NORTH MINING SHARES COMPANY LIMITED
北方礦業股份有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 433)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2011

The board of directors (the "Board" or "Directors") of North Mining Shares Company Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2011, together with the comparative figures for the year ended 31 December 2010, as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
Turnover	3(a)	**391,035**	384,543
Cost of sales		**(269,252)**	(254,413)
Gross profit		**121,783**	130,130
Other income	3(b)	**4,975**	5,330
Other gains and losses	4	**(1,123,719)**	(986,965)
Administrative expenses		**(81,059)**	(77,396)
Loss from operations		**(1,078,020)**	(928,901)
Finance costs	7	**(11,722)**	(1,157)

	Notes	**2011** *HK$'000*	2010 *HK$'000*
Loss before income tax	*6*	**(1,089,742)**	(930,058)
Taxation	*8*	**151,407**	83,017
Loss for the year		**(938,335)**	(847,041)
Attributable to:			
Owners of the Company		**(598,988)**	(688,783)
Non-controlling interests		**(339,347)**	(158,258)
		(938,335)	(847,041)
Dividends	*9*	**—**	—
Loss per share			
Basic, HK cents	*10(a)*	**(4.62)**	(5.76)
Diluted, HK cents	*10(b)*	**(4.62)**	(5.76)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	2011	2010
	HK$'000	*HK$'000*
Loss for the year	**(938,335)**	(847,041)
Other comprehensive income (Net of tax effect):		
Exchange differences arising from:		
translation of foreign subsidiaries	**46,232**	181,048
Release of exchange translation reserve upon disposal of subsidiaries	**(61,751)**	—
Other comprehensive income for the year	**(15,519)**	181,048
Total comprehensive income for the year	**(953,854)**	(665,993)
Attributable to:		
Owners of the Company	**(636,738)**	(535,758)
Non-controlling interests	**(317,116)**	(130,235)
	(953,854)	(665,993)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2011

	Notes	**2011** **HK$'000**	2010 HK$'000
ASSETS			
Non-Current Assets			
Property, plant and equipment		**283,678**	239,516
Investment properties		**—**	153,501
Interests in associates		**—**	—
Prepaid lease payments		**1,433**	89,423
Exploration and evaluation assets		**—**	3,340,576
Mining rights		**2,756,137**	3,318,288
Other financial assets		**54,591**	—
		3,095,839	7,141,304
Current Assets			
Inventories		**182,142**	193,879
Trade receivables	*11*	**—**	—
Prepayments, deposits and other receivables		**168,539**	166,909
Tax recoverable		**11,463**	11,349
Cash and cash equivalents		**24,305**	138,381
		386,449	510,518
Non-current assets classified as held for sales		**2,646,811**	—
		3,033,260	510,518
Total assets		**6,129,099**	7,651,822
CAPITAL AND RESERVES			
Share capital		**208,041**	200,961
Reserves		**3,026,193**	3,509,187
Equity attributable to owners of the Company		**3,234,234**	3,710,148
Non-controlling interests		**1,805,639**	2,144,985
Total equity		**5,039,873**	5,855,133
LIABILITIES			
Non-Current Liabilities			
Deferred tax liabilities		**693,422**	1,429,389
Provision for environmental and resources tax		**97,847**	118,078
		791,269	1,547,467

	Notes	**2011** *HK$'000*	2010 *HK$'000*
Current Liabilities			
Trade payables	*12*	**73,864**	22,610
Other payables and accruals		**80,210**	121,124
Bank borrowings		**59,870**	105,254
Other financial liabilities		**23,000**	—
Amounts due to related parties		**60,755**	—
Tax payables		**258**	234
		297,957	249,222
Total liabilities		**1,089,226**	1,796,689
Total equity and liabilities		**6,129,099**	7,651,822
Net current assets		**2,735,303**	261,296
Total assets less current liabilities		**5,831,142**	7,402,600
Net assets		**5,039,873**	5,855,133

NOTES

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements also include the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The consolidated financial statements have been prepared on the historical cost basis except for the investment properties, financial instruments and exploration and evaluation assets which are measured at fair values.

The preparation of consolidated financial statements in accordance with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies of the Group.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

2.1 Standards and Interpretation adopted in the current period

In the current year, the Group has adopted the following new and revised standards, amendments and interpretation (hereinafter collectively referred to as "new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are relevant to and effective for the Group's financial period beginning on 1 January 2010:

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
HKFRS 1 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
HKFRS 7 (Amendments)	Disclosures — Transfers of Financial Assets
HKFRS 9	Financial instruments
HKAS 12 (Amendment)	Deferred Tax: Recovery of Underlying Assets
HKAS 24 (as revised in 2009)	Related party disclosures
Amendments to HKAS 32	Classification of right issues
Amendments to HK(IFRIC)-INT 14	Prepayments of a minimum funding requirement
HK(IFRIC)-INT 19	Extinguishing financial liabilities with equity instruments

Except as described below, the adoption of the new and revised HKFRSs has no material effect on the consolidated financial statements of the Group for the current and prior accounting periods.

