
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you only should consult your stockbroker, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Pizu Group Holdings Limited (the “**Company**”), you should at once hand this circular and the accompanying form of proxy to the purchaser or other transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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Pizu Group Holdings Limited

比優集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8053)

MAJOR TRANSACTION CAPITAL INJECTION TO TARGET COMPANY AND NOTICE OF EXTRAORDINARY GENERAL MEETING

A notice convening the Extraordinary General Meeting of the Company to be held at Flat A, 11/F., Two Chinachem Plaza, 68 Connaught Road Central, Hong Kong on Friday, 25 September 2020 at 2:00 p.m. (or immediately after the conclusion or adjournment of the Annual General Meeting of the Company to be held on the same day) is set out on pages EGM-1 to EGM-2 of this circular. Whether or not you are able to attend such meeting, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the branch share register of the Company, Computershare Hong Kong Investor Services Limited, 17M/F., Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding such meeting or any adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting at the meeting or any adjourned meeting (as the case may be) should you so wish.

This circular, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

This circular will remain on the GEM website at www.hkgem.com on the “Latest Company Announcements” page and the company website at www.pizugroup.com. for at least 7 days from the date of its posting.

31 August 2020

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	5
APPENDIX I – FINANCIAL INFORMATION OF THE GROUP	I-1
APPENDIX IIA – ACCOUNTANTS’ REPORT ON THE TARGET COMPANY	IIA-1
APPENDIX IIB – MANAGEMENT DISCUSSION AND ANALYSIS OF THE TARGET COMPANY’S BUSINESS	IIB-1
APPENDIX III – UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP	III-1
APPENDIX IV – COMPETENT PERSON’S REPORT	IV-1
APPENDIX V – VALUATION REPORT	V-1
APPENDIX VI – GENERAL INFORMATION	VI-1
NOTICE OF EGM	EGM-1

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“Acquisition”	acquisition of the Target Company
“Announcements”	the announcements of the Company dated 28 June 2019 and 20 November 2019 in relation to, among other things, the Capital Injection
“Board”	the board of Directors of the Company
“Capital Injection”	the capital injection of an aggregate amount of RMB270 million by Pizu Shenzhen into the capital of the Target Company pursuant to the Capital Injection and Cooperation Agreement
“Capital Injection and Cooperation Agreement”	the conditional agreement dated 28 June 2019 entered into among Pizu Shenzhen, Major Shareholders and the Target Company in relation to the Capital Injection
“CCBI Shenzhen”	CCBI Investment Shenzhen Co., Ltd., one of the Existing Shareholders
“Certain Shareholders”	means Jianrui, Dai Bo and four affiliates of the Existing Shareholders
“Company”	Pizu Group Holdings Limited (比優集團控股有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on GEM (Stock Code: 8053)
“Competent Person”	SRK Consulting China Limited, being the person who prepared the Competent Person’s Report
“Competent Person’s Report”	the competent person’s report set out in Appendix IV to this circular issued by SRK Consulting China Limited and prepared in accordance with the requirements under Chapter 18A of the GEM Listing Rules
“Completion”	the completion of the Capital Injection and Cooperation Agreement in accordance with the terms thereof
“Completion Date”	the day on which Completion takes place or such later date as the parties to the Capital Injection and Cooperation Agreement may agree in writing
“Director(s)”	the director(s) of the Company
“Extraordinary General Meeting” or “EGM”	the extraordinary general meeting of the Company on Friday, 25 September 2020 to be convened and held for the Shareholders to consider and, if thought fit, approve the Capital Injection and Cooperation Agreement and the transactions contemplated thereunder

DEFINITIONS

“Enlarged Group”	the Group as enlarged by the Capital Injection immediately upon Completion
“Existing Shareholders”	A total of 11 legal entities or individuals, including the Major Shareholders, who in aggregate own 100% of the equity interest in the Target Company as at the Latest Practicable Date
“Exploration Licence”	The exploration licence of the Huangtun Pyrite Mine
“First Shareholder’s Loan”	RMB150 million shareholder’s loan to be provided by Pizu Shenzhen to the Target Company
“GEM”	the GEM operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Huangtun Project” or “Project”	the Huangtun Polymetallic project of the Huangtun Pyrite Mine
“Huangtun Pyrite Mine” or “Target Mine”	a mine located at Lujiang County, Anhui Province, the PRC with an aggregate area of mine field of approximately 1.304 km ²
“Independent Third Party(ies)”	any person or company and their respective ultimate beneficial owner(s), to the best knowledge, information and belief of the Directors and having made all reasonable enquiries, are third parties independent of the Company and its connected persons
“Jianrui”	Shenzhen Jianrui Investment Management Co., Ltd.* (深圳市建睿投資管理有限公司), a limited liability company incorporated under the laws of the PRC, one of the Existing Shareholders holding 40.03% equity interest in the Target Company as at the Latest Practicable Date
“JORC Code”	the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, the current version is 2012
“Latest Practicable Date”	27 August 2020, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular

DEFINITIONS

“Long Stop Date”	540 days from the Completion Date or such other dates(s) as may be agreed in writing by the Major Shareholders, Pizu Shenzhen and the Target Company from time to time on which the conditions precedent shall be fulfilled as amended by the Supplemental Agreement
“Major Shareholders”	5 out of all the Existing Shareholders, namely Jianrui, Mr. Wu, Dai Bo, Mei Lin and Zhou Kai, who collectively hold 85.01% and individually holds 40.03%, 33.27%, 6.00%, 4.89% and 0.82% of the equity interest in the Target Company, respectively, as at the Latest Practicable Date
“Mining Licence”	The mining licence of the Huangtun Pyrite Mine
“Mr. Wu”	Wu Zhixiang (吳志祥), one of the Existing Shareholders holding 33.27% of equity interest in the Target Company as at the Latest Practicable Date
“Pizu Shenzhen”	Pizu (Shenzhen) Mining Limited* (比優(深圳)礦業有限公司), a limited liability company established in the PRC, a wholly owned subsidiary of the Company
“PRC”	the People’s Republic of China
“Revised First Shareholder’s Loan”	RMB270 million shareholder’s loan to be provided by Pizu Shenzhen to the Target Company under the Supplemental Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“Second Shareholder’s Loan”	RMB50 million shareholder’s loan to be provided by Pizu Shenzhen to the Target Company
“Shareholder’s Loan”	The Revised First Shareholder’s Loan and Second Shareholder’s Loan
“Share(s)”	share(s) of par value of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Shenzhen SME”	Shenzhen SME Venture Capital Co. Ltd.* (深圳市中小擔創業投資有限公司), one of the Existing Shareholders
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

"Supplemental Agreement"	the supplemental capital injection and cooperation dated 20 November 2019 entered between the Major Shareholders, Pizu Shenzhen and the Target Company in relation to the increase of loan limit from RMB150 million to RMB270 million
"Target Company"	Anhui Jinding Mining Co., Ltd.* (安徽省金鼎礦業有限公司), a limited liability company established in the PRC
"Valuation Report"	has the meaning ascribed to it under Chapter 18A of the GEM Listing Rules, the valuation report set out in Appendix V to this circular prepared by SRK Consulting (Australasia) Pty Ltd (SRK)
"Valuer"	SRK Consulting (Australasia) Pty Ltd, an independent valuer
"WJTC LP"	Anhui Wanjintianchuang Mining Joint Stock Investment Partnership (Limited Partnership)*(安徽皖金天創礦業股份投資合夥企業(有限合夥)), one of the Existing Shareholders
"WJTF LP"	Anhui Wanjintianfeng Mining Joint Stock Investment Partnership (Limited Partnership)*(安徽皖金天豐礦業股份投資合夥企業 (有限合夥)), one of the Existing Shareholders
"%"	per cent.

* For identification only.

Pizu Group Holdings Limited

比優集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8053)

Executive Directors:

Mr. Xiong Zeke (*Chairman*)
Mr. Liu Fali (*Chief Executive Officer*)
Mr. Ma Gangling (*Chief Operating Officer*)
Mr. Ma Tianyi
Ms. Qin Chunhong
Ms. Ma Ye

Registered Office:

SMP Partners (Cayman) Limited
Royal Bank House, 3rd Floor
24 Shedden Road
P.O. Box 1586
Grand Cayman KY1-1110
Cayman Islands

Independent non-executive Directors:

Ms. Zhang Lin
Ms. Liu Talin
Ms. Yao Yunzhu

Principal Office in Hong Kong:

Flat A, 11/F,
Two Chinachem Plaza
68 Connaught Road Central
Hong Kong

31 August 2020

To the Shareholders

Dear Sir or Madam,

**MAJOR TRANSACTION
CAPITAL INJECTION TO TARGET COMPANY
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

1. INTRODUCTION

Reference is made to the Announcements in relation to capital injection to the Target Company by Pizu Shenzhen.

The purpose of this circular is to provide among other things, (i) further details in relation to the Capital Injection and the transactions contemplated thereunder; (ii) the Competent Person's Report; (iii) Accountants' report on the Target Company; (iv) the Valuation Report; (v) other information as required under the Listing Rules, and (vi) the notice convening the EGM.

LETTER FROM THE BOARD

2. THE CAPITAL INJECTION AND COOPERATION AGREEMENT

Date

28 June 2019 (after trading hours)

Parties

- (1) the Major Shareholders;
- (2) Pizu Shenzhen; and
- (3) the Target Company
(Collectively the “Parties”)

To the best of the Directors’ knowledge, information and belief and having made all reasonable enquiries, each of the Target Company, the Existing Shareholders and their respective ultimate beneficial owners are Independent Third Parties.

Capital Injection

Pursuant to the Capital Injection and Cooperation Agreement, Pizu Shenzhen has conditionally agreed to inject an aggregate amount of RMB270 million in cash into the capital of the Target Company, of which RMB191,399,347 and RMB78,600,653 will be recognized as the registered capital and capital reserve of the Target Company respectively. As at the date of the execution of the Capital Injection and Cooperation Agreement, the total registered capital of the Target Company amounts to approximately RMB183,893,489. The Target Company is owned as to 100% of the equity interest in the Target Company by the Existing Shareholders.

Upon the Completion, the registered capital of the Target Company will be increased to RMB375,292,836, and that the Target Company will be owned as to 51% by Pizu Shenzhen or another wholly-owned subsidiary of the Company as determined by the Company and as to the remaining 49% by the Existing Shareholders.

Assuming there is no further capital injection to the Target Company by third party investor(s) or transfer of equity interest in the Target Company by the Existing Shareholders after the date of the Capital Injection and Cooperation Agreement, the shareholding structure of the Target Company before and after the Completion of the Capital Injection is set out as follows:

LETTER FROM THE BOARD

No.	Name of Shareholder	As at the date of the Capital Injection and Cooperation Agreement		Immediately after the Completion	
		Amount of capital contribution to the registered capital of the Target Company (RMB'0000)	Approximate percentage of equity interest in the Target Company	Amount of capital contribution to the registered capital of the Target Company (RMB'0000)	Approximate percentage of equity interest in the Target Company
1	Jianrui	7,360.5000	40.03%	7,360.5000	19.61%
2	Mr. Wu	5,775.0000	31.40%	5,775.0000	15.39%
3	Dai Bo	1,838.9349	10.00%	1,838.9349	4.90%
4	Mei Lin	900.0000	4.89%	900.0000	2.40%
5	Zhou Kai	150.0000	0.82%	150.0000	0.40%
6	Nie Handong	150.0000	0.82%	150.0000	0.40%
7	Shenzhen SME Venture Capital Co. Ltd.* (深圳市中小擔創業投資有限公司) (Note 1)	664.5000	3.61%	664.5000	1.77%
8	Anhui Wanjintianfeng Mining Joint Stock Investment Partnership (Limited Partnership)* (安徽皖金天豐礦業股份投資合夥企業 (有限合夥))	476.7071	2.59%	476.7071	1.27%
9	Anhui Wanjintianchuang Mining Joint Stock Investment Partnership (Limited Partnership)* (安徽皖金天創礦業股份投資合夥企業 (有限合夥))	216.6081	1.18%	216.6081	0.58%
10	CCBI Investment Shenzhen Co., Ltd* (建銀國際(深圳)投資有限公司)	642.8241	3.50%	642.8241	1.71%
11	Yang Jianyu	214.2747	1.17%	214.2747	0.57%
12	Pizu Shenzhen (Note 2)	0.0000	0%	19,139.9347	51.00%
	Total	18,389.3489	100.00%	37,529.2836	100.00%

Note:

1. previously known as Shenzhen Huibo Growth Venture Capital Co., Ltd.* (深圳市匯博成長創業投資有限公司)
2. or another wholly-owned subsidiary of the Company as determined by the Company.

LETTER FROM THE BOARD

Basis and Payment Method of the Capital Injection

The total amount of Capital Injection was arrived at after arm's length negotiations between Pizu Shenzhen and the Existing Shareholders after taking into account (i) the Target Company's considerable reserves of gold, copper, pyrite and iron ore and its capabilities to generate favourable returns; (ii) funds invested by the Target Company for mine construction; (iii) the new registered capital of the Target Company reflecting the proportion of the capital contribution made by the Existing Shareholders and Pizu Shenzhen after the Capital Injection; and (iv) the capital requirement for the Target Company to engage in large-scale mining production. The Group intends to fund the proposed Capital Injection by its internal resources.

The Directors considered that the amount of the Capital Injection is fair and reasonable after considered: (i) the investment in the Target Company of RMB270 million made by the Existing Shareholders (including paid up capital of RMB184 million and capital reserve of RMB57 million plus financial expenses over the past years). The Parties considered that it was reasonable for Pizu Shenzhen to inject RMB270 million which is equal to the capital already contributed by the Existing Shareholders to the Target Company for obtaining 51% interest in the Target Company; (ii) it was expected that the Target Company required further funds of approximately RMB320 million to reach the production stage; (iii) the good quality of the Target Company's mineral resources and that the production of the Target Company is expected to be commenced in near future which will bring in revenue to the Group; (iv) the mineral resources of the Target Company is mainly composed of gold and copper which the Directors based on the financial environment in the coming decade are optimistic about the prices of mineral resources in the future, especially gold; and (v) the mineral resources of the Mine identified under the exploration license with estimated value ranged from RMB200 to RMB400 million as referred in page IV-111 of the Competent Person's Report. In view of the above, the Parties reached the consensus that Pizu Shenzhen will make capital injection of RMB270 million.

Pursuant to the Supplemental Agreement, Pizu Shenzhen has provided the Revised First Shareholder's Loan to the Target Company according to the following schedule, details of the terms of the loans are set out in the section headed "3. ADVANCE TO THE TARGET COMPANY" below:

Date	Amount <i>(RMB'000)</i>
July 2019	40,000
August 2019	55,160
September 2019	10,000
October 2019	10,000
November 2019	55,000
December 2019	32,000
January 2020	28,040
February 2020	3,500
March 2020	17,000
April 2020	19,300
Total	<u>270,000</u>

LETTER FROM THE BOARD

To meet the estimated capital requirement of the Target Company of RMB320 million, the Company will provide a further loan of RMB50 million, i.e. the Second Shareholder's Loan, after Completion. Details of the terms have been set out in section headed "3. ADVANCE TO THE TARGET COMPANY" below.

Pursuant to the Supplemental Agreement, if Completion under the Capital Injection and Cooperation Agreement occurs successfully, the amount of the Revised First Shareholder's Loan shall automatically become part of the Capital Injection, and in such case no interest shall be accrued. The Capital Injection will be used by the Target Company for business development, production and daily operation purposes. For the avoidance of doubt, the Major Shareholders agreed not to use the Capital Injection for non-operation purposes, such as repayment of shareholder's loans or any arrears in payment to associated companies of the Target Company. The Company expected that the Target Company requires approximately RMB320 million working capital and capital expenditure in the next 12 months from the Latest Practicable Date which will be satisfied by the Capital Injection and the Shareholder's Loan. The fund will be used as to RMB100 million for loan repayment, RMB100 million for wells and lanes construction, RMB100 million for concentrator (選礦廠) and tailings pond (尾礦庫) construction and RMB20 million for working capital.

In assessing the Target Company's capital requirement in the coming year, the Directors noted that the Target Company's current liabilities as of 31 March 2020 was approximately RMB569 million, of which approximately RMB192 million were bank loans and approximately RMB251 million was loan from Pizu Shenzhen pursuant to the Capital Injection and Cooperation Agreement and Supplemental Agreement. In respect of the outstanding bank loans amounting to approximately RMB190 million as at 31 March 2020 which were repayable on demand or due for repayment in August 2020, the relevant bank has agreed in writing on 13 July 2020 to extend the repayment of those loans. About RMB52 million and RMB56 million were construction payables and construction retention payables of the Target Mine respectively. The construction payment will be paid on a long-term rolling basis while certain of the construction retention payables will be paid within 1 year upon completion of construction.

Based on the internal cash flow forecasts, the Company considered that it is able to meet the capital commitment to the Target Company as (1) the bank loans have been be successfully extended, (2) undertakings from Mr. Wu together with his controlling entities for making available financing of not less than RMB30 million, and (3) commercial mining production will commence in early 2021 as planned.

Conditions Precedent

Completion of the Capital Injection will take place on the Completion Date, which shall be conditional upon and subject to, among others:

- i. termination of certain loan agreements executed by the Target Company and the existing creditors in accordance with the terms of the Capital Injection and Cooperation Agreement and re-execution of the certain loan agreements in the format as agreed by Pizu Shenzhen, if deemed necessary;
- ii. the results of legal and financial due diligence, including but not limited to the affairs, business and financial position of the Target Company are satisfactory to the Company or its representatives in its sole and absolute discretion;
- iii. there has not been any cancellation, invalidation, pledge, mortgage, third party claim or rights conflict or other conflicts with respect to mining rights and exploration rights currently held by the Target Company nor any circumstances in which such rights of mining and exploration rights have been adversely affected (except for the charge(s) on the mining rights of the Target Company that has been disclosed to Pizu Shenzhen in the Capital Injection and Cooperation Agreement);

LETTER FROM THE BOARD

- iv. Pizu Shenzhen has received the standard unqualified audit reports, financial statements and complete sets of notes of the Target Company for the years ended 2016, 2017 and 2018, prepared by the audit firm approved by Pizu Shenzhen, in accordance with PRC accounting standards, as well as the financial statements for the first and second quarters of 2019;
- v. the passing by the Shareholders of the Company at the EGM of the ordinary resolution to approve the Capital Injection and Cooperation Agreement and all transactions contemplated thereunder;
- vi. all necessary statutory governmental and regulatory obligations shall have been complied with and all approvals, consents, authorisations, permissions, licences, agreements, exemptions and waivers (so far as are necessary) in relation to the transactions contemplated under the Capital Injection and Cooperation Agreement shall have been obtained from the relevant governmental and regulatory authorities in Hong Kong, PRC or any other regions if applicable;
- vii. as of the Completion, the Target Company and the Major Shareholders have fully performed their obligations and responsibilities respectively under the Capital Injection and Cooperation Agreement which should be fulfilled before the date on which all the conditions precedent to Completion have been fulfilled. The declarations and warranties made by the Target Company and the Major Shareholders in the Capital Injection and Cooperation Agreement are true and accurate at the time they are made and shall remain as such as at Completion, and having the same force and effect as if effected on the Completion; and
- viii. the Company having obtained all the necessary approvals, consents or waivers (as the case maybe) in accordance with the Listing Rules, the Takeovers Code or other applicable regulations of the Stock Exchange and the SFC.

If the conditions precedent have not been fulfilled (or, where applicable, waived by Pizu Shenzhen in writing) on or before the Long Stop Date, Pizu Shenzhen may terminate the Capital Injection and Cooperation Agreement and its obligations thereunder. The Company confirmed that none of the above conditions precedent will be waived by the Parties. As at the Latest Practicable Date, save as condition (v), all the other conditions have been fulfilled. The loan agreements mentioned in condition (i) referred to the loans made by Certain Shareholders to the Target Company with total amount of RMB307,490,651 has been re-executed on 27 June 2019.

Completion

Completion shall take place within 10 working days after the fulfillment or waiver of the conditions precedent of the Capital Injection and Cooperation Agreement (or such later date as the parties to the Capital Injection and Cooperation Agreement may agree in writing). After Completion, the Target Company shall complete all the registration procedures for the Capital Injection of the Target Company and tax filing procedures in the PRC as soon as practicable but in any event no later than 30 days from the Completion Date.

LETTER FROM THE BOARD

Profit Compensation Clause

In connection with the Capital Injection, the Major Shareholders and Pizu Shenzhen agreed that, assuming the Target Company has commenced mining production from 31 July 2020 and that the Target Company is able to reach annual production of 700,000 tonnes or above, Pizu Shenzhen shall pay to the creditors of the Certain Shareholders a lump sum of RMB15.374 million, equivalent to approximately 5% of the loan made by the Certain Shareholders to the Target Company of RMB307,490,651 as at 25 June 2019.

As the Target Company has not commenced production and operation by 31 July 2020, Pizu Shenzhen is not required to pay the profit compensation of RMB15.374 million to the creditors of the Certain Shareholders.

3. ADVANCE TO THE TARGET COMPANY

First Shareholder's Loan

Pizu Shenzhen agreed to provide the Target Company with a loan limit of RMB150 million after the date of completion of the registration of the Share Charge (defined below), for a period of one year commencing from the date of the loan. The Parties agree that the First Shareholder's Loan is to be used exclusively for the repayment of the Target Company's bank loans and the Target Company's daily operation.

The parties agree that the repayment and interest arrangement of the First Shareholder's Loan shall be effected as follows:

- 1) If the Capital Injection and Cooperation Agreement is terminated before Completion as a result of not being able to obtain the internal approval of Pizu Shenzhen, the Target Company shall return the principal of the First Shareholder's Loan to Pizu Shenzhen, and in such case no interest shall be accrued;
- 2) If the Capital Injection and Cooperation Agreement is terminated before Completion for reasons other than that mentioned in paragraph 1 above, the Target Company shall return the principal and pay interest on the First Shareholder's Loan to Pizu Shenzhen (according to the same interest rate as that of commercial bank loans for the same period);
- 3) If Completion under the Capital Injection and Cooperation Agreement occurs successfully, the amount of the First Shareholder's Loan shall be automatically become part of the Capital Injection, and in such case no interest shall be accrued. If the circumstances of this clause occurs, the Parties shall cooperate in the procedures to release the pledge of shares.

Mr. Wu and Jianrui has pledged their shares, of no less than 51% of the total number of shares of the Target Company as at the Latest Practicable Date, to secure the First Shareholder's Loan in form of share charge ("**Share Charge**"), in order to guarantee the full repayment of the First Shareholder's Loan. On 20 November 2019, the Parties entered into the Supplemental Agreement to increase the loan limit to RMB 270 million. For details, please refer to the details referred under "Revised First Shareholder's Loan" below.

LETTER FROM THE BOARD

Second Shareholder's Loan

Pizu Shenzhen has agreed to provide a further unsecured Second Shareholder's loan in an aggregate principal amount of up to RMB50 million to the Target Company after Completion if so required by the Target Company to satisfy its production and operation needs before the Target Company officially commence production. The Parties has agreed that the interest arrangement of the Second Shareholder's Loan shall be effected as follows:

- 1) If the Second Shareholder's Loan is made before 1 July 2020, the Target Company shall pay interest accrued from 1 July 2020 (according to the same interest rate as that of commercial bank loans for the same period);
- 2) If the Second Shareholder's Loan is made after 1 July 2020, the Target Company shall pay interest at the date when the Second Shareholder's Loan is made available to the Target Company (according to the interest rate as that of commercial bank loans for the same period).

Revised First Shareholder's Loan

On 20 November 2019 (after trading hours), Pizu Shenzhen, a wholly owned subsidiary of the Company entered into the Supplemental Agreement with the Major Shareholders and the Target Company to increase the loan limit of the First Shareholder's Loan from RMB150 million to RMB270 million, details of which are set out below: -

The Supplemental Agreement

Date:	20 November 2019
Parties:	(1) the Major Shareholders (2) Pizu Shenzhen (3) the Target Company
Principal:	The First Shareholder's Loan (ie. RMB150 million) plus an additional amount of RMB120 million, totalling to RMB270 million to be provided by Pizu Shenzhen to the Target Company
Term:	18 months from the date of the first drawdown of loan to the Target Company
Security:	The Share Charge together with written joint liability guarantees signed by both Wu and Jianrui in order to guarantee the full repayment of the Revised First Shareholder's Loan

LETTER FROM THE BOARD

Repayment Term: The Parties agree that the repayment and interest arrangement of the Revised First Shareholder's Loan shall be effected as follows:

- 1) If the Capital Injection and Cooperation Agreement is terminated before Completion as a result of not being able to obtain the internal approval of Pizu Shenzhen, the Target Company shall return the principal of the Revised First Shareholder's Loan to Pizu Shenzhen, and in such case no interest shall be accrued;
- 2) If the Capital Injection and Cooperation Agreement is terminated before Completion for reasons other than that mentioned in paragraph 1 above, the Target Company shall return the principal and pay interest on the Revised First Shareholder's Loan to Pizu Shenzhen (according to the same interest rate as that of commercial bank loans for the same period) (the "Interest Rate");
- 3) If Completion under the Capital Injection and Cooperation Agreement occurs successfully, the amount of the Revised First Shareholder's Loan shall be automatically capitalised to become the Capital Injection, and in such case no interest shall be accrued. If the circumstances of this clause occurs, the Parties shall cooperate in the procedures to release the pledge of shares.

Further, the Supplemental Agreement has also updated the Long Stop Date to 540 days from the Completion Date or such other date(s) as may be agreed in writing by the Major Shareholders, Pizu Shenzhen and the Target Company from time to time on which the conditions precedent shall be fulfilled.

Save and except for the aforesaid amendments, all other terms and conditions of the Capital Injection and Cooperation Agreement remains unchanged.

As at the Latest Practicable Date, Pizu Shenzhen advanced the Revised First Shareholder's Loan in the amount of RMB270,000,000 to the Target Company pursuant to the Supplemental Agreement. The loan draw down schedule is set out on page 8 above and is repayable in 18 months from the first drawdown date of the loan on 9 July 2019 and will mature on 8 January 2021. The loan is interest free and secured by 51% of total number of shares of the Target Company and guarantees provided by two shareholders of the Target Company.

LETTER FROM THE BOARD

4. FINANCIAL INFORMATION OF THE TARGET COMPANY

The Target Company was established in the PRC with limited liability on 23 June 2010. Set out below is certain financial information of the Target Company:

	As at 31 March 2020 (Audited) (in RMB'000)			
	For the year ended 31 December		For the three months ended 31 March	
	2018	2019	2019	2020
	(Audited)	(Audited)	(Unaudited)	(Audited)
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Total assets				1,064,319
Net assets				51,600
Revenue	–	–	–	–
Profit/(loss) before tax	12,626	188,746	(18,635)	(10,217)
Profit/(loss) after income tax expense	9,244	141,194	(14,034)	(7,789)

As at the Latest Practicable Date, the Target Company holds 1 exploration permit and 1 mining permit and is in the stage of mine development, details of which are stated under the section headed “7. INFORMATION ON THE TARGET COMPANY” below. Accordingly, no revenue has been generated by the Target Company since its incorporation.

5. FINANCIAL EFFECTS OF ENTERING INTO THE CAPITAL INJECTION AND COOPERATION AGREEMENT

Upon Completion, the Target Company will be owned as to 51% by Pizu Shenzhen and hence the financial results of the Target Company will be consolidated into the results of the Group.

The accompanying unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as set out in Appendix III to this circular is prepared as if the Acquisition has been completed on 31 March 2020 to illustrate the effect of the Acquisition. The pro forma financial information of the Enlarged Group has been prepared based on the judgments and assumptions of the Directors for illustrative purposes only. It may not reflect the true financial position of the Enlarged Group as at 31 March 2020 or any future date due to its hypothetical nature. According to the Unaudited Pro Forma Financial Information, the financial effects of the Acquisition on the Group is summarized as follows:

a. Assets

As at 31 March 2020, the audited consolidated total assets of the Group were RMB1,767,915,000. According to the Unaudited Pro Forma Financial Information, the unaudited pro forma consolidated total assets of the Enlarged Group would have increased to approximately RMB2,644,351,000.

LETTER FROM THE BOARD

b. Liabilities

As at 31 March 2020, the audited consolidated total liabilities of the Group were RMB683,537,000. According to the Unaudited Pro Forma Financial Information, the unaudited pro forma consolidated total liabilities of the Enlarged Group would have increased to approximately RMB1,445,556,000.

6. INFORMATION ON THE PARTIES

Pizu Shenzhen and the Company

Pizu Shenzhen is a limited liability company incorporated under the laws of PRC with a registered capital of RMB10 million. Pizu Shenzhen is a wholly owned subsidiary of the Company carrying on business of trading of bulk minerals in the PRC.

The Company has been engaged in mining engineering business consisting of the production and sale of civil explosives and blasting services for a large volume of contracts in the past few years. In particular, the Group acquired the entire equity interest of Tibet Guangxu Industrial Company Limited* (西藏廣旭實業有限公司) (“Tibet Guangxu”) whose principal activity is provision of mining service and subcontracting service. The acquisition was made with the aims to expand the Group’s existing scale of operation, which the executive Directors have been in overall management thereof. The directors and senior management of the Company has gained fruitful experience in the management of the mining related business. Apart from such experience, the directors of the Company has experiences in the management of mining business. Details of our directors experience in mining sector are as follows:-

- (a) Mr. Xiong Zeke, an executive Director of the Company, was a deputy general manager of Beijing Shengshi Huaxuan Investment Co., Ltd* (北京盛世華軒投資有限公司), a company which was principally engaged in the business of mineral related investment management from September 2008 to November 2012. Mr. Xiong was also an independent director of Chengtun Mining Group Co. Ltd.* (盛屯礦業集團股份有限公司) from August 2008 to March 2011, a company principally engaged in the mining of non-ferrous metal mines. Mr. Xiong is also an independent non-executive director of Wanguo International Mining Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 3939) principally engaged in mining, ore processing and the sale of the concentrates products since March 2018.
- (b) Ms. Qin Chunhong, an executive Director of the Company, was the chief financial officer of Inner Mongolia Shuangli Resources Group Co., Limited* (內蒙古雙利資源(集團)有限責任公司) from 2006 to 2009 and the chief financial officer of Western Mining Group (Hong Kong) Company Limited, a company principally engaged in non-ferrous metal trading and mining equity investment from 2005 to 2006. Since her appointment in 2012 as an executive Director, Ms. Qin was also been responsible in the Company in the overall management, strategic planning and leading the business development of our Group, including the management of Tibet Guangxu.

LETTER FROM THE BOARD

- (c) Mr. Liu Fali, an executive Director and the chief executive officer of the Company, is a senior blasting engineer and has more than 22 years of experience in the civil explosives industry and mining sector. Since January 2008, he worked as a general manager, chairman of the Board 內蒙古盛安化工有限責任公司 (Inner Mongolia Shengan Chemical Limited*) (“Shengan Chemical (Inner Mongolia)”) in which he was responsible for management, business operation and safety operation. From December 2015 to present, he served as Director of Inner Mongolia Juli Engineering and Blasting Services Limited* (內蒙聚力工程爆破有限公司), subsidiary of which has been responsible in mining engineering business.
- (d) Mr. Ma Gangling, an executive Director and chief operating officer of the Company, was an assistant to the general manager and the head of sales of 烏海市中華實業有限責任公司 (Wuhai Zhongrong Industrial Co., Ltd.) from October 2008 to May 2011, which was then mainly engaged in coal production, processing, marketing and trade, and was the general manager of 烏海市西部煤化工有限責任公司(Wuhai Western Coal Chemical Co., Ltd.*) from May to November 2011, which was principally engaged in the production of coking coal. Mr. Ma is the regional manager of the Group in the Republic of Tajikistan and the general manager of KM Muosir, LLC in charge of the operations in various companies. Mr. Ma obtained a college degree from Inner Mongolia Radio and Television University in July 1992, majoring in inorganic chemical engineering.

The Directors have proposed to arrange Mr. Liu Fali and Ms. Qin Chunhong, both of whom have relevant experience in the management of mining business as explained above, to be responsible to oversee the daily business activities and as well as the future development of the Target Company.

Further, to the best knowledge of the Company, there will be no material changes to the management team of the Target Company as a result of the Capital Injection. Given the Group’s management experience and that there are no material changes to the management team of the Target Company, the Company believes that it has the skills and experience in managing the business of the Target Company. Details of the mining experiences of the key senior management of the Target Company are set out below:

Mr. Yang Xianglong (楊祥龍) who is the chairman of the Target Company and joined the Target Company since December 2011. Mr. Yang has been working in the mining industry after graduation in 1981. He was the factory director of 中煤安慶聯營化工廠 (China Coal Anqing Joint-operated Chemical Plant*) back in 1992 to 1996. Before joining the Target Company, he was the chairman of 安慶長青礦業有限責任公司 (Anqing Changqing Mining Company Limited*) during the period from March 1996 to June 2013 and the chairman of 安徽縱陽恒源礦業有限公司 (Anhui Zongyang Hengyuan Mining Company Limited*) during the period from June 2008 to May 2014.

LETTER FROM THE BOARD

Mr. Yang Jinlin (楊進林) who is the chief engineer of the Target Company and joined the Target Company since February 2014. He acted as the Target Company's general manager and the technology director of safety production. He worked at the production, operation and technology management of mine enterprises since graduated from college and gained experiences in mine construction, production, operation and management. He is a member of the safety management expert library in the Auhui province, and has participated in the technology and safety review of several mines. Besides, he took the national unified examination for factory and mine directors during the previous employments. Mr. Yang obtained a college degree from Department of Mining (礦業系採礦專業) of 江西冶金學院 (Institute of Metallurgy*) in 1980, majoring in mining.

Mr. Song Kaidong (宋凱東) who is the general manager of the Target Company and joined the Target Company since January 2019. Mr. Song obtained a bachelor degree from Inner Mongolia University of Science & Technology in 2009 and a master's degree from University of Science and Technology Beijing in 2012 and, both majoring in mining engineering. During September 2013 to November 2015, he was the mining technician in 首雲礦業股份有限公司 (Shouyun Mining Corporation Company Limited*) mainly responsible for mine design and exploration design. During December 2015 to July 2019, he worked in 內蒙聚力工程爆破有限公司西藏分公司 (Tibet Branch of Inner Mongolia Juli Engineering Blasting Company Limited) as deputy general manger mainly responsible for mine design and production.

Major Shareholders

Jianrui

Jianrui is a limited liability company incorporated under the laws of PRC. It is principally engaged in equity investment, investment consulting and entrusted asset management. Jianrui holds 40.03% equity interest of the Target Company as at the Latest Practicable Date. The ultimate controlling shareholder of Jianrui is Cheng Wen (程文).

Mr. Wu

Mr. Wu is a businessman who is a PRC Citizen and holds 31.40% equity interest of the Target Company as at the Latest Practicable Date.

Dai Bo

Dai Bo is a businessman who is a PRC Citizen and holds 10% equity interest of the Target Company as at the Latest Practicable Date.

Mei Lin

Mei Lin is a businessman who is a PRC Citizen and holds 4.89% equity interest of the Target Company as at the Latest Practicable Date.

LETTER FROM THE BOARD

Zhou Kai

Zhou Kai is a businessman who is a PRC Citizen and holds 0.82% equity interest of the Target Company as at the Latest Practicable Date.

Other Existing Shareholders

Nie Handong

Nie Handong is a PRC merchant who holds 0.82% equity interest of the Target Company as at the Latest Practicable Date.

Shenzhen SME

Shenzhen SME is a limited liability company incorporated under the laws of PRC on June 2012. It is principally engaged in venture capital business, including consultation service and provision of management services business for startups. Its ultimate controlling shareholder is Shenzhen Municipal People's Government State-owned Assets Supervision and Administration Commission* (深圳市人民政府國有資產監管管理委員會).

WJTF LP

WJTF LP is a limited partnership entity established under PRC laws on June 2013. It is controlled by general partner of Shanghai Wanjin Mining Investment Management Co., Ltd.* (上海皖金礦業投資管理有限公司).

WJTC LP

WJTC LP is a limited partnership entity established under PRC laws on June 2013. It is controlled by general partner of Shanghai Wanjin Mining Investment Management Co., Ltd.* (上海皖金礦業投資管理有限公司).

CCBI Shenzhen

CCBI Shenzhen is a limited liability company incorporated under the laws of PRC on June 2012. It is principally engaged in investment management and consulting, project investment and corporate acquisitions. Its ultimate controlling shareholder is CCB Financial Holdings Limited (建行金融控股有限公司).

Yang Jianyu

Yang Jianyu is a PRC merchant who holds 1.17% equity interest of the Target Company as at the Latest Practicable Date.

LETTER FROM THE BOARD

7. INFORMATION ON THE TARGET COMPANY

The Target Company is a limited liability company incorporated under the laws of PRC established in 23 June 2010 with a registered capital of RMB183,893,489. It is principally engaged in the mining, processing of gold, pyrite, iron ore and copper and the sale of the said mineral products.

As at the Latest Practicable Date, the Target Company holds 1 exploration permit and 1 mining permit of the Huangtun Pyrite Mine and is in the stage of mine development, details of which can be found under section headed “Summary of gold, copper, pyrite and iron ore information of the Target Company” below.

The Exploration Licence has been renewed on 8 July 2020 and the validity period is from 19 January 2020 to 19 January 2022.

As of the Latest Practicable Date, the Target Company is currently stepping up in its construction of its concentrator (選礦廠) and tailings pond (尾礦庫). The aforesaid construction is progressing smoothly and it is expected to be put into production in the third quarter of 2020. According to the laws and regulations of PRC, a safety production licence can be applied for after a period of normal production, usually about 6 months, it is expected to obtain a safety production licence in early 2021 and that commercial production will commence in the same period.

The Directors considered and as advised by the PRC legal advisers that save for those permits that could be applied for after commencement of production, the Target Company has already possessed all necessary licences for carrying out its exploration and exploitation activities. In this connection, the Directors considered that the above would not affect their assessment on the fair and reasonableness of the Capital Injection.

Upon completion of the Capital Injection, the Target Company will become a non-wholly owned subsidiary of the Company and the financial results of the Target Company will be consolidated into the results of the Group.

LETTER FROM THE BOARD

Summary of gold, cooper, pyrite and iron ore information of the Target Company

The following tables which are extracted from the Competent Person's Report as contained in Appendix IV to this circular which provides information on the gold, pyrite, iron ore and cooper resources estimate of the Huangtun Pyrite Mine and must therefore be read in conjunction with and in the context of the Competent Person's Report itself. Please refer to the Competent Person's Report for a detailed discussion on all the technical aspects of the Target Mine. The Competent Person has confirmed that no material changes have occurred since the effective date of the Competent Person's Report:

(a) Mining Right

The Mining licence for the Huangtun Project is presented in Table 1. The Mining Licence covers an area of 1.304 square kilometers (km²).

Table 1: Mining Licence of Huangtun Project

Project	Mining Licence No.	Issued To	Issued By	Issue Date	Expiry Date	Area (km ²)	Production	
							Mining Type	Rate (Mtpa)
Huangtun Project	C3400002013086210131038	the Target Company	Anhui Province Land and Resources Bureau	10-Mar-2016	19-Aug-2043	1.304	Underground	1.00

The mining area was defined by 8 vertices and their coordinates shown in the mining licence. The permitted mining depth is from -460 m above sea level (ASL) to 13 ASL.

Jinding Mining also reserves an exploration licence for the most mining permit area (1.25 km²) which is renewed on 8 July 2020. The exploration licence information and vertices coordinates are presented in Table 2.

Table 2: Exploration licence of Huangtun Project

Project	Exploration Licence No.	Issued To	Issued By	Issue Date	Expiry Date	Area (km ²)	Exploration Unit
Huangtun S-Fe-Au- Cu Polymetallic Prospecting	T34120180102054565	the Target Company	Anhui Province Land and Resources Bureau	19-Jan-2020	19-Jan-2022	1.25	No.327 Geolical Brigade

LETTER FROM THE BOARD

(b) Operational Licences and Permits

1 Business Licence

The Business Licence details for the Huangtun Project are presented in Table 3.

Table 3: Business Licence of Huangtun Project

Project/Company	Business Licence No.	Issued To	Issued By	Issue Date	Expiry Date	Licensed Business Activities
Huangtun Project	91340124557812583D	the Target Company	Hefei City Industry and Commerce Administration Bureau	23-Jun-2010	22-Jun-2082	Mining and processing of pyrite mine, iron mine and copper mine; sales of mine products.

2 Other Operational Permits

The Land Use Permit for the Huangtun Project is presented in Table 4.

Table 4: Land Use Permit of Huangtun Project

Project	Land Use Permit No.	Issued To	Issued By	Issue Date	Expiry Date	Land Use	Area (m ²)
Huangtun Project	[2016]11047	the Target Company	Luijiang County People's Government	10-Mar-2016	13-Dec-2065	Industrial and mining storage use	112,321.00

Mineral Resource Estimation

Previous exploration and estimation were performed by geological brigades following China exploration standard and resource classification framework. The Competent Person has verified the data and compiled the database for three-dimensional geological modeling and resource estimation. The SRK resource estimation has included two models, namely the East Zone S-Fe resource model and the West Zone Cu-Au resource model.

The minerals resources are reported in accordance with JORC Code and are presented in Table ES-1 and Table ES-2 below.

LETTER FROM THE BOARD

Table ES- 1: Mineral Resources Statement of Huangtun Pyrite Mine (East Zone) as of 31 March 2020 by SRK Consulting China Ltd

Category	Tonnes Mt	Au g/t	Au kg	Cu%	Cu t	TFe%	TFe kt	TS%	TS kt
Indicated	25.70	0.08	2,017	0.06	15,206	10.12	2,600	16.48	4,236
Inferred	16.68	0.07	1,141	0.06	9,509	7.23	1,207	14.50	2,420

Cut-off grade: 12% total sulphur (T S)

SRK used metal equivalent to outline the mineralized body in the West Zone.

Table ES- 2: Mineral Resources Statement of Huangtun Pyrite Mine (West Zone) as of 31 March 2020 by SRK Consulting China Ltd

Category	Tonnage				
	(kt)	Au (g/t)	Au (t)	Cu(%)	Cu(kt)
Indicated	9,167	0.87	7.9	0.29	26.6
Inferred	3,996	0.95	3.8	0.27	11.0
Total	13,164	0.89	11.8	0.29	37.5

Cut-off grade: 0.3% EqCu

The information in Competent Person's Report which relates to Mineral Resources is based on information compiled by Mr. Pengfei Xiao who is a full time employee of SRK Consulting China Ltd. Mr. Pengfei Xiao is a member of AusIMM. Mr. Pengfei Xiao has sufficient experience which is relevant to the style of mineralisation and the type of deposits under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 edition of the "Australasian Code for Reporting of Exploration results, Mineral Resources and Ore Reserves", the JORC Code. Mr. Pengfei Xiao consents to the reporting of this information in the form and context in which it appears.

Results

The Project operated by the Target Company is currently at construction stage that is ready for development and having been studied to Feasibility Study level and the Front-End Engineering Design was completed. The Project is divided into two parts, the eastern part (East Zone) is mainly of high sulphide (S) and iron (Fe) mineralisation with lower grades of gold (Au) and copper (Cu); and the western part (West Zone) is enriched in Au-Cu with lower S and Fe grades. The mine construction and development has completed 4 levels of underground layouts and reached orebodies at both the eastern and western parts of the deposit. The designed processing plant is to be constructed and the Project is scheduled to commence commercial production at an aggregate rate of 1 million tonnes per annum (Mtpa) by early 2021.

LETTER FROM THE BOARD

Due to the upcoming production, more than 70% of the construction in progress is completed and is currently in the equipment installation stage. The specific projects are mainly: surface construction in progress, including the construction of the processing plant (civil construction, steel structure, equipment installation), tailings pond construction, main shaft civil construction, derrick fabrication and installation; and underground construction in progress, including equipment installation, wind and hydropower installation, etc. These projects are expected to be completed in September 2020, and can be put into operation upon completion. The Company will also negotiate and sign sales contracts in late August and early September 2020. Based on the Company's product offerings, the potential clients might include Anhui Huilong Zhongcheng Co., Ltd. (安徽省輝隆中成股份有限公司), Tongling Nonferrous Metals Group Holdings Limited (銅陵有色金屬集團控股有限公司), China National Gold Group Co., Ltd. (中國黃金集團有限公司), etc.

RISK FACTORS

Set out below are the risk factors which may be associated with the Capital Injection:

1. Significant impairment loss made immediately upon Completion

As disclosed in the unaudited pro forma financial information of the Enlarged Group under Appendix III of this circular, it is expected that the Company will include an impairment of goodwill of approximately RMB70.0 million immediately upon Completion. Despite the said impairment, the Company is of the view that it is fair and reasonable to enter into the Capital Injection and Cooperation Agreement for the reasons set out under "Valuation of Huangtun Pyrite Mine" below. If the Target Company's business does not perform as expected, we may be required to have a further impairment of our goodwill and other non-current assets and record impairment loss, which could in turn adversely affect our results of operations.

We will determine whether goodwill is impaired at least on an annual basis and there are inherent uncertainties relating to these factors and to our management's judgment in applying these factors to the impairment assessment. We could be required to evaluate the impairment prior to the annual assessment if there are any impairment indicators, including disruptions to the operations of the Target Company, unexpected significant declines in operating results or a decline in our market capitalisation, any of which could be caused by our failure to successfully manage the Target Company.

2. Risks relating to completion of the Acquisition

A number of the conditions precedent to Closing as set out in the paragraph headed "Conditions Precedent" in the section headed "Letter from the Board" of this circular involve the decision of third parties, including all necessary governmental and regulatory approvals in PRC, results of legal and financial due diligence. There is no assurance that the Acquisition will be completed as contemplated.

LETTER FROM THE BOARD

3. Fluctuation in the price and demand of gold, copper, pyrite and iron ore

The Directors consider that there are many factors which may influence the price and demand of gold, copper, pyrite and iron ore in the PRC market, including but not limited to the usage of gold, copper, pyrite and iron ore industry in the PRC, demand and supply of gold, copper, pyrite and iron ore and the economic situation of the PRC, which are beyond the control of the Enlarged Group. The price and demand of gold, copper, pyrite and iron ore may fluctuate from time to time.

4. Realisation of the gold, copper, pyrite and iron ore resource

The amounts of gold, copper, pyrite and iron ore resource in Huangtun Pyrite Mine have been estimated to a sufficient level of confidence based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques. The locations are spaced closely enough to confirm geological and grade continuity. Minor changes to grade may occur at a local scale from that estimated by SRK. These are unlikely to be material to the project economics or feasibility.

5. New mining sector of the Group

The Capital Injection constitutes a new investment in mining sector for the Group. The new sector, coupled with the regulatory environment, may pose significant challenges to the Group's administrative, financial and operational resources. It is not in a position to ascertain the timing and amount of any return or benefits that may be received from such new sector. If the pyrite, iron ore, gold and copper business does not develop and progress as planned, the Group may not recover the funds and resources it has spent, and this may adversely affect the financial performance of the Group.

6. The valuation of the Huangtun Pyrite Mine

The Valuation Report related to Huangtun Pyrite Mine as disclosed in Appendix V to this circular involves various assumptions and therefore such valuation may or may not effectively reflect the true value of Huangtun Pyrite Mine.

7. Operation risks

Exploration drilling to establish productive reserves is inherently speculative. The techniques presently available to technical specialists to identify the existence and location of resources are indirect and subject to a wide variety of variables which are subjective in nature. Mineral exploration is highly speculative in nature. The Target Company's exploration project involve many risks, and success in exploration is dependent upon a number of factors, including, but not limited to, quality of management, quality and availability of geological expertise and availability of exploration capital.

LETTER FROM THE BOARD

The Target Company cannot give any assurance that their future exploration efforts will result in the discovery of a mineral resource or ore reserve, or that their current and future exploration programs will result in the expansion or replacement of current production with new resources and reserves.

The operation of Huangtun Pyrite Mine is subject to a number of risks and hazards, including environmental pollution, accidents or spills, industrial and transportation accidents, unexpected labour shortages and compensatory claims, disputes or strikes, cost increase for contracted and/or purchased goods and services; shortages of required materials and supplies; electrical power interruptions, mechanical and electrical equipment failure; natural phenomena; and unusual or unexpected geological conditions. For further details of risks from a technical aspect, please refer to the section headed “Project Risks assessments” under the Competent Person’s Report as set out in Appendix IV to this circular.

8. The PRC government regulations on the mining industry

The mining industry is subject to various PRC government policies and regulations, including but not limited to, development, taxation, safety, environmental and other problems. Any enforcements or changes to those policies may increase the operating costs of the Target Company and hence, adversely affect the operating results of the Enlarged Group.

INFORMATION OF HUANGTUN PYRITE MINE

1. Project risks arising from environmental, social, and health and safety issues

As at the Latest Practicable Date, so far as the Company was aware, the Major Shareholders have not receive written notice and is not aware of any circumstances that would on reasonable grounds be expected to give rise to, any civil, criminal or administrative action, or other proceeding or suit under any environmental law applicable to the Subject Shares, which is or may be materially prejudicial to the current financial position of the Target Company.

2. Non-governmental organisation impact on sustainability of mineral and/or exploration projects

As at the Latest Practicable Date and so far as the Company was aware, each of the mining tenements held by the Target Company are in force and effect and the Major Shareholders have not received any notice of default or current claim of expropriation or forfeiture in respect of such mining tenements.

3. Compliance with host country laws, regulations and permits, and payments made to host country governments in respect of tax, royalties and other significant payments on a country by country basis

As at the Latest Practicable Date and so far as the Company was aware:

- (i) there is no material unremedied breach of the licences disclosed in the Capital Injection and Cooperation Agreement;

LETTER FROM THE BOARD

- (ii) the Major Shareholders have not done or permitted to be done anything that would be likely to cause the licences disclosed in the Capital Injection and Cooperation Agreement; to be suspended, revoked, materially varied or terminated; and
- (iii) no party in respect of the licences disclosed in the Capital Injection and Cooperation Agreement has given written notice to the Major Shareholders of any matter that would be likely to cause such licences to be suspended, revoked, materially varied or terminated.

4. Sufficient funding plans for remediation, rehabilitation and, closure and removal of facilities in a sustainable manner

The Major Shareholders are obliged to conduct the operations in respect of the Huangtun Pyrite Mine in the ordinary and usual course. It must also maintain the tenements and licences held by the Target Company in good standing prior to the Closing Date.

5. Environmental liabilities of its projects or properties

As at the Latest Practicable Date and so far as the Company was aware:

- (i) The Target Company are in general compliance with the local environmental regulations; and
- (ii) The Target Company and the management team are undertaking all key environment management activities and have responded to compliance matters in consultation with regulatory authorities.

6. Its historical experience of dealing with concerns of local governments and communities on the sites of its mines, exploration properties, and relevant management arrangements

Given the Company will retain the existing management team at the Huangtun Pyrite Mine and intends to maintain the Major Shareholders' existing processes in relation to safety, health, environment and community engagement, the Company expects to deal with governments and the local communities in substantially the same manner as the Major Shareholders have historically.

7. Any claims that may exist over the land on which exploration or mining activity is being carried out, including any ancestral or native claims

As at the Latest Practicable Date, the Company was not aware of any material litigation, prosecution, mediation, arbitration or other proceeding in respect of the Target Company.

In addition, so far as the Company was aware the Major Shareholders have not at the Latest Practicable Date received any written (i) notice or claim threatening the commencement of any material litigation, prosecution, mediation, arbitration or other proceeding in respect of the Target Company, and (ii) notice advising it that it has failed to comply in any material respect with any law in connection with the Target Company which would have a material adverse effect on the value of the Target Company.

LETTER FROM THE BOARD

VALUATION OF HUANGTUN PYRITE MINE

The Company has appointed SRK Consulting (Australasia) Pty Ltd, an independent valuer, to conduct the Valuation Report and the value of the entire interest of the Target Company as appraised by the said valuer as at 1 July 2020 was approximately USD124 million (equivalent to approximately HKD961 million as at the exchange rate of USD1: HKD7.75). In arriving at such valuation, the Valuer has adopted a combination of income and market approaches for the valuation of the defined Ore Reserves and Mineral Resources at the East (pyrite dominated) and West (copper dominated) deposits, respectively. The full text of the Valuation Report, including details of the valuation methodology and assumptions, is set out in Appendix V to this circular.

In assessing the fairness and reasonableness of the valuation of the Huangtun Pyrite Mine, the Directors has considered the following factors:

With respect to the adoption of the valuation methods in the Valuation Report, the Directors understand that the Valuer had considered three approaches that are generally accepted under VALMIN Code (2015), namely the market approach, the income approach and the cost approach. The Valuer considered that the applicability of the various valuation approaches and methods vary depending on the stage of exploration or development of the mineral asset, and hence the amount and quality of the information available on the mineral potential of the assets. The valuation methods applied depends on the relative maturity of assessment for each asset, as well as the amount of available data supporting the project. In preparing its valuation of the Project, the Valuer has considered the two main approaches (income and market), as well as the available methodologies under each approach. For the defined schedule, the Valuer's DCF Analysis demonstrated that the stated Ore Reserves are economically viable. As such, the Valuer has elected to adopt a DCF valuation methodology (an Income based approach) for valuation purposes. The Project is in the development stage and initial capital expenditure is complete. As such, the Valuer considers it appropriate to also value the stated Ore Reserves and Mineral Resources using market-based metrics. Commercial production is expected to start in early 2021. As such, the initial capital expenditure is considered as a sunk cost and not included in the DCF analysis. In the Valuer's opinion, it is appropriate to value the scheduled 14 Mt, inclusive of stated Ore Reserve using income-based valuation methods. However, in considering the Project, the Valuer notes that there is currently insufficient information on the environmental timeframes associated with the regulatory requirements for mining activities and hence some residual risk. In order to provide a high-level cross check of the reasonableness of the value outcomes determined through income-based methods, the Valuer considers it appropriate to also use market-based approach using comparable transactions and peer trading multiples.

The Directors have considered the competence and independence of the Valuer before engaging the Valuer. Having considered that (i) the Valuer is an experienced valuation firms based on its track records and (ii) the professional qualification of the person in charge of the valuation who has over 20 years of experience in experience in mining, exploration and quarry valuations, mineral economics, minerals marketing and geology, the Directors believe that the Valuer has sufficient qualification, reputation and experience in performing the valuation and has the relevant expertise and adequate resources to perform its role as an independent valuer properly. To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, the Valuer is independent from the Group, the Target Company and their respective connected persons.

LETTER FROM THE BOARD

Having considered the above factors and the assumptions made by the Valuer, the Directors concurred with the Valuer's view that the bases, valuation methodology, selection basis of comparables market transactions, limiting conditions and assumptions adopted in the Valuation Report are appropriate under the current circumstances.

