

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q/A

Quarterly report pursuant to sections 13 or 15(d) [amend]

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**CHINA SHOUGUAN MINING Corp**

CIK: **1493893** | IRS No.: **272513824** | State of Incorporation: **NV** | Fiscal Year End: **1231**  
Type: **10-Q/A** | Act: **34** | File No.: **000-54432** | Film No.: **13551515**  
SIC: **1040** Gold and silver ores

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

Form 10-Q /A-2

QUARTERLY REPORT UNDER THE SECURITIES EXCHANGE ACT OF 1933

For the quarterly period ended **June 30, 2012**

Commission File No. 333-167964



中国首冠矿业  
CHINA SHOUGUAN MINING

(Exact name of registrant as specified in its charter)

**Nevada**

(State or other jurisdiction of incorporation)

27-2513824

(IRS Employer Identification No.)

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New World Center Rm. 3207  
Futian District, Shenzhen  
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(Address and telephone number of registrant's principal executive offices)

---

Law Office of Michael M. Kessler, P.C.  
4900 Paloma Avenue  
Carmichael, CA. 95608  
Telephone (916) 248-3666  
Facsimile (916) 517-1449

(Name, address and telephone number of agent for service)

Securities registered pursuant to Section 12(b) of the Act: None.

Securities registered pursuant to Section 12(g) of the Act: Common Stock, \$0.0001 par value

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

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes Nox

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. Yesx 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 Nox

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. "

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 and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer " Accelerated filer " Non-accelerated filer " Smaller reporting company x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes Nox

As of June 30, 2012, there were 101,000,000 shares of our common stock issued and outstanding. Our common stock is not currently listed and trading on any exchange. The aggregate market value of the voting stock held by non-affiliates of the registrant, computed by reference to the \$0.0001 par value price per share paid for the shares is approximately \$5,918.

**FORM 10-Q**  
**China ShouGuan Mining Corporation**

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**Part I. FINANCIAL INFORMATION**

**Item 1. Financial Statements**

**CHINA SHOUGUAN MINING CORPORATION**

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**(UNAUDITED)**

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**CHINA SHOUGUAN MINING CORPORATION**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**AS OF JUNE 30, 2012 AND DECEMBER 31, 2011**  
(Currency expressed in United States Dollars (“US\$”), except for number of shares)

	<u>June 30, 2012</u>	<u>December 31, 2011</u>
	(Unaudited)	(Audited)
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 244,443	\$ 339,870
Accounts receivable, trade	-	227,427
Amount due from a related party	1,289	3,334
Deposits and prepayments	173,780	297,262
Prepaid mining rights, current	2,088,707	2,046,503
Total current assets	2,508,219	2,914,396
Non-current assets:		
Mining assets	5,696,473	5,667,239
Prepaid mining rights	2,154,638	3,214,059
Property, plant and equipment, net	3,219,287	3,364,768
Construction in progress	217,738	206,655
<b>TOTAL ASSETS</b>	<b>\$ 13,796,355</b>	<b>\$ 15,367,117</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 113,058	\$ 783,610
Amount due to a related party	303,504	212,365
Income tax payable	5,940	-
Short-term borrowings	870,294	-
Notes payable	4,023,618	4,023,618
Short-term loans payable, unsecured	3,582,860	5,159,337
Current portion of long-term loans payable, unsecured	3,994,273	-
Current portion of loans payable, related party	110,765	-
Accrued liabilities and other payable	282,084	245,139
Total current liabilities	13,286,396	10,424,069
Long-term liabilities:		
Loans payable, unsecured	373,023	3,872,613
Loans payable, related party	553,824	-
Total long-term liabilities	926,847	3,872,613
Total liabilities	\$ 14,213,243	\$ 14,296,682
Commitments and contingencies		
Stockholders' equity:		
Common stock, \$0.0001 par value; 300,000,000 shares authorized; 101,000,000 shares issued and outstanding, respectively	10,100	10,100
Additional paid-in capital	1,677,379	1,677,379

Statutory reserve	340,046	340,046
Accumulated other comprehensive income	327,665	193,814
Accumulated deficits	<u>(2,772,078)</u>	<u>(1,150,904)</u>
Total stockholders' equity	<u>----- (416,888) -----</u>	<u>----- 1,070,435 -----</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS'</b>		
<b>EQUITY</b>	<u>\$ 13,796,355</u>	<u>\$ 15,367,117</u>

See accompanying notes to condensed consolidated financial statements.

**CHINA SHOUGUAN MINING CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME**  
**FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2012 AND 2011**  
(Currency expressed in United States Dollars (“US\$”), except for number of shares)  
(Unaudited)

	<u>Three months ended June 30,</u>		<u>Six months ended June 30,</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Revenues, net:				
- Product sales	\$ 724,269	\$ 1,193,464	\$ 1,136,994	\$ 1,961,103
- Service income	-	-	-	568,621
Total revenues, net	<u>724,269</u>	<u>1,193,464</u>	<u>1,136,994</u>	<u>2,529,724</u>
Cost of revenue	<u>(1,091,131)</u>	<u>(1,446,813)</u>	<u>(2,133,153)</u>	<u>(1,876,435)</u>
Gross (loss) profit	----- <u>(366,862)</u>	----- <u>(253,349)</u>	----- <u>(996,159)</u>	----- <u>653,289</u>
Operating expenses:				
General and administrative	<u>(366,045)</u>	<u>(465,541)</u>	<u>(609,551)</u>	<u>(734,562)</u>
Loss from operations	----- <u>(732,907)</u>	----- <u>(718,890)</u>	----- <u>(1,605,710)</u>	----- <u>(81,273)</u>
Other income (expense):				
Interest expenses	(67,812)	-	(111,137)	-
Interest income	288	24,942	478	26,153
Other income	<u>31,578</u>	<u>44,287</u>	<u>31,578</u>	<u>44,287</u>
Loss before income taxes	----- <u>(768,853)</u>	----- <u>(649,661)</u>	----- <u>(1,684,791)</u>	----- <u>(10,833)</u>
Income tax credit (expense)	<u>63,617</u>	<u>(131,669)</u>	<u>63,617</u>	<u>(318,687)</u>
<b>NET LOSS</b>	<u>\$ (705,236)</u>	<u>\$ (781,330)</u>	<u>\$ (1,621,174)</u>	<u>\$ (329,520)</u>
Other comprehensive (loss) income:				
- Foreign currency translation (loss) gain	<u>(135)</u>	<u>106,237</u>	<u>133,851</u>	<u>123,539</u>
<b>COMPREHENSIVE LOSS</b>	<u>\$ (705,371)</u>	<u>\$ (675,093)</u>	<u>\$ (1,487,323)</u>	<u>\$ (205,981)</u>
Net loss per share – Basic and diluted	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>	<u>\$ (0.02)</u>	<u>\$ (0.00)</u>
Weighted average common shares outstanding – Basic and diluted	<u>101,000,000</u>	<u>100,000,000</u>	<u>101,000,000</u>	<u>100,000,000</u>

See accompanying notes to condensed consolidated financial statements.



**CHINA SHOUGUAN MINING CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2012 AND 2011**  
(Currency expressed in United States Dollars (“US\$”))  
(Unaudited)

	<b>Six months ended June 30,</b>	
	<b>2012</b>	<b>2011</b>
Cash flows from operating activities:		
Net loss	\$ (1,621,174)	\$ (329,520)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation of property, plant and equipment	176,807	34,159
Amortization of prepaid mining right	1,043,396	-
Changes in operating assets and liabilities:		
Accounts receivable	228,390	208,328
Deposits and prepayments	194,608	(2,073,913)
Accounts payable	(673,977)	180,983
Income tax payable	5,934	(196,715)
Accrued liabilities and other payable	35,850	(33,752)
<b>Net cash used in operating activities</b>	<b>(610,166)</b>	<b>(2,210,430)</b>
Cash flows from investing activities:		
Purchase of property, plant and equipment	(14,120)	(2,387,612)
Payments on mining right	-	(3,932,390)
Payments on construction in progress	(10,009)	-
<b>Net cash used in investing activities</b>	<b>(24,129)</b>	<b>(6,320,002)</b>
Cash flows from financing activities:		
Proceeds from short-term borrowings	869,496	-
Proceeds from note payable	-	4,011,315
(Repayment of) proceeds from short-term loans payable	(1,601,622)	1,930,307
Proceeds from long-term loans payable	474,271	412,328
Proceeds from loan payable, related party	663,979	-
Advances from a related party	92,657	15,387
<b>Net cash provided by financing activities</b>	<b>498,781</b>	<b>6,369,337</b>
Effect of exchange rate changes on cash and cash equivalents	40,087	21,505
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(95,427)</b>	<b>(2,139,590)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<b>339,870</b>	<b>2,425,494</b>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>\$ 244,443</b>	<b>\$ 285,904</b>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Cash (refunded) paid for income taxes	\$ (69,551)	\$ 504,274
Cash paid for interest	\$ 31,412	\$ -

See accompanying notes to condensed consolidated financial statements.



**CHINA SHOUGUAN MINING CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2012**  
(Currency expressed in United States Dollars (“US\$”), except for number of shares)  
(Unaudited)

**NOTE – 1 BASIS OF PRESENTATION**

The accompanying unaudited condensed consolidated financial statements have been prepared by management in accordance with both accounting principles generally accepted in the United States (“GAAP”), and the instructions to Form 10-Q and Rule 8-03 of Regulation S-X. Certain information and note disclosures normally included in audited financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to those rules and regulations, although the Company believes that the disclosures made are adequate to make the information not misleading.

In the opinion of management, the consolidated balance sheet as of December 31, 2011 which has been derived from audited financial statements and these unaudited condensed consolidated financial statements reflect all normal and recurring adjustments considered necessary to state fairly the results for the periods presented. The results for the period ended June 30, 2012 are not necessarily indicative of the results to be expected for the entire fiscal year ending December 31, 2012 or for any future period.

These unaudited condensed consolidated financial statements and notes thereto should be read in conjunction with the Management’s Discussion and the audited financial statements and notes thereto included in the Annual Report on Form 10-K for the year ended December 31, 2011.

**NOTE – 2 ORGANIZATION AND BACKGROUND**

China ShouGuan Mining Corporation (“CSMC” or “the Company”) was incorporated in the State of Nevada on May 4, 2010.

The Company, through its subsidiaries and variable interest entities, is principally engaged in the project management of gold mining operations in China. In May 2009, the Company commenced its first project, the Cunli Ji Mine which is located in Shandong Province, the People Republic of China (“PRC”).

The details of the Company’s subsidiaries and VIEs are described below:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued/ registered share capital	Effective interest Held
Bei Sheng Limited (“BSL”)	British Virgin Islands, a limited liability company	Investment holding in GWIL and provision of mining technical advice	50,000 issued shares of US\$1 each	100%
Golden International Limited (“GWIL”)	Hong Kong, a limited liability company	100%-investment holding in SBCL	10,000 issued shares of HK\$1 each	100%
Shoujin Consulting (Shenzhen) Limited (“SBCL”)	The PRC, a limited liability company	Provision of consulting service in the PRC	RMB100,000	100%
Shenzhen Investment (“SSIC”) #	Shouguan Co., Ltd The PRC, a limited liability company	99%-investment holding in JinGuan	RMB10,180,000	N/A

Yantai Investment (“JinGuan”) #	Jinguan Limited	The PRC, a limited liability company	100%-investment holding in XinGuan	RMB5,000,000	N/A
Penglai Investment (“XinGuan”) #	Xinguan Limited	The PRC, a limited liability company	Exploration, drilling, mining and sale of gold products	RMB37,000,000	N/A

# represents variable interest entity (“VIE”)

The Company and its subsidiaries and VIEs are hereinafter collectively referred to as (“the Company”).

**CHINA SHOUGUAN MINING CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2012**  
**(Currency expressed in United States Dollars (“US\$”), except for number of shares)**  
**(Unaudited)**

**NOTE – 3 GOING CONCERN UNCERTAINTIES**

These condensed consolidated financial statements have been prepared assuming that the Company will continue as a going concern, which contemplates the realization of assets and the discharge of liabilities in the normal course of business for the foreseeable future.

For the six months ended June 30, 2012, the Company generated a continuous loss of \$1,621,174 and suffered from a working capital deficit of \$10,778,177, whereas the Company may not have sufficient working capital to meet with the contingent payments. The continuation of the Company as a going concern is dependent upon the continuing financial support from its stockholders. Management believes the existing stockholders will provide the additional cash to meet with the Company’s obligations as they become due. However, there can be no assurance that the Company will be able to obtain sufficient funds to meet its obligations on a timely manner.

These factors raise substantial doubt about the Company’s ability to continue as a going concern. These condensed consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets and liabilities that may result in the Company not being able to continue as a going concern.

**NOTE – 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying condensed consolidated financial statements reflect the application of certain significant accounting policies as described in this note and elsewhere in the accompanying condensed consolidated financial statements and notes.

- **Use of estimates**

In preparing these condensed consolidated financial statements, management makes estimates and assumptions that affect the reported amounts of assets and liabilities in the balance sheet and revenues and expenses during the periods reported. Actual results may differ from these estimates.

**Basis of consolidation**

The condensed consolidated financial statements include the financial statements of CSMC, its subsidiaries and VIEs. All inter-company balances and transactions between the Company and its subsidiaries and VIEs have been eliminated upon consolidation.

The Company has adopted ASC Topic 810-10-5-8, “Variable Interest Entities”, which requires a variable interest entity or VIE to be consolidated by a company if that company is subject to a majority of the risk of loss for the VIEs or is entitled to receive a majority of the VIEs’ residual returns.

**CHINA SHOUGUAN MINING CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2012**  
**(Currency expressed in United States Dollars (“US\$”), except for number of shares)**  
**(Unaudited)**

**- Variable interest entity**

On May 15, 2011, the Company’s subsidiary, SBCL entered into a series of agreements (“VIE agreements”) amongst SSIC, JinGuan, XinGuan and the individual owners of SSIC, JinGuan and XinGuan and details of the VIE agreements are as follows :

1. Exclusive Technical Service and Business Consulting Agreement, SBCL has the exclusive right to provide to SSIC, JinGuan and XinGuan consulting services, including operational management, human resources management, research and development of the technologies related to the operations of SSIC, JinGuan and XinGuan. SSIC, JinGuan and XinGuan pays to SBCL quarterly consulting service fees in an amount equals to all of their revenue for such quarter. These agreements run for 10 year terms and are subject to automatic renewal for an additional 10 year term provided that no objection is made by both parties on the renewal.
2. Exclusive Option Agreement, SBCL has the option to purchase SSIC, JinGuan and XinGuan all assets and ownership at any time.
3. Equity Pledge Agreement, SSIC JinGuan and XinGuan agree to pledge their legal interest to SBCL as a security for the obligations under the Exclusive Technical Service and Business Consulting Agreement.
4. Proxy Agreement, SSIC, JinGuan and XinGuan irrevocably grant and entrust SBCL the right to exercise its voting and other stockholder’s right.
5. Operating Agreement, SBCL agrees to participate in the operations of SSIC, JinGuan and XinGuan in different aspects.

With the above agreements, SBCL demonstrates its ability to control SSIC, JinGuan and XinGuan as the primary beneficiaries and the operating results of the VIEs was included in the condensed consolidated financial statements for the three and six months ended June 30, 2012 and 2011.

**- Cash and cash equivalents**

Cash and cash equivalents are carried at cost and represent cash on hand, demand deposits placed with banks or other financial institutions and all highly liquid investments with an original maturity of three months or less as of the purchase date of such investments.

**- Accounts receivable**

Accounts receivable are recorded at the invoiced amount and do not bear interest. Management reviews the adequacy of the allowance for doubtful accounts on an ongoing basis, using historical collection trends and aging of receivables. Management also periodically evaluates individual customer’s financial condition, credit history, and the current economic conditions to make adjustments in the allowance when it is considered necessary. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The Company does not have any off-balance-sheet credit exposure related to its customers. For the three and six months ended June 30, 2012 and 2011, no allowance for doubtful accounts was provided.

**- Mining assets**

Mining assets represent the purchase price for mining rights of Cunli Ji Gold Mine and are subject to depletion, based on their proven reserve.

For the Cunli Ji mine, the mining activities were temporary halted in the first and second quarter of 2012 because of the fact that (i) the mine was undergoing certain restructuring activities in January before the Chinese New Year and (ii) the Chinese government’s regulation of disallowing mining activities during the Chinese New year period from late January to late February and the “Two-Conferences Period” in Beijing immediately after the Chinese New Year in March. For the Dayuan Mine, the mining activities were temporary halted from late January to end of March because of the Chinese government’s regulation of disallowing mining activities during Chinese New Year period and the “Two-Conferences Period” as mentioned above. For the three and six months ended June 30, 2012, no impairment loss for the above mines was provided. The Dayuan Mine was back to normal production status in the second quarter of 2012.





**CHINA SHOUGUAN MINING CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2012**  
(Currency expressed in United States Dollars (“US\$”), except for number of shares)  
(Unaudited)

- **Prepaid mining rights**

Prepaid mining rights represent certain amount of lease prepayment made for the operation of the mining license of Dayuan Gold Mine and are being amortized using a straight-line basis over its scheduled lease term.

The rent expense on prepaid mining rights for the three months ended June 30, 2012 and 2011 was \$521,254 and \$0, respectively.

The rent expense on prepaid mining rights for the six months ended June 30, 2012 and 2011 was \$1,043,396 and \$0, respectively.

As of June 30, 2012, the estimated annual amortization of the prepaid mining rights for the next three years is as follows:

<b>Years ending June 30:</b>	
2013	\$ 2,088,707
2014	1,917,285
2015	237,353
<b>Total:</b>	<b>\$ 4,243,345</b>

- **Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is calculated on the straight-line basis over the following expected useful lives from the date on which they become fully operational and after taking into account their estimated residual values:

	<u>Expected useful life</u>	<u>Residual value</u>
Plant and machinery	10 years	5%
Motor vehicles	5 years	5%
Office equipment	3-5 years	5%

Expenditure for repairs and maintenance is expensed as incurred. When assets have retired or sold, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in the results of operations.

Depreciation expense for the three months ended June 30, 2012 and 2011 were \$85,515 and \$19,013, respectively.

Depreciation expense for the six months ended June 30, 2012 and 2011 were \$176,807 and \$34,159, respectively.

- **Construction in progress**

Construction in progress is stated at cost, which includes the costs of self-constructed assets, including mine development assets during the construction phase. Indirect overhead costs are not included in the cost of self-constructed assets. Construction in progress is not depreciated until such time as the assets are completed and put into operational use. No capitalized interest is incurred during the period of construction.

- **Impairment of long-lived assets**

In accordance with the provisions of ASC Topic 360-10-5, “Impairment or Disposal of Long-Lived Assets”, all long-lived assets such as mining assets, prepaid mining right, property, plant and equipment and construction in progress held and used by the Company are annually reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is evaluated by a comparison of the



**CHINA SHOUGUAN MINING CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2012**  
**(Currency expressed in United States Dollars (“US\$”), except for number of shares)**  
**(Unaudited)**

carrying amount of assets to estimated discounted net cash flows expected to be generated by the assets. Future cash flows are based on estimated quantities of gold and other recoverable metals, expected price of gold and other commodity (considering current and historical prices, price trends and related factors), production levels and cash costs of production, capital and reclamation costs, all based on detailed engineering life-of-mine plans. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amounts of the assets exceed the fair value of the assets.

Numerous factors including, but not limited to, such things as unexpected grade changes, gold recovery problems, shortages of equipment and consumables, equipment failures, and collapse of pit walls, could impact our ability to achieve forecasted production schedules from proven and probable reserves. Additionally, commodity prices, capital expenditure requirements and reclamation costs could differ from the assumptions used in the cash flow models used to assess impairment. The ability to achieve the estimated quantities of recoverable minerals from exploration stage mineral interests involves further risks in addition to those factors applicable to mineral interests where proven and probable reserves have been identified, due to the lower level of confidence that the identified mineralized material can ultimately be mined economically. There has been no impairment charge for the periods presented.

**- Revenue recognition**

In accordance with the ASC Topic 605, “Revenue Recognition”, the Company recognizes revenue when persuasive evidence of an arrangement exists, transfer of title has occurred or services have been rendered, the selling price is fixed or determinable and collectibility is reasonably assured.

**(a) Product sales**

The Company derives revenues from the sales of non-refined gold concentrate to smelters, whereas the smelter usually takes 6 days for the production from non-refined gold concentrate to gold bullion. The Company generally recognizes its revenues, net of value-added taxes (“VAT”) at the time of gold bullion is produced by the smelter and its selling price is determined by the market value of gold bullion quoted by the Shanghai Gold Exchange.

The Company is subject to VAT which is levied on the standard gold products at the standard rate of 17% on the invoiced value of sales. The Company’s VIE, XinGuan is granted with a preferential tax treatment under the Chinese tax law of the “Notice from Ministry of Finance and State Tax Bureau in Relation to Exemption of Value Added Tax on Gold Production” and “Notice regarding issues on Tax Policy on Gold Transaction”, whereas gold produced and sold by gold mining and smelting enterprises are exempted from VAT.

**(b) Service revenue**

Service revenue is primarily derived from the provision of mining consulting and technical services that are not an element of an arrangement for the sale of products. These services are generally billed on a time-cost plus basis, for a period of service time from 2 to 6 months. Revenue is recognized when service is rendered and accepted by the customers.

**(c) Interest income**

Interest income is recognized on a time apportionment basis, taking into account the principal amounts outstanding and the interest rates applicable.

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- **Resource compensation fees**

In accordance with the relevant regulations under the Chinese Law, a company that is engaged in exploiting mineral resources is required to pay a resource tax and resources compensation levy to the local government as the compensation for the depletion of mineral resources. Pursuant to “Provisional Regulations on Resources Tax of the PRC” and “Administrative Rules on the Levy of Mineral Resources Compensation”, the amounts of the resource tax and resources compensation levy are computed on the basis of the sales revenue of mineral products. The Company was required to pay resource compensation fees of \$26,781 and \$4,068 for the six months ended June 30, 2012 and 2011, respectively.

- **Comprehensive income**

ASC Topic 220, “Comprehensive Income”, establishes standards for reporting and display of comprehensive income, its components and accumulated balances. Comprehensive income as defined includes all changes in equity during a period from non-owner sources. Accumulated other comprehensive income, as presented in the accompanying condensed consolidated statement of stockholders’ equity, consists of changes in unrealized gains and losses on foreign currency translation. This comprehensive income is not included in the computation of income tax expense or benefit.

