Wanguo International Mining Group Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3939)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2014

RESULTS HIGHLIGHT:

- Revenue decreased by 35.3% to approximately RMB84.0 million
- Gross profit decreased by 50.1% to approximately RMB34.3 million
- Gross profit margin was approximately 40.8%
- Net profit margin was approximately 8.0%
- Profit and total comprehensive income for the six months ended 30 June 2014 (or referred to as the "reporting period") attributable to owners of the Company decreased by 81.2% to approximately RMB6.7 million
- Basic earnings per share was RMB0.01 (Six months ended 30 June 2013: RMB0.06)

Note: Compared to the six months ended 30 June 2013

INTERIM RESULTS

The board of directors (the "Board") of Wanguo International Mining Group Limited (the "Company") is pleased to announce the following unaudited interim results of the Company and its subsidiaries (collectively referred to as the "Group" or "We") for the six months ended 30 June 2014 together with comparative figures for the corresponding period in 2013.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 30 June 2014

		Six months ended 30 June	
		2014	2013
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*3*	**84,046**	129,857
Cost of sales		**(49,706)**	(61,184)
Gross profit		**34,340**	68,673
Other income		**761**	6,696
Other gains and losses		**1,964**	(9,698)
Selling and distribution expenses		**(1,161)**	(1,510)
Administrative expenses		**(17,284)**	(16,069)
Fair value gain on derivative financial instruments		**–**	10,039
Finance costs	*4*	**(6,389)**	(5,814)
Profit before tax		**12,231**	52,317
Income tax expense	*5*	**(5,557)**	(16,743)
Profit and total comprehensive income for the period	*6*	**6,674**	35,574
Earnings per share			
Basic (RMB cents)	*8*	**1**	6

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2014

	Notes	**30.6.2014** **RMB'000** **(Unaudited)**	31.12.2013 *RMB'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**321,059**	290,465
Mining right		**8,412**	8,620
Evaluation and exploration assets		**9,252**	8,894
Prepaid lease payments		**28,382**	28,635
Deposit for acquisition of land use rights		**29,891**	29,891
Deposit for purchase of property, plant and equipment		**12,104**	10,931
Deposit for acquisition of a subsidiary		**9,600**	9,600
Deferred tax assets		**2,265**	2,242
Restricted bank balance		**2,421**	2,348
		423,386	391,626
CURRENT ASSETS			
Prepaid lease payments		**629**	629
Inventories		**28,089**	13,930
Trade and other receivables	*9*	**19,597**	10,887
Structured deposit		**11,090**	–
Pledged bank deposits		**33,000**	–
Bank balances and cash			
— cash and cash equivalents		**3,508**	133,447
— other bank deposits		**200**	–
		96,113	158,893
CURRENT LIABILITIES			
Trade and other payables	*10*	**25,548**	34,767
Tax payable		**1,716**	17,754
Consideration payable to a former non-controlling shareholder of a subsidiary		**19,330**	24,683
Secured bank borrowings		**40,512**	9,000
		87,106	86,204
NET CURRENT ASSETS		**9,007**	72,689
TOTAL ASSETS LESS CURRENT LIABILITIES		**432,393**	464,315

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2014

	30.6.2014	31.12.2013
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
NON-CURRENT LIABILITIES		
Secured bank borrowings	**18,000**	18,000
Consideration payable to a former non-controlling shareholder of a subsidiary	**139,053**	134,308
Deferred income	**15,881**	16,138
Deferred tax liabilities	**1,993**	1,500
Provision	**2,420**	2,197
	177,347	172,143
CAPITAL AND RESERVES		
Share capital	**48,955**	48,955
Reserves	**206,091**	243,217
Equity attributable to owners of the Company	**255,046**	292,172
	432,393	464,315

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values, as appropriate.

The accounting policies and method of computation used in the condensed consolidated financial statements for the six months ended 30 June 2014 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2013.

