

## **Chifeng Jilong Gold Mining Co., Ltd.**

### **Announcement on Granting Stock Appreciation Rights to Incentive Objects**

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.

#### **Important Tips:**

- Completion date of stock appreciation rights grant registration: November 28, 2022.
- Number of stock appreciation rights granted: 1.8 million.

#### **I. Approval procedure for the stock appreciation rights incentive plan**

1. On September 14, 2002, the Company considered and adopted the *2022 Stock Appreciation Rights Incentive Plan (Draft) of Chifeng Jilong Gold Mining Co., Ltd.* and Its Summary, the *Proposal on Formulating the Administrative Measures for the Implementation Assessment of 2022 Stock Appreciation Rights Incentive Plan of Chifeng Jilong Gold Mining Co., Ltd.*, and the *Proposal on Requesting Shareholders' Meeting to Authorize the Board of Directors to Handle Matters Related to the 2022 Stock Appreciation Rights Incentive Plan of the Company* at the 9th Meeting of the 8th Board of Directors. Independent directors of the Company expressed their independent opinions. On the same day, the Company considered and adopted the *2022 Stock Appreciation Rights Incentive Plan (Draft) of Chifeng Jilong Gold Mining Co., Ltd.* and Its Summary, and the *Proposal on Formulating the Administrative Measures for the Implementation Assessment of 2022 Stock Appreciation Rights Incentive Plan* at the 5th Meeting of the 7th Board of Supervisor.

2. From September 15, 2002 to September 28, 2022, the Company publicized the list of incentive objects of the stock appreciation rights incentive plan in the internal office system. During the publicity period, the Board of Supervisors did not receive any objection or adverse reaction from any organization or individual, and there was no record on feedback. On September 30, 2022, the Company

disclosed the *Publicity Explanation and Audit Opinions of Board of Supervisors of Chifeng Gold on the List of Incentive Objects of 2022 Stock Appreciation Rights Incentive Plan*.

3. On September 30, 2022, the Company considered and adopted the *2022 Stock Appreciation Rights Incentive Plan (Draft) of Chifeng Jilong Gold Mining Co., Ltd.* and Its Summary, the *Proposal on Formulating the Administrative Measures for the Implementation Assessment of 2022 Stock Appreciation Rights Incentive Plan of Chifeng Jilong Gold Mining Co., Ltd.*, and the *Proposal on Requesting Shareholders' Meeting to Authorize the Board of Directors to Handle Matters Related to the 2022 Stock Appreciation Rights Incentive Plan of the Company* at the 3rd Extraordinary General Meeting in 2022.

4. On October 1, 2022, the Company disclosed the *Self-inspection Report on Trading of the Company's Stocks by Insiders of the 2022 Stock Appreciation Rights Incentive Plan*.

5. On November 28, 2022, the Company considered and adopted the *Proposal on Granting Stock Appreciation Rights to Incentive Objects* at the 11th Meeting of the 8th Board of Directors and the 7th Meeting of the 7th Board of Supervisors. Independent directors of the Company expressed their independent opinions and agreed with this proposal.

## **II. Grant of stock appreciation rights**

1. Grant date: November 28, 2022.

2. Number of grants: 1.8 million.

3. Number of recipients: 7.

4. Grant price: RMB 16/right.

5. Stock source: the stock of Chifeng Gold is taken as the phantom stock target.

6. Validity period of the incentive plan: the validity period is from the date when the registration of stock appreciation rights is completed to the date when all stock appreciation rights are exercised or cancelled, and no more than 48 months in any case.

7. Lock-up period and right arrangement of incentive plan:

After 12 months from the date of completion of o grant registration of the current incentive plan, the incentive objects shall exercise the stock appreciation rights in two periods within the next 24 months. The exercise period of stock appreciation rights granted this time and the exercise schedule of each phase are shown in the table:

<b>Exercise period</b>	<b>Exercise time</b>	<b>Exercise ratio</b>
Period 1	From the first trading day after 12 months from the date of completion of grant registration to the last trading day within 24 months from the date of completion of grant registration	50%
Period 2	From the first trading day after 24 months from the date of completion of grant registration to the last trading day within 36 months from the date of completion of grant registration	50%

Upon expiration of the validity period of this plan, the stock appreciation rights that have been granted but have not yet been exercised shall not be exercised, and the unexercised rights shall be invalidated and cancelled by the Company.

