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If you have sold or transferred all your Shares in **Hao Tian Resources Group Limited**, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or the transferee or to the bank or stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.



HAO TIAN RESOURCES GROUP LIMITED

昊天能源集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 00474)

VERY SUBSTANTIAL DISPOSAL AND NOTICE OF EXTRAORDINARY GENERAL MEETING

A letter from the Board is set out on pages 8 to 36 of this circular.

A notice convening the EGM of the Company to be held at 10:00 a.m., on 10 February 2012, at Falcon Room I, Gloucester Luk Kwok Hong Kong, 72 Gloucester Road, Wanchai, Hong Kong is set out on pages N-1 to N-2 of this circular. Whether or not you are able to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM should you so wish.

26 January 2012

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DEFINITIONS

In this circular, the following expressions have the meanings set out below, unless the context requires otherwise:

“associate(s)”	has the meaning ascribed to it in the Listing Rules;
“Board”	the board of Directors;
“Brilliant Wise”	Brilliant Wise Ltd. (輝惠有限公司), a company incorporated in Hong Kong with limited liability;
“Business Day(s)”	a day (excluding Saturday, Sunday, public holiday or bank holiday) on which licensed banks in the PRC are open for business;
“BVI”	British Virgin Islands;
“Company” or “Hao Tian”	Hao Tian Resources Group Limited (formerly known as Winbox International (Holdings) Limited), a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange;
“Competent Person”	a person satisfying the requirements of Rules 18.21 and 18.22 of the Listing Rules;
“Competent Person’s Report”	the public report prepared by the Competent Person on the Mines in compliance with the requirements under Chapter 18 of the Listing Rules and the JORC Code;
“Completion”	completion of the Transaction in accordance with the terms and conditions of the S&P Agreement;
“Completion Date”	the tenth Business Day after the date on which the last of the conditions precedent of the S&P Agreement is fulfilled;
“Conditions”	the conditions precedent to the S&P Agreement taking effect as set out in the S&P Agreement;

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“connected person(s)”	has the meaning ascribed to it in the Listing Rules;
“Deposit”	the deposit of RMB300,000,000 (equivalent to approximately HK\$365,854,000) payable by the Purchaser within five Business Days upon the signing of the S&P Agreement;
“Directors”	the directors of the Company;
“Disposal Group”	Wuhai City Menggang, Tianyu Gongmao and Tianyu Coal, and “Disposal Group Company” shall mean any of them;
“EGM”	an extraordinary general meeting of the Company for the Shareholders to consider and, if thought fit, to approve, among others, the S&P Agreement and the Transaction;
“Favour Mind”	Favour Mind Ltd. (輝意有限公司), a company incorporated in Hong Kong with limited liability;
“Group”	the Company and its subsidiaries;
“Guarantor”	the Company as guarantor under the S&P Agreement, pursuant to which the Company provides such guarantee as set out in the paragraph headed “Guarantor’s obligations” in this circular;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong;
“Indicated Resource”	that part of a mineral resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence;
“Inferred Resource”	that part of a resource for which tonnage, grade and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence, sampling and assumed but not verified geological and/or grade continuity;

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“JORC”	the Joint Ore Reserves Committee;
“JORC Code”	the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2004 edition), as published by the JORC, as amended from time to time;
“Latest Practicable Date”	20 January 2012, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Long Stop Date”	30 June 2012 or such other date as the parties to the S&P Agreement may agree in writing;
“Max Joyce”	Max Joyce Limited, a limited liability company incorporated in Hong Kong;
“Mine No. 1”	a mine situated in Wuhai City, Inner Mongolia Autonomous Region of the PRC (內蒙古自治區烏海市), having an estimated total land area of approximately 2.4016 square kilometres, as more particularly identified by the location coordinates as set out in the Mine No. 1 Mining Operation Permit;
“Mine No. 4”	a mine situated in Wuhai City, Inner Mongolia Autonomous Region of the PRC (內蒙古自治區烏海市), having an estimated total land area of approximately 4.0299 square kilometres, as more particularly identified by the location coordinates as set out in the Mine No. 4 Mining Operation Permit;
“Mine No. 1 Mining Operation Permit”	Mining Operation Permit (採礦許可證) dated 5 November 2010 (No. C1500002010121120107037) granted by the Department of Land and Resources of Inner Mongolia Autonomous Region, the PRC (內蒙古自治區國土資源廳) in respect of the exclusive mining rights of Mine No. 1 for a period of 2 years commencing from 5 December 2010 to 5 December 2012 (both dates inclusive). Such permit authorises the holder to produce 0.3 Mt per annum;

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“Mine No. 4 Mining Operation Permit”	Mining Operation Permit (採礦許可證) dated 5 December 2010 (No. C1500002010121120107035) granted by Department of Land and Resources of Inner Mongolia Autonomous Region, the PRC (內蒙古自治區國土資源廳) in respect of the exclusive mining rights of Mine No. 4 for a period of 3 years commencing from 5 December 2010 to 5 December 2013 (both dates inclusive). Such permit authorises the holder to produce 0.3 Mt per annum;
“Mines”	Mine No. 1 and Mine No. 4;
“Mining Operation Permits”	the Mine No. 1 Mining Operation Permit and the Mine No. 4 Mining Operation Permit;
“Ms. Li”	means Ms. Li Shao Yu (李少宇), who, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, as at the Latest Practicable Date, through her controlling interests held in TRXY, TRXY Development and Real Power held 970,212,937 Shares (representing approximately 28.94% of the issued share capital of the Company as at the Latest Practicable Date), and is a substantial shareholder and connected person of the Company;
“PRC”	the People’s Republic of China;
“Pre-completion Date”	such date commencing from which the Purchaser may, amongst others, participate in the management and operations of the Mines, and procure certain constructions and investments to be made relating to the Mines, and which has been agreed amongst the parties to the S&P Agreement to be 9 November 2011;
“Purchaser”	內蒙古雙欣資源集團有限公司 (Inner Mongolia Shuangxin Resources Group Co., Ltd.**), a limited liability company established in the PRC;

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“Real Power”	Real Power Holdings Limited, a company incorporated in the BVI, which is wholly-owned by Ms. Li Shao Yu (李少宇), a substantial shareholder and connected person of the Company;
“Remaining Group”	the Company and its subsidiaries immediately after Completion;
“Resolutions”	means the resolutions to be put forth to the Shareholders at the EGM to approve the proposed Disposal, the S&P Agreement and the transactions contemplated thereunder;
“RMB”	Renminbi yuan, the lawful currency of the PRC;
“ROMA”	Roma Oil and Mining Associates Limited;
“SAFE”	the PRC State Administration of Foreign Exchange;
“SAIC”	the PRC State Administration for Industry and Commerce;
“S&P Agreement”	the sales and purchase agreement dated 7 September 2011 entered into between the Company, the Purchaser and the Vendors;
“Share(s)”	ordinary share(s) of HK\$0.05 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules;
“Tianyu Coal”	烏海市天譽煤炭有限公司 (Tianyu Coal Company Limited**), a limited liability company established in the PRC;

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“Tianyu Coal Washing Plant”	a coal washing plant established within the area of Mine No. 4, which is wholly owned by Tianyu Coal;
“Tianyu Gongmao”	烏海市天裕工貿有限公司 (Tianyu Gongmao Company Limited**), a limited liability company established in the PRC;
“Total Consideration”	the total consideration for the sale and purchase of the entire equity interest of Wuhai City Menggang, being RMB1,503,000,000 (equivalent to approximately HK\$1,832,927,000);
“Transaction”	the sale and purchase of the entire equity interest of Wuhai City Menggang between the Vendors and the Purchaser pursuant to the S&P Agreement;
“TRXY”	Tai Rong Xin Ye International Power Generation Inc. (泰融信業國際發電有限公司*), a company incorporated in the BVI, which is wholly-owned by Ms. Li Shao Yu (李少宇), a substantial shareholder and connected person of the Company;
“TRXY Development”	TRXY Development (HK) Ltd., a company incorporated in Hong Kong with limited liability, where Ms. Li Shao Yu (李少宇) is its controlling shareholder, a substantial shareholder and connected person of the Company;
“Vendors”	Brilliant Wise, Max Joyce and Favour Mind, each an indirect wholly-owned subsidiary of the Company;
“Warranties”	the representation, warranties and/or undertakings made or given by/to the Vendors by/to the Purchaser;

DEFINITIONS

“Wuhai City Menggang”	烏海市蒙港投資有限公司 (Wuhai Meng Kong Industrial Development Co., Ltd.**), a wholly foreign-owned enterprise established in the PRC;
“Xinjiang Mine”	Xinjiang Baicheng County Kueraken Mine Field No. 3 Pit of No. 1 Mine located at Baicheng County, Aksu Prefecture, Xinjiang Uygur Autonomous Region, the PRC;
“%”	per cent.

* *Chinese names are for identification purpose only*

** *English names are translated for identification purpose only*

For illustrative purpose only, translation of the relevant currencies is based on the following exchange rates:

HK\$1.00 to RMB0.82

LETTER FROM THE BOARD



HAO TIAN RESOURCES GROUP LIMITED

昊天能源集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 00474)

Board of Directors:

Executive Directors

Mr. Ma Lishan *(Chairman and Chief Executive Office)*

Mr. Mak Yiu Tong

Non-executive Director

Mr. Xu Hai Ying

Independent Non-executive Directors

Dr. Tam Hok Lam, Tommy, *J.P.*,

Mr. Zhu Yongguang

Mr. Ma Lin

Company Secretary:

Mr. Fok Chi Tak

Registered office:

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

Principal Place of Business

in Hong Kong:

Unit 4803, 48/F

COSCO Tower

183 Queen's Road Central

Hong Kong

26 January 2012

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL DISPOSAL AND NOTICE OF EXTRAORDINARY GENERAL MEETING

1. INTRODUCTION

On 9 September 2011, the Company announced that the Vendors, the Purchaser and the Company (as Guarantor) entered into the S&P Agreement on 7 September 2011 pursuant to which, amongst others, the Purchaser conditionally agreed to acquire from the Vendors, and the Vendors conditionally agreed to dispose of, the entire equity interest of Wuhai City Menggang for the Total Consideration, being RMB1,503,000,000 (equivalent to approximately HK\$1,832,927,000).

LETTER FROM THE BOARD

The purpose of this circular is to:

- (i) provide the Shareholders with further details of Transaction and the S&P Agreement;
- (ii) provide the Shareholders with further details of the financial information of the Disposal Group; and
- (iii) give notice of the EGM to the Shareholders.

2. BACKGROUND

On 7 September 2011, the Vendors, the Purchaser and the Company (as Guarantor) entered into the S&P Agreement pursuant to which, amongst others, the Purchaser conditionally agreed to acquire from the Vendors, and the Vendors conditionally agreed to dispose of, the entire equity interest of Wuhai City Menggang for the Total Consideration, being RMB1,503,000,000 (equivalent to approximately HK\$1,832,927,000). In addition to the Total Consideration, the Purchaser shall pay the Vendors a Deposit in the sum of RMB300,000,000 (equivalent to approximately HK\$365,854,000) as security for the First Payment (as defined below) and for the purpose of repaying the Disposal Group's existing indebtedness. The Total Consideration and the Deposit will be satisfied entirely in cash.

The Company as Guarantor has undertaken to guarantee the Vendors' obligations under the S&P Agreement in particular the obligations to repay the Deposit (including any and all interest accrued thereon or in relation thereto) and any investment made by the Purchaser during the Interim Period (as defined below).

As at the Latest Practicable Date, Favour Mind, Brilliant Wise and Max Joyce, each an indirect wholly-owned subsidiary of the Company, owns approximately 20%, 55% and 25% equity interest in Wuhai City Menggang respectively, which in turn holds the entire equity interest in each of Tianyu Gongmao and Tianyu Coal. Tianyu Gongmao and Tianyu Coal hold the exclusive mining rights in the Mines. Tianyu Coal also owns the Tianyu Coal Washing Plant. Wuhai City Menggang, Tianyu Gongmao and Tianyu Coal are primarily engaged in exploitation of coal business, coal mining, coal sales and development of underground coking coal mine in the Inner Mongolia Autonomous Region, PRC.

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Based on the Competent Person's Report, each of Mine No. 1 and Mine No. 4 is a mine situated in Wuhai City, Inner Mongolia Autonomous Region of the PRC. Mine No. 1 and Mine No. 4 have an estimated total land area of approximately 2.4016 square kilometres and 4.0299 square kilometres, respectively, each as more particularly identified by the location coordinates as set out in the Mine No. 1 Mining Operation Permit and Mine No. 4 Mining Operation Permit.

Tianyu Gongmao is the holder of the Mine No. 1 Mining Operation Permit while Tianyu Coal is the holder of the Mine No. 4 Mining Operation Permit.

The Mining Operation Permits are approved by the Inner Mongolia Bureau of Land and Resource. Existing PRC law and regulations allows the Disposal Group to apply for renewal of the Mining Operation Permits prior to the renewal date.

3. THE S&P AGREEMENT

On 7 September 2011, the Vendors, the Purchaser and the Company (as Guarantor) entered into the S&P Agreement, a summary of the major terms of which is set out below.

Date

7 September 2011

Parties

- (i) The Vendors (i.e. Favour Mind Ltd., Brilliant Wise Ltd. and Max Joyce Limited, all of which are indirect wholly-owned subsidiaries of the Company);
- (ii) The Purchaser (i.e. 內蒙古雙欣資源集團有限公司 (Inner Mongolia Shuangxin Resources Group Co., Ltd.*)); and
- (iii) The Guarantor (i.e. the Company).

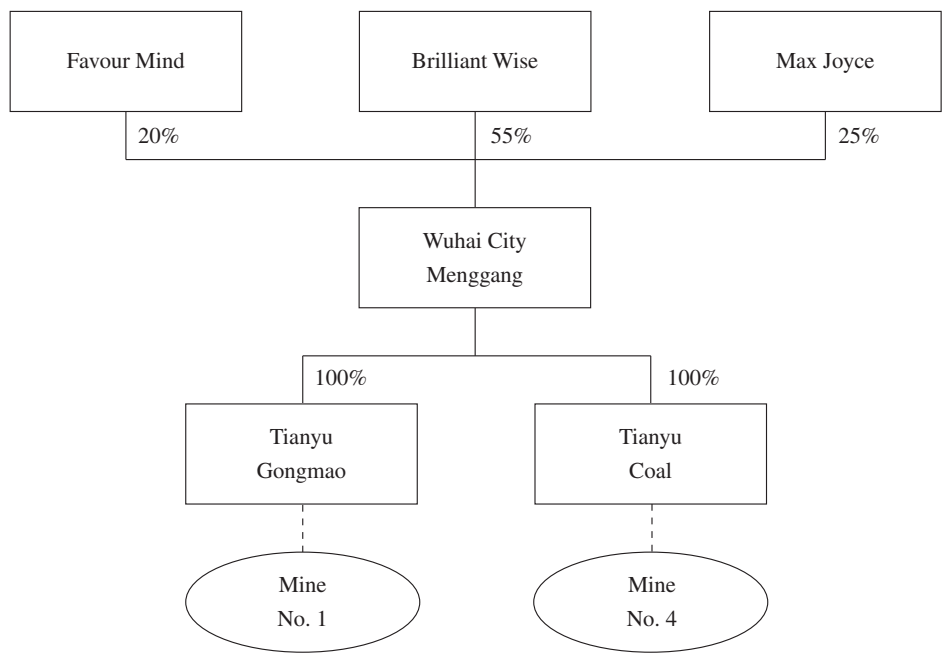
To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are third parties independent of and not connected with the Company and its connected person.

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Subject matter

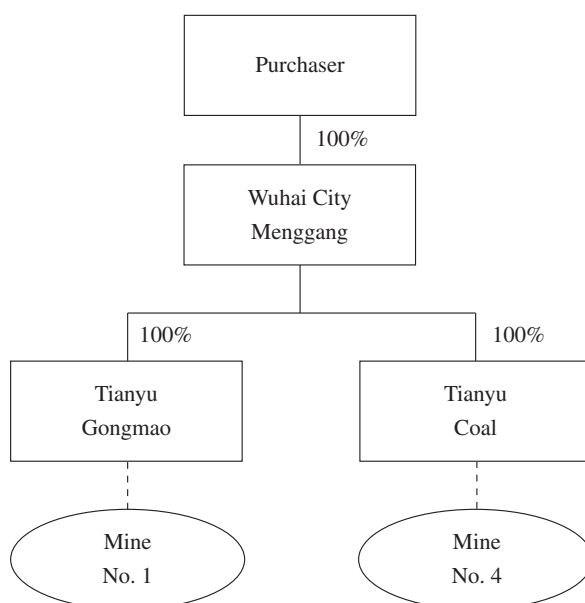
Upon Completion, the Company will have disposed of its entire interests in the Disposal Group, the Mines and the Tianyu Coal Washing Plant. Each of the members of the Disposal Group will cease to be a subsidiary of the Company and the results of the Disposal Group will cease to be consolidated with those of the Company.

Immediately before Completion, the shareholding structure of the Disposal Group is as set out below:



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Upon Completion, the shareholding structure of the Disposal Group is as set out below:



Consideration

Pursuant to the S&P Agreement, the Purchaser has conditionally agreed to acquire, and the Vendors have conditionally agreed to dispose of, the entire equity interest of Wuhai City Menggang at the Total Consideration of RMB1,503,000,000 (equivalent to approximately HK\$1,832,927,000). In addition to the Total Consideration, the Purchaser shall pay the Vendors a Deposit in the sum of RMB300,000,000 (equivalent to approximately HK\$365,854,000) as security for the First Payment (as defined below) and for the purpose of repaying the Disposal Group's existing indebtedness, which includes current accounts of approximately HK\$212,197,000 (equivalent to approximately RMB173,840,000) due from the Disposal Group as at 30 September 2011. The Total Consideration and the Deposit will be satisfied entirely in cash by the Purchaser to the Vendors (or such nominee as the Vendors may direct) as follows:

- (A) within five (5) Business Days upon the signing of the S&P Agreement, a Deposit in the sum of RMB300,000,000 shall be paid by the Purchaser to Wuhai City Menggang which shall be used for repayment of the existing indebtedness of the Disposal Group;

LETTER FROM THE BOARD

- (B) the Vendors and the Purchaser shall procure completion of SAIC registration of transfer of the entire equity interests of Wuhai City Menggang within twenty (20) Business Days from the Completion Date (the “**SAIC Registration Date**”), and shall procure application for SAFE approval relating to settlement of the Total Consideration within five (5) Business Days from the SAIC Registration Date;
- (C) within five (5) Business Days from the date on which the Purchaser obtains requisite SAFE approval:
 - (1) the Purchaser shall pay in HK\$ a sum equivalent to 52% of the Total Consideration after deduction of applicable PRC taxation to the Vendors into such HK\$ account as the Vendors may designate (the “**First Payment**”); and
 - (2) the Deposit shall be converted into a sum equivalent to an accounts payable by Wuhai City Menggang to the Purchaser;
- (D) within ninety (90) days from the First Payment date the Purchaser shall pay in HK\$ a sum equivalent to 28% of the Total Consideration after deduction of applicable PRC taxation to the Vendors into such HK\$ account as the Vendors may designate (the “**Second Payment**”); and
- (E) within ninety (90) days from the Second Payment date, the Purchaser shall pay in HK\$ a sum equivalent to 15% of the Total Consideration after deduction of applicable PRC taxation to the Vendors into such HK\$ account as the Vendors may designate.

As at the Latest Practicable Date, the total amount of PRC taxation payable on settlement of the Consideration, which will be payable by the Vendors, is approximately RMB113,752,000 (equivalent to approximately HK\$138,722,000). The net consideration after deducting the said total PRC taxation amount is approximately RMB1,389,248,000 (equivalent to approximately HK\$1,694,205,000). As at the Latest Practicable Date, the Company has not, save for the Deposit, received any amounts relating to the Total Consideration.

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The Purchaser shall retain a sum equivalent to 5% of the Total Consideration after deduction of applicable PRC taxation (the “**Fourth Payment**”) for 15 months from the Completion Date (the “**Retention Period**”). The Purchaser shall be entitled to deduct from the Fourth Payment such amount as required to settle any outstanding payment and/or liability for which the Vendors are responsible under the S&P Agreement. The remaining balance of the Fourth Payment after deduction of the said payment and/or liability (if any) shall be paid by the Purchaser in HK\$ into such HK\$ account as the Vendors may designate on the expiry date of the Retention Period.

ROMA confirms that in compliance with the requirements of Chapter 18 of the Listing Rules, Roma Oil and Mining Associates Limited, has been engaged to prepare the Competent Person’s Report in relation to the Mines and the Competent Person is Mr. Brian J. Varndell, associate chief geologist of ROMA. As confirmed by ROMA, the Competent Person satisfies the requirements of Rules 18.21 and 18.22 of the Listing Rules. To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, the Competent Person and its respective ultimate beneficial owners are third parties independent of the Company and its connected persons.

The Competent Person’s Report prepared by the Competent Person is set out in Appendix V to this circular.

The Total Consideration was based on normal commercial terms and determined after arm’s length negotiations between the Vendors and the Purchaser after considering a number of factors, including but not limited to, (i) the quality of the Mines, which according to the Competent Person’s Report, is of medium ash, high Gross Calorific Value (CV) and high volatile bituminous B coal with excellent coking properties; (ii) the size of the Mines, which according to the Competent Person’s Report, has total coal resources of 79.82 Mt; (iii) the mining conditions of the Mines; (iv) related government policy; and (v) risks associated with further exploration and development of the Mines.

Conditions

The S&P Agreement shall take effect upon fulfilment of the following Conditions on or before the Long Stop Date:

- (a) all necessary approvals and consent from the Shareholders having been obtained in relation to the transactions contemplated under the S&P Agreement in accordance with the relevant requirements of the Listing Rules and as required by the Stock Exchange;

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- (b) all requisite approvals, consent and authorisations required by the Stock Exchange, the Securities and Futures Commission of Hong Kong (if applicable) and the Listing Rules in relation to the transactions contemplated under the S&P Agreement and implementation thereof having been duly obtained;
- (c) requisite approval from the relevant PRC Ministry of Commerce department in relation to the transactions contemplated under the S&P Agreement having been duly obtained;
- (d) requisite consent and approval (if applicable) from the relevant PRC government authority governing the coal industry integration in relation to the transactions contemplated under the S&P Agreement having been duly obtained; and
- (e) the due execution by Tianyu Coal of a land transfer contract for the acquisition of a piece of land of 150,000 square meters currently possessed and used by Tianyu Coal, full payment of related land transfer fee, and that no administrative penalty will be incurred relating to possession and use of the said land up to the Completion Date.

For Condition (e) above, as at the Latest Practicable Date, the land transfer fee amounts to approximately RMB4,400,000 (equivalent to approximately HK\$5,366,000), and the administrative penalty, which has been settled by the Vendors, amounts to approximately RMB343,000 (equivalent to approximately HK\$418,000).

None of the Vendors nor the Purchaser shall have the right to waive any of the Conditions. In the event that any of the Conditions are not fulfilled on or before the Long Stop Date, the S&P Agreement, save and except for certain provisions therein, shall terminate and cease to be of effect, upon which (A) the Vendors shall within 3 months from the termination date repay to the Purchaser in a single lump sum the Deposit (including any and all interest accrued thereon or in relation thereto) together with any investment made by the Purchaser during the Interim Period (as defined below); and (B) the Vendors and the Purchaser will be released from all obligations under the S&P Agreement and shall not have any claim against the other, save for liabilities in respect of any antecedent breach of the terms of the S&P Agreement. As at the Latest Practicable Date, all of the Conditions are subject to fulfillment.

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Undertakings

The Purchaser undertakes that it shall be responsible for settlement of an amount of RMB154,000,000 (equivalent to approximately HK\$187,805,000) of mining right fees relating to the Mine No. 4 Mining Operation Permit. Save and except for the foregoing, the Vendors undertake to settle, using the Deposit received from the Purchaser and within 90 days from the S&P Agreement date, all outstanding debts and liabilities of the Disposal Group and the Mines incurred, or relating to matters occurring, prior to the Pre-completion Date. As at the Latest Practicable Date, the amount of the said outstanding debts and liabilities of the Disposal Group and the Mines to be settled by the Vendors, which amount has been agreed with the Purchaser, total approximately RMB300 million, which is comprised of recorded liabilities, unrecorded liabilities and current accounts with Hao Tian and its subsidiaries of approximately RMB20.3 million, RMB105.9 million and RMB173.8 million (equivalent to approximately HK\$212,197,000), respectively.

A breakdown of the said outstanding debts and liabilities of the Disposal Group and the Mines to be settled by the Vendors is set out below:

	Recorded liabilities (RMB'000)	Unrecorded liabilities (RMB'000)	Current accounts (RMB'000)
Amounts due to Hao Tian and its subsidiaries	–	–	173,840
Other payables	10,119	14,527	–
Equipments	2,817	5,826	–
Constructions	4,500	82,753	–
Materials	2,892	2,726	–
Total	20,328	105,832	173,840

The above said outstanding debts and liabilities of the Disposal Group includes the land transfer fee of approximately RMB4,400,000 mentioned in the paragraph headed “Conditions”, and comprise mainly of construction expenses, equipment costs and other payables.

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The Vendors further undertake, amongst others, to procure the following:

- (i) terminate within 90 days from the S&P Agreement date all outstanding agreements (save and except for (a) the Disposal Group's rights and liabilities relating to certain constructions; and (b) existing creditors rights held by the Company, the Vendors or their associated corporations). As at the Latest Practicable Date, the Disposal Group's outstanding agreements comprise entirely of construction contracts, which pursuant to the terms of the S&P Agreement are exempted from the said undertaking. As such, as at the Latest Practicable Date, there are no outstanding agreements to be terminated by the Disposal Group pursuant to the said undertaking;
- (ii) collect all receivables to which the Disposal Group is entitled within 90 days from the S&P Agreement (except for certain receivables identified by the Vendors and the Purchaser in the S&P Agreement). As at the Latest Practicable Date there are no outstanding receivables to be collected; and
- (iii) transfer or procure the transfer, within 90 days from the S&P Agreement, of all creditors rights held by the Company, the Vendors and/or their respective associated corporations against the Disposal Group to the Purchaser. As the Company expect all creditors rights held by the Company, the Vendors and their respective associated corporations against the Disposal Group to be settled from the Deposit before expiry of the said period, the Company does not expect to have any of such outstanding creditors rights against the Disposal Group to be transferred to the Purchaser.

Pre-completion arrangements

For the purpose of ensuring smooth operation of the Mines after Completion, and as a result of the commercial negotiations undertaken amongst the Vendors and the Purchaser, the parties agree that the Purchaser may, during the period from the Pre-completion Date to the Completion Date (the “**Interim Period**”), participate in the management and operations of the Mines, and procure certain constructions and investments to be made relating to the Mines (the “**Activities**”), subject to compliance with applicable requirements of the Listing Rules. The Interim Period commenced on the Pre-completion Date of 9 November 2011. With a view to achieving the foregoing, the Vendors agree that the Purchaser may procure investments to be made in, and, upon prior consultation with the Vendors, enter on behalf of the Disposal Group into agreements relating to the construction, operation and

LETTER FROM THE BOARD

management of, the Mines during the Interim Period, but provided that the aggregate value of all investments made and agreements entered into on behalf of the Disposal Group during the Interim Period do not exceed a total of RMB70,000,000. As at the Latest Practicable Date, the total investments planned to be made by the Purchaser are expected to amount to approximately RMB70,000,000, which mainly comprise of investments made relating to construction costs and equipment and raw material fees relating to the Mines. The Vendors shall be entitled to obtain information regarding investments made, and constructions procured, by the Purchaser during the Interim Period.

The aforementioned arrangements for the Interim Period resulted from commercial negotiations conducted between the Vendors and the Purchaser in relation to the Transaction. The Company believes that the said Interim Period arrangements are beneficial to the Disposal Group and it could result in reducing the Company's operating costs in relation to the Mines during the Interim Period. In the event that the Transaction proceeds to Completion, the Purchaser shall be entitled to or bear (as applicable) the profits and losses generated by the Disposal Group during the Interim Period, and shall bear all investments, costs, expenses and liabilities relating to the Activities incurred during the Interim Period.

Should the Transaction fail to proceed to Completion, the Vendors shall be entitled to or bear (as applicable) the profits and losses generated by the Disposal Group during the Interim Period. Further, the Vendors shall return the aggregate amount of all investments made and costs incurred in relation to the Activities during the Interim Period (such amount to be verified by such accounting firm as jointly appointed by the Vendors and the Purchaser). As set out above, the aggregate value of all investments made and agreements entered into on behalf of the Disposal Group during the Interim Period shall not exceed a total of RMB70,000,000. As such, the Company does not consider there to be any material financial and operational impact on the Group resulting from the Activities. The Company does not, as at the date hereof, expect any material liabilities to be incurred from the Activities during the Interim Period in view that the Purchaser shall be responsible for such liabilities should the Transaction proceed to Completion, and that the Purchaser agrees to conduct the Activities in good faith and in the best interests of the Disposal Group pursuant to the S&P Agreement. On the basis of the above, the Directors are of the view that the aforementioned Interim Period arrangements are fair and reasonable and in the interest of the Shareholders. As such, the Company consider the aforementioned measures, including compliance with the Listing Rules and prior consultation by the Purchaser as conditions to conduct of the Activities, and the RMB70,000,000 limit on total value of investments made and agreements entered into as a result of the Activities, to be sufficient safeguards.

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Guarantor's obligations

The Company has undertaken to the Purchaser to guarantee the Vendors' obligations and liabilities under the S&P Agreement, such obligations to take effect upon EGM approval of the transactions contemplated under the S&P Agreement, save and except for the Company's guarantee of the Vendors' obligations to repay the Deposit (including any and all interest accrued thereon or in relation thereto) and any investment made by the Purchaser during the Interim Period, which shall take effect upon the date of signing of the S&P Agreement.

Breach or non-compliance of S&P Agreement

In the event any of the parties to the S&P Agreement breaches any provision of the S&P Agreement or fails to perform its obligations thereunder, such defaulting party(ies) shall compensate the non-defaulting party(ies) for all resulting economic loss. A non-defaulting party may elect to proceed with the Transaction notwithstanding any breach or non-compliance of the S&P Agreement by the other party. Without limiting the generality of the foregoing:

- (i) prior to the First Payment date:
 - (A) in the event the Purchaser breaches any provision of the S&P Agreement, unilaterally terminates the S&P Agreement without reasonable cause or fails to comply with its payment obligations thereunder (including its obligations relating to the First Payment), the Vendors shall be entitled to forfeit the Deposit (including any and all interest accrued thereon or in relation thereto); and
 - (B) in the event the Vendors breach any provision of the S&P Agreement, unilaterally terminate the S&P Agreement without reasonable cause or fails to comply with their obligations thereunder, the Vendors shall pay the Purchaser a sum equivalent to the Deposit and a penalty of RMB300,000,000 (including any and all interest accrued thereon or in relation to such sum);

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(ii) after the First Payment date:

- (A) in the event the Purchaser breaches any provision of the S&P Agreement, unilaterally terminates the S&P Agreement without reasonable cause or fails to comply with its payment obligations thereunder, the Purchaser shall pay the Vendors a penalty of RMB300,000,000 (save and except where the Vendors' claims relating to any breach or non-compliance exceed RMB300,000,000). Should the Vendors elect to terminate the S&P Agreement pursuant to the provisions therein, the Vendors shall repay to the Purchaser such portion of the Total Consideration already paid, the Deposit (including any and all interest accrued thereon or in relation thereto), any investment made by the Purchaser during the Interim Period, and the Purchaser shall transfer the entire equity interest in Wuhai City Menggang back to the Vendors; and
- (B) in the event the Vendors breach any provision of the S&P Agreement, unilaterally terminate the S&P Agreement without reasonable cause or fail to comply with their obligations thereunder, the Vendors shall pay the Purchaser a penalty of RMB300,000,000 (save and except where the Purchaser's claims relating to any breach or non-compliance exceed RMB300,000,000). Should the Purchaser elect to terminate the S&P Agreement pursuant to the provisions therein, the Vendors shall repay to the Purchaser such portion of the Total Consideration already paid, the Deposit (including any and all interest accrued thereon or in relation thereto), any investment made by the Purchaser during the Interim Period, and the Purchaser shall transfer the entire equity interest in Wuhai City Menggang back to the Vendors.

As advised by the Company's PRC legal advisers, the Vendors are not subject to any tax obligations relating to their repayment and penalty obligations in the event of their breach of the S&P Agreement. The S&P Agreement does not set out specific deadlines in relation to (i) payment of penalty by a defaulting party; (ii) repayment by the Vendors of the Total Consideration (or any part thereof) already paid, the Deposit and investment made by the Purchaser during the Interim Period; and (iii) transfer by the Purchaser of the entire equity interest of Wuhai City Menggang back to the Vendors, in the event of breach of the S&P Agreement as set out above.

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Completion

Completion will take place on the tenth Business Day after the date on which the last of the Conditions of the S&P Agreement is fulfilled, and upon the occurrence of the following:

- (i) completion of SAIC registration of transfer of the entire equity interests of Wuhai City Menggang;
- (ii) the Vendors and the Purchaser have duly completed all requisite procedures for asset transfer as contemplated under the S&P Agreement; and
- (iii) the Vendors having received a written undertaking (in such form as requested by the Vendors) from the Purchaser's controlling shareholder(s) pursuant to which it unconditionally and irrevocably guarantees the Purchaser's obligations to settle the Consideration.

The Vendors and the Purchaser shall procure completion of SAIC registration of transfer of the entire equity interests of Wuhai City Menggang within twenty (20) Business Days from the Completion Date.

4. INFORMATION ON THE PURCHASER

The Purchaser is a limited liability company established in the Inner Mongolia Autonomous Region of the PRC on 15 November 2007. The registered capital of the Purchaser is RMB996,839,000. The Purchaser is primarily engaged in resource exploitation of coal, electricity, calcium carbide, chemical and mineral resources. The Purchaser is wholly-owned by 鄂爾多斯市泰亨投資有限責任公司 (Ordos City Tai Hang Investment Co., Ltd.*), a limited liability company established in the PRC, which is principally engaged in the business of foreign investment and consulting services. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

Save for the Transaction, the Company has no previous transactions with the Purchaser and its ultimate beneficial owner(s) which would require to be aggregated with the Transaction pursuant to Rules 14.22 of the Listing Rules.

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5. INFORMATION ON THE VENDORS

Each of Favour Mind, Brilliant Wise and Max Joyce is an investment holding company incorporated in Hong Kong and have no other business and assets as at the Latest Practicable Date. The Group is principally engaged in the mining, washing and marketing of coking coal in the PRC. The Group is also engaged in the design, manufacturing, and sales of packaging products, the major customers of which are internationally recognised branded and luxury consumer merchandise such as watches, pens, jewellery, gifts and accessories.

6. INFORMATION ON THE DISPOSAL GROUP

The Disposal Group is primarily engaged in exploitation of coal business, coal mining, coal sales and development of underground coking coal mine in Inner Mongolia Autonomous Region, PRC. The Disposal Group is not engaged in exploration of coal.

Wuhai City Menggang is a wholly-foreign owned enterprise established in the Inner Mongolia Autonomous Region in the PRC. As at the Latest Practicable Date, Wuhai City Menggang is owned as to 20% by Favour Mind, as to 55% by Brilliant Wise and as to 25% by Max Joyce.

The registered capital of Wuhai City Menggang is RMB400,000,000. Wuhai City Menggang holds the entire equity interest in each of Tianyu Gongmao and Tianyu Coal. The registered capital of Tianyu Gongmao and Tianyu Coal are RMB75,500,000 and RMB170,000,000, respectively.

Tianyu Coal also wholly owns the Tianyu Coal Washing Plant. As at the Latest Practicable Date, construction of the Tianyu Coal Washing Plant has been completed and trial operation has yet to commence due to inadequate raw coal supply in Wuhai City.

7. THE MINES

The contents of this section have been extracted from the Competent Person's Report prepared by the Competent Person as contained in Appendix V to this circular and must therefore be read in conjunction with and in the context of the Competent Person's Report itself. Please refer to the Competent Person's Report for a detailed discussion on all the technical aspects of the Mines. The Competent Person's Report is based on information made available to the Competent Person prior to 10 December 2011. The Company confirmed that no material changes have occurred since 10 December 2011.

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Each of Mine No. 1 and Mine No. 4 is a mine situated in Wuhai City, Inner Mongolia Autonomous Region of the PRC. Mine No. 1 and Mine No. 4 have an estimated total land area of approximately 2.4016 square kilometres and 4.0299 square kilometers, respectively, each as more particularly identified by the location coordinates as set out in the Mine No. 1 Mining Operation Permit and Mine No. 4 Mining Operation Permit.

Tianyu Gongmao is the holder of the Mine No. 1 Mining Operation Permit while Tianyu Coal is the holder of the Mine No. 4 Mining Operation Permit.

