China Polymetallic Mining Limited
中國多金屬礦業有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2133)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2012

FINANCIAL HIGHLIGHTS

- The Group's turnover amounted to approximately RMB157.3 million for the Review Period.
- The Group's gross profit for the Review Period amounted to approximately RMB126.2 million, representing a gross profit margin of 80.2%.
- The Group's net profit for the Review Period amounted to approximately RMB46.0 million, representing a net profit margin of 29.2%.
- The total comprehensive income attributable to the owners of the Company for the Review Period was approximately RMB45.3 million.
- The basic and diluted earnings per share attributable to ordinary owners of the Company amounted to approximately RMB2 cents for the Review Period.
- As at 30 June 2012, the balance of cash and cash equivalents was RMB515.1 million.
- The Board does not recommend the payment of an interim dividend for the Review Period.

The board (the "**Board**") of directors (the "**Directors**") of China Polymetallic Mining Limited (the "**Company**") is pleased to announce the unaudited interim condensed financial information of the Company and its subsidiaries (the "**Group**" or "**we**") for the six months ended 30 June 2012 (the "**Review Period**"), together with the comparative information for the corresponding period in 2011 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2012

		Six months ended 30 June	
		2012	2011
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	
REVENUE	*3*	**157,254**	—
Cost of sales		**(31,074)**	—
Gross profit		**126,180**	—
Other income and gains	*4*	**2,001**	4,439
Selling and distribution costs		**(778)**	—
Administrative expenses		**(51,938)**	(16,667)
Recognition of equity settled share-based payment		**—**	(233,000)
Other operating expenses		**(3,020)**	(1,248)
Finance costs	*5*	**(476)**	—
PROFIT/(LOSS) BEFORE TAX	*5*	**71,969**	(246,476)
Income tax (expense)/credit	*6*	**(26,019)**	847
PROFIT/(LOSS) FOR THE PERIOD AND TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		**45,950**	(245,629)
Attributable to:			
Owners of the Company		**45,266**	(245,356)
Non-controlling interests		**684**	(273)
		45,950	(245,629)
Earnings per share attributable to ordinary equity holders of the Company:			
— Basic and diluted	*7*	**RMB0.02**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

	Notes	As at 30 June 2012 RMB'000 (Unaudited)	As at 31 December 2011 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	8	**401,797**	311,345
Intangible assets	8	**472,955**	75,793
Prepaid land lease payments	8	**12,992**	13,126
Payments in advance	9	**62,302**	163,952
Prepayment and deposits	10	**39,934**	94,854
Deferred tax assets		**7,508**	3,820
Total non-current assets		**997,488**	662,890
CURRENT ASSETS			
Inventories		**7,603**	4,701
Trade receivables	11	**133,018**	20,304
Prepayments, deposits and other receivables	10	**91,894**	42,663
Cash and cash equivalents		**515,146**	870,311
Total current assets		**747,661**	937,979
CURRENT LIABILITIES			
Trade payables	12	**1,672**	4,523
Other payables and accruals		**136,004**	101,566
Tax payable		**40,803**	11,617
Interest-bearing bank loans	13	**10,000**	10,000
Total current liabilities		**188,479**	127,706
NET CURRENT ASSETS		**559,182**	810,273
Total assets less current liabilities		**1,556,670**	1,473,163
NON-CURRENT LIABILITIES			
Interest-bearing bank loans	13	**120,000**	120,000
Provision for rehabilitation		**12,654**	12,178
Total non-current liabilities		**132,654**	132,178
Net assets		**1,424,016**	1,340,985
EQUITY			
Equity attributable to owners of the Company			
Issued capital		**17**	17
Reserves		**1,388,895**	1,339,638
		1,388,912	1,339,655
Non-controlling interests		**35,104**	1,330
Total equity		**1,424,016**	1,340,985

USE OF NET PROCEEDS FROM THE INITIAL PUBLIC OFFERING ("IPO")

Use of proceeds	Net proceeds from the IPO	
	Available to utilise	**Utilised (up to 30 June 2012)**
	RMB million	*RMB million*
Financing activities relating to mine acquisitions	**485.4**	**221.60**
Financing ramp-up of the mining capacity and expansion of tailing storage facility of the Shizishan Mine	**145.6**	**69.40**
Financing activities relating to the Dazhupeng Mine and the Lushan Mine	**178.1**	**0.70**
	809.1	**291.7**

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. CORPORATE INFORMATION

China Polymetallic Mining Limited is a limited liability company incorporated in the Cayman Islands. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company's principal place of business in Hong Kong is Unit 4712, 47/F, The Center, 99 Queen's Road Central, Hong Kong.

During the Review Period, the Group was principally engaged in mining, ore processing and the sale of lead-zinc-silver concentrates. There were no significant changes in the nature of the Group's principal activities during the Review Period.

In the opinion of the Directors, the Company does not have an immediate holding company or ultimate holding company. Silver Lion Investment Holdings Limited is in a position to exercise significant influence over the Company.

2.1 BASIS OF PREPARATION

The unaudited interim condensed financial information for the Review Period has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting".

The unaudited interim condensed financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2011.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of this interim condensed financial information are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011, except for the adoption of amendments issued by the International Accounting Standards Board that are mandatory for annual periods beginning on or after 1 July 2011 and 1 January 2012. The adoption of these amendments has had no significant financial effect on the financial position or performance of the Group.

3. REVENUE AND OPERATING SEGMENT INFORMATION

Revenue, which is the Group's turnover, represents the net invoiced value of goods sold, net of various types of government surcharges.