In the current interim period, the Group has applied, for the first time, the following new Interpretation and amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements:

- Amendments to HKFRS 10, HKFRS 12 and HKAS 27 *Investment Entities*;
- Amendments to HKAS 32 *Offsetting Financial Assets and Financial Liabilities*;
- Amendments to HKAS 36 *Recoverable Amount Disclosures for Non-Financial Assets*;
- Amendments to HKAS 39 *Novation of Derivatives and Continuation of Hedge Accounting*;
- HK(IFRIC)–Int 21 *Levies*.

The application of the new or revised HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker ("CODM"), being the executive directors of the Company, in order to allocate resources to segments and to assess their performance.

The Group operates in and all revenue is generated from the People's Republic of China ("PRC"). The Group's non-current assets are also located in the PRC.

Revenue represents revenue arising on sales of processed concentrates which comprise copper, iron, zinc, sulfur, gold in copper concentrates, silver in copper and zinc concentrates. An analysis of the Group's revenue for the reporting period is as follows:

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Sales of processed concentrates	**84,046**	129,857

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — continued

4. FINANCE COSTS

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on bank borrowings wholly repayable within five years	**999**	1,204
Imputed interest expenses on consideration payable to a former non-controlling shareholder of a subsidiary	**5,392**	5,235
Total borrowing costs	**6,391**	6,439
Less: amount capitalised	**(2)**	(625)
	6,389	5,814

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax:		
PRC Enterprise Income Tax ("EIT")	**5,087**	15,203
Deferred tax:		
Current period	**470**	1,540
	5,557	16,743

No provision for Hong Kong Profits Tax has been made as the Group had no assessable profit subject to Hong Kong Profits Tax during the reporting period.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of EIT Law, the tax rate of the PRC subsidiary was 25% during the reporting period.

5. INCOME TAX EXPENSE — continued

The tax charge for the reporting period can be reconciled to the profit before tax per the condensed consolidated statement of profit or loss and other comprehensive income as follows:

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit before tax	**12,231**	52,317
Tax at the EIT rate of 25%	**3,058**	13,079
Tax effect of expenses not deductible for tax purpose	**2,668**	4,911
Tax effect of income not taxable for tax purpose	**(640)**	(2,801)
Withholding tax on distributable earnings of PRC subsidiary	**471**	1,554
Tax charge for the period	**5,557**	16,743

6. PROFIT FOR THE PERIOD

Profit for the period is arrived at after charging:

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Directors' and the chief executive's emoluments	**1,671**	1,680
Other staff costs	**12,050**	12,093
Retirement benefit scheme contributions, excluding those of directors and the chief executive	**484**	423
Total staff costs	**14,205**	14,196
Depreciation of property, plant and equipment	**8,655**	6,257
Amortisation of mining right	**208**	190
Release of prepaid lease payment	**253**	242
Total depreciation and amortisation	**9,116**	6,689
Cost of inventories recognised as an expense	**49,706**	61,184

7. DIVIDENDS

During the period, the Company recognised the following dividends as distribution:

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Final dividend for the year ended 31 December 2013 of RMB4.2 cents (2012: RMB3.6 cents) per share and a special dividend of RMB3.1 cents (2012: RMB3.1 cents) per share	**43,800**	40,200

No interim dividend is recommended by the board of directors of the Company for the six months ended 30 June 2014.

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the following data:

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings:		
Profit for the period attributable to owners of the Company for the purpose of basic earnings per share	**6,674**	35,574
Number of shares:		
Number of ordinary shares for the purpose of basic earnings per share (in thousands)	**600,000**	600,000

No diluted earnings per share are presented as there were no potential dilutive ordinary shares in issue during both periods.

