

Chifeng Jilong Gold Mining Co., Ltd.
Announcement on the Reply to the Regulatory Work
Letter from Shanghai Stock Exchange over
Information Disclosed in the Annual Report 2023

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 legal liabilities for the authenticity, accuracy and completeness of its contents.

Chifeng Jilong Gold Mining Co., Ltd. (hereinafter referred to as the "Company") recently received the "Regulatory Work Letter Over Information Disclosed in the Annual Report 2023 of Chifeng Jilong Gold Mining Co., Ltd." (SSE Official Letter [2024] No. 0557, hereinafter referred to as the "Regulatory Work Letter") issued by the Shanghai Stock Exchange (hereinafter referred to as the "SSE"). The Company, together with relevant personnel and annual audit accounting firms, has analyzed and verified the questions in the regulatory work letter one by one, and now replies to the relevant questions as follows.

I. About the main business. According to the annual report, the company's operating revenue was 7.221 billion yuan, of which domestic revenue was 2.025 billion yuan, and the gross profit margin was 53.08%; The overseas revenue was 5.192 billion yuan, with a gross profit margin of 24.54%, and the overseas revenue was large but the gross profit margin was much lower than that of the domestic business. The Company's main assets are located overseas, amounting to 13.931 billion yuan, accounting for 74.43% of the total assets, including mainly LXML and GSR, which were acquired in recent years. The company's top five customers are ABC Refinery, Rand Refinery, Trafigura Pte Ltd, Huadian Gold Co., Ltd.,

and Shandong Jinchuang Gold and Silver Smelting Co., Ltd., which have changed from 2021 and 2022. The Company is requested to: (1) separately list the production and sales volume, sales price and operating cost composition of major products at home and abroad, quantitatively analyze the reasons and reasonableness of the gross profit margin of overseas business being much lower than that of domestic business in combination with the specific business development situation and business model, and compare with the gross profit margin of similar overseas businesses of companies in the same industry to analyze whether there are material differences; (2) List the Company's top five domestic and foreign sales customers and customer business background in the past five years, combined with the location of the company's minerals and the regional distribution of its business operations, etc., to explain whether there are frequent customer changes and whether the relevant cooperation is sustainable; (3) Provide supplementary explanation on how the Company operates and manages overseas subsidiaries and improves operational efficiency, and the integration measures taken in terms of business, assets, finance, personnel, etc., and advise possible risks. The auditors carrying out the annual auditing should check and give a clear opinion.

(1) The Company's reply:

1. Separately list the production and sales volume, sales price and operating cost composition of major products at home and abroad, quantitatively analyze the reasons and reasonableness of the gross profit margin of overseas business much lower than that of domestic business in combination with specific business development situation and business model, and compare the gross profit margin of similar overseas businesses of companies in the same industry to analyze whether there are material differences.

In 2023, the production and sales volume, sales price and cost of product sold of the Company's main products at home and abroad are shown in the following table:

| Finished products | Domestic/Overseas | Production (g) | Gold Sold (g) | Unit Sales price (RMB/g) | Unit cost of gold sold (RMB/g) |
|--------------------------|--------------------------|-----------------------|----------------------|---------------------------------|---------------------------------------|
| Mineral gold | Domestic mines | 3,323,128.25 | 3,316,342.87 | 455.92 | 152.69 |
| | Overseas mines | 11,030,881.53 | 11,193,229.13 | 429.75 | 317.98 |

| Finished products | Domestic/Overseas | Production (t) | Sales (t) | Unit sales price (RMB/t) | Unit cost of minerals sold (RMB/t) |
|--------------------------|--------------------------|-----------------------|------------------|---------------------------------|---|
| Electrolytic copper | Overseas mines | 6,485.41 | 6,428.68 | 59,354.11 | 55,775.35 |
| Copper concentrate | Domestic mines | 1,438.74 | 1,468.50 | 10,869.85 | 4,793.96 |
| Lead concentrate | Domestic mines | 2,716.15 | 2,531.98 | 11,747.22 | 4,794.53 |
| Zinc concentrate | Domestic mines | 11,287.29 | 10,839.13 | 6,030.92 | 4,751.99 |
| Molybdenum concentrate | Domestic mines | 206.48 | / | / | / |

In 2023, the operating cost composition of mineral gold produced in the Company's domestic and overseas mines is shown in the following table:

| A breakdown | Overseas mines | Domestic Mines | Differences |
|--------------------|-----------------------|-----------------------|--------------------|
|--------------------|-----------------------|-----------------------|--------------------|

| of operating costs | Unit Cost of gold sold (RMB/g) | cost Percentage | Unit Cost of gold sold (RMB/g) | cost Percentage | (Overseas-Domestic, RMB/g) |
|-------------------------------|---------------------------------------|------------------------|---------------------------------------|------------------------|-----------------------------------|
| Material costs | 121.57 | 38% | 33.43 | 22% | 88.14 |
| Depreciation and amortization | 98.06 | 31% | 34.87 | 23% | 63.19 |
| Labor costs | 37.63 | 12% | 61.90 | 40% | -24.27 |
| Electricity | 23.65 | 7% | 14.88 | 10% | 8.77 |
| Services and Others | 37.07 | 12% | 7.61 | 5% | 29.46 |
| subtotal | 317.98 | 100% | 152.69 | 100% | 165.29 |

In 2023, the average sales unit price and gross profit margin of the company's domestic and foreign mines are shown in the following table:

| The average sales unit price of overseas mines (RMB/g) | The average sales unit price of domestic mines (RMB/g) | differences (Overseas-Domestic, RMB/g) |
|---|---|---|
| 429.75 | 455.92 | -26.17 |
| Gross profit margin of overseas mines | Gross profit margin of domestic mines | Difference (Overseas-Domestic) |
| 26.01% | 66.51% | 40.50 percentage points lower |

The Company's main business is gold mining, and the Company's mineral gold sales revenue accounted for 87.61% of the main business revenue in 2023, and the difference in the gross profit margin of domestic and overseas businesses is mainly due to the fact that the gross profit margin of overseas mineral gold is lower than that of domestic

mineral gold. The company's domestic and overseas gold mines are all self-operated, and the main reasons why the gross profit margin of overseas mines is lower than that of domestic mines are:

First, the average sales unit price of overseas mineral gold is lower than that of domestic mines. In 2023, the average sales unit price of the Company's overseas mineral gold is 26.17 yuan/gram lower than that of domestic mines. Golden Star Resources Limited (hereinafter referred to as "GSR"), a holding subsidiary of the Company, has a metal stream business, under which GSR currently fulfills its delivery obligations at 10.5% of its gold production, and the sales price of this part of the product is 20% of the spot price, which is still lower than the market price after deferred revenue allocation, thus lowering the average sales unit price of overseas mineral gold.

Second, the cost of mineral gold sold in overseas mines is higher than that of domestic mines. In 2023, the cost of mineral gold sold of overseas mines is 165.29 yuan/gram higher than that of domestic mines, of which material costs, depreciation and amortization, services and others are 88.14 yuan/gram, 63.19 yuan/gram and 29.46 yuan/gram higher, respectively. From the perspective of the cost composition of domestic and overseas mines, the biggest cost component of overseas mines is material costs (38%), followed by depreciation and amortization (31%), which is mainly affected by factors such as higher appraised value, large scale of newly purchased or constructed fixed assets and regional economic development.

