

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



China Vanadium Titano-Magnetite Mining Company Limited

中國鈇鈦磁鐵礦業有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00893)

ANNOUNCEMENT PURSUANT TO RULE 13.09 OF THE LISTING RULES REGARDING SUBSCRIPTION OF EXCHANGEABLE NOTE

This announcement is made pursuant to Rule 13.09 of the Listing Rules.

On 2 May 2011, the Investor, a direct wholly owned subsidiary of the Company, entered into the Secured Exchangeable Note Purchase Agreement with the Issuer, pursuant to which, the Issuer has conditionally agreed to issue and the Investor has conditionally agreed to subscribe for the Exchangeable Note in the Principal Amount of US\$20,000,000 (equivalent to approximately HK\$155,340,000). The Investor may make further subscription of the Exchangeable Note and thereby increasing the Principal Amount to a maximum of US\$50,000,000 (equivalent to approximately HK\$388,350,000) after payment of a further US\$30,000,000 (equivalent to approximately HK\$233,010,000) on or before 10 August 2011.

The subscription of the Exchangeable Note in the Principal Amount of US\$20,000,000 (equivalent to approximately HK\$155,340,000) does not constitute a transaction discloseable under Chapter 14 or 14A of the Listing Rules. In the event that the Company makes further subscription of the Exchangeable Note and thereby increasing the Principal Amount, the Company will issue further announcement as and when required in accordance with the Listing Rules.

THE SECURED EXCHANGEABLE NOTE PURCHASE AGREEMENT

Date: 2 May 2011

Parties:

The Investor : the Investor as the subscriber of the Exchangeable Note

The Issuer : the Issuer as the issuer of the Exchangeable Note

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the Issuer and its ultimate beneficial owner are third parties independent of the Company and connected persons of the Company.

Conditions Precedent

Completion is subject to fulfilment of the Condition Precedents including but not limited to the issuance of due diligence and legal opinion letters by counsels of the Target Group.

The Principal Amount

The Principal Amount of a minimum of US\$20,000,000 (equivalent to approximately HK\$155,340,000) shall be paid by the Investor to the Issuer in cash upon Completion.

The Principal Amount could be increased to a maximum of US\$50,000,000 (equivalent to approximately HK\$388,350,000) if the Investor pays a further sum of US\$30,000,000 (equivalent to approximately HK\$233,010,000) in full on or before 10 August 2011.

The Principal Amount will be funded by the Group's internal resources and/or debt financing.

The Principal Amount was determined after arm's length negotiation between the Investor and the Issuer with reference to, among other things, the iron ore resources held by the Target Group.

Completion

Completion shall take place on the fifth business day after the satisfaction (or waiver, as applicable) of all the Conditions Precedent or such other date as agreed by the Investor and the Issuer.

Principal Terms of the Exchangeable Note

Set out below are the principal terms of the Exchangeable Note:

| | | |
|---------------------|---|--|
| Principal Amount | : | a minimum of US\$20,000,000 (equivalent to approximately HK\$155,340,000) which could be increased to a maximum of US\$50,000,000 (equivalent to HK\$388,350,000) if the Investor pays to the Issuer a further sum of US\$30,000,000 (equivalent to approximately HK\$233,010,000) in full on or before 10 August 2011 |
| Final Maturity Date | : | the date falling 3 years after the Issue Date or such other later date agreed by the Investor and the Issuer |
| Yield to Maturity | : | (a) if the Exchangeable Note is redeemed on the Final Maturity Date, the Yield to Maturity shall be 20% per annum (b) if the Exchangeable Note is redeemed upon an event of default as defined in the Note Certificate, the Yield to Maturity shall be 25% per annum |
| Right to Exchange | : | a Noteholder shall be entitled to exchange all or some of the Exchangeable Note into shares of the Target Company upon presentation of an exchange notice at any time prior to the Final Maturity Date for a minority stake in the Target Company |

Mandatory Exchange : the Exchangeable Note shall be mandatorily exchanged into Exchange Shares upon the occurrence of an exchange event as set out in the Note Certificate prior to the Final Maturity Date, which includes qualified listing of the Target Company or qualified trade sale of substantially all business or assets of the Target Group

Redemption : all of the Exchangeable Note that has not been exchanged must be redeemed on the Final Maturity Date

the Exchangeable Note is also redeemable on the occurrence of an event of default as set out in the Note Certificate, for example (i) if the Issuer or any Target Group Company fails to pay any money payable by it under any of the Transaction Documents when due within five business days after the due date for payment; or (ii) a failure to comply with an undertaking given by the Issuer or any Target Group Company in connection with any of the Transaction Documents within the period specified in the undertaking, provided that such non-compliance continues unremedied for 15 business days; or (iii) the Target Group fails to obtain certain financing for the development of the Project; or (iv) if certain information with respect to the Target Iron Mine, for example its reserve, expected production capacity and production volume and capital expenditure for the development of the Project, as reported by an independent third party expert is different from those represented by the Issuer by a certain threshold as set out in the Note Certificate

The Issuer shall pay the Principal Amount plus the accrued Yield to Maturity to a Noteholder on the Redemption Date in US\$.

