



紫金礦業集團股份有限公司
ZIJIN MINING GROUP COMPANY LIMITED*

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(在中華人民共和國註冊成立的股份有限公司)

(Stock Code 股份代號: 2898)

ANNUAL REPORT
年報 2010



*For identification purpose only
*僅供識別



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GENERAL

Zijin Mining Group Company Limited (the “Company”) (formerly Fujian Zijin Mining Industry Company Limited) was incorporated on 6 September 2000 with the approval of the People’s Government of Fujian Province as a joint stock limited company in the People’s Republic of China (the “PRC”) by Minxi Xinghang State-owned Assets Investment Company Limited, Shanghang County Jinshan Trading Company Limited, Xinhua Industrial Group Company Limited, Fujian Xinhua Engineering Company Limited, Xiamen Hengxing Group Company Limited, Fujian Xinhua Department Store Company Limited, Fujian Gold Group Company Limited and Fujian Minxi Geologist as its promoters.

In December 2003, the Company was listed on the Stock Exchange of Hong Kong Limited (“Stock Exchange”). The Company was the first Mainland gold production enterprise listed overseas. In 2004, 2005, 2006 and 2007, the Company had continuously applied reserves to issue new shares four times and in April 2008, the Company issued 1.4 billion of A shares at RMB7.13 per share and was listed on the Shanghai Stock Exchange on 25 April 2008 at a nominal value of RMB0.1 each. As at 31 December 2010, the Company has a total of 14,541,309,100 ordinary shares (Nominal value of RMB0.1 each) of which 4,005,440,000 shares (H shares) listed on Hong Kong Stock Exchange, representing about 27.55% of the total issued shares, and 6,324,966,980 shares (A shares) listed on Shanghai Stock Exchange, representing about 43.50% of the total issued shares. The total listed shares in these two stock exchanges represented about 71.05% of the total issued shares of the Company.

The Company and its subsidiaries (the “Group”) are a comprehensive mining conglomerate in the PRC primarily engaged in gold production, and specifically engaged in the exploration, mining, and sale of gold and other non-ferrous metals. The Company produced about 69.07 tonnes of gold (including 29.18 tonnes of mine-produced gold) in year 2010. The Company is one of the largest and the most efficient mine-produced gold producers in the PRC.

As at the end of 2010, the Group retained resources reserve (audited): 750.17 tonnes of gold, an increase of 5%; 1,827.9 tonnes of silver; 10.5787 million tonnes of copper; 392,500 tonnes of molybdenum; 5.23 million tonnes of lead and zinc; 173,400 tonnes of tungsten (W_2O_3); 184.5 million tonnes of iron ore; 459.2 million tonnes of coal; 99,290 tonnes of tin; 607,100 tonnes of nickel; 66.73 million tonnes of sulfur iron (standard ore).

In 2010, the Company obtained new resources reserve (partially not yet audited): 71.83 tonnes of gold, 1,014,000 tonnes of copper, 1,782,000 tonnes of zinc and lead, 78,000 tonnes of molybdenum, and 3 million tonnes of iron ore.

The Group owns 275 exploration rights with a total area of 5,522.25 square km, in which, 43 overseas exploration rights with a total area of 314.75 square km; and 63 mining rights with a total area of 154.643 square km, in which, 6 overseas mining rights with a total area of 5.68 square km.

Corporate Information

EXECUTIVE DIRECTORS

Chen Jinghe (*Chairman*)
Luo Yingnan (*President*)
Liu Xiaochu
Lan Fusheng
Huang Xiaodong
Zou Laichang

NON-EXECUTIVE DIRECTOR

Peng Jiaqing

INDEPENDENT NON-EXECUTIVE DIRECTORS

Su Congfu
Chen Yuchuan
Lin Yongjing
Wang Xiaojun

SUPERVISORS

Lin Shuiqing
Xu Qiang
Lin Xinxi
Zhang Yumin
Liu Xianhua

COMPANY SECRETARY

Fan Cheung Man

AUDIT COMMITTEE

Lin Yongjing
Su Congfu
Chen Yuchuan
Wang Xiaojun
Peng Jiaqing
Liu Xiaochu

AUTHORISED REPRESENTATIVE

Chen Jinghe
Liu Xiaochu

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suites 3712-15, 37/F.,
Shell Tower, Times Square,
1 Matheson Street,
Causeway Bay,
Hong Kong

