**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 2012

## 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 2012 with the comparative figures for the corresponding period in 2011 as follows:

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the six months ended 30 September 2012*

| | Notes | **Six months ended 30 September 2012 US$'000 (unaudited)** | 2011 US$'000 (unaudited) |
|---|---|---|---|
| Revenue | 4 | **90,967** | 91,131 |
| Cost of sales | 5 | **(67,446)** | (64,325) |
| Gross profit | | **23,521** | 26,806 |
| Other income and other gains and losses | 6 | **1,656** | (3,554) |
| Distribution and selling expenses | | **(6,009)** | (8,695) |
| Administrative expenses | | | |
| — Reversal (expense) of share-based payment | | **3,848** | (8,123) |
| — Other administrative expenses | | **(16,248)** | (15,698) |
| Gain on disposal of subsidiaries | 16 | **249,146** | — |
| Loss on fair value changes of financial assets at fair value through profit or loss | | **(37,269)** | (71,883) |
| Gain on fair value changes of derivative financial instruments | | **1,114** | — |
| Gain on fair value changes of investment properties | | **1,627** | 991 |
| Finance costs | 7 | **(543)** | (558) |
| Profit (loss) before taxation | | **220,843** | (80,714) |
| Taxation | 8 | **(78,656)** | (1,255) |
| Profit (loss) for the period, attributable to owners of the Company | 9 | **142,187** | (81,969) |

| | Note | Six months ended 30 September 2012 US$'000 (unaudited) | 2011 US$'000 (unaudited) |
|---|---|---|---|
| **Other comprehensive income (expense)** | | | |
| Exchange differences arising on translation of foreign operations | | **936** | (4,295) |
| Loss arising from fair value changes of available-for-sale investments | | **(12,218)** | (5,394) |
| Total comprehensive income (expense) for the period, attributable to owners of the Company | | **130,905** | (91,658) |
| EARNINGS (LOSS) PER SHARE | | | |
| Basic and diluted | 10 | **US0.52 cents** | US(0.30) cents |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 30 September 2012*

| | Notes | **As at 30 September 2012 US$'000 (unaudited)** | As at 31 March 2012 US$'000 (audited) |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 12 | **138,990** | 152,125 |
| Exploration and evaluation assets | 12 | **49,322** | 38,756 |
| Investment properties | | **20,034** | 18,407 |
| Available-for-sale investments | | **96,264** | 15,677 |
| Pledged bank deposits | | **67,295** | 65,370 |
| | | **371,905** | 290,335 |
| **Current assets** | | | |
| Inventories | | **84,227** | 73,848 |
| Trade and other receivables | 13 | **19,898** | 14,645 |
| Financial assets at fair value through profit or loss | | **263,882** | 189,757 |
| Derivative financial instruments | | **—** | 1,476 |
| Bank balances and cash | | **332,572** | 119,912 |
| | | **700,579** | 399,638 |
| Assets classified as held for sale | 16 | **—** | 249,434 |
| | | **700,579** | 649,072 |
| **Current liabilities** | | | |
| Trade and other payables | 14 | **35,013** | 27,015 |
| Amount due to a non-controlling interest | | **256** | 256 |
| Derivative financial instruments | | — | 603 |
| Tax payable | | **2,137** | 2,137 |
| | | **37,406** | 30,011 |
| Liabilities associated with assets classified as held for sale | 16 | **—** | 598 |
| | | **37,406** | 30,609 |

| | Notes | **As at 30 September 2012 US$'000 (unaudited)** | As at 31 March 2012 US$'000 (audited) |
|---|---|---|---|
| **Net current assets** | | **663,173** | 618,463 |
| Total assets less current liabilities | | **1,035,078** | 908,798 |
| **Non-current liabilities** | | | |
| Provision for mine rehabilitation cost | | **18,298** | 18,063 |
| Deferred tax liabilities | | **3,067** | 1,340 |
| | | **21,365** | 19,403 |
| | | **1,013,713** | 889,395 |
| **Capital and reserves** | | | |
| Share capital | 15 | **347,498** | 349,518 |
| Reserves | | **666,221** | 539,883 |
| Equity attributable to owners of the Company | | **1,013,719** | 889,401 |
| Non-controlling interests | | **(6)** | (6) |
| | | **1,013,713** | 889,395 |

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the Six Months Ended 30 September 2012*

### 1. GENERAL

The Company is incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section of the interim report.