The Mining Operation Permits are approved by the Inner Mongolia Bureau of Land and Resource. Existing PRC law and regulations allows the Disposal Group to apply for renewal of the Mining Operation Permits prior to the renewal date.

Coal Resources

According to the Competent Person's Report, after reconciliation of the mineral resources of the Mine No. 1 and Mine No. 4, the total estimated amount of mineral resources equivalent to JORC Code standards is summarized as follows:

Mine No. 1

The estimated total amount of mineral resources is 27.98 Mt. The estimated amount of the Indicated Resources is 14.98 Mt and the Inferred Resources is 13.0 Mt.

Mine No. 4

The estimated total amount of mineral resources is 51.84 Mt. The estimated amount of the Indicated Resources is 33.24 Mt and the Inferred Resources is 18.6 Mt.

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In accordance with the Competent Person's Report, the coal resource for Mine No. 1 and Mine No. 4 as at 30 November 2011 is estimated and summarized in the table below:

	<i>Mt</i>
Mine No. 1	
Indicated Resource	14.98
Inferred Resource	<u>13.0</u>
SUB-TOTAL	<u><u>27.98</u></u>
Mine No. 4	
Indicated Resource	33.24
Inferred Resource	<u>18.6</u>
SUB-TOTAL	<u><u>51.84</u></u>
TOTAL	<u><u>79.82 (Note)</u></u>

Note:

The estimated coal resources of the Mines as at 31 March 2011 and set out in the Company's announcement of 9 September 2011 is 72.41 Mt in accordance with the technical assessment report prepared by SRK Consulting China Limited ("SRK") (which adopts the Chinese Resource Classification (the "**Chinese Code**")). A discrepancy of 7.41 Mt exists between the respective coal resources figures in the Competent Person's Report (which adopts the JORC Code) and the said technical assessment report (which adopts the Chinese Code) due to the different standards applied for each of the said reports. As advised by the Competent Person, the main difference between factors taken into account by the JORC Code and the Chinese Code is that the former considers commercial extractability of the coal resources of the Mines.

The Company wishes to highlight that the Mines' coal resources volume comprise only one of various factors taken into account by the Vendors and the Purchaser for determining the Total Consideration. As set out in the paragraph headed "The S&P Agreement – Consideration" above, other factors taken into account by both the Vendors and the Purchaser include the mining conditions of the Mines, the related government policy and risks associated with further exploration and development of the Mines. On the above basis, the Company considers the Disposal to be fair and reasonable and in the interest of the Company and its shareholders as a whole.

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Mining

The mine produced coal at the rate of approximately 100,000 tpa during the period 2006-2010. Coal production is currently suspended since the takeover by Tianyu Gongmao and during this quiescent period the mine infrastructure is being upgraded. As at the date hereof, trial operation of Mine No. 1 has yet to commence as the said technical improvements are still in progress. The mine is opened by four declines which targets three mining sectors in coal seam 9 and one mining sector in coal seam 16. Mining method is conventional retrieve long wall method with full caving.

The Company acquired Mine No. 4 in January 2010. As at the Latest Practicable Date, Mine No. 4 is in development stage. A feasibility study of Mine No. 4 proposes mine development using the existing two declines and return airway shaft for mine entry and developing two levels targeting upper and lower seam groups. Roadways would be driven north-south along the eastern boundary of the mining licence and retrieve fully mechanised long wall mining, with full caving as the mining method. Two sets of fully mechanised long wall mining equipment would be deployed in the mine. The size of each set depends on the seam thickness and parting thickness.

According to the Competent Person's Report, SRK describe the coal in their report that the coal in Mine No. 1 and Mine No. 4 is good quality coal with excellent coking properties. Given the medium ash content coal needs to be washed to reduce ash content to 10.5% as it is required for coking coal in the Wuhai coal district. Because of the high sulphur content of lower coal seams, blending to decrease sulphur content in final product will be required. Coking coal with ash content below 10% is generally required by international standard. Coke produced in developed countries has 11.5% ash content on average and the internationally accepted sulphur content of coking coal is generally 0.8%.

Further information in relation to the Mines will be provided in the Competent Person's Report as set out in Appendix V of this circular.

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8. FINANCIAL INFORMATION OF THE DISPOSAL GROUP

Set out below is a summary of the audited combined results of Wuhai City Menggang for the years ended 31 December 2009 and 31 December 2010 respectively, prepared in accordance with the relevant accounting principles and financial regulations applicable to the PRC.

	As at	
	31 December 2009 (audited) (RMB)	31 December 2010 (audited) (RMB)
Total assets	434,822,000	731,218,000
Total liabilities	242,875,000	247,358,000
Net assets	191,947,000	483,860,000
	For the year ended	
	31 December 2009 (audited) (RMB)	31 December 2010 (audited) (RMB)
Turnover	11,312,000	2,659,000
Net losses before taxation and extraordinary items	(14,099,000)	(18,479,000)
Net losses after taxation and extraordinary items	(16,793,000)	(19,263,000)

There was an increase of RMB296.4 million in total assets of Wuhai City Menggang from RMB434.8 million in 2009 to RMB731.2 million in 2010 which was mainly due to (i) the capital expenditure for the technical improvement in Mine No. 1, construction of building, plant and machinery and the construction of coal washing plant in Mine No. 4 which is amounted to approximately RMB161.1 million; and (ii) the increase in annual capital contribution in Mine No. 1 and Mine No. 4 by Wuhai City Menggang which is amounted to approximately RMB156.5 million.

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9. FINANCIAL EFFECTS OF THE TRANSACTION

Based on the unaudited pro forma financial information of the Group, as if the Disposal has been completed on 30 September 2011, the Group would realize a book gain of approximately HK\$236,825,000 from the Transaction. The book gain is calculated by reference to the Total Consideration of RMB1,503,000,000 (equivalent to approximately HK\$1,832,927,000) and deduction therefrom (i) the carrying amount of assets and liabilities of the Disposal Group as at 30 September 2011 which amounted to approximately HK\$1,828,029,000; and (ii) PRC withholding tax of approximately RMB113,752,000 (equivalent to approximately HK\$138,722,000). In calculating the said book gain resulting from the Transaction, the Company has taken into account the cash from settlement of current accounts due from the Disposal Group which amounted to approximately HK\$212,197,000 (equivalent to approximately RMB173,840,000) and exchange reserve of recycled from equity to profit or loss upon the Disposal which amounted to approximately HK\$158,452,000 but has not taken into account the unrecorded liabilities to be taken up by the Vendors.

The amount of acquisition cost is approximately HK\$1,638,618,000 while the capital contribution to the Disposal Group since its acquisition up to 30 September 2011 is approximately HK\$482,430,000. The total amount of loss attributable to the Disposal Group since its acquisition up to 30 September 2011 is approximately HK\$40,313,000 while the amount of goodwill impairment loss recognised is approximately HK\$421,732,000 and the exchange realignment for the period from the date of completion of acquisition to 30 September 2011 is approximately HK\$169,026,000.

Based on the unaudited pro forma financial information of the Remaining Group as set out in Appendix III to this circular, the Group's total assets would decrease by approximately 18% from approximately HK\$4,446 million to HK\$3,642 million, and the Group's total liabilities would decrease by approximately 57% from approximately HK\$1,561 million to approximately HK\$678 million. The Group's net assets would increase by approximately 2.7% from approximately HK\$2,885 million to HK\$2,963 million and the Group's cash and cash equivalents would increase by approximately 2,761% from approximately HK\$66 million to HK\$1,888 million assuming the Transaction had been completed on 30 September 2011.

10. REASONS FOR THE TRANSACTION

The Group acquired the Disposal Group in January 2010 and acquired another mine in the Xinjiang Uygur Autonomous Region of the PRC in June 2011, with a view to further develop its coal mining business operation and providing a solid base for the consolidation of coal reserves in enhancing the long-term growth potential of the Group.

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In early July 2011, the Company became aware of a proposed merger and restructuring of the coal mining industry in the Inner Mongolia Autonomous Region through informal discussions between the Company's employees and its peers in the mining industry. According to the Company's understanding, the objective of the proposal is that by the end of year 2013, all operators of coal mines with annual production capacity below 1.2 million tonnes will be eliminated, and for areas with potential, the minimum annual production capacity requirement could be raised to 3 million tonnes. The elimination will be effected by a process of mergers, acquisitions and restructuring and the list of existing mine operators in Inner Mongolia will be classified as "acquirers" and "acquirees". The Company is of the view that the Mines will likely be subject to the above government restructuring proposals and, taking into account their annual production capacity, may be liable to be eliminated. Alternatively, the Company estimates that an investment of not less than RMB2 billion will be required in order for the Mines and the Group to be classified as an "acquirer" per the said restructuring proposals. As at the Latest Practicable Date, the Company is unaware of when official implementation of the said proposals will take place. In the event the said proposals become effective or the Company or its subsidiaries fall within the said list of "acquires", the Mines will likely be prohibited by PRC authorities from commencing production until the Mines have been acquired by "acquirers" specified pursuant to the above proposals. Essentially, the Mines will, prior to sale thereof to a specified "acquirer", be of limited economic value to the Group. After assessing the Group's capability and prospects of further investment in the Inner Mongolia coal industry, and the uncertain prospects and outlook brought by the recently imposed government policy, the Group decided to explore opportunities to dispose of the Mines. According to the Company's understanding, as the above proposals have yet to be made public and the proposed measures therein have yet to be officially implemented, and as the Company only became aware of the above proposals in early July 2011, at which time the annual report had already been bulk printed, the Company did not include details relating to the proposals and its plans to dispose of the Mines in its 2010 annual report. For the aforementioned reasons, the Company is of the view that the statements made regarding the Mines in the 2010 annual report were accurate, complete and not misleading as at the time of the annual report.

In addition, the Group has recently identified certain investment opportunities in the Xinjiang Uygur Autonomous Region and Qinghai Province of the PRC. As at the Latest Practicable Date, the Group is still at a preliminary negotiation stage for each of the said opportunities. As set out in the Company's announcement dated 11 May 2011, the Company and Qinghai Muli Coal Development Group Co., Ltd entered into a strategic cooperation framework agreement to jointly

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consolidate the exploitation work of Qinghai Muli Coalfield and invest in deep processing projects of coal chemicals. The Company has also entered into a strategic cooperation framework agreement with Xinjiang Production and Construction Corps State-owned Assets Operation Company on 14 September 2011, pursuant to which the parties agreed to form a strategic cooperation relationship, details of which are set out in the Company's announcement dated 14 September 2011. The Company is of the view that the said project can provide a solid base for the consolidation of coal reserves which will enhance the long-term potential growth of the Group. As at the Latest Practicable Date, the Company is not aware of any proposed merger and restructuring of the coal mining industry in the Xinjiang Uygur Autonomous Region of the PRC.

As set out in the Company's announcement of 31 October 2011, the relevant PRC governmental authorities had in July 2011 issued notices ordering suspension of production at the Xinjiang Mine with effect from 7 July 2011, pending rectification of certain safety issues. As set out in the Company's announcement of 5 December 2011, further to the events set out in the said announcement, the Xinjiang Mine's personnel has, in response to the requests from the relevant PRC governmental authorities for rectification of certain safety issues, implemented measures to address, amongst others, issues regarding the methane levels in the Xinjiang Mine and the inadequacies of its ventilation system. On 2 December 2011, the relevant PRC governmental authorities issued a new safe production permit to the Group and the Xinjiang Mine has resumed production. Please refer to the Company's said announcements for further details.

Furthermore, the Company intends to transfer its mining business focus from Inner Mongolia to the Xinjiang Uygur Autonomous Region and Qinghai Province on the basis of the identified and future opportunities in the said regions and as part of its future business strategy. The renewal of the safe production permit relating to the Xinjiang Mine has been approved shortly within the expected timeframe. Hence, in contemplation of the Group's strategy to transfer its mining business focus from Inner Mongolia to the Xinjiang Uygur Autonomous Region and Qinghai Province of the PRC, the Group decided to dispose of the Disposal Group and focus on developing and strengthening its coal mining businesses in the Xinjiang Uygur Autonomous Region and Qinghai Province.

The Directors, including the independent non-executive Directors, consider that the terms of the Transaction (including the Total Consideration and the payment methods thereof) are fair and reasonable and on normal commercial terms and in the interest of the Company and the Shareholders as a whole.

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11. REDEMPTION OF CONVERTIBLE BONDS

Reference is made to the Company's circulars dated 28 December 2009 and 25 May 2011 respectively. As part of the consideration for the Group's acquisition of, amongst others, the Mines, the Company issued convertible bonds in the principal amount of USD126.48 million (equivalent to approximately HK\$980.35 million) at 0% coupon rate and falling due on 25 January 2018 ("CB1") in favour of TRXY Development and Real Power, details of which are set out in the Company's circular dated 28 December 2009. Further, as part of the consideration for the Group's acquisition of, amongst others, the Xinjiang Mine, the Company issued convertible bonds in the principal amount of HK\$575,000,000 at 2% coupon rate falling due on 15 June 2016 ("CB2") in favour of TRXY, details of which are set out in the Company's circular date 25 May 2011. As at the Latest Practicable Date, the outstanding principal and interest payable in relation to CB1 totaled approximately USD49,032,000 (equivalent to approximately HK\$380,056,000) and CB2 totaled approximately HK\$447,168,000.

With the cash generated from the Transaction, the Company intends to redeem CB2 in full pursuant to CB2 bond condition 4.1, which provides that the Company may at its sole option redeem all or any outstanding bond at any time before the relevant maturity date. The Company's proposed redemption of CB2 is mainly for the purpose of minimizing the imputed interest charged from CB2 in view of its coupon rate of 2% per annum.

In relation to CB1, the Company understands from its discussions with the bondholders that, conditional upon the Completion of the Transaction, the bondholders will serve a mandatory redemption notice requesting full redemption of the outstanding principal and interest payable in relation to CB1. Pursuant to CB1 bond condition 9.1, the CB1 bondholders may, by notice to the Company in form as set out in Exhibit C of the CB1 bond conditions, request immediate redemption of CB1. The Transaction is a disposal of a substantial part of the Company's assets and hence constitutes a Potential Event of Default (as defined in the terms and conditions of CB1) under CB1 bond condition 9.1, pursuant to which the mandatory redemption notice may be served. The Company intends to redeem CB1 in full from cash generated from the Transaction, and the Company and the CB1 bondholders have agreed that the CB1 bondholders will only serve the mandatory redemption notice and request redemption of CB1 conditional upon, and after, Completion of the Transaction.

As set out in the paragraph headed "Application of Sale Proceeds" below, the Company intends to apply an amount of approximately HK\$827,224,000 to settle the outstanding principal and interest payable in relation to CB1 and CB2.

In the event the Transaction does not proceed to Completion, the Company (i) will not effect redemption of CB1 as in such event the Transaction will not effect any substantial disposal of the Company's assets and will not hence constitute a Potential Event of Default or Event of Default under CB1 bond condition 9.1; and (ii) may exercise its option to redeem CB2 in whole or in part as and when appropriate pursuant to CB2 bond condition 4.1.

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12. APPLICATION OF SALE PROCEEDS

As at the Latest Practicable Date, the sale proceeds from the Transaction are expected to be applied in the following manner:

- (i) as to approximately HK\$827,224,000 for general settlement of the Group's outstanding indebtedness, including but not limited to making provision for settlement of outstanding principal and interest of each of CB1 and CB2;
- (ii) as to approximately HK\$483,000,000 for expanding the production capacity of the mines held by the Group through Baicheng Wenzhou Mining Development Co., Ltd. (a wholly-owned subsidiary of the Company) for the year 2011; and
- (iii) as to the remaining balance of the sale proceeds, approximately 50% of the remaining proceeds for general working capital and approximately 50% for potential investment opportunity as the Group is actively seeking coking coal resources based investment opportunities in Xinjiang and Qinghai in the PRC.

13. DISCLAIMER OPINION IN THE FINANCIAL INFORMATION OF THE DISPOSAL GROUP

The Company noted from the financial information of the Disposal Group set out in Appendix II to this circular that the auditor has issued a disclaimer conclusion as the auditor was unable to obtain sufficient appropriate review evidence to provide a basis for their conclusion due to insufficient accounting records prior to the acquisition of the Disposal Group by the Company, which include:

- (i) inventories as at 31 March 2009;
- (ii) revenue for the period from 1 April 2009 to 24 January 2010;
- (iii) certain payment recorded as administrative expenses during the year ended 31 March 2009; and
- (iv) fair values of the mining rights and deferred tax liabilities of Tianyu Gongmao and Tianyu Coal (collectively "**Tianyu Companies**") Tianyu Companies as at the date of the acquisition of Tianyu Companies on 22 November 2007 where Wuhai City Menggang acquired the Tianyu Companies.

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For insufficient accounting records in respect to inventories, revenue and administrative expenses, the insufficient accounting records affect the relevant years/period in which the insufficient accounting records had been identified. For insufficient accounting records in respect to the fair value of the mining rights and the deferred tax liabilities of the Tianyu Companies as at the date of the acquisition of the Tianyu Companies by Wuhai City Menggang, it affects the carrying amount of the mining rights and the deferred tax liabilities of the Disposal Group as at 31 March 2009, 2010, 2011 and 30 September 2010 and 2011 and accordingly, elements making up the consolidated statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years ended 31 March 2011 and six months ended 30 September 2010 and 2011.

As a result of these matters, the auditors were unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded inventories, mining rights and deferred tax liabilities included in the consolidated statement of financial position as at 31 March 2009, 2010, 2011 and 30 September 2011, recorded or unrecorded revenue, administrative expenses, and other elements making up the consolidated statements of comprehensive income, statements of changes in equity and statements of cash flows of the Disposal Group for each of the three years ended 31 March 2011 and six months ended 30 September 2010 and 2011.

In the Directors' opinion, the disclaimer conclusion in respect to the review of financial information of the Disposal Group has no financial impact to the Group's consolidated financial statements, as the Group has implemented internal control systems since the date of the completion of the acquisition of the entire interests of Merrymaking Investments Limited and Pleasing Result Ltd, which owned the entire interest of the Disposal Group (the "**Acquisition**") and performed fair value adjustments in accordance with HKFRS 3 "Business Combination" at the date of completion of the Acquisition. Details of the works performed to mitigate the problems are set out as below:

(a) Revenue

- Set authorization procedures and transaction limits for sales transactions particularly for cash sales;
- Record sales to goods dispatch note in sequential order; authorize and document all void or missing good dispatch notes;
- Prepare sales register on regular and timely basis to ensure all sales are recorded; and
- Seek customer's acknowledgement for the receipt of goods.

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(b) Inventories

- Perform inventory counting exercise regularly to ensure the quantities and conditions of inventories are properly recorded;
- Quantify the error at each inventory counting date and consider whether it is significant and requires adjustment;
- Record deliveries to goods received note in sequential order; and
- Prepare purchase orders in sequential order in order to ensure all purchases are recorded.

(c) Certain payments of administrative expenses

- Implement a human resources system to record all of the staff's personal information including employment contract, personal profile of staff etc;
- Use electronic attendance record system in recording staff attendance in order to ensure that the computation of the salaries and allowances is correct and prevent the risk of the fraudulent attendance record made by staff; and
- Re-engineer and review the work process and procedures for processing the payment of salaries and allowances. Salaries report showing the basis of computation of salaries and allowances should be acknowledged by the staff if payment method is by cash.

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(d) Fair values of the mining rights and deferred tax liabilities

At the date of the completion of the Acquisition, fair value adjustments were prepared in respect to the Disposal Group's assets and liabilities in accordance with HKFRS 3 "Business Combination" by reference to valuation report issued by independent professional valuer and such set of figures was adopted as the opening balance in the preparation of the consolidated financial statements of the Company. As at 31 March 2010, 31 March 2011 and 30 September 2011, the major differences between the set of financial information of the Disposal Group and the consolidated financial statements of the Group are as follows:

Mining rights

	The Disposal Group HK\$'000	The Group HK\$'000
As at 31 March 2010	468,074	1,903,116
As at 31 March 2011	489,148	1,988,480
As at 30 September 2011	502,089	2,041,108

Deferred tax liabilities

	The Disposal Group HK\$'000	The Group HK\$'000
As at 31 March 2010	116,147	471,876
As at 31 March 2011	121,102	493,235
As at 30 September 2011	124,430	509,615

LETTER FROM THE BOARD

Despite the aforementioned disclaimer conclusion of the auditor, it was noted that in the opinion of the Directors, as the principal assets to be disposed by the Group are the mining rights held by the Disposal Group and fair value of which have been taken into account in determining the Consideration, which the Directors consider it is fair and reasonable and on normal commercial terms and in the interest of the Company and the Shareholders as a whole. Accordingly, the Directors consider that although disclaimer conclusion was expressed on the financial information of the Disposal Group, the other information included in this circular is sufficient for Shareholders to form their conclusion.

14. LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios (as defined under the Listing Rules) for the Transaction exceeds 75%, the Transaction constitutes a very substantial disposal for the Company under Chapter 14 of the Listing Rules. Pursuant to Rule 14.49 of the Listing Rules, the Transaction is therefore subject to the approval of the Shareholders at the EGM.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, neither the Purchaser nor any of its associates holds any Shares as at the Latest Practicable Date. As at the Latest Practicable Date, Ms. Li, through her controlling interests held in TRXY, TRXY Development and Real Power, held 970,212,937 Shares (representing approximately 28.94% of the issued share capital of the Company as at the Latest Practicable Date), and is a substantial shareholder and connected person of the Company. As Ms. Li and her associates (including TRXY, TRXY Development and Real Power) have a material interest in the Transaction, Ms. Li and her associates (including TRXY, TRXY Development and Real Power) will abstain from voting at the EGM in relation to the resolutions approving the Transaction and the S&P Agreement.

As at the Latest Practicable Date, Mr. Ma Lishan holds 25% interest in, and is a director of, Real Power. As such, Mr. Ma has a material interest in the Transaction and Mr. Ma Lishan has abstained from voting on the board meeting approving the Acquisition and the S&P Agreement.

15. EGM

The EGM will be held at 10:00 a.m. on 10 February 2012, at Falcon Room I, Gloucester Luk Kwok Hong Kong, 72 Gloucester Road, Wanchai, Hong Kong to consider and if thought fit, approve among other matters, the S&P Agreement.

LETTER FROM THE BOARD

A notice convening the EGM is set out on pages N-1 to N-2 of this circular. Whether or not you are able to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding such meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting should you so wish.

The votes at the EGM shall be taken by poll.

16. RECOMMENDATION

The Directors consider that (i) the terms of the S&P Agreement are on normal commercial terms and are fair and reasonable; and (ii) the entering into of the S&P Agreement is in the interests of the Company and Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the resolution concerning the S&P Agreement to be proposed at the EGM.

17. ADDITIONAL MATTERS

As completion of the Transaction is subject to the fulfillment of a number of Conditions which are described in this circular, the Transaction may or may not be completed. Shareholders and potential investors should exercise caution when dealing in the Shares.

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

By Order of the Board
Hao Tian Resources Group Limited
Fok Chi Tak
Company Secretary

* *For identification purposes only*

SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

Set out below is a summary of the audited financial results for the Group for the three years ended 31 March 2009, 2010, and 2011 as extracted from the respective published audited financial statements.

INDUSTRY REVIEW

In 2010, despite the macroeconomic regulation and control, the demand for coking coal in China was stimulated by various factors and continued to increase. The integration and consolidation of coal mine resources in a number of coal producing regions resulted in a continuous tight supply of coking coal in the mainland. The economy of the mainland grew rapidly causes a strong demand for coking coal in the market. The increase in demand for coking coal was also driven by the greater-than-expected demand for steel in the second and third tier cities, urban and rural areas of China and the commencement of the construction of 10 million sets of security housing. The price of coking coal has also been increasing due to strong market demand for coking coal. In December 2010, as a result of flooding in Australia, the price of coking coal even rose to a year-high level.

BUSINESS AND FINANCIAL REVIEW**New Coal Mining Business**

The 600,000 tonnes per annum technical improvement of the Group's Mine No. 1 in Wuhai City, Inner Mongolia Autonomous Region will be completed soon, and trial operation will be commenced by the end of July 2011. Mine No. 4 is at the final stage of development and preparations for the relevant construction are well under way. In order to align with the Company's overall development strategy, the production capacity will be adjusted and raised to 2.4 million tonnes annually, i.e. 900,000 tonnes more than the originally planned capacity of 1.5 million tonnes. The construction commenced in December 2010. We strive to complete the construction by the end of 2012 and expect full-scale operation in the first quarter of 2013. The Tianyu Coal Washing Plant has commenced trial operation in July 2011, with an annual processing capacity of 3 million tonnes. Since the coal mining business operation of the Group was still at the development stage during the year under review, there was no revenue generated from this business sector.

Packaging Box Business

The global economic recovery drove demand for consumer goods and packaging boxes to increase. Accordingly, the Group's packaging segment revenue during the year under review increased by approximately 25.8% to HK\$122.1 million (2010: HK\$97.0 million) as compared with the same period last year. The segment loss significantly decreased by approximately 59.0% to HK\$8.6 million (2010: HK\$20.9 million). While the Company strived to control its costs in order to maintain the gross profit margin, the continuous increase in direct labour costs, raw material prices and RMB appreciation could not be totally passed on to customers. Therefore, the gross profit margin only increased slightly to approximately 15.6% (2010: 11.7%). The overall gross profit increased to approximately HK\$19.0 million (2010: HK\$11.4 million).

For the year ended 31 March 2011, the Group recorded a loss of HK\$96.6 million (2010: a loss of approximately HK\$469.4 million), representing a decrease of HK\$372.8 million or 79.4%. The basic loss per share was approximately HK4.80 cents, representing a decrease of HK69.85 cents or 93.6% as compared with the loss per share of HK74.65 cents in 2010. The decrease of loss was mainly attributable to the facts that: (i) the Company recorded a revenue of HK\$6.1 million (2010: a loss of approximately HK\$31.0 million) from the fair value adjustment in embedded derivatives of convertible notes issued by the Company on 25 January 2010 for the acquisitions; and (ii) there was no further impairment on goodwill arising from the acquisition of the coal mine in Wuhai City, Inner Mongolia and the Group's operation in France during the year (2010: an impairment loss of approximately HK\$421.7 million).

Other Income, Gain and Loss, Change in Fair Value of Investments Held for Trading, and Impairment Loss recognised in respect of Available-For-Sale Investments

The Group invested in various types of financial instruments including fixed income and equity. For the year ended 31 March 2011, a total net loss of approximately HK\$0.8 million (2010: a gain of approximately HK\$11.7 million) was recorded in other income, gain and loss, change in fair value of investments held for trading and impairment loss recognised in respect of available-for-sale investments. The loss was mainly attributable to (i) the decrease in gain on disposal of available-for-sale investments; (ii) the decrease in fair value of derivative held for trading; and (iii) the net loss from foreign exchange.

Change in Fair Value of Derivative Financial Instruments

For the year ended 31 March 2011, the Group recorded a non-operating income of approximately HK\$6.1 million arising from fair value adjustment in the embedded derivatives of convertible notes issued by the Company on 25 January 2010 (2010: a non-operating expense of approximately HK\$31.0 million).

Distribution and Selling Costs

For the year ended 31 March 2011, The Group's distribution and selling costs were approximately HK\$4.2 million (2010: HK\$2.3 million), representing an increase of approximately HK\$1.9 million or 78.7% as compared with the same period in 2010. The distribution and selling costs as a percentage of turnover was approximately 3.4% (2010: 2.4%) for the year ended 31 March 2011. The increase was mainly attributable to the plant moved to Dongguan from Shenzhen in the first half of the year and making the transportation cost slightly higher than before.

Administrative Expenses

For the year ended 31 March 2011, the Group's administrative expenses were approximately HK\$78.0 million (2010: HK\$27.5 million), representing a substantial increase of approximately HK\$50.5 million or 183.3% as compared with the same period in 2010. The increase were a result of (i) a full year's administrative expenses were recognised in Wuhai Menggang Group (2010: two months' administrative expenses were recognised); (ii) the non-cash share based payments expenses arising from the amortization of a total 92,900,000 newly granted share options to eligible participants by the Company as disclosed in the announcement during the year; (iii) the increase in directors' remuneration and staff costs; and (iv) the increase in rental expenses in Hong Kong, litigation expense and land use tax in the PRC.

Other Expenses

For the year ended 31 March 2011, the Group's other expenses were approximately HK\$7.7 million (2010: HK\$0.8 million) which represent the direct labour costs, depreciation expense, consumables and other direct attributable costs related to the coal mining operation. The Group is in the process of various technical and quality improvements at the Group's coal mines in the PRC to attain the safety standard in accordance with the new regulations imposed by the PRC authority.

Finance Costs

For the year ended 31 March 2011, the Group's finance costs amounted to approximately HK\$31.0 million (2010: HK\$6.9 million). The increase was mainly due to the recognition of a full year's imputed interest expenses on the liability component of the convertible notes issued by the Company on 25 January 2010 for the acquisitions (2010: only two months' imputed interests were recognised). This imputed interest expense has no impact on the cash flow positions of the Group.

Taxation

For the year ended 31 March 2011, the Group's income tax expenses was approximately HK\$0.04 million (2010: HK\$1.39 million), representing the result of income tax expenses approximately HK\$0.38 million from Hong Kong, PRC and France and the credit adjustment of deferred tax approximately HK\$0.34 million arising from the amortization of prepaid lease payment and mining rights in accordance with the tax regulations in the PRC during the year.

Loss for the year attributable to owners of the Company

The Group had recorded a loss of approximately HK\$96.6 million (2010: loss of approximately HK\$469.4 million), mainly due to no further impairment loss on goodwill recognised for the year ended 31 March 2011 (2010: an approximately HK\$421.7 million one-off impairment loss on goodwill arising from the acquisitions).

Dividends

No final dividend for the year ended 31 March 2011 (2010: Nil) has been proposed by the directors.

LIQUIDITY, CAPITAL STRUCTURE AND FINANCIAL RESOURCES

The Group funds its operations from a combination of internal resources, equity fund raising, financial instruments and bank borrowing. As at 31 March 2011, the Group had cash and cash equivalents of approximately HK\$48.7 million (2010: HK\$302.7 million). The Group's working capital decreased to approximately HK\$62.7 million (2010: HK\$235.5 million), mainly due to capital expenditure for the construction of Tinayu Coal Washing Plant, civil and earthwork for Mine No. 4 and technical improvement of the Group's Mine No. 1 in the PRC. Current ratio (a ratio of total current assets to total current liabilities) decreased by approximately 4.2% to 2.3 times (2010: 2.4 times). Gearing ratio (a ratio of total borrowings to total assets other than goodwill) as at 31 March 2011 was approximately 7.9% (2010: 15.1%), such decrease was mainly due to part of the convertible notes issued were converted and the repayment of bank loan during the year.

For the year ended 31 March 2011, the Group incurred a net cash outflow from operating activities of approximately HK\$62.5 million (2010: net cash inflow generated approximately HK\$30.7 million). In addition, the Group incurred a net cash outflow from investing activities of approximately HK\$440.0 million (2010: HK\$168.6 million), primarily due to (i) the payment of cash consideration for the deposit of HK\$250 million in relation to the acquisition of Venture Path Limited and capital expenditure of HK\$190.5 million on property, plant and equipment). The net cash inflow from financing activities of approximately HK\$248.3 million (2010: approximately HK\$385.2 million) mainly represented by the proceeds approximately HK\$327.4 million from the placement of new shares; (ii) the repayment of the bank loan approximately HK\$9.1 million; (iii) settlement of other payables approximately HK\$61.1 million; and (iv) payment of transaction cost of approximately HK\$8.6 million attributable to issue of new shares upon placing.

The Group has pledged its leasehold land and buildings with carrying value of approximately HK\$3.0 million (31 March 2010: HK\$3.1 million) to secure the unutilized general banking facilities granted to the Group and no other assets pledged at the day of reporting (31 March 2010: The Group had pledged its leasehold land and buildings with carrying values of approximately HK\$12.6 million with deposit placed with the third party amounted to RMB2.0 million (equivalent to approximately HK\$2.3 million) to secure the outstanding bank borrowing).

BORROWINGS

As at 31 March 2011, there was no borrowing from bank or financial institution.

As at 31 March 2010, there was a secured bank borrowing of HK\$9,080,000 denominated in Renminbi, carrying interest at 80% above the benchmark interest rate announced by the People's Bank of China and was fully repaid on 29 October 2010. The effective interest rates ranged from 7.965% to 9.5% per annum. The loan was secured by a leasehold land in the PRC of the Group and a corporate guarantee executed by an independent third party to the extent of RMB8,000,000 (equivalent to approximately HK\$9,080,000) with deposit placed with the third party amounted to RMB2,000,000 (equivalent to approximately HK\$2,270,000). As at 31 March 2010, carrying value of land charged in favour of the bank was approximately HK\$12,600,000.

CAPITAL COMMITMENT AND CONTINGENT LIABILITIES

As at 31 March 2011, there was capital commitment of approximately HK\$130.3 million (31 March 2010: HK\$108.3 million) and HK\$167.3 million (31 March 2010: HK\$407.8 million) in respect of addition of property, plant and equipment contracted for but not provided in the consolidated financial statements and authorised but not contracted for respectively.

In addition, there were outstanding capital commitments of approximately HK\$1,300 million in respect of acquisition of TRXY. Pursuant to the sale and purchase agreement dated 28 January 2011, the Group conditionally agreed to acquire the entire issued share capital of Venture Path Limited at a consideration for HK\$1,550 million from TRXY.

Save as disclosed in this report and the tax audit initiated by the Inland Revenue Department on certain group companies, the Group had no material contingent liabilities as at the close of business on 31 March 2011.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

For the year ended 31 March 2011, the Group's net foreign exchange loss was approximately HK\$2.5 million compared to the net foreign exchange gain of approximately HK\$0.3 million in the same period of last year. The Group's foreign exchange risks arise mainly from the mismatch between the currency of its sales, purchases and operating expenses. Its sales are denominated in US dollars ("USD"), Euros ("EUR"), Renminbi and Hong Kong dollars. The Group's purchases and expenses are mostly denominated in HK\$ and RMB, and some in USD and EUR. The Group has certain foreign currency investments held for trading, available-for-sale investments and investment in foreign operations, which are exposed to foreign currency exchange risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

EMPLOYMENT AND SHARE OPTION SCHEMES

As at 31 March 2011, the Group had a total of approximately 1,650 employees in the PRC, Hong Kong and France. The Group provides a mandatory provident fund scheme for its employees in Hong Kong and the state-managed retirement benefit schemes for its employees in PRC and France. Remuneration packages are reviewed periodically.

The Group has also adopted a share option scheme. During the year, there were share options granted and a summary of the share option schemes of the Group will be set out in the annual report 2010/11.

PURCHASE, SALES OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2011.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

The Company, Champ Universe Limited, a wholly owned subsidiary of the Company and TRXY entered into a sale and purchase agreement dated 28 January 2011 to acquire the entire issued share capital of Venture Path Limited at a consideration for HK\$1,550 million. Venture Path Limited which owns 拜城溫州礦業開發有限公司一礦3號井 (No. 3 decline of Mine One of Baicheng Wenzhou) and is located at Baicheng Country, Aksu Prefecture, Xinjiang Uygur Autonomous Region, the PRC. The acquisition was completed on 15 June 2011. As set out in the Company's announcement of 31 October 2011, the relevant PRC governmental authorities had in July 2011 issued notices ordering suspension of production at the Mines with effect from 7 July 2011, pending rectification of certain safety issues. Further to the events set out in the said announcement, the Mines' managers have, in response to the requests from the relevant PRC governmental authorities for rectification of certain safety issues, implemented measures to address, amongst others, issues regarding the methane levels in the Xinjiang Mine and the inadequacies of its ventilation system. On 2 December 2011, the relevant PRC governmental authorities issued the said safe production permit to the Group and the Target Mine has resumed production. Please refer to further details set out in the Company's announcements dated 31 October 2011 and 5 December 2011.

Save for the acquisition mentioned above, the Group did not hold any significant investments during the year.

LITIGATION

Pursuant to an equity transfer agreement dated 18 August 2007 between Wuhai City Menggang and the then equity-holders of Tianyu Gongmao (the "**Original Equity-holders**"), Wuhai City Menggang agreed to acquire the entire equity interest in Tianyu Gongmao from the Original Equity-holders at a cash consideration of RMB90 million, of which only RMB45 million has been paid by Wuhai City Menggang. Wuhai City Menggang did not settle the remaining consideration of RMB45 million because there was a dispute over the production capacity of Tianyu Gongmao.

A civil claim was brought by the Original Equity-holders to the PRC court against Wuhai City Menggang and pursuant to the first instance judgment handed down by the Wuhai City Intermediate People's Court (烏海市中级人民法院) in April 2009, Wuhai City Menggang was ordered to pay the remaining consideration of RMB45 million and the breach of contract fixed damages of RMB9 million to the Original Equity-holders. Wuhai City Menggang appealed to the Inner Mongolia Autonomous Region Superior People's Court (內蒙古自治區高級人民法院) against the first instance judgment.