- (1) The procurement cost of overseas mines is relatively high. Except for the local supply of diesel, electricity and other energy sources, most of the raw materials related to production, such as explosives, chemicals, steel, spare parts, need to be imported and transported to the mine, and the transportation distance is long, resulting in the "material cost" in the cost of gold sold of overseas mines being higher than that of domestic mines.
- (2) Overseas mines were all acquired in recent years, and the appraised value appreciation is mainly reflected in the mining rights assets in the statements, and the amortization of their increased values increases the cost of gold sold. The value of the

Company's acquisition of GSR was appreciated by RMB5.674 billion upon appraisal, with an amortization amount of RMB257 million in 2023. After the acquisition, the Company invested a large amount of capital expenditure, including fixed assets such as the construction and overhaul of the gold processing plant of Lane Xang Minerals Limited Company (hereinafter referred to as "LXML") and the mining of new roadways, resulting in an increase in depreciation. The scale and production capacity of overseas mines also result in the depreciation of fixed assets such as plants, equipment and vehicles related to gold production and the amortization of intangible assets such as mining rights and land use rights accounting for a large proportion of the cost, and the "depreciation and amortization" in the cost of gold sold of overseas mines is higher than that of domestic mines.

(3) The service and support investment of overseas mines is relatively higher than that of domestic mines. Contractors and service providers are hired to carry out some mining and drilling during the production process of overseas mines. In addition, LXML also provides camp accommodation, meals, charter flights and other services for mine employees, which are included in the mine's supporting production costs. As a result, the "services and others" cost in the unit cost of gold sold of overseas mines are higher than those of domestic mines.

According to public information, the overseas gross profit margin of Zijin Mining's main business (mineral products or smelting products of gold, copper, lead, zinc and other metals) in 2023 is 22.26%; In 2023, the gross profit margin of Huayu Mining's overseas self-produced gold is 29.88%, and the gross profit margin of self-produced gold ingots is 15.37%, and the gross profit margin of the company's overseas mineral gold is not significantly different from that of these enterprises. With the gradual amortization of appraised value appreciation and the implementation of cost reduction measures such as centralized procurement and organizational structure optimization, the gross profit margin and profitability of the Company's overseas mines will be improved.

2. List the Company's top five domestic and overseas sales customers and

customer business backgrounds in the past five years, and explain whether there are frequent customer changes and whether the relevant cooperation is sustainable in combination with the location of the company's minerals and the regional distribution of its business operations.

The company's top five sales customers in the past five years are listed as follows:

| 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|--|--|--|
| Trafigura Pte Ltd | Trafigura Pte Ltd | ABC Refinery | ABC Refinery | ABC Refinery |
| Sichuan Tianchengheng Trading Co., Ltd | ABC Refinery | Trafigura Pte Ltd | Rand Refinery | Rand Refinery |
| Yongxing Zhaojin Precious Metal Processing and Manufacturing Co., Ltd | Luoyang Zijin Yinhui Gold Smelting Co., Ltd | Shandong Zhaojin Gold and Silver Refining Co., Ltd | Trafigura Pte Ltd | Trafigura Pte Ltd |
| Chengdu Tianxinyang Gold Co., Ltd | Chengdu Tianxinyang Gold Co., Ltd | Chengdu Tianxinyang Gold Co., Ltd | Shandong Zhaojin Gold and Silver Refining Co., Ltd | Huadian Gold Co., Ltd |
| Shanghai Xuyin Trading Co., Ltd | Shenzhen Jinda Gold Co., Ltd | Huludao Zinc Industry Co., Ltd | Yongxing County Qiangsheng Silver Co., Ltd | Shandong Jinchuang Gold and Silver Smelting Co., Ltd |

The Company's main products are crude gold, gold concentrate powder, electrolytic copper, etc.

Sales customers of the Company's overseas mines: ABC Refinery is the sales customer of LXML, a holding subsidiary in Laos acquired by the company in 2018. LXML began to restart gold production in 2020, and ABC Refinery is the only sales customer of gold products selected by LXML through bidding, and has been cooperating since 2020; Trafigura Pte Ltd is a sales customer of LXML's electrolytic copper products and has been working with it since the completion of the acquisition; Rand Refinery is a sales customer of gold products at Golden Star (Wassa) Limited ("GSW"), a holding subsidiary in Ghana acquired by the Company in 2022. In 2022 and 2023, the revenue from overseas mines accounted for 76% and 72% of the company's revenue, respectively, and overseas mines have maintained long-term cooperative relations with the above-mentioned customers.

The sales customers of the Company's domestic mines: domestic sales customers are mainly members of the Shanghai Gold Exchange. Due to the characteristics of gold products, the Company solicit cooperation intentions with potential customers at the beginning of each year and select partners with good conditions and strong financial strength. The change of domestic customers are normal changes made by the Company to develop new sales channels. Specifically: (1) Chengdu Tianxinyang Gold Co., Ltd. was a customer of Chifeng Jilong Mining Co., Ltd. (hereinafter referred to as "Jilong Mining") and Chifeng Huatai Mining Co., Ltd. (hereinafter referred to as "Huatai Mining") from 2019 to 2021. (2) Huludao Zinc Industry Co., Ltd. is the sales customer of zinc concentrate products of Jilin Hanfeng Mining Technology Co., Ltd. (hereinafter referred to as "Hanfeng Mining"), and the two parties have been cooperating all the time. (3) Huadian Gold Co., Ltd. is a new sales customer of Jilong Mining from May 2023. (4) Shenzhen Jinda Gold Co., Ltd., Shandong Zhaojin Gold and Silver Refining Co., Ltd., Yongxing County Qiangsheng Silver Co., Ltd. and Shandong Jinchuang Gold and Silver Smelting Co., Ltd. are the company's perennial cooperative customers and have been doing business with us all the time.

3. Explain how the company operates and manages overseas subsidiaries and improves operational efficiency, and the integration measures taken in terms of business, assets, finance, personnel, etc., and advise possible risks.

In recent years, the Company has taken targeted measures in terms of business, assets, finance, personnel and other aspects to continuously strengthen the management of overseas subsidiaries and improve the operating performance of overseas subsidiaries. Specifically:

(1) Business aspects. The Company has conducted in-depth research on the production and operation mode and market situation of overseas mines, reorganized the business process after the acquisition, formulated a coordinated development strategy, and clarified the business focus and development direction of different subsidiaries, such as the recovery rate of mineral processing in LXML, and the improvement of tunneling and mining efficiency by GSW. To promote the optimization and integration of business processes and realize resource sharing and complementarity, the Company has set up a global procurement center in Shanghai, which is currently focusing on centralized procurement of some equipment and raw materials for two overseas mines in Laos and Ghana to reduce procurement costs; A unified business goal and performance appraisal system has been established to motivate all parties to work together.

(2) Assets. The Company conducted a comprehensive asset evaluation and inventory taking of overseas subsidiaries before and after the acquisition to ensure the authenticity and integrity of the assets; Optimize asset allocation, rationally allocate resources, and improve asset utilization and return in the process of operation; Implement a unified asset management system and strengthen the monitoring and management of overseas assets.

(3) Financial aspects. The company unifies the financial accounting system and reporting standards to ensure the accuracy and timeliness of financial information; Integrate capital management, optimize capital allocation, and reduce financing costs;

Implement comprehensive budget management and strengthen cost control and risk management. The Company has set up a professional financial management office in Hong Kong, focusing on the management of the financial work of LXML and GSW.