The Group's revenue and contribution to profit were mainly derived from its sale of lead-silver concentrates and zinc-silver concentrates, which is regarded as a single reportable segment in a manner consistent with the way in which information is reported internally to the Group's senior management for purposes of resource allocation and performance assessment. In addition, the principal assets employed by the Group are located in Yunnan Province, the People's Republic of China (excluding, for the purpose of this interim report, Hong Kong, the Macau Special Administrative Region of PRC and Taiwan) (the "**PRC**" or "**China**" or "**Mainland China**"). Accordingly, no segment analysis is presented other than entity-wide disclosures.

Entity-wide disclosures

Information about products

The following table sets forth the total revenue derived from sales to external customers by product and the percentage of total revenue by product during the Review Period:

	For the six months ended 30 June			
	2012		2011	
	RMB'000	*%*	*RMB'000*	*%*
	(Unaudited)			
Lead-silver concentrates	**114,187**	**72.6**	—	—
Zinc-silver concentrates	**43,067**	**27.4**	—	—
	157,254	**100.0**	—	—

Geographical information

All external revenue of the Group during the Review Period was attributable to customers established in the PRC, the place of domicile of the Group's operating entities. The Group's non-current assets are all located in the PRC.

Information about major customers

Revenue derived from each of the major customers accounting for 10% or more of the total revenue is set out below:

	For the six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(Unaudited)	
Customer A	**108,348**	—
Customer B	**36,890**	—

4. OTHER INCOME AND GAINS

An analysis of other income and gains is as follows:

	For the six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(Unaudited)	
Sale of spare parts	**550**	—
Bank interest income	**1,451**	15
Foreign exchange gains, net	**—**	4,424
	2,001	4,439

5. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax was arrived at after charging/(crediting):

	For the six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(Unaudited)	
Cost of inventories sold	**31,074**	—
Interest on bank loans wholly repayable within five years	**5,261**	507
Unwinding of a discount	**476**	—
	5,737	507
Less: interest capitalised to property, plant and equipment *(note 8 (a))*	**(5,261)**	(507)
Finance costs	**476**	—
Employee benefit expense (including Directors' remuneration)*	**16,285**	234,801
Depreciation and amortisation *(note 8)*	**10,332**	638
Auditors' remuneration	**1,100**	23
Foreign exchange losses/(gains), net	**2,114**	(4,424)
Operating lease rentals in respect of:		
— Motor vehicles	**342**	80
— Office building	**687**	—

* Total employee benefit expense includes equity-settled share option expense of RMB3,991,000 for the Review Period and equity-settled share-based payment of RMB233,000,000 for the six months ended 30 June 2011.

6. INCOME TAX EXPENSE/(CREDIT)

The major components of income tax expense/(credit) were as follows:

	For the six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(Unaudited)	
Current — Mainland China		
Charge for the period	**29,707**	454
Underprovision in prior years	**—**	396
Deferred	**(3,688)**	(1,697)
Total tax charge/(credit) for the period	**26,019**	(847)

Notes:

(a) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

(b) No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the Review Period.

(c) The subsidiaries located in Mainland China are liable to PRC corporate income tax at a rate of 25% on the assessable profits generated for the Review Period.

Pursuant to the income tax rules and regulations in the PRC, a 10% withholding tax is levied on dividends declared to foreign investors from foreign investment enterprises established in the PRC effective from 1 January 2008.

According to the articles of association of Yingjiang County Kunrun Industry Company Limited ("**Kunrun**"), an operating subsidiary in Mainland China, shareholders of Kunrun have the ultimate power to decide Kunrun's dividend policy. Pursuant to the shareholders' resolution dated 27 July 2012, the net profit of Kunrun for the Review Period, after appropriations to the statuary reserve fund, would be used for business development of Kunrun and would not be distributed to its shareholders. As a result, no deferred tax liabilities relating to withholding tax on the distributable profits of Kunrun for the Review Period have been recorded.

7. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of earnings per share is based on the profit attributable to owners of the Company for the Review Period of RMB45,266,000, and the weighted average number of ordinary shares of 2,000,000,000 in issue during the Review Period.

No adjustment has been made to the basic earnings per share amount presented for the Period in respect of a dilution as the exercise price of the Company's outstanding share options was higher than the average market price for the Company's shares during the Period.

Loss per share information for the six months ended 30 June 2011 was not considered meaningful due to the group reorganisation, details of which were set out in the Company's prospectus dated 2 December 2011.

8. PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS AND PREPAID LAND LEASE PAYMENTS

Movements in property, plant and equipment, intangible assets and prepaid land lease payments during the Review Period are as follows:

	Property, plant and equipment *RMB'000* **(Unaudited)** ***(note (a))***	**Intangible assets** *RMB'000* **(Unaudited)** ***(note (b))***	**Prepaid land lease payments** *RMB'000* **(Unaudited)**
Carrying amount at 1 January 2012	**311,345**	**75,793**	**13,126**
Acquisition of subsidiaries *(note 18)*	**29,167**	**367,896**	**—**
Additions	**70,437**	**30,312**	**—**
Depreciation/amortisation charged for the period *(note 5)*	**(9,152)**	**(1,046)**	**(134)**
Carrying amount at 30 June 2012	**401,797**	**472,955**	**12,992**

Notes:

(a) Additions to property, plant and machinery during the Review Period include interest capitalised in respect of bank loans amounting to RMB5,261,000 (six months ended 30 June 2011: RMB507,000). The interest rate of borrowing costs capitalised was 7.98% (six months ended 30 June 2011: 7.68%) per annum.

As at 30 June 2012, the Group was in the process of obtaining the relevant building ownership certificates ("**BOCs**") for certain buildings with an aggregate net carrying amount of RMB193,235,000 (31 December 2011: RMB147,745,000). The Group's buildings can be sold, transferred or mortgaged when the relevant BOCs have been obtained.

