

CHINA NATURAL RESOURCES INC
Form 20-F
April 30, 2019

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 20-F

(Mark One)

..
**REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR
(g) OF THE SECURITIES EXCHANGE
ACT OF 1934**

OR

b
**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT
OF 1934**

For the fiscal year ended December 31, 2018

OR

..
**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE
ACT OF 1934**

For the transition period from: _____ to _____

OR

..
**SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE
ACT OF 1934**

Date of event requiring shell company report _____

Commission file number: **0-26046**

CHINA NATURAL RESOURCES, INC.

(Exact name of Registrant as specified in its charter)

Not Applicable

(Translation of Registrant's name into English)

British Virgin Islands

(Jurisdiction of incorporation or organization)

**Room 2205, 22/F, West Tower, Shun Tak Centre,
168-200 Connaught Road Central, Sheung Wan, Hong Kong**

(Address of principal executive offices)

Bonaventure Yue, Chief Financial Officer

**Room 2205, 22/F, West Tower, Shun Tak Centre,
168-200 Connaught Road Central, Sheung Wan, Hong Kong**

bonyue@chnr.net

(Name, telephone number, e-mail and/or facsimile number and address of Registrant's contact person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

<i>Title of each class</i>	<i>Name of each exchange on which registered</i>
Common Shares, without par value	NASDAQ Capital Market

Securities registered or to be registered pursuant to Section 12(g) of the Act: **None**

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **None**

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report. 24,910,916 common shares as of December 31, 2018.

Indicate by check mark if the issuer is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes No

Note Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of accelerated filer, large accelerated filer and emerging growth company in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer Accelerated Filer
 Non-Accelerated Filer Emerging Growth Company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by checkmark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP International Financial Reporting Standards as issued
 By the International Accounting Standards Board Other

If Other has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes " No

CONVENTIONS

Unless otherwise specified, all references in this Annual Report to U.S. Dollars, Dollars, US\$, or \$ are to United States dollars; all references to Hong Kong Dollars or HK\$ are to Hong Kong dollars; and all references to Renminbi or CNY are to Chinese Yuan, which is the lawful currency of the People's Republic of China. The accounts of the Company and its subsidiaries are maintained in Hong Kong Dollars, or Renminbi. The financial statements of the Company and its subsidiaries are prepared in Renminbi. Translations of amounts from Renminbi to U.S. Dollars, and from Hong Kong Dollars to U.S. Dollars are for the convenience of the reader. Unless otherwise indicated, any translations from Renminbi to U.S. Dollars or from U.S. Dollars to Renminbi have been made at the single rate of exchange (the CNY Exchange Rate) as quoted by www.ofx.com on December 31, 2018, which was US\$1.00 = CNY6.8785. Translations from Hong Kong Dollars to U.S. Dollars have been made at the official pegged exchange rate of US\$1.00 = HK\$7.80 as of December 31, 2018. The Renminbi is not freely convertible into foreign currencies and no representation is made that the Renminbi or U.S. Dollar amounts referred to herein could have been or could be converted into U.S. Dollars or Renminbi, as the case may be, at the CNY Exchange Rate or at all.

References to Antay Pacha are to Planta Metalurgica Antay Pacha S.A., a company organized in Bolivia and, until December 29, 2017, an indirect wholly-owned subsidiary of CHNR.

References to Bayannaer Mining are to Bayannaer City Feishang Mining Company Limited, a company organized in the PRC and a wholly-owned subsidiary of Yangpu Shuanghu.

References to the BVI are to the British Virgin Islands.

References to China Resources are to China Resources Development, Inc., a Nevada company and the predecessor to CHNR.

References to the Company or CHNR are to China Natural Resources, Inc. (formerly known as Billion Luck Company Ltd.), a BVI company, which was the surviving company to a merger between China Resources and CHNR on December 9, 2004 (the Redomicile Merger). Unless the context otherwise requires, the Company and/or CHNR includes the operations of its predecessor and subsidiaries.

References to common shares are to the common shares, without par value, of CHNR after the Redomicile Merger.

References to common stock are to the common stock, US\$0.001 par value, of China Resources.

References to China Coal are to China Coal Mining Investment Limited, a company organized in Hong Kong and a wholly-owned subsidiary of CHNR.

References to Distribution are to a special interim dividend declared by the Company satisfied by way of a distribution in specie of the entire issued share capital of Feishang Anthracite, being an aggregate of 124,554,580 ordinary shares in the capital of Feishang Anthracite with a par value of HK\$0.01 each.

References to Distribution Record Date are to January 13, 2014, being the record date for ascertaining entitlements to the Distribution.

References to Double Grow are to Double Grow International Limited, a company organized in the BVI and, until December 29, 2017, a wholly-owned subsidiary of CHNR.

References to Easy Gain are to Easy Gain Investments Limited, a company organized in the BVI and a wholly-owned subsidiary of Double Grow.

References to Feishang Anthracite are to Feishang Anthracite Resources Limited (formerly known as Wealthy Year Limited), a company organized in the BVI whose ordinary shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the Hong Kong Stock Exchange) on January 22, 2014; and, until January 22, 2014, a wholly-owned subsidiary of CHNR.

References to Feishang Dayun are to Feishang Dayun Coal Mining Limited, a company organized in Hong Kong and a wholly-owned subsidiary of Pineboom.

References to Feishang Enterprise are to Feishang Enterprise Group Co., Ltd., a related company organized in the PRC and controlled by Mr. Li Feilie, the principal beneficial owner of the Company and its former Chairman and CEO.

References to Feishang Hesheng are to Feishang Hesheng Investment Limited, a related company organized in the BVI that is ultimately controlled by Mr. Li Feilie.

References to **Feishang Management** are to Shenzhen Feishang Management and Consulting Co., Limited, a company organized in the PRC and a wholly-owned subsidiary of Yunnan Mining.

References to **Feishang Mining** are to Feishang Mining Holdings Limited, a company organized in the BVI and, since February 3, 2006, a wholly-owned subsidiary of CHNR.

References to **Feishang Group** are to Feishang Group Limited, CHNR's principal shareholder and a company organized in the BVI that is ultimately controlled by Mr. Li Feilie.

References to **Feishang Yongfu** are to Feishang Yongfu Mining Limited, a company organized in Hong Kong and a wholly-owned subsidiary of Newhold.

References to **FMH Services** are to FMH Corporate Services Inc., a company organized in Florida and a wholly-owned subsidiary of CHNR. FMH Services is currently inactive.

References to **Full Profit** are to Full Profit Investments Limited, a company organized in the BVI and a wholly-owned subsidiary of Double Grow.

References to the **Group** are to the Company and its direct and indirect subsidiaries.

References to **HK** or **Hong Kong** are to Hong Kong Special Administrative Region.

References to **IFRS** are to International Financial Reporting Standards as issued by the International Accounting Standards Board.

References to **Newhold** are to Newhold Investments Limited, a company organized in the BVI and a wholly-owned subsidiary of CHNR.

References to **Pineboom** are to Pineboom Investments Limited, a company organized in the BVI and a wholly-owned subsidiary of CHNR.

References to the **PRC** or **China** are to the People's Republic of China and, solely for the purpose of this annual report, excluding Hong Kong, Macao, and Taiwan.

References to the **Related-Party Debtholders** are to the companies affiliated with Mr. Li Feilie, CHNR's principal beneficial owner, including without limitation, Feishang Enterprise and Feishang Group.

References to **Series B preferred shares** are to the Series B preferred shares, without par value, of CHNR, after the Redomicile Merger.

References to **Series B preferred stock** are to the Series B preferred stock, US\$.001 par value, of China Resources.

References to **shareholders** of CHNR are to the members of China Natural Resources, Inc., a BVI corporation.

Members under British Virgin Islands law are the equivalent of **shareholders** under the laws of the several states of the United States.

References to Silver Moon are to Silver Moon Technologies Limited, a company organized in the BVI and an 80%-owned subsidiary of CHNR. Silver Moon is currently inactive.

References to Spin-Off are to the January 22, 2014 Distribution to the Company's shareholders of the outstanding shares of Feishang Anthracite, which operated the Company's coal mining and related business prior to January 22, 2014.

References to Sunwide are to Sunwide Capital Limited, a company organized in the BVI and a wholly-owned subsidiary of CHNR. Sunwide is currently inactive.

References to Wuhu Feishang are to Wuhu Feishang Mining Development Co., Limited, a company organized in the PRC and, until March 3, 2017, a wholly-owned subsidiary of Feishang Mining.

References to Yangpu Lianzhong are to Yangpu Lianzhong Mining Co., Limited, a company organized in the PRC and a wholly-owned subsidiary of China Coal.

References to Yangpu Shuanghu are to Yangpu Shuanghu Industrial Development Co., Limited, a company organized in the PRC and a wholly-owned subsidiary of Feishang Yongfu.

References to Yunnan Mining are to Yunnan Feishang Mining Co., Limited, a company organized in the PRC and a wholly-owned subsidiary of Yangpu Shuanghu.

Forward-Looking Statements

This Annual Report contains statements that constitute forward-looking statements within the meaning of Federal securities laws. These statements appear in a number of places in this Annual Report and include, without limitation, statements regarding the intent, belief and current expectations of the Company, its directors or its officers with respect to the Company's policies regarding investments, dispositions, financings, conflicts of interest and other matters; and trends affecting the Company's financial condition or results of operations. Forward-looking statements are not a guarantee of future performance and involve risks and uncertainties, and actual results may differ materially from those in the forward-looking statement as a result of various factors. Among the risks and uncertainties that could cause our actual results to differ from our forward-looking statements are our intent, belief and current expectations as to business operations and operating results, uncertainties regarding the governmental, economic and political circumstances in the People's Republic of China, uncertainties associated with metal price volatility; uncertainties related to our ability to fund operations; uncertainties associated with the Company's reliance on third-party contractors, uncertainties related to possible future increases in operating expenses, including costs of labor and materials, and other risks detailed from time to time in the Company's filings with the Securities and Exchange Commission, including without limitation the information set forth in Item 3.D. of this Annual Report under the heading Risk Factors. With respect to forward-looking statements that include a statement of its underlying assumptions or bases, the Company cautions that, while it believes such assumptions or bases to be reasonable and has formed them in good faith, assumed facts or bases almost always vary from actual results, and the differences between assumed facts or bases and actual results can be material depending on the circumstances. When, in any forward-looking statement, the Company, or its management, expresses an expectation or belief as to future results, that expectation or belief is expressed in good faith and is believed to have a reasonable basis, but there can be no assurance that the stated expectation or belief will result or be achieved or accomplished.

