
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Siberian Mining Group Company Limited (the “**Company**”), you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of the Company.



SIBERIAN MINING GROUP COMPANY LIMITED

西伯利亞礦業集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1142)

**(1) PROPOSED SUBSCRIPTIONS,
ISSUE OF SHARES UNDER SPECIFIC MANDATE,
(2) PLACING OF
CONVERTIBLE BONDS,
ISSUE OF SHARES UNDER PLACING SPECIFIC MANDATE,
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

A notice convening an extraordinary general meeting of Siberian Mining Group Company Limited to be held at 3:00 p.m. on Monday, 14 May 2012 at The Jasmine Room of Ramada Hong Kong Hotel at 3rd Floor, 308 Des Voeux Road West, Hong Kong is set out on pages 31 to 33 of this circular. Whether or not you intend to attend the meeting, you are advised to complete the form of proxy enclosed in accordance with the instructions printed thereon and return it to the Company’s branch share registrar in Hong Kong, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong as soon as practicable but in any event no less than 48 hours before the time appointed for holding such meeting or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjourned meeting (as the case may be) should you so wish.

This circular will remain on the website of the Stock Exchange at www.hkexnews.hk on the “Latest Listed Company Information” page for at least 7 days from the date of its posting and the Company’s website at www.ilinkfin.net/siberian_mining.

26 April 2012

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	6
Notice of EGM	31

DEFINITIONS

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

“Announcement”	the announcement of the Company dated 6 March 2012 in relation to the proposed Subscription, issue of Shares under the Specific Mandate and placing of Convertible Bonds under the Placing Specific Mandate
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Bondholder(s)”	holder(s) of the Convertible Bonds
“Business Day”	a day (excluding Saturday, Sunday and any day on which a tropical cyclone warning No. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks are generally open for business in Hong Kong
“Company”	Siberian Mining Group Company Limited (Stock Code: 1142), a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it in the Listing Rules, and “connected” shall be construed accordingly
“Convertible Bonds”	convertible bonds of up to an aggregate principal amount of US\$70,000,000.00, to be issued by the Company, in the denomination and integral amounts of US\$100,000, as requested by the Placees, pursuant to the Placing Agreement
“Conversion Price”	conversion price of HK\$0.52 per Conversion Share
“Conversion Right”	the conversion right attached to the Convertible Bonds as stated in the Instrument
“Conversion Shares”	the new Shares which may fall to be allotted and issued upon exercise of the conversion rights attaching to the Convertible Bonds

DEFINITIONS

“Cordia”	Cordia Global Limited, a company wholly and beneficially owned by Mr. Choi Sungmin, a director of a wholly-owned subsidiary of the Company, SMG Development Limited (formerly known as “Trenaco Holdings Ltd”)
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held at 3:00 p.m. on Monday, 14 May 2012 at The Jasmine Room of Ramada Hong Kong Hotel at 3rd Floor, 308 Des Voeux Road West, Hong Kong for considering and, if thought fit, approving (i) the Subscription Agreement and transactions contemplated thereunder, together with the granting of the Specific Mandate; and (ii) the issue of Convertible Bonds and the granting of the Placing Specific Mandate
“Grandvest”	Grandvest International Limited, a 100% wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“HANI”	Hani Securities (H.K.) Limited, a corporation licensed to carry out type 1 (dealing in securities) and type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Income Plus”	Income Plus Investment Limited, a company incorporated under the laws of British Virgin Islands and having made all reasonable enquiries, Income Plus and its ultimate beneficial owners are independent third parties not connected with the Company and its connected persons (as defined under the Listing Rules)
“Income Plus Promissory Note”	the promissory notes in the principal amount of US\$1,500,000 (approximately HK\$11,700,000) issued by the Company in favour of Income Plus, the entire principal amount is outstanding as at the date of this circular
“Income Plus Subscription”	the subscription of a total of 20,678,685 new Shares by Income Plus pursuant to the Income Plus Subscription Agreement
“Income Plus Subscription Agreement”	the agreement dated 6 March 2012 entered into between the Company and Income Plus after the trading hours in relation to the Income Plus Subscription

DEFINITIONS

“Independent Accountants”	An independent firm of international certified public accountants (which may be the auditor of the Company) to be appointed by agreement between the Company and the Bondholders by resolution of the Bondholders, or, in default of such agreement, by the President for the time being of the Hong Kong Institute of Certified Public Accountants
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s) whom, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons of the Company in accordance with the Listing Rules
“Instrument”	the convertible bonds instrument to be executed by the Company by way of a deed poll
“Langfeld”	Langfeld Enterprises Limited is an indirect subsidiary of the Company and owned as to 90% by Grandvest and as to 10% by Cordia
“Last Trading Day”	6 March 2012, being the last trading day immediately prior to the entering into of the Subscription Agreements and the Placing Agreement
“Latest Practicable Date”	24 April 2012, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Impact”	Master Impact Inc., a company incorporated under the laws of British Virgin Islands and having made all reasonable enquiries, Master Impact and its ultimate beneficial owners are independent third parties not connected with the Company and its connected persons (as defined under the Listing Rules)
“Master Impact Promissory Note”	the promissory notes in the principal amount of US\$4,500,000 (approximately HK\$35,100,000) issued by the Company in favour of Master Impact, the entire principal amount is outstanding as at the date of this circular
“Master Impact Subscription”	the subscription of a total of 62,036,055 new Shares by Master Impact pursuant to the Master Impact Subscription Agreement
“Master Impact Subscription Agreement”	the agreement dated 6 March 2012 entered into between the Company and Master Impact after the trading hours in relation to the Master Impact Subscription

DEFINITIONS

“New Mining Licence”	the subsoil user right for the purpose of exploration and bituminous coal mining in the Kemerovsky, Volkovsky and Vladimirovsky seams from the level of 65 metres underground to 400 metres underground, and Petrovsky and adjoining lot of Kemerovsky
“Placee”	any independent institutional or private investors procured by HANI, on a best-effort basis, to subscribe for the Convertible Bonds pursuant to the Placing Agreement
“Placing”	the placing of the Convertible Bonds pursuant to the terms of the Placing Agreement
“Placing Agreement”	the conditional placing agreement entered into between the Company and HANI dated 6 March 2012 in relation to the Placing
“Placing Period”	the period of four calendar months from the date of the Placing Agreement
“Placing Specific Mandate”	a specific mandate to be sought from the Shareholders at the EGM to (i) issue the Convertible Bonds and (ii) allot and issue the new Shares which may fall to be allotted and issued upon exercise of the conversion rights attaching to the Convertible Bonds
“Promissory Notes”	collectively Income Plus Promissory Note, Master Impact Promissory Note and Skyline Promissory Note
“PRC”	the People’s Republic of China, which for the purpose of this circular, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“SFO”	Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong)
“Share(s)”	ordinary share(s) of par value of HK\$0.2 each (or HK\$0.01 each before the share consolidation came into effect from 3 October 2011, as the case may be) in the issued share capital of the Company
“Shareholder(s)”	person(s) whose name(s) appear in the register of members of the Company as the holder(s) of Shares

