



**CHINA DAYE NON-FERROUS METALS MINING LIMITED**

**TECHNICAL REPORT ON THE  
YANXI COPPER PROJECT, HAMI CITY,  
XINJIANG UYGUR AUTONOMOUS REGION,  
PEOPLE'S REPUBLIC OF CHINA**

**NI 43-101 Report**

**Qualified Person:  
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**December 29, 2011**

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**ROSCOE POSTLE ASSOCIATES INC.**



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# TABLE OF CONTENTS

	PAGE
1 SUMMARY.....	1-1
Executive Summary.....	1-1
Technical Summary.....	1-3
2 INTRODUCTION.....	2-1
3 RELIANCE ON OTHER EXPERTS .....	3-1
4 PROPERTY DESCRIPTION AND LOCATION.....	4-1
5 ACCESSIBILITY, CLIMATE, LOCAL RESOURCES, INFRASTRUCTURE AND PHYSIOGRAPHY .....	5-1
6 HISTORY .....	6-1
7 GEOLOGICAL SETTING AND MINERALIZATION .....	7-1
Regional Geology.....	7-1
Local Geology .....	7-3
Property Geology.....	7-3
Mineralization .....	7-6
8 DEPOSIT TYPES.....	8-1
9 EXPLORATION.....	9-1
Mapping .....	9-1
Ground Magnetic Survey.....	9-1
Induced Polarization Survey.....	9-1
10 DRILLING.....	10-1
11 SAMPLE PREPARATION, ANALYSES AND SECURITY .....	11-1
12 DATA VERIFICATION.....	12-1
13 MINERAL PROCESSING AND METALLURGICAL TESTING.....	13-1
14 MINERAL RESOURCE ESTIMATE.....	14-1
General Statement .....	14-1
Database.....	14-2
Geological Interpretation and 3D Solids.....	14-2
Cut-off Grade.....	14-4
Compositing and Statistics .....	14-4
Variography.....	14-5
Block Model and Grade Interpolation.....	14-6
Classification of Mineral Resources.....	14-6
Block Model Validation .....	14-10
Mineral Resource Summary .....	14-10
15 MINERAL RESERVE ESTIMATE.....	15-1
16 MINING METHODS .....	16-1

17 RECOVERY METHODS .....	17-1
18 PROJECT INFRASTRUCTURE .....	18-1
19 MARKET STUDIES AND CONTRACTS.....	19-1
20 ENVIRONMENTAL STUDIES, PERMITTING, AND SOCIAL OR COMMUNITY IMPACT .....	20-1
21 CAPITAL AND OPERATING COSTS.....	21-1
22 ECONOMIC ANALYSIS .....	22-1
23 ADJACENT PROPERTIES .....	23-1
24 OTHER RELEVANT DATA AND INFORMATION .....	24-1
25 INTERPRETATION AND CONCLUSIONS.....	25-1
26 RECOMMENDATIONS .....	26-1
27 REFERENCES.....	27-1
28 DATE AND SIGNATURE PAGE.....	28-1
29 CERTIFICATE OF QUALIFIED PERSON .....	29-1

## LIST OF TABLES

	PAGE
Table 1-1 Mineral Resources Outside the Railway Right-of-Way July 31, 2011 .....	1-2
Table 1-2 Recommended Work Program .....	1-2
Table 4-1 Ownership .....	4-2
Table 7-1 Diamond Drill Hole Data .....	7-7
Table 10-1 Diamond Drill Hole Details.....	10-1
Table 10-2 Diamond Drill Intersections.....	10-3
Table 12-1 Comparison of Analyses Between Shanshan and SGS.....	12-2
Table 13-1 Metallurgical Samples .....	13-1
Table 14-1 Mineral Resources Outside the Railway Right-of-Way July 31, 2011.....	14-1
Table 14-2 Basic Statistics of Drill Hole Assays.....	14-4
Table 14-3 Statistics of Drill Hole Composite Assays .....	14-5
Table 14-4 Statistics of Drill Hole Composite Assays with Short Composites Removed .....	14-5
Table 14-5 Mineral Resources Outside the Railway Right-of-Way July 31, 2011....	14-10
Table 25-1 Mineral Resources Outside the Railway Right-of-Way July 31, 2011.....	25-1
Table 26-1 Recommended Work Program .....	26-1

## LIST OF FIGURES

	PAGE
Figure 2-1 Location Map.....	2-4
Figure 4-1 Property Location Map .....	4-3
Figure 4-2 Property Map.....	4-4
Figure 7-1 Regional Geology.....	7-2
Figure 7-2 Property Geology .....	7-5
Figure 7-3 Geology - Section 63.....	7-8
Figure 7-4 Deposit Outline and Grades – Section 63.....	7-9
Figure 7-5 Geology – Section 79.....	7-10
Figure 7-6 Deposit Outline and Grades – Section 79.....	7-11
Figure 14-1 Wireframe Model.....	14-3
Figure 14-2 Block Model of Section 63.....	14-7
Figure 14-3 Block Model of Section 79.....	14-8
Figure 14-4 Vertical Longitudinal Section, Main Zone Composites Cu% and True Thickness.....	14-9

# 1 SUMMARY

## EXECUTIVE SUMMARY

Roscoe Postle Associates Inc. (RPA) has been retained by China Daye Non-Ferrous Metals Mining Limited (Daye or China Daye) to prepare an independent Technical Report on the Yanxi Copper Project, near Hami City, Xinjiang Uygur Autonomous Region, People's Republic of China. Daye has acquired an 80% interest in the operating joint venture, Xinjiang Tongxing Mining Co., Ltd. (Tongxing), that holds the Yanxi Copper Project. The report is required by Daye in connection with and to be included in the circular of Daye in relation to its proposed reverse takeover and deemed new listing on The Stock Exchange of Hong Kong Limited (HKEx). This Technical Report conforms to National Instrument 43-101 (NI 43-101) Standards of Disclosure for Mineral Projects. The effective date of the information in this report is July 31, 2011.

Tongxing has discovered a significant porphyry copper deposit approximately 115 km southwest of Hami City. As of September 10, 2008, 31 diamond drill holes with an aggregate depth of 13,692 m have tested the Yanxi deposit. Based on the drill hole data from 25 drill holes, RPA estimated an initial Mineral Resource with an effective date of September 10, 2008, which included an Indicated Resource of 15.38 million tonnes at 0.75% Cu containing 254 million pounds (approximately 115,000 tonnes) of copper and an Inferred Resource of 10.63 million tonnes at 0.71% Cu containing 165 million pounds (approximately 74,800 tonnes) of copper. This estimate was reported in a previous RPA Technical Report dated October 30, 2008. Subsequent to this estimate, the Government of the People's Republic of China has proposed to build a railway across the Yanxi Copper Project. Under the law, Tongxing is required to leave a one kilometre allowance or pillar around the railway line. The position of the railway line affects the Mineral Resources for the Yanxi Copper Project and will likely impact on further exploration. The area of the Yanxi concession not affected by the railway pillar is about 11.14 km<sup>2</sup>.

Table 1-1 shows the Mineral Resources outside the railway right-of-way.

**TABLE 1-1 MINERAL RESOURCES OUTSIDE THE RAILWAY RIGHT-OF-WAY  
JULY 31, 2011**

**China Daye Non-Ferrous Metals Mining Limited - Yanxi Copper Project**

Location	Indicated Resources				Inferred Resources			
	Tonnes (Mt)	Grade (% Cu)	Copper Content (Mlb)	Copper Content (tonnes)	Tonnes (Mt)	Grade (% Cu)	Copper Content (Mlb)	Copper Content (tonnes)
Main Lens	14.15	0.75	234	106,000	7.79	0.72	124	56,200
Other Lenses					0.4	0.61	5	2,300
<b>TOTAL</b>	<b>14.15</b>	<b>0.75</b>	<b>234</b>	<b>106,000</b>	<b>8.19</b>	<b>0.71</b>	<b>129</b>	<b>58,500</b>

Notes:

1. National Instrument 43-101 (NI43-101) and CIM (Canadian Institute of Mining, Metallurgy and Petroleum) definitions were followed for Mineral Resources.
2. Mineral Resources are estimated at a cut-off grade of 0.5% Cu within a mineralized envelope defined at 0.3% Cu.
3. Mineral Resources are estimated using an average long-term copper price of US\$2.50/lb, and a US\$/C\$ exchange rate of 1.04.
4. A minimum zone width of 5 m was used.
5. The Mineral Resource estimate is based on drilling information up to July 31, 2011 as confirmed by GobiMin Inc. and China Daye.

RPA makes the following recommendations for the Yanxi Copper Project.

Table 1-2 shows the work program recommended to advance the project. It is the opinion of RPA that the work recommended is justified by the results achieved to date on the Yanxi Copper Project.

**TABLE 1-2 RECOMMENDED WORK PROGRAM  
China Daye Non-Ferrous Metals Mining Limited - Yanxi Copper Project**

Item	C\$ '000 or RMB '000
Diamond drilling (6 holes for 3,500 m)	420
Updating and extending the metallurgical testing	100
Preparation of a new Mineral Resource and Mineral Reserve estimate	50
Prefeasibility study	1,500 to 2,000
Studies for Chinese Mining Lease application	10
<b>TOTAL</b>	<b>C\$2,580 or RMB 17,211</b>

Notes:

1. A C\$/RMB exchange of 6.67 was used
2. Totals may not add due to rounding

Prior to carrying out any further drilling, RPA recommends that Daye introduce a field-managed quality assurance/quality control (QA/QC) program and undertake an

investigation to determine why there is a variation in the analytical results between the various laboratories that are used for analyzing samples from the Yanxi deposit.

## **TECHNICAL SUMMARY**

Daye holds an 80% equity interest in Tongxing. Tongxing holds an Exploration Right to the Yanxi Copper Project. This property is located about 115 km southwest of Hami City and has an area of 21.67 km<sup>2</sup>, but the area has been reduced by a railway line and pillar that is planned to pass through the area. When the pillar is excluded, the area is about 11.14 km<sup>2</sup>. Daye's partners in Tongxing are GobiMin Inc. (GobiMin), which holds an 8% interest, the No. 1 Geological Exploration Brigade of Xinjiang (the No. 1 Brigade), which holds a 6% equity interest, and the Bureau of Geological Exploration of Xinjiang, which owns a 6% equity interest in the property.

Tongxing's exploration right will expire on August 6, 2012, and Tongxing has applied for renewal. The property may be converted to a mining licence at any time subject to the necessary reporting conditions in China.

The Yanxi copper property is located in the Gobi desert. The property is easily accessible, mostly on sealed roads from Hami City. The property is flat. There is no development on the property, although Tongxing maintains a field camp about 15 km from the property. The area of the property has a continental steppe climate with hot, dry summers and cold, damp winters. Traditionally, field work is not carried out in winter, but technically it would be possible to explore the property throughout the entire year.

There has been regional exploration in the area southwest of Hami City for many years. In the 1980s, a porphyry copper belt that includes the Tuwu and Yandong deposits was located. In 2005, the No. 1 Brigade acquired the Yanxi property and the potential for the Yandong deposit to extend westward onto the Yanxi property was recognized. In 2006, the No. 1 Brigade completed a diamond drill hole (ZK9501) that intersected 101.35 m grading 0.56% Cu. After the formation of Tongxing in 2007, an exploration program that included geological mapping, ground geophysics, and the drilling of 31 diamond drill holes aggregating 13,692 m in 2007 and 2008 has outlined a significant porphyry copper deposit. Initial metallurgical testing has been completed which has shown that copper concentrates grading 19.27% Cu may be recovered from lower grade samples at 85.7%

and copper concentrates grading 27.25% Cu may be recovered from higher grade samples at 91.25% using standard flotation methods.

The Yanxi copper deposit is located a few kilometres north of the Qiugemingtashi-Huangshan Suture Zone between the Tarim Plate and the Kazakhstan-Junggar Plate. Subduction has resulted in a number of copper-rich felsic intrusives in this area. Within the Yanxi copper property, a dike-like plagioclase porphyritic granodiorite strikes generally east-west and dips south at about 70°. Mineralization is generally located within the granodiorite, but some mineralization extends into the wall rocks. Alteration appears to be typical of porphyry copper deposits, however, further work is necessary to define the alteration envelopes in detail. Mineralogically, the major economic mineral is chalcopyrite, with minor tetrahedrite and bornite. Pyrite is the major gangue sulphide mineral.

The bulk of the work completed to date consists of diamond drilling. Of the total of 31 holes drilled in 2007 and 2008, 25 intersected the Yanxi copper deposit. Generally, core recovery is good and the core is handled to industry standards. The core is logged and sawn at the Tongxing field camp. Assaying is carried out at the laboratory of the No. 1 Brigade in Shanshan, a facility licensed by the Xinjiang Uygur Autonomous Region.

Field work is carried out by geologists from the No. 1 Brigade working under contract to Tongxing. During the collection of core samples by the No. 1 Brigade field party, duplicates, reference samples, or blanks are not included in the sample stream. Reference samples are added into the sample stream in the No. 1 Brigade laboratory. Duplicate pulps are sent to a separate licensed laboratory located in Urumqi and managed by the Bureau of Geological Exploration of Xinjiang.

Preliminary metallurgical studies have been completed on behalf of Tongxing by the Xinjiang Mineral Experimental Institute. It is apparent from this work that acceptable recoveries of copper can be achieved and that a saleable copper concentrate can be produced.

## 2 INTRODUCTION

Roscoe Postle Associates Inc. (RPA) has been retained by China Daye Non-Ferrous Metals Mining Limited (Daye or China Daye) to prepare an independent Technical Report on the Yanxi Copper Project, near Hami City, Xinjiang Uygur Autonomous Region, People's Republic of China (Figure 2-1). Daye has acquired an 80% interest in the operating joint venture, Xinjiang Tongxing Mining Co., Ltd. (Tongxing), that holds the Yanxi Copper Project. The report is required by Daye in connection with and to be included in the circular of Daye in relation to its proposed reverse takeover and deemed new listing on The Stock Exchange of Hong Kong Limited (HKEx). This Technical Report conforms to National Instrument 43-101 (NI 43-101) Standards of Disclosure for Mineral Projects. The effective date of the information in this report is July 31, 2011.

RPA prepared a NI 43-101 report on the Yanxi Copper Project for GobiMin Inc. (GobiMin) in 2008 (Gow, 2008). Subsequent to that report, the Government of the People's Republic of China has proposed to build a railway across the Yanxi Copper Project. Under the law, Tongxing is required to leave a one kilometre allowance or pillar about the railway line. The position of the railway line affects the Mineral Resources for the Yanxi Copper Project and will likely impact on further exploration.

Since the 2008 report, GobiMin has disposed of 32% of its 40% interest in the Yanxi Copper Project to Daye.

This is not an advanced report and information will be provided under Items 1 to 14 and 23 to 27 of Form 43-101F.

### SOURCES OF INFORMATION

A site visit was carried out by Neil N. Gow, P.Geol., RPA Associate Consulting Geologist, Competent Person (CP) or Qualified Person (QP), on August 1, 2008. Mr. Gow is a registered Professional Geologist in the Province of Ontario (Reg. #433) and has worked as a geologist for a total of more than 40 years. Mr. Gow is responsible for the overall preparation of the Technical Report and is independent of the Issuer as laid out in Rule 18.22 of the Listing Rules of the Stock Exchange of Hong Kong Limited.

