

Chifeng Jilong Gold Mining Co., Ltd.

Announcement on Acquisition of 51% Equity of

Kunming Xinhenghe Mining Co., Ltd.

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:

- Chifeng Jilong Gold Mining Co., Ltd. (hereinafter referred to as “the Company” or “Chifeng Gold”) signed the *Equity Transfer Agreement* with Liu Xin, Li Yuanyuan, Wang Zhonghua and Yunnan Yuanhao Mining Co., Ltd. (collectively referred to as “the Counterparty”) and Kunming Xinhenghe Mining Co., Ltd. (hereinafter referred to as “Xinhenghe Mining” or “Target Company”) on December 30, 2022. The Company intends to acquire 51% equity of Xinhenghe Mining held by the Counterparty in cash, with a transaction consideration of RMB 61.2 million. After the closure of this transaction, the Company will be the controlling shareholder of Xinhenghe Mining.

- The Target Company holds 90% equity of Eryuan Jintai Mining Development Co., Ltd. (hereinafter referred to as “Jintai Mining” or “Project Company”), and Jintai Mining owns one mining right and one exploration right of Xidengping Gold Mine in Eryuan County. Within the mining right and exploration right of Jintai Mining, the proven ore resources (proven + controlled + inferred) is 10.285 million tons, with an average grade of 1.32 g/t and a gold content of 13,558 kg.

- This transaction does not constitute a related-party transaction or major asset restructuring.

- This transaction has been deliberated and approved by the Board of Directors of the Company and need not be submitted to the shareholders’ meeting for review.

- There are no major legal obstacles to this transaction, and it is still necessary to go through the registration formalities of equity change. The final closure of this transaction is still uncertain, so investors should pay attention to related risks.

I. Overview

(1) Basic information of this transaction

The Company signed the *Equity Transfer Agreement* with the Counterparty and Xinhenghe Mining on December 30, 2022. According to this agreement, the Company plans to acquire 51% equity of Xinhenghe Mining held by the Counterparty in cash (referred to as “Underlying Equity”), with a transaction consideration of RMB 61.20 million and the source of funds being the Company’s own funds. The Target Company holds 90% equity of Jintai Mining, and the core asset of Jintai Mining is Xidengping Gold Mine in Eryuan County, Yunnan Province, with one mining right and one exploration right. After the closure of this transaction, the Company will be the controlling shareholder of Xinhenghe Mining.

(2) Decision-making procedures of this transaction

On December 30, 2022, the *Proposal on Acquisition of 51% Equity of Kunming Xinhenghe Mining Co., Ltd.* was deliberated and approved at the 12th Meeting of the 8th Board of Directors of the Company with 14 votes in favor, 0 votes against and 0 abstentions. It was agreed that the Company would acquire the Underlying Equity and sign the *Equity Transfer Agreement* and other relevant transaction documents. This transaction does not constitute a related party transaction or major asset restructuring.

(3) Review and approval and other procedures to be performed for the effectiveness of this transaction

This transaction has been deliberated and approved by the Board of Directors of the Company and need not be submitted to the shareholders’ meeting for review. There are no major legal obstacles in this transaction, and it is necessary to go through the registration formalities for the change of the Underlying Equity.

II. Basic information of the Counterparty

(1) Liu Xin, a resident in China, holds 55% equity of the Target Company, and transfers 25% equity of the Target Company to the Company in this transaction;

(2) Li Yuanyuan, a resident in China, holds 25% equity of the Target Company, and transfers 13% equity of the Target Company to the Company in this transaction;

(3) Wang Zhonghua, a resident in China, holds 13% equity of the Target Company, and transfers 13% equity of the Target Company to the Company in this transaction;

(4) Yunnan Yuanhao Mining Co., Ltd.

