

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

### **Announcement on Changing the Use of Part of the Raised Funds**

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

#### **Highlight of important content:**

- Original project name: "Tianbaoshan Mining Area Lead Zinc Polymetallic Mine Exploration Project to Increase Reserves in the Deep Area".
- New project name and investment amount: "Tianbaoshan Lead and Zinc Mine Lishan Mine Expansion Project", with an investment amount of 96.5 million Yuan.
- Change of the investment direction of the raised funds: 96.5 million Yuan.
- Time of the new project to be put into production and generate revenue: before June 2024.
- Reasons for changing the investment direction of raised funds: compared with continuing to implement exploration projects with a long project period, implementing expansion projects as soon as possible and starting mining production are more in line with the current actual situation and are conducive to maximizing the efficiency of capital use.
- The change in the use of part of the raised funds does not involve related party transactions.

- The proposal has yet to be submitted to the Company's general meeting of shareholders for consideration.

## **I. Overview of changing the use of part of the raised fund**

### (1) The basic situation of the raised fund

Approved by the China Securities Regulatory Commission (CSRC) on Approving Chifeng Jilong Gold Mining Co., Ltd. to Issue Shares to Zhao Meiguang and Others to Purchase Assets and Raise Supporting Funds (CSRC License [2019] No. 2020), the company issued RMB ordinary shares (A shares) 108,742,004 in a non-public manner, and the issue price per share is 4.69 Yuan. The actual issuance raised a total of 509,999,998.76 Yuan, net of underwriting expenses totaling 7,000,000.00 Yuan (including VAT), the Company actually received RMB 502,999,998.76 Yuan of the raised funds transferred by Everbright Securities Co., Ltd. on 17 January 2020. Zhongshen Zhonghuan Accounting Firm (Special General Partnership) issued a capital verification report to verify the availability of the raised funds.

On February 12, 2020, the Company signed the Tripartite Supervision Agreement on the Deposit of the Dedicated Account for Raised Funds with Yulong Sub-Branch of Chifeng Branch of Industrial Bank Co., Ltd. and Everbright Securities Co., Ltd. to manage and deposit the raised funds into the dedicated account. On February 21, 2020, the Company signed the "Four-Party Supervision Agreement on the Deposit of the Dedicated Account for Raised Funds" with Jilin Hanfeng Mining Technology Co., Ltd. (hereinafter referred to as "Hanfeng Mining"), Yulong Sub-Branch of Chifeng Branch of Industrial Bank Co., Ltd. and Everbright Securities Co., Ltd.

### (2) Use of raised funds

As of December 31, 2022, the use of the Company's raised funds for projects is as follows:

No.	Project name	Investment	Proposed	Cumulative	Balance of
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		amount (10kYuan)	investment amount of the raised funds (10k Yuan)	investment amount of the raised funds (10k Yuan)	the raised funds (10k Yuan)
1	Tianbaoshan mining area lead-zinc polymetallic mine exploration project to increase reserves in the deep area	30,425.70	29,000.00	14,672.62	14,327.38
2	Repayment of bank loans and replenishment of working capital	20,000.00	20,000.00	34,066.24	0
3	Payment of taxes and intermediary fees associated with this transaction	2,000.00	2,000.00	1,745.98	0
	Total	52,425.70	51,000.00	50,484.84	14,327.38

Note: 1. The cumulative invested amount of "repayment of bank loans and replenishment of working capital" was 340,662,400 Yuan, including 138 million Yuan of idle raised funds temporarily used to replenish the working capital. 2. The difference between the cumulative investment amount of "payment of taxes and intermediary fees related to this transaction" and the proposed investment amount of the raised funds in the amount of 2.5402 million Yuan" has been used to permanently replenish the working capital.

(3) The current change in the use of the raised funds

As of December 31, 2022, the unused raised funds of the "Tianbaoshan Mining Area Lead and Zinc Polymetallic Mine Exploration Project to Increase Reserves in the Deep Area" was 143.2738 million Yuan, of which the Company intends to use 96.5 million Yuan for the "Tianbaoshan Lead and Zinc Mine Lishan Mine Expansion Project", with a total investment of 96.5 million Yuan for the new project, and the remaining funds will still be used for the original project.

