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### Overview

The molybdenum and tungsten industries in China are considered to be part of the nation's nonferrous metal industry and thus subject to the same regulations applicable to other nonferrous metal producers. China's nonferrous metal industry is highly regulated by the PRC Government. These regulations cover a wide range of areas, including, among others, investment, exploration, exploitation, production and export. In addition, nonferrous metals operations are required to pay levies and taxes and are subject to safety and environmental protection regulations. The major regulatory bodies in the PRC which are relevant to the nonferrous metal industry include:

- The NDRC, which was formed pursuant to a resolution passed by the Tenth National People's Congress in March 2003 and has taken over substantially all powers and authority of the former State Development and Planning Commission and part of the responsibilities of the former State Council Office for Restructuring the Economic System and the State Economic and Trade Commission. The NDRC formulates and implements major policies concerning China's economic and social development; reviews and approves investment projects exceeding a certain size and in specified sectors of the economy; proposes plans for the volume of important industrial products and raw materials for export; supervises the implementation of the plans and adjusts the total volume of exports based on the economic environment.
- The MLR is responsible for supervising and managing exploration for and exploitation of mineral resources. It has power to grant land-use rights certificates, exploration permits and mining permits, to approve transfers and leases of exploration rights and mining rights, and to review exploration rights usage fees, mining rights usage fees and reserve estimates.
- The State Administration of Workplace Safety provides guidance on and supervision of the safety practices of non-coal mine enterprises throughout the country. It is responsible for formulating work safety regulations and is involved in the investigation of safety-related accidents.
- The Ministry of Labor and Social Security of the PRC, together with the State Administration of Workplace Safety, is responsible for supervising and administering safety-related works in mines and conducting reviews of safety facilities in mining areas. The safety facilities in mine construction projects are subject to inspection by the Ministry of Labor and Social Security in cooperation with the State Administration of Workplace Safety.
- The PRC State Administration of Environmental Protection is responsible for supervising and controlling environmental protection and for monitoring the environmental system of the PRC.

### Nonferrous metal industry

#### *Mineral Resources Law of the People's Republic of China and its Implementation Provisions*

In accordance with the "Mineral Resources Law of the People's Republic of China" 《中華人民共和國礦產資源法》 promulgated on March 19, 1986 and revised on August 29, 1996 by the Standing Committee of the National People's Congress and the "Rules for Implementation of the Mineral Resources Law of the People's Republic of China" 《中華人民共和國礦產資源法實施細則》

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promulgated by the State Council on March 26, 1994, mineral resources in the PRC are owned by the State, which adopts a licensing system for the exploration for and exploitation of mineral resources. Any party that is engaged in the exploration for and exploitation of mineral resources must satisfy criteria and acquire exploration and mining rights from the relevant authorities by applying for and registering such rights and paying usage fees.

The MLR is responsible for the supervision and administration of the exploration and development of mineral resources throughout the country. The departments of land and resources at provincial level are responsible for supervising and administering the exploration for and exploitation of mineral resources in their jurisdictions. The PRC Government adopts a unified registration system for mineral exploration areas. The MLR is responsible for registering the exploration of mineral resources. The State Council may authorize relevant departments to be responsible for the registration of the exploration of special types of mineral resources.

Applicants seeking to establish new mining enterprises must satisfy certain criteria set out by the PRC Government and they are subject to governmental approval. The applications must set out detailed descriptions of the limits of the mining area, the mine design or the mining plan, the production technique to be employed, and the safety and environmental protection measures to be implemented, among other things, and be accompanied by requisite supporting documents.

