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China Vanadium Titano-Magnetite Mining Company Limited

中國鈦鈹磁鐵礦業有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 893)

DISCLOSEABLE TRANSACTION ASSETS TRANSFER AGREEMENT FOR THE ACQUISITION OF THE CIZHUQING MINE EXPLORATION RIGHT AND CERTAIN ASSETS RELATING TO THE HAILONG PRODUCTION FACILITY



Financial Advisor to the Company

On 3 February 2010, Huili Caitong has entered into an assets transfer agreement in which Huili Caitong has agreed to acquire, and Huili Hailong has agreed to transfer at a consideration of RMB310 million the Exploration Right of the Cizhuqing Mine together with the Target Assets at an iron concentrates production facility at Xiaoheiqing Town, Huili County, Sichuan, PRC. The Cizhuqing Mine Exploration Right covers an exploration area of 2.30 km² and the Cizhuqing Mine has an estimated resource of 25.57 mt. The iron concentrates production line at the Hailong Production Facility has an annual production capacity of 300 kt for iron concentrates.

The Acquisition constitutes a discloseable transaction for the Company under the Listing Rules and is subject to the announcement requirements under Chapter 14 of the Listing Rules. The Previous Transaction was a discloseable transaction for the Company. Pursuant to Rule 14.22 of the Listing Rules, the Acquisition when aggregated with the Previous Transaction would also constitute a discloseable transaction for the Company.

The Company has appointed Citigroup Global Markets Asia Limited as the financial adviser to the Company in respect of the Acquisition.

1. BACKGROUND

Reference is made to the announcement of the Company dated 18 January 2010 relating to the acquisition of the Mining Right of the Yangqueqing Iron Mine. On 24 December 2009, the Transferor and the Transferee entered into a non-binding framework agreement relating to the acquisition of the Exploration Right of the Cizhuqing Mine and the Hailong Production Facility (“**Framework Agreement**”). On 11 January 2010, the Transferee paid to the Transferor RMB120 million as the Deposit under the provisions of the Framework Agreement. Such Deposit could be applied as part payment of the Consideration in the event that the Transferor and the Transferee enter into a definitive asset transfer agreement. On 3 February 2010, Huili Caitong, a subsidiary of the Group has entered into an assets transfer agreement with the Transferor and the Guarantor. Under the Transfer Agreement, Huili Caitong has agreed to acquire, and the Transferor has agreed to transfer, the Cizhuqing Mine Exploration Right and the Target Assets at an iron concentrates production facility at Xiaoheqing Town, Huili County, Sichuan, PRC at a consideration of RMB310 million.

2. SUMMARY OF THE TRANSFER AGREEMENT

The key provisions of the Transfer Agreement are as follows:

Date of Agreement : 3 February 2010

Parties:

(1) Transferor : Huili Hailong

(2) Transferee : Huili Caitong

(3) Guarantor : Mr. Luo

Subject of the Acquisition : Exploration Right of the Cizhuqing Mine and the Target Assets

Consideration : RMB310 million, consisting of RMB120 million for the Exploration Right of the Cizhuqing Mine and RMB190 million for the Target Assets, with appropriate adjustments as required and payable to the Transferor by three separate installments. For details of the conditions of payment of three separate installments after applying the Deposit as part payment, please refer to the section headed “Consideration and Method of Payment” below.

Basis of the Consideration : The part of the Consideration relating to the Target Assets is based on the valuation conducted by an independent PRC assets valuer. The appraised value of the Target Assets as at 31 January 2010 was RMB192.05 million and the valuation method adopted was the replacement cost method. The part of the Consideration relating to the Exploration Right was based on arm’s length negotiation with reference to the market price of per tonne of iron resources.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Transferor, Guarantor and the ultimate beneficial owners of the Transferor and Guarantor are third parties independent of the Group and connected persons of the Group.

3. VALUE OF THE EXPLORATION RIGHT AND THE TARGET ASSETS

The total net asset value of the Exploration Right and the Target Assets as at 31 January 2010 was RMB322.44 million[▲]. In addition, the net losses attributable to the Exploration Right and the Target Assets for the years ended 31 December 2008 and 31 December 2009 were as follows:

	For the year ended 31 December 2008	For the year ended 31 December 2009
Net losses before and after taxation	RMB1,300,000 [▲]	RMB560,000 [▲]

[▲] Based on Generally Accepted Accounting Principles of the PRC

4. TRANSFER OF THE EXPLORATION RIGHT AND THE TARGET ASSETS

Within 10 working days from the signing of the Transfer Agreement, the ownership right of the Hailong Production Facility together with the Land Use Right and Right of Way shall be transferred to Huili Caitong. The Exploration Right and the Exploration Land Use Right shall be transferred to Huili Caitong from the date of registration by the relevant PRC authorities.

