INTERIM REPORT 2010

For the six months ended 30 September 2010

CST Mining Group Limited

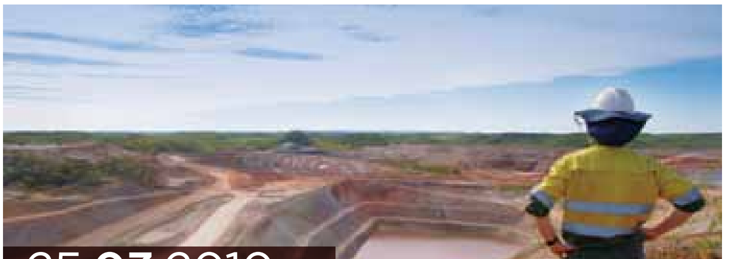
(Incorporate in Cayman Islands with limited liability)

Stock code 985

NEW START NEW CST

CST MINING GROUP LIMITED

CORPORATE MILESTONES

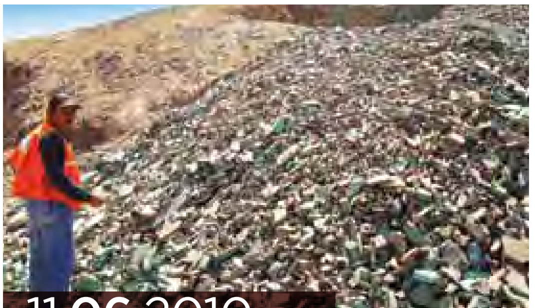


25.03.2010

- Acquisitions of Chariot Resources Limited in Canada and Lady Annie project in Australia announced
- BOCI Asia Limited, Deutsche Bank AG and Morgan Stanley & Co. International appointed as placing agent

31.05.2010

- Acquisition of Lady Annie project in Australia completed
- Mr Owen L. Hegarty appointed as Executive Director and Vice Chairman of CST Mining



11.06.2010

- Acquisition of Chariot Resources Limited completed

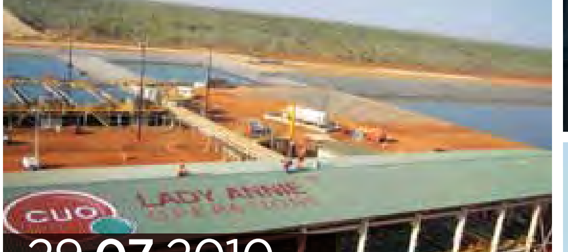
22.06.2010

- Change of name to "CST Mining Group Ltd."

Chairman, Mr Chiu Tao (right) and CEO, Mr Damon G. Barber, of the Group

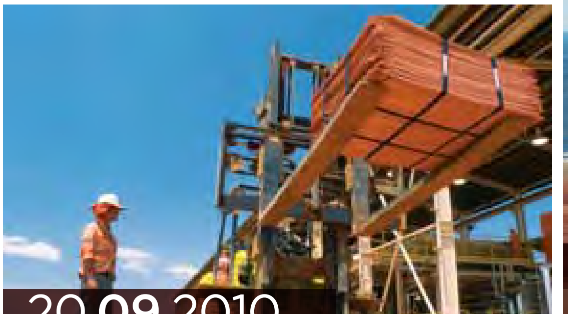
25.06.2010

- 23.4 billion new shares placed; nearly HK$4.68 billion raised for Chariot Resources and Lady Annie



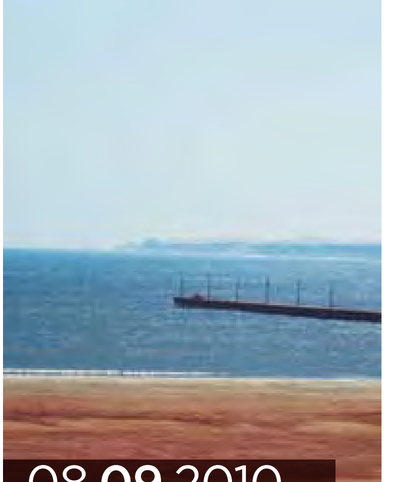
29.07.2010

- Approval of plan of operations of Lady Annie project by Department of Environment and Resource Management of the Queensland Government



20.09.2010

- Resumption of mining at Lady Annie announced



08.09.2010

- Approval of Environmental Impact Assessment of Mina Justa project by Ministry of Energy and Mines of Peru

MINA JUSTA PROJECT

Marcobre owns the Marcona copper project in coastal Southern Peru.

The project has a resource base of more than 3 million tonnes of contained copper and reserves of more than 1 million tonnes of contained copper.

Mina Justa Project has been officially declared to be of national interest by the Peruvian government

(from left) Mr Damon G. Barber and Mr Owen L. Hegarty pay attention to every detail of the Mina Justa progress

Diamond drilling to investigate the contents of ore deposits

Each drillhole marks the step of CST Mining moving towards the first production of copper at Mina Justa

Core sample indicates the potential of the project

LADY ANNIE PROJECT

Acquired in May 2010, Lady Annie is a copper mine with SX-EW processing facility in Queensland Australia

approximately 120km northwest of Mount Isa. First copper cathode was produced on 25 November 2010, marking the successful new start of CST Mining.


Mining site and processing plant of Lady Annie with estimated production of 25,000 to 30,000 tonnes per annum


The professional operation team explain the progress of Lady Annie to Mr Owen L. Hegarty (left) and Mr Damon G. Barber (right)


Lady Annie is an open-pit mine


Copper cathode harvesting


Roadtrain transports copper ore for further processing


First production of copper cathode on 25 November 2010


Drilling commences to assess the extent and quality of the near-surface mineralization


Banks of electrowinning cells with cathodes. Any other mineral in the copper does not plate out and drops to the bottom of the cell to be recovered later


(from left) Mr Owen L. Hegarty, Mr Chiu Tao and Mr Damon G. Barber are happy to visit the Lady Annie project

MISSION AND VISION

TO BECOME A GLOBALLY COMPETITIVE COPPER PLAYER WITH AN ANNUAL PRODUCTION OF 250,000t OF COPPER BY 2015 THROUGH LADY ANNIE, MINA JUSTA, AND ADDITIONAL EXPANSIONS AND ACQUISITIONS

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This report is printed on environmentally friendly paper

CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr Chiu Tao *(Chairman)*
Mr Owen L. Hegarty *(Vice Chairman)*
Mr Damon G. Barber *(Chief Executive Officer)*
Mr Hui Richard Rui *(General Manager)*
Mr Yeung Kwok Yu
Mr Kwan Kam Hung, Jimmy
Mr Tsui Ching Hung
Mr Chung Nai Ting
Mr Lee Ming Tung
Mr Wah Wang Kei, Jackie

Independent Non-Executive Directors

Mr Yu Pan
Ms Tong So Yuet
Mr Chan Shek Wah

Company Secretary

Mr Chow Kim Hang

Registered Office

Ground Floor
Caledonian House
Mary Street
P.O. Box 1043
George Town
Grand Cayman
Cayman Islands

Head Office and Principal Place of Business in Hong Kong

Rooms 4503-05, 45th Floor
China Resources Building
26 Harbour Road
Wanchai
Hong Kong

Auditors

Deloitte Touche Tohmatsu
Certified Public Accountants

Principal Banker

Hang Seng Bank Limited

Principal Share Registrars and Transfer Office

The Harbour Trust Company Limited
One Regis Place
P.O. Box 1787
Grand Cayman
Cayman Islands
British West Indies

Hong Kong Branch Share Registrars and Transfer Office

Tricor Tengis Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

BIOGRAPHICAL DETAILS OF DIRECTORS

Executive Directors

Chiu Tao, aged 55

was appointed as Chairman and an executive director of the Company on 10 March 2009 and 7 November 2008, respectively. Mr Chiu is an experienced executive and merchant, and was engaged as a senior manager and chairman of various listed companies in Hong Kong. Mr Chiu has extensive experience in the metal business, trading, investment planning, business acquisitions and development, and corporate management. He is currently the Chairman and an executive director of G-Resources Group Limited, whose shares are listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") ("G-Resources").

Owen L. Hegarty, aged 62

was appointed as Vice-Chairman and an executive director of the Company on 31 May 2010. Mr Hegarty has some 40 years' experience in the global mining industry. Mr Hegarty had 25 years with the Rio Tinto group where he was Managing Director of Rio Tinto Asia and Managing Director of the Group's Australian copper and gold business. He was the founder and Chief Executive Officer of Oxiana Limited, which grew from a small exploration company to a multi-billion dollar Australia, Asia and Pacific focused base and precious metals producer, developer and explorer. Oxiana Limited later became OZ Minerals Limited.