LEGAL ADDRESS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

1 Zijin Road,
Shanghang County,
Fujian Province,
The PRC

LEGAL CONSULTANT OF THE COMPANY (HONG KONG LAWS)

Charltons

AUDITORS

International Auditors:
Ernst & Young

PRC Auditors:
Ernst & Young Hua Ming

HONG KONG H SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor,
Hopewell Centre,
183 Queen's Road East,
Wanchai,
Hong Kong

WEBSITE

www.zjky.cn

STOCK CODE

2899

Financial Highlights

In this annual report, unless otherwise stated, monetary units are denominated in Renminbi.

FINANCIAL INFORMATION AS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

	For the year ended 31 December				
	2010	2009	2008	2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Results					
Revenue	27,769,198	20,215,111	16,322,275	14,871,268	10,678,810
Cost of sales	(18,240,154)	(13,642,427)	(10,329,182)	(9,295,361)	(6,718,899)
Gross profit	9,529,044	6,572,684	5,993,093	5,575,907	3,959,911
Other income and gains	535,040	608,982	522,199	238,991	193,226
Selling and distribution costs	(468,769)	(376,971)	(316,948)	(255,000)	(143,074)
Administrative expenses	(1,081,599)	(717,709)	(826,891)	(607,360)	(417,505)
Other expenses	(1,009,576)	(968,942)	(630,942)	(318,248)	(673,169)
Finance costs	(323,558)	(168,425)	(247,326)	(292,683)	(114,975)
Share of profits of:					
Associates	115,130	79,050	11,370	72,371	64,923
Jointly-controlled entities	22,236	16,654	28,502	18,225	-
Profit before tax	7,317,948	5,045,323	4,533,057	4,432,203	2,869,337
Income tax	(1,575,824)	(968,254)	(639,031)	(912,448)	(510,821)
Profit for the year	5,742,124	4,077,069	3,894,026	3,519,755	2,358,516
Attributable to:					
Owners of the parent	4,812,665	3,552,347	3,066,201	2,552,007	1,704,514
Non-Controlling interests	929,459	524,722	827,825	967,748	654,002
	5,742,124	4,077,069	3,894,026	3,519,755	2,358,516

Financial Highlights

For the year ended 31 December

	2010 RMB'000	2009 RMB'000	2008 RMB'000	2007 RMB'000	2006 RMB'000
Assets and liabilities					
Total assets	38,401,232	29,646,137	26,217,549	16,799,160	11,349,397
Total liabilities	12,372,562	8,032,671	7,038,424	9,680,547	6,295,925
Non-Controlling interests	4,197,100	3,443,285	3,044,737	1,781,587	1,401,444
Equity holders of the parent	21,831,570	18,170,181	16,134,388	5,337,026	3,652,028

LIQUIDITY

	2010 RMB'000	2009 RMB'000	2008 RMB'000	2007 RMB'000	2006 RMB'000
Cash and cash equivalents	3,791,472	2,999,054	2,719,868	2,158,477	1,939,408
Current ratio (%)	115	125	142	66	105
Trade receivables turnover (days)	7.15	6.68	6.89	5.83	4.45



Chairman's Statement

To all shareholders,

I wish to take this opportunity to express my sincere gratitude for your trust and support to Zijin Mining Group Company Limited. I am pleased to report herewith the operating results of the Group for the year ended 31 December 2010 as follows:

In 2010, the Group achieved a sales income (turnover) of RMB27,769,198,000, representing an increase of 37.37% over the previous year, and achieved a net profit after tax (net profit attributable to shareholders of the parent) of RMB4,812,665,000, representing an increase of 35.48% over the previous year. Earnings per share (basic) was RMB0.33, representing an increase of 37.5% over the previous year. (The calculation of earnings per share is based on the profit for the year attributable to shareholders of the parent of RMB4,812,665,000 (2009: RMB3,552,347,000) and the weighted average number of 14,541,309,100 ordinary shares (2009: 14,541,309,100 shares) in issue during the year).

