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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 the Shapinggou Molybdenum Mine in Anhui

Important notes:

- Zijin Mining Group Co., Ltd.* (the “Company” or “Zijin Mining”) acquired 84% equity interest in Anhui Jinsha Molybdenum Co., Ltd. (“Jinsha Molybdenum” or the “Target Company”) at a consideration of RMB5.91 billion through public tender (the “Acquisition”). Jinsha Molybdenum holds the exploration right of the Shapinggou Molybdenum and Polymetallic Mine in Jinzhai County, Anhui Province (the “Shapinggou Molybdenum Mine Exploration Right”, “Exploration Right” or “Shapinggou Molybdenum Mine”). At present, the procedure of converting the Exploration Right to a mining right is in progress.
- The Shapinggou Molybdenum Mine is a world-class, super-large porphyry molybdenum and polymetallic deposit yet to be developed. It owns 2.4594 million tonnes of retained molybdenum resources, among which, the molybdenum resources inside the Exploration Right are 2.3378 million tonnes grading 0.143% in average.
- The abovementioned transaction does not constitute a connected transaction or a material asset restructuring of the Company. The transaction was considered and approved at the thirteenth meeting of the seventh term of the board of directors (the “Board”) of the Company.

I. Overview of the transaction

The 84% equity interest in Jinsha Molybdenum held by Anhui Jinmu Geology and Mineral Resources Investment Co., Ltd. (“Jinmu Geology and Mineral Resources”) was put under tender at the Anhui Assets and Equity Exchange at a tender price of RMB5.91 billion. The Company successfully won the bid at RMB5.91 billion, and entered into a property interest transfer agreement (the “Property Interest Transfer Agreement” or “Agreement”) with the transferor on 21 October 2022.

Jinsha Molybdenum holds the Shapinggou Molybdenum Mine Exploration Right. At present, the procedure of converting the Exploration Right to a mining right is in progress.

The transaction was considered and approved at the thirteenth meeting 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 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: Anhui Jinmu Geology and Mineral Resources Investment Co., Ltd.

Type of enterprise: Limited liability company

Legal representative: Wang Dongsheng

Registered capital: RMB10 million

Registered address: Modern Industrial Park, Jinzhai County

Business scope: General operation items: geological exploration and technical services; processing and sales of mineral products; mining investment and development.

Anhui Geology and Mineral Resources Investment Group Ltd. holds 100% equity interest in Jinmu Geology and Mineral Resources. Jinmu Geology and Mineral Resources does not have any connected relationship with the Company.

III. Basic information about the Target Company

(I) Overview of the Target Company

Company name: Anhui Jinsha Molybdenum Co., Ltd.

Type of enterprise: Other limited liability company

Legal representative: Zhan Shuangqing

Registered capital: RMB200 million

Registered address: Xincheng District, Meishan Town, Jinzhai County, Liuan City, Anhui Province (within the County Development and Reform Commission)

Business scope: General operation items: under preparation (exploration, mining, milling, processing and sales of molybdenum ore.)

Shareholding structure: Jinmu Geology and Mineral Resources, Jinduicheng Molybdenum Co., Ltd. and Jinzhai Urban Development Investment Co., Ltd. hold 84%, 10% and 6% of its equity interest, respectively.

Jinsha Molybdenum holds the Shapinggou Molybdenum Mine Exploration Right. It does not have any connected relationship with the Company.

According to the announcement on the platform of the Anhui Assets and Equity Exchange, as at 31 December 2021, the total assets, total liabilities and net assets of Jinsha Molybdenum amounted to RMB293.73 million, RMB1.86 million and RMB291.87 million, respectively. There was no sales income and net profit for the year 2021. (The abovementioned financial data has been audited)

As at 30 June 2022, the total assets, total liabilities and net assets of Jinsha Molybdenum amounted to RMB290.06 million, RMB1.81 million and RMB291.87 million, respectively. There was no sales income and net profit for the period from January to June 2022. (The abovementioned financial data has not been audited)

(II) Overview of the Shapinggou Molybdenum Mine

1. Information about the natural and geographical environment and infrastructure

The Shapinggou Molybdenum Mine is located in Guanniao Township, Jinzhai County, Anhui Province, about 50 kilometres from the county seat of Jinzhai County. High-speed railways and expressways pass through the southern part of the mining area. There are also roads connecting the mining area with highways of the county and township. The transportation is convenient. The mining area is located in the hinterland of Dabie Mountain, which has sufficient water resources. Power grid covers the mining area, and the ancillary facilities are well-developed.