After initial negotiations were made between the parties on the Capital Injection, the Company had sent its in-house geologists and mining experts and financial personnels to conduct due diligence on the mining assets of the Target Mine and financial personnels to conduct financial due diligence on the Target Company. As the preliminary due diligence results was satisfactory to the Company, the Company engaged legal advisers and auditors to conduct legal and further financial due diligence respectively. Qualified competent person and competent evaluator were then appointed to prepare the reports as required under the Listing Rules.

The Directors noted that in the Unaudited Pro Forma Financial Information (Appendix III of this circular) and for illustrative purpose, goodwill arising from the Capital Injection as if the Capital Injection had taken place on 31 March 2020 is approximately RMB75,102,000. As the carrying amount of the Target Company exceeds its recoverable amount by RMB69,972,000, an impairment of the same amount on goodwill is recognised upon the Completion. The recoverable amount of Target Company is determined by the Directors with reference to value in use calculation of the Target Company as at 31 March 2020 prepared by an independent firm of qualified valuers (the "**Business Valuation**"). The Business Valuation represents the present value of the future cash flow of the Target Company based on the level of resources under the mining permit as shown in the Competent Person's Report during the forecasted period of time.

The Directors considered that notwithstanding to the impairment, the Capital Injection is fair and reasonable based on the following:

- 1) The Target Company operates the Huangtun Mine Project. The Company aimed at participating in this mining project by way of the Capital Injection and therefore, when determined the amount to be injected, the Company has to take into account of the historical investment already made by the Existing Shareholders to the Target Company and the further working capital requirement of the Target Company leading to production.
- 2) During the course of negotiation of the Capital Injection, the Company considered, among other things, the tentative business valuation of the Target Company, which is premised on the resources covered under the mining license obtained. Although the valuation only reflected the ore reserves of the Huangtun Mine (the "**Ore Reserves**") based on the mining license possessed by the Target Company, the Company considered that the potential value of the Huangtun Mine was not reflected in the valuation.
- 3) The impairment assessment was made based on the carrying value of the Target Company and the Business Valuation as at 31 March 2020 as if the Completion takes place. As stated above, the Business Valuation was prepared based on the Ore Reserves as shown in the Competent Person's Report disclosed in Appendix IV of this circular according to the scope of the mining license. According to the VALMIN Code and JORC Code, mineral resources which have not been converted to ore reserves should generally not be included into the life of mine (LoM) schedule for valuation purposes, unless there are exceptional circumstances to do so. In the circumstances, the business valuation and the Valuation Report have made their valuation on the ore reserves stated in the Competent Person's Report, which are the same resources under the mining license. The resources that are outside of the mining license (including the Mineral Resources under the exploration license) only provides the holder the right to explore (not the right to conduct mine) cannot be considered in their respective valuation report under the relevant provisions in the VALMIN Code and JORC Code for the reasons as aforementioned.

LETTER FROM THE BOARD

- 4) Notwithstanding of the aforesaid, the mineral resources identified under the exploration license (the “**Mineral Resources**”) prepared according to JORC Code by the Competent Person is set out below and set out on page IV-63 below:

**Mineral Resources of Huangtun Mine (West Zone) as of 1 July 2020
under Exploration License (outside of mining license)**

Category	Tonnage (kt)	Au (g/t)	Au (t)	Cu (%)	Cu (kt)
Indicated	2,617	1.59	4.2	0.20	5.2
Inferred	4,625	1.24	5.7	0.22	10.2
Total	<u>7,242</u>	<u>1.36</u>	<u>9.9</u>	<u>0.21</u>	<u>15.4</u>

The Competent Person stated in Page IV-10 of the Competent Person’s Report that the gold production in the West Zone of the Mine will generate the most revenue and the project is mostly sensitive to gold price. In comparing the total Ore Reserves of gold in the East Zone and the West Zone of the Mine (i.e. 9.917 tonnes) with the Mineral Resources of gold (i.e. 4.2 tonnes), the Company estimated that the Mineral Resources of gold represent about 40% of the current Ore Reserves under the mining license. Moreover, the Mine also has considerable amount of indicated reserves of copper. After discussed with the Competent Person and on the assumption that the scope of the mining license were extended to cover the Mineral Resources, the Board, upon considering the Mineral Resources and the estimated valuation range stated in the set out on page IV-111 below, estimated that the value of the Mineral Resources under the Exploration License will be within a range of approximately RMB200 million to RMB400 million (subject to a reasonable range of fluctuation in the gold and copper price and having taken into account of the estimated cost). Accordingly, the Company considered that the future potential of the Mine as exhibited by the indicated and inferred reserve under the Exploration License is sufficient enough to outweigh the goodwill impairment expected to be recognised upon Completion.

- 5) As the Competent Person’s Report does not cover the Mineral Resources identified under the Exploration License, the Business Valuation cannot fully reflect the value of the Huangtun Mine as a whole. The Company has concrete planning to make formal application to extend the scope of the mining license to deep underground to reach the Mineral Resources already carried out the exploration works. The Company is of the view that there are no foreseeable legal impediment for the Company to extend the scope of the mining license over the based on the following:
- a. According to the relevant laws and regulations and advised by the PRC legal advisors, the Target Company has the first priority in transferring their exploration right to mining right by extending the scope of mining to deep underground.
 - b. the Mineral Resources are the continuous part of the Ore Reserves and form part of the orebody of the Mine. The permitted mining depth specified in the existing mining license is from -460 m above and the exploration license allowed the Target Company to carry out exploration works beyond the depth permitted under the mining license. According to the relevant PRC laws and regulations, the Target Company has the first right to extend the scope of mining to reach the Mineral Resources. Moreover, the Target Company has carried out exploration works and identified the Mineral

LETTER FROM THE BOARD

Resources and the Mineral Resources as part of the ore body of the Mine, the Company does not see any possibility that the extension of the scope of the mining license will not be approved. It is a typical norm in mining industry to extend the scope of the current mining license in accordance to the progress of its development. As such, the Target Company has yet to make application to extend the mining scope to cover the Mineral Resources. The Target Company expects that the production will commence in the third quarter of 2020 and commercial production will commence in early 2021.

- c. the Target Company has recently renewed their exploration license to which the government authorities have reviewed and are satisfied with their qualifications. Further, as at the Latest Practicable Date, there were no administrative penalty and no investigation by the relevant regulatory authorities against the Target Company due to any matters in relation to its exploration and mining activities.
- d. On the assumption that there is no substantial change of operation of the Target Company or change of law at which the Target Company operates, the Company will procure the Target Company to submit a valid application together with a payment of premium in applying for mining license and other relevant documents within 1-3 years from now as there are certain exploration works that remains to be performed.

7. REASONS FOR AND BENEFITS OF THE CAPITAL INJECTION AND THE SHAREHOLDER'S LOAN

The Group is principally engaged in bulk mineral trade, manufacturing and sale of explosives and mining project contracting business with blasting as the core business.

In the past five years, the Company has expanded its business from sale of explosives to provision of blasting operation and related services for large scale mines. The Company has received good returns to its investments and at the same time, gained valuable experience in mining operations for its management teams consisting of geological, and mining engineers. The Company will further expand downstream to develop its mining business with a view to maximize returns to the Group and its shareholders in the long run. The Company believes the Capital Injection to the Target Company is beneficial to the Group and would create a new income stream for the Group. Further, the Company has agreed to provide the Shareholder's Loan so as to allow the Target Company to complete its development and put Huangtun Pyrite Mine into production as soon as practicable.

After the Completion of the Capital Injection, the Target Company will become a non-wholly owned subsidiary of the Company.

The terms of the Revised First Shareholder's Loan (including the Interest Rate) were negotiated on an arm's length basis between Pizu Shenzhen and the Target Company and after consideration that the Revised First Shareholder's Loan is to be used exclusively for the repayment of the Target Company's due bank loans and its daily operation and further serves the purpose as stated above. The Interest Rates shall be determined with reference to prevailing interest rates as that of commercial bank loans for the same period. Accordingly, the Board consider and believe that the terms of the Supplemental Agreement are fair and reasonable and the entering into of the Supplemental Agreement is in the interests of the Company and its shareholders as a whole.

The Directors are of the view that the terms of the Capital Injection and the Shareholder's Loan are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

8. IMPLICATION UNDER THE GEM LISTING RULES

As the relevant percentage ratios in respect of the Capital Injection and the Shareholder's Loan are more than 25% but less than 100%, the transactions contemplated under the Capital Injection and Cooperation Agreement constitute a major transaction of the Company under Rule 19.06(3) of the GEM Listing Rules. Accordingly, the transactions contemplated under the Capital Injection and Cooperation Agreement are subject to notification, announcement, reporting and Shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

As the relevant percentage ratios in respect of the Revised First Shareholder's Loan are more than 5% but less than 25%, the Revised First Shareholder's Loan constitute a discloseable transaction of the Company under Rule 19.06(2) of the GEM Listing Rules and are subject to announcement and reporting requirements under Chapter 19 of the GEM Listing Rules.

In addition, as the asset ratio (as defined in the Listing Rules) for the Revised First Shareholder's Loan exceeds 8%, it is subject to the announcement requirement under Rule 17.15 of the GEM Listing Rules.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, none of the Directors have material interest in the transaction contemplated under the Capital Injection and Cooperation Agreement or was required to abstain from voting at the Board meeting. As at the Latest Practicable Date, no Shareholder is interested in the transaction contemplated under the Capital Injection and Cooperation Agreement whom would be required to abstain from voting on the proposed resolution at the EGM.

In compliance with the requirements of Chapter 18 of the Listing Rules, the Company has appointed the Competent Person to issue the Competent Person's Report to provide the estimated amount of resources and reserves in respect of the Target Company in accordance with JORC Code.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Competent Person and its ultimate beneficial owners are Independent Third Parties.

9. RECORD DATE AND CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 22 September 2020 to Friday, 25 September 2020, both dates inclusive for the purpose of ascertaining Shareholders' entitlement to attend and vote at the EGM. Shareholders are reminded that in order to attend and vote at the EGM, they must ensure that all transfers accompanied by the relevant share certificates are lodged with the share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 21 September 2020. The record date will be on Friday, 25 September 2020.

LETTER FROM THE BOARD

10. VOTING AT EXTRAORDINARY GENERAL MEETING

The notice convening the EGM which contains, inter alia, the ordinary resolution to be proposed to approve the Capital Injection and Shareholder's Loan, are set out on pages EGM-1 to EGM-2 of this circular.

A form of proxy for use at the EGM is enclosed with this circular and such form of proxy is also published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.pizugroup.com). Whether or not you are able to attend such meeting, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the branch share register of the Company, Computershare Hong Kong Investor Services Limited, 17M/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding such meeting or any adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting at the meeting or any adjourned meeting (as the case may be) should you so wish.

According to rule 17.47(4) of the GEM Listing Rules, any vote of shareholders at a general meeting must be taken by poll save for resolutions relating purely to a procedural or administrative matter. Therefore, all the resolutions put to the vote at the EGM will be taken by way of poll. An announcement on the poll vote results will be made by the Company after the EGM in the manner prescribed under rule 17.47(5) of the GEM Listing Rules.

11. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

RECOMMENDATION

The Directors consider that the Capital Injection and Shareholder's Loan are in the best interests of the Company and its shareholders and recommend the Shareholders to vote in favour of the relevant resolution as set out in the notice convening the EGM to be proposed at the EGM.

ADDITIONAL INFORMATION

Your attention is drawn to the information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of the Board
Xiong Zeke
Chairman

1. FINANCIAL INFORMATION OF THE GROUP

The audited financial information of the Group for each of the three years ended 31 March 2020 are disclosed in the annual reports of the Company for the relevant years which have been published on both the website of the Stock Exchange (www.hkexnews.hk), and can be accessed by the links as follows:

- annual report of the Company for the year ended 31 March 2018 (pages 39-122)
<https://www1.hkexnews.hk/listedco/listconews/gem/2018/0624/gln20180624009.pdf>
- annual report of the Company for the year ended 31 March 2019 (pages 41-133)
<https://www1.hkexnews.hk/listedco/listconews/gem/2019/0621/gln20190621173.pdf>
- annual report of the Company for the year ended 31 March 2020 (pages 40-132)
<https://www1.hkexnews.hk/listedco/listconews/gem/2020/0622/2020062200385.pdf>

2. INDEBTEDNESS STATEMENT

At the close of business on 30 June 2020, being the latest practicable date for the purpose of preparing this indebtedness statement prior to the publication of this circular, the total indebtedness of the Enlarged Group was as follows:

Borrowings

- (i) Bank borrowings of approximately RMB318.2 million secured by the mining right of the Target Company and property, plant and equipment and contract assets and trade receivables of the Group and guaranteed by the directors, shareholders, affiliates of shareholders and a related company of the Target Company, a joint venture of the Group and a former executive director and chairman of the Company.
- (ii) An unguaranteed bank borrowing of approximately RMB62.8 million secured by the mining rights of the Target Company.
- (iii) An unsecured bank borrowing of approximately RMB80.0 million guaranteed by a former executive Director and chairman of the Company.
- (iv) An unsecured other borrowing of approximately RMB50.0 million guaranteed by certain shareholders of the Target Company.
- (v) Unsecured and unguaranteed other borrowings of approximately RMB13.4 million.

Pledged assets

- (i) Mining right with aggregate carrying amount of approximately RMB100.0 million were pledged for the Target Company's bank borrowings.
- (ii) Certain machineries and motor vehicles included in property, plant and equipment with aggregate carrying amount of approximately RMB40.5 million were pledged for the Group's bank borrowings.
- (iii) Certain contract assets and trade receivables with aggregate carrying amount of approximately RMB328.9 million were pledged for the Group's bank borrowings.

Amounts due to shareholders, affiliates of shareholders and a related company

- (i) Unsecured amounts due to shareholders of approximately RMB105.6 million.
- (ii) Unsecured amounts due to affiliates of shareholders of approximately RMB279.2 million.
- (iii) Unsecured amounts due to a related company of approximately RMB26.0 million.

Lease liabilities

As at 30 June 2020, the Group's has lease liabilities amounted to RMB16.7 million which were related to leased equipment for production use and leased office and staff quarters for administrative use.

Contingent liabilities

At the close of business on 30 June 2020, the Enlarged Group did not have any material contingent liabilities.

Save as aforesaid and apart from the intra-group liabilities and normal trade payables, the Enlarged Group did not have, at the close of business on 30 June 2020, any other outstanding borrowings, mortgages, charges, debentures, loan capital or overdraft, debt securities or other similar indebtedness, finance leases or hire-purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities.

To the best knowledge of the directors, having made all reasonable enquiries, there has been no material change in indebtedness or contingent liabilities of the Enlarged Group since 30 June 2020.

3. WORKING CAPITAL

The Company intends to finance the Capital Injection by utilising the Group's internal resources. After due and careful enquiry and taking into account the internal resources, available banking facilities of the Group and the Target Company and undertaking from Mr. Wu together with his controlling entities for making available financing of not less than RMB30 million, the Directors are of opinion that the Enlarged Group has sufficient working capital to meet its future operating and project development expenditure, and loan repayment obligations for the next twelve (12) months from the date of this circular in the absence of unforeseen circumstance.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2020, being the date to which the latest consolidated financial statements of the Company were made up.

5. FINANCIAL AND TRADING PROSPECTS

The Group is principally engaged in bulk mineral trade, manufacturing and sale of explosives and mining project contracting business with blasting as the core business.

In the past five years, the Company has expanded its business from sale of explosives to provision of blasting operation and related services for large scale mines. The Company has received good returns to its investments and at the same time, gained valuable experience in mining operations for its management teams consisting of geological, and mining engineers. The Company will further expand downstream to develop its mining business with a view to maximize returns to the Group and its shareholders in the long run. The Company believes the Capital Injection of the Target Company is beneficial to the Group and would create a new income stream for the Group.

The Group will continue to actively seek opportunities for vertical development on the basis of the stable development of the first and second industrial chain, that is, to extend the Group's industrial chain to non-ferrous metals, precious metals mining development industry, and continue to create value for shareholders.

Set out below is the text of a report received from the independent reporting accountants of the Company, BDO Limited, Certified Public Accountants, Hong Kong, which has been prepared for the purpose of incorporation in this circular.



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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF PIZU GROUP HOLDINGS LIMITED

Introduction

We report on the historical financial information of Anhui Jinding Mining Co., Ltd. (the “Target Company”) set out on pages IIA-4 to IIA-43, which comprises the statements of financial position as at 31 December 2017, 2018 and 2019 and 31 March 2020, the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for each of the years ended 31 December 2017, 2018 and 2019 and the three months ended 31 March 2020 (the “Relevant Periods”), and a summary of significant accounting policies and other explanatory information (together the “Historical Financial Information”). The Historical Financial Information set out on pages IIA-4 to IIA-43 forms an integral part of this report, which has been prepared for inclusion in the circular of Pizu Group Holdings Limited (the “Company”) dated 31 August 2020 (the “Circular”) in connection with the proposed capital injection to the Target Company for acquiring 51% equity interest in the Target Company.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 3 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 “Accountants' Reports on Historical Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 3 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Target Company's financial position as at 31 December 2017, 2018 and 2019 and 31 March 2020 and of the Target Company's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation set out in Note 3 to the Historical Financial Information.

Material Uncertainty Related to Going Concern

We draw attention to Note 3(c) to the Historical Financial Information, which indicates that at 31 December 2017, 2018 and 2019 and 31 March 2020, the Target Company's current liabilities exceed its current assets by RMB477,816,000, RMB591,214,000, RMB260,054,000 and RMB518,212,000 respectively. As stated in Note 3(c), these events and conditions, along with other matters as set out in Note 3(c), indicate that a material uncertainty exists that may cast significant doubt on the Target Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Review of Stub Period Comparative Historical Financial Information

We have reviewed the stub period comparative historical financial information of the Target Company which comprises the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the three months ended 31 March 2019 and other explanatory information (together the “Stub Period Comparative Historical Financial Information”). The directors of the Company are responsible for the preparation of the Stub Period Comparative Historical Financial Information in accordance with the basis of preparation set out in Note 3 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Historical Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Historical Financial Information, for the purposes of the accountants’ report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 3 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited***Adjustments***

In preparing the Historical Financial Information and the Stub Period Comparative Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page IIA-4 have been made.

BDO Limited*Certified Public Accountants***Lee Ming Wai***Practising Certificate Number P05682*

Hong Kong

31 August 2020

APPENDIX IIA ACCOUNTANTS' REPORT ON THE TARGET COMPANY

I. HISTORICAL FINANCIAL INFORMATION OF THE TARGET COMPANY

Preparation of the Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report. The financial statements of the Target Company for the Relevant Periods, on which the Historical Financial Information is based, were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA (the "Underlying Financial Statements") and were audited by BDO Limited.

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

STATEMENTS OF COMPREHENSIVE INCOME

	Notes	Year ended 31 December			Three months ended	
		2017	2018	2019	31 March	2020
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					<i>(Unaudited)</i>	
Revenue	6	–	–	–	–	–
Other income	7	–	500	50	50	–
Administrative and other operating expenses		(27,603)	(28,985)	(33,685)	(6,871)	(8,900)
Reversal of impairment loss/(Impairment loss) on property, plant and equipment	11	107,569	58,384	238,978	(5,270)	–
Profit/(Loss) from operations	7	79,966	29,899	205,343	(12,091)	(8,900)
Finance costs	9	(7,746)	(17,273)	(16,597)	(6,544)	(1,317)
Profit/(Loss) before income tax		72,220	12,626	188,746	(18,635)	(10,217)
Income tax (expense)/credit	10	(18,282)	(3,382)	(47,552)	4,601	2,428
Profit/(Loss) and total comprehensive income for the year/period		53,938	9,244	141,194	(14,034)	(7,789)

APPENDIX IIA ACCOUNTANTS' REPORT ON THE TARGET COMPANY

STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December			As at
		2017	2018	2019	31 March
		RMB'000	RMB'000	RMB'000	2020
					RMB'000
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment	11	287,026	415,625	749,974	775,394
Intangible assets	12	87,644	92,412	97,744	98,659
Right-of-use assets	13	21,769	21,315	20,861	30,703
Prepayments	14	29,615	29,615	32,748	42,863
Deferred tax assets	10(b)	114,668	111,286	63,734	66,162
		<u>540,722</u>	<u>670,253</u>	<u>965,061</u>	<u>1,013,781</u>
Current assets					
Bills receivables	15	–	–	14,100	4,200
Prepayments and other receivables	14	18,718	24,705	36,316	40,464
Amount due from a related party	16(a)	300	300	300	300
Cash and cash equivalents		6,610	5,301	5,411	5,574
		<u>25,628</u>	<u>30,306</u>	<u>56,127</u>	<u>50,538</u>
Current liabilities					
Trade payables	17	90,156	96,146	106,187	108,498
Accruals and other payables	18	3,129	3,132	4,056	3,302
Borrowings	19	259,080	241,166	205,938	456,950
Amounts due to shareholders	16(b)	14,708	31,784	–	–
Amounts due to affiliates of shareholders	16(b)	136,371	249,292	–	–
		<u>503,444</u>	<u>621,520</u>	<u>316,181</u>	<u>568,750</u>
Net current liabilities		<u>(477,816)</u>	<u>(591,214)</u>	<u>(260,054)</u>	<u>(518,212)</u>
Total assets less current liabilities		<u>62,906</u>	<u>79,039</u>	<u>705,007</u>	<u>495,569</u>
Non-current liabilities					
Borrowings	19	174,500	163,000	302,160	100,000
Amounts due to shareholders	16	–	–	30,590	30,590
Amounts due to affiliates of shareholders	16	–	–	300,982	301,493
Provision	20	11,886	11,886	11,886	11,886
		<u>186,386</u>	<u>174,886</u>	<u>645,618</u>	<u>443,969</u>
Net (liabilities)/assets		<u>(123,480)</u>	<u>(95,847)</u>	<u>59,389</u>	<u>51,600</u>
EQUITY					
Share capital	21	165,504	183,893	183,893	183,893
Reserves	22	(288,984)	(279,740)	(124,504)	(132,293)
(Capital deficiency)/Total equity		<u>(123,480)</u>	<u>(95,847)</u>	<u>59,389</u>	<u>51,600</u>

APPENDIX IIA ACCOUNTANTS' REPORT ON THE TARGET COMPANY

STATEMENTS OF CHANGES IN EQUITY

	Share capital <i>RMB'000</i>	Share premium <i>RMB'000</i>	Contributed surplus <i>RMB'000</i>	Accumulated losses <i>RMB'000</i>	(Capital deficiency)/ Total equity <i>RMB'000</i>
As at 1 January 2017	162,856	47,144	–	(400,418)	(190,418)
Issue of shares (<i>Note 21(a)</i>)	2,648	10,352	–	–	13,000
Profit and total comprehensive income for the year	–	–	–	53,938	53,938
As at 31 December 2017 and 1 January 2018	165,504	57,496	–	(346,480)	(123,480)
Issue of shares (<i>Note 21(b)</i>)	18,389	–	–	–	18,389
Profit and total comprehensive income for the year	–	–	–	9,244	9,244
As at 31 December 2018 and 1 January 2019	183,893	57,496	–	(337,236)	(95,847)
Contribution from shareholders (<i>Note 22(c)</i>)	–	–	14,042	–	14,042
Profit and total comprehensive income for the year	–	–	–	141,194	141,194
As at 31 December 2019 and 1 January 2020	183,893	57,496	14,042	(196,042)	59,389
Loss and total comprehensive income for the period	–	–	–	(7,789)	(7,789)
As at 31 March 2020	183,893	57,496	14,042	(203,831)	51,600
As at 1 January 2019	183,893	57,496	–	(337,236)	(95,847)
Loss and total comprehensive income for the period	–	–	–	(14,034)	(14,034)
As at 31 March 2019 (<i>Unaudited</i>)	183,893	57,496	–	(351,270)	(109,881)

APPENDIX IIA ACCOUNTANTS' REPORT ON THE TARGET COMPANY

STATEMENTS OF CASH FLOWS

	Year ended 31 December			Three months ended	
	2017	2018	2019	31 March	
	RMB'000	RMB'000	RMB'000	2019	2020
				RMB'000	RMB'000
				(Unaudited)	
Cash flows from operating activities					
Profit/(Loss) before income tax	72,220	12,626	188,746	(18,635)	(10,217)
Adjustments for:					
Depreciation of property, plant and equipment charged to profit or loss	542	542	542	135	136
Depreciation of right-of-use assets	453	454	454	112	144
(Reversal of impairment loss)/Impairment loss on property, plant and equipment	(107,569)	(58,384)	(238,978)	5,270	–
Finance costs	7,746	17,273	16,597	6,544	1,317
Operating loss before working capital changes	(26,608)	(27,489)	(32,639)	(6,574)	(8,620)
(Increase)/Decrease in bills receivables	–	–	(14,100)	–	9,900
Increase in prepayments and other receivables	(7,322)	(5,987)	(11,611)	(1,876)	(4,148)
(Decrease)/Increase in trade payables	(17,429)	5,990	10,041	4,975	2,311
Increase/(Decrease) in accruals and other payables	296	3	924	(214)	(754)
Net cash used in operating activities	(51,063)	(27,483)	(47,385)	(3,689)	(1,311)
Cash flows from investing activities					
Purchase of property, plant and equipment	(45,967)	(56,224)	(86,937)	(17,336)	(32,657)
Additions to mining right	–	–	–	–	(211)
Purchase of exploration and evaluation assets	(1,738)	(2,515)	(2,815)	–	–
Increase in amount due from a related party	(300)	–	–	–	–
Acquisition of right-of-use assets	–	–	–	–	(9,986)
Net cash used in investing activities	(48,005)	(58,739)	(89,752)	(17,336)	(42,854)

APPENDIX IIA ACCOUNTANTS' REPORT ON THE TARGET COMPANY

STATEMENTS OF CASH FLOWS (Continued)

	Year ended 31 December			Three months ended 31 March	
	2017 RMB'000	2018 RMB'000	2019 RMB'000	2019 RMB'000	2020 RMB'000
				(Unaudited)	
Cash flows from financing activities					
Interest paid	(19,307)	(17,970)	(16,178)	(4,808)	(4,212)
Proceeds from borrowings	15,000	5,000	202,160	25,499	48,540
Proceeds from advances from shareholders and affiliates of shareholders	84,000	115,490	50,899	-	-
Repayment of borrowings	(31,997)	(35,996)	(99,634)	-	-
Repayment of advances from shareholders and affiliates of shareholders	(400)	-	-	-	-
Proceeds from issue of shares	13,000	18,389	-	-	-
Net cash generated from financing activities	<u>60,296</u>	<u>84,913</u>	<u>137,247</u>	<u>20,691</u>	<u>44,328</u>
Net (decrease)/increase in cash and cash equivalents	(38,772)	(1,309)	110	(334)	163
Cash and cash equivalents at beginning of the year/period	<u>45,382</u>	<u>6,610</u>	<u>5,301</u>	<u>5,301</u>	<u>5,411</u>
Cash and cash equivalents at end of the year/period	<u>6,610</u>	<u>5,301</u>	<u>5,411</u>	<u>4,967</u>	<u>5,574</u>
Analysis of balances of cash and cash equivalents					
Bank balances and cash in hand	<u>6,610</u>	<u>5,301</u>	<u>5,411</u>	<u>4,967</u>	<u>5,574</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION**1. INFORMATION ABOUT THE TARGET COMPANY**

The Target Company is a limited liability company established in the People's Republic of China (the "PRC") on 23 June 2010. The principal activities of the Target Company include mining, processing of pyrite, iron ore and copper and the sale of the said mineral products. The Target Company is currently in the stage of mine development.

2. APPLICATION OF HKFRS

For the purpose of preparing the Historical Financial Information, the Target Company has consistently applied all individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the HKICPA which are effective for the accounting period commencing from 1 January 2020 throughout the Relevant Periods.

The following amendments to HKFRS, potentially relevant to the Target Company, have been issued by the HKICPA, which are not yet effective and have not been early adopted by the Target Company in preparing this Historical Financial Information:

Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 16	COVID-19-Related Rent Concessions ¹
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 ²

¹ Effective for annual periods beginning on or after 1 June 2020

² Effective for annual periods beginning on or after 1 January 2022

Except as described below, the management of the Target Company assessed that the application of the above amendments to HKFRSs is unlikely to have material impact on the financial information of the Target Company.

Amendments to HKFRS 16 COVID-19-Related Rent Concessions

The amendments introduce a new practical expedient for lessees to elect not to assess whether a COVID-19-related rent concession is a lease modification. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 that meets all of the following conditions:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 if the changes were not a lease modification. Forgiveness or waiver of lease payment are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

3. BASIS OF PREPARATION**(a) Statement of compliance**

The Historical Financial Information has been prepared in accordance with HKFRSs and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules").

(b) Basis of measurement

The Historical Financial Information has been prepared under the historical cost basis except for certain financial instruments which are stated at fair value. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in the preparation of the Historical Financial Information. Although these estimates are based on management's best knowledge and judgment of current events and actions, actual results may ultimately differ from those estimates. The areas involving higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 5.

(c) Going concern assumption

As at 31 December 2017, 2018 and 2019 and 31 March 2020, the Target Company's current liabilities exceed its current assets by RMB477,816,000, RMB591,214,000, RMB260,054,000 and RMB518,212,000 respectively. Based on the latest business and development plan, the Target Company has capital requirements of RMB151 million in the coming 18 months after 31 March 2020. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Target Company's ability to continue as a going concern and therefore the Target Company may not be able to realise its assets and discharge its liabilities in the normal course of business. The directors of the Company consider the Target Company will have sufficient working capital to finance its operations and financial obligations as and when they fall due, and accordingly, are satisfied that it is appropriate to prepare the Historical Financial Information on a going concern basis after taking into consideration of the following:

- i) Pursuant to the capital injection and cooperation agreement dated 28 June 2019 (the "Agreement") entered into among the major shareholders of the Target Company, the Target Company and Pizu (Shenzhen) Mining Limited ("Pizu Shenzhen"), a wholly-owned subsidiary of the Company, Pizu Shenzhen has conditionally agreed to inject an aggregate amount of RMB270 million in cash to the Target Company (the "Capital Injection") in return for 51% equity interest of the Target Company (the "Acquisition"), subject to the conditions set out in the Agreement. In addition, Pizu Shenzhen has agreed to provide the Target Company with loan with a limit of RMB150 million.

By a supplemental agreement signed on 20 November 2019 (the "Supplemental Agreement"), the loan limit is revised to RMB270 million (the "First Loan"). The First Loan is repayable in 18 months from the first drawdown date of the loan. As at 31 March 2020 and 30 June 2020, Pizu Shenzhen has advanced an aggregate sum of RMB250,700,000 (note 19(c)) and RMB270,000,000 respectively to the Target Company. If all the conditions in relation to the Acquisition (if not waived) including obtaining approvals from the Stock Exchange and the shareholders of the Company are fulfilled and the Acquisition is completed, the First Loan will automatically become the Capital Injection.

3. BASIS OF PREPARATION (Continued)**(c) Going concern assumption (Continued)**

- ii) Pursuant to the Agreement, the Company and its subsidiaries (including Pizu Shenzhen) have agreed to provide additional financial support in the form of loan in an aggregate principal amount of up to RMB50 million to the Target Company (the "Second Loan"). The Second Loan, which is not yet drawn down at the date of this Historical Financial Information, is to satisfy the production and operation needs before the Target Company officially commence production. Apart from the above, subject to compliance with the relevant Listing Rules, the Company has undertaken to provide financial support in the form of loan in an aggregate principal amount of up to RMB125 million (the "Advance") in addition to the Second Loan to the Target Company if so required to satisfy its production and operation needs. The Company has agreed not to demand repayment of the Second Loan and the Advance until such time when the repayment will not affect the Target Company's ability to repay other creditors (excluding the existing shareholders and their affiliates) in normal course of business.
- iii) A major shareholder (the "Major Shareholder") of the Target Company, together with his controlling entities, have undertaken to provide continuing financial support in the form of loan in an aggregate principal amount of not less than RMB30 million which is not repayable until such time when repayment will not affect the Target Company's ability to repay other creditors in normal course of business in order to maintain the Target Company as a going concern.
- iv) Based on the current development and production plan of the Target Company, the commercial production of the mine will commence in early 2021. Based on the cash flows forecast covering the period up to 30 September 2021, the Target Company would generate net inflow of operating cash since early 2021.
- v) Subsequent to 31 March 2020, certain shareholders of the Target Company and their affiliates have agreed in writing not to demand repayment from the Target Company for the amounts due from them of RMB30,590,000 and RMB301,493,000 respectively as at 31 March 2020, until after 30 September 2021.
- vi) In respect of the outstanding bank loans amounting to RMB190 million (the "Loans") as at 31 March 2020 which were repayable on demand or due for repayment in August 2020, the relevant bank has agreed in writing on 13 July 2020 to extend the repayment of the those loans (the "Loan Extension Agreement"). Pursuant to the Loan Extension Agreement, the Loans are repayable as to RMB30 million in one to two years, RMB65 million in two to three years and the remaining RMB95 million after three years from 31 March 2020.

In unlikely situation where the Agreement was terminated, the directors of the Target Company consider that the Target Company is still able to obtain sufficient working capital to finance its operations and financial obligations as and when they fall due to that:

- i) The Company has agreed to extend the repayment of the First Loan which is due by January 2021 and agreed not to demand repayment of the First Loan and the Second Loan including interest accrued thereon until December 2021; and
- ii) The Major Shareholder has undertaken to provide additional financial support of RMB125 million to the Target Company.

Should the Target Company be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their net realisable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and liabilities to current assets and liabilities respectively. The effect of these adjustments has not been reflected in the Historical Financial Information.

4. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in preparing the Historical Financial Information are set out below. These policies have been consistently applied throughout the Relevant Periods unless otherwise stated.

(a) Functional and presentation currency

The Historical Financial Information of the Target Company is presented in RMB which is the same as the functional currency of the Target Company.

(b) Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Target Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Depending on the nature of the item of property, plant and equipment, depreciation is calculated on the straight-line basis to write off the cost of each asset to its residual value over its estimated useful life or it is calculated using the units of production ("UOP") basis to write off the cost of the asset proportionately to the extraction of the proven and probable mineral reserves.

The estimated useful lives of property, plant and equipment other than construction in progress are as follows:

Buildings	20 years
Plant and machinery	10 years
Furniture and equipment	5 years
Motor vehicles	5 years
Mining infrastructure	Respective mining lifetime of mines

Included in property, plant and equipment is mining infrastructure located at the mining sites. Depreciation is provided to write off the cost of the mining infrastructure using the UOP method based on the proven and probable mineral reserves.

Construction in progress is stated at cost less impairment losses. Cost comprises direct costs of construction as well as borrowing costs capitalised during the periods of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)**(c) Intangible assets****(i) Mining rights**

Mining rights are stated at cost less accumulated amortisation and any impairment losses. Mining rights include cost of acquiring mining licences, exploration and evaluation costs transferred from exploration and evaluation assets (note (ii)) and the cost of acquiring interests in the mining reserves of existing mining properties. Mining rights are amortised in accordance with the production plans of the concerned mines over the proven and probable mineral reserves of the mines using the UOP method. Mining rights are written off to profit or loss if the mining property is abandoned.

(ii) Exploration and evaluation assets

Exploration rights and evaluation assets are stated at cost less impairment losses. Exploration rights and evaluation assets include costs incurred for acquiring exploration rights, topographical and geological surveys, exploratory drilling, sampling and trenching and activities in relation to evaluating commercial and technical feasibility, and amortisation and depreciation charges in respect of assets consumed during the exploration activities.

Exploration and evaluation costs include expenditure incurred to secure further mineralisation in existing ore bodies as well as in new areas of interest. Expenditure incurred prior to accruing legal rights to explore an area is written off as incurred.

When the technical feasibility and commercial viability of extracting mineral resources are demonstrable, exploration and evaluation costs capitalised are transferred to either mining infrastructure (note 4(b)) or mining rights (note (i)); costs incurred for exploration and evaluation which can be directly attributable to the development of mining infrastructure are transferred to mining infrastructure whereas other costs are transferred to mining rights. Exploration and evaluation assets are written off to profit or loss if the exploration property is abandoned.

(d) Right-of-use assets

Right-of-use assets are recognised at cost and comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee; and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Target Company measures right-of-use assets applying a cost model. Under the cost model, the Target Company measures the right-to-use asset at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

(e) Lease liabilities

Lease liabilities are recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Target Company shall use its incremental borrowing rate.

The following payments for the use of the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)**(e) Lease liabilities (Continued)**

Subsequent to the commencement date, a lessee measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

The Target Company applies the short-term lease recognition exemption to leases. Short-term lease is a lease that at the lease commencement date has a lease term of 12 months or less and does not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

(f) Impairment of non-financial assets

At the end of each reporting period, the Target Company reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased, or when annual impairment testing for those assets is required:

- Property, plant and equipment
- Intangible assets
- Right-of-use assets
- Non-current prepayments

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit ("CGU")). As a result, some assets are tested individually for impairment and some are tested at CGU level.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs of disposal, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risk specific to the asset.

Impairment loss recognised for a CGU is charged pro rata to the assets in the CGU, except that the carrying value of an asset will not be reduced below its individual fair value less cost of disposal, or value in use, if determinable.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's or CGU's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

A reversal of such impairment is credited to profit or loss in the period in which it arises unless that asset is carried at revalued amount, in which case the reversal of impairment loss is accounted for in accordance with the relevant accounting policy for the revalued amount.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)**(g) Financial instruments****(i) Financial assets**

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Target Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Target Company's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Target Company classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

Fair value through other comprehensive income ("FVOCI"): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Debt investments at fair value through other comprehensive income are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

(ii) Impairment loss on financial assets

The Target Company recognises loss allowances for expected credit losses ("ECLs") on financial assets measured at amortised cost and bills receivables at FVOCI. The ECLs are measured on either of the following bases: (1) 12-month ECLs: these are the ECLs that result from possible default events within 12 months after the reporting date; and (2) lifetime ECLs: these are the ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Target Company is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Target Company in accordance with the contract and all the cash flows that the Target Company expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The ECLs are based on the 12-month ECLs. However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECLs.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)**(g) Financial instruments (Continued)****(ii) Impairment loss on financial assets (Continued)**

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Target Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Target Company's historical experience and informed credit assessment and including forward-looking information.

The Target Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Target Company considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Target Company in full, without recourse by the Target Company to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due, depending on the creditworthiness of the customers.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets, interest income is calculated based on the gross carrying amount.

(iii) Financial liabilities

The Target Company classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at FVTPL are initially measured at fair value and financial liabilities at amortised cost are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost including trade payables, accruals and other payables, amounts due to shareholders and affiliates of shareholders, and borrowings are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in accordance with the accounting policy for borrowing costs (Note 4(1)).

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instrument

Equity instruments issued by the Target Company are recorded at the proceeds received, net of direct issue costs.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)**(g) Financial instruments (Continued)****(vi) Derecognition**

The Target Company derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9 Financial Instruments.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

(h) Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand. For the purpose of the statement of cash flows presentation, cash and cash equivalents include bank overdrafts which are repayable on demand and form an integral part of the Target Company's cash management.

(i) Income taxes

Income taxes comprise current tax and deferred tax.

Current tax is based on profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of reporting period.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

(j) Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which is intended to compensate.

Where the grant relates to an asset, the fair value of the grant is credited to a deferred income account and is released to the statement of comprehensive income over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)**(k) Employee benefits****(a) Short-term employee benefits**

Short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short-term employee benefits are recognised in the period when the employees render the related service.

(b) Defined contribution retirement plan

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

(c) Termination benefits

Termination benefits are recognised on the earlier of when the Target Company can no longer withdraw the offer of those benefits and when the Target Company recognises restructuring costs involving the payment of termination benefits.

(l) Borrowing costs

Borrowing costs attributable directly to the acquisition, construction and production of qualifying assets are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are expensed in the period when they are incurred.

(m) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Target Company has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Provisions for the Target Company's obligations for land reclamation are based on estimates of required expenditure for the mines in accordance with the PRC rules and regulations. The Target Company estimates its liabilities for final reclamation and mine closure based on a detailed calculations of the amount and timing of the future cash expenditure to perform the required work. Spending estimates are escalated for inflation, then discounted at a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability such that the amount of provision reflects the present value of the expenditures expected to be required to settle the obligation. The Target Company records a corresponding asset in the period in which the liability is incurred. The asset is depreciated using the UOP method over its expected life and the liability is accreted to the projected expenditure date. Provision for land reclamation is reviewed at the end of each of the reporting period and adjusted to reflect the current best estimate. When changes in estimates occur (such as mine plan revisions, changes in estimated costs, or changes in the timing of the performance of reclamation activities), the revisions to the obligation and the asset are recognised at the appropriate discount rate.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)**(n) Related parties**

- (a) A person or a close member of that person's family is related to the Target Company if that person:
 - (i) has control or joint control over the Target Company;
 - (ii) has significant influence over the Target Company; or
 - (iii) is a member of key management personnel of the Target Company's parent.
- (b) An entity is related to the Target Company if any of the following conditions apply:
 - (i) The entity and the Target Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of the employees of the Target Company or an entity related to the Target Company.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a party, provides key management services to the Target Company or to the Target Company's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

(o) Fair value measurement

The fair value measurement of the Target Company's financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT

The preparation of the Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The Target Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions adopted that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of property, plant and equipment, intangible assets and right-of-use assets

For the purpose of performing impairment assessment as disclosed in Note 11, recoverable amount is determined based on value in use which is derived using discounted cash flow analysis. The impairment assessment of the property, plant and equipment, intangible assets and right-of-use assets which collectively form the cash generating unit (CGU) engaging in the mining operation requires the use of significant estimations and judgement including estimation of mineral reserves, long-term commodity prices, operating performance, future capital requirements and determination of discount rates and fair value less costs of disposal of these assets. Future changes in the circumstances and conditions underlying the estimates and judgement exercised may affect the estimation of recoverable amount and thus result in adjustment to the carrying amounts of those assets comprising the CGU.

6. REVENUE AND SEGMENTAL INFORMATION

No revenue has been generated by the Target Company during the Relevant Periods.

The Target Company is a mining company in development stage and is made up of one reporting segment. Accordingly, no segmental information is disclosed.

7. PROFIT/(LOSS) FROM OPERATIONS

Profit/(Loss) from operations is arrived at after charging/(crediting):

	Year ended 31 December			Three months ended	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Other income – government grant	–	(500)	(50)	(50)	–
Auditor's remuneration	293	5	6	–	–
Depreciation of property, plant and equipment	2,917	2,795	3,059	726	840
Less: Amount capitalised in exploration and evaluation assets/mining right	(2,375)	(2,253)	(2,517)	(591)	(704)
	<u>542</u>	<u>542</u>	<u>542</u>	<u>135</u>	<u>136</u>
Depreciation of right-of-use assets	453	454	454	112	144
Short-term lease expenses	1,263	1,059	1,060	–	–
Staff costs (including directors' emoluments (Note 8))	5,683	6,719	7,366	1,279	2,369
	<u><u>5,683</u></u>	<u><u>6,719</u></u>	<u><u>7,366</u></u>	<u><u>1,279</u></u>	<u><u>2,369</u></u>

APPENDIX IIA ACCOUNTANTS' REPORT ON THE TARGET COMPANY

8. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The emoluments of the Target Company's directors are as follows:

Year ended 31 December 2017

Name of directors	Fees <i>RMB'000</i>	Salaries, allowances and other benefits <i>RMB'000</i>	Retirement scheme contributions <i>RMB'000</i>	Total <i>RMB'000</i>
Yang Xianglong	–	137	18	155
Wu Zhixiang	–	–	–	–
Zhou Wei	–	144	–	144
Nie Handong	–	76	18	94
Cheng Wen	–	–	–	–
Total	–	357	36	393

Year ended 31 December 2018

Name of directors	Fees <i>RMB'000</i>	Salaries, allowances and other benefits <i>RMB'000</i>	Retirement scheme contributions <i>RMB'000</i>	Total <i>RMB'000</i>
Yang Xianglong	–	141	19	160
Wu Zhixiang	–	–	–	–
Zhou Wei	–	144	–	144
Nie Handong	–	77	19	96
Cheng Wen	–	–	–	–
Total	–	362	38	400

APPENDIX IIA ACCOUNTANTS' REPORT ON THE TARGET COMPANY

8. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(a) Directors' emoluments (Continued)

Year ended 31 December 2019

Name of directors	Fees <i>RMB'000</i>	Salaries, allowances and other benefits <i>RMB'000</i>	Retirement scheme contributions <i>RMB'000</i>	Total <i>RMB'000</i>
Yang Xianglong	–	137	17	154
Wu Zhixiang	–	–	–	–
Zhou Wei	–	139	–	139
Nie Handong (resigned on 16 January 2019)	–	–	–	–
Cheng Wen (resigned on 16 January 2019)	–	–	–	–
Liu Dafan (appointed on 16 January 2019)	–	–	–	–
Dai Bo (appointed on 16 January 2019)	–	–	–	–
Total	–	276	17	293

Three months ended 31 March 2020

Name of directors	Fees <i>RMB'000</i>	Salaries, allowances and other benefits <i>RMB'000</i>	Retirement scheme contributions <i>RMB'000</i>	Total <i>RMB'000</i>
Yang Xianglong	–	32	2	34
Wu Zhixiang	–	–	–	–
Zhou Wei	–	29	–	29
Liu Dafan	–	–	–	–
Dai Bo	–	–	–	–
Total	–	61	2	63

APPENDIX IIA ACCOUNTANTS' REPORT ON THE TARGET COMPANY

8. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(a) Directors' emoluments (Continued)

Three months ended 31 March 2019 (Unaudited)

Name of directors	Fees <i>RMB'000</i>	Salaries, allowances and other benefits <i>RMB'000</i>	Retirement scheme contributions <i>RMB'000</i>	Total <i>RMB'000</i>
Yang Xianglong	–	33	4	37
Wu Zhixiang	–	–	–	–
Zhou Wei	–	29	–	29
Nie Handong (resigned on 16 January 2019)	–	–	–	–
Cheng Wen (resigned on 16 January 2019)	–	–	–	–
Liu Dafan (appointed on 16 January 2019)	–	–	–	–
Dai Bo (appointed on 16 January 2019)	–	–	–	–
	–	–	–	–
Total	–	62	4	66

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

During the Relevant Periods, no remuneration was paid by the Target Company to any director as an inducement to join or upon joining the Target Company or as compensation for loss of office.

APPENDIX IIA ACCOUNTANTS' REPORT ON THE TARGET COMPANY

8. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Target Company for the Relevant Periods included 1, 1, 1, 1 and nil directors of the Target Company whose emoluments during the years ended 31 December 2017, 2018 and 2019 and the three months ended 31 March 2019 and 2020 respectively are reflected in the analysis presented in Note (a) above.

Emoluments payable to the remaining highest paid individuals during the Relevant Periods are as follows:

	Year ended 31 December			Three months ended 31 March	
	2017	2018	2019	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Salaries, allowances and other benefits	709	816	738	156	274
Retirement scheme contributions	18	13	12	3	1
Total	<u>727</u>	<u>829</u>	<u>750</u>	<u>159</u>	<u>275</u>

The emoluments of the remaining individuals were within the following bands:

	Number of individuals				
	Year ended 31 December			Three months ended 31 March	
	2017	2018	2019	2019	2020
Nil to HK\$1,000,000	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>5</u>

During the Relevant Periods, no emoluments were paid by the Target Company to any of the five highest paid employees as an inducement to join or upon joining the Target Company or as compensation for loss of office.

(c) Senior management's emoluments

The emoluments paid or payable to members of senior management (including directors) were within the following bands:

	Number of individuals				
	Year ended 31 December			Three months ended 31 March	
	2017	2018	2019	2019	2020
Nil to HK\$1,000,000	<u>11</u>	<u>11</u>	<u>16</u>	<u>16</u>	<u>14</u>

APPENDIX IIA ACCOUNTANTS' REPORT ON THE TARGET COMPANY

9. FINANCE COSTS

	Year ended 31 December			Three months ended	
	2017	2018	2019	31 March	
	RMB'000	RMB'000	RMB'000	2019	2020
				RMB'000	RMB'000
				(Unaudited)	
Interest expenses on bank borrowings	17,988	16,786	14,626	4,805	3,718
Interest expenses on other borrowings and advances from shareholders and affiliates of shareholders	7,746	17,273	16,597	6,544	1,317
Total finance costs	25,734	34,059	31,223	11,349	5,035
Less: Amount capitalised in construction in progress included in property, plant and equipment	(17,988)	(16,786)	(14,626)	(4,805)	(3,718)
	<u>7,746</u>	<u>17,273</u>	<u>16,597</u>	<u>6,544</u>	<u>1,317</u>

During the years ended 31 December 2017, 2018 and 2019 and the three months ended 31 March 2019 and 2020, finance costs capitalised in respect of specific borrowings amounted to RMB17,988,000, RMB16,786,000, RMB14,626,000, RMB4,805,000 and RMB3,718,000 respectively. No finance costs arising on the general borrowing were capitalised during the Relevant Periods.

10. INCOME TAX (EXPENSE)/CREDIT

(a) Current tax

The Target Company is subject to the PRC enterprise income tax at the statutory tax rate of 25% during the Relevant Periods. No income tax is provided for the Relevant Periods as the Target Company did not generate assessable income during the Relevant Periods.

(b) Deferred tax assets

Details of the deferred tax assets recognised and movement during the Relevant Periods are as follows:

	Tax loss RMB'000	Impairment RMB'000	Total RMB'000
As at 1 January 2017	31,717	101,233	132,950
Credited/(charged) to profit or loss	8,610	(26,892)	(18,282)
As at 31 December 2017 and 1 January 2018	40,327	74,341	114,668
Credited/(charged) to profit or loss	11,214	(14,596)	(3,382)
As at 31 December 2018 and 1 January 2019	51,541	59,745	111,286
Credited/(charged) to profit or loss	12,193	(59,745)	(47,552)
As at 31 December 2019 and 1 January 2020	63,734	–	63,734
Credited to profit or loss	2,428	–	2,428
As at 31 March 2020	<u>66,162</u>	<u>–</u>	<u>66,162</u>

As at 31 December 2017, 2018 and 2019 and 31 March 2020, the Target Company had unused tax losses arising in the PRC of approximately RMB161,306,000, RMB206,163,000, RMB254,934,000 and RMB264,647,000 respectively, available for offset against future profits. The unused tax losses arising in the PRC will be expired in five years from the year the Target Company starts commercial production.

APPENDIX IIA ACCOUNTANTS' REPORT ON THE TARGET COMPANY

10. INCOME TAX (EXPENSE)/CREDIT (Continued)

(c) Reconciliation between income tax expense/(credit) and accounting profit/(loss) at applicable rate is as follows:

	Year ended 31 December			Three months ended 31 March	
	2017 RMB'000	2018 RMB'000	2019 RMB'000	2019 RMB'000	2020 RMB'000
Profit/(Loss) before income tax	72,220	12,626	188,746	(18,635)	(10,217)
Tax calculated at the rate applicable to the jurisdiction concerned	18,055	3,157	47,187	(4,658)	(2,554)
Tax effect of non-deductible expenses	227	225	365	57	126
Income tax expense/(credit)	18,282	3,382	47,552	(4,601)	(2,428)

11. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Furniture and equipment RMB'000	Motor vehicles RMB'000	Mining infrastructure RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:							
As at 1 January 2017	27,260	12,330	27	2,178	468,017	21,983	531,795
Additions	-	1,927	-	-	8,431	52,975	63,333
Transfer	-	-	-	-	19,566	(19,566)	-
As at 31 December 2017 and 1 January 2018	27,260	14,257	27	2,178	496,014	55,392	595,128
Additions	-	1,595	-	-	6,329	65,086	73,010
Transfer	-	-	-	-	1,663	(1,663)	-
As at 31 December 2018 and 1 January 2019	27,260	15,852	27	2,178	504,006	118,815	668,138
Additions	-	4,779	9	-	9,448	84,194	98,430
Transfer	-	-	-	-	8,096	(8,096)	-
As at 31 December 2019 and 1 January 2020	27,260	20,631	36	2,178	521,550	194,913	766,568
Additions	-	58	-	-	411	25,791	26,260
Transfer	-	-	-	-	91,577	(91,577)	-
As at 31 March 2020	27,260	20,689	36	2,178	613,538	129,127	792,828

11. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Buildings RMB'000	Plant and machinery RMB'000	Furniture and equipment RMB'000	Motor vehicles RMB'000	Mining infrastructure RMB'000	Construction in progress RMB'000	Total RMB'000
Accumulated depreciation and impairment:							
As at 1 January 2017	3,953	2,510	20	1,340	386,764	18,167	412,754
Depreciation	1,295	1,281	5	336	-	-	2,917
(Reversal of impairment)/ Impairment (Note)	-	-	-	-	(119,274)	11,705	(107,569)
As at 31 December 2017 and 1 January 2018	5,248	3,791	25	1,676	267,490	29,872	308,102
Depreciation	1,295	1,422	-	78	-	-	2,795
(Reversal of impairment)/ Impairment (Note)	-	-	-	-	(74,102)	15,718	(58,384)
As at 31 December 2018 and 1 January 2019	6,543	5,213	25	1,754	193,388	45,590	252,513
Depreciation	1,295	1,687	-	77	-	-	3,059
Reversal of impairment (Note)	-	-	-	-	(193,388)	(45,590)	(238,978)
As at 31 December 2019 and 1 January 2020	7,838	6,900	25	1,831	-	-	16,594
Depreciation	324	497	-	19	-	-	840
As at 31 March 2020	8,162	7,397	25	1,850	-	-	17,434
Net carrying amount:							
As at 31 December 2017	<u>22,012</u>	<u>10,466</u>	<u>2</u>	<u>502</u>	<u>228,524</u>	<u>25,520</u>	<u>287,026</u>
As at 31 December 2018	<u>20,717</u>	<u>10,639</u>	<u>2</u>	<u>424</u>	<u>310,618</u>	<u>73,225</u>	<u>415,625</u>
As at 31 December 2019	<u>19,422</u>	<u>13,731</u>	<u>11</u>	<u>347</u>	<u>521,550</u>	<u>194,913</u>	<u>749,974</u>
As at 31 March 2020	<u>19,098</u>	<u>13,292</u>	<u>11</u>	<u>328</u>	<u>613,538</u>	<u>129,127</u>	<u>775,394</u>

Note:

At the end of each of the Relevant Periods, the directors of the Target Company performed impairment assessment on the Target Company's property, plant and equipment, intangible assets and right-of-use assets which collectively form the CGU of the mining operation.