MARKET OVERVIEW

In 2010, the gold price increased significantly due to the quantitative easing policy of the Federal Reserve of the U.S. and the European financial crisis. In 2010, the opening spot price of gold was US\$1,096.40/ oz. The highest price was US\$1,430.80/oz and the lowest price was US\$1,045.40/oz. The year-end closing price was US\$1,421.50/oz, representing an increase of 29.65%.

In 2010, the prices of non-ferrous metals remained at high trend. The 3-months forward opening price of copper of London Metals Exchange ("LME") was US\$7,412/tonne, which its highest price was US\$9,687/tonne, and its lowest price was US\$6,038/tonne. The year-end closing price was US\$9,685/tonne, representing an increase of 30.67%. The trends in relation to the price in both international market and domestic market were similar.

The trends of price of copper and zinc were almost the same. As the fundamental factors affecting the price were relatively weak, the price of zinc was fluctuated during the year. In 2010, the 3-months forward opening price of zinc of LME was US\$2,584/tonne, which its highest price was US\$2,735/tonne and its lowest price was US\$1,577/tonne. The year-end closing price was US\$2,446/tonne, representing a decrease of 5.3%.

INDUSTRIAL POSITION

According to the statistics of the China Gold Association, the 2010 national gold production in the PRC amounted to 340.876 tonnes in which 280.032 tonnes was mine-produced gold. In 2010, the Group produced 69.07 tonnes of gold, of which, 29.18 tonnes was mine-produced gold, representing approximately 10.42% of mine-produced gold in the PRC. The gold production enterprises of the PRC recorded total profit of RMB24.8736 billion (including profits other than gold production) and the Group recorded profit in the amount of RMB7.332 billion, representing 29.48% of the aggregate profit (including profits other than gold production) generated by gold production enterprises of the PRC. The Company is one of the largest and the most efficient mine-produced gold producers in the PRC.

Chairman's Statement

BUSINESS OVERVIEW

In 2010, the Group suffered from two incidents on 3 July 2010 (leakages of the waste water pond in the Zijinshan Copper Mine hydro-metallurgical plant) (the “7.3” Incident”) and 21 September 2010 (the Yinyan Tin Mine, located in Xinyi city, Guangdong province and is owned by Xinyi Zijin Mining Company Limited (“Xinyi Zijin”), a wholly-owned subsidiary of the Company, was affected by torrential rainfall brought by typhoon no. 11 “Fanapi”, and the major dam of the Yinyan Tin Mine tailing dam collapsed on 21 September 2010 as a result of the mud and rock slides caused by the torrential rainfall) (the “9.21” Incident”), and experienced severe challenges. With the efforts of all the employees and the effect of positive market situation, the Company maintained a substantial growth in terms of the key economic indicators under such difficult and complex external environment.

I. Production and Operation

1. GOLD MINE BUSINESS

During the reporting period, the Group produced a total of 69,071.15kg (2,220,687 ounces) of gold, representing a decrease of 8.36% when compared with same period last year (2009: 75,372.67kg).

The Group produced 29,177.05kg (938,063 ounces) of mine-produced gold, representing a decrease of 4.81% when compared with same period last year (2009: 30,652.59kg); in which 16,227.76kg (521,734 ounces) was produced from Zijinshan Gold Mine; 2,412.98kg (77,579 ounces) was produced from Hunchun Shuguang Gold and Copper Mine; 2,106.79kg (67,735 ounces) was produced from Guizhou Shuiyindong Gold Mine; 2,025kg (65,105 ounces) was produced from Chongli Zijin, 6,404.52kg (205,910 ounces) was produced from other entities in the Group.

The Group produced 39,894.10kg (1,282,624 ounces) of refinery gold, representing a decrease of 10.79% over last year (2009: 44,720.08kg), in which, Henan Luoyang Zijin Yinhui Gold Refinery Company Limited produced 33,783.09kg (1,086,151 ounces) of refinery gold, the Company's refinery plant produced 3,567.25kg (114,690 ounces) of refinery gold, Fujian Jinshan Gold Refinery Plant produced 1,856.24kg (59,679 ounces) of refinery gold, and other entities in the Group produced 687.52kg (22,104 ounces) of refinery gold.