The Company is an investment holding company with its subsidiaries engaged in (i) acquisition, exploration, development and mining of copper and other mineral resources materials, (ii) investment in financial instruments and (iii) property investment.

The condensed consolidated financial statements are presented in United States dollars ("USD"), which is different from the Company's functional currency of Hong Kong dollars ("HKD"). Each entity of the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

### 2. 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 Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

### 3. 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 and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2012 are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 March 2012. In addition, the Group adopted the following accounting policy for the financial assets designated as at fair value through profit and loss during the current interim period:

A financial asset other than a financial asset held for trading may be designated as at fair value through profit and loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at fair value through profit and loss.

**Application of amendments to HKFRSs**

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA:

- Amendments to HKFRS 7 *Financial Instruments: Disclosures — Transfers of Financial Assets*; and

- Amendments to HKAS 12 *Deferred Tax — Recovery of Underlying Assets*.

***Amendments to HKAS 12 Deferred Tax — Recovery of Underlying Assets***

The amendments to HKAS 12 provide an exception to the general principles in HKAS 12 that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset. Specifically, under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 *Investment Property* are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The Group measures its investment properties using the fair value model. As a result of the application of the amendments to HKAS 12, the directors reviewed the Group's investment property portfolios and concluded that the investment properties of the Group located in Hong Kong and in the People's Republic of China, are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, and that the presumption set out in the amendments to HKAS 12 is not rebutted. In addition, the investment properties of the Group located in Hong Kong are not subject to any income taxes on disposal of its investment properties. Such amendments have been applied in the current period and the directors consider that the impact of the adoption of the amendments to HKAS 12 had no material effect on the condensed consolidated financial statements of the Group for prior years and current period.

The application of the other amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

## 4. REVENUE/SEGMENT INFORMATION

### Revenue

Revenue represents revenue arising on sale of copper cathodes, property rental income and dividend income. An analysis of the Group's revenue for the period is as follows:

| | **Six months ended 30 September** | |
|---|---|---|
| | **2012** | 2011 |
| | **US$'000** | US$'000 |
| | **(unaudited)** | (unaudited) |
| Sale of copper cathodes | **89,905** | 88,896 |
| Residential rental income | **222** | 196 |
| Office rental income | **98** | 80 |
| Dividend and interest income from trading of securities | **742** | 1,959 |
| | **90,967** | 91,131 |

**Segment Information**

Information provided to the chief operating decision maker ("CODM"), representing the executive directors of the Company, for the purposes of resource allocation and performance assessment focuses on types of business. In addition, for mining business, the information reported to CODM is further analysed based on geographical location of the mine projects. This is also the basis upon which the Group is arranged and organised. The Group's operating and reportable segments under HKFRS 8 "Operating Segments" are as follows:

| | | |
|---|---|---|
| Mining business — Australia | — | exploration, mining, processing and sale of copper in Australia |
| Mining business — Peru | — | exploration, mining, processing and sale of copper in Peru |
| Investments in financial instruments | — | trading of securities and investments and available-for-sale investments |
| Property investment | — | properties letting |

The operating segment regarding the copper mining in Peru was disposed of on 13 June 2012, as detailed in note 16. However, no discontinued operation was shown separately in the condensed consolidated financial statements since the directors of the Company considered that the financial results contributed by this operating segment was insignificant to the Group.