### *Measures for Implementation of Mineral Resources Law of Henan Province*

Pursuant to the “Measures for Implementation of ‘Mineral Resources Law’ of Henan Province” 《河南省實施〈礦產資源法〉辦法》 issued by the Henan Province People’s Congress (Standing Committee) on May 22, 1998 and as amended on November 26, 2004, exploration for and exploitation of mining resources require government approvals and registration. In accordance with PRC regulations, the licensees of exploration rights should satisfy minimum expenditure requirements in connection with their exploration. The licensees are required to report the expenditure on exploration and exploration in progress to the Provincial Department of Mineral Reserves and Geological Environment annually and to submit a copy of the report to the local department of mineral reserves and geological environment. Applicants should obtain a report of approval on exploration of reserves and specify the mining area to the registration and administrative authority before applying for the exploitation of mining resources. After delimiting the mining areas, the Department of Mineral Reserves and Geological Environment will refuse new applications relating to the area and provide a certain reservation period for the applicants of mining rights. The reservation period will not exceed three years for large mines, two years for medium-sized mines and one year for small mines. The applicants will be deemed to have forfeited their rights if, after the reservation period, they have not yet registered for the exploitation of mineral resources.

Upon satisfaction of the minimum expenditure requirements, the licensees of exploration rights may, subject to government approval, sell the exploration rights or offer co-investment rights to other parties. Mining enterprises with mining rights may sell the mining rights or offer co-investment rights to other parties with government approval as a result of any merger, consolidation, division, joint venture, partnership, disposal of assets of corporations or other changes in the ownership of assets which leads to a change in the ownership of the mining rights. The mining rights may be pledged together with the mining facilities within the mining area and registered at the Department of Mineral Reserves and Geological Environment, which is responsible for issuing mining permits.

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### *Measures for the Administration of the Mineral Resources of Luoyang*

Pursuant to the “Measures for the Administration of the Mineral Resources of Luoyang” 《洛陽市礦產資源管理辦法》 promulgated by the Luoyang Municipal People’s Congress (Standing Committee) on October 18, 2000 and effective December 1, 2000, the licensees of exploration rights are required to commence operations within six months following the grant of the relevant exploration permits. Within ten days after commencing exploration work, licensees should report to the relevant Department of Mineral Reserves and Geological Environment.

The licensees of mining rights are required to commence construction and mining activities within six months of the issue of the relevant permits. In the event that a mining operation is suspended during the period over which mining rights have been granted, the licensees remain responsible for the protection of the relevant mineral resources. Licensees are required to report to the relevant Department of Mineral Reserves and Geological Environment if any operation is suspended for more than six months. The exploration and exploitation activities relating to mineral resources are subject to an annual reporting system.

### *Mine Safety Law of the People’s Republic of China and Its Implementation Rules*

Pursuant to the “Mine Safety Law of the People’s Republic of China” 《中華人民共和國礦山安全法》 promulgated by the Standing Committee of the National People’s Congress on November 7, 1992 and the “Implementation Rules for the Mine Safety Law of the People’s Republic of China” 《中華人民共和國礦山安全法實施條例》 promulgated by the Ministry of Labor on October 30, 1996, the departments responsible for labor administration and the authorities in charge of the mining enterprises supervise and administer mine safety.

Mining enterprises must establish facilities that ensure safety in production, establish satisfactory safety management systems, take effective measures to improve working conditions, and strengthen safety control in mines in order to ensure safe production. The design of mine construction projects must comply with the safety rules and technological standards for the mining industry and is subject to the approval of the authorities responsible for mining enterprises. Mine construction projects must be constructed in accordance with the designs approved by the authorities responsible for mining enterprises. The design of safety facilities in mine construction projects must be examined by the departments in charge of labor administration, and these facilities must become operational at the same time as the principal parts of the project become operational. Upon completion, the safety facilities in mine construction projects are subject to inspection for approval by the authorities responsible for mining enterprises and the departments in charge of labor administration. Failure to comply with the safety rules and technological standards in the mining industry would result in the applications for approval and commencement of operations being rejected.

Mining exploitation must meet certain requirements to ensure safe production. Mining enterprises must observe various safety rules and adhere to various technological standards for the mining industry depending on the type of mineral exploited. They must establish and improve a safe production responsibility system, as well as provide safety education and training to their workers and staff. Managers of mines shall be responsible for safe production of the relevant enterprises.

