

Chairman's Statement

To all shareholders:

I wish to take this opportunity to express my sincere gratitude towards your trust and support to Zijin Mining Group Co., Ltd. ("the Company"). I am pleased to report herewith the operating results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December, 2004 as follows:

The Company achieved (turnover) sales income of RMB1,507,679,000, an increase of 43.52% over the previous year, and achieved net profit after tax (net profit attributable to shareholders) of RMB417,619,000, an increase of 33.04% over the previous year. Earnings per share (basic) was RMB0.16 and about the same as previous year (Earning per share is based on the net profit attributable to shareholders in this year RMB417,619,000 (for 2003 was RMB313,906,000) and weighted average issued ordinary shares of this year 2,628,261,820 shares (for 2003 was 1,916,395,676 shares)).

■ MARKET REVIEW

In 2004, the gold market continued the trend in 2003, and the gold price generally stayed at high position. The world gold price inflated 6% in 2004. The net consumption demand increased by 7% over 2003. In China, the gold price inflated from the beginning of 2004 RMB110.8 per gram to RMB118 per gram by the end of the year (the lowest price is RMB100.88 per gram), increased 6.6%. The trends of gold price in the domestic market and international market were almost the same, but the price performance in the domestic market was slightly stronger than the international market.

During the year, the PRC's and global economy grew quickly and the demand of major mineral raw materials increased rapidly. The prices of mineral products surged substantially due to the conflicts between the demand and supply.

During the year, the average selling price of the Company's gold was RMB109.39/g, representing an increase of 13.1% when compared with that of the corresponding period in 2003.

■ OPERATION OVERVIEW

1. ENLARGE PRODUCTION SCALE AND INCREASE EFFICIENCY

Zijinshan Gold Mine continued to be the main production and profit centre of the Group. In 2004, it produced 10,663kg of gold (342,826 troy ounce), representing an increase of 7.8% when compared with that of the previous year.

Guizhou Shuiyindong Gold Mine's operation was smooth and produced 1,457kg of gold (46,844 troy ounce) in 2004, representing an increase of 159.13% when compared with that of the previous year. It became a group's important profit centre with growth. Following commencement of the phase two of the technological improvement project in the second half of next year, it is expected that the productivity capacity of the mine will further increase.

Hunchun Zijin's 4000t/d ore-processing plant was built and in operation in August 2004. The total ore process capacity of the mine reached 5000t/d (with the old system). In 2004, the mine produced copper concentrates consisting of 618kg gold (19,869 troy ounce) and 2,264 tonnes of copper. Hunchun Zijin became the largest low grade primary gold processing mine in China.

Ashele Copper Mine completed infrastructure investments of RMB136.39 million, with the aggregate investments of RMB402.39 million. The mine substantially completed construction and successfully underwent trial production. It produced 4,798 tonnes of copper concentrates with copper reaching 823 tonnes. It is expected to become a new profit centre with growth in 2005.

Jiuzhaigou Caodi Gold Mine finished its first phase construction of infrastructures. The mining, processing, and refining systems have commenced trial operation.

Paodaoling Gold Mine's production facilities primary ore were in operation, and it successfully co-ordinated the production of oxidized gold ore and primary gold ore.

Xinjiang Mengku Iron Mine which was under the shareholding control of the Group at the beginning of 2004 achieved instant results in the year it was invested and it commenced operation based on the original foundation of the mine. A ore-processing system of 4,000 t/d underwent trial production partially. It produced 26,000 tonnes of iron concentrates in that year.

Anhui Tongling Jiaochong Gold Mine has increased the speed of infrastructure construction. The newly acquired and controlled Deérni Copper Mine has finished initial phase of development. The newly invested 100,000 tonnes zinc refinery plant in Inner Mongolia has successfully started the initial phase of development.

Zijinshan copper mine speeded up the construction in mining, crush, and transportation systems, and the test on the mining underground was successful.

Fujian Zijin Investment Co., Ltd. invested and obtained actual progress in copper manufacturing plant, electricity plant, ore processing chemical plants, standard factory construction, and mine explorations.

In 2004, the Group set up an International Department, and formed a window company in Hong Kong. At the beginning of 2005, Zijin International Mining Co., Ltd. has been set up in Beijing. All these new developments could build various links with overseas mining markets and speed up the preparation work for participation in the competitive international mining market.

2. EFFECTIVE INCREASE IN RESERVE BY EXPLORATIONS

By the end of 2004, the Group obtained 29 new mine exploration rights, covering 706.68 square km which might have reserves of gold, copper, iron, molybdenum, lead, zinc, coal, and aluminum. The Group has obtained 14 mining rights in total which covers 26.3136 square km. The accumulated mine exploration rights are 59 which covers 1,612.7 square km.

