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If you have sold or transferred all your shares in Zijin Mining Group Co., Ltd.*, you should at once hand this circular to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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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)

**PROPOSED CHANGE OF USE OF PART OF PROCEEDS IN OTHER
INVESTMENT PROJECT
AND
PROPOSED REPLACEMENT OF PROCEEDS TO THE INITIAL
INVESTMENT IN ZGC PROJECT**

The notice convening the extraordinary general meeting of the Company to be held at the Company's conference room at 1st Floor, No.1 Zijin Road, Shanghang County, Fujian Province, The People's Republic of China on 15 December 2010 (Wednesday) at 9:00 a.m. is attached to this circular. Whether or not you are able to attend the meeting, please complete and return the enclosed proxy form in accordance with the instructions printed thereon, to the office of the Secretary to the Board of the Company at 19-22/F., Haifu Centre, 599 Sishui Road, Huli District, Xiamen, Fujian Province, The People's Republic of China (Fax: (86) 592 2933580), as soon as possible and in any event not less than 24 hours prior to the commencement of the extraordinary general meeting. Completion and return of the proxy form will not preclude you from attending and voting at the meeting should you so wish.

** The English name of the Company is for identification purpose only*

3 November 2010

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DEFINITIONS

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

“Board”	the board of Directors
“Company”	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 PRC with limited liability
“Director(s)”	the director(s) of the Company
“EGM”	the first extraordinary general meeting of the Company in 2010 to be convened at 9:00 a.m. on 15 December 2010, Wednesday, at the conference room on the 1st floor of the Company’s office building at No.1 Zijin Road, Shanghang County, Fujian Province, The PRC
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“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 circular, excludes Hong Kong, Macau SAR and Taiwan
“Proceeds Management Policy”	the policy namely “Proceeds Management Policy of Zijin Mining Group Co., Ltd.” established by the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Shares”	share(s) of RMB0.1 each in the share capital of the Company
“Shareholder(s)”	the shareholder(s) of the Company
“Sponsor”	Essence Securities Co., Ltd.*
“Supervisor(s)”	the member(s) of Supervisory Committee
“Supervisory Committee”	the supervisory committee of the Company
“Verification Report”	the “Verification Report in relation to the Position of Use of Proceeds from A Shares Issuance by Zijin Mining Group Co., Ltd.”
“%”	per cent

LETTER FROM THE BOARD OF DIRECTORS



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)

Executive Directors:

Chen Jinghe (*the Chairman*)
Luo Yingnan
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

Registered Office and Principal

Place of Business:

No.1 Zijin Road
Shanghang County
Fujian Province
The PRC

Place of business in Hong Kong:

Suite 3712-15, Shell Tower
Times Square
1 Matheson Street
Causeway Bay
Hong Kong

3 November 2010

To Shareholders

Dear Sir/Madam,

**PROPOSED CHANGE OF USE OF PART OF PROCEEDS IN OTHER
INVESTMENT PROJECT
AND
PROPOSED REPLACEMENT OF PROCEEDS TO THE INITIAL INVESTMENT IN
ZGC PROJECT**

1. INTRODUCTION

The purpose of this circular is to provide you with information regarding (i) the proposed change of use of part of proceeds in other investment project; and (ii) the proposed replacement of proceeds to the initial investment in ZGC project.

LETTER FROM THE BOARD OF DIRECTORS

2. PROPOSED CHANGE OF USE OF PART OF PROCEEDS IN OTHER INVESTMENT PROJECT

2.1 The Background of Change of Use of Proceeds in other Investment Project

With the approval of the China Securities Regulatory Commission (Zhengjianxuke [2008] no. 417), the Company made a public offer of 1,400,000,000 ordinary shares of the Company to the public at an issue price of RMB7.13 per share on 16 April 2008 and raised a total of RMB9,982,000,000. The net proceeds after deducting the administrative expenses of RMB175,039,800 in relation to the public offering was in the amount of RMB9,806,960,200.

The prospectus for the initial public offering of A shares of the Company sets out that the raised proceeds will be applied and invested in 8 projects including the Zijinshan Gold and Copper Joint Exploitation Project and the Enhancement and Development Works for the Hunchun Zijin Shuguang Gold and Copper Mine and be applied towards strengthening the cash flow position of the Company.

As at 30 June 2010, the positions in relation to the planned and actual use of proceeds are as follows :

		<i>RMB'000</i>		
No.	Project Name	Proposed investment	Actual investment	Progress
1	Zijinshan Gold and Copper Mine joint open pit mining project	1,521,040.80	1,373,657.10	constuction basically completed and commenced production
2	Hunchun Zijin Shuguang Gold and Copper Mine technological innovation and expansion project	461,500.00	405,576.20	constuction basically completed and commenced production
3	200 tonnes daily refractory gold processing and refining project	198,380.00	198,094.00	constuction completed and commenced production
4	Mineral resources exploration project	357,000.00	17,067.60	Propose to change
5	Acquisition of the exploration right in Zhongliao Copper Mine Wuziqilong Jintonghu section exploration project	198,000.00	196,800.00	Acquisition completed
6	Increase capital injection in Zijin Tongguan for the acquisition of equity interest in Monterrico Metals PLC project	603,000.00	603,000.00	Acquisition completed
7	Acquisition and development of the ZGC Gold Mine in Tajikistan	1,305,345.00	418,472.60	Completed acquisition, being initial construction

LETTER FROM THE BOARD OF DIRECTORS

RMB'000

No.	Project Name	Proposed investment	Actual investment	Progress
8	Acquisition of 70% interest in Zijin Longxing which owns the mining right in the Tuva Lead Zinc Mine - the Republic of Tuva	271,600.00	271,600.00	Acquisition completed
9	Supplemental working capital	<u>4,891,094.40</u>	<u>4,768,000.00</u>	
	Total	<u><u>9,806,960.20</u></u>	<u><u>8,252,267.50</u></u>	

Among the above projects, the mineral resources exploration project will be funded by internal funding resources because of certain internal constrains. As a result of which, the proposed investment sum of RMB342,105,100 (including interest) not yet applied towards the mineral resources exploration project will be re-directed and invested in the Comprehensive Utilization of Circular Economy for the Qinghai Deerni Tailings Project.

The proposed change of use of proceeds will not constitute a connected transaction.

The proposed change of use of part of proceeds has been reviewed and approved by the eighth meeting of the fourth term of board of directors, but is still subject to the approval of the first extraordinary general meeting of shareholders of the Company in 2010 before it takes effect.

2.2 The Reasons for the Proposed Change of Use of Proceeds

The total investment for the mineral resources exploration project was RMB357,000,000, consisting mainly the exploration in Zijinshan Gold and Copper Mine and its peripheral areas as well as 6 other exploration projects. As at the end of June 2010, the actual investment made towards the mineral resources exploration project was RMB17,067,600 with details as follows:-

No.	Project	<i>Unit : RMB'000</i> Actual investment
1	Exploration in Zijinshan Gold and Copper Mine and its surrounding area	7,241.9
2	Exploration in Shuguang Gold and Copper Mine	4,547
3	Exploration in Yixingzhai Gold Mine	1,187.6
4	Exploration and survey in Fuxing Copper Mine and Mengku Wutubulake Iron Mine	2,828.8
5	Comprehensive study of Dongkeng Gold Mine and exploration in Yinyan Tin Mine	996.3
6	Exploration in Mashu Copper Mine	<u>266</u>
	Total	<u><u>17,067.6</u></u>

LETTER FROM THE BOARD OF DIRECTORS

In relation to the above 6 projects, for the Xinjiang Mengku Wutubulake Iron Mine, no further investment will be made because of resources structuring of the local government; for the Xinjiang Fuxing Copper Mine and the Anhui Mashi Copper Mine, no further investment will be made because of low economic return as a result of the resources there being confirmed to be limited in amount and of low quality; for the Dongkeng Gold Mine and the Yinyan Tin Mine, both have reached the production target but for the fact that the next step will be the arrangement of a combination of exploration and mining, and that it is difficult to distinguish the investments in relation to the mining exploration and the investments in relation to production input, it is proposed not to use any fund raised; for the Zijinshan Gold and Copper Mine and its peripheral area, the Shuguang Gold and Copper Mine and the Yixingzhai Gold Mine, all of which still require further investment, but for the fact that the investment period and cycle for the exploration is long, that the risk associated with the investment in exploration is high, and that it is difficult to estimate with any accuracy the investment returns, it is proposed not to use any fund raised. Therefore, it is proposed to effect a change of use of the proceeds not yet applied towards the mineral resources exploration project.