RPA has been advised by Daye and GobiMin that no further work has been completed on the Yanxi Copper Project since the time of the visit.

Discussions were held with both personnel from GobiMin and geologists of the No. 1 Geological Exploration Brigade of Xinjiang:

- Mr. Li Yufeng, General Manager, Xinjiang Tongxing Mining Co., Ltd.
- Mr. Yang Juntao, Person-in-charge, Yanxi Copper Deposit Project, No. 1 Geological Exploration Brigade
- Mr. Kong Lingchang, Planning Manager (Exploration), GobiMin

The documentation reviewed, and other sources of information, are listed at the end of this report in Section 27 References.

Units of measurements used in this report conform to the metric system. All currency in this report is Canadian dollars (C\$) unless otherwise noted.

μ	micron	km <sup>2</sup>	square kilometre
°C	degree Celsius	kPa	kilopascal
°F	degree Fahrenheit	kVA	kilovolt-amperes
μg	microgram	kW	kilowatt
A	ampere	kWh	kilowatt-hour
a	annum	L	litre
bbl	barrels	L/s	litres per second
Btu	British thermal units	m	metre
C\$	Canadian dollars	M	mega (million)
cal	calorie	m <sup>2</sup>	square metre
cfm	cubic feet per minute	m <sup>3</sup>	cubic metre
cm	centimetre	min	minute
cm <sup>2</sup>	square centimetre	MASL	metres above sea level
d	day	mm	millimetre
dia.	diameter	mph	miles per hour
dmt	dry metric tonne	MVA	megavolt-amperes
dwt	dead-weight ton	MW	megawatt
ft	foot	MWh	megawatt-hour
ft/s	foot per second	m <sup>3</sup> /h	cubic metres per hour
ft <sup>2</sup>	square foot	opt, oz/st	ounce per short ton
ft <sup>3</sup>	cubic foot	oz	Troy ounce (31.1035g)
g	gram	ppm	part per million
G	giga (billion)	psia	pound per square inch absolute
Gal	Imperial gallon	psig	pound per square inch gauge
g/L	gram per litre	RL	relative elevation
g/t	gram per tonne	s	second
gpm	Imperial gallons per minute	st	short ton
gr/ft <sup>3</sup>	grain per cubic foot	stpa	short ton per year
gr/m <sup>3</sup>	grain per cubic metre	stpd	short ton per day
hr	hour	t	metric tonne
ha	hectare	tpa	metric tonne per year
hp	horsepower	tpd	metric tonne per day
in	inch	US\$	United States dollar
in <sup>2</sup>	square inch	USg	United States gallon
J	joule	USgpm	US gallon per minute
k	kilo (thousand)	V	volt
kcal	kilocalorie	W	watt
kg	kilogram	wmt	wet metric tonne
km	kilometre	yd <sup>3</sup>	cubic yard
km/h	kilometre per hour	yr	year

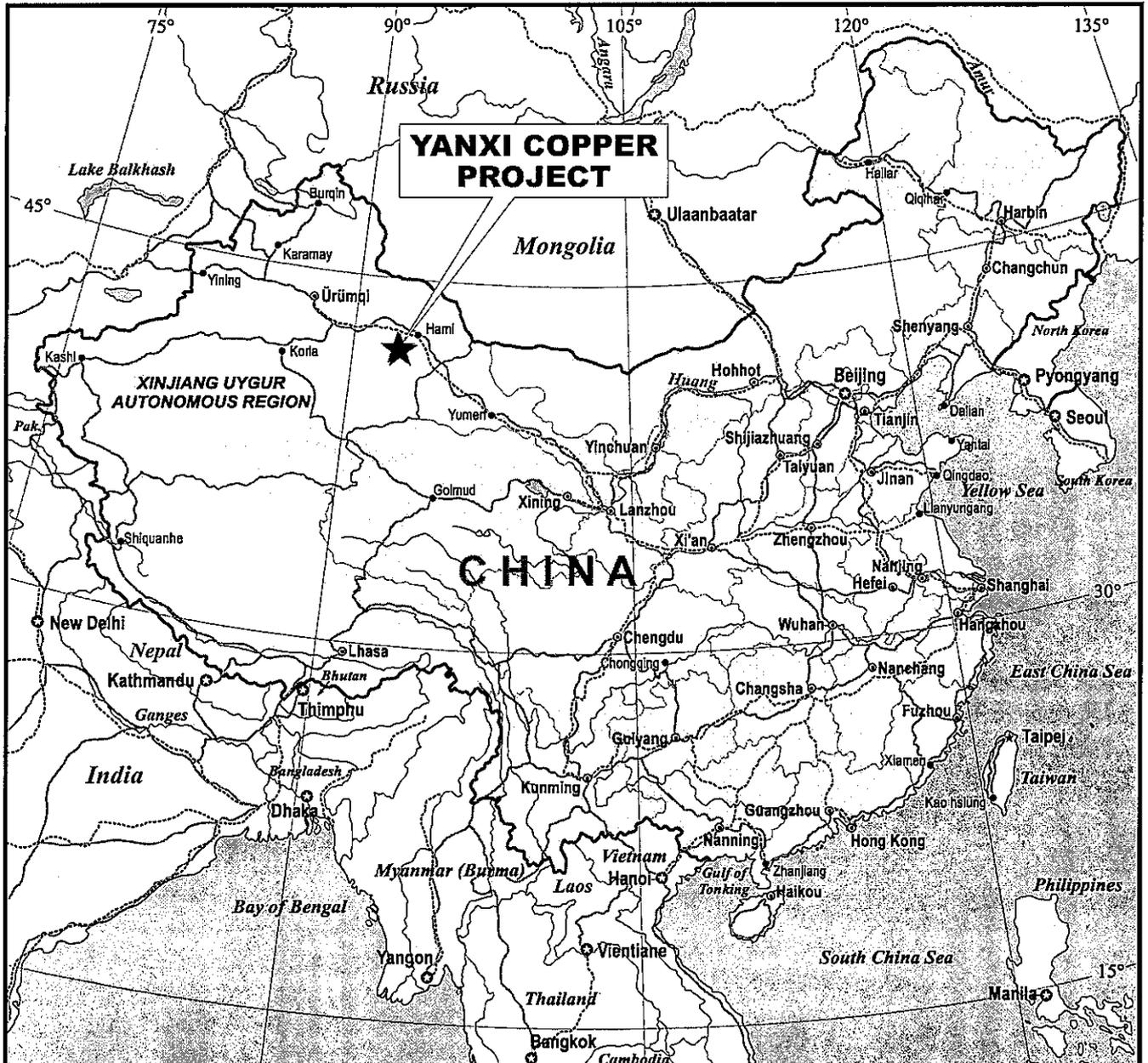
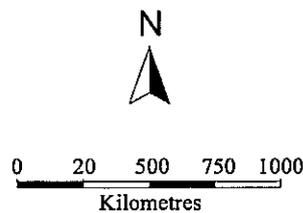


Figure 2-1

**Legend:**

- National Capital
- Province-Level Capital
- Secondary City
- Province-Level Border
- Road
- Railroad
- International Border



China Daye Non-Ferrous Metals Mining Limited

**Yanxi Copper Project**  
 Xinjiang Uygur Autonomous Region  
 People's Republic of China

**Location Map**

July 2011

### **3 RELIANCE ON OTHER EXPERTS**

This report has been prepared by Roscoe Postle Associates Inc. (RPA) for China Daye Non-Ferrous Metals Mining Limited (Daye). The information, conclusions, opinions, and estimates contained herein are based on:

- Information available to RPA at the time of preparation of this report,
- Assumptions, conditions, and qualifications as set forth in this report, and
- Data, reports, and other information supplied by Daye and other third party sources.

For the purpose of this report, RPA has relied on ownership information provided by both Daye and GobiMin. RPA has relied upon email correspondence with Daye's counsel, Zhong Lun Law Firm, for exploration licence information in Section 1, Summary, and Section 4, Property Description and Location. RPA has not researched property title or mineral rights for the Yanxi Copper Project and expresses no opinion as to the ownership status of the property.

RPA has relied on Daye and GobiMin for guidance on applicable taxes, royalties, and other government levies or interests, applicable to revenue or income from Yanxi Copper Project.

Except for the purposes legislated under provincial securities laws, any use of this report by any third party is at that party's sole risk.

## 4 PROPERTY DESCRIPTION AND LOCATION

The copper exploration being carried out south of Hami City is carried out through Tongxing.

The Yanxi Copper Project is located about 115 km southwest of Hami, a city in the eastern part of the Xinjiang Uygur Autonomous Region (Figures 2-1 and 4-1). The property is centred at about 92° 28' east longitude and 42° 05' north latitude. Initially, the Exploration Right as registered to Tongxing had an area of 21.67 km<sup>2</sup>. The Exploration Right was issued by the Mineral Resources Survey of Xinjiang Uygur Autonomous Region Land and Resources Department on August 6, 2010. Subsequent to the RPA visit in 2008, the Government of the People's Republic of China has proposed to build a railway across the Yanxi property. Under the law, Daye is required to leave a one kilometre allowance or pillar around the railway line. The position of the railway line affects previously quoted Mineral Resources for the Yanxi Copper Project and will likely affect further exploration. The area of the Yanxi Concession not affected by the railway pillar is about 11.14 km<sup>2</sup>. The property boundary and the railway right-of-way limits are shown in Figure 4-2.

The property is held under an exploration right that is valid until August 6, 2012, and is eligible for renewal. The boundaries of the property are defined by map staking. The government does not allow any competitive staking closer than 250 m from the property boundary to avoid problems between adjacent property owners. The relationship between adjacent properties is re-arranged when properties are taken to mining leases. Tongxing personnel know of no environmental liabilities associated with the Yanxi Copper Project. There have been no previous mining or other property disturbance.

Tongxing is required to pay holding costs of RMB 200,000 per year (about C\$29,500). These expenditures must be made annually, and over-expenditures of one year may not be carried forward. Tongxing has all of the required permits in place to allow exploration to continue. Further, Tongxing is required to spend a minimum of RMB 60,000/km<sup>2</sup> annually. This amounts to about C\$100,000 annually for the property.

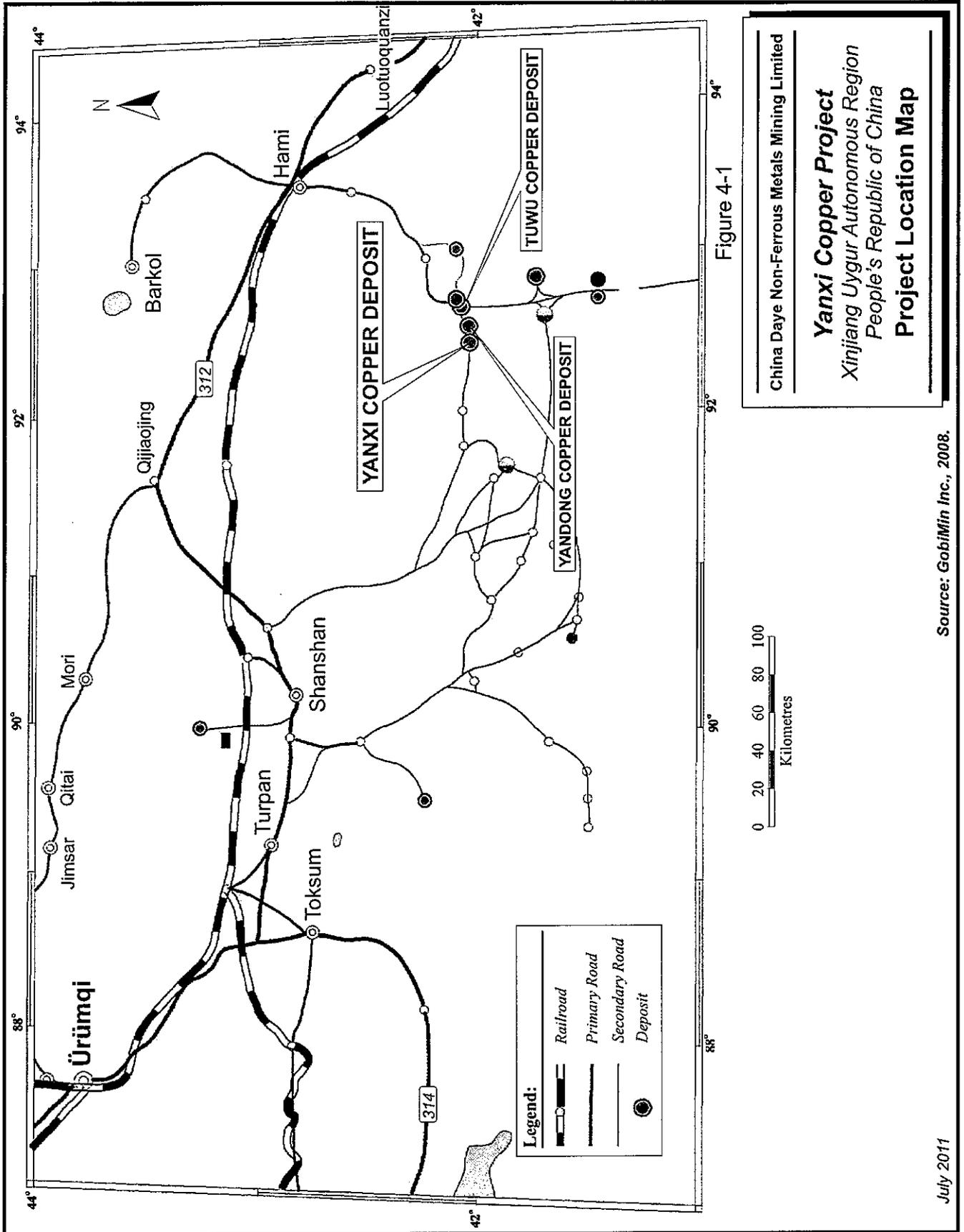
Ownership interests for each partner in Tongxing are shown in Table 4-1.

