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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 in relation to the Acquisition of 30% Interest in the Offshore Gold Mine in Shandong**

### **Important notes:**

- Zijin Mining Group Co., Ltd.\* (the “Company” or “Zijin Mining”) proposed to invest RMB3.9845 billion to acquire 30% equity interest in Shandong Ruiyin Mining Industry Development Company Limited (“Ruiyin Mining” or the “Target Company”) through transfer by agreement. Ruiyin Mining holds 100% equity interest in Laizhou Ruihai Mining Industry Company Limited (“Ruihai Mining”).
- Ruihai Mining holds 100% interest in the Offshore Gold Mine in northern Sanshandao, Laizhou City, Shandong Province. The gold mine is the largest gold mine in China in recent years. The recoverable gold resources amounted to 562.37 tonnes grading 4.20 grammes/tonne in average.
- The transaction does not constitute a connected transaction or a material asset restructuring of the Company. The transaction was considered and approved at the fourteenth extraordinary meeting in 2022 of the seventh term of the board of directors (the “Board”) of the Company, and is not required to be tabled to the shareholders’ general meeting for approval.

### **I. Overview of transaction**

On 11 October 2022, the Company entered into an equity interest transfer agreement (the “Agreement”) with Shandong Bowen Mining Co., Ltd. (“Bowen Mining” or the “Transferor”). The Company proposed to invest RMB3.9845 billion to acquire 30% equity interest in Ruiyin Mining held by Bowen Mining (the “Target Equity Interest”). Ruiyin Mining holds 100% equity interest in Ruihai Mining. Ruihai Mining holds 100% interest in the Offshore Gold Mine in northern Sanshandao, Laizhou City, Shandong Province.

The consideration for acquiring the Target Equity Interest was determined based on the due diligence conducted by the Company covering the business, technology, financial status, legal compliance, etc. of the target assets after taking into account the value of the target assets prudently. It was arrived at under normal

commercial terms, through fair and amicable negotiation, and consented unanimously by both parties to the transaction.

The transaction was considered and approved at the fourteenth extraordinary meeting in 2022 of the seventh term of the Board of the Company. All 12 directors of the Company unanimously voted in favour of and agreed to the transaction. The transaction is not required to be tabled to the shareholders' general meeting for approval, and does not constitute a connected transaction or a material asset restructuring of the Company.

## **II. Basic information about the counterparty to the transaction**

Company name: Shandong Bowen Mining Co., Ltd.

Type of enterprise: Limited liability company (a legal entity invested or controlled by a single non-natural person)

Legal representative: Sun Shaobo

Registered capital: RMB5 million

Registered address: 905-5, Jufeng Chuangye Building, No. 52 Miaoling Road, Laoshan District, Qingdao City, Shandong Province

Business scope: Approved items: mineral resources exploration; surveying of construction projects. General items: sales of metal ore; sales of non-metallic ore and products; sales of mining machinery; sales of metal products, etc.

Bowen Mining does not have any connected relationship with the Company.

## **III. Basic information about the targets of the transaction**

### **(I) Overview of the targets of the transaction**

#### **1. Ruiyin Mining**

Company name: Shandong Ruiyin Mining Development Company Limited

Legal representative: Wang Chunguang

Registered capital: RMB1.4411696 billion

Registered address: No. 299 Jinhui Road, Zhaoyuan City, Yantai City, Shandong Province

Business scope: Wholesale and retail of metal materials, iron ore and iron ore powder; research and development of mineral product technology.

Shareholding structure: Zhaojin Mining Industry Company Limited (a company listed on the H-share market, stock code: 1818, hereinafter referred to as "Zhaojin Mining") and Bowen Mining hold 63.86% and 36.14% of its equity interest, respectively.

As at 31 December 2021, the consolidated total assets and consolidated net assets of Ruiyin Mining amounted to RMB4.11908 billion and -RMB247.33 million, respectively. No sales income was generated in

2021, and the consolidated net loss amounted to RMB68.62 million. (The abovementioned financial data has not been audited)

As at 30 June 2022, the consolidated total assets and consolidated net assets of Ruiyin Mining amounted to RMB4.18294 billion and RMB424.49 million, respectively. No sales income was generated from January to June 2022, and the consolidated net loss amounted to RMB29.59 million. (The abovementioned financial data has not been audited)

The major asset of Ruiyin Mining is its 100% equity interest in Ruihai Mining.