PART I

ITEM 1.

IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISORS

No disclosure is required in response to this Item.

ITEM 2.

OFFER STATISTICS AND EXPECTED TIMETABLE

No disclosure is required in response to this Item.

ITEM 3.

KEY INFORMATION

A.

Selected Financial Data

The selected financial information as of and for the years ended December 31, 2014, 2015, 2016, 2017 and 2018 set forth below should be read in conjunction with, and is qualified in its entirety by reference to, Item 5. Operating and Financial Review and Prospects and our audited consolidated financial statements and the notes thereto included elsewhere in this Annual Report.

On February 3, 2006, we consummated the acquisition of all of the issued and outstanding capital stock of Feishang Mining (the Acquisition). The Acquisition was accounted for using the purchase method of accounting and was treated as a reverse acquisition because on a post-merger basis, the former Feishang Mining shareholder holds 86.4% of our outstanding common shares. As a result, Feishang Mining is deemed to be the acquirer for accounting purposes.

We have retroactively restated our issued share capital to reflect the acquisition by Feishang Mining. The selected financial data are stated in CNY and are derived from the audited consolidated financial statements of the Company for the years ended December 31, 2014, 2015, 2016, 2017 and 2018, prepared and presented in accordance with IFRSs. Details of the Company's acquisition of Feishang Mining are described elsewhere in this Annual Report.

Ernst & Young Hua Ming LLP, which has been engaged as our independent registered public accounting firm for the years ended December 31, 2016, 2017 and 2018, has issued unqualified auditor's reports on our consolidated statements of financial position as of December 31, 2016, 2017 and 2018, and the related consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the years ended December 31, 2016, 2017 and 2018.

The statements of profit or loss data for each of the years ended December 31, 2016, 2017 and 2018 and the statements of financial position data as of December 31, 2017 and 2018 are derived from our audited consolidated financial statements included in Part III, Item 18, Financial Statements of this Annual Report. The statements of financial position data as of December 31, 2014, 2015 and 2016 and the statements of profit or loss data for the years ended December 31, 2014 and 2015 are derived from our audited consolidated financial statements that are not included in this Annual Report. Our historical results are not necessarily indicative of our results in any future period.

In accordance with IFRS 5, consolidated statements of profit or loss have been restated retrospectively for all periods presented due to the Spin-Off and listing by way of introduction on the Hong Kong Stock Exchange of the Company's wholly-owned subsidiary, Feishang Anthracite, which operated the Company's coal mining and related business. The Spin-Off was completed on January 22, 2014. The coal mining and related operations are therefore presented as discontinued operations in the consolidated statements of profit or loss for the year ended December 31, 2014.

Moreover, consolidated statements of profit or loss have been restated retrospectively for the years ended December 31, 2014, 2015 and 2016 due to the disposal of Wuhu Feishang and Double Grow on March 3, 2017 and December 29, 2017, respectively. Wuhu Feishang and Double Grow were the primary contributors to the Group's exploration and mining of non-ferrous metals segment and copper smelting segment, respectively, which represented a separate major line of business with separately identifiable operations and cash flows. Accordingly, the results of Wuhu Feishang and Double Grow are classified and separately reported as discontinued operations in the consolidated statements of profit or loss for the year ended December 31, 2017. The comparative amounts reported in the consolidated statements of profit or loss and related notes have been revised accordingly to reflect the reclassification between continuing operations and the discontinued operations. In addition, the gains recognized on the disposal of Wuhu Feishang and Double Grow are included in the results of the discontinued operations.

Amounts in thousands, except share amounts and per share data

	Year Ended December 31, 2014 CNY	Year Ended December 31, 2015 CNY	Year Ended December 31, 2016 CNY	Year Ended December 31, 2017 CNY	Year Ended December 31, 2018 CNY
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**Consolidated Statements of Profit or
Loss Data**

Continuing operations

Revenue

Cost of sales

Gross profit

Profit/(loss) before income tax from
continuing operations

	11,290	(3,769)	(4,445)	(6,179)	(6,179)
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Profit/(loss) for the year from continuing
operations attributable to:

Owners of the Company

	6,280	(5,273)	(4,445)	(6,179)	(6,179)
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Non-controlling interests

	6,280	(5,273)	(4,445)	(6,179)	(6,179)
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Loss for the year from discontinued
operations attributable to:

Owners of the Company

	(49,428)	(36,176)	(18,591)	(23,817)	
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Non-controlling interests

	(783)				
	(50,211)	(36,176)	(18,591)	(23,817)	

Loss attributable to:

Owners of the Company

	(43,148)	(41,449)	(23,036)	(29,996)	(6,179)
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Non-controlling interests

	(783)				
	(43,931)	(41,449)	(23,036)	(29,996)	(6,179)

Loss per share attributable to owners of
the Company:

Basic

For profit/(loss) from continuing
operations

	0.27	(0.21)	(0.18)	(0.25)	(0.25)
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For loss from discontinued operations

	(2.00)	(1.45)	(0.74)	(0.95)	
	(1.73)	(1.66)	(0.92)	(1.20)	(0.25)

Diluted

For profit/(loss) from continuing
operations

	0.27	(0.21)	(0.18)	(0.25)	(0.25)
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For loss from discontinued operations	(2.00)	(1.45)	(0.74)	(0.95)	
	(1.73)	(1.66)	(0.92)	(1.20)	(0.2)
Weighted average number of shares outstanding					
Basic	24,910,916	24,910,916	24,910,916	24,910,916	24,910,916
Diluted	24,910,916	24,910,916	24,910,916	24,910,916	24,910,916

	Amounts in thousands, except share amounts and per share data				
	December 31, 2014 CNY	December 31, 2015 CNY	December 31, 2016 CNY	December 31, 2017 CNY	December 31, 2018 CNY
Consolidated Statements of Financial Position Data					
Total assets	80,662	111,057	94,793	29,748	7,743
Current assets	63,150	57,580	36,242	29,411	7,468
Current liabilities	37,827	123,889	76,296	45,253	29,541
Total equity/ (deficiency in assets)	23,240	(17,799)	13,195	(15,505)	(21,798)
Equity/ (deficiency in assets) attributable to owners of the Company	23,240	(17,799)	13,195	(15,505)	(21,798)
Capital stock	312,081	312,081	312,081	312,081	312,081

The Company has not paid any dividends with respect to its common shares and has no present plan to pay any dividends in the foreseeable future. The Company intends to retain its earnings to support the development of its business. Any dividends paid in the future by the Company will be paid at the discretion of the Company's Board of Directors and will be dependent upon distributions, if any, made by its subsidiaries, and on the Company's results of operations, its financial condition and other factors deemed relevant by the Board of Directors. In accordance with the relevant PRC regulations and the Articles of Association of companies incorporated in the PRC, appropriations of net income of wholly-owned foreign enterprises and sino-foreign joint venture companies as reflected in its statutory financial statements are to be allocated to either (i) each of the general reserve, enterprise expansion reserve and staff bonus and welfare reserve, respectively, or (ii) statutory reserve, as determined by the resolution of the Board of Directors annually. Prior to the Acquisition, the Board of Directors of Wuhu Feishang declared and paid dividends of CNY44.01 million and CNY38.46 million on February 28, 2005 and January 27, 2006, respectively. Wuhu Feishang declared dividends of CNY127.10 million to its parent on April 27, 2012 which were paid in 2013. On June 28, 2013, Feishang Mining declared and paid dividends of HK\$155.00 million to the Company. On September 24, 2014, Wuhu Feishang declared dividends of CNY39.24 million to its parent which were paid in 2015. On May 19, 2015, Feishang Mining declared and paid dividends of HK\$39.50 million to the Company.

Exchange Rates

The Company's reporting currency is Renminbi. Translations of amounts from Renminbi to U.S. Dollars are for the convenience of the reader. The following table provides information concerning the exchange rate of Renminbi for U.S. Dollars for each of the preceding five years, and for each month during the preceding six months. The rates of exchange for 2014 are the rates quoted by Bloomberg L.P. The rates of exchange for 2015 are the rates quoted by www.oanda.com. The rates of exchange for 2016 to 2018 and the preceding six months are the rates quoted by www.ofx.com. The Renminbi is not freely convertible into foreign currencies and the quotation of exchange rates does not imply convertibility of Renminbi into U.S. Dollars or other currencies. All foreign exchange transactions take place either through the Bank of China or other banks authorized to buy and sell foreign currencies at the exchange rates quoted by the People's Bank of China, the PRC's central bank. No representation is made that the Renminbi or U.S. Dollar amounts referred to herein could have been or could be converted into U.S. Dollars or Renminbi, as the case may be, at the CNY Exchange Rate or at all.

The exchange rate on April 25, 2019 was US\$1.00 = CNY6.7431.

The following table reflects the high and low exchange rates for each month during the previous six months:

MONTH	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19
High	6.9758	6.9636	6.9590	6.8785	6.7924	6.7391
Low	6.8688	6.8909	6.8370	6.7004	6.6872	6.6946

The following table reflects the average exchange rate for each of the preceding five years, calculated by using the average of the exchange rates on the last day of each month during the period:

YEAR	2014	2015	2016	2017	2018
High	6.2598	6.4917	6.9597	6.9610	6.9758
Low	6.0406	6.0933	6.4490	6.4642	6.2637
Average for period	6.1711	6.2436	6.6551	6.7404	6.6363

B.

Capitalization and Indebtedness

No disclosure is required in response to this Item.

C.

Reasons for the Offer and Use of Proceeds

No disclosure is required in response to this Item.

D.

