 September 2010, the Group had no outstanding loans or borrowings from banks or financial institutions. Hence, based on the total amount of net book value of the liability component of the convertible notes, the balance of all outstanding loans and borrowings from financial institutions and total equity, the gearing ratio as at 30 September 2010 was zero. As at 30 September 2010, the net assets value of the Group amounted to HK$7,111.96 million.

Human Resources

As at 30 September 2010, the Group had 32 staff in Hong Kong, 174 staff in Australia and 47 staff in Peru. Staff costs (excluding directors' emoluments) were around HK$3.04 million for the Period. Staff remuneration package are normally reviewed annually. The Group also participated in the Mandatory Provident Fund Scheme. In addition, the Group provides other staff benefits, which include medical benefits.

The Group has a share option scheme. 741,000,000 share options were granted to the senior staff and management of the Group under the share option scheme during the Period.

Exposure to Fluctuations in Exchange Rates and Related Hedge

The Group conducts most of its business in United States Dollars, Australian Dollars, Renminbi and Hong Kong Dollars. The foreign currency exposure to United States Dollars is minimal as Hong Kong Dollars is pegged to United States Dollars. The exposure to Renminbi is also minimal as business conducted in Renminbi represents a very small portion of total business of the Group in terms of revenue. The Group exposes to foreign currency risk that is denominated in Australian Dollars. The Group does not have any hedging policy against Australian Dollars. However, management monitors the Group's foreign currency exposure and will consider hedging significant foreign exchange rate exposure should the need arise.

Significant Events

On 28 February 2010, the Company, China Sci-Tech Minerals Limited, an indirect wholly-owned subsidiary of the Company (as the purchaser), and Chariot Resources Limited ("Chariot" as the vendor) entered into an arrangement agreement to acquire the entire issued and outstanding share capital of Chariot, at the aggregate cash consideration of approximately C$244,580,000 (the "Chariot Acquisition"). Chariot owns a 70% interest in the Marcona Copper Property and the Mina Justa Project located in Peru.

The Chariot Acquisition constituted a very substantial acquisition under Chapter 14 of the Listing Rules. The Chariot Acquisition was completed on 11 June 2010. Details of the Chariot Acquisition were disclosed in the Company's announcements dated 25 March 2010, 13 June 2010 and circular dated 30 April 2010.

On 11 March 2010, the Company, CST Minerals Pty Limited, an indirect wholly-owned subsidiary of the Company (as the purchaser) and Cape Lambert Resources Limited (as the vendor) entered into a shares sales agreement to acquire the entire existing issued shares capital of Cape Lambert Lady Annie Exploration Pty Ltd (the "Lady Annie Acquisition"), which owns the Lady Annie Project, at a cash consideration of A$130 million. The consideration will be increased by an additional A$5.0 million if and when the following milestones are achieved: (i) upon the production of the first 10,000 tonnes of copper cathode from the Lady Annie Project, A$2.5 million becomes payable; and (ii) upon the delineation of additional ore reserves containing 25,000 tonnes of contained copper, A$2.5 million becomes payable. The Lady Annie Acquisition constituted a very substantial acquisition under Chapter 14 of the Listing Rules. The Lady Annie Acquisition was completed on 31 May 2010. Details of the Lady Annie Acquisition were disclosed in the Company's announcements dated 25 March 2010, 30 March 2010 and 31 May 2010 and circular dated 12 May 2010.

On 25 March 2010, the Company, BOCI Asia Limited ("BOCI") and Morgan Stanley & Co. International plc ("Morgan Stanley") (BOCI and Morgan Stanley together as the "Chariot Placing Agents") entered into a conditional placing agreement, pursuant to which the Chariot Placing Agents agreed, to procure, on a best efforts basis, investors to subscribe for up to 31,200,000,000 new shares of the Company at a minimum placing price of HK$0.20 per placing share (the "Chariot Placing"). It was anticipated that the gross proceeds from the Chariot Placing will be approximately US$800 million (equivalent to approximately HK$6,208 million).

Completion of the Chariot Placing was conditional upon, among other things, the completion of Chariot Acquisition. On the same date, the Company, Deutsche Bank AG, Hong Kong Branch ("Deutsche") and Morgan Stanley & Co. International plc ("Morgan Stanley") (Deutsche and Morgan Stanley together as the "Lady Annie Placing Agents") entered into a conditional placing agreement, pursuant to which the Lady Annie Placing Agents agreed, to procure, on a best efforts basis, investors to subscribe for up to 7,800,000,000 new shares of the Company at a placing price of not less than HK$0.20 per placing share. Completion of the Lady Annie Placing was conditional upon, among other things, the completion of Lady Annie Acquisition.

On 15 June 2010, the Company and Kingston Securities Limited (the "Kingston") entered into a co-manager agreement, pursuant to which Kingston agreed, on a fully underwritten basis, to place, or failing which itself to, as part of the Lady Annie Placing, subscribe for 3,900,000,000 placing shares at the subscription price of HK$0.20 per placing share as part of the Lady Annie Placing. The aggregate subscription price for the Co-Manager Subscription Shares shall be HK$780 million (approximately US$100 million).

