



Christine Kan  
Senior Vice President and Head of Compliance and Monitoring Department  
Hong Kong Stock Exchange  
12/F., One International Finance Centre  
1 Harbour View Street  
Central, Hong Kong

March 2, 2011

Dear Ms. Kan,

We write to raise concern about Zijin Mining Group's (02899.HK) failure to disclose material risks posed by its overseas projects. Of particular concern, Zijin has not reported to shareholders the grave environmental and social issues related to its investment in the Rio Blanco Copper Mine in Peru. In light of the **Hong Kong Stock Exchange's state-of-the-art mineral company disclosure requirements, we call on the HKSE to ensure that Zijin adequately reports recent events at its Rio Blanco Copper Mine to its shareholders.**

According to Zijin's 2009 annual report, the company's Supervisory Committee found that Zijin overstated the results from their overseas investments, in part because of environmental, social and political problems associated with those projects. The Committee's 2009 report to shareholders (Compliance of CSRC Requirements), stated:

"There were 39 external investments since A shares listing, including 8 projects which were invested by A shares proceeds and 31 new external investment projects. The result of inspection showed that positive result was recorded from those projects invested by using A shares proceeds and the operating portion of new external investments, progress for those projects under exploration and construction was on the schedule. **However, there were specific problems existing in the new external investments, such as high uncertainty of the resource reserve, large fluctuation of the metal prices, problems arose from the social and environmental protection in local society, higher political, economic and cultural risk for overseas investments.** The senior management of the Company should plan and analyse carefully, adopt risk prevention measures, and build a foundation for future development." (emphasis added)

Despite this note of concern, Zijin's 2009 annual report only vaguely touched on its overseas investments, without any mention of the risks flagged by the Supervisory Committee:

"In overseas, the Company successfully subscribed shares in a Canadian company, Continental Minerals Corporation, and became the major shareholder in the development of Tibet Xietongmen Gold and Copper Mine. The Company started a cash offer for all of the ordinary shares in an Australian company, Indophil Resources NL (which holds 37.5% share of Philippines Tampakam Large scale Gold and Copper Mine). At present stage, the takeover bid is in progress. **The Group has**

**also collected a number of key projects for further investigation and implementation.”** (emphasis added)

The report entirely neglected to mention its wholly-owned copper mine project in Peru, which has an estimated 1.25 billion tons of copper and molybdenum reserves.

### **Rio Blanco mine in Peru**

The Rio Blanco Mine, which Zijin acquired in 2007 from UK-based Montericco Metals, poses a particularly high level of political, economic, and cultural risk. Many serious environmental and social issues existed with this project before Zijin bought the interest, and those issues have continued under Zijin’s poor management. Below we describe how the company has 1) failed to obtain proper authorization from local communities prior to commencement of operations on community land; 2) breached environmental laws; and 3) been associated with torture and killing of local people.

**Failure to obtain community authorization.** Under Peruvian law, mining companies must obtain the two-thirds approval of local community assemblies before entering community land to do exploration or other activities.<sup>1</sup> Zijin Mining Group Co. Ltd via its local subsidiary Minería Majaz S.A. failed to obtain this legal authorization when it entered the Rio Blanco project area in 2003. Further, a legal referendum held in September 2007 clearly displayed community members’ strong opposition to the project, with 97% of voters from the districts in which the project would be developed voting against the project. Thus its presence in the area does not comport with existing legal requirements, a point that has been sustained by Peru’s national Public Defender’s office and by the Peruvian Congress.

The illegality of the company’s presence in the project area is contributing to suspicion and resentment toward the company amongst the local population. The company has not taken action to address this issue despite repeated efforts by local stakeholders to raise this concern with company and government officials.

**Breaches of environmental law.** In February 2008, the Peruvian government fined Zijin US\$100,000 for noncompliance with the Environmental Evaluation Study approved by the government for the initial phase of exploration.<sup>2</sup> Among the issues cited by the government in assessing the fine were:

- Carrying out a greater number of drilling perforations than had been approved in the EA (129 vs. 60).
- Modifying its exploration project without having the necessary environmental studies required by the Ministry of Energy and Mines.
- Exceeding limits for liquid metallurgical effluents in its exploration activities, including copper, zinc and acidity.
- Improper disposal of waste material.
- Inadequate implementation of remediation measures, including erosion control and closing off of access roads no longer in use.

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<sup>1</sup> Article 89, paragraph 2 of the Peruvian Constitution, available at: <http://www.tc.gob.pe/legconperu/constitucion.html>; Law 24656 on Native and Peasant Communities, available at: <http://www.congreso.gob.pe/ntley/Imagenes/Leyes/24656.pdf>; Law 26505 on Private Investment in Economic Development, available at: <http://hrlibrary.ngo.ru/research/Peru-Ley%2026505%20Ley%20de%20inversion%20en%20tierras%20de%20comunidades.pdf>.

<sup>2</sup> Resolucion de Gerencia General Organismo Supervisor de la Inversion en Energia y Minería OSINIGERMIN, No. 444-2008-1-OS/GFM. February 7, 2008, available at: <http://www.osinerg.gob.pe/newweb/uploads/Publico/resolucion%20444-2008.pdf>.