Risk Factors

Risks Relating to our Mine Exploration Activities in Inner Mongolia

The Wulatehouqi Moruogu Tong Mine (Moruogu Tong Mine) is in the exploration stage and we may not generate revenues for the foreseeable future.

We are in the exploration stage at Moruogu Tong Mine located in the Inner Mongolia Autonomous Region of the PRC, and, at this stage, we cannot predict whether ore can be mined on a profitable basis. During the exploration stage, the mine incurs operating expenses but does not yet generate revenues for the Company. The Company intends to fund mine exploration, construction and development through bank borrowings, funds received pursuant to its Cooperation Agreement with Bayannaer Jijincheng Mining Co., Ltd. (Jijincheng Mining), and loans from a related party. To date, the exploration program has indicated the presence of a mid-size deposit of lead and silver ore and resources sufficient in quantity and quality to warrant further exploration designed to confirm and increase measured resources, with the prospect of identifying other minable metal resources such as copper.

Further exploration is subject to negotiation with Jijincheng Mining (based on a number of factors including, inter alia, the economic, geological and technical viability) as to whether to continue exploration of potential copper resources in 2019, and a final appraisal and application for mining rights will be scheduled thereafter. While the results of preliminary prospecting suggest that Moruogu Tong Mine contains mineable quantities of lead and silver, until further exploration and analysis is completed, we cannot predict the nature and extent of minerals contained at

the mine or the commercial viability of pursuing a plan of extraction. In the event that further exploration and analysis does not confirm initial findings, continued activities in furtherance of revenue-producing mining operations at Moruogu Tong Mine will cease.

Moruogu Tong Mine is currently being explored under an agreement which effectively reduces our share in any future profits from mineral extraction at the mine.

On August 20, 2017, Bayannaer Mining entered into a mutual cooperation agreement (the Cooperation Agreement) with Jijincheng Mining, an unrelated third party. The Cooperation Agreement is intended to provide for financial support for the operating expenses of Moruogu Tong Mine during the exploration stage, and the allocation of rights and responsibilities between Bayannaer Mining and Jijincheng Mining. Pursuant to the Cooperation Agreement: (i) Bayannaer Mining contributed the existing exploration results for Moruogu Tong Mine; (ii) Jijincheng Mining provides the necessary funds for further exploration at the mine; (iii) Bayannaer Mining enjoys full rights to any resources already discovered and confirmed by its independent exploration works conducted prior to commencement of the cooperative exploration project; (iv) Bayannaer Mining and Jijincheng Mining will each receive a 50% interest in any newly discovered resources from the first 10 drilling holes in the cooperative exploration project; and (v) Bayannaer Mining and Jijincheng Mining will receive 30% and 70% interests, respectively, in any newly discovered resources from drilling works beyond the first 10 drilling holes in the cooperative exploration project. Other details of the Cooperation Agreement, including allocations and distributions upon completion of exploration works, remain to be negotiated between the parties. There is no assurance that the details of the arrangement that remain to be negotiated will be resolved in a manner satisfactory to the Company.

Our estimates of the reserves contained in Moruogu Tong Mine are based upon protocols not generally recognized in the United States and the various assumptions underlying our estimates may be inaccurate.

Moruogu Tong Mine is the subject of a geological survey prepared in conformity with procedures and protocols recognized in the PRC. These procedures and protocols are different from those generally recognized in the United States. In addition, reserve estimation is an interpretive process based upon available data and various assumptions that are believed to be reasonable, and the economic value of ore reserves may be adversely affected by price fluctuations in the metal market, reduced recovery rates or a rise in production costs as a result of inflation or other technical problems arising in the course of extraction. The exploration program at Moruogu Tong Mine has indicated the presence of a mid-size deposit of lead and silver ore and resources sufficient in quantity and quality to warrant further exploration designed to confirm and increase measured resources. If the assumptions upon which we conduct the reserve study prove to be inaccurate, we may reach incorrect conclusions as to the nature and extent of resources present at Moruogu Tong Mine.

Volatility in the market prices of metals may adversely affect the results of our mining operations.

The market prices of lead, silver and other metals have experienced significant volatility in recent years. Market prices depend upon many factors outside of our control and include industry specific factors such as supply and demand, as well as factors such as local and world-wide general economic conditions. The uncertainties surrounding the market prices of metals and the costs of extraction may adversely affect our ability to operate on a profitable basis.

We will be subject to government regulations in various aspects of our exploration activities and our failure to comply with applicable government regulations could adversely affect us.

Bayannaer Mining, our subsidiary that acquired exploration rights to Moruogu Tong Mine, is and will continue to be subject to regulations in various aspects of its operations by a variety of laws, rules and regulations administered by the national and local governments, including laws, rules and regulations relating to: exploration activities; environmental protection; the use and preservation of dangerous substances; employment practices; as well as land use laws and a variety of local business laws, customs and implementation rules. Our failure to comply with applicable laws, rules, regulations and customs could adversely affect our operations and subject us to fines and other penalties including suspension or termination of our business permits.

We do not have binding agreements with customers to purchase our future output of metals.

While we believe there is a robust market for lead, silver and other metals not only in China but also in other countries, we do not currently have any commitments from any customers to purchase our future output of metals.

Risks Relating to Our Financial Condition

We have incurred losses from operations for each of the preceding three fiscal years and there is no assurance that we will generate profits in the future.

For the three years ended December 31, 2016, 2017 and 2018, we incurred operating losses from continuing operations of CNY4.52 million, CNY6.20 million and CNY6.21 million (US\$0.90 million), respectively. Our operating losses mainly represented exploration expenses in Moruogu Tong Mine, as well as administrative expenses such as legal and professional fees, rental and office expenses. Our profitability is dependent upon many factors, including our ability to fund our exploration and operating expenses, produce metal outputs, and sell our production

outputs to third parties. Other factors, such as uncertainty over the demand and market price for lead, silver and other metals, are outside of our control. There is no assurance that we will be successful in our efforts to achieve profitability.

We do not currently generate revenues from operations; we will have to fund operating expenses until we are able to generate sufficient revenue to pay them.

We do not currently generate revenues from operations. We will continue to incur operating expenses prior to the commencement of revenue-producing activities, and we intend to fund those expenses from the proceeds of loans from our Related-Party Debtholders, payments pursuant to the Cooperation Agreement and, to the extent deemed necessary, bank borrowings. If we encounter delays prior to the commencement of revenue production in our mining operations, we will be required to fund operating expenses longer than expected. There is no assurance that we will be able to secure amounts sufficient to fund our operating expenses until such time as we are able to generate revenues sufficient to pay those expenses.

Any failure to achieve and maintain effective internal control could have material adverse effect on our business, results of operations and the market price of our shares.

The United States Securities and Exchange Commission (SEC), as required by Section 404 of the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act (SOX), adopted rules requiring most public companies to include a management report on such company s internal control over financial reporting in its annual report, which contains management s assessment of the effectiveness of the company s internal control over financial reporting. In addition, under certain circumstances, an independent registered public accounting firm must report on the effectiveness of the company s internal control over financial reporting.

Our management has concluded that our internal control over financial reporting as of December 31, 2018 was effective. However, we cannot assure you our management will not identify material weaknesses in the future during the Section 404(a) process or our independent public registered accounting firm will not identify material weaknesses during the Section 404(b) process if it was performed in the current year or in the future or for other reasons. In addition, because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. As a result, if we fail to maintain effective internal control over financial reporting or should we be unable to prevent or detect material misstatements due to error or fraud on a timely basis, investors could lose confidence in the reliability of our financial statements, which in turn could harm our business, results of operations and negatively impact the market price of our shares, and harm our reputation. Furthermore, we have incurred and expect to continue to incur considerable costs and to use significant management time and other resources in an effort to comply with Section 404 and other requirements of the Sarbanes-Oxley Act.

Risks Relating to PRC Operations

Our current business operations are conducted in the PRC; our executive officers, directors and principal shareholder, our auditors and our bank accounts are located in the PRC; and many of our subsidiaries are organized and funded in the PRC. As we are subject to the laws, rules, regulations and customs of the PRC, investors should consider the following risk factors.

Investors should consider economic, legal and political factors applicable to investments in the PRC prior to investing in our company.

Since 1979, the PRC government has been making efforts to promote reforms of its economic system. These reforms have brought about marked economic growth and social progress, and the economy of China has shifted from a planned economy to a market-oriented economy. Our PRC subsidiaries have also benefited from the economic reforms implemented by the PRC government and the economic policies and measures. However, economic, legal and social policies in the PRC are not similar to those of Western governments and revisions or amendments may be made to these policies and measures from time to time, and we are not in a position to predict whether any change in the political, economic or social conditions may adversely affect our operating results, and how those changes may impact on us.

The PRC legal system is a statutory law system. Unlike the common law system, decided legal cases have little significance for guidance, and rulings by the court can only be used as reference with little value as precedents. Since 1979, the PRC government has established a commercial law system, and significant progress has been made in promulgating laws and regulations relating to economic affairs. The PRC government is still in the process of developing a comprehensive set of laws and regulations. Examples are the organization of companies and their

regulation, foreign investment, commerce, taxation and trade. However, these regulations are relatively new and the availability of public cases as well as the judicial interpretation of them is limited in number. Moreover, as they are not binding, both the implementation and interpretation of these regulations are uncertain in many areas. Also, more stringent environmental regulations may also affect our ability to comply with, or our costs to comply with, such regulations. Such changes, if implemented, may adversely affect our business operations and may reduce our profitability.

The interpretation of PRC laws may also be subject to policy changes reflecting domestic political changes, and new laws, changes to existing laws and the pre-emption of local regulations by national laws may adversely affect foreign investors. The activities of our subsidiaries in China are subject to PRC regulations governing PRC companies.

We face the risk that changes in the policies of the PRC government could have a significant impact upon the business we may be able to conduct in the PRC and the profitability of such business.