(4) Personnel. Select and dispatch experienced management personnel to overseas, the Company's director and vice president Gao Bo and vice president Zhou Xinbing are based on site of Sepon mine in Laos; Vice President Chen Zhiyong is based at the Wassa mine in Ghana to scout and cultivate local talents; Build a communication platform to promote exchanges and cooperation between people from different cultural backgrounds; Formulate a reasonable salary and welfare system and incentive mechanism to attract and retain outstanding talents. The Company has formed an efficient management team with the same concept and cultural integration in its overseas subsidiaries.

(5) At the same time, there may also be the following risks in the operation of the overseas mines:

(i) Political risks: Changes in the political situation and policies of overseas countries may affect business development.

(ii) Legal risks: There are differences in the legal systems of different countries, and there may be legal compliance issues in operation and management.

(iii) Cultural risks: cultural differences may lead to communication barriers, management conflicts, etc.

(iv) Market risk: changes in the local market environment and intensified competition have an impact on the operation.

(v) Exchange rate risk: Exchange rate fluctuations may affect financial results and asset value.

(vi) Integration risk: In the process of integration, there may be problems such as personnel conflict and poor business connection.

The Company continues to pay close attention to the above-mentioned risks in the

process of operation and management of overseas mines, and formulates countermeasures to ensure the smooth operation and integration of overseas subsidiaries.

(2) The accountant's reply

We have audited the financial statements of Chifeng Gold for 2023 in accordance with the relevant provisions of the Chinese Certified Public Accountants Auditing Standards, with the aim of expressing an audit opinion on the financial statements of Chifeng Gold for 2023 as a whole.

In the audit of Chifeng Gold's financial statements for 2023, we mainly implemented the following audit procedures for operating revenue and costs:

(1) Understand and evaluate the design effectiveness of management's controls related to revenue recognition and cost recognition, and test whether they are operating effectively;

(2) Understand the terms of the sales contract, check whether the revenue recognition is based on the terms of the sales contract, and check whether the revenue recognition policy complies with the provisions of the accounting standards for business enterprises;

(3) Understand the cost composition of the Company's main products, and check whether the cost allocation method is consistent with the Company's accounting policies and maintains consistency;

(4) Perform detail testing, check supporting documents related to revenue recognition, including original documents such as sales contracts, outbound orders, invoices, etc., and check sales proceeds collection records;

(5) Perform detail testing, check supporting documents related to cost confirmation, including original documents such as purchase contracts, raw material warehousing lists, invoices, cost allocation tables, etc., and check the purchase payment records;

(6) Perform analytical procedures on revenue to understand the reasons for changes in revenue;

(7) Perform analytical procedures on costs, such as analyzing the reasons for changes according to the nature of costs;

(8) Perform analytical procedures on gross profit margin to understand the reasons for changes in gross profit margin from different dimensions such as geography and product category;

(9) Perform cut-off tests on revenues to check whether revenues are recorded in the correct accounting period;

(10) Review the reasonableness and appropriateness of the disclosure of revenue and costs in the audit report.

Based on the audit work performed by us to express an audit opinion on the Company's 2023 financial statements as a whole, we believe that the management's explanation of the reasons and reasonableness of the Company's overseas gross profit margin being lower than the gross profit margin of the domestic business, the changes in customers, and the Company's explanation of the operation management and integration measures of the overseas mines are consistent in all material respects with the information obtained and understood by us in the execution of the audit.

II. On asset impairment. According to the annual report, the book value of the company's fixed assets, projects under construction and intangible assets at the end of the period was 5.822 billion yuan, 592 million yuan and 6.525 billion yuan, and the balance of impairment provision at the end of the period was 0.0 billion yuan, 0.0 billion yuan and 54 million yuan respectively. Due to the fact that some of the Company's mines have been suspended or the gross profit has been negative for two consecutive years, the management assessed that there are signs of impairment of the fixed assets, intangible assets and projects under construction related to the mines, and hired an appraiser to perform impairment tests on these asset groups, and no impairment provision has been made based on the results.

The company is requested to: (1) explain the specific process and main parameters of asset impairment testing, whether the provision for impairment is sufficient, and whether there are significant differences with comparable companies in the same industry in combination with the specific composition, service life, use status, restricted rights, idle state, capacity utilization rate, etc. of the above-mentioned assets; (2) Make supplemental disclosure of the main information of mines that have ceased production or had negative gross profit for two consecutive years, including but not limited to the performance in the past three years, production status, mineral life, etc., and analyze and explain the reasons and reasonableness of the reasons for not making provision for impairment in the current period in combination with the commencement of construction and mining progress, resource and reserves, and income of the corresponding minerals of the main mining rights. The accountant of the annual audit is requested to verify and issue a clear opinion, and explain the audit procedures implemented on the relevant assets, the sampling ratio and the audit evidence obtained.

(1) The company's reply:

1. explain the specific process and main parameters of asset impairment testing, whether the provision for impairment is sufficient, and whether there are significant differences with comparable companies in the same industry in combination with the specific composition, service life, use status, restricted rights, idle state, capacity utilization rate, etc. of the above-mentioned assets.

The company's long-term assets mainly include: houses and buildings, shafts and dives and auxiliary facilities, machinery and equipment, projects under construction, land use rights, exploration/mining rights, etc. The service life, use status, restricted rights and idle status are detailed in the following table:

Amount unit: RMB 100 million

| Long-term asset category | book value | Service life | Usage status | Restrictions on Rights | Idle or not |
|--------------------------|------------|--------------|--------------|------------------------|-------------|
|--------------------------|------------|--------------|--------------|------------------------|-------------|

| | | | | | |
|--|-------|----------------|--------|--|--------|
| Houses and buildings | 5.95 | 20 years | Note 2 | Part of it is used as collateral for loans | In use |
| Shafts and drives and ancillary facilities | 35.90 | Note 1 | Note 2 | Part of it is used as collateral for loans | In use |
| Machinery and equipment | 14.11 | 5-10 years | Note 2 | Part of it is used as collateral for loans | In use |
| Other fixed assets | 2.26 | 3-10 years | Note 2 | Part of it is used as collateral for loans | In use |
| Construction in progress | 5.92 | not applicable | Note 2 | None | In use |
| Land use rights | 0.95 | 20-50 years | Note 2 | not | In use |
| Exploration/mining rights | 62.08 | Note 1 | Note 2 | Part of it is used as collateral for borrowing | In use |
| Other intangible assets | 2.22 | 5-55 years | Note 2 | not | In use |

Note 1: For well construction and ancillary facilities and exploration/mining rights, the Company uses the workload method for depreciation.

Note 2: Except for the relevant assets of the mine held by Huatai Mining as mentioned in point 2 of the second reply, which have been suspended due to technical transformation, other long-term assets are in use.

