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 2014

## 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 2014 with the comparative figures for the corresponding period in 2013 as follows:

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the Six Months Ended 30 September 2014*

| | | **Six months ended 30 September** | |
|---|---|---|---|
| | | **2014** | 2013 |
| | | **US$'000** | US$'000 |
| | *Notes* | **(unaudited)** | (unaudited) |
| Revenue | 4 | **70,074** | 91,660 |
| Cost of sales | 5 | **(45,602)** | (79,476) |
| Gross profit | | **24,472** | 12,184 |
| Other income and other gains and losses | 6 | **(3,730)** | (16,937) |
| Distribution and selling expenses | | **(3,308)** | (4,662) |
| Administrative expenses | | | |
| – Expense of share-based payment | | **(19)** | (4,789) |
| – Other administrative expenses | | **(12,417)** | (14,417) |
| Gain on disposal of an available-for-sale investment | | **336** | 205 |
| Impairment loss recognised on an available-for-sale investment | | **(17,479)** | (1,766) |
| Gain (loss) on fair value changes of financial assets at fair value through profit or loss | | **91,133** | (2,605) |
| (Loss) gain on fair value changes of investment properties | | **(98)** | 172 |
| Finance costs | 7 | **(885)** | (765) |
| Share of profit of a joint venture | | **5,323** | – |
| Profit (loss) before taxation | | **83,328** | (33,380) |
| Taxation | 8 | **1,013** | 1,314 |
| Profit (loss) for the period, attributable to owners of the Company | 9 | **84,341** | (32,066) |

| | Notes | Six months ended 30 September 2014 US$'000 (unaudited) | 2013 US$'000 (unaudited) |
|---|---|---|---|
| **Other comprehensive expense** | | | |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Exchange differences arising on translation of foreign operations | | **(2,881)** | (17,909) |
| Loss arising from fair value changes of an available-for-sale investment | | **–** | (31,737) |
| Other comprehensive expense for the period | | **(2,881)** | (49,646) |
| Total comprehensive income (expense) for the period, attributable to owners of the Company | | **81,460** | (81,712) |
| EARNINGS (LOSS) PER SHARE | | | |
| Basic and diluted | 10 | **US0.31 cents** | US(0.12) cents |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 30 September 2014*

| | *Notes* | **As at 30 September 2014 US$'000 (unaudited)** | As at 31 March 2014 US$'000 (audited) |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 12 | **7,458** | 7,716 |
| Exploration and evaluation assets | 12 | **49,917** | 50,925 |
| Investment properties | | **19,412** | 19,510 |
| Financial assets at fair value through profit or loss | | **7,719** | 7,326 |
| Available-for-sale investments | | **99,475** | 84,927 |
| Pledged bank deposits | | **59,738** | 62,167 |
| Interests in a joint venture | | **5,323** | – |
| | | **249,042** | 232,571 |
| **Current assets** | | | |
| Inventories | | **73,334** | 79,168 |
| Trade and other receivables | 13 | **22,479** | 44,455 |
| Amount due from a joint venture | | **2,509** | – |
| Financial assets at fair value through profit or loss | | **581,250** | 499,905 |
| Bank balances and cash | | **141,021** | 135,734 |
| | | **820,593** | 759,262 |
| **Current liabilities** | | | |
| Trade and other payables | 14 | **10,651** | 12,198 |
| Amount due to a non-controlling interest | | **256** | 256 |
| Derivative financial instruments | | **–** | 617 |
| Tax payable | | **4,469** | 4,268 |
| | | **15,376** | 17,339 |

| | Notes | **As at 30 September 2014 US$'000 (unaudited)** | As at 31 March 2014 US$'000 (audited) |
|---|---|---|---|
| **Net current assets** | | **805,217** | 741,923 |
| Total assets less current liabilities | | **1,054,259** | 974,494 |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | | **–** | 1,054 |
| Provision for mine rehabilitation cost | | **28,274** | 28,934 |
| | | **28,274** | 29,988 |
| | | **1,025,985** | 944,506 |
| **Capital and reserves** | | | |
| Share capital | 15 | **347,414** | 347,414 |
| Reserves | | **678,577** | 597,098 |
| Equity attributable to owners of the Company | | **1,025,991** | 944,512 |
| Non-controlling interests | | **(6)** | (6) |
| | | **1,025,985** | 944,506 |

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the Six Months Ended 30 September 2014*

### 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"). The management adopted USD as presentation currency as the management controls and monitors the performance and financial position of the Group based on USD. 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 Hong Kong Accounting Standard 34 ("HKAS 34") *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

### 3. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2014 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2014.