Upon the application of the Original Equity-holders, the Wuhai City Intermediate People's Court (烏海市中級人民法院) handed down the Civil Judgment (Wu Zhong Fa (2008) Min Yi Chu Zi No. 30) (烏中法(2008)民一初字第30號) on 19 January 2009 to freeze the entire equity interests in Tianyu Gongmao held by Wuhai City Menggang pending the outcome of the case. Pursuant to such order, Wuhai City Menggang would not be allowed to transfer or pledge its interest in, or receive any dividend from Tianyu Gongmao. The operation of Wuhai City Menggang and its subsidiaries however was not affected by such order or the litigation.

On 26 January 2010, Inner Mongolia Autonomous Region Superior People's Court (內蒙古自治區高級人民法院) handed down the second instance judgment to reject the appeal of Wuhai City Menggang and upheld the first instance judgment. Wuhai City Menggang settled the case with the original equity holders by fulfilling the orders set out in the judgment in August 2010. As a result, the entire equity interest in Tianyu Gongmao held by Wuhai City Menggang, which were frozen upon the application of the original equity holders, have been released by the Wuhai City Intermediate People's Court (烏海市中級人民法院) on 26 August 2010.

As at 31 March 2011, the Group has settled the above-mentioned litigation and there is no other litigation.

FUTURE PROSPECTS

Looking forward, the demand for coking coal in international and domestic markets will still be tight and coking coal price is expected to rise continually. In addition, China is now actively promoting the integration and consolidation among coal mines through the merger, reorganization and shutdown of obsolete, small, inefficient and unsafe coal mines. The shortage in supply of coking mine may therefore be intensified. The year 2011 is the beginning of the Twelfth Five Year Plan and the rapid economic development of China leads to increasing demand for energy. The Group will actively seek merger and acquisition opportunities to expand its base of coal resources, and will capture appropriate timing for investing in projects with good return other than those related to coal resources. On 27 April 2011, the Group and Qinghai Muli Coal Development Group Co., Ltd. entered into a strategic cooperation framework agreement to jointly consolidate the exploitation work of Qinghai Muli Coalfield and actively participate in the investment of deep processing projects of coal chemicals. The Group is of the view that this project can provide a solid base for the consolidation of coal reserves which will enhance the long-term growth potential of the Group. On 18 May 2011, the Group and China Jingu International Trust Co., Ltd entered into a strategic cooperation agreement, both parties will establish a mining energy fund for the acquisition and integration of coal resources projects and construction work for production

capacities improvement. Lastly, the Group will actively work in line with the Xinjiang development policy formulated by the central government and utilise sound communication channels to invest in development and acquisition projects of Xinjiang coal mines, with a view to increasing the total investment amount of the Company in the coal industry by the end of 2012. The Company may procure financing for relevant merger and acquisition opportunities to expand its base of coal resources. The Company will spare no efforts in developing itself into one of the large-scale coking coal enterprises in China.

WORKING CAPITAL

The Directors are of the opinion that, after taking into account the present financial resources, banking facilities available, and the proceeds to be obtained from the Transaction, the Group has sufficient working capital to satisfy its requirements for at least 12 months from the date of publication of this circular in the absence of unforeseen circumstances.

INDEBTEDNESS

As at 30 November 2011, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had outstanding indebtedness as follows:

Borrowings

As at the close of business on 30 November 2011, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had outstanding unsecured convertible notes with aggregate principle amount of approximately HK\$818,056,000, of which HK\$438,000,000 convertible note is denominated in Hong Kong dollars and the remaining amount is denominated in United States dollars, US\$49,032,477 (equivalent to approximately HK\$380,056,000).

Settlement Fund received from the Purchaser

As at the close of business on 30 November 2011, the Group had an amount of RMB300,000,000 (equivalent to approximately HK\$365,190,000) due to Inner Mongolia Shuangxiu Resources Group Co., Ltd., or the Purchaser (the “**Settlement Fund**”). The Settlement Fund is owed by Wuhai City Menggang, a company to be disposed to the Purchaser (the “**Transaction**”). The monies received from the Purchaser is used to repay the Menggang Group’s existing payables to third parties and the current accounts with Hao Tian and its subsidiaries, before the completion of the Transaction.

Pledged assets

The Group had pledged its bank deposits of RMB3,974,245 (equivalent to approximately HK\$4,838,000) as at 30 November 2011 as deposit for land disturbance and environmental rehabilitation as required by the Xinjiang Uygur Autonomous Region Finance Department and Land Resource Department.

Save as disclosed above and apart from intra-group liabilities, the Group did not have any bank borrowings, bank overdrafts, loans or other similar indebtedness, mortgage, charges, finance leases or hire purchases commitments, guarantees or other material contingent liabilities outstanding at the close of business on 30 November 2011.

APPENDIX II FINANCIAL INFORMATION OF THE DISPOSAL GROUP

REPORT ON REVIEW OF UNAUDITED FINANCIAL INFORMATION OF WUHAİ CITY MENGANG

Deloitte.
德勤

德勤•關黃陳方會計師行
香港金鐘道88號
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TO THE BOARD OF DIRECTORS OF
HAO TIAN RESOURCES GROUP LIMITED

INTRODUCTION

We were engaged to review the financial information of Wuhai City Menggang Industrial Development Co., Ltd. (“Wuhai City Menggang”) and its subsidiaries (collectively referred as the “Menggang Group”) set out on pages II-4 to II-12, which comprises the consolidated statements of financial position as of 31 March 2009, 2010 and 2011 and 30 September 2011, and the related consolidated statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years ended 31 March 2011 and the six months ended 30 September 2010 and 2011 and certain explanatory notes (altogether the “Unaudited Financial Information”). The existing directors of Hao Tian Resources Group Limited (“Hao Tian”) and Wuhai City Menggang are responsible for the preparation and presentation of the Unaudited Financial Information in accordance with paragraph 68(2)(a)(i) of Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and solely for the purpose of inclusion in the circular to be issued by Hao Tian in connection with the Disposal as defined in note 1 to the Unaudited Financial Information. The amounts included in the Unaudited Financial Information have been recognised and measured in accordance with the relevant accounting policies of Hao Tian adopted in the preparation of its condensed consolidated financial statements for the six months ended 30 September 2011, which conform with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The Unaudited Financial Information does not contain sufficient information to constitute a complete set of financial statements as defined in Hong Kong Accounting Standard 1 “Presentation of Financial Statements” nor a set of condensed financial statements as defined in Hong Kong Accounting Standard 34 “Interim Financial Report” issued by the HKICPA. Our responsibility is to express a conclusion on the Unaudited 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.

APPENDIX II FINANCIAL INFORMATION OF THE DISPOSAL GROUP

SCOPE OF REVIEW

Except for the limitation in the scope of our work as explained below, we conducted our review in accordance with the Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review of Unaudited Financial Information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

BASIS FOR DISCLAIMER OF CONCLUSION

On 22 November 2007, Wuhai City Menggang acquired its subsidiaries, Tianyu Gongmao Company Limited and Tianyu Coal Company Limited (collectively the “Tianyu Companies”) (“Acquisition of Tianyu Companies”). On 25 January 2010, Hao Tian obtained 100% interest in the Menggang Group through acquisition of the entire interest in Merrymaking Investments Limited and Pleasing Results Ltd., shareholders of the Menggang Group (the “Acquisition”). Based on the information provided to us by the existing directors of Wuhai City Menggang, the Menggang Group did not maintain sufficient accounting records prior to the Acquisition, which include: (i) inventories as at 31 March 2009; (ii) revenue for the period from 1 April 2009 to 24 January 2010; (iii) certain payment recorded as administrative expenses during the year ended 31 March 2009 and (iv) fair values of the mining rights and deferred tax liabilities of Tianyu Companies as at the date of Acquisition of Tianyu Companies. However, as set out in note 2 to the Unaudited Financial Information, the existing directors of Hao Tian and Wuhai City Menggang considered it is not practical for them to reproduce reliable accounting records prior to the Acquisition and to re-perform the valuation of the fair values of the mining rights and deferred tax liabilities of Tianyu Companies as at the date of Acquisition of Tianyu Companies. As a result of these matters, we were unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded inventories, mining rights and deferred tax liabilities included in the consolidated statements of financial position, recorded and unrecorded revenue, administrative expenses and other elements making up the consolidated statements of comprehensive income, statements of changes in equity and statements of cash flows.

APPENDIX II FINANCIAL INFORMATION OF THE DISPOSAL GROUP

DISCLAIMER OF CONCLUSION

Because of the significance of the matters described in the basis for disclaimer of conclusion paragraph, we do not express any conclusion as to whether the amounts included in the Unaudited Financial Information for each of the three years ended 31 March 2011 and six months ended 30 September 2010 and 2011 have been recognised and measured in accordance with the relevant accounting policies of Hao Tian adopted in the preparation of its condensed consolidated financial statements for the six months ended 30 September 2011 which conform with Hong Kong Financial Reporting Standards.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

26 January 2012

APPENDIX II FINANCIAL INFORMATION OF THE DISPOSAL GROUP

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR EACH OF THE THREE YEARS ENDED 31 MARCH 2011

AND THE SIX MONTHS ENDED 30 SEPTEMBER 2010 AND 2011

	Six months ended		Year ended 31 March		
	30 September				
	2011	2010	2011	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	–	–	–	15,389	1,373
Cost of sales	–	–	–	(11,500)	(5,540)
Gross (loss) profit	–	–	–	3,889	(4,167)
Other income	1,425	16	27	319	28
Administrative expenses	(9,203)	(6,786)	(14,745)	(13,338)	(14,467)
Impairment loss of property, plant and equipment	–	–	–	(14,087)	–
Other expenses	(7,587)	(5,285)	(7,743)	(5,057)	(10,175)
Selling and distribution expenses	–	–	–	(2,098)	(563)
Finance costs	–	(450)	(543)	(24,830)	(26,459)
Loss before taxation	(15,365)	(12,505)	(23,004)	(55,202)	(55,803)
Taxation	–	–	–	–	–
Loss for the period/year	(15,365)	(12,505)	(23,004)	(55,202)	(55,803)
Other comprehensive income (expense) for the period/year:					
Exchange differences arising on translation of foreign operations	20,567	13,368	27,855	1,388	21,054
Total comprehensive income (expense) for the period/year	5,202	863	4,851	(53,814)	(34,749)

APPENDIX II FINANCIAL INFORMATION OF THE DISPOSAL GROUP

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AT 31 MARCH 2009, 2010, 2011 AND 30 SEPTEMBER 2011

	At 30 September 2011 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)	At 31 March 2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
Non-current assets				
Property, plant equipment	278,120	245,292	52,745	60,488
Prepaid lease payments	26,518	25,351	25,364	26,815
Mining rights	502,089	489,148	468,074	467,758
Deposits for acquisition of property, plant and equipment	94,389	90,854	79,286	84,465
	<u>901,116</u>	<u>850,645</u>	<u>625,469</u>	<u>639,526</u>
Current assets				
Inventories	3,048	1,183	219	986
Prepaid lease payments	1,159	1,129	1,081	1,006
Other receivables	11,884	6,630	5,217	7,920
Tax recoverable	–	–	–	119
Amount due from immediate holding company	40	40	112,539	171,367
Cash deposited in a special purpose account	251,937	–	–	–
Bank balances and cash	<u>2,353</u>	<u>6,274</u>	<u>57,008</u>	<u>1,717</u>
	<u>270,421</u>	<u>15,256</u>	<u>176,064</u>	<u>183,115</u>
Current liabilities				
Other payables	7,681	18,136	29,282	15,942
Amount due to ultimate holding company	172,114	178,201	171,370	–
Amount due to immediate holding company	40,083	51,625	–	–
Amount due to intermediate holding company	–	40,000	–	–
Amounts due to related company	–	–	2,838	–
Amounts due to former shareholders	–	–	100,830	250,638
Settlement Fund received from the Purchaser (defined in note 1)	365,190	–	–	–
Bank borrowings	<u>–</u>	<u>–</u>	<u>9,080</u>	<u>11,320</u>
	<u>585,068</u>	<u>287,962</u>	<u>313,400</u>	<u>277,900</u>
Net current liabilities	<u>(314,647)</u>	<u>(272,706)</u>	<u>(137,336)</u>	<u>(94,785)</u>
Net assets	<u>586,469</u>	<u>577,939</u>	<u>488,133</u>	<u>544,741</u>

APPENDIX II

FINANCIAL INFORMATION OF THE DISPOSAL GROUP

	At 30 September		At 31 March	
	2011	2011	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Capital and reserves				
Registered capital	400,000	400,000	320,000	320,000
Reserves	<u>62,039</u>	<u>56,837</u>	<u>51,986</u>	<u>105,800</u>
	462,039	456,837	371,986	425,800
Non-current liabilities				
Deferred tax liabilities	<u>124,430</u>	<u>121,102</u>	<u>116,147</u>	<u>118,941</u>
	<u><u>586,469</u></u>	<u><u>577,939</u></u>	<u><u>488,133</u></u>	<u><u>544,741</u></u>

APPENDIX II FINANCIAL INFORMATION OF THE DISPOSAL GROUP

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR EACH OF THE THREE YEARS ENDED 31 MARCH 2011 AND THE SIX MONTHS ENDED 30 SEPTEMBER 2010 AND 2011

	Registered capital <i>HK\$'000</i> (Unaudited)	Capital reserve <i>HK\$'000</i> (Unaudited)	Special reserve <i>HK\$'000</i> (Unaudited)	Translation reserve <i>HK\$'000</i> (Unaudited)	Accumulated profits (losses) <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
At 1 April 2008	320,000	3,740	–	9,576	127,233	460,549
Loss for the year	–	–	–	–	(55,803)	(55,803)
Other comprehensive income for the year	–	–	–	21,054	–	21,054
Total comprehensive expense for the year	–	–	–	21,054	(55,803)	(34,749)
At 31 March 2009	320,000	3,740	–	30,630	71,430	425,800
Loss for the year	–	–	–	–	(55,202)	(55,202)
Other comprehensive expense for the year	–	–	–	1,388	–	1,388
Total comprehensive expense for the year	–	–	–	1,388	(55,202)	(53,814)
Appropriation of special reserve	–	–	1,644	–	(1,644)	–
At 31 March 2010	320,000	3,740	1,644	32,018	14,584	371,986
Loss for the year	–	–	–	–	(23,004)	(23,004)
Other comprehensive income for the year	–	–	–	27,855	–	27,855
Total comprehensive income for the year	–	–	–	27,855	(23,004)	4,851
Capital contribution	80,000	–	–	–	–	80,000

APPENDIX II

FINANCIAL INFORMATION OF THE DISPOSAL GROUP

	Registered capital <i>HK\$'000</i> (Unaudited)	Capital reserve <i>HK\$'000</i> (Unaudited)	Special reserve <i>HK\$'000</i> (Unaudited)	Translation reserve <i>HK\$'000</i> (Unaudited)	Accumulated profits (losses) <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
At 31 March 2011	400,000	3,740	1,644	59,873	(8,420)	456,837
Loss for the period	–	–	–	–	(15,365)	(15,365)
Other comprehensive income for the period	–	–	–	20,567	–	20,567
Total comprehensive income for the period	–	–	–	20,567	(15,365)	5,202
At 30 September 2011	400,000	3,740	1,644	80,440	(23,785)	462,039
At 1 April 2010	320,000	3,740	1,644	32,018	14,584	371,986
Loss for the period	–	–	–	–	(12,505)	(12,505)
Other comprehensive income for the period	–	–	–	13,368	–	13,368
Total comprehensive income for the period	–	–	–	13,368	(12,505)	863
Capital contribution	80,000	–	–	–	–	80,000
At 30 September 2010	400,000	3,740	1,644	45,386	2,079	452,849

APPENDIX II FINANCIAL INFORMATION OF THE DISPOSAL GROUP

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR EACH OF THE THREE YEARS ENDED 31 MARCH 2011

AND THE SIX MONTHS ENDED 30 SEPTEMBER 2010 AND 2011

	Six months ended 30 September		Year ended 31 March		
	2011	2010	2011	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Cash flows from operating activities					
Loss before taxation	(15,365)	(12,505)	(23,004)	(55,202)	(55,803)
Adjustments for:					
Interest expenses	–	450	543	24,830	26,459
Interest income	(188)	(16)	(27)	(3)	(28)
Gain on disposal of a subsidiary	–	–	–	(316)	–
Depreciation	1,410	913	2,318	2,024	1,924
Amortisation of mining rights	–	–	–	1,137	170
Release of prepaid lease payments	602	573	1,155	1,106	1,103
Impairment loss recognised in respect of property plant and equipment	–	–	–	14,087	–
Operating loss before working capital changes	(13,541)	(10,585)	(19,015)	(12,337)	(26,175)
(Increase) decrease in inventories	(1,814)	(1,004)	(921)	769	(246)
(Increase) decrease in other receivables	(5,026)	(1,874)	(1,157)	8,145	399
(Decrease) increase in other payables	(10,810)	(2,924)	(645)	13,205	11,657
Cash (used in) from operations	(31,191)	(16,387)	(21,738)	9,782	(14,365)
Tax refund (paid)	–	–	–	119	(119)
Net cash (used in) from operating activities	(31,191)	(16,387)	(21,738)	9,901	(14,484)
Cash flows from investing activities					
Interest received	188	16	27	3	28
Purchases of property, plant and equipment	(29,499)	(71,966)	(187,676)	(8,442)	(3,300)
Repayment from immediate holding company	–	90,398	113,677	58,564	–
Increase in deposits for acquisition of property, plant and equipment	(964)	–	(7,788)	–	(28,103)
Net cash (used in) from investing activities	(30,275)	18,448	(81,760)	50,125	(31,375)

APPENDIX II FINANCIAL INFORMATION OF THE DISPOSAL GROUP

	Six months ended		Year ended 31 March		
	30 September				
	2011	2010	2011	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Cash flows from financing activities					
Interest paid	–	(448)	(543)	(24,830)	(26,459)
Capital contribution	–	80,000	80,000	–	–
Repayment of other payables	–	(11,446)	(11,446)	–	–
(Repayment to) advance from ultimate holding company	(6,022)	–	6,839	170,070	–
(Repayment to) advance from immediate holding company	(11,418)	51,754	51,754	–	–
(Repayment to) advance from intermediate holding company	(39,114)	–	39,114	–	–
Repayment to a related company	–	–	(5,728)	–	–
Advance from a related company	–	2,864	2,864	2,835	–
Repayment to former shareholders	–	(98,397)	(101,641)	(150,313)	60,410
Increase in bank deposits in special purpose bank account	(251,937)	–	–	–	–
Settlement Fund received from the Purchaser (defined in note 1)	365,190	–	–	–	–
Repayment of bank borrowings	–	–	(9,250)	(2,268)	–
Bank borrowings raised	–	–	–	–	11,350
Net cash from (used in) financing activities	<u>56,699</u>	<u>24,327</u>	<u>51,963</u>	<u>(4,506)</u>	<u>45,301</u>
Net (decrease) increase in cash and cash equivalents	(4,767)	26,388	(51,535)	55,520	(558)
Cash and cash equivalents at beginning of period/year	6,274	57,008	57,008	1,717	2,594
Effect of foreign exchange rate changes	<u>846</u>	<u>2,774</u>	<u>801</u>	<u>(229)</u>	<u>(319)</u>
Cash and cash equivalents at end of period/year, represented by bank balances and cash	<u><u>2,353</u></u>	<u><u>86,170</u></u>	<u><u>6,274</u></u>	<u><u>57,008</u></u>	<u><u>1,717</u></u>

APPENDIX II FINANCIAL INFORMATION OF THE DISPOSAL GROUP

NOTES TO THE UNAUDITED FINANCIAL INFORMATION

FOR EACH OF THE THREE YEARS ENDED 31 MARCH 2011

AND THE SIX MONTHS ENDED 30 SEPTEMBER 2010 AND 2011

1. General

Wuhai City Menggang Industrial Development Co., Ltd. (“Wuhai City Menggang”) is a limited company established in the People’s Republic of China. Wuhai City Menggang and its subsidiaries (collectively referred as the “Menggang Group”) are principally engaged in exploration of coal business, coal mining and development of underground coking coal mine.

For the period from 1 April 2009 to 24 January 2010, Real Power Holdings Limited and TRXY Development (HK) Limited (“Real Power and TRXY”) collectively owned the Menggang Group through their investments in entire equity interests of Merrymaking Investments Limited and Pleasing Results Ltd.. On 22 November 2007, Wuhai City Menggang acquired its subsidiaries, Tianyu Gongmao Company Limited and Tianyu Coal Company Limited (collectively the “Tianyu Companies”) (“Acquisition of Tianyu Companies”). On 25 January 2010, Hao Tian Resources Group Limited (“Hao Tian”) acquired entire equity interests of Merrymaking Investments Limited and Pleasing Results Ltd. from Real Power and TRXY (the “Acquisition”) and became the ultimate holding company of the Menggang Group. Real Power and TRXY are companies wholly owned by Ms. Li Shao Yu, who is the ultimate beneficial owner of Hao Tian after the completion of the Acquisition.

On 7 September 2011, Hao Tian entered into a sales and purchase agreement with Inner Mongolia Shuangxiu Resources Group Co., Ltd. (the “Purchaser”). Pursuant to this sale and purchase agreement, Hao Tian has conditionally agreed to dispose the entire 100% equity interest of Wuhai City Menggang to the Purchaser (the “Disposal”), for a cash consideration of RMB1,503,000,000 (approximately HK\$1,832,927,000) (“Total Consideration”). In addition to the Total Consideration, the Purchaser requires to advance the Menggang Group a deposit of RMB300,000,000 (approximately HK\$365,190,000) (the “Settlement Fund”), which is used to repay the Menggang Group’s existing payables to third parties and the current accounts with Hao Tian and its subsidiaries, before the completion of the Disposal.

2. Basis of preparation and presentation of the unaudited financial information

The consolidated financial information of the Menggang Group for each of the three years end 31 March 2011 and six months ended 30 September 2010 and 2011 (“Unaudited Financial Information”) has been prepared in accordance with paragraph 68(2)(a)(i) of Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and solely for the purpose of inclusion in the circular to be issued by Hao Tian in connection with the Disposal.

The amounts included in the Unaudited Financial Information have been recognised and measured in accordance with the relevant accounting policies of Hao Tian adopted in the preparation of its condensed consolidated financial statements for the six months ended 30 September 2011, which conform with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. The Unaudited Financial Information does not contain sufficient information to constitute a complete set of financial statements as defined in Hong Kong Accounting Standard 1 “Presentation of Financial Statements” nor a set of condensed financial statements as defined in Hong Kong Accounting Standard 34 “Interim Financial Report” issued by the HKICPA.

In preparing the Unaudited Financial Information, the existing directors of Hao Tian and Wuhai City Menggang have considered the Menggang Group did not maintain sufficient accounting records prior to the Acquisition, which include: (i) inventories as at 31 March 2009; (ii) revenue for the period from 1 April 2009 to 24 January 2010; (iii) certain payment recorded as administrative expenses during the year ended 31 March 2009 and (iv) fair values of the mining rights and deferred tax liabilities of Tianyu Companies as at the date of Acquisition of Tianyu Companies. However, the existing directors of Hao Tian and Wuhai City Menggang considered it is not practical for them to reproduce reliable accounting records prior to the Acquisition and to re-perform the valuation of the fair values of the mining rights and deferred tax liabilities of Tianyu Companies as at the date of Acquisition of Tianyu Companies.

The Unaudited Financial Information has been prepared on a going concern basis because Hao Tian has agreed to provide adequate funds to enable the Menggang Group to meet in full its financial obligations before the completion of the Disposal, while the Purchaser has agreed to provide adequate funds to enable the Menggang Group to meet in full its financial obligations in the foreseeable future if the Disposal is successfully completed.

**(A) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING
GROUP****Basis of preparation of the unaudited pro forma financial information of the Remaining
Group**

The unaudited pro forma financial information of the Remaining Group is prepared in accordance with paragraph 29 of Chapter 4 of the Listing Rules to illustrate the effect of the Disposal.

The unaudited consolidated statement of financial position of the Remaining Group is prepared based on the unaudited condensed consolidated statement of financial position of the Group as at 30 September 2011 as set out in the interim report of the Company for the six months ended 30 September 2011, after making pro forma adjustment relating to the Disposal, as if the Disposal had been completed on 30 September 2011.

The unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Remaining Group are prepared based on the unaudited condensed consolidated statement of comprehensive income and the unaudited condensed consolidated statement of cash flows of the Group for the six months ended 31 September 2011 as extracted from the interim report of the Company, after making pro forma adjustments relating to the Disposal, as if the Disposal had been completed on 1 April 2011.

The unaudited pro forma financial information is based on the aforesaid historical data after giving effect to the pro forma adjustments described in the accompanying notes. Narrative description of the pro forma adjustments that are (i) directly attributable to the transactions and (ii) factually supportable, is summarised in the accompanying notes.

This unaudited pro forma financial information has been prepared by the directors of the Company for illustrative purposes only and is based on a number of assumptions, estimates, uncertainties and currently available information. Because of its hypothetical nature, the unaudited pro forma financial information may not give a true picture of the results, cash flows, or financial position of the Group upon the completion of the Disposal or any future period or any future date.

APPENDIX III**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE REMAINING GROUP****UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL
POSITION***AT 30 SEPTEMBER 2011*

	The Group as at 30 September 2011 HK\$'000 Note (a)	Pro forma adjustment for the Disposal HK\$'000 Note (b)	The Remaining Group HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	40,147		40,147
Prepaid lease payments	2,564		2,564
Investment property	1,009		1,009
Mining rights	1,537,336		1,537,336
Available-for-sale investments	11,972		11,972
Deposits	7,271		7,271
Deferred tax assets	205		205
Consideration receivable for the Disposal	—	84,710	84,710
	<u>1,600,504</u>		<u>1,685,214</u>
CURRENT ASSETS			
Inventories	30,935		30,935
Trade and bills receivables	26,293		26,293
Other receivables, deposits and prepayments	6,477		6,477
Investments held for trading	119		119
Tax recoverable	4,934		4,934
Consideration receivable for the Disposal	—	1,821,692	1,821,692
Bank balances and cash	65,997		65,997
	<u>134,755</u>		<u>1,956,447</u>
Assets classified as held for sale	<u>2,710,516</u>	(2,710,516)	<u>—</u>
	<u>2,845,271</u>		<u>1,956,447</u>
CURRENT LIABILITIES			
Trade payables	13,847		13,847
Other payables, deposits received and accruals	19,595		19,595
Tax payable	3,452		3,452
	<u>36,894</u>		<u>36,894</u>
Liabilities associated with assets classified as held for sale	<u>882,487</u>	(882,487)	<u>—</u>
	<u>919,381</u>		<u>36,894</u>
NET CURRENT ASSETS	<u>1,925,890</u>		<u>1,919,553</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>3,526,394</u>		<u>3,604,767</u>

APPENDIX III

UNAUDITED PRO FORMA FINANCIAL

INFORMATION OF THE REMAINING GROUP

	The Group as at 30 September 2011 HK\$'000 Note (a)	Pro forma adjustment for the Disposal HK\$'000 Note (b)	The Remaining Group HK\$'000
NON-CURRENT LIABILITIES			
Retirement benefits obligations	1,222		1,222
Convertible notes	511,587		511,587
Embedded derivatives	122,297		122,297
Provision for restoration and environmental costs	6,310		6,310
	641,416		641,416
NET ASSETS	2,884,978		2,963,351
CAPITAL AND RESERVES			
Share capital	143,628		143,628
Convertible shares	360,340		360,340
Reserves	2,381,010	78,373	2,459,383
Total equity	2,884,978		2,963,351

APPENDIX III

UNAUDITED PRO FORMA FINANCIAL

INFORMATION OF THE REMAINING GROUP

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE

INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

	The Group for the six months ended 30 September 2011 <i>HK\$'000</i> <i>Note (a)</i>	Pro forma adjustments for the Disposal Pro forma adjustment <i>HK\$'000</i> <i>Note (c)</i>		The Remaining Group for the six months ended 30 September 2011 <i>HK\$'000</i> <i>Note (d)</i>
Continuing operations				
Revenue	72,033			72,033
Cost of sales	(52,525)			(52,525)
Gross profit	19,508			19,508
Other income, gains and losses	1,824			1,824
Selling and distribution costs	(1,900)			(1,900)
Administrative expenses	(39,029)			(39,029)
Other expenses	(7,715)			(7,715)
Changed in fair value of investment held for trading	(64)			(64)
Change in fair value of derivative financial instruments	58,585			58,585
Finance costs	(23,636)			(23,636)
Profit before taxation	7,573			7,573
Taxation	(517)			(517)
Profit for the period from continuing operations	7,056			7,056

APPENDIX III

UNAUDITED PRO FORMA FINANCIAL

INFORMATION OF THE REMAINING GROUP

	The Group for the six months ended 30 September 2011 HK\$'000 Note (a)	Pro forma adjustments for the Disposal Pro forma adjustment HK\$'000 Note (c)	Pro forma adjustment HK\$'000 Note (d)	The Remaining Group for the six months ended 30 September 2011 HK\$'000
Discontinued operation				
(Loss) profit for the period from discontinued operation	(15,365)	15,365	178,630	178,630
(Loss) profit for the period	(8,309)			185,686
Other comprehensive income				
Exchange difference arising on translation	66,035	(50,332)		15,703
Fair value changes on available-for-sale investments	(1,092)			(1,092)
Other comprehensive income for the period	64,943			14,611
Total comprehensive income for the period	56,634			200,297

APPENDIX III**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE REMAINING GROUP****UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF CASH
FLOWS***FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011*

	The Group for the six months ended 30 September 2011 <i>HK\$'000</i> <i>Note (a)</i>	Pro forma adjustments for the Disposal Pro forma adjustment <i>HK\$'000</i> <i>Note (e)</i>	Pro forma adjustment <i>HK\$'000</i> <i>Note (f)</i>	The Remaining Group for the six months ended 30 September 2011 <i>HK\$'000</i>
NET CASH USED IN OPERATING ACTIVITIES	<u>(65,377)</u>	31,191		<u>(34,186)</u>
NET CASH USED IN INVESTING ACTIVITIES				
Interest received	493	(188)		305
Purchase of property, plant and equipment	(35,024)	29,499		(5,525)
Deposits paid for acquisition of property, plant and equipment	(3,535)	964		(2,571)
Net cash from acquisition of assets through purchase of subsidiaries	273			273
Net cash inflow from disposal of subsidiaries	<u>–</u>		1,507,857	<u>1,507,857</u>
	<u>(37,793)</u>			<u>1,500,339</u>
NET CASH FROM FINANCING ACTIVITIES				
Proceeds from issue of warrants, net of expense	6,331			6,331
The Settlement Fund received	365,190			365,190
Increase in bank deposits in special purpose accounts included in assets classified as held for sale	<u>(251,937)</u>	251,937		<u>–</u>
	<u>119,584</u>			<u>371,521</u>

APPENDIX III

UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE REMAINING GROUP

	The Group for the six months ended 30 September 2011 <i>HK\$'000</i> <i>Note (a)</i>	Pro forma adjustments for the Disposal Pro forma adjustment <i>HK\$'000</i> <i>Note (e)</i>		The Remaining Group for the six months ended 30 September 2011 <i>HK\$'000</i> <i>Note (f)</i>
NET INCREASE IN CASH AND CASH EQUIVALENTS	16,414			1,837,674
CASH AND CASH EQUIVALENTS AT 1 APRIL 2011	48,676			48,676
RECLASSIFIED TO ASSETS CLASSIFIED AS HELD FOR SALE	(2,353)	2,353		–
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	<u>3,260</u>	1,393		<u>4,653</u>
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER 2011 represented by bank balances and cash	<u><u>65,997</u></u>			<u><u>1,891,003</u></u>

Notes:

- (a) Figures extracted from the unaudited condensed consolidated financial statements of the Group as set out in the interim report of the Company for the six months ended 30 September 2011.
- (b) The adjustment reflects the exclusion of the assets and liabilities of the Menggang Group assuming the Disposal had been taken place on 30 September 2011.

Gain on disposal of the Menggang Group is calculated as follows:

	HK\$'000
Total Consideration (note i)	1,832,927
Net assets of the Menggang Group:	
Carrying amount of assets and liabilities of the Menggang Group reflected in the consolidated financial statements of the Group (note ii)	(1,828,029)
Amounts due from the Menggang Group to the Company and other subsidiaries Group (note iii)	212,197
	(1,615,832)
Withholding tax (note iv)	(138,722)
Exchange reserve recycled from equity to profit or loss upon the Disposal (note v)	158,452
Gain on disposal of subsidiaries	236,825

Notes:

- (i) On 7 September 2011, the Group has entered into a sales and purchase agreement with an independent third party, Inner-Mongolia Shuangxin Resources Group Co., Ltd. (the “Purchaser”). Pursuant to this sales and purchase agreement, the Group has conditionally agreed to dispose the Menggang Group (the “Disposal”) for a cash consideration of RMB1,503,000,000 (equivalent to approximately HK\$1,832,927,000) (“Total Consideration”) and the Purchaser shall retain a sum equivalent to 5% of the Total Consideration after deduction of the capital gain tax (as stated in note (b)(iv)) for 15 months from the date of completion of the Disposal (the “Retention Deposit”) and the remaining 95% of the Total Consideration after deduction of the capital gain tax shall be settled by three instalments which due within one year from the date of the completion of the Disposal. Accordingly, the Group would recognise a non-current and current consideration receivables for the Disposal of approximately HK\$84,710,000 and approximately HK\$1,821,692,000 respectively.
- (ii) The assets and liabilities of the Menggang Group were presented as “assets classified as held for sale” and “liabilities associated with assets classified as held for sale” of HK\$2,710,516,000 and HK\$882,487,000, respectively, which were included in the condensed consolidated statement of financial position of the Group as at 30 September 2011 and had taken into account for the fair value adjustments on the mining rights and deferred tax liabilities upon the acquisition of the Menggang Group by the Group on 25 January 2010 (the “Acquisition”).
- (iii) In addition to the Total Consideration, the Purchaser is required to advance the Menggang Group an amount of RMB300,000,000 (equivalent to approximately HK\$365,190,000) (the “Settlement Fund”), which is used to repay the Menggang Group’s existing payables to third parties and the current account with the Company and its subsidiaries, before the completion of the Disposal. The Settlement Fund was payable to the Purchaser by the Menggang Group. As at 30 September 2011, the current accounts with the Company and its subsidiaries were amounted to HK\$212,197,000, which will be settled by the Menggang Group before the completion of the Disposal.

APPENDIX III

UNAUDITED PRO FORMA FINANCIAL

INFORMATION OF THE REMAINING GROUP

- (iv)

Capital gain tax of approximately RMB113,752,000 (equivalent to approximately HK\$138,722,000) was determined by directors of the Company based on the relevant tax rules in the People’s Republic of China and such tax payment is withheld by the Purchaser.
- (v)

In accordance with Hong Kong Accounting Standard 21 “The Effects of Changes in Foreign Exchange Rates”, upon the disposal of the Group’s entire interest in a foreign operation, all of the exchange differences accumulated in equity in respect of that foreign operation attributable to the owners of the Company are reclassified to profit or loss.
- (vi)

The adjustment on the reserve of HK\$78,373,000 represents the gain on disposal of HK\$236,825,000 less the exchange reserve of HK\$158,452,000 recycled from equity to profit or loss upon the Disposal.
- (c)

The adjustment reflects the exclusion of the results of the Menggang Group and the exchange differences arising from translation of the Menggang Group for the six months ended 30 September 2011, assuming the Disposal had been taken place on 1 April 2011. The discontinued operation of the Group represents the results of the Menggang Group.
- (d)

The adjustment reflects the gain on disposal of the Menggang Group, assuming the Disposal had been taken place on 1 April 2011. Gain on disposal of the Menggang Group is calculated as follows:

	HK\$’000
Total Consideration <i>(note i)</i>	1,832,927
Net assets of the Menggang Group:	
Carrying amount of assets and liabilities of the Menggang Group reflected in the consolidated financial statements of the Group <i>(note ii)</i>	(1,893,521)
Amounts due from the Menggang Group to the Company and other subsidiaries <i>(note iii)</i>	269,826
	(1,623,695)
Withholding tax <i>(note iv)</i>	(138,722)
Exchange reserve recycled from equity to profit or loss upon the Disposal <i>(note v)</i>	108,120
Gain on disposal of subsidiaries	178,630

Notes:

- (i) As stated in Note b(i) above.
- (ii) The carrying amount of net assets of the Menggang Group as at 1 April 2011 was HK\$1,893,521,000, which has taken into account for the fair value adjustment on the mining rights and deferred tax liabilities upon the Acquisition.
- (iii) As at 1 April 2011, the current accounts with the Company and its subsidiaries were amounted to HK\$269,826,000, which would have been settled by the Menggang Group before the completion of the Disposal. Other details are referred to note b(iii).
- (iv) As stated in Note b(iv) above.
- (v) As stated in Note b(v) above.
- (e) The adjustment reflects the exclusion of the cash flows of the Menggang Group other than those cash flows to repay the current accounts with other entities of the Group, the elimination of reclassification of bank balances and cash of the Menggang Group as held for sale and the effect of foreign exchange on bank balances and cash of the Menggang Group for the six months ended 30 September 2011, assuming the Disposal had been taken place on 1 April 2011 and the current accounts would have been settled before the Disposal. The cash flows of the Menggang Group are extracted from the Unaudited Financial Information included in Appendix II of this circular.
- (f) The adjustments reflect net cash inflow from the disposal of the Menggang Group, which represent the Total Consideration of HK\$1,832,927,000, after deduction of the capital gain tax of HK\$138,722,000, the Retention Deposit of HK\$84,710,000, the cash and cash equivalent of the Menggang group of HK\$6,274,000, assuming the Disposal had been taken place on 1 April 2011 and the remaining Settlement Fund of HK\$95,364,000 after settling the current account with the Menggang Group of HK\$269,826,000.
- (g) The above pro forma adjustments will have no continuing effect on the Remaining Group in the subsequent reporting periods.