5. CONSIDERATION AND METHOD OF PAYMENT

After applying the Deposit as part payment of the Consideration, the Consideration is payable on the following conditions:

- First installment : Within 5 working days from completing certain PRC regulatory, approval and recordal procedures relating to the transfer of the Target Assets and the fulfillment of certain conditions, the Transferee shall pay to the Transferor RMB98.5 million to the Transferor's designated account.
- Second installment : Within 5 working days from the effective change of owner to the Transferee for the Exploration Right and the Exploration Land Use Right, the Transferee shall pay RMB61.5 million to the Transferor's designated account.
- Third installment : Within 5 working days from the receipt of various permits and licenses necessary for the operation of the Target Assets by the Transferee from the PRC authorities, the Transferee shall pay RMB30 million as the completion payment to the Transferor's designated account.

The Consideration will be paid by Huili Caitong in cash.

6. INFORMATION ON THE CIZHUQING MINE

The technical data of the Cizhuqing Mine are as follows:

Mine location	:	Huili County, Liangshanzhou, Sichuan, PRC
Exploration area	:	2.30 km ²
Method of extraction	:	Open-pit mining
Exploration permit validity period	:	From 27 March 2008 to 27 March 2010
Estimated resources under the Cizhuqing Mine Exploration Right	:	25.57 mt
Average grade	:	21.41% for total iron, 9.03% for titanium oxide and 0.15% for vanadium pentoxide

7. INFORMATION ON THE TARGET ASSETS

Pursuant to the Transfer Agreement, the Target Assets include the following:

- (a) the Cizhuqing Mine Exploration Right with an exploration area of 2.30 km²,
- (b) an iron concentrates production line with a total annual capacity of 300 kt which began production in September 2009, together with a tailing storage facility with a storage capacity of 5.06 million m³, certain buildings and machinery and equipment, and
- (c) permanent right of way of a pavement road at the length of 13.5 km at Xiaoheiqing Town, Huili County, Sichuan (“**Right of Way**”).

(collectively, “**Target Assets**”).

8. GUARANTEE

The parties agreed that the Guarantor shall procure the Transferor to perform its obligations under the Transfer Agreement. If the Transferor fails to perform all or part of its obligations pursuant to the Transfer Agreement, the Guarantor shall perform such obligations on behalf of the Transferor or bear unlimited joint liability for the Transferor’s default.

9. REASONS FOR THE TRANSFER OF THE TARGET ASSETS

The Group specializes in the mining and processing of iron ore into iron concentrates, iron pellets and titanium concentrates for subsequent sale. As one of our key expansion strategies is to identify and acquire iron ore mines, the Acquisition represents an opportunity for us to further develop our current business by increasing our iron ore resources and iron concentrates production capacity.

The Acquisition gives Huili Caitong the opportunity to obtain the Exploration Right of Cizhuqing Mine, under which there is currently estimated 25.57 mt of iron ore resources. Further, this Acquisition will increase our annual iron concentrates production capacity by 300 kt. The increases in resources and production capacity will yield greater production output, which in turn will increase our revenue. The Group will also be able to integrate its production facilities and streamline its production processes as a result of acquiring the Target Assets.

Considering the reasons above, the Directors are of the view that the Transaction is in the interest of the Company and the Shareholders as a whole, and the terms of the Transfer Agreement are on normal commercial terms and are fair and reasonable to the Company.

10. INFORMATION ABOUT HUILI CAITONG

Huili Caitong is a subsidiary of the Group and its principal business activities include the operation of the Baicao Mine.

11. INFORMATION ABOUT THE GROUP

The Group owns and operates iron ore mines in Sichuan. The ore in our mines is vanadium-bearing titanomagnetite ore which are used for producing iron ore products and titanium products. The Group primarily engages in mining, ore processing and iron pelletizing and sale of iron concentrates, iron pellets and titanium concentrates.

12. INFORMATION ABOUT HUILI HAILONG

Huili Hailong is established in the PRC with limited liability and located in Xiaoheiqing Town, Huili County, Sichuan, PRC. The principal business activities of Huili Hailong include the production and sale of iron concentrates.