(b) As at 30 June 2012, the mining right to the Shizishan Mine with a net carrying amount of RMB71,503,000 (31 December 2011: RMB72,549,000) was pledged to secure the Group's bank loans *(note 13)*.

9. PAYMENTS IN ADVANCE

	30 June 2012 *RMB'000* **(Unaudited)**	31 December 2011 *RMB'000*
In respect of the purchase of:		
Prepaid land lease payments	**11,883**	3,785
Equity interests in a subsidiary	**40,000**	—
Exploration rights and assets	**3,983**	160,167
Property, plant and equipment	**6,436**	—
	62,302	163,952

10. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	**30 June 2012** *RMB'000* **(Unaudited)**	31 December 2011 *RMB'000*
Current portion:			
Prepayments in respect of:			
— purchase of inventories	*(a)*	**74,855**	38,136
— professional fees	*(b)*	**13,950**	—
— prepaid land lease payments to be amortised within one year		**270**	270
— Other prepayments		**896**	345
Deposits		**383**	44
Staff advances		**1,540**	1,868
Government grants receivable		**—**	2,000
		91,894	42,663
Non-current portion:			
Prepayment in respect of purchase of inventories	*(a)*	**38,764**	54,854
Deposit in respect of:			
— an option to acquire interests in an entity		**—**	40,000
— environment rehabilitation		**1,170**	—
		39,934	94,854
		131,828	137,517

Notes:

(a) The balance mainly represents prepayments of RMB111,772,000 (31 December 2011: RMB91,358,000) made to Xiangcaopo Mining Co., Ltd. ("**Xiangcaopo Mining**"), an independent third party supplier for tungsten and tin ores, of which the delivery is expected to commence in the second half of 2012. Mr. Li Jincheng, the sole owner of Xiangcaopo Mining, entered into an equity pledge agreement with the Group in June 2011, pursuant to which Mr. Li Jincheng pledged his entire equity interests in Xiangcaopo Mining to the Group.

(b) The balance represents professional fees prepaid to Salamanca Group Holdings Limited, which indirectly holds a 6.31% shareholding in the Company, for the provision of investor relations and consultancy services.

11. TRADE RECEIVABLES

An aged analysis of the trade receivables as at 30 June 2012 and 31 December 2011, based on the invoice date, is as follows:

	30 June 2012 *RMB'000* **(Unaudited)**	31 December 2011 *RMB'000*
Within 1 month	**81,062**	20,304
1 to 2 months	**32,535**	
2 to 3 months	**19,421**	—
	133,018	20,304

The Group temporally extended the credit term of the existing customers from one month in 2011 to three months from May 2012 to December 2012 given unfavorable market conditions. In the opinion of the Directors, no provision for impairment is necessary in respect of these balances as they are not past due under the extended credit term of three months. As at 30 June 2012, trade receivables are non-interest-bearing.

12. TRADE PAYABLES

An aged analysis of the trade payables as at 30 June 2012 and 31 December 2011, based on the invoice date, is as follows:

	30 June 2012 *RMB'000* **(Unaudited)**	31 December 2011 *RMB'000*
Within 1 month	**1,332**	2,232
1 to 2 months	**275**	1,117
2 to 3 months	**—**	426
Over 3 months	**65**	748
	1,672	4,523

Trade payables are non-interest-bearing and are normally settled on 30-day terms.

13. INTEREST-BEARING BANK LOANS

	30 June 2012 *RMB'000* **(Unaudited)**	31 December 2011 *RMB'000*
Secured bank loans and repayable:		
Within one year	**10,000**	10,000
In the second year	**120,000**	60,000
In the third year	**—**	60,000
	130,000	130,000
Portion classified as current liabilities	**(10,000)**	(10,000)
Non-current portion	**120,000**	120,000

The Group's bank loans are secured by the mortgage over the Group's mining right to the Shizishan Mine with a net carrying amount of RMB71,503,000 as at 30 June 2012 (31 December 2011: RMB72,549,000) *(note 8)*. As at 30 June 2012, all bank loans were denominated in RMB and bear interest at the fixed rate of 7.98% (31 December 2011: 7.83%) per annum.

14. SHARE OPTION SCHEME

The Company operates a share option scheme (the "**Share Option Scheme**") for the purpose of providing incentives and rewards to independent non-executive Directors. Each independent non-executive Director was upon listing of the Company granted options to purchase such number of the Company's shares having an aggregate value of US$2 million with the exercise price being the offer price of HK$2.22 per share, which shall vest, and upon vesting become exercisable in four equal tranches on the first, second, third and fourth anniversaries of the listing date (i.e. 14 December 2011). The Share Option Scheme was approved by the Company's shareholders on 14 December 2011 and, unless otherwise cancelled or amended, will remain in force for five years from that date.

The following share options were outstanding under the existing Share Option Scheme as at 30 June 2012:

Number of options	**Exercise price per share** *HK$*	**Exercise period**
10,540,536	2.22	From 14 December 2012 to 13 December 2016
10,540,542	2.22	From 14 December 2013 to 13 December 2016
10,540,542	2.22	From 14 December 2014 to 13 December 2016
10,540,542	2.22	From 14 December 2015 to 13 December 2016
42,162,162		

The fair value of the share options granted on 14 December 2011 was HK$19,626,000 (equivalent to approximately RMB15,953,000) or HK$0.47 each (equivalent to approximately RMB0.38 each), of which the Group recognised a share option expense of HK$4,898,000 (approximately RMB3,991,000) during the Review Period (six months ended 30 June 2011: not applicable).

The fair value of equity-settled share options granted on 14 December 2011 was estimated as at the date of grant, using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

Dividend yield (%)	1.83
Expected volatility (%)	63.65
Risk-free interest rate (%)	0.83

No other feature of the options granted was incorporated into the measurement of fair value.