For his achievements and leadership in the mining industry Mr Hegarty was awarded the AusIMM Institute Medal in 2006 and the G.J. Stokes Memorial Award in 2008.

Mr Hegarty is currently Vice-Chairman and an executive director of G-Resources, as well as a non-executive director of Australian Fortescue Metals Group Limited (whose shares are listed on the Australian Stock Exchange), a director of the Australasian Institute of Mining and Metallurgy ("AusIMM"); and a member of the South Australian Minerals and Petroleum Expert Group, advising the Premier on mining in that State; and a director of the Western Australia based Mining Hall of Fame Foundation – a mining education foundation. Mr Hegarty was a non-executive director of Range River Gold Limited (whose shares are listed on the Australian Stock Exchange).

Mr Hegarty is also Chairman of Tigers Realm Minerals Ltd, a private Melbourne based mining company looking to grow a diversified mining group.

Damon G. Barber, aged 43

was appointed as Chief Executive Officer and an executive director of the Company on 1 April 2010. He was most recently the Managing Director, Head of Metals and Mining, Asia with Deutsche Bank. Mr Barber has over 17 years of experience in advisory and management roles in the natural resources industry having worked five years in the U.S. mining industry and having spent over 12 years advising and assisting natural resource companies on mergers and acquisitions, divestments, debt and equity capital raisings, leverage buy-outs and project financings as a member of Deutsche Bank's Natural Resources Group from 2007 to 2010 and Credit Suisse's Natural Resources Group from 1998 to 2007. From 1996 to 1998, Mr Barber was a bond trader at Credit Suisse First Boston. Mr Barber holds a Bachelor of Science degree in Mining Engineering, cum laude, from the University of Kentucky and a Master of Business Administration degree, with distinction, from the Wharton School of Business.

Hui Richard Rui, aged 42

was appointed as an executive director of the Company on 17 August 2004 and as General Manager of the Company on 11 October 2006. He graduated from University of Technology in Sydney, Australia with a Bachelor's degree in Mechanical Engineering. He has more than 10 years' experience in management positions with companies in Australia, Hong Kong and PRC. Mr Hui is also an executive director of G-Resources and an executive director of China Strategic Holdings Limited, whose shares are listed on the main board of the Stock Exchange ("China Strategic").

Yeung Kwok Yu, aged 59

was appointed as an executive director of the Company on 26 September 2008. Mr Yeung had held management positions in trading companies which were based in the People's Republic of China and Hong Kong, and was also engaged as senior management in various listed companies in Hong Kong. Mr Yeung has extensive experience in general trading, strategic investment planning and business development. Mr Yeung is currently the senior business development officer of the Company and is responsible for exploring business opportunities, liaising and negotiating with potential business partners of the Company. He is also an executive director of Fulbond Holdings Limited, whose shares are listed on the main board of the Stock Exchange ("Fulbond").

Kwan Kam Hung, Jimmy, aged 49
was appointed as an executive director of the Company on 11 November 2002. Mr Kwan was engaged as a senior manager with various listed companies in Hong Kong. He has over 15 years of experience in the fields of finance and accounting and corporate management. Mr Kwan is currently an executive director of G-Resources and an executive director of Fulbond.

Tsui Ching Hung, aged 57
was appointed as an executive director of the Company on 2 May 2007. He holds a Master of Science degree in Polymer Science and a Master of Business Administration degree from the University of Aston and University of Warwick in the United Kingdom, respectively. He has over 10 years of experience in senior management positions with several multinational corporations in Hong Kong. Mr Tsui is currently a non-executive director of G-Resources and an independent non-executive director of Rising Development Holdings Limited, whose shares are listed on the main board of the Stock Exchange.

Chung Nai Ting, aged 55
was appointed as an executive director of the Company on 2 May 2007. He has over 20 years of experience in the trading business.

Lee Ming Tung, aged 48
was appointed as an executive director of the Company on 28 September 2007. He is also the Chief Financial Officer of the Company. He holds a Bachelor of Science degree in accounting from Brigham Young University in U.S.A., a Master of Accountancy degree from Virginia Polytechnic Institute and State University of U.S.A., and a Master of Financial Engineering degree from City University of Hong Kong and a Postgraduate Diploma in Corporate Administration from Hong Kong Polytechnic University. Mr Lee is an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. He has over 15 years' experience in the field of accounting and finance.

Wah Wang Kei, Jackie, aged 43
was appointed as an executive director of the Company on 25 June 2010. Mr Wah graduated from The University of Hong Kong in 1990. He is a practising solicitor in Hong Kong and was qualified as a solicitor in 1992. Mr Wah was a partner of Vivien Chan and Company, a law firm in Hong Kong, until 1997 and is a consultant of Messrs. Beiten Burkhardt, an international law firm until 16 December 2010. Mr Wah is currently an executive director of G-Resources and Fulbond.

Independent Non-Executive Directors

Yu Pan, aged 55
was appointed as independent non-executive director on 28 September 2004. He has over 15 years of experience in management positions of multinational trading companies in Hong Kong and the PRC. Mr Yu is currently an independent non-executive director of Fulbond.

Tong So Yuet, aged 38
was appointed as independent non-executive director on 24 February 2005. She graduated from Hong Kong Polytechnic University with a bachelor degree in accountancy. She is a fellow member of the Association of Chartered Certified Accountants, an associate member of the Hong Kong Institute of Certified Public Accountants, The Hong Kong Institute of Company Secretaries, The Institute of Chartered Secretaries and Administrator and a Certified Public Accountant (Practising). Prior to joining the Company, Ms Tong has over 10 years of experience in auditing and accounting sector.

Chan Shek Wah, aged 47
was appointed as independent non-executive director on 1 June 2007. He has more than 20 years of professional experiences in the financial services industry. He was engaged in the sales, proprietary trading, structuring of equity derivatives and equity capital market products as well as the provision of corporate finance advisory services to listed issuers. He was the senior management and the executive directors in several international financial institutions. Mr Chan is currently an independent non-executive director of Future Bright Holdings Limited, whose shares are listed on the main board of the Stock Exchange.

CHAIRMAN'S STATEMENT

Dear Shareholders,

We have done a lot and we have achieved a lot in the six months ended 30 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 six 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 six months.

I am glad that I have appointed Damon as our CEO. Without him, we would not have achieved so much in the last six 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
Hong Kong, 29 November 2010

COMPANY PROFILE

Headquartered in the Hong Kong Special Administrative Region, CST Mining Group Ltd. ("CST Mining" or the "Company") is listed on the Hong Kong Stock Exchange under the stock code 985 and is engaged in the copper mining business. The Company operates its wholly owned Lady Annie Copper Mine in Queensland, Australia and is developing the Marcona/Mina Justa Copper Project in southern Peru.

The Company also owns a 9.9% stake in Hong Kong listed G-Resources Group Ltd., whose primary asset is a 95% equity interest in the Martabe Gold and Silver Project in Indonesia.

Lady Annie Copper Mine (Australia – 100%)

Lady Annie is a copper mine and SX-EW processing facility in Queensland Australia approximately 120km northwest of Mount Isa.

The Company owns 100% of Lady Annie and has restarted copper production in November 2010. The operation has the capacity to produce 25,000-30,000 tonnes per annum of copper cathodes. Reserves as of 31 December 2009 were 11.2 Mt @ 1.10% copper and total resources as at November 2010 were 65.2 Mt @ 0.71% copper.

Lady Annie lies within the Mount Isa Inlier which contains numerous world class base and precious metals ore bodies. The potential for additions to resources and reserves are excellent in and around the existing ore bodies and on the Company's highly prospective exploration tenements.

Marcona/Mina Justa Copper Project (Peru – 70%)

Marcona/Mina Justa Copper Project is a 401 million tonnes, 0.77% copper deposit in southern Peru that is being developed by Marcobre S.A.C., which CST Mining owns 70%.

The Mina Justa deposit contains approximately seven billion pounds of copper. A Definitive Feasibility Study was completed in 2009 for an 110,000 tonnes per annum operation. On 8 September 2010, the Peruvian government approved the Environmental Impact Assessment for the Mina Justa Project, which clears the way for CST Mining to fast track the property into production.