DEFINITIONS

“Skyline”	Skyline Merit Limited, a company incorporated under the laws of British Virgin Islands and having made all reasonable enquiries, Skyline and its ultimate beneficial owners are independent third parties not connected with the Company and its connected persons (as defined under the Listing Rules)
“Skyline Promissory Note”	the promissory notes in the principal amount of US\$3,000,000 (approximately HK\$23,400,000) issued by the Company in favour of Skyline, the entire principal amount is outstanding as at the date of this circular
“Skyline Subscription”	the subscription of a total of 41,357,370 new Shares by Skyline pursuant to the Skyline Subscription Agreement
“Skyline Subscription Agreement”	the agreement dated 6 March 2012 entered into between the Company and Skyline after the trading hours in relation to the Skyline Subscription
“Specific Mandate”	a specific mandate to be sought from the Shareholders at the EGM to allot and issue the Subscription Shares pursuant to the Subscription Agreements
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscribers”	collectively Income Plus, Master Impact and Skyline
“Subscription”	the subscription for the Subscription Shares by the Subscribers as contemplated under the Subscription Agreements
“Subscription Agreements”	collectively the Income Plus Subscription Agreement, Master Impact Subscription Agreement and Skyline Subscription Agreement
“Subscription Shares”	124,072,110 new Shares to be issued and allotted to the Subscribers for full and final settlement of the Promissory Notes
“Subscription Price”	the subscription price of HK\$0.5658 per Subscription Share
“Subsidiary”	any subsidiary (from time to time) of the Company
“Takeovers Code”	The Code on Takeovers and Mergers
“HK\$” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$” or “US dollars”	the United States of America dollars, the lawful currency of the United States of America
“%”	per cent.

In this circular, for illustration purposes only, unless otherwise stated, the conversion of US dollars into HK dollars is based on the approximate exchange rate of US\$1.00 to HK\$7.80.

LETTER FROM THE BOARD



SIBERIAN MINING GROUP COMPANY LIMITED

西伯利亞礦業集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1142)

Executive Directors:

Mr. LIM Ho Sok (*Chairman*)

Mr. SHIN Min Chul

Non-executive Director:

Mr. PANG Ngoi Wah Edward

Independent non-executive Directors:

Mr. CHO Min Je

Mr. LIEW Swee Yean

Mr. TAM Tak Wah

Mr. YOUNG Yue Wing Alvin

Registered office:

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

*Head office and principal place
of business in Hong Kong:*

16/F

No. 8 Queen's Road Central

Central

Hong Kong

26 April 2012

*To the Shareholders and, for information only,
the holders of the share options of the Company*

Dear Sir/Madam,

**(1) PROPOSED SUBSCRIPTIONS,
ISSUE OF SHARES UNDER SPECIFIC MANDATE,
(2) PLACING OF
CONVERTIBLE BONDS,
ISSUE OF SHARES UNDER PLACING SPECIFIC MANDATE,
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the Announcement of the Company dated 6 March 2012. The purpose of this circular is to provide you with, among other things, containing: (i) further details of the Subscription Agreements and further information of the Company; (ii) further details of the Placing and the issue of Convertible Bonds; and (iii) a notice of the EGM.

** For identification purpose only*

LETTER FROM THE BOARD

(1) PROPOSED SUBSCRIPTIONS, ISSUE OF SHARES UNDER SPECIFIC MANDATE

On 6 March 2012 (after trading hours), the Company has entered into the following three separate subscription agreements with each of the Subscribers pursuant to which the Subscribers have conditionally agreed to subscribe for and the Company has conditionally agreed to issue the Subscription Shares at the Subscription Price per Subscription Share. The Subscription Price of all the Subscription Shares will be settled by discharging the relevant amounts in the Promissory Notes. The aggregate outstanding principal amount of the Promissory Notes up to the date of this circular is US\$9,000,000.00 (approximately HK\$70,200,000.00). Upon the issue and allotment of all the Subscription Shares by the Company to the Subscribers, all the liabilities and obligations of the Company relating to the Promissory Notes shall be fully satisfied and discharged. The Subscription Agreements are not inter-conditional.

(i) Income Plus Subscription Agreement

Date	:	6 March 2012 (after trading hours)
Parties	:	
The issuer	:	the Company
Subscriber	:	Income Plus, a company incorporated under the laws of British Virgin Islands, and as advised by Income Plus, is principally engaged in investment holding. As advised by the shareholders of Income Plus, Income Plus is owned by four natural persons and no individual is holding more than 25% of the shareholding of Income Plus. To the best knowledge of the Company and as advised by the shareholders of Income Plus that, the ultimate beneficial owners of Income Plus and Income Plus are independent from Cordia.

(ii) Master Impact Subscription Agreement

Date	:	6 March 2012 (after trading hours)
Parties	:	
The issuer	:	the Company
Subscriber	:	Master Impact, a company incorporated under the laws of British Virgin Islands, and as advised by Master Impact, is principally engaged in investment holding. As advised by the shareholders of Master Impact, Master Impact is owned by fourteen natural persons and no individual is holding more than 15% of the shareholding of Master Impact. To the best knowledge of the Company and as advised by the shareholders of Master Impact that, the ultimate beneficial owners of Master Impact and Master Impact are independent from Cordia.

LETTER FROM THE BOARD

(iii) Skyline Subscription Agreement

Date	:	6 March 2012 (after trading hours)
Parties	:	
The issuer	:	the Company
Subscriber	:	Skyline, a company incorporated under the laws of British Virgin Islands, and as advised by Skyline, is principally engaged in investment holding. As advised by the shareholders of Skyline, Skyline is owned by four natural persons and no individual is holding more than 25% of the shareholding of Skyline. To the best knowledge of the Company and as advised by the shareholders of Skyline that, the ultimate beneficial owners of Skyline and Skyline are independent from Cordia.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Income Plus, Master Impact and Skyline and their respective ultimate beneficial owner(s) are Independent Third Parties of the Company and its connected persons. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries at the Latest Practicable Date, Income Plus, Master Impact and Skyline and their respective ultimate beneficial owner(s) do not hold any Shares. To the best knowledge of the Company and as advised by the Subscribers, save and except two individual shareholders of Master Impact are of husband and wife relationship, there is no relationship among the Subscribers.

To the best knowledge of the Company, as confirmed and advised by the Subscribers and Cordia, save and except the Subscribers have acquired the respective interest of the Promissory Notes from Cordia, there is no relationship between any of the Subscribers and Cordia. The Company understands from the Subscribers and Cordia that the acquisitions of the Promissory Notes are arms-length transactions between them.

As confirmed and advised by the Subscribers that, save and except two individual shareholders of Master Impact are of husband and wife relationship, they do not have any relationship between them, further they do not have any agreement nor understanding whether formal or informal, actively cooperate to obtain or consolidate control of the Company through the acquisition by any of them of voting rights of the Company. Accordingly, the issues of Subscription Shares for each Subscriber are not inter-conditional. As advised by the Subscribers, the Subscribers are of the view that they are not acting in concert under the Takeovers Code.

Information of the Group

The principal activity of the Company is investment holding. The principal activities of the Group include (i) holding of mining rights of coal mines located in Russia; and (ii) conducting the business of coal trading and scrapped iron trading.