The change of use of part of the proceeds raised not only promotes a more efficient usage of the fund raised, but also reduces the financial cost, enhances the profitability of the Company and creates better returns to the investors.

2.3 The Status of the New Project

I) *The Need to Implement the Project*

Qinghai West Copper Co., Ltd. is a wholly-owned subsidiary of the Company focusing on the development and utilization of the resources of Qinghai Deerni Copper Mine. Deerni Copper Mine is a large scale copper and cobalt mine with the resources reserve confirmed to be consisting of 540,000 tonnes copper, 29,000 tonnes cobalt and 14,617,000 tonnes sulphur, etc. An integrated system has been built at the Deerni Copper Mine to process 8,000 tonnes crude ore on a daily basis and 2,400,000 tonnes ore on an annual basis. On the assumption that the term of operation of the mine is 20 years, it is estimated that over a million tonnes of tailings will be deposited into the tailings depot each year. The average composition of the tailings in Deerni Copper Mine is about: 40.7% iron, 38.5% sulphur, 0.35% copper, 0.81% zinc, 0.44g gold per tonne, 7.6g silver per tonne, and 11.3g cobalt per tonne. The tailings contains high quantity of iron, sulphur and other valuable metals and the value of the tailings in terms of development and utilization is therefore good.

In order to make full use of the advantages of Qinghai Deerni Copper Mine in terms of resources, technology and reserve amount, to effect changes in relation to the industrial advantageous position and the economic advantageous position, to further enhance the overall corporate economic return, and to explore new points for the growth of the Company, the Company set up a wholly-owned subsidiary Zijin Mining Group Qinghai Co., Ltd. in Xining in November 2008 for the purpose of investing in the Comprehensive Utilization of Circular Economy for the Qinghai Deerni Tailings Project with supporting facilities such as waste heat power generators. The project will be planned as a whole and developed in different phases. The first phase will be the construction of an acid production plant together with supporting facilities to handle iron-sulphur ore with a capacity of 300,000 tonnes per annum which will be a part of the facilities for the acid production with a capacity of 400,000 tonnes/year.

LETTER FROM THE BOARD OF DIRECTORS

II) *Estimate of the Investment and Use of Proceeds*

The Company will invest RMB587,929,500 in the first phase of the Comprehensive Utilization of Circular Economy for the Qinghai Deerni Tailings Project including investment of fixed asset in the amount of RMB584,140,000 and working capital in the amount of RMB3,789,500. Apart from the amount of RMB342,105,100 which is the subject matter of the change of use of proceeds, the Company will finance the balance of investment from its own sources.

III) *Raw Materials and Fuel*

The raw materials for this project is sulphur concentrates collected from the tailings pool of Deerni Copper Mine and the consumption rate is 282,800 tonnes per year (net weight). The raw materials will be transported by vehicles to the raw materials warehouse.

Natural gas will be the fuel for the production.

IV) *Technology*

(1) *Production Volume*

Sulphuric acid (100% content): 400,000 tonnes per year

Power generation capacity: 6,770 k-kWh/year (self-consumption is deducted)

Cinder: 198,400 tonnes per year (contains $Fe \geq 62\%$ and $S \leq 0.3\%$)

(2) *Production Flow*

Production Flow: sulphur concentrates → fluidized roasting → waste heat recovery → cyclone purification → electrostatic precipitator → fuel gas scrubbing purification → fuel gas drying and absorption → conversion of SO_2 ;

Sulphuric acid products from dry absorption → Sulphuric acid storage for external sales;

Cinder → residue warehouse → external sales;

The diluted acid produced from the fuel gas scrubbing purification process will be transferred to waste water treatment point for gypsum production.

(3) *Major Facilities*

The production flow to be applied in this project should be advanced, stable and reliable. The equipment chosen should be advanced, mature, reliable and energy saving. In order to ensure the stability of the acid production plant, it is proposed to introduce the imported SO_2 main blower, waste heat boiler circulating pumps, acid purification process plate heat exchangers, acid products plate heat exchangers and centrifugal separator, etc.

LETTER FROM THE BOARD OF DIRECTORS

V) *Environmental Protection and Comprehensive Utilization*

(1) *Waste Gas Treatment*

- a. Waste gas produced from acid production: advanced absorption technology of double conversion and double absorption has been applied to the acid production system. The system also introduces foreign catalysts to improve the conversion rate of SO₂ and uses imported fiber mist eliminator in the double absorption tower. When the concentration of the acidic gas and mist reach the national standards, it will be discharged from a chimney of 90m in height.
- b. Blow-in gas from fluidized roaster: such gas will be discharged through 30mg blow-in chimney after cooling process by waste heat roaster and purification by cyclone dust collection.

(2) *Wastewater Treatment*

The wastewater treatment point adopts neutralization measures and the neutralized wastewater will be able to satisfy the first class requirements of the “Standards for the Comprehensive Discharge of Wastewater” (GB8978-1996). The wastewater after treatment will be discharged into the pipe network system of the plant.

(3) *Solid Waste Disposal*

Solid waste mainly comprises of roaster residue, and gypsum can be produced in waste water treatment.

As the roaster residue contains high concentration of iron, it can be sold as a prime raw material for steel and iron plant; gypsum can be used as cement admixture and raw materials for construction; waste catalyst generated from production will be collected for the recycle by catalyst manufacturers.

(4) *Noise Treatment*

Noise mainly comes from SO₂ main blower, gas turbine generator and waste heat roaster safety valve (during discharge).

The measures will be applied including: sound-proof gate will be installed and vibration reduction arrangement will be made to the foundation; sound arrester will be installed in the control room and double-glazing window and vibration reducing system will also be installed; acoustic enclosures and silencers will be installed to reduce noise generated from the fan; the level of noise should comply with requirement of “Noise Emission Standards for Industry and Corporate Enterprises”.

LETTER FROM THE BOARD OF DIRECTORS

The environmental protection investments to be made for the project include wastewater treatment, waste gas treatment, noise control and solid waste disposal. Environmental protection investment of this project is about RMB57,300,500, accounting for 13.2% cost of the project.

VI) *Location*

Comprehensive Utilization of Circular Economy for the Qinghai Deerni Tailings Project will be located at Ganhe Industrial Park, Xining, Qinghai.

VII) *The Arrangement and Implementation Progress of the Project*

Qinghai West Copper Co., Ltd. has appointed China Ruilin Engineering and Technology Co., Ltd. to conduct a feasibility study for this project and the feasibility report has been prepared and completed by China Ruilin Engineering and Technology Co., Ltd. (CN0108, Gongcheng). Zijin Mining Group Qinghai Co., Ltd. is responsible for the operation of the project and has applied internal funding to prepare and effect early phase works including land acquisition and the project is currently under construction.