As at 30 June 2012, the Company had 42,162,162 share options outstanding under the Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 42,162,162 additional shares of the Company and additional share capital of HK$422 and share premium of HK$93,599,578 (before issue expenses).

At the date of approval of this interim condensed financial information, the Company had 42,162,162 share options outstanding under the Share Option Scheme, which represented approximately 2.10% of the Company's shares in issue as at that date.

15. DIVIDENDS

At a meeting of the Board of Directors held on 28 August 2012, the Directors of the Company resolved not to pay an interim dividend to shareholders (six months ended 30 June 2011: not applicable).

16. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	30 June 2012 *RMB'000* **(Unaudited)**	31 December 2011 *RMB'000*
Contracted, but not provided for:		
— Exploration and evaluation assets	**30,277**	320,671
— Acquisition of a subsidiary	**45,500**	—
— An option to acquire equity interests in an entity	**—**	105,000
— Property, plant and equipment	**76,104**	31,830
	151,881	457,501
Authorised, but not contracted for:		
— Exploration and evaluation assets	**280,573**	—
— Property, plant and equipment	**56,341**	92,280
	336,914	92,280
	488,795	549,781

17. RELATED PARTY TRANSACTIONS

(a) During the Review Period, the Group had no transactions with related parties.

(b) Compensation of key management personnel of the Group:

	For the six months ended 30 June	
	2012 *RMB'000* **(Unaudited)**	2011 *RMB'000*
Basic salaries and other benefits	**3,557**	1,949
Equity-settled share based payment	**—**	233,000
Equity-settled share option expense	**3,991**	—
Pension scheme contributions	**22**	23
	7,570	234,972

18. ACQUISITIONS

The acquisitions of Mang City Xing Di Mining Company Limited ("Dakuangshan Company") and Nujiang Shengjia Chengxin Industrial Company Ltd. ("Liziping Company") have been accounted for as asset acquisitions, as neither company had the attributions of a business. The identified assets and liabilities as at the respective dates of acquisition were as follows:

	Dakuangshan Company *RMB'000*	**Liziping Company** *RMB'000*	**Total** *RMB'000*
Property, plant and equipment *(note 8)*	28,731	436	29,167
Intangible assets *(note 8)*	161,986	205,910	367,896
Cash and bank balances	104	830	934
Inventories	1,314	—	1,314
Prepayments	166	—	166
Other payables	(31,190)	(37,377)	(68,567)
Non-controlling interests	(16,111)	(16,979)	(33,090)
Total identifiable net assets at fair value	145,000	152,820	297,820

An analysis of the cash flows in respect of the acquisition of subsidiaries is as follows:

	Dakuangshan Company *RMB'000*	**Liziping Company** *RMB'000*	**Total** *RMB'000*
Cash consideration	145,000	152,820	297,820
Prepayment/deposit paid in 2011	(120,000)	(40,000)	(160,000)
Cash and bank balances acquired	(104)	(830)	(934)
Net outflow of cash and cash equivalents during the Review Period	24,896	111,990	136,886

19. EVENT AFTER THE REVIEW PERIOD

Pursuant to the Company's announcement dated 16 August 2012, the Group completed the acquisition of the Menghu Mine on 16 August 2012. The remaining consideration of RMB45.5 million for the acquisition of Meng La Chen Teng Mining Development Company Limited ("Menghu Company") was paid by the Group at the same day.

20. APPROVAL OF THE INTERIM CONDENSED FINANCIAL INFORMATION

The interim condensed financial information for the Review Period was approved and authorised for issue by the Board of Directors on 29 August 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

The Company is one of China's leading silver, lead and zinc mining companies and was the first non-ferrous pure mining company listed on the main board of the Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange"). The Company confines its operations to "upstream" mining and processing of minerals and does not engage in smelting and refining given the abundant third party smelting and refining operations that are already present in Yunnan Province.

MARKET REVIEW

Notwithstanding current depressed metal prices during the Review Period, the Company continues to grow production and increase recoveries at the Shizishan Mine. The Company is encouraged by the fact that the Chinese Government continues to promote the development of the PRC's western region as a significant mineral producing province. The Company has been adversely affected by lower metal prices during the Review Period but has continued to expand production, to grow revenues and manage costs effectively. The Company has also worked to enlarge its portfolio of mining properties in Yunnan Province by acquiring premier mining assets at favorable prices, in order to build the Company's project pipeline to deliver long term growth and returns for its shareholders and key stakeholders.

The "Twelfth Five-Year Plan" and favourable state policies for the development of the mining industry, including the China Western Development Program, indicate the potential for domestic demand for non-ferrous metals to remain stable. As at 30 January 2012, the Ministry of Industry and Information Technology of the PRC officially promulgated the "Development Plan of Non-ferrous Metal Industries under the Twelfth Five-Year Plan" in an effort to encourage the structural adjustment and industrial transformation and upgrading of the non-ferrous metal industry. This policy aims to see the annual growth rate of economic value added by the industry to exceed 10% and the quality and efficiency of industrial development in this sector improve significantly. In particular, the targeted annual growth rates of the production volumes of lead and zinc are set at 5.2% and 6.9%, respectively. As the dominant player in the region this is expected to materially benefit the Company.

In addition, the Ministry of Industry and Information Technology of the PRC also issued the "Lead Battery Industry Entry Requirements" on 11 May 2012, which are effective from 1 July 2012. These requirements contain conditions relating to the production capacity of enterprises (amongst many other conditions) and it is believed this will encourage many enterprises to rapidly expand output and therefore its demand for lead.

The PRC remains a net importer of lead and zinc concentrates. According to the General Administration of Customs of the PRC, the accumulated import volume of lead concentrates for the first half of 2012 amounted to 757.6 kilotons ("kt"), and the accumulated import volume of zinc concentrates for the first half of 2012 amounted to 922.0 kt.