In performing the impairment assessment for the Relevant Periods, the directors of the Target Company engaged Greater China Appraisal Limited, an independent firm of qualified valuers, to determine the recoverable amount of the CGU. The recoverable amounts as at the end of each of the Relevant Periods were estimated based on the value in use ("VIU") of the CGU.

The VIU was determined by discounting the future cash flows to be generated from the continuing use of the assets in the CGU. The recoverable amounts are determined based on the calculation using cash flow projections according to the CGU's 14-year production plans and the latest life of the mine plans with real pre-tax discount rates ranging from 10.26% to 11.30% during the Relevant Periods.

APPENDIX IIA ACCOUNTANTS' REPORT ON THE TARGET COMPANY

11. PROPERTY, PLANT AND EQUIPMENT (Continued)

Note: (Continued)

Other key assumptions used in the estimation of VIU are as follows:

Resources/reserves – These represent one of the key factors the management has considered during the impairment assessment, which comprise reserves (proved and probable) where appropriate, on the basis of appropriate geological evidence and sampling, with reference to the reserves statements prepared by appropriate competent persons.

Commodity prices – Forecast commodity prices are based on management's estimates and are derived from forward price curves and long-term views of domestic supply and demand, building on past experience of the industry and consistent with external sources. These prices were adjusted to arrive at appropriate consistent price assumptions for the different qualities and type of commodities, or, where appropriate, contracted prices were applied. These prices are reviewed at least annually.

Production volumes – Estimated production volumes are based on the detailed life of mine plans taking into account development plans of the mine agreed by management as part of the long-term planning process.

Discount rates – The discount rates used are pre-tax and reflect specific risks relating to the CGU.

The values assigned to key assumptions are consistent with external information sources.

Based on the above-mentioned impairment assessment, the recoverable amounts and the carrying amounts of the CGU as at the end of each of the Relevant Periods are as follows:

	As at 31 December			As at
	2017	2018	2019	31 March
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Recoverable amount	351,487	484,394	836,159	962,149
Carrying amount	<u>243,918</u>	<u>426,010</u>	<u>588,422</u>	<u>876,283</u>

The resultant impact to the statements of comprehensive income for the Relevant Periods were set out as follow:

	Year ended 31 December			Three months ended	
	2017	2018	2019	31 March	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Reversal of impairment/(Impairment loss)	<u>107,569</u>	<u>58,384</u>	<u>238,978</u>	<u>(5,270)</u>	<u>–</u>

The impairment loss as well as the reversal of such impairment provision is allocated to property, plant and equipment.

APPENDIX IIA ACCOUNTANTS' REPORT ON THE TARGET COMPANY

12. INTANGIBLE ASSETS

	Mining right <i>RMB'000</i>	Exploration and evaluation assets <i>RMB'000</i>	Total <i>RMB'000</i>
Cost and net carrying amount:			
As at 1 January 2017	28,380	55,151	83,531
Additions	–	4,113	4,113
As at 31 December 2017 and 1 January 2018	28,380	59,264	87,644
Additions	–	4,768	4,768
As at 31 December 2018 and 1 January 2019	28,380	64,032	92,412
Additions	–	5,332	5,332
Transfer	69,364	(69,364)	–
As at 31 December 2019 and 1 January 2020	97,744	–	97,744
Additions	915	–	915
As at 31 March 2020	98,659	–	98,659

Notes:

- (a) The Target Company acquired an exploration licence for certain mine area in the PRC in 2010 and such exploration licence was converted to mining licence in 2016.
- (b) No amortisation is provided on the mining right during the Relevant Periods as the Target Company was in the stage of mine development and has not yet commenced production.
- (c) The Target Company's mining right with carrying value of approximately RMB28,380,000, RMB28,380,000, RMB97,744,000 and RMB98,659,000 at 31 December 2017, 2018 and 2019 and 31 March 2020 respectively was pledged to secure the bank borrowings and the entrusted borrowing (Note 19).

APPENDIX IIA ACCOUNTANTS' REPORT ON THE TARGET COMPANY

13. LEASES

(a) Right-of-use assets

	Leasehold land <i>RMB'000</i>
Cost:	
As at 1 January 2017 and 31 December 2017, 2018 and 2019	22,592
Additions	9,986
	<hr/>
As at 31 March 2020	32,578
	<hr/>
Accumulated depreciation:	
As at 1 January 2017	370
Depreciation	453
	<hr/>
As at 31 December 2017 and 1 January 2018	823
Depreciation	454
	<hr/>
As at 31 December 2018 and 1 January 2019	1,277
Depreciation	454
	<hr/>
As at 31 December 2019 and 1 January 2020	1,731
Depreciation	144
	<hr/>
As at 31 March 2020	1,875
	<hr/>
Net carrying amount:	
As at 31 December 2017	21,769
	<hr/> <hr/>
As at 31 December 2018	21,315
	<hr/> <hr/>
As at 31 December 2019	20,861
	<hr/> <hr/>
As at 31 March 2020	30,703
	<hr/> <hr/>

APPENDIX IIA ACCOUNTANTS' REPORT ON THE TARGET COMPANY

13. LEASES (Continued)

(b) Information in relation to short-term leases

	Year ended 31 December			Three months ended 31 March	
	2017 RMB'000	2018 RMB'000	2019 RMB'000	2019 RMB'000	2020 RMB'000
Short-term lease expenses	1,263	1,059	1,060	–	–
Aggregate undiscounted commitments for short-term leases	–	1,060	–	1,060	–

(Unaudited)

14. PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December			As at 31 March
	2017 RMB'000	2018 RMB'000	2019 RMB'000	2020 RMB'000
Prepayments for purchases of land use right and property, plant and equipment (Note)	29,615	29,615	32,748	42,863
Other prepayments	4,464	4,866	7,231	606
Other receivables	14,254	19,839	29,085	39,858
Total	48,333	54,320	69,064	83,327
Less: current portion	(18,718)	(24,705)	(36,316)	(40,464)
Non-current portion (representing prepayments for purchases of land use right and property, plant and equipment)	29,615	29,615	32,748	42,863

Note:

At the end of the Relevant Periods, the Target Company was in the process of applying the land use right certificates for the leasehold land in the PRC.

15. BILLS RECEIVABLES

	As at 31 December			As at 31 March
	2017 RMB'000	2018 RMB'000	2019 RMB'000	2020 RMB'000
Bills receivables, at fair value	–	–	14,100	4,200

As at 31 December 2017, 2018 and 2019 and 31 March 2020, all bills receivables were aged within 1 year and were neither past due nor impaired.

APPENDIX IIA ACCOUNTANTS' REPORT ON THE TARGET COMPANY

16. AMOUNT(S) DUE FROM/TO A RELATED PARTY/SHAREHOLDERS/AFFILIATES OF SHAREHOLDERS

(a) Amount due from a related party

Particulars of amount due from a related party are disclosed as follows:

	As at 31 December			As at
	2017	2018	2019	31 March
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
廬江縣石門庵津安銅業有限公司	300	300	300	300
	<u>300</u>	<u>300</u>	<u>300</u>	<u>300</u>
	Maximum outstanding amount			
				Three months
	Year ended 31 December			ended
	2017	2018	2019	31 March
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
廬江縣石門庵津安銅業有限公司	300	300	300	300
	<u>300</u>	<u>300</u>	<u>300</u>	<u>300</u>

Mr. Yang Xianglong and Mr. Nie Handong, directors of the Target Company, were shareholders of the related party during the Relevant Periods. Amount due from a related party is non-trade in nature, unsecured, interest free and repayable on demand. There was no impairment made against these amounts at the end of each of the Relevant Periods.

(b) Amounts due to shareholders/affiliates of shareholders

The amounts due to these parties are unsecured and mainly represent advances from these parties for financing the working capital of the Target Company. Among these balances as at 31 December 2017, 2018 and 2019 and 31 March 2020, sum of RMB103,079,000, RMB221,465,000, RMB271,961,000 and RMB272,472,000 respectively are interest bearing at rates ranging from 10.0% to 14.4%, 8.0% to 14.4%, 8.0% to 14.4% and 8.0% to 14.4% per annum and the remaining balance are interest-free.

The Target Company entered into new arrangements with the shareholders and their affiliates in June 2019 to modify the terms of their advances. Such modifications are mainly to change the repayment period of the principal element and where applicable, the interest element. Those advances as at 31 December 2017 and 2018 under the old arrangements were repayable on demand or due within one year. Those advances as at 31 December 2019 and 31 March 2020 under the new arrangements were repayable as follows: principal element is repayable by five annual instalments starting from 1 July 2021; and where applicable, interest element is repayable by quarter starting from 1 July 2020. In addition, under the new arrangements, interest entitled by the relevant shareholders and their affiliates is subject to cap at an aggregate amount of RMB30,000,000. For those shareholders or affiliates whose advances were previously not subject to interest will be entitled to interest starting from 1 July 2020. Further details about the new arrangements of the advances are set out in Note 30(a).

17. TRADE PAYABLES

	As at 31 December			As at
	2017	2018	2019	31 March
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	41,732	44,456	51,258	52,026
Retention payables	48,424	51,690	54,929	56,472
	<u>90,156</u>	<u>96,146</u>	<u>106,187</u>	<u>108,498</u>

APPENDIX IIA ACCOUNTANTS' REPORT ON THE TARGET COMPANY

17. TRADE PAYABLES (Continued)

The Target Company has been granted by its suppliers and contractors a credit period of 30 days in general. Retention monies are retained by the Target Company when the relevant projects are in progress. The retention payables will be released upon expiry of the defect liability period as specified in the construction agreements, which is usually 12 months. Ageing analysis of trade and retention payables, based on the invoice dates, is as follows:

	As at 31 December			As at
	2017	2018	2019	31 March
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
0-180 days	15,460	19,335	26,951	32,789
181-365 days	3,169	5,260	2,789	11,193
Over one year	71,527	71,551	76,447	64,516
	<u>90,156</u>	<u>96,146</u>	<u>106,187</u>	<u>108,498</u>

18. ACCRUALS AND OTHER PAYABLES

	As at 31 December			As at
	2017	2018	2019	31 March
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Accruals	111	11	467	18
Other payables	3,018	3,121	3,589	3,284
	<u>3,129</u>	<u>3,132</u>	<u>4,056</u>	<u>3,302</u>

19. BORROWINGS

	As at 31 December			As at
	2017	2018	2019	31 March
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Bank borrowings – secured (Note (b)):				
Within one year	243,506	219,008	192,006	192,006
More than one year, but not exceeding two years	25,000	63,000	–	–
More than two years, but not exceeding five years	49,500	–	–	–
	<u>318,006</u>	<u>282,008</u>	<u>192,006</u>	<u>192,006</u>
Other borrowings – secured (Note (c)):				
Within one year	–	–	–	250,700
More than one year, but not exceeding two years	–	–	202,160	–
	<u>–</u>	<u>–</u>	<u>202,160</u>	<u>250,700</u>
Other borrowings – unsecured (Note (d)):				
Within one year	15,574	22,158	13,932	14,244
Entrusted borrowing – secured (Note (e)):				
More than five years	100,000	100,000	100,000	100,000
	<u>433,580</u>	<u>404,166</u>	<u>508,098</u>	<u>556,950</u>

19. BORROWINGS (Continued)

	As at 31 December			As at
	2017	2018	2019	31 March
	RMB'000	RMB'000	RMB'000	2020
Current portion	259,080	241,166	205,938	456,950
Non-current portion	174,500	163,000	302,160	100,000
	<u>433,580</u>	<u>404,166</u>	<u>508,098</u>	<u>556,950</u>

Notes:

- (a) For the Relevant Periods, all borrowings were denominated in RMB.
- (b) The Target Company borrowed two loans from a bank in the PRC with principal amounts of RMB120,000,000 and RMB260,000,000 respectively in 2014 and 2015 for financing the mine construction. The two loans are repayable by instalments until 6 August 2020 and secured by the mining right (Note 12) and guarantees provided by the directors, shareholders, affiliates of shareholders and a related party of the Target Company. The loans are interest-bearing at the PRC Benchmark Lending Rate for loan with maturity of five years or above. The effective interest rates for the loans are 4.9%, 4.9%, 4.9%, 4.9% and 4.9% per annum for the years ended 31 December 2017, 2018 and 2019 and the three months ended 31 March 2019 and 2020 respectively.

As at 31 December 2017, 2018 and 2019 and 31 March 2020, included in the bank borrowings is a loan with outstanding principal of approximately RMB218,506,000, RMB194,008,000, RMB129,006,000 and RMB129,006,000 respectively which is subject to the fulfillment of covenants relating to the Target Company's financial position, breaching which the bank has right at its sole discretion to demand immediate repayment at any time irrespective of whether the Target Company has met the scheduled repayment obligations. The loan was classified as current liabilities at the end of each of the Relevant Periods since the Target Company has breached the aforementioned financial covenants since 2017.

- (c) Pursuant to the Agreement and the Supplemental Agreement, Pizu Shenzhen advanced an interest-free loan in the amount of RMB202,160,000 and RMB48,540,000 to the Target Company during the year ended 31 December 2019 and the three months ended 31 March 2020. The loan is repayable in 18 months from the first drawdown date of the loan and secured by 51% of total number of shares of the Target Company held by two existing shareholders of the Target Company together with the written joint liability guarantees signed by those shareholders. If the Capital Injection is terminated for reasons other than not being able to obtain internal approval of the Company, interest is charged at the same rate as that of commercial bank loans for the same period.
- (d) The Target Company's other borrowings from independent third parties are unsecured and carried interest at rates ranging from 7.0% to 14.4% per annum. At the end of each of the Relevant Periods, the borrowings were repayable within one year.
- (e) During the year ended 31 December 2016, pursuant to an entrusted loan agreement (the "Entrusted Loan Agreement") entered into between a shareholder of the Target Company (the "Shareholder") and an independent third party (the "Lender"), the Shareholder borrowed from the Lender an entrusted loan with principal amount of RMB100,000,000 through a bank in the PRC. The entrusted loan is interest-bearing at 1.2% per annum, repayable on 28 February 2031 and secured by a corporate guarantee provided by an independent financial institution (the "Guarantor") in the PRC. The Shareholder in turn entered into a loan agreement with the Target Company to lend the entrusted loan to the Target Company under the same terms as the Entrusted Loan Agreement and the Target Company is required to bear all the costs and obligations under the Entrusted Loan Agreement. Moreover, counter guarantees are provided to the Guarantor through guarantees provided by a director of the Shareholder, certain shareholders and the directors of the Target Company and a pledge on the mining right of the Target Company.

APPENDIX IIA ACCOUNTANTS' REPORT ON THE TARGET COMPANY

20. PROVISION

The provision for rehabilitation is related to the estimated costs of complying with the Target Company's obligations for land reclamation. These costs are expected to be incurred on mine closure, which, based on the Target Company's current mineral reserve estimates, lasts for 27 years.

The movements in the present value of the provision for rehabilitation are as follows:

	Year ended 31 December			Three months ended	
	2017	2018	2019	31 March	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
Non-current liabilities					
At the beginning and end of the year	11,886	11,886	11,886	11,886	11,886

21. SHARE CAPITAL

	Number of shares	Amount
	<i>'000</i>	<i>RMB'000</i>
Registered, issued and fully paid:		
Ordinary shares at RMB1 each		
As at 1 January 2017	162,856	162,856
Issue of shares (<i>Note (a)</i>)	2,648	2,648
As at 31 December 2017 and 1 January 2018	165,504	165,504
Issue of shares (<i>Note (b)</i>)	18,389	18,389
As at 31 December 2018 and 2019 and 31 March 2020	183,893	183,893

Notes:

- (a) Pursuant to the written resolutions of the shareholders passed on 21 September 2017, the Target Company issued and allotted 2,648,000 new ordinary shares at RMB4.9 each to two investors at an aggregate amount of RMB13,000,000. As a result, the registered share capital and share premium of the Target Company increased by RMB2,648,000 and RMB10,352,000 respectively.
- (b) Pursuant to the written resolutions of the shareholders passed on 30 January 2018, the Target Company issued and allotted 18,389,000 new ordinary shares at RMB1 each to a new investor at an aggregate amount of RMB18,389,000. As a result, the registered share capital of the Target Company increased by RMB18,389,000.

APPENDIX IIA ACCOUNTANTS' REPORT ON THE TARGET COMPANY

22. RESERVES

The Target Company's reserves and the movements therein for the Relevant Periods are presented in the statements of changes in equity. The nature and purpose of the reserves are as follows:

(a) **Share premium**

The share premium account included the premium arising from the issuance of new ordinary shares.

(b) **Accumulated losses**

This represents cumulative net losses recognised in profit or loss.

(c) **Contributed surplus**

Contributed surplus represented the interest payables waived by shareholders and affiliates of shareholders during the year ended 31 December 2019, details of which are set out in Note 30(a).

23. CAPITAL COMMITMENTS

The Target Company had the following capital commitments at the end of each of the Relevant Periods:

	As at 31 December			As at
	2017	2018	2019	31 March
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2020
				<i>RMB'000</i>
Acquisitions of property, plant and equipment for mining development	60,709	60,852	57,756	116,934
	<u>60,709</u>	<u>60,852</u>	<u>57,756</u>	<u>116,934</u>

24. RELATED PARTY TRANSACTIONS

(a) Details of the amounts due from/to the related parties are set out in Note 16. In addition to the transactions detailed elsewhere in the Historical Financial Information, the Target Company entered into the following transactions with its related parties:

	Year ended 31 December			Three months ended	
	2017	2018	2019	31 March	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
Interest expenses to shareholders and affiliates of shareholders	5,853	14,507	13,639	5,979	511
	<u>5,853</u>	<u>14,507</u>	<u>13,639</u>	<u>5,979</u>	<u>511</u>

(b) Key management personnel compensation

	Year ended 31 December			Three months ended	
	2017	2018	2019	31 March	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
Salaries, allowances and other benefits	1,341	1,469	1,498	278	401
Retirement scheme contributions	57	51	29	7	4
	<u>1,398</u>	<u>1,520</u>	<u>1,527</u>	<u>285</u>	<u>405</u>

APPENDIX IIA ACCOUNTANTS' REPORT ON THE TARGET COMPANY

25. DIVIDENDS

The directors of the Target Company do not recommend the payment of a dividend during the Relevant Periods.

26. SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORIES

The carrying amounts of the Target Company's financial assets and liabilities as recognised at the end of each of the Relevant Periods are analysed into the following categories. See Note 4(g)(i) for explanations about how the category of financial instruments affects their subsequent measurement.

	As at 31 December			As at
	2017	2018	2019	31 March
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Financial assets at FVOCI				
Bills receivables	–	–	14,100	4,200
Financial assets at amortised cost				
Other receivables	25	27	10	8,046
Amount due from a related party	300	300	300	300
Cash and cash equivalents	6,610	5,301	5,411	5,574
	<u>6,935</u>	<u>5,628</u>	<u>19,821</u>	<u>18,120</u>
Financial liabilities at amortised cost				
Trade payables	90,156	96,146	106,187	108,498
Accruals and other payables	811	711	1,465	1,018
Borrowings	433,580	404,166	508,098	556,950
Amounts due to shareholders	14,708	31,784	30,590	30,590
Amounts due to affiliates of shareholders	136,371	249,292	300,982	301,493
	<u>675,626</u>	<u>782,099</u>	<u>947,322</u>	<u>998,549</u>

27. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial instruments not measured at fair value

Financial instruments not measured at fair value include all financial instruments except for bills receivables. Due to their short term nature or interest-bearing close to market rates, the carrying value of these financial instruments approximates their fair values.

(b) Financial instruments measured at fair value

The fair values of bills receivables were measured based on recent transaction prices at the end of each of the Relevant Periods, which were a level 2 fair value measurement.

28. FINANCIAL RISK MANAGEMENT

The main risks arising from the Target Company's financial instruments in the normal course of the Target Company's business are credit risk, liquidity risk and interest rate risk. These risks are managed according to the Target Company's financial management policies and practices described below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Target Company. The Target Company's credit risk is primarily attributable to its cash and cash equivalents, bills receivables and other receivables.

The Target Company's cash and cash equivalents is mainly deposited with registered banks in the PRC. The Target Company has policies to limit its credit exposure to any financial institution. The directors consider the credit risk on bills receivables is low since the banks which guarantee payments of bills receivables are of high credit rating. Other receivables as at 31 March 2020 mainly comprise a refund receivable from the local government authority.

Accordingly, the ECLs for cash and cash equivalents, bills receivables and other receivables were expected to be minimal.

(b) Liquidity risk

Liquidity risk relates to the risk that the Target Company will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial assets. The Target Company is exposed to liquidity risk in respect of settlement of trade payables, accruals and other payables, amounts due to shareholders and affiliates of shareholders and borrowings in respect of its cash flow management.

The Target Company is exposed to significant liquidity risk as it recorded net current liabilities of RMB477,816,000, RMB591,214,000, RMB260,054,000 and RMB518,212,000 at 31 December 2017, 2018 and 2019 and 31 March 2020 respectively. The directors of the Target Company consider that the Target Company is able to mitigate the risk after considering the factors as disclosed in Note 3(c).

The following table details the Target Company's remaining contractual maturity for its financial liabilities as at the end of each of the Relevant Periods, which are based on undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the reporting date) and the earliest date the Target Company can be required to pay.

APPENDIX IIA ACCOUNTANTS' REPORT ON THE TARGET COMPANY

28. FINANCIAL RISK MANAGEMENT (Continued)

(b) Liquidity risk (Continued)

	Within one year or on demand <i>RMB'000</i>	More than one year but less than two years <i>RMB'000</i>	More than two years but less than five years <i>RMB'000</i>	More than five years <i>RMB'000</i>	Total contractual undiscounted cash flows <i>RMB'000</i>	Carrying amount <i>RMB'000</i>
As at 31 December 2017						
Trade payables	90,156	–	–	–	90,156	90,156
Accruals and other payables	811	–	–	–	811	811
Borrowings	289,232	31,095	58,139	116,394	494,860	433,580
Amounts due to shareholders	14,878	–	–	–	14,878	14,708
Amounts due to affiliates of shareholders	141,231	–	–	–	141,231	136,371
	<u>536,308</u>	<u>31,095</u>	<u>58,139</u>	<u>116,394</u>	<u>741,936</u>	<u>675,626</u>
As at 31 December 2018						
Trade payables	96,146	–	–	–	96,146	96,146
Accruals and other payables	711	–	–	–	711	711
Borrowings	262,090	67,302	7,200	113,994	450,586	404,166
Amounts due to shareholders	31,981	–	–	–	31,981	31,784
Amounts due to affiliates of shareholders	253,186	–	–	–	253,186	249,292
	<u>644,114</u>	<u>67,302</u>	<u>7,200</u>	<u>113,994</u>	<u>832,610</u>	<u>782,099</u>
As at 31 December 2019						
Trade payables	106,187	–	–	–	106,187	106,187
Accruals and other payables	1,465	–	–	–	1,465	1,465
Borrowings	214,974	204,560	7,200	111,594	538,328	508,098
Amounts due to shareholders	694	9,190	19,067	5,801	34,752	30,590
Amounts due to affiliates of shareholders	6,840	90,971	188,028	57,204	343,043	300,982
	<u>330,160</u>	<u>304,721</u>	<u>214,295</u>	<u>174,599</u>	<u>1,023,775</u>	<u>947,322</u>
As at 31 March 2020						
Trade payables	108,498	–	–	–	108,498	108,498
Accruals and other payables	1,018	–	–	–	1,018	1,018
Borrowings	463,218	2,400	7,200	111,295	584,113	556,950
Amounts due to shareholders	1,041	9,121	18,859	5,731	34,752	30,590
Amounts due to affiliates of shareholders	10,260	90,287	185,976	56,520	343,043	301,493
	<u>584,035</u>	<u>101,808</u>	<u>212,035</u>	<u>173,546</u>	<u>1,071,424</u>	<u>998,549</u>

APPENDIX IIA ACCOUNTANTS' REPORT ON THE TARGET COMPANY

28. FINANCIAL RISK MANAGEMENT (Continued)

(c) Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The Target Company's interest rate risk mainly arises from borrowings including amounts due to shareholders and affiliates of shareholders. The Target Company has not used any financial instruments to hedge potential fluctuations in interest rates.

The following table details the interest rate profile of the Target Company's borrowings at the end of the Relevant Periods.

	2017		As at 31 December 2018		2019		As at 31 March 2020	
	Effective interest rate		Effective interest rate		Effective interest rate		Effective interest rate	
	(%)	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)	RMB'000
Fixed rate borrowings								
Entrusted borrowing	1.2%	100,000	1.2%	100,000	1.2%	100,000	1.2%	100,000
Other borrowings	10.0%-12.0%	15,574	10.0%-14.4%	22,158	7.0%-14.4%	13,932	7.0%-14.4%	14,244
Amounts due to shareholders	10.0%	11,958	10.0%-14.4%	17,423	10.0%-14.4%	16,229	10.0%-14.4%	16,229
Amounts due to affiliates of shareholders	10.0%-14.4%	91,121	8%-14.4%	204,042	8%-14.4%	255,732	8%-14.4%	256,243
		218,653		343,623		385,893		386,716
Floating rate borrowings								
Bank borrowings	4.9%	318,006	4.9%	282,008	4.9%	192,006	4.9%	192,006
		318,006		282,008		192,006		192,006

The interest rates and terms of repayment of the Target Company's borrowings and amounts due to shareholders and affiliates of shareholders are disclosed in Notes 19 and 16 respectively.

29. CAPITAL RISK MANAGEMENT

The Target Company's objective of managing capital is to safeguard the Target Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

Capital structure of the Target Company comprises equity plus debts raised by the Target Company (including borrowings and amounts due to shareholders and affiliates of shareholders) net with cash and cash equivalents. The Target Company's management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In order to maintain or adjust the capital structure, the Target Company may adjust the amount of dividends paid to shareholders, issue new share as well as issue new debt or redeem its existing debt as it sees fit and appropriate. No change was made in the objectives, policies or processes for managing capital during the Relevant Periods.

The net debt-to-adjusted capital ratio at the end of each of the Relevant Periods is as follows:

	As at 31 December			As at
	2017	2018	2019	31 March
	RMB'000	RMB'000	RMB'000	RMB'000
Debts	584,659	685,242	839,670	889,033
Less: cash and cash equivalents	(6,610)	(5,301)	(5,411)	(5,574)
Net debts	<u>578,049</u>	<u>679,941</u>	<u>834,259</u>	<u>883,459</u>
Adjusted capital	<u>454,569</u>	<u>584,094</u>	<u>893,648</u>	<u>935,059</u>
Net debt to adjusted capital ratio	<u>1.27</u>	<u>1.16</u>	<u>0.93</u>	<u>0.94</u>

The Target Company targets to improve the net debt-to-adjusted capital ratio by looking for new investors.

30. NOTES TO THE STATEMENTS OF CASH FLOWS

(a) Significant non-cash transactions

Pursuant to the new loan arrangements entered into between the Target Company and shareholders and affiliates of shareholders of the Target Company (the "Shareholders and Affiliates") on 27 June 2019, the Shareholders and Affiliates agreed to waive a portion of the interest due by the Target Company to them, such that the Target Company is only required to pay an aggregate interest amount of RMB30,000,000 to the Shareholders and Affiliates for the period up to 30 June 2020. The total interest waived amounting to RMB14,042,000 was credited to contributed surplus during the year ended 31 December 2019.

30. NOTES TO THE STATEMENTS OF CASH FLOWS (Continued)

(b) Reconciliation of liabilities arising from financing activities

	Borrowings (Note 19) RMB'000	Amounts due to shareholders (Note 16)(b) RMB'000	Amounts due to affiliates of shareholders (Note 16)(b) RMB'000
As at 1 January 2017	450,003	12,587	49,039
Changes from cash flows:			
Interest paid	(19,307)	–	–
Proceeds from new borrowings	15,000	1,700	82,300
Repayments of borrowings	(31,997)	(400)	–
	<u>(36,304)</u>	<u>1,300</u>	<u>82,300</u>
Other changes:			
Interest expenses	19,881	821	5,032
As at 31 December 2017 and 1 January 2018	433,580	14,708	136,371
Changes from cash flows:			
Interest paid	(17,970)	–	–
Proceeds from new borrowings	5,000	15,760	99,730
Repayments of borrowings	(35,996)	–	–
	<u>(48,966)</u>	<u>15,760</u>	<u>99,730</u>
Other changes:			
Interest expenses	19,552	1,316	13,191
As at 31 December 2018 and 1 January 2019	404,166	31,784	249,292
Changes from cash flows:			
Interest paid	(16,178)	–	–
Proceeds from new borrowings	202,160	–	50,899
Repayments of borrowings	(99,634)	–	–
	<u>86,348</u>	<u>–</u>	<u>50,899</u>
Other changes:			
Interest expenses	17,584	741	12,898
Interest payables waived by shareholders and affiliates of shareholders	–	(1,935)	(12,107)
	<u>17,584</u>	<u>(1,194)</u>	<u>791</u>
As at 31 December 2019 and 1 January 2020	508,098	30,590	300,982
Changes from cash flows:			
Interest paid	(4,212)	–	–
Proceeds from new borrowings	48,540	–	–
	<u>44,328</u>	<u>–</u>	<u>–</u>
Other changes:			
Interest expenses	4,524	–	511
As at 31 March 2020	<u>556,950</u>	<u>30,590</u>	<u>301,493</u>
As at 1 January 2019	404,166	31,784	249,292
Changes from cash flows:			
Interest paid	(4,808)	–	–
Proceeds from new borrowings	–	–	25,499
	<u>(4,808)</u>	<u>–</u>	<u>25,499</u>
Other changes:			
Interest expenses	5,370	377	5,602
As at 31 March 2019 (Unaudited)	<u>404,728</u>	<u>32,161</u>	<u>280,393</u>

31. NOVEL CORONAVIRUS OUTBREAK

Since January 2020, the outbreak of Novel Coronavirus ("COVID-19") has impact on the business environment in the PRC. Up to the date of this report, COVID-19 has not resulted in material impact to the operations of the Target Company and the development of the mine is broadly on schedule.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company in respect of any period subsequent to 31 March 2020.

**APPENDIX IIB MANAGEMENT DISCUSSION AND ANALYSIS OF THE
TARGET COMPANY'S BUSINESS**

Set out in Appendix IIA to this circular is the accountants' report of the Target Company for the years end 31 December 2017, 2018 and 2019 and the three months ended 31 March 2020. Below is the management discussion and analysis on the performance of the Target Company for each of the aforesaid periods:–

(i) For the year ended 31 December 2017

Results and financial position

The Target Company was incorporated in the PRC on June 2010. The Target Company was in development progress. Accordingly, for the year ended 31 December 2017, the Target Company recorded no revenue and resulted in a profit and total comprehensive income for the year of approximately RMB53.9 million which was attributable to administrative and other operating expenses of approximately RMB27.6 million, reversal of impairment loss on property, plant and equipment of approximately RMB107.6 million, finance costs of approximately RMB7.7 million and income tax expense of approximately RMB18.3 million.

Capital structure and liquidity

As at 31 December 2017, the Target Company had net current liabilities of RMB477.8 million, which is mainly attributable to borrowings under current liabilities of approximately RMB259.1 million and amounts due to affiliates of shareholders of approximately RMB136.4 million. The Directors of the Target Company are satisfied that the continuing financial support from its shareholders and their affiliates to procure the necessary finance and support for a period of not less than twelve months from the end of the reporting period. Accordingly the Target Company believes that it has adequate resources to continue its operations as a going concern.

Property, plant and equipment

As at 31 December 2017, the Target Company held property, plant and equipment of approximately RMB287.0 million, which increase is mainly attributable to additions in an amount of RMB53.0 million in construction in progress and an increase of approximately RMB28.0 million in mining infrastructure consisting of approximately RMB8.4 million in additions and approximately RMB19.6 million being reclassification from construction in progress to mining infrastructure. In addition, a reversal of impairment loss on property, plant and equipment of approximately RMB107.6 million was recognised during the year.

Significant investments, material acquisitions and disposals

The Target Company did not undertake any significant investment or have any material acquisition or disposal of any subsidiary, associate or joint venture during the year ended 31 December 2017.

Employees and remuneration policy

The Target Company had 78 employees as at 31 December 2017. Total staff costs, including directors' remuneration, amounted to approximately RMB5.7 million for the year. On top of basic salaries, the Target Company provided retirement benefit scheme contributions to staffs during the year. The Target Company has no bonus or share option schemes.

Charges on assets

The Target Company had pledged its mining rights with a carrying value of approximately RMB28.4 million to secure the bank borrowings and the entrusted borrowing as at 31 December 2017.

Foreign exchange risk

During the year, all of the (i) administrative expenses; (ii) cash and cash equivalents; and (iii) the liabilities of the Target Company were denominated in RMB and therefore the Target Company is not exposed to foreign exchange risk save for remittance out of the PRC which is subject to the foreign exchange control restrictions imposed by the government of the PRC.

Contingent liabilities

The Target Company had no material contingent liabilities as at 31 December 2017.

Future plans and prospects

The Target Company is still in the progress of development and will put the mines into production as soon as practicable.

(ii) For the year ended 31 December 2018***Results and financial position***

The Target Company was in development progress. Accordingly, for the year ended 31 December 2018, the Target Company recorded no revenue and resulted in a profit and total comprehensive income for the year of approximately RMB9.2 million which was attributable to administrative and other operating expenses of approximately RMB29.0 million, reversal of impairment loss on property, plant and equipment of approximately RMB58.4 million, finance costs of approximately RMB17.3 million and income tax expense of approximately RMB3.4 million.

Capital structure and liquidity

As at 31 December 2018, the Target Company had net current liabilities of RMB591.2 million, which is mainly attributable to borrowings under current liabilities of approximately RMB241.2 million and amounts due to affiliates of shareholders of approximately RMB249.3 million. The Directors of the Target Company are satisfied that the continuing financial support from its shareholders and their affiliates to procure the necessary finance and support for a period of not less than twelve months from the end of the reporting period. Accordingly the Target Company believes that it has adequate resources to continue its operations as a going concern.

Property, plant and equipment

As at 31 December 2018, the Target Company held property, plant and equipment of approximately RMB415.6 million, which increase is mainly attributable to additions in an amount of RMB65.1 million in construction in progress and an increase of approximately RMB8.0 million in mining infrastructure consisting of approximately RMB6.3 million in additions and approximately RMB1.7 million being reclassification from construction in progress to mining infrastructure. In addition, a reversal of impairment loss on property, plant and equipment of approximately RMB58.4 million was recognised during the year.

Significant investments, material acquisitions and disposals

The Target Company did not undertake any significant investment or have any material acquisition or disposal of any subsidiary, associate or joint venture during the year ended 31 December 2018.

Employees and remuneration policy

The Target Company had 80 employees as at 31 December 2018. Total staff costs, including directors' remuneration, amounted to approximately RMB6.7 million for the year. On top of basic salaries, the Target Company provided retirement benefit scheme contributions to staffs during the year. The Target Company has no bonus or share option schemes.

Charges on assets

The Target Company had pledged its mining rights with a carrying value of approximately RMB28.4 million to secure the bank borrowing and the entrusted borrowing as at 31 December 2018.

Foreign exchange risk

During the year, all of the (i) income and expenses; (ii) cash and cash equivalents; and (iii) borrowings of the Target Company were denominated in RMB and therefore the Target Company is not exposed to foreign exchange risk save for remittance out of the PRC which is subject to the foreign exchange control restrictions imposed by the government of the PRC.

Contingent liabilities

The Target Company had no material contingent liabilities as at 31 December 2018.

Future plans and prospects

The Target Company is still in the progress of development and will put the mines into production as soon as practicable, including but not limited to construction of constructions and tailing ponds.

(iii) For the year ended 31 December 2019

Results and financial position

The Target Company was in the development progress. Accordingly, for the year ended 31 December 2019, the Target Company recorded no revenue and resulted in a profit and total comprehensive income for the year of approximately RMB141.2 million which was attributable to administrative and other operating expenses of approximately RMB33.7 million, reversal of impairment loss on property, plant and equipment of approximately RMB239.0 million, finance costs of approximately RMB16.6 million and income tax expense of approximately RMB47.6 million.

Capital structure and liquidity

As at 31 December 2019, the Target Company had net current liabilities of RMB260.1 million, which is mainly attributable to borrowings under current liabilities amounted to approximately RMB205.9 million. During the year, amounts due to affiliates of shareholders in aggregate amount of RMB301.0 million are reclassified from current liabilities to non-current liabilities on the basis that the said affiliates of shareholders have agreed to have the repayment by five annual instalments starting from 30 June 2021 instead of being repayable on demand. The Directors of the Target Company are satisfied that the continuing financial support from its shareholders and their affiliates to procure the necessary finance and support for a period of not less than twelve months from the end of the reporting period. Accordingly the Target Company believes that it has adequate resources to continue its operations as a going concern.

Property, plant and equipment

As at 31 December 2019, the Target Company held property, plant and equipment of approximately RMB750.0 million, which increase is mainly attributable to additions in an amount of RMB84.2 million in construction in progress and an increase of approximately RMB17.5 million in mining infrastructure consisting of approximately RMB9.4 million in additions and approximately RMB8.1 million being reclassification from construction in progress to mining infrastructure. In addition, a reversal of impairment loss on property, plant and equipment of approximately RMB239.0 million was recognised during the year.

Significant investments, material acquisitions and disposals

During the year ended 31 December 2019, the Company entered into the Capital Injection and Cooperation Agreement to acquire a 51% equity interest in the Target Company. Save for the above, the Target Company did not undertake any significant investment during the year ended 31 December 2019.

Employees and remuneration policy

The Target Company had 95 employees as at 31 December 2019. Total staff costs, including directors' remuneration, amounted to approximately RMB7.4 million for the year. On top of basic salaries, the Target Company provided retirement benefit scheme contributions to staffs during the year. The Target Company has no bonus or share option schemes.

Charges on assets

The Target Company had pledged its mining rights with a carrying value of approximately RMB 97.7 million to secure the bank borrowing and the entrusted borrowing as at 31 December 2019.

Foreign exchange risk

During the year, all of the (i) income and expenses; (ii) cash and cash equivalents; and (iii) borrowings of the Target Company were denominated in RMB and therefore the Target Company is not exposed to foreign exchange risk save for remittance out of the PRC which is subject to the foreign exchange control restrictions imposed by the government of the PRC.

Contingent liabilities

The Target Company had no material contingent liabilities as at 31 December 2019.

Future plans and prospects

The Target Company is still in the progress of development and will put the mines into production as soon as practicable, including but not limited to construction of constructions and tailing ponds.

(iv) For the three months ended 31 March 2020***Results and financial position***

The Target Company was in the development progress. Accordingly, for the three months ended 31 March 2020, the Target Company recorded no revenue and resulted in a loss and total comprehensive income for the period of approximately RMB7.8 million which was attributable to administrative and other operating expenses of approximately RMB8.9 million, finance costs of approximately RMB1.3 million and income tax credit of approximately RMB2.4 million.

Capital structure and liquidity

As at 31 March 2020, the Target Company had net current liabilities of RMB518.2 million, which is mainly attributable to borrowings under current liabilities amounted to approximately RMB457.0 million. The Directors of the Target Company are satisfied that the continuing financial support from its shareholders and their affiliates to procure the necessary finance and support for a period of not less than twelve months from the end of the reporting period. Accordingly the Target Company believes that it has adequate resources to continue its operations as a going concern.

Property, plant and equipment

As at 31 March 2020, the Target Company held property, plant and equipment of approximately RMB775.4 million, which increase is mainly attributable to additions in an amount of RMB25.8 million in construction in progress and an increase of approximately RMB92.0 million in mining infrastructure consisting of approximately RMB0.4 million in additions and approximately RMB91.6 million being reclassification from construction in progress to mining infrastructure.

Significant investments, material acquisitions and disposals

The Target Company did not undertake any significant investment during the period ended 31 March 2020.

Employees and remuneration policy

The Target Company had 99 employees as at 31 March 2020. Total staff costs, including directors' remuneration, amounted to approximately RMB2.4 million for the period. On top of basic salaries, the Target Company provided retirement benefit scheme contributions to staffs during the period. The Target Company has no bonus or share option schemes.

Charges on assets

The Target Company had pledged its mining rights with a carrying value of approximately RMB98.7 million to secure the bank borrowing and the entrusted borrowing as at 31 March 2020.

Foreign exchange risk

During the period, all of the (i) income and expenses; (ii) cash and cash equivalents; and (iii) borrowings of the Target Company were denominated in RMB and therefore the Target Company is not exposed to foreign exchange risk save for remittance out of the PRC which is subject to the foreign exchange control restrictions imposed by the government of the PRC.

Contingent liabilities

The Target Company had no material contingent liabilities as at 31 March 2020.

Future plans and prospects

The Target Company expects to be put into production in the third quarter of 2020 and in commercial mining production commences in 2021 as scheduled.

The information set out in this appendix does not form part of the accountants' reports prepared by the reporting accountants of the Company, BDO Limited, Certified Public Accountants, Hong Kong, set out in Appendix IIA to this circular, and are included to herein for illustrative purpose only.

I. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP**1. INTRODUCTION**

The unaudited pro forma financial information (the “Unaudited Pro Forma Financial Information”) of the Enlarged Group, consisting of the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group, has been prepared by the Directors in accordance with Rule 7.31 of the GEM Listing Rules and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants, for the purpose of illustrating the financial impact of the proposed capital injection for the purpose of acquiring 51% equity interest in the Target Company by Pizu (Shenzhen) (the “Proposed Acquisition”) on the assets and liabilities of the Group as if the Proposed Acquisition had been completed on 31 March 2020. The Group and the Target Company are collectively referred to as the Enlarged Group.

The unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group has been prepared based on the consolidated statement of financial position of the Group as at 31 March 2020 which has been extracted from the published annual report of the Company for the year ended 31 March 2020, and the statement of financial position of the Target Company as at 31 March 2020 as extracted from the accountants' report as set out in Appendix IIA to this circular.

A narrative description of the pro forma adjustments which are directly attributable to the Proposed Acquisition and factually supportable in the accompanying notes.

The Unaudited Pro Forma Financial Information of the Enlarged Group should be read in conjunction with the financial information of the Group contained in the annual report of the Company for the year ended 31 March 2020 and the accountants' report of the Target Company as set out in Appendix IIA to the Circular.

The Unaudited Pro Forma Financial Information of the Enlarged Group has been prepared by the directors of the Company based on a number of assumptions, estimate, uncertainties, currently available information and are prepared for illustrative purpose only. Because of its hypothetical nature, the Unaudited Pro Forma Financial Information may not give a true picture of the financial position of the Enlarged Group that would have been attained had the Proposed Acquisition been completed on 31 March 2020 or any other date. Furthermore, the Unaudited Pro Forma Financial Information of the Enlarged Group does not purport to predict the Enlarged Group's future financial position.

2. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND
LIABILITIES OF THE ENLARGED GROUP

	The Group					Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 31 March 2020
	as at					
	31 March					
	2020					
	Pro forma adjustments					
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 1)	(Note 2)	(Note 3(a))	(Note 3(b))	(Note 4)	
NON-CURRENT ASSETS						
Property, plant and equipment	241,670	775,394	(111,324)			905,740
Right-of-use assets	35,909	30,703	2,697			69,309
Prepayments for purchase of property, plant and equipment	1,325	42,863	(73)			44,115
Goodwill	–	–		5,130		5,130
Intangible assets	101,839	98,659	189,436			389,934
Interests in associates	27,304	–				27,304
Deferred tax assets	–	66,162	(20,184)			45,978
	<u>408,047</u>	<u>1,013,781</u>				<u>1,487,510</u>
CURRENT ASSETS						
Inventories	34,921	–				34,921
Contract assets and trade and bills receivables	710,039	4,200				714,239
Other receivables, prepayments and deposits	426,790	40,464	(250,700)			216,554
Amounts due from associates	9,629	–				9,629
Amount due from a joint venture	12,958	–				12,958
Amounts due from shareholders	355	–				355
Amount due from a related company	–	300				300
Cash and cash equivalents	165,176	5,574			(2,865)	167,885
	<u>1,359,868</u>	<u>50,538</u>				<u>1,156,841</u>
CURRENT LIABILITIES						
Trade payables	130,798	108,498				239,296
Other payables and accruals	83,481	3,302				86,783
Borrowings	280,000	456,950	(250,700)			486,250
Dividend payable	14,150	–				14,150
Lease liabilities	14,804	–				14,804
Amounts due to related companies	15,500	–				15,500
Amounts due to a shareholder	77,135	–				77,135
Income tax payable	7,689	–				7,689
	<u>623,557</u>	<u>568,750</u>				<u>941,607</u>

APPENDIX III**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE ENLARGED GROUP**

	The Group as at 31 March 2020		Pro forma adjustments			Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 31 March 2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Note 1)</i>	<i>(Note 2)</i>	<i>(Note 3(a))</i>	<i>(Note 3(b))</i>	<i>(Note 4)</i>	
NET CURRENT ASSETS/(LIABILITIES)	<u>736,311</u>	<u>(518,212)</u>				<u>215,234</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>1,144,358</u>	<u>495,569</u>				<u>1,702,744</u>
NON-CURRENT LIABILITIES						
Borrowings	45,000	100,000				145,000
Amounts due to shareholders	–	30,590				30,590
Amounts due to affiliates of shareholders	–	301,493				301,493
Provision	–	11,886				11,886
Lease liabilities	6,936	–				6,936
Deferred tax liabilities	8,044	–				8,044
	<u>59,980</u>	<u>443,969</u>				<u>503,949</u>
NET ASSETS	<u>1,084,378</u>	<u>51,600</u>				<u>1,198,795</u>

Notes:

1. The balances were extracted from the audited consolidated statement of financial position of the Group as at 31 March 2020 as set out in the published annual report of the Company for the year ended 31 March 2020.
2. The balances were extracted from the audited statement of financial position of the Target Company as at 31 March 2020 included in the accountants' report of the Target Company as set out in Appendix IIA to the Circular.
3. Pursuant to the capital injection and cooperation agreement dated 28 June 2019 (the "Agreement") entered into among Pizu Shenzhen, the Target Company and the Major Shareholders of the Target Company, Pizu Shenzhen conditionally agreed to inject an aggregate amount of RMB270 million in cash to the Target Company (Capital Injection), of which RMB191,399,000 and RMB78,601,000 will be recognised as the registered capital and capital reserve of the Target Company respectively. Upon completion of the Proposed Acquisition (the "Completion"), Pizu Shenzhen will own 51% equity interest of the Target Company. Pizu Shenzhen has agreed to provide the Target Company with loan with a limit of RMB150 million.

By a supplemental agreement dated 20 November 2019 (the "Supplemental Agreement") entered into between Pizu Shenzhen, the Major Shareholders and the Target Company, the loan limit is revised to RMB270 million.

Furthermore, the Major Shareholders and Pizu Shenzhen agreed that, assuming the Target Company has commenced mining production on or before 31 July 2020 and that the Target Company is able to reach annual production of 700,000 tonnes or above, Pizu Shenzhen shall pay to certain existing shareholders of the Target Company and their affiliates a lump sum of RMB15,374,000. Based on the financial budget of the Target Company for the 18-month period ending 30 September 2021, the Target Company will not commence mining production on 31 July 2020. Therefore, the fair value of the contingent consideration as at date of the Completion is estimated to be Nil.

The pro forma adjustments reflects the followings:

- (a) Fair value adjustment of the identifiable assets and liabilities of the Target Company

Upon completion of the Proposed Acquisition, the identifiable assets and liabilities of the Target Company in the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group will be measured at the acquisition-date fair value under the acquisition method in accordance with Hong Kong Financial Reporting Standard 3 (Revised) "Business Combinations".

APPENDIX III

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The identifiable assets and liabilities of the Target Company as at the date of Completion as if the Proposed Acquisition had taken place on 31 March 2020 are as follows:

	Carrying values RMB'000	Fair values RMB'000	Fair value adjustments RMB'000
Property, plant and equipment	775,394	664,070	(111,324)
Intangible assets	98,659	288,095	189,436
Right-of-use assets	30,703	33,400	2,697
Prepayments for purchase of property, plant and equipment	42,863	42,790	(73)
Deferred tax assets	66,162	45,978	(20,184)
Bills receivables	4,200	4,200	–
Prepayments and other receivables	40,464	40,464	–
Amount due from a related party	300	300	–
Cash and cash equivalents	5,574	5,574	–
Trade payables	(108,498)	(108,498)	–
Accruals and other payables	(3,302)	(3,302)	–
Borrowings	(556,950)	(556,950)	–
Amounts due to shareholders	(30,590)	(30,590)	–
Amounts due to affiliates of shareholders	(301,493)	(301,493)	–
Provision	(11,886)	(11,886)	–
	51,600	112,152	60,552
Advances provided by Pizu Shenzhen to the Target Company included in borrowings (Note)	250,700	250,700	–
Remaining Capital Injection to be received upon the Completion (Note)	19,300	19,300	–
	321,600	382,152	60,552
Non-controlling interests (49%)	(157,584)	(187,254)	(29,670)
Net identifiable assets acquired by the Group	<u>164,016</u>	<u>194,898</u>	<u>30,882</u>

Note:

Pursuant to the Agreement and the Supplementary Agreement, as at 31 March 2020, Pizu Shenzhen provided advances of RMB250,700,000 in aggregate to the Target Company which were included as borrowings of the Target Company. According to the Agreement and the Supplemental Agreement, these advances will automatically become part of the Capital Injection upon the Completion. Correspondingly, the advances of RMB250,700,000 provided by Pizu Shenzhen to Target Company as at 31 March 2020 included in other receivables of Pizu Shenzhen will become part of the investment cost in the Target Company upon the Completion.

Furthermore, as the Target Company received advance of RMB250,700,000 from Pizu Shenzhen as at 31 March 2020, for the purpose of this Unaudited Pro Forma Financial Information, cash of RMB19,300,000 being the remaining amount of the Capital Injection is to be received from Pizu Shenzhen upon the Completion.

The fair values of the identifiable assets and liabilities of the Target Company are estimated by the directors of the Company with reference to the valuation as at 31 March 2020 conducted by an independent firm of qualified valuers. The fair values of the identifiable assets and liabilities are determined according to the requirements of HKFRS 13 “Fair Value Measurement”. The fair values of property, plant and equipment and right-of-use assets are determined using either the direct comparison method or replacement cost method whereas the fair value of intangible assets (i.e the mining right) is determined using multi-period excess earnings method. Fair values of identifiable assets and liabilities will be reassessed on the completion date of the Proposed Acquisition together with the fair value assessment of the deferred tax impact in relation to any fair value adjustments.

(b) Recognition and impairment of goodwill in relations to the Proposed Acquisition

For the purpose of this Unaudited Pro Forma Financial Information and for illustrative purpose, the recognition of goodwill arising from the Proposed Acquisition as if the Proposed Acquisitions had taken place on 31 March 2020 is analysed as follows:

	<i>RMB'000</i>
Cash consideration	270,000
Contingent consideration payable	—
	<hr/>
	270,000
Less: fair values of the net identifiable assets of the Target Company acquired by the Group (Note 3(a))	<hr/> (194,898)
Goodwill before impairment	75,102
Less: impairment	<hr/> (69,972)
Goodwill after impairment	<hr/> <u>5,130</u>

Since the fair value of the identifiable net assets of the Target Company at the date of completion of the Proposed Acquisition may be substantially different, the goodwill recognised at the completion date of the Proposed Acquisition, may be different from the amount presented above.

The directors of the Company assessed impairment of the estimated goodwill according to the requirements of Hong Kong Accounting Standard 36 "Impairment of Assets" (the "HKAS 36"). Under HKAS 36, the directors determine the recoverable amount of the cash-generating unit (i.e. the Target Company) to which the goodwill belongs. As the carrying amount of the Target Company exceeds its recoverable amount by RMB69,972,000, an impairment of goodwill of the same amount is recognised upon the Completion. The recoverable amount of Target Company is determined by the directors with reference to a value in use calculation of the Target Company as at 31 March 2020 prepared by an independent firm of qualified valuers.

The directors of the Company confirmed that consistent accounting policies and principal assumptions will be applied to assess impairment of goodwill in subsequent reporting periods in accordance with the requirements under HKAS 36.

- For the purpose of the Unaudited Pro Forma Financial Information, the direct expenses and other professional fees related to the Proposed Acquisition which are not yet accounted for by the Group are estimated to be approximately RMB2,865,000, according to respective quotations from the professional parties, which should be charged to the profit or loss.
- The directors of the Company confirmed that the basis used in the preparation of the Unaudited Pro Forma Financial Information will be consistent with the accounting policies of the Group, including the principal accounting policies and assumptions of the valuation of the identified assets and liabilities of the Target Company to be consistently adopted in the first set of the financial statements of the Group after the completion of the Proposed Acquisition.
- Apart from the Proposed Acquisition, no other adjustments have been made to the Unaudited Pro Forma Financial Information of the Enlarged Group to reflect any trading results or other transactions of the Group and the Target Company entered into subsequent to 31 March 2020.

II. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the independent reporting accountants, BDO Limited, Certified Public Accountants, Hong Kong, in respect of the unaudited pro forma financial information of the Group as set out in this appendix and prepared for the sole purpose of inclusion in this circular.



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**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****To the directors of Pizu Group Holdings Limited**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Pizu Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities and related notes as set out in Section I of Appendix III of the Company's circular dated 31 August 2020 (the "Circular") issued in connection with the proposed capital injection for the purposes of acquiring 51% equity interest in Anhui Jinding Mining Co., Ltd. (the "Target Company") by Pizu (Shenzhen) Mining Limited ("Pizu Shenzhen"), a wholly-owned subsidiary of the Company (the "Proposed Acquisition"). The applicable criteria on the basis of which the directors of the Company have compiled the unaudited pro forma financial information are set out in Section I of Appendix III of the Circular.

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the Proposed Acquisition on the Group's assets and liabilities as at 31 March 2020 as if the Proposed Acquisition had taken place at 31 March 2020. As part of this process, information about the Group's assets and liabilities has been extracted by the directors of the Company from the consolidated statement of financial position of the Group as at 31 March 2020 as set out in the published annual report of the Company for the year ended 31 March 2020.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors of the Company are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the directors of the Company have compiled the unaudited pro forma financial information in accordance with paragraph 7.31 of the GEM Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Proposed Acquisition at 31 March 2020 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the entity, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 7.31(1) of the GEM Listing Rules.