Unified social credit code: 91530000662636884J

Business type: Limited liability company

Legal representative: Zhu Jiande

Registered capital: RMB 20 million

Date of incorporation: March 10, 2020

Registered address: Room 502, Building 6, Shangdongcheng, Dongzhuang District, Dongjiawan, Panlong District, Kunming City, Yunnan Province

Scope of business: geological technical consulting services; sales of mineral products; solid mineral exploration (Class C); research on mining development (Except for items subject to approval according to law, business activities may be carried out independently according to law with business licenses).

Ownership structure: Zhu Jiande holds 47.5% equity, Xiamen Diyuan Investment Co., Ltd. holds 26% equity, Lan Xiuping holds 25% equity and Lu Yajie holds 1.5% equity.

Yunnan Yuanhao Mining Co., Ltd. holds 7% equity of the Target Company, and its equity of the Target Company does not be transferred, but it gives up the pre-emptive right of the above equity transferred.

There is no relationship between the Counterparty and the Company in terms of property rights, business, assets, credits and debts, and personnel, etc.

III. Basic information of the transaction object

(1) General information of the Target Company

Company name: Kunming Xinhenghe Mining Co., Ltd.

Business type: Other limited liability company

Legal representative: Zhu Jiande

Registered capital: RMB 40 million

Date of incorporation: January 26, 2021

Registered address: No.1603, Building 6, No.3, Bieyang Happiness City, Shangmuxu Village, Rixin Community, Guanshang Sub-district Office, Guandu District, Kunming Area, China (Yunnan) Pilot Free Trade Zone

Scope of business: sales of metals and metallic ores; sales of mineral products; mining development research; solid mineral exploration; geological technical consulting service (Except for items subject to approval according to law, business activities may be carried out independently according to law with business licenses).

Ownership structure: Liu Xin holds 55% equity, Li Yuanyuan holds 25% equity, Wang Zhonghua holds 13% equity and Yunnan Yuanhao Mining Co., Ltd. holds 7% equity.

(2) Major assets and their operations

Xinhenghe Mining holds 90% equity of Jintai Mining. The core asset of Jintai Mining is Xidengping Gold Mine in Eryuan County, Yunnan Province, with one mining right and one exploration right. The ownership of Jintai Mining's equity held by Xinhenghe Mining is clear, and free of any mortgage, pledge or any other restriction on transfer, and it does not involve any litigation, arbitration or judicial measures such as seizure and freezing.

1. Project location

Xidengping Gold Mine is located in the southwest of Eryuan County, about 20km away from the county town, and it is accessible via county and township roads with convenient transportation. The surface water system in the mining area is relatively developed, and the water quantity and quality are sufficient for production and life needs. Puping Hydropower Station (medium-sized) has been built on Heihui River in the south of the mining area, which is merged into the State Grid. The national HV transmission line passes through the south side of the mining area, so the power supply for production and life in the mining area is abundant. Production facilities are complete.

2. Mineral right

Jintai Mining has one mining right and one exploration right. The effective period of mining right is from May 3, 2022 to May 3, 2032. This mining area is delineated by 11 inflection points, with an area of 1.092 km², a mining elevation of 2,060m-1,900m and a production scale of 140,000 tons/year. The exploration right of “Xidengping Gold Mine Exploration in Eryuan County, Yunnan Province” is valid from June 3, 2021 to June 3, 2026. This mining area is delineated by 61 inflection points, covering an area of 10.28 km². The mining right of Xidengping Gold Mine falls within the exploration right. They two exist independently without overlapping.

3. Resources

The genetic type of Xidengping Gold Mine’s mineral deposit is altered rock type gold deposit formed by superposition and transformation of Himalayan epithermal (alkali-rich) tectonic magmatism and Quaternary hot spring activity, and the industrial type is silicon-rich ferruginous gravel type oxidized gold deposit. The mining area is located in the middle section of Au-Cu-Ni-Pt-Pd-Mo-Mn-Fe-Pb-Zn ore belt in Lijiang-Dali-Jinping (continental margin depression). The geological structure in the area is complex, magmatic activity is frequent and mineralization is strong, so it is a favorable area for discovering gold polymetallic deposits related to Himalayan tectonic magmatism.