The PRC's economy is in a transition from a planned economy to a market-oriented economy subject to five-year and annual plans adopted by the government that set national economic development goals. Policies of the PRC government can have significant effects on the economic conditions of the PRC. During this transition, we believe that the PRC will continue to strengthen its economic and trading relationships with foreign countries and business development in the PRC will follow market forces. While we believe that this trend will continue, we cannot assure you that this will be the case. A change in policies by the PRC government could adversely affect our interests by, among other factors: changes in laws, regulations or the interpretation thereof, confiscatory taxation, restrictions on currency conversion, imports or sources of supplies, or the expropriation or nationalization of private enterprises. Although the PRC government has been pursuing economic reform policies for more than three decades, we cannot assure you that the government will continue to pursue such policies or that such policies may not be significantly altered, especially in the event of a change in leadership, social or political disruption, or other circumstances affecting the PRC's political, economic and social life.

PRC laws and regulations governing our current business operations are sometimes vague and uncertain. Any changes in such laws and regulations may have a material and adverse effect on our business.

There are substantial uncertainties regarding the interpretation and application of PRC laws and regulations, including, but not limited to, the laws and regulations governing our business, or the enforcement and performance of our arrangements with customers in the event of the imposition of statutory liens, death, bankruptcy and criminal proceedings. We and any future subsidiaries are considered foreign persons or foreign-funded enterprises under PRC laws, and as a result, we are required to comply with PRC laws and regulations. These laws and regulations are sometimes vague and may be subject to future changes, and their official interpretation and enforcement may involve substantial uncertainty. The effectiveness of newly enacted laws, regulations or amendments may be delayed, resulting in detrimental reliance by foreign investors. New laws and regulations that affect existing and proposed future businesses may also be applied retroactively. We cannot predict what effect the interpretation of existing or new PRC laws or regulations may have on our businesses.

Inflation in the PRC could negatively affect our profitability and growth.

While the PRC economy has experienced rapid growth, such growth has been uneven among various sectors of the economy and in different geographical areas of the country. Rapid economic growth can lead to growth in the money supply and rising inflation. If prices for our products rise at a rate that is insufficient to compensate for the rise in the costs of supplies, it may have an adverse effect on our profitability. In order to control inflation in the past, the PRC government has imposed controls on bank credit, limits on loans for fixed assets and restrictions on bank lending. Such an austere policy can lead to a slowing of economic growth, and recent statistics have, indeed, suggested that China's high annual economic growth will slow down. According to China National Bureau of Statistics released data, China's consumer price index (CPI) remained stable for 2018, rising 2.1 percent year on year well below the government's 3.0 percent target. As CPI is the main gauge of inflation, the lower than targeted CPI increase reflects that inflation in China remains largely in check.

Our PRC subsidiaries are subject to restrictions on paying dividends and making other payments to us.

We are a holding company incorporated in the BVI. As a result of our holding company structure, dividends and other distributions to our shareholders, if any, will depend primarily upon dividend payments from our subsidiaries.

However, PRC regulations currently permit the payment of dividends only out of accumulated profits, as determined in accordance with PRC accounting standards and regulations. Our subsidiaries in China are also required to set aside a portion of their after-tax profits as certain reserve funds according to PRC accounting standards and regulations. The PRC government also imposes controls on the conversion of Renminbi into foreign currencies and the remittance of currencies out of China. We may experience difficulties in completing the administrative procedures necessary to obtain and remit foreign currency. Furthermore, if our subsidiaries in China incur debt in the future, the debt covenants may restrict their ability to pay dividends or make other payments. If we or our subsidiaries are unable to receive dividend from the operating companies due to contractual or other limitations on the payment of dividends, we may be unable to pay dividends or make other distributions on our common shares.

Governmental control of currency conversion may affect payment of our obligations and the value of your investment.

The PRC government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency out of the PRC. Shortages in the availability of foreign currency may restrict our ability to remit sufficient foreign currency to pay dividends, or otherwise satisfy foreign currency denominated obligations. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures can be made in foreign currencies without prior approval from the PRC State Administration of Foreign Exchange (SAFE) by complying with certain procedural requirements. However, approval from appropriate governmental authorities is required where Renminbi is to be converted into foreign currency and remitted out of the PRC to pay capital expenses such as the repayment of bank loans denominated in foreign currencies.

The PRC government may also at its discretion restrict access to foreign currencies for current account transactions in the future. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to pay certain of our expenses as they come due.

See Item 10.D. ADDITIONAL INFORMATION Exchange Controls for further details of exchange controls in the PRC.

The fluctuation of the Renminbi may materially and adversely affect your investment.

The exchange rate of the Renminbi against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in the PRC's political and economic conditions. As most of our operating expenses are denominated in Renminbi, any significant revaluation of the Renminbi may materially and adversely affect our cash flows and financial condition. Conversely, if we convert our Renminbi into U.S. dollars, should we determine to pay dividends on our common shares or for other business purposes, appreciation of the Renminbi against the U.S. dollar could affect the amount of U.S. dollars we convert. For example, to the extent that we need to convert U.S. dollars we receive from an offering of our securities into Renminbi for our operations, appreciation of the Renminbi against the U.S. dollar could have a material adverse effect on our business, financial condition and results of operations resulting in a lower income, a charge to our income statement and a reduction in the value of these U.S. assets.

In 2018, the annual cumulative depreciation of the exchange rate of the Renminbi against the U.S. dollar was 5.71%. Since the beginning of 2019 to March 31, 2019, the exchange rate of the Renminbi against the U.S. dollar appreciated by 2.42%.

Recent PRC SAFE Regulations regarding offshore financing activities by PRC residents, have undergone continuous changes which may increase the administrative burden we face and create regulatory uncertainties that could adversely affect the implementation of our acquisition strategy, and a failure by our shareholders who are PRC residents to make any required applications and filings pursuant to such regulations may prevent us from being able to distribute profits and could expose us and our PRC resident shareholders to liability under PRC law.

In 2005, the SAFE promulgated regulations in the form of public notices, which require registrations with, and approval from, the SAFE on direct or indirect offshore investment activities by PRC resident individuals. The SAFE regulations require that if an offshore company directly or indirectly formed by or controlled by PRC resident

individuals, known as SPC, intends to acquire a PRC company, such acquisition will be subject to strict examination by the SAFE. The regulation also requires PRC resident individuals to repatriate all dividends of the SPC. Without registration with the SAFE by PRC resident individuals, the PRC entity may not be able to remit any of its profits out of the PRC as dividends or otherwise. Violation of the regulation may be deemed an evasion of foreign exchange rules and implicated PRC resident individuals may be liable for a penalty. However, there are uncertainties regarding the interpretation and application of current or future PRC laws and regulations, including the regulations established by the SAFE. To date, no registration has been filed with the SAFE. Even if it is determined that registration with the SAFE is required, management believes that applicable filings with the SAFE can be made at any time, and management does not foresee significant difficulties in obtaining the SAFE's approval should it be required.

Our auditor is located in China, a jurisdiction where PCAOB is currently unable to conduct inspections without the approval of the PRC authorities, and as such, investors may be deprived of the benefits of such inspection.

Our independent registered public accounting firm that issues the audit reports included in our annual reports filed with the SEC, as an auditor of companies that are traded publicly in the United States and a firm registered with the Public Company Accounting Oversight Board (United States), or PCAOB, is required by the laws of the United States to undergo regular inspections by PCAOB to assess its compliance with the laws of the United States and professional standards. Our auditor is located in China, a jurisdiction where PCAOB is currently unable to conduct inspections without the approval of the PRC authorities. In May 2013, PCAOB announced that it had entered into a Memorandum of Understanding on Enforcement Cooperation with the China Securities Regulation Commission, or the CSRC, and the Ministry of Finance, which establishes a cooperative framework between the parties for the production and exchange of audit documents relevant to investigations undertaken by PCAOB, the CSRC or the Ministry of Finance in the United States and the PRC, respectively. PCAOB continues to be in discussions with the CSRC and the Ministry of Finance to permit joint inspections in the PRC of audit firms that are registered with PCAOB and audit Chinese companies that trade on U.S. exchanges. On December 7, 2018, the SEC and the PCAOB issued a joint statement highlighting continued challenges faced by the U.S. regulators in their oversight of financial statement audits of U.S.-listed companies with significant operations in China. The joint statement reflects a heightened interest in an issue that has vexed U.S. regulators in recent years. However, it remains unclear what further actions the SEC and PCAOB will take to address the problem.

Inspections of other firms that PCAOB has conducted outside of China have identified deficiencies in those firms audit procedures and quality control procedures, which may be addressed as part of the inspection process to improve future audit quality. The inability of PCAOB to conduct inspections of independent registered public accounting firms operating in China makes it more difficult to evaluate the effectiveness of our auditor's audit procedures or quality control procedures. As a result, investors may be deprived of the benefits of PCAOB inspections.

Proceedings instituted by the SEC against certain PRC-based accounting firms, including our independent registered public accounting firm, could result in financial statements being determined to not be in compliance with the requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act.

In December 2012, the SEC brought administrative proceedings against five accounting firms in China, including our independent registered public accounting firm, alleging that they had refused to produce audit work papers and other documents related to certain other China-based companies under investigation by the SEC. On January 22, 2014, an initial administrative law decision was issued, censuring these accounting firms and suspending four of these firms from practicing before the SEC for a period of six months. The decision is neither final nor legally effective unless and until reviewed and approved by the SEC. On February 12, 2014, four of these PRC-based accounting firms appealed to the SEC against this decision. In February 2015, each of the four PRC-based accounting firms agreed to a censure and to pay a fine to the SEC to settle the dispute and avoid suspension of their ability to practice before the SEC. The settlement requires the firms to follow detailed procedures to seek to provide the SEC with access to Chinese firms' audit documents via the CSRC. If the firms fail to meet specified criteria, during a period of four years starting from the settlement date, the SEC retains authority to impose a variety of additional remedial measures on the firms depending on the nature of the failure. Additional remedies for any future noncompliance could include, as appropriate, an automatic six-month bar on a single firm's performance of certain audit work, commencement of additional proceedings against a firm, or in extreme cases the resumption of the current proceeding against all four

firms.