LETTER FROM THE BOARD

Background of the Promissory Notes

On 25 May 2009, five secured convertible notes in the aggregate principal amount of US\$253,000,000 (equivalent to approximately HK\$1,973,400,000) (the “**First Convertible Note**”) were issued to Cordia as consideration for the Group’s acquisition of a 90% equity interest in Langfeld and 90% of the unsecured and interest-free shareholder’s loan owed by the Langfeld to Cordia. The First Convertible Note was secured by the Group’s 90% equity interest in Langfeld and entire equity interest in Grandvest. For further details of the First Convertible Note, please refer to notes 28 and 29 of the Company’s financial statements for the year ended 31 March 2011 as contained in 2011 Annual Report of the Company. During the year ended 31 March 2010, the principal amount of the First Convertible Note of US\$111,000,000 (equivalent to approximately HK\$865,800,000) was converted into 7,215,000,000 ordinary shares of the Company. After such conversion, the outstanding balance of the First Convertible Note was US\$142,000,000 (equivalent to approximately HK\$1,107,600,000).

On 14 December 2009, the Company and Cordia entered into a conditional modification deed (the “**Modification Deed**”) pursuant to which the outstanding principal amount of the First Convertible Note which amounted to US\$142,000,000 (equivalent to approximately HK\$1,107,600,000) was cancelled. A secured convertible note in the principal amount of US\$107,000,000 (equivalent to approximately HK\$834,600,000) at a conversion price of HK\$0.04 per conversion share (subject to anti-dilutive adjustments) (the “**Modified First Convertible Note**”) and three unsecured promissory notes in the aggregate principal amount of US\$35,000,000 (equivalent to approximately HK\$273,000,000) (the “**Modified PN**”) were issued by the Company to Cordia for replacement of the cancelled First Convertible Note. The Modified PN is non-interest-bearing and payable in one lump sum on maturity date of 25 May 2015. The Modified PN at inception was recognized at a discounted fair value with a carrying amount of approximately US\$20,765,770 (equivalent to approximately HK\$161,973,000). The conversion price of the Modified First Convertible Note was changed to HK\$0.8 per conversion share (subject to anti-dilutive adjustments) after the share consolidation of the Shares with effect from 9 April 2010. For further details of the First Convertible Note, the Modified First Convertible Note, and Modified PN, please refer to notes 28 and 29 of the Company’s financial statements for the year ended 31 March 2011 as contained in 2011 Annual Report of the Company. Cordia had converted the entire outstanding principal amounts of the Modified First Convertible Note during the years ended 31 March 2010 and 2011.

On 1 December 2010, a secured convertible note in the principal amount of US\$32,000,000 (equivalent to approximately HK\$249,600,000) (the “**Second Convertible Note**”) was issued to the Cordia as partial consideration for obtaining the New Mining Licence. The conversion price of the Second Convertible Note was adjusted to HK\$0.8 per conversion share (subject to anti-dilutive adjustments) after the share consolidation of the Shares with effect from 9 April 2010. For further detail, please refer to notes 17 and 28(iii) of the Company’s Annual Report for the year ended 31 March 2011. During the year ended 31 March 2011, the entire principal amount of the Second Convertible Note was converted into ordinary shares of the Company.

LETTER FROM THE BOARD

As of 30 September 2011, the outstanding principal amount of the Modified PN was US\$26,200,000 (equivalent to approximately HK\$204,360,000) and was recognized in the financial statements at the carrying amount of US\$18,213,000 (equivalent to approximately HK\$142,062,000). For further detail, please refer to note 17 of the Company's Interim Report for the six months ended 30 September 2011.

On 20 October 2011, 57,500,000 new Shares were issued and allotted to Cordia under specific mandate at a total subscription price of HK\$46,000,000 (equivalent to approximately US\$5,897,436) which was satisfied by the set off of the equivalent amount from the Modified PN held by Cordia. On 25 November 2011, the disposal of 70% of the issued share capital of Sofoco Development Limited to Cordia at a consideration of HK\$16,000,000 (equivalent to approximately US\$2,051,282) was completed, and the payment of the consideration of HK\$16,000,000 (equivalent to approximately US\$2,051,282) was satisfied by the set off of the equivalent amount from the Modified PN held by Cordia. For details of these two transactions, please refer to the circular of the Company dated 30 September 2011, and the announcements of the Company dated 20 October 2011 and 25 November 2011, respectively. After the set off of the relevant amounts as mentioned above, the outstanding principal amount of the Modified PN was US\$18,251,282 (equivalent to approximately HK\$142,360,000) as of 25 November 2011.

On 13 February 2012, the Company was notified by Cordia that a total principal amount of US\$9,000,000 (equivalent to approximately HK\$70,200,000) of the Modified PN was assigned by Cordia to the Subscribers, and after such transfers of the interest of the Promissory Notes from Cordia to the Subscribers, the outstanding principal amount of the Modified PN is US\$9,251,282 (equivalent to approximately HK\$72,160,000).

Currently there is no definite agreement between the Company and Cordia on the discount on the settlement of the outstanding principal amount. The Company is in the course of negotiating with Cordia regarding the final discount on the settlement of the outstanding principal amount. Currently Cordia is willing to accept US\$8 million for settlement of the promissory notes and the Company is only prepared to pay not more than US\$8 million but the Company is trying to strike a better bargain and at the end the Company may pay less than US\$8 million for settlement of the promissory notes.

LETTER FROM THE BOARD

The Promissory Notes

The Promissory Notes were originally issued by the Company in favour of Cordia, and were transferrable. Then, after the transfer of the Promissory notes from Cordia to the Subscribers on 13 February 2012, the Promissory Notes were issued by the Company in favour of the Subscribers to replace the relevant promissory notes held by Cordia. The principal terms of the Promissory Notes are as follows:—

Name of Subscribers:	Income Plus	Master Impact	Skyline
Outstanding principal amount:	US\$1,500,000 (approximately HK\$11,700,000)	US\$4,500,000 (approximately HK\$35,100,000)	US\$3,000,000 (approximately HK\$23,400,000)
Interest	:	Nil	
Maturity	:	25 May 2015	
Early repayment	:	The Company may in its sole discretion elect to repay all or any part of the amount outstanding under the Promissory Notes at any time prior to the maturity date of the Promissory Notes and the principal amount of the Promissory Notes will then be reduced by the amount repaid.	
Security	:	Unsecured	
Assignment	:	Allowed	

LETTER FROM THE BOARD

After the completion of the Subscription, there will not be any outstanding principal amount nor interest of the Promissory Notes.

Number of Subscription Shares

The following table summarizes the number of Subscription Shares and the aggregate amount of the Subscription Price to be paid by each of the Subscribers:

Name of Subscribers	Number of Subscription Shares	Aggregate amount of Subscription Price (HK\$)
Income Plus	20,678,685	11,700,000
Master Impact	62,036,055	35,100,000
Skyline	41,357,370	23,400,000
Total:	<u>124,072,110</u>	<u>70,200,000</u>

The total number of 124,072,110 Subscription Shares represent: (i) approximately 54.33% of the existing issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 8.85 % of the issued share capital of the Company as enlarged by the issue and allotment of the Subscription Shares and all the relevant Conversion Shares.

Ranking of the Subscription Shares

The Subscription Shares, upon issue, will rank pari passu in all respects among themselves and with the Shares in issue as at the date of allotment and issue of the Subscription Shares.

