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**Zijin Mining Group Co., Ltd.\***

**紫金礦業集團股份有限公司**

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

**(Stock code: 2899)**

**ANNOUNCEMENT  
CONTINUING CONNECTED TRANSACTIONS**

The Board announces that, on 17 July 2008, the Company has entered into the following agreements:

- (1) Zijinshan Agreement in relation to the provision of exploitation contracting services for gold and non-ferrous metals (inclusive of the process of stripping, mining and transportation) for part of the Zijinshan Gold Mine by Xinhua Engineering for a term from 1 January 2008 to 31 December 2008 subject to the priority of renewal by Xinhua Engineering upon expiration, which also replaced and superseded a contracting agreement entered into with Xinhua Engineering on 18 January 2006; and
- (2) Deerni Agreement in relation to the provision of exploitation contracting services for copper and non-ferrous metals (inclusive of the process of stripping, mining and transportation) for Deerni Copper Mine by Xinhua Engineering for a term from 1 January 2008 to 31 December 2008 subject to the priority of renewal by Xinhua Engineering upon expiration.

Mr. Chen Fashu currently holds approximately 51% shareholding of Xinhua Engineering and approximately 73.56% shareholding of Xinhua Industrial. Mr. Chen Fashu and Xinhua Industrial currently hold approximately 3.09% and approximately 11.89% shareholding of the Company respectively. Xinhua Engineering is a connected person of the Company pursuant to the Listing Rules. Therefore, any transactions between Xinhua Engineering and the Group constitutes a connected transaction under Chapter 14A of the Listing Rules.

The Continuing Connected Transactions, which are continuous in nature and were entered into in the ordinary course of business of the Company. As the applicable percentage ratios (as defined in the Listing Rules) in relation to the transactions are more than 0.1% but less than 2.5% (except profit percentage ratio), the transactions constitute exempt connected transactions of the Company under 14A.34 of the Listing Rules with exemption on the approval from Independent Shareholders and are subject to the reporting and announcement requirements set out in Listing Rules 14A.45 to 14A.47.

**1. PRINCIPAL TERMS OF ZIJINSHAN AGREEMENT**

Date:	17 July 2008
Parties:	Xinhua Engineering and the Company
Services to be provided:	Provision of exploitation contracting services for gold and non-ferrous metals (inclusive of the process of stripping, mining and transportation) of the Zijinshan Gold Mine
Pricing:	Such transaction will be conducted on terms by reference to the market prices or similar terms available from independent third parties
Term:	From 1 January 2008 to 31 December 2008

Payment Term: The amount payable by the Company to Xinhua Engineering each month is calculated in accordance with the following formula:-

The amount payable by the Company each month = the value of service fee of the preceding month X 80% – value of supplies used – withholding tax previously paid – disbursements previously made – any other deductions + the remaining balance of service fee incurred 6 months earlier.

The service fee will be settled by cash from the Company's internal source.

Others: Xinhua Engineering has the priority of renewal upon expiration.

It replaced and superseded a contracting agreement entered into with Xinhua Engineering on 18 January 2006. The contract signed on 18 January 2006 covered 3 years period from 1 January 2006 to 31 December 2008 and its annual cap for year 2008 was RMB150 million. Since it is estimated that the increase of production cost and production volume will likely cause an excess of the actual service fee to the original cap in year 2008, the Company and Xinhua Engineering agreed to sign a new contract to replace the contract signed on 18 January 2006. For the six months ended 30 June 2008, the service fees paid to Xinhua Engineering under this contract amounted to approximately RMB56,000,000.

The terms of the Zijinshan Agreement were arrived at after arm's length negotiation between the Company and Xinhua Engineering.

