



利海資源

L'SEA RESOURCES

L'sea Resources International Holdings Limited

利海資源國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00195)

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2016

Environmental, Social & Governance Report

We hereby present the Environmental, Social & Governance (ESG) report of L'sea Resources International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2016.

We have a vision to become a mining operator who values our employees, shows concern for employees' welfare, cares about our business reputation and makes minimal adverse impact on the environment. We are committed to responsible mining with the three core values below:

- Provide a healthy and safe workplace
- Minimise adverse impact on the environment
- Engage and support the community



From the responses received during the stakeholder engagement process, the majority of stakeholders are not aware of the ESG performance of the Group. Through this first-year ESG report, we would like to disclose information on the sustainability practices to our stakeholders, and record ESG issues systematically as a reference for the continuous improvement in sustainability performance. It is worth noting that the regulations of Tasmania government for operating the mine are very strict; therefore, our policies and procedures on areas such as environment and safety are all well in place.

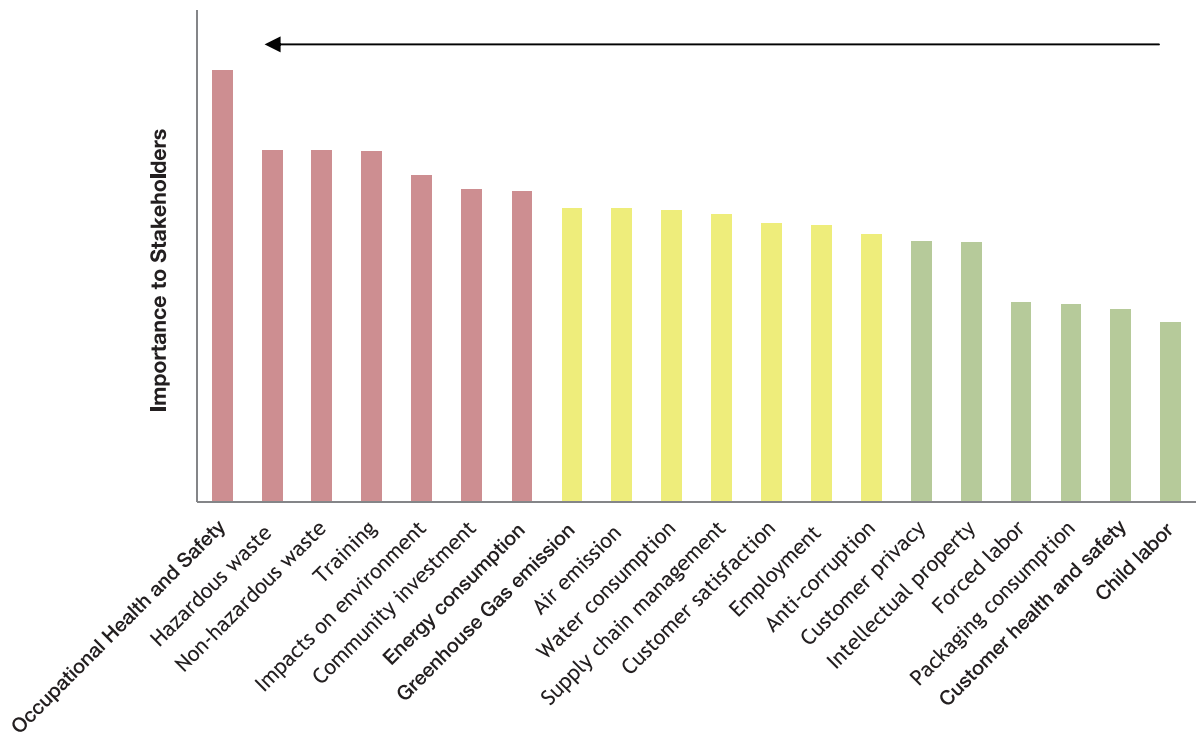
This ESG report was prepared according to Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited set by the Hong Kong Exchanges and Clearing Limited (HKEx), and the Group only made reference to the General Disclosures. The information covered focuses on the mining site in Australia, and includes offices in Hong Kong and Australia.