2. Information about the Exploration Right

Jinsha Molybdenum holds the Shapinggou Molybdenum Mine Exploration Right, which covers an exploration area of 2.93 square kilometres. The Exploration Right is valid until 22 December 2022. At present, the procedure of converting the Shapinggou Molybdenum Mine Exploration Right to a mining right is in progress. The application thereof has been reviewed by the natural resources management authority of Anhui Province, and is pending final approval from the Ministry of Natural Resources of the PRC.

3. Information about the resources

The Shapinggou Molybdenum Mine is a super-large porphyry molybdenum and polymetallic deposit, located at the Yinshan molybdenum, lead, zinc and polymetallic ore field in the eastern section of the Tongbai-Dabie metallogenic belt. The deposit is a super-large concealed deposit. The main orebody is thick and cylindrical in general, which is characterised by its dome-shaped feature in terms of space. There is only one main orebody, accounting for 99.9% of the total molybdenum metal resources, which distributes in the middle of the deposit. The molybdenum ore is mainly molybdenite.

According to the Geological Report for the Exploration of the Shapinggou Molybdenum Mine in Jinzhai County, Anhui Province filed to the Department of Land and Resources of Anhui Province in 2013, the estimated resources within the area of the Exploration Right of the Shapinggou Molybdenum Mine were 1.63 billion tonnes of ores, containing 2.3378 million tonnes of molybdenum metal grading 0.143% in average. Details of the resources are as follows:

Ore grade	Resource grade	Ore volume	Molybdenum grade	Molybdenum metal volume
		Million tonnes	%	Million tonnes
Industrial ore	Measured	222.0644	0.265	0.5887
	Indicated	329.0632	0.182	0.5996
	Inferred	569.3034	0.160	0.9118
	Subtotal	1,120.4310	0.187	2.1002
Low-grade ore	Measured	16.1839	0.044	0.007
	Indicated	77.1042	0.047	0.0364
	Inferred	416.5999	0.047	0.1942
	Subtotal	509.888	0.047	0.2376
Total (Industrial ore + low-grade ore)		1,630.319	0.143	2.3378

At a 0.30% Mo cut-off grade, the Shapinggou Molybdenum Mine has 165 million tonnes of ores, containing 630 thousand tonnes of molybdenum metal grading 0.38% in average.

4. Development plan

The orebody of the Shapinggou Molybdenum Mine has a large volume of resources and a relatively high grade. The occurrence conditions and hydrogeological conditions of the orebody are simple, which is suitable for large-scale underground mining. According to the 2020 development and utilisation plan published by China ENFI Engineering Co., Ltd., the designed mining and processing capacity of the Shapinggou Molybdenum Mine is 10 million tonnes per year. According to the occurrence status of the deposit, main and auxiliary shafts + ramps will be developed, and the mining method will be the large-diameter, deep-hole, open stoping with delayed backfill method. For processing, the process flow will be crude crushing + semi-autogenous grinding + ball milling + flotation processing + concentrate filtration. The final product of the project is molybdenum concentrate (containing molybdenum with a grade of 57%).

The development plan adopts the principle of “mining both high-grade and low-grade ores, and mining higher-grade ores first”. The middle section of the initial mining is determined to be -450 metres, which is also the boundary that divides the orebody into the upper and lower parts. The orebody above -450 metres will be mined first, with a service life of approximately 57 years. Later on, the development system will be extended for mining at the deeper area, with a service life of approximately 37 years. The total service life of the mine can reach 94 years (excluding the infrastructure period).

The construction period of the project is 4.5 years, and the total investment is estimated to be RMB7.2 billion. Among which, the construction investment is RMB6.4 billion. After the completion of construction and reaching the designated production capacity, the average annual output will be molybdenum concentrate containing 27,200 tonnes of molybdenum.

IV. Asset valuation

According to the tender announcement, Pan-China Appraisal Co., Ltd. in Beijing was entrusted by Jinmu Geology and Mineral Resources to issue the Asset Valuation Report on the Project of Proposed Transfer of the Equity Interest in Anhui Jinsha Molybdenum Co., Ltd. Held by Anhui Jinmu Geology and Mineral Resources Investment Co., Ltd. (Tianxing Ping Bao Zi (2022) No. 0294).