- **Income taxes**

The Company adopts ASC Topic 740, “Income Taxes” regarding accounting for uncertainty in income taxes which prescribes the recognition threshold and measurement attributes for financial statement recognition and measurement of tax positions taken or expected to be taken on a tax return. In addition, the guidance requires the determination of whether the benefits of tax positions will be more likely than not sustained upon audit based upon the technical merits of the tax position. For tax positions that are determined to be more likely than not sustained upon audit, a company recognizes the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement in the financial statements. For tax positions that are not determined to be more likely than not sustained upon audit, a company does not recognize any portion of the benefit in the financial statements. The guidance provides for de-recognition, classification, penalties and interest, accounting in interim periods and disclosure.

For the three and six months ended June 30, 2012 and 2011, the Company did not have any interest and penalties associated with tax positions. As of June 30, 2012, the Company did not have any significant unrecognized uncertain tax positions.

The Company conducts major businesses in the PRC and is subject to tax in this jurisdiction. As a result of its business activities, the Company files tax returns that are subject to examination by the foreign tax authority.

- **Net loss per share**

The Company calculates net loss per share in accordance with ASC Topic 260, “Earnings per Share.” Basic loss per share is computed by dividing the net loss by the weighted-average number of common shares outstanding during the period. Diluted loss per share is computed similar to basic loss per share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common stock equivalents had been issued and if the additional common shares were dilutive.

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- **Foreign currencies translation**

Transactions denominated in currencies other than the functional currency are translated into the functional currency at the exchange rates prevailing at the dates of the transaction. Monetary assets and liabilities denominated in currencies other than the functional currency are translated into the functional currency using the applicable exchange rates at the balance sheet dates. The resulting exchange differences are recorded in the statement of operations.

The reporting currency of the Company is the United States Dollars ("US\$"). The Company's subsidiary in the PRC maintain its books and records in its local currency, Renminbi Yuan ("RMB"), which is functional currency as being the primary currency of the economic environment in which the entity operates.

In general, for consolidation purposes, assets and liabilities of its subsidiaries whose functional currency is not US\$ are translated into US\$, in accordance with ASC Topic 830-30, "Translation of Financial Statement", using the exchange rate on the balance sheet date. Revenues and expenses are translated at average rates prevailing during the period. The gains and losses resulting from translation of financial statements of foreign subsidiaries are recorded as a separate component of accumulated other comprehensive income within the statement of stockholders' equity.

Translation of amounts from RMB into US\$1 has been made at the following exchange rates for the respective period:

	<b>June 30, 2012</b>	<b>June 30, 2011</b>
Period-end RMB:US\$1 exchange rate	6.3197	6.5701
Period average RMB:US\$1 exchange rate	6.3255	6.5482

- **Related parties**

Parties, which can be a corporation or individual, are considered to be related if the Company has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operational decisions. Companies are also considered to be related if they are subject to common control or common significant influence.

- **Segment reporting**

ASC Topic 280, "Segment Reporting" establishes standards for reporting information about operating segments on a basis consistent with the Company's internal organization structure as well as information about geographical areas, business segments and major customers in financial statements. For the three and six months ended June 30, 2012, the Company operates in one reportable operating segment in the PRC.

- **Fair value of financial instruments**

The carrying value of the Company's financial instruments include cash, accounts receivable, amounts due from (to) related parties, deposits and prepayments, other receivables, accounts payable, income tax payable, accrued liabilities and other payable. Fair values were assumed to approximate carrying values for these financial instruments because they are short term in nature and their carrying amounts approximate fair values. The carrying value of the Company's loans and note payable approximated its fair value based on the current market prices or interest rates for similar debt instruments.

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The Company also follows the guidance of ASC Topic 820-10, “Fair Value Measurements and Disclosures” (“ASC 820-10”), with respect to financial assets and liabilities that are measured at fair value. ASC 820-10 establishes a three-tier fair value hierarchy that prioritizes the inputs used in measuring fair value as follows:

- Level 1 : Observable inputs such as quoted prices in active markets;
- Level 2 : Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3 : Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions

Fair value estimates are made at a specific point in time based on relevant market information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

- **Recent accounting pronouncements**

The Company has reviewed all recently issued, but not yet effective, accounting pronouncements and does not believe the future adoption of any such pronouncements may be expected to cause a material impact on its financial condition or the results of its operations.

In July 2012, the Financial Accounting Standards Board issued ASC Update No. 2012-02, “Intangibles - Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets for Impairment” (“ASU 2012-02”). ASU 2012-02 provides companies with the option to assess qualitative factors to determine whether the existence of events and circumstances indicates that it is more likely than not that the indefinite-lived intangible asset is impaired. If the Company concludes that it is more likely than not that the asset is impaired, it is required to determine the fair value of the intangible asset and perform the quantitative impairment test by comparing the fair value with the carrying value in accordance with Topic 350. The Company does not expect the adoption of ASU 2012-02 to impact its results of operations or financial position.

**NOTE – 5 CUNLI JI GOLD MINING PROJECT**

The Company’s first project, the Cunli Ji Gold Mine, began in May 2009 and is operated and managed by the subsidiary, XinGuan. On May 4, 2009, the Company, through its VIE, XinGuan entered into an operating lease agreement with Penglai City Gold Mining Holding Co. Ltd (“PCGM”). Pursuant to the operating lease agreement, XinGuan agreed to lease and manage the gold mine for a term of 20 months, with a rental deposit of approximately \$2.9 million (equivalent to RMB 20 million). Also, XinGuan agreed to acquire the gold mine for a purchase consideration of approximately \$5 million (equivalent to RMB 34.8 million) under the acquisition agreement, if the following conditions are satisfied upon the expiry of the operating lease agreement: 1) the satisfaction of certain level of the monthly production capacity and 2) the production management of the mine reaches ISO (or equivalent) standard.

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On January 3, 2011, the Company and PCGM mutually agreed to extend the lease term of the Cunliji gold mine for an additional six months expiry on July 3, 2011 with all terms and conditions to remain unchanged and granted the waiver of 12-months’ rental charge for 2010 fiscal year under the operating lease agreement. Since one of the criteria, namely daily production of 80 tonnes as set out in the aforesaid operating lease agreement cannot be met, on July 3, 2011 both parties agreed to extend the lease term of the Cunli Ji Gold Mine for another six months to January 3, 2012.

On January 3, 2012, the above transaction was closed and the rental deposit became part of the purchase consideration.

**NOTE – 6 AMOUNT DUE FROM A RELATED PARTY**

As of June 30, 2012, amount due from a related party represented temporary advances made to Mr. Jingfeng Lv, the director of a subsidiary, SSIC, which is unsecured, interest-free and repayable on demand.

**NOTE – 7 AMOUNT DUE TO A RELATED PARTY**

As of June 30, 2012, amount due to a related party represented temporary advances made by Mr. Zhang, the director of the Company, which was unsecured, interest-free with no fixed repayment term. Imputed interest is considered insignificant.

**NOTE – 8 SHORT-TERM BORROWINGS**

For the six months ended June 30, 2012, the Company’s operating subsidiary, SSIC, obtained short-term borrowings of \$869,496 (equivalent to RMB5,500,000) from a financial institution in the PRC, which bears interest rate at 1.3 times of the Bank of China Benchmark Lending Rate, monthly payable, due January 19, 2013, and is secured by the property owned by Mr. Zhang, the director.

**NOTE – 9 NOTES PAYABLE**

As of June 30, 2012, the Company had unsecured, interest-free notes due June 30, 2012 on an extension basis. Upon maturity date, the notes are further extended to September 30, 2012 and the note holder has an option to receive the cash repayment or in lieu of the Company’s common stock. These notes were subsequently converted into shares at a price of \$0.5 per share, with an aggregate of 8,000,000 shares of common stock.

**NOTE – 10 LOANS PAYABLE, UNSECURED**

As of June 30, 2012, the Company had a short-term loan of \$3,582,860 (equivalent to RMB22,642,600) with several independent third parties, due November 27, 2012 on an extension basis, which carried annual interest at Bank of China Benchmark Lending Rate, payable at maturity. For the six months ended June 30, 2012, the Company made partial repayment of \$1,601,622 (equivalent to RMB10,131,058).

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As of June 30, 2012, the Company also held the following long-term loans payable to third parties:

Loans payable to four individuals in the PRC, unsecured:

Equivalent to RMB4,500,000 with interest rate at 2.7% per annum, payable at its maturity, due May 7, 2013

Equivalent to RMB9,400,000 with interest rate at 2.7% per annum, payable at its maturity, due May 7, 2013

Equivalent to RMB8,000,000 with interest rate at 5.18% per annum, payable at its maturity, due June 14, 2013

Equivalent to RMB2,700,000 with non-interest bearing, payable at its maturity, due March 29, 2013

Equivalent to RMB 3,000,000 (2011: RMB0) with effective interest rate at 8.97% per annum, payable with monthly principal and interest payments

Total long-term loans payable

Less: current portion

Long-term loans payable, net of current portion

As of June 30, 2012, the minimum future payments of the aggregate long-term loans payable in the next five years are as follows:

<b>Year ending June 30:</b>	
2013	\$ 3,994,273
2014	89,933
2015	98,340
2016	107,533
2017	77,217
	<hr/>
Total borrowings	\$ 4,367,296

**NOTE – 11 LOAN PAYABLE FROM A RELATED PARTY**

During the six months ended June 30, 2012, the Company entered into a loan of \$663,979 (equivalent to RMB4,200,000) with Mr. Zhang, the director of the Company, due April 21, 2014, which was unsecured, carried annual interest at Bank of China Benchmark Lending Rate and payable in a monthly installment.



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As of June 30, 2012, the minimum future payments of the aggregate loan payable from a related party in the next two years are as follows:

<b>Year ending June 30:</b>	
2013	\$ 110,765
2014	<u>553,824</u>
<b>Total borrowings</b>	<b>\$ <u>664,589</u></b>

**NOTE – 12 INCOME TAXES**

For the six months ended June 30, 2012 and 2011, the local (United States) and foreign components of loss before income taxes were comprised of the following:

	<b>Six months ended June 30,</b>	
	<b>2012</b>	<b>2011</b>
Tax jurisdictions from:		
– Local	\$ (48,193)	\$ -
– Foreign	<u>(1,636,598)</u>	<u>(10,833)</u>
<b>Loss before income taxes</b>	<b>\$ (1,684,791)</b>	<b>\$ (10,833)</b>

The provision for income taxes consisted of the following:

	<b>Six months ended June 30,</b>	
	<b>2012</b>	<b>2011</b>
Current:		
– Local	\$ -	\$ -
– Foreign, representing by:		
Hong Kong	-	-
The PRC	<u>(63,617)</u>	<u>318,687</u>
Deferred:		
– Local	-	-
– Foreign	-	-
<b>Income tax (credit) expense</b>	<b>\$ (63,617)</b>	<b>\$ 318,687</b>

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The effective tax rate in the periods presented is the result of the mix of income earned in various tax jurisdictions that apply a broad range of income tax rates. The Company has subsidiaries that operate in various countries: United States, BVI, Hong Kong and the PRC that are subject to taxes in the jurisdictions in which they operate, as follows:

***United States of America***

The Company is registered in the State of Nevada and is subject to the tax laws of the United States of America.

***British Virgin Island***

Under the current BVI law, Bei Sheng is not subject to tax on its income or profits. For the six months ended June 30, 2012, Bei Sheng suffered from an operating loss of \$20,157.

***Hong Kong***

Golden Wide is subject to Hong Kong Profits Tax, which is charged at the statutory income rate of 16.5% on assessable income. For the six months ended June 30, 2012 and 2011, Golden Wide suffered from an operating loss of \$2,332 and generated an operating income of \$944, respectively.

***The PRC***

The Company generated its income from its subsidiaries and VIEs operating in the PRC for the six months ended June 30, 2012 and 2011, which are subject to the Corporate Income Tax Law of the People’s Republic of China (the “New CIT Law”) at a unified income tax rate of 25%. A reconciliation of income tax rate to the effective income tax rate for the six months ended June 30, 2012 and 2011 is as follows:

	<b>Six months ended June 30,</b>	
	<b>2012</b>	<b>2011</b>
Lossefore income taxes	\$ (1,614,109)	\$ (5,634)
Statutory income tax rate	25%	25%
Income tax expense at the statutory rate	(403,527)	(1,409)
Tax adjustments	(69,551)	-
Net operating loss not recognized as deferred tax asset	191,665	41,832
Non-deductible items	217,796	278,264
Income tax (credit) expense	\$ (63,617)	\$ 318,687

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As of June 30, 2012, the Company incurred \$2,678,139 of aggregate net operating loss carryforwards available to offset its taxable income for income tax purposes. The Company has provided for a full valuation allowance against the deferred tax assets of \$670,149 on the expected future tax benefits from the net operating loss carryforwards as the management believes it is more likely than not that these assets will not be realized in the future.

**NOTE – 13 SEGMENT INFORMATION**

The Company’s business units have been aggregated into two reportable segments, as defined by ASC Topic 280:

- § Mining management business – project management of gold mining operations;
- § Mining technical service business – provision of mining technical services.

The Company operates these business segments in the PRC and all of the identifiable assets of the Company are located in the PRC during the periods presented.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The Company has no inter-segment sales for the three and six months ended June 30, 2012 and 2011. The Company’s reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies. Summarized financial information concerning the Company’s reportable segments is shown in the following table for the three and six months ended June 30, 2012 and 2011:

	<b>Three months ended June 30, 2012</b>		
	<b>Mining management business</b>	<b>Mining technical service business</b>	<b>Total</b>
Operating revenues, net:			
- Products	\$ 724,269	\$ -	\$ 724,269
- Service	-	-	-
Total operating revenues	724,269	-	724,269
Cost of revenues	(1,091,131)	-	(1,091,131)
Gross loss	(366,862)	-	(366,862)
Depreciation and amortization	606,769	-	606,769
Total assets	13,796,355	-	13,796,355
Expenditure for long-lived assets	\$ 14,268	\$ -	\$ 14,268

	<b>Six months ended June 30, 2012</b>		
	<b>Mining management business</b>	<b>Mining technical service business</b>	<b>Total</b>
Operating revenues, net:			
- Products	\$ 1,136,994	\$ -	\$ 1,136,994
- Service	-	-	-
Total operating revenues	1,136,994	-	1,136,994
Cost of revenues	(2,133,153)	-	(2,133,153)
Gross loss	(996,159)	-	(996,159)

Depreciation and amortization	1,220,203	-	1,220,203
Total assets	13,796,355	-	13,796,355
Expenditure for long-lived assets	\$ 24,129	\$ -	\$ 24,129

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	<b>Three months ended June 30, 2011</b>		
	<b>Mining management business</b>	<b>Mining technical service business</b>	<b>Total</b>
Operating revenues, net:			
- Products	\$ 1,193,464	\$ -	\$ 1,193,464
- Service	-	-	-
Total operating revenues	1,193,464	-	1,193,464
Cost of revenues	(1,386,791)	(60,022)	(1,446,813)
Gross loss	(193,327)	(60,022)	(253,349)
Depreciation	13,067	5,946	19,013
Total assets	13,723,382	112,806	13,836,188
Expenditure for long-lived assets	\$ 2,333,912	\$ 11,457	\$ 2,345,369

	<b>Six Months ended June 30, 2011</b>		
	<b>Mining management business</b>	<b>Mining technical service business</b>	<b>Total</b>
Operating revenues, net:			
- Products	\$ 1,961,103	\$ -	\$ 1,961,103
- Service	-	568,621	568,621
Total operating revenues	1,961,103	568,621	2,529,724
Cost of revenues	(1,737,012)	(139,423)	(1,876,435)
Gross profit	224,091	429,198	653,289
Depreciation	23,695	10,464	34,159
Total assets	13,723,382	112,806	13,836,188
Expenditure for long-lived assets	\$ 2,334,991	\$ 52,621	\$ 2,387,612

All long-lived assets are located in the PRC.

**NOTE – 14 CONCENTRATIONS OF RISK**

The Company is exposed to the following concentrations of risk:

(a) Major customers

For the three months ended June 30, 2012, there was one single customer who accounted for 95% of the Company’s revenues amounting to \$685,092 with \$0 of accounts receivable at period-end date.

For the six months ended June 30, 2012, there was one single customer who accounted for 97% of the Company’s revenues amounting to \$1,097,817 with \$0 of accounts receivable at period-end date.

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For the three months ended June 30, 2011, there was one single customer who accounted for 88% of the Company’s revenues amounting to \$1,051,517 with \$169,964 of accounts receivable at period-end date.

Customer	Six Months ended June 30, 2011		June 30, 2011
	Revenue	Percentage of revenue	Accounts receivable, trade
Customer A	\$ 1,046,685	88%	\$ 169,964
Customer C	146,779	12%	-
Total:	\$ 1,193,464	100%	\$ 169,964

All customers are located in the PRC.

(b) Major vendors

For the three and six months ended June 30, 2011, the vendors who account for 10% or more of the Company’s purchases and its outstanding balance at period-end date, are presented as follows:

For the three months ended June 30, 2012, there was one single vendor who accounted for 45% of the Company’s purchases amounting to \$55,382 with \$20,379 of accounts payable at period-end date.

For the six months ended June 30, 2012, there was one single vendor who accounted for 61% of the Company’s purchases amounting to \$120,762 with \$20,379 of accounts payable at period-end date.

Vendor	Three Months ended June 30, 2011		June 30, 2011
	Purchases	Percentage of purchases	Accounts payable, trade
Vendor A	\$ 174,495	45%	\$ 55,174
Vendor B	96,576	25%	33,550
Vendor C	74,699	19%	75,672
Total:	\$ 345,770	89%	\$ 164,396

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Vendor	Six Months ended June 30, 2011		June 30, 2011
	Purchases	Percentage of purchases	Accounts payable, trade
Vendor A	\$ 272,032	37%	\$ 55,174
Vendor B	191,718	26%	33,550
Vendor C	74,699	10%	75,672
Total:	\$ 538,449	73%	\$ 164,396

All vendors are located in the PRC.

(c) Credit risk

Financial instruments that are potentially subject to credit risk consist principally of accounts receivables. The Company believes the concentration of credit risk in its accounts and retention receivables is substantially mitigated by its ongoing credit evaluation process and relatively short collection terms. The Company does not generally require collateral from customers. Credit is extended based on evaluation of a customer's financial condition. The Company evaluates the need for an allowance for doubtful accounts based upon factors surrounding the credit risk of specific customers, historical trends and other information.

(d) Exchange rate risk

The reporting currency of the Company is US\$, to date the majority of the revenues and costs are denominated in RMB and a significant portion of the assets and liabilities are denominated in RMB. As a result, the Company is exposed to foreign exchange risk as its revenues and results of operations may be affected by fluctuations in the exchange rate between US\$ and RMB. If RMB depreciates against US\$, the value of RMB revenues and assets as expressed in US\$ financial statements will decline. The Company does not hold any derivative or other financial instruments that expose to substantial market risk.

(e) Economic and political risks

The Company's operations are conducted in the PRC. Accordingly, the Company's business, financial condition and results of operations may be influenced by the political, economic and legal environment in the PRC, and by the general state of the PRC economy.

The Company's operations in the PRC are subject to special considerations and significant risks not typically associated with companies in North America and Western Europe. These include risks associated with, among others, the political, economic and legal environment and foreign currency exchange. The Company's results may be adversely affected by changes in the political and social conditions in the PRC, and by changes in governmental policies with respect to laws and regulations, anti-inflationary measures, currency conversion, remittances abroad, and rates and methods of taxation.

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(f) Mining industry risks

The Company's mining operations are subject to extensive national and local governmental regulations in China, which regulations may be revised or expanded at any time. Generally, compliance with these regulations requires the Company to obtain permits issued by government regulatory agencies. Certain permits require periodic renewal or review of their conditions. The Company cannot predict whether it will be able to obtain or renew such permits or whether material changes in permit conditions will be imposed. The inability to obtain or renew permits or the imposition of additional conditions could have a material adverse effect on the Company's ability to develop and operate its mines.

(g) Risk on changing price in gold

At present, the price of gold in the PRC is generally in line with the price of gold in the international market. There are many factors influencing the price of gold in the international market, including the international economic situation (in particular the economic situation in the US), petroleum prices, fluctuations in the exchange rates of the US\$, fluctuations in the stock and other financial investment markets and various political, military, social and economic contingencies. These factors are beyond the control of the Company. Changes in the prices of the gold in the PRC and in the exchange rate of Renminbi as a result of these may adversely affect the operating results of the Company. Under the relevant PRC laws and regulations, hedging activities presently are not permitted in gold trading in the PRC market. The Company has not been involved in hedging transactions or any alternative measures to manager the potential price risk.

**NOTE – 15 COMMITMENTS AND CONTINGENCIES**

The Company is committed under several non-cancelable operating leases for office premises and mining rights with the terms ranging from 1 to 10 years, with fixed monthly rentals or scheduled payments. Total rent expenses (excluding amortization of prepaid mining rights) for the six months ended June 30, 2012 and 2011 was \$51,415 and \$45,037, respectively.

As of June 30, 2012, the Company has the aggregate future minimum rental payments due under these non-cancelable operating leases in the next three years, as follows:

	<b>Operating lease commitments</b>		
	<b>Office premises</b>	<b>Mine operating rights</b>	<b>Total</b>
Year ending June 30,			
2013	\$ 104,891	\$ 6,171,179	\$ 6,276,070
2014	71,073	-	71,073
2015	-	8,228,239	8,228,239
<b>Total:</b>	<b>\$ 175,964</b>	<b>\$ 14,399,418</b>	<b>\$ 14,575,382</b>

**NOTE–16 SUBSEQUENT EVENTS**

On August 3, 2012, China Shouguan Mining Corporation (“the Company”) entered into definitive agreements with certain investors relating to the private placement of a total of 22,000,000 common stocks of the Company at a subscription price of \$0.5 per share, for an aggregate gross cash purchase price of \$11,000,000 under Regulation S.





**CHINA SHOUGUAN MINING CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2012**  
**(Currency expressed in United States Dollars (“US\$”), except for number of shares)**  
**(Unaudited)**

Prior to closing under the agreements, the Company had a total of 101,000,000 shares of its common stock issued and outstanding. Following the closing, the Company has a total of 123,000,000 shares issued and outstanding.