Conditions of the Subscription Agreements

Completion of the relevant Subscription Agreements and issue of the Subscription Shares are conditional upon the fulfillment of all the following conditions (which shall not be waived by the Subscribers) on or before 31 May 2012 (or such other date as the parties may agree):

- (a) the granting of the listing of and permission to deal in the Subscription Shares by the Listing Committee of the Stock Exchange; and
- (b) the Shareholders passing at an EGM the resolutions approving the issue of the Subscription Shares under a specific mandate.

If any of the conditions precedent have not been fulfilled on or before 31 May 2012 or such later date as agreed by the respective parties to the Subscription Agreements, the relevant Subscription Agreements shall lapse and the relevant party(ies) shall not be bound to proceed with the relevant Subscription except for any antecedent breaches of the relevant Subscription Agreements.

LETTER FROM THE BOARD

Completion

Completion of the Subscription Agreements shall take place on the fifth Business Day after all the conditions precedent have been fulfilled.

Specific Mandate to issue the Subscription Shares

The Subscription Shares will be issued under the Specific Mandate to be approved by the Shareholders at the EGM.

Subscription Price for issue of the Subscription Shares

The Subscription Price for issue of each Subscription Share is HK\$0.5658 which represents:—

- (i) a premium of approximately 8.81% to the closing price of HK\$0.52 per Share as quoted on the Stock Exchange on the Last Trading Day of the Shares;
- (ii) a premium of approximately 22.47% to the average closing price of approximately HK\$0.462 per Share for the last 5 consecutive trading days immediately prior to the Last Trading Day; and
- (iii) a premium of approximately 22.73% to the average closing price of approximately HK\$0.461 per Share for the last 10 consecutive trading days immediately prior to the Last Trading Day.

The Subscription price was arrived at after arm's length negotiations between the Company and the Subscribers with reference to the prevailing market prices of the Shares as shown above. The Directors consider the Subscription Price and the terms and conditions of the Subscription Agreements are fair and reasonable and in the interests of the Company and Shareholders as a whole.

Each of the Subscribers will settle the Subscription Price by delivery of their respective Promissory Notes to the Company upon completion of the respective Subscription.

Application for listing

Application will be made to the Stock Exchange to grant the listing of, and permission to deal in, the Subscription Shares.

Reasons for entering into the Subscription Agreements

The Subscription Agreements serve to convert the outstanding principal of the Promissory Notes into equity capital of the Company and, therefore, can reduce the amount of borrowings of the Group and improve its working capital position in an efficient and effective manner. Although the unpaid non-interest bearing promissory notes are due in May 2015, the Company intends to repay the promissory notes in the principal amount of US\$9,251,000 now because

LETTER FROM THE BOARD

the gearing ratio will be reduced after repayment which could improve the balance sheet and the repayment at a discount will benefit the Company. The Directors are of the opinion that it is in the interest of the Company to preserve as much liquidity as possible in order to strengthen the Group's financial position and secure a sustainable business growth. As advised by the Subscribers, they consider the core business of the Company in coal mining and scrapped iron trading has good prospects. Therefore the Subscribers are interested in the business of the Company and are willing to accept the Subscription Shares for full and final settlement of the Promissory Notes, the Directors consider that it is for the benefit of the Company to enter into the Subscription Agreements.

(2) THE PLACING AGREEMENT

On 6 March 2012 (after trading hours), the Company and HANI have entered into the Placing Agreement pursuant to which HANI conditionally agreed to place on a best-effort basis, the Convertible Bonds of up to an aggregate principal amount of US\$70,000,000.00 (approximately HK\$546,000,000.00), to the Placees.

Date : 6 March 2012 (after trading hours)

Parties :

The issuer : the Company

Placing Agent : HANI

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, HANI and its ultimate beneficial owner(s) are Independent Third Parties of the Company and its connected persons.

The Convertible Bonds carry the right to convert into Conversion Shares at the conversion price of HK\$0.52 per Conversion Share (subject to adjustment). Assuming the conversion rights attaching to the Convertible Bonds are exercised in full at the conversion price of HK\$0.52 per Conversion Share, 1,050,000,000 Conversion Shares will fall to be issued to the Bondholders, representing approximately 459.78% of the issued capital of the Company as at the Latest Practicable Date and approximately 74.87% of the issued share capital of the Company as enlarged by the issue and allotment of the Subscription Shares and all the relevant Conversion Shares.

Placees

The Placing Agent will, on a best-effort basis, place the Convertible Bonds to not less than six placees who are and whose ultimate beneficial owners are Independent Third Parties of and not connected with the Company and connected persons (as defined in the Listing Rules) of the Company and not acting in concert (as such term is defined in Takeovers Code) with connected persons of the Company. If the number of Placees procured by HANI to subscribe for the Convertible Bonds is less than six, the Company will make a further announcement specifying the names of those Placees, as required by Rule 13.28 of the Listing Rules. If the number of Placees is six or more, the names of the Placees are not required to be disclosed.

LETTER FROM THE BOARD

Conditions of the Placing

The obligations of HANI under the Placing Agreement shall be conditional upon the following:

- (a) the granting of the listing of and permission to deal in the Conversion Shares by the Listing Committee of the Stock Exchange; and
- (b) the Shareholders passing at an EGM the resolutions approving the issue of the Convertible Bonds and the allotment and issue of the Conversion Shares falling to be issued on the exercise of the Conversion Rights attached to the Convertible Bonds.

If any of the conditions precedent have not been fulfilled on or before 30 June 2012 or such later date as agreed by the respective parties to the Placing Agreement, the Placing Agreement shall lapse and the Company and HANI shall not be bound to proceed with the Placing except for any antecedent breaches of the Placing Agreement.

Completion

Completion of the Placing Agreement shall take place on the fifth Business Day after all the conditions precedent have been fulfilled.

Placing Specific Mandate to issue the Conversion Shares

The Conversion Shares which fall to be allotted and issued upon the exercise of the conversion rights attaching to the Convertible Bonds will be issued and allotted under the Placing Specific Mandate to be approved by the Shareholders at the EGM.

Principal Terms of the Convertible Bonds

Principal amount	:	up to an aggregate principal amount of US\$70,000,000.00 (approximately HK\$546,000,000.00)
Maturity Date	:	the date falling on the expiry of a three years' period which shall commence from the date of issue of the Convertible Bonds
Conversion Price	:	HK\$0.52 per Conversion Share (subject to adjustment)
Interests	:	3% per annum payable annually, for each anniversary year of issue, in arrear

LETTER FROM THE BOARD

- Conversion period : the period commencing from the date of issue of the Convertible Bonds and ending on the date which falls on the fifth (5th) Business Day before Maturity Date, both dates inclusive
- Conversion Restriction : No conversion shall be made by the Bondholders if such conversion shall trigger off a mandatory offer under Rule 26 of the Takeovers Code on the part of the Bondholders who exercise the conversion right or shall cause the public float of the Company unable to meet the minimum requirement under the Listing Rules
- Conversion Rights : Each Bondholder shall have the right, exercisable during the Conversion Period, to convert the whole or any part (in multiples of US\$100,000.00 (approximately HK\$780,000)) of the outstanding principal amount of a Convertible Bond(s) held by such Bondholder into such number of Conversion Shares as will be determined by dividing the principal amount of the Conversion Bonds to be converted by the Conversion Price in effect on the date of conversion.
- No fraction of a Conversion Share shall be issued on conversion of the Convertible Bonds.
- Mandatory Conversion : If, during the Conversion Period, the closing market prices of the Share, at the Stock Exchange, for any 20 consecutive trading days are equal to or more than 200% of the Conversion Price, the Company shall have the right, at any time, to issue a notice of conversion to any of the Bondholder to convert the whole or any part of the outstanding principal amount of the Convertible Bonds, as determined by the Company, held by such Bondholder, as selected by the Company, with effect from a date (the “Trigger Date”) to be specified by the Company in the said notice of conversion. Upon issue of such conversion notice by the Company, the respective outstanding principal amount of the Convertible Bonds shall automatically be converted to Conversion Shares with effect from the Trigger Date. In such case, the Conversion Rights are deemed to be exercised with effect from Trigger Date. The Company shall have the sole and absolute discretion on whether to exercise such right, selection of Convertible Bonds and the amount to be converted.