For the first half year of 2012, the prices of lead and zinc declined following the high level achieved in February. Having benefited from macro-economic stimulus policies adopted by the PRC government and the demand for bulk commodities in the future, the outlook for lead and zinc remains stable in the long run. Leveraging our low-cost operating structure and the breadth of experience of our management team, we are well-positioned to cope with the price fluctuation of non-ferrous metals and to navigate the global economic slowdown.

OPERATING RESULTS OF THE SHIZISHAN MINE

The following table summarises the operational mining and processing data of the Shizishan Mine, which was our sole operating mine during the Review Period:

						2012			
	Items	**Unit**	**January**	**February**	**March**	**April**	**May**	**June**	**Total**
ROM Ore	Mined	kt	4.97	14.45	8.33	22.03	30.98	33.91	114.67
	Working days	days	10	22	9	24	29	28	122
	Average output	t/d	497	657	925	918	1,068	1,211	940
	Processed	kt	2.54	16.05	9.28	18.50	29.37	39.34	115.08
Feed Grade	Lead	%	2.8%	6.1%	6.4%	6.8%	6.7%	6.8%	6.5%
	Zinc	%	5.4%	5.2%	5.6%	5.7%	5.8%	5.8%	5.7%
	Silver	g/t	52	102	109	118	127	145	125

Recovery	Lead	%	82.0%	85.5%	85.6%	86.3%	86.6%	86.3%	86.2%
	Zinc	%	87.8%	85.6%	85.8%	86.1%	86.5%	86.9%	86.5%
	Silver	%	83.1%	87.4%	85.8%	85.5%	85.4%	86.8%	86.2%
Concentrate Grade	Lead	%	53.4%	55.1%	56.0%	55.3%	54.7%	53.1%	54.3%
	Zinc	%	48.2%	50.9%	48.6%	48.3%	48.1%	49.3%	48.9%
	Silver in lead concentrate	g/t	889	878	867	857	899	1,033	935
	Silver in zinc concentrate	g/t	48	73	88	95	123	123	108
Concentrate Tonnes	Lead-silver concentrate	t	110	1,515	907	1,968	3,126	4,324	11,950
	Zinc-silver concentrate	t	251	1,393	916	1,889	3,073	4,010	11,532
Metal Contained in Concentrate	Lead	t	59	835	508	1,088	1,710	2,294	6,494
	Zinc	t	121	709	445	912	1,477	1,976	5,640
	Silver in lead concentrate	kg	98	1,330	787	1,687	2,809	4,464	11,175
	Silver in zinc concentrate	kg	12	101	80	179	377	492	1,241

Note: t/d: tonne/day g/t: gram/tonne; t: tonnes; kg: kilogram

During the Review Period, the Company has increased production capacity from 840 tonnes per day (tpd) in December 2011 to 1,211 tpd in June 2012, representing an increase of 44%. Total production volumes of lead-silver concentrates and zinc-silver concentrates were approximately 12.0 kt and 11.5 kt respectively, containing 6.5 kt of lead, 5.6 kt of zinc and 12,416 kg of silver. The Company believes that the full planned mining tonnage of 2,000 tpd will be achieved by the end of 2012. Current mining activities are still exploiting the edges of the main orebody at the Shizishan Mine where management believes grades of concentrates are lower than the orebody as a whole.

In line with the growth of mining capacity of the Shizishan Mine, unit production cost decreased as compared to that in 2011. The details of comparison of unit production cost are set forth in the following table:

	2011 Realised RMB	**2012 01-06 Realised RMB**	**Variance RMB**
Total cash cost per tonne of ore processed	410	241	(169)
Total production cost per tonne of ore processed	508	330	(178)
Total cash cost per tonne of concentrate	2,442	1,181	(1,261)
Total production cost per tonne of concentrate	3,025	1,617	(1,408)

CAPITAL EXPENDITURE OF THE SHIZISHAN MINE

Capital expenditure for the Shizishan Mine for the periods indicated below was as follows (RMB million):

	23 April 2009 to 31 December 2009	2010	2011	2012 January to June	Total
Mining	6.0	34.7	64.7	40.7	146.1
Mining Infrastructure	0.3	0.3	30.1	39.8	70.5
Mining Right and Exploration	5.7	34.4	34.6	0.9	75.6
Processing	1.3	48.7	92.2	3.4	145.6
Processing Factory and Equipment	0.3	40.0	77.5	3.4	121.2
Tailing Storage Facilities	1.0	8.7	14.7	—	24.4
Land Use Right & Building	—	7.2	22.4	0.8	30.4
Total	**7.3**	**90.6**	**179.3**	**44.9**	**322.1**

OTHER MINERAL RESOURCES

Dazhupeng Mine

Dazhupeng Mine, owned by our Group, is a lead-zinc silver polymetallic mine with an exploration permit valid for three years to April 2014. In line with the Group's exploration plan, preliminary exploration has been completed and the exploration drilling activities at the Dazhupeng Mine will commence in the fourth quarter of 2012. The total estimated exploration expenditure for the Dazhupeng Mine is RMB30.1 million, and we also estimated to spend RMB195.0 million for the development of the Dazhupeng Mine.

Lushan Mine

The Lushan Mine, owned by Xiangcaopo Mining, an independent third party, is a tungsten-tin polymetallic mine. We entered into an exclusive ore supply agreement with Xiangcaopo Mining and its owner, Mr. Li Jincheng on 31 December 2010. Under the current agreement, Xiangcaopo Mining will start providing polymetallic tungsten-tin raw ore by the end of 2012, and we plan to build a new gravity-selection processing line with designed daily processing capacity of 1,000 tpd to process the ore from the Lushan Mine. It will be constructed in two phases with daily capacity of 500 tpd each. The construction work of the first phase of the new gravity-selection processing line will be completed by in the first quarter of 2013, and the construction work of the second phase is planned to be completed in the second quarter of 2013. As at 30 June 2012, a total expenditure of RMB1.3 million has been incurred, in relation to the processing line. We estimate we will incur a total of RMB20.5 million for the new gravity-selection processing line.