Apart from the above subsequent events, the Company evaluated subsequent events through the date the financial statements were issued and filed with this Form10-Q. There were no subsequent events that required recognition or disclosure.

## **ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

### **Forward Looking Statements**

This report contains forward-looking statements. All statements other than statements of historical facts contained in this report, including statements regarding our future results of operations and financial position, business strategy and plans and objectives of management for future operations, are forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

In some cases, you can identify forward-looking statements by terms such as "may," "will," "should," "expects," "plans," "anticipates," "could," "intends," "target," "projects," "contemplates," "believes," "estimates," "predicts," "potential" or "continue" or the negative of these terms or other similar words. These statements are only predictions. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our business, financial condition and results of operations. We discuss many of the risks in greater detail under the heading "Risk Factors." Also, these forward-looking statements represent our estimates and assumptions only as of the date of this report. Except as required by law, we assume no obligation to update any forward-looking statements after the date of this report.

This report also contains estimates and other statistical data made by independent parties and by us relating to market size and growth and other industry data. This data involves a number of assumptions and limitations, and you are cautioned not to give undue weight to such estimates. We have not independently verified the statistical and other industry data generated by independent parties and contained in this report. In addition, projections, assumptions and estimates of our future performance and the future performance of the industries in which we operate are necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described in "Risk Factors" and elsewhere in this report. These and other factors could cause results to differ materially from those expressed in the estimates made by the independent parties and by us.

### **Plan of Operation**

China ShouGuan Mining Corporation ("ShouGuan", "we" and the "Company") was incorporated in the State of Nevada on May 4, 2010. We are a holding company that conducts business operations through BSL, our operating company, and its subsidiaries and variable interest entities (VIEs) in Shandong Province in the People's Republic of China ("PRC").

Mr. Feize Zhang, our Chairman and CEO, Mr. JingFeng Lv, our CTO and Mr. Jianxi Yang, a director of Yantai JinGuan Investment Limited, founded SSIC in December 2008 and later in early 2009 established SSIC's subsidiaries JinGuan and XinGuan. These executive officers and managers are experts in China who specialize in mining technologies, mining resources management and financial and strategic management. Our primary focus is on acquiring existing gold mine projects in Shandong province of the PRC. These potential targets are mostly run with low productivity because of inadequate funds and primitive technologies. We plan to re-engineer and redevelop these gold mines through the transfer of advanced exploration and mining technologies, capital injection and effective management.

These advanced exploration and mining technologies include mining data collection and analysis, identification of ore locations and running trends of veins, design of exploration and mining plans, on-site mine construction planning, formulation and customization of mining methodologies, introduction of modern exploration and mining technologies, supervision of subcontracting staff and provision of technical supports in relation to production management, mine ventilation, water discharge, system upgrade, quality assurance, safety control, etc. The underground mining works, like digging tunnels and wells and the underground transport of ore extracts will all be outsourced to third party subcontractors.

Our business model includes sourcing of early stage gold mines with good profit potential, conducting feasibility studies to identify suitable projects, leasing the suitable mining sites and facilities, and managing the mining operations on these selected sites, with the goal of acquiring the mine if the operations prove to be satisfactory, based on the review criteria set by our experienced management. In addition, we provide consulting services in areas related to mine exploration and analysis to our clients.

Revenues are derived from the sales of gold concentrates, the principal raw material used in gold smelting operation to produce gold. All mining operations are outsourced to an independent third contractor and we only take possession of the gold concentrates when they are sold to smelters. At that time, the selling prices are determined from two factors, the amount of gold in the gold concentrates and the price of gold on the date of sale. The amount of gold in the gold concentrates is determined and agreed between us and the smelters and then the selling price is determined according to the official gold price at the time of sale as indicated by the Shanghai Gold Exchange (<http://www.sge.sh>), an entity governed by the PRC Government.

On the consulting side, revenues are derived on a project-by-project basis and payment is collected as we complete our services as outlined in the scope of each individual project.

We target to grow proactively through continual sourcing of existing gold mines in the PRC and managing them. These projects will be executed by BSL and its subsidiaries, VIEs or related companies in China. CunliJi Gold Mine was the first project commenced in May 2009. To ensure all mines are legally and properly operated, all target gold mines are required to have full sets of government-approved licenses before effecting commencement of any business operations. There is a limited supply of desirable gold mines in the PRC and we face strong competition for gold mining rights from other gold mining companies, most of which have greater financial resources than we have, so we may not be able to acquire any attractive gold mining rights we find on acceptable terms.

There is a limited supply of desirable gold mines in the PRC and we face strong competition for gold mining rights from other gold mining companies, most of which have greater financial resources than we have, so we may not be able to acquire any attractive gold mining rights we find on acceptable terms.

Mining rights are amortized based on actual units of production over estimated proven and/ or probable reserves of the mines, subject to impairment. We intend to carefully review the production plans and the reserve levels of our mines periodically. Accordingly, any material change in mining production or modification of reserve levels may have a negative impact on our operating results.

We currently rely on one subcontractor for all of our mining operations in the PRC - Wenzhou Mine Engineering Construction Group Co. Ltd. (“WMEC”), which means our operations are affected by their performance and whose activities are substantially outside of our control. If WMEC fails to achieve the conditions set forth in our Construction Project Agreement with them, e.g. monthly extraction volumes, gold concentrate processing volumes, etc., or they otherwise fail to perform their obligations to us, we may be forced to terminate their services, which would cause delays in our mineral production, require that we identify and engage one or more other third-party contractors to do the work WMEC was doing, all of which would adversely affect our operating results. No relationship exists between WMEC, the subcontractor we rely on for all of our mining operations in the PRC, and Penglai City Gold Mining Holding Co. Limited, the legal owner and holder of the PRC State license to the Cunli Ji Mine; they are unrelated parties.

Our mining operations are subject to a number of risks and hazards typical in the mining industry, including:

- environmental hazards;
- industrial accidents;
- unusual or unexpected geologic formations;
- explosive rock failures; and
- flooding and periodic interruptions due to inclement or hazardous weather conditions.

Any such risks could result in:

- damage to or destruction of mineral properties or production facilities;
- personal injury or death;
- environmental damage;
- delays in mining;
- monetary losses; and
- legal liability.

In addition, during the course of mining activities, we use dangerous materials. We have established stringent rules relating to the storage, handling and use of such dangerous materials, however, accidents could still occur. Should we be held liable for any such accident, we may be subject to penalties, and possible criminal proceedings may be brought against our Company, BSL, its subsidiaries and/or VIEs or any of the employees.

We emphasize environmental protection in our operations and related activities, and a significant financial commitment has been made towards the construction of environmental protection facilities and the establishment of a sound environmental protection management and monitoring system. We are currently in compliance with applicable environmental regulations of the PRC government, but any changes to these regulations may increase our operating costs, which could adversely affect our results of operations.

We are also subject to numerous PRC rules and regulations governing the mining industry, which are disclosed in detail in the Description of Business section of this report. Our inability to comply with any of these current or future rules and/or regulations could severely impact our operations and financial condition.

In addition, we provide mining management consulting services to third party clients as an additional source of revenue. We only provide mining consulting services to mine owners. We do not own, rent or participate in the mine operations of these clients. Instead, we utilize the described expertise of our management team to help clients assess their mine conditions and provide technical advice, guidance and suggestions to further improve management and operations of their mines, based on our management's experience.

### **Current Operations**

In May 2009, we commenced our first project, the Cunli Ji Mine, located in Shandong, China.

On May 4, 2009, the Company, through BSL and its VIE, XinGuan, entered into a Master Agreement, an Operating Lease agreement and an Acquisition Agreement with Penglai City Gold Mining Holding Co. Ltd. The Master Agreement sets out the general terms of the Operating Lease agreement and the Acquisition Agreement. Pursuant to the Operating Lease Agreement, XinGuan agreed to pay a monthly rent of \$14,641 (RMB 100,000) for the right to lease and manage the gold mine for a term of 20 months, with a rental deposit of \$2,925,174 (equivalent to RMB 20 million). Pursuant to the terms of the Acquisition Agreement, XinGuan agreed to acquire the gold mine for a purchase consideration of \$5,089,803 if the following conditions are satisfied upon the expiry of the operating lease agreement: 1) average daily ore production from the Cunli Ji Mine has reached 80 tons ore more for the year 2010, and 2) the mine has obtained ISO (or equivalent) certification on or before January 3, 2011. The above agreement was subsequently extended to January 3, 2012. On January 3, 2012 the above transaction was closed. The Cunli Ji Mine was acquired by the Company and the rental deposit became part of the purchase consideration.

On September 1, 2009, XinGuan entered into a Construction Project Agreement with Jinhai Mine Underground Engineering Ltd. ("Jinhai"), an unrelated third party, to carry out the underground mining and ancillary work at the Cunli Ji Mine. Jinhai will conduct all underground mining activities and construction work in accordance with the design and work drawings provided

by XinGuan on a monthly basis and will be required to meet all regulatory and safety standards specified by XinGuan and the PRC for underground mining operations in the Shandong Province. The Agreement was effective on September 1, 2009 and was valid for one year. Through mutual consent by both parties, this Agreement was renewed on August 28, 2010 for an additional year until August 28, 2011, with the contracted prices and all other terms unchanged. No relationship exists between Jinhai, the subcontractor we rely on for all of our mining operations in the PRC, and Penglai City Gold Mining Holding Co. Limited, the legal owner and holder of the PRC State license to the Cunli Ji Mine; they are unrelated parties. On September 30, 2010, XinGuan and Jinhai mutually agreed to terminate the renewed agreement unconditionally effective from November 1, 2010.

On October 1, 2010, XinGuan entered into another Construction Project Agreement with Wenzhou Mine Engineering Construction Group Co. Ltd. (“WMEC”), an unrelated third party, to carry out the underground mining and ancillary work at the Cunli Ji Mine. WMEC will conduct all underground mining activities and construction work in accordance with the design and work drawings provided by XinGuan on a monthly basis and will be required to meet all regulatory and safety standards specified by XinGuan and the PRC for underground mining operations in the Shandong Province. The Agreement was effective on October 1, 2010 and was valid for one year. It was further renewed for another year until September 30, 2012.

On June 18, 2010, XinGuan paid an additional amount of \$1,309,679 to Penglai City Gold Mining Holding Co. Ltd as an additional rental deposit, with the same terms stated in the acquisition agreement, such additional deposit would become part of the purchase consideration upon successful closing of the acquisition.

On May 6, 2011, we, through our VIE, Yantai JinGuan Investment Co., Ltd. (JinGuan), entered into a lease arrangement with Longkou Dayuan Gold Mining Co. Ltd., an unrelated third party being the legal owner and holding the mining license of the Dayuan gold mine (the “Lease Property”) regarding Dayuan Gold Mine. Under the agreement, we agree to pay the aggregate rental payments of approximately \$20 million in a term of 10 years commencing from April 1, 2011 through April 1, 2021, to obtain the right to manage and operate the Lease Property in the repayment schedule, whereas we are committed to pay \$12 million equal to 6 years’ rental, no later than September 30, 2011 and the remainder will be paid no later than March 1, 2017. On September 25, 2011, both parties signed a Supplemental Agreement agreed to defer the aforesaid balance of payment of \$6 million to March 31, 2012. On March 30, 2012, the payment was agreed to extend to September 30, 2012. Concurrently, we entered into an equipment transfer agreement (the “Transfer Agreement”) with Longkou Datong Industry and Trade Co., Ltd. for the acquisition of mining assets and auxiliary equipment currently being used in the Dayuan gold mine at a purchase price of approximately \$2.3 million.

Since mining production was temporary halted in the Cunli Ji Mine Area during the first and second quarter of 2012, there was no mining production in the Cunli Ji Mine Area during the three and six months ended June 30, 2012. Total mining production of the Cunli Ji Mine Area during the three months ended June 30, 2011 was approximately 4,406.20 tons of gold ore or a monthly average of 1,469.00 tons, with an average gold grade of 5.00g/t. Gold concentrate sold for the three months ended June 30, 2011 was 18.42 kg whilst no gold concentrate was sold for the three months ended June 30, 2012. The Cunli Ji Mine Area has been undergoing mine exploration work during the first and second quarter of 2012. Mining production work resumes in the third quarter of 2012.

The Dayuan Mine commenced operation in July 2011. The production level, in units of daily tonnage of raw mineral rocks extracted, averaged 118 tons/day during the fiscal year 2011. The operation was halted in the fourth quarter of 2011 due to (i) mine restructuring and exploration; (ii) technology improvement; and (iii) government energy-saving program which resulted in electricity supply cut-down in December 2011. Mining production of the Dayuan Mine for the three months ended June 30, 2012 was approximately 2,688 tons of gold ore or a monthly average of 896 tons, with an average gold grade of 3.8 g/t. Gold concentrate sold for the three months ended June 30, 2012 was 10.2 kg. Metallurgical recovery rate of the Dayuan Mine during the period was around 96%. Mining production of the Dayuan Mine for the six months ended June 30, 2012 was approximately 5,488 tons of gold ore or a monthly average of 915 tons, with an average gold grade of 3.8 g/t. Gold concentrate sold for the six months ended June 30, 2012 was 21.0 kg. Metallurgical recovery rate of the Dayuan Mine during the period was around 96%.

We have been deriving revenue since the commencement of Cunli Ji Mine. Currently we derive our revenue from the sales of non-refined gold concentrates produced from Cunli Ji Mine and Dayuan Mine. Our expenses are mainly amortization of mining rights, the direct costs associated with the operation and overhead expenses such as staff salaries, smelting and extracting fee, depreciation of mining plants and other general administrative expenses. Dayuan Mine experienced an operating loss during the fiscal year 2011 and the operation is expected to turn around in 2012 after the mine restructuring work is completed.

## **Results of Operations**

We do not believe there have been any recent trends in production, sales, inventory, or the state of the costs or selling prices of our products since the financial year ended 2009, nor any known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on our net sales or revenues, income from continuing operations, profitability, liquidity or capital resources, or that would cause reported financial information not necessarily to be indicative of future operating results or financial condition.

The following table set forth key components of our results of operations for the three and six months ended June 30, 2012 and 2011. All numbers referenced are in U.S. Dollars:

	<b>Three months ended June 30,</b>		<b>Six months ended June 30,</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Revenues, net:				
- Product sales	\$ 724,269	\$ 1,193,464	\$ 1,136,994	\$ 1,961,103
- Service income	-	-	-	568,621
Total revenues, net	724,269	1,193,464	1,136,994	2,529,724
Cost of revenue	(1,091,131)	(1,446,813)	(2,133,153)	(1,876,435)
Gross (loss) profit	(366,862)	(253,349)	(996,159)	653,289
Operating expenses:				
General and administrative	(366,045)	(465,541)	(609,551)	(734,562)
Loss from operations	(732,907)	(718,890)	(1,605,710)	(81,273)
Other income (expense):				
Interest expenses	(67,812)	-	(111,137)	-
Interest income	288	24,942	478	26,153
Other income	31,578	44,287	31,578	44,287
Loss before income taxes	(768,853)	(649,661)	(1,684,791)	(10,833)
Income tax credit (expense)	63,617	(131,669)	63,617	(318,687)
NET LOSS	\$ (705,236)	\$ (781,330)	\$ (1,621,174)	\$ (329,520)
Other comprehensive (loss) income:				
- Foreign currency translation (loss) gain	(135)	106,237	133,851	123,539
COMPREHENSIVE LOSS	\$ (705,371)	\$ (675,093)	\$ (1,487,323)	\$ (205,981)
Net loss per share – Basic and diluted	\$ (0.01)	\$ (0.01)	\$ (0.02)	\$ (0.00)
Weighted average common shares outstanding – Basic and diluted	101,000,000	100,000,000	101,000,000	100,000,000

**Revenue for the three and six months ended June 30, 2012 and 2011 comprised the following:**

<b>Three months ended</b>	<b>30-June-12</b>	<b>%</b>	<b>30-June-11</b>	<b>%</b>
Sales revenue				
- Product	\$ 724,269	100.00	\$ 1,193,464	100.00
- Service	-	0.00	-	0.00
	<u>\$ 724,269</u>	<u>100.00</u>	<u>\$ 1,193,464</u>	<u>100.00</u>

<b>Six months ended</b>				
Sales revenue				
- Product	\$ 1,136,994	100.00	\$ 1,961,103	77.52
- Service	-	0.00	568,621	22.48
	<u>\$ 1,136,994</u>	<u>100.00</u>	<u>\$ 2,529,724</u>	<u>100.00</u>

<b>Three months ended</b>				
Cost of sales				
- Product	\$ 1,091,131	100.00	\$ 1,386,791	95.85
- Service	-	0.00	60,022	4.15
	<u>\$ 1,091,131</u>	<u>100.00</u>	<u>\$ 1,446,813</u>	<u>100.00</u>

<b>Six months ended</b>				
Cost of sales				
- Product	\$ 2,133,153	100.00	\$ 1,737,012	92.57
- Service	-	0.00	139,423	7.43
	<u>\$ 2,133,153</u>	<u>100.00</u>	<u>\$ 1,876,435</u>	<u>100.00</u>

<b>Three months ended</b>				
Gross Loss				
- Product	\$ (366,862)	100.00	\$ (193,327)	76.31
- Service	-	0.00	(60,022)	23.69
	<u>\$ (366,862)</u>	<u>100.00</u>	<u>\$ (253,349)</u>	<u>100.00</u>

<b>Six months ended</b>				
Gross (Loss)/ Profit				
- Product	\$ (996,159)	100.00	\$ 224,091	34.30
- Service	-	0.00	429,198	65.70
	<u>\$ (996,159)</u>	<u>100.00</u>	<u>\$ 653,289</u>	<u>100.00</u>

<b>Three months ended</b>				
Gross Loss Margin				
- Product	<u>(50.65%)</u>	<u>N/A</u>	<u>(16.20%)</u>	<u>N/A</u>
- Service	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

<b>Six months ended</b>				
Gross (Loss)/Profit Margin				
- Product	<u>(87.61%)</u>	<u>N/A</u>	<u>11.43 %</u>	<u>N/A</u>
- Service	<u>N/A</u>	<u>N/A</u>	<u>75.48 %</u>	<u>N/A</u>



## **Revenue**

Revenue generated from product sales for the three months ended June 30, 2012 and June 30, 2011 was \$0.72 million and \$1.19 million, respectively, which represented 100.00% of our total revenues for both periods. The decrease of revenue derived from product sales for the three months ended June 30, 2012 when comparing with the corresponding period in 2011 was mainly attributable to a decrease in gold concentrate sold as a result of comparatively lowered gold grade in the area mined offset by an increase of world's gold price.

Revenue generated from services income for the three months ended June 30, 2012 and June 30, 2011 were both nil, which represented 0% of our total revenue respectively. There was no services income generated for the three months ended June 30, 2012. The absence of service income was mainly attributable to the expiration of the provision of mining consulting and technical services to Longkou Shi Houde Gold Company Limited.

Revenue generated from product sales for the six months ended June 30, 2012 and June 30, 2011 was \$1.14 million and \$1.96 million which represented 100% and 77.52% of our total revenues, respectively. The decrease of revenue derived from product sales for the six months ended June 30, 2012 when comparing with the corresponding period in 2011 was mainly attributable to a decrease in gold concentrate sold as a result of comparatively lowered gold grade in the area mined during the six months ended June 30, 2012 offset by an increase of world's gold price.

Revenue generated from services income for the six months ended June 30, 2012 and June 30, 2011 was nil and \$0.57 million which represented 0% and 22.48% of our total revenue respectively. The decrease of revenue derived from service for the six months ended June 30, 2012 when comparing with the corresponding period in 2011 was mainly attributable to the expiration of the provision of mining consulting and technical services to Longkou Shi Houde Gold Company Limited.

## **Cost of Revenue**

Cost of revenue for the three months ended June 30, 2012 and 2011 were \$1.09 million and \$1.45 million respectively. Cost of revenue consisted primarily of direct materials, direct labor, sub-contracting mining fee, extracting fees, mine rental expenses and other operating overhead, which were primarily attributable to the sales of gold concentrates. Shipping and handling costs associated with the distribution of our products were borne by the customers. The decrease in cost of revenue for the three months ended June 30, 2012 when comparing with the corresponding period in 2011 was mainly attributable to the decrease in sales revenue.

Cost of revenue for the six months ended June 30, 2012 and 2011 were \$2.13 million and \$1.88 million respectively. Cost of revenue consisted primarily of direct materials, direct labor, sub-contracting mining fee, extracting fees, mine rental expenses and other operating overhead, which were primarily attributable to the sales of gold concentrates. Shipping and handling costs associated with the distribution of our products were borne by the customers. The increase in cost of revenue for the six months ended June 30, 2012 when comparing with the corresponding period in 2011 was mainly attributable to additional direct cost incurred, the development of the gold mines in DaYuan Project as well as the amortization of mining rights.

## **Gross Profit and Gross Profit Margin**

We experienced gross loss for the three months ended June 30, 2012 and 2011, accounting for \$0.37 million and \$0.25 million respectively. Our gross margins for the sale of gold concentrate were approximately (50.65%) for the three months ended June 30, 2012 and (16.2%) for the three months ended June 30, 2011. The gross loss for the three month ended June 30, 2012 and 2011 can be attributed to the additional cost incurred, the development of the gold mines in DaYuan Project during its setup stage and the amortization of mining rights. We did not provide any mining consulting services for the three months ended June 30, 2012 and June 30, 2011.

Our gross (loss) profit for the six months ended June 30, 2012 and 2011 were (\$1.00) million and \$0.65 million. Our gross margins for the sale of gold concentrate were approximately (87.61%) for the six months ended June 30, 2012 and 11.43% for the six months ended June 30, 2011. The decrease in gross profit margin for the sale of gold concentrate during the six month ended June 30, 2012 is mainly due to the additional cost incurred, the development of the gold mines in DaYuan Project during its setup stage. Our gross margin for the provision of mining consulting services was approximately 75.48% for the six months ended June 30, 2011 and we did not provide any mining consulting services during the six months ended June 30, 2012.

### **General and Administrative Expenses**

General and administrative expenses for the three and six months ended June 30, 2012 and 2011 comprised mainly of salaries and staff welfare expenses, legal and professional fees, entertainment expenses, traveling and hotel accommodation expenses and other expenses in connection with general operation.