V. Major contents of the Property Interest Transfer Agreement

Anhui Jinmu Geology and Mineral Resources Investment Co., Ltd. (the “Transferor”) and Zijin Mining Group Co., Ltd.* (the “Transferee”) entered into the Property Interest Transfer Agreement on 21 October 2022. Major contents of the Agreement are as follows:

(I) The Target Company and the consideration

The Company shall acquire 84% equity interest in Jinsha Molybdenum held by Jinmu Geology and Mineral Resources at a consideration of RMB5.91 billion. The payment shall be made in cash. As it is uncertain that whether it is required to pay the transfer fee of mining right for the Shapinggou Molybdenum Mine, both parties to the Agreement agreed that: if it is required to pay the transfer fee of mining right, the amount shall be borne by the Transferor.

(II) Payment of the consideration

The Company shall make a prepayment of RMB2 billion (including a deposit for the transaction of RMB600 million) within five working days from the signing date of the Agreement. The Transferor agreed to pledge the 84% equity interest in the Target Company it held as a pledged security for the prepayment. Both parties shall enter into a pledge agreement. After the Agreement becomes effective, the prepayment shall become part of the payment of the consideration. Within five working days from the effective date of the Agreement, the Company shall settle the remaining balance of the consideration in a lump sum. The pledged security shall be released within three working days.

(III) Representations and warranties

The Transferor undertakes that other shareholders of the Target Company have expressed their consents on the transfer of the equity interest and waived their right of first refusal.

(IV) Taxes and fees for the property transfer

Taxes incurred for the property transfer shall be paid by both parties to the transaction pursuant to the relevant regulations of the state.

(V) Execution of the Agreement

The Agreement shall become established after signing and affixing the official seal of both parties to the

transaction, and become effective on the date the application for the mining right permit of the Shapinggou Molybdenum Mine is successful, and the Agreement shall be filed to the Anhui Assets and Equity Exchange at the same time.

(VI) Other terms

The Agreement also stipulates the terms of representations and warranties, creditors' rights, assumption of liabilities, transfer of the property right, arrangements for the transition period, notification and delivery, modification and termination of the Agreement, liabilities for breach of contract, dispute resolution, etc.

VI. Impact of the transaction on the Company

Molybdenum and its alloys have good thermal and electrical conductivity, high temperature resistance, wear resistance and corrosion resistance properties. They are widely used in metallurgy, chemical engineering, energy, aviation, aerospace, machine manufacturing and other areas, and have broad development prospects. China owns the largest volume of molybdenum resources in the world. It is also a major consumer of molybdenum. China has an edge in molybdenum minerals, and has an important influence on the global molybdenum market. According to Antaika's data, the global supply of molybdenum in 2021 was about 264 thousand tonnes, and the demand was about 266.1 thousand tonnes.

The Shapinggou Molybdenum Mine in Anhui is a world-class, super-large porphyry deposit yet to be developed. It has 2.34 million tonnes of molybdenum metal, among which, 630 thousand tonnes of molybdenum metal have a grade over 0.3%. It has a strong cost advantage and market competitiveness (65% of the molybdenum resources in China have a grade under 0.1%). The transportation, electricity and other infrastructure in the mining area are relatively well-developed, and the construction conditions are favourable. The project has large resources of relatively high grade, single composition and concentrated orebody, which is suitable for large-scale mining. If the Company successfully acquires the project and conducts the development, it will quickly become one of the top global molybdenum producers. The project has a great strategic significance for the future development of the Company.

The Company acquired the project through public tender. The Property Interest Transfer Agreement which has been entered into will become effective on the date when the Target Company obtains the mining right permit of the Shapinggou Molybdenum Mine. The prepayment is RMB2 billion, and the remaining balance will be settled after the mining right permit has been obtained. As the consideration of the Acquisition will be paid in installments, the risk is relatively low.

The consideration of the transaction is RMB5.91 billion, accounting for 8.32% of the Company's audited net assets attributable to owners of the parent in 2021. The fund for the Acquisition will be self-financed by the Company.

VII. Risk warning

(I) The Target Company is going through the procedure of converting the Exploration Right to a mining right, which requires certain time to complete. The actual time required to obtain the mining right permit is uncertain.

(II) Molybdenum is a metal with a small production volume. Its price fluctuation is large. 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

21 October 2022, Fujian, the PRC

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