9. TRADE AND OTHER RECEIVABLES

	30.6.2014	31.12.2013
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables	**18,338**	9,295
Prepayments	**999**	1,466
Other receivables	**260**	126
	1,259	1,592
Total	**19,597**	10,887

9. TRADE AND OTHER RECEIVABLES — continued

The Group grants a credit period of up to 60 days to its trade customers. The aged analysis of trade receivables presented based on the invoice dates at the end of the reporting period, which approximated the revenue recognition dates, is as follows:

	30.6.2014 ***RMB'000*** **(Unaudited)**	31.12.2013 *RMB'000* (Audited)
0–30 days	**1,440**	9,295
31–60 days	**2,356**	–
61–90 days	**14,542**	–
	18,338	9,295

10. TRADE AND OTHER PAYABLES

	30.6.2014 ***RMB'000*** **(Unaudited)**	31.12.2013 *RMB'000* (Audited)
Trade payables	**12,919**	6,878
Advance from customers	**3,033**	1,039
Value-added tax, resource tax and other tax payables	**2,942**	9,902
Accrued expenses	**4,071**	3,439
Other payables for construction in progress and property, plant and equipment	**2,583**	10,957
Other payables for evaluation and exploration assets	**–**	2,552
	12,629	27,889
	25,548	34,767

The aged analysis of trade payables, presented based on the invoice date at the end of the reporting period, is as follows:

	30.6.2014 ***RMB'000*** **(Unaudited)**	31.12.2013 *RMB'000* (Audited)
0–30 days	**9,998**	4,580
31–60 days	**2,626**	944
61–90 days	**12**	559
91–180 days	**120**	204
Over 180 days	**163**	591
	12,919	6,878

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group is principally engaged in the business of mining, ore processing and sale of concentrates products in the PRC.

Currently, we, through our wholly-owned subsidiaries, own the entire equity interest in Jiangxi Province Yifeng Wanguo Mining Company Limited ("Yifeng Wanguo") which in turn owns the Xinzhuang Copper, Lead, Zinc Mine (新莊銅鉛鋅礦), an operating mine located in Jiangxi Province, the PRC (the "Xinzhuang Mine") in which we conduct underground mining. The Xinzhuang Mine has a substantial volume of non-ferrous polymetallic mineral resources. Products of our Group primarily include copper concentrates, iron concentrates, zinc concentrates, sulfur concentrates as well as by-products of gold and silver.

Expansion Plan

We expect to complete our three-year development plan in the Xinzhuang Mine by increase in both mining capacity and processing capacity at 600,000 tonnes per annum ("tpa") by the end of 2014 from 500,000 tpa in 2013.

According to the Independent Technical Expert's Report in the prospectus of the Company dated 28 June 2012 (the "Prospectus"), the reserves at the Xinzhuang Mine were estimated to be sufficient for production at the planned long-term production rate of 600,000 tpa for approximately 31 years.

Expansion in Surrounding Areas

On 20 November 2012, Yifeng Wanguo entered into an exploration agreement (the "Exploration Agreement") with the Bureau of Geology and Mineral Exploration of Jiangxi Province (江西省地質礦產勘查開發局) (the "Jiangxi Geology Bureau") for the execution of exploration activities outside the planned mining area covered by current Xinzhuang Mine mining license.

The exploration campaign of drilling has been finished in end of 2013. It is expected that relevant exploration report will be available by end of 2014.

Financial Review

Revenue

The overall revenue decreased by 35.3% from approximately RMB129.9 million for the six months ended 30 June 2013 to RMB84.0 million for the six months ended 30 June 2014. The decrease was primarily attributable to the decrease in the average prices of our products as well as decrease in volume of concentrates produced.

For the six months ended 30 June 2014, we sold 913 tonnes of copper in copper concentrates, 37,684 tonnes of iron concentrates and 42,184 tonnes of sulfur concentrates, compared to 1,314 tonnes, 49,405 tonnes and 51,166 tonnes, respectively, for the six months ended 30 June 2013, representing a decrease of approximately 30.5%, 23.7% and 17.6% for copper in copper concentrates, iron concentrates and sulfur concentrates, respectively. The decrease was principally attributable to the decrease in production volume during the reporting period resulting from the temporary suspension of Concentrator No. 1 system since April 2014 for the purpose of upgrading and expanding its capacity under our expansion plan.