**Segment revenue and results**

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

| | **Segment revenue** | | **Segment results** | |
|---|---|---|---|---|
| | **Six months ended 30 September** | | **Six months ended 30 September** | |
| | **2012** | 2011 | **2012** | 2011 |
| | **US$'000** | US$'000 | **US$'000** | US$'000 |
| | **(unaudited)** | (unaudited) | **(unaudited)** | (unaudited) |
| Mining business | | | | |
| — Australia | **89,905** | 88,896 | **8,853** | 7,369 |
| — Peru | **—** | — | **(23)** | (29) |
| Investments in financial instruments | **742** | 1,959 | **(37,437)** | (70,774) |
| Property investment | **320** | 276 | **1,627** | 1,176 |
| | **90,967** | 91,131 | **(26,980)** | (62,258) |
| Other income and other gains and losses | | | **1,656** | (3,554) |
| Central administration costs | | | **(6,284)** | (6,221) |
| Gain on disposal of subsidiaries | | | **249,146** | — |
| Reversal (expense) of share-based payment | | | **3,848** | (8,123) |
| Finance costs | | | **(543)** | (558) |
| Profit (loss) before taxation | | | **220,843** | (80,714) |

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

Segment results represent the results of each segment without allocation of other income and other gains and losses, reversal (expense) of share-based payment, gain on disposal of subsidiaries, central administration costs and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

## 5. COST OF SALES

| | Six months ended 30 September | |
|---|---|---|
| | **2012** | 2011 |
| | **US$'000** | US$'000 |
| | **(unaudited)** | (unaudited) |
| Electricity | **7,224** | 6,220 |
| Diesel/Fuel | **4,265** | 4,895 |
| Direct materials | **8,017** | 5,908 |
| Equipment rental | **339** | 305 |
| Staff costs | **12,040** | 12,063 |
| Drilling & blasting, earthmoving & haulage | **17,722** | 18,449 |
| Overhead | **2,335** | 3,592 |
| Maintenance | **1,158** | — |
| Depreciation | **23,370** | 25,334 |
| Movement in inventories | **(9,024)** | (12,441) |
| | **67,446** | 64,325 |

## 6. OTHER INCOME AND OTHER GAINS AND LOSSES

| | Six months ended 30 September | |
|---|---|---|
| | **2012** | 2011 |
| | **US$'000** | US$'000 |
| | **(unaudited)** | (unaudited) |
| Bank interest income | **1,524** | 1,585 |
| Net foreign exchange loss | **(49)** | (5,266) |
| Others | **181** | 127 |
| | **1,656** | (3,554) |

## 7. FINANCE COSTS

| | Six months ended 30 September | |
|---|---|---|
| | **2012** | 2011 |
| | **US$'000** | US$'000 |
| | **(unaudited)** | (unaudited) |
| Interest on other borrowings wholly repayable within five years | **16** | 17 |
| Effective interest expense on provision for mine rehabilitation cost | **527** | 541 |
| | **543** | 558 |

## 8. TAXATION

| | Six months ended 30 September | |
|---|---|---|
| | **2012** | 2011 |
| | **US$'000** | US$'000 |
| | **(unaudited)** | (unaudited) |
| Current tax: | | |
| Hong Kong Profits Tax | **—** | — |
| People's Republic of China | **5** | 5 |
| Peruvian capital gains tax | **76,963** | — |
| Deferred tax | **1,688** | 1,250 |
| Taxation for the period | **78,656** | 1,255 |

Under the applicable corporate tax law in Australia and Peru, the tax rate is 30% of the estimated assessable profits.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards. No provision is made for Hong Kong Profits Tax as the Hong Kong group entities have no assessable profit during both periods.

During the period, the Group is subject to Peruvian capital gains tax arising from the disposal of an indirect investment in a Peruvian jointly controlled entity, calculated as 30% (capital gains tax rate as stipulated in the Peruvian tax law) on the difference between the consideration of US$506,400,000 and the total capital injections made by the Group in the Disposal Group of US$249,857,000 up to the date of disposal.

## 9. PROFIT (LOSS) FOR THE PERIOD

| | **Six months ended 30 September** | |
|---|---|---|
| | **2012** | 2011 |
| | **US$'000** | US$'000 |
| | **(unaudited)** | (unaudited) |
| Profit (loss) for the period has been arrived at after charging: | | |
| Depreciation on property, plant and equipment | **23,392** | 26,488 |
| Directors' remuneration, including net reversal of share-based payment expenses of US$2,329,000 (six-months ended 30 September 2011: share-based payment expenses of US$6,892,000) | **799** | 9,297 |

## 10. EARNINGS (LOSS) PER SHARE

The calculation of the basic and diluted earnings (loss) per share attributable to owners of the Company is based on the profit for the period of US$142,187,000 (2011: loss for the period of US$81,969,000) and the weighted average number of 27,195,615,322 ordinary shares (2011: 27,182,076,807 ordinary shares) in issue during the period.

