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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**

Zijin Mining Group Co., Ltd.\* (the “**Company**”) and its subsidiary, Xinyi Zijin Mining Company Limited\* (“**Xinyi Zijin**”) met the leading investigation and management team in Guangzhou regarding the 21 September 2010 (“**9.21**”) incident on 24 December 2010 and listened to the report regarding the “Confirmation of relevant responsibility of Maoming Xinyi Zijin in the 9.21 incident in relation to the collapse of the Kaoqiling tailing pool dam of the Yinyan Tin Mine. The Company and Xinyi Zijin had communications with the governments of Maoming City and Xinyi City in relation to management of the incident.

**The investigation team confirmed that “the 9.21 incident in relation to the collapse of the Kaoqiling tailing pool dam was a safety responsibility incident, caused by natural disaster as well as illegal and non-compliant works carried out by the relevant organization involved. It was revealed that the relevant organization used illegal development and operations, and did not comply with the regulations. The organization also did not implement the responsibility system in relation to safe production, supervision of the relevant government and regulatory bodies was insufficient, and that a few leading party members did not comply with the law and regulations.”**

**“After thorough investigation and various on-site examinations, causes of the collapse of the tailing pool dam include: the main cause of the collapse of the dam was the heavy rainfall generated by typhoon “Fanapi” occurring only once in more than 200 years; the main cause of flooding and the collapse of the tailing pool dam was the unauthorised increase in height of the drainage well entrance of the tailing pool and that management and operation of the tailing pool was not in compliance with the regulations; the indirect cause of collapse of the dam was the hydrological and water catchment parameters for the design of tailing pool were inappropriate leading to a low flooding precaution standard for the tailing pool dam.”**

**“Xinyi Zijin shall be mainly responsible for the occurrence of the incident,.....the entities in relation to the design, supervision and construction safety evaluation will also be responsible for the collapse of the dam respectively”**

The Company and Xinyi Zijin respect the findings of the Guangdong Provincial Government 9.21 investigation team. We express deep sorrow and regret regarding the casualties and loss of property resulting from the flooding and collapse of the Kaoqiling tailing pool initial dam of the Yinyan Tin Mine as a result of severe natural disaster, aggravating the damage to the downstream. The Company and Xinyi Zijin are willing to, under the leadership of the Guangdong government at all levels, resolve the incident regarding damage caused by the disaster in a legal way and to properly fulfill corporate social responsibility.

## 1. In respect of Xinyi Zijin and Yinyan Tin Mine

Yinyan Tin Mine is a major construction project of Xinyi Municipal Government for generating business investment. In January 2005, the Company acquired the equity interests of Xinyi Baoyuan Mining Company Limited\* (“**Baoyuan**”) (Yinyan Tin Mine was the asset of Baoyuan) and Guangdong Xinyi Dongkeng Gold Mining Co., Ltd.\* Upon merger of the two companies, Xinyi Zijin was set up in January 2007; the registered capital of Xinyi Zijin is RMB200 million with 450 employees at present.

During the six years since the Company has been engaged in the Yinyan Tin Mine project, Xinyi Zijin (including Baoyuan, its former company) has invested approximately RMB480 million (including acquisition cost) on investment regarding exploration and investigation of mining resources, project reporting and applications, land use, project planning, infrastructure and changes of mining rights. Permits for the relevant construction projects were obtained, and in August 2010, the safe production licence issued by the Guangdong Provincial Administration of Safe Production was obtained, and trial production was commenced. Although Xinyi Zijin has basically completed the relevant applications and obtained the relevant licences in 6 years, some lack of completion and defects still existed.

## 2. In respect of natural disaster

According to public information, typhoon “Fanapi” has affected more than a million people in 20 counties and cities in Guangdong, leading to the death of more than 100 people in 9.21 incident, casualties and loss of property in Guangdong Xinyi Pingtang County, Qianpai County, and Gaozhao Magui County were severe. In Xinyi Zijin’s view, Yinyan Tin Mine is located in a valley with high mountains in Qianpai County and was affected by continuous heavy rainfall concentrated in an 11 hours period before the flooding and collapse of the tailing pool dam. The severe natural disaster was the primary reason for the collapse of the Kaoqiling tailing pool dam of the Yinyan Tin Mine which was built according to national standard.

## 3. In respect of the collapse of the dam of the Shihuadi Power Plant

**The investigation team confirmed that: “upon investigation, the flood generated by the collapse of the Kaoqiling tailing pool dam had direct and critical effect and it was the direct cause of the flooding and collapse of the dam of the Shihuadi power plant. .... at the same time, issues have been discovered in relation to the Shihuadi power plant including the construction of the dam of the Shihuadi power plant not complying with the original design, the capacity of the dam being decreased without authorization, the commencement of power generation without official examination and investigation, and rectification of safety and precautionary work not having been examined and investigated by the relevant supervisory department.”**

The incident on 21 September 2010 caused 22 deaths in the area of Qianpai River County involving 5 deaths in Datong Village located 5km downstream from the tailing pool, 17 deaths in Shuanghe Village in the downstream of Shihuadi power plant. Xinyi Zijin believes that the collapse of Shihuadi power plant dam was the direct cause of the deaths in Shuanghe Village and other villages downstream.

Datong Village is located at the downstream from the Kaoqiling tailing pool directly located at the junction of Yinyan creek and Qianpai River. Given the prior warning alarm and notice of evacuation of Xinyi Zijin, casualties have been substantially reduced in Datong Village. Shuanghe Village is located at the downstream of Shihuadi power plant directly (more than 5km away from the initial dam of Kaoqiling tailing pool). Based on the observation of the remained ruin of the power plant dam, it was

apparent that the dam had quality problem and further verification is required. Xinyi Zijin requested the investigation team and People's court to investigate Shihuadi power plant in relation to its setting up, design, construction and to investigate its construction work, measures taken in dealing with the 9.21 incident, and instruct experts to conduct a progress analysis of the collapse of the dam in order to confirm and pursue relevant liabilities of the builder and operating entity of the Shihuadi power plant.

#### **4. In respect of Xinyi Zijin's emergency arrangement**

Xinyi Zijin promptly reported this severe natural disaster to the local government and relevant departments and has issued the evacuation notice to Datong Village in time. Xinyi Zijin itself also suffered losses and damage in this severe natural disaster. Notwithstanding suffering severe losses, Xinyi Zijin still donated a sum of RMB1,500,000 to Xinyi City in relation to the disaster actively pursued and participated in self-help operations, arranged suitable settlements for mining staff, and set up "working groups for disaster damage assessment and compensation".

Since Xinyi Zijin has suffered severe losses and damage in this natural disaster, Xinyi Zijin may be subject to substantial claims. Xinyi Zijin currently has insufficient cash or cash convertible assets, and has about RMB200 million liabilities. The Company agreed with the resolution of the board of directors of Xinyi Zijin to sell Yinyan Tin Mine (including the mining right), and utilize the proceeds to settle claims made by the victims in priority and discharge legal responsibility under the applicable law.

The government of Xinyi City has filed proceedings against Xinyi Zijin for the purpose of confirmation relevant liability and compensation. Both parties will resolve the matter judicially or by negotiations.

The Company will provide further disclosure in relation to progress relating to the incident.

**Investors and shareholders are advised to exercise caution when dealing in the shares of the Company.**

This announcement is made by the Company on a voluntary basis.

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

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

27 December 2010 Fujian, the PRC

*\*The English names are for identification purpose only*