The *Verification Report of Xidengping Gold Mine Resources in Eryuan County, Yunnan Province (2021)* compiled by Jintai Mining showed that as of May 31, 2021, the mining right of Xidengping Gold Mine included 2.557 million tons of ore and 2,477 kg of gold metal with an average grade of 0.97 g/t. The *Exploration Report of Xidengping Gold Mine in Eryuan County, Yunnan Province* compiled by Jintai Mining showed that as of June 15, 2022, the amount of industrial ore (proven + controlled + inferred resources) discovered in the exploration right was 772.8 x10⁴t, and the amount of gold metal was 11,081 kg, with an average grade of 1.43 g/t.

The gold resource reserves within the mining right of Xidengping Gold Mine are shown in the table below:

Ore grade	Resource quantity level	Ore quantity	Metal quantity	Grade
		(10 ⁴ t)	(kg)	(g/t)
Industrial ore	Controlled	163.10	1,387	0.85
	Inferred	92.6	1,090	1.18
	Total	255.7	2,477	0.97

The resource reserves within the prospecting right of Xidengping Gold Mine are shown in the table below:

Ore grade	Resource quantity level	Gold (Au) resources			Associated silver (Ag) resources		
		Ore quantity (10 ⁴ t)	Metal quantity (kg)	Grade (g/t)	Ore quantity (10 ⁴ t)	Metal quantity (kg)	Grade (g/t)
Industrial ore	Proven	230.7	3,439	1.49	230.7	10,462	4.53
	Controlled	364.7	4,879	1.34	330.7	15,563	4.71
	Inferred	177.4	2,763	1.56	119.7	4,652	3.89
	Total	772.8	11,081	1.43	681.1	30,677	4.50

4. Development plan

At present, the mine is under construction and has not been put into production. There are two mining areas, VI and V2, within the mining right of the mine. According to the *Preliminary Design of 140,000 t/a Heap Leaching Mineral Processing Project of Eryuan Jintai Mining Development Co., Ltd. in Xidengping Gold Mine, Eryuan County*, it is planned to carry out 140,000 t/a mining and dressing construction project, mainly including (1) main production engineering: including crushing, heap leaching and other mineral processing works; (2) auxiliary production engineering: including laboratory, machine repair room, and material warehouse, etc.; (3) utilities engineering: including power supply, water supply and drainage, communication, environmental protection, and layout for road and transportation in plant area, etc.; and (4) administrative and living facilities engineering: new office and dormitory building, etc.

The ore of Xidengping Gold Mine is low-grade oxidized ore. Based on the analysis results of mineral processing experiment, the mine ore is suitable for in-situ heap leaching. According to the results of mineral processing experiment, the heap leaching-adsorption beneficiation process

scheme is designed. The main gold leaching agent to be used in the mineral processing experiment is sodium cyanide, and the low-toxicity and environmental friendly gold extracting agent is proposed to replace sodium cyanide as the gold leaching agent in production. The preliminary designed beneficiation scale is 140,000 t/a, that is, 466.67 t/d, the service life is 11 years, and the products of the dressing mill are gold-loaded carbon with gold grade of 4000g/t.

At the same time, the Project Company is going through the formalities of transferring prospecting right to mining right. After this transfer, it is estimated that the beneficiation scale will reach more than 1 million t/a, and the production capacity and gold output will be greatly increased.

(3) Main financial data of the Target Company

The main financial data of the Target Company in the latest year and the latest period are as shown in the table below:

Unit: RMB 10,000

Item	November 30, 2022	December 31, 2021
Total assets	3,932.55	3,913.83
Total liabilities	34.97	0.91
Net assets	3,897.58	3,912.92
	January-November 2022	January-December 2021
Operating income	0	0
Net profit	-15.34	-87.08

Note: The above financial data have not been audited.

(4) Pricing of the transaction subject

This transaction is a market-oriented acquisition, and the transaction consideration is carefully evaluated by the Company on the basis of detailed due diligence on the Target Company, and reached according to general business principles after full negotiation among all parties involved in the transaction.