Sales income from the gold business of the Group represented about 62.51% (after elimination) of the total annual sales income, and the net profit of the gold business represented about 65.49% of the total net profit attributable to equity holders of the parent.

(1 troy ounce = 31.1035g)

2. COPPER MINE BUSINESS

During the reporting period, the Group produced a total of 90,287.38 tonnes copper, representing an increase of 6.44% over last year (2009: 84,826.34 tonnes), in which 7,626.56 tonnes was mine-produced copper cathodes, representing a decrease of 40.61% (2009: 12,840.80 tonnes); the Group produced copper concentrates containing copper of 80,212.17 tonnes, representing an increase of 13.11% (2009: 70,914.39 tonnes), copper refinery produced 2,448.65 tonnes copper, in which, Ashele Copper Mine produced copper concentrate containing copper of 32,218.33 tonnes, representing an increase of 7.19% (2009: 30,058.16 tonnes); Qinghai Deerni Copper Mine produced copper concentrate containing copper of 27,587.05 tonnes, representing an increase of 12.47% (2009: 24,529.41 tonnes); Hunchun Gold and Copper Mine produced copper concentrate containing copper of 9,020.02 tonnes which represented a growth of 4.47% over last year (2009: 8,634.40 tonnes). Zijinshan Copper Mine produced 7,058.30 tonnes of copper cathodes which represented a decrease of 45.03% (2009: 12,840.80 tonnes), and produced copper concentrate containing copper of 5,538.60 tonnes, representing an increase of 306.46% (2009: 1,362.64 tonnes).

Sales income from the copper mine business represented 13.34% (after elimination) of the annual total sales income, while it represented about 25.04% of the total net profit attributable to equity holders of the parent.

3. LEAD AND ZINC MINE BUSINESS

During the reporting period, the Group produced zinc of 223,832.61 tonnes, representing an increase of 64.16% (2009: 136,346.35 tonnes). In which 185,097.98 tonnes was zinc bullion, representing an increase of 78.89% (2009: 103,471.70 tonnes); the Group produced zinc concentrates containing zinc of 38,734.63 tonnes, representing an increase of 17.83% (2009: 32,874.65 tonnes). Bayannaer Zijin Zinc Refinery Plant produced 185,097.98 tonnes zinc bullion, representing an increase of 79.68% (2009: 103,014.88 tonnes), Wulatehouqi Zijin produced zinc concentrates containing zinc of 23,999.46 tonnes, representing an increase of 6.78% (2009: 22,474.60 tonnes) and Ashele Copper Mine produced zinc concentrates containing zinc of 10,319.76 tonnes, representing an increase of 51.76% (2009: 6,800.01 tonnes). Other entities in the Group produced 4,415.41 tonnes of zinc.

During the reporting period, the Group produced lead concentrates containing lead of 4,936.94 tonnes, representing a decrease of 2.68% (2009: 5,073.11 tonnes).

Sales income from lead and zinc mine business represented about 9.91% (after elimination) of total annual sales income, while net profit from zinc mine business represented about 4.7% of the total net profit attributable to equity holders of the parent.

Chairman's Statement

4. IRON MINE, SILVER AND OTHER BUSINESS

During the reporting period, the Group produced silver of 122,419.22kg (2009: 125,401.71kg), in which, Shanxi Zijin produced silver of 23,958.80kg, Ashele Copper Mine produced silver concentrates containing silver of 23,566.20kg, Wuping Zijin produced 18,587.47kg of silver, Yunnan Huaxi produced silver concentrates containing silver of 6,780.74kg, Wuhou Zijin produced silver concentrates containing silver of 5,718.03kg. Other entities in the Group produced silver of 15,175.53kg and processed refinery silver of 28,632.45kg.

During the reporting period, the Group produced iron concentrates of 1,762,000 tonnes, representing an increase of 23.93% (2009: 1,421,800 tonnes).

Sales income from iron mine, silver and other mineral products represented about 14.24% (after elimination) of total annual sales income, which represented about 4.77% of the total net profit attributable to equity holders of the parent.