**Torture and killings of local people.** The Rio Blanco project has been the site of a number of violent incidents, including the killing of four community leaders and three company personnel, since 2004. In August 2005, 28 people were detained after protests at the project site and brought by security forces to the mining camp where the individuals were tortured. According to Peru's National Human Rights Coordinator and Peruvian human rights organization FEDEPAZ, members of the company's security force, private security contractors, and the Peruvian National Police (PNP) were involved in the torture.

Evidence of the torture was made public in early 2009 when photographs taken of the incident were released by a journalist who had also been tortured. These incidents could amount to a violation of the victims' rights to personal security and to not be subjected to torture as established in the UN Universal Declaration of Human Rights and the UN Convention Against Torture, both of which Peru has ratified. Violations of these rights by contractors or police working directly for or at the behest of the company could implicate the company in the violations. In 2009, the UK High Court froze GBP 5 million in assets of Monterrico Metals, a subsidiary of Zijin, in response to torture allegations brought against the company by victims of the 2005 incidents.

Although Zijin was not involved in the Rio Blanco project when violent conflicts initially broke out in 2004, the company has not taken the appropriate steps to rectify complaints made by the communities and violence has continued. In November 2009, three company workers were killed in an attack on the project site by unidentified assailants. In December, two more people were killed and eight injured in a conflict with local police as police tried to arrest a suspect in the November attack. In September 2008, members of a local civil association that had made false accusations of terrorism against 35 people, including local authorities, community leaders and environmental and human rights activists, stated to government prosecutors that they had received financing by Rio Blanco Copper for their activities.

**Despite these unresolved social conflicts and environmental violations, Chinese media announced in July 2010 that Zijin will seek to increase its investment in the Rio Blanco Mine.<sup>3</sup>**

### **Request for Full Disclosure of Material Information**

The HKSE explicitly recognizes the importance of disclosing environmental and social risks in the mining sector. For example, Article 18.05(6) of the "Amendments to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited" state:

"In addition to the information set out in Appendix 1A, a Mineral Company must include in its listing document:-

(6) If relevant and material to the Mineral Company's business operations, information on the following:-

- (a) Project risks arising from environmental, social, and health and safety issues;
- (b) Any non-governmental organisation impact on sustainability of mineral and/or exploration projects;
- (c) Compliance with host country laws, regulations and permits, and payments made to host country governments in respect of tax, royalties and other significant payments on a country by country basis;
- (d) Sufficient funding plans for remediation, rehabilitation and, closure and removal of facilities in a sustainable manner;

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<sup>3</sup> "紫金矿业：考虑追加秘鲁白河铜钼矿投资预算," *Capital Week*, July 6, 2010, available at [http://www.capitalweek.com.cn/article\\_4253.html](http://www.capitalweek.com.cn/article_4253.html)

- (e) Environmental liabilities of its projects or properties;
- (f) Its historical experience of dealing with host country laws and practices, including management of differences between national and local practice;
- (g) Its historical experience of dealing with concerns of local governments and communities on the sites of its mines, exploration properties, and relevant management arrangements; and
- (h) Any claims that may exist over the land on which exploration or mining activity is being carried out, including any ancestral or native claims.”

Although Zijin, as a listed company, does not need to comply with these IPO regulations, the Exchange clearly recognizes that environmental and social information can be material, especially for mining companies operating in foreign jurisdictions. Companies should continue to disclose such risks in annual and periodic filings. The Exchange broadly recognizes the importance of information disclosure through its general rules for listed companies. Article 13.09 (1) states:

“Generally and apart from compliance with all the specific requirements in this Chapter, an issuer shall keep the Exchange, members of the issuer and other holders of its listed securities informed as soon as reasonably practicable of any information relating to the group (including information on any major new developments in the group’s sphere of activity which is not public knowledge) which:—

- (a) is necessary to enable them and the public to appraise the position of the group;
- or
- (b) is necessary to avoid the establishment of a false market in its securities; or
- (c) Might be reasonably expected”


In-line with the concerns raised by Zijin’s Supervisory Committee and the rules of the Exchange, Zijin has an obligation to report to shareholders the non-financial risks posed by its Rio Blanco Mine and other overseas projects. This is particularly urgent as Zijin plans to increase the value of its investment in the Rio Blanco Mine in the near future. We believe the Exchange has shown leadership in requiring disclosure of material environmental and social risks among mineral companies. **We respectfully urge the Exchange to ensure that Zijin discloses non-financial risks associated with this mine and other overseas projects in the company’s 2010 annual report and other public filings.**

If you have any questions or would like to discuss this further, please do not hesitate to contact Adina Matisoff, Friends of the Earth-US at amatisoff(at)foe(dot)org.

Sincerely,



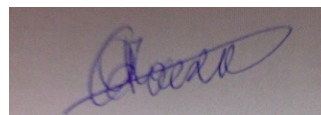
Mr. Juan Carlos Sueiro Cabredo  
Executive Director  
CooperAccion  
Lima, Peru



Mr. David Licurgo Velazco Rondon  
Executive Director  
Fedepaz (Ecumenical Foundation for Peace and  
Development)  
Lima, Peru



Mr. Erich Pica  
President  
Friends of the Earth-US  
United States



Mr. Thomas De Maeseneer  
Coördinator Noord vzw  
CATAPA  
Belgium

cc:

Board of Directors, Hong Kong Stock Exchange

Mr. Charles Li, Chief Executive, Hong Kong Stock Exchange

Mr. Mark Dickens, Head of Listing Enforcement, Hong Kong Stock Exchange

Listing Committee members, Hong Kong Stock Exchange