After additional mine explorations at the peripheral zones of Zijinshan Gold Mine, about 20.6 tonnes of gold and 9,740 tonnes of copper new reserve have been found. It firstly achieved new found reserve exceeding the consumption of resource. By the end of 2004, Zijinshan Gold Mine had 162 tonnes of gold reserve at 0.3g/t grade or above, and 173 tonnes at 0.2g/t grade or above.

Guizhou Shuiyindong Gold Mine passed an audit by National Mineral Reserve Assessment Centre and reported 56.62 tonnes (newly increased reserve of 34.86 tonnes) gold reserve at average 10.95g/t grade. The technological improvement and expansion project built a solid resources foundation. The explorations at the peripheral of gold mine also made new progress.

Sichuan Jiuzhaigou Caodi Gold Mine became a large gold mine and confirmed 36.576 tonnes of gold reserve, which included newly found additional reserve of 10.156 tonnes in 2004. A good prospect in finding additional reserve is expected to at the mine and its peripherals.

Guizhou Huajiangbeixie Coal Mine is the first risk-taking exploration of the Company in anthracite coal, with mine area of 34 square km. Its reserve reaches more than 60 million tonnes. It might become the first coal mine base of the Group. After an earth surface survey, a good prospect of mine reserve is expected in Guizhou Qinglong Yangzhai Coal Mine.

In respect of resources exploration in 2004, the Group gained newly found reserve of gold 65.6 tonnes, copper 9,740 tonnes and coal 60 million tonnes. The major gold mines like Zijinshan, Shuiyindong, and Hunchun achieved the new found gold reserve larger than the consumption.

By the end of 2004, the Company controlled reserve of 315 tonnes of gold, 3.45 million tonnes of copper, 600,000 tonnes of zinc, and 187.89 million tonnes of iron.

3. TO ENHANCE REFORMS AND STANDARDIZE MANAGEMENT

During the year, we actively explored corporate management for the Group and launched organization reforms and functional modification. The reforms featuring authorization on operation and enhancement of system establishment as well as supervision were in full swing. As a result, the Group's management could devote more effort on analyzing and implementing development strategies.

Standardization in organization of Zijinshan Gold Mine and the gold refinery achieved remarkable results. Zijinshan Gold Mine has obtained the quality management system and environmental management system recognition certificates. The gold refinery was the first plant to accomplish the quality, environment, occupational health and safety management system certification.

4. TECHNOLOGY INNOVATIONS AND A STEP FORWARD

In 2004, the Company continued to increase effort in scientific research and development. The Mining Industry Institute has commenced more than 80 trial projects in 2004 and has completed 27 projects, providing strong technological support for the Company's sustainable development;

The results of two research projects, namely "the research and industrialized application on normal pressure and catalytic pre-oxidation Guizhou Shuiyindong refractory gold ores" and "the research on safe and efficient operation in deep wells of Zijinshan Open Pit Ore" were recognized as up to international advanced level in an assessment conference on technological projects organized by China Gold Association;

The Company has acquired the following invention patents and practical new patents in 2004:

A new method for continuous preparation of pure gold solution (invention patent ZL 02 1 10402.6).

A method for copper extraction in mixed types of copper mine.

An ore processing method for low-grade oxidized gold mines (invention patent ZL 03 1 11966.2)

An artesian static absorption method in heap-leaching of gold mine

A self-contraction hook for hanging large ore (practical new model patent ZL03 2 16321.5)

Delicate disseminated gold mine closed pre-processing device (practical new model patent ZL03 2 63263.0)

The Company was continued to be recognized as an "Key High-tech Enterprise" (State Torch Plan);

■ OUTLOOK

1. BUSINESS ENVIRONMENT

Based on the forecast of the International Monetary Fund (IMF), the global economy will continue to grow in 2005. The PRC economy will maintain faster rate of development than the rest of the world, but its growth pace will slow down under the macro-economic control measures. Under the changes in international politics, economy and monetary system, the glamour of gold as a special commodity remains. The weak US dollar policy leads to higher investment sentiment in gold. It is expected that the international gold market in 2005 will be operating on a high price level with fluctuating and uprising characteristics. The changes in the growth rate of the world economy will have substantial impact on the development of the global industrial basic metal industry. The prices of major mineral raw materials will still be on a high level. Growth in demands will cause competition in the control of mining resources to be more intensified, and cost for obtaining mining sites will be increasing significantly.

