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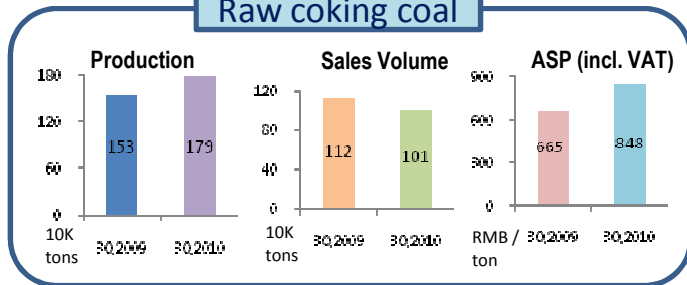
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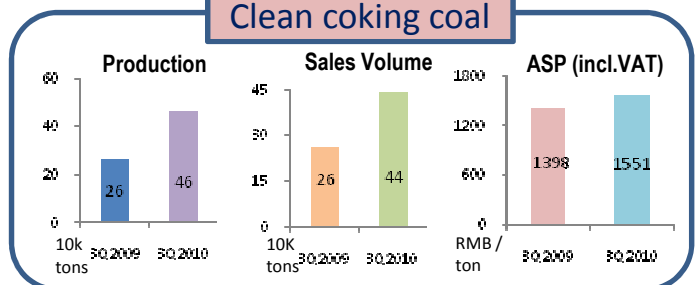
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2010
3Q

Raw coking coal



Clean coking coal



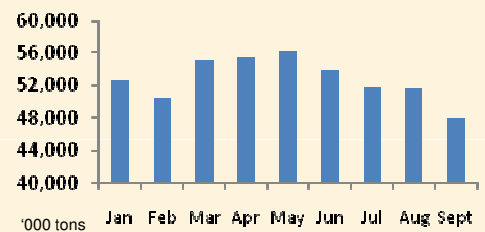
Raw coking coal production in 2Q (3weeks from end April to beginning of May) was affected by a change in the long walls in our mines. However, production resumed afterwards and raw coal production in 3Q increased 17% y-o-y to 1.79 million tons with raw coal sales volume at 1.01 million tons. We dedicated a lot of efforts to expand our clean coking coal operations, in 3Q clean coal production jumped 77% y-o-y to 460,000 tons and sales volume of clean coal advanced by 69% to 440,000 tons. The average selling prices (including VAT) of raw coal and clean coal were RMB848 / ton and RMB 1,551 / ton.

Steel prices bounced back in 3Q

Domestic steel prices staged a rebound in 3Q after an oversupply caused a market correction in the first half. They have gradually climbed up since August. Major steel producers such as Baosteel Group raised ex-factory prices of their products for delivery in September and October.

Although government measures to save energy and reduce emissions may impact steel production, domestic coking coal prices in 3Q remained stable due to a supply shortage. The 4Q is traditionally the peak season for steel production and some major coal production areas such as Shanxi and Hebei are consolidating their mine resources. We believe coking coal prices will mildly increase.

China's crude steel production in 9M 2010



Source: World Steel Association

Zhaiyadi coal processing plant to start operation soon Fushan's clean coal operations to be further strengthened

- ◆ Zhaiyadi coal processing plant will commence operation in 4Q this year. With capacity of 2.1 million tons per annum, our clean coal operations will be further strengthened. Trial run was conducted in September and achieved satisfactory results.
- ◆ The plant uses dense medium technology and flotation machines, and mainly produces No.9 semi-soft coking coal. It features low ash content, high sulfur content and high calorific value.



- ◆ The plant is close to with a number of major highways and rail lines including National Highway 307, Lishi-Jundu Highway and Taiyuan-Zhongwei-Yinchuan Railway.

- ◆ Upon completion of the plant at Zhaiyadi, the Group's three coal mines in Liulin, Shanxi will each have their own processing plants. The Group's aggregate annual processing capacity will increase from 4.2 million tons to 6.3 million tons. It is our long term strategy to step up efforts to expand clean coal operations and to increase sales in clean coal business.