BOD Limited
Certified Public Accountants
Hong Kong
31 August 2020

Competent Person's Report of Huangtun Pyrite Polymetallic Project in Anhui Province, China

Report Prepared for
Pizu (Shenzhen) Mining Company Limited



Report Prepared by



SRK Consulting China Limited
SCN623
31 March 2020

Competent Person's Report of Huangtun Pyrite Polymetallic Project in Anhui Province, China

Pizu (Shenzhen) Mining Company Limited

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SRK Project Number SCN623
31 March 2020

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Dr Anson Xu and Peter Fairfield

Executive Summary

Summary of Principal Objectives

SRK was commissioned by Pizu (Shenzhen) Mining Company Limited (“Pizu Mining” or the “Client”), a listing company on the Stock Exchange of Hong Kong Limited (“HKEx”) to undertake an independent technical review on the Huangtun pyrite polymetallic project (the “Huangtun Project”, or the “Project”) located in Lujiang County, Anhui Province, the People’s Republic of China. The Project is operated by Anhui Jinding Mining Stock Company Limited (“Jinding Mining”, shortened as “Jinding”, or the “Company”). SRK understands that Pizu Mining is considering investing/ acquiring the Project.

SRK was requested to prepare a Competent Person’s Report (“CPR”, or the “Report”) in line with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the “JORC Code”, 2012 Edition) and the listing rules, namely the Chapter 18 and associate guidance letters, for mineral companies on the HKEx.

Outline of Work Programme

SRK’s scope of work involved an independent technical review of the Huangtun Project. This involved the assessment of the following aspects, including

- Review geology and exploration of the Project;
- Develop a Mineral Resource model for the pyrite, copper and gold mineralisation delineated by drilling and underground channel sampling;
- Independent verification sample check (samples from previous cores and pulp duplicates);
- Review the feasibility study report and preliminary designs compiled for the Project, including mining, processing and environmental aspects, market studies, project investment and operating cost estimates as well as project implementation;
- Perform a preliminary economic analysis on the Project;
- Convert Mineral Resources to Ore Reserves in accordance to the JORC Code (2012);
- Prepare a Mineral Resource and Ore Reserve Statement for the Project;
- Provide recommendations for additional work;
- Preparation of the draft report summarising the findings of SRK’s review; and
- Discussions with Pizu to finalize the Report.

SRK’s technical review as presented in this Report has been carried out between July 2019 and May 2020, with supervision of resource update work performed between October 2019 and January 2020. This Report is assembled by SRK team in Beijing and Nanchang, and peer review of the Report is performed in Australia.

Results

The Project operated by Jinding is currently at construction stage that is ready for development following completion of a Feasibility Study and Front-End Engineering Design (“FEED”). The Project is divided into two parts, the eastern part (the “East Zone”) is mainly high sulphide (S) and iron (Fe) mineralisation with lower grades of gold (Au) and copper (Cu); and the western part (the “West Zone”) is enriched in Au-Cu with lower S and Fe grades. The mine construction and development has completed 4 levels of underground development to access the orebodies at both the East and West Zones. The processing plant has been designed according to comprehensive metallurgical studies and is being constructed, with commercial production at an aggregate rate of 1.0 million tonnes per annum (Mtpa) scheduled to commence in early 2021. The construction period of the processing plant is designed to be 2 years since 2019.

With a data verification and infill drilling program, SRK has estimated the Mineral Resources for the Huangtun Project. The date for reporting Mineral Resources in accordance with JORC Code is 31 March 2020. In the East Zone, a cut-off grade at 12% S has been applied to outline the mineralized zone; whereas in the West

Zone, metal equivalent method for Au and Cu has been applied by considering the metallurgical and economic parameters.

The Preliminary Design has studied the underground mining at both the East and West Zones. The current underground development has completed for a total of 4 levels and revealed the orebodies at both zones. With consideration of "Modifying Factors" as this is defined in JORC Code, SRK has performed a preliminary economic analysis for the Project and is of opinion that the Huangtun Project at construction stage is of both technical feasible and economic viable. Ore Reserves conversion and statement made by SRK were based on Indicated Resources and Modifying Factors. The stated Ore Reserves in accordance with JORC Code was as of 31 March 2020. There were no material changes during the period since the date.

Operational Licences and Permits

During the site visit, SRK sighted the Business Licenses and Mining License for the project. Jinding also keeps a valid Exploration License covering an area of 1.25 square kilometers (km²).

In addition, SRK sighted nine (9) land compensation agreements which cover the construction of industrial square, tailings storage facility, tailings transportation pipelines, etc. SRK also sighted a forest land use approval No. (2014)269 for the Huangtun Project which was issued by Anhui Province Forest Bureau on 4 November 2014. The company also provided SRK with nine forest cut permits which were issued by Lujiang County Forest Bureau.

No Safety Production Permit, Water Use Permit and Site Discharge Permit for the Huangtun Project has been sighted as part of this review. However, the company stated that as the Huangtun Project is under construction the Safety production Permit and Site Discharge Permit is not required. SRK recommends the company acquire the necessary licenses and permits as the project moves towards formal production to meet the requirements of relevant environmental protection regulations.

Location and Infrastructure

The Huangtun Project is located in Lujiang County, Anhui Provinces, 30 km southeast to the downtown of Lujiang County. The Project shares excellent accessibility for air, road and rail. Infrastructure in the region is in a good condition with support to mining industry. The supplies of electricity and water are guaranteed. Labour resources are available in nearby villages and towns.

Geology and Mineralogy

Regionally the Project is situated at the northeastern edge of the Lu-Zong (Lujiang to Zongyang) volcanic basin, on the north-western edge of the Yangtze Plate, bordering the Tan-Lu Fault Zone to the west and the lower Yangtze River fracture zone to the south. The basin is one of several important Mesozoic terrestrial volcanic basins in the iron and gold metallogenic belt along the middle and lower Yangtze River.

The Project area is mostly covered by Quaternary eluvial and diluvial sediments, and the geological features of the mining area are mainly studied according to the drilling result and surrounding outcrop strata.

The deposit is separated into "East Zone" and "West Zone" by a permanent fault F1. In the East Zone, main ore body is outlined as "Pyrite Orebody" is considered to be a hydrothermal metasomatic deposit. In the West Zone main orebody is outlined as "Gold Copper Orebody" is considered to be a crypto-explosive breccia deposit..

East Zone

The mineralization is hosted inside and outside of the contact between trachyandesite porphyry and pyroclastic rocks, and is basically controlled by the contact. Pyroclastic rocks and trachyandesite porphyry account for 52% and 48% of the host rock, respectively. Rich (high grade) ore is mainly hosted near the contact zone of the Longmenyuan volcanic rocks, sub-volcanic rocks and basement sedimentary rocks. In the East Zone the pyrite ore body is in layered shape. Hanging wall rocks are primarily pyroclastic rocks and secondary siltstone,

calcareous siltstone and limestone. The footwall is trachyandesite porphyry with some volcanic breccia and tuff.

Ores in the East Zone is predominantly silicate pyrite. Disseminated ore accounts for 80% of the volume, and is mainly poor ore hosted in the middle, bottom, eastern, and western sides of ore body No. 1. Massive ore accounts for 10%, and is rich ore mostly located at the top of the ore body. The ore is separated into three ore types based on its sulphur grade: rich ore ($S \geq 25\%$), poor (low grade) ore (12 – 25% S), and cut-off grade ore (8 – 12% S).

The main ore mineral is pyrite, which accounts for 20 – 55% of the volume. Gangue minerals are quartz and argillaceous minerals, of which quartz accounts for 10 – 60%.

The ore occurs in xenomorphic-hypautomorphic granular, idiomorphic granular, crushed and dissolved structures, metasomatic structures, etc. in addition, there are a small number of worm-like structures, ring-band structures, residual structures, and breccia structures.

The metal minerals are mainly pyrite, followed by hematite, magnetite, chalcopyrite, pyrite, pyrrhotite, siderite, galena, sphalerite, etc.

Non-metal minerals (gangue minerals) are mainly feldspar, quartz, amphibole, etc., followed by hydromica, kaolinite, sulphate chlorite, tourmaline, barite, fluorite, etc. It is mainly the residual rock of the original rock by pyrite, and some of them are altered minerals formed by pyrite mineralization.

West Zone

The gold-copper ore body is limited in the western part of Fault F1. The mineralized body in the West Zone of the Project is outlined with drilling interceptions of gold and copper at an equivalent cut-off grade of gold. The Au-Cu mineralization shows a pipe coming from about 600 m beneath the surface. The mineralized body is with 70 – 90 degrees of dip angle. The area of horizontal project of the body is about 200 m by 200 m.

The gold-copper ore body is distributed near the contact zone of the volcanic rocks and basement sedimentary rocks of the Longmenyuan Formation, and star-shaped chalcopyrite particles are visible to the naked eye. The ore mineral composition is chalcopyrite, and the gangue minerals are quartz, feldspar, calcite, kaolinite, and the like. Gold is mainly distributed in pyrite.

The metal minerals (ore minerals) in the ore are mainly chalcopyrite, followed by pyrite, natural gold, hematite, magnetite, mirror iron ore, pyrrhotite and siderite. According to the ore structure, the gold and copper deposits are mainly breccia and reticular structures. Pyrite is mainly in the form of veins, blocks, disseminated, and breccia.

There are two main types of wall rocks: one is volcanic rock and the other is sedimentary rock. The former is mainly composed of coarse anthracite, and the latter is mainly composed of siltstone and argillaceous siltstone. Its mineral composition, the former is mainly feldspar, quartz, hydromica, kaolinite, chlorite, etc., the latter is mainly represented by carbonate, quartz, hydromica and kaolinite.

The hangingwall of the gold-copper mineralized body is dominated by volcanic rocks, and the footwall is dominated by sedimentary rocks. The lithology of the hangingwall is mainly composed of coarse sandstone, and the footwall is dominated by siltstone and argillaceous siltstone.

In addition, the gold and copper small ore bodies are distributed in the volcanic rocks, and the hangingwall and footwall are coarse Anyang. The top and bottom plates are distributed in the sedimentary rocks.

Mineral Resource Estimation

Previous exploration and estimation for the Project were performed by geological brigades following China exploration standard and resource classification framework. SRK has verified the data and compiled the database for three-dimensional geological modeling and resource estimation. The SRK's resource estimation

has included two models, namely the East Zone S-Fe resource model and the West Zone Au-Cu resource model. The updated Mineral Resource Estimates were completed in March 2020 on the basis of data received by the end of 2019. SRK team visited site in July 2019 and January 2020.

The Mineral Resources within current Mining License area (and within the permitted mining elevation range) are reported in accordance with JORC Code (2012 Edition) and are presented in Table ES-1 and Table ES-2. SRK used metal equivalent to outline the mineralized body in the West Zone.

Table ES- 1: Mineral Resources Statement of Huangtun Pyrite Mine (East Zone) as of 31 March 2020 by SRK Consulting China Ltd

Category	Tonnes (Mt)	Au (g/t)	Au (kg)	Cu (%)	Cu (t)	TFe (%)	TFe (kt)	TS (%)	TS (kt)
Indicated	25.70	0.08	2,017	0.06	15,206	10.12	2,600	16.48	4,236
Inferred	16.68	0.07	1,141	0.06	9,509	7.23	1,207	14.50	2,420

Cut-off grade: 12% total sulphur (T S)

The information in this Report which relates to Mineral Resources (East Zone) is based on information compiled by Mr Feng Li (Frank) and Mr Pengfei Xiao who are both full time employees of SRK Consulting China Ltd. They are both members of AusIMM and have sufficient experience which is relevant to the style of mineralisation and the type of deposits under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves", the JORC Code. Mr Pengfei Xiao consents to the reporting of this information in the form and context in which it appears.

Table ES- 2: Mineral Resources Statement of Huangtun Pyrite Mine (West Zone) as of 31 March 2020 by SRK Consulting China Ltd

Category	Tonnage (kt)	Au (g/t)	Au (t)	Cu (%)	Cu (kt)
Indicated	9,167	0.87	7.9	0.29	26.6
Inferred	3,996	0.95	3.8	0.27	11.0

Cut-off grade: 0.3% EqCu or 0.5 g/t Eq Au. Assumptions of metal prices for gold and copper were US\$1,400/oz and US\$7,000/t, respectively.

The information in this Report which relates to Mineral Resources (West Zone) is based on information compiled by Ms Yanfang Zhao and Mr Pengfei Xiao who are both full time employees of SRK Consulting China Ltd. They are both members of AusIMM and have sufficient experience which is relevant to the style of mineralisation and the type of deposits under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves", the JORC Code. Ms Yanfang Zhao and Mr Pengfei Xiao consent to the reporting of this information in the form and context in which it appears.

In addition to the Mineral Resources within current Mining License area and permitted elevation range in the West Zone, there are about 7.2 Mt grading 1.36 g/t Au and about 0.21% Cu estimated beneath the permitted elevation range (but within the Mining License area in the West Zone). These resources are covered by the current Exploration License.

Exploration Potential

SRK considers that in the West Zone there is exploration potential to increase the defined gold-copper mineralization. In particular the drillholes completed in 2018 and 2019 intercepted thick gold mineralization along exploration lines #14 – 20. SRK recommends that the Company carry out follow-up exploration to assess the potential to update and upgrade the gold-copper resources. This is further supported by the in-fill drilling conducted in late 2019 and January 2020. SRK is of opinion that further in-fill drilling has the potential to increase the Mineral Resources and potentially life of mine (LoM).

Mining and Ore Reserves

The Huangtun Pyrite Mine is under construction, with mining contractors completing underground development at the time of reporting.

The geotechnical conditions are classified to be moderate to complex. The water regime of the mine area is complex.

The development design includes two stages work. The Orebodies above -290m ASL are planned to be exploited in Stage 1, while the orebodies between -290m ASL and -540m ASL will be developed in Stage 2. Considering the potential LoM, which would be far more than 30 years, the current development system has focused on the southern area in Stage 1. At the time of reporting, four levels have been developed.

The mining methods include overhand post pillar mining, overhand cut and fill mining and overhand drift and fill mining. The mining cycle includes drilling, blasting, ventilation, scaling, mucking and filling. Excavation of ore starts from the bottom slice, advancing upward in 3.5 or 4.0 m vertical (slices) intervals. An HT81A drill rig is used to drill 3.5m long horizontal 43 mm diameter blastholes. The burden is 1m and the spacing interval is 1.2m. Non-electric detonators are used to initiate emulsion explosives. The Ore Reserve statement for the East Zone is presented in Table ES- 3.

Table ES- 3: Ore Reserve Statement of Huangtun Pyrite Mine (East Zone) as of 31 March 2020 by SRK Consulting China Ltd

Category	Quantity (Mt)	TS (%)	Cu (%)	Au (g/t)	TFe (%)
Probable	5.2	18.8	0.10	0.13	13.6

The information in this Report which relates to Ore Reserve is based on information compiled by Mr Yonggang Wu who is a full time employee of SRK Consulting China Ltd. Mr Yonggang Wu is a member of AusIMM and has sufficient experience which is relevant to the style of mineralisation and the type of deposits under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 edition of the "Australasian Code for Reporting of Exploration results, Mineral Resources and Ore Reserves", the JORC Code. Mr Yonggang Wu consents to the reporting of this information in the form and context in which it appears.

The current underground development is extending the system and offsetting the mining license horizontally to exploit the (West Zone). The Ore Reserve for the West Zone is presented in Table ES-4.

Table ES- 4: Ore Reserve of Huangtun Pyrite Mine (West Zone) as of 31 March 2020 by SRK Consulting China Ltd

Category	Tonnage (Mt)	Cu (%)	Au (g/t)	TS (%)
Probable	8.5	0.27	0.82	6.70

The information in this report which relates to Ore Reserve is based on information compiled by Mr Yonggang Wu who is a full time employee of SRK Consulting China Ltd. Mr Yonggang Wu is a member of AusIMM and has sufficient experience which is relevant to the style of mineralisation and the type of deposits under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 edition of the "Australasian Code for Reporting of Exploration results, Mineral Resources and Ore Reserves", the JORC Code. Mr Yonggang Wu consents to the reporting of this information in the form and context in which it appears.

The aggregate mining rate for the East and West Zones is 1.0 Mtpa ore in the *Preliminary Design 2018 (by Yantai Jinjian Institute)*, which was further updated in 2020 based on the underground development. The current underground development has reached four levels in both West and East Zones, which supports a mine production schedule for 14 years life of mine ("LOM") is shown in Table ES-5.

Table ES-5: Simple Life of Mine Production Schedule

Production			1	2	3	4	5	6	7	8	9	10	11	12	13	14
Production Load			1000%	1000%	1000%	1000%	1000%	1000%	1000%	1000%	1000%	1000%	1000%	1000%	1000%	1000%
Ore Quantity for Mining and		kt	East Area	500.0	250.0	200.0	200.0	200.0	200.0	200.0	200.0	200.0	200.0	200.0	200.0	200.0
S	%		20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00
Cu	%		0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
Au	g/t		0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13
Ag	g/t		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fe	%		15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00
Ore Quantity for Mining and		kt	West Area	500.0	750.0	800.0	800.0	800.0	800.0	800.0	800.0	800.0	800.0	800.0	800.0	800.0
S	%		6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
Cu	%		0.27	0.27	0.27	0.27	0.27	0.27	0.27	0.27	0.27	0.27	0.27	0.27	0.27	0.27
Au	g/t		0.82	0.82	0.82	0.82	0.82	0.82	0.82	0.82	0.82	0.82	0.82	0.82	0.82	0.82
Ag	g/t															
Fe	%		11.00	11.00	11.00	11.00	11.00	11.00	11.00	11.00	11.00	11.00	11.00	11.00	11.00	11.00

Note: production grades were averaged and reconciled based on the *Preliminary Design*.

Metallurgical and Processing

The valuable/ recoverable minerals are pyrite(sulfur) and chalcopyrite (copper), gold, silver and magnetite (iron). Pyrite and magnetite are the dominant mineral in the East Zone and copper, gold and silver are dominant in the West Zone. Although the distribution of minerals in the deposit is uneven, the ore is easy to process.

Marketable copper concentrate and sulfur concentrate with high recovery of copper and sulfur can be obtained in selective flotation and mixed-separation flotation. Gold and silver are enriched in copper concentrate. The flotation tailings of the East Zone can produce a saleable iron concentrate by adopting low intensity magnetic separation technology.

The proposed process plant has a designed processing capacity of 1.0 Mtpa, including two 500,000 tpa grinding and flotation circuits, designed to process East Zone and West Zone ore. SRK considers that the design of the two grinding and flotation systems is appropriate and can adopt different flotation reagent systems to process the two types of ore. In the preliminary plant design by Jinjian, the East Zone ore is processed by mixed-separation flotation, and the West Zone ore by selective flotation. SRK suggested that the two grinding and flotation systems use the same mixed-separation flotation process to facilitate the production regulation and production management of the two types of ore.

The processing parameters, for the two types of ore, designed by Jinjian are presented in Table ES-6.

Table ES -6: Designed Processing Parameters

Products	QTY (tpa)	Yield (%)	Grade (%)					Recovery (%)				
			Cu	S	Au*	Ag*	Fe	Cu	S	Au	Ag	Fe
Pryrite Ore												
Cu Concentrate	1,600	0.32	16.00	22.00	15.38	280.00	30.00	70.14	0.43	30.01	37.33	0.34
S Concentrate	159,200	31.84	0.04	45.00			46.00	17.45	86.99			52.31
Fe Concentrate	26,850	5.37	0.02	0.25			64.50	1.47	0.08			12.37
Tailings	312,350	62.47	0.01	3.29			15.68	10.95	12.50			34.98
ROM	500,000	100.00	0.07	16.47	0.16	2.40	28.00	100.00	100.00			100.00
Chalcopyrite Ore												
Cu Concentrate	13,950	2.79	20.00	30.00	23.51	51.04	31.00	87.60	8.66	80.09	50.00	7.21
S Concentrate	85,850	17.17	0.18	45.00			46.00	4.91	79.98			65.82
Tailings	400,200	80.04	0.06	1.37			4.04	7.50	11.35			26.97
ROM	500,000	100.00	0.64	9.66	0.82	2.85	12.00	100.00	100.00			100.00

Note: * represents the grade unit is g/t

Environmental and Social Impacts

Table ES-7 summarises the status of the environmental assessments and approvals for the Project.

Table ES - 7: Huangtun Project Status of Environmental Impact Assessment and Approvals

Items	Status
EIA	Y
Approval for EIA	Y
WSCP	Y
Approval for WSCP	Y
FCA Approval	NYR

Note: EIA = Environmental Impact Assessment Report; WSCP = Water and Soil Conservation Plan; FCA = Final Checking and Acceptance; "Y" denotes the approval is granted and has been sighted by SRK; "NYR" means that approval is not yet required.

No Final Check and Acceptance (FCA) reports and approvals for the Huangtun Project have been sighted as part of this review. The company stated that the FCA approvals are not required at this stage as the Huangtun Project is under construction.

SRK notes that the sighted EIA reports have been compiled in accordance with relevant Chinese laws and regulations. SRK has reviewed these EIA reports and approvals against recognized international industry

environmental management standards, guidelines, and practices during a site visit between 8 July to 10 July 2019.

In summary the most significant compliance and environmental risks for the development of the Project, currently identified as part of the project assessment, are:

- Impact to the ecological system;
- Water pollution (i.e., tailings and mine water);
- Waste rock and tailings management; and
- Noise emission.

It is SRK's opinion that the above environmental risks are categorised as moderate/tolerable risks (i.e., requiring risk management measures) and they are generally manageable. Based on such considerations SRK considers that there are no fatal flaws identified in the Project which could cause material impact to the Ore Reserve statement and preliminary economic analysis.

Capital and Operating Costs

There are no historical records of operating costs being available. The operating costs forecast, modified by SRK, based on an updated Front-End Engineering Design (FEED) is shown in Table ES-8. It should be noted that the following taxes, surcharge and fund are not included in Table ES-8.

- Value-added tax,
- Urban maintenance and construction tax,
- Education surcharge,
- Mineral resources tax,
- Water conservancy fund,
- Royalties,
- Safety fee, and
- Stamp tax

Table ES - 8: SRK Forecast of Operating Costs (VAT excluded)

Item	Unit	SRK Modification	Remarks
Mining Rate (East + West)	Mt/a ore	1.0	
Outsourced Stope Mining	RMB/t ore	16.9	
Outsourced Tunnel Driving	RMB/t ore	10.3	
Backfilling	RMB/t ore	12.4	
Backfilling Service	RMB/t ore	23.8	
Manufacture overheads of mining	RMB/t ore	13.7	
Processing	RMB/t ore	35.9	Pyrite ore
		43.3	Gold and Copper ore
		301.	Iron ore
Manufacture overheads of processing	RMB/t ore	5.9	
General and Administrating cost	RMB/t ore	17.9	

Preliminary Economic Analysis

Construction commenced after the mining license was obtained in August 2013. As at the time of reporting, the following infrastructure had been constructed, 4 shafts, ground curtain grouting, mine power supply and distribution, ground office and living facilities Underground development included Level -240m and Level -290m of the main shaft and the combination shaft and auxiliary shaft are inter-connected. The development and dewatering infrastructure on Level -190m, -240m, and -290m are in progress.

As of 31 March 2020, a total of RMB 1,012 million has been invested, among which there were about RMB 150 million cash spent for the financial costs and electricity power costs. In addition, the assumptions applied for economic analysis are presented in Table ES-9.

Table ES - 9: Assumption for Economic Analysis for the Project

No.	Item	Unit	Value
1	Technical Assumptions		
	Ore Reserve	10 k t	
	Pyrite Reserve	10 k t	522.1
	Gold and Copper Reserve	10 k t	
	Construction Scale	10 k t/a	100
	Pyrite	10 k t/a	50
	Gold and Copper	10 k t/a	50
	Sulphur Recovery Rate		
	S	%	87
	Cu	%	70
	Au	%	30
	Fe	%	14
	Gold and Copper Recovery Rate		
	S	%	80
	Cu	%	87.5
	Au	%	80
	2	Economic Assumptions	
Construction Investment		10 k RMB	121,782
Working Capital		10 k RMB	3,814
Total Costs		RMB/t	264.67
Operating Costs		RMB/t	160.59
Product Price			
Sulfur Concentrate (incl. Tax)		RMB/t-%	12.5
Copper Concentrate			
copper metal		RMB/t	46,000.00
concentration pricing coefficient		%	85
gold		RMB/g	380
concentration pricing coefficient		%	85
Iron Concentrate		RMB/t	770
Preferred Discount Rate		%	8

SRK notes that the NPV, presented in Table ES-10, is impacted by the investment of RMB 1,012 M considered as sunk capital. The gold production in the West Zone generate the most revenue and the project is mostly sensitive to gold price.

Table ES - 10: Primary Economic Analysis for the Project

Discount Rate	6%	7%	8%	9%	10%	11%
NPV (RMB Million)	1,206	1,098	1,001	914	835	764
IRR	56%					

Project Risk Assessment

In general, mining project risk decreases from the exploration to the development to production stage. The Huangtun Project is polymetallic project at construction stage following completion of a Feasibility Study and Front-End Engineering Study As such SRK considers the overall risk of the Project to be low to medium.

SRK considered various technical aspects which may affect the Project, and has conducted a risk assessment, the results of which are summarised in Table ES-11.

Table ES-11: Summary of the Huangtun Project Risk Assessment

Risk Issue	Likelihood	Consequence	Overall
Geology and Resource			
Lack of Significant Resource	Unlikely	Moderate	Low
Lack of Significant Reserve	Unlikely	Major	Medium
Significant Unexpected Faulting or Other Structure	Possible	Moderate	Medium
Mining			
Production Shortfalls	Possible	Moderate	Medium
Production Pumping System Adequacy	Possible	Moderate	Medium
Geotechnical or Hydrogeological Issues	Possible	Moderate	Medium
Underground Support and Development	Unlikely	Moderate	Low
Mine Plan Failure	Possible	Moderate	Medium
Process Plant			
Lower Yields	Possible	Minor	Low
Lower Recovery	Unlikely	Moderate	Low
Higher Production Cost	Possible	Moderate	Medium
Poor Plant Design	Unlikely	Major	Medium
Capital and Operating Costs			
Project Timing Delays	Possible	Moderate	Medium
Capital Cost Increase	Possible	Moderate	Medium
Capital Costs - Ongoing	Possible	Moderate	Medium
Operating Costs Underestimated	Possible	Moderate	Medium
Environmental and Social Risks			
Surface water management and discharges (i.e. stormwater runoff, erosion control measures).	Possible	Moderate	Medium
Groundwater management and discharges (i.e. mine dewatering and seepage from the WRD).	Possible	Moderate	Medium
Dust generation and gas emissions management and monitoring.	Possible	Moderate	Medium
Storage and handling of hazardous materials.	Possible	Moderate	Medium
Waste generation and management (industrial and domestic wastes).	Possible	Moderate	Medium
Rehabilitation of the waste rock stockpiles and other disturbed areas.	Possible	Moderate	Medium
Potential and current contaminated sites	Possible	Moderate	Medium
Site erosion controls, sediment entrainment and deposition	Possible	Moderate	Medium
Lack of geochemical characterisation/ ARD assessment of waste rock.	Possible	Moderate	Medium
Impact to the ecological system;	Possible	Moderate	Medium

Table of Contents

Executive Summary	IV-3
Disclaimer	IV-21
List of Terms and Abbreviations	IV-22
1 Introduction and Scope of Report	IV-25
2 Program Objectives and Work Program	IV-26
2.1 Purpose of the Report	IV-26
2.2 Scope of Work	IV-26
2.3 Reporting Standard	IV-26
2.4 Work Program	IV-27
2.5 SRK's Qualification and Project Team	IV-27
2.6 Indemnities	IV-30
2.7 Compliance Statement	IV-31
2.8 Limitations Statement	IV-32
2.9 Forward Looking Statement	IV-32
3 Property Description and Location	IV-33
3.1 Mining Right	IV-33
3.2 Operational Licences and Permits	IV-35
3.2.1 Business License	IV-35
3.2.2 Other Operational Permits	IV-35
4 Accessibility, Climate, Local Resources, Infrastructure and Physiography	IV-36
5 Geology and Mineral Resource Estimates	IV-38
5.1 Regional Geology	IV-38
5.2 Deposit Geology	IV-38
5.2.1 Stratigraphy	IV-39
5.2.2 Structure	IV-40
5.2.3 Magmatism	IV-40
5.2.4 Alteration	IV-40
5.2.5 Deposit Type	IV-40
5.3 Mineralization	IV-41
5.3.1 Mineralized East Bodies Outlined by SRK	IV-43
5.3.2 Mineralized West Body Outlined by SRK	IV-44
5.3.3 Mineralogical Characteristics	IV-44
5.4 Exploration	IV-45
5.4.1 Exploration History	IV-45
5.4.2 Trenching	IV-46
5.4.3 Underground Tunneling	IV-46
5.4.4 Drilling	IV-46

5.5	Sampling, Sample Preparation and Analyses	IV-49
5.5.1	Sampling	IV-49
5.5.2	Sample Preparation and Analyses	IV-50
5.5.3	Specific Gravity Data	IV-50
5.6	Quality Assurance and Quality Control Programs	IV-50
5.7	Data Verification	IV-51
5.8	Mineral Resource Estimates.....	IV-55
5.8.1	Introduction.....	IV-55
5.8.2	Resource Estimation Procedures	IV-56
5.8.3	Resource Database	IV-56
5.8.4	Solid Body Modelling	IV-57
5.8.5	Specific Gravity.....	IV-59
5.8.6	Compositing	IV-59
5.8.7	Evaluation of Outliers.....	IV-59
5.8.8	Mineral Resource Classification.....	IV-60
5.8.9	Mineral Resource Statement.....	IV-61
6	Mining and Ore Reserve Estimates.....	IV-64
6.1	Introduction.....	IV-64
6.2	Mine Operating Status.....	IV-65
6.3	Mining Conditions.....	IV-66
6.3.1	Geotechnical Conditions	IV-66
6.3.2	Hydrogeological Conditions	IV-67
6.3.3	Geological Conditions.....	IV-68
6.4	Ore Reserve Estimates	IV-69
6.4.1	Cut-off Grade	IV-69
6.4.2	Ore Reserve Model.....	IV-71
6.4.3	Mining Inventory	IV-72
6.4.4	Mining Dilution and Recovery.....	IV-73
6.4.5	Ore Reserve Classification	IV-74
6.4.6	Ore Reserve Estimate	IV-74
6.4.7	Previously Ore Reserve Estimate.....	IV-74
6.5	Mine Design and Planning.....	IV-75
6.5.1	Development Design.....	IV-75
6.5.2	Mining Methods	IV-76
6.5.3	Mine Services.....	IV-77
6.5.4	Mining Equipment Selection	IV-79
6.6	Mine Production Plan	IV-80
6.6.1	Operating Schedule and Production Capacity.....	IV-80

6.6.2	Production Plan and LOM.....	IV-80
6.6.3	Production Expansion Options.....	IV-80
7	Metallurgical Test and Processing.....	IV-81
7.1	Ore Beneficiation.....	IV-81
7.2	Test Sample.....	IV-81
7.3	Mineralogy.....	IV-82
7.3.1	Mineral Composition of Ore.....	IV-82
7.3.2	Occurrence Status of the Target Minerals.....	IV-83
7.4	Processing Test of Jiangxi University of Science and Technology.....	IV-85
7.4.1	Selective Flotation Process.....	IV-85
7.4.2	Mixed-Separation Flotation Process.....	IV-86
7.4.3	Magnetic Separation Test of Flotation Tailings.....	IV-86
7.4.4	Product Quality.....	IV-86
7.4.5	Recommended Processing Flowsheet.....	IV-87
7.4.6	Grindability of Ore.....	IV-87
7.5	Processing Test of Changsha Research Institute.....	IV-88
7.5.1	Selective Flotation Process.....	IV-88
7.5.2	Mixed Flotation Process.....	IV-88
7.5.3	Iron and Gold Recovery Test from Flotation Tailings.....	IV-89
7.5.4	Recommended Processing Flowsheet.....	IV-89
7.5.5	Product Quality.....	IV-89
7.6	Processing Test of Maanshan Institute.....	IV-90
7.6.1	Mixed-Separation Flotation Test.....	IV-90
7.6.2	Iron Separation Test from Flotation Tailings.....	IV-91
7.6.3	Concentrate Quality.....	IV-91
7.7	Ore Beneficiation Assessment.....	IV-92
8	Processing Plant Design.....	IV-93
8.1	Designed Scale and Product Plan of Processing Plant.....	IV-93
8.2	Design Process.....	IV-93
8.2.1	Ore storage and transportation.....	IV-93
8.2.2	Ore crushing.....	IV-93
8.2.3	Ore grinding.....	IV-93
8.2.4	Flotation.....	IV-94
8.2.5	Magnetic separation.....	IV-94
8.2.6	Concentrate dewatering.....	IV-94
8.2.7	Tailings dewatering.....	IV-94
8.3	Design of the Main Processing Equipment.....	IV-94
8.4	Designed Processing Parameters.....	IV-96

8.5 Tailings Storage Facility (TSF).....	IV-96
8.5.1 Introduction.....	IV-96
8.5.2 Tailings Dam	IV-97
8.5.3 Flood Draining Facilities	IV-97
8.5.4 Drainage Facilities of the TSF	IV-97
9 Workforce Assessment	IV-99
9.1 Workforce Numbers.....	IV-99
9.2 Conclusions and Recommendations.....	IV-99
10 Project Infrastructure	IV-100
11 Occupational Health and Safety.....	IV-101
11.1 Project Safety Assessment and Approvals	IV-101
11.2 Occupational Health and Safety Management and Observations.....	IV-101
11.3 Historical Occupational Health and Safety Records.....	IV-101
12 Capital and Operating Costs	IV-102
12.1 Production Forecast.....	IV-102
12.2 Capital Expenditures.....	IV-102
12.3 Operating Costs.....	IV-102
12.3.1 Historical Operating Costs	IV-102
12.3.2 Operating Costs Forecast	IV-102
13 Preliminary Economic Analysis	IV-103
13.1 Capital Invested.....	IV-103
13.2 Construction Capital Cost	IV-103
13.3 Interest Incurred during Construction.....	IV-104
13.4 Sustaining Capital	IV-104
13.5 Working Capital	IV-104
13.6 Operating Costs.....	IV-107
13.7 Sales Revenue	IV-108
13.8 Taxes	IV-108
13.9 Preliminary Economic Analysis.....	IV-108
14 Environmental Studies, Permitting, and Social or Community Impact.....	IV-112
14.1 Environmental and Social Review Objective	IV-112
14.2 Environmental and Social Review Process, Scope and Standards.....	IV-112
14.3 Status of Environmental Approvals	IV-112
14.4 Water Management	IV-113
14.5 Waste Rock and Tailings Management.....	IV-113
14.6 Hazardous Materials Management	IV-114
14.7 Site Ecological Assessment	IV-114
14.8 Dust and Gas Emissions.....	IV-114

14.9 Noise Emissions	IV-115
14.10 Site Closure Planning and Rehabilitation	IV-115
14.11 Occupational Health and Safety.....	IV-116
14.12 Environmental Protection and Management Plan.....	IV-116
14.13 Social Aspects	IV-116
15 Project Risk Assessment.....	IV-118
References	IV-121

List of Tables

Table 2-1: Recent Reports by SRK for Chinese Companies	IV-28
Table 2-2: SRK Team Members and Responsibilities	IV-28
Table 3-1: Mining License of Huangtun Project.....	IV-33
Table 3-2: Coordinates of Vertices – Mining License	IV-33
Table 3-3: Exploration License of Huangtun Project.....	IV-33
Table 3-4: Coordinates of Vertices – Exploration License	IV-33
Table 3-5: Business License of Huangtun Project.....	IV-35
Table 3-6: Land Use Permit of Huangtun Project	IV-35
Table 5-1: Summary of the Main Mineralized Body	IV-43
Table 5-2: Summary Characteristics of Drilling	IV-48
Table 5-3: Au Composite Statistics	IV-59
Table 5-4: Cu Composite Statistics	IV-60
Table 5-5: Assumptions Considered for Cut-off Grade.....	IV-61
Table 5-6: Mineral Resource Statement of West Zone, Huangtun Project, Anhui China, SRK Consulting China Limited, 31 March 2020.....	IV-62
Table 5-7: Mineral Resource Statement of East Zone, Huangtun Project, Anhui China, SRK Consulting China Limited, 31 March 2020.....	IV-62
Table 5-8: Mineral Resources Estimated in Exploration License in Addition to Mineral Resources Reported in Mining Licenses	IV-62
Table 6-1: Classification of Geotechnical Rock Groups.....	IV-66
Table 6-2: Properties of Structural Planes.....	IV-66
Table 6-3: Geotechnical Parameters.....	IV-67
Table 6-4: Properties of Major Faults and Fracture Zones	IV-68
Table 6-5: Assumptions of Ore Processing	IV-69
Table 6-6: Assumptions of Price	IV-69
Table 6-7: Assumptions of Operating Costs and Taxes.....	IV-70
Table 6-8: Results of Cut-off Grade	IV-70
Table 6-9: Key Fields in Ore Reserve Model.....	IV-71
Table 6-10: Mat Definition	IV-71
Table 6-11: MAT Statistics before Ore Reserve Conversion	IV-72
Table 6-12: MAT Statistics for Headings with Positive Gross Profits	IV-72
Table 6-13: Level Statistics for Headings with Positive Gross Profits	IV-73
Table 6-14: Estimate of Mining Dilution and Recovery	IV-73
Table 6-15: Ore Reserve Estimate of Huangtun Pyrite Mine (East Zone) as of 31 March 2020 by SRK Consulting China Ltd	IV-74
Table 6-16: Ore Reserve of Huangtun Pyrite Mine (West Zone) as of 31 March 2020 by SRK Consulting China Ltd.....	IV-74
Table 6-17: Shaft Dimensions	IV-76
Table 6-18: Properties of Drainage Chambers	IV-77

Table 6-19: Estimate of Power Load	IV-78
Table 6-20: Mining Equipment Fleet.....	IV-79
Table 6-21: LoM Production Schedule for Eastern Deposit.....	IV-80
Table 6-22: LoM Production Schedule for Western Deposit.....	IV-80
Table 7-1: Chemical Analysis Results of Test Samples	IV-81
Table 7-2: The Main Mineral Composition.....	IV-82
Table 7-3: Phase Analysis Results of the Main Valuable Elements.....	IV-82
Table 7-4: Monomer Dissociation Degree of Chalcopyrite for Samples of.....	IV-83
Table 7-5: Monomer Dissociation Degree of Pyrite for Samples of	IV-83
Table 7-6: Monomer Dissociation Degree of Magnetite for Samples of.....	IV-84
Table 7-7: The Target Minerals Disseminated Granularity of Test Samples.....	IV-84
Table 7-8: Test Sample Occurrence Status of Maanshan Institute.....	IV-85
Table 7-9: Selective Flotation Test Results of Jiangxi University of Science and Technology ...	IV-85
Table 7-10: Mixed-Separation Flotation Closed-circuit Test Results of.....	IV-86
Table 7-11: Magnetic Separation Test Results of Jiangxi University of Science and Technology	IV-86
Table 7-12: Multi-element Chemical Analysis Results of Three Concentrate Products by Jiangxi University of Science and Technology	IV-86
Table 7-13: Bond Work Index of the Ore Determined by Jiangxi University of Science and Technology	IV-88
Table 7-14: Selective Flotation Closed-circuit Test Results by Changsha Research Institute....	IV-88
Table 7-15: Mixed Flotation Closed-circuit Test Results of Changsha Research Institute	IV-88
Table 7-16: Multi-element Analysis Results of Products from Mixed-separation Flotation Process.	IV-90
Table 7-17: Mixed-Separation Flotation Test Results of Maanshan Institute	IV-91
Table 7-18: Copper Concentrate Quality of Maanshan Institute	IV-92
Table 7-19: Sulfur Concentrate Quality of Maanshan Institute.....	IV-92
Table 8-1: The Main Processing Equipment Selected by Jinjian in the Preliminary Design	IV-94
Table 8-2: Processing Indicators of Pyrite Ore Designed by Jinjian in the Preliminary Design ..	IV-96
Table 8-3: Processing Indicators of Copper-gold Ore Designed by	IV-96
Table 9-1: Workforce Requirements in a Full Production Year	IV-99
Table 12-1: Forecast of Directly Mining Cost.....	IV-103
Table 12-2: Forecast of Directly Processing Cost.....	IV-103
Table 12-3: Forecast of Manufacture Overheads	IV-103
Table 12-4: Forecast of General and Administrating Costs	IV-103
Table 12-5: Summary of Rates for Tax, Surcharge and Fund	IV-104
Table 12-6: SRK Forecast of Operating Costs (VAT excluded).....	IV-104
Table 13-1: Capital Invested as of April 2019.....	IV-105
Table 13-2: Construction Capital Estimate	IV-106
Table 13-3: Working Capital Estimate	IV-106
Table 13-4: Operating Costs Estimation by SRK.....	IV-107

Table 13-5: Concentrate Sales Prices.....	IV-108
Table 13-6: Basic Assumptions in the Economic Analysis.....	IV-109
Table 13-7: Sensitive Analysis Results	IV-109
Table 13-8: Cash Flow Profile.....	IV-110
Table 13-9: NPV at Different Discount Rates	IV-110
Table 14-1: EIA Reports and Approvals	IV-112
Table 14-2: WSCP Reports and Approvals	IV-112
Table 15-1: Summary of the Huangtun Project Risk Assessment	IV-118

List of Figures

Figure 3-1: The Areas of Exploration and Mining Licenses	IV-34
Figure 4-1: Location and Access of the Project	IV-36
Figure 5-1: Regional Geology Setting	IV-38
Figure 5-2: Local Geology Setting.....	IV-39
Figure 5-3: West Orebody, East Orebody and Fault F1 with Drilling Intersection	IV-42
Figure 5-4: East Zone Orebodies	IV-43
Figure 5-5: West Zone Orebody.....	IV-44
Figure 5-6: Drillhole Location of Huangtun Project	IV-47
Figure 5-7: Underground Visit (Left) and Typical Mineralization (Right).....	IV-51
Figure 5-8: Core Shed of Jinding (Top).....	IV-52
Figure 5-9: Core Duplicates TS Performance.....	IV-53
Figure 5-10: Core Duplicated Cu Performance	IV-53
Figure 5-11: Core Duplicated Au Performance.....	IV-53
Figure 5-12: Pulp Duplicates TS Performance	IV-54
Figure 5-13: Pulp Duplicates Cu Performance	IV-54
Figure 5-14: Pulp Duplicates Au Performance	IV-55
Figure 5-15: Drillhole Location of Huangtun Project	IV-57
Figure 5-16: Mineralised Bodies of East Zone Huangtun Project	IV-58
Figure 5-17: Mineralised Bodies of West Zone Huangtun Project	IV-59
Figure 5-18: Statistics of Sample Length of Drill Hole Data	IV-59
Figure 6-1: Relationship among Feasibility Studies.....	IV-65
Figure 6-2: Substation at Level -290m ASL for the Tertiary Shaft.....	IV-66
Figure 6-3: Huangtun Rivers (July 2019).....	IV-67
Figure 6-4: Sensitivity Analysis of Cut-off Grades (July 2019).....	IV-71
Figure 6-5: Longitudinal View of Development System for Southern Subarea of Stage 1.....	IV-75
Figure 7-1: Processing Flowsheet Recommended by Jiangxi University of Science and Technology	IV-87

Figure 7-2: Mixed-separation Flotation Process Recommended by Changsha Research Institute	IV-89
Figure 7-3: Mixed-Separation Flotation Recommended by Maanshan Institute	IV-91
Figure 8-1: Site of the Proposed Processing Plant	IV-93
Figure 8-2: Photo of the TSF	IV-97
Figure 13-1: Sensitivity Analysis of NPVs Vs. Capital, Operating costs and revenue	IV-110
Figure 13-2: Sensitivity Analysis of IRRs Vs. Capital, Operating costs and revenue	IV-110

Appendices

Appendix 1: Mining / Exploration Licence

Appendix 2: Comparison of JORC and Chinese Resource Categories

Appendix 3: Chinese Environmental Legislative Background

Appendix 4: Equator Principles and Internationally Recognised Environmental Management Practices

Appendix 5: Statistics and Geostatistics

Disclaimer

The opinions expressed in this Report have been based on the information supplied to SRK Consulting China Limited (SRK) by Pizu (Shenzhen) Mining Company Limited (Pizu). The opinions in this Report are provided in response to a specific request from Pizu to do so. SRK has exercised all due care in reviewing the supplied information. Whilst SRK has compared key supplied data with expected values, the accuracy of the results and conclusions from the review are entirely reliant on the accuracy and completeness of the supplied data. SRK does not accept responsibility for any errors or omissions in the supplied information and does not accept any consequential liability arising from commercial decisions or actions resulting from them. Opinions presented in this report apply to the site conditions and features as they existed at the time of SRK's investigations, and those reasonably foreseeable. These opinions do not necessarily apply to conditions and features that may arise after the date of this Report, about which SRK had no prior knowledge nor had the opportunity to evaluate.

List of Terms and Abbreviations

%	Percent
°	Degrees, either of temperature or angle of inclination
°C	degrees Centigrade
AAS	atomic absorption spectrometry
Ag	silver
ASL	Above sea level
Assay	The chemical analysis of mineral samples to determine the metal content.
Au	gold
AusIMM	Australasian Institute of Mining and Metallurgy
Capital Expenditure (Capex)	All other expenditures not classified as operating costs.
cm	centimeter
Composite	Combining more than one sample result to give an average result over a larger distance.
Concentrate	A metal-rich product resulting from a mineral enrichment process such as gravity concentration or flotation, in which most of the desired mineral has been separated from the waste material in the ore.
Crushing	Initial process of reducing ore particle size to render it more amenable for further processing.
CSV	Comma-separated values
Cu	Copper
Cut-off Grade (CoG)	The grade of mineralized rock, which determines as to whether or not it is economic to recover its gold content by further concentration.
Dilution	Waste, which is unavoidably mined with ore.
Dip	Angle of inclination of a geological feature/rock from the horizontal.
DTM	Digital terrain model
E	East
EIA	Environmental Impact Assessment
EMP	Environmental Management Plan
FA	fire assay
Fault	The surface of a fracture along which movement has occurred.
Fe	Iron
Footwall	The underlying side of an orebody or stope.
g	Gram
g/t	Gram per tonne
Gangue	Non-valuable components of the ore.
Grade	The measure of concentration of gold within mineralized rock.
Hangingwall	The overlying side of an orebody or slope.
Haulage	A horizontal underground excavation which is used to transport mined ore.
IDS	Inverse Distance Squared
IDW	Inverse Distance Weighted
IFC	International Finance Corporation
Igneous	Primary crystalline rock formed by the solidification of magma.
Indicated Mineral Resource	That part of a Mineral Resource for which quantity, grade (or quality), densities, shape and physical characteristics are estimated with sufficient confidence to allow the application of Modifying Factors in sufficient detail to support mine planning and evaluation of the economic viability of the deposit.
Inferred Mineral Resource	That part of a Mineral Resource for which quantity and grade (or quality) are estimated on the basis of limited geological evidence and sampling. Geological evidence is sufficient to imply but not verify geological and grade (or quality) continuity. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes.

IRR	Internal Rate of Return
JORC Code	Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, the current version is 2012
JORC	Joint Ore Reserves Committee
kg	Kilogram, equivalent to 1,000 grams
km	Kilometres, equivalent to 1,000 metres
km ²	Square kilometres
Kriging	An interpolation method of assigning values from samples to blocks that minimizes the estimation error.
kt	thousand tonnes
kt/d or ktpd	thousand tonnes per day
kt/y or ktpa	thousand tonnes per year (annum)
kV	kilovolt
kW	kilowatt
kWh	kilowatt-hour
kWh/t	kilowatt-hour per metric tonne
Lithological	Geological description pertaining to different rock types.
LoM	Plans Life-of-Mine plans.
LRP	Long Range Plan.
m	Metre
m ²	Square metre
m ³	Cubic metre
M	Million
Measured Mineral Resource	That part of a Mineral Resource for which quantity, grade (or quality), densities, shape, and physical characteristics are estimated with confidence sufficient to allow the application of Modifying Factors to support detailed mine planning and final evaluation of the economic viability of the deposit.
Milling	A general term used to describe the process in which the ore is crushed and ground and subjected to physical or chemical treatment to extract the valuable metals to a concentrate or finished product.
mm	millimeter
Mineral/Mining Lease	A lease area for which mineral rights are held.
Mining Assets	The Material Properties and Significant Exploration Properties.
Mo	molybdenum
Mt	million tonnes
Mtpa	million tonnes per year (annum)
NPV	Net Present Value
OHS	occupational health and safety
OK	Ordinary Kriging
Ore Reserve	An "Ore Reserve" is the economically mineable part of a Measured and/or Indicated Mineral Resource. It includes diluting materials and allowances for losses, which may occur when the material is mined or extracted and is defined by studies at Pre-Feasibility or Feasibility level as appropriate that include application of Modifying Factors.
Pillar	Rock left behind to help support the excavations in an underground mine.
QA/QC	Quality Assurance/Quality Control
RMB	Chinese Yuan
RoM	Run-of-Mine.
S	sulphur
Shaft	An opening cut downwards from the surface for transporting personnel, equipment supplies, ore and waste.
Sill	A thin, tabular, horizontal to sub-horizontal body of igneous rock formed by the injection of magma into planar zones of weakness.

Smelting	A high temperature pyrometallurgical operation conducted in a furnace, in which the valuable metal is collected to a molten matte or doré phase and separated from the gangue components that accumulate in a less dense molten slag phase.
Stope	Underground void created by mining.
Stratigraphy	The study of stratified rocks in terms of time and space.
Strike	Direction of line formed by the intersection of strata surfaces with the horizontal plane, always perpendicular to the dip direction.
Sulfide	A sulfur bearing mineral.
t	Tonne (metric ton)
tpa	tonnes per year
tpd	tonnes per day
Tailings	Finely ground waste rock from which valuable minerals or metals have been extracted.
Thickening	The process of concentrating solid particles in suspension.
Total Expenditure	All expenditures including those of an operating and capital nature.
TSF	tailings storage facility
Variogram	A statistical representation of the characteristics (usually grade).
W	West
WSCP	Water and Soil Conservation Plans

1 Introduction and Scope of Report

SRK was commissioned by Pizu (Shenzhen) Mining Company Limited (“Pizu Mining”, “Pizu” or the “Client”) to undertake an independent technical review on the Huangtun pyrite polymetallic project (the “Huangtun Project”, the “Huangtun Pyrite Project” or the “Project”) located in Lujiang County, Anhui Province, the People’s Republic of China.

SRK was requested to prepare a Competent Person’s Report (“CPR”, or the “Report”) in line with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the “JORC Code”, 2012 Edition) and the listing rules, namely Chapter 18 and associate guidance letters, for mineral companies on the Stock Exchange of Hong Kong Limited (“HKEx”).

Pizu is a 100% subsidiary of the HKEx listing company, Pizu Group Holdings Limited (HK. 8053). This Report is to be a public technical report supporting the valuation and decision-making for a potential transaction.

The Project operated by Anhui Jinding Mining Stock Company Limited (“Jinding Mining”, “Jinding”, or the “Company”) is currently under construction, following completion of a Feasibility Study level and Front End Engineering Design completed in 2017. The mine construction has completed 4 levels of underground development and accessed the orebody in the East Zone. The designed processing plant is under construction and scheduled to commence commercial production at a rate of 1 Mtpa in early 2021. The construction period of the plant is designed to be 2 years.

This Report summarises SRK’s findings based on an independent review of the geology, exploration, mining, processing, environmental and techno-economic aspects of the Project, as well as documenting the current Mineral Resource and Ore Reserve estimates for the Project.

This Report was prepared following the guidelines of JORC Code (2012) and the HKEx listing rules, principally Chapter 18. For the preparation of this report, SRK has engaged specialists in the fields of geology, gemology, mining, mineral processing and environmental disciplines.

2 Program Objectives and Work Program

2.1 Purpose of the Report

The purpose of this Report is to provide an independent technical assessment on Project's operations including aspects of geology, exploration, Mineral Resources, mining, Ore Reserves, mineral processing, environmental, social, project costs and preliminary economic analysis based on available data.

The Report is prepared to provide Pizu's management and potential shareholders with an unbiased opinion on the Project. This draft Report as presented is a draft report of the CPR making integration of all sectional review conducted by SRK team and is provided for Pizu's internal review and comments. SRK consent the final CPR to be included in the insertion of supporting documents submitted to the HKEx for the proposed acquisition.

2.2 Scope of Work

SRK's scope of work, as defined in a letter of engagement executed on June 2019 between Pizu and SRK included an independent technical review of the following aspects of the Huangtun Project.

- Review geology and exploration of the Project;
- Develop a Mineral Resource model for the pyrite, copper and gold mineralisation delineated by drilling and underground channel sampling;
- Independent verification sample check (samples from previous cores and pulp duplicates);
- Review the feasibility study report and preliminary designs compiled for the Project, including mining, processing and environmental aspects, market studies, project investment and operating cost estimates as well as project implementation;
- Perform a preliminary economic analysis on the Project;
- Convert stated Mineral Resources to Ore Reserves in accordance to the JORC Code (2012);
- Prepare a Mineral Resource and Ore Reserve Statement for the Project;
- Provide recommendations for additional work;
- Preparation of the draft report summarising the findings of SRK's review;
- Peer Review of the draft; and
- Discussions with Pizu to finalize the Report.

2.3 Reporting Standard

This Report has been prepared to the standard in accordance with the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code).

This Report is not a Valuation Report and does not express an opinion as to the value of mineral assets.

The signing authors and peer reviewers are qualified as Competent Persons as defined in the JORC Code (2012) with the relevant experience regarding to the type of deposit and the activity undertaken for this Project. All authors responsible for sections of this Report are Members or Fellows of either the Australasian Institute of Mining and Metallurgy (AusIMM) or the Australian Institute of Geoscientists (AIG) and, as such, are bound by both the VALMIN and JORC Codes. This Report may include technical information that requires subsequent calculations to derive sub-totals, totals, and weighted averages. Such calculations inherently involve a degree of rounding and consequently introduce a margin of error. Where these occur, SRK does not consider them to be material.

This Report is also prepared in the form of a CPR required by Chapter 18 of the HKEx listing rules for mineral companies. The items used in this Report are in accordance with the Chapter 18 and related guidance letters published by the HKEx.

2.4 Work Program

SRK's technical review as presented in this Report has been carried out between July 2019 and May 2020, with supervision of resource update work performed between October 2019 and January 2020. This Report is assembled by SRK team in Beijing and Nanchang.

The following work program was undertaken:

- Conducting a site visit by SRK team to the Project located in Huangtun, Lujiang County, Anhui Province in July 2019 and January 2020.
- Discussions with the Company's technical staff and collection of data;
- Review the Project related data and documents provided by the Company;
- Resource modelling and estimation using qualified data;
- Preparation of Mineral Resource and Ore Reserve statement; and
- Preparing of this Report.