VIII) *Project Efficiency Analysis*

Construction of the project will take 1.5 years and the preparation of the production will also take 1 year. It is estimated that the project will be completed and in operation by the end of 2011. The internal financial return before tax is estimated to be 18.75% and that of after tax is estimated to be 14.89%; the pay-back period before tax is estimated to be 5.98 years (including construction period) and that of after tax is estimated to be 6.78 years (including construction period); the return on total investment (ROI) is estimated to be 15.28% and the return on equity (ROE) is estimated to be 22.13%.

IX) *Project Approval*

Comprehensive Utilization of Circular Economy for the Qinghai Deerni Tailings Project has been approved by the Development and Reform Commission of Qinghai (reference registration number: Qingfagaigongyebeizi [2008] no.50) and the case filing has been submitted with the Economic Commission of Qinghai (filing registration no.: Qingjingtoubelian [2008] no.24). In relation to the written replies issued respectively by the Development and Reform Commission of Qinghai in March 2010 (Qingfagaihan [2010] no.396) and the Economic Commission of Qinghai in April 2010 (Qingjingtoubelianbiangen [2010] no.2) with respect to the postponement of the case filing of the project (the first phase), the Supervisory and Management Bureau for Safety Production in Qinghai has completed expert review and granted safety approval for the project. The project has obtained environmental protection approval from the Qinghai Environmental Protection Office (Qinghuanfa [2010] no.569) in August 2010, obtained land-use approval from the Qinghai People's Government in September 2009 (Qingzhengtuhan [2009] no. 56) and a land use agreement has been entered into with the administration committee of Ganhe Industrial Park, Xining Economic and Technology Development District.

LETTER FROM THE BOARD OF DIRECTORS

2.4 Prospect of the Project and Risks Analysis

1. *Market Prospect and Analysis*

This project uses the tailings in Qinghai Deerni Copper Mine as raw materials, adopts the method of fluidizing roasting, double conversion and double absorption to produce sulphuric acid with a concentration of 98%. The cinder is a high quality iron burning sand, and the waste heat will be used for power generation. This project therefore completely fulfils the requirements of the national plan of “The acid production in China will see an active development in the use of pyrite, will promote acid production through refinery and will see the development of acid production from sulphur in a proper pace”, fulfils the core value of high efficiency in the utilization and recycling of resources, fulfils the Circular Economic policy of “Quantity Reduction”, “Re-utilization” and “Resourceful” and fulfils the national industrial policy and entrance requirements. In terms of regional sales and production technology, the project enjoys the following advantages:

- (1) The iron concentration in the cinder produced from the acid production process is over 65%. The cinder is therefore a prime raw material for the steel industry. As a basic industrial raw material, it is expected that there will be a great market demand for the cinder at present and in future. Moreover, certain steel plants are located adjacent to the project and as a result of which the short sale distance and lower transportation cost could afford certain comparative advantages to the project.
- (2) Yunnan Yuntianhua’s International Fertilizer Corporation is located in the same industrial zone of the project and the annual consumption of sulphuric acid by the corporation is about 330,000 tonnes. A sale and supply framework agreement has been signed with the corporation and majority of the acid products produced from phase one of the project will be delivered through pipelines to the corporation and the rest will be sold in other local regions.
- (3) The project and its production facilities are the largest production plants in the PRC and overseas for acid production through the use of pyrite. The project adopts advanced technology and the waste emission in relation to “Three kind of Wastes” is kept to the minimum and within the emission limits. As a result of the low cost of raw materials, ease of sourcing, comprehensive recycling and utilization of waste heat, low consumption of energy and a comparatively lower production cost than other competitors, the project is able to maintain a strong competitive edge. The project is also financially viable for it enjoys a high financial efficiency and return, and the capability in terms of risk resistance and the ability to effect loan repayment of the project is good.

LETTER FROM THE BOARD OF DIRECTORS

2. *Major Risks Analysis*

The viability and efficiency of return of the project depends on the price of sulphuric acid and iron burning sand and the results of the recycling and utilization of waste heat. Set out below are 3 major contingent factors which may cause certain risks to the project:

- (1) the global demand and supply of sulphur and the rise and fall of the price of sulphur which may have certain effect on the price of sulphuric acid;
- (2) the fluctuation in the production and sale of domestic chemical fertilizer which may have certain effect on the price of sulphuric acid; and
- (3) any changes in the relevant industrial policies by the PRC Government.

2.5 **The Opinion of the Independent Non-executive Directors in relation to the proposed Change of Use of Part of the Proceeds**

The Independent Non-executive Directors, namely Mr. Lin Yongjing, Mr. Su Congfu, Mr. Chen Yuchuan and Mr. Wang Xiaojun, formed the following opinion in relation to the proposed change of use of part of the proceeds:

With the approval of the China Securities Regulatory Commission (Zhengjianxuke [2008] no. 417), the Company made a public offer of 1,400,000,000 ordinary shares of the Company to the public at an issue price of RMB7.13 per share on 16 April 2008 and raised a total of RMB9,982,000,000. The net proceeds after deducting the administrative expenses of RMB175,039,800 in relation to the public offering was in the amount of RMB9,806,960,200.

Fujian Huaxing Certified Public Accountants Co., Ltd. conducted a special audit with respect to the use of proceeds by the Company as at 30 June 2010 (Minhuaxingsuo [2010] Jianzhengzi no. D-001). As at 30 June 2010, the Company has used RMB8,252,267,500 of proceeds in total. The unused proceeds was RMB1,554,692,700 and the accumulated interest income was RMB140,441,200. The balance remained and deposited in the specific bank account in relation to the proceeds raised was RMB1,695,133,900.

According to the Proceeds Management Policy of the Company, the management of the Company proposed a part of the proceeds in the amount of RMB342,105,100 (including interest) not yet applied towards the mineral resources exploration project to be re-directed and invested in the Comprehensive Utilization of Circular Economy for the Qinghai Deerni Tailings Project.

After a careful and prudent review of the above proposal, the Independent Non-executive Directors formed the following opinion: the change of use of part of the proceeds was proposed by the Board of Directors after taking into account the relevant objective factors and circumstances and the investment project in which the proceeds will be applied has a better prospect and economic return, is capable of raising the efficiency in relation to the utilization of the fund raised and to achieve an effective allocation of resources, is to the benefit of the Company and the shareholders as a whole and is of no adverse effect to the benefits of the shareholders, in particular minority shareholders, of the

LETTER FROM THE BOARD OF DIRECTORS

Company. The contents and the procedures in relation to the proposed change of use of part of the proceeds are in compliance with the law and regulations in relation to the use of proceeds by listing companies and the provisions and requirements of the Proceeds Management Policy of the Company. The Independent Non-executive Directors agreed to the proposed investment sum of RMB342,105,100 (including interest) not yet applied towards the mineral resources exploration project to be re-directed and invested in the Comprehensive Utilization of Circular Economy for the Qinghai Deerni Tailings Project and submit the proposal for the consideration and approval by the first extraordinary general meeting of the shareholders in 2010 of the Company.

2.6 The Decision Making Procedures and Opinion of the Supervisory Committee

The Company's Supervisory Committee after review and consideration formed the following opinion in relation to the proposed change of use of part of the proceeds: the change of use of part of the proceeds was proposed by the Board of Directors after taking into account the relevant objective factors and circumstances, the investment project in which the proceeds will be applied is capable of raising the efficiency in relation to utilisation of the fund raised, is of no adverse effect to the benefits of the shareholders of the Company. The procedures in relation to the proposed change of use of part of the proceeds are in compliance with the applicable law and regulations. The Supervisory Committee agreed to the proposed investment sum of RMB342,105,100 (including interest) not yet applied towards the mineral resources exploration project to be re-directed and invested in the Comprehensive Utilization of Circular Economy for the Qinghai Deerni Tailings Project and would like to submit the proposal for the consideration and approval by the first extraordinary general meeting of the shareholders of the Company in 2010.