SECURITY DOCUMENTS

The obligations of each Target Group Company under the Secured Exchangeable Note Purchase Agreement, the Exchangeable Note and the Security Holders Agreement are secured by share charges over the shares of each Target Group Company.

The Security Documents will be entered into between the Issuer, the relevant Target Group Company and the Investor on or before Completion.

If the Target Group seeks financing for the development of the Project as contemplated under the Security Holders Agreement, the Investor shall, upon request of the Issuer, agree to amend its rights under the Security Documents to permit such financing including the transfer of the first right of priority over the charged collateral to the financing bank upon its request; proportionally sharing the charged collateral with any future equity investor; and consenting to the subordination of the Investor's rights in respect of such security interest in favour of the financing bank upon its request.

OTHER MATERIAL INFORMATION IN RELATION TO THE TRANSACTIONS

The following agreements will be entered into on or before Completion:

- (a) the Security Holders Agreement between the Investor, the Issuer and the Target Company in relation to the management of the Target Company;
- (b) the Security Documents;
- (c) the Production Management Framework Agreement between the Investor and the Issuer in relation to the management of the Project; and
- (d) the Iron Concentrate Sale and Purchase Agreement between the Investor and the Target Company in connection with the purchase by the Investor of iron concentrate of the Project for a period of up to the expiry of the mining service period of the Project, pursuant to which, among other things:
 - (i) subject to adjustments that the Investor may make to cancel or reduce the purchase quantity of the products by advance notice, the Investor shall purchase and the Target Company shall sell:
 - (1) for each of the 7 month period between 1 June 2012 and 31 December 2012 and the 12 month period between 1 January 2013 and 31 December 2013, a quantity equivalent to 20% of the production volume of iron concentrate from the Project for that calendar year or period; and
 - (2) for each year commencing from 2014, 2,000,000 wet metric tonnes of iron concentrate;
 - (ii) the Target Company undertakes that, for a period of 20 years from the date of the Iron Concentrate Sale and Purchase Agreement or for the mining service period of the Project, whichever is shorter, and so long as the Investor is interested, through its shareholding and/or convertible and/or exchangeable securities held by it, in 0.5% of the shares of the Target Company, it must not and must procure that its ultimate beneficial owner, each of the affiliates of the Target Company and each Target Group Company not to sell, directly or indirectly, any iron concentrate produced in Indonesia to any end customer of iron concentrate in the Southwestern and Northwestern Region of the PRC (save for a company in Guizhou Province specified in the Iron Concentrate Sale and Purchase Agreement), unless prior written consent has been obtained from the Investor; and
 - (iii) the Investor undertakes that, for a period of 20 years from the date of the Iron Concentrate Sale and Purchase Agreement or for the mining service period of the Project, whichever is shorter, it must not and must procure each member of the Group not to sell, directly or indirectly, any iron concentrate that it purchases from the Target Company under the Iron Concentrate Sale and Purchase Agreement to any end customer of iron concentrate, who during the 12-month period before the proposed sale purchased not less than 200,000 wet metric tonnes of iron concentrate from the Target Company or who has, before the proposed sale, entered into a trial contract with the Target Company which has a trial term of not more than 8 months and the trial contract is still being performed, outside the Southwestern and Northwestern Region of the PRC in the PRC, unless prior written consent has been obtained from the Target Company.

INFORMATION ON THE TARGET COMPANY

The Target Company is a company incorporated in the Cayman Islands and is principally engaged in investment holding. The Target Group is principally engaged in the exploration and development of the Target Iron Mine. Its mining operation has not begun. The Target Group plans to construct a production line with an annual production capacity of 10,000,000 tonnes of 58%-60% Iron (Fe) concentrates (calculated on a wet basis) and ancillary facilities by June 2012.