**TABLE 4-1 OWNERSHIP**  
**China Daye Non-Ferrous Metals Mining Limited - Yanxi**  
**Copper Project**

<b>Company</b>	<b>Equity Interest (%)</b>
China Daye Non-Ferrous Metals Mining Limited	80
Xinjiang Weifu Mining Co., Ltd. <sup>1</sup>	8
Xinjiang Huaxing Mining Co., Ltd. <sup>2</sup>	6
Turpan Jinyuan Mining & Metallurgy Co., Ltd. <sup>3</sup>	6

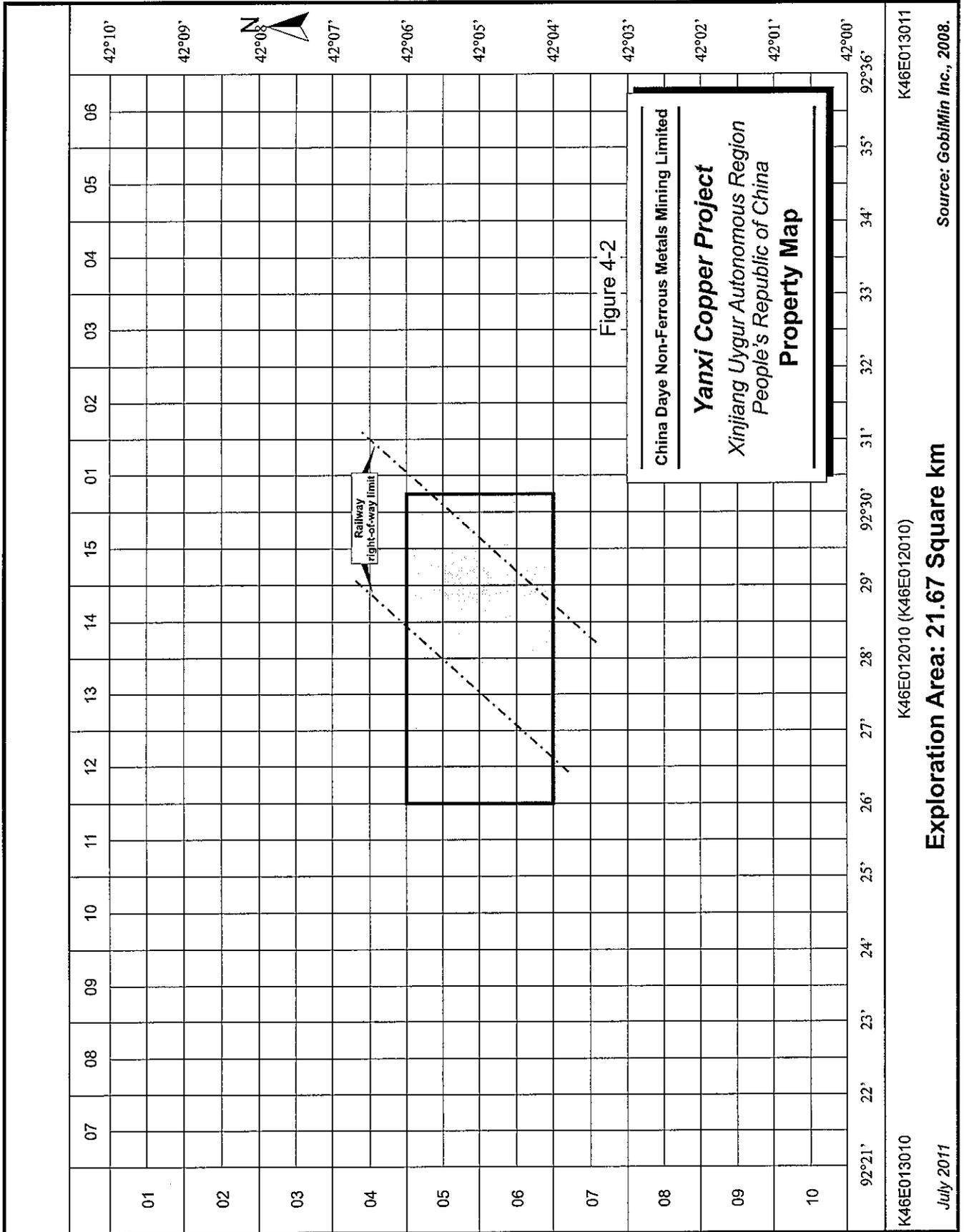
Notes.

1. Xinjiang Weifu Mining Co., Ltd. is a wholly-owned subsidiary of GobiMin.
2. Xinjiang Huaxing Mining Co., Ltd. is a wholly-owned subsidiary of the Bureau of Geological Exploration of Xinjiang.
3. Turpan Jinyuan Mining & Metallurgy Co., Ltd. is a wholly-owned subsidiary of the No. 1 Geological Exploration Brigade.



Source: GobiMin Inc., 2008.

July 2011



K46E013010

K46E012010 (K46E012010)

K46E013011

**Exploration Area: 21.67 Square km**

July 2011

Source: GobiMin Inc., 2008.

## **5 ACCESSIBILITY, CLIMATE, LOCAL RESOURCES, INFRASTRUCTURE AND PHYSIOGRAPHY**

### **ACCESSIBILITY**

The nearest major airport to the Yanxi Copper Project is located at Urumqi, approximately 595 km west of Hami City. The Urumqi airport is an international airport and has regular air service to Beijing, Shanghai, and other Chinese cities. Hami City is connected to Urumqi by a sealed highway that is presently being upgraded. Typically, the highway is divided, with two or three lanes in each direction. There is also a reliable passenger rail service between Urumqi and Hami City.

A sealed road runs from Hami City to the Yanxi property and the distance from Hami City to the property is about 115 km.

Hami is a modern city with a population of about 540,000 people. It is an oasis area and produces significant quantities of fruit. Grazing is also locally important.

### **CLIMATE**

The Urumqi area has a continental steppe climate with hot, dry summers and cold, damp winters. The average temperature in Urumqi in July is 24°C and the average January temperature is -16°C. The mean average annual temperature in Urumqi is 5.4°C and the yearly precipitation is about 273 mm. Detailed statistics for Hami City were not available to RPA but would not be significantly different from these figures.

In the Xinjiang Uygur Autonomous Region, field parties typically work between April and November. This field season is apparently traditional in western China. RPA was advised that, with certain preparation, work could probably be carried out throughout the year.

### **LOCAL RESOURCES**

The city of Hami is sizeable and the district is able to supply unskilled labour and shops for vehicle maintenance. At the present time, there are no resources of electricity or

water adjacent to the property. It should be noted that there are other mines operating in the Hami district, including a nickel-copper operation belonging to GobiMin.

### **INFRASTRUCTURE**

There is no infrastructure on the Yanxi property. Tongxing maintains a field camp about 15 km from the property. The field camp comprises a number of clay brick buildings inside a fenced compound. The compound provides an adequate area for core logging, field personnel accommodation and the like.

### **PHYSIOGRAPHY**

The Yanxi property is at an elevation of about 720 metres above sea level. It is flat, with variations in elevation of about 10 m to 15 m. At the time of the property visit, there was no vegetation on the property. There is very little rock cropping out on the property, although some exposures were noted.

Groundwater resources are reported to be scarce in the vicinity of the deposit.

## 6 HISTORY

There have been a number of regional programs that have led to the current stage of geological knowledge in the Yanxi area. Pre-Tongxing exploration history is listed below.

The first recorded geological work was completed in 1953 when Mr. B. M. Sinichin completed reconnaissance geology at a 1:500,000 scale and prepared a report titled "Summary of Gashun Gobi Geology".

In 1958, the No. 1 and No. 2 Geological Teams of the Bureau of Geological Exploration of Xinjiang launched 1:200,000 regional geological mineral surveys of the Dacootan Sheet (K-46-XIV). Regional stratigraphy was determined, but the results have been described as being of poor quality.

In 1977-1980, the No. 907 Aerial Geophysical Team completed airborne magnetic surveys to outline iron deposits in the area and defined 28 anomalies. These results were followed up by the 203 Team that prepared a report titled "Xinjiang Hami-Shanshan Regional Aerial Magnetic Anomaly Verification Report".

Various surveys were completed during the 1980s, which led to the discovery of the Tuwu and Yandong deposits and the identification of these deposits as being parts of a large porphyry copper  $\pm$  molybdenum camp. The Yandong deposit was discovered by the No. 1 Brigade, however, the No. 1 Brigade does not hold an ongoing interest in that deposit.

Various regional and local exploration programs have been undertaken by a number of geological teams. In 2006, copper mineralization was located by diamond drilling on the Yanxi property by the No. 1 Brigade. Diamond drill hole ZK9501 intersected 101.35 m grading 0.56% Cu and 0.022% Mo and demonstrated the westward continuation of the Yandong copper deposit.

In May 2010, a Scoping Study titled "Mineral Resources Development & Exploitation Plan" was completed by Urumqi Non-ferrous Metallurgy Design & Research Institute for



GobiMin. RPA has not reviewed the May 2010 Scoping Study and cannot comment on it, but notes that the Scoping Study uses a different Mineral Resource than the RPA Mineral Resource.

---

## 7 GEOLOGICAL SETTING AND MINERALIZATION

Tongxing has not completed any regional mapping in the Yanxi area. The following sections on regional and local geology are assembled from available literature.

### REGIONAL GEOLOGY

The Yanxi deposit is located in Devonian-Carboniferous rocks described as belonging to the Dananhu-Tousuquan island arc that lies between the Kazakhstan-Junggar and Tarim plates. The deposit is located north of the Kangguertage Fault and Qiugemingtashi-Huangshan ductile zone that marks the suture in this area (Figure 7-1).

The supracrustal rocks have been intruded by diorite and granodiorite porphyries. These rocks are mineralized and there are a number of porphyry copper deposits known in an east-west belt. These deposits include Tuwu, Yandong, Linglong, and Chichu. The Tuwu deposit has been described as having an east-west strike of 1,400 m and a maximum width of 175 m, and has been tested to a depth of about 600 m. The deposit dips south at about 65° and plunges to the east. While substantial mineral resources are quoted in literature for deposits in the camp, RPA has been unable to confirm that any of the mineral resource statements are prepared to the standards set out in National Instrument 43-101.

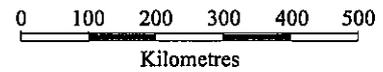
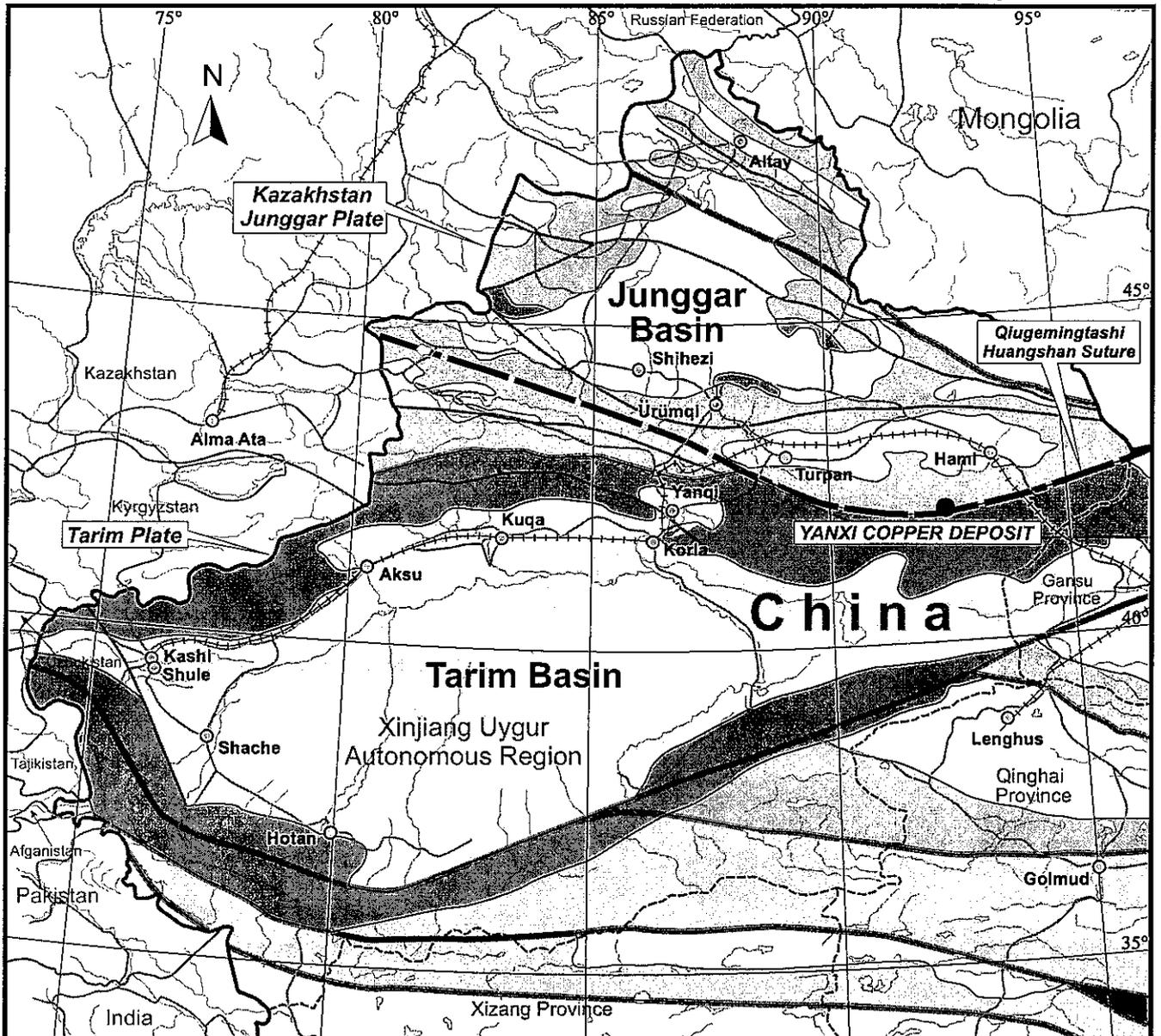


Figure 7-1

**Legend:**

	Mesozoic volcanic arc		Deep fault/suture
	Mesozoic flysch belt		Fault
	Paleozoic volcanic arc		Porphyry copper deposit
	Paleozoic flysch belt		
	Mesozoic - Cenozoic basin		

China Daye Non-Ferrous Metals Mining Limited

**Yanxi Copper Project**  
 Xinjiang Uygur Autonomous Region  
 People's Republic of China  
**Regional Geology**

July 2011

## LOCAL GEOLOGY

The rocks in the area of the Yanxi deposit belong to the Qi'eshan Group, which has been described as Carboniferous by Han et al. (2003) and Devonian by Qin et al. (2002). The group has been subdivided into a number of major units, which include:

- Unit 1 – Light grey-brown, brown and grey-green medium- to coarse-grained schistose greywacke greater than 100 m thick.
- Unit 2 – Purple-red andesitic volcanic breccia and grey-green tuff about 100 m thick.
- Unit 3 – Grey-green amygdaloidal basalt about 130 m thick.
- Unit 4 – Grey-green and light grey pebbly-lithic sandstone with intercalated basalt, andesite, and dacite flows about 170 m thick.
- Unit 5 – Grey-green amygdaloidal spilite-keratophyre lavas and brecciated flows about 200 m thick.
- Unit 6 – Polymict conglomerate with granite, basalt, and felsic porphyry clasts and intercalated fine-grained lithic sandstone, about 25 m thick.

The Qi'eshan Group is unconformably overlain by a relatively thin arenaceous unit. Both the Paleozoic and Mesozoic rocks are overlain by Quaternary alluvium.

The regional structure remains poorly defined, with Han et al. (2003) describing the sequence as a south-dipping succession and Wang et al. (2001) describing an east-west trending anticline.