The computation of diluted earnings per share for the six months ended 30 September 2012 does not assume the exercise of the Company's outstanding share options and warrants because the exercise prices of those options and warrants were higher than the average market price for shares for the period.

## 11. 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 2012 (six months ended 30 September 2011: nil).

## 12. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2012, the Group incurred expenditures on mine property and development assets and capital work in progress of US$11,748,000 (2011: US$21,731,000), and other property, plant and equipment of US$100,000 (2011: US$5,863,000).

During the six months ended 30 September 2012, the Group incurred expenditures on exploration and evaluation assets of US$10,152,000 (2011: US$5,689,000).

## 13. TRADE AND OTHER RECEIVABLES

| | **30 September 2012 US$'000 (unaudited)** | 31 March 2012 US$'000 (audited) |
|---|---|---|
| Trade receivable | **9,797** | 4,307 |
| Less: allowance for doubtful debts | **—** | — |
| | **9,797** | 4,307 |
| Other receivables | **10,101** | 10,338 |
| Total trade and other receivables | **19,898** | 14,645 |

**Aging of trade receivable (based on the invoice date)**

| | **30 September 2012 US$'000 (unaudited)** | 31 March 2012 US$'000 (audited) |
|---|---|---|
| 0–60 days | **9,797** | 4,307 |

Trade receivable as at 30 September 2012 and 31 March 2012 represent trade receivable from a customer in Japan. The Group allows an average credit period of 7 days for its trade customer. Management believes that no impairment allowance is necessary in respect of this balance as it is settled subsequently in full. The Group does not hold any collateral over this balance.

Included in other receivable is US$3,554,000 (31 March 2012: US$3,286,000). Goods and Services Tax recoverable to set-off expenditures incurred in mining operation in future in accordance with the relevant tax laws and regulations in Australia.

## 14. TRADE AND OTHER PAYABLES

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

| | **30 September 2012 US$'000 (unaudited)** | 31 March 2012 US$'000 (audited) |
|---|---|---|
| 0–30 days | **11,759** | 7,838 |
| 31–60 days | **911** | 151 |
| Trade payables | **12,670** | 7,989 |
| Other payables | **22,343** | 19,026 |
| | **35,013** | 27,015 |

The average credit period on purchases of goods is 30 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

Included in other payables are contingent consideration of US$4,349,000 (31 March 2012: US$5,202,000).

## 15. SHARE CAPITAL

| | *Notes* | **Number of shares** | **Share capital** US$'000 |
|---|---|---|---|
| Ordinary shares of HK$0.10 each: | | | |
| Authorised | | | |
| At 1 April 2011, 31 March 2012 and 30 September 2012 | | 50,000,000,000 | 641,026 |
| Issued and fully paid | | | |
| At 1 April 2011 (audited) | | 26,762,022,358 | 343,103 |
| Issue of shares upon exercise of warrants | (a) | 684,446,603 | 8,775 |
| Share repurchased and cancelled | (b) | (107,648,000) | (1,380) |
| At 30 September 2011 (unaudited) | | 27,338,820,961 | 350,498 |
| At 1 April 2012 (audited) | | 27,262,396,961 | 349,518 |
| Share repurchased and cancelled | (c) | (157,576,000) | (2,020) |
| At 30 September 2012 (unaudited) | | 27,104,820,961 | 347,498 |

Notes:

(a) During the six months ended 30 September 2011, 684,446,603 warrants were exercised at a subscription price of HK$0.113 per share, resulting the issuance of 684,446,603 ordinary shares of HK$0.10 each of the Company. The new shares rank pari passu with the then existing shares in all respects.