Our general and administrative expenses decrease \$0.10 million from \$0.47 million for the three months ended June 30, 2011 to \$0.37 million for the three months ended June 30, 2012. Our general and administrative expenses decreased \$0.12 million from \$0.73 million for the six months ended June 30, 2011 to \$0.61 million for the six months ended June 30, 2012. The decrease in general and administrative expenses was mainly attributable to the cost efficiency.

### **Interest Income/Expense**

Interest income for the three and six months ended June 30, 2012 was \$288 and \$478, respectively, comparing to interest income of \$24,942 and \$26,153, respectively, during the same period of 2011. The decrease was attributable to the decrease in bank interest income.

Interest expense for the three and six months ended June 30, 2012 was \$67,812 and \$111,137, respectively, comparing to interest expense of \$0 and \$0, respectively, during the same period of 2011. The increase was attributable to an increase in bank loans.

### **Income Tax Expense**

Our income taxes for the three and six months ended June 30, 2012 was both \$63,617 and \$63,617 of tax refund, respectively, comparing to income tax expenses of \$131,669 and \$318,687 of tax expense, respectively, during the same periods of 2011. The decrease was attributable to the decrease in gross profit and therefore net profit.

Through our operating company in the PRC, BSL, we have subsidiaries and VIEs that operate in various countries: United States, British Virgin Islands, Hong Kong and the People's Republic of China that are subject to taxes in the jurisdictions in which they operate, as follows:

#### *United States of America*

We are incorporated in the State of Nevada and are subject to the tax laws of the United States of America. Since no income is derived in the US, we believe that we are not subject to US taxes.

#### *British Virgin Islands*

Under the current BVI law, Bei Sheng is not subject to tax on its income or profits.

## *Hong Kong*

Golden Wide is subject to Hong Kong Profits Tax, which is charged at the statutory income rate of 16.5% on assessable income. For the six months ended June 30, 2012 and 2011, Golden Wide suffered from an operating loss of \$2,332 and \$944, respectively.

## **The PRC**

We have generated all of our income through our subsidiaries and VIEs operating in the PRC during the three and six months ended June 30, 2012 and 2011. Effective from January 1, 2008, all entities in the PRC are subject to the Corporate Income Tax Law of the People's Republic of China (the "New CIT Law") at a unified income tax rate of 25%. As of June 30, 2012, we incurred \$2,678,139 of aggregate net operating loss carryforwards available to offset its taxable income for income tax purposes. We have provided for a full valuation allowance against the deferred tax assets of \$670,149 on the expected future tax benefits from the net operating loss carryforwards as the management believes it is more likely than not that these assets will not be realized in the future.

## **Net (Loss) Income**

Net loss for the three and six month ended June 30, 2012 were \$0.71 million and \$1.62 million respectively, compared to \$0.78 million and \$0.33 million of net loss for the same periods of 2011. The increase in net loss for the six months ended June 30, 2012 is mainly due to the additional direct cost and general and administrative cost to develop and operate the gold mines in Dayuan Project. We entered lease agreement with DaYuan Project in May 2011 and the three month ended June 30, 2011 was mainly its setup stage and has as such provided negligible revenue. Nevertheless, management believes that Dayuan will begin to contribute to us with more significant revenue in the short future.

## **Foreign Currency Translation Gains**

Our operating subsidiaries are located in China. Our operating subsidiaries purchase substantially all products and render all services in China, and receive payments from customers in China using RMB as the functional currency. We do not engage in currency hedging.

On July 21, 2005, China reformed its foreign currency exchange policy, revalued the RMB by 2.1 percent and allowed the RMB to appreciate as much as 0.3 percent per day against the U.S. dollar. As a result, we implemented different exchange rates in translating RMB into U.S. dollars in our financial statements for the first and second quarter of 2012 and 2011.

For the six months ended June 30, 2012, we utilized the exchange rates of 6.3197 (period end) and 6.3255 (period average) in calculating the assets and liabilities, revenue and expenses, and equity, respectively, which resulted in a foreign currency translation gain of \$133,851. For the six months ended June 30, 2011, we implemented the exchange rates of 6.5701 (period end) and 6.5482 (period average) in calculating the assets and liabilities, revenue and expenses, and equity, respectively, which resulted in a foreign currency translation gain of \$123,539.

## **Liquidity and Capital Resources**

We have committed and contracted for the acquisition of mine and mining rent payments in the next twelve months. As of June 30, 2012, we have available cash of \$244,443 and suffered from a working capital deficit of \$10,778,177, whereas we may not have sufficient working capital to meet with the contingent payments. Our continuation as a going concern is dependent upon the continuing financial support from our stockholders. Our management believes that the existing stockholders will provide the additional cash to meet with our obligations as they become due. However, there can be no assurance that we will be able to obtain sufficient funds to meet our obligations on a timely manner.

These factors raise substantial doubt about our ability to continue as a going concern. These condensed consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets and liabilities that may result in us not being able to continue as a going concern.

Our primary liquidity needs are to fund operational expenses, capital expenditures and potential acquisition of gold mining properties in the Shandong province. To date, we have financed our working capital requirements and capital expenditures through internally generated cash and capital contribution from our existing shareholders.

## **General**

As of June 30, 2012 and December 31, 2011, we had cash and cash equivalents of \$0.24 million and \$0.34 million, respectively. The following table provides detailed information about our net cash flow for the six months ended June 30, 2012 and 2011.

### **Cash Flow for the Six Months Ended June 30, 2012 and 2011**

**(All amounts in millions of U.S. dollars)**

	<b>June 30,</b>	
	<b>2012</b>	<b>2011</b>
Net cash used in operating activities	\$ (0.61)	\$ (2.21)
Net cash used in investing activities	(0.02)	(6.32)
Net cash provided by financing activities	0.50	6.37
Effect of exchange rate changes on cash	0.04	0.02
Net cash outflow	<u>\$ (0.95)</u>	<u>\$ (2.14)</u>

#### ***Operating Activities:***

Net cash used in operating activities was \$0.61 million for the six months ended June 30, 2012, as compared to net cash used in operating activities of \$2.21 million for the same period in 2011. The increase in net cash used in operating activities in the six months ended June 30, 2012 was primarily due to the decrease in net income, increase in accounts receivable, deposit and prepayment and income tax payable.

#### ***Investing Activities:***

Net cash used in investing activities for the six months ended June 30, 2012 was \$0.02 million, which is a decrease of \$6.30 million from net cash used in investing activities of \$6.32 million in the same period of 2011. This decrease was primarily due to the absence of the payments on mining rights and the decrease in acquisition of plant and equipment.

#### ***Financing Activities:***

Net cash provided by financing activities for the six months ended June 30, 2012 totaled \$0.50 million, as compared to \$6.37 million in the same period of 2011. The decrease in net cash provided by financing activities was mainly attributable to the repayment of short-term loans and the absence of proceeds from note payable.

## **Off-Balance Sheet Arrangements**

We have no off-balance sheet arrangements, financings or other relationships.

## **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Not required.

## **ITEM 4. CONTROLS AND PROCEDURES**

As required by SEC rules, we have evaluated the effectiveness of the design and operation of our disclosure controls and procedures at the end of the period covered by this report. This evaluation was carried out under the supervision and with the participation of our management, including our chief executive officer and principal financial officer. Based on this evaluation, these officers have concluded that the design and operation of our disclosure controls and procedures are effective. During the six months ended June 30, 2012, there were no changes in our internal control over financial reporting or in other factors that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Disclosure controls and procedures are our controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file under the Exchange Act is accumulated and communicated to our management, including chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure. During the fiscal quarter ended June 30, 2012, there were no changes in our disclosure controls and procedures over financial reporting or in other factors that have materially affected, or are reasonably likely to materially affect, our disclosure controls and procedures over financial reporting.

## **PART II - OTHER INFORMATION**

### **Item 1. Legal Proceedings**

We are not a party to any pending legal proceedings.

### **Item 1A. Risk Factors**

There were no other material changes from the risk factors disclosed in our annual report on Form 10-K for the fiscal year ended December 31, 2011.

### **Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.**

On August 3, 2012, we entered into definitive agreements with certain investors relating to the private placement of a total of 22,000,000 common stocks at a subscription price of \$0.5/share, for an aggregate gross cash purchase price of \$11,000,000 under Regulation S. Prior to closing under the agreements, we had a total of 101,000,000 shares of common stock issued and outstanding. Following closing, we have a total of 123,000,000 shares issued and outstanding.

### **Item 3. Defaults Upon Senior Securities**

None.

### **Item 4. Submission of Matters to a Vote of Security Holders**

None

### **Item 5. Other Information**

None.

### **Item 6. Exhibits**

(a) The following listed exhibits are filed as part of this quarterly report:

<b>Exhibit No.</b>	<b>Description</b>
--------------------	--------------------

31.1	Rule 13a-14(a)/15d-14(a) certification of Principal Executive Officer*
31.2	Rule 13a-14(a)/15d-14(a) certification of Principal Accounting Officer*
32.1	Certification pursuant to 18 USC, section 1350 of Principal Executive Officer*
32.2	Certification pursuant to 18 USC, section 1350 of Principal Accounting Officer*

The following exhibits marked with one asterisk have been omitted from this filing, are incorporated herein by this reference and can be found in their entirety in our original Form S-1 registration statement filed on July 2, 2010. The following exhibits marked with two asterisks have been omitted in this filing, are incorporated herein by this reference and can be found in their entirety in our Form S-1/A-1 filed on September 22, 2010. The following exhibits marked with three asterisks have been omitted in this filing, are incorporated herein by this reference and can be found in their entirety in our Form S-1/A-2 filed on October 26, 2010. The following exhibits marked with four asterisks have been omitted in this filing, are incorporated herein by this reference and can be found in their entirety in our Form 10K filed on April 14, 2011. All documents listed can be found on the SEC website at [www.sec.gov](http://www.sec.gov) under our CIK Number 0001493893:

<b>Exhibit No.</b>	<b>Description</b>
2	* Share Exchange Agreement
3.1	* Articles of Incorporation
3.2	* Bylaws
4	* Form of Common Stock Certificate
5	* Opinion of Michael M. Kessler, Esq. re: Legality (** Amended Opinion filed with Form S1/A-1 on September 22, 2010)
10.1	* Operating Lease Agreement for Cunliji Gold Mine
10.2	* Acquisition Agreement for Cunliji Gold Mine
10.3	* Option Agreement to Purchase Equity Interests by and among Shoujin Business Consulting (Shenzhen), Shenzhen ShouGuan Investment Limited, Yantai JinGuan Investment Limited and Penglai XinGuan Investment Limited
10.4	* Equity Pledge Agreement
10.5	* Operating Agreement
10.6	* Exclusive Technical Service and Business Consulting Agreement
10.7	* Proxy Agreement
10.9	* Office Lease - Yantai, China
10.10	* Office Lease - Shenzhen, China
10.11	** Master Agreement between Penglai City Gold Mining Holding Co. Limited and Penglai XinGuan Investment Limited
10.12	** Construction Project Agreement between Penglai XinGuan Investment Limited and Jinhai Mine Underground Engineering Limited
10.12(a)	***Renewed Construction Project Agreement to extend one year term to August 28, 2011
10.13	** Gold Concentrate Processing Agreement between XinGuan and Shandong Humon Smelting Co., Ltd.
10.14	**** Termination Agreement between Penglai XinGuan Investment Limited and Jinhai Mine Underground Engineering Limited
10.15	**** Construction Project Agreement between Penglai XinGuan Investment Limited and Wenzhou Mine Engineering Construction Group Co. Ltd.
14	* Code of Ethics
21	* List of Subsidiaries/Variable Interest Entities of Registrant

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1933, the registrant has duly caused this amended report to be signed on its behalf by the undersigned, thereunto duly authorized.

China ShouGuan Mining Corporation, Registrant

By: /s/ Feize Zhang

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Feize Zhang, Chairman and Principal Executive Officer

Pursuant to the requirements of the Securities Act of 1933, this amended report has been signed by the following persons in the capacities indicated on January 28, 2013 .

China ShouGuan Mining Corporation , Registrant

By: /s/ Feize Zhang

Feize Zhang, Principal Executive Officer

By: /s/ K.F. Lam

K.F. Lam, Principal Financial Officer





## EXHIBIT 31.1

### CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT

I, Feize Zhang hereby certify that:

(1) I have reviewed this amended quarterly report of China ShouGuan Mining Corporation;

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of China ShouGuan Mining Corporation as of, and for, the periods presented in this report;

(4) As one of China ShouGuan Mining Corporation's Certifying Officers, I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting as defined in Exchange Act Rules 13a-15(f) and 15d-15(f):

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to registrant, including any consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of China ShouGuan Mining Corporation's disclosure controls and procedures and presented in this report my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in China ShouGuan Mining Corporation's internal control over financial reporting that occurred during our most recent fiscal quarter (the fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, China ShouGuan Mining Corporation's internal control over financial reporting; and

(5) I have disclosed, based on my most recent evaluation of internal control over financial reporting, to China ShouGuan Mining Corporation's auditors and the audit committee of China ShouGuan Mining Corporation's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect China ShouGuan Mining Corporation's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in China ShouGuan Mining Corporation's internal control over financial reporting.

CHINA SHOUGUAN MINING CORPORATION, Registrant

/s/ Feize Zhang

Date: January 28, 2013

By: Feize Zhang

Principal Executive Officer

## EXHIBIT 31.2

### CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT

I, K.F. Lam hereby certify that:

- (1) I have reviewed this amended quarterly report of China ShouGuan Mining Corporation;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of China ShouGuan Mining Corporation as of, and for, the periods presented in this report;
- (4) As one of China ShouGuan Mining Corporation's Certifying Officers, I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting as defined in Exchange Act Rules 13a-15(f) and 15d-15(f):
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to registrant, including any consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of China ShouGuan Mining Corporation's disclosure controls and procedures and presented in this report my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in China ShouGuan Mining Corporation's internal control over financial reporting that occurred during our most recent fiscal quarter (the fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, China ShouGuan Mining Corporation's internal control over financial reporting; and
- (5) I have disclosed, based on my most recent evaluation of internal control over financial reporting, to China ShouGuan Mining Corporation's auditors and the audit committee of China ShouGuan Mining Corporation's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect China ShouGuan Mining Corporation's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in China ShouGuan Mining Corporation's internal control over financial reporting.

CHINA SHOUGUAN MINING CORPORATION, Registrant

/s/ K.F.Lam

Date: January 28, 2013

By: K. F. Lam

Principal Financial Officer

**EXHIBIT 32.1**

**CERTIFICATION PURSUANT TO 18 U.S.C SECTION 1350AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the amended quarterly report on Form 10-Q of China ShouGuan Mining Corporation (the “Company”) for the period ended September 30, 2012, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Feize Zhang, Principal Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

a) The report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

b) The information contained in the report fairly presents, in all material aspects, the financial condition and results of operations of the Company.

Dated: January 28, 2013

CHINA SHOUGUAN MINING CORPORATION , Registrant

/s/ Feize Zhang

By: Feize Zhang, Principal Executive Officer

**EXHIBIT 32.2**

**CERTIFICATION PURSUANT TO 18 U.S.C SECTION 1350AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the amended quarterly report on Form 10-Q of China ShouGuan Mining Corporation (the “Company”) for the period ended September 30, 2012, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, K.F. Lam , Principal Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- a) The report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- b) The information contained in the report fairly presents, in all material aspects, the financial condition and results of operations of the Company.

CHINA SHOUGUAN MINING CORPORATION , Registrant

Dated: January 28, 2013

/s/ K.F. Lam

By: K.F. Lam, Principal Financial Officer

**Summary Of Significant  
Accounting Policies Foreign  
Currencies Translation  
(Details)**

**Jun. 30, 2012 Jun. 30, 2011**

<u>Period-end RMB:US\$1 exchange rate</u>	6.3197	6.5701
<u>Period average RMB:US\$1 exchange rate</u>	6.3255	6.5482



**Segment Information  
summary of reportable  
segments for the three and  
six months ended June 30,  
2012 (Details) (USD \$)**

**3 Months Ended 6 Months Ended**

**Jun. 30, 2012 Jun. 30, 2012**

Mining management business		
<a href="#">Products three months ended June 30, 2012</a>	\$ 724,269	
<a href="#">Service three months ended June 30, 2012</a>	0	
<a href="#">Total operating revenues three months ended June 30, 2012</a>	724,269	
<a href="#">Cost of revenues three months ended June 30, 2012</a>	(1,091,131)	
<a href="#">Gross loss three months ended June 30, 2012</a>	(366,862)	
<a href="#">Depreciation and amortization three months ended June 30, 2012</a>	606,769	
<a href="#">Total assets three months ended June 30, 2012</a>	13,796,355	
<a href="#">Expenditure for long-lived assets</a>	14,268	
<a href="#">Products six months ended June 30, 2012</a>		1,136,994
<a href="#">Service six months ended June 30, 2012</a>		0
<a href="#">Total operating revenues six months ended June 30, 2012</a>		1,136,994
<a href="#">Cost of revenues six months ended June 30, 2012</a>		(2,133,153)
<a href="#">Gross loss six months ended June 30, 2012</a>		(996,159)
<a href="#">Depreciation and amortization six months ended June 30, 2012</a>		1,220,203
<a href="#">Total assets six months ended June 30, 2012</a>		13,796,355
<a href="#">Expenditure for long-lived assets six months ended June 30, 2012</a>		24,129
Mining technical service business		
<a href="#">Products three months ended June 30, 2012</a>	0	
<a href="#">Service three months ended June 30, 2012</a>	0	
<a href="#">Total operating revenues three months ended June 30, 2012</a>	0	
<a href="#">Cost of revenues three months ended June 30, 2012</a>	0	
<a href="#">Gross loss three months ended June 30, 2012</a>	0	
<a href="#">Depreciation and amortization three months ended June 30, 2012</a>	0	
<a href="#">Total assets three months ended June 30, 2012</a>	0	
<a href="#">Expenditure for long-lived assets</a>	0	
<a href="#">Products six months ended June 30, 2012</a>		0
<a href="#">Service six months ended June 30, 2012</a>		0
<a href="#">Total operating revenues six months ended June 30, 2012</a>		0
<a href="#">Cost of revenues six months ended June 30, 2012</a>		0
<a href="#">Gross loss six months ended June 30, 2012</a>		0
<a href="#">Depreciation and amortization six months ended June 30, 2012</a>		0
<a href="#">Total assets six months ended June 30, 2012</a>		0
<a href="#">Expenditure for long-lived assets six months ended June 30, 2012</a>		0
Total		
<a href="#">Products three months ended June 30, 2012</a>	724,269	
<a href="#">Service three months ended June 30, 2012</a>	0	
<a href="#">Total operating revenues three months ended June 30, 2012</a>	724,269	
<a href="#">Cost of revenues three months ended June 30, 2012</a>	(1,091,131)	

<u>Gross loss three months ended June 30, 2012</u>	(366,862)	
<u>Depreciation and amortization three months ended June 30, 2012</u>	606,769	
<u>Total assets three months ended June 30, 2012</u>	13,796,355	
<u>Expenditure for long-lived assets</u>	14,268	
<u>Products six months ended June 30, 2012</u>		1,136,994
<u>Service six months ended June 30, 2012</u>		0
<u>Total operating revenues six months ended June 30, 2012</u>		1,136,994
<u>Cost of revenues six months ended June 30, 2012</u>		(2,133,153)
<u>Gross loss six months ended June 30, 2012</u>		(996,159)
<u>Depreciation and amortization six months ended June 30, 2012</u>		1,220,203
<u>Total assets six months ended June 30, 2012</u>		13,796,355
<u>Expenditure for long-lived assets six months ended June 30, 2012</u>		\$ 24,129

<b>Loan Payable From A Related Party Aggregate Loan Payable From A Related Party (Details) (USD \$)</b>	<b>12 Months Ended</b>	
	<b>Jun. 30, 2014</b>	<b>Jun. 30, 2013</b>

<u>Aggregate Loan Payable From A Related Party</u>	\$ 553,824	\$ 110,765
<u>Total of borrowings</u>	\$ 664,589	\$ 0

**Segment Information  
summary of reportable  
segments for the three and  
six months ended June 30,  
2011 (Details) (USD \$)**

**3 Months Ended 6 Months Ended**

	<b>Jun. 30, 2011</b>	<b>Jun. 30, 2011</b>
Mining management business		
<a href="#">Products three months ended June 30, 2011</a>	\$ 1,193,464	
<a href="#">Service three months ended June 30, 2011</a>	0	
<a href="#">Total operating revenues three months ended June 30, 2011</a>	1,193,464	
<a href="#">Cost of revenues three months ended June 30, 2011</a>	(1,386,791)	
<a href="#">Gross loss three months ended June 30, 2011</a>	(193,327)	
<a href="#">Depreciation and amortization three months ended June 30, 2011</a>	13,067	
<a href="#">Total assets three months ended June 30, 2011</a>	13,723,382	
<a href="#">Expenditure for long-lived assets three months ended June 30, 2011</a>	2,333,912	
<a href="#">Products six months ended June 30, 2011</a>		1,961,103
<a href="#">Service six months ended June 30, 2011</a>		0
<a href="#">Total operating revenues six months ended June 30, 2011</a>		1,961,103
<a href="#">Cost of revenues six months ended June 30, 2011</a>		(1,737,012)
<a href="#">Gross loss six months ended June 30, 2011</a>		224,091
<a href="#">Depreciation and amortization six months ended June 30, 2011</a>		23,695
<a href="#">Total assets six months ended June 30, 2011</a>		13,723,382
<a href="#">Expenditure for long-lived assets six months ended June 30, 2011</a>		2,334,991
Mining technical service business		
<a href="#">Products three months ended June 30, 2011</a>	0	
<a href="#">Service three months ended June 30, 2011</a>	0	
<a href="#">Total operating revenues three months ended June 30, 2011</a>	0	
<a href="#">Cost of revenues three months ended June 30, 2011</a>	(60,022)	
<a href="#">Gross loss three months ended June 30, 2011</a>	(60,022)	
<a href="#">Depreciation and amortization three months ended June 30, 2011</a>	5,946	
<a href="#">Total assets three months ended June 30, 2011</a>	112,806	
<a href="#">Expenditure for long-lived assets three months ended June 30, 2011</a>	11,457	
<a href="#">Products six months ended June 30, 2011</a>		0
<a href="#">Service six months ended June 30, 2011</a>		568,621
<a href="#">Total operating revenues six months ended June 30, 2011</a>		568,621
<a href="#">Cost of revenues six months ended June 30, 2011</a>		(139,423)
<a href="#">Gross loss six months ended June 30, 2011</a>		429,198
<a href="#">Depreciation and amortization six months ended June 30, 2011</a>		10,464
<a href="#">Total assets six months ended June 30, 2011</a>		112,806
<a href="#">Expenditure for long-lived assets six months ended June 30, 2011</a>		52,621
Total		
<a href="#">Products three months ended June 30, 2011</a>	1,193,464	
<a href="#">Service three months ended June 30, 2011</a>	0	
<a href="#">Total operating revenues three months ended June 30, 2011</a>	1,193,464	
<a href="#">Cost of revenues three months ended June 30, 2011</a>	(1,446,813)	