ACQUIRED MINES

Dakuangshan Mine

On 20 April 2012, the Company exercised the option to purchase 90% of the equity interest in Dakuangshan Company. The consideration for the acquisition was RMB145 million based on the estimated resources of lead and zinc metals of the Dakuangshan Mine. The Dakuangshan Mine is a lead-zinc-silver polymetallic mine located approximately 100 kilometers ("km") away from the Shizishan Mine. The mining permit of the Dakuangshan Mine covers an area of 1.56 square kilometers ("sq.km."), and is valid for eight years from 9 March 2012 until 9 March 2020.

According to the geologist report issued by the Sichuan Province Geological Group dated 11 April 2012, the estimated indicated and inferred lead-zinc resources of the Dakuangshan Mine in accordance with Chinese standard are as follows:

	Contained Metal Resources			Grade		
	Lead (kt)	Zinc (kt)	Silver (t)	Lead (%)	Zinc (%)	Silver (g/t)
Indicated and Inferred	118.3	228.8	216.64	2.69	5.2	54.16

We plan to continue to conduct exploration to further identify the resources available and renovate and upgrade the existing mining and processing facilities of the Dakuangshan Mine to increase its mining and processing capacity. Currently, the existing mining and processing capacity is 500 tpd and 100 tpd, respectively, and we plan to expand its mining and processing capacity to 600 tpd by the end of 2012. As at 30 June 2012, we have invested a total of RMB62.7 million in capital expenditure on exploration and renovation of mining infrastructure and processing facilities. We plan to incur a total of RMB130.4 million for the exploration and construction of the Dakuangshan Mine. Please refer to the Company's announcement on 20 April 2012 for more details.

Liziping Mine

On 18 May 2012, the Company acquired 90% of the equity interest in the Liziping Company for a total consideration of RMB152.82 million. Liziping Mine is a lead-zinc-silver polymetallic mine located approximately 700 km away from the Shizishan Mine in Yunnan Province, and covers an area of 18.29 sq. km.

The Liziping Company engaged the Regional Geological Survey Team of the Sichuan Bureau of Geological Exploration of Mineral Resources (四川省地質礦產勘查開發局川西北地質隊), an independent third party exploration entity, to conduct exploration at the Liziping Mine in July 2011. So far, an area of approximately 4 sq. km. has been explored and a geologist report based on such exploration activities was issued on 12 May 2012. A summary of the estimated resources in accordance with Chinese standard in the aforesaid is as follows:

	Contained Metal Resources				Grade			
	Lead (kt)	Zinc (kt)	Copper (kt)	Silver (t)	Lead (%)	Zinc (%)	Copper (%)	Silver (g/t)
Indicated	23.1	41.5	7.7	120.56	3.81	4.83	0.99	123.4
Inferred	73.5	99.8	18.5	276.7	12.45	2.9	0.78	278.78

The above resources represent an area of 4 sq. km. out of a total 18.29 sq. km. under the exploration permit. Based on the technical due diligence performed by the Group's experts, we believe that there is potential for a large resource base. We are continuing the exploration activities, which are expected to be completed by the third quarter of 2012. We plan to commence construction of the processing and other ancillary facilities for the Liziping Mine in the second quarter of 2013 and commence trial production in the fourth quarter of 2013. As at 30 June 2012, the total capital expenditure on the exploration was RMB37.0 million. We plan to incur a total of RMB405.0 million for the exploration and development of the Liziping Mine. Please refer to the Company's announcement on 18 May 2012 for more details.

Menghu Mine

On 2 March 2012, the Group entered into a share transfer agreement to acquire 90% of the equity interest in the Menghu Company for a total consideration of RMB85.5 million. The transation was completed on 16 August 2012.

Menghu Mine is a high-grade lead mine located in Meng La County Yunnan Province. It conducts upstream operations in the exploration and mining of primarily high-grade oxidized lead ore. It is estimated that the total resources within the mining permit to are approximately 135,000 tonnes of lead and that the lead grade is approximately 30%.

The Company has implemented the program for further exploration of the mine and the development of mining tunnels with an estimated capital expenditure of RMB25.0 million. Please refer to the Company's announcements dated 5 March 2012, 6 March 2012 and 16 August 2012 for further details.

FINANCIAL REVIEW

Revenue

For the Review Period, the Group's revenue was approximately RMB157.3 million, arising from the sales of lead-silver concentrates and zinc-silver concentrates. The Group commenced selling concentrates produced from commercial production in November 2011. During the Review Period, the sales volume of lead-silver concentrates and zinc-silver concentrates were 11,933 t and 11,522 t respectively, and the turnover was RMB114.2 million and RMB43.1 million respectively, representing the average selling price of RMB9,570 per tonne for lead-silver concentrates and RMB3,741 per tonne for zinc-silver concentrates.

Cost of sales

For the Review Period, the cost of sales was approximately RMB31.1 million accounting for 19.8% of revenue. The cost of sales mainly comprises mining subcontracting fees, ancillary material costs, utilities, depreciation and amortization, and resource taxes.

Gross profit and gross profit margin

The gross profit for the Review Period was RMB126.2 million and the gross profit margin was 80.2%.

Administrative expenses

For the Review Period, administrative costs were approximately RMB51.9 million, primarily comprising of managerial staff costs, professional consulting fees, office administrative fees and other expenses.