The exploration database was compiled and maintained by Chinese geological brigades (No. 327 and No. 313) and was audited and verified by SRK. Additional verification sampling was performed by SRK in July 2019, which enabled the integration of combined database for the resource evaluation presented in this Report.

The geological model and mineralised outlines for the peridot inclusions were constructed by SRK from a two-dimensional ("2D") geological interpretation provided by No. 327 and No. 313 geological brigades.

In SRK's opinion, the geological model is a reasonable representation of the distribution of the targeted mineralisation at the current level of sampling. The geostatistical analysis, variography and grade models for Sulphide, Iron, Copper and Gold were completed by SRK during July and August 2019.

The Ore Reserve estimate was prepared by SRK based on the stated Mineral Resource model and validation/consideration of the modifying factors as outlined in the 2019 Feasibility Study and Preliminary Design for the Project. A thorough technical assessment and a preliminary economic analysis was performed by SRK and indicates the Project is both technically feasible and economically viable.

2.5 SRK's Qualification and Project Team

SRK Consulting is an independent, international consulting group with extensive experience in preparing independent technical reports for various stock exchanges around the world (see www.srk.com for a review). SRK is a one-stop consultancy offering specialist services to mining and exploration companies for the entire life cycle of a mining project, from exploration through to mine closure. Among SRK's more than 1,500 clients are most of the world's major and medium-sized metal and industrial mineral mining houses, exploration companies, banks, petroleum exploration companies, agribusiness companies, construction firms, and government departments.

Formed in Johannesburg, South Africa, in 1974 SRK now employs more than 1,400 professionals internationally in 43 permanent offices on six continents. A broad range of internationally recognized associate consultants complements the core staff.

SRK Consulting employs leading specialists in each field of science and engineering. Its seamless integration of services, and global base, has made the company a world's leading practice in due diligence, feasibility studies and confidential internal reviews.

The SRK Group's independence is ensured by the fact that it holds no equity in any project and that its ownership rests solely with its staff. This permits the SRK Group to provide its clients with conflict-free and objective recommendations on crucial judgment issues.

SRK China was established in early 2005, and mainly works on Chinese mining projects independently or together with SRK's other offices. SRK China has prepared a number of independent technical reports on mining projects for various companies who acquired Chinese projects or completed public listings on overseas

stock exchanges, as showing in Table 2-1. SRK's project team members, with their titles and responsibilities within this Report, are shown in Table 2-2.

Table 2-1: Recent Reports by SRK for Chinese Companies

Company	Year	Nature of Transaction
Yanzhou Coal Limited (listed in HKEx)	2000	Sale of Jining III coal mine to the listed operating company
Chalco (Aluminum Corporation of China)	2001	Listing on HKEx and New York Stock Exchange
Fujian Zijin Gold Mining Group	2004	IPO Listing on HKEx
Lingbao Gold Limited	2005	IPO Listing on HKEx
Yue Da Holdings Limited (listed in HKEx)	2006	Acquisition of shareholding in mining projects in Yunnan, China
China Coal Energy Company Ltd (China Coal)	2006	IPO Listing on HKEx
Sino Gold Mining Limited	2007	Dual Listing on HKEx
Xinjiang Xinxin Mining Industry Co., Ltd	2007	IPO Listing on HKEx
Kiu Hung International Holding Limited	2008	Acquisition of shareholding in coal projects in Inner Mongolia, China
Hao Tian Resource Group Limited	2009	Very Substantial Acquisition of two coal mines in Inner Mongolia, China
Green Global Resources Holdings Ltd	2009	Acquisition of shareholding in one iron project in Mongolia
Ming Fung Jewellery Group Holdings Ltd	2009	Acquisition of shareholding in gold project in Inner Mongolia, China
Continental Holdings Limited	2009	Acquisition of a gold project in Henan, China
North Mining Shares Company Limited	2009	Acquisition of a molybdenum mining project in Shaanxi, China
CNNC International Ltd	2010	Acquisition of an uranium mine in Africa
Sino Prosper Mineral Products Ltd	2010	Acquisition of shareholdings in one gold project in Inner Mongolia, China
New Times Energy Corporation Ltd	2010	Acquisition of shareholding in gold projects in Hebei, China
United Company RUSAL Limited	2010	IPO Listing on HKEx
Citic Dameng Holdings Limited	2010	IPO Listing on HKEx
China Hanking Holdings Limited	2011	IPO Listing on HKEx
China Daye Non-Ferrous Metal Mining Limited	2012	Very Substantial Acquisition on HKEx
China Nonferrous Mining Corporation Limited	2012	IPO Listing on HKEx
Hengshi Mining Investments Limited	2013	IPO Listing on HKEx
Future Bright Mining Holdings Limited	2014	IPO Listing on HKEx
Agritrade International Pte LTD	2015	Acquisition of Shareholding in one coal mine in Indonesia
China Unienergy Group Limited	2016	IPO Listing on HKEx

Table 2-2: SRK Team Members and Responsibilities

Consultant	Title	Discipline and Task
Pengfei Xiao	Principal Consultant (Geology)	Project Manager, Competent Person for Mineral Resources, responsible for the whole report
Feng (Frank) Li	Senior Consultant (Geology)	Geology, exploration and resources, assisting in data verification and modeling
Yanfang (Bonnie) Zhao	Senior Consultant (Geology)	Geology, exploration and resources, assisting in data verification and modeling
Yonggang Wu	Principal Consultant (Mining)	Mining review, Competent Person for Ore Reserves

Lanliang Niu	Principal Consultant (Processing)	Ore processing, Competent Person for ore processing
Nan Xue	Senior Consultant (Environmental)	Environment, permits and approvals
Bo Song	Assistant Project Manager	Project management and coordination
Dr Anson Xu	Corporate Consultant (Geology)	Internal Peer Review and Competent Person for overall quality control
Peter Fairfield	Principal Consultant (Mining)	External Peer Review and Competent Person for overall quality control

Pengfei Xiao, M.Sc, MAusIMM, , is a Principal Consultant (Geology) and Director of SRK Asia. He graduated from the Institute of Geology and Geophysics, Chinese Academy of Sciences and specialised in comprehensive geophysical exploration of metal mineral deposits applying geo-electric and electromagnetic methods. Since joining SRK China in 2008, Pengfei has accumulated experience in more than 100 consulting projects including due diligence reviews (geology, exploration, and resource reviews), exploration design and resource verifications in China, Mongolia, Africa, South America, Southeast Asia, and Central Asia. These projects involve precious, base, and other nonferrous metal deposits, and also include some non-metal projects. Pengfei also has expertise in exploration QA/QC protocols for sampling, and sample preparation and analysis. Recently he has assisted in compiling public technical reports to aid SRK clients in successful property transactions. *Pengfei is the project manager and Competent Person responsible for the Mineral Resource Estimation and Statement, and he is responsible for the compilation of the CPR.*

Feng (Frank) Li, BEng, MSc, MAuIMM, is a Senior Consultant (Geology). He joined SRK in 2010 and has been involved in more than 40 projects, including project coordination, data verification, exploration management, geological logging and mapping, resource modelling. the projects located in China, Mongolia, Southeast Asia, Africa and South America; the projects include gold, silver, lead, zinc, iron, nickel, vanadium, magnesium, marble, bauxite, etc. He has a deep understanding of analysis and mineral resource reporting conversions between of Chinese and JORC Code standards and has abundant experience in project management and quality control. *Frank has supervised the verification sampling and assisted the resource modeling and estimation for the eastern part of the mine (S-Fe resources)*

Yanfang (Bonnie) Zhao, MEng, MAusIMM, is a Senior Consultant (Geological Engineering) at SRK China. She graduated from the China University of Geosciences (Beijing) in 2009. Before joining SRK, she worked as a geologist for Silvercorp Metals Inc., where she accumulated valuable experience in resource estimation, geological mapping, and database management. She is proficient with standard industry software packages such as Minex, Arcgis, Surpac, Mapgis, AutoCAD, and Access. At SRK, Yanfang is involved in projects in China and Indonesia. Bonnie has over 8 years' experience in resource modeling and estimation. *She has assisted in the resource modeling and estimation for the western part of the mine (Cu-Au resources).*

Yonggang Wu, MEng, MAusIMM, is a Principal Consultant (Mining), joining SRK in 2007 after his graduation from the Jiangxi University of Science and Technology. He has acquired specialised knowledge of mining engineering and MineSight software and has been involved in a large number of projects to date. He has accumulated extensive experience in resource/reserve estimation, pit limit optimisation and design, underground-mining design, long-term production planning, and due diligence studies, with minerals including Au, Pb, Zn, Mn, Cu, Fe, fluorite, potassium salts, alum, and phosphorus among many others. Yonggang has expertise in geological and mining modelling and is proficient in using MineSight, AutoCAD, and other specialised software packages. *Yonggang is responsible fore mining review and the Ore Reserve conversation and statement.*

Lanliang Niu, B.Eng., MAusIMM, MCAMRA, is a Principal Consultant (Processing) with SRK Consulting China. He has 25 years' experience in processing, hydrometallurgical testing and studies, mine technical support, and production management, and he is competent in both theoretical study and actual production. He has specific expertise in the processing of precious metal, nonferrous metal, ferrous metal, and some non-metal, as well as processing test design, data processing, and plant design and operation. He is actively acquainted with the new development and applications of processing technologies, facilities, and reagents. He has received

two national awards for his achievements in this area. Since joining SRK, Lanliang has been responsible for mineral processing/metallurgical and economic analysis scopes of work and involved in more than 70 independent technical review projects. *Lanliang is responsible for the mineral processing review and preliminary economic analysis for the Project.*

Nan Xue, M.Sc., MAusIMM, is a Senior Consultant (Environmental). He holds a Master's degree in environmental science from Nankai University in Tianjin. He has four years' experience in environmental impact assessment, environmental planning, and environmental management. He has been involved in a number of large EIA projects and pollution source surveys for SINOPEC, as well as the environmental planning project funded by UNDP. He has particular expertise in construction project engineering analysis, pollution source calculations, and impact predictions. In recent years after he joined SRK, Nan Xue has been involved in a number of due diligence projects, such as the Fuguiniao Mining project in China. *Nan has conducted the environmental and social review.*

Dr Anshun (Anson) Xu, PhD (Geology), FAusIMM, is a Corporate Consultant (Geology) and Practice Leader with SRK China, who specialises in the exploration of mineral deposits. He has more than 20 years' experience in exploration and development of various types of mineral deposits including Cu-Ni sulphide deposits related to ultra basic rocks, tungsten and tin deposits, diamond deposits and especially deep expertise in various types of gold deposits, including veins, fracture-breccia zones, alteration, and Carlin deposits. He was responsible for the resource estimations of several diamond deposits and for reviews of resource estimations of several gold deposits. He recently completed several due diligence jobs for clients from both China and overseas including technical review projects such as Canadian National Instrument (NI)43-101 reports and HKEx initial public offering (IPO) technical reports. *Dr Xu will provide peer review for the Project to ensure the quality of the CPR is up to SRK standard.*

Peter Fairfield, BEng (Mining), FAusIMM, is a Principal Consultant (Mining) and Practice Leader with SRK Australasia, Member of SRK Technical Committee of SRK Group. He is a mining engineer with over 25 years' experience in operations management and providing technical and operational service and support. He has a strong technical background, having worked in underground metal mines throughout Australia and the United States. Peter has a demonstrated ability to build and manage cross-functional teams to deliver project outcomes, with extensive experience in project evaluation across all levels of the project pipeline. He has held positions including Technical Services General Manager for an Australian gold producer, Mining Manager for a major Australian mining company, and Senior Mining Engineer for an Australian mining consultancy. *Peter provided peer review for the Project to ensure the quality of the CPR is to SRK standard.*

Mr Yonggang Wu (MAusIMM, Principal Mining Engineer), Mr Nan Xue (MAusIMM, Senior Environmental Consultant) and Mr Lanliang Niu (MAusIMM, Principal Processing Engineer) have contributed in this Project, in the area of mining, cost review, environmental and social, and mineral processing, respectively. These contributions formed the review and assumption of the "eventual economic extraction" for a "Mineral Resource" and the review of "Modifying Factors" for "Ore Reserve" estimation and reporting as these terms is defined in the JORC Code (2012).

Dr Anson Xu and Mr Peter Fairfield have provided peer review of the CPR and they are both qualified as "Competent Persons" for the Project.

2.6 Indemnities

As recommended by the VALMIN Code, Pizu has provided SRK with an indemnity under which SRK is to be compensated for any liability and/or any additional work or expenditure resulting from any additional work required:

- which results from SRK's reliance on information provided by Pizu or to Pizu not providing material information; or
- which relates to any consequential extension workload through queries, questions or public hearings arising from this Report.

2.7 Compliance Statement

The information in this report that relates to Mineral Resources is based on information compiled by Mr Pengfei Xiao, a Competent Person who is a Member of The Australasian Institute of Mining and Metallurgy and is a full time employee of SRK Consulting China Ltd.

The information in this report that relates to Ore Reserves is based on information compiled by Mr Yonggang Wu, a Competent Person who is a Member of The Australasian Institute of Mining and Metallurgy and is a full time employee of SRK Consulting China Ltd.

Other supporting information in this report that relates to Mineral Resources and Ore Reserves is based on information compiled by Mr Lanliang Niu, Mr Nan Xue, Mr Feng Li and Ms Yanfang Zhao.

Peer Reviews and Quality Controls are conducted by Dr Anson Xu and Mr Peter Fairfield.

Mr Pengfei Xiao as the chief compiler or the CPR has no prior association with Pizu or Jinding in regard to the mineral assets that are the subject of this Report. Pizu or Jinding has no beneficial interest in the outcome of the technical assessment being capable of affecting its independence.

None of the SRK team aforementioned has prior association with Pizu or Jinding in regard to the mineral assets that are the subject of this Report. Pizu or Jinding has no beneficial interest in the outcome of the technical assessment being capable of affecting its independence.

Mr Pengfei Xiao has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves".

Mr Pengfei Xiao consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

As the author of portions of the Report for Pizu on the reported mineral properties in Anhui Province, China, I, Pengfei Xiao, do hereby certify that:

- I am employed by, and carried out the assignment (Principal Geologist and Managing Director) for SRK Consulting China Limited, located at:
B315 COFCO Plaza
No.8 Jianguomen Nei Dajie
Beijing, the People's Republic of China
100005
Phone: 86-10-6511 1000, Fax: 86-10-8512 0385, Email: pxiao@srk.cn
- I graduated with a Bachelor's degree in Geophysics in China University of Sciences (B.Sc.) in 2005, a Master's degree in Solid Earth Physics and Mineral Exploration from China University of Sciences; Institute of Geology and Geophysics, China Academy of Sciences (M.Sc.) in 2008.
- I am a Member with the Australasian Institute of Mining and Metallurgy since 2011 (MAusIMM #307962).
- I have been directly involved in mineral project evaluation for more than 11 years.
- I have read the definition of "Competent Person" set out in HKEx listing rules and certify that by reason of my education, affiliation with a professional associations (as defined in the listing rules) and past relevant work experience, I fulfil the requirements to be a "competent person" for the purposes of the technical report.
- I visited the reported property in July 2019 and January 2020.
- I am the primary author responsible for the preparation and compilation of the report, and supervising Mr. Feng Li (Frank) and Ms Yanfang Zhao (Bonnie) as well as Mr Yonggang Wu to prepare geology and resource section and mining assessment section.
- I have had no previous involvement with the Jinding's Huangtun Project. I have no interest, nor do I expect

to receive any interest, either directly or indirectly, in the Huangtun Project, nor in the securities of Jinding or Pizu, or their subsidiary mining companies.

- I am not aware of any material fact or material change with respect to the subject matter of the Technical Report that is not reflected in the Technical Report, the omission to disclose which makes the Technical Report misleading.
- I consent to the filing of the Technical Assessment Report with HKEx and other regulatory authority and any publication by them, including electronic publication in the public company files on their websites accessible by the public, of the Technical Report.

2.8 Limitations Statement

SRK is not professionally qualified to opine upon and/or confirm that Jinding has 100% ownership of its underlying tenement and/or has any unresolved legal matters relating to any transfer of ownership or associated fees and royalties. SRK has therefore assumed that there are no legal impediments regarding the existence of the relevant tenements and that Jinding has legal right to all underlying tenements as purported. Assessing the legal tenures and rights to the prospects of Jinding and or any of its subsidiary companies are the responsibility of legal due diligence conducted by entities other than SRK.

2.9 Forward Looking Statement

Estimates of resources, reserves, and mine production are inherently forward-looking statements, which being projections of future performance will necessarily differ from the actual performance. The errors in such projections result from the inherent uncertainties in the interpretation of geologic data, in variations in the execution of mining and processing plans, in the inability to meet construction and production schedules due to many factors including weather, availability of necessary equipment and supplies, fluctuating prices, ability of the workforce to maintain equipment, and changes in regulations or the regulatory climate.

The possible sources of error in the forward-looking statements are addressed in more detail in the appropriate sections of this report. Also provided in the report are comments on the areas of concern inherent in the different areas of the mining and processing operations.

3 Property Description and Location

3.1 Mining Right

The Mining licence for the Huangtun Project, Table 3-1, covers an area of 1.304 square kilometers (km²). A copy of the Mining License with coordinates are provided in Appendix 1.

Table 3-1: Mining License of Huangtun Project

Project	Mining Licence No.	Issued To	Issued By	Issue Date	Expiry Date	Area (km ²)	Mining Type	Production Rate (Mtpa)
Huangtun Project	C3400002013086210131038	Anhui Jinding Mining Company Limited	Anhui Province Land and Resources Bureau	10-Mar-2016	19-Aug-2043	1.304	Underground	1.00

The mining area was defined by 8 vertices and their coordinates shown in the mining license are as of Table 3-2. The permitted mining depth is from -460 m above sea level (ASL) to 13 ASL.

Table 3-2: Coordinates of Vertices – Mining License

Vertex	Northing	Easting
1	3445492.89	39546839.75
2	3445497.52	39547872.99
3	3444789.16	39547876.20
4	3444788.68	39547770.22
5	3444480.70	39547771.61
6	3444479.74	39547559.64
7	3444079.36	39547561.44
8	3444076.17	39546846.02

Jinding holds an exploration license for the most mining permit area (1.25 km²) which is valid until 19 January 2022. The exploration license information and vertices coordinates are presented in Table 3-3 and Table 3-4, respectively.

A Google ® map showing the mining and exploration licensed areas is presented as Figure 3-1.

Table 3-3: Exploration License of Huangtun Project

Project	Exploration Licence No.	Issued To	Issued By	Issue Date	Expiry Date	Area (km ²)	Exploration Unit
Huangtun S-Fe-Au-Cu Polymetallic Prospecting	T34120180102054565	Anhui Jinding Mining Company Limited	Anhui Province Land and Resources Bureau	19-Jan-2020	19-Jan-2022	1.25	No.327 Geological Brigade

Table 3-4: Coordinates of Vertices – Exploration License

Vertex	Latitude	Longitude	Northing	Easting
1	31°07'48"	117°29'28"	3445492.89	39546839.75
2	31°07'48"	117°30'05"	3445497.28	39547820.00
3	31°07'37"	117°30'05"	3445158.50	39547821.53
4	31°07'25"	117°30'04"	3444788.80	39547796.71
5	31°07'25"	117°30'02"	3444788.56	39547743.72
6	31°07'15"	117°30'01"	3444480.46	39547718.62
7	31°07'15"	117°29'55"	3444479.74	39547559.64
8	31°07'02"	117°29'55"	3444079.36	39547561.44
9	31°07'02"	117°29'28"	3444076.17	39546846.02

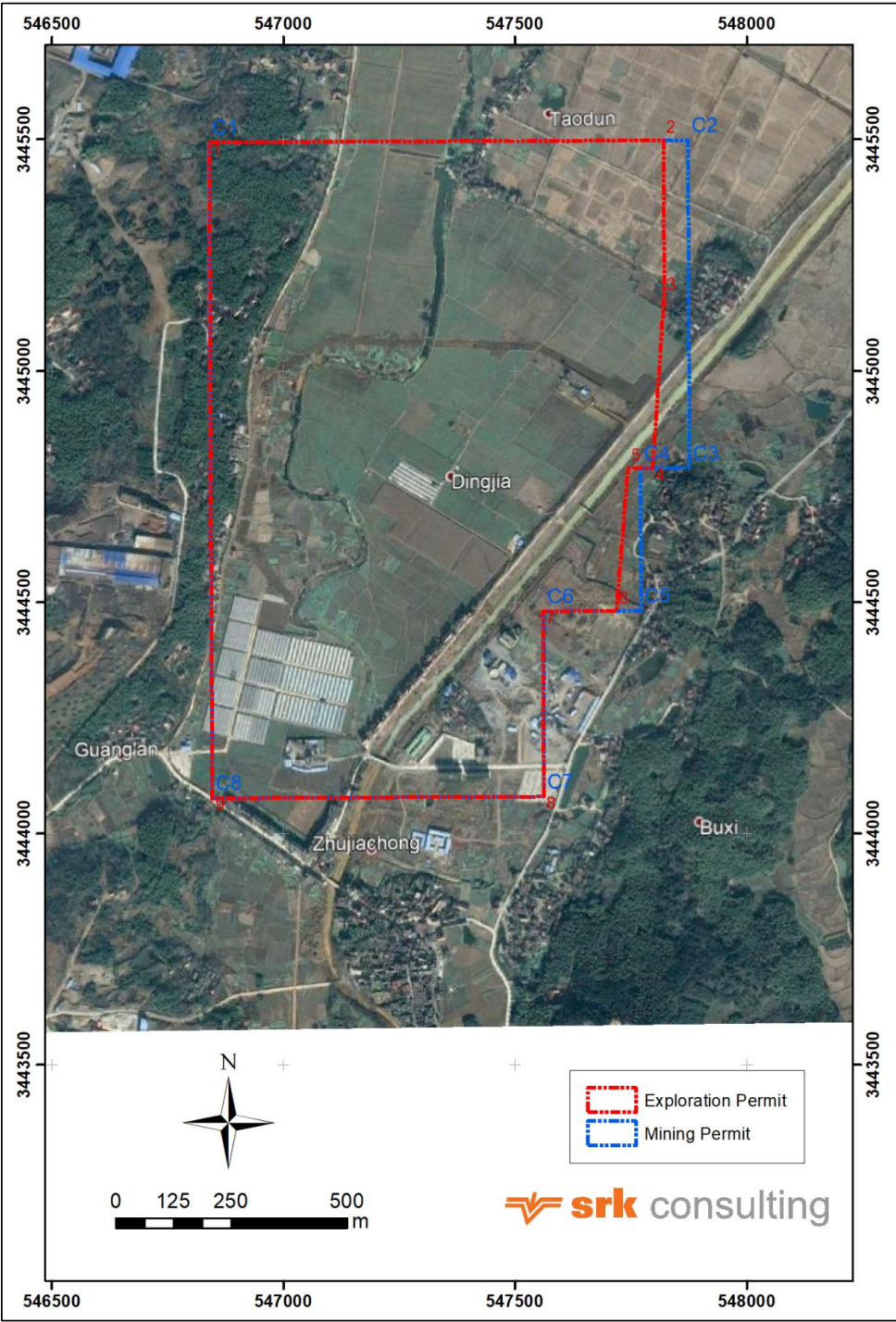


Figure 3-1: The Areas of Exploration and Mining Licenses

3.2 Operational Licences and Permits

3.2.1 Business License

The Business License details for the Huangtun Project are presented in Table 3-5.

Table 3-5: Business License of Huangtun Project

Project/Company	Business Licence No.	Issued To	Issued By	Issue Date	Expiry Date	Licensed Business Activities
Huangtun Project	91340124557812583D	Anhui Jinding Mining Company Limited	Hefei City Industry and Commerce Administration Bureau	23-Jun-10	22-Jun-82	Mining and processing of pyrit mine, iron mine and copper mine; sales of mine products.

3.2.2 Other Operational Permits

The Land Use Permit for the Huangtun Project is presented in Table 3-6.

Table 3-6: Land Use Permit of Huangtun Project

Project	Land Use Permit No.	Issued To	Issued By	Issue Date	Expiry Date	Land Use	Area (m ²)
Huangtun Project	[2016]11047	Anhui Jinding Mining Company Limited	Lujiang County People's Government	10-Mar-16	13-Dec-65	Industrial and mining storage use	112321.00

In addition, SRK sighted nine land compensation agreements which cover the construction of industrial square, tailings storage facility, tailings transportation pipelines, etc. SRK also sighted a forest land use approval No. (2014)269 for the Huangtun Project which was issued by Anhui Province Forest Bureau on 4 November 2014. The company also provided SRK with nine forest cut permits which were issued by Lujiang County Forest Bureau.

No Safety Production Permit, Water Use Permit and Site Discharge Permit for the Huangtun Project has been sighted as part of this review. However, the company stated that as the Huangtun Project is under construction the Safety production Permit and Site Discharge Permit is not required. SRK recommends the company acquire the necessary licenses and permits as the project moves towards formal production to meet the requirements of relevant environmental protection regulations.

4 Accessibility, Climate, Local Resources, Infrastructure and Physiography

The Huangtun Project is located in Lujiang County, Anhui Provinces, and 30 km southeast to the down town of Lujiang County. The geographic coordinates of the Project are approximately 117°30' East Longitude and 31°07' North Latitude.

The Project shares excellent accessibility for air, road and rail (Figure 4-1). It is 2 hours' drive from the Project site to the Airport of Hefei, the capital city of Anhui Province. The nearby railway stations are accessible in both Lujiang (to northwest) and Tongling (to southeast), within approximately 1 hour's drive. The city of Tongling was a well-known mining district in China. Highway networks are also connected to Lujiang. Paved roads are available from Lujiang to the mine site with good maintenance.

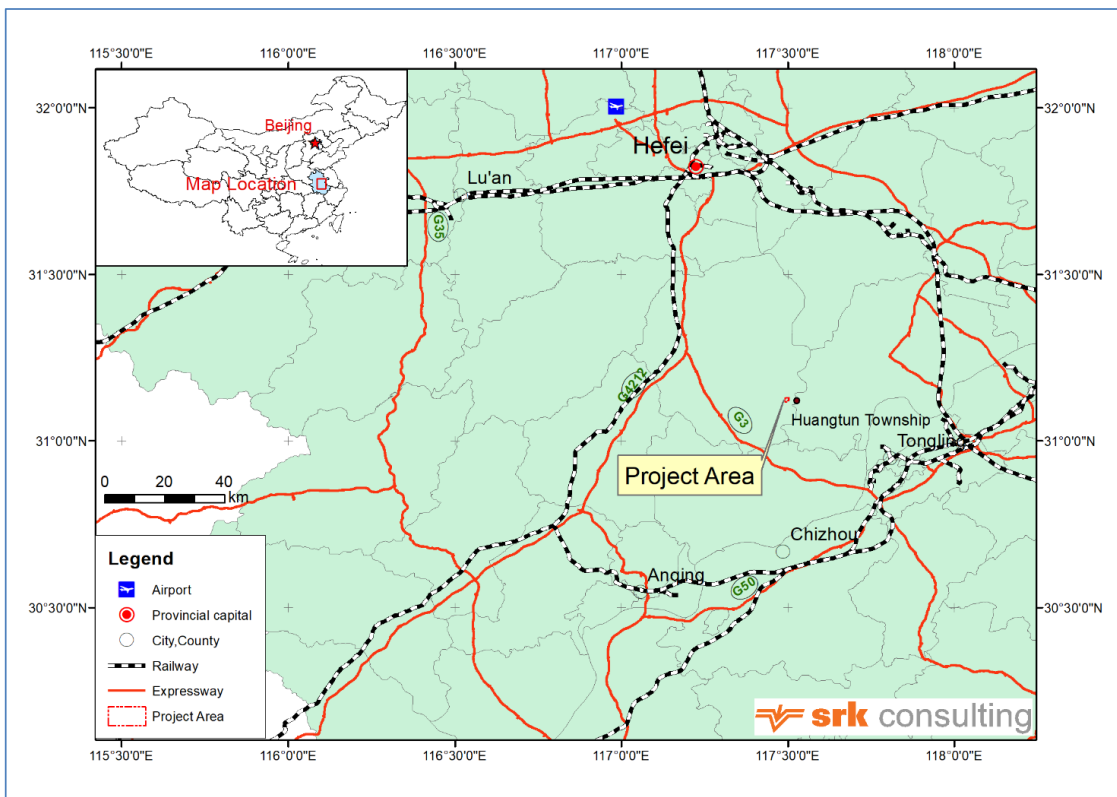


Figure 4-1: Location and Access of the Project

Infrastructure in Lujiang County is in a good condition with necessary support to mining industry to provide stable supply of electricity and water, and sufficient labour resources available nearby.

The landscape in the region is represented by plain and low-hill terrain, typically a part of the Middle-Lower Yangtze Plain. The elevation of the project surface area is about 10 m ASL. The local terrain is relatively flat with farms. The east, south and west sides are surrounded by low hills. The elevations of hills are generally at a range of 50 – 200 m ASL.

The Huangtun River (artificial river) flows on the northeast side of the mining area and joins the Yangtze River. A second river passes on the west side. The river flows to the northeast. The river flow varies with seasonality.

The Project Area is represented by subtropical humid monsoon climate with four distinct seasons. The average precipitation is 1,200 millimetres (mm) annually but can vary significantly year by year, the annual average evaporation is 1,500 mm. The all-season average temperature at Lujiang is 16 degrees Celsius (°C), and the

relative humidity is around 80%. In summer it is usually hot and humid, and the temperature reaches 35°C. Winter minimum temperature is about minus 10°C. The average rainfall days in Lujiang is 130 annually, and the rainy season is concentrated in the months from May to August. The average annual snowfall is about 16 mm and the annual frost-free period is about 220 days.

The economics in Lujiang County is dominated by agriculture. The agricultural products are mainly rice and other crops represented by wheat, hawthorn and corn. There are also cotton, tea and peanut planted, in addition to wood/forest industry including pine and bamboo. The manufacture industry in Lujiang includes business relating to cement, machine fans and other construction materials. In recent years, joint-stock enterprises and private (civil) enterprises have developed rapidly and the economy in the region is active.

The Lujiang County has abundant labor resources, and the county has a population over 1,100,000, of which about 230,000 are living in the downtown of Lucheng District, which is the economic and culture center of Lujiang County. The county has rich mineral resources, especially in the southern part of the Jurisdictions. In recent years, with the rapid development of the regional economy, a number of iron/pyrite (sulphur and iron) mines have been constructed, such as Longqiao Iron Mine, Luohe Iron Mine, Nihe Iron Mine, Dabaozhuang Pyrite (Sulphur and Iron) Mine and Mabiashan Iron Mine. The South Anhui Iron-Steel and Chemical Industry District has been initially shaped. The supply of coal, oil (gasoline) and construction tunnel wood is via procurement from other places. The available domestic water is mainly from tap water from underground sources. Other sources include ponds, streams and rivers.

5 Geology and Mineral Resource Estimates

5.1 Regional Geology

The Project is situated at the northeastern edge of the Lu-Zong (Lujiang to Zongyang) volcanic basin, on the north-western edge of the Yangtze Plate, bordering the Tan-Lu Fault Zone to the west and the lower Yangtze River fracture zone to the south. The basin is one of several important Mesozoic terrestrial volcanic basins in the iron and gold metallogenic belt along the middle and lower Yangtze River. The basin is cross-cut by the lateral movement of the Tan-Lu fault zone, the western part of which subsides and is overlaid by volcanic sediments of the lower Cretaceous system; the eastern is uplifted and eroded. The basin is roughly pear shaped, wider in the north and narrower in the south.

The Moshan Formation of the lower Jurassic system and the Luoling Formation of the middle Jurassic system form the base strata of the basin. The basin was built up continuously by magma emplacement and multiple successive eruptive cycles. The Lu-Zong volcanic rocks are represented by a magmatic-volcanic complex, which came from the same magma chamber, with specific genetic, progressive, and evolutionary characteristics. Figure 5-1 is a map showing the regional geology.

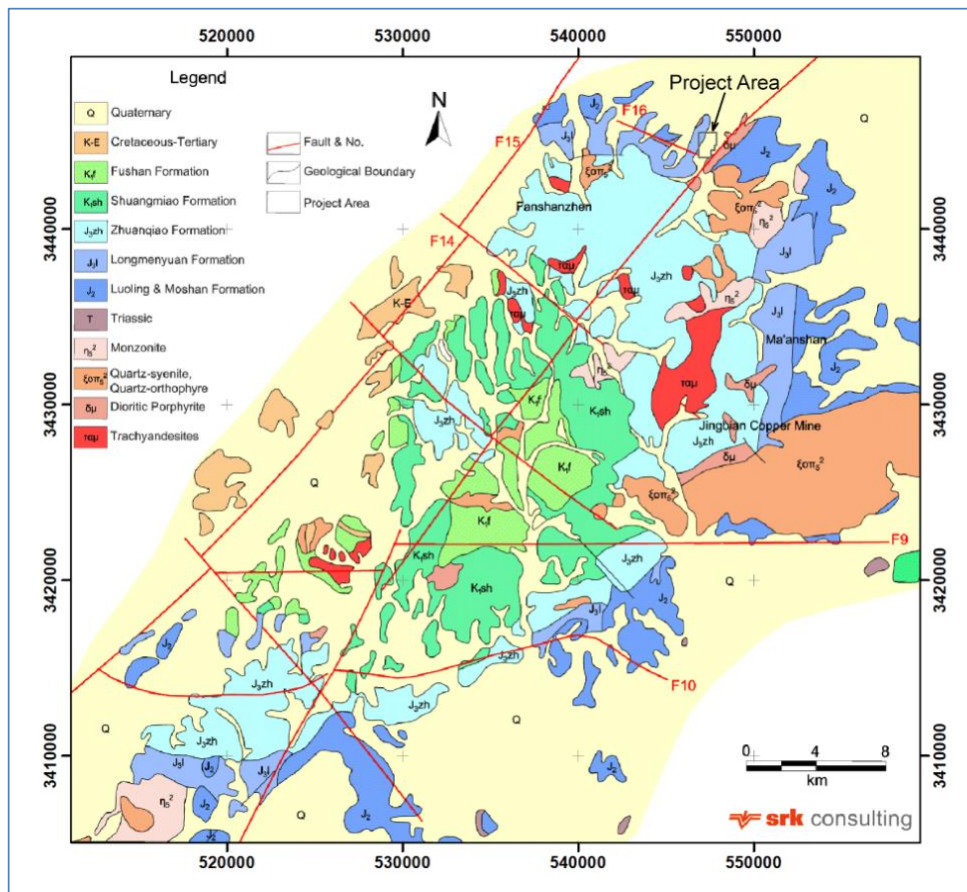


Figure 5-1: Regional Geology Setting

5.2 Deposit Geology

The project area is mostly covered by Quaternary eluvial and diluvial sediments, and the geological features of the mining area are mainly studied according to the drilling result and surrounding outcrop strata. A simplified map of local geological settings is provided below.

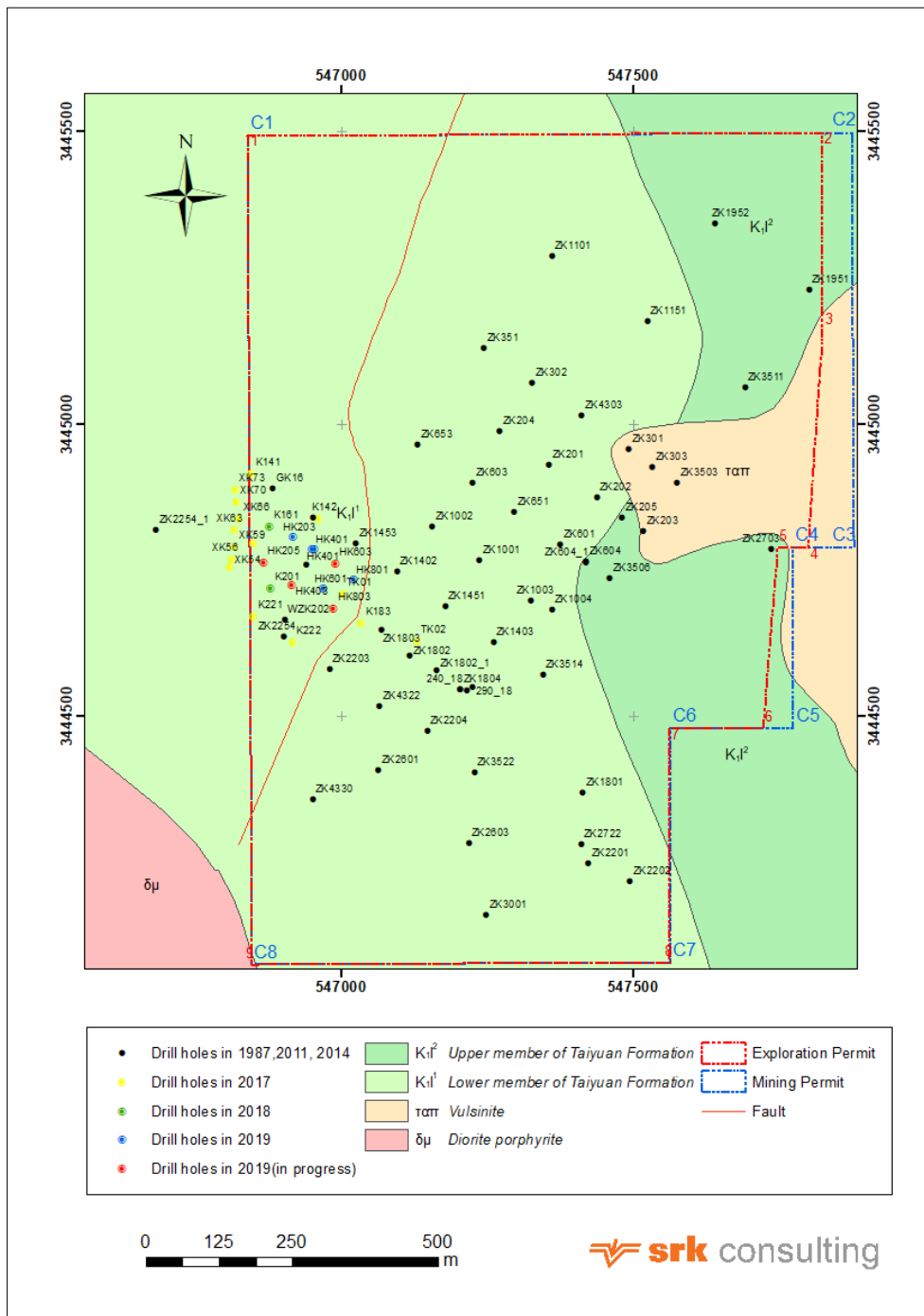


Figure 5-2: Local Geology Setting

5.2.1 Stratigraphy

The Quaternary eluvial and diluvial sediments is widely distributed in the Project area and outcropped rocks are mainly from the Lalijian Formation of upper Triassic system, the Moshan Formation of the lower Jurassic system and the Luoling Formation of the middle Jurassic system, which are exposed in east boundary of the

project. Occasional volcanic rocks forming the Longmenyuan Formation are exposed in west of the project area. The Longmenyuan Formation is distributed in the north-east direction between Yueshan and Mabiashan and is the main host formation of the Huangtun pyrite mineralization, with a thickness greater than 350m.

The alteration is strong in the Longmenyuan Formation, mainly including hydromica, kaolin, silicification, carbonation and potassium, followed by chlorite, chlorite, sericitization and electrical petrochemical.

The mineralization in the formation is strong, mainly pyrite mineralization, followed by brass mineralization, magnetite mineralization, hematite mineralization, lead-zinc mineralization etc.

5.2.2 Structure

The project area is located in the northeastern part of the Lu-Zong volcanic fault basin. There is a north-south fault in the Da'an Mountain in the east, a Quekou-Luohe fault in the west, and a Lujiang-Xiang'an fault in the north. These large-scale regional faults and their derived secondary structures constitute the structural system of the area. The project area is mainly controlled by the Hui Gong-Huangtun-Lushan fault system.

Fault F1 is the major fault in the project area, the surface is not exposed, the fault width is 1-20m wide, the vertical fault distance is 40~280m, the length is greater than 1, 200m, trending northeast 15° - 27° , inclination 80° - 87° .

The major fault F1 cut the southwest end of pyrite mineralized body at exploration lines #14, #18 and #22. The fault has divided the project into "East Zone" and "West Zone".

Fault F2: Concealed fault, located in the lower part of the 14-line, 18-line, and 22-line gold-copper ore bodies. The fault is about 300m long and tends to the southeast with a dip angle of 10° - 30° .

5.2.3 Magmatism

Magmatic rocks in the deposit are mainly consist of the ultra-shallow-phased Huangtun diorite porphyrite, the Jiaochong syenite porphyry, and the trachyandesite porphyry and eruptive rocks of Longmenyuan-Yueshan volcanic eruptive cycle.

The Huangtun diorite porphyrite is distributed in the deep part of the borehole and the southwestern part of the project area. The long axis direction is generally north-northwest, and the exposed area is about 3 km².

The Jiaochong syenite porphyry is distributed in the southeastern part of the project area. It is located in the southeast of Tongpanshan-Xiongjishan-Meirenxianhuashan. The long axis direction is east-west, and the exposed area in the project area is about 3 km².

The Yueshan trachyandesite porphyry is mainly distributed in the eastern side of the project area. It is located in the north of the Tongpanshan-Yueshan Mountain and extends 5Km. It is distributed in the north-north-east direction and has an exposed area of about 2 km². It is mainly distributed in the borehole in the northeast side of the project area and is buried shallowly.

5.2.4 Alteration

Alteration in the deposit is characterized by obvious vertical assemblage zonation. The deposit can be divided into four (4) assemblage zones from top to bottom: silicification-secondary quartzite, kaolinite-hydromica-carbonate, silicification-pyritization, and tourmaline-alkali feldspar. The zonation reflects the gradual transition of the alteration mineral assemblage from hyperthermal to mesothermal-hypothermal, and is also consistent with the major mineral deposition zonation (magnetite-hematite-pyrite-chalcopyrite).

5.2.5 Deposit Type

The Huangtun pyrite (sulphur and iron) deposit in the east area is a hydrothermal metasomatic deposit, while gold and copper deposit in the west area is a cryptoexplosive breccia deposit. The West and East mineralized zones are both occurred within the Longmenyuan Formation, represented predominately by volcanic rocks, and secondly by basement calcareous siltstones and marls.

Hefei University of Technology has studied the sources of sulphur from the West and East zones in the Project. The sulphur (S) isotope determination of the samples from pyrite and chalcopyrite collected in both zones suggests the sulphur was from the same source during the mantle activity/movement. Probably, the sulphur from mantle was mixed with the sulphur from basement (represented by gypsum-salt bed). The S isotope has also indicated that there is no distinction between the S in mineralized zones and the S in wall rocks in terms of source and time.

According to the type of metallogeny in the project as well as regional metallogenic studies, the ore-forming of the Huangtun mining area can be divided into three major phases.

- The first phase of ore-forming is magnetite mineralization, with copper mineralization associated locally. The metallogenic parts at the first phase are the basement sedimentary rocks.
- The second phase is pyrite mineralization, mainly sulfur, associated with gold, silver and copper. The metallogenic parts are unconformity surface/contact.
- The third phase is characterized by cryptoexplosive breccia type gold-copper mineralization, and the metallogenic parts are the western part of the mining area (i.e. West Zone of the fault F1).

5.3 Mineralization

SRK has divided the project into “East Zone” and “West Zone” by fault F1, in east zone, the main ore body is outlined as “Pyrite (S and Fe) Orebody” and in the west zone, the main orebody is outlined as “Gold Copper Orebody”.

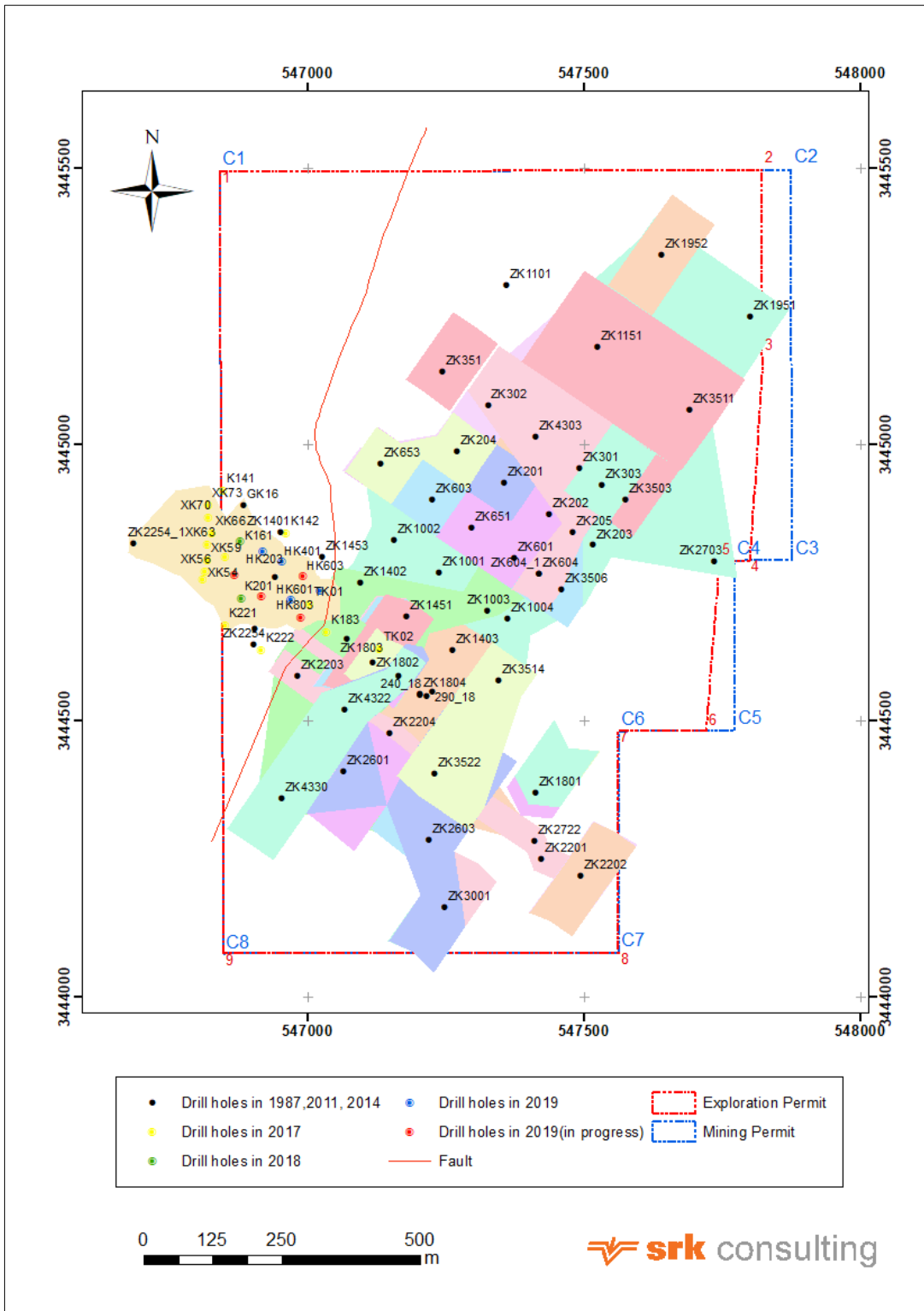


Figure 5-3: West Orebody, East Orebody and Fault F1 with Drilling Intersection

5.3.1 Mineralized East Bodies Outlined by SRK

SRK outlined the mineralised bodies using a sulphur cut-off of 8%, resulting in one (1) main body and 1 minor body east of fault F1. The mineralised bodies form a triangle shape in plain view, and stretch 1,307 m northeast-southwest and 500 m northwest-southeast. They appear as bedded or near-bedded shapes, and dip southeast at angles of 5° to 15°. Details of the main mineralised body are presented in Table 5-1. Figure 5-4 shows a 3D model of the main mineralised body.

Table 5-1: Summary of the Main Mineralized Body

Body ID	Extension	Thickness	Trending	Dip direction	Dip angle	Elevation range
	(NW×SW, m)	(m)	(°)	(°)	(°)	(m)
Main body	1,307 × 500	67 to 220	NE	SW	5 to 15	-358 to -20

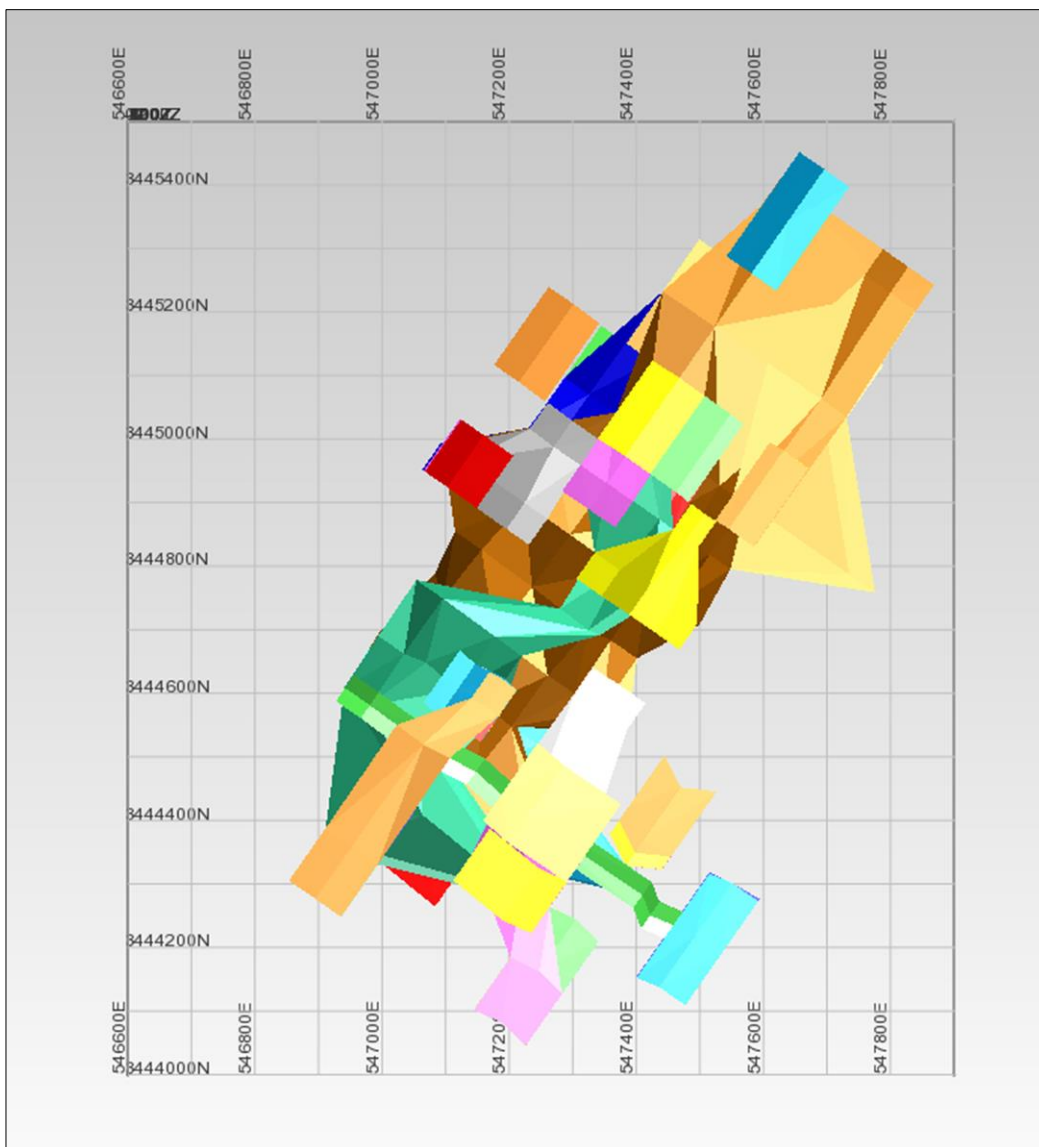


Figure 5-4: East Zone Orebodies

5.3.2 Mineralized West Body Outlined by SRK

The mineralized body in the western part of the Project is outlined with drilling interceptions of gold and copper at an equivalent cut-off grade of gold. The Au-Cu mineralization shows a pipe coming from about 600 m beneath the surface. The mineralized body is with 70 – 90 degrees of dip angle (see Figure 5-5). The area of horizontal project of the body is about 200 m by 200 m.

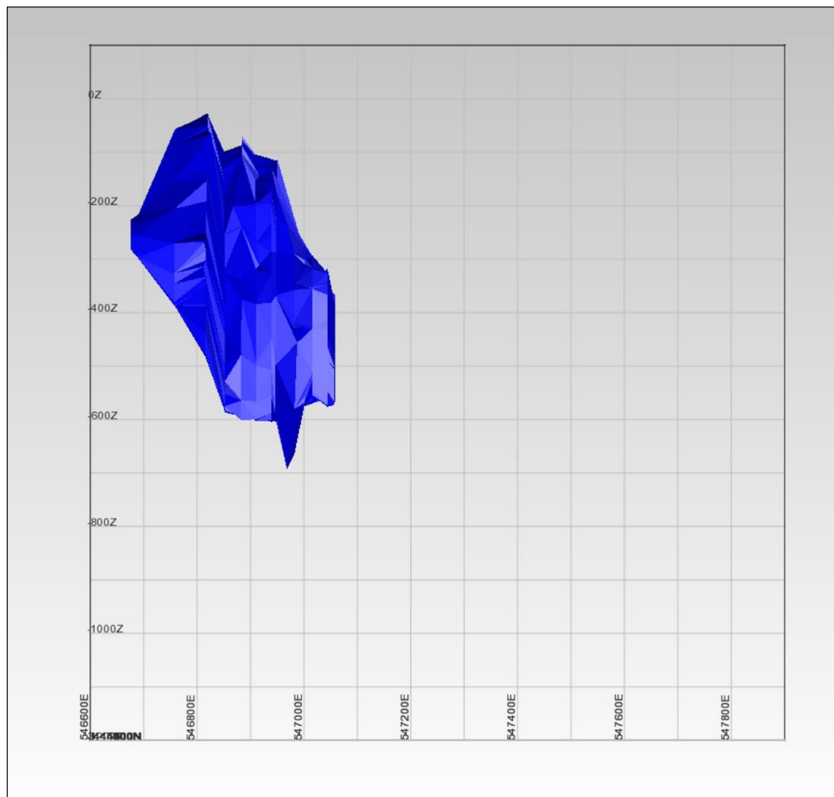


Figure 5-5: West Zone Orebody

5.3.3 Mineralogical Characteristics

East Zone (S and Fe)

The mineralization is hosted inside and outside of the contact between trachyandesite porphyry and pyroclastic rocks, and is basically controlled by the contact. Pyroclastic rocks and trachyandesite porphyry account for 52% and 48% of the host rock, respectively. Rich ore is mainly hosted near the contact zone of the Longmenyuan volcanic rocks, sub-volcanic rocks and basement sedimentary rocks. Ore body shape layered. Hanging wall rocks are primarily pyroclastic rocks and secondary siltstone, calcareous siltstone and limestone. The footwall is trachyandesite porphyry with some volcanic breccia and tuff.

