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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 20% Equity Interest in Zhaojin Mining

Important notes:

- Gold Mountains (H.K.) International Mining Company Limited (“Gold Mountains (H.K.)”, a wholly-owned subsidiary of Zijin Mining Group Co., Ltd.* (the “Company”)) or its designated wholly-owned subsidiary proposed to acquire 654,078,741 H Shares not subject to trading moratorium of Zhaojin Mining Industry Company Limited (“Zhaojin Mining” or the “Target Company”) held by Shanghai Yuyuan Tourist Mart (Group) Co., Ltd. (“Yuyuan”) by way of block trade (the “Acquisition”), representing 20% of the total share capital of the Target Company. The consideration of the Acquisition is HKD6.72 per H Share, and the total consideration of the Acquisition is HKD4,395,409,139.52 (equivalent to approximately RMB4,062,632,714, according to the central parity rate of HKD1:RMB0.92429 on 4 November 2022 announced by the China Foreign Exchange Trade System, same thereafter). Upon completion of the transaction, Gold Mountains (H.K.) or its wholly-owned subsidiary will become the second largest shareholder of Zhaojin Mining.
- 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 seventeenth extraordinary meeting in 2022 of the seventh term of the board of directors (the “Board”) of the Company.

I. Overview of the transaction

On 6 November 2022, Gold Mountains (H.K.), a wholly-owned subsidiary of the Company, entered into a share transfer agreement (the “Agreement”) with Yuyuan, a shareholder of Zhaojin Mining. Gold Mountains (H.K.) or its designated wholly-owned subsidiary proposed to acquire 654,078,741 H Shares not subject to trading moratorium of Zhaojin Mining (the “Target Shares”) held by Yuyuan by way of block trade, representing 20% of the total share capital of the Target Company. The consideration of the Acquisition is HKD6.72 per H Share, representing a discount of approximately 1.75% to the closing price of Zhaojin Mining (i.e., HKD6.840 per H Share) for the trading day prior to the signing date of the Agreement. The total consideration of the Acquisition is HKD4,395,409,139.52, equivalent to approximately RMB4,062,632,714.

Upon completion of the transaction, Gold Mountains (H.K.) or its wholly-owned subsidiary will become the second largest shareholder of Zhaojin Mining.

The consideration of the Acquisition is determined based on the due diligence on the Target Company carried out by the Company, after taking into comprehensive consideration of the share price, analysis reports in the market and development prospect of the Target Company. It was arrived at upon thorough negotiation by all parties to the transaction. The Company is of the view that the consideration of the Acquisition is fair and reasonable.

The transaction was considered at the seventeenth extraordinary meeting in 2022 of the seventh term of the Board of the Company convened via telecommunication on 6 November 2022. All 12 directors of the Company unanimously agreed to the Acquisition. The transaction does not constitute a connected transaction or a material asset restructuring of the Company.

II. Basic information about the parties to the transaction

(I) Gold Mountains (H.K.) International Mining Company Limited

Company name: Gold Mountains (H.K.) International Mining Company Limited

Registered address: Unit 7503A, Level 75, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong

Registered capital: HKD29,559,957,000

Scope of business: Investment and trading

Gold Mountains (H.K.) is an important platform of the Company for overseas investment, financing and operation. It is a wholly-owned subsidiary of the Company.

(II) Shanghai Yuyuan Tourist Mart (Group) Co., Ltd.

Company name: Shanghai Yuyuan Tourist Mart (Group) Co., Ltd.

Type of enterprise: Other joint stock limited company (listed company)

Legal representative: Huang Zhen

Registered capital: RMB3.890382974 billion

Registered address: No. 19 Wenchang Road, Shanghai

Scope of business: Gold and silver accessories, platinum accessories, diamond accessories, jewellery and jade, arts and crafts, etc.

As at the signing date of the Agreement, Yuyuan and Shanghai Laomiao Gold Co., Ltd., its wholly-owned subsidiary, hold an aggregate of 695,200,000 H Shares of the Target Company, representing approximately 21.26% of the total share capital of the Target Company.

Yuyuan is a company listed in the A-share market (stock code: 600655). It does not have any connected relationship with the Company.