The project is expected to create 1,500 jobs at the peak of construction and 600 full-time jobs once in production.

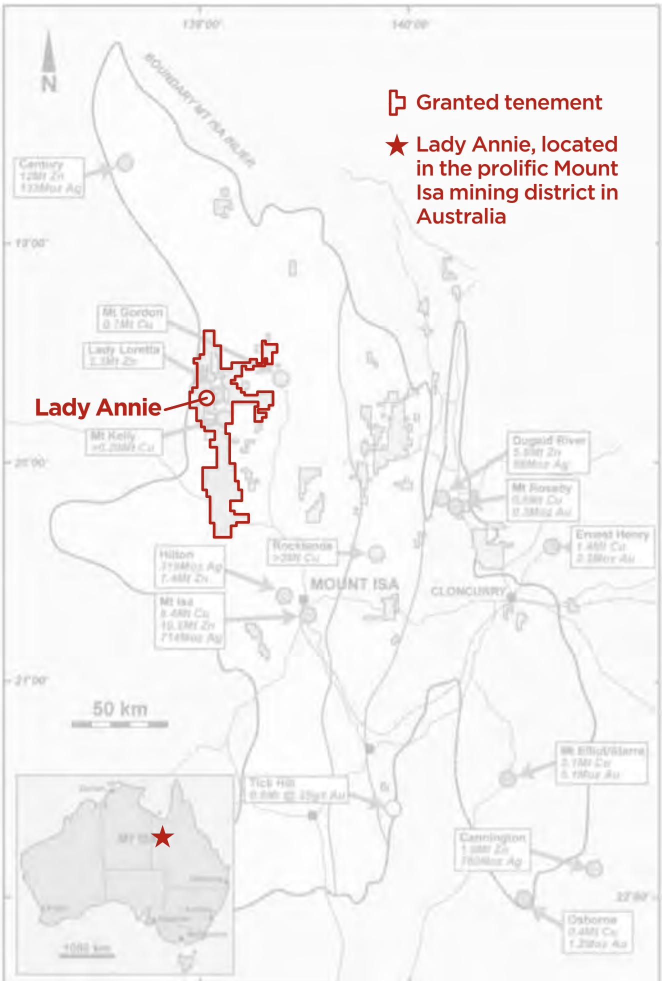
Strategy

The long-term strategy of the Company is to grow the Company into a world-class Asia Pacific copper business with a medium term production target of 250,000 tonnes per year within three to five years.

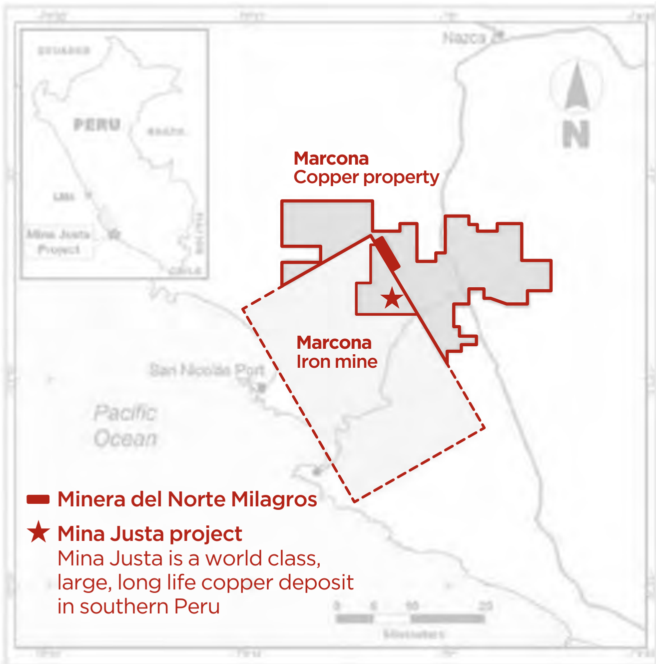
The Company's expansion will be achieved through organic and non-organic growth, with a focus on development-ready projects or advanced exploration projects.

The main acquisition criteria are mines or projects that are, or have the capability of, producing more than 50,000 tonnes per annum of copper metal or contained in concentrates, have a long mine life with low cash costs, and offer significant upside for further resource exploration.

Location of Lady Annie



Location of Mina Justa



PROJECTS OVERVIEW

During the period, CST Mining has successfully acquired two mining projects: Lady Annie project and Mina Justa project. The exploration and mining activities during the period from the date of acquisition to 30 September 2010 have been summarised as follows:

Lady Annie Project

Since acquisition of the Lady Annie Project in May 2010, the Company has embarked on an aggressive exploration program to discover and build its oxide mineral resource inventory.

The main focus of those exploration activities have been intensive reverse circulation ("RC") drilling around its existing mining operations at Mt Kelly. The Mt Kelly Mining Area consists of the Mt Clarke and Flying Horse Pits and the Swagman deposit adjacent to the Lady Annie SX-EW process facility. Further exploratory RC drilling have been carried out on two regional prospects consisting of Wild Gecko and McLeod Hill. Summary drilling statistics are given in following table:

Drilling activities: 1 April to 30 September 2010

Project	Lease	Number of holes	Metres drilled (RC)*
Mt Kelly Mining Area	ML5446, 5435, 5448, 5478, 5447, 90168, 5476, 90170	254	19,562
Swagman	ML 90170	25	1,716
McLeod Hill	ML 5474	18	1,750
Wild Gecko	EPM 11586	59	4,117
Anthill	EPM 16244	8	858
Total		**364**	**28,003**

* No other forms of drilling, e.g. Diamond or Air Core, were undertaken during the reporting period.

Drilling around the Mt Kelly Mining Area was aimed at extending known resources and geological understanding of the geology and mineralisation. The resource extension drilling was based on review of existing data and a resource study completed in March 2010. New estimations for the Mineral Resources for the project based on the results of this drilling were commenced in early September. The new Mineral Resource estimations were carried out by The Snowden Mining Industry Consultants from their Perth office in Western Australia.

A second drill rig was mobilised in September to accelerate resource extension drilling around the Mt Kelly Mining Area and Anthill deposit. A total of 364 RC holes were drilled between 1 April and 30 September 2010, for 28,003m. Drilling at the Mt Kelly, Anthill and McLeod Hill projects has been very successful. Highlights of downhole copper intercepts include:

- MTKC169 40m @ 1.01% Cu from 32m
- MTKC264 33m @ 1.33% Cu from 55m
- MTKC270 29m @ 1.24% Cu from 43m
- MTKC299 18m @ 1.37% Cu from 30m

Significant gold potential has also been recognised at Mount Kelly, with the following results from drillholes adjacent to the Flying Horse pit:

- MTKC258 6m @ 1.44gt Au from 97m
- MTKC261 8m @ 5.58gt Au from 44m
- MTKC293 23m @ 2.31gt Au from 50m

In addition to resource extension and other drilling activities described above, the Company has initiated a number of regional greenfields exploration programs, targeting prospective zones within 50km of the Mt Kelly Operation. Greenfields exploration has included soil sampling at the Wild Gecko, Lady Maggie, Redie Creek and Gun Creek prospects. Results of these greenfields activities are being evaluated and will be followed up in 2011 with further drilling in prospective areas defined in 2010.

Further afield, field reconnaissance and soil sampling was undertaken at Cartridge Creek, targeting base metal mineralisation associated with the same regional fault system as that hosting the world-class Century Pb-Zn deposit. A total of 2,719 soil samples were collected during the reporting period across all prospect areas, identifying surface Cu anomalism at Gun Creek, Wild Gecko, Redie Creek and Cartridge Creek.

Geological mapping was also carried out by Compass Geological throughout the Mt Kelly-Lady Annie mineralised corridor. This program aimed to better define regional and local-scale geological structures and their controls on mineralisation.

Continual geological evaluation and planning of exploration activity has been ongoing during the reporting period. This has been predominantly focused on the Anthill Deposit where a large program of RC and DD drilling has been planned. The objective of this work is to extend the existing mineral resource, define structural and mineralogical constraints and to collect sample for metallurgical analysis.

Although, the commercial production has not commenced until November, mining activities during the period has been continued. The activities are summarised in following table:

	Lady Annie	Mt Clarke	Flying Horse	Total
Ore Mined (tonnes)	67,258	64,490	92,281	224,029
Ore Grade (Cu %)	1.16	0.9	0.67	0.88
Waste Mined (bcm)	200,440	60,107	43,131	303,678
Metre Drilled (metres)	12,182	5,846	5,012	23,040

Mineral Resources have been classified and reported in accordance with the guidelines of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the "JORC Code") (JORC, 2004).