<u>Gross loss three months ended June 30, 2011</u>	(253,349)	
<u>Depreciation and amortization three months ended June 30, 2011</u>	19,013	
<u>Total assets three months ended June 30, 2011</u>	13,836,188	
<u>Expenditure for long-lived assets three months ended June 30, 2011</u>	2,345,369	
<u>Products six months ended June 30, 2011</u>		1,961,103
<u>Service six months ended June 30, 2011</u>		568,621
<u>Total operating revenues six months ended June 30, 2011</u>		2,529,724
<u>Cost of revenues six months ended June 30, 2011</u>		(1,876,435)
<u>Gross loss six months ended June 30, 2011</u>		653,289
<u>Depreciation and amortization six months ended June 30, 2011</u>		34,159
<u>Total assets six months ended June 30, 2011</u>		13,836,188
<u>Expenditure for long-lived assets six months ended June 30, 2011</u>		\$ 2,387,612

Loans Payable Unsecured Minimum Future Payments (Details) (USD \$)	12 Months Ended				
	Jun. 30, 2017	Jun. 30, 2016	Jun. 30, 2015	Jun. 30, 2014	Jun. 30, 2013
<u>Minimum future payments of the aggregate long term loans</u>	\$ 77,217	\$ 107,533	\$ 98,340	\$ 89,933	\$ 3,994,273
<u>Total borrowings</u>	\$ 4,367,296	\$ 0	\$ 0	\$ 0	\$ 0

**Summary Of Significant  
Accounting Policies Variable  
Interest Entity (Details)**

**May 15, 2011**

<a href="#">Minimum duration of business consulting agreement entered by subsidiary</a>	10
<a href="#">The period for which the business consulting agreement can be extended</a>	10

**Concentration of risk major  
customers (Details) (USD \$)**

**6 Months Ended  
Jun. 30, 2011**

<u>Customer A - Revenue</u>	\$ 1,046,685
<u>Customer C - Revenue</u>	146,779
<u>Total Revenue Customer A and C</u>	\$ 1,193,464
<u>Customer A - Percentage of Revenue</u>	88
<u>Customer C - Percentage of Revenue</u>	12
<u>Total Percentage of Revenue Customer A and C</u>	100



**LOANS PAYABLE,  
UNSECURED (TABLES)**

**6 Months Ended  
Jun. 30, 2012**

**LOANS PAYABLE,  
UNSECURED (TABLES)**

**Long Term Loans Payable To  
Third parties**

As of June 30, 2012, the Company also held the following long-term loans payable to third parties:

	<u>June 30, 2012</u> (Unaudited)	<u>December</u> <u>31, 2011</u> (Audited)
Loans payable to four individuals in the PRC, unsecured:		
Equivalent to RMB4,500,000 with interest rate at 2.7% per annum, payable at its maturity, due May 7, 2013	\$ 712,059	\$ 708,405
Equivalent to RMB9,400,000 with interest rate at 2.7% per annum, payable at its maturity, due May 7, 2013	1,487,413	1,479,779
Equivalent to RMB8,000,000 with interest rate at 5.18% per annum, payable at its maturity, due June 14, 2013	1,265,883	1,259,386
Equivalent to RMB2,700,000 with non-interest bearing, payable at its maturity, due March 29, 2013	427,235	425,043
Equivalent to RMB 3,000,000 (2011: RMB0) with effective interest rate at 8.97% per annum, payable with monthly principal and interest payments, due February 28, 2017	<u>474,706</u>	<u>-</u>
Total long-term loans payable	<u>4,367,296</u>	<u>3,872,613</u>
Less: current portion	<u>(3,994,273)</u>	<u>-</u>
Long-term loans payable, net of current portion	<u>\$ 373,023</u>	<u>\$ 3,872,613</u>

**Minimum Future Payments Of  
The Aggregate Long-Term  
Loans Payable**

As of June 30, 2012, the Minimum Future Payments Of The Aggregate Long-Term Loans Payable in the next five years are as follows:

<b>Year ending June 30:</b>		
2013	\$	3,994,273
2014		89,933
2015		98,340
2016		107,533
2017		<u>77,217</u>
Total borrowings	<u>\$</u>	<u>4,367,296</u>

Income Taxes Provisions (Details) (USD \$)	6 Months Ended	
	Jun. 30, 2012	Jun. 30, 2011
<b><u>Current:</u></b>		
<u>&amp;#150; Local Current</u>	\$ 0	\$ 0
<b><u>&amp;#150; Foreign, representing by:</u></b>		
<u>Hong Kong</u>	0	0
<u>The PRC</u>	(63,617)	318,687
<b><u>Deferred:</u></b>		
<u>&amp;#150; Local Deferred</u>	0	0
<u>&amp;#150; Foreign</u>	0	0
<u>Income tax (credit) expenses</u>	\$ (63,617)	\$ 318,687

**Notes Payable Conversion  
Into Company Common  
Stock (Details) (USD \$)**

**Sep. 30, 2012**

<u>Pershare conversion rate of notes payable into common stock</u>	\$ 0.5
<u>Number of share issued for notes payable</u>	8,000,000

<b>Summary Of Significant Accounting Policies Depreciation Expense Information And Resource Compensation Fees (Details) (USD \$)</b>	<b>3 Months Ended</b>		<b>6 Months Ended</b>	
	<b>Jun. 30, 2012</b>	<b>Jun. 30, 2011</b>	<b>Jun. 30, 2012</b>	<b>Jun. 30, 2011</b>

<u>Depreciation expense for the period end</u>	\$ 85,515	\$ 19,013	\$ 176,807	\$ 34,159
<u>Resource compensation fees required to pay</u>	\$ 0	\$ 0	\$ 26,781	\$ 4,068

<b>Income Taxes Operating in the PRC (Details) (USD \$)</b>	<b>6 Months Ended</b>	
	<b>Jun. 30, 2012</b>	<b>Jun. 30, 2011</b>
<u>Losses before income taxes.</u>	\$ (1,614,109)	\$ (5,634)
<u>Statutory income tax rate.</u>	25	25
<u>Income taxes expense at the statutory rate</u>	(403,527)	(1,409)
<u>Taxes adjustments</u>	(69,551)	0
<u>Net operating loss not recognized as deferred tax asset</u>	191,665	41,832
<u>Non-deductible items</u>	217,796	278,264
<u>Income taxes (credit) expense</u>	\$ (63,617)	\$ 318,687

**Commitments And  
Contingencies Information  
Of Non Cancelable  
Operating Leases (Details)  
(USD \$)**

**6 Months Ended**

**Jun. 30, 2012 Jun. 30, 2011**

Total rent expenses excluding amortization of prepaid mining rights \$ 51,415      \$ 45,037

**Loan Payable From A  
Related Party Director Of  
The Company (Details)  
(USD \$)**

**6 Months Ended**

**Jun. 30, 2012**

Loan payable from director of the company (equivalent to RMB4,200,000) \$ 663,979

**NOTE - 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying condensed consolidated financial statements reflect the application of certain significant accounting policies as described in this note and elsewhere in the accompanying condensed consolidated financial statements and notes.

**- Use of estimates**

In preparing these condensed consolidated financial statements, management makes estimates and assumptions that affect the reported amounts of assets and liabilities in the balance sheet and revenues and expenses during the periods reported. Actual results may differ from these estimates.

**Basis of consolidation**

The condensed consolidated financial statements include the financial statements of CSMC, its subsidiaries and VIEs. All inter-company balances and transactions between the Company and its subsidiaries and VIEs have been eliminated upon consolidation.

The Company has adopted ASC Topic 810-10-5-8, "Variable Interest Entities", which requires a variable interest entity or VIE to be consolidated by a company if that company is subject to a majority of the risk of loss for the VIEs or is entitled to receive a majority of the VIEs' residual returns.

**- Variable interest entity**

On May 15, 2011, the Company's subsidiary, SBCL entered into a series of agreements ("VIE agreements") amongst SSIC, JinGuan, XinGuan and the individual owners of SSIC, JinGuan and XinGuan and details of the VIE agreements are as follows:

1. Exclusive Technical Service and Business Consulting Agreement, SBCL has the exclusive right to provide to SSIC, JinGuan and XinGuan consulting services, including operational management, human resources management, research and development of the technologies related to the operations of SSIC, JinGuan and XinGuan. SSIC, JinGuan and XinGuan pays to SBCL quarterly consulting service fees in an amount equals to all of their revenue for such quarter. These agreements run for 10 year terms and are subject to automatic renewal for an additional 10 year term provided that no objection is made by both parties on the renewal.
2. Exclusive Option Agreement, SBCL has the option to purchase SSIC, JinGuan and XinGuan all assets and ownership at any time.
3. Equity Pledge Agreement, SSIC JinGuan and XinGuan agree to pledge their legal interest to SBCL as a security for the obligations under the Exclusive Technical Service and Business Consulting Agreement.
4. Proxy Agreement, SSIC, JinGuan and XinGuan irrevocably grant and entrust SBCL the right to exercise its voting and other stockholder's right.
5. Operating Agreement, SBCL agrees to participate in the operations of SSIC, JinGuan and XinGuan in different aspects.

With the above agreements, SBCL demonstrates its ability to control SSIC, JinGuan and XinGuan as the primary beneficiaries and the operating results of the VIEs was included in the condensed consolidated financial statements for the three and six months ended June 30, 2012 and 2011.

**- Cash and cash equivalents**

Cash and cash equivalents are carried at cost and represent cash on hand, demand deposits placed with banks or other financial institutions and all highly liquid investments with an original maturity of three months or less as of the purchase date of such investments.

**- Accounts receivable**

Accounts receivable are recorded at the invoiced amount and do not bear interest. Management reviews the adequacy of the allowance for doubtful accounts on an ongoing basis, using historical collection trends and aging of receivables. Management also periodically evaluates individual customer's financial condition, credit history, and the current economic conditions to make adjustments in the allowance when it is considered necessary. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The Company does not have any off-balance-sheet credit exposure related to its customers. For the three and six months ended June 30, 2012 and 2011, no allowance for doubtful accounts was provided.

**- Mining assets**

Mining assets represent the purchase price for mining rights of Cunli Ji Gold Mine and are subject to depletion, based on their proven reserve.

For the Cunli Ji mine, the mining activities were temporary halted in the first and second quarter of 2012 because of the fact that (i) the mine was undergoing certain restructuring activities in January before the Chinese New Year and (ii) the Chinese government's regulation of disallowing mining activities during the Chinese New Year period from late January to late February and the "Two-Conferences Period" in Beijing immediately after the Chinese New Year in March. For the Dayuan Mine, the mining activities were temporary halted from late January to end of March because of the Chinese government's regulation of disallowing mining activities during Chinese New Year period and the "Two-Conferences Period" as mentioned above. For the three and six months ended June 30, 2012, no impairment loss for the above mines was provided. The Dayuan Mine was back to normal production status in the second quarter of 2012.

**- Prepaid mining rights**

Prepaid mining rights represent certain amount of lease prepayment made for the operation of the mining license of Dayuan Gold Mine and are being amortized using a straight-line basis over its scheduled lease term.

The rent expense on prepaid mining rights for the three months ended June 30, 2012 and 2011 was \$521,254 and \$0, respectively.

The rent expense on prepaid mining rights for the six months ended June 30, 2012 and 2011 was \$1,043,396 and \$0, respectively.

As of June 30, 2012, the estimated annual amortization of the prepaid mining rights for the next three years is as follows:

Years ending June 30:	
2013	\$ 2,088,707
2014	1,917,285
2015	237,353
Total:	\$ 4,243,345

**- Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is calculated on the straight-line basis over the following expected useful lives from the date on which they become fully operational and after taking into account their estimated residual values:

	Expected useful life	Residual value
Plant and machinery	10 years	5%
Motor vehicles	5 years	5%
Office equipment	3-5 years	5%

Expenditure for repairs and maintenance is expensed as incurred. When assets have retired or sold, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in the results of operations.

Depreciation expense for the three months ended June 30, 2012 and 2011 were \$85,515 and \$19,013, respectively.

Depreciation expense for the six months ended June 30, 2012 and 2011 were \$176,807 and \$34,159, respectively.

**- Construction in progress**

Construction in progress is stated at cost, which includes the costs of self-constructed assets, including mine development assets during the construction phase. Indirect overhead costs are not included in the cost of self-constructed assets. Construction in progress is not depreciated until such time as the assets are completed and put into operational use. No capitalized interest is incurred during the period of construction.

**- Impairment of long-lived assets**

In accordance with the provisions of ASC Topic 360-10-5, "Impairment or Disposal of Long-Lived Assets", all long-lived assets such as mining assets, prepaid mining right, property, plant and equipment and construction in progress held and used by the Company are annually reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is evaluated by a comparison of the carrying amount of assets to estimated discounted net cash flows expected to be generated by the assets. Future cash flows are based on estimated quantities of gold and other recoverable metals, expected price of gold and other commodity (considering current and historical prices, price trends and related factors), production levels and cash costs of production, capital and reclamation costs, all based on detailed engineering life-of-mine plans. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amounts of the assets exceed the fair value of the assets.

Numerous factors including, but not limited to, such things as unexpected grade changes, gold recovery problems, shortages of equipment and consumables, equipment failures, and collapse of pit walls, could impact our ability to achieve forecasted production schedules from proven and probable reserves. Additionally, commodity prices, capital expenditure requirements and reclamation costs could differ from the assumptions used in the cash flow models used to assess impairment. The ability to achieve the estimated quantities of recoverable minerals from exploration stage mineral interests involves further risks in



addition to those factors applicable to mineral interests where proven and probable reserves have been identified, due to the lower level of confidence that the identified mineralized material can ultimately be mined economically. There has been no impairment charge for the periods presented.

- **Revenue recognition**

In accordance with the ASC Topic 605, "Revenue Recognition", the Company recognizes revenue when persuasive evidence of an arrangement exists, transfer of title has occurred or services have been rendered, the selling price is fixed or determinable and collectibility is reasonably assured.

(a) **Product sales**

The Company derives revenues from the sales of non-refined gold concentrate to smelters, whereas the smelter usually takes 6 days for the production from non-refined gold concentrate to gold bullion. The Company generally recognizes its revenues, net of value-added taxes ("VAT") at the time of gold bullion is produced by the smelter and its selling price is determined by the market value of gold bullion quoted by the Shanghai Gold Exchange.

The Company is subject to VAT which is levied on the standard gold products at the standard rate of 17% on the invoiced value of sales. The Company's VIE, XinGuan is granted with a preferential tax treatment under the Chinese tax law of the "Notice from Ministry of Finance and State Tax Bureau in Relation to Exemption of Value Added Tax on Gold Production" and "Notice regarding issues on Tax Policy on Gold Transaction", whereas gold produced and sold by gold mining and smelting enterprises are exempted from VAT.

(b) **Service revenue**

Service revenue is primarily derived from the provision of mining consulting and technical services that are not an element of an arrangement for the sale of products. These services are generally billed on a time-cost plus basis, for a period of service time from 2 to 6 months. Revenue is recognized when service is rendered and accepted by the customers.

(c) **Interest income**

Interest income is recognized on a time apportionment basis, taking into account the principal amounts outstanding and the interest rates applicable.

- **Resource compensation fees**

In accordance with the relevant regulations under the Chinese Law, a company that is engaged in exploiting mineral resources is required to pay a resource tax and resources compensation levy to the local government as the compensation for the depletion of mineral resources. Pursuant to "Provisional Regulations on Resources Tax of the PRC" and "Administrative Rules on the Levy of Mineral Resources Compensation", the amounts of the resource tax and resources compensation levy are computed on the basis of the sales revenue of mineral products. The Company was required to pay resource compensation fees of \$26,781 and \$4,068 for the six months ended June 30, 2012 and 2011, respectively.

- **Comprehensive income**

ASC Topic 220, "Comprehensive Income", establishes standards for reporting and display of comprehensive income, its components and accumulated balances. Comprehensive income as defined includes all changes in equity during a period from non-owner sources. Accumulated other comprehensive income, as presented in the accompanying condensed consolidated statement of stockholders' equity, consists of changes in unrealized gains and losses on foreign currency translation. This comprehensive income is not included in the computation of income tax expense or benefit.

- **Income taxes**

The Company adopts ASC Topic 740, "Income Taxes" regarding accounting for uncertainty in income taxes which prescribes the recognition threshold and measurement attributes for financial statement recognition and measurement of tax positions taken or expected to be taken on a tax return. In addition, the guidance requires the determination of whether the benefits of tax positions will be more likely than not sustained upon audit based upon the technical merits of the tax position. For tax positions that are determined to be more likely than not sustained upon audit, a company recognizes the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement in the financial statements. For tax positions that are not determined to be more likely than not sustained upon audit, a company does not recognize any portion of the benefit in the financial statements. The guidance provides for de-recognition, classification, penalties and interest, accounting in interim periods and disclosure.

For the three and six months ended June 30, 2012 and 2011, the Company did not have any interest and penalties associated with tax positions. As of June 30, 2012, the Company did not have any significant unrecognized uncertain tax positions.

The Company conducts major businesses in the PRC and is subject to tax in this jurisdiction. As a result of its business activities, the Company files tax returns that are subject to examination by the foreign tax authority.

- **Net loss per share**

The Company calculates net loss per share in accordance with ASC Topic 260, "Earnings per Share." Basic loss per share is computed by dividing the net loss by the weighted-average number of common shares outstanding during the period. Diluted loss per share is computed similar to basic loss per share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common stock equivalents had been issued and if the additional common shares were dilutive.

- **Foreign currencies translation**

Transactions denominated in currencies other than the functional currency are translated into the functional currency at the exchange rates prevailing at the dates of the transaction. Monetary assets and liabilities denominated in currencies other than the functional currency are translated into the functional currency using the applicable exchange rates at the balance sheet dates. The resulting exchange differences are recorded in the statement of operations.

The reporting currency of the Company is the United States Dollars ("US\$"). The Company's subsidiary in the PRC maintain its books and records in its local currency, Renminbi Yuan ("RMB"), which is functional currency as being the primary currency of the economic environment in which the entity operates.

In general, for consolidation purposes, assets and liabilities of its subsidiaries whose functional currency is not US\$ are translated into US\$, in accordance with ASC Topic 830-30, "Translation of Financial Statement", using the exchange rate on the balance sheet date. Revenues and expenses are translated at average rates prevailing during the period. The gains and losses resulting from translation of financial statements of foreign subsidiaries are recorded as a separate component of accumulated other comprehensive income within the statement of stockholders' equity.

Translation of amounts from RMB into US\$1 has been made at the following exchange rates for the respective period:

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Period-end RMB:US\$1 exchange rate	6.3197	6.5701
Period average RMB:US\$1 exchange rate	6.3255	6.5482

- **Related parties**

Parties, which can be a corporation or individual, are considered to be related if the Company has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operational decisions. Companies are also considered to be related if they are subject to common control or common significant influence.

- **Segment reporting**

ASC Topic 280, "Segment Reporting" establishes standards for reporting information about operating segments on a basis consistent with the Company's internal organization structure as well as information about geographical areas, business segments and major customers in financial statements. For the three and six months ended June 30, 2012, the Company operates in one reportable operating segment in the PRC.

- **Fair value of financial instruments**

The carrying value of the Company's financial instruments include cash, accounts receivable, amounts due from (to) related parties, deposits and prepayments, other receivables, accounts payable, income tax payable, accrued liabilities and other payable. Fair values were assumed to approximate carrying values for these financial instruments because they are short term in nature and their carrying amounts approximate fair values. The carrying value of the Company's loans and note payable approximated its fair value based on the current market prices or interest rates for similar debt instruments.

The Company also follows the guidance of ASC Topic 820-10, "Fair Value Measurements and Disclosures" ("ASC 820-10"), with respect to financial assets and liabilities that are measured at fair value. ASC 820-10 establishes a three-tier fair value hierarchy that prioritizes the inputs used in measuring fair value as follows:

- Level 1 : Observable inputs such as quoted prices in active markets;
- Level 2 : Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3 : Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions

Fair value estimates are made at a specific point in time based on relevant market information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

- **Recent accounting pronouncements**

The Company has reviewed all recently issued, but not yet effective, accounting pronouncements and does not believe the future adoption of any such pronouncements may be expected to cause a material impact on its financial condition or the results of its operations.

In July 2012, the Financial Accounting Standards Board issued ASC Update No. 2012-02, "Intangibles - Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets for Impairment" ("ASU 2012-02"). ASU 2012-02 provides companies with the option to assess qualitative factors to determine whether the existence of events and circumstances indicates that it is more likely than not that the indefinite-lived intangible asset is impaired. If the Company concludes that it is more likely than not that the asset is impaired, it is required to determine the fair value of the intangible asset and perform the

quantitative impairment test by comparing the fair value with the carrying value in accordance with Topic 350. The Company does not expect the adoption of ASU 2012-02 to impact its results of operations or financial position.

**Commitments And  
Contingencies Future  
Minimum Rental Payments  
Due (Details) (USD \$)**

**Jun. 30, 2016 Jun. 30, 2015 Jun. 30, 2014 Jun. 30, 2013**

Operating lease commitments Office premises

<u>Total:</u>	\$ 175,964			
<u>Year beginning</u>		0		
<u>Year beginning</u>			71,073	
<u>Year beginning</u>				104,891
<u>Year ending</u>				104,891
<u>Year ending</u>			71,073	
<u>Year ending</u>		0		
<u>Total:</u>	175,964			

Operating lease commitments Mine operating rights

<u>Total:</u>	14,399,418			
<u>Year beginning</u>		8,228,239		
<u>Year beginning</u>			0	
<u>Year beginning</u>				6,171,179
<u>Year ending</u>				6,171,179
<u>Year ending</u>			0	
<u>Year ending</u>		8,228,239		
<u>Total:</u>	14,399,418			

Operating lease commitments Total

<u>Total:</u>	14,575,382			
<u>Year beginning</u>		8,228,239		
<u>Year beginning</u>			71,073	
<u>Year beginning</u>				6,276,070
<u>Year ending</u>				6,276,070
<u>Year ending</u>			71,073	
<u>Year ending</u>		8,228,239		
<u>Total:</u>	\$ 14,575,382			

**Loans Payable Unsecured  
Short Term Loan  
Information (Details) (USD  
\$)**

**Jun. 30, 2012**

Short term loan with several independent third parties (equivalent to RMB22,642,600) \$ 3,582,860

**CONCENTRATIONS OF  
RISK (TABLES)**

**6 Months Ended  
Jun. 30, 2012**

**CONCENTRATIONS OF  
RISK (TABLES)**

Accounts receivable at period-end date.