In the current interim period, the Group has applied, for the first time, the following new interpretation and amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements:

| | |
|---|---|
| Amendments to HKFRS 10, HKFRS 12 and HKAS 27 | Investment Entities |
| Amendments to HKAS 32 | Offsetting Financial Assets and Financial Liabilities |
| Amendments to HKAS 36 | Recoverable Amount Disclosures for Non-Financial Assets |
| Amendments to HKAS 39 | Novation of Derivatives and Continuation of Hedge Accounting |
| HK(IFRIC) – Int 21 | Levies |

The application of the new interpretation and amendments to HKFRSs in the current interim period has had no material effect on the amounts reported 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 and interest income. An analysis of the Group's revenue for the period is as follows:

| | **Six months ended 30 September** | |
|---|---|---|
| | **2014** | 2013 |
| | **US$'000** | US$'000 |
| | **(unaudited)** | (unaudited) |
| Sale of copper cathodes | **61,427** | 88,201 |
| Residential rental income | **258** | 232 |
| Office rental income | **130** | 128 |
| Dividend income from trading of securities | **7,632** | 1,064 |
| Interest income from financial assets at fair value through profit or loss | **627** | 2,035 |
| | **70,074** | 91,660 |

**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. 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 |
| Investments in financial instruments | — | trading of securities, available-for-sale investments and convertible notes |
| Property investment | — | properties letting |

**Segment revenue and results**

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

| | **Segment revenue Six months ended 30 September** | | **Segment results Six months ended 30 September** | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **US$'000** | US$'000 | **US$'000** | US$'000 |
| | **(unaudited)** | (unaudited) | **(unaudited)** | (unaudited) |
| Mining business – Australia | **61,427** | 88,201 | **4,662** | (3,911) |
| Investments in financial instruments | **8,259** | 3,099 | **82,567** | (1,651) |
| Property investment | **388** | 360 | **123** | 386 |
| | **70,074** | 91,660 | **87,352** | (5,176) |
| Other income and other gains and losses | | | **(3,730)** | (16,937) |
| Central administration costs | | | **(4,713)** | (5,713) |
| Share-based payment expense | | | **(19)** | (4,789) |
| Finance costs | | | **(885)** | (765) |
| Share of profit of a joint venture | | | **5,323** | – |
| Profit (loss) before taxation | | | **83,328** | (33,380) |

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, central administration costs, share-based payment expense, finance costs and share of profit of a joint venture. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

**Other segment information**

*Six months ended 30 September 2014*

Amount included in the measure of segment results:

| | **Mining business – Australia US$'000 (unaudited)** | **Investments in financial instruments US$'000 (unaudited)** | **Property investment US$'000 (unaudited)** | **Consolidated US$'000 (unaudited)** |
|---|---|---|---|---|
| Depreciation | **828** | **–** | **–** | **828** |
| Staff costs | **10,581** | **–** | **–** | **10,581** |
| | **11,409** | **–** | **–** | **11,409** |

*Six months ended 30 September 2013*

Amount included in the measure of segment results:

| | Mining business – Australia US$'000 (unaudited) | Investments in financial instruments US$'000 (unaudited) | Property investment US$'000 (unaudited) | Consolidated US$'000 (unaudited) |
|---|---|---|---|---|
| Depreciation | 33,901 | – | – | 33,901 |
| Staff costs | 15,084 | – | – | 15,084 |
| | 48,985 | – | – | 48,985 |