Lady Annie Mineral Resources Summary, as at October 2010

	Measured Resources		Indicated Resources		Inferred Resources		Total		
Deposit	Mt	Total Cu %	Mt	Total Cu %	Mt	Total Cu %	Mt	Total Cu %	Cu kt
Oxide									
Lady Annie/Lady Brenda*	8.12	1.14	3.18	0.84	2.41	0.71	13.7	1.00	136.8
Mount Clarke	3.01	0.54	0.89	0.36	0.15	0.24	4.05	0.49	19.8
Flying Horse and Mt Kelly Workings	5.93	0.48	2.05	0.36	0.37	0.27	8.36	0.44	36.9
McLeod Hill	–	–	–	–	0.48	0.35	0.48	0.35	1.7
Anthill	–	–	1.62	0.77	3.17	0.75	4.80	0.76	36.4
Swagman	0.14	0.67	0.03	0.62	0.02	0.53	0.20	0.64	1.3
Sub-total	17.2	0.8	7.78	0.64	6.61	0.67	31.59	0.74	232.8
Transition									
Lady Annie/Lady Brenda*	3.64	0.89	0.91	0.7	1.98	0.68	6.53	0.8	52.2
Mount Clarke	1.78	0.48	0.22	0.36	0.13	0.25	2.12	0.46	9.7
Flying Horse and Mt Kelly Workings	2.03	0.51	1.15	0.51	0.17	0.33	3.36	0.5	16.9
McLeod Hill	–	–	–	–	0.55	0.57	0.55	0.57	3.1
Anthill	–	–	–	–	–	–	–	–	–
Swagman	–	–	0.07	0.6	0.04	0.45	0.11	0.54	0.6
Sub-total	7.45	0.69	2.34	0.57	2.87	0.61	12.67	0.65	82.4
Sulphide									
Lady Annie/Lady Brenda*	1.21	0.75	2.09	0.93	1.22	0.78	4.53	0.84	38
Mount Clarke	1.08	0.52	0.83	0.47	0.2	0.47	2.11	0.5	10.4
Flying Horse and Mt Kelly Workings	–	–	3.84	0.79	9.18	0.62	13.02	0.67	87.7
McLeod Hill	–	–	–	–	0.39	0.56	0.39	0.56	2.2
Anthill	–	–	–	–	0.82	0.76	0.82	0.76	6.3
Swagman	–	–	–	–	0.03	0.45	0.03	0.45	0.1
Sub-total	2.29	0.64	6.76	0.8	11.85	0.64	20.90	0.69	144.7
Grand total	**26.95**	**0.76**	**16.88**	**0.7**	**21.33**	**0.65**	**65.16**	**0.71**	**459.9**

* Lady Annie/Lady Brenda Mineral Resource (Above 174mRL) remains as per December 2007 model completed by CSA Australia Pty Ltd. Small discrepancies may occur due to rounding.

Summary of total oxide Ore Reserves after mining depletion as at 31 December 2009

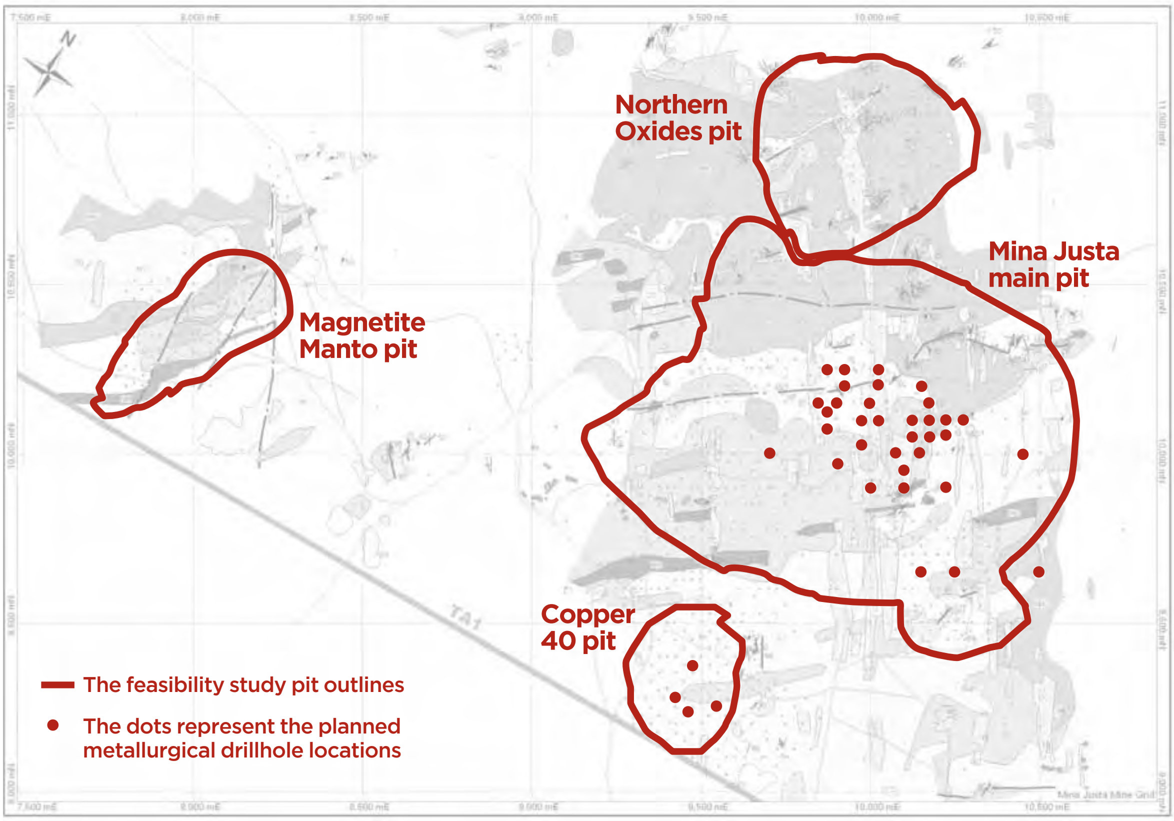
	Proved		Probable		Total		
Deposit	**Mt**	**Cu %**	**Mt**	**Cu %**	**Mt**	**Cu %**	**Cu kt (contained)**
Lady Annie/Lady Brenda	–	–	7.26	1.27	7.26	1.27	92.2
Mount Clarke	1.42	0.69	0.36	0.80	1.78	0.71	12.7
Flying Horse	0.55	0.83	1.19	0.78	1.74	0.80	13.8
Stockpiles	–	–	0.45	1.01	0.45	1.01	4.5
Total	**1.97**	**0.73**	**9.26**	**1.18**	**11.23**	**1.10**	**123.3**

Note:
Tonnage and grade figures have been rounded to two decimal places.

Mina Justa Project

During the period, the Mina Justa project had limited exploration activities. Metallurgical drilling was conducted for upgrading sulphide metallurgy from pre-feasibility study level to feasibility study level. The design resulted in a 44 holes drilling work plan totalling approximately 15,500 metres in the Main Pit and Copper 40 Pit areas (see figure below). These pits are located in the southern portion of mining concession. The transition and sulphide ore zones are intersected by diamond drilling with HQ diameter core to meet the metallurgical sampling requirements.

Drilling commenced in late June 2010. Core logging and grade control assaying will continue to the end of November 2010. As by 30 September 2010 a total of around 13,852.45 metres (7,852.00 metres of reverse circulation and 5,999.45 metres of HQ diameter core drilling) have been completed.



Mineral Resources

No mineral resource update for the Mina Justa project had been carried out in the reporting period.

The mineral resources at CuT cut-offs of 0.2%, 0.3% and 0.4% are summarised in the following table.