HKAS 24 Related Party disclosure (as revised in 2009)

HKAS 24 was revised to include a new definition of related party and to provide a partial exemption from the disclosure requirements in relation to related party transactions and outstanding balances, including commitments, with:

(a) a government that has control, joint control or significant influence over the reporting entity; and

(b) another entity that is a related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity.

The Company adopted the new definition in its accounting policies but such adoption does not have an effect on the disclosures made in the financial statements.

Improvements to HKFRSs 2010 — Improvements to HKFRSs 2010

The improvements comprise a number of improvements to Standards including the following that are considered to be relevant to the Company:

Amendments to HKFRS 7 Financial Instrument Disclosures: Clarification of disclosures

The Amendments clarify the required level of disclosures about credit risk and collateral held and provide relief from disclosures previously required for renegotiated loans. The Company has amended its disclosures accordingly.

2.2 Standards and Interpretations in issue but not yet adopted

The Company has not early applied any of the following new and revised standards, amendments and interpretations which have been issued but are not yet effective for annual periods beginning on 1 January 2011:

HKFRS 1 Amendments	Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[1]
HKFRS 7 Amendments	Amendments to HKFRS 7 Financial Instruments: Disclosures —Transfers of Financial Assets[1]
HKFRS 7 Amendments	Amendments to HKFRS 7 Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities[4]
HKFRS 9	Financial Instruments[6]
HKFRS 10	Consolidated Financial Statements[4]
HKFRS 11	Joint Arrangements[4]
HKFRS 12	Disclosure of Interests in Other Entities[4]
HKFRS 13	Fair Value Measurement[4]
HKAS 1 Amendments	Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income[3]
HKAS 12 Amendments	Amendments to HKAS 12 Income Taxes — Deferred Tax: Recovery of Underlying Assets[2]
HKAS 19 (2011)	Employee Benefits[4]
HKAS 27 (2011)	Separate Financial Statements[4]
HKAS 28 (2011)	Investments in Associates and Joint Ventures[4]
HKAS 32 Amendments	Amendments to HKAS 32 Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities[5]
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[4]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2012
3 Effective for annual periods beginning on or after 1 July 2012
4 Effective for annual periods beginning on or after 1 January 2013
5 Effective for annual periods beginning on or after 1 January 2014
6 Effective for annual periods beginning on or after 1 January 2015

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 Financial Instruments: Recognition and Measurement. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting and impairment of financial assets continues to apply. The Company expects to adopt HKFRS 9 from 1 January 2015.

HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Company is required to use fair value, but provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. The Company expects to adopt HKFRS 13 prospectively from 1 January 2013.

Amendments to HKAS 1 change the companying of items presented in OCI. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items which will never be reclassified. The Company expects to adopt the amendments from 1 January 2013.

HKAS 19 (2011) includes a number of amendments that range from fundamental changes to simple clarifications and re-wording. The revised standard introduces significant changes in the accounting for defined benefit pension plans including removing the choice to defer the recognition of actuarial gains and losses. Other changes include modifications to the timing of recognition for termination benefits, the classification of short-term employee benefits and disclosures of defined benefit plans. The Company expects to adopt HKAS 19 (2011) from 1 January 2013.

The Directors anticipate that the application of the other new and revised standards or interpretations will have no material impact on the results and the financial position of the Company.

3. TURNOVER

An analysis of the Group's turnover and other income is as follows:

	2011	2010
	HK$'000	*HK$'000*
(a) Revenue		
Sales of molybdenum concentrate	**343,644**	373,093
Sales of sulfuric acid	**29,212**	7,706
Trading of mineral resources	**12,971**	—
Property management fee income	**5,208**	3,744
	391,035	384,543
(b) Other income		
Compensation income	**4,274**	4,723
Bank interest income	**284**	163
Sundry income	**417**	444
	4,975	5,330

4. OTHER GAINS AND LOSSES

	2011	2010
	HK$'000	*HK$'000*
Amortisation of prepaid lease payments	**(2,102)**	(2,243)
Amortisation of mining rights	**(139,522)**	(54,253)
Loss arising on change in fair value of financial liabilities designated as at FVTPL	**(23,000)**	—
Loss arising on change in fair value of promissory notes	**(47,904)**	—
Loss on disposal of subsidiaries	**(22,831)**	—
Fair value loss on investment properties	**—**	(145,236)
Gain on disposal of associates	**9,810**	—
Provision for obsolete inventories	**—**	(744)
Provision for environmental and resources tax	**—**	(201,406)
Impairment loss on trade receivables	**(6,999)**	—
Impairment loss on mining rights	**(509,801)**	(343,678)
Impairment loss on re-measurement of non-current asset held for sales	**(375,695)**	—
Impairment loss on interests in associates	**(158)**	(33,312)
Impairment loss on prepayments, deposits and other receivables	**(5,517)**	(114)
Impairment loss on property, plant and equipment	**—**	(16,386)
Impairment loss on goodwill	**—**	(189,593)
	(1,123,719)	(986,965)

5. SEGMENT INFORMATION

Operating segments have been identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and to assessing their performance.