Recognition of equity-settled share-based payment

No one-time equity-settled share-based payments were incurred during the Review Period.

Other expenses

For the Review Period, other expenses were approximately RMB3.0 million including foreign exchange losses of RMB2.1 million arising from bank balances denominated in Hong Kong dollar ("HK$") and United States dollar ("US$") as a result of the appreciation of RMB against HK$ and US$.

Income tax expense

For the Review Period, income tax expenses were approximately RMB26.0 million, which was primarily due to taxable profit generated by our PRC subsidiaries during the Review Period.

Total comprehensive income/(loss) for the Review Period

The total comprehensive income for the Review Period increased by RMB291.6 million from a total comprehensive loss of approximately RMB245.6 million for the six months ended 30 June 2011 to a total comprehensive income of approximately RMB46.0 million for the Review Period.

Total comprehensive income/(loss) attributable to owners of the Company

The total comprehensive income attributable to the owners of the Company increased by RMB290.7 million from a total comprehensive loss attributable to owners of the Company of approximately RMB245.4 million for the six months ended 30 June 2011 to total comprehensive income attributable to owners of the Company of approximately RMB45.3 million for the Review Period.

Interim dividend

The Board does not recommend the payment of an interim dividend for the Review Period. The distributable profit generated by our PRC subsidiaries will be used to operate and expand the Group's business, primarily through production ramp-up and selective acquisitions.

Liquidity and capital resources

The following sets out the information in relation to our Group's consolidated condensed statement of cash flows for the Review Period and the six months ended 30 June 2011:

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
Cash Flows From Operating Activities		
Profit/(loss) before tax	**71,969**	(246,476)
Non-cash adjustments	**16,859**	229,214
Increase in inventories	**(681)**	(1,126)
Increase in prepayments, deposits and other receivables	**(12,341)**	(4,292)
Increase in trade receivables	**(112,714)**	—
Decrease in trade payables	**(2,851)**	—
Increase in other payables and accruals	**21,848**	4,905
Prepayment to Xiangcaopo Mining	**(20,629)**	(14,989)
Income tax paid	**(521)**	(396)
Net cash flows used in operating activities	**(39,061)**	(33,160)
Cash Flows From Investing Activities		
Purchase of items of property, plant and equipment	**(69,362)**	(73,835)
Purchase of intangible assets	**(200,699)**	(29,086)
Payment in advance for purchase of land use rights	**—**	(6,380)
Payment in advance for purchase of a mining right	**(43,983)**	—
Payment in advance for purchase of an exploration right	**—**	(70,000)
Net cash flows used in investing activities	**(314,044)**	(179,301)
Cash Flows From Financing Activities		
Increase in an amount due to the immediate holding company	**—**	336,959
Proceeds from bank loans	**—**	62,000
Acquisition of non-controlling interest in a subsidiary	**—**	(6,160)
Net cash flows from financing activities	**—**	392,799
Net Increase/(Decrease) In Cash And Cash Equivalents	**(353,105)**	180,338

Inventories

The inventories increased from approximately RMB4.7 million as at 31 December 2011 to approximately RMB7.6 million as at 30 June 2012, primarily due to the raw ore mined from the Dakuangshan Mine during the excavation work.

Trade receivables

The trade receivables increased from approximately RMB20.3 million as at 31 December 2011 to approximately RMB133.0 million as at 30 June 2012, primarily due to the significant increase in sales during the Review Period.

Trade and other payables

The Group's trade and other payables increased by RMB31.6 million, from approximately RMB106.1 million as at 31 December 2011 to approximately RMB137.7 million as at 30 June 2012, primarily due to (i) an increase in payable for value added tax as a result of the increase in sales for the Review Period of RMB32.8 million and (ii) an increase in payables in relation to exploration activities at the Dakuangshan Mine and the Liziping Mine aggregated to RMB26.6 million. The increase was partially offset by (i) the decrease in payable related to property, plant, and equipment of RMB18.5 million in connection with the construction of mining site and processing facilities at the Shizishan Mine and (ii) the decrease in professional fees with respect to the Group's listing of RMB9.6 million.

Analysis of net current assets position

The Group's net current assets position decreased by RMB251.1 million, primarily due to the acquisition of the Dakuangshan Company and the Liziping Company as well as the proposed acquisition of the Menghu Company.

Borrowings

There was no change in borrowings as at 30 June 2012 as compared to the balance as at 31 December 2011.

Contingent liabilities

As at 30 June 2012, we did not have any material contingent liabilities or guarantees.

Pledge of assets

As at 30 June 2012, other than the mortgages relating to the mining right of the Shizishan Mine, we did not have any pledges or charges on assets.

Foreign currency risk

Our Group's businesses are located in the PRC and most of the transactions are conducted in RMB. Most of the Group's assets and liabilities are denominated in RMB, except a small portion of net proceeds from listing which are denominated in HK$.

As RMB is not freely convertible, we are subject to the risk of possible actions taken by the PRC government. Such actions may have material adverse effect to our net assets, gains and any dividends declared (if such dividends shall be converted or translated to foreign currency). We did not carry out any activities to hedge the foreign currency risk.

Interest rate risk

Our revenue and operating cash flow will not be affected significantly by the interest rates in the market. Other than cash and cash equivalents, we do not have any material interest-bearing assets. We manage the interest rate exposure arising from our interest-bearing loan through the use of fixed interest rates. We have not used any interest rate swaps to hedge the Group's exposure to interest rate risk.

Contractual obligations

As at 30 June 2012, our contractual obligations amounted to approximately RMB151.9 million, and decreased by RMB305.6 million, primarily due to the completion of the acquisition of the Dakuangshan Company and the Liziping Company.

