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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 Xiangyuan Lithium Polymetallic Mine in Dao County, Hunan Province**

### **Important notes:**

- Hunan Houdao Mining Co., Ltd. (“Houdao Mining” or the “Target Company”) holds 100% interest of the mining right of the Xiangyuan Lithium Polymetallic Mine. The original owner mainly mines vein-type minerals such as tin and tungsten. After re-evaluation, the mine is a large-scale greisen-type low-grade lithium deposit which can adopt large-scale open-pit mining.
- Zijin Mining Group Co., Ltd.\* (the “Company” or “Zijin Mining”) proposed to invest RMB1,799,959,200 to acquire 71.1391% equity interest in Houdao Mining through transfer by agreement.
- The Company entered into a cooperative development framework agreement (the “Cooperative Development Framework Agreement”) with the shareholder and actual controller of Houdao Mining, which hold the remaining 28.8609% equity interest in Houdao Mining. Both parties agreed to establish a mine development company (the “Mining Company”) based on the original Houdao Mining, and jointly invest in and establish a new lithium refining company (the “Refining Company”).
- Upon the completion of the abovementioned transaction, the Company will lead the development, construction and operation of the Xiangyuan Lithium Polymetallic Mine in Dao County, Hunan Province, and will invest in the equity interest in the downstream refining company.
- 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 twelfth 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 29 June 2022, the Company entered into an equity interest transfer agreement (the “Equity Interest Transfer Agreement”) with natural persons including Zou Guizhen, Li Xiaohuan, Xie Feng, Li Hongwei, Dong Changzhou, Su Guiqi, Shi Yong, Huang Jianli and Fang Hai, and Beijing Jiuzhou Junyi Investment

Co., Ltd. (collectively the “Transferor(s)”). The Company proposed to invest RMB1,799,959,200 to acquire a total of 71.1391% equity interest in Houdao Mining held by the Transferors. Houdao Mining holds 100% interest in the Xiangyuan Lithium Polymetallic Mine in Dao County, Hunan Province.

The Company entered into the Cooperative Development Framework Agreement with Luo Laqi, the natural person who holds the remaining 28.8609% equity interest in Houdao Mining, and Wang Mingyue, the actual controller of such portion of equity interest. Wang Mingyue agreed the Company to acquire 71.1391% of the equity interest held by the other shareholders of Houdao Mining, and agreed to waive the right of first refusal. The two parties agreed to conduct the development and refining of the Xiangyuan Lithium Polymetallic Mine Project through the Mining Company (to be established based on the original Houdao Mining, Zijin Mining and Wang Mingyue will hold 66% and 34% of its equity interest, respectively) and the Refining Company (Wang Mingyue and Zijin Mining will hold 66% and 34% of its equity interest, respectively).

The consideration of the equity interest acquisition is determined based on the due diligence on the business, technology, financial status, legal compliance, etc. of the Target Company by the Company, alongside taking into account the valuation and development prospect of the Target Company, and after the prudent assessment on the asset value (based on lithium carbonate price assumption of RMB100,000 per tonne). It is arrived at under normal commercial terms, through fair and amicable negotiation, and consented unanimously by all parties to the transaction.

The transaction was considered and approved at the twelfth 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 parties to the transaction**

### **(I) Natural persons**

The counterparties to the transaction include 11 natural persons, namely, Zou Guizhen, Li Xiaohuan, Xie Feng, Li Hongwei, Dong Changzhou, Su Guiqi, Shi Yong, Huang Jianli, Fang Hai, Wang Mingyue and Luo Laqi.

The abovementioned natural persons do not have any connected relationship with the Company.

### **(II) Beijing Jiuzhou Junyi Investment Co., Ltd. (“Jiuzhou Junyi”)**

The registered capital of Jiuzhou Junyi is RMB10 million. Its registered address is No. 1 Jinyuan Street, Changgou Town, Fangshan District, Beijing. Its legal representative is Fu Bo. It mainly engages in project

investment and other businesses.

Jiuzhou Junyi does not have any connected relationship with the Company.

### **III. Basic information about the Target Company**

#### **(I) Overview of Houdao Mining**

Company name: Hunan Houdao Mining Co., Ltd.

Date of establishment: 23 May 2013

Type of enterprise: limited liability company (invested or held by natural persons)

Legal representative: Xie Fei

Registered capital: RMB52.32 million

Registered address: inside Xiangyuan Tin Mine, Dao County

Business scope: sales and services of mining equipment; sales of mineral products; mine construction, investment and consultation

The main asset of Houdao Mining is the 100% interest in the mining right of the Xiangyuan Lithium Polymetallic Mine in Dao County, Hunan Province.