For the Company's long-term assets, the Company analyzes whether the relevant assets show signs of impairment at the balance sheet date, and performs impairment tests on the assets that show signs of impairment. At the end of 2023, the Company made the following analysis of the signs of impairment of long-term assets:

| Signs of impairment | Conclusions of the assessment |
|---|---|
| <p>The market price of an asset falls sharply during the period, and its decline is significantly higher than the expected decline due to the passage of time or normal use.</p> | <p>At the balance sheet date, the market environment in the gold, non-ferrous metals and waste electrical and electronic products recycling industries in which the Company operates is good, and the market price of assets is stable and shows no signs of falling beyond expectations.</p> |
| <p>The economic, technological or legal environment in which the enterprise operates and the market in which the assets are located have undergone significant changes in the current period or will experience material changes in the near future, which will adversely affect the enterprise.</p> | <p>At the balance sheet date, there have been no significant changes in the economic, technical or legal environment in which the Company operates in the gold, non-ferrous metals and waste electrical and electronic products recycling industries, which are not expected to adversely affect the Company.</p> |
| <p>The market interest rate or other market rate of return on investment has increased in the current period, which affects the discount rate at which the enterprise calculates the present value of the expected future cash flows of the asset, resulting in a significant reduction in the recoverable amount of the asset.</p> | <p>In recent years, there has been no significant change in the yield to maturity of domestic government bonds, which has no significant impact on the forecast of the recoverable amount. Abroad, despite the rise in US interest rates, the Company did not identify any signs of impairment due to the continuous rise in gold prices and the continuous increase in the profits of the Company's overseas subsidiaries.</p> |
| <p>There is evidence that the asset is old and obsolete or that its physical condition has deteriorated.</p> | <p>At the balance sheet date, no obsolete or damaged assets were identified in the Company.</p> |
| <p>The asset has been or will be idle,</p> | <p>At the balance sheet date, Huatai Mining was in the</p> |

| | |
|--|--|
| <p>terminated or planned to be disposed of early.</p> | <p>stage of technological transformation, and its long-term assets were in a state of suspension during the period of technological transformation, and there were signs of impairment.</p> <p>With the exception of Huatai Mining, the Company has not identified any other long-term assets that are idle, suspended, or planned to be disposed of in advance.</p> |
| <p>Evidence reported internally indicates that the economic performance of the asset has been or will be lower than expected, such as the net cash flow generated by the asset or the operating profit (or loss) realized by the asset is significantly lower (or higher) than the projected amount.</p> | <p>At the balance sheet date, the Company did not identify long-term assets whose economic performance has been or will be lower than expected.</p> |
| <p>Other signs that the asset may have been impaired</p> | <p>At the balance sheet date, the Company believes that there are signs of impairment due to the losses incurred by Huatai Mining for two consecutive years.</p> <p>With the exception of Huatai Mining, the Company has not identified any other signs that assets may have been impaired.</p> |

At the end of 2023, the Company identified signs of impairment in Huatai Mining's asset group based on the above-mentioned impairment signs assessment process, and the Company engaged Beijing Shengming Asset Appraisal Co., Ltd. to conduct impairment tests on these asset groups and issued an asset impairment test assessment report (Shengming Ping Bao Zi [2024] No. 062). The relevant impairment tests are as follows:

| Item | Impairment test description |
|---------------------------|--|
| Cash flow generating unit | The Company conducts impairment testing on the assets related to a single independent mining area of Huatai Mining, such as mining rights, shafts and drives and ancillary facilities, as the minimum cash flow generating unit. The Company has identified a total of 3 minimum cash flow generating units ("Asset Groups"). |
| Mine reserves | This is determined according to the mineral resources and reserves review and filing record and the annual report of reserves. |
| Scheduling plan | This is determined according to the mine resources and reserves development and utilization plan, combined with the production scheduling plan issued by Huatai Mining Technology Department. |
| Future sales volume | <p>Future sales volume = annual ore production × theoretical gold grade × comprehensive recovery rate of gold processing and metallurgy</p> <p>The annual ore production is predicted based on the full capacity mining in the approved development and utilization plan; The theoretical gold grade is predicted based on the average grade of the controlled economic base reserves in the development and utilization plan report; The comprehensive recovery rate of gold processing and metallurgy is predicted according to the comprehensive recovery rate in the development and utilization plan.</p> |
| The sale price of gold | The agreed gold settlement amount for gold sales is calculated according to the real-time gold price of the Shanghai Gold Exchange (Au9999) minus a processing fee of 0.5 yuan. During the forecast period, the Company uses the arithmetic average price of the weighted average price of the Shanghai Gold Exchange from 2021 to January 2024, and deducts a processing fee of RMB 0.5 to estimate the gold sales price. |
| Production costs | Production costs mainly include: labor costs, land royalties, material |

| | |
|---------------|--|
| | costs, mineral processing costs and other miscellaneous expenses. The Company comprehensively determines the cash operating costs for the forecast period based on the level of cash operating costs in historical periods and estimates of future market and economic conditions. |
| Discount rate | The discount rate is determined based on the weighted average cost of capital (WACC), which is calculated to be 11.97%-14.12% before tax. |

When performing impairment testing, the Company determines the recoverable amount based on the present value of the projected future cash flows of the asset group. The present value of the projected future cash flows of the asset group is determined based on a combination of projections for future periods approved by management and estimates of future market and economic conditions, among other factors. The main parameters used in the mine asset group include mine reserves, production schedules, future sales volumes, selling prices, production costs and discount rates, etc., and the forecast period of the impairment test is determined on the basis of mine reserves and the production capacity of the mine. In addition, the Company determines the discount rate based on the weighted average cost of capital (WACC), which is calculated to be between 11.97% and 14.12% before tax. The methodology of the above impairment testing is not significantly different from that of comparable companies in the same industry.

Through the above calculations, the specific evaluation results are as follows:

Unit: RMB 100 million

| Asset group | The book value of long-term assets | The present value of future cash flows | Whether it is impaired |
|------------------------------|---|---|-------------------------------|
| No.1 mining area asset group | 1.25 | 2.56 | not |

| | | | |
|---------------------------------|------|------|-----|
| No.5 mining area asset group | 0.71 | 1.26 | not |
| No.8 mining area asset group | 0.53 | 5.84 | not |

Based on the test results, there is no need to make an asset impairment provision for it. Except for Huatai Mining, the Company has not identified any signs of impairment of other long-term assets, and the provision for impairment is sufficient.

2. Make supplemental disclosure of the main information of mines that have ceased production or had negative gross profit for two consecutive years, including but not limited to the performance in the past three years, production status, mineral life, etc., and analyze and explain the reasons and reasonableness of the reasons for not making provision for impairment in the current period in combination with the commencement of construction and mining progress, resource and reserves, and income of the corresponding minerals of the main mining rights.

The mine that has been suspended or experience negative gross profit for 2 consecutive years mentioned in the disclosure of the Company is Huatai Minng. As of the end of 2023, the closing book value of Huatai Mining's asset groups was RMB249 million, and the closing balance of impairment provision was RMB0.0. Its performance, production status and mine life in the past three years are as follows:

Unit: RMB 100 million

| Year | Net profit | state |
|------|------------|---|
| 2021 | -0.28 | Suspension for technical transformation |
| 2022 | -0.59 | Suspension for technical transformation |
| 2023 | -0.44 | Suspension for technical transformation |

Huatai Mining has six mining rights. Due to the small production capacity indicated in Huatai Mining's mining licenses, it is impossible to form large-scale mining. Starting in 2022, the Company carried out planning and design work for capacity expansion of each mining area within the scope of Huatai Mining's mining rights. Up to now, the preliminary design of the No.5 Mining Area Expansion Project has been completed and the approval of the Emergency Department of the Inner Mongolia Autonomous Region has been obtained, and the selection of the construction contractor is underway; The No.1 mining area and the No.8 mining area are in the stage of preparing development and utilization plans and advancing technological transformation design. The Company expects that by 2025, Huatai Mining will fully start the infrastructure overhaul of the mine and the construction of the shaft and drives, and the construction of the infrastructure project is expected to be basically completed by the end of 2026, and Huatai Mining will gradually resume mining production in 2027. As of the end of 2023, Huatai Mining has ore resources of about 3.81 million tonnes, with an average geological grade of about 7 g/t, and an estimated mining life of about 20 years.