**(B) ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL
INFORMATION****Deloitte.**
德勤德勤 • 關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓**Deloitte Touche Tohmatsu**
35/F One Pacific Place
88 Queensway
Hong Kong**TO THE DIRECTORS OF HAO TIAN RESOURCES GROUP LIMITED**

We report on the unaudited pro forma financial information of Hao Tian Resources Group Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the proposed disposal of the entire interest of Wuhai City Menggang Industrial Development Co., Ltd. and its subsidiaries (the “Menggang Group”) might have affected the financial information presented, for inclusion in Appendix III to the circular dated 26 January 2012 (the “Circular”). The basis of preparation of the unaudited pro forma financial information is set out in section A of this appendix.

Respective Responsibilities of directors of the Company and Reporting Accountants

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The unaudited pro forma financial information is for illustrative purpose only, based on the judgments and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of the financial position of the Group as at 30 September 2011 or any future date or the results and cash flows of the Group for the six months ended 30 September 2011 or any future period.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

26 January 2012

Upon completion of the proposed disposal of the Disposal Group, the operation of the Remaining Group will principally be contributed by Winbox (BVI) Limited and its subsidiaries (the “**Winbox Group**”) for the three years ended 31 March 2011. However, as the acquisition of Venture Path Limited and its subsidiaries by Champ Universe Limited, the wholly-owned subsidiary of the Company, was completed on 15 June 2011, the Remaining Group include Venture Path Group for the six months ended 30 September 2011.

FINANCIAL REVIEW

Revenue

The principal activities of the Remaining Group are manufacturing and sales of quality plastic and paper boxes for luxury consumer goods and development of underground coking coal mine, coal production and sale of coal.

The Winbox Group’s revenue for the year ended 31 March 2009 decreased by approximately 5.8% to HK\$166.5 million (2008: HK\$176.8 million). The decrease was attributable to the global economic downturn which caused our major customers in the United States and Europe to become more cautious in placing their orders, particularly in the final quarter of year 2008/09.

For the year ended 31 March 2010, the packaging box segment revenue decreased by approximately 41.7% to HK\$97.0 million. The decrease was attributable to the global economic downturn which caused our major customers in the United States and Europe to become more cautious in placing their orders. Segment loss amounted to approximately HK\$20.9 million, which includes an one-off impairment loss on goodwill of approximately HK\$10.6 million previously recognised for the Winbox Group’s France Operation. As a result of the pessimistic market condition in Europe, the management expects that the demands for the Winbox Group’s products from the France Operation will be decreased in the near future, hence impairment is required. Other main reasons for the incurred loss include (i) the substantial drop in turnover; (ii) the increase in cost of sales incurred for the relocation of the manufacturing plant from Shenzhen to Dongguang, the PRC; and (iii) higher direct labour costs.

For the year ended 31 March 2011, as the global economic recovery drove demand for consumer goods and packaging boxes to increase, the Winbox Group’s packaging segment revenue during the year under review increased by approximately 25.8% to HK\$122.1 million as compared with the same period last year. The segment loss significantly decreased by approximately 59.0% to HK\$8.6 million.

For the six months ended 30 September 2011, the production of Baicheng coal mine was approximately 3,400 tonnes and the gain from the sale of raw coal from its continuing operation was approximately RMB553,000 (approximately equivalent to HK\$671,000). With regards to the Winbox Group, the packaging segment revenue increased by 39.4% to HK\$71,362,000 (2010: HK\$51,197,000) as compared with the same period last year.

Gross Profit

For the year ended 31 March 2009, the Winbox Group's gross profit decreased to approximately HK\$37.9 million (2008: HK\$55.6 million). Gross profit margin also decreased from approximately 31.5% for the year ended 31 March 2008 to approximately 22.8% for the year ended 31 March 2009, primarily due to the increase in cost of sales in terms of direct material costs, direct labour costs and appreciation of RMB in the first half of the year.

For the year ended 31 March 2010, the Winbox Group's overall gross profit decreased to approximately HK\$11.4 million . Gross profit margin also decreased from approximately 22.8% for the year ended 31 March 2009 to approximately 11.7% for the year ended 31 March 2010, primarily due to the substantial drop in revenue and increase in cost of sales as discussed above.

For the year ended 31 March 2011, while the Winbox Group strived to control its costs in order to maintain the gross profit margin, the continuous increase in direct labour costs, raw material prices and RMB appreciation could not be totally passed on to customers. Therefore, the gross profit margin only increased slightly to approximately 15.6%. The overall gross profit increased to approximately HK\$19.0 million (2010: HK\$11.4 million).

For the six months ended 30 September 2011, the profit margin of Winbox Group was benefited by the significant increase product sales, and thus offsetting the effect caused by ever rising direct labour costs and costs of raw materials and the continuous appreciation of Renminbi. During the period under review, the profit margin increased significantly to approximately 26.5% (2010: 8.2%), while the gross profit increased to approximately HK\$18,911,000 (2010: HK\$4,208,000).

Other Income, Gain and Loss, Change in Fair Value of Investments Held for Trading, Change in Fair Value of Derivative Financial Instruments and Impairment Loss Recognised in respect of Available-For-Sale Investments

For the year ended 31 March 2009, the Winbox Group invested in various types of financial instruments including fixed income, equity and derivatives with a view to enhance overall return. However, due to the adverse condition and the increasing instability of the global financial markets, a total loss of approximately HK\$26.6 million (2008: gain of approximately HK\$5.6 million) was recorded in other income, gain and loss, change in fair value of investments held for trading, change in fair value of derivative financial instruments and impairment loss recognised in respect of available-for-sale investments. As at the date of this report, the Winbox Group does not have any outstanding derivative financial instruments.

For the year ended 31 March 2010, as a result of the gradual recovery of global financial markets since the second quarter of 2009, a total net gain of approximately HK\$11.7 million was recorded in other income, gain and loss, change in fair value of investments held for trading and impairment loss recognised in respect of available-for-sale investments.

For the year ended 31 March 2011, a total net loss of approximately HK\$0.8 million was recorded in other income, gain and loss, change in fair value of investments held for trading and impairment loss recognised in respect of available-for-sale investments. The loss was mainly attributable to (i) the decrease in gain on disposal of available-for-sale investments; (ii) the decrease in fair value of derivative held for trading; and (iii) the net loss from foreign exchange.

For the six months ended 30 September 2011, the Remaining Group recorded a total net gain of approximately HK\$60.3 million (2010: net loss of approximately HK\$33.0 million) in other income, gain and loss, change in fair value of investments held for trading and change in fair value of derivative financial instruments. The gain were mainly contributed by (i) the positive effect arising from fair value adjustment in derivative component of the convertible notes issued by the Company on 25 January 2010 for the acquisitions and (ii) there was dividend income from unlisted available-for-sale investment and an increase in sundry income.

Distribution and Selling Costs

For the years ended 31 March 2009, 2010 and 2011, the Winbox Group's distribution and selling costs as a percentage of turnover were approximately 2.2%, 2.4% and 3.4% respectively.

For the six months ended 30 September 2011, distribution and selling costs from the Remaining Group were approximately HK\$1.9 million (2010: HK\$1.3 million), representing an increase of approximately HK\$0.6 million or 46.2% as compared with the same period in 2010. The increase was in line with the movement of sales during the periods.

Administrative Expenses

The Winbox Group's administrative expenses decreased by approximately 4.5% to HK\$28.6 million for the year ended 31 March 2009.

For the year ended 31 March 2010, the Winbox Group's administrative expenses were approximately HK\$26.4 million which maintained at a similar level of approximately HK\$28.6 million in the year 2009.

For the year ended 31 March 2011, the Winbox Group's administrative expenses were approximately HK\$63.2 million, representing a substantial increase of approximately HK\$36.8 million or 139.4% as compared with the same period in 2010. The increase were a result of (i) the non-cash share based payments expenses arising from the amortization of a total 92,900,000 newly granted share options to eligible participants by the Company as disclosed in the announcement during the year; (ii) the increase in directors' remuneration and staff costs; and (iii) the increase in rental expenses in Hong Kong.

For the six months ended 30 September 2011, administrative expenses from the Remaining Group were approximately HK\$39.0 million (2010: HK\$27.0 million), representing a substantial increase of approximately HK\$12.0 million or 44.4% as compared with the same period in 2010. The increase was mainly contributed by (i) non-cash share based payments expenses approximately HK\$11.1 million (2010: HK\$5.5 million) arising from the amortisation of the granted share options to eligible participants by the Company; and (ii) the inclusion of three and half months' administrative expense from the Venture Path Group, which the acquisition was completed on 15 June 2011.

Impairment loss recognised in respect of Goodwill

For the year ended 31 March 2010, as a result of the pessimistic market condition in Europe, the management expects that the demand for the Winbox Group's products sold by the France Operation will be decreased in the near future, hence impairment on goodwill previously recognised of approximately HK\$10.6 million is required.

For the years ended 31 March 2009 and 2011 and six months ended 30 September 2011, there was no impairment loss recognised In respect of Goodwill.

Other Expenses

For the six months ended 30 September 2011, other expenses from the Remaining Group were approximately HK\$7.7 million (2010: HK\$nil) which represented the costs incurred for the acquisition of assets through purchase of subsidiaries and the direct labour costs, depreciation expenses, consumables and other costs incurred during the suspension period of the operation of the Xinjiang Mine.

Finance Costs

For the year ended 31 March 2009, the Winbox Group's finance costs maintained at a low level of approximately HK\$0.2 million.

For the year ended 31 March 2010, the Winbox Group did not incur finance costs for the year ended 31 March 2010.

For the year ended 31 March 2011, the Winbox Group's finance costs amounted to approximately HK\$0.08 million.

For the six months ended 30 September 2011, finance costs from the Remaining Group were approximately HK\$23.6 million (2010: HK\$13.1 million), which were mainly attributable to the recognition of interest expenses on the liability component of the convertible notes issued by the Company on 25 January 2010 and 15 June 2011 for the acquisitions.

Taxation

For the years ended 31 March 2009, 2010, 2011 and six months ended 30 September 2011, the income taxation expenses was approximately HK\$1.5 million, HK\$1.4 million, HK\$0.4 million and HK\$0.5 million, respectively.

APPENDIX IV MANAGEMENT DISCUSSIONS AND ANALYSIS OF THE REMAINING GROUP

Loss for the Year

The Winbox Group had recorded a loss of approximately HK\$22.9 million for the year ended 31 March 2009 and the respective net margin decreased from a positive 12.5% to a negative 13.7% for the year ended 31 March 2009, mainly due to the loss in change in fair value of investments held for trading and impairment loss recognised in respect of available-for-sale investments as mentioned above.

For the year ended 31 March 2010, the Winbox Group had recorded a loss of approximately HK\$35.2 million, mainly due to (i) the global economy was deteriorated in causing major customers in the United and Europe to make less orders; and (ii) one-off impairment loss on goodwill arising from the France Operation as discussed above.

For the year ended 31 March 2011, the Winbox Group had recorded a loss of approximately HK\$8.1 million, the loss decrease is mainly due to no further impairment loss on goodwill recognised and improvement both in sales and gross profit compared to that of last year.

For the six month ended 30 September 2011, the net gain from the Remaining Group attributable to the owners in the period was approximately HK\$7.1 million (2010: net loss of approximately HK\$70.0 million).

LIQUIDITY, CAPITAL STRUCTURE AND FINANCIAL RESOURCES

Set out below is a summary of the audited financial statement of the Remaining Group as at 31 March 2009, 2010, 2011 and six months ended 30 September 2011.

	31 March 2009	31 March 2010	31 March 2011	30 September 2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Total Assets	198,029	378,188	379,667	1,735,259
Current Assets	128,509	337,476	96,195	134,755
Current Liabilities	19,875	23,514	30,644	36,894
Working capital	108,634	313,962	65,551	97,861
Gearing ratio*	n/a	n/a	n/a	11.5%

* *A ratio of total borrowings to total assets other than goodwill*

Cash and Bank Balance

As at 31 March 2009, 2010, 2011 and 30 September 2011, the Remaining Group's aggregate cash and bank balances amounted to approximately HK\$54.7 million, HK\$245.7 million, HK\$42.4 million and HK\$66.0 million respectively, representing 42.6%, 72.8%, 44.1% and 49.0% of total current assets, respectively.

Borrowings

As at 31 March 2009, 2010, 2011 and 30 September 2011, the Remaining Group had no borrowings from banks or financial institutions.

Pledged Assets

The Remaining Group has pledged its leasehold buildings with a carrying value of approximately HK\$3.2 million, HK\$3.1 million, HK\$3.0 million and HK\$2.9 million to secure general banking facilities granted to the Winbox Group as at 31 March 2009, 2010, 2011 and 30 September 2011.

Save as disclosed above, the Remaining Group did not have any outstanding investment schemes and bank borrowings and did not utilize any of the banking facilities granted.

Capital Commitment And Contingent Liabilities

As at 30 September 2011, there were capital commitments of approximately HK\$6.0 million and HK\$357.5 million in respect of addition of property, plant and equipment contracted for but not provided in the consolidated financial statements and authorised but not contracted for respectively.

Save as disclosed above, there were no significant capital commitments and has no material contingent liabilities as at 31 March 2009, 2010, 2011 and 30 September 2011.

Exposure To Fluctuations In Exchange Rates

The Remaining Group's sales are denominated mainly in Hong Kong dollars ("**HKD**"), United States dollars ("**USD**") and Euro ("**EUR**"). The Remaining Group's purchases and expenses are mostly denominated in HKD and RMB, and some in EUR and USD. The Group has certain foreign currency bank balances, investments held for trading, available-for-sale investments and investment in foreign operations, which are exposed to foreign currency exchange risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

Employee Information

As at 31 March 2009, 2010, 2011 and 30 September 2011, the Remaining Group had a total of approximately 1,031, 1,100, 1,180 and 1,500 employees in the PRC, Hong Kong and France respectively. The Remaining Group provides a mandatory provident fund scheme for its employees in Hong Kong and the state-managed retirement benefit schemes for its employees in the PRC and France. Remuneration packages are reviewed periodically.

The Group has also adopted a share option scheme.

Significant Investment, Materials Acquisitions and Disposals

On 7 September 2011, the Group has entered into the S&P Agreement with an independent third party, Inner-Mongolia Shuangxin Resources Group Co., Ltd (the "**Purchaser**"). Pursuant to the S&P Agreement, the Group has conditionally agreed to dispose the Disposal Group for a cash consideration of RMB1,503,000,000 (approximately equivalent to HK\$1,832,927,000). In addition to the total consideration, the Purchaser required to advance the Disposal Group of RMB300,000,000 (approximately equivalent to HK\$365,854,000), which is used to repay the Disposal Group's existing indebtedness and current account with the Company and its subsidiaries before the completion of sale of the Disposal Group. The completion of sale of the Disposal Group is subject to fulfillment of conditions precedent including, amongst others, the approval from shareholders of the Company and approval from the relevant PRC government departments.

Save as disclosed above, the Group did not have other significant investment, material acquisition and disposals as at 31 March 2009, 2010, 2011 and 30 September 2011.

Future Prospects

Looking forward, with the agreement on the exploration of Qinghai Muli Coalfield and the investment in deep processing projects of coal chemicals between the Group and Qinghai Muli Coal Development Group Co., Ltd., the Remaining Group will comply with the Government’s essence in the consolidation of mines to participate in the consolidation of the Qinghai Muli Coalfield and be actively involved in the investment of deep processing projects of coal chemicals. Apart from the investment in coalfields in Qinghai, the Remaining Group also entered into a strategic cooperation framework agreement with Xinjiang Production and Construction Corps State-owned Assets Operation Company to form a strategic cooperation relationship and actively implement the cooperation by fully utilizing the respective advantages of both parties, as well as providing mutual support and service for the development in various aspects, including coal, chemicals, petroleum, natural gas and nonferrous metal, quickly facilitate the industrialized conversion of Xinjiang’s resources.



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<http://www.roma-international.com>

20 January 2012

The Directors

Hao Tian Resources Group Limited

Unit 4803, 48/F,
COSCO Tower,
Grand Millennium Plaza,
183 Queen's Road Central,
Hong Kong

Case Ref: AK/OT8012/AUG11

Dear Sirs/Madams,

**Re: Competent Person's Report concerning the Coal Project in Wuhai City,
Inner Mongolia Autonomous Region, The People's Republic of China**

INTRODUCTION

Hao Tian Resources Group Limited (the "Company") commissioned Roma Oil and Mining Associates Limited ("ROMA") to review the Coal Project (the "Project", the "Deposit" or the "Mine") operations located at Inner Mongolia, The People's Republic of China.

PROGRAM OBJECTIVES

Objectives of the program were to review available data, participate in a site visit and provide the Company with both verbal feedback and this Report.

PURPOSE OF THE REPORT

The purpose of the Report is to provide potential equity investors and shareholders of the Company and The Stock Exchange of Hong Kong Limited (the "HKSE") with an independent technical report (the "Report"). The Report has been prepared in accordance with Chapter 18 of the Listing Rules of the HKSE.

REPORTING STANDARD

This Report has been prepared to the standard of and is considered by ROMA to be, a Technical Report reference the guidelines of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the “JORC Code”).

This Report is not a valuation report and does not express an opinion as to the value of mineral assets. Aspects reviewed in the Report do include product prices, socio-political issues and environmental considerations. ROMA does not express an opinion regarding the specific value of the assets and tenements involved.

WORK PROGRAM

ROMA's work program involved two phases:

- Phase 1: reviewing information provided; conducting a site visit to the Project operations located at Inner Mongolia in the People's Republic of China; discussing with personnel of Company; and collecting and reviewing further documents; and
- Phase 2: analyzing the provided data, writing the Report, reviewing additional data and finalizing the Report.

STATEMENT OF INDEPENDENCE OF ROMA

Neither ROMA nor any of the authors of the Report have any material existing or contingent interest in the outcome of the Report, nor do they have any pecuniary or other interest that could be reasonably regarded as being capable of affecting their independence or that of ROMA.

ROMA has no prior association with Company in relation to the mineral assets that are the subject of the Report. ROMA has no beneficial interest in the outcome of the technical assessment conducted in connection with the preparation of the Report which is being capable of affecting its independence. ROMA's fee for preparing the Report is based on its normal professional daily rates plus reimbursement for incidental expenses. The payment of ROMA's professional fee is not contingent upon the outcome of the Report.

WARRANTIES

The Company has represented in writing to ROMA that full disclosure has been made of all material information and that, to the best of its knowledge and understanding, such information is complete, accurate and true.

INDEMNITIES

The Company has provided ROMA with an indemnity under which ROMA is to be compensated for any liability and/or any additional work or expenditure resulting from any additional work required:

- Which results from ROMA’s reliance on information provided by the Company which is inaccurate or incomplete; or
- Which relates to any consequential extension workload through queries, questions or public hearings arising from the Report.

CONSENTS

ROMA consents to the Report being included, in full, and the reference to ROMA’s name and names of the authors of the Report in the shareholders’ circular to be issued by Company, in the form and context in which the technical assessment is provided, and not for any other purpose.

STATEMENT OF QUALIFICATION OF THE COMPETENT PERSON

I, Brian J. Varndell, hereby confirm that:

- I have carried out the assignment for Roma Oil & Mining Associates Limited, located at:

Unit 3806, 38/F, China Resources Building,
26 Harbour Road, Wan Chai, Hong Kong
Tel: (852) 2529 6878
Fax: (852) 2529 6806
Email: info@roma-international.com

- I obtained a B.Sc. (General Honours) (1970) from the University of London, UK and B.Sc. (Special Geology) (Honours) (1971) from the University of Rhodesia.
- I am a qualified geologist and a Fellow of the Australasian Institute of Mining and Metallurgy (the “AusIMM”).
- I have studied the revised Chapter 18 of the Hong Kong Listing Rules and understand the definitions of “competent person”. My past relevant experience, qualifications and my affiliation with professional associations have fulfilled the requirements to be a “competent person” as set out in the listing rules for the purpose of the Report:

HKEx Requirements of “Competent Person”***18.21***

1. I have a minimum of five years experience relevant to the style of mineralization and type of deposit.
2. I am a fellow of the relevant Recognized Professional Organization, i.e. Australasian Institute of Mining and Metallurgy.
3. I take overall responsibility for the Competent Person's Report.

18.22

1. I have no economic or beneficial interest (present or contingent) in any of the assets being reported on.
 2. I have not been remunerated with a fee dependent on the findings of the Competent Person's Report.
 3. I am not an officer, employee or proposed officer of the issuer or any group, holding or associated company of the issuer.
- I have more than 38 years experience as a geologist of which more than five years is relevant to the style of mineralization and type of deposit under consideration and to the activity which I am undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". I consent to the inclusion in the report of the matters based on my information in the form and context in which it appears.
 - I have neither present nor prospective interests in the Company, the Project or the values reported herein.
 - I am not aware of any material fact or material change with respect to the subject matter of the Report that is not reflected in the Report.
 - I am an associate chief geologist of Roma Oil and Mining Associates Limited.
 - The Report has been prepared consistent with the guidelines set by the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ("The JORC Code") for Independent Expert Reports.

REMARKS

The report is based on information made available to ROMA prior to 10th December, 2011. The Company has not advised ROMA of any material change, or event likely to cause material change, to the designs or forecasts since 10th December, 2011.

ROMA will not be liable for any loss or damage suffered by a third party relying on this Report (regardless of the cause of action, whether breach of contract, tort, and negligence.

ROMA will not accept any liability other than its statutory liability to any individual, organization, or company and takes no responsibility for any loss or damage arising from the use of this Report, or information, data, or assumptions contained therein.

We confirm that none of ROMA or its directors, staff or sub-consultants who contributed to this Report has any interest in:

- the Company; or
- the Mines.

Yours faithfully,

For and on behalf of

Roma Oil and Mining Associates Limited

Peer reviewed by:

Mr. Brian J. Varndell

*B.Sc. (Spec Hons Geol),
Qualified Geologist, FAusIMM
Associate Chief Geologist*

Philip A. Jones

B.ASc., AusIMM, AIG

Note: Mr. Brian J. Varndell is a Competent Person under JORC Code and has over 38 years of extensive executive and site experience in mineral exploration, resource and reserve calculation and evaluation of mineral properties including coal in China, Southeast Asia, Africa and Australia.

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EXECUTIVE SUMMARY

The two Coal Project consist of: Tianyu Gongmao Company Limited (天裕工貿公司) Coal Mine (“Mine 1”) and Tianyu Coal Company Limited (天譽煤炭有限責任公司) Coal Mine (“Mine 4”). Both mines that are the subject of this Report are located near Wuhai (烏海) City, Inner Mongolia Autonomous Region (內蒙古自治區).

Inner Mongolia has a monsoon-influenced continental climate with large diurnal temperature ranges with hot summers and cold winters. The region has an annual rainfall of 158.1 mm falling mainly in summer.

Tianyu Gongmao Company Limited and Tianyu Coal Company Limited have 100% interests in the Project areas, i.e. Mine 1 and the Mine 4 respectively, under valid mining licenses that were granted in 2010. Both companies are 100% owned by the parent company Hao Tian Resources Group Limited.

Tianyu Gongmao Company Limited Coal Mine (“Mine 1”)

Mine 1 is located approximately 22-28 km to the southeast of Wuhai City. The mine had been producing coal, from coal seams no. 9 and no. 16, from underground for several years at approximately 100,000 tonnes of coal per year. Coal production is currently suspended after being taken over by Tianyu Gongmao Company Limited. During this suspension period the mine infrastructure is being upgraded.

License Details

Name of license	The People’s Republic of China Exploitation License
License No.	C1500002010121120107037
Name of license holder	Tianyu Gongmao Company Limited
Name of issuer	Department of Land and Resources, Inner Mongolia Autonomous Region
Location	Hainan District, Wuhai City
Name of mine	Tianyu Gongmao Company Limited Coal Mine (Mine 1)
Business entities	Limited company
Effective date	5th December 2010 to 5th December 2012
Mineral type of mine	Coal
Mining methodology	Underground mining
Production capacity	300,000 tonnes per year
Area of mining region	2.4016 square kilometers

Table 1 – License Detail of Mine 1

Tianyu Coal Company Limited Coal Mine (“Mine 4”)

Mine 4 is located 700 m southwest of Mine 1 taking about 20 minutes by vehicle to travel between the mines. This deposit is still in its exploration and development stages with underground mining similar to Mine 1 planned. Tianyu Coal Company Limited has explored the license over several years including surface mapping, diamond drilling and geophysics. The licensed production capacity is 300,000 tonnes/year.

License Details

Name of license	The People’s Republic of China Exploitation License
License No.	C1500002010121120107035
Name of license holder	Tianyu Coal Company Limited
Name of issuer	Department of Land and Resources, Inner Mongolia Autonomous Region
Location	Hainan District, Wuhai City
Name of mine	Tianyu Coal Company Limited Coal Mine (Mine 4)
Business entities	Limited company
Effective date	5th December 2010 to 5th December 2013
Mineral type of mine	Coal
Mining methodology	Underground mining
Production capacity	300,000 tonnes per year
Area of mining region	4.0299 square kilometers

Table 2 – License Detail of Mine 4

Site Visit

ROMA’s technical team (“the Team”) performed a site visit to both Mine 1 and Mine 4 on 28th September, 2011. Due to time constraints and logistical problems the Competent Person was unable to visit the two mines. During the site visit, the team:

- Verified the mining licenses
- Collected and checked the Global Positioning System (GPS) information of a few previous drillholes
- Investigated the safety conditions of staff
- Visited the operational facilities
- Collected verification coal samples

Physical inspections were undertaken of the ground surface, access roads, infrastructure and the surrounding regions. The team also held a meeting with the exploration brigade to discuss the mining methodology, current mining and exploration status and the outlook of the Projects.

ROMA appointed personnel to be present during the collection of all the samples to ensure they were authentic and representative of the mining regions. The coal samples collected were then sent to SGS Group Guangzhou branch for chemical analysis.

Resource Estimates

The coal resource estimates are quoted by ROMA after reviewing the previous resource estimates by SRK Consulting Engineers and Scientists (“SRK”) and Inner Mongolia Autonomous Region Bureau of Coal Geology Brigade 117 (“Brigade 117”) and summarized in the table below.

Resource Category (JORC Code)	Tonnage (million tonnes)	Coal Seams Included in Resource Estimates	Bulk Density Range (tonnes/m³)
Mine 1			
Measured	0	8 ⁻¹ , 9 ⁻¹ , 9 ⁻² , 10, 16 ⁻¹ , 16 ⁻² , 17	1.55-1.56
Indicated	14.98		
Inferred	13.0		
Mine 4			
Measured	0	8 ⁻¹ , 9 ⁻¹ , 10, 16 ⁻¹ , 16 ⁻² , 17 ⁻¹	1.39-1.58
Indicated	33.24		
Inferred	18.6		

Table 3 – Summary of Resource Estimates of the Coal Project

The expected mine life of Mine 1 and Mine 4 are approximate 50 years and 110 years respectively based on licensed production capacity.

All the resource estimates were based on JORC (2004) compliant data and procedures, and calculated using methods that meet the JORC (2004) code standards.

Permitting Issue

The Business License for Mine 1 and the Safety Production Permit have both expired on 8th January 2012 and have since been re-applied for. It should be noted that mining cannot commence until these license applications have been re-approved. For further details regarding the permit issues and risk analysis, please refer to the Section 11 and Appendix A.

1. PROPERTY LOCATION, DESCRIPTION, TENEMENTS AND OWNERSHIP

1.1. Property Location

Both mines, Mine 1 and Mine 4, which are the subject of this Report are located near Wuhai City, Inner Mongolia Autonomous Region, The People’s Republic of China, Figure 1. Wuhai City is located in the west of Inner Mongolia at an average elevation of 1150 m. Wuhai is well known for its abundance of underground coal resources and Inner Mongolia is believed to account for one-fifth of the total coal resource in China.



Figure 1 – Location of Wuhai Projects

Tianyu Gongmao Company Limited Coal Mine (“Mine 1”)

Mine 1 is located approximately 22-28 km to the southeast of Wuhai City, and is under the jurisdiction of Bayintaohaixiang (巴音陶亥乡) . This underground coal mine commenced operation in 2006 and to date has produced 100,000 tonnes of raw coal per year from coal seams no. 9 and no. 16. The coal production is currently suspended after being taken over by Tianyu Gongmao Company Limited and the mine is currently undergoing a major upgrade of infrastructure. The coal seams at Mine 1 which are included in the resource estimates in this report are coal seams 8⁻¹, 9⁻¹, 9⁻², 10, 16⁻¹, 16⁻² and 17.

Tianyu Coal Company Limited Coal Mine (“Mine 4”)

Mine 4 is located approximately 0.7 km southeast of Mine 1, and is under the jurisdiction of Hainan District, Wuhai City. It takes about 20 minutes by vehicle to travel between Mine 1 and Mine 4. The deposit is still in its exploration and development stage with Tianyu Coal Company Limited exploring the license over several years including surface mapping, drilling and geophysics. The licensed production capacity by underground mining is 300,000 tonnes/year. The coal seams at Mine 4 which are included in the resource estimates in this report are coal seams 8⁻¹, 9⁻¹, 10, 16⁻¹, 16⁻² and 17⁻¹.

1.2. Tenements and Ownership

Tianyu Gongmao Company Limited holds the exploitation license over Mine 1 and Tianyu Coal Company Limited over Mine 4, Table 4.

Name	License Number	Area Km ²	Date Granted	Date Expired
Mine 1	C1500002010121120107037	2.4016	December 2010	December 2012
Mine 4	C1500002010121120107035	4.0299	December 2010	December 2013

Table 4 – License details for Mine 1 and Mine 4

The total area of the granted exploitation licenses is 6.4315 square kilometres. The geographical co-ordinates for each license are as follows:

Mine 1 Exploitation license	Coordinates (Xian 80 Co-ordination System)	
Point	North	East
1	4370499.864	36403261.497
2	4371599.893	36404741.496
3	4370349.888	36405271.517
4	4369949.874	36404421.514
5	4368949.858	36403921.523

Depth Range (*mRL*):

1,150

580

Mine 4 Exploitation license	Coordinates (Xian 80 Co-ordination System)	
Point	North	East
1	4369529.905	36407171.545
2	4367859.890	36407171.566
3	4367859.870	36405621.552
4	4370049.883	36405121.520
5	4370099.891	36405671.524
6	4369799.890	36405821.529
7	4370109.895	36405941.526
8	4370259.911	36407071.534
9	4369529.904	36407071.544

Depth Range (*mRL*):

1,200

600

The requirements for a granted exploitation license are as follows:

1.

Approval of mine development and utilization plan.
2.

Approval of environmental impact assessment.
3.

Approval of environmental protection plan including a land reclamation program.
4.

Approval of mineral resources occupation registration license by the Department of Land and Resources.

The resource taxes and levies due on each exploitation license is summarized in Table 5:

Resource Tax	Amount
Value-added tax (VAT)	17%
Output tax	17% on both raw coal and washed coal
Input tax	7% on shipping, 17% on raw coal, 17% on raw material
Urban maintenance and construction tax	7% on VAT
Education surcharges	3% on VAT
Education surcharges on local community	1% on VAT
Coal resource tax	RMB8/tonne
Income tax	25% on profit
Coal production regulation fund	RMB15/tonne
Waterworks and construction tax	0.1% on revenue
Stamped duty	0.030%

Table 5 – Summary of taxes due on the license

Tianyu Gongmao and Tianyu Coal have fully paid all the relevant taxes, royalties and other significant payments in accordance with the relevant taxation laws in the PRC.

As advised by the Company, there were no concerns of local governments and communities on the sites of the Mines which would have material impact on the operation of the Mines.

2. ACCESSIBILITY, CLIMATE, LOCAL RESOURCES, INFRASTRUCTURE AND PHYSIOGGRAPHY

Both mines are located at Hainan District which is one of the administrative subdivisions of Wuhai City. Wuhai City, with a population of over 400,000, is well developed with highways, railways and an airport. The nearby highway, the China National Highway 110 (G110), runs from Beijing (北京) to Yinchuan (银川) via Inner Mongolia. In addition, the Provincial Highway S215, Wuqi (烏棋) Highway and G6 Jingzang Expressway enable the easy supply of mining or construction materials. The nearby population can provide all the required skilled manpower for the project, Figure 2.

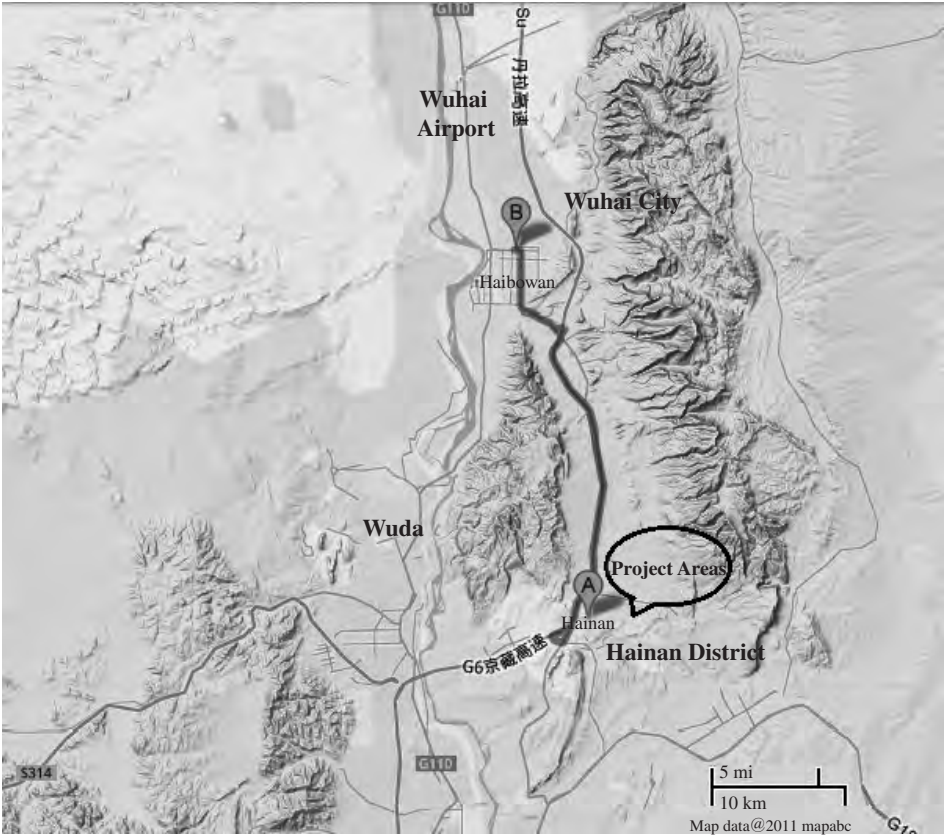


Figure 2 – Map of the Wuhai City and Hainan District
(Source: Google Maps – ©2011 Google)

Both licenses are easily accessible by vehicles and trucks carrying equipment to the mines or the coal out to a processing plant. The whole trip from the mines to Wuhai is usually along high quality sealed highways, Figure 2.



Figure 3 – Highway along the Way to Both Mines

The climate at both mines is semi-desert arid plateau continental climate varying from very cold winters to hot summers. The annual temperature ranges from a maximum of +39°C in summer (August) and minimum of -33°C in winter (January). The average annual rainfall is 158.1 mm falling mainly in summer. The vegetation and wildlife are rare in both mining sites. According to the Seismological Bureau of Chinese Academy of Science (中國科學院地震局), the coal mines lie within a seismic zone with possible earthquakes reaching magnitude of 8 on the Richter Scale, Table 6.