## **2. PRINCIPAL TERMS OF DEERNI AGREEMENT**

Date: 17 July 2008

Parties: Xinhua Engineering and Qinghai West, Qinghai West is a subsidiary of the Group and is principally engaged in the mining, production, refining and sale of copper and other mineral resources in the PRC

Services to be provided: Provision of exploitation contracting services for copper and non-ferrous metals (inclusive of the process of stripping, mining and transportation) of the Deerni Copper Mine for an estimated total of 2,450,000 cubic metres of ore but subject to variation depending on the actual annual and monthly product schedule set by Qinghai West

Pricing: Such transaction will be conducted on terms by reference to the market prices or similar terms available from independent third parties

Term: From 1 January 2008 to 31 December 2008

Payment Term: The amount payable by Qinghai West to Xinhua Engineering is calculated in accordance with the following formula:-

The amount payable of each month = (The value of the service fee incurred in the preceding month – withholding tax previously paid) X 90% – value of supplies used – disbursements previously made + the remaining balance of service fee incurred 6 months earlier

The service fee will be settled by cash from the Group's internal source.

Others: Xinhua Engineering has the priority rights of renewal upon expiration. For the six months ended 30 June 2008, the service fees paid to Xinhua Engineering under this contract were RMB14,800,000 and does not exceed 0.1% of the applicable percentage ratios (as defined in the Listing Rules).

The terms of the Deerni Agreement were arrived at after arm's length negotiation between Qinghai West and Xinhua Engineering.

The Company currently holds and owns approximately 60% of Qinghai West. Qinghai West is a subsidiary of the Company. Zijin Labour Union currently holds and owns approximately 6.5% of Qinghai West. Shaanxi Runlong currently owns approximately 33.5% equity interest of Qinghai West.

#### NEW ANNUAL CAP

The Company estimates that the maximum amounts ("**New Annual Cap**") of the Zijinshan Agreement and Deerni Agreement for the year ended 31 December 2008 will be RMB250 million, and RMB50 million respectively.

The New Annual Cap of the Zijinshan Agreement was determined by reference to historical figures payable under the previous contracting agreements entered into between the Company, and Xinhua Engineering and to a possible increase in production scale by the Group. For each of the two years ended 31<sup>st</sup> December, 2007, the audited service fees paid to Xinhua Engineering under the previous contracting agreements were RMB83,164,434 and RMB157,200,000 respectively. The New Annual Cap of Deerni Agreement was determined by reference to historical figures payable under the previous contracting agreements entered into between the Qinghai West, and Xinhua Engineering and to a possible increase in production scale by the Group. For the year ended 31<sup>st</sup> December, 2007, the audited service fees paid to Xinhua Engineering under the previous contracting agreements was RMB21,462,700. The breakdown of the transaction value is as follows:

		Year 2006 (audited) RMB	Year 2007 (audited) RMB	Year 2008 (Cap) RMB
1.	Provision of exploitation services and mining works by Xinhua Engineering at the Zijinshan Gold Mine	83,164,434	157,200,000	250,000,000
2.	Provision of exploitation services and mining works by Xinhua Engineering at the Deerni Copper Mine	N/A	21,462,700	50,000,000

For each of the two financial years ended 31 December 2006 and 2007, Xinhua Engineering has produced approximately 6,486,945 cubic metres and 9,530,000 cubic metres of ore in Zijinshan respectively. For the financial year ended 31 December 2007, Xinhua Engineering has produced approximately 950,000 cubic metres of ore in the Deerni Copper Mine. It is estimated that Xinhua Engineering will produce approximately 14,250,000 cubic metres of ore in the Zijinshan Gold Mine subject to variation depending on the actual annual and monthly product schedule set by the Company and 2,450,000 cubic metres of ore in the Deerni Copper Mine for 2008 subject to variation depending on the actual annual and monthly product schedule set by Qinghai West respectively under Zijinshan Agreement and Deerni Agreement. The estimated increase in production volume in Zijinshan Gold Mine is due to estimated strong demand for the product of the Company and the increase in the New Annual Cap. The estimated production volume in the Deerni Copper Mine is due to the revised production plan of Qinghai West.

#### CONNECTION BETWEEN THE PARTIES IN THE TRANSACTIONS

Mr. Chen Fashu currently holds approximately 51% shareholding of Xinhua Engineering and approximately 73.56% shareholding of Xinhua Industrial. Mr. Chen Fashu and Xinhua Industrial currently hold approximately 3.09% and approximately 11.89% shareholding of the Company respectively. Xinhua Engineering is a connected person of the Company pursuant to the Listing Rules. Therefore, any transaction between Xinhua Engineering and the Group constitutes a connected transaction under Chapter 14A of the Listing Rules.