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

(a) Mining operation: — Exploration of mineral mines
— Exploitation of molybdenum mines
— Trading of mineral resources

(b) Property leasing operation: The leasing of commercial premises

(c) Property management operation: Provision of management service to commercial premises

Management monitors the operating results of its business units separately for the purpose of making decision about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. Information regarding the above segments are reported below.

Operating segment information

Segment revenue and results

For the year ended 31 December 2011

			Mining operation			
	Property leasing[2] *HK$'000*	Property management *HK$'000*	Mining exploitation[3] *HK$'000*	Mining exploration[4] *HK$'000*	Trading of mineral resources *HK$'000*	Total *HK$'000*
Revenue						
Segment turnover	—	5,208	372,856	—	12,971	391,035
Results[1]						
Segment results	(3,765)	31	(381,826)	(430,445)	(1,668)	(817,673)
Unallocated corporate income						14,083
Unallocated corporate expenses						(119,908)
Loss before income tax						(923,498)
Income tax						(14,837)
Loss for the year						(938,335)

For the year ended 31 December 2010

	Property leasing[2] HK$'000	Property management HK$'000	Mining operation: Mining exploitation[3] HK$'000	Mining operation: Mining exploration[4] HK$'000	Mining operation: Trading of mineral resources HK$'000	Total HK$'000
Revenue						
Segment turnover	—	3,744	380,799	—	—	384,543
Results[1]						
Segment results	(137,019)	4	(511,426)	(189,593)	—	(838,034)
Unallocated corporate income						5,330
Unallocated corporate expenses						(97,354)
Loss before income tax						(930,058)
Income tax						83,017
Loss for the year						(847,041)

1. Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. Segment result represents the profit earned by each segment without allocation of corporate income and expenses, central administrative expenses and directors' salaries. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.

2. For the year ended 31 December 2011, segment results for property leasing operation included the administrative expenses which are directly related to the reportable segment. For the year ended 31 December 2010, segment results for property leasing operation included the fair value loss on investment properties amounted to approximately HK$145,236,000 and reversal of deferred tax liabilities of approximately HK$8,217,000, which are directly related to the reportable segment.

3. For the year ended 31 December 2011, segment results for mining exploitation included an impairment loss on mining rights of approximately HK$436,801,000 (2010: HK$343,678,000), amortisation of mining rights of approximately HK$139,522,000 (2010: HK$54,253,000), provision of environment and resources tax of HK$Nil (2010: HK$201,406,000) and reversal of deferred tax liabilities of approximately HK$166,244,000 (2010: HK$99,483,000) and operating expenses which are directly related to the reportable segment.

4. For the year ended 31 December 2011, segment results for mining exploration included the impairment of mining rights of approximately HK$73,000,000, re-measurement of non-current assets classified as held for sales of approximately HK$375,695,000 and reversal of deferred tax liabilities of approximately HK$18,250,000. For the year ended 31 December 2010, segment results for mining exploration included an impairment loss of goodwill of approximately HK$189,593,000 which are directly related to the reportable segment.

Segment assets and liabilities

	Property leasing HK$'000	Property management HK$'000	Mining operation: Mining exploitation HK$'000	Mining operation: Mining exploration HK$'000	Mining operation: Trading of mineral resources HK$'000	Others HK$'000	Total HK$'000
As at 31 December 2011							
Segment assets	**—**	**490**	**2,907,953**	**376,000**	**4,265**	**2,840,391**	**6,129,099**
Segment liabilities	**—**	**486**	**968,093**	**94,000**	**71**	**26,576**	**1,089,226**
As at 31 December 2010							
Segment assets	187,852	1,146	3,468,752	3,789,575	—	204,497	7,651,822
Segment liabilities	21	834	1,079,280	711,782	—	4,772	1,796,689

For the purposes of monitoring segment performances and allocating resources between segments:

— all assets are allocated to reportable segments other than goodwill, intangible assets and assets used jointly reportable segments which are classified as "Others" in segment assets.

— all liabilities are allocated to reportable segments other than liabilities for which reportable segments are jointly liable and classified as "Others" in segment liabilities.

Other segment information

	Property leasing HK$'000	Property management HK$'000	Mining operation: Mining exploitation HK$'000	Mining operation: Mining exploration HK$'000	Trading of mineral resources HK$'000	Others HK$'000	Total HK$'000
For the year ended 31 December 2011							
Depreciation and amortisation	**1,994**	**1**	**171,488**	**—**	**—**	**670**	**174,153**
Impairment loss recognised during the year	**—**	**—**	**449,317**	**448,695**	**—**	**158**	**898,170**
Capital expenditures	**—**	**3**	**67,281**	**—**	**—**	**374**	**67,658**
For the year ended 31 December 2010							
Depreciation and amortisation	—	12	—	86,158		538	86,708
Fair value loss on investment properties	145,236	—	—	—		—	145,236
Impairment loss recognised during the year	—	—	344,422	189,593		49,812	583,827
Capital expenditures	—	—	33,561	23,616		—	57,177
Provisions	—	—	201,406	—		—	201,406

Geographical information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's current and non-current assets. The geographical location of customers is based on the location at which the services were provided or the goods were delivered. The geographical location of the segment assets is based on the physical location of the asset; in the case of intangible assets, mining rights, goodwill and interests in associates, the location is based on where the operations are located.