Year	Month	Day	Latitude	Longitude	Depth (km)	Magnitude	Distance
1976	9	22	40.03	106.33	29	5.7	78
1983	1	17	40.31	107.00	33	4.6	93
1987	2	28	39.88	106.37	33	4.7	64
1989	5	8	39.50	106.49	10	4.0	35
1989	12	29	39.40	107.20	33	4.0	27
1990	3	3	40.16	106.34	33	3.8	89
1990	3	9	39.84	106.29	33	3.6	66
1990	6	13	40.00	106.23	10	4.7	81
1991	9	28	39.98	106.34	33	3.8	73
1992	9	27	39.85	106.40	33	3.9	60
1993	4	12	38.83	106.99	10	3.3	71
1993	8	12	39.29	106.50	10	4.8	39
1995	9	7	40.01	106.58	10	4.1	65
1995	10	13	39.31	107.03	10	3.8	21
1999	3	20	39.71	106.75	33	4.8	29
2002	6	8	39.11	106.54	33	3.7	50
2004	12	5	39.11	106.84	40	3.9	40
2007	2	25	39.66	106.65	35	3.5	29
2007	12	20	38.98	106.12	14	4.6	87
2008	12	31	38.99	106.12	10	3.7	86
2010	6	20	39.89	106.44	31	4.4	60

Table 6 – Earthquakes within 100 km of Wuhai since 1976 >3.0 Richter Magnitude (USGS, 2011)

The Wuhai area is well known for its coal resources and has a well developed economy. Apart from coal production, Wuhai also provides materials for the cement, building, coking and chemical industries. Agriculture in the Wuhai area is mainly focused on grapes and dairy.

The electrical power supply for both projects is sourced from the local power supply grid through 35 kV high voltage power transmission lines operated by the Wuhai Electric Power Bureau. Both mines stated that the power supply is reliable with sufficient capacity to meet the project’s requirements. No agreement between the Wuhai Electric Power Bureau and either Tianyu Gongmao Company limited or Tianyu Coal Company Limited had been made at the time of this report.

The Tianyu Coal Washing Plant is planned to be located within the Mine 4 exploitation lease and have a production rate of approximately 3,000,000 tonnes annually. The raw coal from both mines is planned to be washed at the plant.

3. GEOLOGY

3.1. Regional Geology

Both mines are located along the foothills of the north-south-oriented Zhuozi (桌子) Mountain folded thrust belt within the north-western sector of the extensive, coal-bearing, intracratonic Ordos (鄂尔多斯) Basin of north-central China.

The Ordos Basin is composed of Paleozoic passive craton sedimentation forming part of the North China Block and similar to the Bohai (渤海) Basin further east. The Ordos Basin sediments consists of Cambrian-Ordovician predominantly marine limestone and dolomite and Carboniferous-Permian sediments that pass from shallow marine limestone, sandstone and shale low in the section to mostly deltaic and fluvial sandstone and mudstone higher in the section.

A significant unconformity spanning from the late Ordovician to early Carboniferous separates the late and early Paleozoic sections. The early Paleozoic sediments overlie an Archean gneiss basement. Excellent exposures of the Paleozoic basinal filling sequences are developed along the margins of the Ordos basin, in particular along some sections of the Yellow River.

The early Mesozoic geology within the Ordos basin reflects a complex interaction of fluvial, lacustrine deltaic and alluvial fan depositional environments. The basinal filling was strongly asymmetrical being thin towards Zhuozi Mountain and reaching 600-800 m thick farther west. The Ordos basin has been interpreted as an intraplate extensional basin.

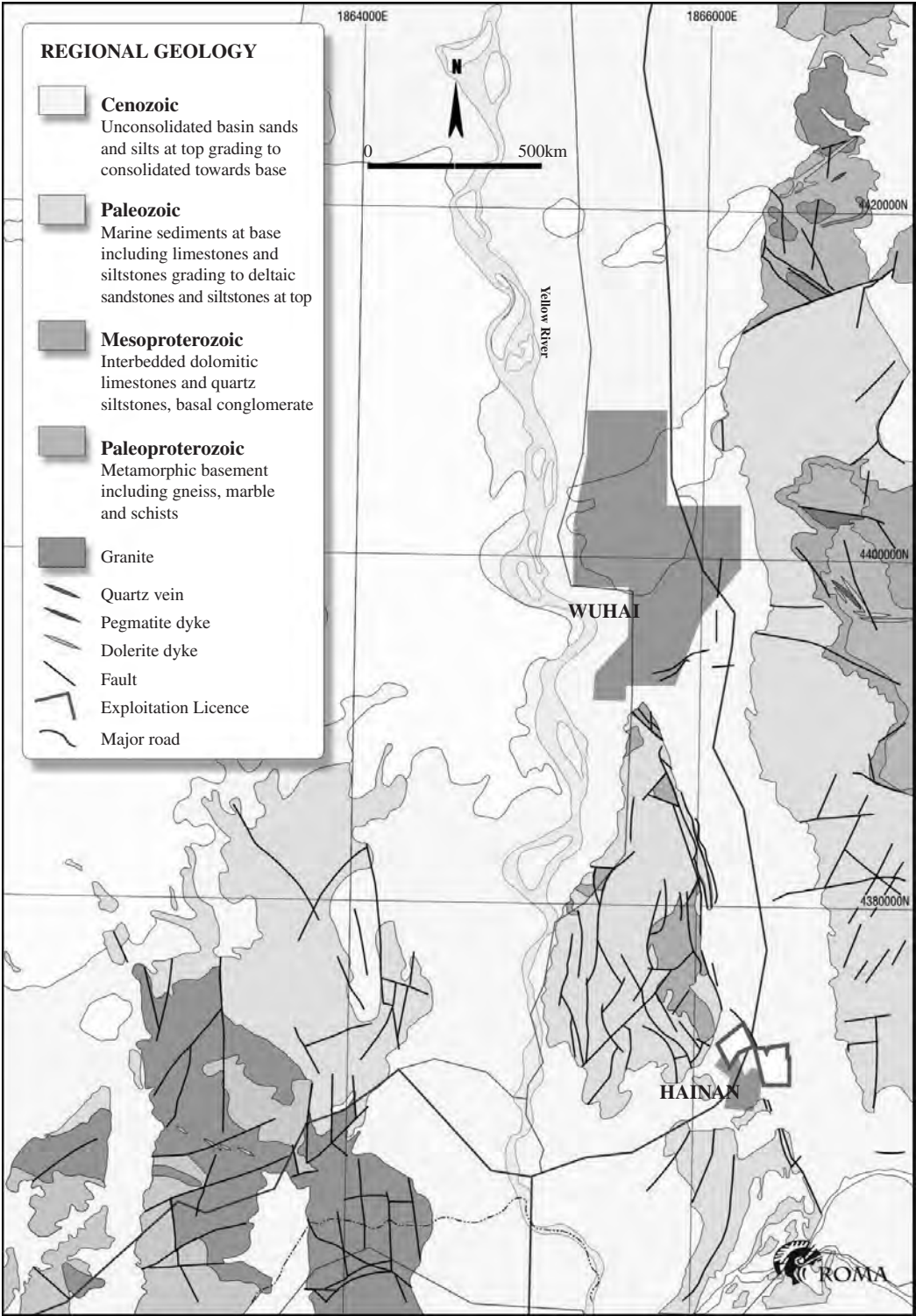


Figure 4 – Regional Geology Map Showing the Project Areas

3.2. Local Geology and Coal Quality

Coal originates from accumulated tropical and subtropical plants that undergo physical and chemical alteration after settling in swampy areas, first forming peat which gets buried below other sediments until the heat and pressure transforms the peat into coal. This process takes millions of years.

There are four stages in coal formation: peat, lignite, bituminous and anthracite depending upon the conditions to which the plant remains are subjected to after they were buried – the greater the pressure and heat, the higher the rank of coal. Higher-ranking coal is denser and contains less moisture and gases and has a higher heat value than lower-ranking coal.

SRK in their report describe the coal as follows:

“In general, the coal of the five Permo-Carboniferous coal seams in the Mine 1 and Mine 4 area are black, lustrous, and brightly banded. The coal exhibits prominent bedding, 2cm to 6cm in seam 9 and intensive bedding slip deformation in seam 16. Cleating is dense and common within the seams.

Proximate analysis of the coal seams from the Early Permian Shanxi Formation and Late Carboniferous Taiyuan Formation suggests high volatile bituminous B coal in accordance with the American Society for Testing and Materials (“ASTM”) standards.

The coal is medium ash, high Gross Calorific Value (CV), high volatile bituminous B coal. The coal has excellent coking properties as indicated by Crucible Swelling Number (CSN) ranging from 5 to 7. Seams 8, 9 and 10 are of low to medium sulphur content and coal seams 16 and 17 are of high sulphur content.

Analyses of partings above 3cm and immediate seam roof or seam floor were not reviewed. These analyses would be necessary for assessment of dilution impact on run of mine (ROM) coal quality, especially in the case of combined seam extraction of seams 9⁻² and 9⁻³.

Mine 1 and Mine 4 coal is good quality coal with excellent coking properties. Given the medium ash content the coal needs to be washed to reduce ash content to 10.5% as required for coking coal in the Wuhai coal district. Because of the high sulphur content of the lower coal seams, blending to decrease sulphur content in final product will be required. Coking coal with ash content below 10% is generally required by international standard. Coke produced in developed countries has 11.5% ash content on average. Internationally accepted sulphur content of coking coal is generally 0.8%.”

However, it should be noted that since there was no meaningful data with respect to coal washabilities and resultant product qualities made available to ROMA, we were unable to confirm and verify SRK's findings.

3.2.1. Tianyu Gongmao Company Limited Coal Mine (“the Mine 1”)

Mine 1 is dominated by a monocline trending approximately 295°-300° (i.e. NW-SE) and dipping approximately 17°-23°, Figure 5 and Figure 6. No intrusives have been found within the mining area. Some local minor faulting has displaced the coal seams.

Six relatively thick coal seams are well developed within the Mine 1 area, namely coal seams 9⁻¹, 9⁻², 10, 16⁻¹, 16⁻² and 16⁻³. The two coal seams mined to date are seams 9 and 16 with a maximum thickness of both seams being 3.22 m.

These coal seams belong to the early Permian Shanxi formation and are characterized by relatively low sulphur levels, probably indicating a fluvial-lacustrine setting.

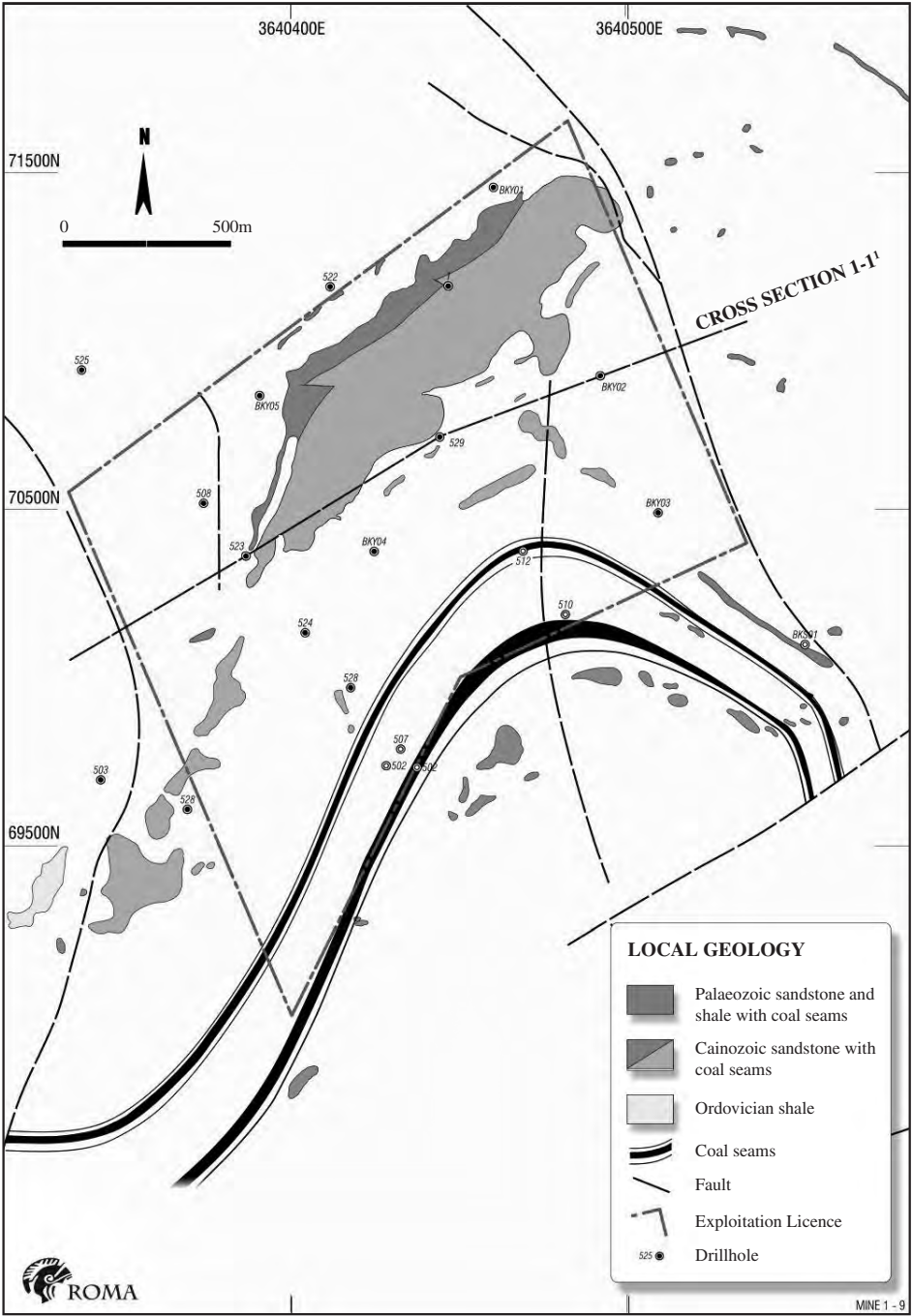


Figure 5 – Local geology map of Mine 1 (after Brigade 117, 2011)

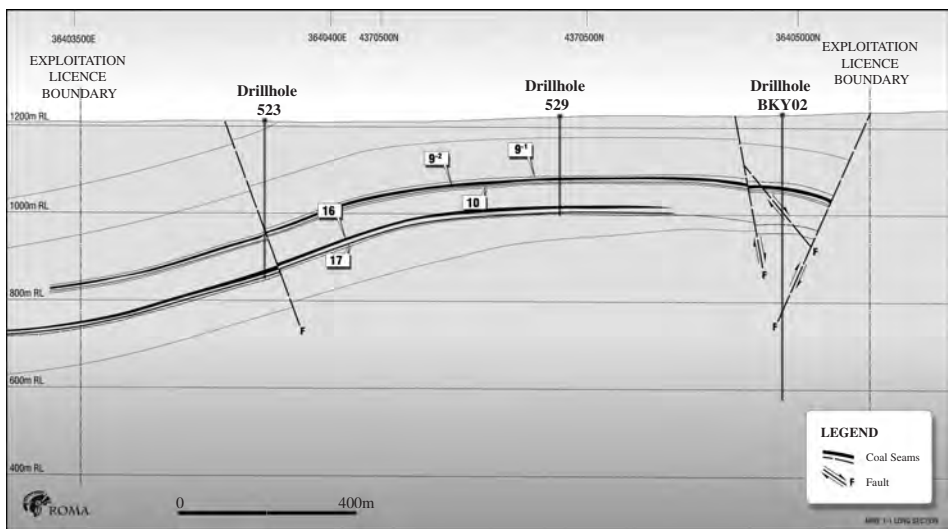


Figure 6 – Cross section through Mine 1 showing coal seams (after Brigade 117, 2011)

3.2.2. Tianyu Coal Company Limited Coal Mine (“the Mine 4”)

Mine 4 is also located on a monocline characterized by gentle dips of approximately 6°-10° with the Permo-Carboniferous coal bearing strata also moderately deformed by folds and a few significant faults (i.e. >300 m vertical displacement in places), Figure 7 and Figure 8. No intrusives have been found within the mining area.

Mine 4 is characterized by seven mineable coal seams of Permo-Carboniferous age, 8⁻¹, 9⁻², 9⁻³, 10, 16⁻¹, 16⁻² and 17. The seven seams are typical of bright-dull banded, high ranking coal.

The coal seams belong to Late Carboniferous Taiyuan formation and characterized by relatively high sulphur levels, probably indicating a marine influence on their emplacement.

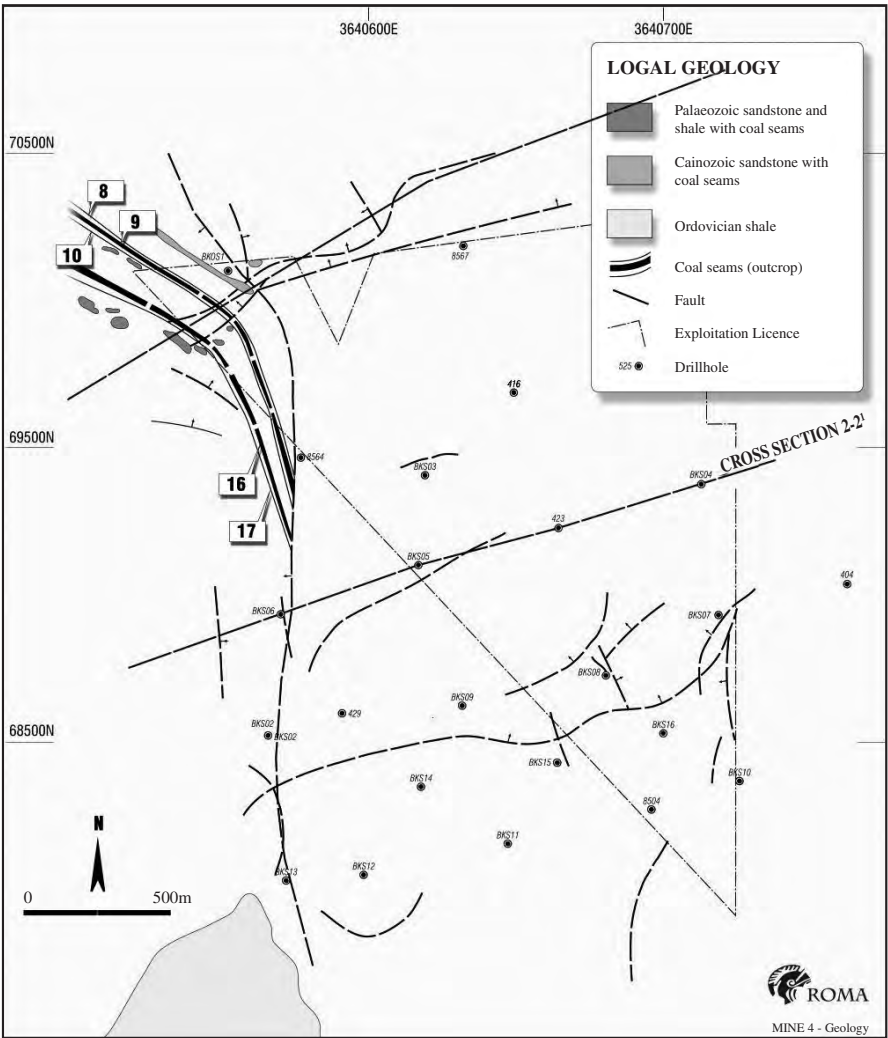


Figure 7 – Local geology map of Mine 4 (after Brigade 117, 2011)

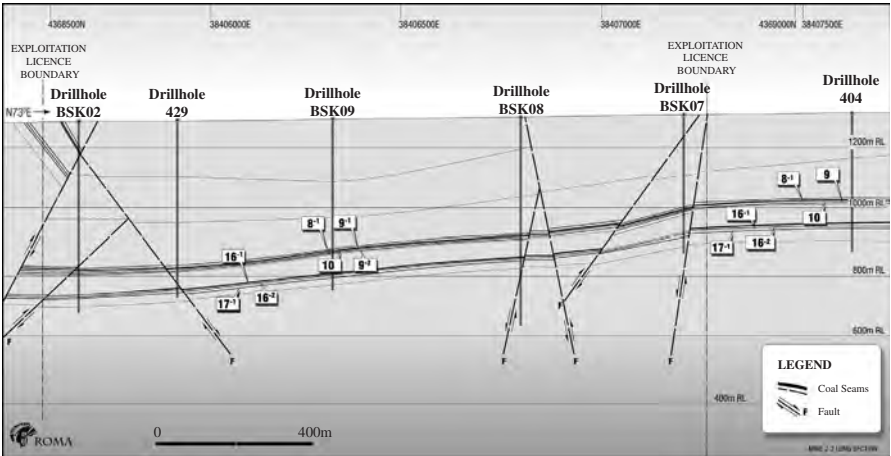


Figure 8 – Cross section through Mine 4 showing coal seams (after Brigade 117, 2011)

4. EXPLORATION HISTORY AND CURRENT STATUS

The Brigade 117 commenced exploration over the Dilibangwusu Mine Site (滴瀝烏素礦區) and Baiyunwusu Mine Site (白雲烏素礦區), including Mine 1 and Mine 4, in the 1950s. Since then there has been near continuous exploration and geological study carried out including drilling, surveying and mapping.

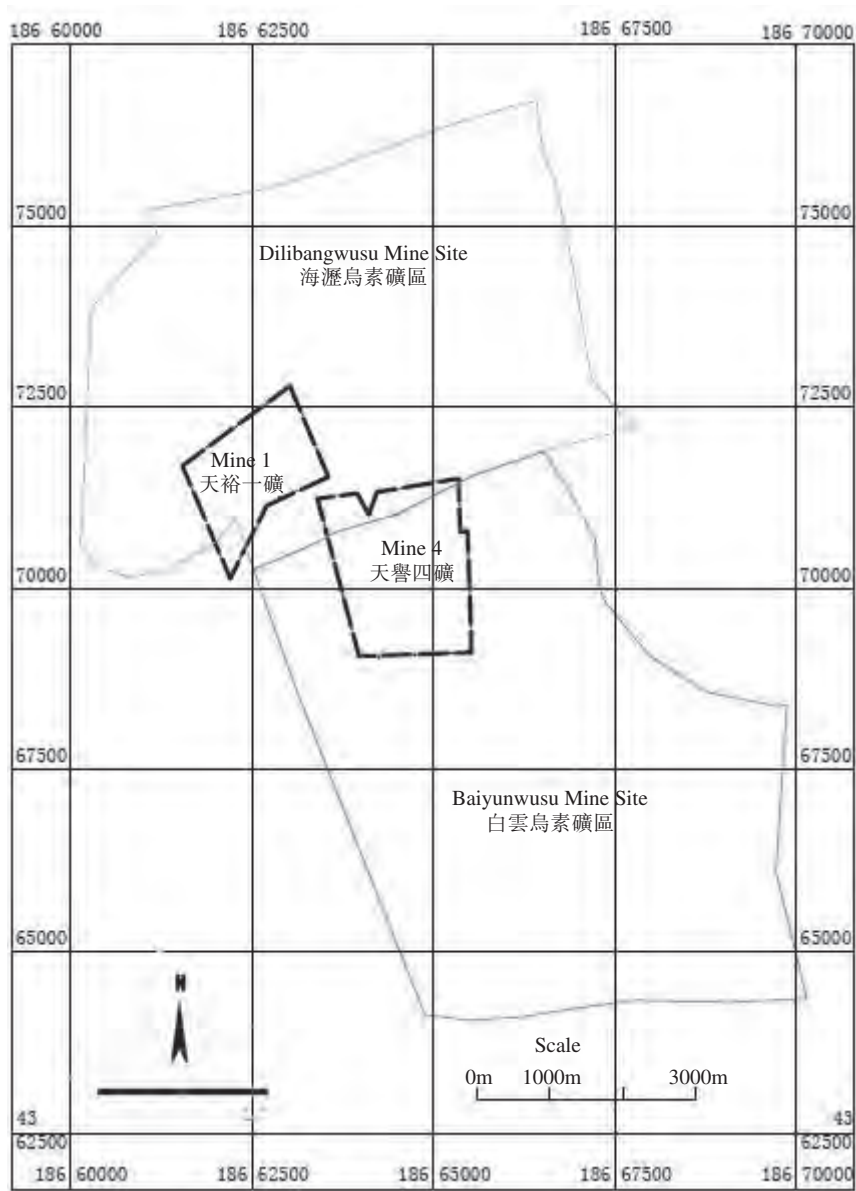


Figure 9 – Map of exploration areas (after Brigade 117,2011)

4.1. Tianyu Gongmao Company Limited Coal Mine (“the Mine 1”)

The Mine 1 is located within the Dilibangwusu Mine Site.

1. During 1967-1971, Brigade 117 investigated the Dilibangwusu Mine Site by drilling 100 holes with total depth of 25,320.44 m and submitted a “Geological Report on Yikezhaomeng Zhuozishan Coal Field, Dilibangwusu Mine Site, Inner Mongolia” at the end of 1971. The Inner Mongolia Fuel Chemical Industrial Bureau (內蒙古自治區革命委員會燃料化學工業局) approved the report in March 1973.

ROMA has not reviewed this report as it was superseded by an independent technical review by SRK in 2009 and a resource estimate report by Brigade 117 in 2011.

2. During 2010-2011: The latest exploration phase commenced by Brigade 117, from October 2010 to April 2011, with five new holes drilled with total depth of 2,939.54 m.

Current Status

Production at the mine is currently suspended after being taken over by Tianyu Gongmao Company Limited to allow an upgrade and modernisation of the mine infrastructure. The existing infrastructure includes an underground ore transportation system and surface facilities.

4.2. Tianyu Coal Company Limited Coal Mine (“the Mine 4”)

The Mine 4 is located within the Baiyunwusu Mine Site.

1. During 1961-1963: Brigade 117 investigated the Baiyunwusu Mine Site by drilling 43 holes with a total depth of 7451.87 m.
2. During 1965-1966: Brigade 117 conducted a second investigation at the Baiyunwusu Mine Site including geological surveying, mapping and trenching over a total area of 65 km². A total of 107 holes were also drilled with a total depth of 22,573.97 m. They submitted “Final Exploration Report on Baiyunwusu Mine Site, Zhuozishan Coal Field” in December 1966. The Inner Mongolia Fuel Chemical Industrial Bureau approved the report.

3. During 1985-1987: Brigade 117 completed another investigation over Baiyunwusu Mine Site and submitted the “Geological Report Baiyunwusu Mine Site, Zhuozishan Coal Field, Wuhai City, Inner Mongolia”. This report included 70 drillholes with a total depth of 14,825.85 m. In 1988, the Inner Mongolia Ore Reserve Committee (內蒙古自治區礦產儲量委員會) approved the report.
4. In 2004: The Zhengxing Mine Consultant Exploitation Department, Inner Mongolia (內蒙古振興礦業諮詢開發部) was commissioned by Tianyu Coal Company Limited to prepare the “Tianyu Mine 4, Baiyunwusu Mine Site Zhuozishan Coalfield, Inner Mongolia Resource and Reserve Confirmation Report”(內蒙古自治區桌子山煤田白雲烏素礦區天譽四煤礦煤炭資源儲量核實報告) The report was submitted in March 2004 and approved by Inner Mongolia Ore Reserve Evaluation Centre (內蒙古自治區礦產資源儲量評審中心) .

ROMA has not reviewed these reports as they were superseded by an independent technical review by SRK in 2009 and a resource estimate report by Brigade 117 in 2011.

5. During 2010-2011: The latest exploration program was commenced by Brigade 117, from July 2010 to May 2011. A further 17 new holes were drilled with a total depth of 8,044.61 m. Brigade 117 estimated a resource based on all the exploration sampling results obtained to May 2011 and it is these resource estimates that are quoted later in this report.

Current Status

The project is still in the exploration and development stage. Exploitation license was granted with a licensed production capacity of 300,000 tonnes/year. ROMA have not received any information regarding the proposed dates for trial production and commercial production.

5. DRILLING AND SAMPLING

All the drilling completed to date on both projects has been carried out by Brigade 117 using their drill rigs. These rigs are all modern Chinese manufactured rigs using current triple tube technology however the core recoveries were variable.

All drill hole collars were surveyed by qualified surveyors and deviations down the holes were measured with suitable equipment at appropriate intervals, generally every 50 to 75 m.

In the latest exploration program by Brigade 117, during 2010 to 2011, five new holes were drilled for a total depth of 2,939.54 m at Mine 1 with another 17 new holes drilled for a total depth of 8,044.61 m at Mine 4. Most holes were started at PQ size tube (hole outside diameter ≥ 122.6 mm), followed by HQ size tube (hole outside diameter ≥ 96 mm). The collars were sealed after drilling, Figure 10 and Figure 11.

SRK in 2009 checked the relevant boreholes that supported the resources for Mine 1 and Mine 4, and SRK noted that core recovery records were not available for all drilling samples. While Chinese standards allow samples with core recovery $\geq 75\%$, JORC normally requires $>90\%$ core recovery for samples used in resource estimates. Although core recovery data was not available to SRK for all the boreholes, it was noted that some of the core recovery records are near 90%, which could be acceptable by JORC standards if the recovered core is not biased. Since geophysical logs were not available for all the boreholes, it was impossible for SRK to check if all samples above 90% recovery were representative in terms of coal quality.



Figure 10 – Drill Hole BKY04



Figure 11 – Drill Hole BKS05 of Mine 4

6. SAMPLE PREPARATION, ANALYSES AND SECURITY

The approximate logged average core recoveries in both mines over the length of the holes were 60%, and most importantly over the coal intervals 91%.

All of the core over the sampled sections in the coal holes were submitted for assay with no core retained for reference. The sampled intervals were chosen to correspond with lithological contacts as determined by the site geologists with the maximum sample interval being three metres; 59 samples from Mine 1 and 218 samples from Mine 4 were sent to Inner Mongolia Autonomous Region Coalfield Geology Bureau Coal Laboratory (內蒙古自治區煤田地質局煤研所) for Chinese standard analyses.

Standard Chinese QA/QC sample protocols were followed in the holes drilled since 2009. The laboratory also followed standard Chinese Quality Control procedures with regard to the number of repeat analyses and insertion of standards.

The drill core was logged and sampled at the drill site. Samples were placed into marked bags and were transported to the Inner Mongolia Autonomous Region Coalfield Geology Bureau Coal Laboratory for analysis. No specific security measures were undertaken to ensure sample integrity but given the nature of the deposit formation and the standard sample-handling protocol, specific security measures are not considered to have been necessary. The author considers that the sampling, sample preparation, security and analytical procedures are adequate with respect to the use of the drill hole assay results as the basis of the following JORC compliant resource estimates.

7. DATA VERIFICATION

ROMA collected independent check samples from underground at Mine 4, and sent the samples to SGS Group Guangzhou for analysis.



Figure 12 – Collection of Samples from Mine 4



Figure 13 – Collection of Samples from Mine 4

Since the entire core had been sampled at the Mine 1, no meaningful samples of this core could be taken for comparison with earlier analyses. The coal mine has been operating for a number of years and selling raw coal so the presence of saleable coal in the mined material is clearly demonstrated.

8. MINERAL RESOURCES AND RESERVES ESTIMATION

The coal resource estimates have been reported by ROMA after reviewing the previous resource estimates by SRK and Brigade 117. The most recent Chinese resource estimates were made in May 2011 for Mine 1 and August 2011 for Mine 4. These resource estimates were based on the drilling and underground sampling data available at the respective dates.

8.1. Resource Classification (Chinese Code)

In 1999, with a view to creating a standard that was comparable with international resource reporting standards, the Ministry of Land and Resources of the PRC (中華人民共和國國土資源部) introduced its own national standard for the Classification of Resources/Reserves for Solid Fuels and Mineral Commodities (GB/T17766-1999).

This code replaced the previous code (China GB 13908-1992 – General rules for Geological Exploration of Solid Ore Resources) and was based upon the United Nations international code (UN Economic and Society Committee, UN document ENERGY/WP.1/R.70). Some elements of the American resource reporting standards were included and modifications made to suit Chinese conditions. All new resource estimates are reported under this new code and old estimates either re-estimated or converted to the new system.

Chinese Reserve Category

Previous System	Current System
A	111, 111b, 121, 121b, 2M11, 2S11, 2M21, 2S21, 331
B	
C	122, 122b, 2M22, 2S22, 332
D	333
E	334

Table 7 – Chinese Reserve Category

8.2. Resource classification (JORC Code)

The JORC Code states the three classifications on reporting resource based on the level of confidence:

- **Inferred:** Tonnage and mineral quality can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified geological and/or quality continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes which may be limited or uncertain quality and reliability.
- **Indicated:** Tonnage, densities, shape, physical characteristics, quality and mineral content can be estimated with a reasonable level of confidence. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are too widely or inappropriately spaced to confirm geological and/or quality continuity but are spaced closely enough for continuity to be assumed.
- **Measured:** Tonnage, densities, shape, physical characteristics, quality and mineral content can be estimated with a high level of confidence. It is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are spaced closely enough to confirm geological and quality continuity.

8.3. Resource Conversion

The following explains the background and development and details of the Chinese Code, and the mechanism of converting the resources under the Chinese Code to those under JORC code:

The Chinese code standard is more prescriptive than JORC code in that it specified minimum drill hole spacing for each category, along with implied levels of geological understanding.

Tianyu Gongmao Company Limited Coal Mine (“the Mine 1”)			
Drill hole Spacing (<i>m</i>)			Coal Seam
111b	122b	333	
750 x 750 m (and 1/3 extrapolation)	1,000 x 1,000 m	2,000 x 2,000 m	9 ⁻¹ , 9 ⁻² , 10, 16 ⁻¹ , 16 ⁻²
750 x 750 m (and 1/3 extrapolation)	1,000 x 1,000 m	2,000 x 2,000 m	8 ⁻¹
		All are 333	17

Table 8 – Drill Hole Spacing in Mine 1

Tianyu Coal Company Limited Coal Mine (“the Mine 4”)			
Drill hole Spacing (<i>m</i>)			Coal Seam
111b	122b	333	
500 x 500 m	1,000 x 1,000 m	Other	8 ⁻¹ , 9 ⁻¹ , 16 ⁻¹
	1,000 x 1,000 m	Other	10
		All are 333	16 ⁻² , 17 ⁻¹

Table 9 – Drill Hole Spacing in Mine 4

The estimate method used by Brigade 117 was a polygonal method that is standard for Chinese resource estimation of coal deposits and is applicable for JORC Compliance if carried out in a correct manner and the data used for the estimation meets JORC standards. Since both the data, i.e. the drilling and underground sampling results meet JORC standards, and the estimation method is acceptable by JORC standards, the Chinese resource estimate for the both mines have been quoted in this Report.

As well as geological measurement methods, the current Chinese Code also takes into account of the deposit economics or the level of mining studies that has been carried out on it by using a three component system. This system takes into account of the deposit economics, the level of mining feasibility studies that have been carried out and the level of geological confidence using a numerical ranking.

It is ROMA’s opinion that with appropriate drilling, underground sampling, sampling QA/QC and resource estimate method used by the Brigade 117, the previous resource estimate categories using the Chinese code standards could be converted into equivalent JORC code categories as indicated in Table 10. However, since the core recoveries in some of the holes used in the resource estimates could not be determined from the available data and in other holes the core recoveries were less than normally expected by JORC, all the resources Chinese equivalent to JORC Measured have been re-classified to Indicated by ROMA.

Chinese Code	JORC Code
111, 111b, 121, 121b, 2M11, 2S11, 2M21, 2S21, 331	Measured
122, 122b, 2M22, 2S22, 332	Indicated
333	Inferred
334	Non-equivalent

Table 10 – Chinese Code to JORC Code Conversion Guideline

8.4. Resources Estimation Methodology and Criteria

The dip angles of the coal seams in Mine 1 are between 8-36° while that of Mine 4 are between 4-14°. The resources estimation methodology follows geological exploration standard of coal and peat in China (煤、泥炭地質勘查規範) (DZ/T0215-2002) and based on the polygonal method, which utilizes the thickness, horizontal projection area and bulk density of the coal seams, to estimate the amount of mineral resources. The unit of the resources estimation is million tonnes (Mt).

Estimates formula for coal seams with dip angles ≤15°

Resource (Mt) = Area (km²) x Thickness (m) x Bulk Density (t/m³)

Estimates formula for coal seams with dip angles >15°:

Resource (Mt) = Area (km²)/COS α × Thickness (m) × Bulk Density (t/m³)

(Note: α is the dip angles >15°)

Resource Estimates Criteria:

- Minimum thickness is 0.70 m;
- Ash content (A_d) is less than 40%;
- Sulphur content ($S_{t,d}$) is not more than 3%;
- Elevation ranges are 580-1,150 m for Mine 1 and 600-1,200 m for Mine 4

8.5. Estimated Coal Qualities for Mineable Coal Seams at Mine 1

The coal seams at Mine 1 included in the Coal resource estimates were: 8⁻¹, 9⁻¹, 9⁻², 10, 16⁻¹, 16⁻² and 17. The estimated coal qualities for these seams as estimated by Brigade 117 in their resource estimates are summarised in Table 11.