## 5. COST OF SALES

| | Six months ended 30 September | |
|---|---|---|
| | **2014** | 2013 |
| | **US$'000** | US$'000 |
| | **(unaudited)** | (unaudited) |
| Electricity | **5,693** | 6,739 |
| Diesel/fuel | **3,934** | 4,102 |
| Direct materials | **11,301** | 10,637 |
| Equipment rental | **257** | 318 |
| Staff costs | **8,091** | 11,789 |
| Drilling & blasting, earthmoving & haulage | **10,731** | 14,031 |
| Overhead | **2,559** | 1,961 |
| Maintenance | **964** | 1,083 |
| Depreciation | **1,870** | 45,221 |
| Production stripping cost capitalised | **(1,470)** | – |
| Movement in inventories | **1,672** | (16,405) |
| | **45,602** | 79,476 |

## 6. OTHER INCOME AND OTHER GAINS AND LOSSES

| | Six months ended 30 September | |
|---|---|---|
| | **2014** | 2013 |
| | **US$'000** | US$'000 |
| | **(unaudited)** | (unaudited) |
| Bank interest income | **1,073** | 1,042 |
| Net foreign exchange loss | **(4,953)** | (18,790) |
| Others | **150** | 811 |
| | **(3,730)** | (16,937) |

## 7. FINANCE COSTS

| | Six months ended 30 September 2014 US$'000 (unaudited) | 2013 US$'000 (unaudited) |
|---|---|---|
| Interest on other borrowings wholly repayable within five years | **24** | 13 |
| Effective interest expense on provision for mine rehabilitation cost | **861** | 752 |
| | **885** | 765 |

## 8. TAXATION

| | Six months ended 30 September 2014 US$'000 (unaudited) | 2013 US$'000 (unaudited) |
|---|---|---|
| The credit (charge) comprises: | | |
| Current tax: | | |
| People's Republic of China | **(13)** | (11) |
| Australian withholding Tax | **(213)** | – |
| Deferred tax | **1,239** | 1,325 |
| Taxation credit for the period | **1,013** | 1,314 |

Under the applicable corporate tax law in Australia, 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 years.

## 9. PROFIT (LOSS) FOR THE PERIOD

| | Six months ended 30 September | |
|---|---|---|
| | **2014** | 2013 |
| | **US$'000** | US$'000 |
| | **(unaudited)** | (unaudited) |
| Profit (Loss) for the period has been arrived at after charging: | | |
| Depreciation on property, plant and equipment | **966** | 34,586 |
| Directors' remuneration, including share-based payment expenses of US$24,000 (six months ended 30 September 2013: US$4,697,000) | **2,359** | 6,974 |

## 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$84,341,000 (six months ended 30 September 2013: loss for the period of US$32,066,000) and 27,098,308,961 ordinary shares (six months ended 30 September 2013: 27,098,308,961 ordinary shares) in issue during the period.

The computation of diluted earnings (loss) per share for both periods does not assume the exercise of the Company's outstanding share options and warrants as the exercise prices of those share options and warrants were higher than the average market price for both periods.

## 11. DIVIDEND

No dividends were paid, declared or proposed during the current interim period. The directors of the Company have determined that no dividend will be paid in respect of the current interim period.

## 12. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT AND EXPLORATION AND EVALUATION ASSETS

During the six months ended 30 September 2014, the Group incurred expenditures on mine property and development assets of US$2,304,000 (six months ended 30 September 2013: US$3,250,000) and other property, plant and equipment of US$49,000 (six months ended 30 September 2013: US$245,000).

During the six months ended 30 September 2014, the Group incurred expenditures on exploration and evaluation assets of US$1,583,000 (six months ended 30 September 2013: US$3,393,000).