In the event that the SEC restarts the administrative proceedings, depending upon the final outcome, listed companies in the United States with major PRC operations may find it difficult or impossible to retain auditors in respect of their operations in the PRC, which could result in financial statements being determined to not be in compliance with the requirements of the Exchange Act, including possible delisting. Moreover, any negative news about the proceedings against these audit firms may cause investor uncertainty regarding China-based, United States-listed companies and the market price of our shares may be adversely affected.

If our independent registered public accounting firm were denied, even temporarily, the ability to practice before the SEC and we were unable to timely find another registered public accounting firm to audit and issue an opinion on our financial statements, our financial statements could be determined not to be in compliance with the requirements of the Exchange Act. Such a determination could ultimately lead to our delisting from the NASDAQ Stock Market or deregistration from the SEC, or both, which would substantially reduce or effectively terminate the trading of our shares in the United States.

Risks Relating to Foreign Private Issuer Status

Because our assets are located outside of the United States and all of our directors and all our officers reside outside of the United States, it may be difficult for you to enforce your rights based on U.S. Federal Securities Laws against us and our officers and directors or to enforce a judgment of a United States court against us or our officers and directors in the PRC.

We are a BVI company, our officers and directors are non-residents of the United States, our assets are located in the PRC, and our operations are conducted in the PRC. We do not maintain a business presence in the United States. Therefore, it may not be possible to effect service of process on such persons in the United States, and it may be difficult to enforce any judgments rendered against us or them. Moreover, there is doubt whether courts in the BVI or the PRC would enforce (a) judgments of United States courts against us, or our directors or officers based on the civil liability provisions of the securities laws of the United States or any state, or (b) in original actions brought in the BVI or the PRC, liabilities against us or any non-residents based upon the securities laws of the United States or any state.

Our status as a foreign private issuer results in less information being available about us than about domestic reporting companies.

We are a foreign private issuer and are not required to file as much information about us as domestic issuers are required to file. In this regard:

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we are not required to file quarterly reports on Form 10-Q and our annual reports on Form 20-F are subject to disclosure requirement that differ from annual reports on Form 10-K;

.
we are exempt from the provisions of Regulation FD aimed at preventing issuers from making selective disclosures;

.
the SEC proxy statement and information statement rules do not apply to us; and

.
our officers, directors and principal shareholder are not required to file reports under Section 16 of the Exchange Act detailing their beneficial ownership of our shares; and they are not subject to the shortswing profit provisions under Section 16.

Since there is generally greater information available about domestic issuers than about foreign private issuers such as us, it may be more difficult to make investment decisions about us.

Our status as a foreign private issuer allows us to adopt IFRS accounting principles, which are different than accounting principles under U.S. GAAP.

We have adopted and presented our financial statements in accordance with IFRS accounting principles. IFRS is an internationally recognized body of accounting principles that are used by many companies outside of the United States to prepare their financial statements; and the SEC recently permitted foreign private issuers such as the Company to prepare and file their financial statements in accordance with IFRS rather than U.S GAAP. IFRS accounting principles are different from those of U.S. GAAP, and SEC rules do not require us to provide a reconciliation of IFRS accounting principles to those of U.S GAAP. Accordingly, we suggest that readers of our financial statements familiarize themselves with the provisions of IFRS accounting principles in order to better understand the differences between these two sets of principles.

As a foreign private issuer we are not subject to certain requirements that other NASDAQ listed issuers are required to comply with, some of which are designed to provide information to and protect investors.

Our common shares are currently listed on the NASDAQ Capital Market and, for so long as our securities continue to be listed, we will remain subject to the rules and regulations established by NASDAQ applicable to listed companies. However, we have elected to claim certain exemptions afforded to foreign private issuers by relevant NASDAQ rules, and as a result:

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a majority of the members on our Board of Directors are not independent as defined by NASDAQ rules;

.

our independent directors do not hold regularly scheduled meetings in executive session;

.

while executive compensation is recommended by our Compensation Committee which is comprised of independent directors, the compensation of our executive officers is ultimately determined by the Board of Directors rather than an independent committee of the board or by the independent members of the Board of Directors;

.

related party transactions are not required to be reviewed or approved by our audit committee or other independent body of the Board of Directors;

we are not required to solicit shareholder approval of stock plans, including those in which our officers or directors may participate; stock issuances that will result in a change in control; the issuance of our stock in related party acquisitions or other acquisitions in which we may issue 20% or more of our outstanding shares; or, below market issuances of 20% or more of our outstanding shares to any person; and

we are not required to hold an in-person annual meeting to elect directors and transact other business customarily conducted at an annual meeting.

Due to an exemption from NASDAQ rules applicable to foreign private issuers, our related party transactions may not receive the type of independent review process that other NASDAQ-listed companies receive; the terms of these transactions are not negotiated at arms-length and may not be as favorable as could be obtained from unrelated parties.

We have historically engaged in a substantial number of transactions with related parties in the ordinary course of business, predominantly with our principal beneficial owner and former Chairman and Chief Executive Officer and/or companies that he owns or controls. These transactions are described in greater detail elsewhere in this Annual Report. In general, NASDAQ rules require that related party transactions be reviewed by an audit committee or other committee comprised of independent directors. However, under NASDAQ rules applicable to foreign private issuers such as our company, we are exempt from certain NASDAQ requirements, including requirements applicable to independent director review of related party transactions. This exemption is available to us because the laws of the British Virgin Islands, our home jurisdiction, do not mandate independent review of related party transactions.

Notwithstanding the foregoing, non-recurring related party transactions (i.e., related party transactions that are not in the ordinary course of business) are submitted for approval by our Board of Directors, following disclosure of the related party's interest in the transaction, and, in all cases, board approval has historically included the unanimous approval of our independent directors. In addition, our annual audited financial statements, including the related party transactions reported therein, are approved by our audit committee, which is comprised solely of independent directors. However, except to the limited extent described above, these transactions are not individually reviewed or approved solely by independent directors. While management believes that related party transactions are on terms at least as favorable to the Company as could be obtained from unrelated parties, there is no assurance that such is the case, or that shareholders would not be better protected if we were not exempt from, or we chose to voluntarily comply with, the NASDAQ rule.

Risks Related to our Common Shares

There are a limited number of our common shares in the public float and trading in our shares is not active; therefore, our common shares tend to experience price volatility.

There are currently approximately 9,448,397 of our common shares in the public float and, in general, there has not been an active trading market for our shares. Our shares tend to trade along with other shares of public companies whose operations are based in the People's Republic of China, and, at times, in tandem with other natural resource companies. These shares tend to exhibit periods of extreme volatility and price fluctuations, even when there are no events peculiar to the Company that appear to warrant price changes. We cannot assure you that price volatility will

not continue in the future or, as a result thereof, that market prices will reflect actual values of our company.

As a consequence of this lack of liquidity, the trading of relatively small quantities of shares by our shareholders may disproportionately influence the price of those shares in either direction. The share price could, for example, decline precipitously in the event that a large number of shares are sold on the market without commensurate demand, as compared to a seasoned issuer which could better absorb those sales without adverse impact on its share price. As a consequence of this enhanced risk, more risk-averse investors may, under the fear of losing all or most of their investment in the event of negative news or lack of progress, be more inclined to sell their shares on the market more quickly and at greater discounts than would be in the case with the stock of a seasoned issuer.

Our principal beneficial owner and his affiliates control us through their stock ownership; and their interests may differ from other shareholders.

Mr. Li Feilie, beneficial owner of a majority of our outstanding common shares, beneficially owns approximately 59% of our outstanding common shares, and as a result, Mr. Li is and will continue to be able to influence the outcome of shareholder votes on various matters, including the election of directors and extraordinary corporate transactions such as business combinations. Through his related companies, Mr. Li also provides funding to support the Company's operating expenses and holds a substantial amount of the Company's debt (see Item 7.B. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS Related Party Transactions, below). Mr. Li's interests may differ from those of other shareholders. Additional information relating to the beneficial ownership of our securities is contained elsewhere in this Annual Report under Item 6.E. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES Share Ownership.

The rights of our shareholders are governed by BVI law, the provisions of which may not be as favorable to shareholders as under U.S. law.

Our directors have the power to take certain actions without shareholder approval, including an amendment of our Memorandum of Association or Articles of Association (unless such amendment varies the rights attached to shares) or an increase or reduction in our authorized capital, which would require shareholder approval under the laws of most jurisdictions in the United States. In addition, the directors of a BVI company, subject in certain cases to court approval but without shareholder approval, may, among other things, implement a reorganization, certain mergers or consolidations with a subsidiary, the sale, transfer, exchange or disposition of any assets, property, part of the business, or securities of the company, or any combination (provided the assets do not represent more than 50% of the total assets of the company and the sale is not outside of the usual or ordinary course of the company's business), if they determine it is in the best interests of the company. Our ability to amend our Memorandum of Association and Articles of Association without shareholder approval could have the effect of delaying, deterring or preventing a change in our control without any further action by the shareholders, including a tender offer to purchase our common shares at a premium over then current market prices.

The elimination of monetary liability against our directors, officers and employees under our articles of association and the existence of indemnification of our directors, officers and employees may result in substantial expenditures by us and may discourage lawsuits against our directors, officers and employees.

Our articles of association contain provisions which eliminate the liability of our directors for monetary damages to us and to our stockholders to the maximum extent permitted under the corporate laws of the BVI. We may provide contractual indemnification obligations under agreements with our directors, officers and employees. These indemnification obligations could result in our incurring substantial expenditures to cover the cost of settlement or damage awards against directors, officers and employees, which we may be unable to recoup. These provisions and resultant costs may also discourage us from bringing a lawsuit against directors, officers and employees for breach of their fiduciary duties, and may similarly discourage the filing of derivative litigation by our shareholders against our directors, officers and employees even though such actions, if successful, might otherwise benefit us Company and our shareholders.

Risks Related to the Spin-Off

We face uncertainties with respect to the applicability of PRC withholding tax on the Distribution.