Capital expenditure

The particulars of our capital expenditure for the Review Period are as follows:

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
Property, plant and equipment	**69,362**	73,835
Intangible assets	**244,682**	99,086
Prepaid Land lease payment	**—**	6,380
Total	**314,044**	179,301

During the Review Period, capital expenditures included (i) expenditure of RMB69.4 million in connection with the construction of mining and tailing storage facilities at the Shizishan Mine, (ii) expenditure of RMB32.8 million for the purchase of the exploration right to the Liziping Mine, (iii) additional capital expenditure of RMB101.0 million for the purchase of the mining right to the Dakuangshan Mine, (iv) a prepayment for the purchase of the mining right to the Menghu Mine, and the exploration costs for the Menghu Mine of RMB40.0 million and RMB4.0 million respectively, and (v) expenditure in respect of the exploration and mine construction costs for the Dakuangshan Mine and the Liziping Mine of RMB32.1 million and RMB35.7 million respectively.

Financial instruments

We did not have any outstanding hedge contracts or financial derivative instruments for the Review Period.

Gearing ratio

Gearing ratio is calculated by net debt divided by total equity plus net debt. Net debt is defined as interest-bearing bank loans, net of cash and bank balances and it excludes liabilities incurred for working capital purposes. Equity includes equity attributable to the owners of the Company and non-controlling interests. As at 30 June 2012, the Group's cash and bank balances exceeded the total interest-bearing bank loans. As such, no gearing ratio as at 30 June 2012 was presented.

Employee and remuneration policy

As at 30 June 2012, the Group had a total of 354 full time employees (31 December 2011: 253 employees), including 71 management and administrative staff, 182 production staff and 101 operation supporting staff. For the Review Period, the staff cost (including Directors' remuneration in the form of salaries and other benefits) was approximately RMB16.3 million which included the equity-settled share option expense of RMB4.0 million (six months ended 30 June 2011: RMB234.8 million, which included the one-off equity-settled share-based payment of RMB233.0 million).

Based on individual performance, a competitive remuneration package is offered to retain employees including salaries, medical insurance, discretionary bonuses, and other benefits as well as state-managed retirement benefit schemes for employees in the PRC. The Group has also adopted a share option scheme for its independent non-executive Directors.

OCCUPATIONAL HEALTH AND SAFETY

No accidents or claims relating to personal injury or property damage were reported to our management and we believe that we complied with all relevant PRC laws and regulations regarding occupational health and safety in all material respects during the Review Period and as at the date of this announcement.

ENVIRONMENTAL PROTECTION AND LAND REHABILITATION

No environmental claims, lawsuits, penalties or administrative sanctions were reported to management and we believe that we were in compliance with all relevant PRC laws and regulations regarding environmental protection and land rehabilitation in all material respects during the Review Period and as at the date of this announcement. As at 30 June 2012, the Group has accrued RMB12.7 million for the rehabilitation of the Shizishan Mine.

OTHER INFORMATION AND CORPORATE GOVERNANCE

Purchase, Sale or Redemption of the Company's Listed Shares

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed shares during the Review Period.

Corporate Governance

The Board and the management of the Company are committed to the maintenance of good corporate governance practices and procedures. The corporate governance principles of the Company emphasize a quality Board, sound internal controls, and transparency and accountability to all shareholders. In the opinion of the Directors, the Company has applied the principles and complied with all code provisions and, where applicable, the recommended best practices of the Code on Corporate Governance Practices from 1 January 2012 to 31 March 2012 and the Corporate Governance Code from 1 April to 30 June 2012 (the "**CG Code**") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

Induction and Continuing Development of Directors

Mr. Lee Kenneth Jue, the new Board member (who was appointed as a non-executive Director of the Company effective on 15 April 2012) has received formal, comprehensive and tailored induction on the first occasion of his appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors are continually updated on developments in the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities. A briefing on updates on "Hong Kong Corporate Governance Practices" has been arranged for the Board in June 2012.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the "**Model Code**") as its own code of conduct for dealing in securities of the Company by the Directors. The Company has also established "Employees Written Guidelines" on no less exacting terms than the Model Code for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company.

Having made specific enquiry, the Company confirmed that all members of the Board and the executive Directorate complied with the Model Code throughout the Review Period. Senior managers, executives and staff who, because of their offices in the Company, are likely to be in possession of an unpublished price-sensitive information, have been requested to comply with the provision of the Model Code. No incident of non-compliance with the Employees Written Guidelines by the employees was noted by the Company.

Directors' Interests in Contracts

As at 30 June 2012, none of the Directors had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party during the same period.

Review of Interim Condensed Financial Information

The external auditors have reviewed the interim condensed financial information for the Review Period in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

The Audit Committee together with the management of the Company has reviewed the accounting policies and practices adopted by the Group and discussed, among other things, internal controls and financial reporting matters including a review of the interim report for the Review Period.

Publication of Interim Report

This interim results announcement is published on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (www.chinapolymetallic.com), and the interim report of the Company for the Review Period containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and made available on the same websites in due course.

By order of the Board of
China Polymetallic Mining Limited
Ran Xiaochuan
Chairman

Hong Kong, 29 August, 2012

As of the date of this announcement, the executive Directors are Mr. Ran Xiaochuan, Mr. Zhu Xiaolin, Mr. Huang Wei, Mr. Wang Fahai, Mr. Wu Wei and Mr. Zhao Shaohua; the non-executive Directors are Mr. Lee Kenneth Jue and Mr. Shi Xiangdong; and the independent non-executive Directors are Mr. Keith Wayne Abell, Mr. Christopher Michael Casey, Mr. Richard Wingate Edward Charlton, Mr. William Beckwith Hayden, Mr. Maarten Albert Kelder and Mr. Miu Edward Kwok Chi.