(b) During the six months ended 30 September 2011, the Company repurchased 109,072,000 of its own ordinary shares on the Stock Exchange at aggregate price of HK$12,776,000 (equivalent to US$1,638,000). The highest and lowest price paid per share are HK$0.1420 and HK$0.0894, respectively. As at 30 September 2011, 107,648,000 shares being repurchased were cancelled and another 1,424,000 shares remained outstanding. The issued share capital of the Company was reduced by the nominal value of those repurchased and cancelled shares.

(c) During the six months ended 30 September 2012, the Company repurchased 164,088,000 of its own ordinary shares on the Stock Exchange at aggregate price of HK$21,360,000 (equivalent to US$2,739,000) in order to enhance the net asset and/or earnings per share of the Company. The highest and lowest price paid per share are HK$0.1340 and HK$0.1130, respectively. As at 30 September 2012, 157,576,000 of the shares being repurchased were cancelled and another 6,512,000 shares remained outstanding.

The issued share capital of the Company was reduced by the nominal value of those repurchased and cancelled shares.

## 16. GAIN ON DISPOSAL OF SUBSIDIARIES/DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 12 January 2012, the Company engaged Morgan Stanley Asia Limited to provide financial advisory services to the Company in relation to the disposal of the Company's wholly owned subsidiary, CST Resources Limited, which indirectly owns 70% interest in Marcobre S.A.C., a Peruvian jointly controlled entity, which fully hold the mine property and development assets of a copper mine located in Peru (the "Mina Justa Project"). The Company was committed to the sale plan and decision to the disposal of Mina Justa Project. Accordingly, CST Resources Limited and its subsidiaries and jointly controlled entity are presented as disposal group (the "Disposal Group") classified as held for sale as at 31 March 2012.

The major classes of assets and liabilities of the Disposal Group as at 31 March 2012, which had been presented separately in the consolidated statement of financial position, were as follows:

| Net assets of the Disposal Group: | US$'000<br>(audited) |
|---|---|
| Property, plant and equipment | 237,649 |
| Other receivable (non-current portion) | 11,075 |
| Trade and other receivables | 75 |
| Bank balances and cash | 635 |
| **Total assets classified as held for sale** | 249,434 |
| Trade and other payables | (598) |
| **Total liabilities associated with assets classified as held for sales** | (598) |

On 23 April 2012, the Group entered into conditional share purchase agreement with Cumbres Andinas S.A. (the "Purchaser"), an independent third party to the Group, to dispose of the Disposal Group at a total cash consideration of US$506,400,000, being the cash consideration of US$505,000,000, plus a reimbursement cash payment of US$1,400,000 by the Purchaser, to compensate capital injection made by the Company to Marcobre S.A.C. between 31 March 2012 and the date of completion, less capital gains tax to be withheld by the Purchaser in accordance with relevant rules and regulations in Peru. Details of the disposal are set out in the Company's circular dated 21 May 2012. The disposal was completed on 13 June 2012.

The net assets of the Disposal Group at the date of disposal were as follows:

| | US$'000 |
|---|---|
| Property, plant and equipment | 238,229 |
| Other receivable (non-current portion) | 11,084 |
| Trade and other receivables | 69 |
| Bank balances and cash | 1,096 |
| Trade and other payables | (293) |
| **Net assets disposed of** | 250,185 |

Except for the gain of disposal of subsidiaries, the Peruvian capital gains tax and the proceed from disposal of the subsidiaries, the Disposal Group did not make any significant contribution to the profit or loss and cash flows of the Group during the period

| **Gain on disposal of the subsidiaries:** | US$'000 |
|---|---|
| Gross cash consideration | 506,400 |
| Less: net assets disposed of | (250,185) |
| Less: transaction costs | (7,069) |
| **Gain on disposal** | 249,146 |

**Net cash inflow arising on disposal:**

| | |
|---|---|
| Total cash consideration received | 506,400 |
| Less: Peruvian capital gains tax withheld (Note 8) | (76,963) |
| Less: transaction costs paid | (1,419) |
| Less: bank balances and cash disposed of | (1,096) |
| | 426,922 |

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Results

The revenue of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months period ended 30 September 2012 (the “Period”) reached approximately US$90.97 million. This represents a slight decrease of approximately 0.18% compared with the same period a year earlier. This decrease was mainly due to a lower dividend income for the Period. Operating revenue generated by the Lady Annie Operations rose from approximately US$88.90 million to US$89.91 million, representing an increase of approximately 1.14% during the Period. Dividend and interest income and rental income represented approximately 0.82% and 0.35% of total revenue respectively over the Period.