2. BUSINESS STRATEGIES

1. To strengthen management for projects in operation

Zijinshan Gold mine will continue to play its role as a profit center, strengthen cost control, enhance utilisation rate of resources, and suitably increasing the production of gold under the new progress in mine exploration and increase in reserves.

Ashale Copper-Zinc Mine aims to achieve production yield, raising well mining capacity, and recovery rate in ore processing and the ore grades of copper and zinc concentrates, and to make appropriate contributions for the profit growth of the group company by capitalising on the favorable opportunities of the current high standing copper prices.

The phase 2 of the expansion project of the Guizhou Shuiyindong Gold Mine will be completed during the year, and will further optimize the process, enhance ore processing volume, realising a significant growth in gold production and profits.

Hunchun Company will not only realize steady production, but also devote to construction of the copper mine wet smelting plant, and strive to complete construction and commerce trial production during the year.

Xinjiang Mengku Iron Mine aims to achieve production yield and realise the planned profits at the earliest possible, and also strengthen exploration work to the mining site and the peripheral mining areas so as to increase the reserve.

We will achieve the target production level of Anhui Paodaoling Gold Mine at the earliest possible, increase the efforts in resources exploration, and enhance the protection level of resources.

2. To accelerate the progress as to projects under construction

The Zijin Copper Mine construction project will proceed in full swing, so as to ensure that production will commence at the end of 2005.

We will increase our efforts in the geologic exploration to Jiuzhaigou Caodi Gold Mine, striving to have a greater breakthrough in the control of resources, at the same time making overall planning on the development of the mine, upgrade the first phase construction works of the mine, and organise production under safety guarantee and environmental production.

We will accelerate the construction of Anhui Tongling Jiaochong Gold Mine and aim at finishing the infrastructural project by the first half of next year.

Construction of infrastructure of Deérni Copper Mines in Qinghai begins. It is planned that the main project will complete by the end of the year and the whole project will be completed by the end of 2006 for production.

Bayannaer Zinc Smelting Factory in Inner Mongolia will complete construction of main project during the year.

3. To devote more efforts in risk exploration and development of new projects

It is expected that new mines, prospective areas with mining resources and prospective development projects will be obtained through various ways and methods, including acquisition, contribution, participation in restructuring of state-owned enterprises and registration of mining right in new areas.

The scale of geologic and mine exploration in Zijinshan Gold Mine, Shuiyindong Gold Mine, Caodi Gold Mine, Hunchun Gold Copper Mine, Ashele Copper Mine, Deérni Copper Mine, Xinjiang Mengku Iron Mine and in the peripheral areas and Ganzili Tang will be enhanced, striving to have new progress and breakthrough.

We will speed up survey on foreign resources and preparation for initial stage of project for materializing development in overseas mining investment.

We will adopt the resource expansion strategies to enrich resource reserve. We will further broaden the field of mining industry, and place high importance on the exploration and control on ore species such as nickel, platinum, molybdenum, iron, aluminium, lead, zinc, tin and coal in addition to non-ferrous metals such as gold and copper. At the same time, we will develop and make use of the technology and expertise reserves, and carry out project researches for the construction of non-ferrous metal bases in the coastal regions by leveraging on the coastal ports, markets and expertise advantages as well as capitalising on overseas resources, and seek for opportunities to carry out construction.

Chairman's Statement

4. To achieve technological advancement for supporting and safeguarding corporate development

More investment will be made to technology projects. Through conducting development with the bases at the Mine Refining Institute, Xiamen Zijin Science and Technology Co. and Post-doctorate research activities, technological innovation capability will be enhanced, and technological management system will be upgraded.

We adhere to the direction of focusing on application of science and research on production. We will expedite the optimization of mining techniques, reduce and control depletion rate of ores, reduce cutoff, enhance the utilisation rate of resources and technological advancement for low-grade refractory ores. We will strengthen communication, connection and cooperation with science and search institutes, schools and universities to maintain our leading position in hydrometallurgy in China.

In the light of the conditions of the mining resources controlled by the Company, we will attach great importance on the reform of metallurgic material technology, and extend industrial chain to refining materials.

In accordance with the current situation and the future needs in the Company's business development, we will enhance the efforts in the training and recruitment of expertise, enhance the quality and level of senior management, set up a perfect staff remuneration and performance appraisal system, and provide good personnel foundation for the corporate development.

The operating results the Group achieved in the past year has been attributable to the supports of our entire staff and the shareholders. I would like to express herewith my sincere thanks to all of you. In the future operation developments, the Company will continue to create outstanding results, and provide satisfactory returns to shareholders.

Chen Jinghe
Chairman

Fujian, the PRC
7 April, 2005