The average prices of copper in copper concentrates, iron concentrates and sulfur concentrates for the six months ended 30 June 2014 were approximately RMB34,762, RMB661 and RMB190 per tonne respectively, compared to approximately RMB40,543, RMB733 and RMB259 per tonne, respectively, for the six months ended 30 June 2013, representing a drop of approximately 14.3%, 9.8% and 26.6%, respectively. During the reporting period, the market prices of certain metals such as copper and iron were also on downward trend. The directors of the Company (the "Directors") believe that such decrease was mainly due to the economic slowdown in the PRC.

Cost of sales

Our cost of sales of concentrates decreased by approximately 18.8% from approximately RMB61.2 million for the six months ended 30 June 2013 to approximately RMB49.7 million for the six months ended 30 June 2014. Decrease in sales volume resulted in the decrease in cost of sales.

Gross profit and gross profit margin

The overall gross profit of our Group for the six months ended 30 June 2014 was approximately RMB34.3 million, which represents a decrease of approximately 50.1% compared to approximately RMB68.7 million for the six months ended 30 June 2013. Our overall gross profit margin decreased from approximately 52.9% for the six months ended 30 June 2013 to approximately 40.8% for the six months ended 30 June 2014. Such decrease was mainly attributable to the decline in the selling prices of the concentrates.

Other income

Our other income comprised mainly bank interest income of approximately RMB0.4 million and government grant and subsidy to Yifeng Wanguo in relation to the mining technology improvement of approximately RMB0.4 million for the six months ended 30 June 2014. Other income decreased by approximately RMB5.9 million compared with the corresponding period in 2013, which was attributable to the decrease in government grant and subsidy during the reporting period.

Other gains and losses

Our other gains and losses increased by approximately RMB11.7 million, which comprised mainly gain on investment in structured deposits of approximately RMB1.1 million and unrealised exchange gain of approximately RMB0.8 million as a result of appreciation of

Hong Kong dollars against Renminbi as at 30 June 2014. No unrealised exchange loss was incurred for the six months ended 30 June 2014 compared with an approximately RMB10.3 million of unrealised exchange loss arising from Australian dollars deposits against Renminbi incurred in the corresponding period last year.

Selling and distribution expenses

Our selling and distribution expenses decreased by approximately 20.0% from approximately RMB1.5 million for the six months ended 30 June 2013 to approximately RMB1.2 million for the six months ended 30 June 2014. The decrease was mainly attributable to the decrease in the railway and transportation fees of products to customers as a result of drop in the sales volume.

Administrative expenses

Our administrative expenses increased by approximately 7.5% from approximately RMB16.1 million for the six months ended 30 June 2013 to approximately RMB17.3 million for the six months ended 30 June 2014. The increase was principally attributable to the increase in depreciation, which was resulted from the completion of construction of new office building since the second half of 2013.

Fair value gain on derivative financial instruments

By end of 2013, all the forward foreign exchange contracts in respect of Australian dollars time deposits were matured and settled. As a result, no fair value gain on derivative financial instruments was incurred during the six months ended 30 June 2014.

Finance costs

Our finance costs increased by approximately 10.3% from approximately RMB5.8 million for the six months ended 30 June 2013 to approximately RMB6.4 million for the six months ended 30 June 2014, primarily due to the decreased in the capitalisation of interest expense resulting from the completion of construction of new staff quarter.

Income tax expense

Our income tax expense was approximately RMB5.6 million for the six months ended 30 June 2014, consisting of PRC corporate income tax payable of approximately RMB5.1 million and withholding tax payable of approximately RMB0.5 million. Our income tax expense was approximately RMB16.7 million for the six months ended 30 June 2013, consisting of PRC corporate income tax payable of approximately RMB15.2 million, withholding tax payable of approximately RMB1.6 million and less a deferred tax credit of approximately RMB0.1 million.