2.7 Sponsor's Opinion

The sponsor of the Company, Essence Securities Co., Ltd., after verification considered that: The change of use of part of the proceeds was considered and approved by the Board of Directors and was further agreed by the Independent Non-executive Directors. The procedures in relation to the proposed change of use of part of the proceeds have complied with the necessary legal procedures and requirements and the relevant provisions and requirements of "Shanghai Stock Exchange's Requirements with respect to Proceeds Management". Therefore, the sponsor of the Company agreed the Company to submit the proposal for the consideration and approval by the first extraordinary general meeting of the shareholders of the Company in 2010, and to act in accordance with the applicable legal procedures and make necessary disclosures before implementation of the proposal (for the detail opinion of the Sponsor please refer to appendix 1).

LETTER FROM THE BOARD OF DIRECTORS

3. PROPOSED REPLACEMENT OF PROCEEDS TO THE INITIAL INVESTMENT IN ZGC PROJECT

3.1 The Position in relation to the Proceeds Raised

With the approval of the China Securities Regulatory Commission (Zhengjianxuke [2008] no. 417), the Company made a public offer of 1,400,000,000 ordinary shares of the Company to the public at an issue price of RMB7.13 per share on 16 April 2008 and raised a total of RMB9,982,000,000. The net proceeds after deducting the administrative expenses of RMB175,039,800 in relation to the public offering was in the amount of RMB9,806,960,200.

3.2 The Position in relation to the Priority of Use of Internal Funding for the Investment Project

The prospectus for the initial public offering of A Shares of the Company sets out that the raised proceeds will be applied and invested in 8 projects including the Zijinshan Gold and Copper Joint Exploitation Project and be applied towards strengthening the cash flow position of the Company, in which, the planned costs of acquisition of the ZGC (please see definition below) gold mine in Tajikistan and the costs of the associated project development amounted to US\$170,000,000 (approximately RMB1,305,345,000), among which US\$55,100,000 was the cost of acquisition, US\$5,000,000 was the tax payable in relation to the share transaction, US\$4,400,000 was the legal costs and other expenses, and US\$5,500,000 was the contingency expenses. The construction and development costs for the ZGC gold mine was US\$100,000,000 and all would be financed by fund raising of the Company.

The Company through Zijin Mining Group North-west Co., Ltd. acquired 75% interest in JV Zeravshan LLC (referred to as “ZGC”) and the audited acquisition amount was RMB418,472,600.

For the fact that the remaining 25% interest of ZGC is owned by the Tajikistan government, the Tajikistan government specifically requested that no dilution to the shareholding interest of Tajikistan government in ZGC should be allowed and effected. In order to protect the shareholders’ interests, the Company made investments in the ZGC project by way of shareholder’s loan. In August 2009, Fujian Securities Regulatory Bureau (“FSRB”) issued a regulatory opinion and advice regarding certain issues with respect to the deposit and use of proceeds raised by the Company. In February 2010, when the Company effected certain rectification or arrangement in relation to the proceeds raised, the Company applied internal fund to substitute and replace the amount already invested in ZGC project by way of shareholder’s loan, whereas the retrieved amount was deposited back into the account opened and maintained specifically for the proceeds raised. Any subsequent investments in the ZGC project will be financed by the internal funding of the Company (for details, please see the Company’s A Shares announcement “Lin2010-008”).

According to the requirements with respect to proceeds management and replies from the relevant authorities, the Company has engaged the Fujian Huaxing CPA Co., Ltd. (“Huaxingsuo”) to conduct a special audit with respect to the use of proceeds by the Company. According to the “Verification Report in relation to the Position of Use of Proceeds from A Shares Issuance by Zijin Mining Group Co., Ltd.” (Minhuaxingsuo [2010] Jianzhengzi no. D-001, and referred to as the

LETTER FROM THE BOARD OF DIRECTORS

“**Verification Report**”), for the period from 18 July 2007 to 31 August 2010, the Company invested by way of shareholder’s loan an amount of US\$35,418,681.07 for the development and construction of the ZGC project. The investment was made by way of shareholder’s loan (by the Company’s wholly-owned subsidiaries, Zijin Mining Group North-west Co., Ltd., Gold Mountains (H.K.) International Mining Co., Ltd. and Jinfeng (HK) International Mining Co., Ltd.) and by reference to the middle exchange rate of US\$1.00 equivalent to RMB6.8076 of 31 August 2010, the investment amount in Renminbi would be equivalent to RMB241,116,200.

In accordance with the Shanghai Stock Exchange’s requirements with respect to proceeds management, the Company proposed to apply the proceeds raised to substitute and replace the development investment amount of US\$35,418,681.07 (approximately RMB241,116,200) made to the ZGC project by way of shareholder’s loan.

In relation to any subsequent investments for the development and construction of the ZGC project, it is proposed that ZGC should open and maintain in the PRC a “NRA” account denominated in Renminbi as the major currency for trading, whereby such account will be treated as a special regulated account through the signing of a tri-parties regulatory agreement in relation thereto, and investments will be made by way of shareholder’s loans.

3.3 The Decision Procedures in relation to the Substitution and Replacement of the Proceeds Raised

The abovementioned proposal in relation to the substitution and replacement of the shareholder’s loan by application of the proceeds raised has been considered and approved by the eighth meeting of the fourth term of the Board of Directors and is subject to the approval by the first extraordinary general meeting of the shareholders of the Company in 2010 before it takes effect.

3.4 The Opinion of the Independent Non-executive Directors

The Independent Non-executive Directors, namely Mr. Lin Yongjing, Mr. Su Congfu, Mr. Chen Yuchuan and Mr. Wang Xiaojun, formed the following opinion in relation to the proposed substitution and replacement of the shareholder’s loans by application of the proceeds raised:

With the approval of the China Securities Regulatory Commission (Zhengjianxuke [2008] no. 417), the Company made a public offer of 1,400,000,000 ordinary shares of the Company to the public at an issue price of RMB7.13 per share on 16 April 2008 and raised a total amount of RMB9,982,000,000. The net proceeds after deducting the administrative expenses of RMB175,039,800 in relation to the public offering was in the amount of RMB9,806,960,200.

Fujian Huaxing CPA Co., Ltd. conducted a special audit with respect to the use of proceeds by the Company as at 30 June 2010 (Minhuaxingsuo [2010] Jianzhengzi no. D-001). As at 30 June 2010, the Company has used RMB8,252,267,500 out of proceeds raised in total. The unused proceeds was RMB1,554,692,700 and the interest income accumulated was RMB140,441,200. The balance remained and deposited in the specific bank account in relation to the proceeds raised was RMB1,695,133,900.

LETTER FROM THE BOARD OF DIRECTORS

According to the “Proceeds Management Policy” of the Company, the management of the Company proposed to apply the proceeds raised to substitute and replace the initial investment amount of US\$35,418,681.07 (approximately RMB241,116,200) made to the ZGC project for development by way of shareholder’s loan.

After a careful and prudent review of the above proposal, the Independent Non-executive Directors formed the following opinion: such substitution and replacement is in compliance with the law and regulations of “Shanghai Stock Exchange’s Requirements with respect to Proceeds Management” and the requirements under the “Proceeds Management Policy” of the Company, and the proposed substitution and replacement could lessen the financial expenses of the Company, raise the efficiency in relation to utilization of the fund raised, is to the benefit of the shareholders as a whole, is not considered to constitute any change of usage of the fund raised, and is of no adverse effect to the benefits of the shareholders of the Company. The amount of proceeds and the total amount of shareholder’s loan in this proposed substitution and replacement have been audited by the external registered accountants. The Independent Non-executive Directors agreed to apply the proceeds raised to substitute and replace the investment amount of US\$35,418,681.07 (approximately RMB241,116,200) made to the ZGC project by way of shareholder’s loan and submit the proposal for the consideration and approval by the first extraordinary general meeting of the shareholders of the Company in 2010.