In view of the fact that there have been no major adverse changes in the retained resources of Huatai Mining in recent years, and the gold sales price has risen in recent years, and it is expected that there will be no major adverse changes in the future gold sales price, the Company has not made any impairment provision for Huatai Mining-related assets in 2023 according to the impairment test results.

(2) The accountant's reply

We audited the financial statements of Chifeng Gold for 2023 in accordance with the relevant provisions of the Chinese Certified Public Accountants Auditing Standards, with the aim of expressing an audit opinion on the financial statements of Chifeng Gold for 2023 as a whole.

In the audit of Chifeng Gold's financial statements for 2023, we mainly implemented the following audit procedures for the impairment of fixed assets, construction in progress and intangible assets:

(1) Understand and evaluate the effectiveness of the design of internal controls related to management's impairment testing, and test their operational effectiveness;

(2) Understand and evaluate management's identification of asset groups and signs of impairment, compare management's approach to determining recoverable amounts to industry guidelines, and evaluate the underlying data used in forecasts by examining historical data;

(3) Evaluate key assumptions used in the calculations, including mine reserves, scheduling plans, future sales volumes, selling prices, production costs, and applicable discount rates;

(4) Bring in an in-house valuation experts to assist us in evaluating the methodology used by management to determine recoverable amounts and the discount rates used;

(5) Assess the adequacy of the relevant disclosures in the consolidated financial statements.

In the course of the above audit, we reviewed the impairment testing process of all asset groups with signs of impairment of long-term assets in 2023, with a sampling ratio of 100%. In the course of the audit, we obtained audit evidence such as Huatai Mining's operating data for the historical period, impairment test model, Huatai Mining's reserve report, development and utilization plan, and the weighted average price of gold on the Shanghai Gold Exchange since 2021, and the discount rate calculation table.

Based on the audit work we performed for the overall audit opinion on the Company's 2023 financial statements, we believe that management's response to the Company's explanation of the impairment test for long-term assets is consistent in all material respects with the information obtained and understood in the course of our audit.

III. Inventory impairment. According to the annual report, the Company's asset impairment losses in the past three years totaled 237 million yuan, all of which were inventory price declines. In 2023, the Company's inventory book balance is

2.598 billion yuan, including 971 million yuan of raw materials, 1.457 billion yuan of semi-finished products, and 169 million yuan of inventory goods. The amount of provisions for price decline is 178 million yuan, 00.9 million yuan, and 12 million yuan respectively, equivalent to a price decline provision ratio of 18.37%, 0.06%, and 6.88% respectively, compared with 15.04%, 7.03%, and 9.40% in the same period last year. In addition, the Company said that benefiting from the rise in gold prices and the relatively stable ore grade of various mines, the gross profit margin of the Company's gold products increased by 8.05 percentage points compared with the previous year. The Company is requested to: (1) explain the reasons for the high proportion of provision for price decline of raw materials in the case of rising gold prices and gross profit margin in the current period, whether there are related parties of raw material suppliers, and whether the purchase price is significantly higher than that of similar products, based on the business development, orders in hand, gross profit margin of products, type of raw materials and suppliers, inventory age, net realizable value calculation method, etc.; (2) Explain the reasons and reasonableness of the large difference in the ratio of provision for price decline of various inventories, the reasons for the large change in the ratio of provision for price decline of semi-finished products, and whether the provision is sufficient.

The Company's replies:

1. Explain the reasons for the high proportion of provision for price decline of raw materials in the case of rising gold prices and gross profit margin in the current period, whether there are related parties of raw material suppliers, and whether the purchase price is significantly higher than that of similar products, based on the business development, orders in hand, gross profit margin of products, type of raw materials and suppliers, inventory age, net realizable value calculation method, etc..

The Company's inventory includes raw materials, semi-finished products, inventory commodities and turnover materials. The raw materials are mainly steel, wood, mineral

processing agents, chemicals, spare parts, etc., semi-finished products mainly include gold ore, copper ore, in-circuit gold, etc., and the inventory commodities are mainly gold concentrate, electrolytic copper, molybdenum concentrate, etc. At the balance sheet date, inventories are measured at the lower of cost and net realizable value, and if the cost is higher than the net realizable value, a provision for inventory decline is made and included in profit or loss for the current period. Net realizable value is equal to the estimated selling price of the inventory less the estimated costs to be incurred at completion, estimated selling expenses, and related taxes. The Company's various inventory decline provisions are affected by various factors such as asset status, future sales price of final products, etc., so there is no linear relationship between the amount of provision for price decline of various inventories and the provision ratio.

The provision for the decline in the price of raw materials is mainly affected by the asset condition. The Company's provision for the decline in the price of raw materials mainly comes from a large number of spare parts with low unit prices, and their inventory ages are more than 2 years. With the upgrading of equipment and the transformation of mining methods, some spare parts with a long inventory age have been eliminated and can no longer be used, and the net realizable value is low. At the end of 2022, the balance of provisions for price decline of raw materials was RMB143 million, and the balance of provision for price decline of raw materials increased to RMB178 million at the end of 2023. The net realizable value of these spare parts is not correlated with the price of gold and the gross margin of gold products. Based on the consideration of reducing costs and increasing efficiency, some raw materials for overseas mines have been centrally procured by Shanghai Chijin Fengyu Industrial Co., Ltd., a wholly-owned subsidiary of the Company, since 2021, and the final suppliers of centralized procurement are third party suppliers, and the transaction pricing is fair.

2. Explain the reasons and reasonableness of the large difference in the ratio of provision for price decline of various inventories, the reasons for the large change in the ratio of provision for price decline of semi-finished products, and whether the provision is sufficient.

The Company's inventory at the end of the last three years is shown in the following table:

Unit: RMB 10,000 yuan

| December 31, 2023 | Raw materials | Semi-finished products | Inventory items | Turnover materials | Consignment products | Total |
|--------------------------------|----------------------|-----------------------------------|----------------------------|-------------------------------|---------------------------------|--------------|
| Book balance | 97,138.90 | 145,705.16 | 16,877.92 | 61.03 | - | 259,783.01 |
| Provision for price decline | 17,841.08 | 90.61 | 1,160.40 | - | - | 19,092.09 |
| Book value | 79,297.82 | 145,614.55 | 15,717.52 | 61.03 | - | 240,690.92 |
| December 31, 2022 | raw materials | Semi-finished products | Inventory items | Turnover materials | Consignment products | total |
| Book balance | 95,172.11 | 128,829.95 | 17,402.01 | 68.00 | 3.14 | 241,475.21 |
| Provision for price decline | 14,317.51 | 9,058.84 | 1,636.11 | - | - | 25,012.46 |
| Book value | 80,854.60 | 119,771.11 | 15,765.90 | 68.00 | 3.14 | 216,462.75 |
| December 31, 2021 | raw materials | Semi-finished products | Inventory items | Turnover materials | Consignment products | total |
| Book balance | 51,608.91 | 111,267.95 | 7,842.49 | 148.63 | 215.23 | 171,083.21 |
| Provision for price decline | 12,733.13 | 17,077.75 | 62.97 | - | - | 29,873.85 |
| Book value | 38,875.78 | 94,190.20 | 7,779.52 | 148.63 | 215.23 | 141,209.36 |

The provision for decline in the price of semi-finished products and inventories is mainly affected by the future selling price of the final product. The Company calculates the net realizable value of semi-finished products and inventory commodities at each balance sheet date, and makes full provision for inventory decline. At the end of 2022, when the price of gold declined, the Company calculated the net realisable value of gold-related semi-finished products and inventory commodities at the balance sheet date, and made a provision for price decline based on the test results. In 2023, the price

of gold rose, and the provision for the decline in the price of gold-related semi-finished products and inventory commodities that had been accrued was partially resold in line with the sale of gold products and partly reversed due to the increase in the price of gold. At the end of 2023, there was no balance of provisions for decline in prices of gold-related semi-finished products and inventory commodities.