Coal Seam	Area (Km ²)	Thickness (m)	Bulk Density (t/m ³)	Ash Content (A_d , %)	Sulphur content ($S_{t,d}$, %)	Moisture (M_{ad} , %)	Calorific Value (kcal)
8 ⁻¹	1.97	1.27	1.56	26.77	0.84	0.40	5,950
9 ⁻¹	0.68	2.66	1.58	22.64	1.37	0.31	6,351
9 ⁻²	2.36	0.82	1.50	24.87	1.08	0.55	6,179
10	2.03	1.11	1.51	25.53	1.04	0.41	6,131
16 ⁻¹	1.34	4.03	1.45	13.28	2.14	0.22	7,356
16 ⁻²	2.37	2.38	1.39	14.10	1.93	0.53	7,306
17	1.43	1.07	1.45	18.54	2.37	0.51	6,876

Table 11 – Estimated coal qualities of the mineable coal seams in Mine 1 (Brigade 117, 2011)

Note that the following maps are after the Brigade 117 (May 2011) resource report. The resources shown on the maps as Measured have been re-classified by ROMA as Indicated.

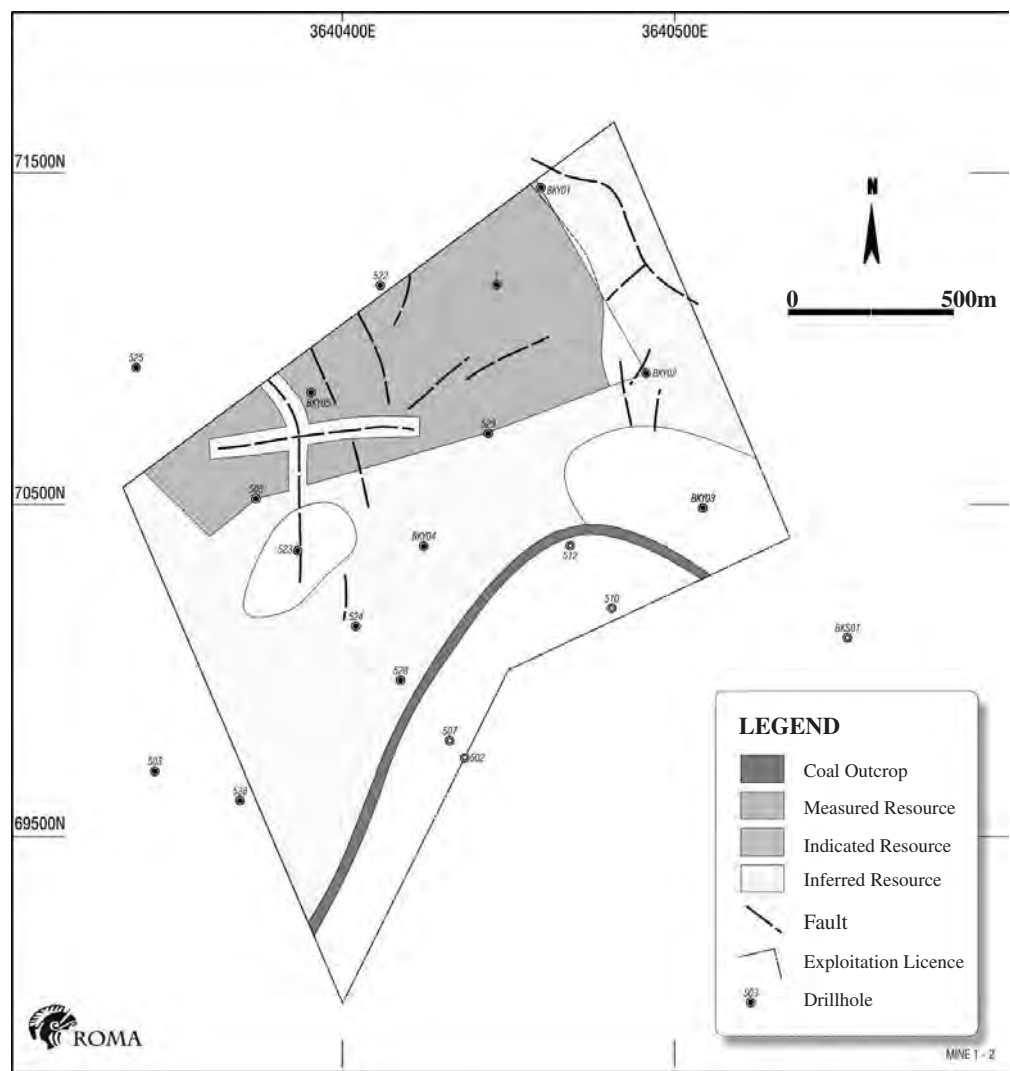


Figure 14 – Resource map from Brigade 117 report for 8⁻¹ coal seam at Mine 1 (after Brigade 117, 2011)

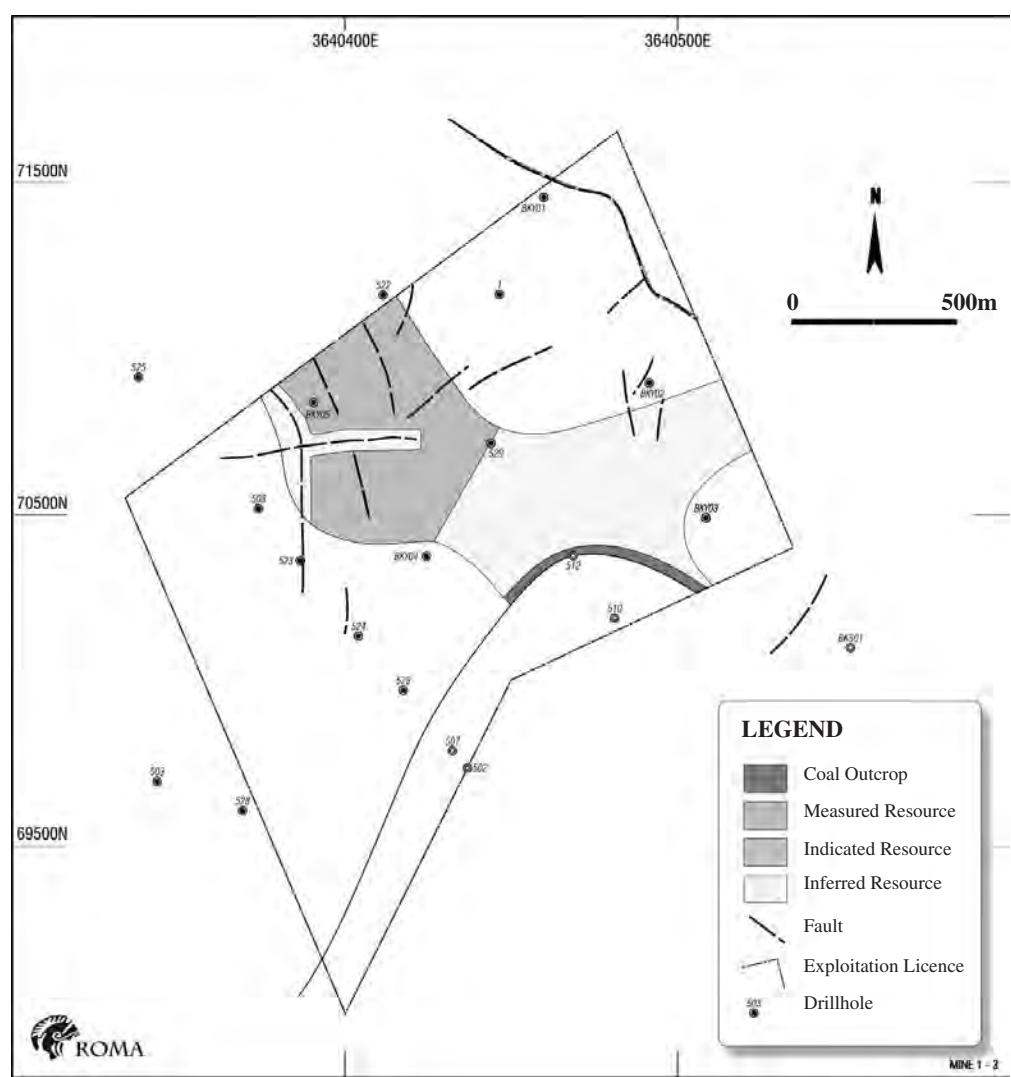


Figure 15 – Resource map from Brigade 117 report for 9⁻¹ coal seam at Mine 1 (after Brigade 117, 2011)

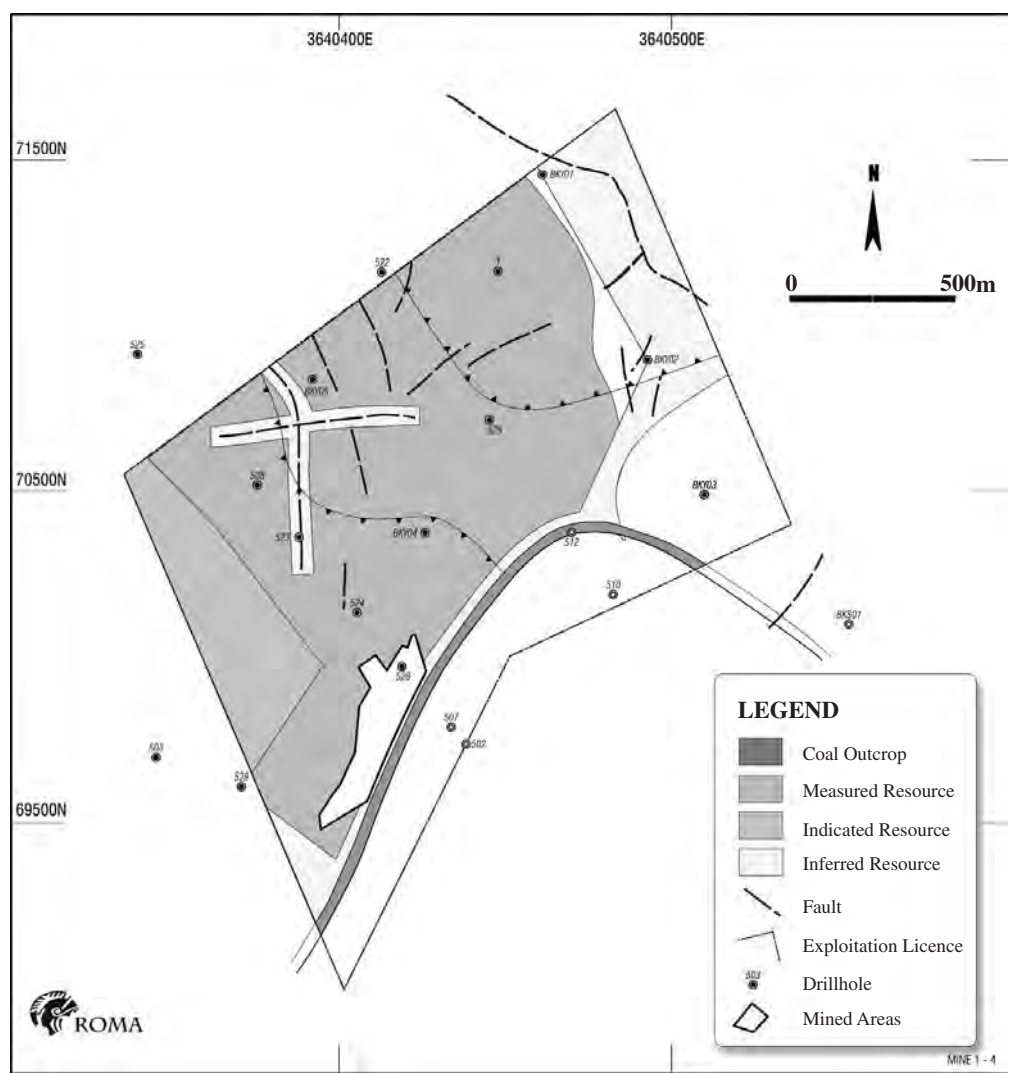


Figure 16 – Resource map from Brigade 117 report for 9-2 coal seam at Mine 1 (after Brigade 117, 2011)

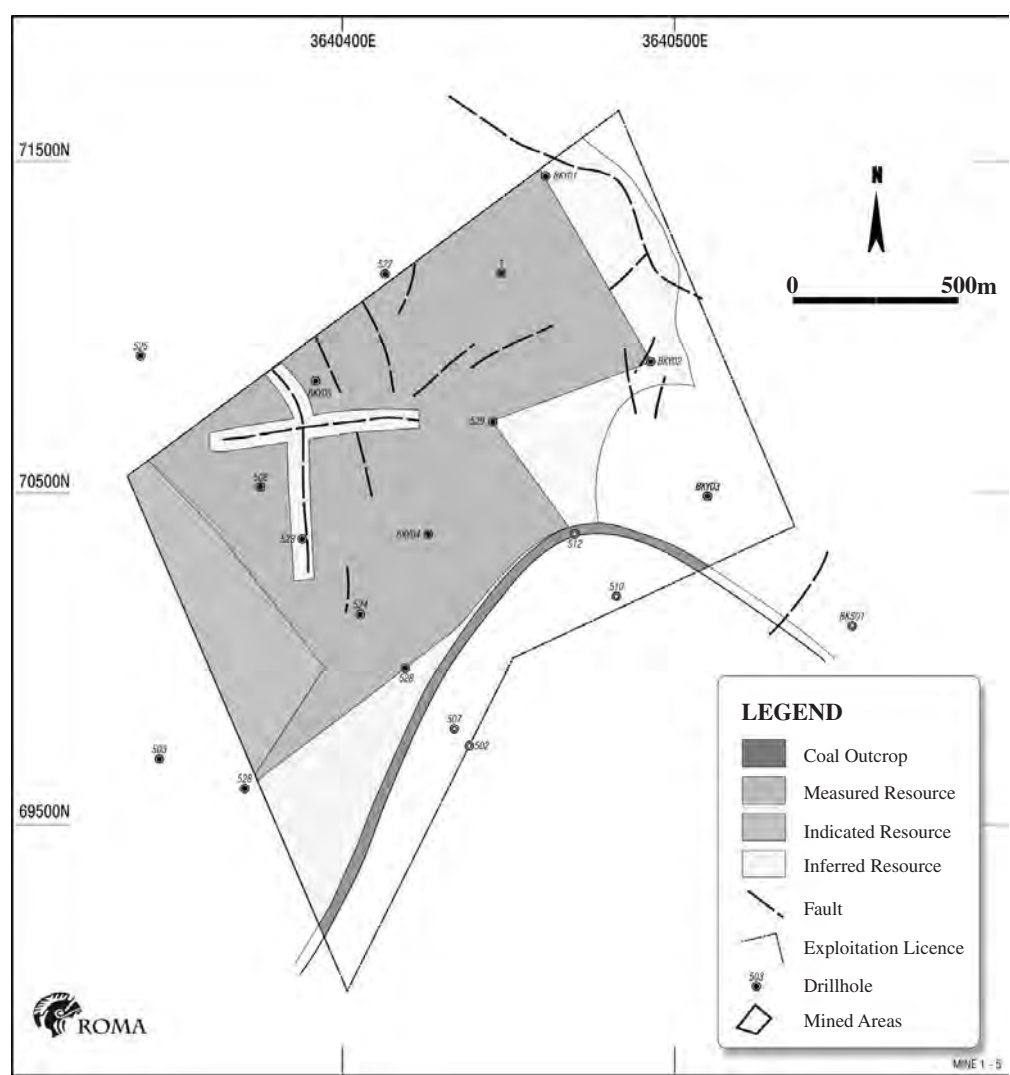
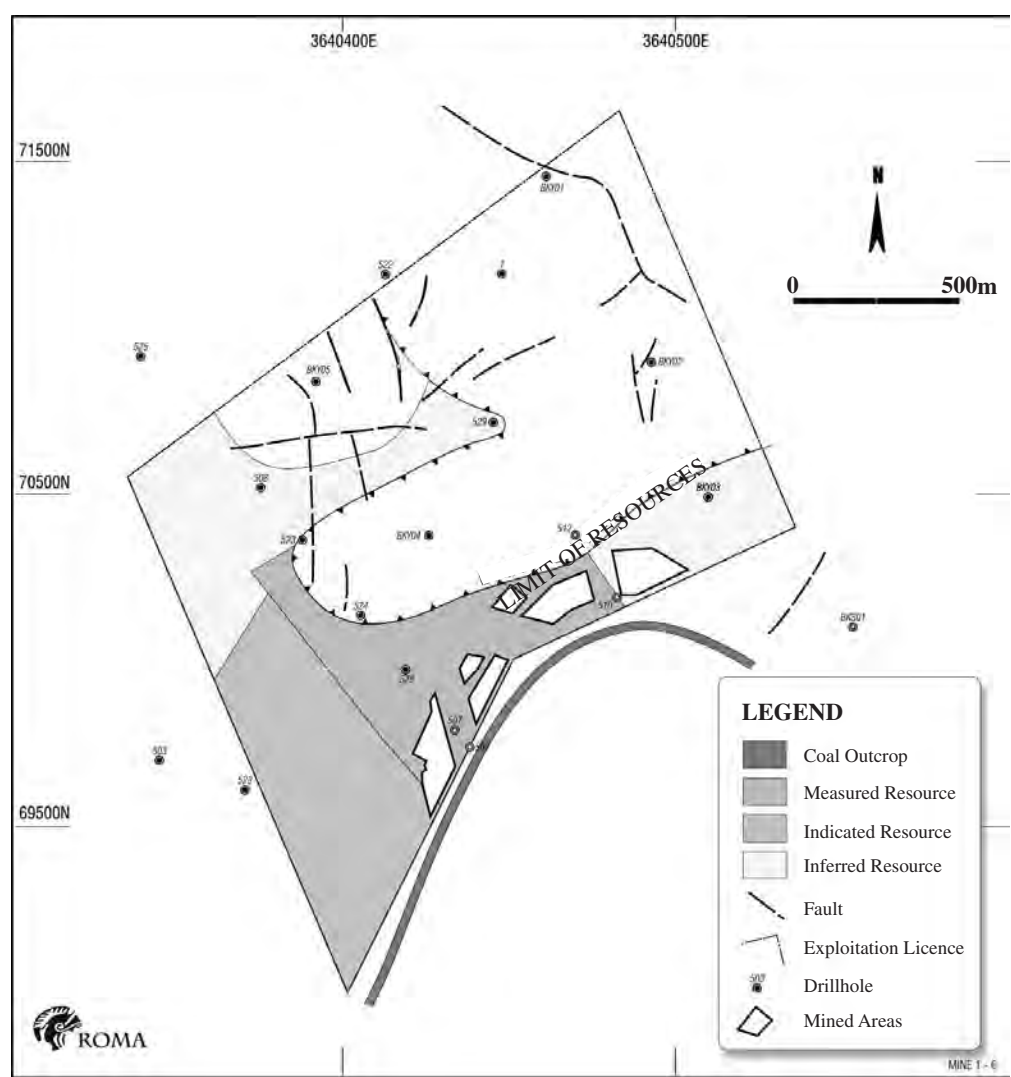
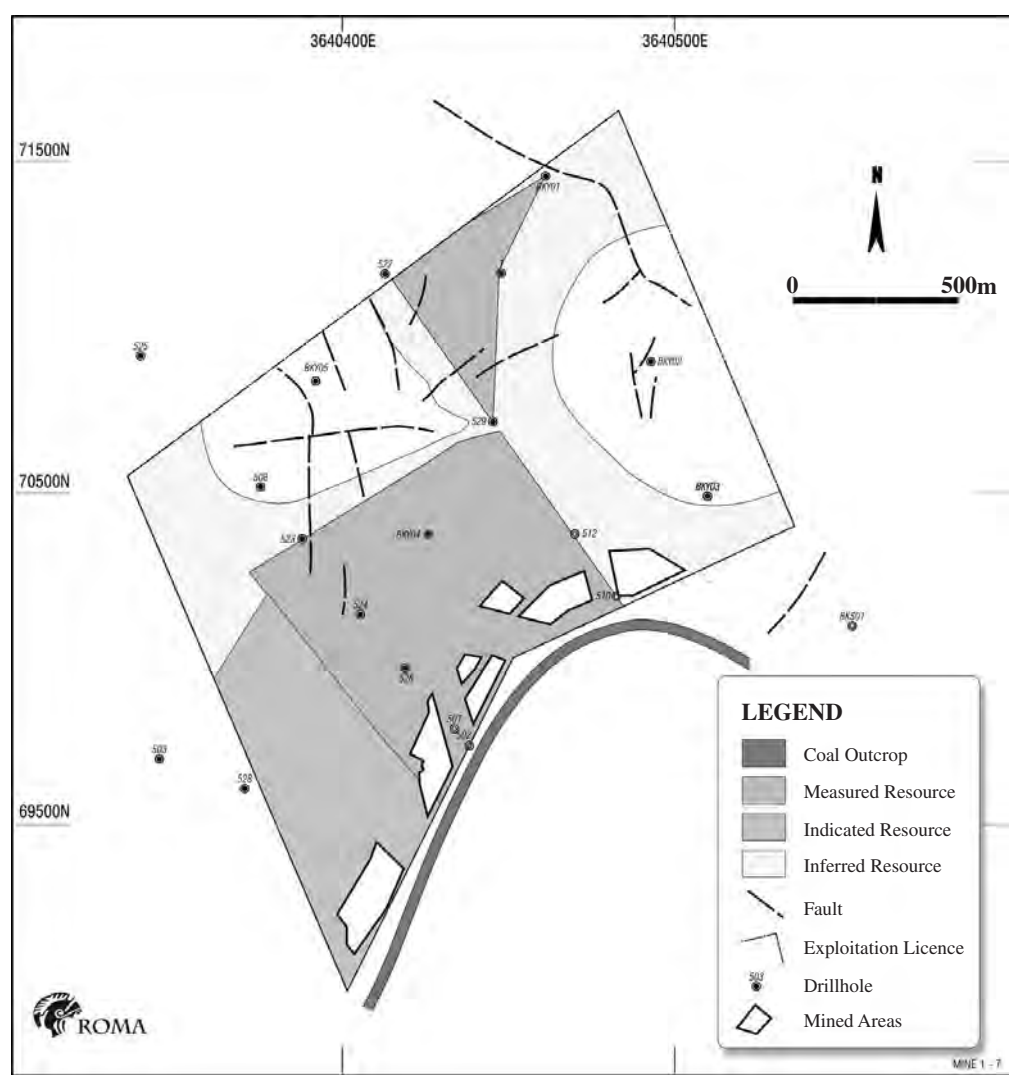


Figure 17 – Resource map from Brigade 117 report for 10 coal seam at Mine 1 (after Brigade 117, 2011)





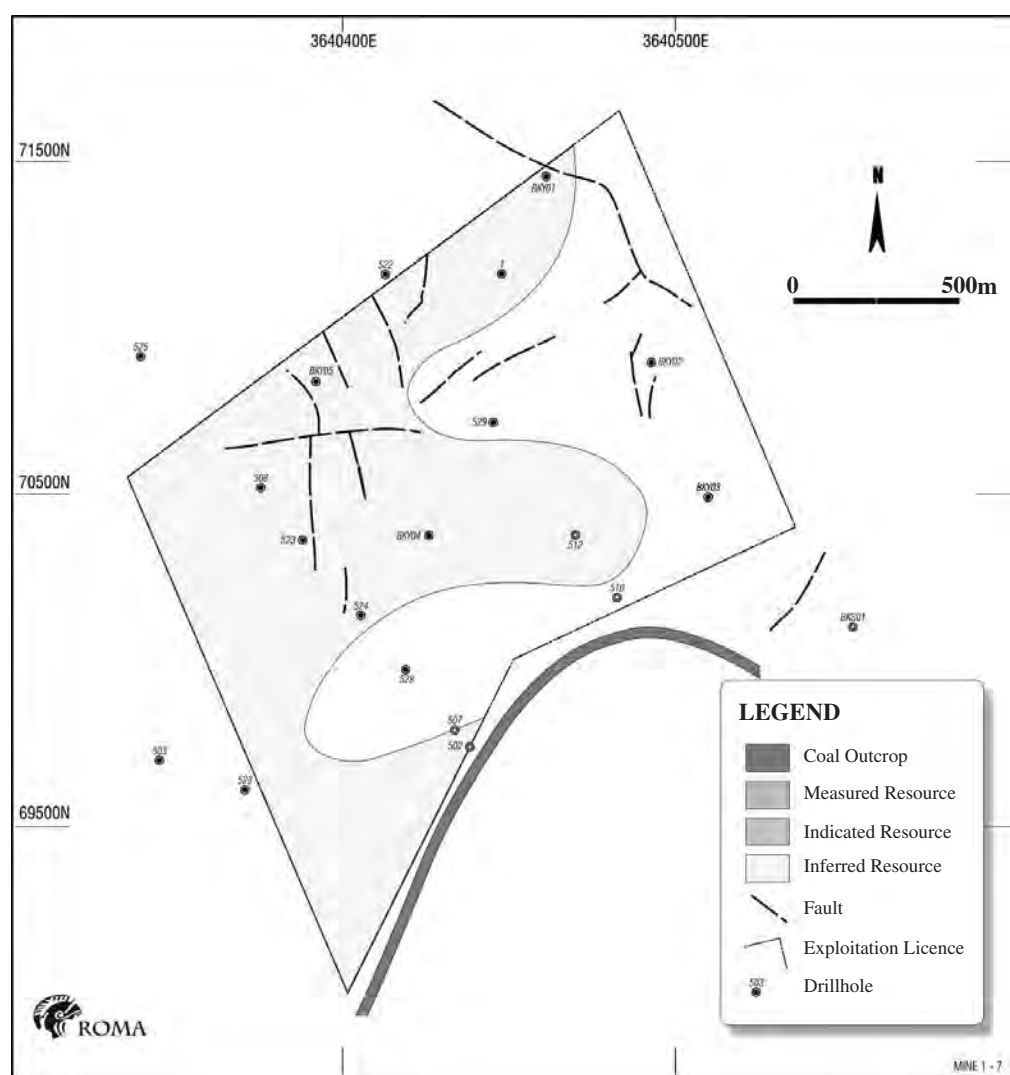


Figure 20 – Resource map from Brigade 117 report for 17⁻¹ coal seam at Mine 1 (after Brigade 117, 2011)

8.6. Estimated Coal Qualities for Mineable Coal Seams at Mine 4

The coal seams of Mine 4 which were included in the coal resource estimates were: 8⁻¹, 9⁻¹, 10, 16⁻¹, 16⁻² and 17⁻¹. The estimated coal qualities for these seams as estimated by Brigade 117 in their resource estimates are summarised in Table 12.

Coal Seam	Area (km ²)	Thickness (m)	Bulk Density (t/m ³)	Ash Content (A _d %)	Sulphur content (S _{td} %)	Moisture (M _{ad} %)	Calorific Value (kcal)
8 ⁻¹	3.95	1.05	1.55	28.08	1.34	0.66	5857
9 ⁻¹	3.91	2.60	1.52	26.17	1.62	0.64	6074
10	2.74	0.82	1.52	26.01	1.37	0.62	6040
16 ⁻¹	3.95	3.14	1.56	27.30	1.31	0.62	5921
16 ⁻²	2.51	1.31	1.55	24.86	1.61	0.67	6184
17 ⁻¹	2.40	1.11	1.55	28.21	1.58	0.74	5620

Table 12 – Estimated coal qualities of the mineable coal seams in Mine 4 (Brigade 117, 2011)

Note that the following maps are after the Brigade 117 (August 2011) resource report. The resources shown on the maps as Measured have been re-classified by ROMA as Indicated.

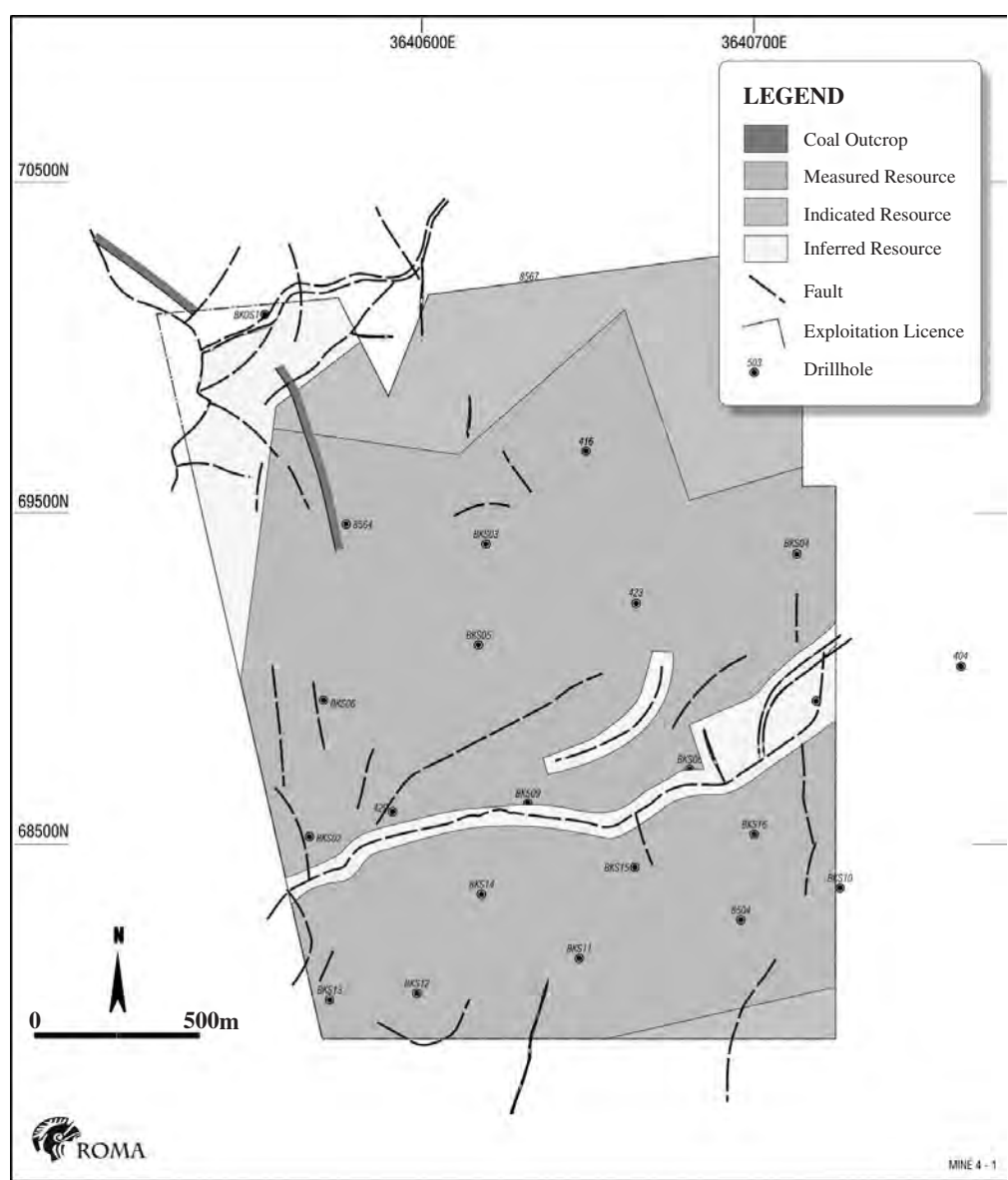


Figure 21 – Resource map from Brigade 117 report for 8⁻¹ coal seam at Mine 4 (after Brigade 117, 2011)

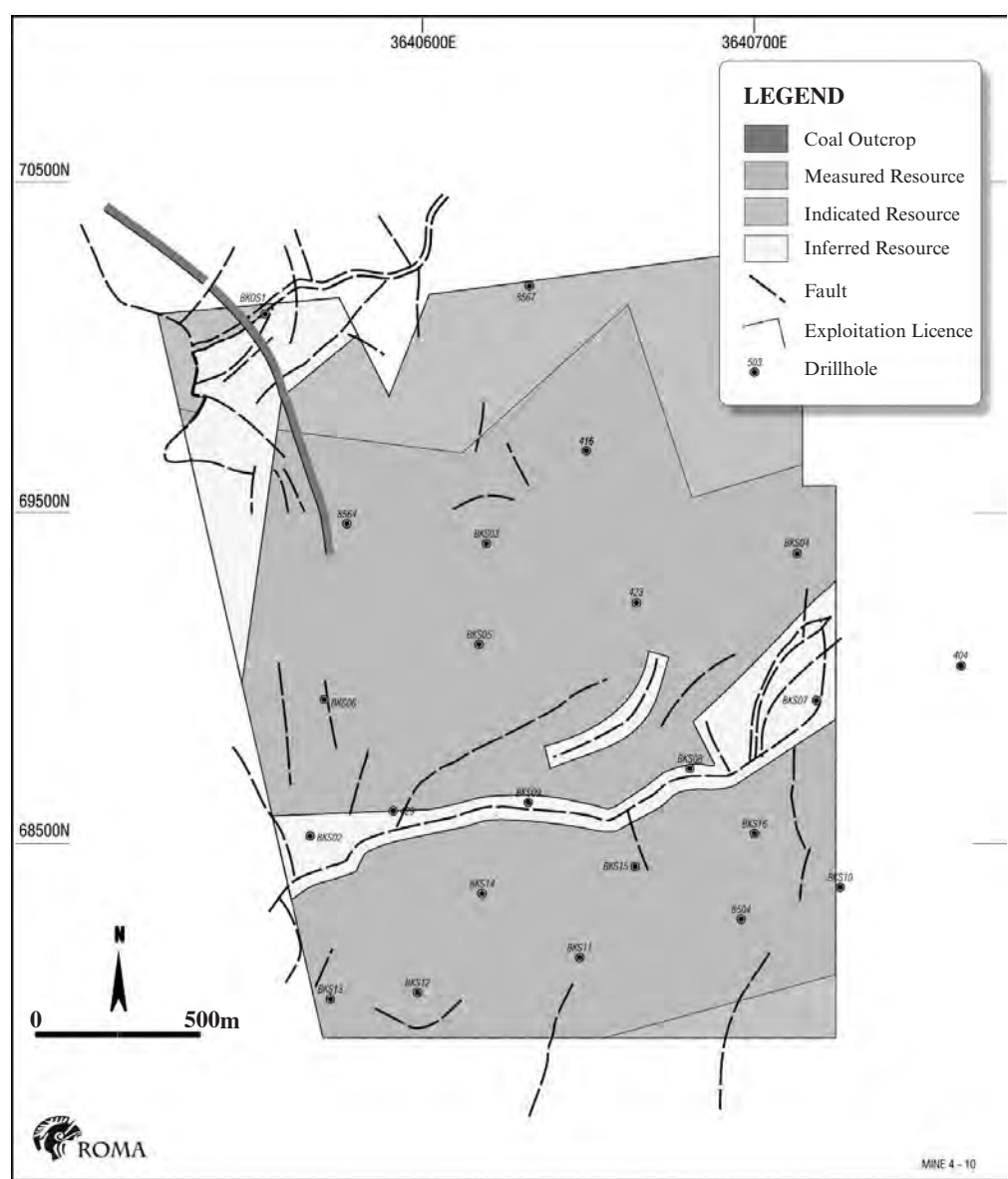


Figure 22 – Resource map from Brigade 117 report for 9⁻¹ coal seam at Mine 4 (after Brigade 117, 2011)