Environmental, Social & Governance Report (Continued)

STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

We value the opinions and views of our stakeholders. In order to understand their view on ESG and identify which specific issues are the most influential topics to the Group from the stakeholders' perspectives, an online questionnaire was launched. Throughout the process, opinions were collected from multiple fields of stakeholders, including board of directors, employees, suppliers and NGOs.

Stakeholders may determine the importance and relevance of each sustainability indicator to the Company's operations in the questionnaire containing a set of rating questions. From the collected results, a graph that revealed the most concerned ESG topics to the Company was plotted.



We have identified the most concerned ESG topics, which are aligned with our core values as a responsible miner. With the results in mind, we will continue to strive for excellence in our ESG performance and aim to improve our performance in future. Details of our efforts are presented in the later sections.

Environmental, Social & Governance Report (Continued)

OUR PEOPLE

People are the valuable assets to our operation. We therefore must attract and retain talents by providing a working environment that is safe and supportive to individual development of employees.

Workforce

Employment

Competitive remuneration packages are provided to attract and motivate our employees. Review is conducted regularly and the remuneration package is adjusted according to performance and personal ability.

The employees for mining operation are employed by Bluestone Mines Tasmania Joint Venture Pty Limited ("BMTJV") on behalf of YT Parksong Australia Holding Pty Limited and Bluestone Mines Tasmania Pty Limited. Employees are hired based on abilities, skills, qualifications and experiences, irrespective of races, colours, genders, ages, national origins, physical or other attributes. All employees of the mining operation are members of a state-managed retirement benefit scheme in Australia (Superannuation fund). Transportation and accommodation are also provided. To maintain a fair workplace, we strictly prohibit discrimination, harassment and bullying at workplace. An Employment Opportunity Complaint Procedure has been developed where channels are provided for employees to discuss relevant matters, which will be treated seriously and promptly, impartially and confidentially.

In Hong Kong, all employees are members of the Mandatory Provident Fund (MPF) Scheme as per the requirements of the Mandatory Provident Fund Schemes Ordinance. In addition to the statutory holidays, other leaves including paternity leave, marriage leave and grievance leave, are provided. We also arrange congratulatory gifts or cash bonus to employees on special occasions like wedding, newborn babies, birthdays, Lunar New Year and Mid-Autumn Festival.

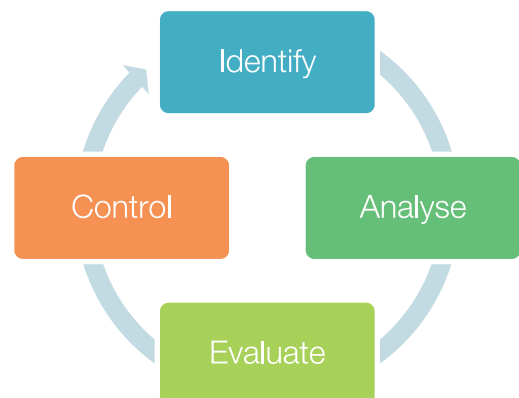
Development and Training

The Group values the development of employees and encourages employees to participate in development activities. Subsidies and supports are given to employees to take relevant courses related to work, as well as employment, and membership in professional organisations. For the mine operation, sufficient training is provided to ensure all employees acquire proper skills in their assigned tasks.

Health and Safety

A key focus for the mine operation is to ensure the safety and well-being of all persons associated with the operation. BMTJV has pledged to comply with all applicable laws, regulations and other health and safety obligations. We have implemented a set of policies to reduce risks and ensure the health and safety of workers.