IV. Main contents of the transaction agreement

(1) Parties

Party A: Chifeng Jilong Gold Mining Co., Ltd.

Party B1: Liu Xin

Party B2: Li Yuanyuan

Party B3: Wang Zhonghua

Party B4: Yunnan Yuanhao Mining Co., Ltd.

(Party B1, Party B2, Party B3 and Party B4 are collectively referred to as "Party B")

Party C: Kunming Xinhenghe Mining Co., Ltd.

(2) Main clauses of the *Equity Transfer Agreement*

1. Equity transfer price and payment method

(1) Both parties agree that 100% equity of the Target Company is valued at RMB 120 million, and 51% equity transferred this time is valued at RMB 61.2 million, of which 25% equity transferred by Party B1 is valued at RMB 30 million, 13% equity transferred by Party B2 is valued at RMB 15.6 million, and 13% equity transferred by Party B3 is valued at RMB 15.6 million.

(2) Party A shall, within 5 working days upon completion of the equity transfer procedures for transferring 51% equity held by Party B to Party A, pay RMB 20.4 million for equity transfer to Party B, including RMB 10 million to Party B1, RMB 5.2 million to Party B2 and RMB 5.2 million to Party B3. Party A shall, within 5 working days from the date when the prospecting right of Xidengping Gold Mine in Eryuan County is transferred to the mining right, pay the remaining equity transfer price of RMB 40.8 million to Party B, including RMB 20 million to Party B1, RMB 10.4 million to Party B2 and RMB 10.4 million to Party B3. Party A agrees to pay interest on the equity transfer price of RMB 40.8 million at an annualized interest rate 5% from the date when the equity transfer procedures hereunder are completed.

(3) Party A shall pay a loan of RMB 30 million to the Project Company within 3 working

days upon completion of the above-mentioned equity transfer procedures for the construction of Xidengping Gold Mine, which shall be deposited into the bank account of the Project Company and bear interest at an annualized interest rate of 5%.

(4) Upon completion of this equity transfer, the registered capital of the Target Company is still RMB 40 million, and the capital contribution and shareholding ratio of each shareholder are shown in the table below:

S/N	Name of shareholder	Subscribed capital contribution (RMB 10,000)	Paid-in capital contribution (RMB 10,000)	Proportion of capital contribution	Mode of capital contribution
1	Chifeng Jilong Gold Mining Co., Ltd.	2,040	2,040	51%	Currency
2	Liu Xin	1,200	1,200	30%	Currency
3	Li Yuanyuan	480	480	12%	Currency
4	Yunnan Yuanhao Mining Co., Ltd.	280	280	7%	Currency
Total		4,000	4,000	100%	Currency

2. Legal procedures for equity transfer

From the date of the Agreement, Party B shall urge the Target Company to handle the registration of industrial and commercial changes in this equity transfer, and strive to complete it within 10 working days from the effective date of the Agreement. At the same time, Party A shall urge the Target Company to issue new capital contribution certificates to all shareholders, and record the shareholders and their capital contributions in the register of shareholders of the Target Company.

Party B and Party C shall give full cooperation in case that Party A needs to perform auditing, evaluation and other procedures and information disclosure obligations according to relevant regulations for listed companies.

3. Shareholder loan

To promote the development of Xidengping Gold Mine, as of the date of the Agreement, the Project Company has borrowed RMB 22.15 million from the Target Company's shareholders, including RMB 12.5 million from Party B1, RMB 5 million from Party B2, RMB 3.25 million from Party B3 and RMB 1.4 million from Party B4. Party A agrees to undertake the shareholder loan of RMB 10.85 million according to the equity ratio after this equity transfer, including RMB 15 million from Party B1, RMB 2.6 million from Party B2 and RMB 3.25 million from Party B3. Party B will transfer the corresponding amount of creditor's rights to Party A, and the creditor's rights transfer payment will be made at the same time as the first equity transfer payment.