## 13. TRADE AND OTHER RECEIVABLES

| | **As at 30 September 2014 US$'000 (unaudited)** | As at 31 March 2014 US$'000 (audited) |
|---|---|---|
| Trade receivable | **8,409** | 12,128 |
| Other receivables | **14,070** | 32,327 |
| Total trade and other receivables | **22,479** | 44,455 |

The following is an analysis of trade receivables by age, presented based on the invoice date, which approximated the revenue recognition date.

| | **As at 30 September 2014 US$'000 (unaudited )** | As at 31 March 2014 US$'000 (audited ) |
|---|---|---|
| 0-60 days | **8,409** | 12,128 |

Trade receivable as at 30 September 2014 and 31 March 2014 mainly represent trade receivables from sales of copper cathodes in Australia. The balance is due on the fifth working days of the following month after delivery. 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 receivables are deposit paid for an acquisition of an investment, amounting to US$7,500,000 (31 March 2014: US$25,000,000) and Goods and Services Tax recoverable to set-off expenditures incurred in mining operation in the future in accordance with the relevant tax laws and regulation in Australia, amounting to US$2,058,000 (31 March 2014: US$2,085,000).

## 14. TRADE AND OTHER PAYABLES

The following is an analysis of trade payables by age, presented based on the invoice date.

| | **As at 30 September 2014 US$'000 (unaudited)** | As at 31 March 2014 US$'000 (audited) |
|---|---|---|
| Trade payables | | |
| 0 - 30 days | **3,261** | 640 |
| Other payables | **7,390** | 11,558 |
| Total trade and other payables | **10,651** | 12,198 |

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.

On 31 May 2010, the Group acquired the entire issued share capital of CST Minerals Lady Annie Pty Limited ("CSTLA") at cash consideration of AUD130,000,000 (equivalent to approximately US$110,073,000) and an additional contingent consideration. Based on the relevant agreement, the Group is required to pay (i) an additional amount of AUD2,500,000 upon the production of the first 10,000 tonnes of copper cathode from CSTLA and (ii) a further AUD2,500,000 upon the delineation of additional ore reserves containing 25,000 tonnes of contained copper. Obligation stated in (i) of AUD2,500,000, equivalent to approximately US$2,188,000 (31 March 2014: AUD2,500,000, equivalent to approximately US$2,305,000) and (ii) of AUD2,500,000, equivalent to approximately US$2,188,000 (31 March 2014: AUD2,500,000, equivalent to approximately US$2,305,000) represents the estimated fair value of the Group's obligation as at 31 May 2010 and has been fully provided. Production of the first 10,000 tonnes was completed in the year ended 31 March 2012 and US$2,607,000 was fully settled during the year ended 31 March 2013. As at 30 September 2014, the additional ore reserves are not yet delineated and the remaining AUD2,500,000 (equivalent to approximately US$2,188,000) was included in other payables.

Other payables also include Goods and Services Tax payable and Royalty payable to the Australian Government of US$869,000 and US$1,261,000 (31 March 2014: US$839,000 and US$1,346,000), respectively, in respect of sales made in Australia under relevant rules and regulations.

## 15. SHARE CAPITAL

| | Number of shares | Share capital |
|---|---|---|
| | | US$'000 |
| Ordinary shares of HK$0.10 each: | | |
| Authorised | | |
| At 1 April 2013, 31 March 2014 and 30 September 2014 | 50,000,000,000 | 641,026 |
| Issued and fully paid | | |
| At 1 April 2014 and 30 September 2014 (unaudited) | 27,098,308,961 | 347,414 |

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the current period.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Financial Results

The revenue of the Company and its subsidiaries (collectively referred to as the "Group") for the period ended September 30, 2014 (the "Period") was approximately US$70.07 million. This was a decrease of approximately 23.55% when compared with the same period last year. Operating revenue generated by Lady Annie Operations fell from approximately US$88.20 million to US$61.43 million, representing a decrease of approximately 30.36% over the Period. The continuous drop in copper market prices and fewer copper sales are the main reasons for the decrease. Nevertheless, application of effective cost control measures has lowered the cost of production and lifted the gross profit as a whole. Compared with the same period last year, there was an approximately US$12.29 million increase in gross profit, a rise of more than 100%. Dividends from trading securities and interest income from financial assets, and rental income represented approximately 11.79% and 0.55% respectively of the total revenue over the Period.