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### *Measures for Implementation of Safety Production Licensing for Non-Coal Mine Enterprises*

Pursuant to the “Measures for Implementation of Safety Production Licensing for Non-Coal Mine Enterprises” 《非煤礦山企業安全生產許可證實施辦法》 promulgated by the State Administration of Work Safety on May 17, 2004 and the “Regulations on Safety Production License” 《安全生產許可證條例》 promulgated by the State Council on January 13, 2004, non-coal mine enterprises must obtain safety production licenses pursuant to relevant regulations. Companies without safety production licenses cannot conduct any production activities. The State Administration of Work Safety is responsible for guidance and supervision of the issue of safety production licenses for non-coal mine enterprises throughout the country. It is also responsible for issuing safety production licenses for non-coal mine enterprises under the central government’s management (comprising group companies, corporations and listed companies) as well as off-shore petroleum and natural gas enterprises. The departments of work safety at provincial level are responsible for the issue and administration of safety production licenses for non-coal mine enterprises other than those mentioned above, as well as other non-mining enterprises which own non-coal mines or tailings facilities.

In order to obtain a safety production license, a non-coal mine enterprise must satisfy certain production safety requirements. The safety production license issuance and administration authorities issue safety production licenses to enterprises that meet the production safety requirements pursuant to the relevant provisions. For metal and non-metal enterprises, safety production licenses are issued to the enterprise in respect of its individual production systems. Safety production licenses are required to be renewed every three years through application to the safety production license issuance and administration authorities no later than three months before the expiration date.

### *Measures for the Administration of the Use Fee and Purchase Price of Mineral Exploration and Mining Rights*

In accordance with the “Measures for the Administration of the Use Fee and Purchase Price of Mineral Exploration and Mining Rights” 《探礦權採礦權使用費和價款管理辦法》 promulgated by the Ministry of Finance and the MLR on June 7, 1999, any party which conducts exploration and mining activities of mineral resources in the PRC is required to pay a land use fee and the purchase price. The land use fee for an exploration right is calculated on the basis of the exploration period and the size of the area and is payable annually. The annual rate is RMB100 per square kilometer for the first three exploration years, with an increment of RMB100 per year from the fourth exploration year onwards up to a maximum of RMB500. The mining rights land use fee, which is RMB1,000 per square kilometer per year, is payable annually based on the size of the mining area. The purchase price for mineral explorations is the price that licensees of exploration rights are required to pay when the exploration rights of an exploration area funded by the State are transferred to the licensees by the State. The purchase price for mineral exploration and mining rights is determined by reference to the valuation price confirmed by the MLR, and is paid as a lump-sum, or in instalments within two years in the case of an exploration right and within six years in the case of a mining right. The land use fee and purchase price of mineral exploration and mining rights are collected by the relevant registration and administration departments during the registration of the mineral exploration and mining rights or their annual inspection and are pre-conditions to the grant and maintenance of exploration and mining licenses.

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### *Provisions on the Administration of Collection of the Mineral Resources Compensation Fee*

Pursuant to the “Provisions on the Administration of Collection of the Mineral Resources Compensation Fee” 《礦產資源補償費徵收管理規定》 promulgated on February 27, 1994 and revised on July 3, 1997 by the State Council, the mineral resources compensation fee is calculated on the basis of a ratio of the sales income from mineral products. The mineral resources compensation fee is treated as an administration cost of the enterprise and is calculated using the following formula:

$$\text{Resources compensation fee} = \text{Sales income of mineral products} \times \text{Compensation fee rate} \times \text{Coefficient of mining recovery rate}$$

Any adjustment to the rate of a mineral resources compensation fee is determined by the Ministry of Finance, the MLR and the NDRC, and is subject to the approval of the State Council. Mineral resources compensation fees are collected by the departments of land and resources together with the departments of finance. Mineral resources compensation fee for the first half of each year is payable on or before July 31 of the same year, and the fee for the second half of the year is payable on or before January 31 of the following year. Pursuant to the “Reply Letter in respect of problems in collecting mineral resources compensation fee” 《關於徵收礦產資源補償費有關問題的覆函》（1998年10月5日國土資函259號）（October 5, 1998, Guo Tu Zi Han No. 259） issued by the MLR, a mineral resources compensation fee with a fee rate of 2% should be paid as required by the State for any mining activities of mineral resources within the territory of the PRC and other territorial waters under its administration, regardless of any purposes.