## PROPERTY GEOLOGY

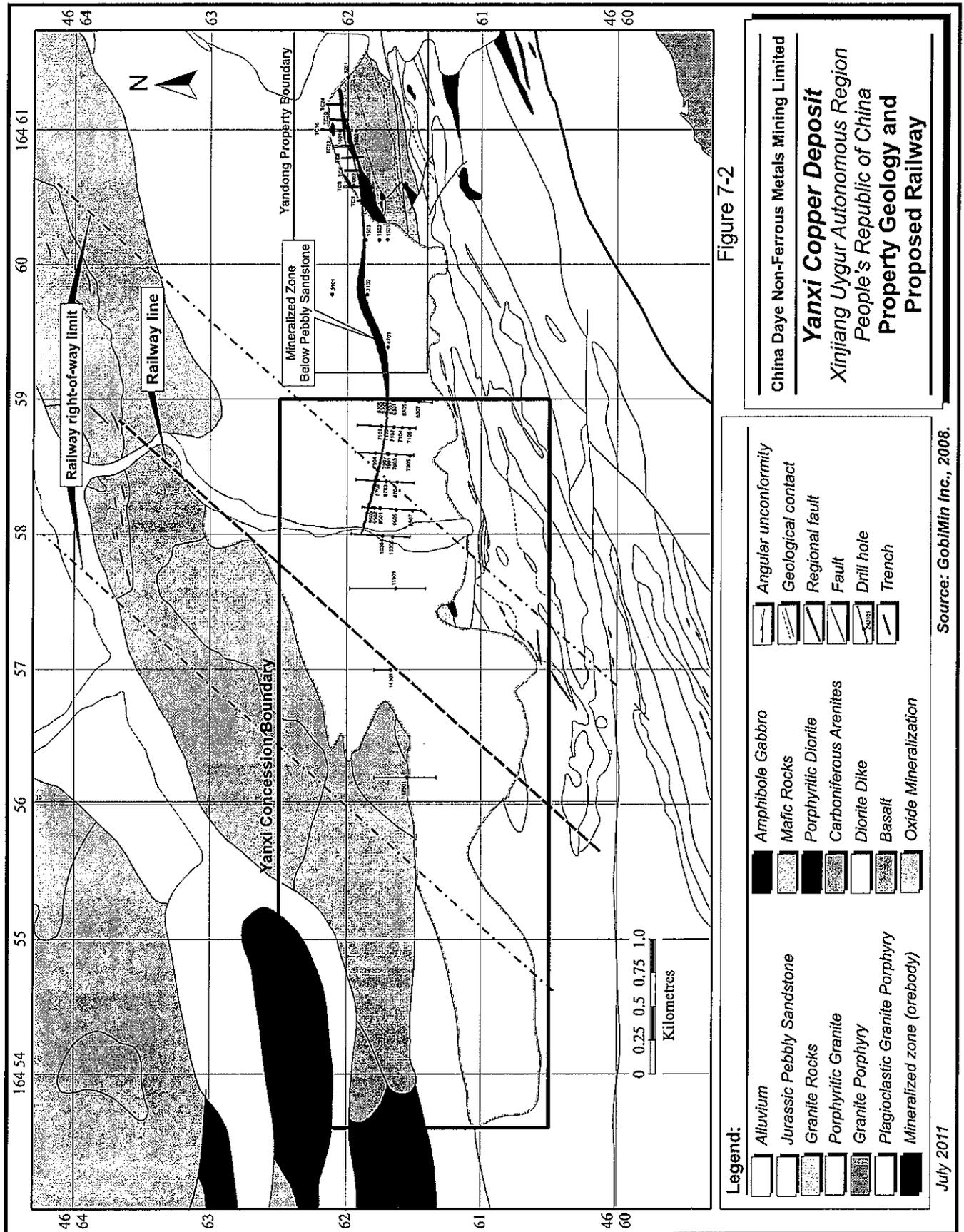
The property geology consists of three main Carboniferous rock types:

1. Basic to intermediate mafic volcanic and volcanoclastic rocks.
2. A unit composed of clastic sediments, tuffs and brecciated lava, and
3. A pebbly arenite unit.

The rocks are mapped as east-west striking, steeply south-dipping and broadly south-facing units. The supracrustal rocks are variously intruded by porphyritic diorite and

granitic rocks and some mafic intrusive rocks, predominantly gabbros. Mineralization on the property is hosted in a plagioclase porphyritic granodiorite intrusive with an irregular dike-like shape (Figure 7-2). The intrusive strikes broadly east-west and dips south at about 70°. The granodiorite is irregular and appears to have formed by multiple intrusion of magma. The plagioclase porphyritic granodiorite is reported to have adakitic affinities (high Sr/Y and low La/Yb ratios and low Y and Yb trace element contents) that are considered to indicate that the magma formed by partial melting of subducting supracrustal rocks. This unit does not outcrop on the property as it is overlain by the Jurassic and Quaternary cover.

The Carboniferous rocks are unconformably overlain by a flat-lying Jurassic arenite unit that includes pebbly sandstone, coarse sandstone, and siltstone. The Jurassic cover rocks appear to have a maximum thickness of about 100 m where they have been tested on the property to date.



## MINERALIZATION

The economic mineralization at Yanxi is predominantly hosted in the plagioclase porphyritic granodiorite intrusive, with weaker mineralization in other rock types. The granodiorite is not exposed on the Yanxi property but outcrops on the adjacent Yandong property. At Yanxi, the granodiorite intrusive has an irregular dike-like shape and is up to 200 m wide, strikes east-west, and dips north at about 70°. It is not uniformly mineralized, but mineralization is subparallel to the margins of the intrusive (Figure 7-3). Weaker mineralization is present as discontinuous lower grade lenses in the wall rocks, both above and below the intrusive rocks.

Copper is the only mineral present in economic quantities. The major sulphide present is pyrite. Small quantities of tetrahedrite, molybdenite, bornite and sphalerite have also been recognized. Non-sulphide primary gangue minerals include plagioclase (oligoclase), quartz, K-feldspar, biotite and muscovite, while non-sulphide alteration minerals include secondary quartz, sericite, chlorite and carbonate. Tongxing has commenced a program to define the alteration associated with mineralization; the work was still in progress at the time of the RPA property visit.

Mineralization does not outcrop on the Yanxi property because of the presence of Jurassic sediments unconformably overlying mineralization. The mineralized zone continues to the east where it outcrops. Some trenching has been completed in this area, but the results of the trenching are not known. The present drilling appears to indicate that weathering of the sulphide minerals and the development of secondary mineralization is limited to non-existent.

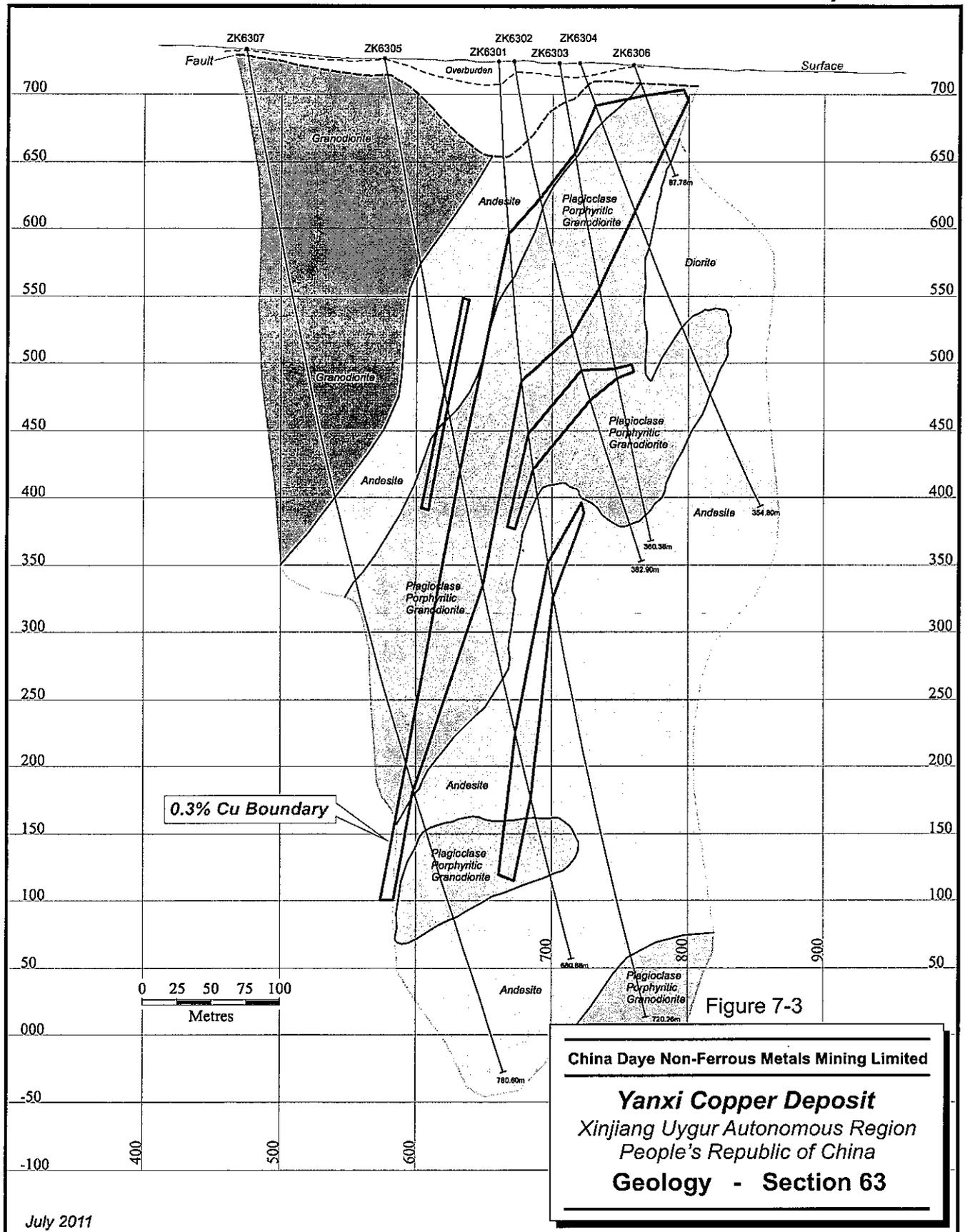
A selection of grade intersections averaged at a cut-off grade of 0.5% Cu is set out in Table 7-1.

**TABLE 7-1 DIAMOND DRILL HOLE DATA**  
**China Daye Non-Ferrous Metals Mining Limited - Yanxi Copper Project**

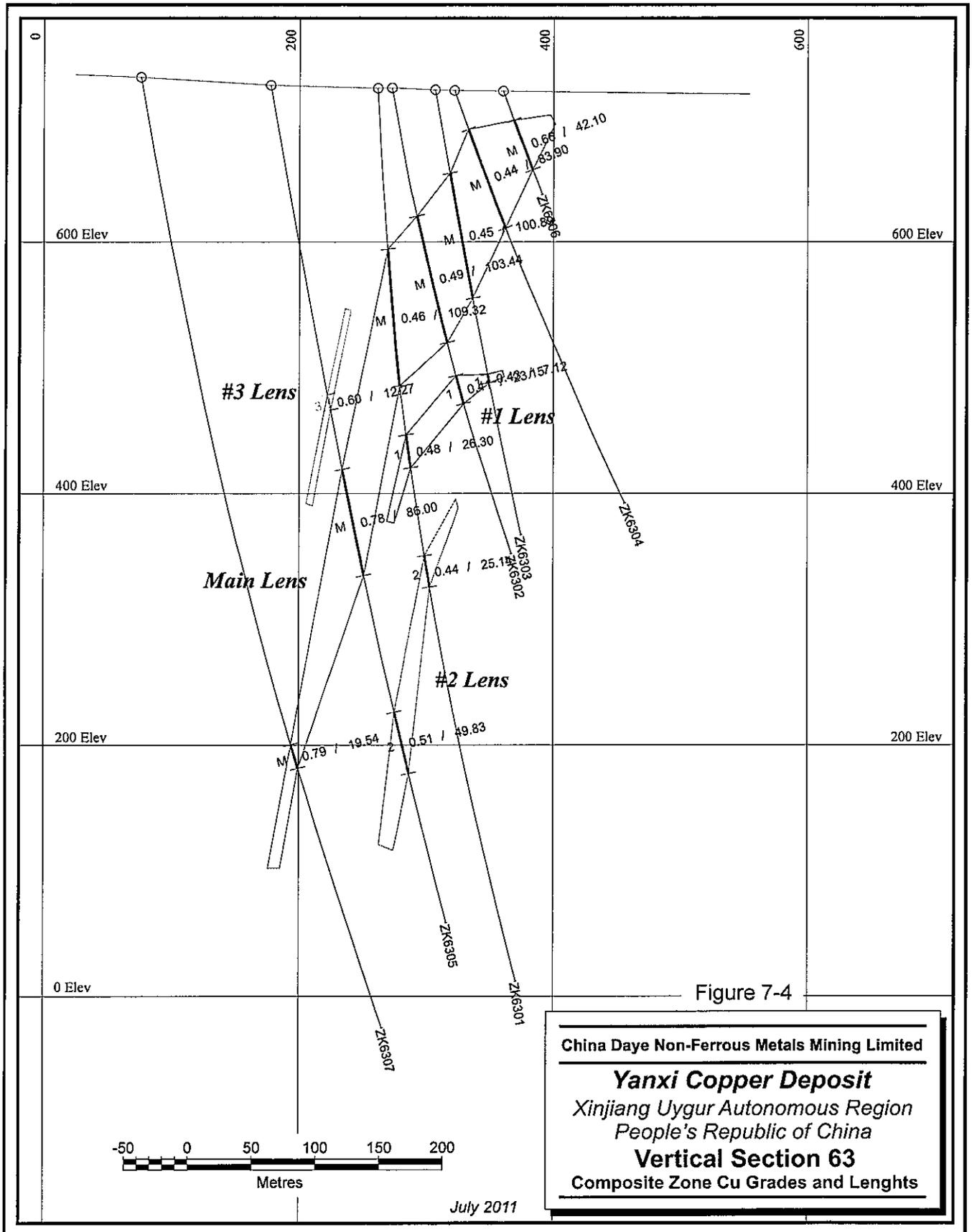
Hole ID	From (m)	To (m)	Length (m)	Cu%
ZK6301	185.36	211.00	25.64	0.68
ZK6302	147.40	159.66	12.24	0.68
ZK6303	156.14	168.46	12.32	0.86
ZK6304	81.47	116.90	35.43	0.52
ZK6305	250.25	260.73	10.45	0.63
	332.42	396.70	64.28	0.92
	532.40	555.03	22.63	0.67
ZK6306	39.18	63.86	24.68	0.88
ZK6307	546.14	550.85	4.71	2.17
ZK7102	129.08	142.74	13.66	0.65
	158.67	191.43	32.74	0.92
ZK7103	71.78	102.98	31.20	0.87
ZK7104	242.52	311.22	68.70	0.94
ZK7105	296.60	305.32	8.72	0.67
	343.14	419.71	76.57	0.64
ZK7901	212.38	250.24	37.86	0.86
ZK7902	160.33	182.33	22.00	0.79
ZK7903	256.46	314.54	58.08	1.03
ZK7905	387.43	395.80	8.37	0.61
	420.07	433.85	13.78	0.53
ZK8703	209.13	230.43	19.10	0.81
ZK8704	291.43	313.78	22.35	0.69
ZK9501	277.60	301.53	23.93	1.01
	329.26	336.86	7.60	0.97
ZK9502	107.93	113.89	5.96	2.68