II. GEOLOGICAL EXPLORATION PROJECTS

During the reporting period, the Group invested RMB223 million in geological exploration and the volume of actual works completed includes the following: 232,000 metres drilling, 21,000 metres tunnel exploration, and 34,000 cubic metres trench exploration, which increased the resources reserve (partially not yet audited): 71.83 tonnes of gold, 1,014,000 tonnes of copper, 1,782,000 tonnes of zinc and lead, 78,000 tonnes of molybdenum, and 3 million tonnes of iron ore. The Group achieved a breakthrough with good results of exploration in the following mines: Zijinshan Mine East section (Luoboling), Dongping Gold Mine, Gansu Yate, Xinjiang Ashele Copper Mine, Guizhou Shuiyindong Gold Mine, Inner Mongolia Bayanhaer Aobao Gold and Silver Mine, and Jilin Hunchun Gold and Copper Mine.

The Group put more effort in exploration. Further resource explorations and strategic cooperation have been carried out in the following mines: Yunnan Wenshan Malipo, Honghezhou, Shangrila County, Guizhou Huijiabao, Henan Luoning County, and Heilongjiang Daxinganling.

As at the end of 2010, the Group retained resources reserve (audited): 750.17 tonnes of gold, an increase of 5%; 1,827.9 tonnes of silver; 10.5787 million tonnes of copper; 392,500 tonnes of molybdenum; 5.23 million tonnes of lead and zinc; 173,400 tonnes of tungsten (W_2O_3); 184.5 million tonnes of iron ore; 459.2 million tonnes of coal; 99,290 tonnes of tin; 607,100 tonnes of nickel; 66.73 million tonnes of sulfur iron (standard ore).

The Group owns 275 exploration rights with a total area of 5,522.25 square km, in which, 43 overseas exploration rights with a total area of 314.75 square km; and 63 mining rights with a total area of 154.643 square km, in which, 6 overseas mining rights with a total area of 5.68 square km.

III. EXTERNAL INVESTMENTS

In 2010, in accordance with the principle of “Acquisition of large projects, prioritize gold, while not ignoring the base metals”, the Company has completed a lot of project studies and preliminary evaluation work.

In domestic market, the Company has newly invested in Inner Mongolia Bayanhaer Aobao Gold Mine, Fujian Wengfu Zijin Phosphorous Chemical, Yongding County Mianhuatan Reservoir Ecological Industry, Jinshan Wear-resisting Materials, Xinjiang Tianlong Mining, and Kanasi Travel, and increased shareholding in Xinjiang Wulagen Zinc-lead Mine, and Shangrila Huaxi.

In overseas market, the Company has successfully subscribed US\$200 million convertible bonds issued by Glencore Finance (Europe) S.A., shares issued by Inter-Citic Minerals Inc. (a Canadian listed company) and became its largest shareholder, and completed the subscription of share placement of CASA, holding its 26.16% shareholding in total.

IV. CONSTRUCTION PROJECTS

The construction of following projects have been successfully completed and put into operation or in trial operation stage: Luoning Huatai processing plant technological innovation, the second phase of environmental protection construction in Bayannaor Zijin Zinc Refinery Plant, and Fujian Jinyi Copper Plant's expansion for 30,000 tonnes/year premium refrigeration copper tube. The construction of the main structure of 200,000 tonnes/year copper refinery plant has been completed and currently under the stage of facility installation. After obtaining all the necessary licences, Daobaoshan Copper Mine has commenced its development work. The following projects' construction have been carried out: Sanguikou Zinc-lead Mine, Yuanyang Gold Mine, Guizhou Shuiyindong third-phase technological innovation and gold refinery, Qinghai Deerni Copper Mine 10,000 tonnes comprehensive utilisation of tailing sulfur process plant, Mongolia Tianhong Gold Mine, Wengfu Zijin Phosphorous Chemical, and Xinjiang Qitai Coal Mine.