As at the date of this announcement, the Target Group is the owner of an Operational-Production Mining Business Licence, which allows the Target Group to conduct its iron sand business in area of 5,000 hectares of the Target Iron Mine. The Operational-Production Mining Business Licence was granted in July 2010 and is valid for 20 years during which 2 years are allowed for construction and 18 years for production. The Target Group is also the owner of an Exploration Mining Business Licence, which allows the Target Group to conduct exploration activities of iron sand in another area of 10,000 hectares of the Target Iron Mine. An extension for the Exploration Mining Business Licence was granted in July 2010 which extended the licence for a period of 8 years.

The Target Company was incorporated on 8 April 2011 and has not conducted any business save for investment holding.

INFORMATION ON THE GROUP

The Group owns and operates iron ore mines in Sichuan Province, the PRC. The ore in the Group's mine is vanadium bearing titano-magnetite ore which is used for producing iron ore products and titanium products. The Group is primarily engaged in mining, ore processing, iron pelletising and sales of iron concentrates, iron pellets and titanium concentrates.

INFORMATION ON THE ISSUER

The Issuer is a company incorporated in the BVI and is principally engaged in investment holding and is the legal and beneficial owner of all issued shares of the Target Company. The Issuer is a third party independent of the Company and its connected persons.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

The Directors believe that it is in the interest of the Group to explore other minerals-related business investment opportunities and strategic resources globally and outside the PRC. Pursuant to the Transaction Documents, the Target Company will appoint an international technical consultant, who shall be an independent third party expert to prepare a technical report in compliance with JORC standard demonstrating that, among other things:

- (a) the Target Iron Mine has JORC reserves of not less than 1.42 billion tonnes of Iron (Fe) ore at an average grade of 10% (Fe content) or better or 143 million tonnes of ore with an equivalent Fe content; and

- (b) by June 2012, the Target Group will have an annual production capacity of 10,000,000 tonnes of 58%-60% Iron (Fe) concentrates (calculated on a wet basis); the annual production volume will reach 4,000,000 tonnes of 58%-60% Iron (Fe) concentrates (calculated on a dry basis) in 2012; and the annual production will reach 9,000,000 tonnes of 58%-60% Iron (Fe) concentrates (calculated on a dry basis) in 2013; and
- (c) the Target Iron Mine will have competitive estimated operating costs and capital expenditure in operating the Project.

In addition, the Directors are of the view that the Transactions allow the Company to obtain a stable and substantial source of iron concentrates from a large scale high quality iron sand mine at a favourable price. Furthermore, through the cooperation with the Issuer and leveraging on the stable and economic source of supply of high quality iron concentrate from the Target Company, the Directors believe that the Transactions place the Group in a good position to jointly develop the vanadium bearing titano-magnetite ore market in the PRC, especially in the east coast of the PRC.

Based on the above, the Directors believe that the terms of the Transactions are fair and reasonable and in the interest of the Company as a whole.

GENERAL

The subscription of the Exchangeable Note in the Principal Amount of US\$20,000,000 (equivalent to HK\$155,340,000) does not constitute transactions discloseable under Chapter 14 or 14A of the Listing Rules.

In the event that the Company makes further subscription of the Exchangeable Note and thereby increasing the Principal Amount, the Company will issue further announcement as and when required in accordance with the Listing Rules.

DEFINITIONS

The following terms have the following meanings in this announcement unless the context otherwise requires:

| | |
|------------------------|--|
| “Board” | the board of Directors |
| “BVI” | British Virgin Islands |
| “Company” | China Vanadium Titano-Magnetite Mining Company Limited (中國鈮鈦磁鐵礦業有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange |
| “Completion” | completion of the issuance of the Exchangeable Note pursuant to the Secured Exchangeable Note Purchase Agreement |
| “Conditions Precedent” | the conditions precedent set out in the Secured Exchangeable Note Purchase Agreement |
| “connected person” | has the meaning ascribed to it under the Listing Rules |

| | |
|--|---|
| “Director(s)” | the director(s) of the Company |
| “Exchangeable Note” | the exchangeable note in the Principal Amount due 2014 to be issued by the Issuer in accordance with the Secured Exchangeable Note Purchase Agreement with its terms and conditions set out in the Note Certificate |
| “Exchange Shares” | ordinary shares of the Target Company to be transferred to a Noteholder upon the exercise of any right of exchange under the Exchangeable Note |
| “Final Maturity Date” | the date that falls 3 years after the Issue Date or such other later date agreed by the Issuer and the Investor |
| “Group” | the Company and its subsidiaries |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “Hong Kong” | the Hong Kong Special Administrative Region of the People’s Republic of China |
| “Indonesia” | the Republic of Indonesia |
| “Investor” | Sure Prime Limited, a company incorporated in the BVI with limited liability, being a direct wholly-owned subsidiary of the Company and the investor under the Secured Exchangeable Note Purchase Agreement |
| “Iron Concentrate Sale and Purchase Agreement” | the iron concentrate sale and purchase agreement between the Investor and the Target Company in connection with the purchase by the Investor of iron concentrate of the Project |
| “Issue Date” | the date on which the Exchangeable Note is issued |
| “Issuer” | a private company incorporated in the BVI with limited liability, being the issuer of the Exchangeable Note under the Secured Exchangeable Note Purchase Agreement and a third party independent of the Company and its connected persons |
| “JORC” | the Australasian Joint Ore Reserves Committee |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Note Certificate” | the note certificate of the Exchangeable Note with the terms and conditions of the Exchangeable Note set out therein |
| “Noteholder” | holder of the Exchangeable Note |
| “PRC” | the People’s Republic of China, not including Taiwan, Hong Kong and the Macau Special Administrative Region of the People’s Republic of China |