The ore's industrial type is silicate pyrite. Disseminated ore accounts for about 80% of the volume, and is mainly poor ore hosted in the middle, bottom, eastern, and western sides of ore body No. 1. Massive ore accounts for about 10%, and is rich ore mostly located at the top of the ore body. The ore is separated into three industrial ore types based on its sulphur grade: rich ore ($S \geq 25\%$), poor ore (12 – 25% S), and cut-off grade ore (8 – 12% S). Figure 5 5 and Figure 5 6 show photos of rich and poor ore.

The main ore mineral is pyrite, which accounts for 20 – 55% of the volume. Gangue minerals are quartz and argillaceous minerals, of which quartz accounts for 10 – 60%.

The ore occurs in xenomorphic-hypautomorphic granular, idiomorphic granular, crushed and dissolved structures, metasomatic structures, etc. in addition, there are a small number of worm-like structures, ring-band structures, residual structures, and breccia structures.

The metal minerals are mainly pyrite, followed by hematite, magnetite, chalcopyrite, pyrite, pyrrhotite, siderite, galena, sphalerite, etc.

Non-metal minerals (gangue minerals) are mainly feldspar, quartz, amphibole, etc., followed by hydromica, kaolinite, sulphate chlorite, tourmaline, barite, fluorite, etc. It is mainly the residual rock of the original rock by pyrite, and some of them are altered minerals formed by pyrite mineralization.

West Zone (Au and Cu)

The gold-copper body is distributed near the contact zone of the volcanic rocks and basement sedimentary rocks of the Longmenyuan Formation, and star-shaped chalcopyrite particles are visible to the naked eye. The ore mineral composition is chalcopyrite, and the gangue minerals are quartz, feldspar, calcite, kaolinite, and the like. Gold is mainly distributed in pyrite.

The metal minerals (ore minerals) in the ore are mainly chalcopyrite, followed by pyrite, natural gold, hematite, magnetite, mirror iron ore, pyrrhotite and siderite. According to the ore structure, the gold and copper deposits are mainly breccia and reticular structures. Pyrite is mainly in the form of veins, blocks, disseminated, and breccia.

There are two main types of wall rocks: one is volcanic rock and the other is sedimentary rock. The former is mainly composed of coarse anthracite, and the latter is mainly composed of siltstone and argillaceous siltstone. Its mineral composition, the former is mainly feldspar, quartz, hydromica, kaolinite, chlorite, etc., the latter is mainly carbonate, quartz, hydromica, kaolinite and so on.

The roof of the gold-copper mineralized body is dominated by volcanic rocks, and the bottom plate is dominated by sedimentary rocks. The lithology of the roof is mainly composed of coarse sandstone, and the bottom plate is dominated by siltstone and argillaceous siltstone.

In addition, the gold and copper small ore bodies are distributed in the volcanic rocks, and the top and bottom plates are coarse Anyang. The top and bottom plates are distributed in the sedimentary rocks.

5.4 Exploration

The earliest geological work in the area began in 1930s, Mr. Cheng Yuqi et al. carried out geological surveys in the area of Lushan and Tianguangshan in the 1932 to prospect alum, systematic geological prospecting began in the 1960s.

5.4.1 Exploration History

- In the year 1967, the former Anhui Provincial Bureau of Geology and Mineral Resources Bureau completed the regional geological survey of 1:200,000 Tongling Width. In 1979, it completed 1:50,000 “Zhushan Town Width”, covering the project area.
- In 1981, the 327 Geological Brigade carried out a 1:100,000 geochemical survey in the Huanghua and Yueshan areas. The Yueshan lead-zinc mine was discovered by drilling. In 1988, *Yueshan silver-lead-zinc deposit detailed geological prospection report in Qijiang County, Anhui Province* was submitted.
- In the year 1983, Huangtun pyrite deposit was discovered by 327 Geological Brigade, the *Detailed geological report of the Huangtun Pyrite Deposit (original) in Lujiang County, Anhui Province* was submitted in December 1987.

- From year 2005 to 2009, a general investigation of pyrite, lead, zinc deposit in Pengdun area, Lujiang County, Anhui Province was carried out by 327 Brigade, the project area was included, a general geological investigation report was submitted in February 2009.
- From August 2010 to September 2011, Anhui Jinjiang Mining Co., Ltd. entrusted Anhui Provincial Geology and Minerals Bureau 327 Geological Brigade to carry out the geological exploration of the Huangtun Pyrite Deposit, 36 drillholes totalling 13,785m were drilled.
- Contracted by China Goldgroup Resources Co., Ltd, Beijing Jinyou carried out resource verification project from August 2014, four drillholes were drilled totaling 1,487.23m, two of which were drilled in the east part to verify the data of pyrite deposit and two of them were drilled in the west part to verify the gold and copper deposit.
- From 2016 to 2017, underground water management program was carried out by Jinding Mining, grout curtain drillings were performed surrounding the project area, seven grout curtain drillholes totaling 2,607.36m were logged and sampled.
- Supplement exploration program was also carried out from 2016 to 2017, eight drillholes totaling 5,667.63m were logged and sampled.
- From 2017 to 2019, two drillholes by China Goldgroup Resources Co., Ltd and two drillholes by Jinding Mining totalling 2,358.37m were drilled in the west part of the area to prospect the gold and copper deposit.

5.4.2 Trenching

Due to the project area is mostly covered by quaternary eluvial and diluvial sediments, trenching was not applicable in this project.

5.4.3 Underground Tunneling

Underground surveying and mapping cover the -190m, -240m and -290m levels of the development area.

5.4.4 Drilling

There are mainly five drilling programs of Huangtun Project, which are:

1. 1980s drilling program, 19 drill holes totalling 5,620.67m are adopted in the database, the core and pulp duplicates are not available, only drillhole column sections are available, the data of these drillholes are only used for geological modeling reference, and the resource category is only classified as "Inferred";

The 2010 to 2011 exploration program, 30 drillholes totaling 11,173.46m are adopted in the database, the cores are stored in the core shed of Jinding Mining. SRK has visited the core shed and took some core split for verification;

2. The 2014 China Goldgroup verification program, 4 verification drillholes totaling 1,487.23m;
3. 2016 to 2016 grout curtain drilling program and annual prospecting drilling, 15 drillholes totaling 8,274.99m;
4. 2017 to 2019, gold and copper exploration program 25 drillholes totaling 13,663.9m.

All the surface drillholes were designed as vertical holes. Down-hole surveys and depth verification were conducted every 100 m. Hole diameters were 150 or 130 mm at the surface and terminal diameters were 110 or 91 mm.

In general, the main mineralized body is controlled by the acceptable holes. The drillhole location is shown in Figure 5-6 and the detail information of the drillings is presented in Table 5-2.

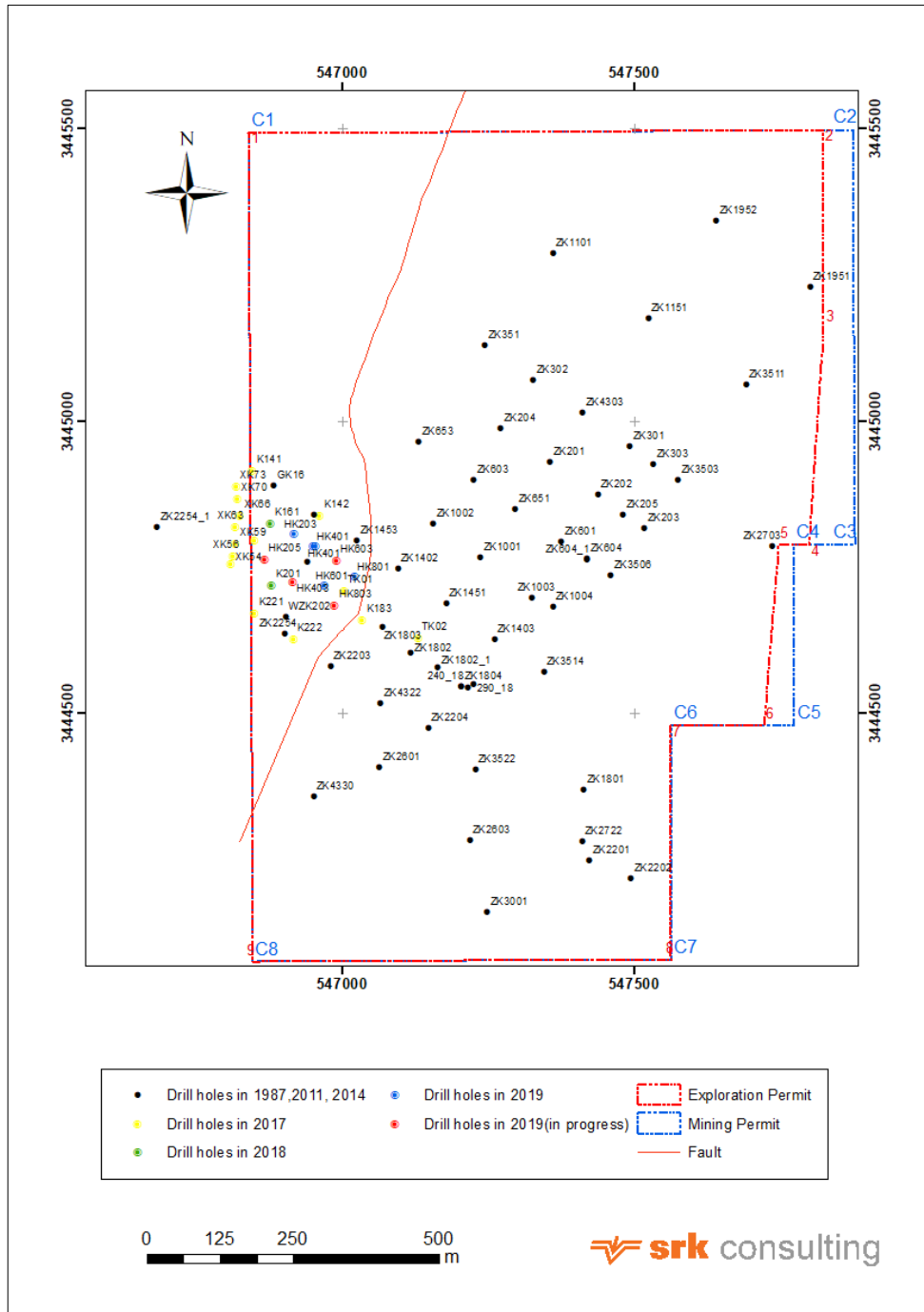


Figure 5-6: Drillhole Location of Huangtun Project

Table 5-2: Summary Characteristics of Drilling

Hole ID	Azimuth	Dip	Length (metre)	Easting* (metre)	Northing* (metre)	Elevation (metre)	Year	Zone
ZK1151	-	-90	208.47	3445176.7	547523.72	8.36	1987	east
ZK1451	-	-90	324.76	3444689.3	547177.99	9.04	1987	east
ZK1453	-	-90	406.37	3444795.5	547025.86	9.48	1987	west
ZK1951	-	-90	251.22	3445230	547799.5	13.48	1987	east
ZK1952	-	-90	253.79	3445342.7	547638.64	8.04	1987	east
ZK2254	-	-90	313.49	3444636.8	546901.96	9.54	1987	west
ZK2703	-	-90	291.77	3444787.1	547734.84	12.56	1987	east
ZK2722	-	-90	316.9	3444282.9	547409.87	9.86	1987	east
ZK3503	-	-90	203.79	3444899.8	547574.14	8.89	1987	east
ZK3506	-	-90	207.52	3444736.3	547458.65	9.06	1987	east
ZK351	-	-90	300.46	3445130.6	547243.86	9.08	1987	east
ZK3511	-	-90	242.57	3445063.1	547690.62	8.83	1987	east
ZK3514	-	-90	368	3444571.9	547345.15	9.35	1987	east
ZK3522	-	-90	297	3444404.8	547228.08	13.91	1987	east
ZK4303	-	-90	260	3445014.2	547410.84	9.02	1987	east
ZK4322	-	-90	336.52	3444519.2	547065.4	9.69	1987	east
ZK4330	-	-90	393.13	3444358.8	546952.15	9.49	1987	east
ZK651	-	-90	264.99	3444849.7	547295.57	8.94	1987	east
ZK653	-	-90	379.92	3444965.7	547130.95	8.92	1987	east
ZK1001	-	-90	311.92	3444767.5	547236.06	9.066	2011	east
ZK1002	-	-90	320	3444825.9	547156.38	9.106	2011	east
ZK1003	-	-90	317.56	3444699.1	547324.75	9.047	2011	east
ZK1004	-	-90	287.5	3444683.4	547359.97	8.917	2011	east
ZK1101	-	-90	330.7	3445287.7	547359.71	8.528	2011	east
ZK1401	-	-90	307.25	3444840.9	546951.35	9.24	2011	west
ZK1402	-	-90	327.18	3444749.1	547095.69	9.367	2011	east
ZK1403	-	-90	380.1	3444627.8	547260.53	9.145	2011	east
ZK1801	-	-90	336.85	3444369.8	547412.68	9.402	2011	east
ZK1802	-	-90	354.31	3444605.1	547118.06	9.26	2011	east
ZK1803	-	-90	272.61	3444648.4	547069.56	9.348	2011	east
ZK1804	-	-90	380.48	3444547.3	547203.42	9.717	2011	east
ZK201	-	-90	311.9	3444930.2	547354.35	8.776	2011	east
ZK202	-	-90	275.82	3444873.9	547436.51	8.76	2011	east
ZK203	-	-90	240.2	3444818.1	547515.7	9.274	2011	east
ZK204	-	-90	323.41	3444987.9	547270.09	8.888	2011	east
ZK205	-	-90	264.1	3444841.1	547478.95	8.852	2011	east
ZK2201	-	-90	1121.89	3444249.2	547422.07	11.094	2011	east
ZK2202	-	-90	389.27	3444219.4	547493.63	12.034	2011	east
ZK2203	-	-90	388.17	3444581.2	546980.72	8.449	2011	east
ZK2204	-	-90	364.85	3444476.6	547147.54	9.337	2011	east
ZK2601	-	-90	865.11	3444408.8	547063.66	9.413	2011	east
ZK2603	-	-90	401.05	3444283.7	547218.15	11.13	2011	east
ZK3001	-	-90	492.06	3444162.4	547247.48	9.884	2011	east
ZK301	-	-90	260.1	3444957.5	547490.87	8.803	2011	east
ZK302	-	-90	326.3	3445069.9	547325.49	8.912	2011	east
ZK303	-	-90	280.95	3444925.8	547531.4	8.884	2011	east

Hole ID	Azimuth	Dip	Length (metre)	Easting* (metre)	Northing* (metre)	Elevation (metre)	Year	Zone
ZK601	-	-90	305.72	3444793.8	547374.07	8.939	2011	east
ZK603	-	-90	363.45	3444899.5	547224.37	9.162	2011	east
ZK604	-	-90	272.65	3444764.9	547417.76	8.893	2011	east
WZK001_1	-	-90	526.69	3444759.6	546941.01	8.688	2014	west
ZK1802_1	-	-90	386.84	3444580.3	547163.23	9.241	2014	east
ZK2254_1	-	-90	274	3444820.1	546684.2	34.544	2014	west
ZK604_1	-	-90	299.7	3444764.6	547417.33	9.272	2014	east
K141	-	-90	700.45	3444915.8	546846.26	9.61	2017	west
K142	-	-90	600.08	3444839	546961.58	9.564	2017	west
K182	-	-90	751.48	3444796.8	546850.32	8.658	2017	west
K183	-	-90	650.26	3444660.9	547034.07	8.834	2017	east
K221	-	-90	700.1	3444672	546851.04	9.211	2017	west
K222	-	-90	562.8	3444627.4	546916.91	9.343	2017	west
TK01	-	-90	713.28	3444710	547004	8.618	2017	west
TK02	-	-90	989.18	3444630	547130	9.04	2017	east
XK54	-	-90	372.3	3444756.1	546811.3	8.7	2017	west
XK56	-	-90	372.12	3444769.6	546814.66	8.9	2017	west
XK59	-	-90	372.24	3444790.3	546818.79	8.9	2017	west
XK63	-	-90	373.98	3444818.7	546818.15	8.75	2017	west
XK66	-	-90	372.3	3444838.1	546826.3	8.8	2017	west
XK70	-	-90	372.25	3444866.9	546821.01	9.2	2017	west
XK73	-	-90	372.17	3444888.7	546819.63	9.2	2017	west
K161	-	-90	514.08	3444824.5	546877.66	8.74	2018	west
K201	-	-90	600.71	3444720.4	546879.25	8.72	2018	west
240_18	304	0	110	3444546.7	547202.94	-238.5	2018	east
290_18	329	0	278.4	3444551.7	547225.34	-287	2018	east
290_18_T01	329	41	90	3444544.8	547215.23	-287	2018	east
GK16	-	-90	263.44	3444889.8	546884.12	8.8	2018	west
WZK202	-	-90	405.66	3444666.6	546903.8	8.76	2018	west
HK401	-	-90	751.48	3444786	546949.96	9.1	2019	west
HK801	-	-90	492.1	3444735	547021.44	9.09	2019	west
HK603	-	-90	612.02	3444762	546990.75	8.8	2019	west
HK601	-	-90	826.99	3444718.7	546969.59	8.931	2019	west
HK403	-	-90	815.49	3444724.7	546915.74	8.8	2019	west
HK203	-	-90	648.77	3444807	546917.13	8.787	2019	west
HK205	-	-90	544.5	3444763.8	546867.12	8.818	2019	west
HK803	-	-90	553.11	3444685.4	546987.44	8.8	2019	west
Total			34063.1					

5.5 Sampling, Sample Preparation and Analyses

5.5.1 Sampling

After geological logging, cores were halved and samples were bagged, tagged, and weighted. Core sample lengths ranged from 1 m to 2 m. Sample lengths were determined by lithology, alteration, and mineralization. Samples were not taken across lithological contacts.

Channel samples were collected from tunnel walls after underground mapping was completed. Generally, each sample was 1.0 – 2.0 m long, 3 cm deep, and 5 cm wide. The samples were collected in sample bags labelled inside with a unique number for each sample.

The core and channel samples were couriered to the Laboratory of 313 Brigade, 321 Brigade and 325 Brigade of the Anhui Provincial Geological Bureau for sample preparation and analysis.

5.5.2 Sample Preparation and Analyses

Sample weights were determined by the Qeqott formula: $Q=Kd^2$, in which Q is the weight of the sample, K is the sample preparation coefficient, and d is the maximum diameter of sample grains. The K value for the exploration work was 0.2. Sample preparation was conducted in accordance with Chinese *Geological Mineral Laboratory Testing and Management Standards* and *Rock and Mineral Sample Preparation Standards*.

All samples were prepared by preliminary crushing, intermediate crushing, and final pulverizing, and weighing, mesh screening, blending, and splitting were conducted for each procedure.

Sample analysis was done in accordance with Chinese national standard testing methods: using iodometric titration for samples with total sulphur content less than 15%, and barium sulphate precipitation for samples with total sulphur above 15%. For iodometric titration, pulp was calcinated at 1250°C and then titrated with potassium iodate. In barium sulphate precipitation, pulp is dissolved with Eschka's mixture, precipitated with barium sulphate, and the resulting precipitate is weighed. While the assays were primarily to determine total sulphur (TS), minor tests were also done to determine copper (Cu) and gold (Au) contents.

5.5.3 Specific Gravity Data

- Pyrite Deposit Specific Gravity Data

According to the detailed exploration report published by Brigade 327 in 2011, 100 samples were collected in 1980s and 29 samples were collected in 2011, based on these data, a correlation analysis between sample specific gravity and sulfur grade was performed, a Binary linear regression equation was built:

- $D=2.5924+0.03642\times C$
- D =Density (t/m^3); C =S grade (%)

Gold Copper Deposit Specific Gravity Data

A total of 76 specific gravity samples were collected from drillhole TK01, XK56 and K182, all samples are trachyandesite breccia, average specific gravity is $2.79t/m^3$.

5.6 Quality Assurance and Quality Control Programs

SRK personnel have visited the core shed and underground tunnel, also visited the No. 313 brigade laboratory which is the main laboratory of the project in Luan City, underground channel sample location were not available due to grouting, SRK have selected core samples and pulp samples for verification, the samples were couriered to SGS Tianjin Laboratory, an international referee lab.



Figure 5-7: Underground Visit (Left) and Typical Mineralization (Right)

5.7 Data Verification

A data verification program was proposed by SRK's Qualified Person based on the data and documents provided, 59 core split samples from 5 drillholes and 96 pulp samples from 12 drillholes were sampled. The core splits were cut by diamond saw under SRK supervision, all samples were couriered to SGS Tianjin Laboratory, an international referee lab.



Figure 5-8: Core Shed of Jinding (Top)

Core Split (Bottom Left) and Packed Samples (Bottom Right)

The comparison between original assay results and external check assay results are shown below.

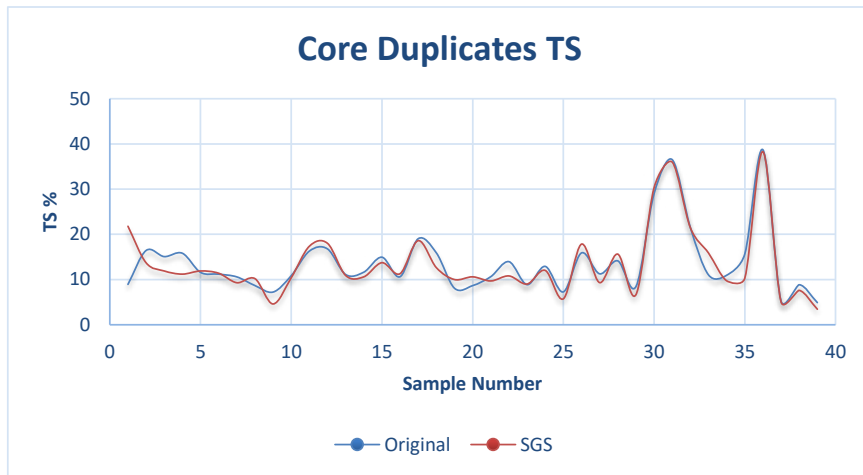


Figure 5-9: Core Duplicates TS Performance

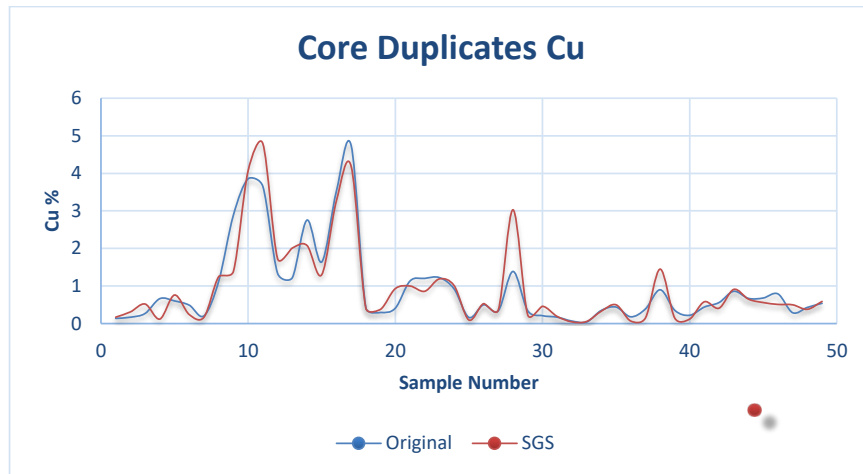


Figure 5-10: Core Duplicated Cu Performance

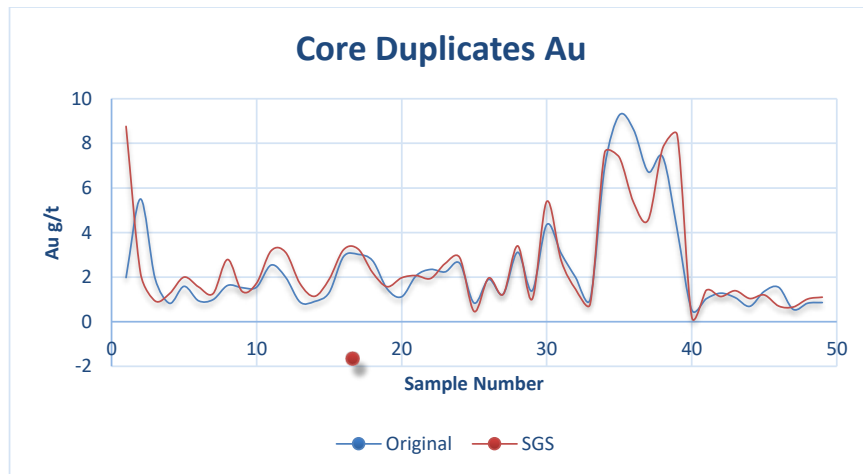


Figure 5-11: Core Duplicated Au Performance

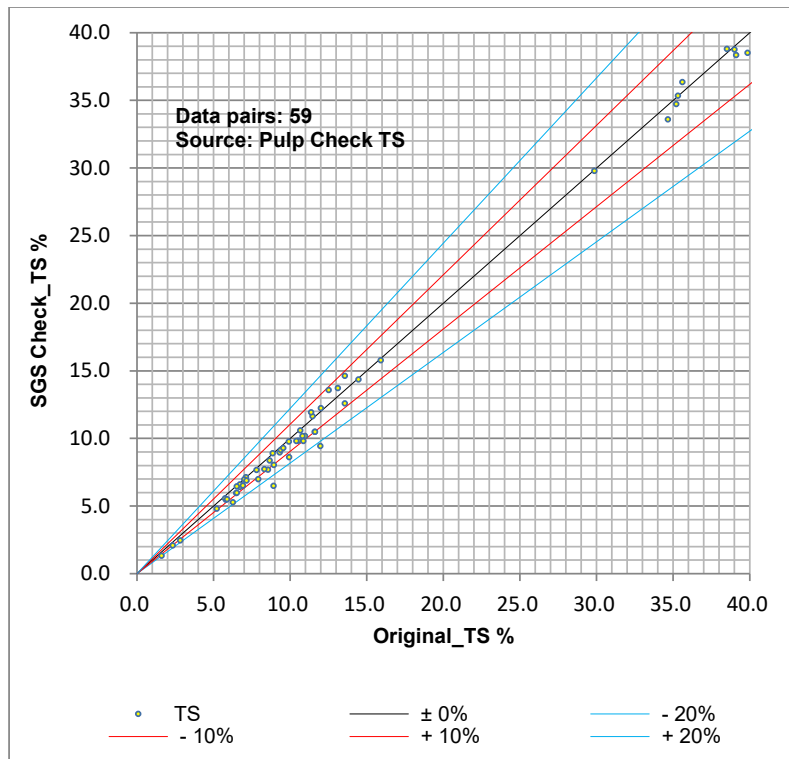


Figure 5-12: Pulp Duplicates TS Performance

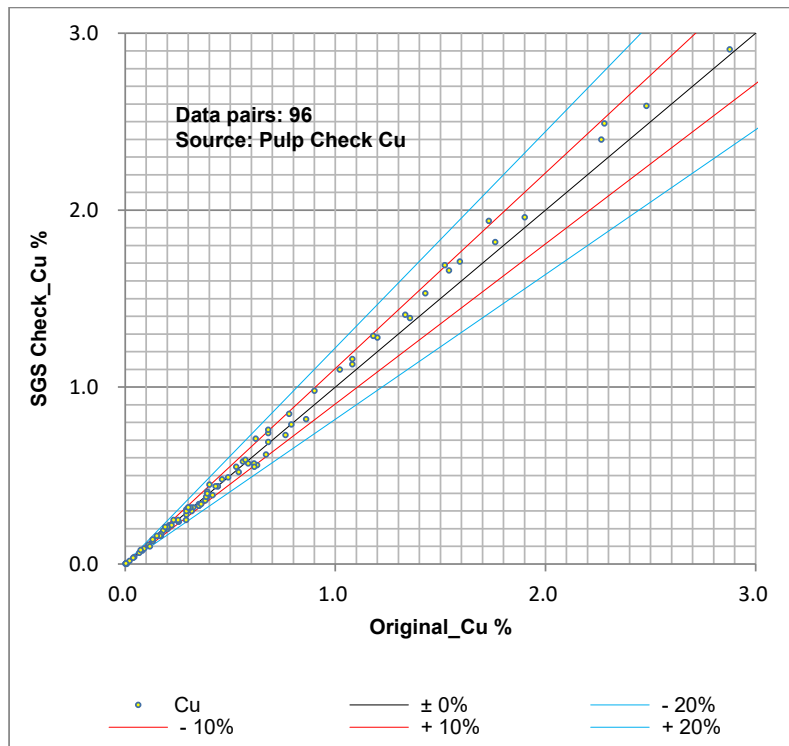


Figure 5-13: Pulp Duplicates Cu Performance

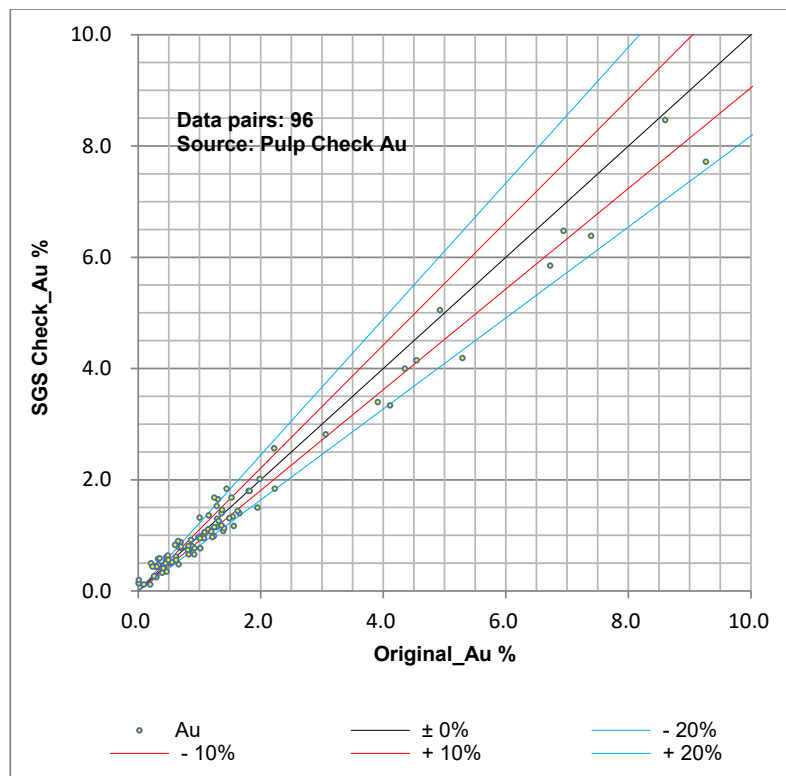


Figure 5-14: Pulp Duplicates Au Performance

Generally, the external check samples' performance is acceptable, the assay data of the geological report can be used for geological modeling and resource estimation.

5.8 Mineral Resource Estimates

5.8.1 Introduction

The Mineral Resource Statement presented in this report represents the mineral resource estimation prepared for the Huangtun Pyrite and Gold-Copper Mine Project in accordance with the 2012 Australasian Code for Reporting of Exploration Results, Mineral Resources, and Ore Reserves (the "JORC Code").

The database used by SRK within Huangtun Pyrite and Gold-Copper Mine Project area consists of 13,354 samples, of which 11,174 samples from 81 boreholes and 195 samples from 2 underground trenches covering the Huangtun Mining License area and adjacent area. The database was provided by Jinding in March 2020. The resource estimation work was completed by Ms. Yanfang Zhao, MAusIMM, Mr. Feng Li, MAusIMM, and Mr. Pengfei Xiao, MAusIMM, all "Independent Qualified Persons" as defined in the JORC Code. The effective date of this resource statement is 31 July 2019. Mr Yonggang Wu, MAusIMM has also contributed to the resource models and estimation.

This report section describes the resource estimation methodology and summarizes the key assumptions considered by SRK. In the opinion of SRK, the resource estimation reported in this report is a reasonable representation of the global pyrite resources found in the Huangtun Pyrite and Gold-Copper Mine Project at the current level of sampling. The mineral resources have been estimated in conformity with generally accepted JORC Code guidelines and are reported in accordance with the 2012 edition of the JORC Code. The databases used to estimate the Huangtun Pyrite and Gold-Copper Mine Project's mineral resources were audited by SRK. SRK is of the opinion that the current drilling information is sufficiently reliable to interpret with confidence the boundaries for pyrite mineralization, and the assay data are sufficiently reliable to support mineral resource estimation.

Surpac Version 6.3 was used to construct the geological solid models and block models, estimate mineral grades, and tabulate mineral resources. Surpac software was also used to prepare assay data for geostatistical analysis.

5.8.2 Resource Estimation Procedures

The resource evaluation methodology involved the following procedures:

- Database compilation and verification;
- Construction of wireframe models for the boundaries of the pyrite, gold and copper mineralization;
- Definition of resource domains;
- Data conditioning (compositing and capping) for geostatistical analysis and Variography;
- Block modelling and grade interpolation;
- Resource classification and validation;
- Assessment of “reasonable prospects for economic extraction” and selection of appropriate cut-off grades; and
- Preparation of the Mineral Resource Statement.

5.8.3 Resource Database

All the available data, including collar locations, assay results, and downhole surveys, were imported into a Surpac database for the estimation procedure. The database was validated within Surpac to search for errors such as missing or overlapping intervals, correct hole depths, azimuths, and dips, duplicated samples and similar errors.

The database used for the resource estimation within the Mining Licence area and planned permit area consists of samples from 81 boreholes and 2 underground trenches. Of the 13,354 intervals sampled, sampling length varied from 0.02 m to 10.1 m and averaged 1.35 m. The database have been divided into East Zone for pyrite modeling and resource estimation, and West Zone for gold and copper modeling and resource estimation, the database consists of samples from 75 boreholes within the Mining License area, and samples from 8 boreholes adjacent to the Mining License area. The Figure 5-15 shows the boreholes and mining licence of Huangtun Project.

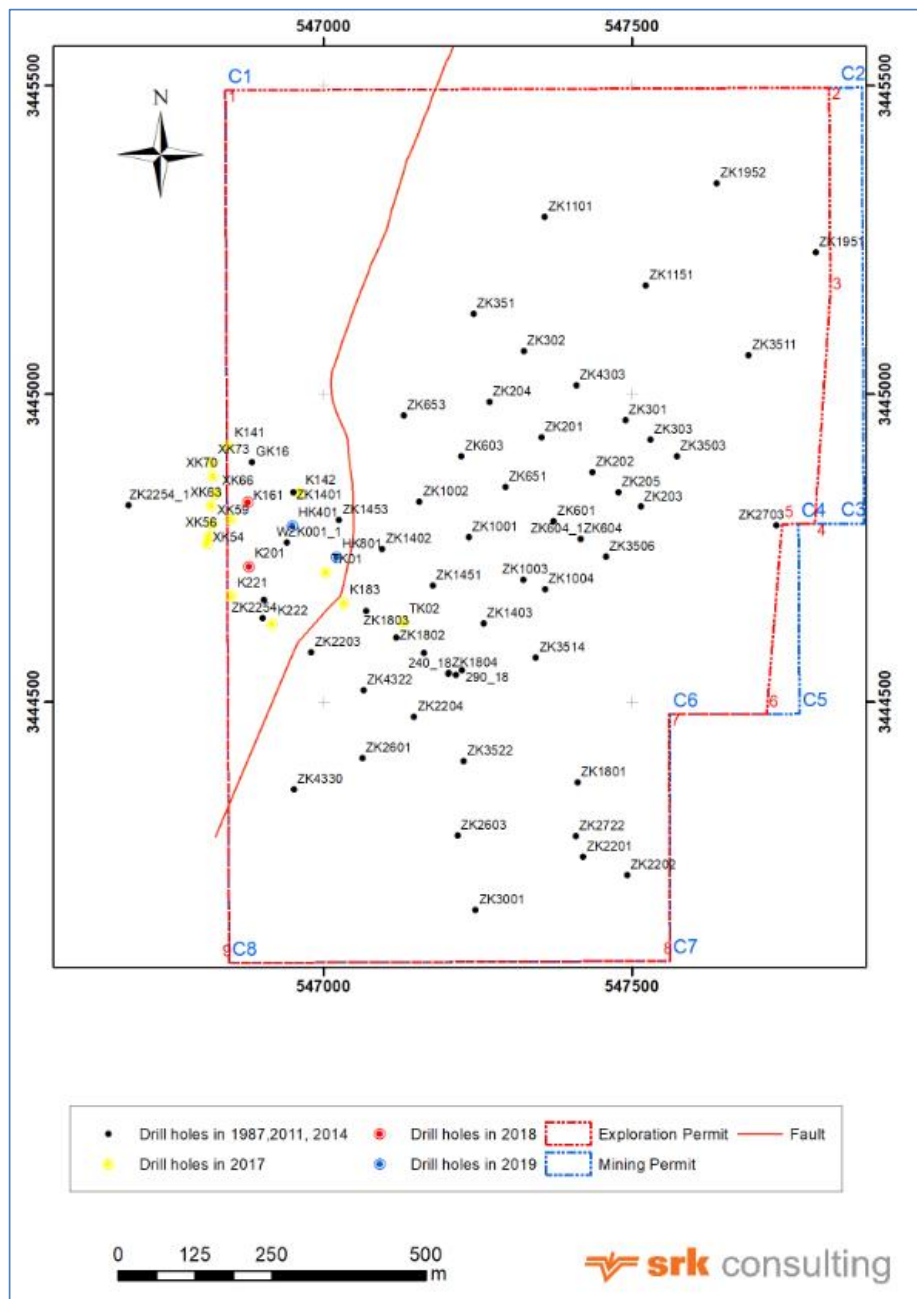


Figure 5-15: Drillhole Location of Huangtun Project

All the geological data has been provided to SRK in a Xi'an 1980 coordinate system, and the solid wireframe modelling, resource modelling, and grade interpolation work has been conducted in this coordinate system.

5.8.4 Solid Body Modelling

The mineralisation wireframe models were delineated using the grade values from the assay tables at a sulphur (“S”) cut-off grade of 8%, as well as the lithology data from the drilling logs.

Within the area covered by all data, one major pyrite mineralization domain was outlined with several solids was outlined based on S assay values. The main mineralised body is closely interposed by a series of waste bodies.

Models of the mineralised bodies were created and are shown in Figure 5-16.

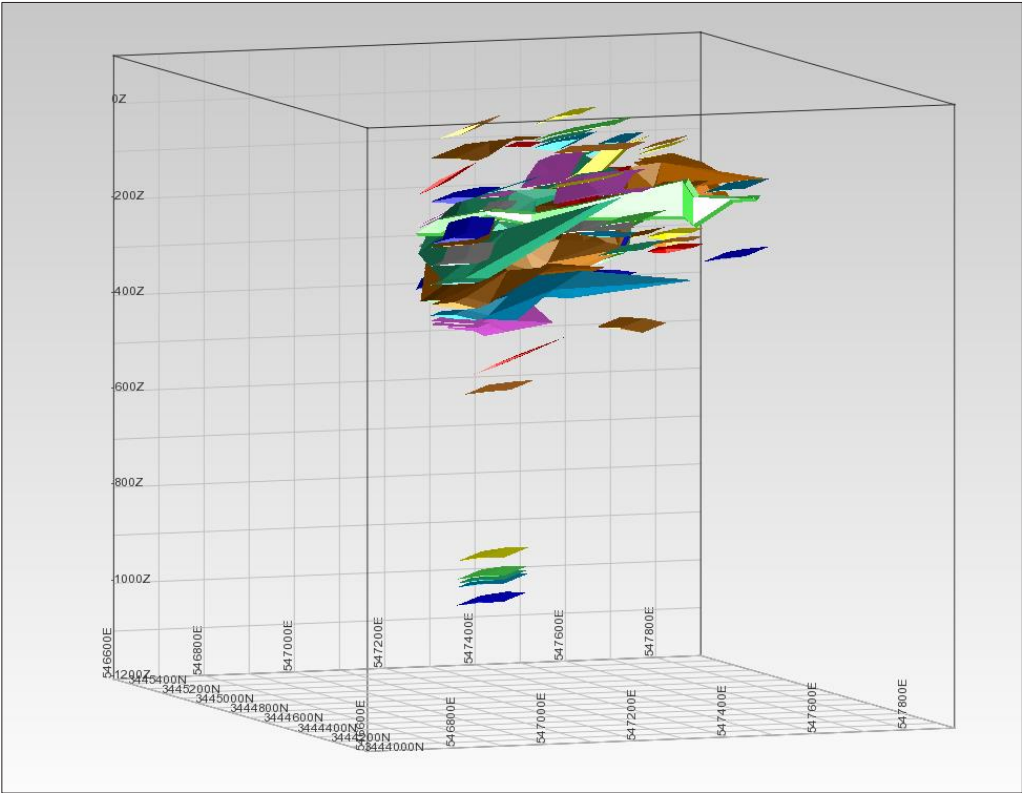


Figure 5-16: Mineralised Bodies of East Zone Huangtun Project

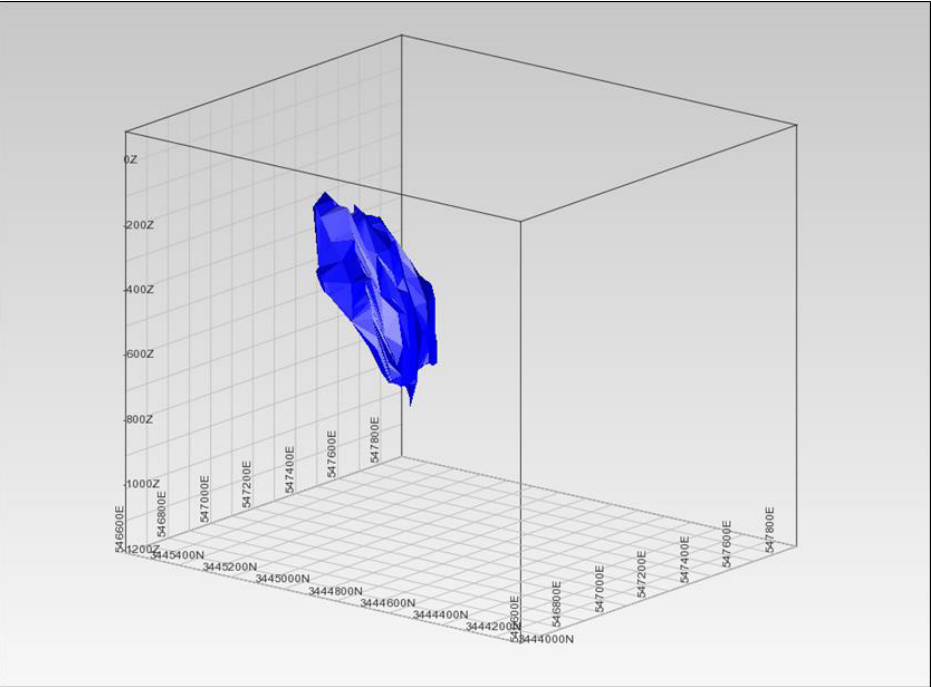


Figure 5-17: Mineralised Bodies of West Zone Huangtun Project

5.8.5 Specific Gravity

- According to the detailed exploration report published by Brigade 327 in 2011, 100 samples were collected in 1980s and 29 samples were collected in 2011, based on these data, a correlation analysis between sample specific gravity and sulfur grade was performed, a Binary linear regression equation was built for Pyrite (S and Fe) Orebody as below ,and the average value of 2.79 g/cm³ is reasonable to represent as overall gold-copper ore density of the Mineralized West Body. $D=2.5924+0.03642\times C$
- D=Density (t/m³); C=S grade (%)

5.8.6 Compositing

Based on the sampling length statistics, as shown in Figure 5-18, 97.5% sample length is below 2.1m for Mineralized East Body, therefore, 2.0 m was considered the appropriate length for compositing All data from the Surpac database were composited to 2.0 m downhole lengths for Pyrite (S and Fe) Orebody.. and the average 1.0m was considered for compositing of Mineralized West Body

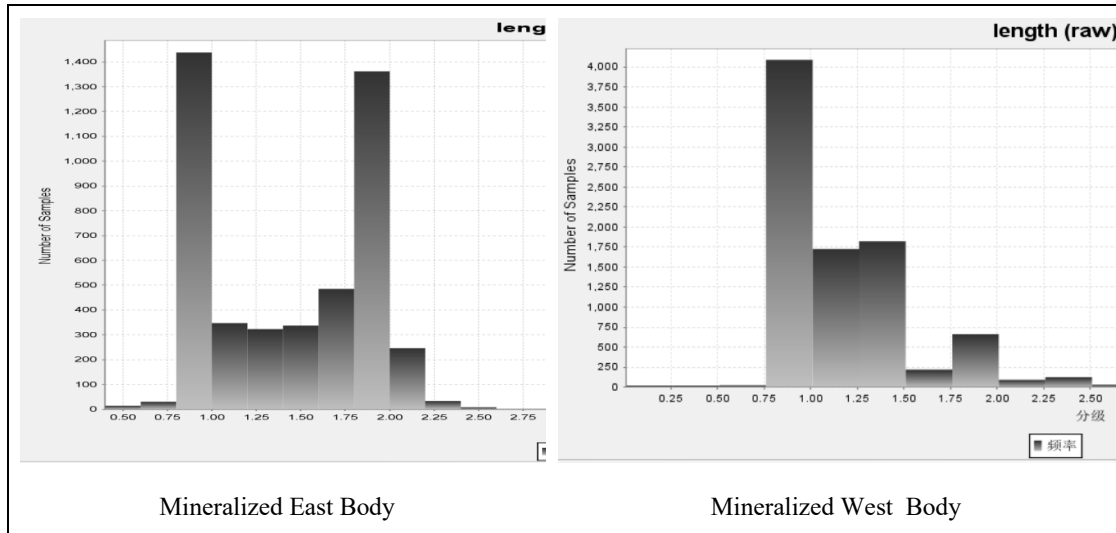


Figure 5-18: Statistics of Sample Length of Drill Hole Data

5.8.7 Evaluation of Outliers

After analysis of all the Au and Cu domain statistics, Au 4.77g/t and Cu 1.37% were adopted for the composites in the Huangtun Project prior to block model grade interpolation.

After analysis of all the TFe and S domain statistics, no top cut values were adopted for the composites in the Huangtun Project prior to block model grade interpolation.

The graphs and curves for sample statistics in provided in Appendix.

Table 5-3: Au Composite Statistics

Variable	Raw Samples	Raw Samples	Composite	Composite
		Domained	Samples - uncapped	Samples - capped
Number of samples	8,689	3,174	4,225	4,225

Variable	Raw Samples	Raw Samples	Composite	Composite
		Domained	Samples - uncapped	Samples - capped
Average sample length_all	1.25	1.35	1	1
Number of drill samples	8,689	3,174	4,225	4,225
Average sample length_drill samples	1.25	1.35	1	1
Minimum value	0	0	0	0
Maximum value	172.14	172.14	154.15	4.77
Mean	0.49	1.17	1.15	0.96
Median	0.11	0.62	0.66	0.66
Variance	6.92	18.05	13.7	0.95
Standard deviation	2.63	4.25	3.7	0.98
Coefficient of variation	5.39	3.62	3.22	1.02
Skewness	47.06	30.06	28.48	2.24
Kurtosis	2782.59	1098.4	1011.08	8.35
20.0 Percentile	0	0.28	0.3	0.3
50.0 Percentile	0.11	0.62	0.66	0.66
70.0 Percentile	0.35	1	1.01	1.01
90.0 Percentile	1.14	2.09	2.08	2.08
95.0 Percentile	1.81	3.19	3.11	3.11
97.5 Percentile	2.65	5.03	4.79	4.77

Table 5-4: Cu Composite Statistics

Variable	Raw Samples	Raw Samples	Composite	Composite
		Domained	Samples - uncapped	Samples - capped
Number of samples	8,828	3,177	4,226	4,226
Average sample length_all	1.25	1.35	1	1
Number of drill samples	8,828	3,177	4,226	4,226
Average sample length_drill samples	1.25	1.35	1	1
Minimum value	0	0	0	0
Maximum value	7.32	7.32	7.32	1.37
Mean	0.13	0.30	0.31	0.28
Median	0.02	0.14	0.17	0.17
Variance	0.12	0.27	0.23	0.1
Standard deviation	0.35	0.52	0.48	0.31
Coefficient of variation	2.64	1.73	1.57	1.12
Skewness	8.39	5.84	5.65	1.91
Kurtosis	111.71	53.3	52.11	6.47
20.0 Percentile	0	0.04	0.05	0.05
50.0 Percentile	0.02	0.14	0.17	0.17
70.0 Percentile	0.09	0.29	0.31	0.31
90.0 Percentile	0.34	0.69	0.69	0.69
95.0 Percentile	0.58	1.05	1.00	1
97.5 Percentile	0.89	1.43	1.44	1.37

5.8.8 Mineral Resource Classification

Block model quantities and grade estimates for the Huangtun Project were classified according to the JORC Code 2012 by Mr Pengfei Xiao, an appropriate Competent Person for the purpose of JORC Code 2012. Other contributions are from Mr Feng Li, Ms Yangfang Zhao and Mr Yonggang Wu.

Mineral resource classification is typically a subjective concept, industry best practices suggest that resource classification should consider both the confidence in the geological continuity of the mineralized structures, the quality and quantity of exploration data supporting the estimates and the geostatistical confidence in the tonnage and grade estimates. Appropriate classification criteria should aim at integrating both concepts to delineate regular areas at similar resource classification.

SRK is satisfied that the geological modelling honours the current geological information and knowledge. The location of the samples and the assay data are sufficiently reliable to support resource evaluation. The sampling information was acquired primarily by core drilling on sections spaced at 100 – 200 metres in Mineralized East Body and 50 – 100 metres in Mineralized West Body.

Generally, for mineralization exhibiting good geological continuity investigated at an adequate spacing with reliable sampling information accurately located, SRK considers that blocks estimated during the first estimation run considering full variogram ranges can be classified in the Indicated category within the meaning of the JORC Code 2012. For those blocks, SRK considers that the level of confidence is sufficient to allow appropriate application of technical and economic parameters to support mine planning and to allow evaluation of the economic viability of the deposit. Those blocks can be appropriately classified as Indicated.

Conversely, blocks estimated during the second pass considering search neighbourhoods set at twice the variogram ranges should be appropriately classified in the Inferred category because the confidence in the estimate is insufficient to allow for the meaningful application of technical and economic parameters or to enable an evaluation of economic viability.

5.8.9 Mineral Resource Statement

The JORC Code 2012 defines a mineral resource as:

“a concentration or occurrence of material of solid material of economic interest in or on the Earth’s crust in such form, grade (or quality) and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade (or quality), continuity and other geological characteristics of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge, including sampling. Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories.”

The “reasonable prospects for eventual economic extraction” requirement generally implies that the quantity and grade estimates meet certain economic thresholds and that the mineral resources are reported at an appropriate cut-off grade taking into account extraction scenarios and processing recoveries. In order to meet this requirement, SRK considers that major portions of the Huangtun Project are amenable for underground extraction.

In order to determine the quantities of material offering “reasonable prospects for economic extraction” by an open pit, SRK applied current underground mining design and reasonable mining assumptions to evaluate the proportions of the block model (Indicated and Inferred blocks) that could be “reasonably expected” to be mined from underground levels.

The parameters were selected based on experience and benchmarking against similar projects (Table 5-5). The reader is cautioned that the results from table below are used solely for the purpose of testing the “reasonable prospects for economic extraction” by underground mining and do not represent an attempt to estimate mineral reserves. The results are used as a guide to assist in the preparation of a mineral resource statement and to select an appropriate resource reporting cut-off grade.

Table 5-5: Assumptions Considered for Cut-off Grade

Parameter	Value	Unit
Gold Price - metal	1,400	US\$ per ounce
Gold Price - concentrate	1,190	US\$ per ounce contained
Copper Price - metal	7,500	US\$ per tonne
Copper Price - concentrate	6,070	US\$ per tonne contained

Metal Eq ratio	0.56	1 g/t Au : 1% Cu
Price - by product of Sulfide	1.50	US\$ per 1%
Assumed credit of by product S	6.00	US\$ per tonne mined
Mining Cost	14.0	US\$ per tonne mined
Processing Cost	9.0	US\$ per tonne of feed
General and Administrative	6.0	US\$ per tonne of feed
Mining Dilution	9.0	percent
Mining Loss	10.0	percent
Process Rate	750,000	tonne feed per year
Gold Process Recovery	80.0	percent
Copper Process Recovery	90.0	percent
In-situ Cut-off Grade EqCu	0.59	percent
In-situ Cut-off Grade EqAu	0.83	grams per tonne

EqCu	0.3	percent
Metal Eq ratio	0.56	1 g/t Au : 1% Cu
Minimum thickness mineable	2	meter
Maximum internal barren allowed	4	meter

Table 5-6: Mineral Resource Statement of West Zone, Huangtun Project, Anhui China, SRK Consulting China Limited, 31 March 2020

Category	Tonnage (kt)	Au (g/t)	Au (t)	Cu (%)	Cu (kt)
Indicated	9,167	0.87	7.9	0.29	26.6
Inferred	3,996	0.95	3.8	0.27	11.0
Total	13,164	0.89	11.8	0.29	37.5

Cut-off grade: 0.3% EqCu

Table 5-7: Mineral Resource Statement of East Zone, Huangtun Project, Anhui China, SRK Consulting China Limited, 31 March 2020

Category	Tonnes Mt	Au g/t	Au kg	Cu %	Cu t	TFe %	TFe kt	TS %	TS kt
Indicated	25.70	0.08	2,017	0.06	15,206	10.12	2,600	16.48	4,236
Inferred	16.68	0.07	1,141	0.06	9,509	7.23	1,207	14.50	2,420

Cut-off grade: 12% T S

The current Ore Reserves statement for the West Zone has only considered Indicated Resources shown in Table 5-6, as this is required by the JORC Code for reporting Ore Reserves.