Shareholding structure is as follows:

<b>No.</b>	<b>Name of shareholders</b>	<b>Shareholding ratio</b>
1	Luo Laqi	28.8609%
2	Zou Guizhen, Li Xiaohuan, Xie Feng, Li Hongwei, Dong Changzhou, Su Guiqi, Shi Yong, Huang Jianli, Fang Hai and Jiuzhou Junyi	The 10 shareholders hold 71.1391% in total

As at the end of 2021, the total assets, total liabilities and net assets of Houdao Mining amounted to RMB85.81 million, RMB80,000 and RMB85.73 million, respectively. As the project has not been developed, no sales income was generated in 2021, and the net loss amounted to RMB6.78 million. (The abovementioned data has not been audited)

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

#### **(II) Overview of the Xiangyuan Lithium Polymetallic Mine**

##### **1. Information about the natural and geographical environment and infrastructure**

The Xiangyuan Lithium Polymetallic Mine in Dao County is located at the junction of Dao County, Jianghua County and Ningyuan County in Hunan Province, and is about 45 kilometres southeast of the town centre of Dao County in straight-line distance. Transportation to the mine mainly relies on roads. The town centre can be reached by cement roads connecting to the mine, and Luoyang-Zhanjiang Railway

passes through the west of the town centre. Transportation is relatively convenient.

The mine area is a tectonic denudation landform with an elevation of 900~1,500m and a relative cutting depth of 600m. The bottom of the mine is V-shaped with a slope of 20~60°. The water system in the area is mostly gullies and streams. The area is sparsely populated.

## 2. Information about mining right and resources

Houdao Mining owns 1 mining permit (number: C4300002010123220100569). The mineral types for mining are tin, tungsten, rubidium, lithium and caesium. The mining area covers 2.235km<sup>2</sup>. The production scale is 300,000 tonnes per year. The mining elevation is +1,200m~+400m, with a validity period up to 17 April 2025.

The original main geological prospecting target of the Xiangyuan Lithium Polymetallic Mine was rubidium, followed by tin, associated with tungsten, lithium, caesium, silver, etc. According to the characteristics of the mineral association and the deposit output pattern, the mine area is divided into two types: greisen-quartz vein type tin-tungsten deposit and greisen-type rubidium-lithium polymetallic deposit. The original development focus was the vein-type tin and tungsten metals with relatively high grade. As the high-grade tin and tungsten resources are nearly exhausted, the production of the mine has been suspended in recent years. With the explosive growth of the demand of new energy metals like lithium, against the new market background, lithium metal, which is originally associated in the deposit, will become the main mineral to be developed. According to the Verification Report of the Resources Reserve Volume of the Tin and Rubidium Polymetallic Mine in Xiangyuan Mine Area, Dao County, Hunan Province submitted by the Target Company in September 2016, the verified resources retained by the mine are as follows:

Category of resources	Ore volume (million tonnes)	Grade (%)			Content (tonne)		
		Rb <sub>2</sub> O	Li <sub>2</sub> O	Cs <sub>2</sub> O	Rb <sub>2</sub> O	Li <sub>2</sub> O	Cs <sub>2</sub> O
<b>332+333</b>	48.31	0.23	0.56	0.013	108,739	269,110	6,023
<b>334</b>	249.84	0.15	0.24	0.0007	378,833	604,934	1,786
<b>Total</b>	298.15	0.16	0.29	0.0026	487,572	874,044	7,809

Note: The conversion coefficient of lithium oxide and lithium carbonate is 1:2.47, approximately equivalent to 2.16 million tonnes of lithium carbonate.

The professional geological department of Zijin Mining has conducted a preliminary assessment of the project, which is in the view that the mine's alteration is mainly greisenisation, which is close to whole-rock mineralisation. At present, the indicated level of the deposit is not enough, and supplementary exploration is

needed. The mine has a great prospect of reserve increment.

### **3. Preliminary plan for project development**

According to the Company's preliminary plan, large-scale open-pit mining is proposed to be adopted for the mine as the ore body of the deposit is a single and thick columnar structure which is close to the land surface with large thickness, low ore grade and low stripping ratio for open-pit mining. Under the preliminary plan, the mine will be constructed at a production scale of 10 million tonnes per year, producing lepidolite containing 60,000 to 70,000 tonnes of lithium carbonate equivalent annually. At the same time, an auxiliary lithium carbonate and lithium hydroxide refining project will be developed.