III. Basic information about the Target Company

(I) Overview of the Target Company

Company name: Zhaojin Mining Industry Company Limited

Date of incorporation: 16 April 2004

Type of enterprise: Other joint stock limited company (listed company)

Legal representative: Weng Zhanbin

Registered capital: RMB3.270393204 billion

Registered address: No. 118 Wenquan Road, Zhaoyuan City, Shandong Province

Listing place of the shares: Main Board of The Stock Exchange of Hong Kong, stock code: 1818

Scope of business: Gold exploration, ore processing, cyanide process (metallurgy) and sale of processed by-products; mine construction, and technology research and testing, technology promotion services; investment within the scope permitted by laws and regulations; general freight services.

(II) Status of shareholders

As at the signing date of the Agreement, the total number of shares of Zhaojin Mining is 3,270,393,204.

According to the interim report 2022 published by Zhaojin Mining, the major shareholders of Zhaojin Mining as at 30 June 2022 were as follows:

Number	Name of shareholder	Class of shares	Number of shares held (share)	Proportion to total share capital (%)	
1	Shandong Zhaojin Group Company Limited	Domestic shares	618,437,607	37.16	
		H Shares	517,773,402		
2	Zhaojin Non-Ferrous Mining Company Limited	H Shares	50,967,195		
3	Luyin Trading Pte Ltd.	H Shares	27,953,000		
4	Shanghai Yuyuan Tourist Mart (Group) Co., Ltd.	H Shares	742,000,000		25.46
5	Shanghai Fosun Industrial Investment Co. Ltd.	H Shares	69,302,500		
6	Shanghai Laomiao Gold Co., Ltd.	H Shares	21,200,000		

Shandong Zhaojin Group Company Limited holds 618,437,607 domestic shares and 517,773,402 H Shares of Zhaojin Mining, and holds 50,967,195 and 27,953,000 H Shares of Zhaojin Mining through Zhaojin Non-Ferrous Mining Company Limited and Luyin Trading Pte Ltd., respectively. It holds 1,215,131,204 shares of Zhaojin Mining in aggregate, representing 37.16% of its total share capital. It is the largest shareholder of Zhaojin Mining, and its actual controller is the People's Government of Zhaoyuan City.

Shanghai Yuyuan Tourist Mart (Group) Co., Ltd., Shanghai Fosun Industrial Investment Co. Ltd. and Shanghai Laomiao Gold Co., Ltd. are persons acting in concert. Their actual controller is Mr. Guo Guangchang.

Upon completion of the transaction, Gold Mountains (H.K.) or its wholly-owned subsidiary will hold 654,078,741 H Shares of Zhaojin Mining, representing 20% of its total share capital and become the second largest shareholder of Zhaojin Mining.

(III) Information about the principal business

Zhaojin Mining is a joint stock limited company incorporated in the People's Republic of China on 16 April 2004 and has been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 8 December 2006. It has an integrated business comprising exploration, mining, processing and smelting operations, with a focus on the development in the gold industry. It is a leading gold producer and one of the largest gold smelting enterprises in China. Its principal products are "Au9999" and "Au9995" standard gold bullion. Its production technology and equipment have reached domestically leading and internationally advanced levels. It is a national high and new technology enterprise.

As at 30 June 2022, Zhaojin Mining owned 25 mines in China, of which 23 were gold mines and 2 were copper mines, as well as 3 gold and copper smelters. Zhaojin Mining's businesses are located in Shandong, Gansu, Xinjiang, Inner Mongolia, Liaoning and other provinces in China. Outside China, it held 80% equity interest in Goldking Mining Company S.A. in Ecuador, and 9.9% interest in Sabina Gold & Silver Corp (as the second largest shareholder, the main asset of which is the large-scale Back River Gold Mine in northern Canada).

1. Resources

As at 31 December 2021, according to JORC Code, Zhaojin Mining had 1,219 tonnes of gold resources and 320,000 tonnes of copper resources, including 491 tonnes of gold reserves and 120,000 tonnes of copper reserves. On equity basis, Zhaojin Mining owned 942 tonnes of gold resources and 260 thousand tonnes of copper resources, including 391 tonnes of gold reserves and 99 thousand tonnes of copper reserves.