The Group's operations are located in the following geographical areas. The following table provides an analysis of the Group's revenue from external customers and assets by geographical location:

	Segment revenue from external customers		**Segment assets**	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**—**	—	**130,297**	2,149
The PRC	**391,035**	384,543	**5,998,802**	7,649,673
	391,035	384,543	**6,129,099**	7,651,822

Information about major customers

Included in revenue of approximately HK$391,035,000 (2010: HK$384,543,000) are revenue of approximately HK$111,543,000 (2010: HK$46,145,000) which arose from sales to the Group's largest customer. The Group's five largest customers accounted for approximately HK$260,644,000 (2010: HK$149,918,000). No other single customers contributed 10% or more to the Group's revenue for both 2011 and 2010.

6. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging:

	Group	
	2011	2010
	HK$'000	*HK$'000*
Auditors' remuneration	**900**	800
Cost of inventories expensed	**264,775**	251,499
Depreciation	**32,529**	30,212
Staff costs (including directors' remuneration)		
— Wages and salaries	**15,991**	21,633
— Retirement benefits contributions	**1,215**	2,972
Operating lease payments in respect of office premises	**2,175**	2,441

7. FINANCE COSTS

	Group	
	2011	2010
	HK$'000	*HK$'000*
Interest on bank loans and other borrowings wholly repayable within five years	**11,722**	1,157

8. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made since the Group incurred taxation losses for the year. Taxes on profits assessable elsewhere have been calculated at the prevailing rates of tax based on existing legislation, interpretations and practices.

	Group	
	2011	2010
	HK$'000	*HK$'000*
Current tax:		
PRC corporate income tax	**14,837**	22,029
Hong Kong profits tax	**—**	—
Deferred tax	**(166,244)**	(105,046)
	(151,407)	(83,017)

9. DIVIDENDS

The Directors do not recommend the payment of any final dividend in respect of the year ended 31 December 2011 (2010: Nil).

10. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share amount is based on the net loss for the year of HK$598,988,000 (2010: HK$688,783,000) attributable to owners of the Company, and weighted average of 12,952,911,230 (2010: 11,952,149,325) ordinary shares in issue during the year.

(b) Diluted loss per share

There was no potential dilutive share in existence for the year ended 31 December 2011, accordingly, no diluted loss per share has been presented for the year ended 31 December 2011.

11. TRADE RECEIVABLES

	Group	
	2011	2010
	HK$'000	*HK$'000*
Trade receivables	**5,999**	—
Less: Impairment loss on trade receivables	**(5,999)**	—
	—	—

An aging analysis of the trade receivables at the end of the reporting period, based on invoice date is as follows:

	Group	
	2011	2010
	HK$'000	*HK$'000*
0–30 days	**—**	—
31–60 days	**—**	—
61–90 days	**—**	—
Over 180 days but within one year	**5,999**	—
	5,999	—

The Directors consider that the fair values of trade receivables are not materially different from their carrying value because these amounts have short maturity period on their inception.

For the Group's mining operation, sales of molybdenum concentrates are largely on cash basis with no credit terms being granted to customers, except for sizable customers with good credit history, the Group will allow a credit term not more than 30 days. For the year ended 31 December 2011, an impairment loss of approximately HK$5,999,000 has been recognised as the customer was facing financial difficulty. The Group does not hold any collateral over these balances.

12. TRADE PAYABLES

	Group	
	2011	2010
	HK$'000	*HK$'000*
0–30 days	**52,610**	22,610
31–60 days	**10,081**	—
61–90 days	**5,611**	—
Over 180 days but within one year	**5,562**	—
	73,864	22,610

The Directors consider that the carrying amounts of trade payables are approximate to their fair values at the end of the reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL FINANCIAL PERFORMANCE

During the year under review, the Group recorded a turnover of approximately HK$391,035,000, representing an increase of 1.69% over 2010 (2010: approximately HK$384,543,000). Turnover attributable to mining business operations, which is the Group's major operation, amounted to approximately HK$372,856,000, represents approximately 95.4% (2010: 99.0%) of the Group's total turnover for the year ended 31 December 2011 (2010: approximately HK$380,799,000). For the year ended 31 December 2011, the Group recorded a loss attributable to owners of the Company of approximately HK$598,988,000 (2010: loss of approximately HK$688,783,000), representing a decrease of 13.03% as compared to the year ended 31 December 2010.