The decrease in our income tax expense for the six months ended 30 June 2014 was primarily due to the decrease in the PRC corporate income tax expenses as a result of decrease in operating profit.

Profit and total comprehensive income

As a result of the foregoing, our profit after taxation decreased by approximately 81.2%, or approximately RMB28.9 million, from approximately RMB35.6 million for the six months ended 30 June 2013 to approximately RMB6.7 million for the six months ended 30 June 2014. Our net profit margin decreased from approximately 27.4% for the six months ended 30 June 2013 to approximately 8.0% for the six months ended 30 June 2014 mainly due to the decrease in revenue.

Liquidity and financial resources

During the six months ended 30 June 2014, the Group's net cash used in operating activities was approximately RMB16.2 million (net cash from operating activities for the six months ended 30 June 2013: RMB44.1 million) and the Group's bank balances and cash was approximately RMB3.7 million as at 30 June 2014 (as at 31 December 2013: RMB133.4 million). Included in bank balances and cash, approximately RMB0.8 million (as at 31 December 2013: RMB0.5 million) were denominated in Hong Kong dollars and Australian dollars. Such drop was attributable to drop in revenue resulted from decrease in both selling prices and volumes of products sold, coupled with the increase in investments in fixed assets for current expansion plan.

The Group had a gearing ratio of approximately 41.8% (representing total bank borrowings and payables to former non-controlling shareholder of a subsidiary divided by total assets) as at 30 June 2014. The gearing ratio was approximately 33.8% as at 31 December 2013. The increase in gearing ratio was mainly attributable to the new bank borrowings of approximately RMB31.5 million for working capital purpose.

Capital expenditure

Capital expenditure mainly includes purchase of mining equipment, expansion of ore processing facilities, costs for constructing mining structures as well as office premises. For the six months ended 30 June 2014, capital expenditure of approximately RMB51.6 million has been incurred (for the six months ended 30 June 2013: RMB63.7 million).

Contractual obligations and capital commitment

As at 30 June 2014, the Group has entered into a non-cancellable operating lease with lease payable of approximately RMB0.3 million for certain of the Group's properties.

As at 30 June 2014, the Group's capital commitments amounted to approximately RMB248.3 million, and increased by approximately RMB227.5 million as compared to approximately RMB20.8 million as at 31 December 2013, which was primarily due to the contingent consideration payable to the vendors of Xizang Changdu County Dadi Mining Company Limited ("Xizang Changdu").

Contingent liabilities

As at 30 June 2014, the Group did not have any material contingent liabilities or guarantees.

Material acquisition and disposal

During the reporting period, the Group had no material acquisition and disposal of subsidiaries and associated companies.

Charge on group assets

As at 30 June 2014, the Group's mining rights with carrying value of approximately RMB8.4 million (31 December 2013: RMB8.6 million) were pledged to secure the Group's bank borrowings.

Exposure to fluctuations in exchange rates

The Group's businesses are located primarily in the PRC and most of the transactions are conducted in Renminbi. Except for certain Group's bank balance and cash which are denominated in Hong Kong dollars and Australian dollars, the majority of the Group's assets and liabilities are denominated in Renminbi.

As Renminbi fluctuates against Hong Kong dollars and Australian dollars in a limited extent during the reporting period, the Group had no material adverse exposure to foreign exchange fluctuations during the reporting period.

INTERIM DIVIDENDS

The Board did not recommend the payment of any interim dividends for the six months ended 30 June 2014.

SHARE OPTION SCHEME

During the reporting period, no share option was granted, exercised, expired or lapsed and there was no outstanding share option under the share option scheme.

HUMAN RESOURCES

As at 30 June 2014, the Group employed approximately 369 employees. Remuneration is determined and reviewed based on fair principles with reference to market conditions and individual performances.