3.5 The Opinion of the Supervisor Committee

The sixth meeting of the fourth term of the Supervisory Committee considered the proposed substitution and replacement of the shareholder’s loans by application of the proceeds raised and formed the following opinion: such substitution and replacement is in compliance with the applicable law and regulations in relation to the use of proceeds by the listed companies and the provisions and requirements of “Proceeds Management Policy” of the Company, is not considered to constitute any change of usage of the fund raised and is of no adverse effect to the benefits of the shareholders of the Company. The decision procedures in relation to the proposed substitution and replacement are in compliance with the applicable law and regulations. The Supervisory Committee agreed to apply the proceeds raised to substitute and replace the investment amount of US\$35,418,681.07 (approximately RMB241,116,200) made to the ZGC project by way of shareholder’s loan and would like to submit the proposal for the consideration and approval by the first extraordinary general meeting of the shareholders of the Company in 2010.

3.6 Sponsor’s Opinion

The sponsor of the Company, Essence Securities Co., Ltd., after verification considered that: the proposed substitution and replacement of the internal financed shareholder’s loans by application of the proceeds raised was considered and approved by the Board of Directors and was further agreed by the Independent Non-executive Directors and the Supervisory Committee. Furthermore, the amount invested by way of shareholder’s loan has been confirmed and audited by the Fujian Huaxing CPA Co., Ltd. and all the necessary legal procedures and requirements have been complied with. Therefore, the

LETTER FROM THE BOARD OF DIRECTORS

sponsor of the Company agreed the Company to submit the proposal for the consideration and approval by the first extraordinary general meeting of the shareholders of the Company in 2010, and to act in accordance with the applicable legal procedures and make necessary disclosures before implementation of the proposal (for the detail opinion of the Sponsor, please refer to appendix 1).

4. EXTRAORDINARY GENERAL MEETING

The Board has resolved to convene an EGM to consider and approve (i) the proposed change of use of part of proceeds in other investment project; and (ii) the proposed replacement of proceeds to the initial investment in ZGC project. Notice of the EGM is attached to this circular. Whether or not you are able to attend the meeting, please complete and return the enclosed proxy form in accordance with the instructions printed thereon, to the office of the Secretary to the Board of the Company at 19-22/F., Haifu Centre, 599 Sishui Road, Huli District, Xiamen, Fujian Province, The People's Republic of China (Fax: (86) 592 2933580), as soon as possible and in any event not less than 24 hours prior to the commencement of the extraordinary general meeting. Completion and return of the proxy form will not preclude you from attending and voting at the meeting should you so wish.

5. PROCEDURES FOR DEMANDING A POLL BY SHAREHOLDERS

Pursuant to Article 85 of the current Articles of Association of the Company, voting at the EGM shall be taken on a poll.

6. RECOMMENDATION

The Directors consider that (i) the proposed change of use of part of proceeds in other investment project; and (ii) the proposed replacement of proceeds to the initial investment in ZGC project are all in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend you to vote in favour of all the relevant resolutions to be proposed at the EGM.

The Company will publish an announcement on the results of the EGM on the business day following the EGM with respect to whether or not the resolutions set out in this circular have been passed by the Shareholders.

7. MISCELLANEOUS

Should there be any discrepancy, the Chinese text of this circular shall prevail over its English text.

By order of the Board
Zijin Mining Group Co., Ltd.*
Chen Jinghe
Chairman

* *The English name of the Company is for identification purpose only*

NOTICE OF THE FIRST EXTRAORDINARY GENERAL MEETING IN 2010



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)

NOTICE IS HEREBY GIVEN THAT the First Extraordinary General Meeting in 2010 ("EGM") of Zijin Mining Group Co., Ltd.* (the "Company") will be held at 9:00 a.m. on 15 December, 2010, Wednesday, at the conference room on the 1st floor at No.1 Zijin Road, Shanghang County, Fujian Province, The People's Republic of China (the "PRC"), for the purpose of considering and, if thought fit, passing the following:

BY WAY OF ORDINARY RESOLUTIONS

1. To consider and approve a change of use of part of the proceeds from the A Shares issuance in other investment project: to cease and stop further investment in mine exploration projects and to apply the surplus in relation thereto in the amount of RMB342,105,100 (including interest) obtained from the net proceeds from the A Shares issuance for the project named "Comprehensive Utilization of Circular Economy for the Qinghai Deerni Tailings Project" and authorize the board of directors to sign all the related documents and deal with all the matters necessary (including but not limited to applications, filings and registrations with the relevant authorities) to effect the change of use of part of the proceeds from the A Shares issuance; and
2. To consider and approve a replacement of part of the proceeds from the A Shares issuance in an investment project: to apply part of the net proceeds from A Shares issuance in substitution and replacement of the internal funding of the Company to the ZGC project in Tajikistan by way of shareholder's loan in the amount of US\$35,418,681.07 (approximately RMB241,116,200) and authorize the board of directors to sign all the related documents and deal with all the matters necessary (including but not limited to applications, filings and registrations with the relevant authorities) to effect the replacement of use of part of the proceeds from the A Shares issuance in an investment project.

By order of the Board of Directors

Chen Jinghe

Chairman

Fujian, the PRC, 28 October, 2010

** The English name of the Company is for identification purpose only*

NOTICE OF THE FIRST EXTRAORDINARY GENERAL MEETING IN 2010

Notes:

- (A) The Company's register of H Shares members will be closed from Saturday, 13 November, 2010 to Wednesday, 15 December, 2010 (both days inclusive), during which period no transfer of H Shares will be registered. Holders of H Shares whose names appear on the register of members on Wednesday, 15 December, 2010 will be entitled to attend and vote at the EGM. In order to qualify to attend and vote at the EGM, all instruments of transfer must be delivered to the Registrar of H Shares of the Company no later than 4:30 p.m. on Friday, 12 November, 2010.

The address of the Hong Kong Registrar of H Shares is:

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

- (B) Holders of H Shares and Domestic Shares who intend to attend the EGM must return the completed and signed reply slip to the Office of the Secretary to the Board of the Company at least twenty days before the EGM, being Thursday, 25 November, 2010 by hand, by post or by facsimile.

Details of the Office of the Secretary to the Board of the Company is as follows:

19-22/F., Haifu Centre,
599 Sishui Road, Huli District
Xiamen, Fujian
People's Republic of China
Tel: (86) 592 2933656
Fax: (86) 592 2933580

- (C) Holders of H Shares who has the right to attend and vote at the EGM are entitled to appoint one or more proxies (whether or not a member) in writing to attend and vote on his behalf at the EGM. For shareholders who appoint more than one proxy, those proxies can only exercise their voting rights by way of poll. Shareholders who intend to appoint one or more proxies should first read the Company's circulars.
- (D) The instrument appointing a proxy must be in writing under the hand of the appointer or his attorney duly authorised in writing. In the event that such instrument is signed by an attorney of the appointer, the power of attorney authorising that attorney to sign or other documents of authorisation shall be notarised.
- (E) To be valid, the proxy form (and if the proxy form is signed by a person under a power of attorney or other authority on behalf of the appointer, then together with such power of attorney or other authority) must be deposited at the Registrar of H Shares of the Company, Computershare Hong Kong Investor Services Limited at Floor 17M, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 24 hours before the specified time for the holding of the EGM.
- (F) If a proxy is appointed to attend the EGM on behalf of a shareholder, the proxy must produce his identification document and the authorisation instrument with the date of issue and the signature of the proxy or the legal representative. In the case of appointing a legal representative, such legal representative must produce his own identification document and the relevant document to verify his identity and the capacity as the legal representative. If a corporate shareholder appoints a proxy other than its legal representative to attend the EGM, such representative must produce his own identification document and the authorisation instrument bearing the company chop of the corporate shareholder which is duly authorized and signed by its legal representative.
- (G) The EGM is expected to last for half a day, and shareholders attending the EGM shall be responsible for their own travelling and accommodation expenses.