Classification	Mineral	Unit	Resources				Reserves		
			Measured	Indicated	Measured + Indicated	Inferred	Proved	Probable	Total
Total volume of all mines	Gold	Ore (Mt)	32.349	118.321	150.669	197.400	31.544	117.882	149.426
		Grade (g/t)	4.61	3.37	3.64	3.40	4.18	3.05	3.29
		Metal (t)	149.24	398.79	548.03	670.97	131.77	359.31	491.08
	Copper	Ore (Mt)	3.550	8.032	11.581	17.793	3.25	7.472	10.722
		Grade (%)	1.05	1.26	1.19	1.03	0.96	1.17	1.11
		Metal (kt)	37.21	101.06	138.27	183.61	31.22	87.48	118.70
Total volume shared by Zhaojin Mining on equity basis	Gold	Ore (Mt)	24.960	100.168	125.128	152.058	24.515	100.662	125.176
		Grade (g/t)	4.28	3.25	3.45	3.35	3.89	2.94	3.13
		Metal (t)	106.93	325.09	432.02	509.94	95.30	296.13	391.43
	Copper	Ore (Mt)	2.838	6.655	9.493	14.276	2.600	6.205	8.806
		Grade (%)	1.05	1.28	1.21	1.04	0.96	1.19	1.12
		Metal (kt)	29.86	85.10	114.96	147.84	25.09	73.94	99.03

Zhaojin Mining has been increasing its input in exploration continuously. Through exploration, it newly added 21.08 tonnes, 22.75 tonnes and 52.55 tonnes of gold metal over the past three years, respectively.

2. Output

Zhaojin Mining's production volumes for the recent three years and one period are as follows:

Mineral	Type	Year 2019	Year 2020	Year 2021	First half of 2022
Gold production (tonne)	Mine-produced gold	19.77	20.10	12.62	8.65
	Smelted and processed gold	12.93	15.52	11.03	4.86
	Total	32.70	35.62	23.66	13.52
Copper production (tonne)		11,142	6,036	7,216	2,463

Note: The difference in the decimal place of the total amount is due to rounding.

In 2021, having been affected by the production suspension as a result of the production safety inspection of the mines inside the city at the beginning of the year, there was a temporary effect on the output. The production resumed in September 2021. The operation of the mines inside and outside the city was back to normal in 2022. The gold production volume has been gradually increasing. The planned gold production volume of Zhaojin Mining is 27.98 tonnes for the whole year, of which, 14.72 tonnes are mine-produced gold.

3. Key mines

Zhaoyuan City, where Zhaojin Mining's headquarters is located, is one of the largest gold production bases

in China. Zhaojin Mining's key mines include the Dayingezhuang Gold Mine, the Xiadian Gold Mine, the Offshore Gold Mine and the Zaozigou Gold Mine in Gansu Province.

The Dayingezhuang Gold Mine is located in Zhaoyuan City, Shandong Province. It is a gold project currently in production, which owned 234 tonnes of retained gold resources grading 2.52 grammes/tonne in average as at the end of 2021. Its mining and processing scale is 1.14 million tonnes/year. It is one of the largest single-shaft hoisting underground gold mines in China. The current mining depth reaches 800 metres underground and the digging depth reaches 1,000 metres underground.

The Xiadian Gold Mine is located in Zhaoyuan City, Shandong Province. It is a gold project currently in production, which owned 128 tonnes of retained gold resources grading 3.06 grammes/tonne in average as at the end of 2021. Its mining and processing scale is 1.32 million tonnes/year.

The Zaozigou Gold Mine is located in Hezuo City, Gannan Prefecture, Gansu Province. It is a gold project currently in production, which owned 52 tonnes of retained gold resources grading 3.86 grammes/tonne in average as at the end of 2021. Its mining and processing scale is 600 thousand tonnes/year.

The Offshore Gold Mine is located in Laizhou City, Shandong Province. It is a gold project currently under construction. It owns 562 tonnes of retained gold resources grading 4.2 grammes/tonne in average as at the end of 2021. The Offshore Gold Mine obtained the mining permit in July 2021. The mining and processing scale will be 3.96 million tonnes/year. The permits and licences of the project are in place. It is expected that the mine will commence production in 2025, and produce approximately 15-20 tonnes of gold annually after reaching its designated production capacity.