Global Classified Resources

Cut-off grade (CuT%)	**Million Tonnes**	**CuT** %	**Cu_SS** %	**Cu_CN** %	**Cu_R** %	**Contained Cu** (Million lb)
Indicated						
0.2	411.3	0.67	0.26	0.19	0.22	6,070
0.3	336.8	0.76	0.29	0.23	0.25	5,650
0.4	246.9	0.91	0.31	0.29	0.30	4,960
Inferred						
0.2	77.5	0.72	0.08	0.12	0.53	1,240
0.3	64.6	0.82	0.08	0.14	0.60	1,170
0.4	50.9	0.94	0.08	0.15	0.72	1,060

Silver and gold grades are reported only for the transition and sulphide zones and cut-off 0.3% total copper:

Global Classified Resources for Silver and Gold

Tonnage Mt	**Ag** g/t	**Au** ppb	**Contained Ag** oz	**Contained Au** oz
Indicated Resource				
161.8	8.75	55.95	45,530,000	291,000
Inferred Resource				
58.3	5.03	79.22	9,430,000	148,500

Notes:

a) The above mineral resource classifications are equivalent to the resource classification definitions used by the Canadian Institute of Mining Metallurgy and Petroleum (CIMM).

b) CuT is total copper, Cu-SS is sulphuric acid copper, Cu-CN is cyanide soluble copper and Cu-R is residual copper.

Expenditure on exploration, development and mining activities

During the period, the Company invested a total of approximately HK$129 million on the exploration and mining activities in the Lady Annie and Mina Justa:

	Lady Annie HK$'000	**Mina Justa** HK$'000	**Total** HK$'000
Mining	29,211	–	29,211
Processing	9,650	–	9,650
Health, Safety and Environment	3,486	351	3,837
Administration	8,202	2,418	10,620
Camp expense	815	351	1,166
Drilling expense	–	7,394	7,394
Project expense	–	5,959	5,959
Staff cost	24,110	8,681	32,791
Care and maintenance	5,989	–	5,989
Machinery and equipment	22,036	–	22,036
Total	**103,499**	**25,154**	**128,653**

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 was 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 recognised a non-cash share-based payment 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 bank balances and cash of approximately HK$1,953.42 million. Bank deposit of approximately HK$93.34 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 with an aggregate cash consideration of C$249,682,000. 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 Ltd, 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's 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 Marcobre S.A.C., which is 70% owned by 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 authorisations. 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 250,000 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.

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	4	**25,354**	23,529
Other income	5	**29,451**	61,184
Administrative expenses		**(54,315)**	(37,914)
Acquisition-related costs on business combination	18	**(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	5	**–**	9,964
Share-based payments	17	**(64,061)**	–
Finance costs	6	**(2,254)**	(4,870)
(Loss) profit before taxation		**(193,889)**	53,464
Taxation	7	**(32)**	(11,478)
(Loss) profit for the period	8	**(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
(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	9	**HK(1.23) cents**	HK1.85 cents
Diluted	9	**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	11	**3,098,094**	49,036
Investment properties	12	**109,867**	99,541
Available-for-sale investments		**124,343**	118,807
Deposit	15	**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	14	**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	15	**88,714**	–
		7,111,963	2,477,930
Capital and Reserves			
Share capital	16	**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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2010

	Attributable to owners of the Company												
	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000 (note a)	Convertible notes equity reserve HK$'000	Other capital reserve HK$'000 (note b)	Investment revaluation reserve HK$'000	Warrants reserve HK$'000	Share options reserve HK$'000	Exchange reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 April 2009 (audited)	1,326,621	1,474,039	7,700	36,774	396,347	–	–	–	–	(1,117,751)	2,123,730	(44)	2,123,686
Profit for the period	–	–	–	–	–	–	–	–	–	41,986	41,986	–	41,986
Other comprehensive income for the period	–	–	–	–	–	14,393	–	–	–	–	14,393	–	14,393
Total comprehensive income for the period	–	–	–	–	–	14,393	–	–	–	41,986	56,379	–	56,379
Cancellation and consolidation of paid up share capital due to capital reorganisation	(1,273,556)	–	–	–	604,196	–	–	–	–	669,360	–	–	–
Issue of shares	265,358	132,697	–	–	–	–	–	–	–	–	398,055	–	398,055
Transaction costs attributable to issue of shares	–	(9,950)	–	–	–	–	–	–	–	–	(9,950)	–	(9,950)
At 30 September 2009 (unaudited)	318,423	1,596,786	7,700	36,774	1,000,543	14,393	–	–	–	(406,405)	2,568,214	(44)	2,568,170
At 1 April 2010 (audited)	318,609	1,531,761	7,700	–	1,000,543	22,143	65,211	–	–	(467,993)	2,477,974	(44)	2,477,930
Loss for the period	–	–	–	–	–	–	–	–	–	(193,921)	(193,921)	–	(193,921)
Other comprehensive income for the period	–	–	–	–	–	5,536	–	–	130,621	–	136,157	–	136,157
Total comprehensive expense for the period	–	–	–	–	–	5,536	–	–	130,621	(193,921)	(57,764)	–	(57,764)
Issue of shares (note 16)	2,340,000	2,340,000	–	–	–	–	–	–	–	–	4,680,000	–	4,680,000
Transaction costs attributable to issue of shares	–	(66,100)	–	–	–	–	–	–	–	–	(66,100)	–	(66,100)
Grant of share options	–	–	–	–	–	–	–	64,061	–	–	64,061	–	64,061
Issue of shares upon exercise of warrants	7,088	15,302	–	–	–	–	(8,554)	–	–	–	13,836	–	13,836
At 30 September 2010 (unaudited)	2,665,697	3,820,963	7,700	–	1,000,543	27,679	56,657	64,061	130,621	(661,914)	7,112,007	(44)	7,111,963

(a) The capital reserve of the Group represents the difference between the nominal value of the shares of the subsidiaries acquired, over the nominal value of the share capital of the Company issued in exchange, in connection with the Group reorganisation completed in January 1994.

(b) The other capital reserve of the Group represents the balance of the credit arising from the cancellation of paid up capital in previous years.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2010

	Notes	Six months ended 30 September 2010 HK$'000 (Unaudited)	2009 HK$'000 (Unaudited)
Operating activities			
(Loss) profit before taxation		**(193,889)**	53,464
Adjustments for:			
Interest income		**(2,336)**	(1,574)
Dividend income		**(23,273)**	(21,554)
Exchange gain		**(26,769)**	–
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
Finance costs		**2,254**	4,870
Depreciation		**5,163**	640
Share-based payments		**64,061**	–
Operating cash flows before movements in working capital		**(90,718)**	34,275
Increase in financial assets at fair value through profit or loss		**(210,688)**	(858,932)
Other working capital items		**80,833**	(51,137)
Cash used in operations		**(220,573)**	(875,794)
Income tax paid		**(32)**	(43)
Interest received		**2,336**	1,574
Dividend received		**23,273**	21,554
Net cash used in operating activities		**(194,996)**	(852,709)
Investing activities			
Acquisition of assets and liabilities (net of cash and cash equivalents acquired)	19	**(1,856,606)**	–
Acquisition of a subsidiary (net of cash and cash equivalents acquired)	18	**(858,198)**	–
Increase in available-for-sale investments		**–**	(87,464)
Purchase of property, plant and equipment		**(160,220)**	(88)
Increase in deposit		**(88,735)**	–
Net cash used in investing activities		**(2,963,759)**	(87,552)
Financing activities			
Proceeds from exercise of warrants		**13,836**	–
Proceeds from issue of shares		**4,680,000**	398,055
Redemption of convertible notes		**–**	(100,000)
Expenses on issue of shares		**(66,100)**	(9,950)
Interest paid		**(2,254)**	(380)
Net cash from financing activities		**4,625,482**	287,725
Net increase (decrease) in cash and cash equivalents		**1,466,727**	(652,536)
Effect of foreign exchange rate changes		**4,006**	–
Cash and cash equivalents at the beginning of the period		**482,691**	1,535,265
Cash and cash equivalents at the end of the period, represented by bank balances and cash		**1,953,424**	882,729

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 condensed consolidated financial statements are presented in Hong Kong dollars which is also the functional currency of the Company.

The Company is an investment holding company and the Group is engaged in investment in financial instruments, property investment, and exploration and mining of copper and other mineral resources materials.

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

Adoption of new and revised HKFRSs effective in the current period

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

3. Principal Accounting Policies (continued)

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 twelve 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**

3. Principal Accounting Policies (continued)

In addition, the following accounting policies were adopted by the Group for the first time 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.

3. Principal Accounting Policies (continued)

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 expect to ultimately vest. The impact of the revision of the estimates, if any, is recognised in profit and 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) – Int 14 (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.

4. 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 18 and 19 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 HK$'000 (unaudited)	2009 HK$'000 (unaudited)	**2010 HK$'000 (unaudited)**	2009 HK$'000 (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 changes of 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.