The Chariot Placing and the Lady Annie Placing (together referred as the "Placing") were launched on 18 June 2010. Having considered the funding requirements of the Company, the placing price of HK$0.20 per placing share and the interests of existing shareholders, the Company had decided that the size of the Placing would be set at US$600 million. The Placing was well received by investors. There was strong demand for the Placing Shares and the Company is pleased to report that orders received exceeded US$1,000 million. Subject to fulfilment of the conditions to which the Placing was subject, the aggregate number of Shares that would be issued by the Company pursuant to the Placing would be 23,400,000,000 shares.

On 18 June 2010, the Company, the Chariot Placing Agents and Lady Annie Placing Agents entered into amendment letters (the "Amendment Letters") with the respective to amend certain terms under the Chariot Placing Agreement and the Lady Annie Placing Agreement (together referred as the "Placing Agreements"). According to the

Amendment Letter Chariot Placing Agreement and Lady Annie Placing Agreement amended to obligations, subject to satisfaction of the conditions precedent and the other terms of the respective Placing Agreement, to procure placees to purchase 18,720,000,000 and 780,000,000 placing shares respectively, or failing which to subscribe for such placing shares. The gross proceeds of the Placing are intended to be utilised in the following manner: (i) approximately US$380 million (equivalent to approximately HK$2,964 million) to finance the acquisitions of Chariot (US$260 million) and Lady Annie (US$120 million) indirectly, through the repayment of the short-term bridge financing raised by the Company, and the fees and expenses related to these acquisitions; (ii) approximately US$170 million (equivalent to approximately HK$1,326 million) to fund the capital costs for the development of the Mina Justa Project; and (iii) the balance for general corporate purposes. The Placing was completed on 25 June 2010. Details of the Placing were disclosed in the Company's announcements dated 25 March 2010, 15 June 2010, 16 June 2010, 20 June 2010, 21 June 2010 and 25 June 2010 and the Company's circular dated 30 April 2010 and 12 May 2010.

The change of name of the Company from "China Sci-Tech Holdings Limited" to "CST Mining Group Limited" and the adoption of「中科礦業集團有限公司」(for identification purpose only) as the Chinese name of the Company have become effective on 22 June 2010. Details of the change of the Company name were disclosed in the Company's announcement dated 25 March 2010, 25 June 2010 and the Company's circular dated 30 April 2010.

On 8 September 2010, The Ministry of Energy and Mines of Peru ("MEM") had issued its approval to Macrobre S.A.C., the 70% owned subsidiary of the Company, for the Environmental Impact Assessment ("EIA") of the Mina Justa Project. With the approval of the EIA, the Peruvian government has certified the environmental feasibility of the mining project, which comprises an open pit mine, mineral processing facilities, power transmission and water delivery infrastructure, and an access road. The EIA approval is a key milestone in the construction and operation of the mining project, since it is a requirement for the approval of the construction and operation authorizations. Details of the approval were disclosed in the Company's announcement dated 13 September 2010.

Outlook

The vision of the Group is to become a globally competitive copper miner producing in excess of 290,000 tonnes per annum by 2015.

The Group has achieved a major milestone by resuming copper cathode production at Lady Annie. The Group will continue to upgrade and expand the production capacity of Lady Annie and continue with the exploration programmes thereof. In relation to Peru, the Group is working on the application of construction permit of its Mina Justa Project. It is the target of the Group to commence construction work in the first half of 2011.

CORPORATE GOVERNANCE

The Company has, during the six months ended 30 September 2010 met the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") except for the following deviations:

(a) Code provision A.4.1

The Code stipulates that non-executive directors should be appointed for a specific term and subject to re-election. Currently, all independent non-executive directors of the Company are not appointed for specific term. However, the Company's articles of association provide that every director is subject to retirement by rotation at least once every 3 years and re-election at the annual general meeting, the board considers that the Company meets the objectives of the Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its code of conduct regarding director's securities transactions. Having made specific enquiry of all directors, all directors confirmed that they had complied with the required standard set out in the Model code during the six months ended 30 September 2010.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period.

REVIEW BY AUDIT COMMITTEE

The 2010 interim report has been reviewed by the Company's audit committee which comprises the three independent non-executive directors of the Company and the Company's auditor, Deloitte Touche Tohmatsu, 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 Hong Kong Institute of Certified Public Accountants.

By order of the Board
CST Mining Group Limited
Chiu Tao
Chairman

Hong Kong, 29 November 2010

As the date of this interim results announcement, the Board comprises (i) Mr. Chiu Tao (Chairman), Mr. Owen L. Hegarty, Mr. Damon G. Barber, Mr. Yeung Kwok Yu, Mr. Kwan Kam Hung Jimmy, Mr. Hui Richard Rui, Mr. Tsui Ching Hung, Mr. Chung Nai Ting, Mr. Lee Ming Tung and Mr. Wah Wang Kei, Jackie as executive directors of the Company; (ii) Mr. Yu Pan, Ms. Tong So Yuet and Mr. Chan Shek Wah as independent non-executive directors of the company.