In addition to the Mineral Resources within current Mining License area and permitted elevation range in the West Zone, there are about 7.2 Mt grading 1.36 g/t Au and about 0.21% Cu estimated beneath the permitted elevation range (but within the Mining License area in the West Zone). These resources are covered by the current Exploration License. The Mineral Resources within current Exploration License in addition to Mining License are estimated in Table 5-8 below.

Table 5-8: Mineral Resources Estimated in Exploration License in Addition to Mineral Resources Reported in Mining License

Category	Tonnage (kt)	Au (g/t)	Au (t)	Cu (%)	Cu (kt)
Indicated	2,617	1.59	4.2	0.20	5.2
Inferred	4,625	1.24	5.7	0.22	10.2
Total	7,242	1.36	9.9	0.21	15.4

SRK considers the Mineral Resources in table above are suitable to be classified with JORC resource categorization as they have demonstrated “reasonable prospect for eventual economic extraction”, however, due to the current Feasibility Studies has not considered the deeper zone and the current Mining License has not included the elevation range where these part of resources defined, SRK has not convert these Mineral Resources into Ore Reserves to be included in a discounted cashflow model.

In addition, there are exploration potential estimated outside current Mining License area and outside current Exploration License area.

6 Mining and Ore Reserve Estimates

6.1 Introduction

The Feasibility studies available to SRK include:

- a feasibility study report dated in May 2013 (“FSR 2013”), prepared by the Engineering Survey and Design Co., Ltd. of Sinosteel Maanshan Institute of Mining Research Co., Ltd. (“MIMR”);
- a preliminary design dated in October 2014 (“Preliminary Design 2014”) and its update dated in November 2018 (“Preliminary Design 2018”), prepared by the Gocom Jinjian Engineering Design Co., Ltd. (“Jinjian”); and
- an optimization of feasibility study and assessment of techno-economics dated in April 2019 (“O&A 2019”), prepared by the MIMR.

Additional feasibility studies have been prepared in the past, which include:

- a scoping study prepared by the MIMR dated in April 2012 (“Scoping study in April 2012”);
- a feasibility study report prepared by the MIMR dated in April 2012 (“FSR 1.0Mtpa ore in April 2012”);
- a pre-feasibility study report prepared by the Changchun Gold Design Institute Co., Ltd. (“CGDI”) in January 2018 (“PFS 1.5Mtpa ore in January 2018”); and
- a feasibility study report prepared by the MIMR dated in March 2018 (“FSR 1.5Mtpa ore in March 2018”).

The relationship among these studies is presented in Figure 6-1. After review of the available studies, SRK understood that:

- the FSR 2013 is indirectly related to the Preliminary Design 2014 and the Preliminary Design 2018, while the Preliminary Design 2014 may be directly related to the O&A 2019;
- the O&A 2019 was prepared for the China Gold Group Co., Ltd. for internal decision-making purpose, which is a stakeholder of Anhui Jinding Mining Stock Co., Ltd. (“Jinding”); and
- the actual pre-production construction of mine is in line with the Preliminary Design 2018.

The relationship among studies and the actual pre-productions provide an indication that the *Preliminary Design 2018* should be considered as the base-case for mining assessment and ore reserve estimate, while the *O&A 2019* should be treated as a long-term strategic plan. The *FSR 2013* is out of date and has been superseded.

The section provides SRK’s independent opinions on the mining and ore reserve estimate for Huangtun Pyrite Mine.

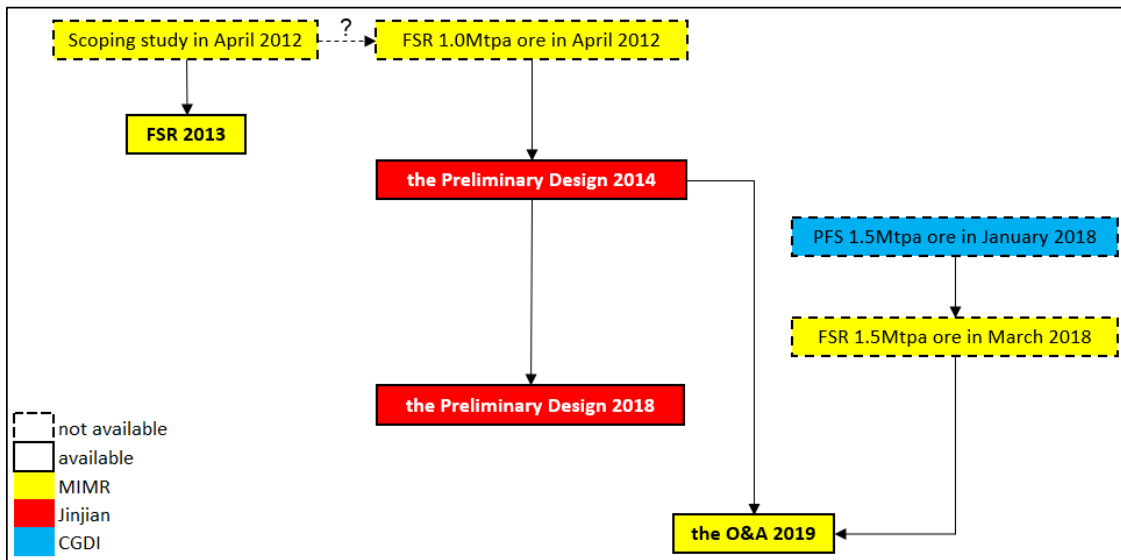


Figure 6-1: Relationship among Feasibility Studies

6.2 Mine Operating Status

The major development works under construction include the Primary Shaft, the Secondary Shaft, the Tertiary Shaft, the Up-cast and underground level ways at -240m above sea level (“m ASL”), -290m ASL and -340m ASL. The shafts except for the Up-cast have been connected at levels -240m ASL and -290m ASL, which can regulate the air flow-through system in levels temporarily by drawing in fresh air through the secondary shaft, and pushing out the exhausted air through the Primary Shaft and the Tertiary Shaft.

Temporary groundwater drainage facilities have been constructed at bottom of the Tertiary Shaft and the Primary Shaft at -340m ASL and -290m ASL, respectively, which has a drainage capacity of 1,200 cubic meters per hour. The permanent groundwater drainage facilities have been completed at -290m ASL for the tertiary shaft, which include water sumps, pump stations and substation (see Figure 6-2). The pump stations and transformer substation for the Secondary Shaft have been finished, but the water distribution tunnels are under construction.

Stope development has been constructed at levels -290m and -240m, which include drifts, the ramps to connect these two levels, several cross-cuts at lines of 14, 18 and 22, and sub-level drifts at level -276m ASL.

Compressed air and ventilation fan are not yet installed. Other public facilities and infrastructures including 35 kilovolts substation, 20 tonnes magazines, canteen and dormitory for both owner and contractors, bridge and sewage plant. have been finished or under construction at the time of reporting.

Curtain grouting was completed in November 2016. It included a 1,052.9 m long central curtain, 969.1 meters long south curtain and 700.1 meters long west curtain.



Figure 6-2: Substation at Level -290m ASL for the Tertiary Shaft

6.3 Mining Conditions

6.3.1 Geotechnical Conditions

Stratums of sedimentary rocks and magmatic rocks are predominantly occurred within the mine area. They were classified to five types based on their lithology and physical and mechanical properties as presented in Table 6-1.

Structural planes were classified based on the locations, major faults, fractured zones and fractures. Properties of structural planes are presented in Table 6-2.

Table 6-1: Classification of Geotechnical Rock Groups

Type	Thickness (m)	Average RQD (%)	Average UCS (MPa)	Remarks
Loose rock (I)	11.0 – 101.4	/	/	
Weathered bedrock (II)	average 9.4	11	/	
Pyroclastic rocks and lava (III)	about 300	55	90.1	direct hanging wall
Clastic rocks and carbonate rocks (IV)	about 377	56	98.5	direct footwall
Magmatic rocks (V)	/	71	84.5	indirect footwall

Table 6-2: Properties of Structural Planes

Structural Plane	Classification	Description
Faults of F1 to F5	III	These faults were located around the perimeter of major orebodies and have little relationship with the mining operation.
Fractured zones of Fp1 to Fp5	III	Stability of these fracture zones are weak. Major orebodies were cut by these fractured zones. Mining operation will be significantly affected by these zones.
Contact surfaces between intrusive rocks and wall rocks	III	Mining operation will be significantly affected by these surfaces.
Joint planes of L1 to L4	IV	Rock texture is significantly impacted.
Bedding planes	IV	Rock texture is impacted less.

Wall rocks were classified into two categories, magmatic rocks and sedimentary rocks. The former mainly consists of andesites, trachyandesites, hypabyssal volcanic intrusive rocks, trachyandesite porphyries, diorite porphyrites, while the latter mainly consists of siltstones, calcareous siltstones, limestones, marlstones. These wall rocks are semi-hard to hard with moderate rock quality designation (“RQD”). The stability of drifts will be impacted to some extent by these wall rocks. Other geotechnical parameters listed in Table 6-3.

The geotechnical conditions are classified to be moderate to complex.

Table 6-3: Geotechnical Parameters

Parameter	Unit	Value	Remarks
Bulk Density	t/m ³	3.23	Pyrite orebodies
		2.85	Au-Cu orebodies
		2.79	Wall rocks
Hardness Factor (f)	/	6~12	
Swell Factor	1	1.6	

6.3.2 Hydrogeological Conditions

The elevation ranges from 8m ASL to 10m ASL within the mine area. The average annual precipitation is 1,216 mm. The average evaporation over years is about 1,498 mm. The project areas experiences 130 days per year and mostly from May to August.

The water regime in the mine area is complex. The New Huangtun River (Figure 6-3) passes through the mine area with a recorded peak flood of 200 m³/s in July 1983. The Old Huangtun River (Figure 6-3) is stagnant

The river bed consists of the thick slurry layer and the underlying quaternary clay layer averaging at 5.9m thick. These two layers are a good aquiclude. Observed from the historically records and the large-scale pumping tests, the hydraulic conductivity between these rivers and the deep groundwater is weak. There is a meandering watercourse located to the west of mine area with a varied width of 10-30 meters and with varied flow rates in different seasons. Flow rates of these rivers are directly related to the rainfall, and more than 50% of annual flow rates occur in the flood period. In addition to these rivers, there are many ponds and pools scattered in the mine area.

The Yueshan Mine is located adjacent to the east of project area. The location and layout of ground voids and drifts are not yet known to Jinding Company. The closed shafts of YJ01 and YJ03 and an old void have been found. Although obviously falling of water tables in closed YJ01, YJ03 and the old void has not yet been observed during the period of large-scale pumping tests, potential risk of suddenly water inflow still exists.

The Jinshan Reservoir located 2 km to the northeast of mine area has a storage capacity of 550km³. It is mainly charged with upstream streams and used for mitigation purpose.



New Huangtun River



Old Huangtun River

Figure 6-3: Huangtun Rivers (July 2019)

The groundwater includes the porosity water contained in the Quaternary loose rocks, and the porosity-fissure water contained in pyroclastic rocks and lava rocks. The aquifers include:

- the Quaternary Holocene (“Q₄^{al-ph}”), which has a little groundwater and mainly charged with the lateral fissure water and fissure-porosity water contained in bedrocks around the mine area and the infiltration of surface rivers at the south of mine area;
- the Quaternary Pleistocene (“Q₂^{pl}”), which contains little groundwater due to the landform of higher center and lower perimeter; and
- the First and Second Lithologic Segments of the Upper Jurassic Longmenyuan Formation (“J₃^{l2.1}”), which is widely spread over the mine area and is approximately 300 thick, dipping down 40 degrees to northwest, with fractures occurred 70 degrees dipping down to almost vertically dipping.

The Orebodies are directly contacted with the J₃^{l2.1} aquifer and are integrated with it due to well-developed joints, fractures and porosities with in this aquifer. Fissure waters contained in J₃^{l2.1} aquifer will directly flow into the open stopes after mining and is defined as one of the major sources of groundwater inflow.

The aquicludes include:

- the Upper Triassic Laliujian Formation (“T₃^{l2}”), which is widely occurring in the footwall of deposit and is an aquitard; and
- the Magmatic Rocks, which occur either deeply in the earth or in the east of mine area and is an aquitard.

Many faults and fracture zones were found in the mine area, in which the major ones include F₁ fault, F₂ fault, F₃ fault, Fp₁ fracture, Fp₂ fracture, Fp₃ fracture, Fp₄ fracture and Fp₅ fracture. The properties of these major faults and fracture zones are presented in Table 6-4. In addition to faults and fracture zones, widely occurring joints provide good hydraulic conductivity for the movement and circulation of groundwater in the deposit.

Table 6-4: Properties of Major Faults and Fracture Zones

Fault	Length (m)	Bearing (degrees)	Dip Angle (degrees)	Description
F1	>1,200	NE 15~20	SE 80	Both the south part and north part is aquiclude, while the central part provides hydraulic conductivity for groundwaters in east-west direction.
F2	>1,200	almost N	E-NEE 63-74	It is globally an aquiclude, but locally strongly permeable.
F3	about 1,200	almost E	N 70	It is a permeable fault.
Fp1	/	NE or NEE	/	It is not exposed by the drillholes and is moderately permeable.
Fp2	/	NE or NEE	/	It is exposed by drillholes GK04, GK05 and GK06, and is good permeable.
Fp3	/	NE or NEE	/	It is exposed by drillholes ZK202 and ZK651, and is good permeable.
Fp4	/	NE or NEE	/	It is exposed by drillholes GK17 and ZK204, and is moderately permeable.
Fp5	/	NW	/	It is exposed by drillholes GK07, ZK603 and GK14, and is weak permeable.

The groundwater within the mine area is primarily recharged with lateral runoff of southern groundwater, and secondarily fed with the infiltration of precipitation and surface water. The groundwater flows through the mine area from south to north and discharged to downstream of the Huangtun River.

Geologically analytic and numerical methods have been applied to estimate the groundwater inflow for the Huangtun Pyrite Mine. Although similar results were achieved, the numerical method was adopted by considering that the assumptions related to the groundwater regime is more reasonable. The maximum water inflow was estimated to be 148,280 m³/d.

6.3.3 Geological Conditions

The mine is located to the east of Tanlu Seismic Belt. Peak ground acceleration (“PGA”) of Lujing district is 0.10g, which is equivalent to a basic seismic intensity of 7 degrees in accordance with GB18306-2001.

There are no significant buildings, roads and place of interest in the mine area, but with exceptions of simple roads and low-grade country roads around the mine area.

Radioactive tests indicate the Gamma density is small in both the ore rock and wall rock. The background values of Gamma varied from 13 to 22 γ .

The temperature of groundwater was measured to be typically 18-20 degrees centigrade (“°C”), and occasionally maximized 23.5°C. Geothermal gradient is less than 3°C per hundred meters based on the measures of boreholes.

6.4 Ore Reserve Estimates

6.4.1 Cut-off Grade

The run-of-mine (“RoM”) ore includes Pyrite and Cu-Au ore to produce a sulphur concentrate, copper concentrate and iron concentrate. The valuable elements include S, Cu, Au and Fe.

Considering the grades and revenues of each concentrate, equivalent S (“EqS”) and equivalent Cu (“EqCu”) were calculated to define the cut-off for the pyrite ore and Cu-Au ore. The economical cut-off and marginal cut-off were calculated by including and excluding the mining related operating costs. The assumptions to calculate the cut-off grades are shown in Table 6-5 to Table 6-7. The results of cut-off grade are shown in Table 6-8. The cut-offs were finally rounded up to 23% and 9% for pyrite ore and 0.6% and 0.3% for Cu-Au ore respectively to reflect the relative accuracy of the calculation.

SRK notes that the cut-offs shown in Table 6-8 were calculated based on industry standard technical and economic assumptions. These assumptions were true at the time of calculation, but may change over time, so different cut-off grades can be produced. Scatter plot of sensitivity analysis on price and costs is shown in Figure 6-4.

Table 6-5: Assumptions of Ore Processing

Item	Unit	Pyrite Ore	Cu-Au Ore
Processing Recovery Rate			
S in S concentrate	%	87.00	80.00
Cu in Cu concentrate	%	70.10	87.50
Au in Cu concentrate	%	30.00	80.00
Fe in Fe concentrate	%	14.00	-
Concentrate Grade			
S in S concentrate	%	45.00	45.00
Cu in Cu concentrate	%	16.00	20.00
Au in Cu concentrate	%	-	-
Fe in Fe concentrate	%	64.00	-

Table 6-6: Assumptions of Price

Item	Unit	Pyrite Ore
Price		
S Concentrate	RMB/t concentrate	450
Cu concentrate	RMB/t Cu content	46,000
Cu concentrate	RMB/g Au content	315
Fe concentrate	RMB/t concentrate	760
Price Multiply Factor		
S Concentrate	%	100
Cu concentrate	%	85
Cu concentrate	%	90

Fe concentrate	%	100
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Table 6-7: Assumptions of Operating Costs and Taxes

Item	Unit	Pyrite Ore
Operating cost ("Opex")	RMB/t ore	162.15
Total Consumables	RMB/t ore	49.34
Total Fuel and power	RMB/t ore	32.61
Mining Opex	RMB/t ore	96.66
Mining consumables	RMB/t ore	29.10
Mining fuel and power	RMB/t ore	12.37
Rate of value-added tax ("VAT")	%	15
Mineral resources Tax		
S	% sales revenue of S concentrate	2.0
Cu	% sales revenue of Cu content in Cu concentrate	4.0
Au	% sales revenue of Au content in Cu concentrate	3.0
Fe	% sales revenue of Fe concentrate	2.5
Environment Protection Tax	RMB/t ore	0.05
House Property Tax	RMB/t ore	0.42
Farmland occupation tax	RMB/t ore	-
Vehicle and vessel usage tax	RMB/t ore	0.02
Stamp Tax	% sales revenue, consumables and fuel and power	0.03
Urban maintenance and construction tax	% VAT	5
Education surcharge	% VAT	5

Table 6-8: Results of Cut-off Grade

Item	Unit	Pyrite Ore	Cu-Au Ore	Remarks
Equivalent Factor				
S	/	1.000	0.02388	4 significant digits were reserved.
Cu	/	30.85	1.000	4 significant digits were reserved.
Au	/	11.30	0.7825	4 significant digits were reserved.
Fe	/	0.1901	-	4 significant digits were reserved.
EqS Cut-off				
Economical	%	22.12	/	
Marginally Economical	%	8.96	/	
EqCu Cut-off				
Economical	%	/	0.57	
Marginally Economical	%	/	0.23	

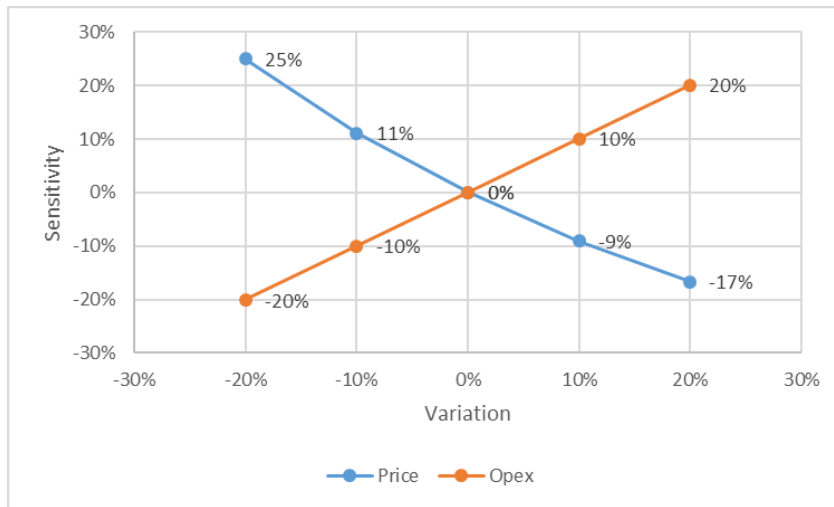


Figure 6-4: Sensitivity Analysis of Cut-off Grades (July 2019)

6.4.2 Ore Reserve Model

The mineral resource estimate was prepared by SRK using Surpac software. Additional fields were added to the mineral resource model (“MRM”) to build an ore reserve model (“ORM”) on which the ore reserves were estimated. Descriptions of key fields in the ORM are shown in Table 6-9 and Table 6-10.

Table 6-9: Key Fields in Ore Reserve Model

Field	Description
TS	Grade of total Sulphur. It’s the result of MRM.
Cu	Grade of copper. It’s the result of MRM.
Au	Grade of gold. It’s the result of MRM.
TFe	Grade of total iron. It’s the result of MRM.
Orebody	Orebody code. It’s the result of MRM.
Density	Bulk density. It’s the result of MRM.
CAT	Mineral resource category. 2 for Indicated, 3 for Inferred.
EqS	Equivalent Sulphur. $EqS=TS+30.85*Cu+11.30*Au+0.1901*TFe$
EqCu	Equivalent copper. $EqCu=Cu+0.02388*TS+0.7825*Au$
Profit_SF	Gross profits of pyrite ore. It was calculated based on parameters shown in tables from Table 6-5 to Table 6-7.
Profit_CA	Gross profit of Cu-Au ore. It was calculated based on parameters shown in tables from Table 6-5 to Table 6-7.
Oretype	Ore type code. 1 for pyrite ore with a greater Profit_SF than Profit_CA. 2 for Cu-Au ore with a greater Profit_CA than Profit_SF.
MAT	Material code. See Table 6-10

Table 6-10: MAT Definition

MAT	Oretype	CAT	Cut-off (EqS %)	Cut-off (EqCu %)	Remarks
121	1	2	23	/	Economically Indicated pyrite ore.
122	1	2	9	/	Marginally Indicated pyrite ore.
123	1	2	0	/	Sub-economically Indicated pyrite ore.
131	1	3	23	/	Economically Inferred pyrite ore.

MAT	Oretype	CAT	Cut-off (EqS %)	Cut-off (EqCu %)	Remarks
132	1	3	9	/	Marginally Inferred pyrite ore.
133	1	3	0	/	Sub-economically Inferred pyrite ore.
221	2	2	/	0.6	Economically Indicated Cu-Au ore.
222	2	2	/	0.3	Marginally Indicated Cu-Au ore.
223	2	2	/	0.0	Sub-economically Indicated Cu-Au ore.
231	2	3	/	0.6	Economically Inferred Cu-Au ore.
232	2	3	/	0.3	Marginally Inferred Cu-Au ore.
233	2	3	/	0.0	Sub-economically Inferred Cu-Au ore.

6.4.3 Mining Inventory

The steps taken to assess the minability of the Mineral Resource are shown below:

- The East Zone was selected by SRK to assess the potential ore reserves. MAT statistics before ore reserve conversion is shown in Table 6-11.
- The development design described in section “6.5.1 Development Design” was applied to constrain the mining boundary both in vertical direction, which is -110mASL down to -290mASL, and in horizontal direction, which is south of Line 6.
- The Orebodies were sliced (horizontally) to create levels firstly, then to identify technically feasible mining blocks based on the exploration lines. The stoping blocks are typically 50m long, 3.5-4.0m thick and 5.0m wide. The mining block was treated as the selective mining unit (“SMU”).
- The tonnage and grade for each mining block were reported to an Excel file, by Resource Classification (Indicated/ Inferred) and waste. The Indicated mineral resources were treated as ore, while the other materials were treated as wastes with zero grades.
- The gross profits of each mining block were calculated based on the parameters used to calculate the cut-off grade. Those headings with positive gross profits were included in the ore reserve, as shown in Table 6-12. This is presented by Level in presented in Table 6-13.

Table 6-11: MAT Statistics before Ore Reserve Conversion

Level	Tonnage (kt)	TS Grade (%)	Cu Grade (%)	Au Grade (g/t)	TFe Grade (%)
121	5,377	22.26	0.09	0.05	19.43
122	17,168	12.71	0.01	0.01	6.19
123	13,571	5.55	-	-	0.14
131	2,298	21.66	0.11	0.01	23.27
132	14,741	11.16	0.01	0.01	4.08
133	24,171	6.19	-	-	0.27
221	3,438	22.85	0.06	0.32	8.80
222	3,570	11.69	0.05	0.13	1.69
223	2,528	6.22	0.03	0.05	0.06
231	1,582	11.28	0.10	0.50	0.07
232	3,498	8.88	0.02	0.26	0.13
233	2,430	5.34	0.01	0.08	0.02
Total	94,372	10.33	0.02	0.05	3.92

Table 6-12: MAT Statistics for Headings with Positive Gross Profits

Level	Tonnage (kt)	TS Grade (%)	Cu Grade (%)	Au Grade (g/t)	TFe Grade (%)
121	1,958	22.92	0.10	0.03	21.33
122	815	13.61	0.02	0.03	17.92
123	57	6.68	0.00	0.01	0.97
131	5	25.78	0.06	-	8.90
132	2	15.35	0.00	0.02	13.98
133	< 1	7.24	0.00	0.02	-
221	1,407	24.90	0.09	0.35	8.80
222	480	12.37	0.02	0.17	4.53
223	117	6.80	0.01	0.07	0.02
231	4	30.53	0.17	0.31	2.09
232	< 1	12.51	0.00	0.09	-
233	< 1	9.06	0.00	0.05	-
400	376	-	0.01	0.13	-
Total	5,221	18.84	0.07	0.14	13.61

Table 6-13: Level Statistics for Headings with Positive Gross Profits

Level	Tonnage (kt)	TS Grade (%)	Cu Grade (%)	Au Grade (g/t)	TFe Grade (%)
-290	2,022	20.27	0.08	0.12	10.37
-240	3,020	17.93	0.07	0.13	15.56
-190	179	16.68	0.02	0.25	16.90
Total	5,221	18.79	0.07	0.13	13.59

6.4.4 Mining Dilution and Recovery

The mining dilution and recovery was estimated based on the selective mining blocks, 5m wide, 3.5-4.0m high and 50m long. The mining recovery was estimated by deducting the following mining losses:

- Loss 1: all the mineral resources that are not covered by the planned development system; and
- Loss 2: The mineral resources located in headings with sub-economic grades.

The mining dilution includes:

- Dilution 1: the waste allowances that must be excavated in headings during mining operation.

Summary of mining dilution and recovery is shown in Table 6-14.

Table 6-14: Estimate of Mining Dilution and Recovery

Materials	Category	Tonnage (kt)	TS Grade (%)	Cu Grade (%)	Au Grade (g/t)	TFe Grade (%)
Mineral Resources	Indicated	45,652	12.03	0.03	0.05	5.46
	Inferred	48,720	8.74	0.02	0.04	2.48
Loss 1	Indicated	15,109	10.58	0.02	0.02	2.03

Materials	Category	Tonnage (kt)	TS Grade (%)	Cu Grade (%)	Au Grade (g/t)	TFe Grade (%)
	Inferred	19,332	9.89	0.02	0.02	3.50
Loss 2	Indicated	25,709	11.33	0.02	0.05	5.73
	Inferred	29,376	7.98	0.01	0.06	1.80
Dilution 1	Wall rocks	376	-	0.01	0.13	-
Ore Inventories	Indicated	4,834	20.30	0.07	0.14	14.68
	Inferred	11	24.26	0.08	0.11	7.02
	Waste allowance	376	-	0.01	0.13	-

6.4.5 Ore Reserve Classification

The ore inventories shown in Table 6-14 were classified as the Probable Ore Reserves.

6.4.6 Ore Reserve Estimate

The ore inventories shown in Table 6-12 were converted to ore reserves by treating both the Inferred Resource and wall rocks as waste with zero grade. The Ore reserve estimate is shown in Table 6-15.

The current underground development is extending the system and offsetting the mining license horizontally to exploit the West Zone. The Ore Reserve estimate in the West Zone was prepared using the methods described above and is shown in Table 6-16.

Table 6-15: Ore Reserve Estimate of Huangtun Pyrite Mine (East Zone) as of 31 March 2020 by SRK Consulting China Ltd

Category	Tonnage (kt)	TS (%)	Cu (%)	Au (g/t)	TFe (%)
Proved	0	0	0	0	0
Probable	5,221	18.79	0.07	0.13	13.59

The information in this Report which relates to Ore Reserve is based on information compiled by Mr Yonggang Wu who is a full time employee of SRK Consulting China Ltd. Mr Yonggang Wu is a member of AusIMM and has sufficient experience which is relevant to the style of mineralisation and the type of deposits under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves", the JORC Code. Yonggang Wu consents to the reporting of this information in the form and context in which it appears.

Table 6-16: Ore Reserve of Huangtun Pyrite Mine (West Zone) as of 31 March 2020 by SRK Consulting China Ltd

Category	Tonnage (Mt)	Cu (%)	Au (g/t)	TS (%)
Proved	0	0	0	0
Probable	8.5	0.27	0.82	6.70

The information in this Report which relates to Ore Reserve is based on information compiled by Mr Yonggang Wu who is a full time employee of SRK Consulting China Ltd. Mr Yonggang Wu is a member of AusIMM and has sufficient experience which is relevant to the style of mineralisation and the type of deposits under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves", the JORC Code. Mr Yonggang Wu consents to the reporting of this information in the form and context in which it appears.

6.4.7 Previously Ore Reserve Estimate

There is no Ore Reserve Estimate has been publicly disclosed for the Huangtun Pyrite Mine. The “ore reserves” reported by Chinese design institutes for the Project were in line with Chinese mineral resource and ore reserve categorisation which is not necessarily reconcilable to JORC Code.

6.5 Mine Design and Planning

6.5.1 Development Design

After review of the feasibility studies, SRK noted that the development included two stages work. The orebodies above -290m ASL are planned to be exploited in Stage 1, while orebodies located between -290m ASL to -540m ASL will be exploited in Stage 2. Considering the long life of mine (“LoM”), more than 30 years, only the development plan for the southern subarea of Stage 1 was described in detail in the Preliminary Design 2014 and Preliminary Design 2018. SRK agreed that this development design is appropriate for a mine with the long LoM. The longitudinal view of this development design is shown in Figure 6-5.

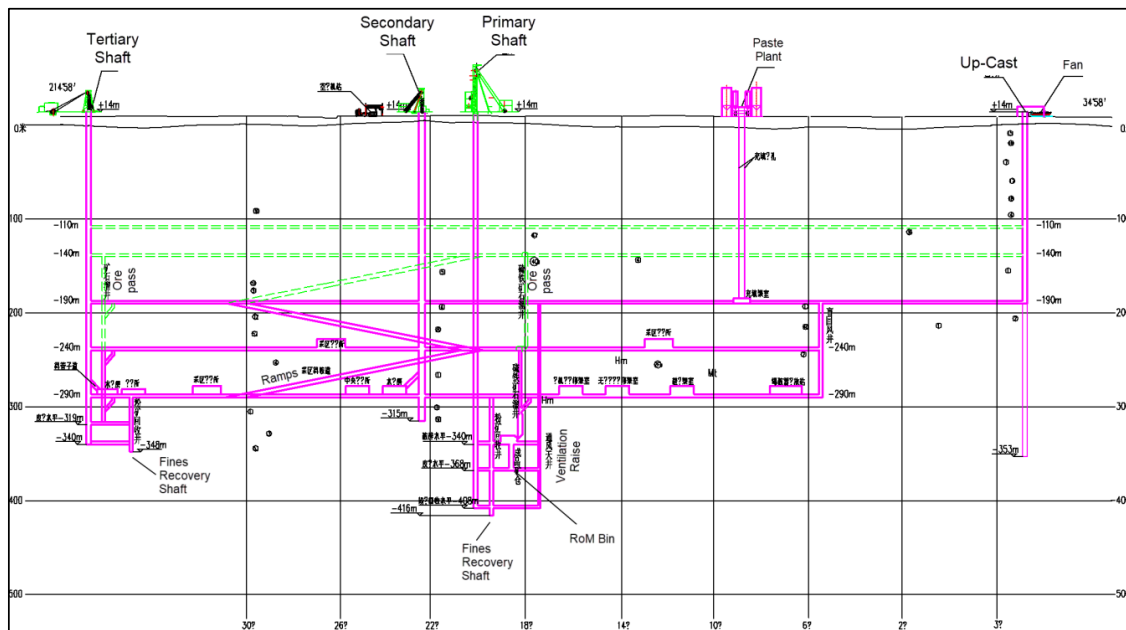


Figure 6-5: Longitudinal View of Development System for Southern Subarea of Stage 1

The development design includes the following major works:

- the Primary Shaft, which is planned to install a skip to hoist 1Mtpa ore to surface;
- the Secondary Shaft, which is planned to install a cage to hoist waste rock, personnel, equipment and materials and serve as a ventilation down-cast and a safety exit;
- the Tertiary Shaft, which is planned to install both skip and cage to hoist 500 ktpa ore to surface and serve as a safety exit;
- the Up-cast shaft, which includes ladders to serve as a safety exit besides of ventilation;
- the Internal Up-cast, includes ladders to serve as a safety exit besides of ventilation;
- the internal Fines Recovery Shaft for the Primary Shaft, includes a cage to hoist fines, personnel and material from the crushing, conveyor belt and fines collection levels;
- the Ventilation Raise, includes ladders to serve as a safety exit and up-cast airway;
- ore passes and bins for the Primary Shaft and the Tertiary Shaft to transport ores between levels;
- levels at -290m ASL, -240m ASL, -190m ASL, -140m ASL and -110m ASL to access orebodies and transport ore; and

- the switchback shaft station for the Primary Shaft.

The dimensions of the shafts are shown in Table 6-17.

Table 6-17: Shaft Dimensions

Works	Size (m)	Portal Elevation (m ASL)	Bottom Elevation (mASL)	Length (m)
Primary Shaft	D=4.5	14	-408	422
Secondary Shaft	D=6.5	14	-315	329
Tertiary Shaft	D=5	14	-340	354
Up-cast	D=5	14	-190	204
Internal Up-cast	D=4	-190	-290	100
Fines Recovery Shaft for the Primary Shaft	D=3.5	-290	-416	126
Fines Recovery Shaft for the Tertiary Shaft	D=3.5	-290	-348	58
Ventilation Raise	D=2.5	-190	-408	218
Ore Passes for the Primary Shaft	D=3	/	/	150
Ore bin for the Primary Shaft	D=5	/	/	25
Ore Passes for the Tertiary Shaft	D=3	/	/	87

6.5.2 Mining Methods

Mining methods planned to exploit mine include overhand post pillar mining, overhand cut and fill mining and overhand drift and fill mining. All these methods have been widely practised in the world and are considered by SRK to be appropriate for Hungtun.

6.5.2.1 Overhand post pillar mining

The stope is typically 50m high, 50m long and 60m wide, with a bottom pillar, 8m thick. Post pillars, 4*4m, are permanently left in stope to support the hanging wall at a 15*15m spacing. Each consecutive two stopes are set as a panel along the strike direction of orebody.

Stope development includes a crosscut, two sublevel drifts, a panel connection way, a filling and ventilation raise, a panel ore-pass and a service raise for labors and ventilation.

Excavation of ore starts from the bottom slice, advancing upward at 3.5 or 4.0 m vertically slice interval. An HT81A drill rig is used to drill 3.5m long horizontal 43 mm diameter blastholes. The burden is 1m and the spacing interval is 1.2m. Non-electric detonators are used to initiate emulsion explosives.

The stope ventilation includes fresh air flows into a stope along the drift, the crosscut, the service raise and the panel connection. The exhaust air flows out of a stope along the filling and ventilation raise, the upper level ventilation connection way, the upper level ventilation drift and is discharged to the surface along the up-cast. In case of necessary, mobile fan is used to quickly remove the smog in the panel connection way.

The scaling jumbo XYQMS-200 is proposed to remove the loose rock on the hanging wall. For those places still unstable after scaling, the mine plan relies on bolting and screening or anchor and cable bolting as a means of supporting the loose rock.

Mucking is performed by diesel load-haul-dump ("LHD") XYWJ-2 to tip ore to the panel orepass. Ore is then loaded to bottom-dump rail wagons with a 4m³ capacity or U-turn rail wagons with a 0.9m³ capacity. Rail haulage with trolley locomotives is used to transport the ore along the level haulage way to the haulage shaft. The rail is 30 kg/m, 762 mm gauge.

Filling is performed after the stope is mucked out. Stope entries are barricaded, and drainage tubes installed. The stope is then filled with sand to almost full height, and cement is mixed into the final pours, to provide a solid floor for mobile machines to operate.

The ore loss rate is 12%. The ore dilution rate is 10%. The mining rate of a panel is 500tpd.

6.5.2.2 Overhand cut and fill mining

The stope is typically 50m high, 50m long and 10m wide. The bottom pillar is 8m thick. Each consecutive five to six stopes are set as a panel vertical to the strike direction of orebody. One stope is active in a panel during mining. The mining cycle is as described in overhand post pillar mining.

The ore loss rate is 10%. The ore dilution rate is 9%. The mining rate of a panel is 400tpd.

6.5.2.3 Overhand drift and fill mining

The stope is typically 50m high, 50m long and 5m wide. The bottom pillar is 8m thick. Each consecutive eight drifts are set as a panel vertical to the strike direction of orebody. Two drifts are active in a panel in the same time.

The mining cycle is as described in overhand post pillar mining.

The ore loss rate is 9%. The ore dilution rate is 8%. The mining rate of a panel is 300tpd.

6.5.3 Mine Services

6.5.3.1 Mine Drainage and Dewatering

The estimated water inflow is 39,134 m³/d, to a maximum water inflow is 52,998m³/d. The groundwater is naturally drained to these chambers then pumped to the surface elevated tank, then processed for re-use and discharge to suitable locations.

Dewatering chambers and matched drainage fan-holes are constructed at 150-200m spacing interval on level -240m ASL. The groundwater flows to the water sump at level -340m ASL by gravity. Development on the level -340m ASL has been suspended due to complex geological conditions. This level can serve as the dewatering purpose to some extent.

Mine sumps and pump chambers are located at level -290m ASL for the Secondary Shaft and the Tertiary Shaft. Settling ponds with a planned sand content of less than 500 mg/L are constructed for each drainage chamber at level -290m ASL to manage the sands from the drainage from the mine backfill.

Properties of drainage chambers are shown in Table 6-18.

Table 6-18: Properties of Drainage Chambers

Item	Unit	the Secondary Shaft	the Tertiary Shaft
Drainage Capacity	m ³ /d	23,000	16,134
Volume of Water Sumps	m ³	4,792	3,710

6.5.3.2 Explosive Supply and Management

A 20t magazine has been constructed in a valley northeast to the tailing storage facilities (“TSF”) 700m away.

An explosive distribution chamber is planned to be constructed at level -290m ASL near to the Up-cast at Line 6 to store 500kg explosives and 1,000 detonators. The required explosive materials are transported from the surface magazine to this distribution chamber then distributed to each working face.

6.5.3.3 Ventilation

The ventilation plan is a diagonal exhausting system. Fresh air flows to a working face in a stope along the level cross cut, drift, ventilation raise, the sublevel drift and the panel connections. The exhaust/ contaminated air is then drawn out to the surface along the ventilation raise, ventilation connections, upper level haulage way, the internal Up-cast and the surface Up-cast. The air requirement is 185 cubic meters per second (“m³/s”).

A fan, axial FKDZ-10-No32, is installed at the portal of the Up-cast shaft. The fan has an installed power of 2*315kW, a maximum static pressure of 1,119-3,713 Pa and a flow rate of 130-307m³/s.

6.5.3.4 Water Supply

Sumps and storage dams will meet the requirement, 1000 m³/d, for mining operation and fire suppression.

A processing water sump is located near to the Secondary Shaft. Seamless steel pipe, $\Phi 108 \times 6$, will be used to distribute water. Water is distributed to the working face along seamless steel pipes, which consist of main pipe of $D159 \times 7$ in the Secondary Shaft, branch pipe of $D133 \times 6$ in level haulage ways and branch pipe of $Dn50$ in the refuge chamber.

6.5.3.5 Power Supply

There is an existing substation on site to transform the voltage from 35kV to 10kV. Two sets of voltage transformers have been installed, which is SZ11-8000/35/10kV.

The estimate of power load is shown in Table 6-19. The power is mainly supplied to the skips, cages, drill jumbos, LHD, mobile fans, lighting, shotcrete machines, locomotives, water pumps, underground crushers, ore filling vibrators, air compressors, paste plant and processing plant.

Table 6-19: Estimate of Power Load

Item	Unit	Value
Installed Power	kW	23,128.0
Working Power	kW	18,429.6
Active Power	kW	12,301.5
Reactive Power	kvar	4,555.8
apparent power	kVA	13,118.0
Power Factor		0.94

6.5.3.6 Compressed Air

A compressed air station is located near to the Secondary Shaft. Three sets of screw compressor of M250 are installed to produce compressed air with three air tanks. The compressed air will be distributed to each working face along the seamless steel pipes, which consist of main pipe of $D219 \times 8$ in the Secondary Shaft, branch pipe of $D159 \times 7$ in level haulage ways and branch pipe of $Dn50$ in the refuge chamber.

6.5.3.7 Backfill

The mine plan relies on backfill as a ground support medium. The underground voids will be filled using either cemented paste or just the paste. The average filling volume is $1,183 \text{ m}^3/\text{d}$ at a fill density of 70%. The maximum stowing gradient is 7.5.

The primary filling facilities include the paste plant at line 10 near to the processing plant, filling holes and the distribution tubes. The backfill plant consists of four sets of 750 m^3 upright sand silo and four sets of 150 m^3 conglomerating powder tank. The equipment includes four sets of $\Phi 2,000 \times 2,100$ high concentration stirred-tank, four sets of micro powder scale, three sets of 80D-12 \times 9 slurry pump, three sets of SA60A air compressor and five sets of FX-300 \times 5 cyclone set.

The tails are pumped to the sand silos then by gravity to the stirred-tank. The tails are either mixed with a cementing agent or pumped directly to the stope along filling holes. Water and slurry drained from the stope flow into the level settling sumps. After settling, the cleaning water and slurry flow naturally to the water sumps, where they are furtherly cleaned.

Special phone is installed in the filling workshop to provide communication with the surface paste plant.

6.5.3.8 Video Monitoring and Communication

The mine plan relies on the integrated digital network communication system to control mining equipment and communication via wireless network. The radio covers all the important working areas, which include the Primary Shaft, level haulage ways, active tunnels and working faces.

Underground dispatch relies on 200 switchboards, which are installed in the surface information center, and can provide services of multiservice management and either digitalized or networked voice communication besides of conventional functions of program-controlled telephone. These switchboards are related to the underground distribution device via ring network of communication cables laid in the Secondary and Up-cast shaft.

Cameras are installed at the portal of the Primary Shaft, magazines, orepasses and forks to provide direct video information.

The mine plans to build an industrial information network system, which is an intranet that links all the terminal computers in the mine area to share data.

Automatic fire alarm system is built in the surface service center and service substations to monitor the visible black smoke caused by fire in real time.

6.5.4 Mining Equipment Selection

The mining operation is planned to be outsourced to professional contractors, and the proposed mining fleet is shown in Table 6-20.

What should be concerned for Jinding is the capacity of transportation in levels and lifting capacity in shafts.

SRK noted that it is not consistent in the context of the Preliminary Design 2018 about the selection and calculation of trolley locomotives. It would be better to correct this flaw.

Table 6-20: Mining Equipment Fleet

Category	Equipment type	Model	Number	Remarks
Drilling	Drilling Rigs	HT81A	7	outsourced
Drilling	Drilling Rigs	YT28	12	outsourced
Scaling	Scaling Jumbo	XYQMS-200	5	outsourced
Mucking	Electrical LHD	XYWJD-2	2	outsourced
Mucking	Diesel LHD	XYWJ-2	8	outsourced
Stope Service	Multifunction Vehicles	/	5	outsourced
Transportation	Trolley Locomotives	ZK10-7/250	8	CJY7/6G for calculation of power supply
Transportation	Rail Cars	4m3	40	
Transportation	Trolley Locomotives	ZK7-7/250	8	CJY7/6G for calculation of power supply
Transportation	Rail Cars	0.9m3	128	
Lifting	Bottom-dump Skip	9 m3	1	the Primary Shaft
Lifting	Cage	Double deck	1	the Secondary Shaft
Lifting	Cage	Double deck	1	the Tertiary Shaft
Lifting	Skip	3.2m3	1	the Tertiary Shaft
Lifting	Cage	Single deck	1	the Fines Recovery Shaft for the Tertiary Shaft
Lifting	Cage	Single deck	1	the Fines Recovery Shaft for the Primary Shaft
Water Drainage	Water Pumps	MDF450-60*6	8	drainage chamber at Level -290m ASL
Water Drainage	Water Pumps	YQ450-420/6-710/W-S	2	drainage chamber at Level -290m ASL
Water Drainage	Water Pumps	MDF155-30×5	3	bottom of the Primary Shaft at Level -408m ASL
Water Drainage	Water Pumps	100DF-16×4	3	bottom of the Tertiary Shaft at Level -340m ASL
Ventilation	Fan	FKDZ-10-No32	1	portal of the Up-cast

6.6 Mine Production Plan

6.6.1 Operating Schedule and Production Capacity

The mine operates 8 hours per shift, 3 shifts per day, 330 days per year to achieve the mining rate of 1 Mtpa ore.

6.6.2 Production Plan and LOM

As described in the section “6.5.1 Development Design”, development of the Huangtun Pyrite Mine occurs in two stages. The LoM is 28 years for the southern subarea of Stage 1 in the Preliminary Design 2018, which consist of 2 years ramp-up period, 24 years stable period and 2 years ramp-down period.

The production plan prepared by SRK based on the SRK mineral resource model, is presented in Table 6-21. The LoM in the East Zone is 11 years. The LoM production schedule for the western deposit is also presented in this report to supplement the production of the eastern deposit. It was shown in Table 6-22.

Table 6-21: LoM Production Schedule for Eastern Deposit

Item	Unit	Yr 1	Yr 2	3	4	5	6	7	8	9	10	11
Tonnage	kt	800	1,000	1,000	1,000	1,000	1,000	956	841	662	506	177
TS	%	20.00	20.77	20.41	19.98	19.61	19.63	19.58	19.68	19.77	19.85	19.74
Cu	%	0.13	0.11	0.11	0.12	0.13	0.12	0.10	0.08	0.10	0.10	0.10
Au	g/t	0.14	0.12	0.13	0.15	0.14	0.12	0.14	0.13	0.11	0.10	0.13
TFe	%	8.86	7.95	9.06	9.83	11.59	15.82	16.71	20.77	21.23	22.16	20.68

Table 6-22: LoM Production Schedule for Western Deposit

Item	Unit	7	8	9	10	11	12	13	14
Tonnage	kt	44	159	338	494	823	714	486	136
TS	%	5.32	5.66	5.9	5.76	6.67	7.29	7.57	7.70
Cu	%	0.29	0.30	0.29	0.28	0.29	0.30	0.30	0.29
Au	g/t	0.42	0.47	0.48	0.48	0.49	0.5	0.51	0.50

6.6.3 Production Expansion Options

A production expansion study has been proposed in the O&A 2019 to increase ore production by 500 ktpa in future. SRK notes that this is permitted under the current mining rate listed in the valid mining license.

7 Metallurgical Test and Processing

7.1 Ore Beneficiation

The main metal mineral in the deposit is pyrite (sulfur) and other valuable/ recoverable minerals include magnetite(iron), chalcopyrite (copper), gold and silver. The content of each valuable mineral changes in the East and West Zones, with the increase of copper content and decrease of pyrite and magnetite content. From October 2012 to January 2018, Jiangxi University of Science and Technology (“Jiangxi University of Science and Technology”) conducted the mineralogy study and mineral processing tests on the eastern ore of the deposit. Sinosteel Maanshan Institute of Mining Research Co., Ltd (“Maanshan Institute”) conducted the mineralogy study and mineral processing tests on the western ore of the deposit. Mineral processing tests have been carried out for mixed ore of both eastern and western part of the deposit by Changsha Research Institute of Mining and Metallurgy Co., Ltd (“Changsha Research Institute”). This chapter summarizes the results of these studies.

7.2 Test Sample

Samples for the three institutes for mineral processing tests are collected by Anhui Jinding Mining Co. Ltd. The specific position and method of sampling are unknown, so the representativeness of the samples is difficult to evaluate. Considering the grade and property of ore, the samples of Maanshan Institute are mainly composed of low-grade ore, high-grade ore, drilling core and ore-bearing wall rocks, among which the weight of the ore-bearing wall rocks accounts for one-third of the total weight.

Based on semiquantitative analysis for all elements of the samples, quantitative multi-element chemical analysis was carried out. The results shown in Table 7-1 indicates that elements with recovery values in all the three groups of samples are copper, sulfur, iron, gold and silver. The contents of other elements are low, with no recovery value. There are traces of deleterious element arsenic in the ore and its influence on the quality of concentrate should be noted.

Table 7-1: Chemical Analysis Results of Test Samples

Elements	Content (%)		
	Jiangxi University of Science and Technology	Changsha Research Institute	Maanshan Institute
Cu	0.27	0.39	0.62
S	19.21	11.50	8.82
TFe	27.87	11.45	12.82
Au*	0.47	0.94	1.03
Ag*	4.62	3.45	1.00
Pb	0.020	0.005	/
Zn	0.021	0.010	0.011
As	0.050	0.027	0.008
SiO ₂	22.37	48.42	46.24
Al ₂ O ₃	11.92	17.35	10.30
CaO	3.16	1.85	2.00
MgO	2.21	2.12	3.18
K ₂ O	/	7.58	5.95
Na ₂ O	/	0.24	0.86

Note: * the unit of content is g/t; / means that it is not analyzed; — means that it is not detectable (beyond the detection limit of instrument)

7.3 Mineralogy

7.3.1 Mineral Composition of Ore

The main mineral compositions of test samples of Jiangxi University of Science and Technology and Maanshan Institute are shown in Table 7-2, and the phase analysis results are shown in Table 7-3. The main mineral carrier of copper is chalcopyrite, with small amounts of sulfides such as chalcocite and tetrahedrite. The content of copper oxide is less than 10%. The main mineral carrier of iron is pyrite (including pyrrhotite) and magnetite, with small amounts of hematite, limonite and other non-magnetic iron. The main mineral carrier of sulfur is sulfide minerals such as pyrite and chalcopyrite, with a small amount of native sulfur. An extremely small amount of sulfur exists in sulfate minerals.

The non-metallic minerals mainly include quartz, carbonate, feldspar and clay minerals, with a small amount of other non-metallic minerals. There are very few non-ferrous metal sulfides other than chalcopyrite.

The target minerals of processing are chalcopyrite (copper), pyrite(sulfur), magnetite(iron), gold and silver. Pyrite and chalcopyrite have good floatability, and are the main carrier minerals of gold and silver. SRK considers it reasonable to recover copper, sulfur, gold and silver by flotation, and recover iron by magnetic separation to produce copper concentrate, sulfur concentrate and iron concentrate respectively. Gold and silver can be recovered as they report to the copper concentrate and sulfur concentrate.

Table 7-2: The Main Mineral Composition

Minerals	Content (%)	
	Jiangxi University of Science and Technology	Maanshan Institute
Chalcopyrite	0.4	1.51
Pyrite	30.0	15.45
Magnetite	13.0	1.15
Hematite, limonite	2.0	5.93
Quartz	18.0	40.52
Chlorite	8.0	11.06
Calcite/ carbonate	8.0	10.73
Feldspar	/	6.88
Kaolinite/ clay minerals	5.0	5.57

Table 7-3: Phase Analysis Results of the Main Valuable Elements

Phases of Main Elements	Jiangxi University of Science and Technology		Maanshan Institute		
	Content (%)	Distribution Ratio (%)	Content (%)	Distribution Ratio (%)	
Copper	Primary copper sulfide	0.22	83.3	0.51	84.86
	secondary copper sulfide	0.03	11.1	0.034	5.66
	Free copper oxide	—	5.6	0.019	3.16
	combined copper oxide	—		0.038	6.32
	Total copper	0.27	100.0	0.601	100.00
Iron	Magnetite	3.90	13.91	/	/
	Pyrrhotite	0.41	1.46	/	/
	Nonmagnetic iron	23.73	84.63	/	/
	Total iron	28.04	100.00	/	/
Sulfur	Sulfur in sulfides	/	/	8.58	96.95
	Free sulfur (Native sulfur)	/	/	0.21	2.37
	Sulfur in sulfate	/	/	0.06	0.68
	Total sulfur	/	/	8.85	100.00

7.3.2 Occurrence Status of the Target Minerals

7.3.2.1 Test Sample of Jiangxi University of Science and Technology

Chalcopyrite

Chalcopyrite mostly occurs in irregular form, presenting as granule, stellate and disseminated shape. It shows intergrowth with hematite, magnetite, pyrite, tourmaline, quartz, etc. It is filled among the columns of hematite and tourmaline, containing pyrite and magnetite fine particles. It is also observed to be enfolded by pyrite as 0.003~0.08mm round granules. Some is filled among the particles of pyrite, enfolding tourmaline, pyrite and automorphic quartz.

Magnetite

Occurring as idiomorphic crystal, magnetite is embedded in agglomeration, showing densely disseminated and granular shape. Magnetite is mostly replaced by hematite and calcite, with hematite edging. Calcite replaces idiomorphic magnetite as crystalline and perforated shape. Some calcite together with pyrite replaces magnetite, presenting as cribriform. Some magnetite particles are filled and replaced by chalcopyrite. In diorite, some magnetite and chlorite replace hornblende, maintaining the diamond illusion. Some magnetite is enfolded by pyrite.

Pyrite

Pyrite is embedded in monocrystal or agglomeration or occurs in aggregates. Some has phenocrystal coarse particles, and some are scattered in diorite. It is cut by hematite or magnetite veins or filled among pyrite particles. Some are associated with marcasite.

The test samples were first crushed to less than 2mm for screening, identifying the monomer dissociation degree of main mineral in each particle size. The results are shown in Table 7-4, Table 7-5 and Table 7-6. The monomer dissociation degree of copper mineral is good, with 81.82% for +0.074mm and 94.12% for +0.045mm material. The monomer dissociation degree of pyrite is generally satisfactory, with almost 90% for the material +0.074 and 94.64% for +0.045mm. The monomer dissociation degree of magnetite is not suitable for flotation, with only 64.15% for the particle size of +0.074mm and 90% for +0.045mm, which is closely related to its complex dissemination and fine embedding particles.