For the three months ended June 30, 2011, there was one single customer who accounted for 88% of the Company's revenues amounting to \$1,051,517 with \$169,964 of accounts receivable at period-end date.

Customer	Six Months ended June 30, 2011		June 30, 2011
	Revenue	Percentage of revenue	Accounts receivable, trade
Customer A	\$ 1,046,685	88%	\$ 169,964
Customer C	146,779	12%	-
Total:	\$ 1,193,464	100%	\$ 169,964

Accounts payable at period-end date.

For the three months ended June 30, 2012, there was one single vendor who accounted for 45% of the Company's purchases amounting to \$55,382 with \$20,379 of accounts payable at period-end date.

For the six months ended June 30, 2012, there was one single vendor who accounted for 61% of the Company's purchases amounting to \$120,762 with \$20,379 of accounts payable at period-end date.

Vendor	Three Months ended June 30, 2011		June 30, 2011
	Purchases	Percentage of purchases	Accounts payable, trade
Vendor A	\$ 174,495	45%	\$ 55,174
Vendor B	96,576	25%	33,550
Vendor C	74,699	19%	75,672
Total:	\$ 345,770	89%	\$ 164,396

Vendor	Six Months ended June 30, 2011		June 30, 2011
	Purchases	Percentage of purchases	Accounts payable, trade
Vendor A	\$ 272,032	37%	\$ 55,174
Vendor B	191,718	26%	33,550
Vendor C	74,699	10%	75,672
Total:	\$ 538,449	73%	\$ 164,396

**SEGMENT  
INFORMATION (TABLES)**

**6 Months Ended  
Jun. 30, 2012**

**SEGMENT  
INFORMATION (TABLES)**

[Summarized Financial  
Information Concerning The  
Company's Reportable  
Segments](#)

Summarized financial information concerning the Company's reportable segments is shown in the following table for the three and six months ended June 30, 2012 and 2011:

	<b>Three months ended June 30, 2012</b>		
	<b>Mining management business</b>	<b>Mining technical service business</b>	<b>Total</b>
Operating revenues, net:			
- Products	\$ 724,269	\$ -	\$ 724,269
- Service	-	-	-
Total operating revenues	724,269	-	724,269
Cost of revenues	(1,091,131)	-	(1,091,131)
Gross loss	(366,862)	-	(366,862)
Depreciation and amortization	606,769	-	606,769
Total assets	13,796,355	-	13,796,355
Expenditure for long-lived assets	\$ 14,268	\$ -	\$ 14,268

	<b>Six months ended June 30, 2012</b>		
	<b>Mining management business</b>	<b>Mining technical service business</b>	<b>Total</b>
Operating revenues, net:			
- Products	\$ 1,136,994	\$ -	\$ 1,136,994
- Service	-	-	-
Total operating revenues	1,136,994	-	1,136,994
Cost of revenues	(2,133,153)	-	(2,133,153)
Gross loss	(996,159)	-	(996,159)
Depreciation and amortization	1,220,203	-	1,220,203
Total assets	13,796,355	-	13,796,355
Expenditure for long-lived assets	\$ 24,129	\$ -	\$ 24,129

	<b>Three months ended June 30, 2011</b>		
	<b>Mining management business</b>	<b>Mining technical service business</b>	<b>Total</b>
Operating revenues, net:			
- Products	\$ 1,193,464	\$ -	\$ 1,193,464
- Service	-	-	-
Total operating revenues	1,193,464	-	1,193,464
Cost of revenues	(1,386,791)	(60,022)	(1,446,813)
Gross loss	(193,327)	(60,022)	(253,349)
Depreciation	13,067	5,946	19,013
Total assets	13,723,382	112,806	13,836,188

Expenditure for long-lived assets	\$ 2,333,912	\$ 11,457	\$ 2,345,369
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	Six Months ended June 30, 2011		
	Mining management business	Mining technical service business	Total
Operating revenues, net:			
- Products	\$ 1,961,103	\$ -	\$ 1,961,103
- Service	-	568,621	568,621
Total operating revenues	1,961,103	568,621	2,529,724
Cost of revenues	(1,737,012)	(139,423)	(1,876,435)
Gross profit	224,091	429,198	653,289
Depreciation	23,695	10,464	34,159
Total assets	13,723,382	112,806	13,836,188
Expenditure for long-lived assets	\$ 2,334,991	\$ 52,621	\$ 2,387,612

Concentrations of Risk Major customers and Vendors (Details) (USD \$)	3 Months Ended		6 Months Ended
	Jun. 30, 2012	Jun. 30, 2011	Jun. 30, 2012
<u>Percentage of revenue by one single customer</u>	95	88	97
<u>Revenues.</u>	\$ 685,092	\$ 1,051,517	\$ 1,097,817
<u>Accounts receivable trade major customers</u>	0	169,964	0
<u>Percentage of purchases by one single vendor</u>	45	0	61
<u>Purchases.</u>	55,382	0	120,762
<u>Accounts payable, trade at period end date</u>	\$ 20,379	\$ 0	\$ 20,379



**Loans Payable Unsecured  
Partial Repayments Of Short  
Term Loan Information  
(Details) (USD \$)**

**6 Months Ended**

**Jun. 30, 2012**

Partial repayment of unsecured loans payable (equivalent to RMB10,131,058) \$ 1,601,622

**COMMITMENTS AND  
CONTINGENCIES  
(TABLES)**

**6 Months Ended  
Jun. 30, 2012**

**COMMITMENTS AND  
CONTINGENCIES  
(TABLES)**

**Future Minimum Rental  
Payments Due**

As of June 30, 2012, the Company has the aggregate future minimum rental payments due under these non-cancelable operating leases in the next three years, as follows:

	<b>Operating lease commitments</b>		
	<b>Office premises</b>	<b>Mine operating rights</b>	<b>Total</b>
Year ending June 30,			
2013	\$ 104,891	\$ 6,171,179	\$ 6,276,070
2014	71,073	-	71,073
2015	-	8,228,239	8,228,239
<b>Total:</b>	<b>\$ 175,964</b>	<b>\$ 14,399,418</b>	<b>\$ 14,575,382</b>

**Organization And  
Background Details Of The  
Company Subsidiaries And  
VIE (Details)**

**Jun.  
30,  
2012**

<u>Bei Sheng Limited ("BSL") British Virgin Islands, a limited liability company Investment holding in GWIL and provision of mining technical advice 50,000 issued shares of US\$1 each</u>	100
<u>Golden Wide International Limited ("GWIL") Hong Kong, a limited liability company 100%-investment holding in SBCL 10,000 issued shares of HK\$1 each</u>	100
<u>Shoujin Business Consulting (Shenzhen) Limited ("SBCL") The PRC, a limited liability company Provision of consulting service in the PRC RMB100,000</u>	100
<u>Shenzhen Shouguan Investment Co., Ltd ("SSIC") The PRC, a limited liability company 99%-investment holding in JinGuan RMB10,180,000</u>	
<u>Yantai Jinguan Investment Limited ("JinGuan") The PRC, a limited liability company 100%-investment holding in XinGuan RMB5,000,000</u>	
<u>Penglai Xinguan Investment Limited ("XinGuan") The PRC, a limited liability company Exploration, drilling, mining and sale of gold products RMB37,000,000</u>	

**GOING CONCERN  
UNCERTAINTIES**

**6 Months Ended  
Jun. 30, 2012**

**GOING CONCERN  
UNCERTAINTIES**

**GOING CONCERN  
UNCERTAINTIES**

**NOTE - 3 GOING CONCERN UNCERTAINTIES**

These condensed consolidated financial statements have been prepared assuming that the Company will continue as a going concern, which contemplates the realization of assets and the discharge of liabilities in the normal course of business for the foreseeable future.

For the six months ended June 30, 2012, the Company generated a continuous loss of \$1,621,174 and suffered from a working capital deficit of \$10,778,177, whereas the Company may not have sufficient working capital to meet with the contingent payments. The continuation of the Company as a going concern is dependent upon the continuing financial support from its stockholders. Management believes the existing stockholders will provide the additional cash to meet with the Company's obligations as they become due. However, there can be no assurance that the Company will be able to obtain sufficient funds to meet its obligations on a timely manner.

These factors raise substantial doubt about the Company's ability to continue as a going concern. These condensed consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets and liabilities that may result in the Company not being able to continue as a going concern.

**Going Concern Uncertainties  
Loss And Working Capital  
Deficit Information (Details)  
(USD \$)**

**6 Months Ended  
Jun. 30, 2012**

<u>Generated continuous loss for the period end</u>	\$ 1,621,174
<u>Working capital deficit for the period end</u>	\$ 10,778,177

**Cunli Ji Gold Mining Project**  
**Lease Managed By**  
**Subsidiary XinGuan**  
**(Details) (USD \$)**

**Jan. 03, 2011 May 04, 2009**

<u>Agreed term of lease in months</u>	0	20
<u>Rental deposit of the lease (equivalent to RMB 20 million)</u>	\$ 0	\$ 2,900,000
<u>Purchase consideration of the gold mine (equivalent to RMB 34.8 million)</u>	\$ 0	\$ 5,000,000
<u>Daily production in tonnes</u>	0	0
<u>Lease period extend in months</u>	6	0

**Income Taxes net operating  
loss carryforwards (Details) Jun. 30, 2012  
(USD \$)**

Aggregate net operating loss carryforwards \$ 2,678,139

Deferred tax assets valuation allowance \$ 670,149

**CONDENSED  
CONSOLIDATED  
BALANCE SHEETS (USD  
\$)**

	<b>Jun. 30, 2012</b>	<b>Dec. 31, 2011</b>
<b><u>Current assets:</u></b>		
<u>Cash and cash equivalents</u>	\$ 244,443	\$ 339,870
<u>Accounts receivable, trade</u>	0	227,427
<u>Amount due from a related party</u>	1,289	3,334
<u>Deposits and prepayments</u>	173,780	297,262
<u>Prepaid mining rights, current</u>	2,088,707	2,046,503
<u>Total current assets</u>	2,508,219	2,914,396
<b><u>Non-current assets:</u></b>		
<u>Mining assets</u>	5,696,473	5,667,239
<u>Prepaid mining rights</u>	2,154,638	3,214,059
<u>Property, plant and equipment, net</u>	3,219,287	3,364,768
<u>Construction in progress</u>	217,738	206,655
<u>TOTAL ASSETS</u>	13,796,355	15,367,117
<b><u>Current liabilities:</u></b>		
<u>Accounts payable</u>	113,058	783,610
<u>Amount due to a related party</u>	303,504	212,365
<u>Income tax payable</u>	5,940	0
<u>Short-term borrowings</u>	870,294	0
<u>Notes payable</u>	4,023,618	4,023,618
<u>Short-term loans payable, unsecured</u>	3,582,860	5,159,337
<u>Current portion of long-term loans payable, unsecured</u>	3,994,273	0
<u>Current portion of loans payable, related party</u>	110,765	0
<u>Accrued liabilities and other payable</u>	282,084	245,139
<u>Total current liabilities</u>	13,286,396	10,424,069
<b><u>Long-term liabilities:</u></b>		
<u>Loans payable, unsecured</u>	373,023	3,872,613
<u>Loans payable, related party</u>	553,824	0
<u>Total long-term liabilities</u>	926,847	3,872,613
<u>Total liabilities</u>	14,213,243	14,296,682
<u>Commitments and contingencies</u>		
<b><u>Stockholders' equity:</u></b>		
<u>Common stock, \$0.0001 par value; 300,000,000 shares authorized; 101,000,000 shares issued and outstanding, respectively</u>	10,100	10,100
<u>Additional paid-in capital</u>	1,677,379	1,677,379
<u>Statutory reserve</u>	340,046	340,046
<u>Accumulated other comprehensive income</u>	327,665	193,814
<u>Accumulated deficits</u>	(2,772,078)	(1,150,904)
<u>Total stockholders' equity</u>	(416,888)	1,070,435
<u>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</u>	\$	\$
	13,796,355	15,367,117



**Loans Payable Unsecured  
Information of Long Term  
Loans Payable Net Of  
Current Portions (Details)  
(USD \$)**

	<b>Jun. 30, 2012</b>	<b>Dec. 31, 2011</b>
<u>Equivalent to RMB4,500,000 with interest rate at 2.7% per annum, payable at its maturity, due May 7, 2013</u>	\$ 712,059	\$ 708,405
<u>Equivalent to RMB9,400,000 with interest rate at 2.7% per annum, payable at its maturity, due May 7, 2013</u>	1,487,413	1,479,779
<u>Equivalent to RMB8,000,000 with interest rate at 5.18% per annum, payable at its maturity, due June 14, 2013</u>	1,265,883	1,259,386
<u>Equivalent to RMB2,700,000 with non-interest bearing, payable at its maturity, due March 29, 2013</u>	427,235	425,043
<u>Equivalent to RMB 3,000,000 (2011: RMB0) with effective interest rate at 8.97% per annum, payable with monthly principal and interest payments, due February 28, 2017</u>	474,706	0
<u>Total long-term loans payable</u>	4,367,296	3,872,613
<u>Less: current portion</u>	(3,994,273)	0
<u>Long-term loans payable, net of current portion</u>	\$ 373,023	\$ 3,872,613

**BASIS OF  
PRESENTATION**

**6 Months Ended  
Jun. 30, 2012**

**BASIS OF  
PRESENTATION**

**BASIS OF PRESENTATION NOTE - 1 BASIS OF PRESENTATION**

The accompanying unaudited condensed consolidated financial statements have been prepared by management in accordance with both accounting principles generally accepted in the United States (“GAAP”), and the instructions to Form 10-Q and Rule 8-03 of Regulation S-X. Certain information and note disclosures normally included in audited financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to those rules and regulations, although the Company believes that the disclosures made are adequate to make the information not misleading.

In the opinion of management, the consolidated balance sheet as of December 31, 2011 which has been derived from audited financial statements and these unaudited condensed consolidated financial statements reflect all normal and recurring adjustments considered necessary to state fairly the results for the periods presented. The results for the period ended June 30, 2012 are not necessarily indicative of the results to be expected for the entire fiscal year ending December 31, 2012 or for any future period.

These unaudited condensed consolidated financial statements and notes thereto should be read in conjunction with the Management’s Discussion and the audited financial statements and notes thereto included in the Annual Report on Form 10-K for the year ended December 31, 2011.

**Concentration of risk  
Accounts receivable and  
payable trade (Details) (USD  
\$)**

**Jun. 30, 2011**

<u>Accounts receivable, trade Customer A</u>	\$ 169,964
<u>Accounts receivable, trade Customer C</u>	0
<u>Total Accounts receivable, trade Customer A and C</u>	169,964
<u>Accounts payable, trade Vendor A</u>	55,174
<u>Accounts payable, trade Vendor B</u>	33,550
<u>Accounts payable, trade Vendor C</u>	75,672
<u>Total Accounts payable, trade Vendor A,B and C</u>	\$ 164,396

**Summary Of Significant  
Accounting Policies Annual  
Amortization Of Prepaid  
Mining Rights (Details)  
(USD \$)**

**12 Months Ended**

**Jun. 30, 2015 Jun. 30, 2014 Jun. 30, 2013**

<a href="#">Annual Amortization Of Prepaid Mining Rights</a>	\$ 237,353	\$ 1,917,285	\$ 2,088,707
<a href="#">Total of annual amortization of prepaid mining rights</a>	\$ 4,243,345	\$ 0	\$ 0

**SUMMARY OF  
SIGNIFICANT  
ACCOUNTING POLICIES  
(POLICIES)**

**6 Months Ended**

**Jun. 30, 2012**

**SUMMARY OF  
SIGNIFICANT  
ACCOUNTING POLICIES  
(POLICIES)**

[Use of estimates](#)

**Basis of consolidation**

The condensed consolidated financial statements include the financial statements of CSMC, its subsidiaries and VIEs. All inter-company balances and transactions between the Company and its subsidiaries and VIEs have been eliminated upon consolidation.

The Company has adopted ASC Topic 810-10-5-8, "Variable Interest Entities", which requires a variable interest entity or VIE to be consolidated by a company if that company is subject to a majority of the risk of loss for the VIEs or is entitled to receive a majority of the VIEs' residual returns.

[Basis of consolidation](#)

**Use of estimates**

In preparing these condensed consolidated financial statements, management makes estimates and assumptions that affect the reported amounts of assets and liabilities in the balance sheet and revenues and expenses during the periods reported. Actual results may differ from these estimates.

[Variable interest entity](#)

**Variable interest entity**

On May 15, 2011, the Company's subsidiary, SBCL entered into a series of agreements ("VIE agreements") amongst SSIC, JinGuan, XinGuan and the individual owners of SSIC, JinGuan and XinGuan and details of the VIE agreements are as follows:

1. Exclusive Technical Service and Business Consulting Agreement, SBCL has the exclusive right to provide to SSIC, JinGuan and XinGuan consulting services, including operational management, human resources management, research and development of the technologies related to the operations of SSIC, JinGuan and XinGuan. SSIC, JinGuan and XinGuan pays to SBCL quarterly consulting service fees in an amount equals to all of their revenue for such quarter. These agreements run for 10 year terms and are subject to automatic renewal for an additional 10 year term provided that no objection is made by both parties on the renewal.
2. Exclusive Option Agreement, SBCL has the option to purchase SSIC, JinGuan and XinGuan all assets and ownership at any time.
3. Equity Pledge Agreement, SSIC JinGuan and XinGuan agree to pledge their legal interest to SBCL as a security for the obligations under the Exclusive Technical Service and Business Consulting Agreement.
4. Proxy Agreement, SSIC, JinGuan and XinGuan irrevocably grant and entrust SBCL the right to exercise its voting and other stockholder's right.
5. Operating Agreement, SBCL agrees to participate in the operations of SSIC, JinGuan and XinGuan in different aspects.

With the above agreements, SBCL demonstrates its ability to control SSIC, JinGuan and XinGuan as the primary beneficiaries and the operating results of the VIEs was included in the condensed consolidated financial statements for the three and six months ended June 30, 2012 and 2011.

[Cash and cash equivalents](#)

**Cash and cash equivalents**

Cash and cash equivalents are carried at cost and represent cash on hand, demand deposits placed with banks or other financial institutions and all highly liquid investments with an original maturity of three months or less as of the purchase date of such investments.

[Accounts receivable](#)

**Accounts receivable**

Accounts receivable are recorded at the invoiced amount and do not bear interest. Management reviews the adequacy of the allowance for doubtful accounts on an ongoing basis, using historical collection trends and aging of receivables. Management also periodically evaluates individual customer's financial condition, credit history, and the current economic conditions to make adjustments in the allowance when it is considered necessary. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The Company does not have any off-balance-sheet credit exposure related to its customers. For the three and six months ended June 30, 2012 and 2011, no allowance for doubtful accounts was provided.

[Mining assets](#)

**Mining assets**

Mining assets represent the purchase price for mining rights of Cunli Ji Gold Mine and are subject to depletion, based on their proven reserve.

For the Cunli Ji mine, the mining activities were temporary halted in the first and second quarter of 2012 because of the fact that (i) the mine was undergoing certain restructuring activities in January before the Chinese New Year and (ii) the Chinese government's regulation of disallowing mining activities during the Chinese New Year period from late January to late February and the "Two-Conferences Period" in Beijing immediately after the Chinese New Year in March. For the Dayuan Mine, the mining activities were temporary halted from late January to end of March because of the Chinese government's regulation of disallowing mining activities during Chinese New Year period and the "Two-Conferences Period" as mentioned above. For the three and six months ended June 30, 2012, no impairment loss for the above mines was provided. The Dayuan Mine was back to normal production status in the second quarter of 2012.

[Prepaid mining rights](#)

**Prepaid mining rights**

Prepaid mining rights represent certain amount of lease prepayment made for the operation of the mining license of Dayuan Gold Mine and are being amortized using a straight-line basis over its scheduled lease term.

The rent expense on prepaid mining rights for the three months ended June 30, 2012 and 2011 was \$521,254 and \$0, respectively.

The rent expense on prepaid mining rights for the six months ended June 30, 2012 and 2011 was \$1,043,396 and \$0, respectively.

As of June 30, 2012, the estimated annual amortization of the prepaid mining rights for the next three years is as follows:

Years ending June 30:		
2013	\$	2,088,707
2014		1,917,285
2015		237,353
Total:	\$	4,243,345

[Property, plant and equipment](#)

**Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is calculated on the straight-line basis over the following expected useful lives from the date on which they become fully operational and after taking into account their estimated residual values:

	Expected useful life	Residual value
Plant and machinery	10 years	5%
Motor vehicles	5 years	5%
Office equipment	3-5 years	5%

Expenditure for repairs and maintenance is expensed as incurred. When assets have retired or sold, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in the results of operations.

Depreciation expense for the three months ended June 30, 2012 and 2011 were \$85,515 and \$19,013, respectively.

Depreciation expense for the six months ended June 30, 2012 and 2011 were \$176,807 and \$34,159, respectively.

[Construction in progress](#)

**Construction in progress**

Construction in progress is stated at cost, which includes the costs of self-constructed assets, including mine development assets during the construction phase. Indirect overhead costs are not included in the cost of self-constructed assets. Construction in progress is not depreciated until such time as the assets are completed and put into operational use. No capitalized interest is incurred during the period of construction.

[Impairment of long-lived assets](#)

**Impairment of long-lived assets**

In accordance with the provisions of ASC Topic 360-10-5, "Impairment or Disposal of Long-Lived Assets", all long-lived assets such as mining assets, prepaid mining right, property, plant and equipment and construction in progress held and used by the Company are annually reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is evaluated by a comparison of the carrying amount of assets to estimated discounted net cash flows expected to be generated by the assets. Future cash flows are based on estimated quantities of gold and other recoverable metals, expected price of gold and other commodity (considering current and historical prices, price trends and related factors), production levels and cash costs of production, capital and reclamation costs, all based on detailed engineering life-of-mine plans. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amounts of the assets exceed the fair value of the assets.