## REASONS FOR THE PROPOSED TRANSACTIONS

The Company is principally engaged in the mining, production, refining and sale of gold and other mineral resources in the PRC. By virtue of the Zijinshan Agreement and Deerni Agreement, the Group will be able to continue to contract out exploitation works, thereby reducing the capital investment by the Group in equipment and human resources and enhancing the productivity and efficiency of exploitation. Therefore, the Directors including the independent non-executive directors of the Company consider that the transactions and the terms of the Zijinshan Agreement and Deerni Agreement are in ordinary course of business and on normal commercial terms and fair and reasonable and in the interest of the Company and its Shareholders as a whole.

## GENERAL

As the applicable percentage ratios (as defined in the Listing Rules) in relation to the transactions are more than 0.1% but less than 2.5% (except profit percentage ratio), the transactions constitute exempt connected transactions of the Company under 14A.34 of the Listing Rules with exemption on the approval from Independent Shareholders and are subject to the reporting and announcement requirements set out in Listing Rules 14A.45 to 14A.47.

## DEFINITIONS

In this announcement, unless otherwise indicated in the context, the following expressions have the meanings set out below:

“Board”	the board of Directors of the Company
“Company”	(紫金礦業集團股份有限公司)Zijin Mining Group Co., Ltd.*, a joint stock limited company incorporated in the PRC with limited liability
“Continuing Connected Transactions”	the connected transactions contemplated under the Zijinshan Agreement and Deerni Agreement which were entered into between the Company, Qinghai West and Xinhua Engineering on a continuing basis
“Deerni Agreement”	the agreement entered into between Qinghai West and Xinhua Engineering on 17 July 2008 in relation to, <i>inter alia</i> , the provision of exploitation contracting services for copper and nonferrous metals by Xinhua Engineering to the Group
“Deerni Copper Mine”	the copper mine of the Group in Qinghai province, the PRC
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Shareholders”	any shareholder of the Company that is not required to abstain from voting at a general meeting to approve a connected transaction pursuant to the Listing Rules
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People's Republic of China, but for the purpose of this announcement, excludes Hong Kong, Macau SAR and Taiwan

“Qinghai West”	(青海威斯特銅業有限責任公司) Qinghai West Copper Mining Co., Ltd., a subsidiary of the Company and a company incorporated in the PRC with limited liability
“RMB”	Renminbi, the lawful currency of the PRC
“Shaanxi Runlong”	(陝西潤龍礦業有限公司) Shaanxi Runlong Mining Company Limited, a company incorporated in the PRC with limited liability
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Xinhuadu Engineering”	(福建省新華都工程有限責任公司) Fujian Xinhuadu Engineering Company Limited, formerly known as (上杭縣華都建設工程有限公司) Shanghang County Huadu Construction Engineering Company Limited, a domestic company incorporated in the PRC with limited liability, and which was one of the promoters of the Company, Xinhuadu Engineering is mainly engaged in investment and mining business in the PRC
“Xinhuadu Industrial”	(新華都實業集團股份有限公司) Xinhuadu Industrial Group Company Limited, a domestic company incorporated in the PRC with limited liability, and which is one of the promoters of the Company
“Zijinshan Agreement”	the agreement entered into between the Company and Xinhuadu Engineering on 17 July 2008 in relation to, <i>inter alia</i> , the provision of exploitation contracting services for gold and nonferrous metals by Xinhuadu Engineering to the Company
“Zijinshan Gold Mine”	the gold mine of the Group in Shanghang county, Fujian province, the PRC
“%”	per cent

As at the date of this announcement, the Board of Directors of the Company comprises Messrs. Chen Jinghe (Chairman), Liu Xiaochu, Luo Yingnan, Lan Fusheng, Huang Xiaodong, and Zou Laichang as executive directors, Mr. Peng Jiaqing as non-executive director, and Messrs. Chen Yuchuan, Su Congfu, Lin Yongjing, and Loong Ping Kwan as independent non-executive directors.

By Order of the Board of Directors  
**Zijin Mining Group Co., Ltd.\***  
**Chen Jinghe**  
*Chairman*

17 July 2008 Fujian, China.

\* *The Company's English name is for identification purpose only*