**THE SPECIFIC OPINION OF ESSENCE SECURITIES CO., LTD.*
IN RELATION TO THE PROPOSAL OF CHANGE OF USE OF PART
OF THE PROCEEDS AND THE PROPOSAL OF SUBSTITUTION
AND REPLACEMENT OF THE INTERNAL FINANCED SHAREHOLDER'S
LOANS BY APPLICATION OF THE PROCEEDS RAISED**

Essence Securities Co., Ltd.*

**Opinion in relation to the proposals of Zijin Mining Group Co., Ltd.*
regarding the change of use of part of the proceeds and
the substitution and replacement of the internal financed shareholder's loans
by application of the proceeds raised**

Essence Securities Co., Ltd. (“Essence Securities” or the “Sponsor”), the sponsor of Zijin Mining Group Co., Ltd.* (“Zijin Mining” or the “Company”) responsible for the initial public offering of A Shares of the Company and the continuing supervision of the Company following its listing, after verification issued an opinion in relation to the proposals of change of use of part of the proceeds and substitution and replacement of the internal financed shareholder’s loans by application of the proceeds raised in accordance with the “Management Policy for Sponsors in relation to Securities Issuance”, “Shanghai Stock Exchange’s Requirements with respect to Proceeds Management” and other relevant provisions and requirements, etc. Details of the opinion are as follows:

1. The position in relation to the proceeds raised

With the approval of the China Securities Regulatory Commission (Zhengjianxuke [2008] no. 417), the Company made a public offer of 1,400,000,000 ordinary shares of the Company to the public at an issue price of RMB7.13 per share on 16 April 2008 and raised a total of RMB9,982,000,000. The net proceeds after deducting the administrative expenses of RMB175,039,800 in relation to the public offering was in the amount of RMB9,806,960,200. The capital verification report (Tianjian Huazheng Zhongzhou (2008) GF zi no. 020005) issued by Tianjian Huazheng Zhongzhou (Beijing) CPA Co., Ltd. confirmed that the proceeds raised had been deposited into the special regulated account of the Company on 22 April 2008.

APPENDIX 1

**THE SPECIFIC OPINION OF ESSENCE SECURITIES CO., LTD.*
IN RELATION TO THE PROPOSAL OF CHANGE OF USE OF PART
OF THE PROCEEDS AND THE PROPOSAL OF SUBSTITUTION
AND REPLACEMENT OF THE INTERNAL FINANCED SHAREHOLDER'S
LOANS BY APPLICATION OF THE PROCEEDS RAISED**

According to the “Verification Report in relation to the Position of Use of Proceeds from A Shares Issuance by Zijin Mining Group Co., Ltd.” (Minhuaxingsuo [2010] Jianzhengzi no. D-001, and referred to as the “Verification Report”) issued by Fujian Huaxing CPA Co., Ltd. (“Huaxingsuo”), as at 30 June 2010, the positions in relation to the planned and actual use of proceeds are as follows:

Unit: RMB'000

No.	Project Name	Proposed investment	Actual investment	Difference between the proposed and actual investment	Progress
1	Zijinshan Gold and Copper Mine joint open pit mining project	1,521,040.80	1,373,657.10	147,383.70	
2	Hunchun Zijin Shuguang Gold and Copper Mine technological innovation and expansion project	461,500.00	405,576.20	55,923.80	
3	200 tonnes daily refractory gold processing and refining project	198,380.00	198,094.00	286.00	Construction completed and commenced production
4	Mineral resources exploration project	357,000.00	17,067.60	339,932.40	Propose to change
5	Acquisition of the exploration right in Zhongliao Copper Mine Wuziqilong Jintonghu section exploration project	198,000.00	196,800.00	1,200.00	Acquisition completed
6	Increase capital injection in Zijin Tongguan for the acquisition of equity interest in Monterrico Metals PLC project	603,000.00	603,000.00	—	Acquisition completed
7	Acquisition and development of the ZGC Gold Mine in Tajikistan	1,305,345.00	418,472.60	886,872.40	Completed acquisition, being initial construction
8	Acquisition of 70% interest in Zijin Longxing which owns the mining right in the Tuva Lead Zinc Mine - the Republic of Tuva	271,600.00	271,600.00	—	Acquisition completed
	Subtotal	4,915,865.80	3,484,267.50		
9	Supplemental working capital	<u>4,891,094.40</u>	<u>4,768,000.00</u>		
	Total	<u><u>9,806,960.20</u></u>	<u><u>8,252,267.50</u></u>		

**THE SPECIFIC OPINION OF ESSENCE SECURITIES CO., LTD.*
IN RELATION TO THE PROPOSAL OF CHANGE OF USE OF PART
OF THE PROCEEDS AND THE PROPOSAL OF SUBSTITUTION
AND REPLACEMENT OF THE INTERNAL FINANCED SHAREHOLDER'S
LOANS BY APPLICATION OF THE PROCEEDS RAISED**

2. Change of use of proceeds in other investment project

(1) *The proposed change of use of proceeds*

The total investment for the mineral resources exploration project was RMB357,000,000, consisting mainly the exploration in Zijinshan Gold and Copper Mine and its peripheral areas as well as 6 other exploration projects. As at the end of June 2010, the actual investment made towards the mineral resources exploration project was RMB17,067,600 with details as follows:

Unit: RMB'000

No.	Project	Actual investment
1	Exploration in Zijinshan Gold and Copper Mine and its surrounding area	7,241.9
2	Exploration in Shuguang Gold and Copper Mine	4,547
3	Exploration in Yixingzhai Gold Mine	1,187.6
4	Exploration and survey in Fuxing Copper Mine and Mengku Wutubulake Iron Mine	2,828.8
5	Comprehensive study of Dongkeng Gold Mine and exploration in Yinyan Tin Mine	996.3
6	Exploration in Mashu Copper Mine	<u>266</u>
	Total	<u><u>17,067.6</u></u>

The remaining proceeds of the above projects is RMB342,105,100 (including interest).

Due to the low quality of resources and economic return, the Company proposed to cease further investments to the above mineral resources exploration projects and proposed to effect a change of use of the proceeds.

(2) *The status of the new project*

Qinghai Deerni Copper Mine is a wholly-owned subsidiary of the Company. The Mine currently produces large amount of sulphur concentrates (mainly composes of pyrite with a chemical composition of FeS₂) as a by-product which is difficult for storage and stockpiling and also causes pollution to the surrounding areas, resulting in the mining and production volume of copper mine at the Deerni Copper Mine being affected. As a result of which, roasting treatment has been applied to the sulphur concentrates to produce sulphuric acid from the emitted gas, and the residues as cinder balls produced from the roasting treatment have been used as a prime raw material for steel making and refinery to generate better economic, social and environmental returns for the company.

**THE SPECIFIC OPINION OF ESSENCE SECURITIES CO., LTD.*
IN RELATION TO THE PROPOSAL OF CHANGE OF USE OF PART
OF THE PROCEEDS AND THE PROPOSAL OF SUBSTITUTION
AND REPLACEMENT OF THE INTERNAL FINANCED SHAREHOLDER'S
LOANS BY APPLICATION OF THE PROCEEDS RAISED**

The Company will invest RMB587,929,500 in the Comprehensive Utilization of Circular Economy for the Qinghai Deerni Tailings Project including investment of fixed asset in the amount of RMB584,140,000 and working capital in the amount of RMB3,789,500. Apart from the amount of RMB342,105,100 which is the subject matter of the change of use of proceeds, the Company will finance the balance of investment from its own sources.

