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Chifeng Jilong Gold Mining Co., Ltd.

Announcement of Hedging Business in 2022

The Board of 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.

The *Proposal on Authorization of Hedging Business in 2022* was considered and adopted at the 5th Meeting of the 8th Board of Directors of Chifeng Jilong Gold Mining Co., Ltd. (hereinafter referred to as “the Company") held on April 29, 2022. It was agreed that the Company and its subsidiaries should carry out hedging business of precious metals, non-ferrous metals and foreign exchange related to production and operation. Relevant matters are hereby announced as follows:

# I. Purpose of hedging

To avoid the price risk of major products such as gold and electrolytic copper and the fluctuation risk of foreign exchange rate, ensure the profit margin of product sales, and control the capital costs such as gold lease financing and foreign currency loans, the Company uses the hedging function of financial instruments to carry out hedging business for major products related to production and operation and foreign exchange risk exposure, so as to enhance the Company’s risk prevention ability and ensure stable operation.

# II. Overview of hedging

(1) Type of transaction

1. Hedging business varieties: precious metals such as gold, copper and zinc, non-ferrous metals, foreign exchange hedging products and other varieties related to the Company’s production and operation.
2. Hedging instruments: hedging instruments are limited to futures legally operated at home and abroad, spot exchange futures, options, forward contracts or derivatives trading instruments of financial institutions such as banks.

(2) Scale of transaction

1. The position of hedging for gold lease financing in 2022 does not exceed the amount of gold rented by financing;
2. The position of hedging for precious metals such as gold, silver, copper and zinc, non-ferrous metals and other products related to the Company’s primary business in 2022does not exceed 80% of the planned output in 2022;
3. The scale of foreign exchange hedging in 2022 does not exceed the corresponding scale of foreign currency operations.

(3) Scale and source of funds

1. The total margin occupation of hedging business in 2022 does not exceed 10% of the audited net assets in 2021.
2. The source of funds is the Company’s own funds.

(4) Implementing subject: according to business needs, the implementing subject is the Company and its subsidiaries.

 (5) Authorization period: it is valid for 12 months from the date of deliberation and approval by the Board of Directors.

**III. Risk analysis of hedging**

The Company’s product hedging business is not for speculation, but mainly aims to avoid the adverse impact of price fluctuations on the Company’s production and operation. But there will also be the following risks:

1. Price fluctuation risk: due to such factors as international and domestic economic policies and economic situation, exchange rate and interest rate fluctuations, the market of hedging products changes greatly, which may lead to the risk of large price fluctuations and cause transaction losses;
2. Internal control risk: hedging transactions are highly professional and complicated, which may cause risks due to imperfect internal control system;
3. Capital risk: when the price of hedging products fluctuates greatly in a short time, the Company may be forced to close its position and suffer losses if it fails to make up the margin in time.
4. Technical risks: uncontrollable and unpredictable system failures, network failures, communication failures may cause abnormal operation of the trading system, resulting in delay, interruption or data errors in trading instructions, thus bringing corresponding risks.
5. Operational risk: trading losses may be caused by operational errors of traders.

**IV. Risk control measures**

(1) It is necessary to strictly control the variety and scale of the Company’s futures hedging business, so as to match it with the Company’s production and operation business, and put an end to investment behavior.

(2) The Company shall rationally dispatch and strictly control the scale of hedging funds, and rationally plan and use the margin in accordance with the relevant fund management system.

 (3) The Company has established a hedging management system, which stipulates the organizational structure, business process management and risk control of the Company’s hedging business, so as to effectively prevent business risks.

 (4) The Company shall strengthen the professional knowledge learning and training of relevant personnel in hedging business, and improve their professional quality.

**V. Review and approval procedure**

(1) Deliberation by the Board of Directors

The Company held the 5th Meeting of the 8th Board of Directors on April 29, 2022, and reviewed and approved the *Proposal on Authorization of Hedging Business in 2022* with 13 affirmative votes (100% of the valid votes), 0 negative votes and 0 abstention votes. This proposal is within the scope of deliberation authority of the Board of Directors of the Company and does not need to be submitted to the shareholders’ meeting for deliberation.

(2) Opinions of independent directors

Independent directors believe that the Company and its subsidiaries have performed the necessary review and approval procedures for hedging business of products and foreign exchange related to the Company’s production and operation, which complies with the relevant laws and regulations and the relevant provisions of the *Articles of Association*; the Company has established a sound organizational structure, business operation process, approval process and management system for hedging business; on the premise of ensuring normal production and operation, hedging business is conducive to avoiding risks, ensuring profit margins of product sales, controlling capital costs such as gold lease financing and foreign currency loans, and this will not damage the interests of the Company and its shareholders. Therefore, they agree that the Company should carry out hedging business.

It is hereby announced.

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

April 30, 2022