The "Tianbaoshan Lead and Zinc Mine Lishan Mine Expansion Project" is still implemented by the original fundraising project entity Hanfeng Mining, a wholly-owned subsidiary of the Company. The amount of raised funds with a changed use is 96.5 million Yuan, accounting for 19.18% of the net funds raised.

The change in the use of part of the raised funds does not constitute related party transaction, and has been deliberated and approved by the 16th meeting of the 8th Board of Directors of the Company, and needs to be submitted to the general meeting of shareholders for deliberation.

## **II. Specific reasons for changing the use of part of the raised funds**

### (1) The planned investment and actual investment of the original project

The Company's original fundraising project "Tianbaoshan Mining Area Lead Zinc Polymetallic Mine Exploration Project to Increase Reserves in the Deep Area" was implemented by Hanfeng Mining, a wholly-owned subsidiary, with a total designed investment of 304,257,000 Yuan, and it is planned to use the raised funds of 290 million Yuan. According to the calculation based on the expected workload and investment standard, 87% of the planned investment was to be invested into drilling and pit exploration, and the work was originally planned to be completed before the end of June 2022. Due to the impact of force majeure, the operating rate of Hanfeng Mining is insufficient, in order to ensure the safe production of mining, additional return air shaft construction is required, and the progress of the "Tianbaoshan Mining Area Lead Zinc Polymetallic Mine Exploration Project to Increase Reserves in the

Deep Area " has been delayed, and as of the end of 2022, a total of 146.7262 million Yuan of raised funds has been invested.

(2) The specific reasons for the change

The investment amount of the " Tianbaoshan Mining Area Lead Zinc Polymetallic Mine Exploration Project to Increase Reserves in the Deep Area " includes 147 million Yuan for the sinking of a 1,200m shaft, which can be used for exploration as well as a hoisting shaft in the production stage. At present, the exploration of resources in the Lishan mining area has achieved phased results, the prospecting right has been converted into mining right, and after the completion of the shaft equipment assembly, the construction of the return air shaft and the breakthrough of the return air drive, etc., the mining production conditions will be initially in place; Compared with continuing to implement exploration projects with a long project period, implementing the expansion project as soon as possible and starting mining production is more in line with the current actual situation, and it is also conducive to maximizing the efficiency of capital use. Therefore, it is proposed to use the RMB 96.5 million Yuan of the remaining raised funds for the expansion project of Tianbaoshan Lead and Zinc Mine Lishan Mine, and the rest of the balance of the raised funds will still be used for the original project.

### **III. Information on the new project**

(1) The basic situation of the project

1. Project Name: Tianbaoshan Lead and Zinc Mine Lishan Mine Expansion Project
2. Implementing entity: Jilin Hanfeng Mining Technology Co., Ltd.
3. Project construction address: Hanfeng Mining Lishan Mining Area, Tianbaoshan Community, Laotougou Town, Longjing City, Jilin Province
4. Project construction content: Lishan mining area expansion project, including return air shaft construction, sublevel 21 return air drive breakthrough project and

infrastructure construction project, etc.

5. Source of project funds: The project intends to use 96.5 million Yuan of the funds raised by the "Tianbaoshan Mining Area Lead and Zinc Polymetallic Mine Exploration Project to Increase Reserves in the Deep Area", and if there is a funding gap, it will use its own fund or get fund through self-financing.

#### (2) Project feasibility and necessity analysis

The engineering construction project of the lower mining area of Lishan Mine in Tianbaoshan Lead and Zinc Mining Area is divided into two phases of engineering design: the first phase is designed for areas above -92m RL with a production capacity of 165,000 tons/year, and the second phase is designed for areas below -92m RL with a production capacity of 435,000 tons/year. Because the design was completed in phases and the project was completed in phases, the original fundraising included the capital for the construction of the Lishan Mine shaft, but did not include the return air shaft project, the Sublevel 21 return air drive breakthrough project and the infrastructure construction project. In order to achieve the production conditions, it is necessary to establish a ventilation system after the shaft and the return air shaft are completed and installed before carrying out capital development and mining activities. In order to achieve production conditions as soon as possible and quickly increase production scale, it is necessary to implement this expansion project.