5. 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 Group Limited ("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.

6. 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 in a loss on early redemption of HK$27,328,000.

7. 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 Profits Tax was provided during the current period since the Group has no assessable profit in the current period.

Hong Kong Profits Tax is 16.5% for both 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.

8. (Loss) Profit for the Period

	Six months ended 30 September	
	2010	2009
	HK$'000	HK$'000
	(unaudited)	(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 costs	**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)

9. (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
	HK$'000	HK$'000
(Loss) earnings		
(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.

10. Dividend

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

11. 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 which are set out in notes 18 and 19 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.

12. 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.

13. Other Receivable

Other receivable 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. Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss are set out below:

	As at 30 September 2010 HK$'000 (unaudited)	As at 31 March 2010 HK$'000 (audited)
Equity securities		
– listed in Hong Kong	**1,315,673**	1,301,185
– listed outside Hong Kong	**43,088**	50,853
Convertible notes		
– listed in Hong Kong	**–**	5,772
– unlisted	**72,091**	30,564
Debt securities	**57,264**	2,828
Investment funds	**326,186**	306,809
	1,814,302	1,698,011

The fair values of the listed equity securities are determined based on the quoted market bid prices available on the relevant stock exchange. The fair values of the investment funds are determined with reference to the net asset values of the underlying assets of the funds which are provided by the counter-party financial institutions.

The convertible notes are redeemable, non-interest bearing and are repayable upon maturity which is ranging from three to five years from the date of issue. The Group has the right to convert, on any business day, the convertible notes into ordinary shares of the issuer from the date of acquisition of the convertible notes to their maturity dates. The issuers may also redeem the convertible notes at par value or above at any time prior to maturity. As the Group holds the convertible notes for trading purpose, the convertible notes are classified as financial assets at fair value through profit or loss.

The fair values of those convertible notes listed on the Stock Exchange and the debt securities issued by a company listed in the New York Stock Exchange and the Stock Exchange are determined based on the quoted market prices in active markets. The fair value of the unlisted convertible note, which was issued by a company listed on the Stock Exchange, has been arrived at on the basis of a valuation carried out by Asset Appraisal Limited, independent qualified professional valuers not connected with the Group. The fair value of the unlisted convertible note is calculated using the discounted cash flows method at a market interest rate for the equivalent non-convertible note for its straight debt component and using the binomial model for its derivative component.

15. Deposit/Provision for Mine Rehabilitation Cost

The amount was acquired as a result of acquisition of a subsidiary and acquisition of assets and liabilities set out in notes 18 and 19 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.

	HK$'000
At 1 April 2010	–
Acquisition of a subsidiary (Note 18)	78,742
Acquisition of assets and liabilities (Note 19)	2,346
Exchange adjustments	7,626
At 30 September 2010	88,714

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.

16. 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 a subsidiary and acquisition of assets and liabilities.

As a result of the placing of shares and the grant of share options with details set out in note 17, 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 812,867,015 (31 March 2010: 528,451,898) warrants.

17. Share-Based Payments

The Company has entered into share option agreements with certain directors and also has a share option scheme for directors and eligible employees of the Group. Details of the share options outstanding during the current period are as follows:

	Number of share options
Outstanding at 1 April 2010	–
Granted during the period	**2,566,000,000**
Outstanding at 30 September 2010	**2,566,000,000**

In the current period, five lots of share options were granted to the directors and eligible employees of the Group. Details are set out below:

Date of grant	Number of share options			Fair value of share options	Vesting conditions
	Tranche A	Tranche B	Total	HK$'000	*Notes*
31 May 2010	–	–	365,000,000	82,293	*(A)*
11 June 2010	–	–	1,460,000,000	353,482	*(A)*
2 September 2010	386,800,000	294,200,000	681,000,000	45,224	*(B)*
24 September 2010	16,000,000	4,000,000	20,000,000	1,646	*(B)*
30 September 2010	36,000,000	4,000,000	40,000,000	3,912	*(B)*

All the share options granted during the current period are valid upon fulfilment of vesting conditions and up to a maximum period of five years from the date of grant. The grantee shall continue to provide services to the Group as director or employees of the Group during the vesting period of respective share options. The share options will vest upon the occurrence of:

Notes:

(A) Vesting condition for share options granted on 31 May 2010 and 11 June 2010

(i) as to one-third of the share options, upon the average closing share price for a continuous period of 30 days immediately after twelve months of the fulfilment of (a) the Listing Committee of the Stock Exchange granting the approval of the listing of and permission to deal in the shares under the share option scheme upon the exercise of the share options; and (b) the approval by the shareholders of the issue of the share options and the shares under the share option scheme upon exercise of the share options, being not less than 200% of the exercise price (the "First Event"), or upon both the Second Event (as defined below) and the Third Event (as defined below) having been achieved while the First Event has not taken place; and

(ii) as to another one-third of the share options, (a) upon the first copper production by the Mina Justa Project (as defined in note 19) after the completion of acquisition of Chariot Group (as defined in note 19); or upon twelve months after the copper production by CSTLA after the completion of acquisition of entire issued share capital of CSTLA (the "Second Event"); and

(iii) as to the remaining one-third, (a) upon the process plant of the Mina Justa Project being in operation and having reached its designed capacity within a range of 10% deviation for the average of the first year of production as defined by the mine schedule and plan and as approved by the Board, which schedule and plan are intended to be completed within a period of four months after the completion of acquisition of Chariot Group, for a continuous period of six months; or (b) upon twelve months after achieving an annual copper production of 25,000 tonnes under the mining business of CSTLA after the completion of acquisition of CSTLA (the "Third Events").

In each case, no share option shall vest at any time prior to the expiry of twelve months from the date of grant of the share options.

17. Share-Based Payments (continued)

(B) Vesting conditions for share options granted on 2 September 2010, 24 September 2010 and 30 September 2010

Tranche A

(i) as to one-third of the share options, upon the average closing share price for a continuous period of 30 days immediately after twelve months from the date of grant of the share options being not less than 200% of the exercise price;

(ii) as to another one-third of the share options, upon the first copper production by the Mina Justa Project held by Chariot Group; and

(iii) as to the remaining one-third, upon the process plant of the Mina Justa Project being in operation and having reached its designed capacity within a range of 10% deviation for the average of the first year of production as defined by the mine schedule and plan and as approved by the Board for a continuous period of six months.

Tranche B

(i) as to one-third of the share options, upon the average closing share price for a continuous period of 30 days immediately after twelve months from the date of grant of the share options being not less than 200% of the exercise price;

(ii) as to another one-third of the share options, upon CSTLA producing averaging 2,300 tonnes per month of saleable copper production over a six consecutive month period; and

(iii) as to the remaining one-third, upon CSTLA achieving 75,000 tonnes of cumulative saleable copper cathode production.

In each case, no share option shall vest at any time prior to the expiry of twelve months from the date of grant of the share options.

Fair values of the options are determined at the dates of grant using the Binominal model. Share-based payment was recognised over the vesting period based on the contractual period of twelve months or management's estimation of the vesting period based on the conditions as described in notes A and B, as appropriate.

The following assumptions were used to calculate the fair values of share options:

Grant date	31 May 2010	11 June 2010	2 September 2010	24 September 2010	30 September 2010
Share price on date of grant	HK$0.375	HK$0.375	HK$0.157	HK$0.181	HK$0.214
Exercise price	HK$0.20	HK$0.20	HK$0.20	HK$0.20	HK$0.235
Expected life	2.5-3.3 years	2.6-4.6 years	4.2-4.8 years	3.9-4.7 years	3.9-4.7 years
Expected volatility	66.10%	65.97%	64.62%	64.20%	64.23%
Dividend yield	nil	nil	nil	nil	nil
Risk-free interest rate	1.630%	1.681%	1.114%	1.203%	1.167%
Fair value of share options	HK$0.219-0.233	HK$0.225-0.255	HK$0.063-0.073	HK$0.077-0.089	HK$0.092-0.105

The binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the options. At each reporting date, 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 and loss, with a corresponding adjustment to the share options reserve.

18. 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 mine property and development assets, located in north-western Queensland, Australia. Production of copper cathode was resumed in November 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	
Property, plant and equipment	
– mine property and development assets	**835,444**
– other property, plant and equipment	**138,692**
Deposit	**4,608**
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 deductible temporary differences including 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.