BUSINESS REVIEW

The principal activities of the Group are (i) mining operations — exploitation, exploration and trading of mineral resources; (ii) property leasing operations; and (iii) property management operations. An analysis of each of these business segments is presented below:

Mining Operations — Exploitation and Exploration

* Shaanxi Province Luo Nan Xian Jiu Long Kuang Ye Company Limited ("Jiu Long Kuang Ye") *(陝西省洛南縣九龍礦業有限公司)*

During the year under review, the volume of molybdenum concentrate produced by the molybdenum mine operated by Jiu Long Kuang Ye was about 5,694 tonnes. The sales volume of molybdenum concentrate was about 4,320 tonnes. The grade of molybdenum concentrate was approximately 42–45%. The average selling price of molybdenum concentrate was about HK$79,547 per tonne. During the year under review, Jiu Long Kuang Ye contributed a revenue of approximately HK$372,856,000 (2010: approximately HK$380,799,000) to the Group, of which approximately HK$29,212,000 was attributable from sales of sulfuric acid (2010: HK$7,706,000). The cost of sales was approximately HK$252,106,000 (2010: approximately HK$251,499,000). Gross profit amounted to approximately HK$120,750,000 (2010: approximately HK$129,350,000) and the profit margin was 32%, representing a decrease of approximately 2% as compared to 34% in 2010. The slightly decrease in profit margin was mainly due to the decrease in molybdenum price during the year. For the year ended 31 December 2011, net loss attributable to Jiu Long Kuang Ye was HK$396,661,000 (2010: approximately loss of HK$511,426,000) which was mainly attributable from the amortization of mining rights of approximately HK$139,522,000 (2010: HK$54,253,000), impairment loss on mining rights of approximately HK$436,801,000 (2010: HK$343,678,000). Taking out the effect of such amortisation and impairment losses recognised during the year, Jiu Long Kuang Ye should have made an operating profit contribution of approximately HK$44,292,000.

* *For identification purposes only*

* Jilin Province Rui Sui Kuang Ye Company Limited* (“Rui Sui Kuang Ye”)
(*吉林省瑞穗礦業有限公司*)

Rui Sui Kuang Ye has the exploitation rights of an iron mine covering approximately 4.17 km^2 in Da Nan Gou, Jin Dou Xiang, Tong Hua Xian, Jilin Province (吉林省通化縣金鬥鄉大南溝), the PRC. It also holds the exploration rights of a molybdenum mine extending approximately 9.35 km^2 in Fu Song Xian, Baishan City, Jilin Province (吉林省白山市撫松縣) of the PRC.

On 22 March 2012, Golden Finance Company Limited (“Golden Finance”), a wholly-owned subsidiary of the Company, as the vendor has entered into the disposal agreement with the purchaser, in relation to the disposal of 26% equity interests of Rui Sui Kuang Ye (the “Sale Shares”) for a consideration of HK$600,000,000 (the “Disposal Agreement”).

The consideration will be satisfied by way of promissory note to be issued by the purchaser to Golden Finance upon completion of the Disposal Agreement. The promissory note is secured by the Sale Shares pursuant to the share pledge agreement to be entered into between Golden Finance and the purchaser.

The mode of operation of the iron mine and the molybdenum mine held by Rui Sui Kuang Ye is still in its exploitation stage as certain exploitation works have been undertaken while production work has yet to be commenced. The exploration and production work and the ongoing development of the mines shall require substantial capital injection by the Group. The Directors is of the view that it is in the interests of the Group to realize the value of part of its shareholding in Rui Sui Kuang Ye so as to reduce the financial pressure arising from the need for substantial capital investment for Rui Sui Kuang Ye’s operation, and also to increase the cash resources of the Group for the further development and expansion of its mining business and further investment in the mineral resources sector. Taking into account after the disposal, the purchaser will provide further capital injection to support the future operation of Rui Sui Kuang Ye and therefore the Group can able to deploy more resources to other potential investment opportunities, the Directors consider that the disposal is on normal commercial terms, and the terms of the Disposal Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Due to the disposal of 26% equity interests of Rui Sui Kuang Ye, all the assets and liabilities of Rui Sui Kuang Ye has been classified as non-current assets held for sales and the balance as at 31 December 2011 was approximately HK$2,307,692,000 which were accounted for after the effect of impairment loss recognised for re-measurement of non-asset held for sales of HK$375,695,000. Such impairment loss represent the difference between the fair value and carrying value of Rui Sui Kuang Ye as at 31 December 2011.