The Group also provides other benefits to its employees in the People's Republic of China (the "PRC") including medical insurances and retirement benefits. The Group's employees in Hong Kong are also enrolled in the mandatory provident fund scheme.

PROSPECT

We intend to continue to grow our business into a leading copper and iron mining company in the PRC through the following major strategies.

Growing production at our mine and outsourcing our mining works

The scale of our production operation in the Xinzhuang Mine will continue to increase in the near future with targeted mining capacity and processing capacity both reaching 600,000 tpa by end of 2014. To minimise costs, we will continue to outsource our underground mining works to third-party contractors.

By end of March 2014, Yifeng Wanguo temporarily suspended the Concentrator No. 1 system which is one of our two concentrator systems in our processing plants at Xinzhuang Mine from April 2014 to July 2014 for the purpose of upgrading and expanding its capacity under our expansion plan. This resulted in substantial decrease in volume of our concentrates processed and revenue of the Group in the first half of 2014.

This situation was temporary as the Group has completed installation and testing in Concentrator No. 1 system on 20 August 2014. Yifeng Wanguo has already increased the volume of ores mined and reserved the unprocessed ores for new Concentrator No. 1 system to process thereafter. The Board expects that volume of processed ores in 2014 will continue to increase compared with that of 2013 by end of 2014.

Exploring additional mineral resources in our mine

According to the Independent Technical Expert's Report disclosed in Appendix V of the Prospectus, there is a potential to explore additional mineral resources at the Xinzhuang Mine. We plan to conduct exploration activities in the surrounding areas of the Xinzhuang Mine and to commercialise any mineral resources discovered as a result of our exploration activities.

Horizontal expansion through future acquisitions of new mines

We intend to expand our mineral resources and ore reserves through the acquisitions of new mines. We will consider and balance assessment criteria carefully in respect of our acquisition targets, in order to pursue acquisitions prudently with a view to further growing our business and maximising returns to the shareholders of the Company (the "Shareholders").

On 16 May 2014, Yifeng Wanguo and Taylor Investment International Limited ("HK Taylor"), both being the wholly-owned subsidiaries of the Company, entered into two equity transfer agreements ("Acquisition Agreement(s)") with Mr. Liu Dingbo, Mr. Yang Zhi and Mr. Wen Baolin (collectively referred as "Vendors") pursuant to which Yifeng Wanguo and HK Taylor have conditionally agreed to acquire and the Vendors have conditionally agreed to dispose of 51% equity interests in Xizang Changdu in the consideration of RMB239.7 million in aggregate.

The exploration right of Xizang Changdu covers an area for exploration of approximately 21.87 sq. km. As of the date of Acquisition Agreements, it had completed advanced exploration stage. The following table shows the estimated resources of Xizang Changdu under JORC code.

2014 Mineral Resources estimate
Grade Tonnage Reported above a Cut-off Grade of 2.5% Pb

Category	**Tonnes** *(Mt)*	**Grade** *(Pb %)*	**Ag** *(g/t)*	**Lead Metal** *(1,000t)*	**Silver Metal** *(1,000Kg)*
Indicated	6.70	4.64	63.34	311	424
Inferred	10.62	4.15	45.32	440	481
Totals	17.31	4.34	52.29	751	905

Xizang Changdu has not yet commenced any production. Pursuant to pre-feasibility report performed by Geology and Mineral Resource Company of Jiangxi Province (江西省地礦資源勘察開發有限公司), an independent professional mining consulting firm, it is expected to complete processing plants and commence production at Xizang Changdu within three years.

Since Xizang Changdu has substantial reserves of lead and silver, it is expected to be further exploited, and processing plants built upon completion by the Company and to contribute sales revenue and profits to the Group.