#### (3) Analysis of the economic benefits of the project

The implementation of this project will greatly increase the production scale of Hanfeng Mining from 165,000 tons/year to 600,000 tons/year, which will contribute to the long-term overall planning and deployment, and will enable Hanfeng Mining to enter a leapfrog development stage. After the project reaches production, it is expected to achieve an annual output of 14,600 tons of zinc, lead and copper and a net profit of 65.8 million Yuan.

### **IV. The impact of the project on the Company and risk warning**

The company has carefully considered and scientifically decided the use of part of the raised funds in this change, and the implementation of the investment projects of the raised funds is conducive to the development of the Company's main business and further enhances the Company's sustainable profitability and core competitiveness. The decision to change the use of part of the raised fund is made by the Company based on the development strategy and actual production and operation conditions, which is conducive to improving the efficiency of the use of the raised funds and is in line with the Company's overall strategic planning.

The Company has conducted a full feasibility analysis on this project, but because the implementation of the project may be affected by domestic and foreign macroeconomic conditions, national industrial policies, commodity market price fluctuations and other factors, if there are unforeseen negative changes in the above factors, the investment project of this raised funds will face the risk that the expected effect of investment cannot be fully realized.

The Company will strengthen internal control management according to changes in the market environment and effectively resolve risks. At the same time, the Company will continue to strictly abide by relevant laws and regulations such as the Guidance for the Supervision of Listed Companies No. 2 - Regulatory Requirements for the Management and Use of Funds Raised by Listed Companies, and the Self-Regulatory Guidelines for Listed Companies on the Shanghai Stock Exchange No. 1 - Standardized Operation, strengthen the supervision and management of the use of the raised funds, and ensure the legality and effectiveness of the use of the raised funds.

#### **V. Opinions of independent directors, board of supervisors and independent financial advisors on changing the use of part of the raised funds**

The independent directors believe that the deliberation and voting procedures for the change in the use of part of the raised funds comply with the provisions of the "Guidance for the Supervision of Listed Companies No. 2 - Regulatory Requirements for the Management and Use of Funds Raised by Listed Companies", "Self-

Regulatory Guidelines for Listed Companies on the Shanghai Stock Exchange No. 1 - Standardized Operation" and other relevant laws and regulations, and Company's "Management Policy for Raised Funds" and "Articles of Association" . It conforms to the actual operation situation, development needs and development strategy of the Company, is conducive to improving the efficiency of the use of raised funds and safeguarding the interests of all shareholders, and there is no situation that harms the interests of the listed company and its shareholders, especially small and medium-sized shareholders. The independent directors unanimously agreed to change the use of part of the raised funds and agreed to submit the matter to the Company's 2022 annual general meeting for consideration.

The Board of Supervisors believes that the deliberation and voting procedures for the change in the use of part of the raised funds comply with the relevant laws, regulations and the Articles of Association, conform to the actual operating conditions, development needs and development strategy of the Company, and are conducive to improving the efficiency of the use of the raised funds and safeguarding the interests of all shareholders. There is no illegal use of the raised funds, no disguised change in the purpose of the raised funds and no harm to the interests of shareholders. Therefore, the Supervisory Board agreed to the change in the use of part of the raised funds and agreed to submit the matter to the Company's 2022 Annual General Meeting for consideration.

The independent financial advisor believes that Chifeng Gold's change in the use of part of the raised funds has been deliberated and approved by the Board of Directors and the Board of Supervisors, and the independent directors have issued a clear concurring opinion on the matter, which needs to be deliberated and approved by the Company's general meeting of shareholders, and has performed the necessary internal decision-making procedures. This matter complies with the provisions of relevant laws, regulations and normative documents on the use of raised funds, is conducive to improving the efficiency of the use of raised funds, meets the needs of the Company's production and operation, and does not harm the interests of shareholders. In



summary, the sponsor has no objection to Chifeng Gold's change in the use of some of the raised funds.

#### **6. Approval procedures for the change in the use of part of the raised funds**

The change in the use of part of the raised funds has been deliberated and approved by the 16th meeting of the 8th Board of Directors and the 11th meeting of the 7th Board of Supervisors of the Company, and the independent directors have issued favourable independent opinions. The change needs to be submitted to the Company's general meeting of shareholders for deliberation and approval. If the Company's general meeting of shareholders approves this change, the Company's management will be authorized to be responsible for organizing and implementing it.

This is hereby announced.

Board of Directors

Chifeng Jilong Gold Mining Co., Ltd.

March 31, 2023