The mine will first resume the 300,000-tonne per year mining and processing system. In the case of a further increase in reserves, it is possible to expand the scale of mining and processing to 15 million tonnes per year. The construction of the mine will be carried out pursuant to the progress of the licence and permit applications.

### **IV. Main content of the agreements**

The transaction consists of the Equity Interest Transfer Agreement and the Cooperative Development Framework Agreement.

#### **(I) Equity Interest Transfer Agreement**

##### **1. Parties to the transaction**

Party A: Zijin Mining Group Co., Ltd.\* (the transferee)

Parties B: Zou Guizhen, Li Xiaohuan, Xie Feng, Li Hongwei, Dong Changzhou, Su Guiqi, Shi Yong, Huang Jianli, Fang Hai and Jiuzhou Junyi (the transferors)

Party C: Hunan Houdao Mining Co., Ltd. (the Target Company)

##### **2. Target equity interest**

2.1 Party A proposed to acquire an aggregate of 71.1391% equity interest in the Target Company legally held by Parties B and all the interests thereunder, in order to lead the operation of the Target Company.

2.2 Parties B and Party C jointly confirmed that there is no encumbrance on the target equity interest, such as freezing, pledge and guarantee, and the mining permit held by the Target Company is not within the ecological red lines and nature reserve areas.

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

##### **3. Transfer of the equity interest**

### **3.1 Consideration of the transfer**

The total consideration of the transfer is RMB1,799,959,200.

### **3.2 Payment methods**

3.2.1 Party A shall pay Parties B 80% of the equity interest transfer consideration of RMB1,439,967,400 within 5 working days from the date when the title of all of the 71.1391% target equity interest in the Target Company held by Parties B has been changed and registered under the name of Party A.

3.2.2 For the remaining 20% of the equity interest transfer consideration of RMB359,991,800, the outstanding funds shall be transferred to the bank account designated by each member of Parties B within 5 working days after the title of all the target equity interest is registered under the name of Party A and Party A has discharged its withholding and payment obligations.

### **4. Change of equity interest registration**

4.1 Parties B shall be responsible for the ownership transfer registration of the target equity interest, and shall submit the relevant documents for the ownership transfer registration of equity interest to the registration authority within 5 days from the date after the agreement becomes effective and is approved at the shareholders' meeting of the Target Company.

4.2 Party A shall assign Zijin Lithium (Hainan) Co., Ltd. to be the entity to receive the equity interest.

### **5. Taxes and fees**

5.1 The taxes and fees involved in the equity interest transfer and the related matters shall be paid by all parties in a timely manner in accordance with the stipulations of the relevant laws and regulations of the People's Republic of China, except that the individual income tax on the equity interest transfer shall be withheld and paid by Party A.

5.2 All parties shall bear their own expenses incurred in negotiating, preparing and completing the transaction.

### **6. Liability for breach of contract**

6.1 If Party A fails to settle the equity interest transfer consideration on time and in full amount in accordance with the agreement, Party A shall pay Parties B a liquidated damage amounting to 5/10,000 of the amount payable but not yet paid by Party A for each day of delay. If the delay lasts for more than 30 days, Parties B shall have the right to terminate the agreement unilaterally or request Party A to continue implementing the agreement, while Party A will not be exempted from the responsibility of paying the liquidated damage.

6.2 If Parties B fail to undertake the timely completion of changing the registration of the target equity interest under the name of Party A, or fail to undertake the timely completion of the handover of the company, Parties B shall pay Party A a liquidated damage amounting to 5/10,000 equity interest transfer consideration for each day of delay. If the delay lasts for more than 30 days, Party A shall have the right to terminate the agreement unilaterally or request Parties B to continue implementing the agreement, while Parties B will not be exempted from the responsibility of paying the liquidated damage.

6.3 If either party proposes to terminate the agreement without justifiable reasons, or the agreement is terminated due to the breach of contract by either party, the breaching party shall pay 20% of the consideration amount of the transaction as a liquidated damage. If the liquidated damage is not enough to cover the losses of the other party, the direct losses of the other party shall also be compensated.