Possible Exploration Activities in Australia

On 11 July 2014, the Company had entered into a Memorandum of Understanding ("MOU") with Snow Peak Mining Pty Limited ("SPM"), a company incorporated in Australia as a limited liability company in December 2012, which holds extensive exploration tenure in North Queensland, Australia. Pursuant to the MOU, the Company shall perform Possible Exploration Activities (the "Possible Exploration Activities") in the Regional Project and the Near Mine Project. Both Regional Project and Near Mine Project are owned by SPM.

For the Regional Project, the Company will undertake a minimum of 150,000 metres of exploration drilling within three years in return for a stake in the Regional Project up to a maximum 50%. SPM will enter into a 50/50 joint venture with the Company in respect of the Regional Project provided that the Company (i) successfully reach an additional JORC Measured Resource of 20,000,000 tonnes at a minimum average grade of greater than 1% copper or greater than 10% zinc plus lead; or (ii) complete a minimum of 150,000 metres of exploration drilling at the Regional Project.

For the Near Mine Project, the Company will develop or upgrade a minimum of 200,000 tonnes per year to JORC Reserve category in return for a Net Smelter Royalty ("NSR") in respect of each separate deposit within the Near Mine Project in which a JORC Reserve is defined by the Company. The NSR payable to the Company will be 3% for the first 1,000,000 tonnes mined and processed from each deposit, and 1.5% thereafter.

As at the date of this report, the Company has been in the progress in negotiation of formal legally binding agreements between the Company and SPM.

The Board believed that the Possible Exploration Activities will result in further cooperation with SPM and expansion of our mineral resources and ore reserves in Australia, aiming at further growing our business and maximising returns to our Shareholders.

In second half of 2014, it is expected that economy of the world's developed countries will further recover, particularly in the United States of America. The pressure of economic slowdown in developing countries was enormous in the first half of 2014 while China has been in the progress of actively establishing policies for the purpose of stabilising economic growth. There are signs of favourable effects in the various tunning controls exercised by the PRC. It is expected that the economy in the second half of 2014 will rebound and the metal prices will also be increasing thereafter.

EXPLORATION, DEVELOPMENT AND MINING ACTIVITIES

Mineral exploration

For our current planned mining area, we have completed underground geological drilling of 5,979 m, with drill size of 60–90 mm for the six months ended 30 June 2014 and we have also finished tunnel drilling of 978.3 m, resulted in total tunnel drilling of 4,626.7 m.

For outside planned mining area, the Group entered into the Exploration Agreement with Jiangxi Geology Bureau to conduct exploration work outside the planned mining area in the Xinzhuang Mine within the boundary covered by the current mining licence held by the Group during 2012. By the end of 2013, Jiangxi Geology Bureau has finished the field exploration work. It has completed geological drilling of 7,211.46 m, with drill size of 75–146 mm and 15 drilling holes. It is expected that relevant exploration report will be available in the second half of 2014. For the six months ended 30 June 2014, the total expenditure of mineral exploration was approximately RMB2.9 million.

Development

During the six months ended 30 June 2014, the Group incurred development expenditure of approximately RMB48.7 million in respect of our expansion plan in the Xinzhuang Mine to 600,000 tpa as described in the Prospectus, mainly comprising:

(1) *Three new shafts' projects*

Ventilation shaft system:	Completion and in use
Main shaft system:	Completion of wellbore installation as well as construction of collar set at shaft mouth;
	8 drilling holes of preliminary site survey on shaft tower on the ground
Auxiliary shaft system:	Wellbore drilling to -510m level

(2) *Civil work projects*

We have completed main constructions and operation platform of grinding-floatation level. Large-scale ball-grinding mill and relevant floatation equipment have been installed as well as water supply and drainage system were properly installed.