Our risk assessment process is a continuous process which consists of 4 steps: identify, analyse, evaluate and control. This allow us to understand where our potential risks are, and formulate action plans to eliminate or minimise those risks, and thus provide a better workplace for our people. Training courses are provided regularly to relevant staff to maintain their level of knowledge required to determine appropriate risk treatment actions.



Environmental, Social & Governance Report (Continued)

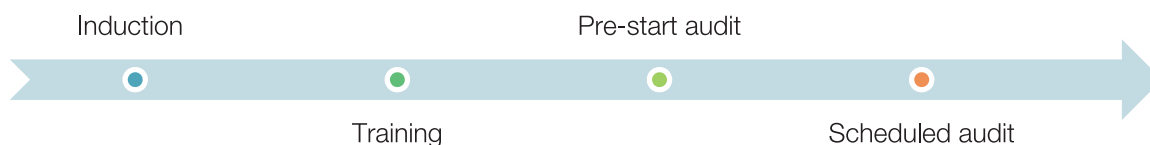
Various hazards are identified at the mining sites, for example, exposure to atmospheric contaminants and radiation, noise, environmental heat stress, ergonomic hazards and mental health hazards. Safety risk controls are reduced by the process of Elimination, Substitution, Engineering, Administrative Controls or by the use of Personal Protective Equipment (PPE). The following has been implemented to mitigate the impacts and maintain the wellness of our employees:

| Administrative Controls | Engineering Controls |
|--|--|
| <ul style="list-style-type: none">• Signages throughout the sites• Trainings• Health assessment and surveillance programs for designated employees before, during and after the employment• Competent professional services to support the health and wellbeing• Health monitoring/audiometric testing for personnel exposed to airborne contaminants/noise respectively• Full reimbursement for gym membership subscriptions | <ul style="list-style-type: none">• Hazards isolation, e.g. situating the biological effluent treatment plant in a remote location• Installation of:<ul style="list-style-type: none">• Dust suppression and extraction systems• Gas detection monitors• Ultraviolet water sanitisers• Underground ventilation management implementation |

We have also developed an emergency plan on how to respond to various emergency situations which may have adverse impacts on the company image, employees and contractors' safety and the environment. Potentials incidents are identified with detailed information, including what the threats are, how management should response, and other special instructions. The plan is reviewed at least twice annually to ensure it remains up-to-date.

Contractor safety

Apart from our employees, we also strive to ensure the safety of people working at our sites. All contractors must align with our Occupational Health and Safety (OHS) standards and develop an OHS management system based on a hazard analysis and risk assessment of their projects or operations. The OHS management system should include policies, objectives and performance goals for safety and environment, as well as clearly stated roles and responsibilities of staff. Contractors should also maintain a neat and safe working condition and provide safety clothing and medical equipment for their employees. We have developed a management procedure to ensure work safety of our contractors as illustrated below:



Prior to commencing work on-site, each contractor must attend induction and training courses, as well as prior audit to ensure all safety procedures and plans are in place. Audits are conducted on a scheduled basis after work commencement to review effectiveness of the implementation of the OHS management system, and we will provide contractors a corrective action plan in which they are required to rectify any issues within a required timeframe. The result of the audits is an important factor in the continuity of our relationship with the contractors.

Environmental, Social & Governance Report (Continued)

OUR ENVIRONMENT

As a responsible miner, we are committed to protecting the environment. Our Environmental Management System was developed based on local requirements and international environmental standards. The policy requires all on-site operations to comply with legal and other requirements. We set and review environmental objectives from time to time with a target to minimise our environmental footprints, and seek for continuous improvement. An environmental review is conducted annually to review the situation of the mine and monitor the progress of various environmental commitments.

We also encourage our employees to take the responsibility in identifying environmental issues, achieving the environmental objectives and improving the processes.

Energy and Greenhouse Gas Emission

Mining is an energy intensive industry; we therefore support good environmental practices and initiatives in relation to reduction of the use of energy, and hence reduce greenhouse gas (GHG) emissions.

