Stock Code: 600988 Stock Name: Chifeng Gold Announcement No.: 2022-038

Chifeng Jilong Gold Mining Co., Ltd.

Announcement on Profit Distribution Plan in 2021

The Board pf Directors and all directors of the Company warrant that this announcement does not contain any false records, misleading statements or major omissions, and they will bear joint and several liabilities for the authenticity, accuracy and completeness of its contents.

Important Tips:

* In 2021, it is planned not to pay cash dividends or convert capital reserves into share capital.
* Reasons for no cash dividends: As the Company is in the stage of rapid development, Wulong Mining, Jilong Mining and Hanfeng Mining in China are implementing the project of “building large mines and increasing the scale”, while LXML and Golden Star Resources’ Wassa Mine in foreign countries need a lot of capital investment to increase reserves and expand capacity, and have a high demand for cash.

I. Basic information of *Profit Distribution Plan in 2021*

On April 29, 2022, the *Profit Distribution Plan in 2021* was considered and adopted at the 5th Meeting of the 8th Board of Directors and the 3rd Meeting of the 7th Board of Supervisors held by Chifeng Jilong Gold Mining Co., Ltd. (hereinafter referred to as “the Company”). The specific situation is as follows:

According to the audit results given by ZHONGSHENZHONGHUAN Certified Public Accountants (Special General Partnership), as of December 31, 2021, the consolidated undistributed profit of the listed company (after withdrawal surplus reserves) was RMB 2,678,742,115.49, the consolidated net profit (net profit attributable to the owner of the parent company) in 2021 was RMB 582,582,242.45, the undistributed profit of the parent company was RMB 743,253,936.29, and the net profit in 2021 was RMB 326,109,105.31. After deliberation by the Board of Directors, it is planned not to pay cash dividends or convert capital reserves into share capital in 2021.

II. Reasons why the Company plans not to pay cash dividends in 2021

(1) Development of the industry

In recent years, China’s gold industry has made great-leap-forward development, forming a complete industrial system including geological exploration, mining, dressing and smelting, deep processing, wholesale and retail, investment and trading market. At present, the gold industry has entered an important strategic opportunity period of innovation-driven transformation and development. With the introduction of new laws and regulations on environmental protection and ecological governance, air pollution prevention, carbon peaking and carbon neutralization have risen to the national strategic level. In such context, accelerating green development is the only way for gold enterprises to achieve high-quality development.

Affected by factors such as stricter safety and environmental protection policies, depletion of mine resources and COVID-19 epidemic, the output of mineral gold in key gold-producing provinces (regions) in China has been declining continuously. According to the statistics of China Gold Association, the domestic output of raw gold was 328.98 tons in 2021, which was 36.36 tons lower than that in 2020 and 9.95% lower than that in 2020. Although domestic gold production continues to decline, , the gold industry has actively responded to the requirements of high-quality development in the new era in recent years. Under the guidance of national industrial policies, it has continued to intensify structural adjustment, continuously strengthen resource integration, increase resource exploration and development and construction of key mining areas, and initially formed a strategic pattern in which large enterprise groups lead the development of the industry. At the same time, many enterprises actively implement “The Belt and Road Initiative”, and the gold enterprises have achieved remarkable results in “going global”, and their international competitiveness and influence have been continuously improved. The gold industry has achieved harmonious and orderly development in the predicament.

(2) Development stage of the Company

The Company is currently in the stage of rapid and high-quality development. Gold is the main product of the Company. From 2019 to 2021, the Company’s gold output was 2.07 tons, 4.59 tons and 8.10 tons respectively, showing substantial growth year after year. Through internal prospecting and reserve increase and external resource integration and merger, the amount of resource reserves increased significantly. The Company actively implements “The Belt and Road Initiative” and the strategy of “resource-based enterprises going global”, expands overseas in terms of assets and resources, and forms the management concept of integration and cooperation. The Company has the development potential and foundation to become an international and professional large-scale gold mining company.

(3) Capital demand

Focusing on the primary business of gold mining, relying on the resource endowment conditions and prospecting prospects of the Company's mining production enterprises, the Company has planned and deployed the development plan of continuously expanding production capacity and reducing costs.