Compared with the corresponding period a year earlier, revenue derived from property investments increased by approximately 15.94% as a result of stable occupancy rates. Rental income provided steady cash flow to the Group over the Period and this situation is expected to continue in the future. Investments into the financial instruments segment, on the other hand, decreased by approximately 62.12% as the gloomy global economic environment continued to affect the performance of the Group’s investment portfolio and exert downward pressure on dividend income. Other income has recorded a gain of approximately US$1.66 million because of improved exchange risk management over the Period. Other administrative expenses for the Period reached approximately US$16.25 million, representing an increase of approximately 3.50% versus the same period last year. During the Period, the Group disposed of subsidiaries that held the Mina Justa project in Peru, resulting in a gain of approximately US$249.15 million. Also, the Company recognised a net reversal of non-cash share-based payment for the previous year of approximately US$3.85 million due to the forfeiture of part of the options granted as a result of turnover of staff of the Group and the disposal of the Mina Justa project.

Financial markets fluctuated during the Period as difficult economic conditions in Europe and financial policies of the People’s Republic of China prompted fluctuations in market sentiment. These factors are expected to continue affecting global investor sentiment and market conditions are set to remain volatile. They also had an impact on the performance of the Group’s investments held for trading. A loss of approximately US$37.27 million arising from fair value changes of investments held for trading was recorded. Overall, profit for the Period stood at approximately US$142.19 million whereas the loss for the same period a year earlier was approximately US$81.97 million.

**Net Asset Value**

As at 30 September 2012, the Group held bank balances and cash totalling approximately US$332.57 million. A bank deposit of approximately US$67.30 million was pledged to banks, mainly for the mine rehabilitation costs required by the government of Queensland, Australia to operate and as a guarantee to the electric power supplier for the Lady Annie mine site. Fair value of available-for-sale investments and financial assets at fair value through profit and loss were approximately US$96.26 million and US$263.88 million respectively. As at 30 September 2012, the Group had no outstanding loans or borrowings from banks or financial institutions. Hence, based on the balance of all outstanding loans and borrowings from financial institutions and total equity, the gearing ratio as at 30 September 2012 was zero. A one-year US$75 million revolving loan facility with an interest rate of 1.5% per annum over LIBOR/HIBOR granted by a bank to a subsidiary of the Company, which the Company provided a guarantee to, expired during the Period. As at 30 September 2012, the net asset value of the Group amounted to approximately US$1.01 billion.

**Human Resources**

As at 30 September 2012, the Group had 40 staff (including directors of the Company) in Hong Kong and 233 staff in Australia. Staff costs (excluding directors' emoluments, direct and indirect labour costs and share-based payment expenses) were around US$5.30 million for the Period. Staff remuneration packages are normally reviewed annually. The Group also participated in the Mandatory Provident Fund Scheme in Hong Kong. In addition, the Group provided other staff benefits, which include medical benefits.

The Group has a share option scheme. Details and the movement of the share options will be disclosed under the heading "Statutory Disclosure" in the 2012 interim report.

**Exposure to Fluctuations in Exchange Rates**

The Group conducts most of its business in United States dollars, Australian dollars, Renminbi, Peruvian Nuevo Soles and Hong Kong dollars. Foreign currency exposure to United States dollars is minimal as the Hong Kong dollar is pegged to the United States dollar. The exposure to Renminbi is also minimal as business conducted in Renminbi represents a very small portion of the Group's total business in terms of revenue. Due to the Group's disposal of the Mina Justa project in Peru, the exposure to Peruvian Nuevo Soles is also minimal. The Group is exposed to foreign currency risk denominated in Australian dollars.