## **2. Ruihai Mining**

Company name: Laizhou Ruihai Mining Company Limited

Legal representative: Li Jianzhi

Registered capital: RMB1.8 billion

Registered address: No. 2203 Haigang Road, Sanshandao Subdistrict, Laizhou City, Yantai, Shandong Province

Business scope: Technological development, sales and geological exploration technological services of metallic mineral products; sales: stone materials.

Ruihai Mining holds 100% interest in the Offshore Gold Mine in northern Sanshandao, Laizhou City, Shandong Province.

## **3. Governance structure**

Both Ruiyin Mining and Ruihai Mining have established a board of directors. The existing boards of directors are comprised of 5 directors, respectively, of which Zhaojin Mining can recommend 3 directors, Bowen Mining can recommend 2 directors and the chairman of the board of directors shall be a director recommended by Zhaojin Mining. There is no supervisory committee but there are 2 supervisors, each of which is recommended by Zhaojin Mining or Bowen Mining. The general manager shall be recommended by Zhaojin Mining, and the financial controller shall be recommended by Bowen Mining.

## **(II) Overview of the Offshore Gold Mine**

### **1. Information about the geographical location and infrastructure**

The Offshore Gold Mine is located in northern Laizhou City, Shandong Province, 26 kilometres away from the town area. It is adjacent to the Sanshandao Gold Mine in the southwest and the Laizhou Port. The mining area is located in the Bohai Bay, with low and flat nearshore and seabed. It belongs to the coastal plain sedimentary landform. There are many large and medium-sized gold mines nearby, including Sanshandao, Cangshang, Sizhuang, Xincheng and Jiaojia, and the surrounding infrastructure is well-established. Water and land transportation can be conveniently accessed and the power supply is

sufficient.

## 2. Mining right

In July 2021, Ruihai Mining obtained the mining permit for the Offshore Gold Mine, which was approved and issued by the Department of Natural Resources of Shandong Province. The production scale is 3.96 million tonnes per year. The mining right covers an area of 5.828 square kilometres and underground mining method will be adopted. The mining depth is from -60.0 metres to -1,956 metres. The mining right is valid from 21 July 2021 to 21 July 2036.

## 3. Information about the resources

The Offshore Gold Mine is located in the Sanshandao-Cangshang fault metallogenic belt, a first-class metallogenic belt in Jiaodong area. The main orebody is located at the beresitic (granitoid) cataclasite zone under the major fault surface, and is strictly dominated by it. It is mainly disseminated or veinlet-disseminated. There are associated silver, sulphur, copper, lead, zinc, etc., in the ore.

According to the Exploration Report of the Offshore Gold Mine Area in Northern Sanshandao, Laizhou City, Shandong Province, filed with the Ministry of Land and Resources on 20 April 2016, the identified gold resources of the Offshore Gold Mine were 459.434 tonnes grading 4.23 grammes/tonne in average. In addition, there were reserves of 5.61 tonnes of low-grade gold resources grading 1.60 grammes/tonne in average.

In 2018, Ruihai Mining carried out a supplementary exploration in the mining area, and the reserves enhanced significantly. According to Zhaojin Mining's 2021 annual report, under the JORC Code, recoverable gold resources of the Offshore Gold Mine amounted to 562.37 tonnes grading 4.20 grammes/tonne in average, of which reserves were 212.21 tonnes grading 4.42 grammes/tonne in average. Details are as follows:

Category	Ore volume	Gold grade	Gold metal volume
	Mt	g/t	t
<b>Resources</b>			
Measured	15.343	6.25	95.86
Indicated	36.028	4.27	153.80
<b>Measured + Indicated</b>	<b>51.370</b>	<b>4.86</b>	<b>249.66</b>
Inferred	82.643	3.78	312.71
<b>Reserves</b>			
Proved	14.345	5.68	81.48
Probable	33.686	3.88	130.73
<b>Total</b>	<b>48.031</b>	<b>4.42</b>	<b>212.21</b>

The Offshore Gold Mine is the largest standalone gold mine in China. The orebody is thick and of high grade. There are many extra-large and large to medium-sized gold deposits nearby. The mining area has superior metallogenic conditions. The deep part of the main orebody within the exploration range has not been closed. There are certain potentials for future exploration.

#### **4. Development plan**

Although the Offshore Gold Mine is deeply buried and below sea level, according to the geological report and the mining experience of the nearby Sanshandao Gold Mine throughout the years, the overall stability of the ore is relatively good. The water isolation effect resulted from the seabed mud sediment with certain thickness and the stability of orebody roof provide favourable conditions for the mining of the project. Underground mining will be adopted, the planned mining method is the filling method, shafts + ramps will be developed, and the ore is easy to be processed. The process of rough crushing - semi-autonomous grinding + refractory rock crushing - flotation processing is proposed to be adopted, and the recovery ratio of processing is up to 97%. The product is gold concentrate, which will be processed into alloy gold by the nearby entrusted smelters.