LETTER FROM THE BOARD

Ranking : Shares converted upon exercise of the Conversion Rights shall rank pari passu in all respects with all other existing Shares at the date of conversion and all Conversion Shares shall include rights to participate in all dividends and other distributions

Transferability : None of the Convertible Bonds (nor any part of the Convertible Bonds) can be transferred without the prior written consent of the Company.

Subject to the abovementioned, any transfer of the Convertible Bonds shall be in respect of the whole or any part (in an amount not less than US\$100,000.00 (approximately HK\$780,000)) of the outstanding principal amount of the Convertible Bonds.

Adjustment of the conversion price : The Conversion Price shall from time to time be adjusted upon the occurrence of the followings:

- (i) consolidation and subdivision;
- (ii) capitalisation of profits or reserves; and
- (iii) capital distribution.

The capital distribution includes any cash dividend or distribution,

unless:—

- (aa) such cash dividend (together with any distribution made or paid in respect of any financial period after 31 March 2012) does not exceed an amount equal to the consolidated cumulative net profits less any consolidated net losses after taxation (if a disposal is made, this includes any net realised gains less any losses); or

LETTER FROM THE BOARD

(bb) (to the extent that (aa) above does not apply) the rate of such cash dividend (together with all other dividends or distributions on the class of capital in question charged or provided for in the accounts of the Company for that period) does not exceed that of the immediately preceding financial period;

then the Conversion Price will not be adjusted.

Listing : No application will be made by the Company for listing of the Convertible Bonds. Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

Redemption : *Redemption of the Convertible Bonds at Maturity*

All outstanding principal amount of the Convertible Bonds which have not been redeemed or converted in accordance with the conditions of the Instrument by the Maturity Date, shall be automatically redeemed by the Company on the Maturity Date at a redemption amount equal to 100% of the outstanding principal amount of the Convertible Bonds, unless the Bondholders request for full conversion of their Convertible Bonds.

Kicker at Maturity In addition to the redemption amount payable to the Bondholder at the Maturity Date, the Company will pay a sum which is equal to 6% (“**Kicker**”) of the outstanding principal amount of the Bond at the Maturity Date to the Bondholder. For avoidance of doubt, any amount which has been redeemed, repaid or converted on or before Maturity will not be entitled for such Kicker.

Redemption on default

If any of the events (“**Events of Default**”) specified below occur, the Company shall give a notice to the Bondholder in respect of the Convertible Bonds and each Bondholder may, at its option, opt to convert its Convertible Bonds in its entirety or, alternatively, give a notice of redemption to the Company in respect of part or all of the outstanding principal amount of the Convertible Bonds held by it, whereupon such Convertible Bonds shall become immediately due and payable at a redemption amount equal to 100% of the principal amount of such Convertible Bonds.

LETTER FROM THE BOARD

The Events of Default are as follows:—

- (i) any failure to pay the principal of the Convertible Bonds when due and such failure continues for a period of 28 Business Days;
- (ii) any default made by the Company in the performance or observance of any undertaking, warranty or representation given by it under the terms of the Instrument (other than the covenant to pay the principal and interest in respect of the Convertible Bonds) and such default is incapable of remedy (in which event no such notice as is referred to below shall be required), or if capable of remedy is not remedied within thirty Business Days of service by any Bondholder on the Company of notice requiring such default to be remedied;
- (iii) a resolution is passed or an order of a court of competent jurisdiction is made that the Company be wound up or dissolved otherwise than for the purposes of or pursuant to and followed by a consolidation, amalgamation, merger or reconstruction the terms of which shall have previously been approved in writing by a resolution of Bondholders;
- (iv) it is or becomes unlawful for the Company to perform or comply with any of its obligations under the Instrument or any Convertible Bonds, or due to no fault on the part of any Bondholder any such obligation is not or ceases to be enforceable or is claimed by the Company not to be enforceable;
- (v) any step is taken by any person with a view to the seizure, compulsory acquisition, expropriation or nationalisation of all or substantially all or (other than on arm's length terms or with respect to a part of the relevant entity's business or operations which has not materially contributed to the consolidated operating profit of the Company and its subsidiaries for at least three years prior to the day on which this paragraph operates) a material part of the assets of the Company;

LETTER FROM THE BOARD

- (vi) any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (a) to enable the Company lawfully to enter into, exercise its rights and perform and comply with its obligations under the Convertible Bonds or the Instrument, (b) to ensure that those obligations are legally binding and enforceable, and (c) to make the Convertible Bonds or the Instrument admissible in evidence in the courts of Hong Kong, is not taken, fulfilled or done by the requisite time; and
- (vii) any breach of the representations, warranties and undertakings made by the Company to the Bondholder(s) in reliance of which the Bondholder(s) subscribes to a Convertible Bonds.

The Conversion Price

The conversion price of HK\$0.52 per Conversion Share represents:

- (i) no premium or discount to the closing price of HK\$0.52 per Share as quoted on the Stock Exchange on the Last Trading Day of the Shares;
- (ii) a premium of approximately 12.55% to the average closing price of approximately HK\$0.462 per Share for the last 5 consecutive trading days immediately prior to the Last Trading Day; and
- (iii) a premium of approximately 12.8% to the average closing price of approximately HK\$0.4610 per Share for the last 10 consecutive trading days immediately prior to the Last Trading Day.

The Conversion Price was arrived at after arm's length negotiations between the Company and HANI with reference to the prevailing market prices of the Shares as shown above. The Directors consider the Conversion Price and the terms and conditions of the Placing Agreement are fair and reasonable based on the current market conditions and in the interests of the Company and Shareholders as a whole.

LETTER FROM THE BOARD

Reasons for entering into the Placing Agreement and use of proceeds

The Directors consider that the Placing can provide additional funding for the Company for strengthening its working capital position of the Group and to facilitate the development and expansion of business of the Group. In addition, the shareholder base of the Company would also be broadened.

Assuming the entire aggregate principal amount of US\$70,000,000.00 (approximately HK\$546,000,000.00) of the Convertible Bonds is successfully placed by HANI, the total gross proceeds will amount to US\$70,000,000.00 (approximately HK\$546,000,000.00). The net proceeds (after deducting the fees and expenses involved in the Placing) will be approximately US\$69,826,900.00 (approximately HK\$544,649,820.00).

Further information on the Russian coal mines

Reference is made to the Company's very substantial acquisition circular (the "VSA Circular") dated 31 December 2008 relating to, among other things, the Russian coal mines.