In specific circumstances, certain parties may be partly or fully exempted from paying mineral resources compensation fees upon joint approval by the department of land and resources and the department of finance at provincial level. Approval from the provincial people’s government is required if the mineral resources compensation fee is reduced by more than 50% of the amount payable. Any approval for the reduction of the mineral resources compensation fee must be reported to both the MLR and the Ministry of Finance.

### *Provisional Regulations of the People’s Republic of China on Resource Tax*

In accordance with the “Provisional Regulations of the People’s Republic of China on Resource Tax” 《中華人民共和國資源稅暫行條例》 promulgated by the State Council on December 25, 1993, all enterprises and individuals engaged in the exploitation of mineral products within the territory of the PRC are required to pay resource tax. Applicable resource tax rates are determined by the Ministry of Finance in consultation with the relevant departments of the State Council based on the resource conditions of the taxable products exploited or produced by the relevant taxpayer. The prescribed tax rate range is set out in the “Table of Resource Tax Taxable Items and Tax Rates”. The tax rate range for nonferrous metals ore mined is RMB0.4 to RMB30.0 per tonne.

According to the Circular on Adjusting Resources Tax on Molybdenum Ore and Other Ore Resources (Cai Shui [2005] No. 168) 《關於調整鉬礦石等品目資源稅政策的通知》（財稅[2005]168號） issued on December 12, 2005, resources tax levied on molybdenum ore is adjusted and from January 1, 2006, the resources tax rate of first class molybdenum ore is RMB8 per tonne.

### Policies for tungsten and molybdenum industries

In accordance with the “Notice Relating to Strengthening of Management of Tungsten Industry” 《關於加強鎢行業綜合治理有關問題的通知》 issued by the Department of Foreign Economic Cooperation, the State Economic & Trade Commission and the MLR on October 23, 2000, the exploitation and production of tungsten ore are subject to strict controls on the exploitation and production volume of tungsten. A recognition system for exporting tungsten products export and the strict export quota management for tungsten products have been implemented. The Department of Foreign Economic Cooperation together with the State Economic & Trade Commission and the MLR may determine the total export quota of tungsten products annually.

In accordance with the “Notice Relating to Strengthening Development and Management of Tungsten Ore” (Guo Tu Zi Fa [2001] No. 80) 《關於加強鎢礦開發管理工作的通知》 (國土資發[2001]80號) promulgated by the MLR on March 20, 2001, the PRC has exercised more stringent regulation of the production and exploitation of special types of mineral resources such as tungsten ore. Pursuant to the requirements of “Distribution of the Notice of ‘The Opinion on the Reinforced Management of the Industries of Tungsten, Tin and Antimony’ to departments of NDRC” (Guo Ban Fa 2005 No. 38) 《轉發發展改革委等部門關於加強鎢錫銻行業管理意見的通知》 (國辦發[2005]38號) issued by the State Council, the MLR and MOFCOM are to cooperate with related departments to formulate plans for annual mining output of tungsten, tin and antimony and for the quota of export products, ensuring that the plans are to be executed by all mines and corporations, strictly prohibiting excessive mining and exports, further consolidating the permit of tungsten, tin and antimony, imposing stringent permit management, and forbidding any units and individuals who fail to comply with the conditions from engaging in the exploration, mining, smelting, processing, sales and export of tungsten, tin and antimony.

Based on the “Notice Relating to quotations on the production of tungsten and other thulium mining in 2006” (Guotuzifa [2006] No. 63) (關於國土資源部發布的《關於下達2006年鎢礦和稀土礦開採總量控制指標的通知》) (國土資發[2006] 63號)), the annual quota for exploitation of tungsten concentrate in the PRC was set at 59,060 tonnes for 2006.

The NDRC issued “The access qualifications for tungsten industry” 《鎢行業准入條件》 in December 22, 2006. According to the notice, from January 1, 2007, new build, rebuild and extended build programs for tungsten refining and processing should comply with the access qualifications. Existing refining and processing enterprises should meet over time the access qualifications according to the optimizing and upgrading demands of the industry structure. The NDRC will promulgate the periodic catalogue of enterprises which meet the demands of access qualifications. Enterprises which fall short of the access qualifications cannot obtain the export-supplying qualification, product-export licenses, or import licenses for scrap containing tungsten. According to the notice, the access qualifications for tungsten industry also apply to the enterprises which produce other semi-finished products of tungsten refining.