3. Substitution and replacement of the internal financed shareholder's loans by application of the proceeds raised

The planned costs of acquisition of the ZGC gold mine in Tajikistan and the costs of the associated project development amounted to US\$170,000,000 (approximately RMB1,305,345,000), among which US\$55,100,000 was the cost of acquisition, US\$5,000,000 was the tax payable in relation to the share transaction, US\$4,400,000 was the legal costs and other expenses, and US\$5,500,000 was the contingency expenses. The construction and development costs for the ZGC gold mine was US\$100,000,000. As at 30 June 2010, the acquisition was completed and the acquisition amount audited by Huaxingsuo was RMB418,472,600.

For the fact that the remaining 25% interest of ZGC is owned by the Tajikistan government, the Tajikistan government specifically requested that no dilution to the shareholding interest of Tajikistan government in ZGC should be allowed and effected. In order to protect the shareholders' interests, the Company made investments in the ZGC project by way of shareholder's loan.

According to the Verification Report issued by Huaxingsuo, for the period from 18 July 2007 to 31 August 2010, the Company invested by way of shareholder's loan an amount of US\$35,418,681.07 (equivalent to RMB241,116,200) for the development and construction of the ZGC project. The Company proposed to apply the proceeds raised to substitute and replace the internal financed investment amount of US\$35,418,681.07 (approximately RMB241,116,200) made to the ZGC project by way of shareholder's loan.

4. The proposed change of use of part of the proceeds and substitution and replacement of the internal financed shareholder's loans by application of the proceeds raised are subject to the consideration and approval by the first extraordinary general meeting of the shareholders of the Company in 2010.

5. The opinion of the Sponsor after verification

In view of the above, after verification, the sponsor considers that:

The change of use of part of the proceeds was considered and approved by the Board of Directors of the Company and was further agreed by the independent non-executive directors of the Company. The procedures in relation to the proposed change of use of part of the proceeds are in compliance with the necessary legal procedures and requirements and the relevant provisions and requirements of "Shanghai Stock Exchange's Requirements with respect to Proceeds Management".

APPENDIX 1**THE SPECIFIC OPINION OF ESSENCE SECURITIES CO., LTD.*
IN RELATION TO THE PROPOSAL OF CHANGE OF USE OF PART
OF THE PROCEEDS AND THE PROPOSAL OF SUBSTITUTION
AND REPLACEMENT OF THE INTERNAL FINANCED SHAREHOLDER'S
LOANS BY APPLICATION OF THE PROCEEDS RAISED**

The proposed substitution and replacement of the internal financed shareholder's loans by application of the proceeds raised was considered and approved by the Board of Directors, and was further agreed by the independent non-executive directors and the supervisory committee of the Company. Furthermore, the amount invested by way of shareholder's loan has been confirmed and audited by Huaxingsuo. The procedures in relation to the proposed substitution and replacement of the shareholder's loans by application of the proceeds raised are in compliance with the necessary legal procedures and requirements.

Therefore, the sponsor agreed the Company to submit the above proposals for the consideration and approval in the first extraordinary general meeting of the shareholders of the Company in 2010, and to act in accordance with the applicable legal procedures and make necessary disclosures before implementation of the proposal.

Sponsor representative: _____
Xu Rongjian

Yu Erbin

Essence Securities Co., Ltd.*
27 October 2010

** The English name is for identification purpose only*

**APPENDIX 2 VERIFICATION REPORT IN RELATION TO THE USE OF PROCEEDS
RAISED FROM A SHARES ISSUANCE OF ZIJIN MINING GROUP CO., LTD.***

**Verification Report in relation to the Use of Proceeds Raised from A Shares Issuance of
Zijin Mining Group Co., Ltd.***

Minhuaxingsuo [2010] Jianzhengzi no. D-001

Board of directors of Zijin Mining Group Co., Ltd.*:

We are engaged to carry out a special audit in relation to the use of proceeds raised from initial public offering of A Shares of Zijin Mining Group Co., Ltd.* (the “Company”) up to 30 June 2010. The obligation of the Company is to provide true, legal and complete information and to confirm that there are no false representations or misleading statements or material omissions in respect of the content and to ensure the truthfulness, accuracy and completeness of the content. Our obligation is to provide an independent opinion in relation to the use of proceeds raised from A Shares Issuance. The verification work was carried out according to the regulation of “PRC certified accountant other verification business standard no.3101 — verification for business other than audit or review of historical financial information”. Such regulation requires us to plan and carry out the verification work to ensure to a reasonable extent the verified information does not contain any material misstatement. During the verification process, we have conducted a detailed investigation including verification of the accounting records and other procedures as we deemed necessary, and made professional judgment based on the information obtained during the verification process. We believe that our verification work provides a reasonable basis for the relevant parties to make and give their comments.

1. Background of the fund raised

(1) Availability of the fund raised

With the approval of the China Securities Regulatory Commission (Zhengjianxuke [2008] no. 417), the Company made a public offer of 1,400,000,000 ordinary shares of the Company to the public at an issue price of RMB7.13 per share on 16 April 2008 and raised a total of RMB9,982,000,000. The net proceeds after deducting the administrative expenses of RMB175,039,800 in relation to the public offering was in the amount of RMB9,806,960,200, which amount has been verified by the capital verification report (Tianjian Huazheng Zhongzhouyan (2008) GF zi no. 020005) issued by the Tianjian Huazheng Zhongzhou (Beijing) CPA Co., Ltd.

(2) Deposits and balance of the proceeds from A share listing

As at 31 December 2009, the Company had used and applied a cumulative amount of RMB8,096,901,300 from the proceeds raised, among which RMB4,768,000,000 had been used to supplement and strengthen the cash flow position of the Company. For the period of January to June 2010, the Company had used and applied a further sum of RMB155,366,200 from the proceeds raised

**APPENDIX 2 VERIFICATION REPORT IN RELATION TO THE USE OF PROCEEDS
RAISED FROM A SHARES ISSUANCE OF ZIJIN MINING GROUP CO., LTD.***

and as at 30 June 2010, the Company had used and applied a cumulative amount of RMB8,252,267,500. The unused and remaining proceeds was RMB1,554,692,700 and the balance in the special account was RMB1,695,133,900. The recorded difference in amount of RMB140,441,200 was the results of interest income earned for the sum deposited in the special account and the bank charges and expenses in relation to the account.

As at 30 June 2010, the balance of the 5 special accounts for the net proceeds of the Company was RMB938,627,200, the balance of the time deposit account was RMB756,506,700. The total amount of the balance of the net proceeds was RMB1,695,133,900. The details of the deposit is as follow:

No.	Bank	Bank account no.	Balance (RMB)
1	Industrial and Commercial Bank of China (Shanghang branch)	1410030329000003382 deposit upon request	10,218,738.38 138,000,000.00
2	China Construction Bank (Shanghang branch)	35001697307052501324 regulated deposit	1,034,654.01 255,560,000.00
3	Bank of China (Shanghang branch)	863002614708094001 regulated deposit	19,158,410.47 322,946,660.52
4	Agricultural Bank of China (Shanghang branch)	13740101040007693 regulated deposit	852,208,183.03 40,000,000.00
5	Industrial and Commercial Bank of China (Hunchun branch)	0808720129200123193	56,007,216.10
Total			<u><u>1,695,133,862.51</u></u>

2. Management of the proceeds from A Shares Issuance

In order to regulate the management and use of the proceeds raised and to offer maximum protection to the benefit and interest of the investors, having taking into account the factual circumstances of the Company, the Company set up the “Proceeds Management Policy of Zijin Mining Group Co., Ltd.” (the “Proceeds Management Policy”) in accordance with laws and regulations of the “PRC Company Law”, “Securities Law”, “Listing Rules of the Shanghai Stock Exchange” and the “Shanghai Stock Exchange’s Requirements with respect to Proceeds Management”. The Proceeds Management Policy was considered and approved by the 13th meeting of the third term of board of directors of the Company on 30 December 2008. On 25 February 2010, a tri-parties regulatory agreement was entered among bank and sponsor in relation to the above 5 special regulated accounts.