In the two fiscal years of 2022 and 2023, the Company will assess its performance indicators and individual performance indicators annually, so as to achieve the assessment objectives as the exercise conditions of the incentive objects in the current year:

(1) Requirements for performance appraisal of the Company

The annual performance appraisal targets of stock appreciation rights granted by this plan are shown in the table below:

<b>Exercise period</b>	<b>Performance appraisal target</b>
Period 1	The Company's mineral gold output in 2022 is not less than 16 tons
Period 2	The Company's mineral gold output in 2022-2023 is not less than 35 tons

Incentive costs arising from this equity incentive plan will be disbursed from the recurring gains and losses. If the Company's performance appraisal fails to meet the above conditions, the number of exercisable rights granted to the incentive objects during the corresponding exercise

period shall be cancelled by the Company.

(2) Individual performance appraisal requires that the individual appraisal of incentive objects be organized and implemented in accordance with relevant regulations of the Company.

Individual appraisal result of the previous year	Individual coefficient
Qualified	100%
Unqualified	0%

If the Company's performance appraisal targets are realized in each year, the actual exercise quantity of the incentive object in the current year = individual coefficient X the planned exercise quantity of the individual in the current year.

The incentive objects can exercise the right only if the appraisal result of the previous year in the exercise year is "qualified". If not, the stock appreciation rights granted in the corresponding exercise period but not yet exercised will be cancelled and invalidated.

#### 8. List of incentive objects and grants:

Name	Position	Number of stock appreciation rights granted (10,000)	Proportion of the total number of stock appreciation rights granted	Proportion of authorized equity to current total share capital
Paul Andrew Harris	Director and CEO of Chifeng Gold Chairman of LXML	50	27.78%	0.03%
Yang Yifang (Lydia Yang)	Director of Chifeng Gold	30	16.67%	0.02%
<b>Subtotal</b>		<b>80</b>	<b>44.44%</b>	<b>0.05%</b>
Other core backbones (5 in total)		100	55.56%	0.06%
Total		<b>180.00</b>	<b>100.00%</b>	<b>0.11%</b>

Note: 1. The incentive objects of this incentive plan do not include independent directors, supervisors, shareholders who hold more than 5% of the Company's shares individually or collectively or actual controllers, and their spouses, parents and children.

2. Any discrepancy between the total number of the values in the above table and the sum mantissa of

each sub-item is caused by rounding.

### **III. Trading of the Company's shares by the directors and senior managers participating in the incentive plan within 6 months prior to the grant date**

The directors and senior managers participating in the incentive plan did not buy or sell the Company's shares within 6 months before the grant date.

### **IV. Impact of the grant of stock appreciation rights on the Company's financial situation**

According to *Accounting Standards for Business Enterprises No.11-Share-based Payment* and *Accounting Standards for Business Enterprises No.22-Recognition and Measurement of Financial Instruments*, the Company will, on each balance sheet date of the waiting period, revise the number of stock appreciation rights that are expected to be exercisable according to the latest follow-up information such as changes in the number of exercisable rights and completion of performance indicators, and include the services obtained in the current period into relevant costs or expenses and capital reserves according to the fair value of liabilities borne by the Company.

1. Accounting treatment in the waiting period: on each balance sheet date in the waiting period, the Company will include the services obtained in the current period into the relevant asset cost or current expenses according to the fair value of liabilities borne by the Company on the basis of the best estimation of exercisable rights, and at the same time include them in the subject of "employee pay payable" under the liabilities. The Company will re-determine the fair value of the Company's liabilities on each balance sheet date in the waiting period.

2. Accounting treatment after exercise date: the Company will not recognize cost and expense, but will include changes in fair value of liabilities (i.e. employee pay payable) into current profits and losses (changes in fair value recognized in profit or loss).

3. Accounting treatment on exercise date: the Company will debit the subject of "employee pay payable" and credit the subject of "bank deposit" according to the actual amount paid.