### Foreign investment

In accordance with the “Guidelines for Foreign Investment Business (Amendment 2004)” promulgated by the NDRC and the MOFCOM, the exploration and exploitation of tungsten, tin, antimony, molybdenum, barite and fluorite is classified as limited foreign investment business and restricted to Sino-foreign joint ventures and partnerships.



### Export

According to notices promulgated by the PRC Government in recent years, export tax refunds on certain goods were canceled, including ferromolybdenum, ferrotungsten, ferr-silico-tungsten, molybdenum oxide, molybdenum ore, molybdenum concentrate, tungsten powder, unwrought tungsten, wrought tungsten bars, wrought tungsten rods and profile, unwrought molybdenum, molybdenum waste and scrap, and molybdenum powder. These goods are also listed in the catalogues of goods banned in the processing trade and are subject to import tariffs and related tariffs.

According to the Category of Goods Administered under Export Licenses in 2007 (《2007年出口許可證管理貨物目錄》) issued by MOFCOM and the General Ministry of Customs on December 22, 2006, exports of roasted molybdenum ore, roasted molybdenum concentrate (i.e. molybdenum oxide), molybdenum ore and concentrate (excluding roasted concentrate), molybdenum powder, unwrought molybdenum (including bars and rods simply by sintering), molybdenum waste and scrap, molybdenum products, ferromolybdenum and molybdenum oxide and hydroxide shall be subject to export license regulations, and exports of tungsten and tungsten products shall be subject to export quota license regulations and State-run trade regulation from January 1, 2007.

Pursuant to the Category of Goods Administered under Export Licenses in 2007 (《2007年出口許可證管理貨物目錄》), promulgated by MOFCOM and the Ministry of Customs on December 22, 2006, exports of molybdenum-related products are subject to export license regulations, and exports of tungsten and tungsten products are subject to export quota license regulations from January 1, 2007. The issuance of export licenses for molybdenum-related products is based on “one license for each batch” (“一批一證”), which means that each export license can only be used once at the customs within the term of its validity, which is usually six months. On March 28, 2007, the MOFCOM issued a notice seeking to further tighten control over the exports of molybdenum-related products by shortening the term of validity of export licenses to 30 days, which means exporters will need to apply for a new export license if they fail to export the relevant products within the 30-day term of validity under any existing export license. We have been in full compliance with the relevant regulations and have received all required export licenses for our exports of molybdenum-related products since January 1, 2007.

Pursuant to the Application Standards and Procedures of Export Licenses for Indium and Molybdenum (《銻、鉬出口許可證申請標準和申報程序》), promulgated by MOFCOM on March 9, 2007, the export licenses for molybdenum-related products producers shall be determined by the MOFCOM based on a number of criteria including, among others, volume of production and export during the past three years (with priority given to integrated producers with an extended product chain and a focus on downstream processing), quality qualification, operating and energy consumption efficiency and environmental certification. Based on the criteria described above, and taking into account the fact that we are a leading integrated molybdenum producer in China with large-scale, world class integrated mining and processing facilities complying with PRC environmental laws and regulations in all material aspects, our Directors believe that we will not encounter any difficulties in obtaining export licenses in the future when needed for the export of our molybdenum-related products.

According to the Notice on Adjusting the Interim Import and Export Tariff Rate of Certain Commodities (《關於調整部分商品進出口暫定稅率的通知》) issued by the Tariff Regulations Committee of the State Council (國務院關稅稅則委員會) on October 27, 2006, exports of roasted molybdenum ore, roasted molybdenum concentrate (i.e. molybdenum oxide), molybdenum ore and concentrate (excluding roasted concentrate) and ferromolybdenum shall be taxed at a rate of 10% from