Compared with the corresponding period last year, revenue derived from property investments increased by approximately 7.78% as a result of stable occupancy rates and an increase in the rental rate for newly signed rental contracts. Rental income provided steady cash flow to the Group over the Period, and this is expected to continue in the future. Financial markets also noticed an upturn during the Period. There was a significant increase in dividend income received from securities investments. Compared to the same period of the previous year, dividends from trading securities and interest income from financial assets increased by approximately 166.51% period-on-period. Hence, the overall performance of the Group's investment portfolio has improved greatly. The Group's investment portfolio recorded a net gain of approximately US$74.00 million for the Period, compared to a net loss of approximately US$4.17 million for the corresponding period of last year. However, the instability of the global economic environment will affect the direction of the financial markets. Uncertainties such as the continuing difficult economic conditions in Europe, the financial policies of the People's Republic of China, the possibility of tighter monetary policy in United States, as well as the territorial and political disputes in East Asia will prompt fluctuations in market sentiment. These factors will influence the global investor sentiment, and therefore market conditions are likely to be volatile. Other losses of approximately US$3.73 million were recorded for the Period, compared to a loss of approximately US$16.94 million for the same period last year. The decrease is mainly due to a smaller devaluation of the Australian dollar versus the U.S. dollar compared to the same period a year ago. Overall, the Group recorded a profit of approximately US$84.34 million for the Period, contrasting a loss of approximately US$32.07 million for the same period a year earlier.

## Net Asset Value

As of September 30, 2014, the Group held bank balances and cash totalling approximately US$141.02 million. A bank deposit of approximately US$59.74 million was pledged, mainly for the mine rehabilitation costs mandated by the government of Queensland, Australia to operate mining business, 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$99.48 million and US$588.97 million respectively. As of September 30, 2014, the Group had no outstanding loans or borrowings from banks or other financial institutions. As such, based on the balance of all outstanding loans and borrowings from financial institutions and total equity, the gearing ratio as of September 30, 2014 was zero. As of September 30, 2014, the net asset value of the Group amounted to approximately US$1,025.99 million.

**Human Resources**

As of September 30, 2014, the Group had 33 staff (including directors of the Company) in Hong Kong and 185 staff in Australia. Staff costs (excluding directors' emoluments, direct and indirect labor costs and share-based payment expenses) were approximately US$3.78 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 includes medical benefits.

The Group has a share option scheme. Details of this scheme and the movement of the share options are disclosed under the heading "Statutory Disclosure" in the 2014 interim report.

**Exposure to Fluctuations in Exchange Rates**

The Group conducts most of its business in U.S. dollars, Australian dollars, Renminbi and Hong Kong dollars. Foreign currency exposure to U.S. dollars is minimal as the Hong Kong dollar is pegged to the U.S. 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. The Group is primarily exposed to foreign currency risk in Australian dollars.

During the Period, the Australian dollar depreciated against U.S. dollar, causing exchange losses for the Group. More information can be found in note 6 to the Condensed Consolidated Financial Statements. Management will continue to monitor the Group's foreign currency exposure and will consider hedging its exchange rate exposure should the need arise.

**Lady Annie**

The Lady Annie Operations principally comprised of the Lady Annie mining area, the Mount Kelly mining area, and the Mount Kelly processing 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 3,340 square kilometres, and include 14 mining leases and 62 exploration permits for minerals.

A summary of the financial results for the Period for Australian Group is set out below:

| | **Six months ended 30 September** | |
|---|---|---|
| | **2014** | 2013 |
| | **US$'000** | US$'000 |
| Revenue | **61,427** | 88,201 |
| Cost of sales | **(45,602)** | (79,476) |
| Gross profit | **15,825** | 8,725 |
| Other income and other gains | **1,548** | 3,278 |
| Distribution and selling expenses | **(3,308)** | (4,662) |
| Administrative expenses | **(5,723)** | (7,974) |
| Finance costs* | **(861)** | (752) |
| Profit (loss) profit before taxation | **7,481** | (1,385) |
| Depreciation in administrative expenses | **454** | 1,095 |
| Depreciation in cost of sales | **374** | 32,806 |
| Total depreciation | **828** | 33,901 |

*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 and Analysis" and it is prepared on a per-pound of copper sold basis. The term C1 operating cost does not have a 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 it is prepared and presented herein on a basis consistent with industry standard definitions. C1 operating cost includes all mining and processing costs, mine site overheads and realization costs through to refined metal.