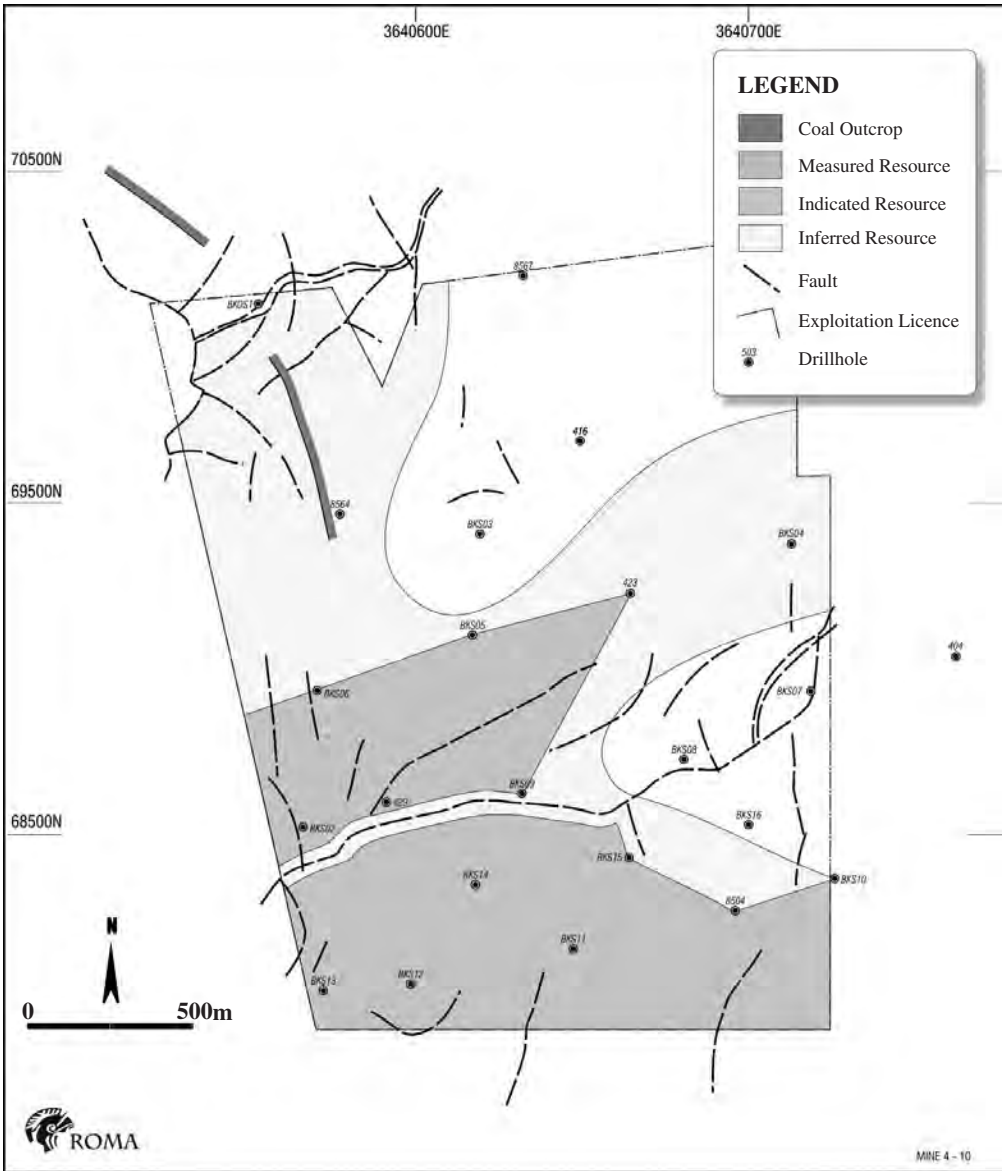


Figure 23 – Resource map from Brigade 117 report for 10 coal seam at Mine 4 (after Brigade 117, 2011)

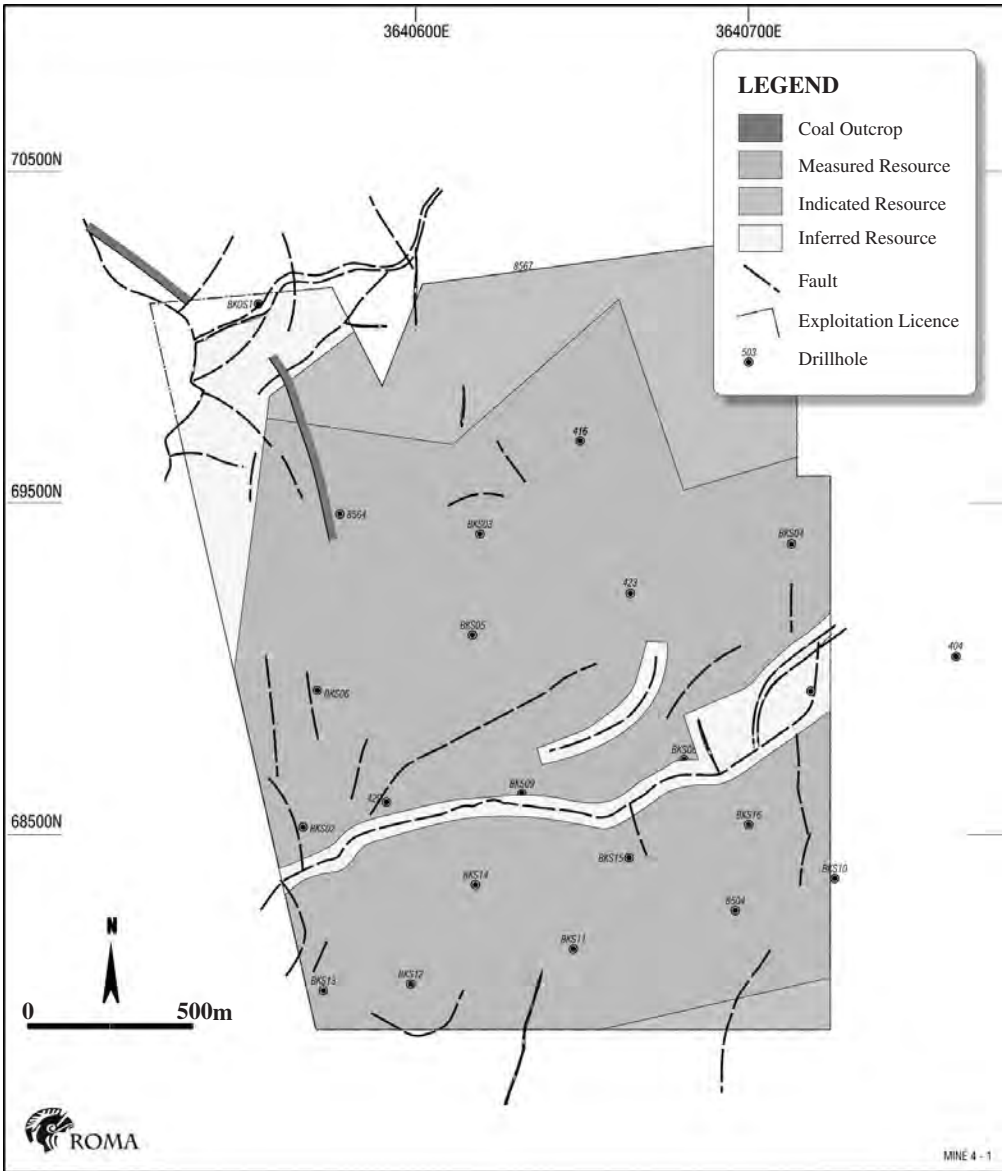


Figure 24 – Resource map from Brigade 117 report for 16⁻¹ coal seam at Mine 4 (after Brigade 117, 2011)

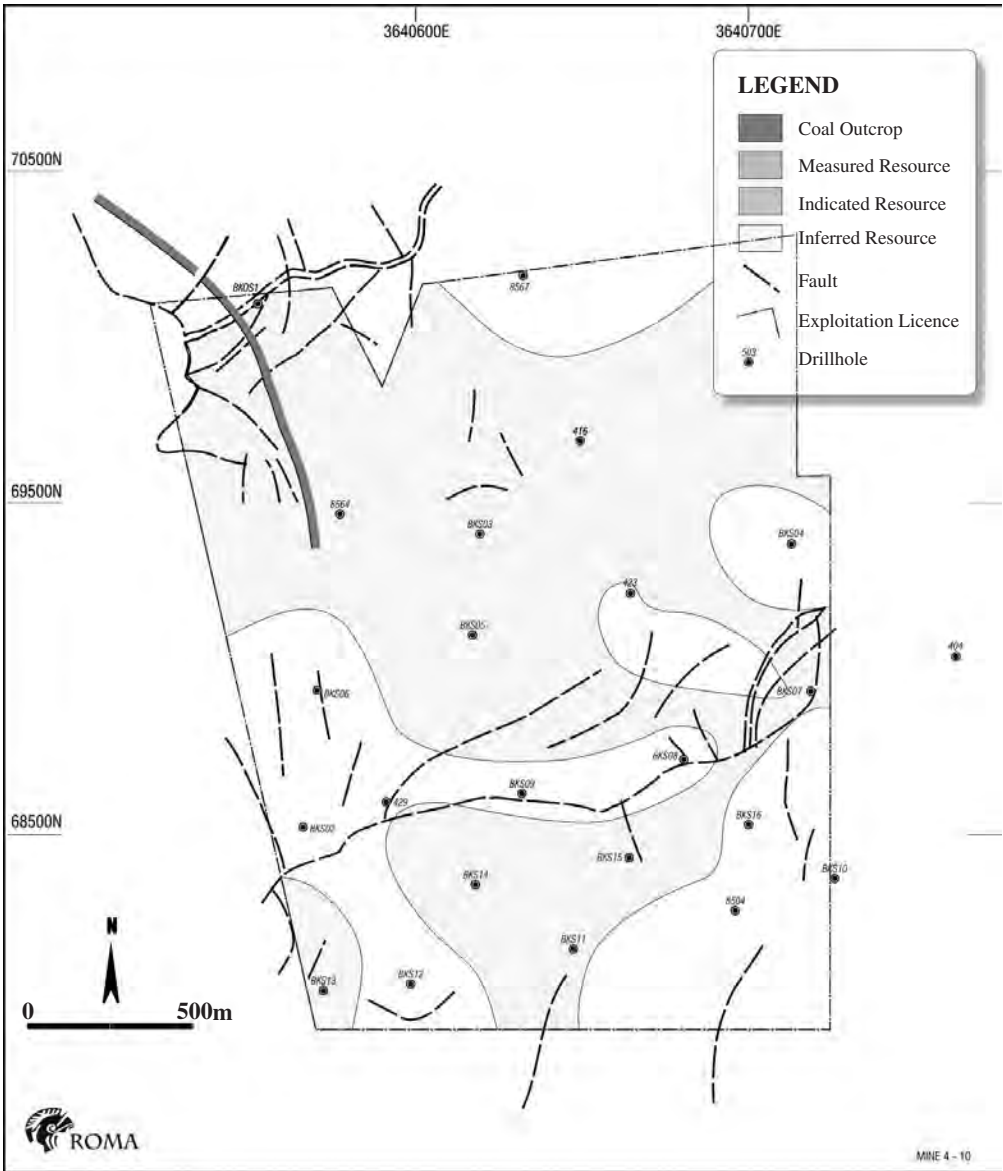


Figure 25 – Resource map from Brigade 117 report for 16⁻² coal seam at Mine 4 (after Brigade 117, 2011)

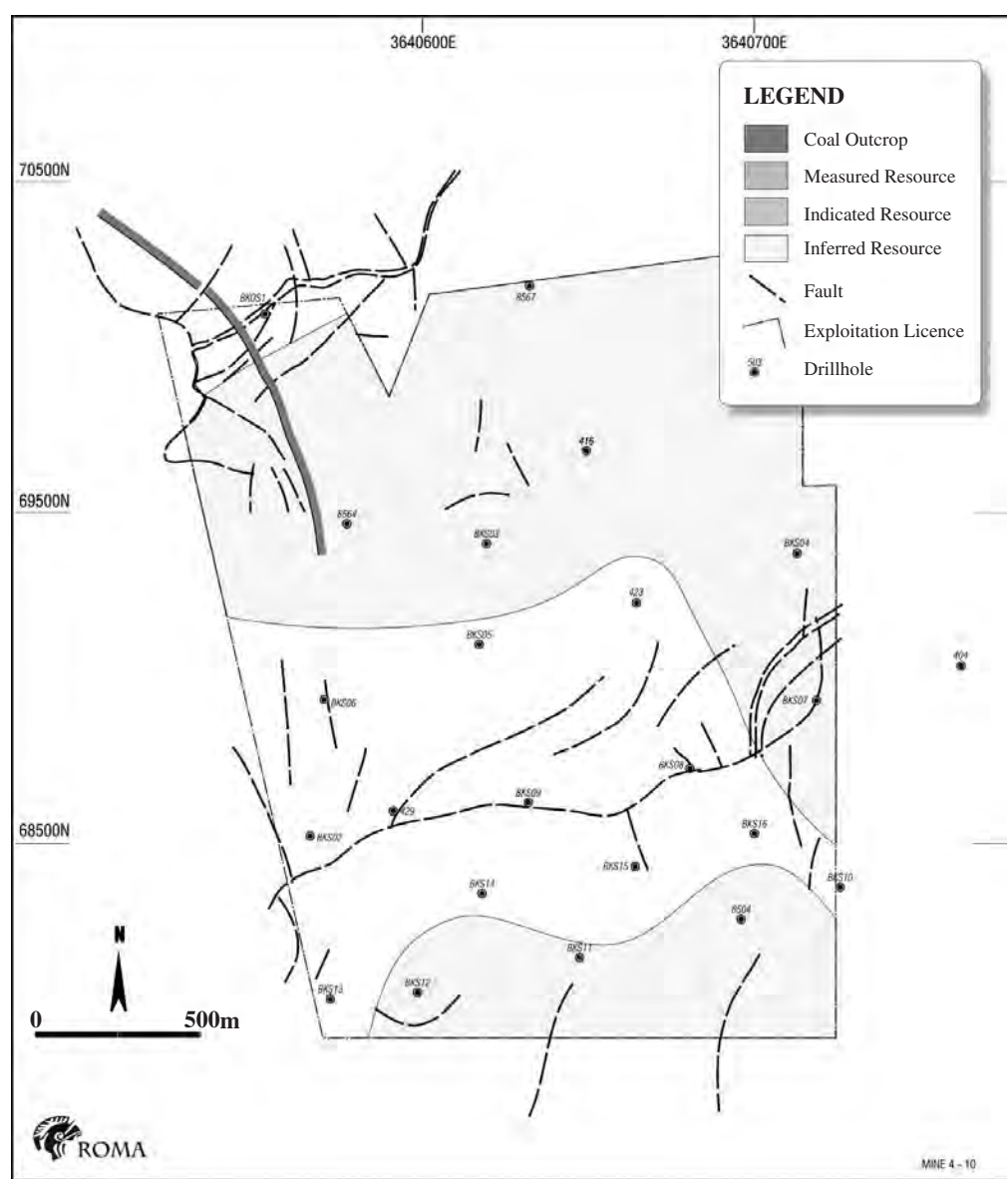


Figure 26 – Resource map from Brigade 117 report for 17⁻¹ coal seam at Mine 4 (after Brigade 117, 2011)

The quality of the coal from Mine 1 and Mine 4 was determined through the analysis of the samples from the drill holes. Both Mine 1 and Mine 4 were assessed to be medium to high ash bituminous coal (medium energy) deposit.

As no washed samples were made available to ROMA, no platometer tests were carried out in order to determine the fluidity of the coal from the deposits. However, based on previous tests conducted by SRK, the Crucible Swelling Number (CSN) of the coal form both Mine 1 and Mine 4 showed excellent coking properties.

Coking coal, also commonly known as metallurgical coal, is a subgroup of bituminous coal, and typically has high carbon and energy content, and low moisture content. Coking coal is commonly used in the process of iron and steel manufacturing, and therefore the fortunes of the coking coal industry are highly correlated to the iron and steel industry.

Given the medium to high ash content, the ROM coal would need to be washed to reduce ash content to around 10% which is the generally required by international standards. The internationally accepted sulphur content of coking coal is around 0.8%. The sulphur content of the unwashed coal from both Mine 1 and Mine 4 exceeded this limit. However, since it is common that a single coal type does not meet all parameters, coking plants typically blend the feedstock from different sources to achieve the desired overall coking parameters.

8.7. Resources Estimation

8.7.1. SRK Resource Estimates as at December 2009

SRK produced a JORC compliant resource and reserve estimate for the Project dated December 2009. The report took into consideration all the drilling and underground sampling data available at the effective date. The data used by SRK included assays of 12 drillholes from Mine 1 and 13 drillholes from Mine 4.

The SRK resource estimate, for Mine 1 and Mine 4 at December 2009, is summarised in Table 13 and Table 14.

Mine 1		
Resource Category (JORC Code)	Tonnage (million tonnes)	Bulk Density (t/m ³)
Measured	/	/
Indicated	15.6	1.43-1.58
Inferred	18.4	1.43-1.58

Table 13 – SRK Resource Estimate of Mine 1 as at December 2009

Mine 4		
Resource Category (JORC Code)	Tonnage (million tonnes)	Bulk Density (t/m ³)
Measured	/	/
Indicated	22.1	1.43-1.58
Inferred	11.4	1.43-1.58

Table 14 – SRK Resource Estimates of Mine 4 as at December 2009

8.7.2. Brigade 117 Resource Estimates as at May 2011

The resource estimates by Brigade 117 in May 2011 are based on the results of 16 drill holes from Mine 1 and 29 drill holes from Mine 4 completed at the date of this resource estimate. Since the date of SRK’s report, 4 new holes in Mine 1 and 16 new holes in Mine 4 had been drilled by the Brigade 117. These new holes had a significant impact on the SRK’s resource estimates improving the reliability of the resources estimated for the Project.

Mine 1		
Resource Category (JORC Code)	Tonnage (million tonnes)	Bulk Density (t/m ³)
Measured	11.82	1.55-1.56
Indicated	3.16	1.55-1.56
Inferred	13.0	1.55-1.56

Table 15 – Brigade 117 Resource Estimates of Mine 1 as at May 2011

Mine 4		
Resource Category (JORC Code)	Tonnage (million tonnes)	Bulk Density (t/m ³)
Measured	23.38	1.39-1.58
Indicated	9.86	1.39-1.58
Inferred	18.6	1.39-1.58

Table 16 – Brigade 117 Resource Estimates of Mine 4 as at May 2011

8.7.3. ROMA Resource Estimates as at 30 November 2011

To bring the Mine 1 and Mine 4 resource estimate to the effective date of this Report, the mine production from Brigade 117 report’s effective date (May 2011) to this report (30 November 2011) has to be subtracted. However, since the coal production in Mine 1 ceased after being taken over by Tianyu Gongmao Company Limited and Mine 4 is still in its development stages, no further coal was mined. As indicated earlier in this report, ROMA has taken a cautious approach and downgraded the Chinese Measured resources to Indicated to take into consideration that recoveries of the drill core samples used in the resource estimates cannot be confirmed as being within normal JORC standards. This leaves a remaining resource as summarised in follows:

Resource Category (JORC Code)	Tonnage (million tonnes)	Coal Seams Included in Resource Estimates	Bulk Density Range (tonnes/m³)
Mine 1			
Measured	0	8 ⁻¹ , 9 ⁻¹ , 9 ⁻² , 10, 16 ⁻¹ , 16 ⁻² , 17	1.55-1.56
Indicated	14.98		
Inferred	13.0		
Mine 4			
Measured	0	8 ⁻¹ , 9 ⁻¹ , 10, 16 ⁻¹ , 16 ⁻² , 17 ⁻¹	1.39-1.58
Indicated	33.24		
Inferred	18.6		

Table 17 – ROMA resource estimates at 30 November 2011

8.8. Reserve Estimation

It is the opinion of the author of the report that further studies and assessments would be required in order to appraise thoroughly the various modifying factors for the estimation of coal reserves, especially mining recoveries, so a reserve estimation was not performed.

9. MINING METHODS

The mining method suggested by SRK in 2009 to be adopted for this project was conventional retrieve longwall mining. Longwall mining is a method of mining coal underground by slicing panels along a working face or wall. A series of longwall panels are designed in preparation for mining. Longwall panels are typically 3-4 km long and 250-400 m wide. These panels are then sliced for coal. Slices are generally between 1-2 m thick. The coal falls on to a face conveyor which transports the coal to another conveyor leading to the surface. Narrow pillars and hydraulic roof supports are used between longwalls to support the roof as mining progresses.

Longwall mining requires that the coal seams being mined are near horizontal planar and not displaced by faulting. The longwall mining generally cannot continue through a fault with more than minor vertical displacement since on the other side of the fault would be barren rock.

Typically in China approximately 15% of the total coal resources remain un-mined as pillars and as remnants on roofs and floors where the coal is not significantly affected by folding and faulting. Since there is faulting and some steeply dipping sections in both mines, this mining method may need to be supplemented in some areas of the mines by more conventional labour intensive mining methods. Actual mining recoveries may also be less than 85%.

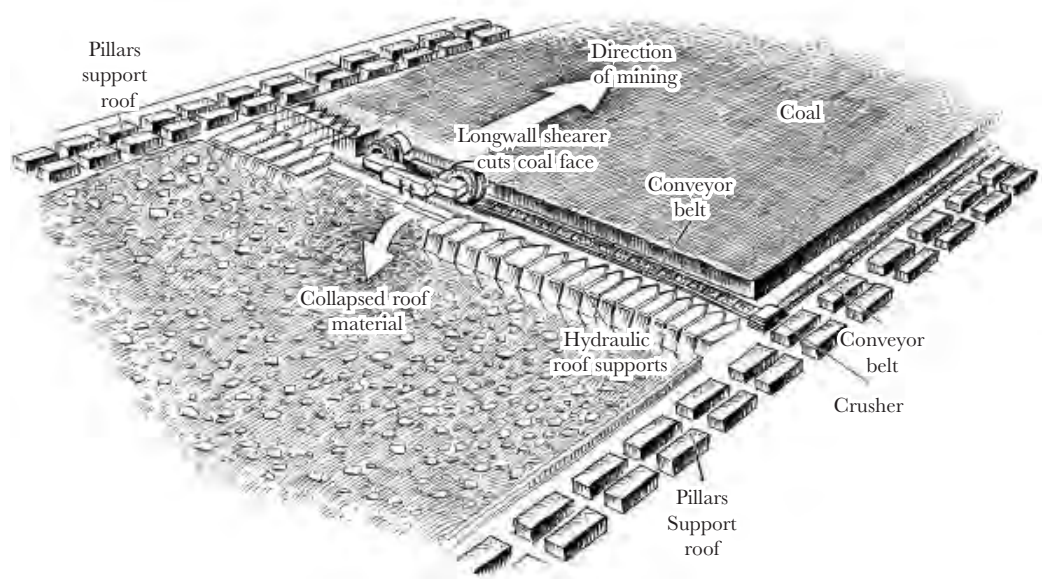


Figure 27 – Schematic diagram of Longwall Mining
(Source: ARCH COAL, INC.)

However, it must be noted that the long-wall mining has not been definitively established as the best method nor has it been irrevocably established as the method to be used at Mines 1 and 4.

10. BENEFICIATION RECOVERY METHODS

No specific beneficiation studies have been considered in this Report for either mine.

Coal washing is a process by which impurities such as sulfur, ash, and waste rock are reduced or even removed from coal to upgrade its value. Coal cleaning therefore improves the market potential of the coal and reduces transportation costs. It is envisaged that a coal washing plant will be built within the lease area of Mine 4 or one of several existing decommissioned plants located nearby used which would be responsible for the coal washing of the run-of-mine ("ROM") coal from both Mine 1 and Mine 4.

The detailed plans of the plant as well as details on the coal washing methodologies are yet to be confirmed but in general, coal washing involves grinding the coal into smaller fragments and passing them through a process called gravity separation. This technique involves feeding the coal into tanks containing a fluid that has a density which causes the coal to float while unwanted material sinks and is removed from the slurry mix.

It was mentioned in the latest Brigade 117 report in 2011 that the main use for the coal is for steaming and coking. It was said that the coal is of a category named "1/3 Coking Coal".

"1/3 Coking Coal" is a kind of transition coal between coking coal, fat coal as well as gas coal with medium to high Vdaf and relatively high baking index which is consistent with the findings of SRK.

All coal from the deposit would be sent to the coal preparation plant and there would be 2 products, one to be sent to coking plant and the others are sent to power plant.

The quality of the final product produced from such a plant will depend on the seams mined, since each of the seams vary in their qualities, and the capability of the beneficiating plant to remove the various deleterious components from the raw coal. Some coal will also be lost during the beneficiation process.

11. ENVIRONMENTAL STUDIES, PERMITTING AND SOCIAL OR COMMUNITY IMPACT

Both Mine 1 and Mine 4 are located in arid desert with no sensitive environmental areas although the licenses are located along the eastern edge of Dongfeng township. Before mining recommences the following environmental permits, Table 18, will need to be approved. Note that the status shown in the table was at 2009 as indicated in SRK’s report. If the mining plans or infrastructure are significantly modified from those approved in 2009, new applications for the previously approved permits will need to be resubmitted for approval.

	Mine 1	Mine 4	Coal Washing Plant
Exploitation License	Y	N	n/a
Environmental Impact Statement (EIA)	Y	Y	Y
Approval for EIA	Y	Y	Y
Water and Soil Conservation Plan (WSCP)	NS	Y	Y
Approval of WSCP	Y	Y	NS
Environmental approval to commence formal operations	NS	NYR	NYR
Land Use Permit	Y	NS	NS
Discharge Permit	NS	NYR	NYR
Water Use Permit	n/a	n/a	n/a
	(Water supply from local scheme)		

Table 18 – Permits and licenses requiring approval before mining commences (status at 2009, after SRK, 2009) Y = Yes, N = No, NS = not sighted by SRK, NYR = not yet received, n/a = not applicable

The most significant environmental risks for the projects are:

- Water/waste water management (i.e. groundwater extraction, surface water discharges and waste water management) and pollution from industrial and human waste.
- Dust, steam and chemical air pollution from the mine, processing plant and traffic.
- Noise pollution from mining equipment especially from fans and winches as well as traffic.
- Land subsidence.
- Land contamination from mine and processing plant waste.

These potential environmental and safety risks will need to be monitored carefully and procedures and processes put in place to ensure full compliance with the permitting conditions. Non-compliance with the permitting conditions could lead to the relevant permits being revoked and mine operations halted. It is recommended that suitable trees are planted around the mine sites to improve their visual impact from the surrounding areas and help reduce the spread of dust, noise and water run-off.

Current status on key permits required for mining activities include:

Description	Mine 1 Expiry Date	Mine 4 Expiry Date
Business licence	8th January 2012 Re-applied for	11th November 2027
Safety Production Permit	8th January 2012 Re-applied for	Not required while in exploration and development stage
Coal Production Permit	25th January 2034	Not required while in exploration and development stage
Land Use Permit	4 July 2032	Applied for

Table 19 – Current status on key permits

The Business License for Mine 1 and the Safety Production Permit have both expired on 8th January 2012 and have since been re-applied for. It should be noted that mining cannot commence until these license applications have been re-approved.

As advised by ROMA’s PRC Legal advisers, as at the Latest Practicable Date: there were no legal claims or proceedings that might have (i) material influence on Tianyu Gongmao and Tianyu Coal’s rights to explore or exploit the Target Mines; and (ii) there were no legal claims or proceedings that existed over the land on which the mines of Tianyu Gongmao and Tianyu Coal were located.

The present owners have a remediation and reclamation plan which includes the demolition and removal of all construction waste to an approved dump, backfilling all surface holes including the shafts and blending the waste dumps with the existing topography. The Project will need sufficient cash flow to provide for remediation, rehabilitation and upon closure the removal of infrastructure.

A public survey (questionnaire) on the development of Mine 4 was completed as part of the project EIA report in January 2009 within the nearby Dongfeng Township. The survey results showed that there is a high level of public support for the project, and that there is a predominant view that the development of the project will contribute to improvements in the local economy. However, the potential air, noise and solid waste impacts were raised as the key environmental concerns for the project development.

12. CONCLUSIONS AND RECOMMENDATIONS

Mine 1 has had only limited mining which is now suspended during an infrastructure upgrade and modernisation since being taken over by Hao Tian Resources. No mining has been carried out to date at Mine 4. A beneficiation washing plant is planned to be constructed or purchased to be located at Mine 4 to process the coal from both mines. This plant is expected to produce a high quality coal product. There are numerous mines in the area mining profitably similar quality coal in a similar geological environment.

Both projects have undergone expensive exploration including surface mapping, diamond drilling, and where mine openings permit, underground mapping and sampling so the extent and quality of the coal deposits are well known. This exploration work all meets JORC (2004) Code requirements for sampling and quality control. The resource estimates were also calculated using standard Chinese methods which also complied with JORC (2004) Code requirements.

The resource estimates for both projects are summarised in Table 20:

Resource Category (JORC Code)	Tonnage (million tonnes)	Coal Seams Included in Resource Estimates	Bulk Density Range (tonnes/m ³)
Mine 1			
Measured	0	8 ⁻¹ , 9 ⁻¹ , 9 ⁻² , 10, 16 ⁻¹ , 16 ⁻² , 17	1.55-1.56
Indicated	14.98		
Inferred	13.0		
Mine 4			
Measured	0	8 ⁻¹ , 9 ⁻¹ , 10, 16 ⁻¹ , 16 ⁻² , 17 ⁻¹	1.39-1.58
Indicated	33.24		
Inferred	18.6		

Table 20 – ROMA’s Resource estimates for the Wuhai coal projects

It is ROMA's conclusion that the projects that are the subject of this Report are sound geologically, based on JORC (2004) compliant data and estimation procedures, and potentially sound economically as evidenced by the nearby operating mines in similar coal deposits.

ROMA recommends that the current exploration programs continue on both projects to better define the known Indicated and especially the Inferred resources as well as more accurately determine the intensity and extent of the faulting within the exploitation licences. This exploration should include detailed mapping and sampling from underground development as mining progresses and diamond drilling from the surface.

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Appendix A:
Risks Analysis

RISK ANALYSIS

The following risk analysis follows Guidance Note 7 of the Stock Exchange of Hong Kong. Risk has been classified from high to low as follows:

High Risk: the factor poses an immediate danger of a failure which, if uncorrected, will have a material effect (>15% to 20%) on the project cash flow and performance and could potentially lead to project failure.

Medium Risk: the factor, if uncorrected, could have a significant effect (10% to 15%) on the project cash flow and performance unless mitigated by some corrective action.

Low Risk: the factor, if uncorrected, will have little or no effect (<10%) on project cash flow and performance.

Project Risks

The main risks pertaining to these projects are as follows:

Geological Risks

The accuracy of the quantity and quality of the coal resources and the geological interpretations of the location of the coal seams, faults, underground water, gas all impact on safety, mine design, location of infrastructure, beneficiation plant design and selling price of the final product.

Resource Risk (Low to Medium) – All resource and reserve estimates are based on very limited sampling to represent a much larger quantity of coal contained within a deposit. The JORC (2004) Code ranks resource and reserve estimates according to reliability of the estimates. Only Measured Resources carry relatively small geological risks. None of the estimated total resources at the two mines are classified by ROMA as Measured.

If the resources are over estimated in either quantity or quality of the coal, the profitability of the project will be adversely affected. If however the quantity or quality of the coal is underestimated the profitability of the project will be enhanced.

ROMA believes without reserve estimates, a reasonable valuation to the mines may be difficult to obtain.

Geotechnical Risk (Medium to High) – Coal mining using the long-wall method uses specialised equipment that works most efficiently in seams that have planar floors and backs that do not have steep dips and not displaced by faulting or folding. The mapping and drilling carried out on the properties to date has identified a number of faults that displace the coal seams. If it is found that a significant number of faults were missed by these investigations and the coal seams are found to be more fragmented than indicated by current geological interpretations, the economics of mining these seams may be adversely impacted and less of the total coal resource will be eventually recovered.

Other geological factors that must be considered in any risk analysis are gas and coal dust explosions, likelihood of mine roof and wall collapsing and water inflows. These risks are not considered to be exceptional at either of these two projects compared to most other underground coal mines. There have been however several incidents where unexpected water inflows have trapped and killed miners in similar underground coal mines in the Wuhai district. Mine safety will have to be the top priority once mining recommences to ensure water inflows and other ground failures do not occur that could threaten the safety of the workers.

Coal Prices Risk (Low to Medium) – The world economy is currently unstable resulting in widely fluctuating coal prices. Current prices for coals are generally high but no-one can confidently predict future coal prices and how these changes will impact the projects. It is noted however that all the projects are within China which is a major consumer of the coal sought at these projects and it is government policy to become self-sufficient in coal. An accurate price for the coal produced at the two mines cannot be predicted until all the testwork is completed on beneficiating the coal at the proposed coal washing plant. The marketability and actual price received for the coal mined and beneficiated will depend on the quality of the washed coal produced and availability and proximity to markets.

Sovereign Risk (Low to Medium) – The Chinese mining regulations and laws have changed considerably over recent years and are expected to continue to evolve. Most of the changes have made mining regulations more transparent and assist foreign investment. The extent and direction of further changes to the mining regulations and laws and their impact on these projects cannot be estimated.

Natural Disasters Risk (Low to Medium) – Since the projects are all located in deserts with recorded seismicity, the possibility of a major natural disaster is considered low however seismic activity and rare storms and floods are possible.

Contamination of Local Water System Risk (Medium to High) – There is a possibility of the local water system being contaminated in the mining region. Acid mine drainage produced in the mine tailing dumps could seep into waterways and aquifers. The consequences of this occurring would be damage to the ecology and human health. The Company may become involved in legal disruption if the people nearby are affected by contamination.

To mitigate the impact of water contamination, all the acidic water should be collected by utilizing a proper waste dump design, to be treated and purified before any discharge into the river or the water system occurs. Furthermore, the Company should regularly test the water quality of the river to ensure the water treatment is fully effective.

To mitigate the impact of contamination of local water system, the acidic water should be treated and purified before discharge into the river or the water system. Furthermore, the Company should test the level of acidity of the river regularly to ensure the treating and purifying of acidic water follow the procedures strictly.

Licensing and Permitting Risk (Low to Medium) – A number of permits and licenses are required to operate the two underground mines. These include exploitation, business, safety, water discharge and environment permits. Since the mines are not currently in production some of these permits and licenses are not required. If the mine, once it is operational, pays all its taxes and maintains a clean safety and environmental record, it can be expected that all the required permits and licenses will be approved and renewed as required. However if the operators do not maintain a clean record or government policies change, some or all of the permits and licenses may be revoked possibly making it necessary to cease operations until they are renewed.

The likelihood of these events happening cannot be accurately estimated. Underground coal mining in China has a very poor safety record so the operators will need to maintain very strict safety policies and encourage a safety culture amongst its workers of a far higher standard than exists most other similar mines in the country to ensure that no reason will arise that could risk its workers and permits.

As discussed in an earlier section of this report, water and waste water management, dust, noise, steam and chemical air pollution from the mine, processing plant and traffic, land subsidence and land contamination from mine and processing plant waste are all environmental risks that could all potentially affect permits and licenses.

Financing and Operational Costs Risk (Low to Medium) – Since this report does not include a reserve estimate or a valuation, financing and operational costs have not been considered in this report. The eventual viability of the project however will depend on the operating company’s ability to raise sufficient finance to complete the upgrading of the infrastructure already commenced and complete the construction or purchase and commissioning of the beneficiation plant and other mine infrastructure and that these works are completed within budget and at an acceptable standard. Once mining commences, operating costs will need to be contained within budget to achieve the profitability expected in any future feasibility study.

Marketability Risk (Low) – The planned washing plant is expected to produce a readily saleable high quality product. If the plant does not meet expectations the selling price and the demand for any unwashed coal is lower than would be received for the washed coal.

Lack of Work Force Risk (Low to Medium) – ROMA believes there have sufficient competent and experience local staff including management, and senior mining staff for the mine operation.

Overall Risks

The likelihood of a risk event occurring within a nominal 7 – year time frame has been considered as:

- Likely:

will probably occur
- Possible:

may occur
- Unlikely:

unlikely to occur

The degree or consequence of a risk and its likelihood are combined into an overall risk assessment, shown in Table 21.