| | |
|---|--|
| “Principal Amount” | US\$20,000,000 (equivalent to approximately HK\$155,340,000) which could be increased to US\$50,000,000 (equivalent to approximately HK\$388,350,000) if the Investor pays a further sum of US\$30,000,000 (equivalent to approximately HK\$233,010,000) in full on or before 10 August 2011 |
| “Production Management Framework Agreement” | the production management framework agreement between the Investor and the Issuer in relation to the management of the Project |
| “Project” | the exploration and mining operation to be conducted by the Target Group in the Target Iron Mine in Java, Indonesia |
| “Redemption Date” | the date on which the Exchangeable Note is redeemed in accordance with the Note Certificate, being the Final Maturity Date or the date for redemption specified in the relevant redemption notice |
| “Reorganisation” | the transfer of the entire issued share capital of a subsidiary of the Issuer to the Target Company and the issuance of ordinary shares by another subsidiary of the Issuer, representing 99.9% of its issued share capital, to the Target Company |
| “Secured Exchangeable Note Purchase Agreement” | the secured exchangeable note purchase agreement dated 2 May 2011 entered into between the Investor and the Issuer pursuant to which the Issuer has conditionally agreed to issue and the Investor has conditionally agreed to subscribe the Exchangeable Note on the terms and subject to the conditions set out therein |
| “Security Documents” | all share charges over the shares of each Target Group Company provided by the Issuer and the relevant Target Group Company in favour of the Investor to secure the obligations of each Target Group Company under the Secured Exchangeable Note Purchase Agreement, the Exchangeable Note, and the Security Holders Agreement |
| “Security Holders Agreement” | the security holders agreement between the Investor and the Issuer in relation to the management of the Target Company |
| “Southwestern and Northwestern Region of the PRC” | the Sichuan Province, Yunnan Province, Chongqing Municipality, Gansu Province, Shaanxi Province, Qinghai Province, Ningxia Huizu Autonomous Region and Xinjiang Uyghur Autonomous Region of the PRC |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Target Company” | a private company incorporated in the Cayman Islands and a third party independent of the Company and its connected persons |
| “Target Group” | the Target Company and its subsidiaries upon completion of the Reorganisation and each a “Target Group Company” |

| | |
|-------------------------|---|
| “Target Iron Mine” | the vanadium bearing titano-magnetite iron sand ore mine located in Java, Indonesia over which the Target Group has the relevant exploration licence and mining license |
| “Transactions” | the transactions contemplated under the Transaction Documents |
| “Transaction Documents” | the Secured Exchangeable Note Purchase Agreement, the Note Certificate, the Security Holders Agreement, the Security Documents, the Iron Concentrate Sale and Purchase Agreement, the Production Management Agreement, and any other agreement or document that the parties agree is a Transaction Document |
| “US\$” | United States dollars, the lawful currency of the United States of America |
| “Yield to Maturity” | the yield to maturity calculated in accordance with the Note Certificate |
| “%” | per cent |

Unless otherwise specified, the exchange rate adopted in this announcement for illustration purpose is US\$1.00 = HK\$7.767. No representation is made and there is no assurance that US\$ or HK\$ can be purchased or sold at such rate.

By order of the Board
China Vanadium Titano-Magnetite Mining Company Limited
Jiang Zhong Ping
Chairman

Hong Kong, 2 May 2011

As at the date of this announcement, the Board comprises Mr. Jiang Zhong Ping, Mr. Liu Feng, and Mr. Yu Xing Yuan as Executive Directors; Mr. Wang Jin and Mr. Teo Cheng Kwee as Non-executive Directors; and Mr. Yu Haizong, Mr. Gu Peidong and Mr. Liu Yi as Independent Non-executive Directors.

Website: www.chinavtmmining.com