Pursuant to the Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprises (SAT Circular 698) issued by the State Administration of Taxation (SAT) on December 10, 2008, with retroactive effect from January 1, 2008, if a non-PRC resident enterprise transfers its indirect equity interests in a PRC resident enterprise by disposing of its equity interests in an overseas holding company (Indirect Transfer), and such overseas holding company is located in a tax jurisdiction that has an effective tax rate of less than 12.5% or does not tax foreign income of its residents, the non-PRC resident enterprise, as the transferor, is required to report the Indirect Transfer to the relevant PRC tax authorities.

SAT issued an announcement in February 2015, i.e., the Notice of SAT on Several Issues Concerning the Corporate Income Tax on the Indirect Transfers of Properties by PRC Non-Residents or Circular7, which abolishes certain provisions in SAT Circular 698 as well as certain other rules providing clarification on Circular 698 and stipulates in greater detail how to evaluate the reasonable commercial substance. Circular 7 provides comprehensive guidelines

relating to, and also heightens the PRC tax authorities' scrutiny over, indirect transfers by a non-resident enterprise of assets (including equity interest) of a PRC resident enterprise (" PRC Taxable Assets "). Pursuant to Circular 7, an indirect transfer of assets, including equity interests in a PRC resident enterprise, by non- PRC resident enterprise may be re-characterized and treated as a direct transfer of PRC taxable assets, if such arrangement does not have a reasonable commercial purpose and was established for the purpose of avoiding payment of PRC enterprise income tax. As a result, gains derived from such indirect transfer may be subject to PRC enterprise income tax.

On October 17, 2017, SAT issued the Announcement on Matters Concerning Withholding of Income Tax of Non-resident Enterprises at Source (the " Circular 37 "), which was implemented on December 1, 2017. Circular 37 replaced and supplemented certain previous provisions in Circular 7 and further reduced the burden of a withholding obligator who is a non-resident enterprise and transfers PRC taxable assets indirectly by disposing of equity interests in an overseas holding company directly or indirectly holding such PRC taxable assets, such as revocation of contract filing requirements and tax liquidation procedures, strengthens the cooperation of tax authorities in different places, and clarifies the calculation of tax payable and mechanism of foreign exchange. Pursuant to Circular 37, where the income on which enterprise income tax shall be withheld at source as obtained by a non-resident enterprise are dividends, bonuses or other income from equity investments, the date when the obligation of withholding the relevant payable taxes occurs shall be the date of the actual payment of the dividends, bonuses or income from other equity investments.

It remains uncertain whether any of our transactions involving PRC taxable assets outside of the PRC will be reclassified by applying Circular 7 and Circular 37. If any of our transactions involving PRC taxable assets outside of the PRC constitutes an indirect transfer of the PRC taxable assets and is subject to the enterprise income tax obligation under Circular 7 and Circular 37, the amount of the enterprise income tax shall be calculated based on the income from the transfer (the difference between the consideration for transfer and costs of equity interests) and applicable tax rate (a withholding tax rate of 10% shall be applicable, unless otherwise provided in the relevant tax treaty). However, as Circular 7 and Circular 37 became effective in February 2015 and December 2017, respectively, after completion of the Spin-Off, and are not retrospective, we believe the risk is remote.

It is not possible to foresee all risks that may affect us. Moreover, we cannot predict whether we will successfully effectuate our current business plan. Each prospective purchaser is encouraged to carefully analyze the risks and merits of an investment in the shares and should take into consideration when making such analysis, among others, the Risk Factors discussed above.

ITEM 4.

INFORMATION ON THE COMPANY

A.

History and Development of the Company

From Inception Until 2006

China Resources was incorporated as Magenta Corp. on January 15, 1986, in the State of Nevada. China Resources had no operating business until control of it was acquired in December 1994, by the former shareholders of CHNR, who exchanged all of the issued and outstanding shares of capital stock of CHNR for 108,000 shares of China Resources' common stock. As a result of the acquisition, the former shareholders of CHNR acquired 90% of the then issued and outstanding shares of common stock of China Resources, and CHNR became a wholly-owned subsidiary of China Resources. CHNR was incorporated in the BVI on December 14, 1993.

On December 9, 2004, China Resources merged with and into CHNR (the Redomicile Merger). The Redomicile Merger was consummated through an exchange of shares of China Resources for shares of CHNR on a one-for-one basis. As a result of the Redomicile Merger, the Company became domiciled in the BVI and CHNR succeeded to the rights and obligations of China Resources under its existing agreements and relationships. Prior to the Redomicile Merger, the Company's common shares were traded on the NASDAQ Capital Market under the symbol CHRB. Following the Redomicile Merger, the trading symbol was changed to CHNR.

Reverse Acquisition of Feishang Mining

On February 3, 2006, the Company consummated the Acquisition of all of the issued and outstanding capital stock of Feishang Mining. Feishang Mining beneficially owns 100% of the capital stock of Wuhu Feishang, a company established under the laws of the PRC, which is principally engaged in the mining of zinc, iron and other minerals for

distribution in the PRC. We acquired the capital stock of Feishang Mining from Feishang Group, a BVI company. Feishang Group is ultimately controlled by its sole beneficial owner, Mr. Li Feilie, our principal beneficial owner and our former Chief Executive Officer and Chairman. In consideration for our receipt of the shares of Feishang Mining, the Company issued 9,980,593 of its common shares to Feishang Group, representing approximately 86.4% of the Company's then issued and outstanding common shares (after giving effect to the exchange of 320,000 outstanding preferred shares for 320,000 common shares), and issued to Feishang Group warrants (the Warrants) to purchase an additional 4,500,000 common shares. Ching Lung Po, director, Chief Executive Officer and Chairman of the Company resigned at the closing of the Acquisition, and Mr. Li Feilie, Chairman of Feishang Mining, was appointed as director, Chief Executive Officer and Chairman of the Company. The Company's other directors and executive officers were not changed as a result of the Acquisition. The Warrants were fully exercised by Feishang Group, our principal shareholder, and the Company received gross proceeds of US\$8,000,000, US\$6,750,000 and US\$5,000,000 in connection therewith during the years ended December 31, 2008, 2009 and 2010, respectively.

Non-ferrous Metal Exploration and Mining; Coal Mining and Production; Copper Smelting; and Other Activities

At various times during the period from February 2006 through December 2017, we:

Owned and operated a copper smelting plant located in Western Bolivia. We conducted our copper smelting operations through Double Grow and its direct and indirect subsidiaries, including Antay Pacha. On December 29, 2017, we sold our interest in Double Grow and its subsidiaries to an unrelated third party (see DISCONTINUED SEGMENT Copper Smelting Operations, below).

Engaged in the exploration, mineral extraction, processing and sales of iron, zinc and other non-ferrous metals extracted or produced at mines primarily located in Anhui Province in the PRC, as well as our operation of related businesses. On December 27, 2015, we temporarily suspended our metals mining operations due to the low market price for non-ferrous metals and because we had substantially depleted minable ore at Yangchong Mine, our sole operating mine. We sold our non-ferrous mining operations to an unrelated third party in March 2017 after concluding that market prices for non-ferrous metals, and the related costs of extraction and processing, did not warrant continued operations at Yangchong Mine (see DISCONTINUED SEGMENT Exploration and Mining of Non-ferrous Metals,” below).

Engaged in the mining and production of anthracite coal at mines located in Guizhou Province in the PRC. We conducted these activities through our indirect wholly-owned subsidiary, Feishang Anthracite. We disposed of our coal mining and related businesses in connection with the January 2014 Spin-Off and listing on the Main Board of the Hong Kong Stock Exchange of the shares of Feishang Anthracite (see “DISCONTINUED SEGMENT - Coal-Mining and Related Businesses,” below).

Engaged in copper smelting operations through our subsidiary Mark Faith Technology Development Limited in Inner Mongolia. We sold our copper smelting operations to an unrelated third party in September 2009.

Exploration Activities in Inner Mongolia

The Board of Directors has determined to focus the Company’s resources on metals explorations and mining activities and other business opportunities in the PRC. We are currently exploring for lead, silver and other metals in the Inner Mongolia Autonomous Region of the PRC.

In November 2017, we acquired all of the issued and outstanding capital stock of Bayannaer Mining for a purchase price of CNY716,900. Bayannaer Mining holds an exploration permit issued by the Land and Resources Department of Inner Mongolia Autonomous Region covering Moruogu Tong Mine, located in Wulatehouqi, Bayannaer City, Inner Mongolia. The exploration permit evidences Bayannaer Mining's right to explore for minerals at Moruogu Tong Mine (see BUSINESS SEGMENT Metal Exploration Activities in Inner Mongolia, below). Initial results of the exploration program indicate the presence of a mid-size deposit of lead and silver ore and resources sufficient in quantity and quality to warrant further exploration, which is designed to confirm and increase measured resources, and identify other minable metal resources such as copper. We anticipate that our working capital and capital expenditures for our exploration activities will be funded through internally generated cash in prior years, non-interest bearing loans from related parties, and funds provided pursuant to the Cooperation Agreement.

Other Matters

During 2018, we invested CNY5.00 thousand (US\$0.73 thousand) in capital expenditures.

The Company has not been a party to any bankruptcy, receivership or similar proceedings, trade suspensions or cease trade orders by any regulatory authority.

The Company's executive offices are located at Room 2205, 22/F, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Sheung Wan, Hong Kong, telephone +852 28107205. The Company does not currently maintain an agent in the United States.

The SEC maintains an Internet website that contains reports, information statements and other documents that we furnish to or file with the SEC. Those documents may be viewed, downloaded and/or printed. The address of the SEC website is <http://sec.gov>.

We maintain a company website at <http://www.chnr.net>. The information on our website is not a part of this report.

B.

Business Overview

BUSINESS SEGMENT Metal Exploration Activities in Inner Mongolia

Acquisition of Bayannaer Mining

On November 30, 2017, CHNR's subsidiary Yangpu Shuanghu entered into separate agreements with Feishang Enterprise and Shenzhen Chaopeng Investment Co., Ltd. (Shenzhen Chaopeng), each of which is a related party. Pursuant to the agreement with Feishang Enterprise (the Feishang Enterprise Agreement), the Company consummated its acquisition of approximately 98.32% of the issued and outstanding capital shares of Bayannaer Mining. Pursuant to the agreement with Shenzhen Chaopeng (together with the Feishang Enterprise Agreement, the Acquisition Agreements), the Company consummated its acquisition of approximately 1.68% of the issued and outstanding capital shares of Bayannaer Mining. The Acquisition Agreements are identical to each other except as to the name of seller, the amount of consideration and similar information.