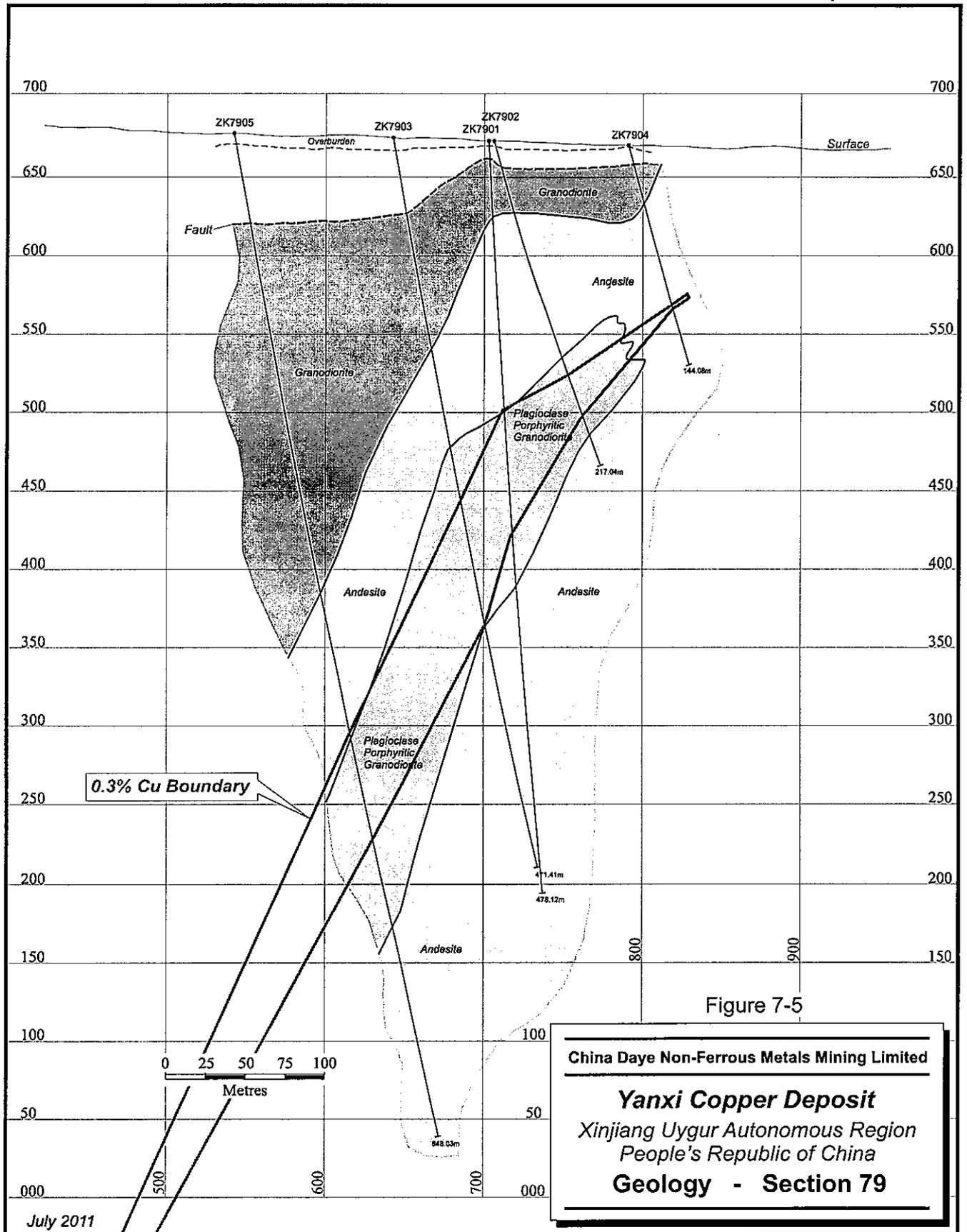
There is some indication that mineralization may continue to the west of the presently drilled area. Various exploration projects, mainly widely spaced soil geochemical and induced polarization (IP) surveys, followed by reconnaissance diamond drilling, are in progress to try to extend mineralization into this area.

Figures 7-3 to 7-6 show the geology and grade distributions on two drill sections of the Yanxi deposit.



July 2011





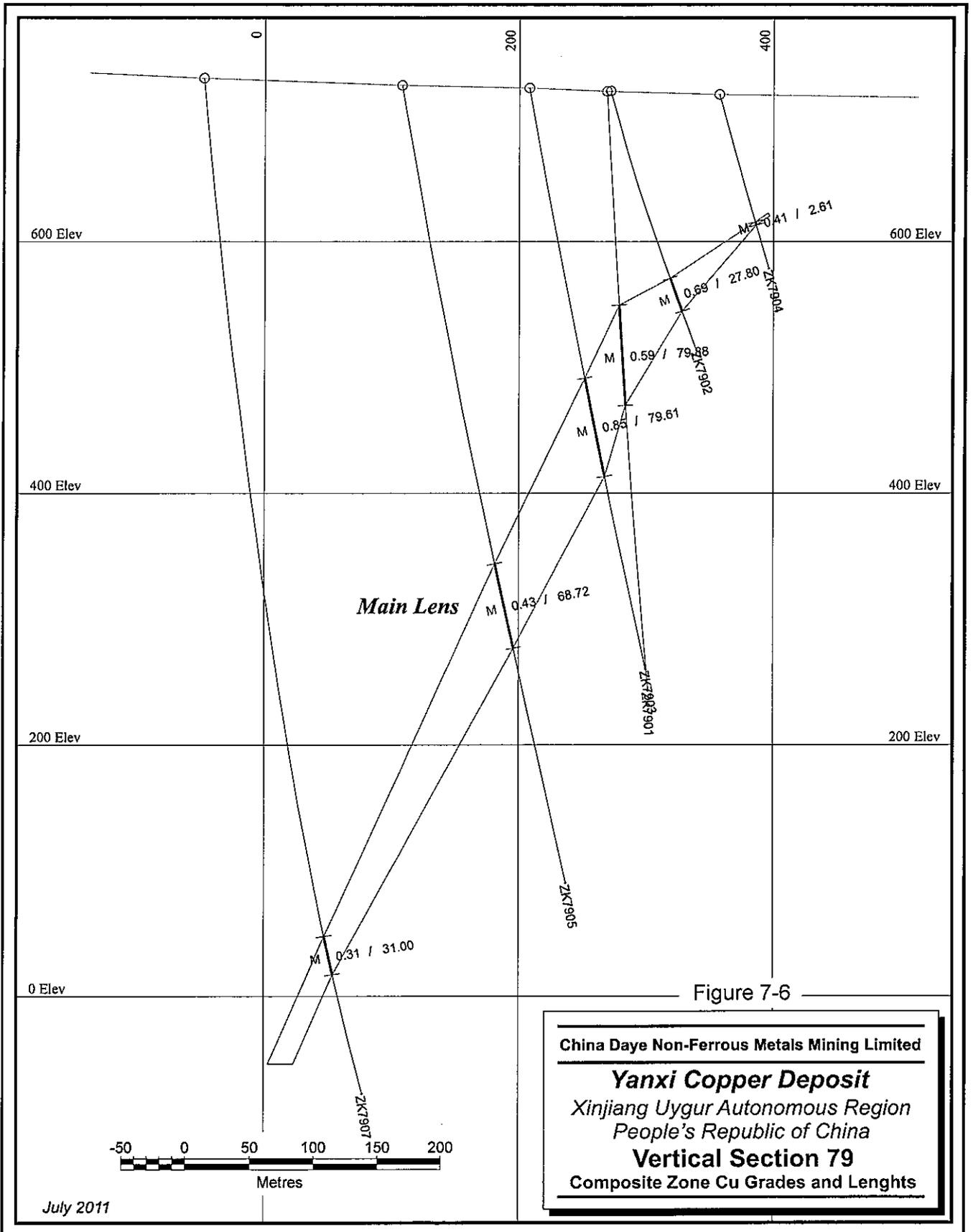


Figure 7-6

China Daye Non-Ferrous Metals Mining Limited

**Yanxi Copper Deposit**

Xinjiang Uygur Autonomous Region  
People's Republic of China

**Vertical Section 79**

Composite Zone Cu Grades and Lengths

## 8 DEPOSIT TYPES

The Yanxi deposit is considered to be an example of porphyry copper deposit type. Porphyry copper deposits are typically large and relatively low grade, and are characterized by zoned alteration. The Yanxi deposit is unconformably overlain by younger sediments and there is essentially no secondary alteration resulting from weathering.

The Yanxi copper deposit is located in a regional belt of copper deposits. Further, although the Yanxi deposit does not outcrop, it is on the strike extension of the Yandong deposit located on the eastern side of the Yanxi property. The Yanxi deposit has been partially tested by trenching and diamond drilling.

## 9 EXPLORATION

Exploration by Tongxing started in 2007 and has been continuing through 2008. Initially, it concentrated on lines 63 to 103, with pre-reconnaissance exploration between lines 103 and 199. The bulk of the exploration completed by Tongxing to date has been diamond drilling, which is discussed in Section 9. Tongxing has also completed a number of geophysical surveys seeking to define and extend the mineralization. The geophysical surveys were completed on lines 200 m apart. RPA considers these lines to be too widely spaced for detailed geophysical surveys; however, the IP data were useful in delineating targets for the diamond drilling.

### MAPPING

Geological mapping of the property has been completed by Tongxing at a scale of 1:10,000. The results of the mapping are summarized in Figure 7-2. Being overlain by Jurassic arenitic sediments, the deposit does not outcrop on the property, however, its strike continuation does outcrop on the adjacent Yandong property.

### GROUND MAGNETIC SURVEY

Ground magnetic surveys covered an area of 3,600 m x 1,400 m. Readings were 20 m apart on lines spaced 200 m apart. The major feature of the magnetic profiles is the presence of a large magnetic high over the footwall of the mineralization. It probably reflects the presence of a higher concentration of mafic rocks in the footwall. The magnetic survey was not particularly useful in elucidating the geology, nor was it helpful for determining the locations of the 2006 drilling.

### INDUCED POLARIZATION SURVEY

Tongxing has completed an IP survey on parts of the Yanxi property over an area of approximately 3,600 m x 700 m. The survey was conducted by a team from the No. 1 Brigade on lines 200 m apart. Individual lines were about 700 m long. A strong IP anomaly about 1,000 m long was detected over the projected position of the copper deposit, while irregular anomalies were found present in other parts of the property. The

IP survey was useful in determining the location of the first holes drilled on the deposit. Tongxing has tested part of one of these other anomalies without locating economic sulphide mineralization.

## 10 DRILLING

Tongxing has completed 31 diamond drill holes with an aggregate depth of 13,692 m in the summer field seasons of 2007 and 2008. These drill holes are located towards the eastern edge of the exploration licence and were drilled on six sections. Details of the drill holes are included in Table 10-1. The locations of the drill holes are shown on Figure 7-2.

**TABLE 10-1 DIAMOND DRILL HOLE DETAILS**  
**China Daye Non-Ferrous Metals Mining Limited - Yanxi Copper Project**

Section	Hole ID	X	Y	Z	Length (m)	Azimuth	Dip
63	ZK6301	4661661	458994.9	722.46	720.26	005	-87
	ZK6302	4661672	458996	722.74	382.9	005	-80
	ZK6303	4661706	458998.9	721.2	360.38	005	-80
	ZK6304	4661721	459000.2	720.64	354.8	005	-70
	ZK6305	4661578	458987.5	724.73	680.88	005	-80
	ZK6306	4661760	459003.6	720.14	87.78	005	-70
71	ZK6307	4661476	458978.8	731.245	780.6	005	-80
	ZK7101	4661752	458802.2	720.068	66.78	005	-75
	ZK7102	4661658	458793.8	723.879	241.28	005	-75
	ZK7103	4661718	458799.1	721.644	241.93	005	-75
	ZK7104	4661598	458788.6	724.568	380.19	005	-75
79	ZK7105	4661537	458783.3	726.914	446.14	005	-75
	ZK7901	4661704	458595.4	719.73	478.12	005	-97
	ZK7902	4661707	458595.7	719.906	217.04	005	-75
	ZK7903	4661643	458590.2	722.375	471.41	005	-80
	ZK7904	4661792	458603.1	717.226	144.08	005	-75
87	ZK7905	4661543	458581.2	724.395	648.03	005	-80
	ZK7907	4661389	16458568	730.03	818.42	005	-85
	ZK8702	4661774	458400.8	721.373	235.08	005	-75
	ZK8703	4661714	458395.5	725.85	301.23	005	-75
	ZK8704	4661633	458388.5	728.198	403.23	005	-75
95	ZK8705	4661474	16458374	731.13	635.42	005	-75
	ZK9501	4661759	458195.5	716.5	600.1	005	-85
	ZK9502	4661797	458198.9	714.834	377.03	000	-85
	ZK9503	4661803	458199.3	714.884	183.5	005	-70
	ZK9505	4661640	458185	718.368	602.13	005	-80
	ZK9507	4661525	458174.8	719.039	770.14	005	-80

Section	Hole ID	X	Y	Z	Length (m)	Azimuth	Dip
103	ZK10304	4661740	457992.8	713.71	261.28	005	-85
	ZK10305	4661668	457987.5	714.702	495.7	005	-85
119	ZK11902	4661710	16457598	718.82	554.43	005	-85
151	ZK15101	4661405	16456799	747.08	751.8	005	-85
<b>Totals</b>					<b>13,692.09</b>		

Drilling was carried out by a number of different brigades under contract to the No. 1 Brigade. Drilling contractors included the Shandong No. 4 Brigade, the Shandong No. 4 Coal Brigade, and the Shandong No. 4 Metallurgical Brigade. The drill core was 75 mm in diameter. Core recoveries were generally good in bedrock.

The locations of the drill hole collars are surveyed by a survey party from the No. 1 Brigade. All of the holes were measured for deviation using a mechanical single-shot unit. Readings were taken every 50 m downhole.

Approximately 13,692.09 m of diamond drilling has been carried out on the property. A copper deposit approximately 1,000 m in length and 650 m in depth has been delineated. Intersections used in the Mineral Resource estimate set out in Section 13 are shown in Table 10-2.