18. Acquisition of a Subsidiary (continued)

Net cash outflow arising on acquisition

	HK$'000
Consideration paid in cash	858,572
Less: bank balances and cash acquired	(374)
	858,198

Impact of acquisition on the results of the Group

Due to CSTLA has not commenced the commercial production during the six months ended 30 September 2010, CSTLA did not contribute any revenue and profit for the period to the Group between the acquisition date and 30 September 2010.

19. Acquisition of Assets and Liabilities

On 11 June 2010, the Group acquired the entire issued capital of Chariot Resources Limited which holds an equity interest of 70% in a Peruvian mining company (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 the 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
Net cash outflow arising on the acquisition:	
Consideration paid in cash	1,863,956
Cash paid for directly attributable costs	80,351
Less: bank balances and cash acquired	(87,701)
	1,856,606

20. Events after the End of the Interim Reporting Period

On 26 October 2010, the Company entered into a warrant subscription agreement with the subscribers in relation to the subscription of 685,000,000 warrants at the warrant issue price of HK$0.0001 per warrant, pursuant to which the holders of the warrants will be entitled to initially subscribe for up to 685,000,000 warrant shares at the warrant exercise price of HK$0.26 per warrant share for a period of three years commencing from the date immediately after the expiry date of three months after the issue date of the warrants. Each warrant initially carries the right to subscribe for one warrant share. The valuation of the warrants granted will be carried out when the Group prepares its annual consolidated financial statements for the year ending 31 March 2011. Accordingly, the financial impact of the issuance of the warrants is not available at the date of approval of these interim financial reports.

STATUTORY DISCLOSURE

Directors and Chief Executive's Interests in Securities

At 30 September 2010, the interests and short positions of the Directors and chief executives of the Company and their respective associates in the shares, underlying shares, convertible notes or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to have under such provisions of the SFO) or pursuant to the Model Code for Securities Transactions by Directors and chief executives of the Company (the "Model Code"), were disclosed as follows in accordance with the Listing Rules:

Long Positions in Shares, Underlying Shares of the Company

	Number of *shares / underlying shares					
Name of Director	**Personal interests**	**Corporate interests**	**Share options**	**Total**	**Approximate % of the issued share capital of the Company**	*Note*
CHIU Tao	3,900,000,000	–	1,000,000,000	4,900,000,000	18.38%	
HEGARTY Owen L.	–	–	475,000,000	475,000,000	1.78%	
BARBER Damon G.	–	50,000,000	400,000,000	450,000,000	1.69%	*(1)*
WAH Wang Kei, Jackie	480,000	–	100,000,000	100,480,000	0.38%	
HUI Richard Rui	–	–	100,000,000	100,000,000	0.38%	
LEE Ming Tung	–	–	75,000,000	75,000,000	0.28%	
KWAN Kam Hung, Jimmy	–	–	75,000,000	75,000,000	0.28%	
YEUNG Kwok Yu	–	–	75,000,000	75,000,000	0.28%	
TSUI Ching Hung	–	–	25,000,000	25,000,000	0.09%	

* Ordinary shares unless otherwise specified in the Note.

Note:

(1) 50,000,000 shares are held by Merix Investments Limited which is wholly-owned by Mr Barber Damon G. ("Mr Barber") and accordingly Mr Barber is deemed to have interest in all of the shares.

Save as disclosed above, none of the Directors or their associates had any interests and short positions in the shares, underlying shares, convertible notes or debentures of the Company or any of its associated corporations as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or otherwise notified by the Company pursuant to the Model Code required to be disclosed in accordance with the Listing Rules as at 30 September 2010.

Share Option

Particulars of the share option scheme of the Company are set out in note 17 to the condensed consolidated financial statements.

1. Share Option Scheme

The following table discloses movements in the Company's share options held by each of the Directors and the employees of the Group in aggregate granted under the share option scheme of the Company during the six months period ended 30 September 2010:

Tranche A

Name or category of participants	Date of grant	Exercisable period	*Notes*	Exercise price HK$	Outstanding as at 1.4.2010	Granted during the period	Exercisable during the period	Cancelled during the period	Lapsed during the period	Outstanding as at 30.9.2010	Market value per share at date of grant of options HK$	Fair value per share option HK$
(a) Directors												
HEGARTY Owen L.	02.09.2010	17.09.2011 – 16.09.2015	*(1a)*	0.2000	–	5,000,000	–	–	–	5,000,000	0.1570	0.0676
BARBER Damon G.	02.09.2010	17.09.2011 – 16.09.2015	*(1a)*	0.2000	–	80,000,000	–	–	–	80,000,000	0.1570	0.0676
HUI Richard Rui	02.09.2010	17.09.2011 – 16.09.2015	*(1a)*	0.2000	–	5,000,000	–	–	–	5,000,000	0.1570	0.0676
YEUNG Kwok Yu	02.09.2010	17.09.2011 – 16.09.2015	*(1a)*	0.2000	–	60,000,000	–	–	–	60,000,000	0.1570	0.0676
KWAN Kam Hung, Jimmy	02.09.2010	17.09.2011 – 16.09.2015	*(1a)*	0.2000	–	60,000,000	–	–	–	60,000,000	0.1570	0.0676
LEE Ming Tung	02.09.2010	17.09.2011 – 16.09.2015	*(1a)*	0.2000	–	60,000,000	–	–	–	60,000,000	0.1570	0.0676
WAH Wang Kei, Jackie	02.09.2010	17.09.2011 – 16.09.2015	*(1a)*	0.2000	–	80,000,000	–	–	–	80,000,000	0.1570	0.0676
TSUI Ching Hung	02.09.2010	17.09.2011 – 16.09.2015	*(1a)*	0.2000	–	20,000,000	–	–	–	20,000,000	0.1570	0.0676
Total for Directors					–	370,000,000	–	–	–	370,000,000		
(b) Employees	02.09.2010	17.09.2011 – 16.09.2015	*(1a)*	0.2000	–	16,800,000	–	–	–	16,800,000	0.1570	0.0676
	24.09.2010	24.09.2011 – 23.09.2015	*(1a)*	0.2000	–	16,000,000	–	–	–	16,000,000	0.1810	0.0829
	30.09.2010	30.09.2011 – 29.09.2015	*(1a)*	0.2350	–	36,000,000	–	–	–	36,000,000	0.2140	0.0982
Total for employees					–	68,800,000	–	–	–	68,800,000		
Total for Tranche A					**–**	**438,800,000**	**–**	**–**	**–**	**438,800,000**		

Tranche B

Name or category of participants	Date of grant	Exercisable period	*Notes*	Exercise price HK$	Outstanding as at 1.4.2010	Granted during the period	Exercisable during the period	Cancelled during the period	Lapsed during the period	Outstanding as at 30.9.2010	Market value per share at date of grant of options HK$	Fair value per share option HK$
(a) Directors												
HEGARTY Owen L.	02.09.2010	17.09.2011 – 16.09.2015	*(1b)*	0.2000	–	20,000,000	–	–	–	20,000,000	0.1570	0.0649
BARBER Damon G.	02.09.2010	17.09.2011 – 16.09.2015	*(1b)*	0.2000	–	20,000,000	–	–	–	20,000,000	0.1570	0.0649
HUI Richard Rui	02.09.2010	17.09.2011 – 16.09.2015	*(1b)*	0.2000	–	20,000,000	–	–	–	20,000,000	0.1570	0.0649
YEUNG Kwok Yu	02.09.2010	17.09.2011 – 16.09.2015	*(1b)*	0.2000	–	15,000,000	–	–	–	15,000,000	0.1570	0.0649
KWAN Kam Hung, Jimmy	02.09.2010	17.09.2011 – 16.09.2015	*(1b)*	0.2000	–	15,000,000	–	–	–	15,000,000	0.1570	0.0649
LEE Ming Tung	02.09.2010	17.09.2011 – 16.09.2015	*(1b)*	0.2000	–	15,000,000	–	–	–	15,000,000	0.1570	0.0649
WAH Wang Kei, Jackie	02.09.2010	17.09.2011 – 16.09.2015	*(1b)*	0.2000	–	20,000,000	–	–	–	20,000,000	0.1570	0.0649
TSUI Ching Hung	02.09.2010	17.09.2011 – 16.09.2015	*(1b)*	0.2000	–	5,000,000	–	–	–	5,000,000	0.1570	0.0649
Total for Directors					–	130,000,000	–	–	–	130,000,000		
(b) Employees	02.09.2010	17.09.2011 – 16.09.2015	*(1b)*	0.2000	–	164,200,000	–	–	–	164,200,000	0.1570	0.0649
	24.09.2010	24.09.2011 – 23.09.2015	*(1b)*	0.2000	–	4,000,000	–	–	–	4,000,000	0.1810	0.0798
	30.09.2010	30.09.2011 – 29.09.2015	*(1b)*	0.2350	–	4,000,000	–	–	–	4,000,000	0.2140	0.0944
Total for employees					–	172,200,000	–	–	–	172,200,000		
Total for Tranche B					**–**	**302,200,000**	**–**	**–**	**–**	**302,200,000**		
TOTAL FOR SCHEME					**–**	**741,000,000**	**–**	**–**	**–**	**741,000,000**		