As disclosed in the VSA Circular, the Company's Russian legal adviser at that time was of the opinion that the New Mining License would be issued by the end of June 2009. According to the applicable Russian laws, the granting of mining licenses would only be made after successful bidding through auctions. However, the auction for the New Mining License was held only on 13 September 2010 as determined by Federal Agency for Subsoil Use (Rosnedra) of the Russian Government, the development planning on the Russian coal mines of the Company was thus inevitably affected. The Company's Russian subsidiary participated in the said auction and successfully won the bid at the auction on 13 September 2010, with the New Mining License issued by the relevant Russian governmental authorities on 1 November 2010. For details, please refer to the announcements of the Company dated 14 July 2010, 13 September 2010 and 1 November 2010, respectively.

As disclosed in the Company's Interim Report for the six months ended 30 September 2011 under the heading "Management Discussion and Analysis", the period under review was marked by increasingly complicated global economic environment. While various parts of the world witnessed different extent of on-track recovery commencing the first quarter of 2011, their paces and momentum of rebound were hindered by the lingering economic uncertainties, political unrests and natural disasters. The Eurozone sovereignty debt crisis, the downgrading of the United States sovereignty debt rating, the sluggish recovery and the danger of double-dip recession in the United States, the on-going proactive macro-economic and fiscal policies of the PRC Government would all have weighed on the business environment in which the Group was operating. As such, Company would have to take a prudent approach and slowed down a bit in the development of the Russian coal mines, especially when most of the corporations were encountering increasing difficulties in fund raising in the stock market in the last quarter of 2011. As of 31 December 2011, the total capital expenditure on the Russian coal mines amounted to approximately HK\$23,496,000 (approximately US\$3,012,300).

LETTER FROM THE BOARD

The Group had submitted the prospecting and exploration design for the New Mining License and obtained the relevant approval on the design in December 2011. It is expected that the commissioning of geological prospecting and drilling on the Russian mines will be started in or before May 2012.

The Group is engaging a Russian contractor to perform the geological and hydrogeological surveys in the New Mining License area in accordance with the approved exploration design. Exploration boreholes and water wells with a total length of approximately 19,660 metres will be drilled, and geophysical logging and sampling will also be performed during the process. Analysis of fieldwork data and laboratory studies of the samples for the preparation of feasibility study of deposit development conditions and geological statement with coal reserves estimation according to GKZ (Russian State Reserves Committee) classification standards and regulations will be conducted. The contractor during the first stage will drill boreholes and water wells to the total length of approximately 3,160 metres. The geological and hydrogeological surveys up to the total length of approximately 19,660 metres will be completed by September 2014. During that period, the Group will also consider to engage professional valuers to prepare coal reserves estimation report using JORC standards. The Company estimates that approximately US\$10,000,000 (approximately HK\$78,000,000) will be more than sufficient for the Group to work on the exploration drilling in the next 12 to 18 months, under normal circumstances in which no material geological or technical difficulties would be encountered that would adversely affect the progress of drilling as planned.

Pursuant to the conditions of the granting of the New Mining License, the Group shall be required to:—

- (a) finish the drilling by October 2014;
- (b) make submission of the feasibility study of deposit development conditions and geological statement by November 2016;
- (c) obtain approval of the development technical design by November 2017;
- (d) commence the construction of coal mine infrastructure facilities by May 2018; and
- (e) proceed with the coal mines commissioning by May 2019.

Given the various necessary steps and procedures the Group has to go through before the coal mines could actually yield coal production, the Company will not expect the Russian coal mines to contribute revenue to the Group in the next few years.

LETTER FROM THE BOARD

The Group intends to apply the aforesaid net proceeds as follows:

1. Approximately US\$1,500,000 (approximately HK\$11,700,000) for payment of settlement of Russian legal cases with two former shareholders of a Russian subsidiary of the Group, namely, Demeshonok Konstantin Yur'evich and Kochkina Ludmila Dmitrievna in respect of their claims for their respective share of the third stage payment by the Group for the acquisition of the remaining 30% equity interest in LLC "Shakhta Lapichevskaya". As of 30 September 2011, the total outstanding amount due to the three former shareholders of a Russian subsidiary of the Group was approximately US\$3,095,300 (approximately HK\$24,143,000). Subsequent to 30 September 2011, certain repayments had been made and one of the former shareholders of a Russian subsidiary of the Group was fully settled. Hence, the current total outstanding amount has been reduced.
2. Approximately US\$10,000,000 (approximately HK\$78,000,000) for financing the exploration drilling and geological and hydrological surveys of coal mines in Russia.
3. Approximately US\$15,000,000 (approximately HK\$117,000,000) for repayment of existing liabilities of the Group owed to Cordia, namely:
 - (a) shareholder's loans in the sum of approximately US\$2,000,000 (approximately HK\$15,600,000) owed by Langfeld, which represented the advances to Langfeld from Cordia that presently holds 10% equity interest in Langfeld;
 - (b) promissory notes in the principal amount of US\$9,251,000 (approximately HK\$72,157,800) to be settled at US\$8,000,000 (approximately HK\$62,400,000) issued by the Company in favour of Cordia, the entire principal amount is outstanding as at the date of this circular; and
 - (c) loans of total amount of approximately US\$5,000,000 (approximately HK\$39,000,000) owed by the Company, which represented advances by Cordia to the Company for the purposes of working capital financing.
4. Approximately US\$4,826,900 (approximately HK\$37,649,820) for general working capital purposes.
5. Approximately US\$38,500,000 (approximately HK\$300,300,000) for possible acquisition of mining assets, which may consist of one or more mining assets, which represents the balancing amount.

Since the Placing will be on a best-effort basis, there is no guarantee that the proposed total of US\$70,000,000 (approximately HK\$546,000,000) of the Convertible Bonds can be fully subscribed. If the final amount of the Convertible Bonds falls short of the proposed US\$70,000,000 (approximately HK\$546,000,000), the proceeds to be allocated to the possible acquisition of the mining assets will be reduced.

LETTER FROM THE BOARD

The aforesaid net proceeds will first be applied to item 1 above and then item 2. Any remaining amount will be applied to items 3, 4 and 5 proportionately. If in future there is any change of the use of the amount in relation to item 5 above, the Company will seek the Shareholders' approval on the change of use of this remaining balancing amount. There is no specific basis for determining the balancing amount of US\$38,500,000 (approximately HK\$300,300,000) for possible acquisition of mining assets, which is derived by deducting the amounts stated in items 1 to 4 above from the proposed total of US\$70,000,000 (approximately HK\$546,000,000) of the Convertible Bonds.

The Company has reviewed the progress of development of the Russian coal mines, and as planned, the Group will soon enter into the next phase of geological and hydrogeological surveys with full completion targeted in September 2014. The Directors consider that US\$10,000,000 (approximately HK\$78,000,000) would be more than sufficient for the next 12 to 18 months during which surveys are being conducted, and do not anticipate any imminent needs of funding on further capital expenditure for the Russian coal mines beyond the proposed US\$10,000,000 (approximately HK\$78,000,000). In accordance with the requirements of the New Mining License, after the completion of the surveys, the Group will have to submit the feasibility study of deposit development conditions and geological statement, and then obtain the approval of the development technical design. Only after all these procedures have been completed, the Group will then in a position to commence the construction of coal mine infrastructure facilities, which is expected to be materialized after a few years from now. Hence, if the Company could successfully raise US\$70,000,000 (approximately HK\$546,000,000) from the Placing, the Directors consider that, in order to increase the earning capacity of the Group, it would be more beneficial to allocate the balancing US\$38,500,000 (approximately HK\$300,300,000), i.e. approximately 55% of the gross proceeds from the Placing, to possible acquisition of mining assets, which may consist of one or more mining assets which are already revenue generating, instead of just sitting on such idle fund for a few years and have it put into time deposits.