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

The Company believes that, in addition to conventional measures prepared in accordance with HKFRS, certain investors use the above tool 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** | |
|---|---|---|
| | **2014** | 2013 |
| | **US$'000** | US$'000 |
| Cash costs as reported in the income statement: | | |
| Direct and indirect mining cost | **41,912** | 56,801 |
| Adjustment for change in inventory | **(313)** | (3,467) |
| Total operating costs | **41,599** | 53,334 |
| Copper sold (tonnes) | **8,728** | 12,221 |
| Copper sold (in thousand pounds) | **19,242** | 26,943 |
| C1 operating cost per pound of copper | **US$2.16/lb** | US$1.98/lb |

**Outlook**

The copper market continuously experienced a drop in price over the Period. The sales of copper also fell during the Period. As a result, the half year revenue from Lady Annie Operations decreased by 30.36% compared with the same period in the previous year. In response to these circumstances, Lady Annie Operations implemented many cost control measures to lower the production costs such as strengthening its planning process, controlling spending, broadening the outsourcing of supply, and rearranging shifts. Thus, the operation performance of the copper business for the Period was improved. A profit for the Period was recorded.

The Company has undertaken to improve its current operations and advance future exploration goals through the strong leadership of the Company's management team and on the ground implementation of our employees.

As a result of the current copper market price, lower market demand, and depleting of copper reserves, the copper production in the second half of 2014 financial year will be remain at the same level as the first half of 2014 financial year. The resources development and exploration program will continue in order to make new discoveries and extend the life of mine. The Company looks forward to realizing further improvement in all aspects of Lady Annie Operations.

The preliminary development stage of Anthill is coming to a close. Agreements with landlords have been completed. Negotiations with the traditional owners are ongoing and the feedback has been constructive. We expect the mining license for the Anthill Project to be granted by the end of the second half of the 2014 financial year or by early in the 2015 financial year.

With a sound financial foundation, the Group is looking for potential investment opportunities that will bring added value. Internal resources and/or other effective sources of funding may be used to fund future investments if opportunities arise, depending on the nature of any such investments and market conditions. Meanwhile, management will continue to strengthen its operations within other existing businesses of the Group.

## CORPORATE GOVERNANCE

The Company has, during the six months ended 30 September 2014 met the code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), except for the following deviation:

### Code Provision A.2.1

Under Code Provision A.2.1, the roles of the chairman and chief executive officer should be separated and should not performed by the same individual. The Company did not name any officer with the title of "Chief Executive Officer". Mr. Hui Richard Rui is the general manager of the Group (the "General Manager") and assumed the duty of "Chief Executive Officer" who is responsible for managing and smoothing the business operations of the Group while Mr. Chiu Tao, the Chairman, remains to be responsible for leading the Board in the overall strategic development of the Group. The Board believes that there is an effective and sufficient segregation of duties between the Chairman and the General Manager.

## 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. Based on specific enquiry of all directors, the directors have confirmed that they had complied with the required standard as set out in the Model Code during the six months ended 30 September 2014.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 September 2014, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## REVIEW BY AUDIT COMMITTEE

The 2014 interim report has been reviewed by the Company's audit committee which comprises 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**
**Hui Richard Rui**
*Executive Director*

Hong Kong, 26 November 2014

*As at the date of this announcement, the Board comprises (i) Mr. Chiu Tao (Chairman), Mr. Hui Richard Rui, Mr. Lee Ming Tung, Mr. Kwan Kam Hung, Jimmy, Mr. Yeung Kwok Yu and Mr. Tsui Ching Hung as executive directors of the Company and (ii) Mr. Yu Pan, Ms. Tong So Yuet and Ms. Ma Yin Fan as independent non-executive directors of the Company.*