The designed mining and processing scale of the project is 12,000 tonnes/day. The project has obtained the mining permit, project approval, environmental impact assessment approval, energy saving approval and safety facility design review approval. The licences are basically in place. The construction site of the project is at the seafront and there are no residential areas nearby.

According to the proposal of the Preliminary Design of the Mining and Processing Project of the Offshore Gold Mine in Northern Sanshandao of Laizhou Ruihai Mining Industry Company Limited, the total investment of the project construction would be approximately RMB6 billion. Up to now, approximately RMB1.4 billion has been invested. The project is expected to complete construction and commence production in 2025. After the project reaches its designated production capacity, the average annual unit ore mining and processing cost will be RMB340 per tonne. Significant economic benefits are expected. The mining of the high-grade orebody (about 6 grammes/tonne) in the early stage will obtain better profits. After the project reaches its designated production capacity, the annual gold output is expected to be approximately 15 - 20 tonnes, with a service life of 23 years.

According to the evaluation conducted by the Company's professional department, the reserve volume of the resources of the ore deposit is generally reliable. The orebody is thick and of relatively high grade. There is a certain room to increase the reserves but the orebody is buried deeply. There are rich experience and a number of successful cases in the development of such deposit type in Jiaodong area. However, as the mine deposit is an ultra-deep mine at the seabed, there may be relatively big challenges in mining.

#### **IV. Main contents of the Agreement**

Zijin Mining Group Co., Ltd.\* (Party A) and Shandong Bowen Mining Co., Ltd. (Party B) entered into an equity interest transfer agreement on 11 October 2022. The main contents are as follows:

##### **Clause 1 Target Equity Interest**

1.1 Party A shall acquire 30% of the equity interest and all the rights and interests thereunder of the Target Company legally held by Party B. Zijin Mining Group South Investment Co., Ltd. (“South Investment”), a wholly-owned subsidiary of Party A, is designated as the subject of acquiring the Target Equity Interest.

1.2 The undistributed profits of the Target Company (if any), whether or not a distribution plan or resolution has been formed, have been taken into account in determining the consideration of the transaction.

##### **Clause 2 Consideration for the transfer and payment method**

2.1 The consideration for the transfer of the Target Equity Interest

The consideration for the transfer of the Target Equity Interest to be paid by Party A is RMB3.9845 billion (RMB3,984,500,000). Party A shall pay the said consideration to the account designated by Party B in cash.

2.2 Payment method

Within three working days from the signing date of the Agreement, Party B shall pledge its 30% equity interest in Ruiyin Mining to South Investment. Party A shall pay Party B a deposit for the transaction.

2.3 The consideration of the transaction shall be settled in four installments

The first installment: Party B shall change the registration of 30% equity interest in Ruiyin Mining held by Party B and stipulated in the Agreement to South Investment before 27 October 2022. Party A shall cooperatively release the pledge of the 30% equity interest. Within one working day from the date the registration of the aforementioned 30% equity interest is changed to South Investment, Party A shall pay Party B the first installment of RMB1 billion (RMB1,000,000,000) for the transfer of equity interest. Party B shall return the deposit simultaneously.

The second installment: After both parties confirm that the first installment has been paid and the return of deposit has been completed, Party A shall pay Party B the second installment of RMB2.5045 billion (RMB 2,504,500,000) for the transfer of equity interest.

The third installment: Within 45 days from the date after Party B has changed the registration of all the 30% equity interest in the Target Company to South Investment, Party A shall pay Party B the third installment for the transfer of equity interest, which is RMB380 million (RMB380,000,000).

The fourth installment: Within 45 days from the date after Party B has changed the registration of all the

30% equity interest in the Target Company to South Investment, Party A shall deposit the remaining consideration of RMB100 million (RMB100,000,000) for the equity interest transfer into the bank account jointly managed by both parties. This special fund shall be used to settle the remaining exploration cooperation compensation of RMB100,000,000 to be paid for the development of the Offshore Gold Mine project in northern Sanshandao incurred by an affiliated company of Party B.

### **Clause 3 Taxes and fees**

3.1 All parties shall pay the taxes and fees involved in the transfer of equity interest in a timely manner in accordance with the relevant laws and regulations.

3.2 All parties shall bear the expenses incurred in the negotiation, preparation and completion of the transaction on their own.