The specific impact on the financial position and operating results shall be subject to the data disclosed by the Company in the annual report. Based on the current information, the Company preliminarily estimates that without considering the stimulating effect of this plan on the Company's

performance, the cost of stock appreciation rights has a minor impact on the net profit of each year within the validity period. If we consider the positive effect of stock appreciation rights incentive plan on the development of the Company, such as stimulating the enthusiasm of the management team, improving operating efficiency and reducing agent costs, the Company's performance improvement brought by this plan will be higher than the cost increase brought by it.

## **V. Opinions of independent directors**

Independent directors believe that:

(1) The Company does not have the situation that the stock incentive plan is prohibited as stipulated in the *Company Law* and *Administrative Measures for Equity Incentive of Listed Companies* and other laws, regulations and normative documents, and the Company is qualified to implement the stock incentive plan.

(2) The incentive objects meet the qualifications stipulated in the *Company Law* and other laws and regulations and *Articles of Association*. They do not have the situation that prevents them being granted stipulated in the *Administrative Measures for Equity Incentive of Listed Companies*. Therefore, they are legal and effective.

(3) According to the authorization of the 3rd Extraordinary General Meeting of the Company in 2022, the Board of Directors determined that the grant date of the *2022 Stock Appreciation Rights Incentive Plan* is November 28, 2022, which is in line with the relevant provisions of the *Administrative Measures for Equity Incentive of Listed Companies* and the *2022 Stock Appreciation Rights Incentive Plan (Draft)*.

(4) The Company has no plan or arrangement to provide loans, loan guarantees or other financial assistance to the incentive objects.

(5) The implementation of the stock appreciation rights incentive plan is conducive to improving the incentive and restraint mechanism and the sustainable development of the Company, without prejudice to the interests of the Company and its shareholders.

(6) The granting conditions stipulated in the *2022 Stock Appreciation Rights Incentive Plan* have been fulfilled. It is agreed to set November 28, 2022 as the grant date, and grant stock

appreciation rights to the incentive objects in accordance with the provisions of the *2022 Stock Appreciation Rights Incentive Plan (Draft)*.

## **VI. Opinions of the Board of Supervisors**

After verification, the Board of Supervisors believes that:

(1) The Company does not have the situation that the stock incentive plan is prohibited as stipulated in the *Administrative Measures for Equity Incentive of Listed Companies* and other regulations, and the Company is qualified to implement the stock incentive plan.

(2) The incentive objects meet the qualifications stipulated in the *Company Law, Securities Law* and *Articles of Association*, meet the incentive conditions stipulated in the *Listing Rules of Main Board Stocks of Shanghai Stock Exchange*, and fall into the scope of incentive objects stipulated in the *2022 Stock Appreciation Rights Incentive Plan (Draft)*. Therefore, they are legal and effective.

(3) The determination of the grant date complies with the relevant provisions of the *Administrative Measures for Equity Incentive of Listed Companies* and the *2022 Stock Appreciation Rights Incentive Plan (Draft)*.

(4) The grant conditions stipulated in this incentive plan have been fulfilled. It is agreed to set November 28, 2022 as the grant date, and grant stock appreciation rights to the incentive objects in accordance with the provisions of the *2022 Stock Appreciation Rights Incentive Plan (Draft)*.

## **VII. Concluding opinions**

Anjie (Shanghai) Law Firm believes that as of the date of this legal opinion, this grant has obtained the necessary approval and authorization at this stage upon authorization to the Board of Directors at the 3rd Extraordinary General Meeting of the Company in 2022; the determination of incentive objects, grant quantity, grant price and grant date is in line with the relevant provisions of laws, regulations and normative documents such as the *Administrative Measures for Equity Incentive of Listed Companies* and the *2022 Stock Appreciation Rights Incentive Plan (Draft)*; the Company and the granted incentive objects meet the conditions for granting stock appreciation rights stipulated in the *Administrative Measures for Equity Incentive of Listed Companies* and other laws, regulations and normative documents and the *2022 Stock Appreciation Rights Incentive Plan (Draft)*.

It is hereby announced.

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

November 29, 2022