During the Period, the Company had forward currency contracts which were arranged with creditworthy international financial institutions to sell United States Dollars and purchase Australian Dollars at a fixed rate in the normal course of business in order to limit its currency to adverse fluctuations in currency exchange rates. Some of those forward currency contracts which were not executed were unwound in September 2012. The management will continue to monitor the Group's foreign currency exposure and will consider hedging the exchange rate exposure should the need arise.

**Marcobre S.A.C.**

Marcobre S.A.C. ("Marcobre") is a Peruvian company, which was 70% indirectly owned by the Company. Marcobre in turn owns 100% of the Mina Justa copper project in coastal southern Peru. The project has a resource base of more than three million tonnes of contained copper and reserves of more than one million tonnes of contained copper.

On 23 April 2012, the Company and Cumbres Andinas S.A ("Cumbres") entered into a share purchase agreement to dispose of the Company's 100% interest in CST Resources Limited ("CST Resources"), an indirectly wholly-owned subsidiary of the Company, which in turn indirectly owned Marcobre for a total consideration of US$505 million and the aggregate amount of cash payments made directly or indirectly by the Company to Marcobre during the period between 31 March 2012 and the date of closing of the transaction. The transaction was completed on 13 June 2012. More details are provided in the "Significant Events" section below.

**The Lady Annie Operations**

The Lady Annie Operations, principally comprised of the Lady Annie mining area, the Mount Kelly mining area, and the Mount Kelly process plant and tenements, is located in the Mount Isa district of north-western Queensland, Australia. The Mount Isa Inlier hosts several known copper oxide and sulphide resources and several notable copper and lead-zinc silver mines. Tenements held by the Lady Annie project cover approximately 3,067 square kilometres, and include 14 mining leases and 59 exploration permits for minerals.

A summary of the financial results for the periods indicated for the Lady Annie Operations is set out below:

| | Six months ended 30 September | |
|---|---|---|
| | **2012** | **2011** |
| | US$'000 | US$'000 |
| Revenue | 89,905 | 88,896 |
| Cost of sales | (67,445) | (64,325) |
| Gross profit | 22,460 | 24,571 |
| Other income and other gains | 946 | 240 |
| Distribution and selling expenses | (6,009) | (8,695) |
| Administrative expenses | (7,598) | (8,379) |
| Finance costs* | (528) | (541) |
| Profit before taxation | 9,271 | 7,196 |
| Depreciation in administrative expenses | 1,088 | 402 |
| Depreciation in cost of sales | 21,539 | 18,451 |
| Total depreciation charged to profit or loss | 22,627 | 18,853 |

* Inter companies financial charges of the Australian Group was not included

**Non-HKFRS Financial Measure**

The term “C1 operating cost” is a non-HKFRS performance measure reported in this Management Discussion & Analysis and is prepared on a per-pound of copper sold basis. The term C1 operating cost does not have any standardized meaning prescribed by HKFRS and therefore may not be comparable to similar measures presented by other issuers. C1 operating cost is a common performance measure in the copper industry and is prepared and presented herein on a basis consistent with industry standard definitions. C1 operating costs include all mining and processing costs, mine site overheads and realization costs through to refined metal.

The table below provides, for the periods indicated, a reconciliation of the Lady Annie Operations C1 operating cost measures to the statement of comprehensive income in the financial statements of the Lady Annie Operations.

The Company believes that, in addition to conventional measures prepared in accordance with HKFRS, certain investors use the above term and information to evaluate the Company. It is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with HKFRS.

| | Six months ended 30 September | |
|---|---|---|
| | **2012** | **2011** |
| | US$'000 | US$'000 |
| Costs as reported in the income statement: | | |
| Direct and indirect mining cost | 59,352 | 58,907 |
| Adjustment for change in inventory | (7,193) | (5,557) |
| Total operating costs | 52,159 | 53,350 |
| Copper sold (tonnes) | 11,487 | 9,737 |
| Copper sold (in thousand pounds) | 25,324 | 21,469 |
| C1 operating cost per pound of copper | US$2.06/lb | US$2.49/lb |