V. INVESTMENT AND ADVANCEMENT IN TECHNOLOGY

During the reporting period, the Group has invested RMB192,000,000 into research and development of technology. The approval of the construction of “State's Main Laboratory of integrated usage of low-grade refractory gold ore” from the Ministry of Science and Technology of the PRC was the first enterprise-government's main laboratory for gold industry in the country. The Group also made the following achievements in technology: successfully obtained the approval to build a provincial engineering institute in Fujian, the “Key technology of large scale application in biological extraction of copper in low-grade sulfuric copper ore” obtained for the first time the first grade technology advancement prize in Fujian, applied for registration of 27 patents (in which 18 items were invention patents), received 12 patents granted from government (in which 4 items were invention patents), the Group participated in the national standards setting in “Copper Cathodes” and coordinated the national standards setting in “Gold Bullion” and both of which gained the first prize and second prize of “Non-ferrous Metals Standards Setting Committee's Standards Excellence Prize” respectively.

Chairman's Statement

PROSPECTS

Business Environment

It is expected that the overall economic situation in 2011 will be slightly better than last year. Under the influence of the U.S. Federal Reserve's quantitative easing policy, debt crises in Europe and turbulent situations in the Middle East, gold as a hedging instrument, will remain at a high price level. Non-ferrous metals will continue to fluctuate at a high price level. However, with the inflation expected, and higher standards required for safety, environmental protection, energy saving and reduction of emission, rise in costs for raw materials, energy and labour and the adverse impacts on the Company after the "7.3" Incident and the "9.21" Incident, will bring new challenges to business operation.

Business Objectives

After the stern tests of "7.3" Incident and "9.21" Incident, the Company's management seriously revisited the Company's development strategy, clearly stated the idea "the Company's development strategy will stay firm; highly value the importance of environmental safety, solidly perform to honour corporate social responsibilities; firmly motivate a new tide of entrepreneurial activities; comprehensively strengthen the building up of project management and foundation management; adhere to the soul of persistent innovation to develop the Company". During the period of the twelfth five-year plan, the Company will adhere to the prime development objective for the building up of "a large international mining group of high-tech efficiency", persist in the development strategy to have "Put mining as the main business, prioritize gold, while not ignoring the base metals, conditionally select to develop complementary businesses and related businesses", persist in heading to the direction of internationalizing the development.

In 2011, the Group plans to produce gold of approximately 29.76 tonnes from mines; copper metal of approximately 87,800 tonnes; silver of approximately 131.35 tonnes; processed gold of approximately 32.81 tonnes; refined zinc of approximately 200,000 tonnes; zinc in concentrate form of approximately 34,900 tonnes from mines; iron concentrates of approximately 1,574,900 tonnes. Please note that the said plan was made on the basis of the current economic situation, market situation and the existing conditions of the Company. The Board may, pursuant to circumstances, vary the production plan.

Business Strategies

(i) To comprehensively enhance the precautionary standard and the management standard in the environmental protection and safety system, to re-build Zijin's brand name in environmental safety

Thoroughly implement the concept of scientific development, adhere to the philosophy of "putting safety first, prioritize environmental protection", seriously learnt the lessons from the "7.3" Incident and the "9.21" Incident, and properly manage the relationship among speed, efficiency and law-abiding and disciplined operation. Ensure to make environmental and production safety as the basis and premise to achieve the targets expected this year.

(ii) Highly value the importance of the building up of project management

Well implement the “Three at the same time” policy, insist “putting safety first, prioritize environmental protection”, thoroughly consider the environmental safety issues under extreme weather conditions, enhance the precautionary standards for safety and environment protection. Strengthen building-up of project management, and gradually establish a professional team for building up of project management.