### **Clause 4 Handover**

4.1 Within 30 days from the date of completing the change of registration of the equity interest, Party B shall coordinate with the Target Company and the controlling shareholder of the Target Company to hand over positions to Party A. These positions include but not limited to the directors, supervisors and senior management appointed by Party B to the Target Company and its subsidiaries.

4.2 Within 30 days from the date of completing the change of registration of the equity interest, Party B shall coordinate the financial controller of the Target Company and its subsidiaries to complete the handover of work in respect of finance and the handover of financial information to the personnel appointed by Party A.

### **Clause 5 Representations, warranties and undertakings**

5.1 Party A undertakes that it shall pay the consideration of the equity interest transfer to the bank account designated by Party B on time and in full in accordance with the stipulations of the Agreement.

5.2 Party B undertakes that it has obtained the written consent of other shareholders of the Target Company to waive their respective rights of first refusal for the Target Equity Interest to be transferred to Party A.

**Clause 6 The Agreement shall take effect after the legal representative or authorised representative of each party sign and affix the official seal on the Agreement.**

### **Clause 7 Others**

The Agreement also stipulates the terms of commitment and arrangement during the transition period, and the confidentiality, notification and delivery, application of law and dispute resolution, liability for breach of contract and termination of the Agreement.

## **V. Asset valuation**

Beijing Jingwei Asset Evaluation Co., Ltd. issued the Valuation Report on the Mining Right of the Offshore Gold Mine in Northern Sanshandao of Laizhou Ruihai Mining Industry Company Limited (Jingwei Ping Bao Zi (2022) No.101).

## **VI. Impact of the transaction on the Company**

The Offshore Gold Mine is the largest gold mine discovered in China in recent years. Its recoverable gold resources are large in scale and of high grade. The orebody is thick, which can realise large-scale development. The project can produce 15-20 tonnes of gold per year after the construction is completed and the production commences. It will become the largest gold mine in China. High grade orebody will be mined in the early stage. It is expected that the annual production of gold will be over 20 tonnes after reaching the designated production capacity. The acquisition will enhance the gold resources and reserves of the Company. The gold resources owned by the Company will increase by 168.7 tonnes on equity basis. The gold production volume of the Company is expected to increase by 4.5-6 tonnes on equity basis after the project commences production. The project is located in the Jiaodong area with convenient transportation and logistics. This area has geographical advantages and the mining industry is well-developed, which are conducive to the development of the project. The controlling shareholder of the project is Zhaojin Mining, a large gold enterprise with rich experience in mine operation. Zhaojin Mining agrees and supports Zijin Mining to implement the equity interest acquisition. The two large-scale gold enterprises can give full play to their respective strengths and generate synergy effectively in the development and construction of the project as well as subsequent production and operation. Both parties have the confidence and competence to develop the Offshore Gold Mine into the largest, deepest and most efficient modern gold mine in China. The project has basically obtained all licences and permits. It is expected to complete construction and commence production in 2025. The production cost of the project is low. The acquisition of the equity interest is in line with the Company's development strategy.

The transaction amount is RMB3.9845 billion, accounting for 5.6% of the Company's audited net assets attributable to the parent in 2021. The fund for the acquisition will be self-financed by the Company.

## **VII. Major risks**

The Offshore Gold Mine is a seabed mining project. Its main orebody is distributed at a depth of -50 to -1,800 metres. It is an ultra-deep mine deposit. The mining of the project is relatively challenging. There are hazards, such as geothermal heat, rock bursts, etc., and there are certain uncertainties. These may affect the time of the mine to commence production and achieve its designated output. The project is sensitive to gold price fluctuation and involves investment risks. Investors are advised to pay attention to the risks.

**The transaction does not constitute a notifiable transaction or a connected transaction of the**



**Company under Chapters 14 and 14A of The Rules Governing the Listing of Securities on the Hong Kong Stock Exchange Limited. This announcement is made by the Company on a voluntary basis.**

**This announcement is published in both Chinese and English. In the case of any discrepancies, the Chinese version shall prevail.**

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

As at the date of this announcement, the Board of Directors of the Company comprises Messrs. Chen Jinghe (Chairman), Lan Fusheng, Zou Laichang, Lin Hongfu, Ms. Lin Hongying and Mister Xie Xionghui as executive directors, Mister Li Jian as non-executive director, and Messrs. Mao Jingwen, Li Changqing, He Fulong, Suen Man Tak and Bo Shao Chuan as independent non-executive directors.

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

12 October 2022, Fujian, the PRC

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