The Company is currently exploring the possibilities and opportunities of the possible acquisition of the mining assets. These mining assets shall be restricted to coal mines which are the core businesses of the Group. The target coal mines shall be producing mines on thermal coals and/or coking coals, which shall be revenue generating and could demonstrate good track records of net profits. In addition, the Company will favour target coal mines well served by rail transportation and/or waterways together with good access to convenient loadouts. The Company will also favour target coal mines with experienced site management and supervisory team to ensure the efficient and safe operation of the mines. As of the date of this circular, no specific target has been identified and there are no negotiations at this stage. The Company does not have any intention to acquire any mining assets from Cordia. Despite the fact that the Company has not identified any specific target, the Directors would like the Company to have the investment funding ready in order to capture investment opportunities when they arise. The Company will make further announcement as and when needed, and comply with the Listing Rules when proceeding with the proposed acquisition of coal mines.

LETTER FROM THE BOARD

In the event the net proceeds are less than US\$69,826,900.00 (approximately HK\$544,649,820.00), or the Company wishes to change the allocation of the net proceeds due to changes in the market environment, the Company will come up with a new plan and make the announcement accordingly.

Although (i) there is no specific basis for allocation of the use of proceed of the Convertible Bonds for item 5 above, (ii) there is no specific identified possible acquisition of any mining assets for the time being and (iii) the issue of the Convertible Bonds may cause dilution in the Shares, the Directors to their best knowledge consider the allocation of the use of proceed of the Convertible Bonds is fair and reasonable to the Shareholders as a whole as the Directors have taken into account of the following factors:

- (a) With immediate available fund, the Company will be in a stronger position to strike a better bargain;
- (b) With immediate available fund, the Company may solicit, grasp and/or utilize any opportunity comes by;
- (c) The Company has adopted the acquisition strategy of acquiring mining assets, which may consist of one or more mining assets which are already revenue generating;
- (d) The financial position of the Company will be strengthened during the time the Company has not committed or acquired any mining assets;
- (e) Any major transaction and very substantial acquisition to be carried out by the Company will be subject to Shareholders' approval; and
- (f) If there is any change of the use of the amount in relation to item 5 above, the Company will seek the Shareholders' approval on the change of use of this remaining balancing amount.

LETTER FROM THE BOARD

(3) SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, the Company has 228,370,653 Shares in issue. The shareholding structure of the Company immediately before completion of the issue of the Subscription Shares and the Conversion Shares and immediately after completion of the issue of the Subscription Shares and the Conversion Shares will be as follows:

Shareholders	Existing shareholding (as at the Latest Practicable Date)		Shareholding immediately after the Subscription, assuming no conversion rights attaching to the Convertible Bonds has been exercised		Shareholding immediately after the Placing, the Subscription, the issue of Subscription Shares and the Conversion Shares, assuming the conversion rights attaching to the Convertible Bonds are exercised in full at the Conversion Price	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
Goldwyn Management Limited (Note 1)	11,400,000	4.99%	11,400,000	3.24%	11,400,000	0.81%
Pang Ngoi Wah Edward, a non-executive Director	175,000	0.08%	175,000	0.05%	175,000	0.01%
Sub-total:	11,575,000	5.07%	11,575,000	3.29%	11,575,000	0.82%
Public Shareholders:						
The Placees	—	—	—	—	1,050,000,000	74.87%
Income Plus	—	—	20,678,685	5.87%	20,678,685	1.48%
Master Impact	—	—	62,036,055	17.60%	62,036,055	4.42%
Skyline	—	—	41,357,370	11.73%	41,357,370	2.95%
Other public Shareholders	216,795,653	94.93%	216,795,653	61.51%	216,795,653	15.46%
Total	228,370,653	100.00%	352,442,763	100.00%	1,402,442,763	100.00%

Note:

- Goldwyn Management Limited is wholly and beneficially owned by Mr. Lim Ho Sok, an executive Director and the Chairman of the Company.

LETTER FROM THE BOARD

(4) FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE-MONTH PERIOD

The Company has conducted the following fund raising activities in the past 12 months immediately preceding the date of this circular:

Date of announcement	Event	Net proceeds	Intended use of proceeds as stated in the announcement	Actual use of Proceeds/Remark
11 May 2011	Placing of 128,000,000 new Shares	Approximately HK\$14.2 million	General working capital, repayment of liabilities and future investment purpose	All proceeds had been used as intended as general working capital in the amount of approximately HK\$5.0 million and for repayment of liabilities of the Company in the amount of approximately HK\$9.2 million
17 June 2011	Grant of the equity line of credit for up to subscription of 568,000,000 option Shares	Approximately HK\$50 million	Reimbursing the costs and expenses incidental to the potential acquisition as referred to in the announcement of the Company dated 17 April 2011 should such potential acquisition proceed. If such potential acquisition does not proceed, the net proceeds will be applied for general working capital of the Group, repayment of liabilities and for future investment purpose	Not applicable, as no option Shares had been allotted and issued and the equity line of credit was terminated on 6 January 2012

LETTER FROM THE BOARD

Date of announcement	Event	Net proceeds	Intended use of proceeds as stated in the announcement	Actual use of Proceeds/Remark
23 August 2011	Subscription of 141,000,000 new Shares	Approximately HK\$5.6 million	General working capital of the Group and repayment of liabilities	All proceeds had been used as intended as general working capital in the amount of approximately HK\$2.1 million and for repayment of liabilities of the Company in the amount of approximately HK\$3.5 million
8 September 2011	Subscription of 1,150,000,000 new Shares	Approximately HK\$45.20 million	Setting off an equivalent outstanding principal amount of the promissory notes due by the Company	All proceeds had been used as intended for setting off an equivalent outstanding principal amount of approximately HK\$46.0 million of the promissory notes due by the Company
11 January 2012	Subscription of 21,300,000 new Shares under general mandate	Approximately HK\$4.9 million	General working capital of the Group and repayment of liabilities	All proceeds had been used as intended as general working capital of the Group in the amount of approximately HK\$2 million and for repayment of liabilities of the Company in the amount of approximately HK\$2.9 million.

LETTER FROM THE BOARD

(5) EGM

The EGM will be held for considering and, if thought fit, passing the ordinary resolutions to approve (i) the Subscription Agreements and the transactions contemplated thereunder, together with the granting of the Specific Mandate; and (ii) the issue of Convertible Bonds and the transactions contemplated thereunder the granting of the Placing Specific Mandate.

As at the date of this circular, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save as aforesaid, no Director or Shareholder has a material interest in the Subscriptions, the Placing and the issue of Convertible Bonds. Accordingly, no Shareholder is required to abstain from voting at the EGM in respect of the resolutions relating to the Subscription, the Placing and the issue of Convertible Bonds.