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November 1, 2006. According to the “General Administration of Customs No. 75, 2006 Bulletin — Adjustment of the import and export tax items and tax rates from January 1, 2007” 《海關總署公告二零零六年第七十五號 — 由二零零七年一月一日起調整進口及出口稅目及稅率》， the temporary export tax rate of roasted molybdenum ore and concentrate, molybdenum ore and concentrate (excluding roasted concentrate) and ferromolybdenum is 10% in 2007; the temporary export tax rates of tungsten waste and scrap, molybdenum powder, unwrought molybdenum, and molybdenum waste and scrap in 2007 is 15%; the temporary export tax rate of tungsten trioxide, APT, tungsten carbide, tungsten powder, and unwrought tungsten is 5% in 2007; the temporary export tax rate of calx and residue containing mainly tungsten, ferrotungsten and ferro-silicotungsten is 10% in 2007. The export tax rate of tungsten ore and concentrate is 20% in 2007.

Recently, there has been market speculation that an export quota system will be imposed on the export of molybdenum products in the PRC in the near future. However, it remains uncertain as to whether or when such export quota system will be introduced and, if so, what form it will take. The impact of such export quota system, including the impact on market prices for molybdenum in the PRC and other parts of the world, if implemented, is unknown. We cannot assure you that our financial condition and results of operations would not be materially and adversely affected should such export quota system on molybdenum products be introduced and applied to molybdenum exporters such as us.

### **Environmental protection**

China has adopted extensive environmental laws and regulations, including on the exploitation and production of specialty metals, which have an impact on our operations. There are national and local standards applicable to land rehabilitation, reforestation, emissions control, discharges to surface and subsurface water and the generation, handling, storage, transportation, treatment and disposal of waste materials. To formulate national discharge limits, pursuant to the PRC Environmental Protection Law, the State Environmental Protection Administration of the PRC assessed the national environmental quality, economy and technical conditions. The PRC Government at provincial level and in the autonomous regions, and municipalities are able to formulate local standards on the discharge of pollutants for items not specified in the national standards. Local governments may subject polluting items included in the national standards to more stringent local standards. The local discharge standards should be reported to the State Environmental Protection Administration of the PRC. All enterprises are subject to the local discharge standards for discharging pollutants in those areas where local discharge standards apply.

The PRC Environmental Protection Law requires entities producing pollutants or other hazards to include environmental protection plans in their operations and to establish an environmental protection responsibility system. Such entities are required to adopt effective measures to control and prevent waste gases, waste water, waste residue, dust, malodorous gases, radioactive substances and noise, vibration, electromagnetic radiation produced in the course of production or other activities from polluting and damaging the environment.

Enterprises are required to register or file an environmental impact assessment with the local environmental protection bureau for approval before undertaking construction of any new production facility or major expansion or renovation of an existing production facility. The pollution control facilities should be designed, constructed and operated at the same time as the major facilities under construction. The construction project will not be permitted to commence operations unless the environmental protection administration department which approved the environmental impact assessment has determined the facilities are satisfactory.



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Any units that discharge pollutants, whether in the form of emissions, water, noise, or materials, must submit a pollutant discharge declaration statement detailing the amount, type, location and method of treatment. The local environmental protection bureau will determine an amount of discharge allowable under the law and will issue a pollutant discharge license for that amount of discharge subject to the payment of discharge fees. If an entity discharges more than what is permitted by the pollutant discharge license, the local environmental protection bureau can fine the entity up to several times the discharge fees payable and require the offending entity take measures to remedy the problem within a prescribed time frame, or failing which close its operations.

### *Land*

Under the PRC Law of Land Administration 《中華人民共和國土地管理法》, promulgated on June 25, 1986, and amended on December 29, 1988, August 29, 1998 and August 28, 2004, and the Land Rehabilitation Regulations 《土地復墾規定》, promulgated by the State Council on November 8, 1988 and effective January 1, 1989, if mining activities result in damage to arable land, grassland or forest, the mining operator must take measures to restore the land to a usable state within a prescribed time frame. The rehabilitated land must meet the rehabilitation standards, as required by law, and may only be re-used upon attaining satisfactory examination results following inspection by the land authorities and relevant industry administration authorities. Any entity or individual that fails to fulfill its rehabilitation obligations may be fined, required to pay rehabilitation fees and/or have its application for construction land use rights dismissed by the local bureau of land and resources.

