

Completion of Office Building and Staff Quarter in October 2010, Attainment of milestone by Kaisun Energy in developing coal business

Completion of the construction of Mengxi Minerals Office Building and Staff Quarter

Recently, Mengxi Minerals has attained a milestone on completion of the construction of its Office Building and Staff Quarter. On 13 October 2010, a ceremony celebrating the completion of construction of the Office Building and Staff Quarter of Mengxi Minerals was held. As a respected company in Inner Mongolia, over 100 attendees comprising important local officials from Inner Mongolia Government Departments and business partners attended this ceremony.



The successful completion of construction of these two buildings reflected that Mengxi Minerals is proceeding well on its implementation of constructing the planned infrastructure. This in turn reflects Kaisun Energy's successful effort to steer the 70% major asset of controlling subsidiary into a producing operation.

Core business is coal

From 1 July 2010 onwards, coal becomes the sole business operation of the Group, and the Group is an integrated coke producer in the PRC. The Group's coking coal mine, located in the district of Qian Li Gou (千里溝) in Ordos, 35 kilometers from Wuhai, being the largest in the district and the only one owned by a listed company, is favorably supported by the local government and the Group is regarded as having the financial resources and technical capability to acquire and consolidate the other small coking coal mines in the district for commencing production in future.



Mengxi Minerals Office Building

On 10 August 2010, Mengxi Minerals and Mengxi Chemical have merged. The principal business of Mengxi Chemical is the washing and choosing of mine run coal, the processing of coal and coke and their related coal by-products. The principal business of Mengxi Minerals is the sale of coal, the building of early stage infrastructure for exploitation of sagger, washing and choosing of mine run coal and processing of coke.

Each of Mengxi Minerals and Mengxi Chemical is a joint venture vehicle which is 70% indirectly owned by the Company and 30% by Mengxi HT. The Group considered that the merger would enable the Group to streamline the corporate structure to

facilitate integration of resources and unify the platform for sales of coal and washing and choosing of mine run coal by the Group. Cost savings for the Group can be achieved in the long run.

Booming industry trend

The latest crude steel production estimate for 2010 remains robust with some industry experts predicting a 11% increase over last year's China's historical record breaking performance of 568 million tonnes.

Mr. Joseph Chan, Chairman of Kaisun Energy said, "We are optimistic about the development of coking coal industry. The demand for coking coal is expected to be driven by the steel industry. The market generally believes that "a much needed and long-awaited hike to long-term commodity prices has taken place" with coking coal being named amongst its list of winners. The long-term global price for coking coal has been revised upward to USD170 per ton according to a research report. We will continue to be looking for other appropriate investment opportunities in the energy and resources sector and further strengthen our status as an integrated energy company."