The purchase price for all of the issued and outstanding capital shares of Bayannaer Mining (the BM Acquired Shares) is CNY716,900, which is approximately equal to the net asset value of Bayannaer Mining as of September 30, 2017. The purchase price was paid by delivery to Feishang Enterprise and Shenzhen Chaopeng of Yangpu Shuanghu's several promissory notes (the Notes) in the aggregate principal amount of CNY716,900, payable without interest. The Notes were paid in December 2017.

The Acquisition Agreements contain customary representations, warranties and covenants covering such matters as ownership of the BM Acquired Shares by the sellers free and clear of all liens, charges and encumbrances and due authorization, execution and enforceability of the Acquisition Agreements, as well as covering the historical operations of Bayannaer Mining, including without limitation, its organization, capitalization, financial condition, tax payments and compliance with applicable laws, rules and regulations. The Acquisition Agreements also contain indemnification provisions in favor of the Company in the event of breaches of the sellers' representations, warranties and covenants.

Bayannaer Mining holds an exploration permit issued by the Land and Resources Department of Inner Mongolia Autonomous Region covering Moruogu Tong Mine, located in Wulatehouqi, Bayannaer City, Inner Mongolia. Based upon preliminary geologic surveys, it is believed that Moruogu Tong Mine contains minable amounts of lead and silver resources, with the prospect that further surveying and exploration may indicate the presence of other minable ore such as copper.

Feishang Enterprise and Shenzhen Chaopeng are each beneficially owned by Mr. Li Feilie, the principal beneficial owner of the Company, and members of his family. Mr. Li is also the former Chief Executive Officer and Chairman of the Company and currently serves as an executive officer and director of certain subsidiaries of the Company (see Item 7.B. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS Related Party Transactions, below). Wong Wah On Edward, the Chief Executive Officer and Chairman of the Company, and Bonaventure Yue, the Company's Chief Financial Officer and a Director, are each also executive officers of Feishang Enterprise and/or certain of its affiliates.

The foregoing description of the Acquisition Agreements is only a summary and is qualified in its entirety by reference to the Acquisition Agreements, copies of which have been translated into English and incorporated by

reference as Exhibits 4.16 and 4.17, respectively, to this Annual Report.

Lead and Silver Industry and Market

Lead (chemical element symbol Pb) is a supple and ductile heavy metal that is denser than most common materials. In its pure state, lead is bluish-white; it tarnishes to a dull gray color when exposed to air. It is extensively used in construction, plumbing, batteries, bullets and shot, weights, solders, pewters, fusible alloys, white paints, leaded gasoline, and radiation shielding. Lead's properties of high density, low melting point, ductility and relative inertness to oxidation allow it to be used in a wide range of applications, of which uses in lead-acid batteries are by far the most prevalent. The reactions in the battery between lead, lead dioxide, and sulfuric acid provide a reliable source of voltage. Despite having lower energy density and charge-discharge efficiency than lithium-ion batteries, lead-acid batteries have stable electromotive force when discharging and steady working voltage, while being significantly cheaper. These properties and their ability to supply high surge currents and operate under a wide range of temperatures make them by far irreplaceable in the automobile industry.

Lead is an internationally traded commodity, the price of which is effectively established on commodity markets throughout the world. During 2018, world lead production output increased steadily, especially in the second half of the year, but lead was still in short supply globally for most of the year. In China, lead imports have surged since 2017 and remained high during 2018. Due to the global economy upturn, lead prices have increased rapidly since mid-2016. During 2018, lead prices remained volatile at relatively high levels, but generally followed a decreasing trend. It reached an annual high of CNY20,810 (US\$3,025) per tonne in June 2018 before it started to decline. The closing price at the end of 2018 was CNY18,050 (US\$2,624) per tonne, representing a decrease of approximately 6% compared with the opening price at the beginning of the year.

The following table shows the world refined production and world refined usage of lead over the past five years:

	2014	2015	2016	2017	2018
World refined production (in thousand tonnes)	11,139	10,310	10,832	11,678	11,817
World refined usage (in thousand tonnes)	11,127	10,244	10,828	11,857	11,972
China's refined production (in thousand tonnes)	4,946	4,068	4,483	5,028	4,955
China's refined usage (in thousand tonnes)	4,951	4,076	4,447	5,144	5,145
LME average price (US\$/tonne)	1,857	1,783	2,015	2,531	2,021
SHFE average price (CNY/tonne)	12,375	13,145	17,555	19,160	18,005

Source: ILZSG, LME, SHFE, Wind Economic Database.

Silver (chemical element symbol Ag) is a soft, ductile, and malleable metal with the highest electrical conductivity, thermal conductivity and reflectivity of any metal. It has a brilliant white metallic luster that can take a high polish and has similar physical and chemical properties with copper and gold. Most silver is produced as a byproduct during refining of copper, gold, lead, or zinc. Despite being more abundant than gold, silver has long been valued as a

precious metal and used in currency and as an investment medium (bullion coins) alongside gold. It is also used in jewelry, silverware, medicine, electronics, brazing alloys, chemical equipment, catalysis, and photography, etc.

Silver is an internationally traded commodity, the price of which is effectively established on commodity markets throughout the world. Before 2018, silver was in short supply globally, but excess supply occurred in 2018 due to sluggish industrial demand and a slowing global economy. Silver prices have been declining since 2011. Although a slight rebound occurred in 2016, the downward trend continued in the second half of 2016. During 2018, silver prices remained volatile at relatively low levels and generally followed a decreasing trend. It reached an annual high of CNY3,939 (US\$573) per kg in January 2018 before it started to decline. The closing price at the end of 2018 was CNY3,700 (US\$538) per kg, representing a decrease of approximately 5% compared with the opening price at the beginning of the year.

The following table shows the world refined production and world refined usage of silver over the past five years:

	2014	2015	2016	2017	2018
World production from mines (in tonnes)	27,112	27,406	26,147	25,043	24,071
World total production (in tonnes)	32,680	32,338	31,324	31,103	31,041
World total demand (in tonnes)	34,783	35,815	31,968	30,360	30,170
COMEX average price (US\$/oz)	15.6	13.8	16.0	17.1	15.5
SHFE average price (CNY/kg)	3,524	3,294	4,102	3,885	3,674

Source: COMEX, SHFE, Wind Economic Database.

Metal Exploration Activities

Overview of Bayannaer Mining

Bayannaer Mining was established in 2005 to engage in mineral exploration activities in Bayannaer City, located in the Inner Mongolia Autonomous Region of the PRC. The registered capital of Bayannaer Mining is CNY59.48 million, approximately 98.32% of which was contributed by Feishang Enterprise and approximately 1.68% by Shenzhen Chaopeng.

In 2005, Bayannaer Mining obtained 11 exploration rights from the Land and Resources Department of Inner Mongolia Autonomous Region. Following completion of preliminary exploration activities and evaluation, management determined to retain exploration rights solely to Moruogu Tong Mine; and, to date, has received a series of license renewals. Total exploration expenses (other than non-current assets and administrative expense) incurred to date amount to approximately CNY35.50 million. The current exploration permit for Moruogu Tong Mine runs from September 14, 2017 to September 13, 2019 and covers a site area of 10.43 square kilometers.

Moruogu Tong Mine is located in Wulatehouqi, Bayannaer City, in the Inner Mongolia Autonomous Region of the PRC. In 2006, Bayannaer Mining engaged the Land and Resources Exploration and Development Institute of Inner Mongolia to carry out prospecting, including geophysical and drilling works; and, to date, has incurred exploration expenses of approximately CNY16.70 million, which were paid from internal funds. To date, the exploration program at Moruogu Tong Mine primarily involved the completion of mine geological surveying and mapping at 1:2000 covering an area of 2.73 square kilometers, which included trenching exploration works totaling 982.94 cubic meters in nine trenches and 76 drill holes for a total of 22,272.86 meters. 1,467 different samples, including basic analysis samples, chemical analysis samples, spectra samples and aqueous analysis samples, etc., were collected during the exploration program.

Initial results of the exploration program indicate the presence of a mid-size deposit of lead and silver ore and resources sufficient in quantity and quality to warrant further exploration designed to confirm and increase measured resources, with the prospect of identifying other minable metal resources such as copper. Further exploration is subject to negotiation with Jijincheng Mining (based on a number of factors including, inter alia, the economic, geological and technical viability of mining) as to whether to continue exploration of potential copper resources in 2019. Thereafter, a final appraisal and application for mining rights will be scheduled.

The future budgeted amount for the exploration project, including drilling expenses, site construction costs, grassland compensation fees and simple infrastructure construction costs, is anticipated to be approximately CNY11.40 million. This project is expected to be financed by bank borrowings, funds received pursuant to the Cooperation Agreement, and loans from a related party. While the results of preliminary prospecting suggest that Moruogu Tong Mine contains mineable quantities of lead and silver, until further exploration and analysis is completed, the Company cannot predict the nature and extent of minerals contained at the mine or the commercial viability of pursuing a plan of extraction. It is possible that further exploration and analysis will not confirm initial findings and that continued activities in furtherance of mining operations will cease.

Mutual Cooperation Agreement

On August 20, 2017, Bayannaer Mining entered into the Cooperation Agreement with Jijincheng Mining, an unrelated third party. The Cooperation Agreement is intended to provide for financial support by Jijincheng Mining for the operating expenses of Moruogu Tong Mine during the exploration stage, and the allocation of rights and responsibilities between Bayannaer Mining and Jijincheng Mining. Pursuant to the Cooperation Agreement: (i) Bayannaer Mining contributed the existing exploration results for Moruogu Tong Mine; (ii) Jijincheng Mining provides the necessary funds for further exploration at the mine; (iii) Bayannaer Mining enjoys full rights to any resources already discovered and confirmed by its independent exploration works conducted prior to commencement of the cooperative exploration project; (iv) Bayannaer Mining and Jijincheng Mining will each receive a 50% interest in any newly discovered resources from the first 10 drilling holes in the cooperative exploration project; and (v) Bayannaer Mining and Jijincheng Mining will receive 30% and 70% interests, respectively, in any newly discovered resources from drilling works beyond the first 10 drilling holes in the cooperative exploration project. Other details of the Cooperation Agreement, including allocations and distributions upon completion of exploration works, remain the

subject of continuing discussion between the parties. To date, total exploration expenses paid by Jijincheng Mining amount to approximately CNY6.70 million.