Enterprises are responsible for land rehabilitation and for the payment of land compensation fees to entities which suffer losses arising from damage to State-owned land or land not requisitioned by the PRC Government. Land compensation fees may be payable in respect of damage to arable land, forest and other lands. Compensation fees for damage to arable land are calculated by reference to average annual agricultural production volume for the three years before the reduction in agricultural production occurred. Enterprises are required to pay compensation fees annually, based on the actual losses each year. The compensation period for land rehabilitation undertaken by collectively owned economic entities is determined on the basis of the reasonable rehabilitation period set out in the contract. Compensation fees payable for damage to other types of land are also calculated on the basis of these principles. Provinces, autonomous regions and municipalities may determine the standards of compensation for fixtures on the ground.

On December 12, 2006, MLR and NDRC issued the “Notice regarding Catalogue of land-use restricted programs (2006 edition) and Catalogue of forbidden land uses (2006 edition)” (Guotuzifa [2006] No. 296) 《關於發佈實施〈限制用地項目目錄(2006年本)〉和〈禁止用地項目目錄2006年本〉的通知》(國土資發[2006]296號), which applies to new extension and rebuilt construction programs. According to the notice, from the date of its issue, all levels of national land and resources administrations are forbidden to carry out relevant procedures for the construction programs listed in the forbidden catalogue. The exploration and refining programs of tungsten, molybdenum, stannum, stibium and thulium, and the production programs of stibium oxidation and lead-stannum solder (except for the reforming programs) are listed in the land-use forbidden catalogue. The application of the catalogue to the molybdenum and tungsten industries limits the ability of molybdenum and tungsten producers in the PRC, including ourselves, to construct new molybdenum and tungsten production facilities or to expand molybdenum and tungsten production outside the area for which land use rights have been granted.

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### *Forest*

Pursuant to the PRC Forest Law 《中華人民共和國森林法》 and the “Implementation Measures of the Forest Law 《中華人民共和國森林法實施條例》 and the Temporary Measures Regarding Payment of Reforestation Fees” 《森林植被恢復費徵收使用管理暫行辦法》, the occupation, requisition or temporary occupation of forest areas for the purposes of exploration and exploitation of mineral resources is subject to consent or approval of the forestry administration department above the county level. The relevant grantees are required to prepay reforestation fees to the forestry administration department above the county level. The reforestation fees are determined according to the investigation, planning, afforestation and cultivation costs of the reforestation of land not less than the area being occupied or requisitioned.

### *Discharge Fees*

Pursuant to the “Administrative Regulation on the Levy and Use of Discharge Fees” 《排污費徵收使用管理條例》 issued by the State Council on January 2, 2003 and effective July 1, 2003 and the “Measures for Administration of Levy of Discharge Fees 《排污費徵收標準管理辦法》, Administrative Regulations on Levy and Utilization of Discharge Fees” 《排污費資金收繳使用管理辦法》 jointly promulgated by the relevant government authorities, including the NDRC, the PRC State Administration of Environmental Protection and the Ministry of Finance of the PRC and effective July 1, 2003, any enterprises discharging pollutants directly to the environment are liable to pay discharge fees. The type and amount of discharge fees are determined by the environmental protection administration department of the local people’s government above the county level authorized by the PRC State Administration of Environmental Protection, which notifies the entities discharging pollutants of the type and amount of the discharge fees.

Entities discharging pollutants are required to pay discharge fees in compliance with the relevant environmental protection law, including Air Pollution Control Law, Marine Environment Protection Law, Water Pollution Control Law, Solid Waste Pollution Control Law and Noise Pollution Control Law.

The implementation of these laws and regulations impacts our business and adds to our operating costs and expenses.

### *Environmental Compliance Obligations*

Remedial measures under the PRC Environmental Protection Law and various environmental regulations include, among others, warnings, orders to carry out remedial actions within a prescribed period, orders to suspend production and operation, closure of business, and civil claims for losses suffered. Failure of compliance may result in production suspension, penalty, damages and may subject the responsible individuals to criminal liabilities for serious environmental pollution issues resulting in significant loss to private or public property, death or personal injury.