**APPENDIX 2 VERIFICATION REPORT IN RELATION TO THE USE OF PROCEEDS
RAISED FROM A SHARES ISSUANCE OF ZIJIN MINING GROUP CO., LTD.***

3. Actual use of proceeds from A Shares Issuance

(1) *Use of proceeds from A Shares Issuance in project investment*

As at 30 June 2010, the positions in relation to the actual use of proceeds are refer to attached table 1.

(2) *Change of use of proceeds*

As at 30 June 2010, the Company had not changed the use of proceeds.

(3) *Change of implementation and place of use of proceeds*

As at 30 June 2010, the Company had not changed the implementation and place of use of proceeds.

(4) *Substitution and replacement of the use of proceeds*

As at 31 March 2008, the Company has substituted and replaced the initial investment in the amount of RMB2,064,245,900 (excluding the exploration and development of ZGC gold mine in Tajikistan).

As revealed by our audit, as at 31 August 2010, the amount due from the development project of the ZGC Gold Mine in Tajikistan - JV Zeravshan LLC to Zijin Mining Group North-west Co., Ltd. was US\$36,200,000, to Gold Mountains (H.K.) International Mining Co., Ltd. was US\$7,000,000, to Jinfeng (HK) International Mining Co., Ltd. was US\$4,000,000, and the total outstanding amount was in the sum of US\$47,200,000; As at 31 August 2010, the book value of the balance of Company was US\$6,094,617.85. For the period of 18 July 2007 to 31 August 2010, the Company has invested a further sum of US\$35,418,681.07 for the development and construction of the ZGC project.

(5) *Application of the proceeds raised to strengthen the cash position of the Company*

The prospectus for the initial public offering of A Shares of the Company sets out that: with approval of the first extraordinary general meeting and class meetings of shareholders of the Company in 2007, the board of directors of the Company proposed to use RMB4,915,865,800 of the proceeds raised for project investment; if the proceeds raised applied to the above projects have any balance, the remaining balance should be used for bank loans repayments or as supplementary working capital; if the proceeds raised does not satisfy the fund requests of the above projects, those project will be funded by the internal fund of the Company.

The Company actually raised net proceeds of RMB9,806,960,200, which exceeds the total amount of proceeds raised for the projects by RMB4,891,094,400. Currently, an amount of RMB4,768,000,000 of the proceeds was used by the Company as supplementary working capital.

**APPENDIX 2 VERIFICATION REPORT IN RELATION TO THE USE OF PROCEEDS
RAISED FROM A SHARES ISSUANCE OF ZIJIN MINING GROUP CO., LTD.***

7.	Acquisition and development of the ZGC Gold Mine in Tajikistan	No	1,305,345.00	1,305,345.00	1,305,345.00	—	418,472.60	(886,872.40)	32.06	2010	Acquisition completed, being initial construction	—	No
8.	Acquisition of 70% interest in Zijin Longxing which owns the mining right in the Tuva Lead Zinc Mine — the Republic of Tuva	No	271,600.00	271,600.00	271,600.00	—	271,600.00	—	100.00	2009	Acquisition completed, being initial construction	—	No
	Sub-total	—	4,915,865.80	4,915,865.80	4,915,865.80	155,366.20	3,484,267.50	(1,431,598.30)	—	—	—	—	—
9.	Supplemental working capital	No	4,891,094.40	4,891,094.40	—	—	4,768,000.00	—	—	—	—	—	—
	Total	—	9,806,960.20	9,806,960.20	4,915,865.80	155,366.20	8,252,267.50	(1,431,598.30)	—	—	—	—	—

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Supplemental information

Reasons for behind the schedule

1. With the acquisition of the shares of the ZGC Gold Mine in Tajikistan and the completion of its development project, the Group is actively developing its technological innovation construction. The regulatory authorities had approved the construction fund, and agreed that the construction fund would be paid in the form of shareholder loans, the initial loan is yet to be reviewed in a general meeting. The development and construction of this project were delayed due to the difficulties in logistics supplies.
2. Mining resources exploration project: please refer to “Project feasibility occurs significant changes” in next item.

Project feasibility occurs
significant changes

The mineral resources exploration project includes Zijinshan Gold and Copper Mine and 6 other exploration projects in the peripheral area, in which continued investments are required for the Zijinshan Gold and Copper Mine and its peripheral area, northern part of the Hunchun Shuguang Gold and Copper Mine and its peripheral area, and the Yixingzhai Gold Mine; no investment is required for the Xinjiang Mengku Wutubulake Iron Mine because of resources restructuring by the local government; no further investment will be made to the Xinjiang Fuxing Copper Mine and the Anhui Mashi Copper Mine because they were of low economic return as a result of the resources there being confirmed to be limited in amount and of low quality; both the Dongkeng Gold Mine and the Yinyan Tin Mine have reached the production target whereby the next step will be the arrangement of a combination of exploration and mining which is difficult to distinguish the investments in relation to the mining exploration and the investments in relation to the production input and the Group proposes to stop using the raised funds for these mines. The Group will prepare a summary of the exploration projects, for those projects that no longer require investment, the Group will change the purpose of the proceeds in accordance with the relevant regulations of the proceeds management.

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Substitution and replacement by application of the proceeds raised	In order to meet the development and strategy of the Company, the Company invested in the projects by self-financing means through bank loans before any fund raised by the A Shares Issuance. As at 31 March 2008, the total amount invested was RMB2,064,245,900. On 30 June 2008, the ninth meeting of third term of the board of directors passed resolutions in relation to the “Substitution and replacement by application of the proceeds raised”, and agreed to substitute and replace the initial investment to the project by the proceeds raised by the A Shares Issuance for the repayment of bank loans
Use of proceeds to temporarily supplement the working capital	No
Balance of the proceeds and its reasons	<ol style="list-style-type: none"> 1. The acquisition of the exploration right of Zhongliao Copper Mine Wuziqilong Jintonghu section exploration project is completed with a balance of funds in the amount of RMB1,200,000; and 2. The construction of a 200 tonnes daily refractory gold processing and refining project has been completed and has commenced production with a balance of funds in the amount of RMB286,000.
Other status of use of proceeds	No

Notes:

1. “Total amount of application of the proceeds raised for the year” including the “Investment amount made in the Year” and the amount used for the substitution and replacement of the initial investment amount in relation to the proceeds raised and received.
2. “Proposed investment as at the end of the reporting period” is based on the latest disclosed plan in relation to the use of proceeds.
3. “Revenue generated during the year” should be computed on the same basis and methods as the proposed revenue.
4. The revenue generation of project nos. 4, 5, 6 and 8 could not be verified within a short period of time, among which the project nos.5, 6 and 8 are mining right acquisition projects, whereas completion of such acquisitions will increase the resources, reserve and competitiveness of the Company and are in the best interest of the Company in terms of its long term development.
5. The Company raised a actual net proceeds of RMB9,806,960,200 which exceeds the proceeds raised for the projects by RMB4,891,094,400. Currently, the Company has used the proceeds for supplementary working capital of RMB4,768,000,000.