A notice convening the EGM to be held at 3:00 p.m. on Monday, 14 May 2012 at The Jasmine Room of Ramada Hong Kong Hotel at 3rd Floor, 308 Des Voeux Road West, Hong Kong is set out on pages 31 and 33 of this circular. A form of proxy for use at the EGM is enclosed with this circular. Whether or not you intend to attend and vote at such meeting, you are advised to complete the form of proxy enclosed in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as practicable but in any event no less than 48 hours before the time appointed for holding such meeting or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjourned meeting (as the case may be) should you so wish.

In accordance with Rule 13.39(4) of the Listing Rules, all votes of the Shareholders to be taken at the EGM must be taken by poll, and an announcement of the results of which will be published on the date of the EGM or not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the business day following the EGM as prescribed under Rule 13.39(5) of the Listing Rules.

(6) RESPONSIBILITY STATEMENT

This circular, for which the Directors 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.

LETTER FROM THE BOARD

(7) RECOMMENDATION

The Board considers that the terms and conditions of the Subscription Agreements and/or the Placing Agreement are fair and reasonable and the Subscription and/or the Placing is in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the resolutions as set out in the notice of the EGM.

If any of the conditions precedent to the completion under the Subscription Agreements is not satisfied, all or part, as the case may be, of the Subscription will lapse and will not proceed. If any of the conditions precedent to the completion under the Placing is not satisfied, the Placing will lapse and will not proceed. Shareholders and potential investors of the Company should exercise caution when dealing in the Shares or any other securities of the Company.

Yours faithfully
By order of the Board
Siberian Mining Group Company Limited
Lim Ho Sok
Chairman

NOTICE OF EGM



SIBERIAN MINING GROUP COMPANY LIMITED

西伯利亞礦業集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1142)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Siberian Mining Group Company Limited (the “**Company**”) will be held at 3:00 p.m. on Monday, 14 May 2012 at The Jasmine Room of Ramada Hong Kong Hotel at 3rd Floor, 308 Des Voeux Road West, Hong Kong for the purpose of considering and, if thought fit, passing, with or without amendments, the following resolutions as an ordinary resolutions:

ORDINARY RESOLUTIONS

1. “**THAT:** —

- (A) the subscription agreement dated 6 March 2012 entered into between the Company and Income Plus Investment Limited in relation to the subscription of a total of 20,678,685 new Shares by Income Plus Investment Limited pursuant to which Income Plus Investment Limited has conditionally agreed to subscribe for and the Company has conditionally agreed to issue 20,678,685 Shares at HK\$0.5658 per Share (a copy of which has been produced to the meeting marked “**A**” and initialled by the chairman of the meeting for identification purpose), and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed;
- (B) the subscription agreement dated 6 March 2012 entered into between the Company and Master Impact Inc. in relation to the subscription of a total of 62,036,055 new Shares by Master Impact Inc. pursuant to which Master Impact Inc. has conditionally agreed to subscribe for and the Company has conditionally agreed to issue 62,036,055 Shares at HK\$0.5658 per Share (a copy of which has been produced to the meeting marked “**B**” and initialled by the chairman of the meeting for identification purpose), and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed;
- (C) the subscription agreement dated 6 March 2012 entered into between the Company and Skyline Merit Limited in relation to the subscription of a total of 41,357,370 new Shares by Skyline Merit Limited pursuant to which Skyline Merit Limited has conditionally agreed to subscribe for and the Company has conditionally agreed to issue 41,357,370 Shares at HK\$0.5658 per Share (a copy of which has been produced to the meeting marked “**C**” and initialled by the chairman of the meeting for identification purpose), and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed;

* For identification purpose only

NOTICE OF EGM

- (D) conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in the Subscription Shares, as defined in the Company's circular dated 26 April 2012, the allotment and issue of Subscription Shares be and is hereby approved and the directors of the Company be and are hereby authorized to allot and issue the Subscription Shares accordingly; and
- (E) any one director of the Company ("**Director**") be and is hereby generally and unconditionally authorized to do all such acts and things, to sign and execute all such documents for and on behalf of the Company by hand, or in the case of execution of documents under seal, to do so jointly with any one of a second Director, a duly authorised representative of the Director or the secretary of the Company, and to take such steps as he may in his absolute discretion considers necessary, appropriate, desirable or expedient to give effect to or in connection with the Subscription Agreements, as defined in the Company's circular dated 26 April 2012, and the transactions contemplated thereunder, including but not limited to the allotment and issue of the Subscription Shares."
2. "**THAT:** —
- (A) the placing agreement (the "**Placing Agreement**") dated 6 March 2012 entered into between the Company as issuer and Hani Securities (H.K.) Limited as placing agent in relation to the placing of the convertible bonds of up to an aggregate principal amount of US\$70,000,000.00, to be issued by the Company, to be issued in the denomination and integral amounts of US\$100,000, as requested by the placees, pursuant to the Placing Agreement (a copy of which has been produced to the meeting marked "**D**" and initialled by the chairman of the meeting for identification purpose), and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed;
- (B) (i) the creation and issue of the 3% per annum coupon convertible bonds by the Company of up to an aggregate principal amount of US\$70,000,000.00 (the "**Convertible Bonds**") pursuant to the terms of the Placing Agreement; and
- (ii) the allotment and issue of new shares (the "**Conversion Shares**") (subject to adjustment) in the capital of the Company upon the exercise of the conversion rights attached to the Convertible Bonds be and are hereby approved; and the directors of the Company be and are hereby authorized to allot and issue the Convertible Bonds and the Conversion Shares accordingly; and

NOTICE OF EGM

- (C) any one director of the Company (“**Director**”) be and is hereby generally and unconditionally authorized to do all such acts and things, to sign and execute all such documents for and on behalf of the Company by hand, or in the case of execution of documents under seal, to do so jointly with any one of a second Director, a duly authorised representative of the Director or the secretary of the Company, and to take such steps as he may in his absolute discretion considers necessary, appropriate, desirable or expedient to give effect to or in connection with the Placing and the transactions contemplated thereunder, including but not limited to the allotment and issue of the Convertible Bonds and the Conversion Shares.”

By order of the Board
Siberian Mining Group Company Limited
Lim Ho Sok
Chairman

Hong Kong, 26 April 2012

Registered office:

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

*Head office and principal place of business
in Hong Kong:*

16/F
No. 8 Queen’s Road Central
Central
Hong Kong

Notes:

- 1 A member of the Company entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or, if he is the holder of two or more shares, more than one, proxy to attend and vote in his stead. A proxy need not be a member of the Company.
- 2 In the case of joint holders of shares, any one of such holders may vote at the meeting, either in person or by proxy, in respect of such shares as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the meeting, whether in person or by proxy, that one of such joint holders whose name stands first on the register of members of the Company in respect of the relevant joint holding shall alone be entitled to vote in respect thereof.
3. To be valid, the form of proxy, together with any power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power of attorney or authority must be deposited with the Company’s branch share registrar in Hong Kong, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong no less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
4. Completion and return of the accompanying form of proxy will not preclude members of the Company from attending and voting in person at the aforesaid meeting or any adjournment thereof should they so wish.
5. The voting on the proposed resolution at the EGM will be conducted by way of poll.