* Heilongjiang Yi Tong Mining Company Limited ("Yi Tong Mining")
(黑龍江伊通礦業有限公司)

Yi Tong Mining holds a mine exploitation permit and a mine exploration permit of Dong Feng Lin Gold Iron Mine which is located in Heilongjiang Province, the PRC. According to the "Geological General Exploration Report (地質詳查報告) on Dong Feng Lin Gold Iron Mine, Tie Li City, Heilongjiang Province" issued by the Yi Chun City Geology Exploration Team (伊春市地質勘查隊) in October 2009, the reserves of gold and iron in the said mine are about 18.19 tonnes and about 41,510,000 tonnes respectively. During the year under review, the Board assessed the impairment of mining rights held by Yi Tong Mining by reference to an independent assessment performed by an external professional valuer. Based on the assessment of the independent valuer, the recoverable amounts of the mining rights held by Yi Tong Mining was approximately HK$376,000,000 as at 31 December 2011. Therefore, an impairment loss of HK$73,000,000 has been recognised during the year under review.

As disclosed in the announcement of the Company dated 28 June 2010, the vendor of Yi Tong Mining has in the Acquisition Agreement guaranteed to the Company that the net profit for each of the Profit Guaranteed Years (as defined in the abovementioned announcement) will not be less than RMB20 million. However, due to limited internal fund for the commencement of operation of Yi Tong Mining, the Board anticipates that the Profit Guarantee (as defined in the abovementioned announcement) of RMB20 million will not likely be fulfilled. Both the Company and vendor intended to modify the profit guarantee condition by way of a supplementary agreement. When the supplementary agreement of acquisition of Yi Tong Mining is completed, the Company will make an announcement in due course. The Board believes that any failure of fulfillment of the profit guarantee will not have material adverse effect to the financial position of the Group.

Property leasing operations

Changchun, the PRC

The shopping mall in Changchun City needs to undergo renovation and reconstruction. Accordingly, for the year ended 31 December 2011, there was no rental income generated from the shopping mall (2010: Nil). The core business of the Group is mining resources exploitation and exploration. Given the business of property leasing business does not form a good strategic fit with the principal business of the Group, the Board considers that the disposal of the shopping mall in Changchun City would enable the Group to streamline its business activities and commit the available resources of the Group to its principal business. Therefore, on 30 December 2011, the Company entered into a sale and purchase agreement with the purchaser in relation to the disposal of the entire equity interests in Longwell International Holdings Limited which held the Changchun shopping mall at a cash consideration of HK$170,000,000. Details were disclosed in the announcement of the Company dated 30 December 2011. As a result of such disposal, the net assets value of the disposal group has been classified as non-current assets held for sales of approximately HK$140,513,000 as at 31 December 2011.

Xian, the PRC

During the year under review, the Group sold all the pre-completion investment properties located in Xian, in order to concentrate the internal resources of the Group for the development of mining operations. As the selling of those pre-completion investment properties were completed subsequent to the financial year end, the balance of which has been classified as non-current classified as held for sales.

During the year under review, the Group received a dividend of RMB3,500,000 from Xian Communication University Second Affiliated Middle School Southern District. The transfers of land and property rights are still being processed. The school was a compensation asset receivable as a result of a fraud transaction taken by a minority shareholder of the Group's subsidiary who had surrendered a property development project held by the Group to Xian Government without the Company's knowledge or consent in previous years.

The Group will continue to identify investment opportunities to develop real estate projects and property leasing operations in the future.

Property management operations

For the year ended 31 December 2011, the turnover generated from the property management operation was approximately HK$5,208,000, representing a growth of approximately 39.1% over the year ended 31 December 2010 of approximately HK$3,744,000. Such increase was mainly because the Group successfully solicited another property management contract during the year of 2011, which led to an increase in turnover attributable to the property management operation. As at 31 December 2011, the Group had two property management contracts.

Other Business

Associates

The Group has an associated company which is principally engaged in the business of manufacturing and trading of pharmaceutical products in the PRC. In the year 2009, this associated company terminated its business operations to meet the transport infrastructure development plans of the local government. The management of this associate company had been negotiating with the local government regarding compensation and other solutions in relation to the infrastructure plan. However, no final conclusion has been reached after two-year negotiation. As such, in order to safeguard the interest of the Group and the shareholders, the Group sold the entire ownership of this associated company at a consideration of approximately RMB8,000,000 during the year under review.

PROSPECTS

In 2012, the global economy still faces more uncertainty factors, including the possible continue slowdown in global economy in the next two years and the sovereign debt crisis in the euro zone. The Group will continue to keep abreast of the changing market conditions and will adjust its business and operation strategies. Moreover, the Group may seek some strategic opportunities to cooperate with other sizable mining companies in order to enhance the economics of scale.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cashflow. During the year under review, the Group recorded a net cash outflow of approximately HK$114,076,000 (2010: inflow of approximately HK$43,683,000) which was mainly resulting from the purchases of additional property, plant and equipment for the new processing plant during the year under review and the payment of resources and environmental tax. In addition, the Company also entered into a convertible note option agreement, pursuant to which, the Company may request the potential subscribers to subscribe for the convertible notes to be issued by the Company for cash up to HK754 million. Details were disclosed in the Company's announcement dated 19 July 2011. With the amounts of cash on hand amounted to approximately HK$24,305,000 as at 31 December 2011 (2010: approximately HK$138,381,000), together with the proposed convertible notes to be issued, the Board considered that the Group's liquidity position is healthy.