Numerous factors including, but not limited to, such things as unexpected grade changes, gold recovery problems, shortages of equipment and consumables, equipment failures, and collapse of pit walls, could impact our ability to achieve forecasted production schedules from proven and probable reserves. Additionally, commodity prices, capital expenditure requirements and reclamation costs could differ from the assumptions used in the cash flow models used to assess impairment. The ability to achieve the estimated quantities of recoverable minerals from exploration stage mineral interests involves further risks in addition to those factors applicable to mineral interests where proven and probable reserves have been identified, due to the lower level of confidence that the identified mineralized material can ultimately be mined economically. There has been no impairment charge for the periods presented.

[Revenue recognition](#)

**Revenue recognition**

In accordance with the ASC Topic 605, "Revenue Recognition", the Company recognizes revenue when persuasive evidence of an arrangement exists, transfer of title has occurred or services have been rendered, the selling price is fixed or determinable and collectibility is reasonably assured.

**(a) Product sales**

The Company derives revenues from the sales of non-refined gold concentrate to smelters, whereas the smelter usually takes 6 days for the production from non-refined gold concentrate to gold bullion. The Company generally recognizes its revenues, net of value-added taxes ("VAT") at the time of gold bullion is produced by the smelter and its selling price is determined by the market value of gold bullion quoted by the Shanghai Gold Exchange.

The Company is subject to VAT which is levied on the standard gold products at the standard rate of 17% on the invoiced value of sales. The Company's VIE, XinGuan is granted with a preferential tax treatment under the Chinese tax law of the "Notice from Ministry of Finance and State Tax Bureau in Relation to Exemption of Value Added Tax on Gold Production" and "Notice regarding issues on Tax Policy on Gold Transaction", whereas gold produced and sold by gold mining and smelting enterprises are exempted from VAT.

**(b) Service revenue**

Service revenue is primarily derived from the provision of mining consulting and technical services that are not an element of an arrangement for the sale of products. These services are generally billed on a time-cost plus basis, for a period of service time from 2 to 6 months. Revenue is recognized when service is rendered and accepted by the customers.

**(c) Interest income**

Interest income is recognized on a time apportionment basis, taking into account the principal amounts outstanding and the interest rates applicable.

[Resource compensation fees](#)

**Resource compensation fees**

In accordance with the relevant regulations under the Chinese Law, a company that is engaged in exploiting mineral resources is required to pay a resource tax and resources compensation levy to the local government as the compensation for the depletion of mineral resources. Pursuant to "Provisional Regulations on Resources Tax of the PRC" and "Administrative Rules on the Levy of Mineral Resources Compensation", the amounts of the resource tax and resources compensation levy are computed on the basis of the sales revenue of mineral products. The Company was required to pay resource compensation fees of \$26,781 and \$4,068 for the six months ended June 30, 2012 and 2011, respectively.

[Comprehensive income](#)

**Comprehensive income**

ASC Topic 220, "Comprehensive Income", establishes standards for reporting and display of comprehensive income, its components and accumulated balances. Comprehensive income as defined includes all changes in equity during a period from non-owner sources. Accumulated other comprehensive income, as presented in the accompanying condensed consolidated statement of stockholders' equity, consists of changes in unrealized gains and losses on foreign currency translation. This comprehensive income is not included in the computation of income tax expense or benefit.

[Income taxes](#)

**Income taxes**

The Company adopts ASC Topic 740, "Income Taxes" regarding accounting for uncertainty in income taxes which prescribes the recognition threshold and measurement attributes for financial statement recognition and measurement of tax positions taken or expected to be taken on a tax return. In addition, the guidance requires the determination of whether the benefits of tax positions will be more likely than not sustained upon audit based upon the technical merits of the tax position. For tax positions that are determined to be more likely than not sustained upon audit, a company recognizes the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement in the financial statements. For tax positions that are not determined to be more likely than not sustained upon audit, a company does not recognize any portion of the benefit in the financial statements. The guidance provides for de-recognition, classification, penalties and interest, accounting in interim periods and disclosure.

For the three and six months ended June 30, 2012 and 2011, the Company did not have any interest and penalties associated with tax positions. As of June 30, 2012, the Company did not have any significant unrecognized uncertain tax positions.

The Company conducts major businesses in the PRC and is subject to tax in this jurisdiction. As a result of its business activities, the Company files tax returns that are subject to examination by the foreign tax authority.

[Net loss per share](#)

**Net loss per share**

The Company calculates net loss per share in accordance with ASC Topic 260, "Earnings per Share." Basic loss per share is computed by dividing the net loss by the weighted-average number of common shares outstanding during the period. Diluted loss per share is computed similar to basic loss per share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common stock equivalents had been issued and if the additional common shares were dilutive.

[Foreign currencies translation](#)

**Foreign currencies translation**

Transactions denominated in currencies other than the functional currency are translated into the functional currency at the exchange rates prevailing at the dates of the transaction. Monetary assets and liabilities denominated in currencies other than the functional currency are translated into the functional currency using the applicable exchange rates at the balance sheet dates. The resulting exchange differences are recorded in the statement of operations.

The reporting currency of the Company is the United States Dollars ("US\$"). The Company's subsidiary in the PRC maintain its books and records in its local currency, Renminbi Yuan ("RMB"), which is functional currency as being the primary currency of the economic environment in which the entity operates.

In general, for consolidation purposes, assets and liabilities of its subsidiaries whose functional currency is not US\$ are translated into US\$, in accordance with ASC Topic 830-30, "Translation of Financial Statement", using the exchange rate on the balance sheet date. Revenues and expenses are translated at average rates prevailing during the period. The gains and losses resulting from translation of financial statements of foreign subsidiaries are recorded as a separate component of accumulated other comprehensive income within the statement of stockholders' equity.

Translation of amounts from RMB into US\$1 has been made at the following exchange rates for the respective period:

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Period-end RMB:US\$1 exchange rate	6.3197	6.5701
Period average RMB:US\$1 exchange rate	6.3255	6.5482

[Related parties](#)

**Related parties**

Parties, which can be a corporation or individual, are considered to be related if the Company has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operational decisions. Companies are also considered to be related if they are subject to common control or common significant influence.

[Segment reporting](#)

**Segment reporting**

ASC Topic 280, "Segment Reporting" establishes standards for reporting information about operating segments on a basis consistent with the Company's internal organization structure as well as information about geographical areas, business segments and major customers in financial statements. For the three and six months ended June 30, 2012, the Company operates in one reportable operating segment in the PRC.

[Fair value of financial instruments](#)

**Fair value of financial instruments**

The carrying value of the Company's financial instruments include cash, accounts receivable, amounts due from (to) related parties, deposits and prepayments, other receivables, accounts payable, income tax payable, accrued liabilities and other payable. Fair values were assumed to approximate carrying values for these financial instruments because they are short term in nature and their carrying amounts approximate fair values. The carrying value of the Company's loans and note payable approximated its fair value based on the current market prices or interest rates for similar debt instruments.

The Company also follows the guidance of ASC Topic 820-10, "Fair Value Measurements and Disclosures" ("ASC 820-10"), with respect to financial assets and liabilities that are measured at fair value. ASC 820-10 establishes a three-tier fair value hierarchy that prioritizes the inputs used in measuring fair value as follows:

- Level 1 : Observable inputs such as quoted prices in active markets;
- Level 2 : Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3 : Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions

Fair value estimates are made at a specific point in time based on relevant market information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

[Recent accounting pronouncements](#)

**Recent accounting pronouncements**

The Company has reviewed all recently issued, but not yet effective, accounting pronouncements and does not believe the future adoption of any such pronouncements may be expected to cause a material impact on its financial condition or the results of its operations.

In July 2012, the Financial Accounting Standards Board issued ASC Update No. 2012-02, "Intangibles - Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets for Impairment" ("ASU 2012-02"). ASU 2012-02 provides companies with the option to assess qualitative factors to determine whether the existence of events and circumstances indicates that it is more likely than not that the indefinite-lived intangible asset is impaired. If the Company concludes that it is more likely than not that the asset is impaired, it is required to determine the fair value of the intangible asset and perform the quantitative impairment test by comparing the fair value with the carrying value in accordance with Topic 350. The Company does not expect the adoption of ASU 2012-02 to impact its results of operations or financial position

**Summary Of Significant  
Accounting Policies  
Expected Useful Life And  
Residual Value And Service  
Revenue (Details)**

**Jun. 30, 2012**

<a href="#"><u>Plant and machinery expected useful life</u></a>	10
<a href="#"><u>Motor vehicles expected useful life</u></a>	5
<a href="#"><u>Office equipment expected useful life minimum</u></a>	3
<a href="#"><u>Office equipment expected useful life maximum</u></a>	5
<a href="#"><u>Percentage of Plant and machinery residual value</u></a>	5
<a href="#"><u>Percentage of Motor vehicles residual value</u></a>	5
<a href="#"><u>Percentage of Office equipment residual value</u></a>	5
<a href="#"><u>Minimum period of service time in months</u></a>	2
<a href="#"><u>Maximum period of service time in months</u></a>	6

**SUMMARY OF  
SIGNIFICANT  
ACCOUNTING POLICIES  
(TABLES)**

**6 Months Ended**

**Jun. 30, 2012**

**SUMMARY OF  
SIGNIFICANT  
ACCOUNTING POLICIES  
(TABLES)**

**Prepaid mining right  
amortization**

As of June 30, 2012, the estimated annual amortization of the prepaid mining rights for the next three years is as follows:

<b>Years ending June 30:</b>	
2013	\$ 2,088,707
2014	1,917,285
2015	<u>237,353</u>
Total:	<u>\$ 4,243,345</u>

**Property, plant and equipment  
expected usefull life**

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses

	<u>Expected useful life</u>	<u>Residual value</u>
Plant and machinery	10 years	5%
Motor vehicles	5 years	5%
Office equipment	3-5 years	5%

**Foreign currencies translation  
RMB into USD**

Translation of amounts from RMB into US\$1 has been made at the following exchange rates for the respective period:

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Period-end RMB:US\$1 exchange rate	6.3197	6.5701
Period average RMB:US\$1 exchange rate	<u>6.3255</u>	<u>6.5482</u>



**ORGANIZATION AND  
BACKGROUND**

**6 Months Ended  
Jun. 30, 2012**

**ORGANIZATION AND  
BACKGROUND**  
**ORGANIZATION AND  
BACKGROUND**

**NOTE - 2 ORGANIZATION AND BACKGROUND**

China ShouGuan Mining Corporation (“CSMC” or “the Company”) was incorporated in the State of Nevada on May 4, 2010.

The Company, through its subsidiaries and variable interest entities, is principally engaged in the project management of gold mining operations in China. In May 2009, the Company commenced its first project, the Cunli Ji Mine which is located in Shandong Province, the People Republic of China (“PRC”).

The details of the Company’s subsidiaries and VIEs are described below:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued/registered share capital	Effective interest Held
Bei Sheng Limited (“BSL”)	British Virgin Islands, a limited liability company	Investment holding in GWIL and provision of mining technical advice	50,000 issued shares of US\$1 each	100%
Golden Wide International Limited (“GWIL”)	Hong Kong, a limited liability company	100%-investment holding in SBCL	10,000 issued shares of HK\$1 each	100%
Shoujin Consulting (Shenzhen) Limited (“SBCL”)	The PRC, a limited liability company	Provision of consulting service in the PRC	RMB100,000	100%
Shenzhen Shouguan Investment Co., Ltd (“SSIC”) #	The PRC, a limited liability company	99%-investment holding in JinGuan	RMB10,180,000	N/A
Yantai Investment Limited (“JinGuan”) #	The PRC, a limited liability company	100%-investment holding in XinGuan	RMB5,000,000	N/A
Penglai Investment Limited (“XinGuan”) #	The PRC, a limited liability company	Exploration, drilling, mining and sale of gold products	RMB37,000,000	N/A

# represents variable interest entity (“VIE”)

The Company and its subsidiaries and VIEs are hereinafter collectively referred to as (“the Company”).

**CONSOLIDATED  
BALANCE SHEETS  
PARENTHEICALS (USD  
\$)**

**Jun. 30, 2012 Dec. 31, 2011**

<u>Common Stock, par value</u>	\$ 0.0001	\$ 0.0001
<u>Common Stock, shares authorized</u>	300,000,000	300,000,000
<u>Common Stock, shares issued</u>	101,000,000	101,000,000
<u>Common Stock, shares outstanding</u>	101,000,000	101,000,000

**INCOME TAXES**

**6 Months Ended  
Jun. 30, 2012**

**INCOME TAXES**  
**INCOME TAXES**

**NOTE - 12 INCOME TAXES**

For the six months ended June 30, 2012 and 2011, the local (United States) and foreign components of loss before income taxes were comprised of the following:

	<b>Six months ended June 30,</b>	
	<b>2012</b>	<b>2011</b>
Tax jurisdictions from:		
- Local	\$ (48,193)	\$ -
- Foreign	(1,636,598)	(10,833)
<b>Loss before income taxes</b>	<b>\$ (1,684,791)</b>	<b>\$ (10,833)</b>

The provision for income taxes consisted of the following:

	<b>Six months ended June 30,</b>	
	<b>2012</b>	<b>2011</b>
Current:		
- Local	\$ -	\$ -
- Foreign, representing by:		
Hong Kong	-	-
The PRC	(63,617)	318,687
Deferred:		
- Local	-	-
- Foreign	-	-
<b>Income tax (credit) expense</b>	<b>\$ (63,617)</b>	<b>\$ 318,687</b>

The effective tax rate in the periods presented is the result of the mix of income earned in various tax jurisdictions that apply a broad range of income tax rates. The Company has subsidiaries that operate in various countries: United States, BVI, Hong Kong and the PRC that are subject to taxes in the jurisdictions in which they operate, as follows:

***United States of America***

The Company is registered in the State of Nevada and is subject to the tax laws of the United States of America.

***British Virgin Island***

Under the current BVI law, Bei Sheng is not subject to tax on its income or profits. For the six months ended June 30, 2012, Bei Sheng suffered from an operating loss of \$20,157.

***Hong Kong***

Golden Wide is subject to Hong Kong Profits Tax, which is charged at the statutory income rate of 16.5% on assessable income. For the six months ended June 30, 2012 and 2011, Golden Wide suffered from an operating loss of \$2,332 and generated an operating income of \$944, respectively.

***The PRC***

The Company generated its income from its subsidiaries and VIEs operating in the PRC for the six months ended June 30, 2012 and 2011, which are subject to the Corporate Income Tax Law of the People's Republic of China (the "New CIT Law") at a unified income tax rate of

25%. A reconciliation of income tax rate to the effective income tax rate for the six months ended June 30, 2012 and 2011 is as follows:

	<b>Six months ended June 30,</b>	
	<b>2012</b>	<b>2011</b>
Lossefore income taxes	\$ (1,614,109)	\$ (5,634)
Statutory income tax rate	25%	25%
Income tax expense at the statutory rate	(403,527)	(1,409)
Tax adjustments	(69,551)	-
Net operating loss not recognized as deferred tax asset	191,665	41,832
Non-deductible items	217,796	278,264
Income tax (credit) expense	<u>\$ (63,617)</u>	<u>\$ 318,687</u>

As of June 30, 2012, the Company incurred \$2,678,139 of aggregate net operating loss carryforwards available to offset its taxable income for income tax purposes. The Company has provided for a full valuation allowance against the deferred tax assets of \$670,149 on the expected future tax benefits from the net operating loss carryforwards as the management believes it is more likely than not that these assets will not be realized in the future.

**Document and Entity  
Information**

**6 Months Ended  
Jun. 30, 2012**

**Document and Entity Information**

<u>Entity Registrant Name</u>	CHINA SHOUGUAN MINING Corp
<u>Document Type</u>	10-Q
<u>Document Period End Date</u>	Jun. 30, 2012
<u>Amendment Flag</u>	false
<u>Entity Central Index Key</u>	0001493893
<u>Current Fiscal Year End Date</u>	--12-13
<u>Entity Common Stock, Shares Outstanding</u>	101,000,000
<u>Entity Filer Category</u>	Smaller Reporting Company
<u>Entity Current Reporting Status</u>	No
<u>Entity Voluntary Filers</u>	No
<u>Entity Well-known Seasoned Issuer</u>	No
<u>Document Fiscal Year Focus</u>	2012
<u>Document Fiscal Period Focus</u>	Q2

**SEGMENT  
INFORMATION**

**6 Months Ended  
Jun. 30, 2012**

**SEGMENT  
INFORMATION**

**SEGMENT INFORMATION**

**NOTE - 13 SEGMENT INFORMATION**

The Company's business units have been aggregated into two reportable segments, as defined by ASC Topic 280:

§ Mining management business - project management of gold mining operations;

§ Mining technical service business - provision of mining technical services.

The Company operates these business segments in the PRC and all of the identifiable assets of the Company are located in the PRC during the periods presented.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The Company has no inter-segment sales for the three and six months ended June 30, 2012 and 2011. The Company's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies. Summarized financial information concerning the Company's reportable segments is shown in the following table for the three and six months ended June 30, 2012 and 2011:

	<b>Three months ended June 30, 2012</b>		
	<b>Mining management business</b>	<b>Mining technical service business</b>	<b>Total</b>
Operating revenues, net:			
- Products	\$ 724,269	\$ -	\$ 724,269
- Service	-	-	-
Total operating revenues	724,269	-	724,269
Cost of revenues	(1,091,131)	-	(1,091,131)
Gross loss	(366,862)	-	(366,862)
Depreciation and amortization	606,769	-	606,769
Total assets	13,796,355	-	13,796,355
Expenditure for long-lived assets	\$ 14,268	\$ -	\$ 14,268

	<b>Six months ended June 30, 2012</b>		
	<b>Mining management business</b>	<b>Mining technical service business</b>	<b>Total</b>
Operating revenues, net:			
- Products	\$ 1,136,994	\$ -	\$ 1,136,994
- Service	-	-	-
Total operating revenues	1,136,994	-	1,136,994
Cost of revenues	(2,133,153)	-	(2,133,153)
Gross loss	(996,159)	-	(996,159)
Depreciation and amortization	1,220,203	-	1,220,203
Total assets	13,796,355	-	13,796,355
Expenditure for long-lived assets	\$ 24,129	\$ -	\$ 24,129

	<b>Three months ended June 30, 2011</b>		
	<b>Mining management business</b>	<b>Mining technical service business</b>	<b>Total</b>
Operating revenues, net:			
- Products	\$ 1,193,464	\$ -	\$ 1,193,464
- Service	-	-	-
Total operating revenues	1,193,464	-	1,193,464
Cost of revenues	(1,386,791)	(60,022)	(1,446,813)
Gross loss	(193,327)	(60,022)	(253,349)
Depreciation	13,067	5,946	19,013
Total assets	13,723,382	112,806	13,836,188
Expenditure for long-lived assets	\$ 2,333,912	\$ 11,457	\$ 2,345,369

	<b>Six Months ended June 30, 2011</b>		
	<b>Mining management business</b>	<b>Mining technical service business</b>	<b>Total</b>
Operating revenues, net:			
- Products	\$ 1,961,103	\$ -	\$ 1,961,103
- Service	-	568,621	568,621
Total operating revenues	1,961,103	568,621	2,529,724
Cost of revenues	(1,737,012)	(139,423)	(1,876,435)
Gross profit	224,091	429,198	653,289
Depreciation	23,695	10,464	34,159
Total assets	13,723,382	112,806	13,836,188
Expenditure for long-lived assets	\$ 2,334,991	\$ 52,621	\$ 2,387,612

All long-lived assets are located in the PRC.

**CONDENSED  
CONSOLIDATED  
STATEMENTS OF  
OPERATIONS AND  
COMPREHENSIVE  
INCOME (Unaudited) (USD  
\$)**

	<b>3 Months Ended</b>		<b>6 Months Ended</b>	
	<b>Jun. 30, 2012</b>	<b>Jun. 30, 2011</b>	<b>Jun. 30, 2012</b>	<b>Jun. 30, 2011</b>
<b>Revenues, net:</b>				
<u>Product sales</u>	\$ 724,269	\$ 1,193,464	\$ 1,136,994	\$ 1,961,103
<u>Service income</u>	0	0	0	568,621
<u>Total revenues, net</u>	724,269	1,193,464	1,136,994	2,529,724
<u>Cost of revenue</u>	(1,091,131)	(1,446,813)	(2,133,153)	(1,876,435)
<u>Gross (loss) profit</u>	(366,862)	(253,349)	(996,159)	653,289
<b>Operating expenses:</b>				
<u>General and administrative</u>	(366,045)	(465,541)	(609,551)	(734,562)
<u>Loss from operations</u>	(732,907)	(718,890)	(1,605,710)	(81,273)
<b>Other income (expense):</b>				
<u>Interest expenses</u>	(67,812)	0	(111,137)	0
<u>Interest income</u>	288	24,942	478	26,153
<u>Other income</u>	31,578	44,287	31,578	44,287
<u>Loss before income taxes</u>	(768,853)	(649,661)	(1,684,791)	(10,833)
<u>Income tax credit (expense)</u>	63,617	(131,669)	63,617	(318,687)
<u>NET LOSS</u>	(705,236)	(781,330)	(1,621,174)	(329,520)
<b>Other comprehensive (loss) income:</b>				
<u>Foreign currency translation (loss) gain</u>	(135)	106,237	133,851	123,539
<u>COMPREHENSIVE LOSS</u>	\$ (705,371)	\$ (675,093)	\$ (1,487,323)	\$ (205,981)
<u>Net loss per share Basic and diluted</u>	\$ (0.01)	\$ (0.01)	\$ (0.02)	\$ 0.00
<u>Weighted average common shares outstanding Basic and diluted</u>	101,000,000	100,000,000	101,000,000	100,000,000



**AMOUNT DUE TO A  
RELATED PARTY**

**6 Months Ended  
Jun. 30, 2012**

**AMOUNT DUE TO A  
RELATED PARTY**

**AMOUNT DUE TO A  
RELATED PARTY**

**NOTE - 7 AMOUNT DUE TO A RELATED PARTY**

As of June 30, 2012, amount due to a related party represented temporary advances made by Mr. Zhang, the director of the Company, which was unsecured, interest-free with no fixed repayment term. Imputed interest is considered insignificant.