Likelihood of Risk (within 7 years)	Consequence of Risk		
	Minor	Moderate	Major
Likely	Medium	High	High
Possible	Low	Medium	High
Unlikely	Low	Low	Medium

Table 21 – Risk assessment guidelines

A summary of the main Project risks considered are included, summarized and ranked by their importance as follows:

Risk Issue	Likelihood	Consequence Rating	Risk
Geological & Geotechnical			
Resource/Reserve Tonnes and Grades not achieved	Possible	Moderate	Medium
Mine Workings Collapse	Unlikely	Major	Medium
Significant Unexpected Faulting	Possible	Moderate	Medium
Unexpected Groundwater Ingress	Likely	Moderate	High
Economic Conditions			
Coal Prices	Possible	Moderate	Medium
Inflation Increases	Possible	Moderate	Medium
Change in Interest Rates	Possible	Minor	Low
Loss in Demand	Unlikely	Moderate	Low
Industrial Disruption	Unlikely	Minor	Low
Sovereign Risk	Possible	Moderate	Medium
Environmental			
Significant Unpredicted Subsidence	Unlikely	Moderate	Low
Ecology Damage	Possible	Minor	Low
Extra Costs in Environment Restoration	Possible	Minor	Low
Contamination of Local Water System	Possible	Major	High
Capital and Operating Costs			
Project Timing Delays	Possible	Moderate	Medium
Capital Cost Increases	Possible	Moderate	Medium
Operating Costs Underestimated	Unlikely	Major	Medium
Licensing and Permitting	Possible	Moderate	Medium
Operational Risk			
Underperformance of Plant and Machinery	Possible	Moderate	Medium
Adverse weather condition	Possible	Minor	Low
Lack of working force	Possible	Moderate	Medium
Natural Disasters	Possible	Moderate	Medium

Table 22 – Project risk assessment

Appendix B:
Abbreviations

μ	micron	kVA	kilovolt-amperes
°C	degree Celsius	kW	kilowatt
°F	degree Fahrenheit	kWh	kilowatt-hour
μ g	microgram	L	litre
A	ampere	L/s	litres per second
a	annum	m	metre
Bbl	barrels	M	Mega (million)
btu	British thermal units	m ²	square metre
C\$	Canadian dollars	m ³	cubic metre
cal	calorie	min	minute
CFM	cubic metres per minute	MASL	metres above sea level
cm	centimetre	mm	millimetre
cm ²	square centimetre	mph	miles per hour
d	day	MVA	megavolt-amperes
dia	diameter	MW	megawatt
dmt	dry metric tonne	MWh	megawatt-hour
dwt	deadweight ton	m ³ /h	cubic metres per hour
ft	foot	opt, oz/st	ounce per short ton
ft/s	foot per second	oz	Troy ounce (31.1035g)
ft ²	square foot	oz/dmt	ounce per dry metric tonne
ft ³	cubic foot	ppm	part per million
g	gram	psia	pound per square inch absolute
G	giga (billion)	psig	pound per square inch gauge
Gal	Imperial gallon	RL	relative elevation
g/L	gram per litre	s	second
g/t	gram per tonne	SG	Specific Gravity
gpm	Imperial gallons per minute	st	short ton
gr/ft ³	grain per cubic foot	stpa	short ton per year
gr/m ³	grain per cubic metre	stpd	short ton per day
hr	hour	t	metric tonne
ha	hectare	tpa	metric tonne per year
hp	horsepower	tpd	metric tonne per day
in	inch	US\$	United States dollar
in ²	square inch	USg	United States gallon
J	Joule	USgpm	US gallon per minute
k	kilo (thousand)	V	Volt
kcal	kilocalorie	W	Watt
kg	kilogram	wmt	wet metric tonne
km	kilometre	yd ³	cubic yard
km/h	kilometre per hour	yr	Year
km ²	square kilometre		
kPa	kilopascal		

Appendix C:

Glossary

Word	Definition
Abrasive	A material, often a mineral, that is used to shape or finish a work piece through rubbing which leads to part of the work piece being worn away.
Aeolian Sand	Sand formed through the activity of the winds. Wind may erode, transport, and deposit sand and is an effective agent in regions with sparse vegetation and covered by large amounts of unconsolidated sediments. Although water is a much more powerful eroding force than wind, aeolian processes are important in arid environments such as deserts.
Agriculture	The cultivation of plants and husbandry of animals and other life forms for food, fiber, and other products used to sustain life.
Alluvial	Loose, unconsolidated (not solid rock) soil or sediments which are eroded, deposited, and reshaped by water in some form in a non-marine setting. Alluvium is typically made up of a variety of materials, including fine particles of silt and clay and larger particles of sand and gravel.
Animal husbandry	The agricultural practice of breeding and raising livestock.
Anticline	A fold that convexes up with the oldest beds at its core. The strata dip away from the center, or crest, of the fold.
Archean	A geologic eon before 2.5 billion years ago.
Arid	A region characterized by a severe lack of available water, to the extent of hindering or even preventing the growth and development of plant and animal life.
Asymmetrical	Not symmetrical, or different on both sides of an axis.

Word	Definition
Banded	Said of a vein, sediment, or other deposit having alternating layers that differ in color or texture or mineral composition.
Basement	Basement and crystalline basement are used to define the rocks below a sedimentary platform or cover that are metamorphic or igneous in origin. Similarly, the sediments and/or sedimentary rocks on top of the basement can be called a “cover” or “sedimentary cover”.
Basin	A large-scale structural formation created by tectonic warping downwards of previously flat strata. Basins appear on a geologic map as being roughly circular or elliptical with concentric layers. Because the strata dip toward the center, the exposed strata in a basin are progressively younger from outside-in, with the youngest rocks in the center.
Borehole	The generalized term for any hole bored in the ground for the purpose of collecting samples of rock, oil or gas at depth.
Cambrian	The first geological period of the Paleozoic Era ranging between 542 ± 0.3 to 488.3 ± 1.7 Mya.
Carboniferous	A geologic period that extends from about 359.2 ± 2.5 Mya (million years ago to about 299.0 ± 0.8 Mya.
Cathaysian	A set of small landmasses that developed in tropical to subtropical latitudes on the eastern side of Pangea during the Permian and Triassic, includes modern North China (Sino-Korea), South China (Yangtze), Eastern Qiangtang, Tarim, and Indochina.
Cenozoic	The current era covering the period from 65.5 Mya to the present.

Word	Definition
Clastic	Clastic rocks are composed of fragments of pre-existing rock. Geologists use the term clastic with reference to sedimentary rocks as well as to particles in sediment transport whether in suspension or as bed load, and in sediment deposits.
Claystone	A geological term used to describe a clastic sedimentary rock that is composed primarily of very fine clay-sized particles (less than 1/256 millimeter in diameter).
Coal Processing	Coal is processed in a variety of methods which is dependent on its usage. Coal can also be washed or cleaned to remove contaminants. Solid coal can also be converted into a gas or liquid fuel. Coal used for steel making is further processed into coke.
Coal Seams	A stratum or bed of coal thick enough to be economically mined.
Coalfield	An area where coal is mined.
Coarse Grained	Having a rough, coarse texture. In sedimentary geology it describes sand or gravel sized particles.
Coke	The solid carbonaceous material derived from the distillation of low-ash, low-sulfur bituminous coal producing a grey, hard and porous product of very high calorific value.
Conglomerate	A rock consisting of individual large rounded clasts within a finer-grained matrix that have become cemented together. They are differentiated from breccias, which consist of angular clasts. Both conglomerates and breccias are characterized by clasts larger than sand (>2 mm).

Word	Definition
Continental	Of, relating to, or characteristic of a large land mass.
Craton	Cratons described as an old and stable part of the continental mass. Having often survived cycles of merging and rifting of continents, they are generally found in the interiors of tectonic plates.
Cretaceous	A geologic period from circa 145.5 ± 4 to 65.5 ± 0.3 million years (Ma) ago.
Deformation	A change in the volume and/or shape of the Earth’s crust. The alteration is usually caused by pressure or stress.
Deltaic	Of, relating to, or characteristic of a landform that is formed at the mouth of a river which flows into an ocean, sea, estuary, lake, reservoir or flat arid area.
Deposit	The geological process by which material is added to a landform or land mass.
Dip	The steepest angle of a tilted bed or feature relative to a horizontal plane, and is given by the number (0°-90°) as well as a letter (N, S, E, W) with rough direction in which the bed is dipping.
Displacement	A general term for the relative movement of the two sides of a fault, measured in any chosen direction; also, the specific amount of such movement.
Dolomite	A carbonate mineral composed of calcium magnesium carbonate CaMg(CO ₃) ₂ .

Word	Definition
Elevation	The height above a fixed reference point usually at the Earth’s surface.
Emplacement	The localization of minerals, by whatever process; ore deposition.
Exploitation	The use or utilization of a natural resource, especially for profit.
Exploration	The search for deposits of useful minerals of fossil fuels, also known as prospecting. It may include geologic reconnaissance, e.g., remote sensing, photogeology, geophysical and geochemical methods, and both surface and underground investigations.
Fault	A planar fracture or discontinuity in a volume of rock, which has significant displacement. Large faults within the Earth’s crust result from the action of tectonic forces. Energy release associated with rapid movement on active faults is the cause of most earthquakes.
Fine Grained	Sediment or sedimentary rock in which the individual constituents are too small to distinguish with the unaided eye.
Flora	The plant life occurring in a particular region or time, generally the naturally occurring or indigenous – native plant life.
Fluvial	The processes associated with rivers and streams and the deposits and landforms created by them.
Fold	A stack of originally flat and planar surfaces, such as sedimentary strata, that are bent or curved as a result of permanent deformation.

Word	Definition
Formation	Persistent bodies of igneous, sedimentary, or metamorphic rock, having easily recognizable boundaries that can be traced in the field.
Geographic Coordinate System	A coordinate system that enables every location on the Earth to be specified by a set of numbers. A common choice of coordinates is latitude, longitude and elevation.
Global Positioning System	A space-based global navigation satellite system (GNSS) that provides location and time information in all weather, anywhere on or near the Earth, where there is an unobstructed line of sight to four or more GPS satellites.
Gneiss	A common and widely distributed type of banded rock formed by high-grade regional metamorphic processes from pre-existing formations.
Interbedded	Layers or rock of a particular lithology that lie between or alternate with beds of a different lithology.
Intertidal	The area that is above water at low tide and under water at high tide.
Intracratonic Basin	A basin formed within the interior region of a continent, away from plate boundaries.
Intraplate	The interior of a tectonic plate.
Jurassic	A geologic period that extends from about 199.6 ± 0.6 to 145.5 ± 4 Mya.

Word	Definition
Lacustrine	An accumulation of alluvium laid down where rivers flow into lakes.
Limestone	A sedimentary rock composed largely of the minerals calcite and aragonite, which are different crystal forms of calcium carbonate (CaCO ₃). Many limestones are composed from skeletal fragments of marine organisms such as coral or foraminifera.
Lithology	A description of a rock’s physical characteristics visible at outcrop, in hand or core samples or with low magnification microscopy, such as colour, texture, grain size, or composition.
Logging	Recording geological features of a rock specimen, usually drill core.
Magnitude	Measurement of the size or intensity of an earthquake.
Mapping	Recording on maps the geological features outcropping at the earth’s surface.
Mesozoic	The geological period ranging from about 250 million years ago to about 65 million years ago.
Monocline	A step-like fold in rock strata consisting of a zone of steeper dip within an otherwise horizontal or gently-dipping sequence.
Mudstone	A fine grained sedimentary rock whose original constituents were clays or muds. Grain size is up to 0.0625 mm with individual grains too small to be distinguished without a microscope.
Ordovician	The geologic period spanning 488.3 ± 1.7 to 443.7 ± 1.5 million years ago.

Word	Definition
Outcrop	A visible exposure of bedrock on the surface of the Earth.
Paleozoic	The geologic era spanning from roughly 542 to 251 million years ago.
Peat	An accumulation of partially decayed vegetation matter. Peat forms in wetland bogs and swamps.
Permian	A geologic period spanning 299.0 ± 0.8 to 251.0 ± 0.4 Mya.
Permo-Carboniferous	The Permo-Carboniferous refers to the time period including the latter parts of the Carboniferous and early part of the Permian period.
Reserve	Natural resources that are economically feasible for extraction.
Resource	An accumulation of natural minerals or rocks that can be reasonably expected to be exploited economically.
Richter Scale	A base-10 logarithmic scale used to describe the intensity of earth tremors and earthquakes.
Sandstone	A sedimentary rock composed mainly of sand-sized minerals or rock grains. Most sandstone is composed of quartz and/or feldspar.
Sedimentation	Sedimentation is the deposition of particles carried by a water flow resulting in the formation of sedimentary rock.
Seismic Zone	A region in which the rate of seismic activity remains fairly consistent.

Word	Definition
Shale	Clastic sedimentary rock composed of mud sized particles.
Shoreline	Fringe of land at the edge of a large body of water, such as an ocean, sea, or lake. Shores are influenced by the topography of the surrounding landscape, as well as by water induced erosion, such as waves. The geological composition of rock and soil dictates the type of shore which is created.
Silt	A granular material of a size somewhere between sand and clay whose mineral origin is quartz and feldspar. Silt may occur as a soil or as suspended sediment (also known as suspended load) in a surface water body. It may also exist as soil deposited at the bottom of a water body.
Spontaneous combustion	A type of combustion which occurs without an external ignition source.
Stratigraphy	Stratigraphy, a branch of geology, studies rock layers and layering (stratification) of sedimentary and layered volcanic rocks.
Stratum	A layer of sedimentary rock or soil with internally consistent characteristics that distinguish it from other layers.
Sulphur	An abundant bright yellow crystalline element that is solid at room temperature. Chemically, sulfur can react as either an oxidant or reducing agent. Sulphide minerals are common in coal. When coal is burnt the sulphur can form noxious gases so low sulphur bearing coals are preferred.
Syncline	Fold, with younger layers closer to the center of the structure unless overturned.
Tertiary	A geologic period 65 million to 2.6 million years ago.

Word	Definition
Topography	The description of surface shapes and features (especially their depiction in maps).
Triassic	A geologic period that extending from about 250 to 200 Mya.
Thrust	A break in the Earth’s crust across which there has been relative movement, in which rocks of lower stratigraphic position are pushed up and over higher strata. They are often recognized because they place older rocks above younger. Thrust faults are the result of compressional forces.
Unconformity	A boundary separating two or more rocks of markedly different ages, marking a gap in the geologic record.
Vegetation	A general term for the plant life of a region.
Vicinity	Area around a given physical or geographical point or place.
Washing Plant	A coal beneficiation plant (CBP) is a facility that washes coal of contaminating rock, preparing it for transport to market.

Appendix D:

Exploration License of
Tianyu Gongmao Company Limited Coal Mine
(“Mine 1”)



中华人民共和国

采 矿 许 可 证

(副 本)

证 号： C1500002010121120107037

采矿权人：

地 址：

矿 山 名 称：

经 济 类 型：

开 采 矿 种：

开 采 方 式：

生 产 规 模：

矿 区 面 积：

有 效 期 限：

乌海市天裕工贸有限公司

乌海市海南区

乌海市天裕工贸有限公司煤矿

有限责任公司

煤

地下开采

30.00万吨/年

2.4016平方公里

贰年

自 2010年12月5日 至 2012年12月5日

发 证 机 关

（采矿登记专用章）

10 年 十 月 五 日

中华人民共和国国土资源部印制

矿区范围拐点坐标：

点号

X坐标

Y坐标

1. 4370499.864; 36403261.497

2. 4371599.863; 36404741.496

3. 4370349.886; 36406271.517

4. 4369949.874; 36404421.514

5. 4368949.858; 36403821.523

标高：从1150米至580米

开采深度：

由1150米至580米标高 共有5个拐点圈定

1980西安坐标系

Appendix E:

**Exploration License of
Tianyu Coal Company Limited Coal Mine
 (“Mine 4”)**



中华人民共和国
采矿许可证

(正本)

C1500062010121J29107635

采矿权人:

乌海市天誉煤炭有限责任公司

地址:

乌海市海南区

矿山名称:

乌海市天警煤炭有限责任公司煤矿

经济类型

有限公司

有效期限:

自 2010年12月5 至 2013年12月5日

煤
开采矿种:

張

开采方式:

地下开采

生产规模:

30.00万吨/年

矿区面积:

4.0299平方公里

矿区范围:(见副本)



中华人民共和国国土资源部印制

中华人民共和国

采 矿 许 可 证

(副本)

证 号：C1500002010121120107035

采矿权人：乌海市天誉煤炭有限责任公司

地 址：乌海市海南区

矿山名称：乌海市天誉煤炭有限责任公司煤矿

经济类型：有限责任公司

开采矿种：煤

开采方式：地下开采

生产规模：30.00万吨/年

矿区面积：4.0299平方公里

有效期限：叁年 自 2010年12月5日至 2013年12月5日

发证机关
(采矿登记专用章)
二〇一〇年 十 月 五 日

中华人民共和国国土资源部印制

矿区范围拐点坐标：

点号 X坐标 Y坐标

1. 4360520.905, 36407171.545

2. 4367850.890, 36407171.586

3. 4367850.870, 36406821.582

4. 4370040.883, 36406121.520

5. 4370039.881, 36406871.524

6. 4368799.680, 36406821.529

7. 4370108.895, 36405941.526

8. 4370250.911, 36407071.534

9. 4368520.904, 36407071.544

备注：从1200米至600米

开采深度：由1200米至600米标高 共有9个拐点圈定
1980西安坐标系

Appendix F:

Laboratory results of
Tianyu Coal Company Limited Coal Mine
(“Mine 4”)



通标标准技术服务有限公司
SGS-CSTC Standards Technical Services Co., Ltd.

page 1 of 1

ANALYSIS REPORT FOR SUBMITTED SAMPLE

BOSS Order No. : 13417901-1
Applicant : Roma Oil & Mining Associates Limited
Declared Commodity : COAL(16#)
Express No : EK729006349CS
Sample Description : Granularity <50mm(approximate 10kg), packing unbroken.
Date of beginning test : October 28th, 2011

In accordance with instructions received from applicant, we prepared and carried out required test on the submitted sample. The analysis results reported as follows:

Item	Symbol	Unit	As Received Basis	Air Dry Basis	Dry Basis	Dry Ash-free Basis	Referred Standard
Total moisture	M _t	%	4.70	/	/	/	ISO589: 2008(E)
Moisture _{ad}	M _{ad}	%		0.91	/	/	ISO11722: 1999(E)
Ash	A	%	18.00	18.72	18.89	/	ISO1171: 2010(E)
Volatile matter	V	%	22.55	23.45	23.67	29.18	ISO562: 2010(E)
Fixed carbon	FC	%	/	56.92	/	/	ISO1213-2: 1992(E)
Total sulfur	S _t	%	1.93	2.01	2.03	/	ISO351: 1996(E)
Gross calorific value at constant volume	Q _{gr,v}	Kcal/kg	/	6731	6793	/	ISO1928: 2009(E)
Net calorific value at constant volume	Q _{net,v}	Kcal/kg	6260	6531	/	/	

WARNING:
The sample(s) to which the findings recorded herein (the "Findings") relate was(were) drawn and / or provided by the Client or by a third party acting at the Client's direction. The Findings constitute no warranty of the sample's representativeness of any goods and strictly relate to the sample(s). The Company accepts no liability with regard to the origin or source from which the sample(s) is/are said to be extracted.

SGS-CSTC
Guangzhou Branch


Technical manager / Authorized
Signature
October 29th, 2011

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Any other holder of this document is advised that information contained hereon reflects the Company's findings at the time of its intervention only and within the limits of Client's responsibility, if any. The Company's sole responsibility is to its Client and this document does not exonerate parties to a transaction from exercising all their rights and obligations under the transaction documents. Any unauthorized alteration, forgery or falsification of the content or appearance of this document is unlawful and offenders may be prosecuted to the fullest extent of the law.



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Member of the SGS Group (SGS SA)



通标标准技术服务有限公司
SGS-CSTC Standards Technical Services Co., Ltd.

page 1 of 1

ANALYSIS REPORT FOR SUBMITTED SAMPLE

BOSS Order No. : 13417901-2
Applicant : Roma Oil & Mining Associates Limited
Declared Commodity : COAL(9#)
Express No : EK729006321CS
Sample Description : Granularity <50mm(approximate 10kg), packing unbroken.
Date of beginning test : October 28th, 2011

In accordance with instructions received from applicant, we prepared and carried out required test on the submitted sample. The analysis results reported as follows:

Item	Symbol	Unit	As Received Basis	Air Dry Basis	Dry Basis	Dry Ash-free Basis	Referred Standard
Total moisture	M_t	%	4.40	/	/	/	ISO589: 2008(E)
Moisture ,ad	M_{ad}	%		0.99	/	/	ISO11722: 1999(E)
Ash	A	%	34.73	35.97	36.33	/	ISO1171: 2010(E)
Volatile matter	V	%	19.99	20.70	20.91	32.84	ISO562: 2010(E)
Fixed carbon	FC	%	/	42.34	/	/	ISO1213-2: 1992(E)
Total sulfur	S_t	%	0.70	0.73	0.74	/	ISO351: 1998(E)
Gross calorific value at constant volume	$Q_{gr,v}$	Kcal/kg	/	4923	4972	/	ISO1928: 2009(E)
Net calorific value at constant volume	$Q_{net,v}$	Kcal/kg	4577	4759	/	/	

WARNING:
The sample(s) to which the findings recorded herein (the "Findings") relate was(were) drawn and / or provided by the Client or by a third party acting at the Client's direction. The Findings constitute no warranty of the sample's representativeness of any goods and strictly relate to the sample(s). The Company accepts no liability with regard to the origin or source from which the sample(s) is/are said to be extracted.

SGS-CSTC
Guangzhou Branch


Technical manager / Authorized
Signature
October 29th, 2011

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Any other holder of this document is advised that information contained hereon reflects the Company's findings at the time of its intervention only and within the limits of Client's instructions, if any. The Company's sole responsibility is to its Client and this document does not exonerate parties to a transaction from exercising all their rights and obligations under the transaction documents. Any unauthorized alteration, forgery or falsification of the content or appearance of this document is unlawful and offenders may be prosecuted to the fullest extent of the law.



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Member of the SGS Group (SGS SA)

1. RESPONSIBILITY STATEMENT

This circular, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date will be as follows:

As at Latest Practicable Date

<i>Authorised share capital</i>		<i>HK\$</i>
<u>10,000,000,000</u>	Shares	<u>500,000,000</u>
<i>Issued and fully paid share capital</i>		
<u>3,353,021,994</u>	Shares	<u>167,651,010</u>

All the issued shares in the capital of the Company has a nominal value of HK0.05 each and rank pari passu with each other in all respects including the rights as to voting and dividends.

3. DISCLOSURE OF INTERESTS

(a) Directors’ and Chief Executives’ interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”), were as follows:

Long positions in ordinary Shares and underlying Shares of the Company:

Name of Director	Capacity	Nature of Interest	Number of Shares of the Company held	Number of underlying Shares of the Company held	Total	Approximate percentage of total issued share capital
Ma Lishan	Interest of a controlled corporation	Corporate interest	457,600,561 (Note 1)	317,158,822 (Note 1)	794,759,383	23.70%
	Beneficial owner	Personal interest	–	20,000,000 (Note 2)		
Mak Yiu Tong	Beneficial owner	Personal interest	–	2,000,000 (Note 2)	2,000,000	0.06%
Dr. Tam Hok Lam, Tommy, J.P.	Beneficial owner	Personal interest	400,000	–	400,000	0.01%

Notes:

- Ma Lishan has beneficial interest in Real Power, which is owned as to 25% by China Capital Group Limited and 75% by TRXY Development. China Capital Group Limited is beneficially owned as to 40% by Ma Lishan. As at the Latest Practicable Date, Real Power held 457,600,561 Shares in the Company, representing approximately 13.65% of the issued share capital of the Company. In addition, Real Power was also interested in convertible notes issued by the Company on 25 January 2010 in the aggregate principal amount of US\$36,007,762.08 which were convertible into 317,158,822 Shares, representing approximately 9.46% of the issued share capital of the Company.
- These interests represented the interests in underlying Shares in respect of share options granted by the Company to these Directors as beneficial owners under the Share Option Scheme (“**Post-Listing Scheme**”) adopted on 16 May 2006.

Other than as disclosed above, as at the Latest Practicable Date, none of the Directors or their associates had any interests or short positions in any Shares, underlying Shares and debentures of, the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) Substantial Shareholders’ Interests and Short Positions in Shares and Underlying Shares of the Company

As at the Latest Practicable Date, the following entities have interests or short positions of 5% or more in the Shares and underlying Shares of the Company which were recorded in the register of substantial shareholders maintained under Section 336 of the SFO or had otherwise notified to the Company:

Name	Number of Shares of the Company held	Number of underlying Shares of the Company held	Capacity	Total	Approximate percentage of total issued share capital
TRXY Development	172,159,435	114,722,577 (Note 1)	Beneficial owner	1,061,641,395	31.66%
	457,600,561 (Note 2)	317,158,822 (Note 2)	Interest of a controlled corporation		
Li Shao Yu	970,212,937 (Note 3)	1,000,712,567 (Note 3)	Interest of controlled corporations	1,989,925,504	59.35%
		19,000,000 (Note 6)	Beneficial owner		
Real Power	457,600,561	317,158,822 (Note 2)	Beneficial owner	774,759,383	23.11%
TRXY	340,452,941	568,831,168 (Note 4)	Beneficial owner	909,284,109	27.12%
Hao Tian Group Holdings Limited	970,212,937	1,000,712,567	Interest of controlled corporations	1,970,925,504 (Note 3)	58.78%
Atlantis Capital Holdings Limited	418,500,000	–	Beneficial owner	418,500,000 (Note 5)	12.48%
Liu Yang	418,500,000	–	Interest of a controlled corporation	418,500,000 (Note 5)	12.48%
Big Wish Investments Limited	144,300,000	681,135,538	Beneficial owner	825,435,538 (Note 7)	24.62%

Name	Number of Shares of the Company held	Number of underlying Shares of the Company held	Capacity	Total	Approximate percentage of total issued share capital
CCB Financial Holdings Limited	167,145,416	793,650,038	Interest of a controlled corporation	960,795,454 (Note 7)	28.65%
CCB International (Holdings) Limited	167,145,416	793,650,038	Interest of a controlled corporation	960,795,454 (Note 7)	28.65%
CCB International Asset Management Limited	167,145,416	793,650,038	Interest of a controlled corporation	960,795,454 (Note 7)	28.65%
CCB International Assets Management (Cayman) Limited	167,145,416	793,650,038	Interest of a controlled corporation	960,795,454 (Note 7)	28.65%
CCB International Group Holdings Limited	167,145,416	793,650,038	Interest of a controlled corporation	960,795,454 (Note 7)	28.65%
Central Huijin Investment Ltd	167,145,416	793,650,038	Interest of a controlled corporation	960,795,454 (Note 7)	28.65%
China Construction Bank Corporation	167,145,416	793,650,038	Interest of a controlled corporation	960,795,454 (Note 7)	28.65%
Kingston Finance Limited	420,840,518 (Note 8)	–	Beneficial owner	420,840,518	12.55%
Ample Cheer Limited	420,840,518 (Note 8)	–	Interest of a controlled corporation	420,840,518	12.55%
Best Forth Limited	420,840,518 (Note 8)	–	Interest of a controlled corporation	420,840,518	12.55%
Chu Yuet Wah	420,840,518 (Note 8)	–	Interest of a controlled corporation	420,840,518	12.55%

Notes:

- As at the Latest Practicable Date, TRXY Development was interested in convertible notes in the aggregate principal amount of US\$13,024,714.83 which were convertible into 114,722,577 Shares, representing approximately 3.42% of the issued share capital of the Company.
- Real Power is beneficially owned as to 25% by China Capital Group Limited and 75% by TRXY Development. China Capital Group Limited is beneficially owned as to 40% by Ma Lishan. Real Power was also interested in convertible notes issued by the Company on 25 January 2010 in the aggregate principal amount of US\$36,007,762.08 which were convertible into 317,158,822 Shares, representing approximately 9.46% of the issued share capital of the Company.

3. Li Shao Yu has controlling interest in Hao Tian Group Holdings Limited, which, in turn, has controlling interest in TRXY Development and TRXY. TRXY Development has also controlling interest in Real Power.
4. As at the Latest Practicable Date, TRXY was interested both in convertible bond in the aggregate principal amount of HK\$438,000,000, which were convertible into 568,831,168 Shares, representing approximately 16.96% of the issued share capital of the Company.
5. As at the Latest Practicable Date, Atlantis Capital Holdings Limited was beneficial owner of these shares in the Company, which, in turn, was wholly-owned by Liu Yang.
6. These interests represented the interests in underlying shares in respect of share options granted by the Company as beneficial owner under the Post-Listing Scheme adopted on 16 May 2006.
7. The seven references to 960,795,454 Shares related to the same block of shares. Big Wish Investments Limited was interested in 825,435,538 Shares and underlying Shares in the Company. Big Wish Investments Limited is a wholly-owned subsidiary of CCB International Asset Management Limited (“CCBIAM”), in return, CCBIAM is a wholly-owned subsidiary of CCB International Assets Management (Cayman) Limited which in turn is a wholly-owned subsidiary of CCB International (Holdings) Limited. CCB International (Holdings) Limited is a wholly-owned subsidiary of CCB Financial Holdings Limited which in turn is wholly-owned by CCB International Group Holdings Limited. CCB International Group Holdings Limited is a wholly-owned subsidiary of China Construction Bank Corporation which in turn 57.09% of its interest is owned by Central Huijin Investment Limited. Accordingly, CCBIAM, CCB International Assets Management (Cayman) Limited, CCB International (Holdings) Limited, CCB Financial Holdings Limited, CCB International Group Holdings Limited, China Construction Bank Corporation and Central Huijin Investment Limited are deemed to be interested in these Shares and underlying Shares held in the Company by virtue of the provisions of the SFO.
8. The four references to 420,840,518 Shares related to the same block of Shares. Kingston Finance Limited was beneficial owner of these Shares in the Company. Kingston Finance Limited is a wholly-owned subsidiary of Ample Cheer Limited, which in return 80% of its interest is owned by Best Forth Limited, in turn, Chu Yuet Wah has controlling interest in Best Forth Limited. Accordingly, Ample Cheer Limited, Best Forth Limited and Chu Yuet Wah are deemed to be interested in these Shares held in the Company by virtue of the provisions of the SFO.

Other than as disclosed above, as at the Latest Practicable Date, no person (other than Directors) has interests or short positions in the Shares or underlying Shares of the Company which were recorded in the register of substantial shareholders maintained under Section 336 of the SFO.

Other than as disclosed above, as at the Latest Practicable Date, none of the Directors or any proposed Director is a director or employee of a company which has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of part XV of the SFO.

4. DIRECTORS' OTHER INTERESTS

As at the Latest Practicable Date, so far as the Directors were aware, none of themselves or their respective associates had any interest in a business which competes or may compete with the business of the Group or any other conflicts of interests with the Group.

As at the Latest Practicable Date, none of the Directors had any interests, either direct or indirect, in any assets which have been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2011, being the date to which the latest published audited consolidated financial statements of the Group were made up.

There was no contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date in which any Director is materially interested and which is significant to the business of the Group.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, save as previously disclosed (if any) in the announcement(s) of the Company, the Directors were not aware of any material adverse changes in the financial or trading position of the Group since 31 March 2011, the date to which the latest published audited consolidated accounts of the Group were made up.

6. LITIGATION

As at the Latest Practicable Date, so far as the Directors were aware, none of the members of the Group was engaged in any litigation or claim of material importance which was known to the Directors to be pending or threatened by or against any member of the Group as at the Latest Practicable Date.

7. CORPORATE INFORMATION**BOARD OF DIRECTORS****Executive Directors**

Mr. Ma Lishan
(Chairman and Chief Executive Office)
Mr. Mak Yiu Tong

Non-executive Director

Mr. Xu Hai Ying

Independent Non-executive Directors

Dr. Tam Hok Lam, Tommy, *J.P.*
Mr. Zhu Yongguang
Mr. Ma Lin

AUDIT COMMITTEE

Dr. Tam Hok Lam, Tommy, *J.P.*
(Chairman of Committee)
Mr. Zhu Yongguang
Mr. Ma Lin

REMUNERATION COMMITTEE

Dr. Tam Hok Lam, Tommy, *J.P.*
Mr. Zhu Yongguang
Mr. Xu Hai Ying

NOMINATION COMMITTEE

Mr. Ma Lishan
(Chairman of Committee)
Mr. Zhu Yongguang
Dr. Tam Hok Lam, Tommy, *J.P.*

EXECUTIVE COMMITTEE

Mr. Ma Lishan
(Chairman of Committee)
Mr. Mak Yiu Tong

COMPANY SECRETARY

Mr. Fok Chi Tak

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
35/F One Pacific Place
88 Queensway
Hong Kong

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

**PRINCIPAL SHARE REGISTRAR
AND TRANSFER OFFICE
IN CAYMAN ISLANDS**

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House, 68 Fort Street
P.O. Box 609, Grand Cayman
KY1-1107
Cayman Islands

**HONG KONG BRANCH SHARE
REGISTRAR AND TRANSFER OFFICE**

Computershare Hong Kong Investor
Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

**PRINCIPAL PLACE OF BUSINESS
IN HONG KONG**

Unit 4803, 48/F
COSCO Tower
183 Queen's Road Central
Hong Kong

PRINCIPAL BANKER

The Hongkong and Shanghai Banking
Corporation Limited
1 Queen's Road
Central
Hong Kong

Hang Seng Bank Limited
83 Des Voeux Road Central
Hong Kong

WEBSITE

www.haotianhk.com

8. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with the Company or any member of the Group (excluding contracts expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation)).

9. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have provided its advice and reports (as the case may be), which are contained in this circular:

Name	Qualification
Deloitte Touche Tohmatsu (“ Deloitte ”)	Certified Public Accountants
Mr. Brian J. Varndell of ROMA	Competent Person
Guantao Law Firm (“ Guantao ”)	PRC legal adviser

Deloitte, ROMA and Guantao have given and have not withdrawn their written consents to the issue of this circular with the inclusion herein of their respective letters and reports and/or references to their names in the form and context in which they respectively appear.

As at the Latest Practicable Date, none of Deloitte, ROMA and Guantao was beneficially interested in the share capital of any member of the Group, nor did they have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did they have any interest either direct or indirect, in any assets which had been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2011, being the date to which the latest published audited consolidated financial statements of the Group were made up.

10. MATERIAL CONTRACTS

The following contracts had been entered into by the Group (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the Latest Practicable Date and are or may be material:

- (a) The S&P Agreement; and

- (b) On 28 January 2011, the Company, Champ Universe Limited and TRXY entered into the S&P Agreement, pursuant to which Champ Universe Limited conditionally agreed to acquire from TRXY, and TRXY conditionally agreed to dispose of, the entire issued share capital of Venture Path Limited at a consideration for HK\$1,550,000,000.

Save as the aforesaid, no material contracts (not being contract entered into in the ordinary course of business) had been entered into by any member of the Group within the two years immediately preceding the Latest Practicable Date which are or may be material.

11. SECRETARY OF THE COMPANY

The secretary of the Company is Mr. Fok Chi Tak. Mr. Fok is a member of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants of England and Wales. Mr. Fok is also a member of the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the Company's principal place of business in Hong Kong from the date of this circular up to and including the date of EGM:

- (a) the memorandum and articles of association of the Company;
- (b) the Directors' service contracts;
- (c) the annual reports of the Company for each of the three financial years ended 31 March 2011;
- (d) the financial information of the Disposal Group, the text of which is set out in Appendix II to this circular;

- (e) the report in respect of the unaudited pro forma financial information of the Remaining Group, the text of which is set out in Appendix III to this circular;
- (f) the Competent Person's Report prepared and issued by ROMA, the text of which is set out in Appendix V to this circular;
- (g) the written consents referred to under the section headed "Experts and Consents" in this appendix;
- (h) the material contracts referred to in the paragraph headed "Material Contracts" in this appendix;
- (i) the circular of the Company dated 25 May 2011 in relation to a major and connected transaction, re-designation and re-classification of share capital, and creation of new class of shares and notice of extraordinary general meeting; and
- (j) a copy of this circular.

13. MISCELLANEOUS

- The principal place of business of the Company in Hong Kong is at Unit 4803, 48/F, COSCO Tower, 183 Queen's Road Central, Hong Kong;
- The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands;
- The branch share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong; and
- The English text of this circular and the accompanying form of proxy shall prevail over their respective Chinese texts in case of inconsistency.

NOTICE OF EXTRAORDINARY GENERAL MEETING



HAO TIAN RESOURCES GROUP LIMITED

昊天能源集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 00474)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Hao Tian Resources Group Limited (the “**Company**”) will be held at 10:00 a.m. on 10 February 2012, at Falcon Room I, Gloucester Luk Kwok Hong Kong, 72 Gloucester Road, Wanchai, Hong Kong for the purposes of considering and, if thought fit, passing the following resolutions as ordinary resolutions of the Company, with or without amendments:

ORDINARY RESOLUTION

“THAT:

1. (a) the sale and purchase agreement (the “**S&P Agreement**”), (a copy of which is produced to the meeting marked “A” and initialed by the chairman of the meeting for the purpose of identification) entered into between the Favour Mind Ltd., Brilliant Wise Ltd. and Max Joyce Limited (the “**Vendors**”), 內蒙古雙欣資源集團有限公司 (Inner Mongolia Shuangxin Resources Group Co., Ltd.*) (the “**Purchaser**”) and the Company (as guarantor) pursuant to which, amongst others, the Purchaser conditionally agreed to acquire from the Vendors, and the Vendors conditionally agreed to dispose of, the entire equity interest of 烏海市蒙港投資有限公司 (Wuhai Meng Kong Industrial Development Co., Ltd.*) at a total consideration of RMB1,503,000,000, and all transactions contemplated under the S&P Agreement and any other agreements or documents in connection therewith be and are hereby approved, confirmed and/or ratified; and

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (b) any one Director, or any two Directors if the affixation of the common seal is necessary, be and is/are hereby authorised for and on behalf of the Company to take all steps necessary or expedient in their opinion to implement and/or give effect to the terms of the S&P Agreement and to complete the transactions contemplated thereunder, and to agree such variations, amendments or waivers thereof as are, in the opinion of such Director(s), in the interests of the Company.”

By order of the Board
Hao Tian Resources Group Limited
Fok Chi Tak
Company Secretary

Hong Kong, 26 January 2012

Notes:

- (1) All the resolutions to be proposed at the extraordinary general meeting will be decided by poll.
- (2) A member of the Company entitled to attend and vote at the extraordinary general meeting is entitled to appoint one or, if he is the holder of two or more shares, more than one proxy to attend and, on a poll, to vote instead of him. A proxy need not be a member of the Company.
- (3) Where there are joint registered holders of any share, any one of such persons may vote at the extraordinary general meeting, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at the extraordinary general meeting personally or by proxy, that one of the said persons so present whose name stands first on the register in respect of such share, shall alone be entitled to vote in respect thereof.
- (4) To be valid, the form of proxy, together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority, must be deposited at the branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the extraordinary general meeting or adjourned meeting. Completion and return of the form of proxy will not preclude members from attending and voting in person at the extraordinary general meeting.

* *For identification purposes only*