Notes:

(1) Vesting conditions for share options granted on 2 September 2010, 24 September 2010 and 30 September 2010

(a) Tranche A

(i) as to one-third of the share options, upon the average closing share price for a continuous period of 30 days immediately after twelve months from the date of grant of the share options being not less than 200% of the exercise price;

(ii) as to another one-third of the share options, upon the first copper production by the Mina Justa Project held by Chariot Group (as defined in note 19 of the notes to the condensed consolidated financial statements); and

(iii) as to the remaining one-third, upon the process plant of the Mina Justa Project being in operation and having reached its designed capacity within a range of 10% deviation for the average of the first year of production as defined by the mine schedule and plan and as approved by the Board for a continuous period of six months.

(b) Tranche B

(i) as to one-third of the share options, upon the average closing share price for a continuous period of 30 days immediately after twelve months from the date of grant of the share options being not less than 200% of the exercise price;

(ii) as to another one-third of the share options, upon CSTLA producing averaging 2,300 tonnes per month of saleable copper production over a six consecutive month period; and

(iii) as to the remaining one-third, upon CSTLA achieving 75,000 tonnes of cumulative saleable copper cathode production.

In each case, no share option shall vest at any time prior to the expiry of twelve months from the date of grant of the share options.

2. Share Option Agreements

On 19 March 2010, 24 March 2010 and 11 June 2010, four Directors and one employee of the Group entered into share option agreements with the Company, pursuant to which the Company agreed to grant to each of them an option to subscribe for shares of the Company subject to fulfilment of the conditions under the share option agreement. The options regarding the agreements entered into on 19 March 2010 and 24 March 2010 were subsequently granted on 31 May 2010 and 11 June 2010.

Details of movements of the options granted pursuant to the above share option agreements during the period under review were as follows:

Name or category of participants	Date of grant	Exercisable period	*Notes*	Exercise price HK$	Outstanding as at 1.4.2010	Granted during the period	Exercisable during the period	Cancelled during the period	Lapsed during the period	Outstanding as at 30.9.2010	Market value per share at date of grant of options HK$	Fair value per share option HK$
Directors												
CHIU Tao	31.05.2010	22.06.2011 – 21.06.2015	*(1)*	0.2000	–	200,000,000	–	–	–	200,000,000	0.3750	0.2255
	11.06.2010	06.07.2011 – 05.07.2015	*(1)*	0.2000	–	800,000,000	–	–	–	800,000,000	0.3750	0.2421
HEGARTY Owen L.	31.05.2010	22.06.2011 – 21.06.2015	*(1)*	0.2000	–	90,000,000	–	–	–	90,000,000	0.3750	0.2255
	11.06.2010	06.07.2011 – 05.07.2015	*(1)*	0.2000	–	360,000,000	–	–	–	360,000,000	0.3750	0.2421
BARBER Damon G.	31.05.2010	22.06.2011 – 21.06.2015	*(1)*	0.2000	–	60,000,000	–	–	–	60,000,000	0.3750	0.2255
	11.06.2010	06.07.2011 – 05.07.2015	*(1)*	0.2000	–	240,000,000	–	–	–	240,000,000	0.3750	0.2421
HUI Richard Rui	31.05.2010	22.06.2011 – 21.06.2015	*(1)*	0.2000	–	15,000,000	–	–	–	15,000,000	0.3750	0.2255
	11.06.2010	06.07.2011 – 05.07.2015	*(1)*	0.2000	–	60,000,000	–	–	–	60,000,000	0.3750	0.2421
					–	**1,825,000,000**	**–**	**–**	**–**	**1,825,000,000**		

Note:

(1) Vesting condition for share options granted on 31 May 2010 and 11 June 2010

(i) as to one-third of the share options, upon the average closing share price for a continuous period of 30 days immediately after twelve months of the fulfilment of (a) the Listing Committee of the Stock Exchange granting the approval of the listing of and permission to deal in the shares under the share option scheme upon the exercise of the share options; and (b) the approval by the shareholders of the issue of the share options and the shares under the share option scheme upon exercise of the share options, being not less than 200% of the exercise price (the "First Event"), or upon both the Second Event (as defined below) and the Third Event (as defined below) having been achieved while the First Event has not taken place; and

(ii) as to another one-third of the share options, (a) upon the first copper production by the Mina Justa Project after the completion of acquisition of Chariot Group (as defined in note 19 of the notes to the condensed consolidated financial statements); or upon twelve months after the copper production by CSTLA after the completion of acquisition of entire issued share capital of CSTLA (the "Second Event"); and

(iii) as to the remaining one-third, (a) upon the process plant of the Mina Justa Project being in operation and having reached its designed capacity within a range of 10% deviation for the average of the first year of production as defined by the mine schedule and plan and as approved by the Board, which schedule and plan are intended to be completed within a period of four months after the completion of acquisition of Chariot Group, for a continuous period of six months; or (b) upon twelve months after achieving an annual copper production of 25,000 tonnes under the mining business of CSTLA after the completion of acquisition of CSTLA (the "Third Events").

In each case, no share option shall vest at any time prior to the expiry of twelve months from the date of grant of the share options.

Discloseable Interests and Short Positions of Persons other than Directors and Chief Executives

As at 30 September 2010, so far as known to the Directors or chief executive of the Company, the following persons/entities are the shareholders (other than the Directors or chief executive of the Company) who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances of general meetings of the Company or who were recorded in the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO or had otherwise notified the Company.

Long Positions in Shares and Underlying Shares of the Company

Name of Shareholders	Capacity	Number of shares/ underlying shares	Approximate % of the issued share capital	*Notes*
LAU Luen Hung	Beneficial owner	3,022,000,000	11.34%	
CHEUNG Chung Kiu	Interest of a controlled corporation	2,086,699,520	7.83%	*(1)*
Bondic International Holdings Limited	Beneficial owner	1,950,840,000	7.32%	*(1)*
CHENG Yu Tung	Interest of a controlled corporation	1,950,000,000	7.32%	*(2)*
Chow Tai Fook Nominee Limited	Beneficial owner	1,950,000,000	7.32%	*(2)*

Notes:

(1) 1,950,840,000 shares and 135,859,520 shares of the Company are beneficially owned by Bondic International Holdings Limited and Bookman Properties Limited respectively. Bondic International Holdings Limited is wholly owned by Mr Cheung Chung Kiu ("Mr Cheung"). Bookman Properties Limited is wholly owned by Ferrex Holdings Limited which is wholly owned by Yugang International (B.V.I) Limited. Yugang International (B.V.I.) Limited is wholly owned by Yugang International Limited. Yugang International Limited's controlling shareholder is Chongqing Industrial Limited which is wholly owned by Mr Cheung. Accordingly, Mr Chung is deemed to be interested in 2,086,699,520 shares of the Company.

(2) 1,950,000,000 shares of the Company are held by Chow Tai Fook Nominee Limited which is wholly owned by Mr Cheng Yu Tung. Accordingly, Mr Cheng Yu Tung is deemed to be interested in 1,950,000,000 shares of the Company.

Save as disclosed above, the Company has not been notified by any person (other than the Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances of general meetings of the Company or who were recorded in the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO or had otherwise notified the Company as at 30 September 2010.

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 Listing Rules except for the following deviation:

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 three 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
Chiu Tao
Chairman
Hong Kong, 29 November 2010

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

Deloitte.
德勤

To the Board of Directors of CST Mining Group Limited

Introduction

We have reviewed the interim financial information set out on pages 15 to 33 which comprises the condensed consolidated statement of financial position of CST Mining Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as of 30 September 2010 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong, 29 November 2010