As at 31 December 2011, the Group had outstanding bank borrowings in the amount of approximately HK$59,870,000 (2010: approximately HK$105,240,000). The Group's gearing ratio as at 31 December 2011 was 1.9% (2010: 2.9%). The decrease in gearing ratio was mainly due to the decrease in bank borrowings during the year. The Board considered that the gearing ratio remains at low level compared to equity attributable to owners of the Company.

The Group is of good liquidity. As at 31 December 2011, the Group's current ratio was approximately 1.3 (2010: approximately 2.01). The decrease in current ratio was mainly due to the increase in current liabilities in the Group's mining operation during the year under review.

As at 31 December 2011, the Group's debt to equity ratio was approximately 0.34 (2010: approximately 0.48). The decrease in debt to equity ratio was mainly due the decrease in deferred tax liabilities during the year under review. The ratio was calculated by dividing the total liabilities of approximately HK$1,089,226,000 (2010: approximately HK$1,796,689,000) by equity attributable to owners of the Company of approximately HK$3,234,234,000 (2010: approximately HK$3,710,148,000).

Overall, the Board believes that the Group has a healthy financial position and has sufficient resources to satisfy its capital expenditure and working capital requirement.

CAPITAL STRUCTURE AND TREASURY POLICIES

Capital Structure

The Group's capital structure as at 31 December 2011 mainly comprised of current assets of approximately HK$386,449,000 (2010: approximately HK$501,518,000), current liabilities of approximately HK$297,957,000 (2010: approximately HK$249,222,000) and equity attributable to owners of the Company of approximately HK$3,234,234,000 (2010: approximately HK$3,710,148,000).

Current assets mainly comprised of cash and cash equivalents of approximately HK$24,305,000 (2010: approximately HK$138,381,000), inventories of approximately HK$182,142,000 (2010: approximately HK$193,879,000) and prepayments, deposits and other receivables of approximately HK$168,539,000 (2010: approximately HK$166,909,000).

Current liabilities mainly comprised of bank borrowings of approximately HK$59,870,000 (2010: approximately HK$105,254,000), trade payables of approximately HK$73,864,000 (2010: approximately HK$22,610,000), accruals and other payables of approximately HK$80,210,000 (2010: approximately HK$121,124,000), other financial liabilities of approximately HK$23,000,000 (2010: Nil) and amounts due to related parties of approximately HK$60,755,000 (2010: Nil).

Convertible Note Option Agreement

As disclosed in the announcement of the Company dated 19 July 2011, the Company, as the issuer, entered into the Convertible Note Option Agreement ("CN Option Agreement") with the potential subscribers. If all of the convertible note options are issued and validly exercised, the Company will issue an aggregate principal amount of up to HK$754 million of convertible notes (the "Convertible Notes"). Assuming the conversion rights attached to the Convertible Notes are exercised in full at the conversion price of HK$0.29, a total of 2,600 million conversion shares (the "Conversion Shares") will be allotted and issued, representing approximately 20% of the existing issued share capital of the Company and approximately 16.66% of the entire issued share capital when all the Conversion Shares are allotted and issued. The Board considers that the subscription represents an opportunity to strengthen the financial position of the Group while broadening the investor base and capital base of the Group. The Board is of a view that the CN Option Agreement is entered into based upon normal commercial terms following arm's length negotiations between the Company and the potential subscribers. The Board believes the terms of the CN Option Agreement are fair and reasonable and the subscription is in the interests of the Company and the Shareholders as a whole.

Placing of Shares

As disclosed in the Company's announcement dated 24 January 2011, the Company entered into a placing agreement with a placee in relation to the placing of 442,500,000 new Shares at a price of HK$0.32 per Share (the "Placing"). The Placing was completed on 10 February 2011.

Treasury Policies

During the year ended 31 December 2011, the business activities of the Group were mainly denominated in Hong Kong dollars and Renminbi. The Board does not consider that the Group is significantly exposed to any foreign currency exchange risk. It is the Group's treasury policy to manage its foreign currency exposure whenever such financial impact is material to the Group. For the year ended 31 December 2011, the Group did not employ any financial instruments for hedging purpose and was not engaged in foreign currency speculative activities.

BANK BORROWING AND CHARGES OF GROUP ASSETS

As at 31 December 2011, the Group had bank borrowings amounted to approximately HK$59,870,000 (2010: HK$105,254,000). The bank borrowings were secured by a collateral with term deposits of RMB20 million provided by two related companies and secured by the Group's property, plant and equipment and the mining rights certificate held by Jiu Long Kuang Ye, being the subsidiary of the Company.

CONTINGENT LIABILITIES

As at 31 December 2011, the Group had no significant contingent liabilities (2010: Nil).