As per the requirements under National Greenhouse and Energy Reporting Act 2007, the data regarding our GHG emissions and energy consumption of our mines are submitted annually to the Clean Energy Regulator. The major source of emission is from the Renison Bell Tin Mine, where electricity and diesel oil are used on-site for equipment and transportation. Various energy-saving measures including installations of LED lighting, timer-controlled fans and energy efficient electric motors have been implemented in the mining sites, in which we not only save energy costs, but also reduce our carbon emissions. In addition, we have posted reminders concerning water and energy conservation in staff accommodation buildings, and regularly monitored the power usage to identify any abnormal usage and address as necessary. As for the construction of the D Dam, minor GHG emissions were expected from the operation of machinery, and was mitigated as much as possible by the use of well-maintained machinery and vehicles.

At our office in Hong Kong, we also remind our staff to turn off all electrical appliances before leaving the office. We will continue to look for opportunities to reduce the energy used on-site and at the offices.

Waste Management

Waste management is considered as one of the material topics. Our policy requires all waste to be disposed of in a controlled manner that minimises health and environmental impact, and meets community expectations and statutory requirements. The waste management is reviewed regularly.

Hazardous waste

Miners are not allowed to dispose of hazardous materials, including chemicals used on-site, at the Renison Mine Landfill site and those materials must be disposed of by a licensed service provider. We ensure all employees are aware of what hazardous materials are on-site and their handling and disposal methods.

Non-Hazardous waste

During the mining activities, one of the major wastes generated is waste rock. The production site follows a “cut and fill mining operation”, in which rocks are removed and placed on the Waste Rock Holding Pad during the high development phase, and returned underground to be used as fillings during the low development phase. A policy is in place detailing the operation and facilities. In 2015, BMTJV has implemented new management of the waste rock stockpiles and used waste rock in the D Dam embankment construction to reduce waste generation.

Environmental, Social & Governance Report (Continued)

For other waste, we are committed to improving the recycling initiatives. Waste such as used oil, scrap metal, the drums and ink cartridges are recycled off-site, while vegetation waste and soil generated during the construction of the D Dam are reused wherever possible. Wastes that are non-recyclable are either disposed of on-site (e.g. landfill, tailing dams), or stored in suitable locations and collected by licensed contractors.

To further reduce waste generation, we have been studying the feasibility of separating metal tin and copper from Rentails tailings by using improved screening and washing technologies. If such separation is successful, this will also bring additional income to the Group.

Water Discharge

Quality control of water being discharged from the Renison Bell Tin Mine is always our concern as we do not wish to contaminate the rivers. A set of policies is implemented to monitor and control water discharge, and to ensure compliance with the requirements set by the Environmental Protection Notice (EPN).

We monitor the quality of the water we discharged as it leaves our site at various locations, namely dams, creek system, underground mine, processing plant, as well as tailing storage facility. Certain quality standards and requirements including pH, total suspended solids, sulphates and metals must be met, and reported to the government for continuous operation of the mine. We have also set targets of zero exceedance of EPN limits, and developed management plans to identify issues and formulated action plans within a timeframe to control the water quality.

In addition, generation of acid mine drainage (AMD) is considered as one of the most significant environmental issues in mining. To manage AMD, control measures such as effective use of low sulphur tailings and water covers are implemented.

Air Emission

Possible sources and types of airborne contaminants that are produced during the mining and processing procedures were identified, including respirable and inhalable dusts, diesel particulate matter and asbestos. We have implemented corresponding policies, including conducting risk assessments on potential impacts of air contamination, as well as monitoring the level of contaminants to make sure it does not exceed the level specified in the mining permit. The sites also have sufficient control facilities (e.g. dust suppression and extraction system, ventilation) to minimise the impacts on staff. Training courses are also provided to workers to ensure their awareness of potential air-emission-related risks.