**TABLE 10-2 DIAMOND DRILL INTERSECTIONS**  
**China Daye Non-Ferrous Metals Mining Limited - Yanxi Copper Project**

Hole	From (m)	To (m)	Length (m)	Cu %	Zone Code	True Thickness (m)
ZK10304	220.65	230.90	10.25	0.43	M	5.00
ZK10305	417.80	441.10	23.30	0.40	M	11.65
ZK6301	128.40	237.72	109.32	0.46	M	49.64
ZK6301	277.00	303.30	26.30	0.48	1	13.21
ZK6301	373.95	399.09	25.14	0.44	2	13.17
ZK6302	104.06	207.50	103.44	0.49	M	59.95
ZK6302	234.75	257.90	23.15	0.41	1	14.13
ZK6303	67.57	168.46	100.89	0.45	M	54.04
ZK6303	230.19	237.31	7.12	0.43	1	3.91
ZK6304	33.00	116.90	83.90	0.44	M	56.72
ZK6305	250.25	262.52	12.27	0.60	3	6.68
ZK6305	310.70	396.70	86.00	0.78	M	47.38
ZK6305	508.20	558.03	49.83	0.51	2	28.73
ZK6306	24.68	66.78	42.10	0.66	M	28.42
ZK6307	544.24	563.78	19.54	0.79	M	12.17
ZK7102	126.74	191.43	64.69	0.71	M	40.67
ZK7103	70.14	105.28	35.14	0.82	M	21.45
ZK7104	208.97	311.22	102.25	0.77	M	65.20
ZK7105	296.60	419.71	123.11	0.54	M	81.60
ZK7901	170.36	250.24	79.88	0.59	M	34.52
ZK7902	156.23	184.03	27.80	0.69	M	18.48
ZK7903	234.93	314.54	79.61	0.85	M	43.73
ZK7904	105.32	107.93	2.61	0.41	M	1.61
ZK7905	387.43	456.15	68.72	0.43	M	38.63
ZK7907	689.42	720.42	31.00	0.31	M	17.52
ZK8703	211.33	230.43	19.10	0.81	M	11.65
ZK8703	252.68	282.63	29.95	0.45	4	18.29
ZK8704	284.33	313.78	29.45	0.63	M	18.14
ZK8704	346.33	353.43	7.10	0.43	4	4.42
ZK8705	539.17	547.17	8.00	0.43	M	5.39
ZK9501	272.10	352.68	80.58	0.61	M	38.57
ZK9502	174.82	212.29	37.47	0.50	M	17.10
ZK9505	484.83	498.68	13.85	0.45	M	7.26
ZK9505	530.13	555.73	25.60	0.45	5	13.48

Note: RPA defined a number of lenses, or zones of mineralization, in its interpretation. These zones were given letter codes to distinguish them.

## 11 SAMPLE PREPARATION, ANALYSES AND SECURITY

The major exploration effort completed on the Yanxi property has been the diamond drilling program. Diamond drill core is transported to the field camp, where it is logged and sawn by employees of the No.1 Brigade. The core is stored in the field camp, in available buildings or in the open. RPA makes the following observations:

- Core logging appears to be done well.
- Core recovery is excellent. Core loss is unlikely to affect the grade of the Mineral Resource estimate set out in Section 14.
- Core is split using a diamond saw.
- Samples are placed in fabric bags for transport to the No. 1 Brigade laboratory at Shanshan.

Samples are typically two metres to three metres in length. In economic mineralization, few samples are longer than three metres, although there are longer samples in areas of weak mineralization away from the main mineralized body. These sample lengths are considered appropriate for the style of mineralization being sampled.

RPA is of the opinion that the sampling method and approach are in keeping with industry standards. RPA has not noted any factors that might affect the overall accuracy of the Mineral Resource estimate.

Samples are placed in cloth bags and transported to the No. 1 Brigade headquarters at Lianmuqin, about 20 km west of Shanshan. The No. 1 Brigade maintains an in-house laboratory within the headquarters compound. The laboratory holds a current Metrology Accreditation Certificate issued by the Quality and Technology Supervision Bureau of Xinjiang Uygur Autonomous Region.

The samples sent to the No. 1 Brigade laboratory are analyzed for copper. Much of the equipment is locally made and appears to be effective.

The sampling and assay protocol is:

- The whole sample is passed through a jaw crusher that reduces the material to 2 mm to 3 mm. Equipment is cleaned with compressed air between samples.
- The sample is then passed through a roll crusher that reduces the material to less than 1 mm.
- The sample is then passed through a splitter and a 500 g sample is taken. The remainder is the reject material.
- The 500 g sample is pulverized to -80 mesh.
- The sample is mixed and a 100 g cut is taken. The remainder of the sample is kept at the No. 1 Brigade compound.
- The 1 g is pulverized to a nominal size of -160 mesh in small rod mills. The mills are washed with water between samples.
- A 0.1 g sample is cut and dissolved using a four-acid solution. All samples are analyzed using atomic absorption spectrometry (AAS).

The laboratory is reported to maintain a 10-day turnaround.

Sample rejects and pulps that remain from the assaying process are stored in the No. 1 Brigade headquarters compound.

While using the in-house laboratory at Lianmuqin for analysis for copper, the No. 1 Brigade also sends samples to the Mineral Experimental Research Laboratory of the Bureau of Geological Exploration of Xinjiang located in Urumqi (the Urumqi laboratory). The Urumqi laboratory uses Inductively Coupled Plasma Mass Spectrometry (ICP-MS) for a range of elements and carries out duplicate analysis on samples sent by the No. 1 Brigade laboratory.

The Urumqi laboratory has an accreditation with the China National Accreditation Centre for Conformity Assessment. The Urumqi laboratory is also accredited as an ISO 17025-2005 laboratory.

The sampling and assay protocols of the Urumqi laboratory are:

- The whole sample is passed through two jaw crushers to achieve a size of less than 4 mm.

- The sample is then passed through a roll crusher to achieve a size range of 1 mm to 2 mm.
- After mixing, two 100 g samples are taken. One sample is used for further processing, while the other 100 g sample goes to storage.
- The first 100 g sample is pulverized in a single stage process to -160 mesh to -200 mesh.
- A 0.1 g sample is taken from the pulverized material for dissolution using four-acid digestion.

The higher grade copper samples are analyzed using AAS and samples taken to examine alteration trends are analyzed using ICP-MS.

## 12 DATA VERIFICATION

The No. 1 Brigade does not include any blanks or reference samples with the samples sent to the in-house laboratory.

The in-house laboratory prepares internal duplicates so that 30% of all samples are duplicates. A further cut of the pulp is sent to the Urumqi laboratory for check analyses. Whereas the results of duplicate analyses are communicated to the field party, the results of the internal analyses of reference samples are not. All of the duplicate analyses are collated in the field. These analyses were examined by RPA and are considered to show an acceptable correlation between the two laboratories.

RPA also completed a program of check sampling. This work involved the collection of ten samples of core by quartering in the field, while twenty sample pulps were collected from the laboratory of the No. 1 Brigade near Shanshan. All of these samples were dispatched to the SGS Ltd. (SGS) laboratory in Tianjin, China, and analyzed by AAS using the SGS protocol AAS43B. A comparison of the results for the Shanshan laboratory and the SGS laboratory is included in Table 12-1.

RPA notes that there is a small systematic variation between the results of the Shanshan laboratory and the results of the SGS laboratory for the pulp analyses. The variation is approximately 8% overall. The analyses of the core show a less systematic variation, although the values from the Shanshan laboratory are higher on average than those from the SGS laboratory. RPA recommends that Daye and Tongxing introduce a quality assurance/quality control (QA/QC) program managed in the field and undertake an investigation of the variation of analytical results.

RPA considers that the interlaboratory variation noted does not invalidate the Mineral Resource estimate set out in Section 14.

**TABLE 12-1 COMPARISON OF ANALYSES BETWEEN SHANSHAN AND  
SGS  
China Daye Non-Ferrous Metals Mining Limited - Yanxi Copper Project**

Sample No.	Shanshan Laboratory Cu%	SGS Laboratory Cu%
209	0.37	0.33
211	0.66	0.57
214	0.42	0.35
219	0.52	0.45
226	0.85	0.74
232	1.11	0.96
236	0.90	0.8
242	1.37	1.27
248	1.04	0.93
253	0.76	0.66
1969	0.37	0.33
1972	0.51	0.46
1978	0.32	0.29
1985	0.72	0.63
1988	1.14	1.02
1990	1.49	1.36
1997	1.07	1.01
2005	1.48	1.41
2008	1.11	1.02
2024	0.07	0.06
07G-ZK7102-H16	0.44	0.42
07G-ZK7102-H20	0.38	0.33
07G-ZK7102-H24	0.4	0.31
07G-ZK7102-H26	0.45	0.46
07G-ZK7102-H36	0.98	0.8
07G-ZK8703-H17	0.95	1.05
07G-ZK8703-H18	1.1	1.01
07G-ZK8703-H19	1.02	0.91
07G-ZK8703-H20	0.96	0.85
07G-ZK8703-H21	0.87	0.72

## 13 MINERAL PROCESSING AND METALLURGICAL TESTING

Tongxing has had initial mineral processing studies completed on samples from the Yanxi copper deposit. This work was completed at the Xinjiang Mineral Experimental Institute (the Institute) under contract to Tongxing. Three samples of core were collected by the Institute from two diamond drill holes. Two blended samples were prepared: a high-grade sample with a grade of 0.70% Cu that weighed 60 kg and a low-grade sample with a grade of 0.40% Cu that weighed 60 kg. Details of the sampling are shown in Table 13-1.

**TABLE 13-1 METALLURGICAL SAMPLES**  
**China Daye Non-Ferrous Metals Mining Limited - Yanxi Copper Project**

Grade Type	Ore Type	Weight of Sample (kg)	Weight of Blended Sample (kg)	Blending Ratio	Copper Grade (%)
Low Grade	Lean Ore 1	206.5	46.80	78.3	0.35
	Rich Ore 2	87.4	13.20	21.7	0.58
	Total	-	60.00	100.0	0.40
High Grade	Rich Ore 1	150.1	24.00	40.0	0.88
	Rich Ore 2	87.4	36.00	60.0	0.58
	Total	-	60.00	100.0	0.70

The Institute noted that the drill holes sampled did not cover the full extent of the deposit and so were not representative of the entire deposit. The copper minerals were chalcopyrite, tetrahedrite, and bornite. The Institute considered that the two blended samples were amenable to beneficiation by flotation. The low-grade sample yielded a concentrate grade of 19.27% Cu with a recovery of 85.73%, while the high-grade sample yielded a concentrate grade of 27.25% Cu with a recovery of 91.25%. Molybdenum and silver have not been assayed systematically throughout the drilling. The primary molybdenum grade, based on limited sampling, is considered to be less than 0.01% Mo, and the grade in the concentrate is 0.10% Mo. The silver grade in the concentrate is about 50 g/t Ag to 60 g/t Ag.

While the Institute considers the results preliminary, it believes that these results provide useful information for assessing the property and for initial planning of a mill.

# 14 MINERAL RESOURCE ESTIMATE

## GENERAL STATEMENT

RPA has completed an initial resource estimate for the Yanxi copper deposit by constructing a block model of the mineralized zones. The RPA resource estimate is in accordance with the Mineral Resources/Reserves Classification as recommended by the CIM Committee on Mineral Resources/Reserves (CIM definitions).

The estimate is based on drilling information up to September 10, 2008. Subsequent to the Government of the People's Republic of China decision to build a railway across the Yanxi Copper Project, Daye is required to leave a one kilometre allowance or pillar about the railway line. Table 14-1 shows the Mineral Resources outside the railway right-of-way.

**TABLE 14-1 MINERAL RESOURCES OUTSIDE THE RAILWAY RIGHT-OF-WAY  
JULY 31, 2011**

**China Daye Non-Ferrous Metals Mining Limited - Yanxi Copper Project**

Location	Indicated Resources				Inferred Resources			
	Tonnes (Mt)	Grade (% Cu)	Copper Content (Mlb)	Contained Copper (tonnes)	Tonnes (Mt)	Grade (% Cu)	Copper Content (Mlb)	Contained Copper (tonnes)
Main Lens	14.15	0.75	234	106,000	7.79	0.72	124	56,200
Other Lenses					0.4	0.61	5	2,300
<b>TOTAL</b>	<b>14.15</b>	<b>0.75</b>	<b>234</b>	<b>106,000</b>	<b>8.19</b>	<b>0.71</b>	<b>129</b>	<b>58,500</b>

**Notes:**

1. CIM (Canadian Institute of Mining, Metallurgy and Petroleum) definitions were followed for Mineral Resources.
2. Mineral Resources are estimated at a cut-off grade of 0.5% Cu within a mineralized envelope defined at 0.3% Cu.
3. Mineral Resources are estimated using an average long-term copper price of US\$2.50/lb, and a US\$/C\$ exchange rate of 1.04.
4. A minimum zone width of 5 m was used.
5. The Mineral Resource estimate is based on drilling information up to July 31, 2011 as confirmed by GobiMin Inc. and China Daye.

RPA used Gemcom Software International Inc. (Gemcom) Resources Evaluation Edition GEMS 6.1.3 to build the block model and to estimate the Mineral Resources. The main Mineral Resource estimation parameters are summarized in the following subsections.

## DATABASE

The database for the current Mineral Resource estimate consists of 31 diamond drill holes totalling 13,692 m. Twenty-five of the drill holes intersected the Yanxi deposit and were used for resource estimation. Locations and other details of the holes are set out in Section 10.

GobiMin supplied data to RPA in spreadsheets that included collar, downhole survey, geology, and assay files. Validation revealed no errors in the database.