Domestic subsidiaries continue to implement the project of “building large mines and increasing the scale”. The 3,000 t/d dressing plant of Liaoning Wulong Gold Mining Co., Ltd., a subsidiary of the Company, has been completed and put into operation, and the mining system will continue to be upgraded. Jilin Hanfeng Mining Technology Co., Ltd., a subsidiary of the Company, has built the kilometer shaft project of Lishan Mine, which is planned to be completed by the end of 2022, and completed the change registration of Lishan Mine in 2021. The mining license period was extended to 29 years, and the production scale licensed was increased from 165,000 t/y to 600,000 t/y. The upgrading project of the 1,000 t/d dressing plant of Chifeng Jilong Mining Co., Ltd., a subsidiary of the Company, has also started. This project has received strong support from the local government and obtained relevant project approval documents. It will strive to become an intelligent, digital, energy-saving and environment-friendly new dressing plant within 18 months, and greatly improve the production capacity of Jilong Mining. It is estimated that the capital required for prospecting, reserve increase and capacity expansion of domestic mines in 2022 will be about RMB 300 million, and that the return on equity of domestic mine subsidiaries will reach 20% after these projects are completed and put into operation.

Lane Xang Minerals Limited (“LXML”), a holding subsidiary of the Company, has a franchise right of 1,247 km2 and abundant copper and gold resources. At present, it is implementing the development strategy of “one body with two wings”. “One body” means ensuring the smooth operation of copper and gold production, while “two wings” mean prospecting, reserve increase and low-grade resource development. In the process of implementing the above strategy, a large amount of capital is needed for prospecting, reserve increase and capacity expansion, with an annual investment of about USD 10 million. It is estimated that in 2022, the capital investment of about USD 50 million will be required for carbon analysis system construction, underground mining system construction and river diversion of gold dressing plants, and that the return on equity of LXML will reach 15% after the project is completed and put into operation.

In January 2022, the Company completed the M&A transaction of acquiring 62% equity of Golden Star Resources Co., Ltd., with a transaction consideration of USD 291 million. The core mine Wassa Gold Mine is a large and young gold mine in production located in Ashanti Gold Mine Belt, the largest gold metallogenic belt in Ghana. The year of 2022 is the adjustment period of Vasa Mine, and it is planned to make up for the historical debts of the development system and filling system in the shortest time, so that the mining will gradually enter a sustained and stable production period. At the same time, funds have been invested to the development of open-pit resources in Nanyan District. It is estimated that about USD 55 million of funds will be needed for prospecting and reserve increase and mining system upgrading in Wassa Gold Mine in 2022 , and that the return on equity of Wassa Gold Mine will reach 20% after the project is completed and put into operation.

To meet the Company’s capital needs and ensure its long-term and sustainable development, it is planned not to pay cash dividends in 2021, and the retained and undistributed profits of the Company will be mainly used to supplement working capital, prospecting and reserve increase of domestic and foreign mining subsidiaries, expand capacity and acquire high-quality gold mine assets, thus keeping the steady and rapid growth of the Company’s performance.

III. Decision-making procedures performed by the Company

On April 29, 2022, the 5th Meeting of the 8th Board of Directors held by the Company reviewed and approved the *Profit Distribution Plan in 2021* with 13 affirmative votes (100% of the total effective voting rights), 0 negative votes and 0 abstention votes.

The independent directors believe that the voting procedure for the Board of Directors to review the *Profit Distribution Plan in 2021* complies with the relevant laws, regulations, normative documents and the relevant provisions of the *Articles of Association*; the *Profit Distribution Plan in 2021* takes into account factors such as the achievement of the Company’s net profit in 2021, the current development level, business development needs and capital needs, which is in line with the actual situation of the Company. Therefore, they agree with the *Profit Distribution Plan in 2021*.

On April 29, 2022, the 3rd Meeting of the 7th Board of Directors held by the Company reviewed and approved the *Profit Distribution Plan in 2021* with 3 affirmative votes (100% of the total effective voting rights), 0 negative votes and 0 abstention votes. The Board of Supervisors thinks that the *Profit Distribution Plan in 2021* conforms to the Company’s cash dividend policy and shareholder return plan, has underwent the strict decision-making procedures, fully considers the actual situation of the Company, and conforms to the long-term interests and future development plan of shareholders.

The *Profit Distribution Plan in 2021* shall be submitted to the shareholders’ meeting for deliberation.

It is hereby announced.

Board of Directors of Chifeng Jilong Gold Mining Co., Ltd.

April 30, 2022