Vegetation Rehabilitation and Weed Management

We acknowledge the nature of our mining activities, including exploration, mining and development of mines and infrastructure, will destroy native vegetation. As a responsible miner, we do want to minimise the impact on the environment and restore the used land to its natural state.

We are committed to controlling weeds on-site and will continuously improve weed management to minimise the impacts on native vegetation communities. A comprehensive Weed Management Plan has been developed and we will continuously monitor different areas to prevent weed outbreaks.

To revegetate cleared areas, we have developed rehabilitation plans for different domains of the Renison Mine. Rehabilitation plans are in place for construction and closure of a mine. For example, we implemented rehabilitation plans for the D Dam construction in 2016 in which some native vegetation communities were lost. Stakeholders are always involved throughout the life of a mine to ensure their expectations remain aligned with our plans.

Environmental, Social & Governance Report (Continued)

OUR COMMUNITY

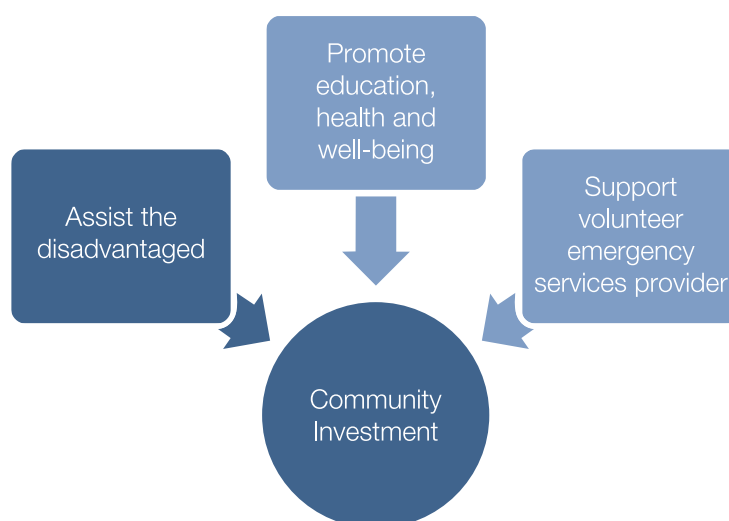
By upholding our commitment as a responsible miner, we improve local socio-economic conditions and build harmonious relationships with the communities in which we operate.

Local employment and business opportunity

We support the development of the West Coast of Tasmania. The workforce of Renison Bell Tin Mine is mainly locally employed. For the construction of the D Dam, our investments contribute to local labour markets. Raw materials required for construction are sourced within the area. We also hire a local small business to provide lunch service for our workers.

Community Investment

BMTJV has identified 3 focus areas for the community investment in the local area:



We continue to provide donations and sponsorships to different organisations, particularly those based along the West Coast of Tasmania. In 2016, we donated timber to a community organisation for fundraising and to under-privileged people with home heating needs. We also sponsored various community events over the year:

Fun Run and Walk in Strahan

- With the aim of promoting the maintaining of good health by the people in the West Coast communities, we provided monetary sponsorship to the event and encouraged our staff to participate in this event.

Queenstown Festival

- This is the major event which incorporates all of the West Coast communities and we provide monetary sponsorship every year. In 2016, we focused on the involvement and engagement of the youth in our communities. "We built this City" was an interactive event where all the local schools participated in building a city out of cardboard boxes employing the creative imagination of the youth and families also attended the festival.

Zeehan Gem and Minerals Fair

- A family event to connect the community and showcase the minerals and mining history of Tasmania. We provide monetary sponsorship to enable continuous running of the festival every year.