After closure of this transaction, the loan from shareholders in the same proportion is intended to be maintained at the amount of RMB 20 million, and the excess will be returned to all shareholders by the Project Company according to the proportion of creditor's rights after this equity transfer.

Party A will, after becoming the controlling shareholder of the Target Company, lead the development of Xidengping Gold Mine, and will provide new loans for the funds required for the subsequent development and construction of Xidengping Gold Mine. The loans provided by Party A through creditor's rights transfer and the new loans to be provided according to the construction needs of Xidengping Gold Mine bear interest at an annualized interest rate of 5%.

4. Corporate governance

(1) After this investment, the Target Company intends to set up a Board of Shareholders, a Board of Directors and supervisors.

(2) The Board of Shareholders is composed of Party A, Party B1, Party B2 and Party B4. Each party shall exercise the voting rights of shareholders according to the registered capital subscribed respectively.

(3) The Board of Directors is composed of five members, three of which are appointed (or nominated, the same below) by Party A and two by Party B. The Board of Directors shall have a Chairman, who shall be the director appointed by Party A. The voting system of the Board of

Directors is one person, one vote.

(4) The Target Company does not have a Board of Supervisors, but a Supervisor appointed by Party B.

(5) The legal representative of the Target Company shall be the Chairman, the Chief Financial Officer shall be appointed by Party A, and the General Manager shall be appointed by Party B..

(6) Other agreements on the functions and powers of the Board of Shareholders, the Board of Directors and the Board of Supervisors of the Target Company shall be subject to the revised Articles of Association of the Target Company that shall be deliberated and adopted at the shareholders' meeting held by Party A, Party B1, Party B2 and Party B4.

5. Profit distribution scheme

Party A undertakes that after the Project Company is put into production and makes profits, it shall give priority to repaying the original shareholder loan before the signing of the Agreement, and then repay the new shareholder loan after the signing of the Agreement. After repaying the shareholder loan, if the distributable profit of the Project Company is positive, the annual dividend to shareholders in cash shall not be less than 50% of the distributable net profit of the current year. Other shareholders shall also vote in favor of the relevant resolutions on the above matters.

6. Entry into force

The Agreement shall come into effect as of the date when the legal representatives or entrusted agents of all parties sign, press down fingerprint (natural person) and affix official seal or special seal for contract (company) on the Agreement.

V. Purpose of acquisition and its impact on the Company

The Company has established the development strategy of “focusing on gold” and adheres to the development strategy of internal reserve increase and external expansion. In the context of increasingly scarce gold resource reserves and strong gold demand, the Company can quickly obtain high-quality resources and increase gold resource reserves and output by acquiring the control right of Xidengping Gold Mine in Eryuan County through this acquisition. With the

accumulated gold mining technology and management experience for many years, the Company will explore the resource potential in the future operation of Xidengping Gold Mine, further reduce costs, improve operating income, and enhance the Company's sustainable operation ability and profitability.

After this transaction, the Target Company will become a holding subsidiary of the Company, and the Target Company has no external guarantee or entrusted financial management.

VI. Risk warning

(1) Uncertainty in equity change registration

This transaction has been deliberated and approved by the Board of Directors of the Company and need not be submitted to the shareholders' meeting for review. There are no major legal obstacles to this transaction, and it is still necessary to go through the registration formalities of equity change. The final closure of this transaction is still uncertain, so investors should pay attention to related risks.

(2) Changes in project construction and mining right

At present, Xidengping Gold Mine in Eryuan County is under construction and has not yet been put into production. There are still some uncertainties in the completion and production time of the project. In addition, the future capacity expansion of the project depends on the conversion of prospecting right into mining right, and the conversion procedures are being handled. The completion time of conversion procedures will affect the project progress, so investors should pay attention to related risks.

(3) Market risks

The main product of the Target Company is gold. The gold price is affected by multiple factors. If the gold price sharply in the future, it will bring great uncertainty to the profitability of the project.

It is hereby announced.

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

December 31, 2022