The foregoing description of the Cooperation Agreement is only a summary and is qualified in its entirety by reference to the Cooperation Agreement, a copy of which has been translated into English and incorporated by reference as Exhibit 4.21 to this Annual Report.

Geography

The following diagram shows the geography of Bayannaer Mining's exploration site and its surrounding areas:

Moruogu Tong Mine of Bayannaer Mining is located in Wulatehouqi, Bayannaer City, in the Inner Mongolia Autonomous Region of the PRC. The mine is approximately 45 kilometers to Chaogewenduer Town and 40 kilometers to Qingshan Town. The Qingxian Road passes through the southern part of the mine and transportation is

very convenient. Connectivity to water, electric and other necessary services will be addressed at the time of mine construction and development. The current exploration permit for Moruogu Tong Mine runs from September 14, 2017 to September 13, 2019 and covers a site area of 10.43 square kilometers.

Government Regulation of Mineral Exploration Activities

Under the Mineral Resources Law, all mineral resources in the PRC are owned by the State. Exploration and mining rights granted by the State permit recipients to conduct exploration or mining activities in a specific mining area during the specified license period. Although Bayannaer Mining believes its exploration licenses will continue to be renewed, as necessary, there can be no assurance that such will be the case or that Bayannaer Mining will be able to obtain a mining license in the future and exploit the entire mineral resources of Moruogu Tong Mine during its license period. If Bayannaer Mining fails to renew its exploration rights upon expiry or if it cannot obtain a mining license and effectively extract the resources within the license period, the operation and performance of Bayannaer Mining will be adversely affected.

Bayannaer Mining's exploration permit entitles it to undertake exploration activities in compliance with applicable laws and regulations, within the specific area covered by the license during the license period. Bayannaer Mining is required to complete a prospecting report and a final appraisal and file with the relevant government authority before it can apply for mining rights and proceed to mine construction. A mining rights permit entitles the holder to undertake mining activities and infrastructure and ancillary work, in compliance with applicable laws and regulations, within the specific area covered by the license during the license period. Holders are required to submit a mining proposal and feasibility studies to the Land and Resources Department of Inner Mongolia Autonomous Region. Entities seeking mining rights are also obligated to pay natural resources fees and resources compensation fees in relation to sales of metal concentrates.

The State Administration for Environmental Protection is responsible for the supervision of environmental protection in, the implementation of national standards for environmental quality and discharge of pollutants for, and the supervision of the environmental management system of the PRC. Environmental protection bureaus at the county level or above are responsible for environmental protection within their jurisdictions.

The laws and regulations governing environmental protection require each applicant to lodge environmental impact statements for a construction project with the environmental protection bureaus at the county level. These statements must be filed prior to the commencement of construction, expansion or modification of a project. The environmental protection bureaus inspect new production facilities and determine compliance with applicable environmental standards, prior to the commencement of operations.

The Environmental Protection Law requires all operations that may cause pollution or produce other hazards to take environmental protection measures and to establish an environmental protection responsibility system. Such system includes the adoption of effective measures to prevent and control exhaust gas, sewage, waste residues, dust or other waste materials. Entities discharging pollutants must report to and register with the Ecology and Environment Department of Inner Mongolia Autonomous Region.

If an enterprise fails to report or register the environmental pollution caused by it, it is subject to receiving a warning or penalty. Enterprises which fail to restore the environment or remedy the effects of the pollution within the prescribed time are also subject to penalty or termination of their business licenses. Enterprises which have polluted and endangered the environment are responsible for remedying the danger and effects of the pollution, as well as for the payment of compensation for any losses or damages suffered as a result of such environmental pollution. A material violation of the Environmental Protection Law that causes a material loss to public and private belongings or personal injuries or death may result in criminal liabilities.

Management believes that Bayannaer Mining is in material compliance with all applicable environmental protection requirements of the State.

NON-BUSINESS SEGMENT Corporate Activities

Active Subsidiaries

Feishang Management

Feishang Management was incorporated in the PRC in October 2008. It is a wholly-owned subsidiary of Yunnan Mining and was engaged in providing of management and consulting services to the other companies in the Group. Feishang Management currently serves as a cost center for the Group.

Inactive Subsidiaries

The following subsidiaries are not currently engaged in active operations but remain in good standing in their home jurisdictions and are poised to participate in future opportunities, should they arise:

China Coal

China Coal was incorporated in Hong Kong in January 2008. It is a wholly-owned subsidiary of CHNR.

Feishang Dayun

Feishang Dayun was incorporated in Hong Kong in June 2008. It is a wholly-owned subsidiary of Pineboom.

Feishang Mining

Feishang Mining was incorporated in the BVI in September 2004. It is a wholly-owned subsidiary of CHNR.

Feishang Yongfu

Feishang Yongfu was incorporated in Hong Kong in June 2008. It is a wholly-owned subsidiary of Newhold.

Newhold

Newhold was incorporated in the BVI in July 2008. It is a wholly-owned subsidiary of CHNR.

Pineboom

Pineboom was incorporated in the BVI in May 2008. It is a wholly-owned subsidiary of CHNR.

Yangpu Lianzhong

Yangpu Lianzhong was incorporated in the PRC in January 2008. It is a wholly-owned subsidiary of China Coal.

Yangpu Shuanghu

Yangpu Shuanghu was incorporated in the PRC in May 2004. It is a wholly-owned subsidiary of Feishang Yongfu.

Yunnan Mining

Yunnan Mining was incorporated in the PRC in June 2007. It is a wholly-owned subsidiary of Yangpu Shuanghu.

FMH Services

FMH Services is a Florida company incorporated in November 2007 in connection with a proposed transaction that was not consummated. FMH Services, which is wholly-owned by CHNR, is currently dormant.

Silver Moon

Silver Moon is a BVI company incorporated in March 2000. Silver Moon, which is 80%-owned by CHNR, is currently dormant.

Sunwide

Sunwide was incorporated in the BVI in January 2001. Sunwide is a wholly-owned subsidiary of CHNR and is currently dormant.

DISCONTINUED SEGMENT Exploration and Mining of Non-ferrous Metals

Metals mining operations included the exploration for, and extraction, production and sale of, non-ferrous metals. Our metal mining operations were conducted by Wuhu Feishang, a PRC company that was wholly-owned by Feishang Mining. Wuhu Feishang is principally engaged in the mining of zinc, iron, and other minerals and non-ferrous metals, and their sale in the PRC.

On February 24, 2017, Feishang Mining together with Wuhu City Feishang Industrial Development Co., Ltd. (Wuhu Industrial), as nominee for Feishang Mining (collectively WH Sellers), entered into an agreement (the WH Purchase Agreement) with Mr. Shen Yandi, an unrelated individual (WH Purchaser), pursuant to which WH Sellers sold and WH Purchaser purchased, all of WH Sellers' right, title and interest in and to the outstanding capital stock (the WH Equity Interests) of Wuhu Feishang.

The CNY1.00 million purchase price for the WH Equity Interests was delivered to WH Sellers, and WH Sellers delivered the WH Equity Interests to WH Purchaser, at a closing held on March 3, 2017, following receipt of regulatory approval for transfer of the WH Equity Interests to WH Purchaser. Pursuant to the WH Purchase Agreement:

Wuhu Feishang remains responsible for all of its liabilities and financial obligations other than those expressly undertaken by WH Sellers.

WH Sellers established a joint bank account and WH Purchaser contributed CNY3.00 million into the account as an earnest money deposit. The account will also include funds to be deposited by Wuhu Feishang to fund certain of Wuhu Feishang's on-going financial obligations under the WH Purchase Agreement. The funds in the account will be disbursed with the approval of WH Sellers, upon the attainment of milestones and in the manner described in the WH Purchase Agreement.

The parties allocated responsibility for certain on-going negotiations and settlements with employees and various townspeople affected by Wuhu Feishang's mining operations; as well as for certain on-going litigation.

WH Purchaser and Wuhu Feishang are prohibited from using the name "Feishang" in their operations.

A schedule of penalties is established to compensate a party for the other party's breach of the terms of the WH Purchase Agreement. In some cases, penalties are in addition to indemnification and/or performance obligations of a breaching party.

The foregoing description of the WH Purchase Agreement is only a summary and is qualified in its entirety by reference to the WH Purchase Agreement, a copy of which has been translated into English and incorporated by reference as Exhibit 4.14 to this Annual Report.

DISCONTINUED SEGMENT Copper Smelting Operations

On December 23, 2016, the Company entered into an agreement with Feishang Hesheng, a related party, and completed the acquisition of all of the issued and outstanding capital stock of Double Grow (the DG Acquired

Shares), its direct and indirect subsidiaries Easy Gain and Full Profit, each of which is organized under the laws of the BVI, and their operating subsidiary, Antay Pacha. Antay Pacha principally engages in copper smelting and the production of copper cathodes for sales to customers located primarily in Bolivia, Germany and the PRC.

The US\$1,541,129 purchase price for the DG Acquired Shares includes the assumption of US\$1,441,129 of indebtedness owed by Double Grow to Feishang Hesheng (the Loan). The Company paid the purchase price by delivery of its check in favor of Feishang Hesheng in the amount of US\$100,000 and is required under the agreement to assume Double Grow's obligation to repay the Loan. In consideration of the Company's assumption of the Loan, Feishang Hesheng delivered its Deed of Assignment of the Loan in favor of the Company.

Feishang Hesheng is beneficially owned by Mr. Li Feilie, the principal beneficial owner of the Company, and members of his family. Mr. Li is also the former Chief Exe