Environmental, Social & Governance Report (Continued)

HKEx ESG REPORTING GUIDE INDEX

| HKEx ESG Reporting Guide General Disclosures | Policies & Procedures | Explanation/Reference section |
|---|---|---|
| ASPECT A ENVIRONMENTAL | | |
| A1 Emission | | |
| Information on: | Environmental Policy Statement | Our Environment |
| — the policies; and | Waste Management Standard | |
| — compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, generation of hazardous and non-hazardous wastes, etc. | Operating Procedure | — Air Emission |
| | Waste Rock Management Plan | |
| | TSF Operations, Maintenance and Surveillance Manual | — Water Discharge |
| | Suspended Solids Management Plan | — Energy and Greenhouse Gas Emission |
| | Mining Hazard Management Plan | |
| | Airborne Contaminants | |
| | Hazardous Materials Management Standard Operating Procedure | — Waste Management |
| A2 Use of Resources | | |
| Policies on the efficient use of resources, including energy, water and other raw materials. | Environmental Policy Statement | Our Environment — Energy and Greenhouse Gas Emission |
| A3 The Environment and Natural Resources | | |
| Policies on minimizing the issuer's significant impact on the environment and natural resources. | Environmental Policy Statement | Our Environment — Vegetation Rehabilitation and Weed Management |
| | Hydrocarbon Management Standard Operating Procedure | |
| | Weed and Pathogen Management Plan | |
| ASPECT B SOCIAL | | |
| B1 Employment | | |
| Information on: | Company Rules and Regulations | Our People — Workforce |
| — the policies; and | Recruitment Selection and Commencement Procedure | |
| — compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare. | Equal Employment Opportunity Guidelines | |
| | Performance Appraisal | |

Environmental, Social & Governance Report (Continued)

| HKEx ESG Reporting Guide General Disclosures | Policies & Procedures | Explanation/Reference section |
|---|---|--|
| B2 Health and Safety | | |
| Information on: <ul style="list-style-type: none">— the policies; and— compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards. | Risk Management Procedure Health and Safety Policy Statement Occupational Health and Hygiene Procedure Emergency Management Plan | Our People — Health and Safety |
| B3 Development and Training | | |
| Policies on improving employees’ knowledge and skills for discharging duties at work. Description of training activities. | Company Rules and Regulations Training Policy Statement | Our People — Workforce |
| Training refers to vocational training. It may include internal and external courses paid by the employer. | | |
| B4 Labour Standard | | |
| Information on: <ul style="list-style-type: none">— the policies; and— compliance with relevant laws and regulations relating to preventing child or forced labour. | | The Group has complied with relevant rules and legislations on the age of people employed and forced labour in Hong Kong and Australia. |
| B5 Supply Chain Management | | |
| Policies on managing environmental and social risks of the supply chain. | Supply Procedure Contractor Selection Assessment | Not a material topic. |
| | | BMTJV only uses approved suppliers where current commercial agreements have been implemented. New suppliers can only be introduced if they offer significant advantages. |

Environmental, Social & Governance Report (Continued)

| HKEx ESG Reporting Guide General Disclosures | Policies & Procedures | Explanation/Reference section |
|---|--|---|
| B6 Product Responsibility | | |
| Information on: | Companies' rules and regulations | Not a material topic. |
| — the policies; and | Privacy Policy | |
| — compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress. | | The Group has only one customer, Yunnan Tin Australia TDK Resources Pty Limited, and we have just signed a 3-year contract with them. Penalty will be given for the impurity of tin. |
| | | Employees are prohibited from disclosing commercial/business information to third parties, including contracts signed with clients and clients' data. Any breach of the privacy policy is unacceptable and will be treated seriously. |
| B7 Anti-corruption | | |
| Information on: | Ethics Conduct for Purchasing | Not a material topic. |
| — the policies; and | Contract Personnel | |
| — compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering. | Companies' rules and regulations | Corruption is strictly prohibited. Employees are not allowed to offer any gifts/rewards to other parties, as well as accepting any offers of gifts/favours that might affect a procurement decision. |
| B8 Community Investment | | |
| Policies on community engagement to understand the community's needs where it operates and to ensure its activities take into consideration the communities' interests. | Bluestone Community Sponsorship and Donations Guidelines | Our Community |