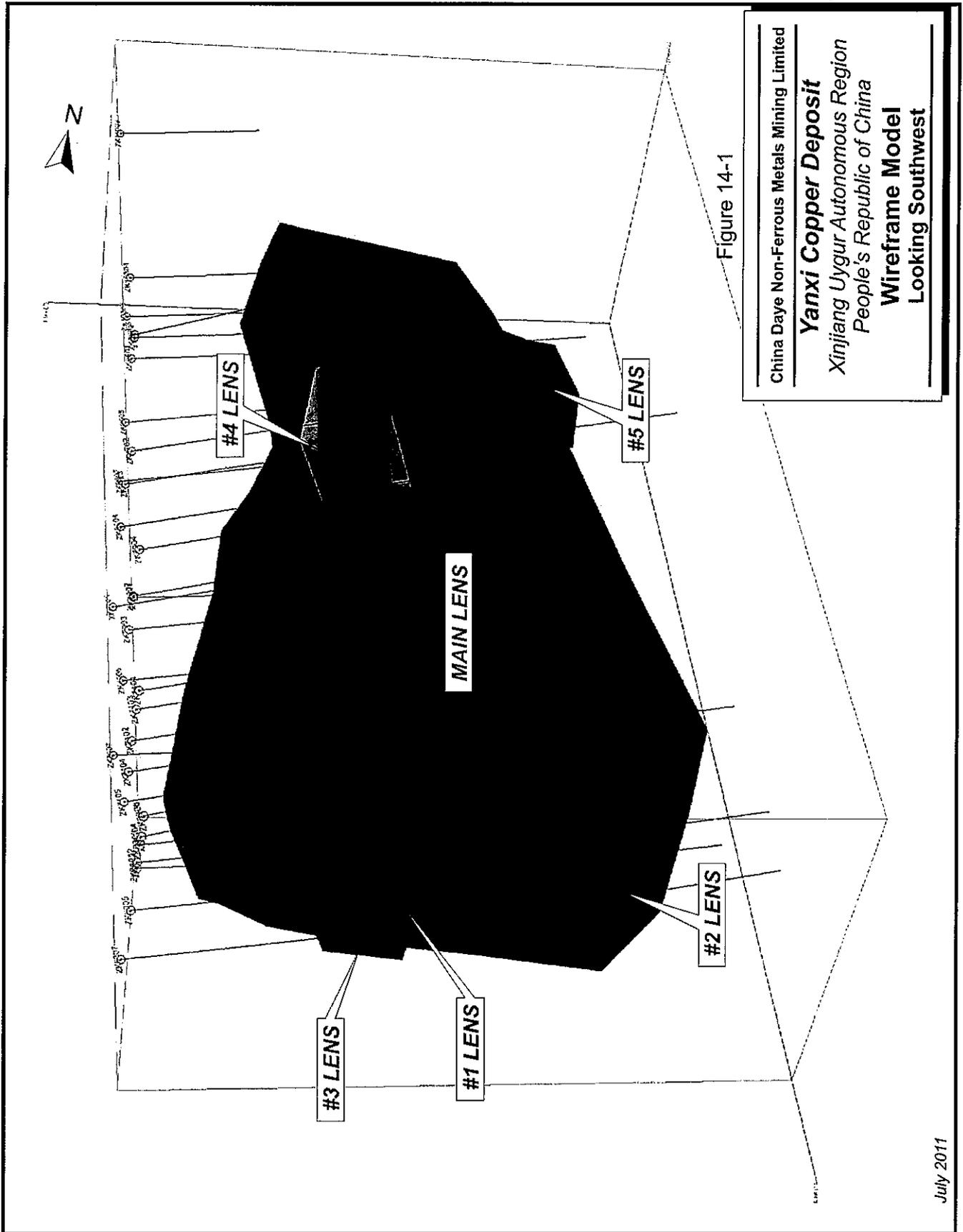
The density for the mineralization used in this estimate is based on 109 measurements from diamond drill core samples. The measurements were taken by immersion in water after the core was waxed. Sixty-four samples were selected from mineralization grading higher than 0.5% Cu and a further 45 samples were taken from mineralization grading lower than 0.5% Cu. For samples above 0.5% Cu, the average value obtained was 2.72 g/cm<sup>3</sup>, while for the samples below 0.5% Cu, the average value was 2.73 g/cm<sup>3</sup>. RPA selected a value of 2.72 g/cm<sup>3</sup> for use in this resource estimate.

## GEOLOGICAL INTERPRETATION AND 3D SOLIDS

RPA prepared interpretations of the mineralized zone in sections that were spaced at 200 m intervals, corresponding to the spacing of the drill sections in the field. A threshold or minimum of 0.32 m was used to interpret the mineralized envelope. Tongxing already had an interpretation, although it was prepared at a different threshold grade than the cut-off used by RPA. The interpretations of RPA and Tongxing were very similar.

Mineralization is present in a number of lenses, but the Main Lens is considered to be the only significant lens with economic potential at this time. This lens extends about 1,000 m in strike length and up to about 650 m vertically. The thickest part of the lens has a true thickness of about 82 m.

A 3D wireframe model was developed from the interpretations prepared on sections and is shown in Figure 14-1.



China Daye Non-Ferrous Metals Mining Limited  
**Yanxi Copper Deposit**  
Xinjiang Uygur Autonomous Region  
People's Republic of China  
**Wireframe Model**  
Looking Southwest

Figure 14-1

## CUT-OFF GRADE

The Yanxi copper deposit is a relatively simple sheet-like body. Based on limited cost data, a cut-off grade of 0.5% Cu was used for this initial estimate. Assumptions used to estimate the cut-off grade are a price of US\$2.50/lb Cu, operating costs of US\$1/t, and metallurgical recovery of 90%.

$$\text{Cut-off grade} = \frac{\text{Operating cost}}{\text{Price} \times \text{Recovery}} = 0.5\% \text{ Cu}$$

The database of copper assays was checked for high values. While there are a few copper assays that are considered to be outlier values, there were insufficient high values to materially affect the average grade. For this reason, no cutting of outlier high values was carried out.

## COMPOSITING AND STATISTICS

Basic statistics for all drill hole assays are listed in Table 14-2.

**TABLE 14-2 BASIC STATISTICS OF DRILL HOLE ASSAYS**  
**China Daye Non-Ferrous Metals Mining Limited - Yanxi Copper Project**

Statistics	Core Length	Cu Grade
N = 2,694		
Mean	2.12 m	0.29 m
Median	2.05 m	0.18 m
Maximum Value	4.41 m	5.02 m
Standard Deviation	0.50	0.32
Coefficient of Variation	0.24	1.10

RPA composited assays into three-metre intervals downhole for intersections inside the mineralized lenses. Basic statistics for the composite data are shown in Table 14-3.

**TABLE 14-3 STATISTICS OF DRILL HOLE COMPOSITE ASSAYS  
China Daye Non-Ferrous Metals Mining Limited - Yanxi Copper Project**

Statistics	Core Length	Cu Grade
N = 545		
Mean	2.91 m	0.57 m
Median	2.84 m	0.49 m
Maximum Value	3.00 m	2.62 m
Standard Deviation	0.38	0.31
Coefficient of Variation	0.13	0.55

Five short composite samples less than one metre were excluded from the variography. Statistics for the composited data, with the small composites removed, are shown in Table 14-4. The similarity of the data in Table 14-3 to those in Table 14-4 indicates that the elimination of the small composites did not affect the overall integrity of the composited database.

**TABLE 14-4 STATISTICS OF DRILL HOLE COMPOSITE ASSAYS WITH  
SHORT COMPOSITES REMOVED  
China Daye Non-Ferrous Metals Mining Limited - Yanxi Copper Project**

Statistics	Core Length	Cu Grade
N = 540		
Mean	2.94 m	0.57 m
Median	2.92 m	0.49 m
Maximum Value	3.00 m	2.62 m
Standard Deviation	0.29	0.31
Coefficient of Variation	0.10	0.55

## VARIOGRAPHY

RPA constructed a number of variograms using the three-metre composites within the mineralized envelopes of the Yanxi deposit. Because of the relatively small number of drill holes and composites, the variogram results were not considered to be sufficiently reliable to use for kriging parameters. Variography should be carried out again after the next round of drilling.

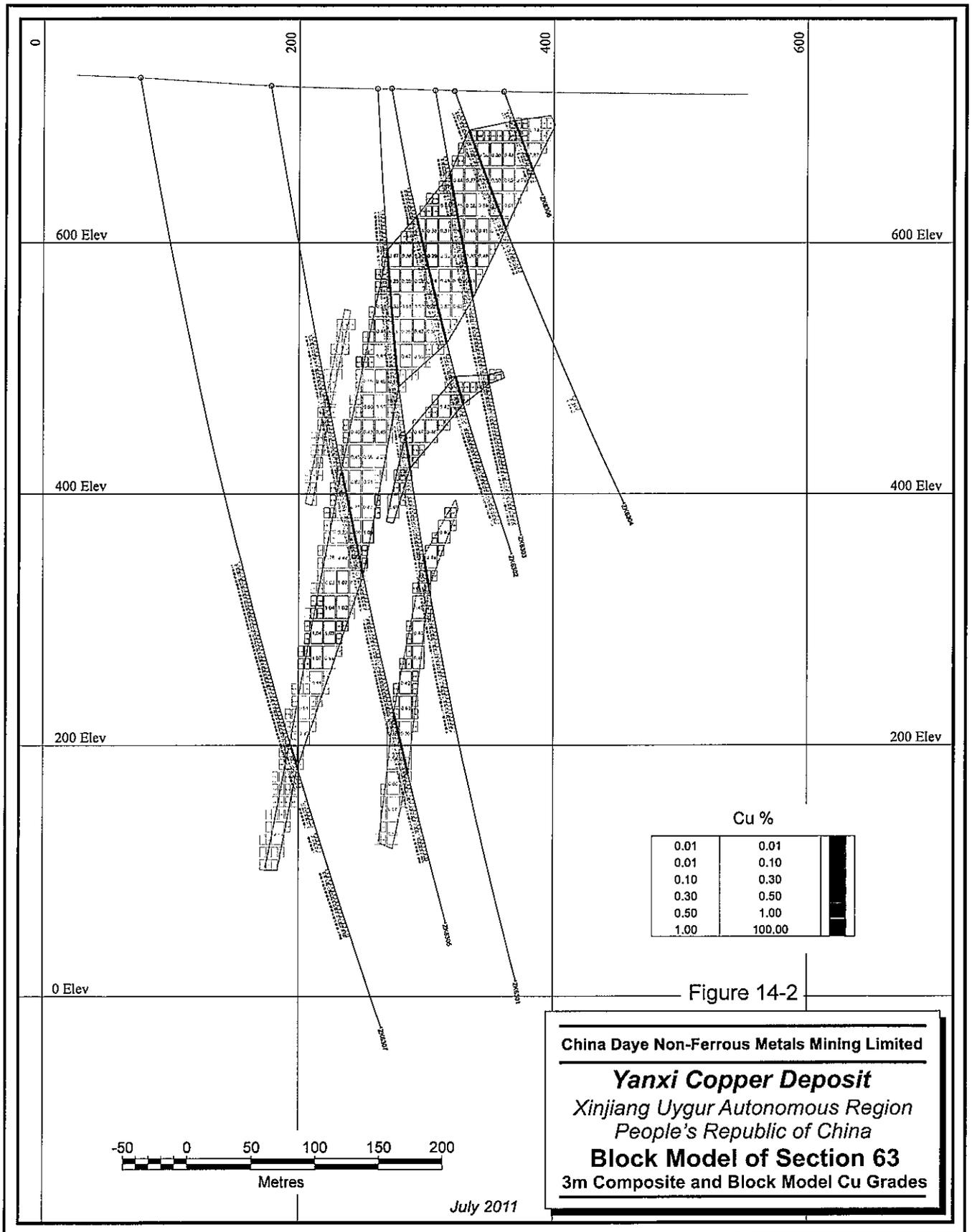
## **BLOCK MODEL AND GRADE INTERPOLATION**

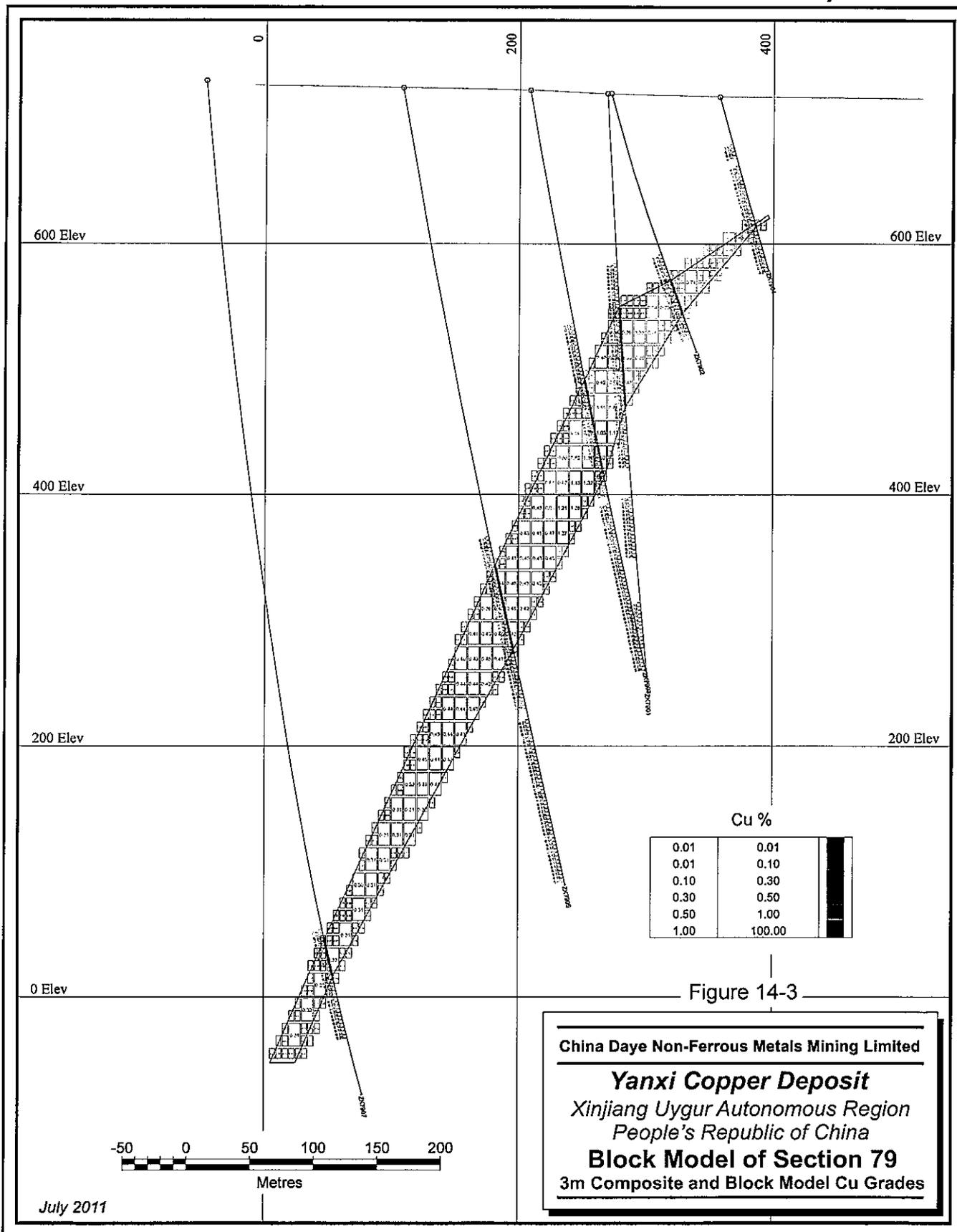
A block model was developed with blocks 50 m along strike by 20 m down dip by 10 m across the zones. The block model was rotated 5° to correspond to the general strike direction of the Yanxi deposit. Grade interpolation was carried out using inverse distance squared using search distances of 300 m along strike, 300 m down dip, and 100 m across dip. Block grade interpolation used a minimum of two composites and a maximum of twelve composites. Hard boundaries were established at the mineralized zone contacts and between each of the lenses. Two sections are shown in Figures 14-2 and 14-3 depicting the block model.