In addition, since March 2023, the market value of molybdenum metal has continued to decline, and as of the end of 2023, since the market value of molybdenum concentrate powder is lower than the cost and sales have not yet been realized. Hanfeng Mining, a subsidiary of the Company, has made a provision for the price decline of molybdenum concentrate powder and semi-finished molybdenum raw ore in inventory according to the net realizable value of the relevant inventory at the balance sheet date.

IV. On the distribution of monetary funds and profits. According to the annual report, the closing balance of the Company's monetary funds from 2021 to 2023 is 1.825 billion yuan, 1.285 billion yuan, and 1.662 billion yuan respectively, of which the restricted funds are 117 million yuan, 233 million yuan, and 388 million yuan respectively; the undistributed profit of the parent company was 743 million yuan, 1.200 billion yuan and 1.844 billion yuan; From 2005 onwards, the company has only proposed a profit distribution plan in 2023, distributing 82.4364 million yuan in cash. The Company explained that the retained undistributed profits are mainly used to replenish working capital, explore to increase reserves of domestic and overseas mining enterprises, expand capacity and carry out technical overhaul, and acquire high-quality gold mine assets. The Company is requested to: (1) explain the reasons and reasonableness of the Company's low cash dividends under the background of the Company's high balance of monetary funds and profits for many years in combination with the profitability level in the past three years, the Company's development plan and the actual use of retained undistributed profits, etc., and whether there is a large amount of idle funds; (2) Make supplemental disclosure of the monthly balance and interest of monetary funds during the reporting period, indicating whether there are other potential

restrictive arrangements, or joint or co-management accounts with controlling shareholders or other related parties, and the actual use of monetary funds by other parties in addition to the disclosed restricted funds; (3) Explain whether the Company facilitates the participation of small and medium-sized shareholders in the decision-making of cash dividends, and the measures that the Company intends to take to enhance the level of investor returns. The accountant for the annual audit is requested to check and give a clear opinion.

(1) The Company's reply

1. Explain the reasons and reasonableness of the Company's low cash dividends under the background of the Company's high balance of monetary funds and profits for many years in combination with the profitability level in the past three years, the Company's development plan and the actual use of retained undistributed profits, etc., and whether there is a large amount of idle funds.

The Company's profitability level, monetary funds, restricted monetary funds and available monetary funds in the past three years are shown in the following table:

Unit: RMB 10,000 yuan

| Item | FY2021/ End of 2021 | FY2022/ End of 2022 | Year 2023/ End of 2023 |
|---|--------------------------------|--------------------------------|-----------------------------------|
| Net profit attributable to shareholders of listed companies | 58,258.22 | 45,111.54 | 80,393.36 |
| Total monetary funds | 182,474.89 | 128,510.51 | 166,228.34 |
| Restricted Monetary Funds | 11,688.06 | 23,256.06 | 38,764.87 |
| Monetary funds available | 170,786.83 | 105,254.45 | 127,463.47 |

In recent years, the Company has been in a period of production and capacity expansion, and has successively implemented a series of mine expansion and transformation and merger and acquisition projects, with a large demand for working capital. The

undistributed profits retained by the Company are used to replenish working capital, fund exploration activities to increase reserves of mining enterprises, expand production capacity and acquire high-quality gold mine assets, laying the foundation for the long-term sustainable development of the Company, which is in line with the interests of the Company and all shareholders.

In order to maintain adequate capital for daily production and operation, and to meet the capital needs of mine investment and expansion and potential mergers and acquisitions, the Company needs to make a certain amount of capital reserves, and there is no large amount of idle funds.

In 2022 and 2023, investment into company's key projects under construction is as follows:

Unit: RMB 10,000 yuan

| Company name | 2022 | | 2023 | |
|---------------|---|--------|--|--------|
| | project | amount | project | amount |
| Jilong Mining | 180,000 tons/year processing plant engineering construction project, Luofengmao new shaft project | 3,000 | 180,000 t/year processing plant expansion project | 8,000 |
| Wulong Mining | The phase II tailings pond project and the expansion project of the 3,000-ton processing plant | 5,000 | Underground development projects such as the 163 blind shaft extension project, the ventilation system overhaul project, and the secondary blind shaft installation project of the | 6,000 |

| | | | | |
|----------------|---|---------------|--|---------------|
| | | | No.4 submine | |
| Hanfeng Mining | Capital development project and return air shaft project of Lishan mine | 3,000 | The construction project of the lower mining area of Lishan mine (Phase I) and the technical transformation project of Dongfeng molybdenum ore processing plant | 4,000 |
| Jintai Mining | - | - | Xidengping gold mine 140,000 tons/annum mining and processing project | 4,000 |
| LXML | Underground mining at the Discovery Mine | 36,000 | Construction and upgrading projects such as the extension of the western TSF, DSE underground fans, pebble crushing circuit, water treatment equipment upgrade, and underground drainage pump stations | 24,000 |
| GSW | Wassa Mine Expansion Project | 42,000 | 242 decline, B-Shoot South Expansion Underground Mine Capital Development Project | 29,000 |
| total | | 89,000 | | 75,000 |

The amount of expenditure for the Company's key exploration projects in 2022 and 2023 is as follows:

Unit: RMB 10,000 yuan

| Company name | 2022 | 2023 |
|---------------------|---------------|---------------|
| Jilong Mining | / | 520 |
| Wulong Mining | 9,700 | 259 |
| Hanfeng Mining | 23 | 1,934 |
| Jintai Mining | / | 776 |
| LXML | 6,353 | 4,840 |
| GSW | / | 2,804 |
| total | 16,076 | 11,133 |

2. Make supplemental disclosure of the monthly balance and interest of monetary funds during the reporting period, indicating whether there are other potential restrictive arrangements, or joint or co-management accounts with controlling shareholders or other related parties, and the actual use of monetary funds by other parties in addition to the disclosed restricted funds.