In addition to the abovementioned mines, Zhaojin Mining also owns the Jinchiling Gold Mine and the Canzhuang Gold Mine in Shandong Province, the Zhaojin Baiyun Mine in Liaoning Province and other projects currently in production.

Zhaojin Mining's processed gold business basically concentrates at the Jinchiling Gold Mine and Gansu Zhaojin Precious Metal Smelting Company Limited. Its current gold concentrate smelting capacity is over 2,000 tonnes/day.

4. Costs

Zhaojin Mining's gold mine projects in Shandong Province have large reserves with comparatively high grade and mature operation. Those projects enjoy cost advantage. The integrated cost of gold per gramme is relatively low. The advantage in integrated cost of gold per gramme will become more prominent after completion of construction and commencement of production of the Offshore Gold Mine, which can substantially increase the overall profitability of the mine-produced gold business.

Unit: RMB/gramme

	January to June 2022	Year 2021	Year 2020	Year 2019
Integrated cost of gold per gramme	193.98	205.65	168.32	171.23

Note: The costs of mining increased substantially in 2021 due to production suspension

(IV) Major financial data

Unit: RMB'000

Item	January to June 2022	Year 2021	Year 2020
Revenue	3,535,654	6,859,446	7,648,587
Profit attributable to equity holders of the parent	107,780	33,697	1,052,163
Net cash flows from operating activities	-175,483	2,804,574	3,633,743
Item	30 June 2022	31 December 2021	31 December 2020
Total assets	46,468,068	43,022,606	39,689,617
Total liabilities	26,783,335	23,293,732	22,632,646
Equity attributable to owners of the parent	15,899,483	16,302,342	13,552,824

Note: The financial statements of Zhaojin Mining were prepared based on the Hong Kong Accounting Standards. The financial data for the years 2020 and 2021 has been audited, and the financial data from its 2022 interim report has not been audited.

IV. Major contents of the Agreement

Shanghai Yuyuan Tourist Mart (Group) Co., Ltd. (the “Transferor” or “Seller”) and Gold Mountains (H.K.) International Mining Company Limited (the “Transferee” or “Buyer”) entered into a share transfer agreement on 6 November 2022. Major contents of the Agreement are as follows:

(I) The target of the Acquisition and the consideration

The Transferor agreed to transfer to the Transferee 654,078,741 tradable H Shares not subject to trading moratorium of the Target Company held by it, representing 20% of the total share capital of the Target Company (the “Target Shares”), and the corresponding shareholder’s rights and interests thereunder the Target Shares to the Transferee by way of block trade at a consideration of HKD6.72 per H Share, totalled HKD4,395,409,139.52. The Transferee agreed to acquire the Target Shares under the terms, conditions and price as stipulated in the Agreement.

(II) Conditions precedent for the completion of the transaction

1. Conditions precedent to the closing of the transaction under the Agreement:

- (1) As at the signing date of the Agreement and the completion date, all representations and warranties of the Transferor under the Agreement shall be true, accurate in all material respects and shall not be misleading, and the Transferor has not violated any of its obligations and undertakings under the Agreement; and
- (2) There are no circumstances that lead to or may lead to the suspension of trading or delisting of the Target Company by The Stock Exchange of Hong Kong.

2. The Transferee may notify the Transferor in writing if there is any waiver of satisfaction regarding any or all of the abovementioned conditions precedent. Subject to the above waiver(s), both parties shall use their best reasonable endeavour to ensure that the abovementioned conditions precedent would be satisfied as soon as possible before the long stop date.

For the purpose of the Agreement, the “long stop date” refers to 9 November 2022 (or another date agreed by both parties in writing).

3. If all of the abovementioned conditions precedent cannot be satisfied or waived before 5 p.m. (Beijing time) on the long stop date, the Agreement will become lapse and be of no further effect.

(III) Arrangement of the transaction

1. The consideration of the transaction shall be settled in cash and paid in Hong Kong dollar. Both parties agreed that on the completion date, the Transferor shall follow the rules governing the full circulation of H Shares, the rules governing the operational procedures of block trade and the General Rules of the Central Clearing and Settlement System of Hong Kong to transfer the Target Shares to the Transferee by way of realtime delivery versus payment. After the Transferor has completed the abovementioned procedures, the Transferee shall follow the rules governing the operational procedures of block trade and the General Rules of the Central Clearing and Settlement System of Hong Kong to transfer the consideration as stipulated in the Agreement in Hong Kong dollar to the Transferor by way of realtime delivery versus payment.