Standardize comprehensively and complete the follow-up corrective and integrated environmental management of Zijinshan Gold and Copper Mine; speed up the pace of construction for several projects including 200,000 tonnes copper refinery plant and its railway goods yard, Wengfu Zijin phosphorus chemical industry, phase 3 of Guizhou Zijin technical transformation and gold refining projects, Mongolia Tianhong Gold Mine, tailing utilization project in Qinghai etc. Strive for finishing the construction and putting them into operation soonest; accelerate several new constructions including Duobaoshan Copper Mine, Tuva Lead-Zinc mine, Sanguikou Zinc mine, Yuanyang Gold Mine, Gansu Yate Gold Mine, Xinjiang Qitai Coal Mine and power station etc. Improve the preliminary work and construction pace of the projects to achieve the goal of building high-level and high-quality projects, cultivating new economic growth points for the next few years. It is expected that the mine produced gold will be increased about 5 tonnes, mine produced copper will be increased about 55,000 tonnes, mine produced zinc and lead will be increased about 190,000 tonnes, refinery copper will be increased about 230,000 tonnes, refinery by-product gold will be increased about 4.8 tonnes, refinery by-product sulfur will be increased about 1,230,000 tonnes and phosphorus chemical products will be increased about 300,000 tonnes in 2 years after these projects reached its production capacity.

(iii) Deepen the reform of the group management system; create simple and efficient management system

Further rationalize the Group's management system, strengthen the awareness of statutory duties and operational autonomy of the respective regional companies, board of directors and supervisory committee of the subsidiaries. Implement basic standardization for internal controls, establish a comprehensive risk control-oriented system for internal control, identify the weaknesses and operating deficiencies of internal control through self-evaluation activities, continue to improve internal control so as to raise the overall standard of corporate management.

Further reinforce the basis for budget management, give full play to the role of financial company, strengthen research efforts for the Group's foreign currency financing to reduce the Group's finance costs.

(iv) Strengthen the acquisition and exploration of mineral resources to support the new round of venture

Continue to implement the “Acquisition of large projects, prioritize gold, while not ignoring the base metals” principle, strengthen the acquisition capacity of resources, especially gold resources. Consider small investment in grass-roots exploration project which could bring great potential while paying attention to large and medium projects. Look for potential elementary mining exploration project in advance to obtain resources reserve with low-cost exploration.

Strengthen the management of mining rights and research concerning mineral formation belts area, establish rapid assessment for mining rights and exit mechanism, speed up the establishment for information platform of geological survey work and digitalization of mines. Continue to explore further resources by going deeper of the existing production mines and exploring the area nearby. Strengthen the integration of resources and exploration efforts in Henan Luoning, Yunnan Honghezhou and Diqingzhou, Li County in Gansu and Daxinganling area in Heilongjiang.

Chairman's Statement

Increase investment in geological exploration and train up high-quality geological survey teams. Establish and improve the operating mechanism to meet the international standards, implement the "going out" strategy for geological survey and exploration, and strive to look for breakthrough in terms of major international exploration projects.

(v) Improve human resources management; provide impetus for a new round of venture

Further improve the understanding of the importance and urgency of human resources work, and increase the attractiveness and cohesion for talents, bring in management and technical personnel via multi-channels, particularly those with international perspectives and standards to enhance the level of the management team.

Strengthen the evaluation and establishment of incentive mechanisms; continue to improve the performance management system.

(vi) Improve corporate governance, strengthen crisis management

Study and understand the laws and regulations of capital market, strengthen regulated operation, improve corporate governance standard.

Carry out investor relations work steadily, take the initiative to enhance communication and exchange views with investors to show good corporate fundamentals and stable growth of the Company. Gradually re-establish the Company's image in capital market.

Concentrate to follow up rectification of mines after the "7.3" Incident and handle the proceedings for "9.21" Incident. Strive for a timely, objective and fair solution while bearing responsibilities in accordance with the law.

(vii) Continue and glorify the Zijin's culture, honour social responsibilities, and to promote harmonious development

Establish firmly and practice the value of "Harmony creates wealth, coordinates development with corporate, staff and community". Protect the interests of the relevant parties and to build together a business environment with harmonious development.

FUTURE NEEDS IN CAPITAL

In accordance with the Company's initial plan, it is expected that the Company might invest approximately RMB5.4 billion in fixed assets and exploration, and approximately RMB3.6 billion in mining rights and equity holdings (the timing and amount of external capital investment are uncertain and they will vary from time to time) in 2011. Except for the projects specified in the A Shares IPO in 2008, all other projects will be financed by the Group's available cash, bank loans and other feasible financing methods.

By order of the Board
Chen Jinghe
Chairman

Shanghang, Fujian, the PRC
30 March 2011