The monthly monetary fund balance and interest of the Company during the reporting period are shown in the following table:

Unit: RMB 10,000 yuan

| Month | Balance of monetary funds | Financial Expenses | Among them: interest expense | Among them: interest income |
|--------------|----------------------------------|---------------------------|-------------------------------------|------------------------------------|
| 2023-01 | 106,315.90 | 2,773.25 | 1,370.58 | 72.95 |
| 2023-02 | 79,597.14 | 1,982.05 | 1,597.02 | 41.09 |
| 2023-03 | 141,590.13 | 1,823.95 | 1,444.46 | 292.85 |
| 2023-04 | 138,163.07 | 1,747.39 | 1,434.35 | 168.82 |
| 2023-05 | 150,734.36 | 27.47 | 1,480.99 | 34.27 |
| 2023-06 | 142,291.42 | -209.88 | 1,310.45 | 416.59 |
| 2023-07 | 122,851.52 | 1,863.11 | 1,532.67 | 87.58 |
| 2023-08 | 113,603.95 | 1,649.97 | 1,980.68 | 389.19 |

| | | | | |
|----------------------|------------|------------------|------------------|-----------------|
| 2023-09 | 130,224.37 | 920.94 | 2,004.79 | 459.65 |
| 2023-10 | 154,816.24 | 1,251.25 | 1,509.19 | 53.69 |
| 2023-11 | 168,619.32 | 2,707.47 | 2,261.57 | 43.87 |
| 2023-12 | 166,228.34 | 2,776.96 | 3,575.85 | 571.68 |
| All year 2023 | | 19,313.93 | 21,502.60 | 2,632.23 |

In addition to the disclosed restricted funds, the Company does not have any other potential restrictive arrangements, joint or co-managed accounts with controlling shareholders or other related parties, or the actual use of monetary funds by other parties.

3. Explain whether the Company facilitates the participation by small and medium-sized shareholders in the decision-making of cash dividend distribution, and the measures that the Company intends to take to enhance the level of investor returns.

(1) The Company provides convenience for small and medium-sized shareholders to participate in the decision-making of cash dividend distribution

The Company calls for and convenes a general meeting of shareholders in strict accordance with the provisions and requirements of the "Company Law", the "Articles of Association" and the "Rules of Procedure for the General Meeting of Shareholders of the Company", and the general meeting of shareholders adopts a combination of on-site voting and online voting, and adopts a separate counting of votes and discloses the voting results of small and medium-sized investors on the profit distribution plan, so as to facilitate the participation of small and medium-sized shareholders in the decision-making of cash dividend distribution.

(2) Practical and effective measures to be taken by the Company to enhance the level of investor returns

Improving the Company's performance is the foundation and fundamental to enhance the level of investor returns. The Company will continue to adhere to the business tenet

of "being a dedicated and professional gold mining company", strive to improve the quality and efficiency of the development of the main business, and improve the cost control and core competitiveness. The Company will further expand the new incremental business, and enhance the Company's value creation ability through high-quality mergers and acquisitions. Measures will be taken to continuously improve profitability, reduce the asset-liability ratio, ensure the stability and adequacy of the Company's cash flow, and promote the Company's high-quality and leapfrog development.

The Company has formulated and will promote the implementation of the plan of "improving quality and efficiency and emphasizing returns". The Company will formulate a profit distribution plan in accordance with the provisions of the Articles of Association and make a reasonable and sustainable cash dividend distribution plan to bring long-term and stable investment returns to investors after taking into consideration Company's operating status and business development goals, fully considering the Company's retained undistributed profits and its own funds and ensuring the steady growth of production and operation.

(2) The accountant's reply

We audited the financial statements of Chifeng Gold for 2023 in accordance with the relevant provisions of the Chinese Certified Public Accountants Auditing Standards, with the aim of expressing an audit opinion on the financial statements of Chifeng Gold for 2023 as a whole.

In the audit of Chifeng Gold's financial statements for 2023, we mainly implemented the following audit procedures for monetary funds:

(1) Understand and evaluate the effectiveness of the internal control design related to the management of monetary funds by management personnel, and test the effectiveness of its operation;

(2) Obtain a list of bank accounts and carry out confirmation procedures for all bank accounts;

- (3) Obtain the credit report from the bank and check it with the book records to confirm whether there is any abnormality;
- (4) Obtain and test whether the bank balance reconciliation items are reasonable;
- (5) Obtain bank statements, check the balance, amount and book records of bank statements, and conduct two-way bank transaction verification by sampling;
- (6) Implement monetary fund cut-off procedures;
- (7) Assess the adequacy of the relevant disclosures in the consolidated financial statements;
- (8) Inquire about the management's plan for the profit distribution plan for 2023, obtain the resolution of the board of directors on the profit distribution plan, and check whether it has been properly approved;
- (9) In accordance with the provisions of the Standards for Other Assurance Engagements of the Chinese Certified Public Accountants No. 3101 – Assurance Engagements Other than the Audit or Review of Historical Financial Information, the limited assurance business was carried out for the summary table of the non-operating capital occupation and other related capital transactions of Chifeng Gold's controlling shareholders and other related parties for the year ended December 31, 2023, and relevant special explanations were issued.

Based on the audit we performed for the Company's 2023 financial statements as a whole, we believe that management's response to the Company's explanation of monetary funds and profit distribution is consistent in all material respects with the information obtained and understood by us in the course of our audit.

V. On debt financing. According to the annual report, the Company's interest-bearing debt balance at the end of the period was about 3.761 billion yuan, including short-term borrowings of 850 million yuan, long-term borrowings of 1.422 billion yuan, and the Company's interest expenses of 215 million yuan. In 2021, the closing balance of the Company's interest-bearing debt was 606 million

yuan, which was mainly short-term debt, and the interest expense was 14 million yuan. In addition, at the end of 2023, the book value of the Company's intangible assets was 6.525 billion yuan, of which the restricted part of ownership or use rights reached 5.426 billion yuan, mainly for the long-term borrowings of 639 million yuan with the intangible assets with the book value of 5.367 billion yuan as collateral. The Company is requested to: (1) list the details of the main borrowings, including but not limited to the lender, loan amount, purpose, collateral, loan date, maturity date, etc., and make supplementary explanations on the reasons for the significant increase in the Company's debt scale compared with 2021, and whether it is consistent with the Company's business development needs; (2) Focusing on the long-term loan of 639 million yuan, explain why the book value of the intangible assets used for collateral is much higher than the loan amount, and whether there is any guarantee for others; (3) Make additional explanations on whether the value of assets of GSW will change taking into consideration GSW's operational performance, resources and reserves and mining difficulties.

The Company's reply:

1. list the details of the main borrowings, including but not limited to the lender, loan amount, purpose, collateral, loan date, maturity date, etc., and make supplementary explanations on the reasons for the significant increase in the Company's debt scale compared with 2021, and whether it is consistent with the Company's business development needs.