13. LISTING RULES IMPLICATIONS

The Acquisition constitutes a discloseable transaction for the Company under the Listing Rules and is subject to the announcement requirements under Chapter 14 of the Listing Rules. The Previous Transaction was a discloseable transaction for the Company. As Mr. Luo is the sole proprietor of the holding entity of the Yangqueqing Iron Mine and the majority shareholder of Huili Hailong, pursuant to Rule 14.22 of the Listing Rules, the Acquisition when aggregated with the Previous Transaction would also constitute a discloseable transaction for the Company.

The Company has appointed Citigroup Global Markets Asia Limited as the financial adviser to the Company in respect of the Acquisition.

Shareholders of the Company and investors should exercise caution when dealing in the shares of the Company.

TERMS USED IN THIS ANNOUNCEMENT

“Acquisition”	the acquisition of the Exploration Rights and the Target Assets pursuant to the Transfer Agreement
“Baicao Mine”	the vanadium-bearing titanomagnetite mine located in Xiaoheiqing Town, Huili County, Sichuan, PRC and operated by Huili Caitong
“Company”	China Vanadium Titano-Magnetite Mining Company Limited
“Consideration”	the consideration of RMB310 million for the Acquisition
“Deposit”	the deposit of RMB120 million
“Directors”	the directors of the Company
“Exploration Land Use Right”	the land use right of an exploration area of 2.30 km ²
“Exploration Right”	the exploration right of Cizhuqing Mine pursuant to an exploration permit issued by the Land Resources Department of Sichuan Province* (四川省國土資源廳) dated 27 March 2008
“Group”	the Company and its subsidiaries
“Guarantor”	Mr. Luo
“Cizhuqing Mine”	the vanadium-bearing titanomagnetite mine located at Huili County, Liangshanzhou, Sichuan, PRC whose permitted exploration area is approximately 2.30 km ²
“Hailong Production Facility”	an iron and titanium concentrates production line with a total annual capacity of 300 kt iron concentrates, together with a tailing storage facility, certain buildings and machinery and equipment located at Xiaoheiqing Town, Huili County, Sichuan, PRC owned by the Transferor
“Huili Caitong” or “Transferee”	Huili County Caitong Iron and Titanium Co. Ltd.* (會理縣財通鐵鈦有限責任公司) established in the PRC since 7 July 1998 and currently a Sino-foreign equity joint venture enterprise. It is a member of our Group and operates the Baicao Mine
“Huili Hailong” or “Transferor”	Huili County Hailong Mining Development Co. Ltd.* (會理縣海龍礦產有限責任公司), a limited liability company established in the PRC who is owned as to 76.69% by Mr. Luo
“km”	kilometres
“km ² ”	square kilometres
“kt”	thousand tonnes

“Land Use Right”	the land use right of the piece of land occupied by the Hailong Production Facility and a tailing storage facility
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“m ² ”	square metres
“m ³ ”	cubic metres
“Mining Right”	is defined in the announcement of the Company dated 18 January 2010
“Mr. Luo”	Luo Hong You, a PRC individual who has a 76.69% interest in Huili Hailong
“mt”	million tonnes
“PRC”	the People’s Republic of China
“PRC authorities”	the relevant local PRC authorities as the context may require
“Previous Transaction”	the transaction relating to the transfer of the Mining Right of the Yangqueqing Iron Mine pursuant to the announcement of the Company dated 18 January 2010
“RMB”	Renminbi, the lawful currency of the PRC
“Target Assets”	is defined in section 2 of this announcement
“Transfer Agreement”	an agreement entered by Huili Caitong, Huili Hailong and the Guarantor in respect of the acquisition of the Target Assets on 3 February 2010
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Yangqueqing Iron Mine”	is defined in the announcement of the Company dated 18 January 2010

* *For identification purpose only*

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

Hong Kong, 4 February 2010

As at the date of this announcement, the Board comprises Mr. Jiang Zhong Ping, Mr. Liu Feng, Mr. Wang Yun Jian and Mr. Yu Xing Yuan as Executive Directors; Mr. Wang Jin, Mr. Zhu Xiao Lin, Mr. Teo Cheng Kwee and Mr. Devlin Paul Jason as Non-executive Directors; and Mr. Yu Haizong, Mr. Gu Peidong, Mr. Liu Yi and Mr. Wu Wei as Independent Non-executive Directors.

Website: www.chinavtmmining.com