HUMAN RESOURCES AND REMUNERATION POLICY

As at 31 December 2011, the Group employed 760 full time employees (2010: 778 employees). Employees remuneration packages are structured and reviewed with reference to the nature of the jobs, market condition and individual merits. The Group also provides other employee benefits including year-end double pay, mandatory provident fund and medical insurance.

MODIFICATIONS TO THE OPINION IN THE INDEPENDENT AUDITOR'S REPORT

Basis for qualified opinion

Scope limitation — prior year's audit scope limitation affecting opening balances and comparative figures

1. The auditor's report on the consolidated financial statements of the Group for the years ended 31 December 2009 and 2010 contained a qualification on the possible effect of the limitations on the scope of the audit in relation to a property development project held by a subsidiary of the Company which had been surrendered to Xian Government without the Company's knowledge or consent. Details of which has been set out in the auditor's report dated 29 March 2010 and 28 March 2011 respectively and that was included in the Group's annual report for the years ended 31 December 2009 and 2010.

2. The auditor's report on the consolidated financial statements of the Group for the year ended 31 December 2010 contained a qualification on the provision of environmental and resources tax arising from the renewal of mining right held by a subsidiary of the Company. Details of which has been set out in the auditor's report dated 28 March 2011 and was included in the Group's annual report for the year ended 31 December 2010.

As the auditor's report on the consolidated financial statements of the Group for the year ended 31 December 2010 formed the basis for the corresponding figures presented in the current year's consolidated statements, any adjustments found to be necessary in respect of (i) the carrying amount of the abovementioned property development project; and (ii) the provision of environmental and resources tax would have a significant effect on the opening balances and consequential effect on the consolidated financial position of the Group as at 31 December 2011 and the results and cash flows for the year ended 31 December 2011 and the related disclosures thereof in the consolidated financial statements of the Group for the year ended 31 December 2011.

Scope limitation — provision for environmental and resources tax

As stated in note 31 to the consolidated financial statements, an amount of HK$97,847,000 (approximately RMB80,000,000) related to the provision of environmental and resources tax (the "Provision") arising from the renewal of mining right held by a subsidiary of the Company. We were unable to obtain sufficient appropriate evidence regarding the validity and completeness of the Provision as at 31 December 2011. Any adjustments found to be necessary in respect thereof would have a significant and consequential effect on the consolidated financial position of the Group as at 31 December 2011, the results and cash flows for the year ended 31 December 2011 and the related disclosures thereof in the consolidated financial statements of the Group.

Qualified opinion arising from limitation of audit scope

In our opinion, except for the effects of the matters described in the basis for qualified opinion paragraph, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year under review.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board believes that good corporate governance is crucial to improve the efficiency and performance of the Group and to safeguard the interests of the shareholders. Throughout the year ended 31 December 2011, the Company has applied the principles of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules and complied with all the applicable code provisions of the Code, except the following:

Under the code provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. During the year under review, Mr. Chiu Yeung ("Mr. Chiu") performed the roles of the Chairman, the Chief Executive Officer and an Executive Director of the Company until 15 March 2011, and Mr. Gao Yuan Xing ("Mr. Gao") was appointed as the Chairman, the Chief Executive Officer and an Executive Director of the Company replacing the roles of the Mr. Chiu with effect from the same date.

In allowing the two positions to be occupied by the same person, the Company has considered that both positions require in-depth knowledge and considerable experience of the Group's business. Candidates with the requisite knowledge, experience and leadership are difficult to identify. If either of the positions is occupied by an unqualified person, the Group's performance could be gravely compromised. The Board also believes that the vesting of two roles in the same person would provide the Group with stable and consistent leadership and allows for more effective and efficient planning and implementation of long term business strategies. The Board shall nevertheless review the structure from time to time and shall consider the appropriate adjustment should suitable circumstance arise.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company had adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all Directors, the Company confirmed that all Directors complied with the required standard set out in the Model Code for the year ended 31 December 2011.

AUDIT COMMITTEE

The audit committee comprises three independent non-executive directors, namely Messrs. Mu Xiangming, Cheng Chak Ho and Lo Wa Kei Roy. The purpose of the establishment of the audit committee is for reviewing and supervising the financial reporting process and internal control of the Group. The audit committee has reviewed the Group's financial statements for the year ended 31 December 2011.

PUBLICATION OF ANNUAL RESULTS ON THE STOCK EXCHANGE'S WEBSITE

The result announcement is published on the website of the Stock Exchange at www.hkex.com.hk and the Company's website at www.northmining.com.hk. The 2011 annual report of the Company containing all information required by the Listing Rules will be dispatched to its shareholders and published on the above websites in due course.

By order of the Board
Gao Yuan Xing
Chairman

Hong Kong, 30 March 2012

As at the date of this announcement, the Board comprises Mr. Gao Yuan Xing, Mr. Qian Yi Dong, Mr. Zhao Qing, Mr. Zhang Jia Kun and Mr. Fan Wei Guo as executive directors; Mr. Mu Xiangming, Mr. Lo Wa Kei Roy and Dr. Cheng Chak Ho as independent non-executive directors.