As of December 31, 2023, the details of the Company's main borrowings are shown in the table below:

Amount unit: RMB 10,000 yuan

| Lender | Type of borrowing | Book value as of December 31, 2023 | The date of borrowing | Repayment date | Guarantee Method | Purpose |
|--------|-------------------|------------------------------------|-----------------------|----------------|------------------|---------|
| | | | | | | |

| | | | | | | |
|---|----------------------|-----------|------------|------------|-------------------------------------|-------------------------------|
| Standard Chartered Bank | Gold Leasing | 12,757.09 | 2023/8/29 | 2024/8/27 | Margin | Day-to-day business turnover |
| China Construction Bank | Gold Leasing | 15,346.88 | 2023/2/16 | 2024/2/16 | Guaranteed by listed company | Day-to-day operations |
| China CITIC Bank | Gold Leasing | 22,588.69 | 2023/3/7 | 2024/3/6 | Listed company guarantee and margin | Day-to-day business turnover |
| Industrial and Commercial Bank of China | Gold Leasing | 9,591.80 | 2023/3/24 | 2024/3/1 | Guaranteed by listed company | Day-to-day business turnover |
| Minsheng Bank | Gold Leasing | 9,495.88 | 2023/7/12 | 2024/7/11 | Guaranteed by listed company | Day-to-day business turnover |
| Minsheng Bank | Gold Leasing | 9,447.92 | 2023/7/14 | 2024/7/10 | Pledge of deposit and margin | Day-to-day business turnover |
| China Everbright Bank | Gold Leasing | 14,771.38 | 2023/11/21 | 2024/11/20 | Listed company guarantee and margin | Day-to-day business turnover |
| Industrial and Commercial Bank of | Short-term borrowing | 30,022.46 | 2023/8/24 | 2024/8/22 | None | Replacement of bank financing |

| | | | | | | |
|----------------------------|----------------------|-----------|------------|------------|------------------------------|-------------------------------------|
| China | | | | | | |
| Industrial Bank | Short-term borrowing | 30,041.25 | 2023/12/18 | 2024/6/13 | None | Repayment of shareholder borrowings |
| Agricultural Bank of China | Short-term borrowing | 5,004.31 | 2023/5/31 | 2024/5/30 | Guaranteed by listed company | Day-to-day business turnover |
| China Construction Bank | Short-term borrowing | 994.83 | 2023/10/19 | 2024/10/18 | Guaranteed by listed company | Day-to-day business turnover |
| Agricultural Bank of China | Short-term borrowing | 5,004.30 | 2023/10/31 | 2024/10/30 | Guaranteed by listed company | Day-to-day business turnover |
| Agricultural Bank of China | Short-term borrowing | 4,003.67 | 2023/9/25 | 2024/9/24 | Guaranteed by listed company | Pay for the goods |
| China Merchants Bank | Short-term borrowing | 3,503.80 | 2023/7/27 | 2024/7/26 | Guaranteed by listed company | Day-to-day business turnover |
| Huishang Bank | Short-term borrowing | 3,003.44 | 2023/8/31 | 2024/8/30 | Guaranteed by listed company | Pay for the purchased items |
| Bank of China | Short-term borrowing | 3,422.87 | 2023/3/31 | 2024/3/31 | Guaranteed by listed company | Day-to-day business turnover |
| China | Long-term | 57,073.49 | 2022/1/26 | Principal | Intangible asset | M&A loans |

| | | | | | | |
|---|---------------------|-----------|------------|--------------------------|--|---|
| Merchants Bank | borrowing | | | repayment every 6 months | mortgage and equity pledge | |
| Industrial Bank Financial Leasing | Long-term borrowing | 30,198.64 | 2023/10/31 | 2026/10/30 | Mortgage of fixed assets | Repayment of liabilities and replenishment of working capital |
| Industrial Bank | Long-term borrowing | 4,002.03 | 2022/9/13 | 2025/9/12 | Guaranteed by listed company | Pay for the goods |
| Industrial and Commercial Bank of China | Long-term borrowing | 8,881.84 | 2022/1/5 | 2024/5/17 | Guaranteed by listed company | Day-to-day business turnover |
| Standard Bank of South Africa | Long-term borrowing | 63,872.96 | 2022/5/9 | 2025/5/9 | Guaranteed by listed company, mortgage of intangible assets, etc | Day-to-day business turnover |

The significant increase in the Company's debt scale compared with 2021 is mainly due to the Company's acquisition of Golden Star Wassa at the beginning of 2022, the construction of a 180,000 tonnes/year mining expansion project by Jilong Mining, and the construction of a 3,000 tonnes/day processing plant of Wulong Mining, resulting in an increase in the company's debt.

2. Focusing on the long-term loan of 639 million yuan, explain why the book value of the intangible assets used for collateral is much higher than the loan amount, and whether there is any guarantee for others.

The \$639 million long-term loan is a US\$90 million long-term loan made by Golden Star Wassa from Standard Bank of South Africa in May 2022 to replace the same amount that Vassar Venus borrowed from Macquarie Bank Limited prior to the acquisition by Chifeng Gold.

In 2022, the Company acquired GSW, and the shareholding structure changed significantly, and Macquarie Bank required GSW to repay the loan made before the acquisition in accordance with the provisions of the financing agreement. In order to successfully complete the financing replacement, GSW chose to cooperate with Standard Bank of South Africa, and its approved financing conditions were the same as those of GSW with Macquarie Bank before the Company's acquisition, and the mining rights of GSW were still mortgaged. As at December 31, 2023, the book value of intangible assets mortgaged by GSW was RMB5.367 billion, which included appraised appreciation, representing an increase from the book value before the acquisition, resulting in a higher book value of intangible assets as collateralized than the borrowing amount. There is no guarantee for others.

In 2024, the Company is actively negotiating with financial institutions to replace the existing US\$90 million loan of GSWs, so as to release some of the restricted intangible assets as soon as possible.

3. Make additional explanations on whether the value of assets of GSW will change taking into consideration GSW's operational performance, resources and reserves and mining difficulties.

In the process of the Company's acquisition of GSW, it entrusted Zoomlion Asset Appraisal Group Co., Ltd. to conduct an asset appraisal and issue an asset appraisal report, and the Company carried out corresponding accounting treatment according to the fair value apportionment appraisal results, among which, the acquisition of GSW

resulted in an increase in the value of GSW' assets by RMB 5.674 billion.

Since the acquisition of GSW in January 2022, its gold production has generally increased year by year, with 4.7 tonnes in 2021, 5.3 tonnes in 2022, 5.1 tonnes in 2023 and 6.2 tonnes in 2024.

In recent years, changes in the resources and reserves of GSW were as follows:

At the time of the acquisition, based on the pre-economic assessment report of GSW, as of December 31, 2020, GSW had a resource of 348 tonnes of gold; Following the completion of the acquisition, the NI43-101 compliant resource report prepared by SRK Consulting China Ltd required by the Company shows that as of December 31, 2022, GSW has a resource of 329 tonnes of gold, and as of December 31, 2023, GSW has a resource of 318 tonnes of gold. The changes in resources of GSW are due to normal production depletion and losses. With the rise in the gold price, the Company expects the resource value of GSW to further increase.

In the absence of major changes in mining technology, the underground mining distance will increase with the increase in mining depth, resulting in an increase in mining cost. But this increase will be offset by the positive changes brought about by the decrease in procurement costs and the improvement of production efficiency, and the all-in sustaining cost (AISC) of GSW in 2023 was reduced by 19% compared to the same period last year. With the improvement of GSW's mining efficiency and mining tonnes, its economies of scale will be gradually reflected, coupled with the reduction of procurement costs brought about by the Company's centralized procurement, it is expected that the comprehensive cost of GSW will still have room for decline.

In summary, in view of the year-on-year increase in gold production and the continuous increase in gold prices (US\$1,800/oz at the time of acquisition, US\$2,063/oz at the end of 2023, and US\$2,291/oz at the end of April 2024) and the implementation of cost reduction and efficiency improvement measures by the Company, the operating performance of GSW has shown a year-on-year upward trend, and there has been no signs of impairment of the related assets of GSW, and the value of the related assets

has not changed significantly except for normal depreciation and amortization.

.

This is hereby announced.

Board of Directors

Chifeng Jilong Gold Mining Co., Ltd.

8th June, 2024