**AMOUNT DUE FROM A  
RELATED PARTY**

**6 Months Ended  
Jun. 30, 2012**

**AMOUNT DUE FROM A  
RELATED PARTY**

**AMOUNT DUE FROM A  
RELATED PARTY**

**NOTE - 6 AMOUNT DUE FROM A RELATED PARTY**

As of June 30, 2012, amount due from a related party represented temporary advances made to Mr. Jingfeng Lv, the director of a subsidiary, SSIC, which is unsecured, interest-free and repayable on demand.

**ORGANIZATION AND  
BACKGROUND (TABLES)**

**6 Months Ended  
Jun. 30, 2012**

**ORGANIZATION AND  
BACKGROUND (TABLES)**

**Company's subsidiaries and  
VIEs**

The details of the Company's subsidiaries and VIEs are described below:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued/registered share capital	Effective interest Held
Bei Sheng Limited ("BSL")	British Virgin Islands, a limited liability company	Investment holding in GWIL and provision of mining technical advice	50,000 issued shares of US\$1 each	100%
Golden Wide International Limited ("GWIL")	Hong Kong, a limited liability company	100%-investment holding in SBCL	10,000 issued shares of HK\$1 each	100%
Shoujin Business Consulting (Shenzhen) Limited ("SBCL")	The PRC, a limited liability company	Provision of consulting service in the PRC	RMB100,000	100%
Shenzhen Shouguan Investment Co., Ltd ("SSIC") #	The PRC, a limited liability company	99%-investment holding in JinGuan	RMB10,180,000	N/A
Yantai Investment Limited ("JinGuan") #	The PRC, a limited liability company	100%-investment holding in XinGuan	RMB5,000,000	N/A
Penglai Investment Limited ("XinGuan") #	The PRC, a limited liability company	Exploration, drilling, mining and sale of gold products	RMB37,000,000	N/A

# represents variable interest entity ("VIE")

**CONCENTRATIONS OF RISK**

**6 Months Ended  
Jun. 30, 2012**

**CONCENTRATIONS OF RISK**

**CONCENTRATIONS OF RISK**

**NOTE - 14 CONCENTRATIONS OF RISK**

The Company is exposed to the following concentrations of risk:

(a) Major customers

For the three months ended June 30, 2012, there was one single customer who accounted for 95% of the Company's revenues amounting to \$685,092 with \$0 of accounts receivable at period-end date.

For the six months ended June 30, 2012, there was one single customer who accounted for 97% of the Company's revenues amounting to \$1,097,817 with \$0 of accounts receivable at period-end date.

For the three months ended June 30, 2011, there was one single customer who accounted for 88% of the Company's revenues amounting to \$1,051,517 with \$169,964 of accounts receivable at period-end date.

Customer	Six Months ended June 30, 2011		June 30, 2011
	Revenue	Percentage of revenue	Accounts receivable, trade
Customer A	\$ 1,046,685	88%	\$ 169,964
Customer C	146,779	12%	-
Total:	\$ 1,193,464	100%	\$ 169,964

All customers are located in the PRC.

(b) Major vendors

For the three and six months ended June 30, 2011, the vendors who account for 10% or more of the Company's purchases and its outstanding balance at period-end date, are presented as follows:

For the three months ended June 30, 2012, there was one single vendor who accounted for 45% of the Company's purchases amounting to \$55,382 with \$20,379 of accounts payable at period-end date.

For the six months ended June 30, 2012, there was one single vendor who accounted for 61% of the Company's purchases amounting to \$120,762 with \$20,379 of accounts payable at period-end date.

Vendor	Three Months ended June 30, 2011		June 30, 2011
	Purchases	Percentage of purchases	Accounts payable, trade
Vendor A	\$ 174,495	45%	\$ 55,174
Vendor B	96,576	25%	33,550
Vendor C	74,699	19%	75,672

Total:	\$	345,770	89%	\$	164,396
--------	----	---------	-----	----	---------

Vendor	Six Months ended June 30, 2011		June 30, 2011
	Purchases	Percentage of purchases	Accounts payable, trade
Vendor A	\$ 272,032	37%	\$ 55,174
Vendor B	191,718	26%	33,550
Vendor C	74,699	10%	75,672
Total:	\$ 538,449	73%	\$ 164,396

All vendors are located in the PRC.

(c) Credit risk

Financial instruments that are potentially subject to credit risk consist principally of accounts receivables. The Company believes the concentration of credit risk in its accounts and retention receivables is substantially mitigated by its ongoing credit evaluation process and relatively short collection terms. The Company does not generally require collateral from customers. Credit is extended based on evaluation of a customer's financial condition. The Company evaluates the need for an allowance for doubtful accounts based upon factors surrounding the credit risk of specific customers, historical trends and other information.

(d) Exchange rate risk

The reporting currency of the Company is US\$, to date the majority of the revenues and costs are denominated in RMB and a significant portion of the assets and liabilities are denominated in RMB. As a result, the Company is exposed to foreign exchange risk as its revenues and results of operations may be affected by fluctuations in the exchange rate between US\$ and RMB. If RMB depreciates against US\$, the value of RMB revenues and assets as expressed in US\$ financial statements will decline. The Company does not hold any derivative or other financial instruments that expose to substantial market risk.

(e) Economic and political risks

The Company's operations are conducted in the PRC. Accordingly, the Company's business, financial condition and results of operations may be influenced by the political, economic and legal environment in the PRC, and by the general state of the PRC economy.

The Company's operations in the PRC are subject to special considerations and significant risks not typically associated with companies in North America and Western Europe. These include risks associated with, among others, the political, economic and legal environment and foreign currency exchange. The Company's results may be adversely affected by changes in the political and social conditions in the PRC, and by changes in governmental policies with respect to laws and regulations, anti-inflationary measures, currency conversion, remittances abroad, and rates and methods of taxation.

(f) Mining industry risks

The Company's mining operations are subject to extensive national and local governmental regulations in China, which regulations may be revised or expanded at any time. Generally, compliance with these regulations requires the Company to obtain permits issued by government regulatory agencies. Certain permits require periodic renewal or review of their conditions. The Company cannot predict whether it will be able to obtain or renew such permits or whether material changes in permit conditions will be imposed. The inability to obtain or renew permits or the imposition of additional conditions could have a material adverse effect on the Company's ability to develop and operate its mines.

(g) Risk on changing price in gold

At present, the price of gold in the PRC is generally in line with the price of gold in the international market. There are many factors influencing the price of gold in the international market, including the international economic situation (in particular the economic situation in the US), petroleum prices, fluctuations in the exchange rates of the US\$, fluctuations in the stock and other financial investment markets and various political, military, social and economic contingencies. These factors are beyond the control of the Company. Changes in the prices of the gold in the PRC and in the exchange rate of Renminbi as a result of these may adversely affect the operating results of the Company. Under the relevant PRC laws and regulations, hedging activities presently are not permitted in gold trading in the PRC market. The Company has not been involved in hedging transactions or any alternative measures to manage the potential price risk.

**LOANS PAYABLE,  
UNSECURED**

**6 Months Ended  
Jun. 30, 2012**

LOANS PAYABLE,  
UNSECURED  
LOANS PAYABLE,  
UNSECURED

**NOTE - 10 LOANS PAYABLE, UNSECURED**

As of June 30, 2012, the Company had a short-term loan of \$3,582,860 (equivalent to RMB22,642,600) with several independent third parties, due November 27, 2012 on an extension basis, which carried annual interest at Bank of China Benchmark Lending Rate, payable at maturity. For the six months ended June 30, 2012, the Company made partial repayment of \$1,601,622 (equivalent to RMB10,131,058).

As of June 30, 2012, the Company also held the following long-term loans payable to third parties:

	<u>June 30, 2012</u> (Unaudited)	<u>December 31, 2011</u> (Audited)
Loans payable to four individuals in the PRC, unsecured:		
Equivalent to RMB4,500,000 with interest rate at 2.7% per annum, payable at its maturity, due May 7, 2013	\$ 712,059	\$ 708,405
Equivalent to RMB9,400,000 with interest rate at 2.7% per annum, payable at its maturity, due May 7, 2013	1,487,413	1,479,779
Equivalent to RMB8,000,000 with interest rate at 5.18% per annum, payable at its maturity, due June 14, 2013	1,265,883	1,259,386
Equivalent to RMB2,700,000 with non-interest bearing, payable at its maturity, due March 29, 2013	427,235	425,043
Equivalent to RMB 3,000,000 (2011: RMB0) with effective interest rate at 8.97% per annum, payable with monthly principal and interest payments, due February 28, 2017	474,706	-
Total long-term loans payable	<u>4,367,296</u>	<u>3,872,613</u>
Less: current portion	<u>(3,994,273)</u>	<u>-</u>
Long-term loans payable, net of current portion	<u>\$ 373,023</u>	<u>\$ 3,872,613</u>

As of June 30, 2012, the minimum future payments of the aggregate long-term loans payable in the next five years are as follows:

<b>Year ending June 30:</b>	
2013	\$ 3,994,273
2014	89,933
2015	98,340
2016	107,533
2017	<u>77,217</u>
Total borrowings	<u>\$ 4,367,296</u>





**Commitments And  
Contingencies Information  
Of Term Of Operating  
Leases (Details)**

**Jun. 30, 2012**

[Minimum lease term of operating leases](#) 1

[Maximum lease term of operating leases](#) 10

**SHORT TERM  
BORROWINGS**

**6 Months Ended  
Jun. 30, 2012**

**SHORT-TERM  
BORROWINGS**

**SHORT-TERM  
BORROWINGS**

**NOTE - 8 SHORT-TERM BORROWINGS**

For the six months ended June 30, 2012, the Company's operating subsidiary, SSIC, obtained short-term borrowings of \$869,496 (equivalent to RMB5,500,000) from a financial institution in the PRC, which bears interest rate at 1.3 times of the Bank of China Benchmark Lending Rate, monthly payable, due January 19, 2013, and is secured by the property owned by Mr. Zhang, the director.

## NOTES PAYABLE

**6 Months Ended  
Jun. 30, 2012**

### NOTES PAYABLE

### NOTES PAYABLE

#### **NOTE - 9 NOTES PAYABLE**

As of June 30, 2012, the Company had unsecured, interest-free notes due June 30, 2012 on an extension basis. Upon maturity date, the notes are further extended to September 30, 2012 and the note holder has an option to receive the cash repayment or in lieu of the Company's common stock. These notes were subsequently converted into shares at a price of \$0.5 per share, with an aggregate of 8,000,000 shares of common stock.

**LOAN PAYABLE FROM A  
RELATED PARTY**

**6 Months Ended  
Jun. 30, 2012**

**LOAN PAYABLE FROM A  
RELATED PARTY**

**LOAN PAYABLE FROM A  
RELATED PARTY**

**NOTE - 11 LOAN PAYABLE FROM A RELATED PARTY**

During the six months ended June 30, 2012, the Company entered into a loan of \$663,979 (equivalent to RMB4,200,000) with Mr. Zhang, the director of the Company, due April 21, 2014, which was unsecured, carried annual interest at Bank of China Benchmark Lending Rate and payable in a monthly installment.

As of June 30, 2012, the minimum future payments of the aggregate loan payable from a related party in the next two years are as follows:

<b>Year ending June 30:</b>	
2013	\$ 110,765
2014	<u>553,824</u>
Total borrowings	<u>\$ 664,589</u>

**Subsequent Events Issued  
And Outstanding Common  
Stock Prior And After  
Closing Under Agreement  
(Details)**

**Jun. 30, 2012**

<a href="#">Common stock issued prior to closing under agreement</a>	101,000,000
<a href="#">Common stock outstanding prior to closing under agreement</a>	101,000,000
<a href="#">Common stock issued following the closing under agreement</a>	123,000,000
<a href="#">Common stock outstanding following the closing under agreement</a>	123,000,000

**Subsequent Events Shares  
Issued Under Private  
Placement (Details) (USD \$)**

**Aug. 03, 2012**

<u>Common stock to be issued under private placement</u>	22,000,000
<u>PerShare value of common stock to be issued under private placement</u>	\$ 0.5
<u>Gross purchase price value under Regulations</u>	\$ 11,000,000

**Summary Of Significant  
Accounting Policies Prepaid  
Mining Rights (Details)  
(USD \$)**

**3 Months Ended**                      **6 Months Ended**  
**Jun. 30, 2012 Jun. 30, 2011 Jun. 30, 2012 Jun. 30, 2011**

<a href="#">Rent expense on prepaid mining rights</a>	\$ 521,254	\$ 0	\$ 1,043,396	\$ 0
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**Income Taxes Bei Sheng  
operating loss (Details) (USD  
\$)**

**6 Months Ended  
Jun. 30, 2012**

<a href="#">Operating loss Bei Sheng</a>	\$ 20,157
<a href="#">Operating loss Golden Wide</a>	2,332
<a href="#">Operating income Golden Wide</a>	\$ 944
<a href="#">Hong Kong Profits Tax Statutory income rate</a>	16.5



## SUBSEQUENT EVENTS

**6 Months Ended  
Jun. 30, 2012**

### SUBSEQUENT EVENTS SUBSEQUENT EVENTS

#### **NOTE- 16 SUBSEQUENT EVENTS**

On August 3, 2012, China Shouguan Mining Corporation (“the Company”) entered into definitive agreements with certain investors relating to the private placement of a total of 22,000,000 common stocks of the Company at a subscription price of \$0.5 per share, for an aggregate gross cash purchase price of \$11,000,000 under Regulation S.

Prior to closing under the agreements, the Company had a total of 101,000,000 shares of its common stock issued and outstanding. Following the closing, the Company has a total of 123,000,000 shares issued and outstanding.

Apart from the above subsequent events, the Company evaluated subsequent events through the date the financial statements were issued and filed with this Form10-Q. There were no subsequent events that required recognition or disclosure.

**LOAN PAYABLE FROM A  
RELATED PARTY  
(TABLES)**

**6 Months Ended  
Jun. 30, 2012**

**LOAN PAYABLE FROM A  
RELATED PARTY  
(TABLES)**

**Minimum Future Payments Of  
The Aggregate Loan Payable  
From A Related Party**

As of June 30, 2012, the Minimum Future Payments Of The Aggregate Loan Payable From A Related Party in the next two years are as follows:

<b>Year ending June 30:</b>	
2013	\$ 110,765
2014	<u>553,824</u>
<b>Total borrowings</b>	<b>\$ <u>664,589</u></b>

**Income Taxes local (United States) and foreign components of loss before income taxes (Details) (USD \$)**

**6 Months Ended**

**Jun. 30, 2012 Jun. 30, 2011**

<u>Tax jurisdictions from Local</u>	\$ (48,193)	\$ 0
<u>Tax jurisdictions from Foreign</u>	(1,636,598)	(10,833)
<u>Loss before income taxes"</u>	\$ (1,684,791)	\$ (10,833)

**Short Term Borrowings  
Information (Details) (USD  
\$)**

**6 Months Ended  
Jun. 30, 2012**

Short term borrowing obtained by subsidiary (equivalent to RMB 5,500,000) \$ 869,496

**CONDENSED  
CONSOLIDATED  
STATEMENTS OF CASH  
FLOWS (Unaudited) (USD  
\$)**

**6 Months Ended**

**Jun. 30, 2012 Jun. 30, 2011**

**Cash flows from operating activities:**

Net loss, \$ (1,621,174) \$ (329,520)

**Adjustments to reconcile net loss to net cash used in operating activities:**

Depreciation of property, plant and equipment 176,807 34,159

Amortization of prepaid mining right 1,043,396 0

**Changes in operating assets and liabilities:**

Accounts receivable 228,390 208,328

Deposits and prepayments, 194,608 (2,073,913)

Accounts payable, (673,977) 180,983

Income tax payable, 5,934 (196,715)

Accrued liabilities and other payable, 35,850 (33,752)

Net cash used in operating activities (610,166) (2,210,430)

**Cash flows from investing activities:**

Purchase of property, plant and equipment (14,120) (2,387,612)

Payments on mining right 0 (3,932,390)

Payments on construction in progress (10,009) 0

Net cash used in investing activities (24,129) (6,320,002)

**Cash flows from financing activities:**

Proceeds from short-term borrowings 869,496 0

Proceeds from note payable 0 4,011,315

(Repayment of) proceeds from short-term loans payable (1,601,622) 1,930,307

Proceeds from long-term loans payable 474,271 412,328

Proceeds from loan payable, related party 663,979 0

Advances from a related party 92,657 15,387

Net cash provided by financing activities 498,781 6,369,337

Effect of exchange rate changes on cash and cash equivalents 40,087 21,505

**NET CHANGE IN CASH AND CASH EQUIVALENTS (95,427) (2,139,590)**

**CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD 339,870 2,425,494**

**CASH AND CASH EQUIVALENTS, END OF PERIOD 244,443 285,904**

**SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:**

Cash (refunded) paid for income taxes (69,551) 504,274

Cash paid for interest \$ 31,412 \$ 0

**CUNLI JI GOLD MINING  
PROJECT**

**6 Months Ended  
Jun. 30, 2012**

**CUNLI JI GOLD MINING  
PROJECT**

**CUNLI JI GOLD MINING  
PROJECT**

**NOTE - 5 CUNLI JI GOLD MINING PROJECT**

The Company's first project, the Cunli Ji Gold Mine, began in May 2009 and is operated and managed by the subsidiary, XinGuan. On May 4, 2009, the Company, through its VIE, XinGuan entered into an operating lease agreement with Penglai City Gold Mining Holding Co. Ltd ("PCGM"). Pursuant to the operating lease agreement, XinGuan agreed to lease and manage the gold mine for a term of 20 months, with a rental deposit of approximately \$2.9 million (equivalent to RMB 20 million). Also, XinGuan agreed to acquire the gold mine for a purchase consideration of approximately \$5 million (equivalent to RMB 34.8 million) under the acquisition agreement, if the following conditions are satisfied upon the expiry of the operating lease agreement: 1) the satisfaction of certain level of the monthly production capacity and 2) the production management of the mine reaches ISO (or equivalent) standard.

On January 3, 2011, the Company and PCGM mutually agreed to extend the lease term of the Cunliji gold mine for an additional six months expiry on July 3, 2011 with all terms and conditions to remain unchanged and granted the waiver of 12-months' rental charge for 2010 fiscal year under the operating lease agreement. Since one of the criteria, namely daily production of 80 tonnes as set out in the aforesaid operating lease agreement cannot be met, on July 3, 2011 both parties agreed to extend the lease term of the Cunli Ji Gold Mine for another six months to January 3, 2012.

On January 3, 2012, the above transaction was closed and the rental deposit became part of the purchase consideration.

<b>Concentration of risk major vendors (Details) (USD \$)</b>	<b>3 Months Ended 6 Months Ended</b>	
	<b>Jun. 30, 2011</b>	<b>Jun. 30, 2011</b>
<u>Purchases Vendor A</u>	\$ 174,495	\$ 272,032
<u>Purchases Vendor B</u>	96,576	191,718
<u>Purchases Vendor C</u>	74,699	74,699
<u>Total Purchases Vendor A, B and C</u>	\$ 345,770	\$ 538,449
<u>Percentage of Purchases Vendor A</u>	45	37
<u>Percentage of Purchases Vendor B</u>	25	26
<u>Percentage of Purchases Vendor C</u>	19	10
<u>Total percentage of purchase of Vendors</u>	89	73

**INCOME TAXES  
(TABLES)**

**6 Months Ended  
Jun. 30, 2012**

**INCOME TAXES  
(TABLES)**

**Foreign Components Of Loss  
Before Income Taxes**

For the six months ended June 30, 2012 and 2011, the local (United States) and foreign components of loss before income taxes were comprised of the following:

	<b>Six months ended June 30,</b>	
	<b>2012</b>	<b>2011</b>
Tax jurisdictions from:		
- Local	\$ (48,193)	\$ -
- Foreign	(1,636,598)	(10,833)
Loss before income taxes	<u>\$ (1,684,791)</u>	<u>\$ (10,833)</u>

**The Provision For Income  
Taxes**

The provision for income taxes consisted of the following:

	<b>Six months ended June 30,</b>	
	<b>2012</b>	<b>2011</b>
Current:		
- Local	\$ -	\$ -
- Foreign, representing by:		
Hong Kong	-	-
The PRC	(63,617)	318,687
Deferred:		
- Local	-	-
- Foreign	-	-
Income tax (credit) expense	<u>\$ (63,617)</u>	<u>\$ 318,687</u>

**Reconciliation Of Income Tax  
Rate To The Effective Income  
Tax Rate**

A reconciliation of income tax rate to the effective income tax rate for the six months ended June 30, 2012 and 2011 is as follows:

	<b>Six months ended June 30,</b>	
	<b>2012</b>	<b>2011</b>
Loss before income taxes	\$ (1,614,109)	\$ (5,634)
Statutory income tax rate	25%	25%
Income tax expense at the statutory rate	(403,527)	(1,409)
Tax adjustments	(69,551)	-
Net operating loss not recognized as deferred tax asset	191,665	41,832
Non-deductible items	217,796	278,264
Income tax (credit) expense	<u>\$ (63,617)</u>	<u>\$ 318,687</u>



**Summary Of Significant  
Accounting Policies  
Information Of Income  
Taxes (Details)**

**Jun. 30, 2012**

Percentage the company recognizes the largest amount of benefit that is greater 50

COMMITMENTS AND  
CONTINGENCIES  
[COMMITMENTS AND  
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6 Months Ended  
Jun. 30, 2012

NOTE - 15 COMMITMENTS AND CONTINGENCIES

The Company is committed under several non-cancelable operating leases for office premises and mining rights with the terms ranging from 1 to 10 years, with fixed monthly rentals or scheduled payments. Total rent expenses (excluding amortization of prepaid mining rights) for the six months ended June 30, 2012 and 2011 was \$51,415 and \$45,037, respectively.

As of June 30, 2012, the Company has the aggregate future minimum rental payments due under these non-cancelable operating leases in the next three years, as follows:

	Operating lease commitments			Total
	Office premises	Mine operating rights		
Year ending June 30,				
2013	\$ 104,891	\$ 6,171,179	\$	6,276,070
2014	71,073	-		71,073
2015	-	8,228,239		8,228,239
Total:	\$ 175,964	\$ 14,399,418	\$	14,575,382