## **(II) Cooperative Development Framework Agreement**

### **1. Parties to the cooperation**

Party A: Zijin Mining Group Co., Ltd.\*

Party B: Wang Mingyue

Party C: Luo Laqi

### **2. Cooperation plan**

2.1 In the view that Zijin Mining is a world-renowned mine development enterprise and Wang Mingyue is the actual controller of 28.8609% equity interest in Houdao Mining Co., Ltd., the enterprises under the actual control of Wang have rich experience in lepidolite refining, in order to leverage the respective strengths of the two parties, the two parties have reached a consensus through amicable negotiation that the future development of the project will be divided into two parts, including mining and refining, which will be operated by two companies, namely the "Mining Company" and the "Refining Company". Among which, the Mining Company will be established based on the original Houdao Mining. Zijin Mining will hold 66% of the equity interest in the Mining Company, and Wang Mingyue will increase his equity interest in the Mining Company to 34%. The Company will lead the construction and operation of the Mining Company. Wang Mingyue and Zijin Mining will hold 66% and 34% of the equity interest in the newly established Refining Company, respectively. Wang Mingyue will lead the construction and operation of the Refining Company. Wang Mingyue and Luo Laqi agreed Zijin Mining to acquire 71.1391% of the equity interest held by other shareholders of Houdao Mining, and agreed to waive the right of first refusal. Zijin Mining undertakes that upon the completion of the equity interest transfer, the abovementioned 66%:34% equity ratio of the Mining Company will be achieved through equity interest transfer, capital increase or other feasible ways.

2.2 The Mining Company shall prioritise the security of the raw materials to be provided to the Refining Company, and the Refining Company shall procure the mineral products produced by the Mining Company

at fair market prices. Both parties have specially agreed that Zijin Mining shall have the exclusive right to underwrite 34% of the final products of the Refining Company.

### **3. Exclusivity agreement**

Within 6 months from the date of signing the agreement, all parties to the agreement shall not negotiate, discuss or sign any agreement or commitment with any third party that is unfavourable to other parties in relation to the cooperation.

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

The Xiangyuan Lithium Polymetallic Mine in Dao County, Hunan Province is a large-scale and low-grade lithium polymetallic mine which is rare in China. The ore body is thick and closes to whole-rock mineralisation, which is suitable for large-scale open-pit mining with low stripping ratio; the ore processing and refining techniques are simple. Besides lithium, there are associated metals including tin, tungsten, rubidium and caesium in the ore that can be comprehensively utilised. The Target Company already has a mining permit of 300,000 tonnes, and has the conditions to resume technological upgrades and production. The project is hard rock lithium and the grade is relatively low, which can fully leverage the Company's core competitiveness in the development and utilisation of low-grade refractory ores. The project has large resources and the ore body is not closed, and has the potential to increase the reserves.

After the completion of the delivery of the equity interest, the Company will fully carry out supplementary prospecting work for the mine, and the application procedures for the development at the relevant scale as soon as possible. At the same time, the Company will seize the opportunity of the high lithium product prices, speed up the development of the Xiangyuan Lithium Polymetallic Mine, strive for rapid construction, rapid commencement of production, and realise profit contribution as soon as possible. The Company will strengthen the geological prospecting in the junction area of Hunan, Guangdong and Guangxi, striving for new breakthroughs in the prospecting of lithium mineral resources.

The new energy field is the Company's established strategic development direction. The acquisition of the Xiangyuan Lithium Polymetallic Mine can further increase the Company's strategic mineral resources, which is important for the Company to secure a leading position in the lithium industry, and is in line with the Company's development strategy. It can support the sustainable development of the Company.

The consideration of the transaction amounted to RMB1,799,959,200, representing 2.53% 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) The large-scale open-pit mining of the mine involves a large number of approval matters. If the mine



cannot obtain the approvals for the relevant procedures for a long time, there will be a significant adverse impact on the investment.

(II) The new energy industry is developing rapidly, yet the competition is also fierce. If the prices of the project's products fluctuate vigorously, the profitability of the project will be uncertain.

**To the best knowledge, information and belief of the directors of the Company, having made all reasonable enquiries, each of Wang Mingyue, Luo Laqi, Zou Guizhen, Li Xiaohuan, Xie Feng, Li Hongwei, Dong Changzhou, Su Guiqi, Shi Yong, Huang Jianli, Fang Hai, and Houdao Mining, Jiuzhou Junyi and its ultimate beneficial owners is independent of and not connected with the Company and its connected persons (as defined in The Rules Governing the Listing of Securities on the Hong Kong Stock Exchange Limited (the "Listing Rules")).**

**The transaction does not constitute a notifiable transaction or connected transaction of the Company under Chapters 14 and 14A of the Listing Rules. 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*

29 June 2022, Fujian, the PRC

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