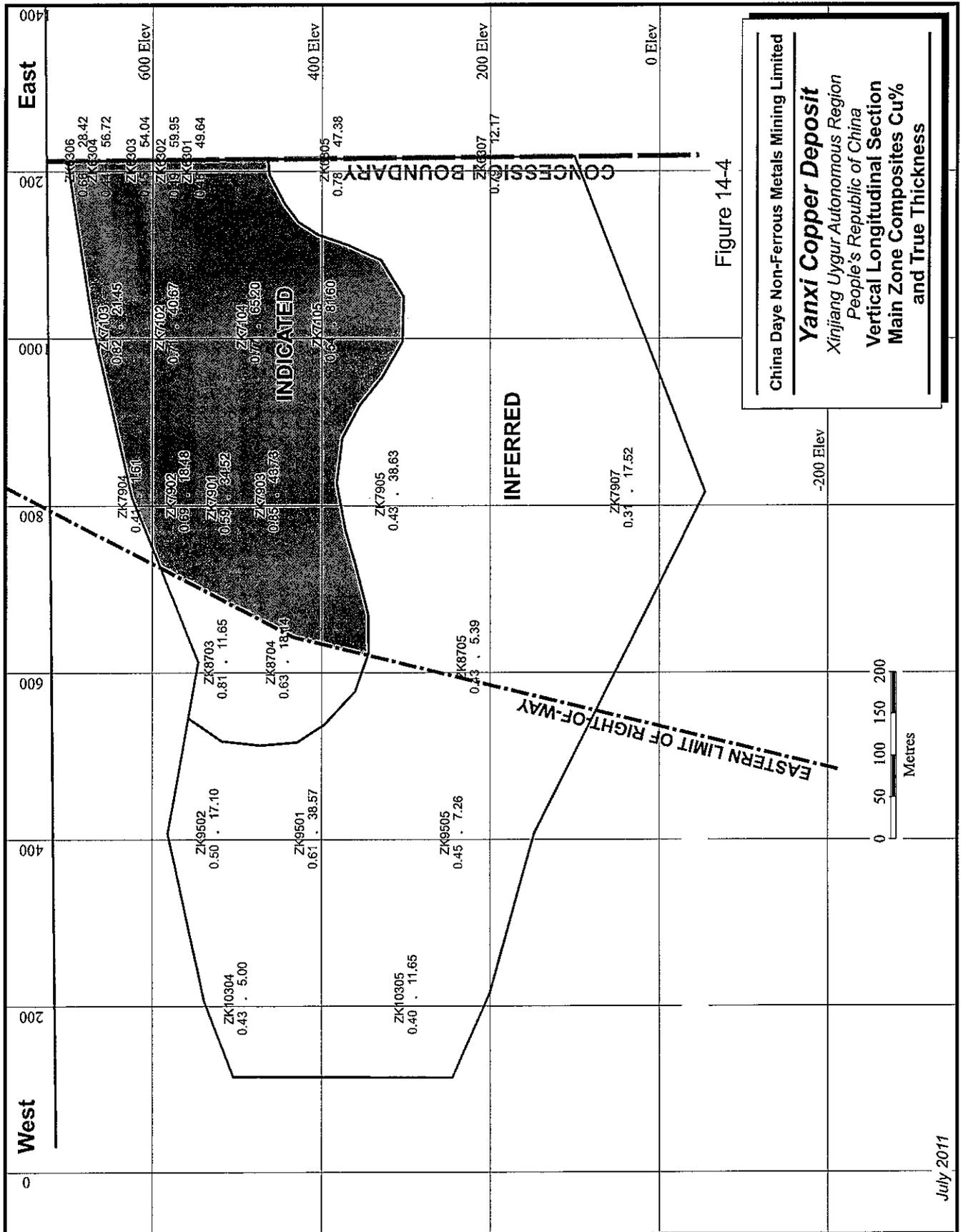
## **CLASSIFICATION OF MINERAL RESOURCES**

The drilling used to estimate the existing Mineral Resource is not uniformly distributed. The eastern, upper part of the deposit is relatively well tested, while the lower and western parts of the deposit are tested by more widely spaced drilling. The better tested parts of the deposit are judged to meet the CIM requirements for an Indicated Mineral Resource, while the less well tested parts of the deposit are classified as an Inferred Mineral Resource. All of the mineralization in the smaller lenses is considered to be an Inferred Mineral Resource because of lower confidence in the geological and grade continuity.

Figure 14-4 is a longitudinal section of the deposit showing the diamond drill hole pierce points and the location of the Indicated and Inferred Mineral Resources.







China Daye Non-Ferrous Metals Mining Limited

**Yanxi Copper Deposit**

Xinjiang Uygur Autonomous Region  
People's Republic of China

**Vertical Longitudinal Section  
Main Zone Composites Cu%  
and True Thickness**

## BLOCK MODEL VALIDATION

The block model sections were examined on screen to check that all of the blocks within the mineralized envelopes had grades interpolated and that block grades corresponded to drill hole composite grades. The statistics of the block model grades were compared with the statistics of the assay grades and the composite grades. No anomalies were detected in these checks.

## MINERAL RESOURCE SUMMARY

The Yanxi deposit has been intersected by 25 diamond drill holes to date. This drilling has succeeded in outlining a porphyry copper deposit. The deposit is probably not amenable to open pit mining but should be amenable to relatively large-scale underground mining. The deposit, as presently tested, lies between about 20 m and 650 m below surface. Mineralization is copper-dominated, with minor gold and molybdenum. The RPA Mineral Resource estimate is based on drilling information up to September 10, 2008. As noted earlier in this report, since the initial preparation of the Mineral Resource statement, a railway line has been planned through the Yanxi exploration right. Table 14-5 lists the Mineral Resources outside the railway right-of-way.

**TABLE 14-5 MINERAL RESOURCES OUTSIDE THE RAILWAY RIGHT-OF-WAY  
JULY 31, 2011**

**China Daye Non-Ferrous Metals Mining Limited - Yanxi Copper Project**

Location	Indicated Resources				Inferred Resources			
	Tonnes (Mt)	Grade (% Cu)	Copper Content (Mlb)	Copper Content (tonnes)	Tonnes (Mt)	Grade (% Cu)	Copper Content (Mlb)	Copper Content (tonnes)
Main Lens	14.15	0.75	234	106,000	7.79	0.72	124	56,200
Other Lenses					0.4	0.61	5	2,300
<b>TOTAL</b>	<b>14.15</b>	<b>0.75</b>	<b>234</b>	<b>106,000</b>	<b>8.19</b>	<b>0.71</b>	<b>129</b>	<b>58,500</b>

Notes:

1. National Instrument 43-101 (NI 43-101) and CIM (Canadian Institute of Mining, Metallurgy and Petroleum) definitions were followed for Mineral Resources.
2. Mineral Resources are estimated at a cut-off grade of 0.5% Cu within a mineralized envelope defined at 0.3% Cu.
3. Mineral Resources are estimated using an average long-term copper price of US\$2.50/lb, and a US\$/C\$ exchange rate of 1.04.
4. A minimum zone width of 5 m was used.
5. The Mineral Resource estimate is based on drilling information up to July 31, 2011 as confirmed by GobiMin Inc. and China Daye.

## **15 MINERAL RESERVE ESTIMATE**

This section is not applicable.

## **16 MINING METHODS**

This section is not applicable.

## 17 RECOVERY METHODS

This section is not applicable.

## **18 PROJECT INFRASTRUCTURE**

This section is not applicable.

## 19 MARKET STUDIES AND CONTRACTS

This section is not applicable.

## **20 ENVIRONMENTAL STUDIES, PERMITTING, AND SOCIAL OR COMMUNITY IMPACT**

This section is not applicable.

## **21 CAPITAL AND OPERATING COSTS**

This section is not applicable.

## **22 ECONOMIC ANALYSIS**

This section is not applicable.

## 23 ADJACENT PROPERTIES

The Yanxi property is essentially joined on the eastern side by Yandong exploration licence of the Zhongyahuagin Mining Ltd. In fact, there is a 250 m gap between the two properties because the government will not allow properties to touch to avoid boundary problems between the property owners (Figure 7-2). The division of this boundary area is made when the properties are taken to a mining lease. There is little detail of the activities on the adjacent property, but the Yanxi deposit is thought likely to be the westerly continuation of the Yandong deposit. An Internet search by RPA indicated that a Hong Kong company, Pearl Oriental Innovation Limited, was to acquire a 100% equity interest in a property in the Yanxi area. RPA is advised that the property in question is the Yandong property.

The mineralization on the Yandong exploration licence was located by the No. 1 Brigade. The No. 1 Brigade sold its interest in the Yandong deposit and has no ongoing interest.

## **24 OTHER RELEVANT DATA AND INFORMATION**

No additional information or explanation is necessary to make this Technical Report understandable and not misleading.

## 25 INTERPRETATION AND CONCLUSIONS

Tongxing, in which Daye is a partner, has discovered a significant porphyry copper deposit approximately 115 km southwest of Hami City. To September 10, 2008, 31 diamond drill holes with an aggregate depth of 13,692 m have tested the Yanxi deposit. Based on the drill hole data from 25 drill holes, RPA estimated an initial Mineral Resource with an effective date of September 10, 2008, which included an Indicated Resource of 15.38 million tonnes at 0.75% Cu containing 254 million pounds (approximately 115,000 tonnes) of copper and an Inferred Resource of 10.63 million tonnes at 0.71% Cu containing 165 million pounds (approximately 74,800 tonnes) of copper. This estimate was reported in a previous RPA Technical Report dated October 30, 2008. Subsequent to this estimate, the Government of the People's Republic of China has proposed to build a railway across the Yanxi Copper Project. Under the law, Tongxing is required to leave a one kilometre allowance or pillar around the railway line. The position of the railway line affects the Mineral Resources for the Yanxi Copper Project and will likely impact on further exploration. The area of the Yanxi concession not affected by the railway pillar is about 11.14 km<sup>2</sup>.

Table 25-1 shows the Mineral Resources outside the railway right-of-way.

**TABLE 25-1 MINERAL RESOURCES OUTSIDE THE RAILWAY RIGHT-OF-WAY  
JULY 31, 2011  
China Daye Non-Ferrous Metals Mining Limited - Yanxi Copper Project**

Location	Indicated Resources				Inferred Resources			
	Tonnes (Mt)	Grade (% Cu)	Copper Content (Mlb)	Copper Content (tonnes)	Tonnes (Mt)	Grade (% Cu)	Copper Content (Mlb)	Copper Content (tonnes)
Main Lens	14.15	0.75	234	106,000	7.79	0.72	124	56,200
Other Lenses					0.4	0.61	5	2,300
<b>TOTAL</b>	<b>14.15</b>	<b>0.75</b>	<b>234</b>	<b>106,000</b>	<b>8.19</b>	<b>0.71</b>	<b>129</b>	<b>58,500</b>

Notes:

1. NI 43-101 and CIM definitions were followed for Mineral Resources.
2. Mineral Resources are estimated at a cut-off grade of 0.5% Cu within a mineralized envelope defined at 0.3% Cu.
3. Mineral Resources are estimated using an average long-term copper price of US\$2.50/lb, and a US\$/C\$ exchange rate of 1.04.
4. A minimum zone width of 5 m was used.
5. The Mineral Resource estimate is based on drilling information up to July 31, 2011 as confirmed by GobiMin Inc. and China Daye.



It is the opinion of RPA that the work recommended in Section 26 is justified by the results achieved to date on the Yanxi Copper Project.

## 26 RECOMMENDATIONS

RPA makes the following recommendations for the Yanxi Copper Project.

Table 26-1 shows the work program recommended to advance the project. It is the opinion of RPA that the work recommended is justified by the results achieved to date on the Yanxi Copper Project.

**TABLE 26-1 RECOMMENDED WORK PROGRAM**  
**China Daye Non-Ferrous Metals Mining Limited - Yanxi Copper Project**

Item	C\$ '000 or RMB 000
Diamond drilling (6 holes for 3,500 m)	420
Updating and extending the metallurgical testing	100
Preparation of a new Mineral Resource and Mineral Reserve estimate	50
Prefeasibility study	1,500 to 2,000
Studies for Chinese Mining Lease application	10
<b>TOTAL</b>	<b>C\$2,580 or RMB 17,211</b>

Notes:

1. A C\$/RMB exchange of 6.67 was used
2. Totals may not add due to rounding

Prior to carrying out any further drilling, RPA recommends that Daye introduce a field-managed QA/QC program and undertake an investigation to determine why there is a variation in the analytical results between the various laboratories that are used for analyzing samples from the Yanxi deposit.

## 27 REFERENCES

- Gow, N.N., 2008, Technical Report on the Yanxi Copper Project, Xinjiang Uygur Autonomous Region, People's Republic of China. Independent Technical Report for GobiMin Inc
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- Jiang, S., 2007, Yanxi Copper Deposit Processing Test Report, Hami, Xinjiang. Report to Xinjiang Tongxing Mining Co., Ltd., by Xinjiang Mineral Experimental Institute.
- Kirkham, R.V., and Dunne, K.P.E., 2000, World Distribution of Porphyry, Porphyry-associated Skarn, and Bulk-tonnage Epithermal Deposits and Occurrences. Natural Resources Canada, OFR 3792a, b.

## 28 DATE AND SIGNATURE PAGE

This report titled "Technical Report on the Yanxi Copper Project, Xinjiang Uygur Autonomous Region, People's Republic of China" and dated December 29, 2011 was prepared and signed by the following author:

Dated at Toronto, Ontario  
December 29, 2011

A handwritten signature in black ink, appearing to read 'Neil N. Gow', written in a cursive style.

Neil N. Gow P.Geol.  
Associate Consulting Geologist

## 29 CERTIFICATE OF QUALIFIED PERSON

### NEIL N. GOW

I, Neil N. Gow, P.Geo., Competent Person, as an author of this report entitled "Technical Report on the Yanxi Copper Project, Xinjiang Uygur Autonomous Region, People's Republic of China" prepared for China Daye Non-Ferrous Metals Mining Limited and dated December 29, 2011, do hereby certify that:

1. I am an Associate Consulting Geologist with Roscoe Postle Associates Inc. of Suite 501, 55 University Ave Toronto, ON, M5J 2H7.
2. I am a graduate of the University of New England, Armidale, NSW, Australia in 1966 with a B.Sc. (Hons.).
3. I am registered as a Professional Geologist in the Province of Ontario (Reg.#433), Association of Professional Geoscientists of Ontario. I have worked as a geologist for a total of more than 40 years since my graduation, predominantly on non-ferrous metals. My relevant experience for the purpose of the Technical Report is:
  - Assessment of the El Pachon porphyry copper deposit, Argentina
  - Assessment and valuation of the Bajo Alumbra deposit, Argentina.
  - Assessment of porphyry copper deposits in the Philippines.
4. I have read the definition of "qualified person" set out in National Instrument 43-101 (NI 43-101) and of Competent Person as set out in the Stock Exchange of Hong Kong Limited Listing Rules 18.21 certify that by reason of my education, affiliation with a professional association (as defined in NI 43-101) and past relevant work experience, I fulfill the requirements to be a "qualified person" for the purposes of NI 43-101.
5. I visited the Yanxi Copper Property on August 1, 2008.
6. I am responsible for overall preparation of the Technical Report.
7. I am independent of the Issuer applying the test set out in Section 1.5 of NI 43-101 and the Stock Exchange of Hong Kong Limited Listing Rule 18.22.
8. I have prepared a previous independent technical report on the Yanxi Copper Property for a previous property owner.
9. I have read NI 43-101, and the Technical Report has been prepared in compliance with NI 43-101 and Form 43-101F1.



10. To the best of my knowledge, information, and belief, the Technical Report contains all scientific and technical information that is required to be disclosed to make the technical report not misleading.

Dated 29<sup>th</sup> day of December, 2011

A handwritten signature in black ink, appearing to read 'Neil N. Gow', is written over a horizontal line.

Neil N. Gow, P.Geol.