2. During the period from the signing date of the Agreement to the completion date, if there is any event regarding allotment of shares, bonus shares, conversion of capital reserve into share capital, etc., the number of shares and the corresponding rights and interests increased thereby shall belong to the incidental rights and interests of the Target Shares, which shall belong to the Transferee. Yet, the consideration for the transfer of the Target Shares and the proportion of the Target Shares to the Target Company’s total share capital shall remain unchanged.

3. The delivery shall be carried out on 10 November 2022 (or another date agreed by both parties in writing). The delivery time shall be 9:00 a.m. on the completion date, and the delivery location shall be a location agreed by both parties.
4. Both parties agree that the Target Shares under the Agreement can be taken over by the Transferee under the Agreement or its designated wholly-owned subsidiary.

(IV) Burden of taxes and expenses

1. Except as otherwise provided in the Agreement, both parties shall bear all their own legal, finance and other costs arising from or incidental to the preparation, negotiation, signing and performance of the Agreement and other documents.
2. Each party shall bear its own portion of the stamp duties incurred in relation to the transfer of the Target Shares. Other taxes in relation to the transfer of the Target Shares shall be borne by both parties in accordance with the relevant laws and regulations.

(V) Others

1. The Transferor has delivered a notice to the major shareholder of the Target Company requesting the fulfillment of the right of first refusal, and the major shareholder of the Target Company has waived the right of first refusal according to the content of the notice. The Transferor shall bear all the consequences of any disputes arising therefrom.
2. The Agreement also provides the terms of representations, warranties and undertakings, confidentiality, liabilities for the breach of contract, conduct requirements during the transition period, release and termination of the Agreement, application of law and dispute resolution, notification, etc.

V. Impact of the transaction

(I) Increase the reserves in the Company's gold resources and enhance its position in the industry

Zhaojin Mining owns 1,219 tonnes of retained gold resources. The resources on equity basis are 942 tonnes. Its resources are rich and of relatively high grade. Its mines currently in production have an annual production capacity of approximately 20 tonnes of mine-produced gold. The Offshore Gold Mine, which is under construction, is the largest gold mine discovered in China in recent years. The mine will complete construction and commence production in 2025, the annual gold production will be about 15-20 tonnes after reaching the designated production capacity. In addition, the production cost of the project is relatively low. It is expected that the mine will generate significant economic benefits.

Upon completion of the transaction, the Company's gold resources and annual mine-produced gold

production will increase by 188 tonnes and 4 tonnes, respectively, based on its 20% equity interest in Zhaojin Mining. After the Offshore Gold Mine commences production, it is expected that the Company's annual mine-produced gold production on equity basis will further increase by 6.6-8.8 tonnes (based on the 44% interest in the Offshore Gold Mine held by the Company in aggregate). The Acquisition is in line with the Company's strategy, and will further strengthen and enhance the Company's position in the global gold industry.

(II) Relatively strong synergy between the Company and Zhaojin Mining

Both the Company and Zhaojin Mining are large gold enterprises with rich experience in mine operation and management. After the Company becomes the second largest shareholder of Zhaojin Mining, it can give full play to the strengths of both parties, improve the operation quality and management efficiency of the enterprise. Synergy can be generated effectively.

The consideration of the transaction is about RMB4.063 billion, accounting for 5.72% 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.

VI. Risk warning

(I) Project operation risk

The Offshore Gold Mine is the largest incremental project of the Target Company. The deposit is an ultra-deep mine below the sea level. The mining of the project is relatively challenging. Whether the project can be put into production and reach the designated production volume within schedule will have a significant impact on the Target Company.

(II) Market risk

The future trend of gold price may affect the earnings and valuation of the Target Company.

The transaction and the transaction mentioned in the Announcement in relation to the Acquisition of 30% Interest in the Offshore Gold Mine in Shandong of the Company dated 12 October 2022, individually or collectively, do 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

6 November 2022, Fujian, the PRC

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