**Significant Events**

On 23 April 2012, the Company and Cumbres entered into a share purchase agreement pursuant to which Cumbres agreed to acquire all shares of CST Resources from the Company for a total consideration of US$505 million and the aggregate amount of cash payments made directly or indirectly by the Company to Marcobre during the period between 31 March 2012 and the closing of the transaction. This was subject to Cumbres' withholding of an estimate amount of Peruvian capital gains tax at the closing of the transaction. Cumbres agreed to pay an amount of US$50.5 million in cash into an escrow account as a deposit which was received on 27 April 2012. The transaction constitutes a very substantial disposal for the Company under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and is therefore subject to the approval of the shareholders of the Company. The transaction was completed on 13 June 2012. Details of the transaction were disclosed in the Company's announcements dated 26 April 2012, 27 April 2012 and 13 June 2012, and circular dated 21 May 2012.

## Outlook

Production at Lady Annie has stabilized since the Company entered the current financial year. With the completion of the final ramp-up at the solvent-extraction and electrowinning cathode production plant and activation of the final cathode set at the expansion electrowinning plant, the performance of production for the first half of this financial year has proved satisfactory. With its solid performance in the first half, the Company looks forward to continuing its sound production performance in the second half of the current financial year.

Resource development drilling and exploration drilling programs have been carried out and will continue in the second half of the financial year in order to potentially extend the life of the Lady Annie Operations. Transitional ore trials were another focus of the Lady Annie Operations in the coming six months. Transitional ore processes with two full-scale production leach pads comprising Mount Clarke West transitional ore blended with Lady Annie oxide ore. From September, Lady Annie completed mining and are successfully processing all of the transitional ores from the Mount Clarke West pit.

The successful disposal of the Mina Justa project in Peru in June 2012 has brought handsome profits to the Group. The Group is now in a more financially strengthened position to review and improve the development plan. The Group is looking for potential acquisition opportunities and to continue to create value for the Group and its shareholders. Internal resources and/or other effective sources of funding may be used to fund future acquisitions if opportunities arise, depending on the nature of any acquisition and market conditions at the time. Meanwhile, the Group will also strengthen operations within other businesses of the Group.

## CORPORATE GOVERNANCE

The Company has, during the six months ended 30 September 2012 met the code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 of the Listing Rules.

## 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 2012.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 September 2012, the Company purchased a total of 164,088,000 shares at prices ranging from HK$0.1130 to HK$0.1340 per share on The Stock Exchange Hong Kong Limited. We made these repurchases with a view to enhance shareholder value in the long-term.

Particulars of these repurchases are as follows:

| Date (MM/YYYY) | Number of shares repurchased | Highest price paid per share (HK$) | Lowest price paid per share (HK$) | Aggregate gross consideration paid (HK$) |
|---|---|---|---|---|
| 07/2012 | 155,120,000 | 0.1340 | 0.1180 | 20,317,328.00 |
| 08/2012 | 2,456,000 | 0.1140 | 0.1130 | 279,492.80 |
| 09/2012 | 6,512,000 | 0.1180 | 0.1150 | 763,880.00 |

Of the total repurchased shares during the Period, 157,576,000 shares were cancelled by 30 September 2012. The issued share capital of the Company was diminished by the nominal value thereof. Save as disclosed, neither we nor any of our subsidiaries purchased, sold or redeemed any of our listed securities during the six months ended 30 September 2012.

## REVIEW BY AUDIT COMMITTEE

The 2012 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**
*Executive Director and Chairman*

Hong Kong, 29 November 2012

*As at the date of this announcement , the Board of the Company comprises (i) Mr. Chiu Tao (Chairman), Ms. Yang Yi-fang, Mr. Wah Wang Kei, Jackie, Mr. Hui Richard Rui, Mr. Kwan Kam Hung, Jimmy, Mr. Lee Ming Tung, Mr. Yeung Kwok Yu, Mr. Tsui Ching Hung and Mr. Chung Nai Ting as executive directors of the Company and (ii) Mr. Yu Pan, Ms. Tong So Yuet and Mr. Chan Shek Wah as independent non-executive directors of the Company.*