Detailed breakdown of development expenditure is as follows:

	RMB' (million)
Mining structures	34.8
Office buildings	1.9
Machinery and electronic equipment for processing plants	11.8
Motor vehicles	0.2
	48.7

Mining activities

During the six months ended 30 June 2014, we processed a total of 201,385 tonnes of ore in the Xinzhuang Mine. The volume of our concentrates products sold were 913 tonnes, 37,684 tonnes, 1,201 tonnes, 42,184 tonnes, 22 kg, 1,637 kg and 562 kg for copper in copper concentrates, iron concentrates, zinc in zinc concentrates, sulfur concentrates, gold in copper concentrates, silver in copper concentrates and silver in zinc concentrates, respectively. During the six months ended 30 June 2014, the Group incurred expenditures for mining and processing activities of RMB42.5 million (30 June 2013: 34.7 million) and RMB16.8 million (30 June 2013: 19.3 million) respectively. The unit expenditures for mining and processing activities for the six months ended 30 June 2014 were RMB157.3/t (30 June 2013: RMB136.7/t) and RMB83.6/t (30 June 2013: RMB77.4/t) respectively.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance and has complied with all material code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the six months ended 30 June 2014, except for the deviations from code provision A.2.1 of the CG Code in respect of segregation of the roles of chairman and chief executive officer and code provision A.6.7 of the CG Code in respect of Directors' attendance in general meeting as mentioned below.

According to code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Gao Mingqing, in addition to his duties as the chairman of the Company, is also responsible for the strategic planning and overseeing all aspects of the Group's operations as the chief executive officer of the Company. This constitutes a deviation from code provision of the CG Code A.2.1. Mr. Gao Mingqing as one of the founders of the Group has extensive experience and knowledge in the core business of the Group and his duties for overseeing the Group's operations is clearly beneficial to the Group. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Group.

According to code provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors, as equal board members, should attend general meetings and develop a balanced understanding of the views of Shareholders.

Mr. Shen Peng, Mr. Qi Yang and Mr. Li Hongchang, our independent non-executive Directors, were unable to attend the annual general meeting of the Company held on 29 April 2014 (the "Annual General Meeting") due to conflict of their business schedules. Save as disclosed above, all other Directors were present at the Annual General Meeting.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted a code of conduct (the "Code of Conduct") regarding securities transactions by the Directors on terms no less than exacting than the required standard of dealings as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules. Having made specific enquiries with all Directors, all Directors have confirmed that they had complied with the Model Code and the required standard set out in the Code of Conduct during the six months ended 30 June 2014.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2014.

REVIEW OF ACCOUNTS BY THE AUDIT COMMITTEE

The audit committee of the Company ("Audit Committee") comprises four independent non-executive Directors, namely Mr. Shen Peng, Mr. Qi Yang, Dr. Lu Jian Zhong and Mr. Li Hongchang. The purpose of the establishment of the Audit Committee is for reviewing and supervising the financial reporting process and internal control of the Group. The Audit Committee has reviewed the unaudited financial results of the Group for the reporting period and considered that they were prepared in compliance with the relevant accounting standards, and that the Company has made appropriate disclosure thereof under the requirements of the Listing Rules.

The unaudited financial results of the Group for the six months ended 30 June 2014 have been reviewed by the auditors of the Company, Messrs. Deloitte Touche Tohmatsu.

PUBLICATION OF THE DETAILED INTERIM RESULTS AND INTERIM REPORT

The result announcement is published on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the Company's website at www.wgmine.com. The 2014 interim report of the Company containing all the information required by the Listing Rules will be dispatched to the Shareholders and published on the above websites in due course.

By the order of the Board
Wanguo International Mining Group Limited
Gao Mingqing
Chairman

Hong Kong, 22 August 2014

As at the date of this announcement, the Board comprises Mr. Gao Mingqing (Chairman), Ms. Gao Jinzhu, Mr. Xie Yaolin and Mr. Liu Zhichun as executive Directors; Mr. Li Kwok Ping, Mr. Lee Hung Yuen and Mr. Wen Baolin as non-executive Directors; and Dr. Lu Jian Zhong, Mr. Qi Yang, Mr. Shen Peng and Mr. Li Hongchang as independent non-executive Directors.