Table 7-4: Monomer Dissociation Degree of Chalcopyrite for Samples of Jiangxi University of Science and Technology

Particle Size (μm)	Yield (%)	Monomer Dist ^b (%)	Intergrowth Dist ^b (%)		
			1/4	2/4	3/4
+450	56.25	28.57	7.14	42.86	21.43
-450+150	18.23	67.92	trace	15.09	16.98
-150+74	9.90	81.82	1.52	7.58	9.09
-74+45	5.20	94.12	1.10	1.47	3.31
-45	10.42	99.08	trace	0.37	0.55
Total	100.00				

Table 7-5: Monomer Dissociation Degree of Pyrite for Samples of Jiangxi University of Science and Technology

Particle Size (μm)	Yield (%)	Monomer Dist ^b (%)	Intergrowth Dist ^b (%)		
			1/4	2/4	3/4
+450	56.25	41.49	14.94	14.94	28.63
-450+150	18.23	74.53	5.47	7.18	12.82
-150+74	9.90	88.15	3.32	2.84	5.69
-74+45	5.20	94.64	0.67	1.53	3.14
-45	10.42	99.32	0.23	0.45	trace
Total	100.00				

Table 7-6: Monomer Dissociation Degree of Magnetite for Samples of Jiangxi University of Science and Technology

Particle Size (μm)	Yield (%)	Monomer Dist'b (%)	Intergrowth Dist'b (%)		
			1/4	2/4	3/4
+450	56.25	32.43	10.81	24.32	32.43
-450+150	18.23	36.77	13.68	27.35	22.20
-150+74	9.90	64.15	8.49	13.20	14.15
-74+45	5.20	81.94	4.31	8.08	5.66
-45	10.42	94.38	1.50	3.00	1.12
Total	100.00				

7.3.2.2 Test Samples of Maanshan Institute

Chalcopyrite

Chalcopyrite mostly occurs in irregular granular aggregation. The three main occurrences are as follows:

- Mainly occurring in irregular granular dissemination, and partially associated with pyrite and limonite.
- occurring in chalcopyrite as massive, containing gangue inclusions inside such as fine-grained quartz and carbonate.
- A small part of irregular chalcopyrite is disseminated in quartz as fine particles.

Pyrite

There are mainly four occurrences of pyrite:

- mainly occurring in granular form, with some in square shape and some in irregular granular dissemination. It is associated with chalcopyrite.
- occurring in porphyritic form. Phenocrystal contains a lot of gangue inclusions such as quartz, chlorite, etc.
- aggregation of irregular granular pyrite comprises veinlets which go through quartz to form veinlets of pyrite. It has vein structure.
- embedded in gangue minerals such as quartz and carbonate as fine-grained disseminated shape, having disseminated structure.

Magnetite

Magnetite mainly occurs in aggregation of irregular granules, which are closely intertwined with quartz to form a grid-like structure. It has network structure.

The disseminated granularity of target minerals is shown in Table 7-7, with distribution ratio of +70 μm . The recoveries of chalcopyrite and pyrite are 28.67% and 44.34% respectively, indicating that the embedding particles are small and higher grinding fineness is required for better dissociation. The disseminated granularity of target minerals for Maanshan Institute are much smaller than that of target minerals for Jiangxi University of Science and Technology.

Table 7-7: The Target Minerals Disseminated Granularity of Test Samples for Maanshan Institute

Granularity (μm)	Chalcopyrite		Pyrite	
	Dist'b (%)	Σ (%)	Dist'b (%)	Σ (%)
+200	8.35	8.35	11.76	11.76
-200+150	5.15	13.50	10.91	22.67
-150+100	11.47	24.97	13.29	35.96
-100+90	0.12	25.09	2.88	38.84
-90+80	0.64	25.73	3.15	41.99
-80+70	2.94	28.67	2.35	44.34

Granularity (μm)	Chalcopyrite		Pyrite	
	Dist'b (%)	Σ (%)	Dist'b (%)	Σ (%)
-70+60	0.50	29.17	3.79	48.13
-60+50	3.94	33.11	6.62	54.75
-50+40	15.07	48.18	7.46	62.21
-40+30	10.89	59.07	4.88	67.09
-30+20	13.03	72.10	8.13	75.22
-20+10	19.83	91.93	11.08	86.30
-10	8.07	100.00	13.70	100.00

Maanshan Institute studied the occurrence of gold. Its particle size is all less than 20 μm and most below 5 μm . Gold mainly occurs as exposed native gold, followed by fine-grained and encapsulated gold in sulphide minerals such as pyrite and chalcopyrite. There are traces of fine-grained gold in silicate such as chlorite and carbonate. The distribution ratio of gold is shown in Table 7-8. The exposed gold and encapsulated gold in sulfide minerals account for 91.5%, indicating that gold is easy to enrich with sulfide enrichment.

Table 7-8: Test Sample Occurrence Status of Maanshan Institute

Phase	Content (g/t)	Distribution Ratio (%)
Exposed gold	0.69	67.19
Encapsulated Gold in Sulfide Minerals	0.25	24.34
Encapsulated Gold in Carbonate and Oxide	0.030	2.92
Encapsulated Gold in Silicate and Other Minerals	0.057	5.55
Total	1.027	100.00

7.4 Processing Test of Jiangxi University of Science and Technology

To recover copper and sulfur, Jiangxi University of Science and Technology conducted detailed conditional tests on “Selective flotation process” and “Mixed-separation flotation process” respectively, Table 7-9. Based on this, closed-circuit tests were carried out for the two processes. Magnetic separation test was carried out on the flotation tailings to recover magnetite.

7.4.1 Selective Flotation Process

Under a grinding fineness of -200 mesh (75%), copper is first separated by the process of “one roughing+ two cleanings+ two scavengings”, and then sulfur is separated from the copper flotation tailings by the process of “one roughing+ three cleanings + one scavenging”. Middlings are returned to the previous operation sequentially.

Table 7-9: Selective Flotation Test Results of Jiangxi University of Science and Technology

Product	Yield (%)	Grade (%)				Recovery (%)			
		Cu	S	Au*	Ag*	Cu	S	Au	Ag
Copper Concentrate	1.01	22.32	26.53	33.96	256.2	83.49	1.39	72.98	56.02
Sulfur Concentrate	37.66	0.06	45.16	0.23	2.82	8.37	88.53	18.43	22.99
Flotation Tailings	61.33	0.04	3.15	0.07	1.58	8.14	10.07	8.59	20.99
ROM	100.0	0.27	19.21	0.47	4.62	100.0	100.0	100.0	100.0

7.4.2 Mixed-Separation Flotation Process

At grind size of -200 mesh (75%), copper and sulfur mixed flotation is conducted through a process of “two roughings+ two cleanings+ two scavengings”. Then a process of “one roughing+ two cleanings+ two scavengings” is conducted to the mixed flotation concentrate to separate copper and sulfur by suppressing sulfur in copper flotation. The test results are shown in Table 7-10. Although the copper concentrate grade and recovery rate are lower than those of selective flotation process, the results are equally satisfactory. The capital and operating costs of “Mixed-separation flotation process” are low.

Table 7-10: Mixed-Separation Flotation Closed-circuit Test Results of Jiangxi University of Science and Technology

Product	Yield (%)	Grade (%)				Recovery (%)			
		Cu	S	Au*	Ag*	Cu	S	Au	Ag
Copper Concentrate	1.15	16.85	39.10	29.60	220.2	71.77	2.34	72.43	54.82
Sulfur Concentrate	37.68	0.15	45.12	0.25	3.12	20.92	88.50	20.04	25.45
Flotation Tailings	61.17	0.03	2.88	0.06	1.49	7.30	9.16	7.53	19.73
ROM	100.0	0.27	19.21	0.47	4.62	100.0	100.0	100.0	100.0

7.4.3 Magnetic Separation Test of Flotation Tailings

A series of conditional tests such as grinding fineness and magnetic intensity were carried out on the flotation tailings. The magnetic separation process of “one roughing+ coarse concentrate re-grinding+ one cleaning” was adopted. The test results are shown in Table 7-11. Iron concentrate with grade of 63.68% Fe was obtained, but the content of sulfur was high.

Table 7-11: Magnetic Separation Test Results of Jiangxi University of Science and Technology

Product	Yield (%)	Grade (%)		Recovery (%)	
		TFe	S	TFe	S
Iron Concentrate	6.25	63.68	0.50	14.28	0.16
Flotation Tailings	61.33	19.61	3.16	43.15	10.09
ROM	100.00	27.87	19.21	100.0	100.0

7.4.4 Product Quality

Table 7-12 lists the multi-element chemical analysis results of three concentrate products, all meeting the quality standards for sale. SRK noted that the harmful deleterious elements including Pb, Zn and As that negatively impact concentrate price are not analyzed. The contents of gold and silver in sulfur concentrate are below payable limits. The deleterious elements including Pb, Zn, As, F and C are not analyzed. The content of deleterious S in the iron concentrate is slightly high, and other deleterious elements including Pb, Zn and As are also not analyzed. Due to the low content of Pb and Zn in the ore, it is considered by SRK that it is unlikely that the penalty limit in each concentrate will be exceeded. However, the high content of As in RoM ore may affect the quality (payability) of the concentrate.

Table 7-12: Multi-element Chemical Analysis Results of Three Concentrate Products by Jiangxi University of Science and Technology

Elements	Content (%)		
	Copper Concentrate	Sulfur Concentrate	Iron Concentrate
Cu	22.32	0.06	0.041
S	26.53	45.16	0.30
TFe	30.19	46.19	64.74
Au*	33.96	0.23	0.06

Elements	Content (%)		
	Copper Concentrate	Sulfur Concentrate	Iron Concentrate
Ag*	256.2	<5	<5
Co	0.011	0.026	0.0073
P	0.027	0.011	0.004
SiO ₂	4.13	0.9	2.28
Al ₂ O ₃	2.00	0.61	0.56
CaO	0.78	0.072	0.58
MgO	0.68	0.10	0.91

7.4.5 Recommended Processing Flowsheet

Figure 7-1 shows the processing flowsheet and conditions recommended by Jiangxi University of Science and Technology.

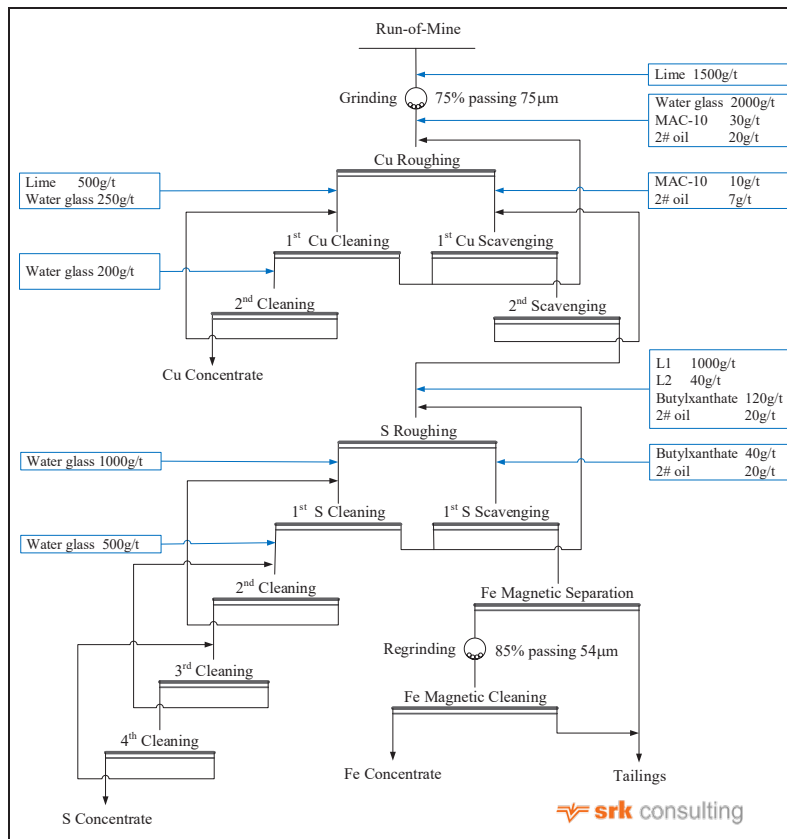


Figure 7-1: Processing Flowsheet Recommended by Jiangxi University of Science and Technology

7.4.6 Grindability of Ore

The grindability of the ore was tested against the relative grindability of a certain ore and Bond work index of ball milling was also determined. The results of Bond work index are shown in Table 7-13.

Table 7-13: Bond Work Index of the Ore Determined by Jiangxi University of Science and Technology

Sample Granularity	Testing Items	Test Results
-3.2mm	Size of mesh	150 m
	F80	2131 m
	P80	107 m
	Gbp	1.7449g/r
	Wi	11.87kwh

7.5 Processing Test of Changsha Research Institute

7.5.1 Selective Flotation Process

At a grind size of -200 mesh (75%), the selective flotation of copper adopts a process of “one roughing+ two cleanings + two scavengings”, and sulfur flotation from copper flotation tailings adopts a process of “one roughing+ two cleanings + two scavengings”. The middlings are returned to the previous operation sequentially. The test results are shown in Table 7-14. Both the copper concentrate and sulfur concentrate achieve a saleable grade, and the copper and sulfur recovery rates are relatively high.

Table 7-14: Selective Flotation Closed-circuit Test Results by Changsha Research Institute

	Yield (%)	Grade (%)				Recovery (%)			
		Cu	S	Au*	Ag*	Cu	S	Au	Ag
Copper Concentrate	1.75	20.88	38.00	17.10	36.80	93.69	5.78	31.94	18.67
Sulfur Concentrate	22.37	0.03	46.00	1.12	8.10	1.84	89.48	26.75	52.52
Tailings	75.88	0.02	0.72	0.51	1.31	4.47	4.74	41.31	28.81
ROM	100.0	0.39	11.50	0.94	3.45	100.0	100.0	100.0	100.0

Note: * the unit is g/t.

7.5.2 Mixed Flotation Process

At a grind size of -200 mesh (75%), the copper-sulfur mixed flotation adopts a process of “one roughing+ two cleanings+ two scavengings” to obtain copper-sulfur mixed concentrate. Then the copper-sulfur mixed concentrate adopts a process of “one roughing+ two cleanings+ two scavengings” to suppress sulfur for copper flotation, producing copper concentrate and sulfur concentrate. The test results are shown in Table 7-15. The results are similar to those of the selective flotation process. Marketable copper concentrate and sulfur concentrate are obtained. Gold and silver are enriched in both copper concentrate and sulfur concentrate, but the recovery rate is low. Re-grinding and separation flotation test results of the copper-sulfur mixed concentrate show that, the copper concentrate grade will be improved with the increase of grinding fineness. However, the distribution of gold in copper concentrate and sulfur concentrate cannot be changed.

Table 7-15: Mixed Flotation Closed-circuit Test Results of Changsha Research Institute

Product	Yield (%)	Grade (%)				Recovery (%)			
		Cu	S	Au*	Ag*	Cu	S	Au	Ag
Copper Concentrate	1.74	21.09	38.10	16.90	37.91	94.02	5.76	31.08	19.12
Sulfur Concentrate	21.08	0.04	48.00	1.08	8.06	2.22	88.00	24.06	49.25
Tailings	77.18	0.02	0.93	0.55	1.41	3.76	6.24	44.86	31.54
ROM	100.0	0.39	11.50	0.95	3.45	100.0	100.0	100.0	100.0

Note: * the unit is g/t.

7.5.3 Iron and Gold Recovery Test from Flotation Tailings

The magnetic separation test of iron from flotation tailings is conducted at a grind size of -200 mesh (75%). The iron concentrate has a yield of 0.21% and a grade of 46.8% and a recovery rate is only 0.87%. Therefore, magnetite does not have a recoverable value.

The copper-sulfur flotation tailings have a gold content of about 0.5 g/t Au. Gravity separation by tabling is adopted and no obvious enrichment occurs, indicating that it cannot be recovered by gravity separation.

After 18 hours of agitation cyanidation leaching, the gold grade of tailings dropped to 0.14 g/t and the gold leaching rate was 75%. After 24 hours of agitation cyanidation leaching, the gold grade of tailings dropped to 0.05 g/t and the gold leaching rate was 91%. Although the cyanidation leaching rate of gold in flotation tailings is high, the grade of tailings for leaching is low. SRK believes that the industrial production is of little significance.

7.5.4 Recommended Processing Flowsheet

The test results of mixed flotation and selective flotation are similar. In comparison, the copper-sulfur mixed-separation process has the advantages of a simple reagent system, short process, strong ability to adapt to fluctuations in copper and sulfur content in the RoM ore and low processing costs. On this basis, Changsha Research Institute recommended the copper-sulfur mixed-separation flotation process, as shown in Figure 7-2.

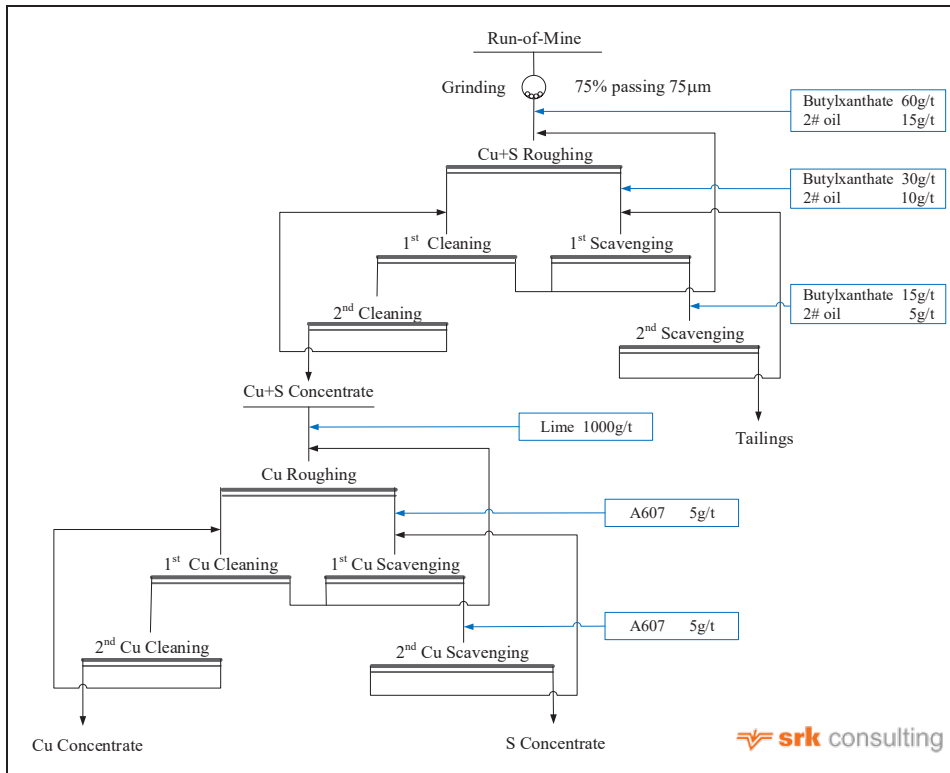


Figure 7-2: Mixed-separation Flotation Process Recommended by Changsha Research Institute

7.5.5 Product Quality

The multi-element analysis results of products from mixed-separation flotation process of Changsha Research Institute are shown in Table 7-16.

Table 7-16: Multi-element Analysis Results of Products from Mixed-separation Flotation Process

Elements	Content (%)		
	Copper concentrate	Sulfur concentrate	Tailings
Cu	21.09	0.041	0.019
S	38.1	48.0	0.93
Au*	16.9	1.08	0.55
Ag*	37.91	8.06	1.41
TFe	33.1	42.2	5.9
Pb	0.052	0.024	0.001
Zn	0.04	0.009	0.011
As	0.111	0.154	0.001
SiO ₂	3.21	3.32	60.96
Al ₂ O ₃	1.28	1.18	17.93
CaO	1.85	0.70	3.71
MgO	0.57	0.56	3.88
Na ₂ O	0.04	0.04	0.23
K ₂ O	0.31	2.43	9.46

Note: *the unit is g/t.

7.6 Processing Test of Maanshan Institute

Maanshan Institute conducted an open circuit test for copper selective flotation. The results show that although the selective flotation process can produce copper concentrate, the recovery rate of gold in copper concentrate is low, so no detailed conditional test and closed-circuit test are conducted. The focus was on mixed-separation flotation process.

7.6.1 Mixed-Separation Flotation Test

On the basis of various condition optimization tests, a closed-circuit test was carried out. The test process is shown in Figure 7-3. The copper-sulfur mixed flotation grind size is -200 mesh (accounting for 75%). Regrinding and without regrinding closed-circuit tests are conducted to mixed concentrate, with a grind size of - 200 mesh (accounting for 95%). The results are shown in Table 7-17.

Marketable copper concentrate and sulfur concentrate are obtained from the testwork. After regrinding, separation flotation is conducted to the mixed concentrate, which can reduce the loss of copper and gold in sulfur concentrate and increase the recovery rate of copper and gold in copper concentrate. Therefore, Maanshan Institute recommends the process of “mixed flotation- regrinding of mixed concentrate- separation flotation”.

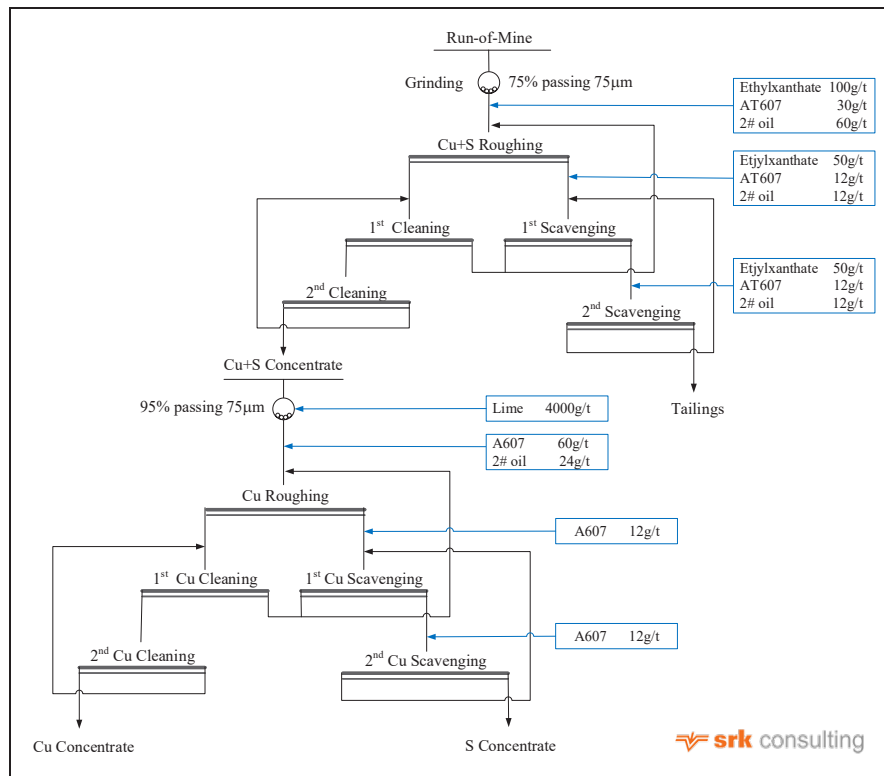


Figure 7-3: Mixed-Separation Flotation Recommended by Maanshan Institute

Table 7-17: Mixed-Separation Flotation Test Results of Maanshan Institute

Products	Yield (%)	Grade (%)			Recovery (%)			
		Cu	S	Au*	Cu	S	Au	
Regrinding	Copper concentrate	3.20	18.10	43.53	24.42	93.39	15.76	75.85
	Sulfur concentrate	14.06	0.06	47.84	1.33	1.29	76.30	18.15
Without Regrinding	Copper concentrate	3.00	18.35	43.60	20.37	88.83	14.86	59.40
	Sulfur concentrate	14.26	0.25	47.75	2.50	5.85	77.20	34.01
Tailings	82.74	0.04	0.85	0.08	5.32	7.94	5.99	
ROM	100.0	0.62	8.82	1.03	100.0	100.0	100.0	

Note: * the unit is g/t.

7.6.2 Iron Separation Test from Flotation Tailings

Magnetic separation of iron is conducted on flotation tailings, producing iron concentrate with yield of 0.98%, grade of 43.86% and recovery rate of 5.87%. It indicates that the recovery of iron from flotation tailings is of little significance.

7.6.3 Concentrate Quality

The results of multi-element chemical analysis of copper concentrate and sulfur concentrate are shown in Table 7-18 and Table 7-19, respectively. The content of impurities in copper concentrate and sulfur concentrate is low, meeting the quality requirements of concentrate.

Table 7-18: Copper Concentrate Quality of Maanshan Institute

Elements	Cu	Pb	Zn	MgO	As	Au*	Ag*
Content (%)	18.1	0.055	0.077	0.58	0.089	24.42	43.60

Note: The unit of * is g/t.

Table 7-19: Sulfur Concentrate Quality of Maanshan Institute

c	S	ES*	Pb	Zn	As	C
Content (%)	47.84	46.94	0.014	0.001	0.048	0.5

Note: *refers to available sulfur.

7.7 Ore Beneficiation Assessment

East Zone

Jiangxi University of Science and Technology's mineral processing test results of ore in the eastern part of the deposit show that selective flotation and mixed-separation flotation can both obtain good copper-sulfur separation, and gold and silver are mainly enriched in copper concentrate.

In mixed-separation flotation process, the recovery rates of copper, gold and silver in copper concentrate were 71.8%, 72.4% and 54.8%, respectively; and the sulfur recovery rate in sulfur concentrate was 88.5%.

In selective flotation process, the recovery rates of copper, gold and silver in copper concentrate were 83.5%, 73.0% and 56.0%, respectively; and the sulfur recovery rate in sulfur concentrate was 88.5%.

Selective flotation is recommended as the copper recovery rate is higher than that of the mixed-separation flotation. Low intensity magnetic separation is conducted on the flotation tailings, producing iron concentrate with a grade of 63.7% Fe, a yield of 6.25% and iron recovery rate of 14.3%.

West Zone

Maanshan Institute's test results of mineral processing of ore in the western part of the deposit show that good processing results are obtained by mixed-separation flotation.

The recovery rates of copper and gold in copper concentrate are 93.6% and 75.9%, respectively; and the sulfur recovery rate in sulfur concentrate was 76.3%. Regrinding of copper-sulfur mixed concentrate is beneficial to improve the recovery of copper by copper-sulfur separation and recovery rate of gold in copper concentrate. Low intensity magnetic separation is conducted to flotation tailings, and no suitable iron concentrate is obtained. This is because the magnetite content in the ore from the western part of the deposit is low and the embedded granularity is small.

Composite Samples

Changsha Research Institute's test results of mineral processing of ore from the whole deposit show that selective flotation and mixed-separation flotation can both obtain good concentrate production.

In selective flotation process, the recovery rates of copper, gold and silver in copper concentrate were 93.7%, 31.9% and 18.7%, respectively; and the sulfur recovery rate in sulfur concentrate was 89.5%.

In mixed-separation flotation process, the recovery rates of copper, gold and silver in copper concentrate were 94.0%, 31.1% and 19.1%, respectively. The results of the two processes are basically the same. Considering that mixed-separation process has the advantages of simple reagent system, short process, strong ability to adapt to fluctuations in copper and sulfur content in RoM grade and low processing costs, Changsha Research Institute recommended copper-sulfur mixed-separation flotation process. Low intensity magnetic separation is conducted to flotation tailings, and no suitable iron concentrate is obtained.

Due to the changes in the content of various target minerals in different ore bodies of the deposit, the processing flowsheet and operating conditions have changed, especially for the recovery of iron, gold and silver.

But in general, the ore is easy to process, and mixed-separation flotation can obtain good copper and sulfur recoveries. As gold and silver are payable in the copper concentrate and not payable in the sulfur concentrate, improvements to the recovery of gold and silver in copper concentrate warrants further study and process optimization.

8 Processing Plant Design

8.1 Designed Scale and Product Plan of Processing Plant

The processing plant is designed to be located on the northeast side of the main and auxiliary shafts. The ore from underground is transported by belt conveyor to the RoM stockpile. The construction period of the plant is designed to be 2 years and it has not yet been constructed. Figure 8-1 shows the site of the proposed processing plant.

The plant is designed to process 1 Mtpa of ore and produce copper concentrate, sulfur concentrate and iron concentrate. A continuous work system is designed to be adopted, with an annual operating rate of 90.41%, that is, an effective working time of 330 days/year.

At similar mines in the surrounding area, high-intensity magnetic separation is applied to tailings of low intensity magnetic separation to recover hematite which has the potential to be sold as an additives for producing cement. This process has not been considered for this Project.



Figure 8-1: Site of the Proposed Processing Plant

8.2 Design Process

The main mineral processing facilities include ore storage yard, ore transportation system, crushing system, grinding system, separation flotation system, dewatering system, slurry conveying system and tailings facilities. Maanshan Institute designed a 1 Mtpa plant and Jinjian designed two 0.5 Mtpa production lines to process high sulfur low copper ore (pyrite ore) and low sulfur high copper ore (copper gold ore) respectively. SRK considers that one production line, processing two ore types will lead to frequent fluctuations in the production process due to different consumptions of reagents. This report focuses on the preliminary design of Jinjian.

8.2.1 Ore storage and transportation

The processing plant has two RoM stockyards, storing pyrite ore and copper-gold ore respectively. Each can store 10 days of ore. The ore is crushed to -350mm underground, and then hoisted to the surface ore bin by skip. The ore is transported by belt conveyor to the corresponding stockyard.

8.2.2 Ore crushing

A process of three-stage one closed-circuit with pre-screening is designed to crush the ore to -12mm. A crushing system is designed to be built and two types of ore are to be processed in staggered time. The crushed ore is transported by belt conveyor to the corresponding crushed ore bin.

8.2.3 Ore grinding

The crushed ore has a particle size of -12mm, and the flotation feed has a particle size of -0.074mm (accounting for 75%). Two-stage closed-circuit grinding process is designed, with a grate ball mill and spiral classifier composing the primary grinding, and cyclone and overflow ball mill composing the secondary grinding. Two series of grinding systems were designed and constructed to process two types of ore, each with a grinding capacity of 0.5 Mtpa. The pyrite ore contains recyclable magnetite. Due to the fine particle size of magnetite, it is necessary to conduct regrinding and re-separation to coarse concentrate of low intensity magnetic

separation. Coarse Iron concentrate is reground to -0.037mm (accounting for 75%), adopting one stage closed-circuit grinding process, with overflow ball mill and cyclone group composing regrinding closed-circuit for coarse magnetite concentrate.

8.2.4 Flotation

Pyrite ore flotation adopts the mixed-separation flotation process recommended by Changsha Research Institute and Maanshan Institute. The mixed flotation closed-circuit is composed of “one roughing+ two cleanings+ two scavengings”, producing copper-sulfur mixed concentrate. Separation flotation process is conducted to mixed concentrate by suppressing sulfur for copper flotation, using a process of “one roughing+ two cleanings+ two scavengings” and producing copper concentrate and sulfur concentrate.

On the basis of selective flotation process recommended by Jiangxi University of Science and Technology for copper and gold ore, one cleaning is added to the copper separation circuit, which is “one roughing+ three cleanings+ two scavengings”. One cleaning stage is removed from sulfur separation circuit, which is “one roughing+ three cleanings+ two scavengings”.

SRK considers that the copper-gold ore should adopt the mixed-separation flotation process recommended by Maanshan Institute.

After re-grinding of the mixed concentrate, separation flotation is conducted, which can reduce the loss of copper and gold in sulfur concentrate. The two grinding-flotation series adopt the same process and equipment configuration, which also facilitates the production regulation of two types of ore and facilitates production management.

8.2.5 Magnetic separation

One-stage wet low intensity magnetic separation is conducted on pyrite ore flotation tailings to enrich magnetite. After one stage regrinding, one-stage wet low intensity magnetic cleaning is conducted to coarse magnetite concentrate to produce iron concentrate. Wet high-intensity magnetic separation is conducted to wet low intensity magnetic separation tailings to enrich hematite, producing marketable cement additives.

Iron, including magnetite and hematite, is not designed to be recovered from copper-gold ore tailings.

8.2.6 Concentrate dewatering

The copper concentrates of the two types of ore are combined, and a two-stage dewatering process of thickener + filtration is adopted. The sulfur concentrates of the two types of ore are also combined, with a two-stage dewatering process of thickener + filtration.

8.2.7 Tailings dewatering

To meet the needs of underground backfilling, provide return water from the processing plant, and reduce the energy consumption of tailings transportation, the tailings dewatering system is designed to adopt cyclone classification + thickening. When backfilling is conducted, tailings from the processing plant is pumped by slurry pump to the cyclone on the top of sand bin in the backfilling station for classification. The underflow of the cyclone enters sand bin, and the overflow from cyclone and sand bin flows by gravity to the thickener for thickening. The thickener underflow with a concentration of 35% is pumped by slurry pump to the TSF, and the thickener overflow is used as return water. When backfilling is not required, tailings from the processing plant is pumped by slurry pump to the thickener. After thickening, it is pumped to the TSF, and the thickener overflow is used as return water.

8.3 Design of the Main Processing Equipment

The main processing equipment selected by Jinjian is listed in Table 8-1, excluding belt conveyor, pump and hoisting devices.

Table 8-1: The Main Processing Equipment Selected by Jinjian in the Preliminary Design

No.	Description	Specification	Power (kW)	QTY	REMARKS
1	Vibrating feeder (seat-type)	1100x1800x250	3.7	4	

No.	Description	Specification	Power (kW)	QTY	REMARKS
2	Vibrating feeder (hanged)	1300x2200x300	3.7	1	
3	Jaw crusher	C80	75	1	Crushing and screening
4	Standard cone crusher	HP300	250	1	
5	Short head cone crusher	HP400	315	1	
6	Double-deck circular vibrating screen	2YAH3380	75	1	
7	Grate ball mill	MQG3236	630	1	
8	High-weir type double spiral classifier	2FG-24+	30/3	1	
9	Overflow ball mill	MQY3245	630	1	
10	Cyclone group	FX350-GT×6		2	
11	Overflow ball mill	MQY1848	155	1	
12	Cyclone group	FX150-GT×6		1	
13	Slurry agitating tank	φ3.0×3.0	18.5	1	
14	Slurry agitating tank	φ2.5×2.5	18.5	1	Primary series of grinding and flotation
15	Flotation machine	XCFII-16	37	7	
16	Flotation machine	KYFII-16	22	10	
17	Flotation machine	XCFII-8	22	3	
18	Flotation machine	KYFII-8	15	5	
19	Flotation machine	XCFII-4	11	3	
20	Flotation machine	KYFII-4	7.5	1	
21	Magnetic separator	CTB-1030	7.5	1	
22	Double-drum magnetic separator	2CTB-924	2.8	1	
23	Magnetic separation tailings recovery machine	YCBW-10-6	4.08	1	
24	Blower	CF150-1.30	160	2	
25	Grate ball mill	MQG3236	630	1	
26	High-weir type double spiral classifier	2FG-24+	30/3	1	
27	Overflow ball mill	MQY3245	630	1	
28	Cyclone group	FX350-GT×6		1	
29	Slurry agitating tank	φ3.0×3.0	18.5	2	
30	Flotation machine	XCFII-16	37	10	
31	Flotation machine	KYFII-16	22	18	
32	Flotation machine	XCFII-4	11	3	Secondary series of grinding and flotation
33	Flotation machine	KYFII-4	7.5	1	
34	Blower	CF150-1.30	160	1	
35	Magnetic separator	CTB-1030	7.5	1	
36	Double-drum magnetic separator	2CTB-924	2.8	1	
37	Conical agitation tank	φ2.0×2.0	5.5	2	
38	Reagent agitating tank	φ2.0×2.0	5.5	2	
39	Reagent agitating tank (anticorrosion)	φ2.0×2.0	5.5	4	
40	Reagent pump	CQB32-20-110	1.1	6	
41	Computer dosing machine	48	1.1	1	
42	Automatic sampler		1.1	12	
43	Cyclone group	FX500-GT×4		1	
44	Thickener	φ12m	3	1	Dewatering
45	Thickener	φ38m	7.5	1	
46	Thickener	φ45m	15	1	
47	Thickening magnetic separator	NCT-718	2.2	1	

No.	Description	Specification	Power (kW)	QTY	REMARKS
48	Ceramic filter	9m ²	11	5	
49	Ceramic filter	60m ²	25	3	
50	Overflow ball mill	MQY918	22	1	Lime cream preparation
51	Conical agitation tank	φ1.5×1.5	3	1	

8.4 Designed Processing Parameters

The processing parameters, for the two types of ore, designed by Jinjian in the preliminary design are listed in Table 8-2 and Table 8-3 respectively. They need to be adjusted by SRK based on the estimated reserve grade.

Table 8-2: Processing Indicators of Pyrite Ore Designed by Jinjian in the Preliminary Design

Item	Production (t)	Yield (t)	Grade (t)					Recovery (%)				
			Cu	S	Au*	Ag*	mFe	Cu	S	Au	Ag	mFe
Cu Concentrate	1,600	0.32	16.00	20.00	15.38	280.00	0.45	70.10	0.39	30.00	37.30	0.04
S Concentrate	159,200	31.84	0.04	45.00			0.45	17.45	87.00			3.72
Fe Concentrate	26,850	5.37	0.02	0.25			64.50	1.47	0.08			90.00
Tailings	312,350	62.47	0.01	3.30			0.38	10.98	12.53			6.24
Run of Mine	500,000	100.0	0.07	16.47	0.16	2.40	3.85	100.0	100.0	100.0	100.0	100.0

Note: grades of Au and Ag are in unit of g/t

Table 8-3: Processing Indicators of Copper-gold Ore Designed by Jinjian in the Preliminary Design

Item	Production (t)	Yield (t)	Grade (t)				Recovery (%)			
			Cu	S	Au*	Ag*	Cu	S	Au	Ag
Cu Concentrate	13,950	2.79	20.00	30.00	23.51	51.04	87.50	8.66	80.00	50.00
S Concentrate	85,850	17.17	0.18	45.00			4.90	80.00		
Tailings	400,200	80.04	0.06	1.37			7.60	11.34		
Run of Mine	500,000	100.0	0.64	9.66	0.82	2.85	100.0	100.0	100.0	100.0

Note: grades of Au and Ag are in unit of g/t

8.5 Tailings Storage Facility (TSF)

8.5.1 Introduction

A valley type TSF is proposed, located in Huzi Ditch, 1.5 km southwest of the processing plant. The valley runs east-west, and the topographic elevation is +16.0m ~ +86.3m, high in the east and low in the west, the catchment area of the TSF is 0.16 km². The TSF is characterized by tectonic denudation and low hilly landforms, generally with slope of 15°-25°. There is a saddle-shaped opening both in the north and south mountain ridges. Two auxiliary dams need to be built to improve the storage capacity of the TSF. In April 2015, Jinjian completed the preliminary design of Huziao TSF, which has been approved by Anhui Provincial Economic and Information Working Committee and the Anhui Provincial Safety Supervision Administration. In March 2016, Jinjian updated its design.

When the tailings dam is filled to an elevation of 55.0m, the TSF covers an area of 16.2 hectares and the catchment area is 0.13 km², resulting a total storage capacity of 1.93 Million m³ and an effective storage capacity of 1.544 Million m³. The processing plant has an annual output of 713,000 tons of tailings, with 463,000 tonnes being backfilled and 250,000 tonnes (about 185,000 m³) being pumped to the TSF. The service life of the TSF is 8.3 years, and does not meet the tailings storage need within the service life of mine. Another location should be found for subsequent tailings storage.

8.5.2 Tailings Dam

The main dam is a rolled earth-rock dam, with dam axis of 325m, dam crest elevation of 55.0m, and dam base elevation of 16.0m. The dam is 39.0m high and the dam crest is 4m wide. A Class A horse track with width of 2.0m is reserved every 10m on the outer-bank slope.

The inner side of the tailings dam is covered with an anti-seepage layer (HDPE geomembrane +600g/m² geotextile) for anti-seepage. The dam surface is covered with pre-cast concrete block protection layer, and cut-off trench is built at dam heel, along with a drainage prism.

The 1# auxiliary dam is located at the hill cross-over in the south of TSF. The structure is the same as that of the main dam. The dam axis is 295m long, and the dam crest elevation is 55.0m. The dam base along the axis has an elevation of 35.0m. The dam is 20.0m high and the dam crest is 4m wide.

The 2# auxiliary dam is located at the hill cross-over in the north of TSF. It is a masonry concrete dam. The dam crest axis is 130m long, and the dam crest elevation is 55.0m. The dam base along the axis has an elevation of 45.0m. The dam is 10m high and the dam crest is 4m wide.

The main dam and the auxiliary dams are built concurrently. The design standards of the TSF in initial stage and final stage are to a 1:200 year event.

8.5.3 Flood Draining Facilities

The designed drainage system consists of drainage wells ~ shafts ~ tunnels ~ drainage culverts. There is a drainage well which has C30 reinforced concrete frame structure. Its 3.0m in diameter (D) and 21m in height (H). The initial inlet elevation is designed to be 36.0m; the diameter of the shaft is 2.0m, and the net circular arch cross-section dimension of the drainage tunnel is B×H=1.5×1.8m. The drainage culvert is a 1.5m diameter circular reinforced concrete drainage pipe. Figure 8-2 shows the tunnels that has been built inside the TSF.



Figure 8-2: Photo of the TSF

8.5.4 Drainage Facilities of the TSF

8.5.4.1 Dam drainage

The tailings dam of the TSF is constructed in stages. In order to ensure the safety of the dam, drainage prisms are built in the downstream dam heel of main dam and 1# auxiliary dam, and seepage bedding is spread over the bottom of the dam to reduce the saturation line inside the dam.

Main dam: The top elevation of the drainage prism at dam heel downstream is 25.0m, with a height of 10.0m and crest width of 2.0m. The outer slope ratio is 1:2.5 and the inner slope ratio is 1:2.0. Inverted filter and seepage bedding are set inside and outside the prism.

1# auxiliary dam: the elevation of the top of drainage prism at dam heel downstream is 35.0m, with height of 7.0m and crest width of 2.0m. The outer slope ratio is 1:2.5 and the inner slope ratio is 1:2.0. Inverted filter and seepage bedding are set inside and outside the prism.

8.5.4.2 Drainage at the bottom of TSF

A 2.0mm thick HDPE geomembrane is laid in the TSF. To ensure the safety of the bottom anti-seepage system, a groundwater diversion system is set under the anti-seepage geomembrane to divert the underground seepage into the downstream reclaiming tank. A seepage collecting layer is designed under the anti-seepage layer. The drainage layer is composed of 0.2m small-grained gravel and 0.5m medium-sized gravel from top to bottom. Besides, two DN200 perforated steel pipes (covered with geotextile) are embedded in the gravel layer. The water seepage is led out of the TSF from the bottom of the main dam.

8.5.4.3 Tailings Transportation

The tailings discharged from the processing plant are pumped to the filling station. After being classified by cyclone, the underflow enters the sand bin and the overflow from cyclone and sand bin flows by gravity to the thickener. The underflow from thickener is pumped to the TSF. When backfilling is not required, the tailings will enter the thickener for thickening without being classified by cyclone. The underflow is pumped to the TSF. The tailings transportation adopts two D219 ceramic-lined composite pipes which are laid along the ground and have a length of 2.2 km.

8.5.4.4 TSF Return Water

The clarified water of the TSF is discharged via drainage well and drainage culvert, and then enters a natural reservoir downstream of the main dam. The water seepage from the TSF is also collected in this reservoir and then flows by gravity through 300m open channel +500m culvert to the pump station on the right bank of Huangtun River. From there, it is pumped via a 1.5 km pressure pipeline to the processing plant or waste water treatment station.

In SRK's opinion, the return water pond downstream of the main dam should be constructed as a concrete structure to prevent leakage of the tailings backwater.

8.5.4.5 TSF Monitoring

According to the requirements of the code, the necessary safety and environmental monitoring facilities are designed, including dam displacement observation facility, dam saturation line monitoring facility, water level monitoring facility, water quality testing well.

9 Workforce Assessment

9.1 Workforce Numbers

Workforce requirements in a full production year is presented in Table 6-1. Assumptions to estimate this are shown below:

- The mine consists of two levels organization. The administration level includes sections like general office, finance, technology, security, marketing, etc. The production level includes three workshops, namely mining, processing and service.
- Both the mining and processing workshops are planned to produce 330 days per year. The shifts per day are varied based on the function of sections and workshops. Three shifts per day are at most.
- The workforce requirements for both the stoping and driving section in the mining workshop are planned to be outsourced.

Table 9-1: Workforce Requirements in a Full Production Year

Workshop	Section	Number	Remarks
Mining	Stoping	96	Contractor
	Driving	85	Contractor
	Filling	8	
	Underground support	183	
	Administration and service	13	
	Sub-total	385	
Processing	Skip bin	3	
	Primary crushing	8	
	Secondary crushing	6	
	Screening	6	
	Powder bin and main plant	38	
	Thickening	4	
	Concentrate dehydration	16	
	Laboratory	7	
	Administration	9	
Sub-total	97		
	Service	88	
	Administration	40	
	Total	610	

9.2 Conclusions and Recommendations

There is no error was found after reviewing of assumptions and steps to estimate labour requirements.

Outsourcing of primary mining operations has been widely practised in the world. It's technically reasonable.

Although the source of workforce is not stated, SRK doesn't think it's a problem. The mine is located in an area with abundant population. Direct labours could be recruited locally and trained during the pre-production period, while the technicians could be employed by normal social recruitment. The workforce would never be a problem in China due to its huge population.

10 Project Infrastructure

The mine and plant (to be constructed) share excellent accessibility for air, road and rail. The Project area is connected with rail network through paved roads with good maintenance; and nearby railway stations are accessible in both Lujiang (to northwest) and Tongling (to southeast), within approximately 1 hour's drive. The city of Tongling was a well-known mining district in China. In general, the Project is well located in middle east China and share very good infrastructure conditions.

Infrastructure in Lujiang County is in a good condition with necessary support to mining industry to provide stable supply of electricity and water, and sufficient labour resources available nearby.

The Huangtun River (artificial river) flows on the northeast side of the mining area and joins the Yangtze River.

A processing water sump is located near to the Secondary Shaft. Seamless steel pipe, $\Phi 108 \times 6$, will be used to distribute water. Water is distributed to the working face along seamless steel pipes, which consist of main pipe of $D159 \times 7$ in the Secondary Shaft, branch pipe of $D133 \times 6$ in level haulage ways and branch pipe of $Dn50$ in the refuge chamber.

There is an existing substation on site to transform the voltage from 35kV to 10kV. Two sets of voltage transformers have been installed, which is SZ11-8000/35/10kV. Power supply is guaranteed for the Project.

The offices and living buildings are well built which can accommodate 200 – 400 personnel working and living in the area. Underground development has completed 4 levels and connected both East and West Zones. Back-fill system has been completed. Processing plant has designed and is to be constructed, which will take one and half year to complete.

11 Occupational Health and Safety

11.1 Project Safety Assessment and Approvals

SRK has sighted the following project safety assessments, permits and compliance certificates:

11.2 Occupational Health and Safety Management and Observations

During SRK's site visit, SRK observed that safety signs were in place, safety provisions and rules were also displayed within the work areas, moving machinery parts were appropriately guarded and covered, guard railings were installed on all gantries, and proper Personal Protection Equipment ("PPE") was provided and was being used by the workers, such as hardhats, traffic vests, and steel toed shoes.

SRK has sighted the OHS management system and procedures, which provide the following summary in respect to the proposed OHS management measures for the Project:

- Mining, crushing, blasting and explosives handling,
- Side slope failure prevention,
- Waste rock disposal,
- Environmental dust and noise suppression,
- Emergency response,
- Fire protection and fire extinguishment,
- Sanitary provision,
- Power provision,
- Labour and supervision, and
- Safety administration.

SRK notes that the above site occupational health and safety ("OHS") management measures are generally in line with recognised Chinese industry practices and Chinese safety regulations.

11.3 Historical Occupational Health and Safety Records

The company's safety records indicate that there were less than 10 minor injuries (mainly from the underground contractors) but no serious injuries or fatalities in the past three years.

Incident analysis reports for the injuries were provided to SRK for review. The reports analysed the cause of injuries and identified measures to prevent a recurrence, which are in line with international recognized OHS accident monitoring practice.

12 Capital and Operating Costs

12.1 Production Forecast

12.2 Capital Expenditures

The historical capital expenditures by historical projects, operational projects; list the future capital expenditure year by year plan as the FS. The capital expenditure statement can be presented in the following two forms. Provide SRK's judgement on the rationality of capital expenditures.

The following categorization is recommended by SDPC and MOHURD:

- Engineering Cost, including construction, equipment purchase and installation; breakdown by geology, mining, processing, tailings and services.
- Other: breakdown by design, mineral right purchase, land rent, mine closure and rehabilitation, sustaining capital, trial production, staff training, construction management, EIA etc.
- Sustaining capital
- Working capital
- Contingency, including basic contingency and contingency for inflation.
- Bank interest for construction
- Feasibility and associated studies
- Acquisition
- Construction Capital costs
- Closure and rehabilitation

12.3 Operating Costs

12.3.1 Historical Operating Costs

It's not appropriate to report historical operating costs for the Huangtun Pyrite Mine as it is still under construction at the time of this reporting.

12.3.2 Operating Costs Forecast

A summary of the operating costs forecast in the *Preliminary Design 2014* is presented in Table 12-1 to Table 12-4. Some key notes are listed below:

- The totals may not be correct added due to the rounding errors. .
- The depreciation, amortization and financial costs have been excluded.
- Value-added tax ("VAT"), urban maintenance and construction tax ("UMCT"), education surcharge, mineral resources tax and water conservancy fund have been excluded. The rates of these tax, surcharge and fund are shown in Table 12-5.
- Royalties, safety fee and stamp tax shown in Table 12-4 is calculated based on the revenues and productions of the first full production year in the *Preliminary design 2014*.
- Stope mining and level development are planned to be outsourced to contractors. The costs are not consistent in the context of *Preliminary Design 2014* when combining the two costs. SRK adopts the conservative result of 27.2 RMB/t ore.
- Environmental protection and monitoring costs are not stated in the *Preliminary Design 2014*. These should be included in the mine closure and rehabilitation costs that will incurred in future years.
- Product marketing and transport cost is zero in the *Preliminary Design 2014*, SRK included 1% of sales revenue.
- Contingency allowances are not considered in the *Preliminary Design 2014*.

The operating costs forecast after modification is shown in Table 12-6.

Table 12-1: Forecast of Directly Mining Cost

Item	Unit	Outsourced Stope Mining	Outsourced Tunnel Driving	Backfilling	Backfilling Service	Remarks
Mining Rate	Mt/a ore	1.0	1.0 (or 37600 m ³ /a rocks)	1.0	1.0	
Consumables	RMB/t ore	10.6	1.7 (or 45.1 RMB/m ³ rocks)	10.9	5.8	Variable
Electricity	RMB/t ore	1.4	0.9 (or 23.1 RMB/m ³ rocks)	1.0	8.2	Variable
Workforce employment	RMB/t ore	4.8	4.3 (or 113.0 RMB/m ³ rocks)	0.4	9.8	Fixed
Total	RMB/t ore	16.9	6.8 (or 181.2 RMB/m ³ rocks)	12.4	23.8	VAT excluded

Table 12-2: Forecast of Directly Processing Cost

Item	Unit	Pyrite	Copper	Iron	Remarks
Throughput	Mt/a ore	1.0	0.5	0.25	
Consumables	RMB/t ore	13.5	20.3	10.6	Variable
Electricity	RMB/t ore	17.5	18.2	14.7	Variable
Workforce employment	RMB/t ore	4.9	4.9	4.9	Fixed
Total	RMB/t ore	35.9	43.3	30.1	VAT excluded

Table 12-3: Forecast of Manufacture Overheads

Item	Unit	Mining	Processing	Remarks
Mining Rate	Mt/a ore	1.0	1.0	
Maintenance	RMB/t ore	10.7	4.0	Fixed
Others	RMB/t ore	3.0	1.9	Variable
Sub-total	RMB/t ore	13.7	5.9	VAT excluded

Table 12-4: Forecast of General and Administrating Costs

Item	Unit	Value	Remarks
Mining Rate	Mt/a ore	1.0	
Workforce employment	RMB/t ore	10.4	Fixed
Royalties	RMB/t ore	6.0	2% of sales revenue
Safety fee	RMB/t ore	4.3	4 RMB/t for ore, 1.5 RMB/t for tails
Stamp tax	RMB/t ore	1.1	1.2*3% of sales revenue
Other administration cost	RMB/t ore	7.5	Variable
Product marketing and transport	RMB/t ore	-	
Total	RMB/t ore	29.3	VAT excluded

Table 12-5: Summary of Rates for Tax, Surcharge and Fund

Item	Unit	Rate	Remarks
Value-added tax	% sales revenue	13	
Urban maintenance and construction tax	% VAT	5	
Education surcharge	% VAT	5	3% for central government, 2% for local government
Mineral resources tax	RMB/t ore	1	
Water conservancy fund	% sales revenue	0.6	
Royalties	% sales revenue	2	
Safety fee	RMB/t ore	4.0	
	and RMB/t tails	1.5	
Stamp tax	% sales revenue	3.6	1.2*3%

Table 12-6: SRK Forecast of Operating Costs (VAT excluded)

Item	Unit	SRK Modification	Remarks
Mining Rate	Mt/a ore	1.0	
Outsourced Stope Mining	RMB/t ore	16.9	
Outsourced Tunnel Driving	RMB/t ore	10.3	
Backfilling	RMB/t ore	12.4	
Backfilling Service	RMB/t ore	23.8	
Manufacture overheads of mining	RMB/t ore	13.7	
Processing	RMB/t ore	35.9	Pyrite ore
		43.3	Copper ore
		301.0	Iron ore
Manufacture overheads of processing	RMB/t ore	5.9	
General and Administrating cost	RMB/t ore	17.9	Royalties, stamp tax and safety fee are excluded.

13 Preliminary Economic Analysis

13.1 Capital Invested

As of April 2019, a total of RMB 983 million has been invested (see Table 13-1 for details. An exchange rate of RMB to USD of 7:1 has been applied.).

Table 13-1: Capital Invested as of April 2019

No.	Item	Amount (RMB 10k)
1	Shaft engineering	18,977
	Main shaft engineering	5,251
	Combination shaft engineering	4,854
	Ventilation shaft engineering	4,803
	Auxiliary shaft engineering	4,069
2	Curtain grouting engineering	14,872
3	Underground development engineering	18,985
	Main and auxiliary shaft development engineering	4,635
	Combination shaft development engineering	4,210
	Ventilation shaft development engineering	620
	Purchase of pump, hoist, switch cabinet, vehicle, etc.	1,928
	Purchase of engineering material	2,629
	Electric charge	4,945
4	Ground construction engineering	8,423
	Auxiliary engineering, including mine road, stockpile and rehabilitation	3,889
	Substation and electric transmission line	3,029
	Dormitory and canteen	1,042
	TSF engineering	400
5	Design and supervision expenditure	1,516
6	Financial expenditure	11,240
7	Management expenditure	6,085
8	Other expenditure	18,191
	Mining right cost	2,838
	Land requisition	7,539
	Exploration cost	4,941
	Compensation for demolition to farmers and other engineering cost	2,819
9	Total investment completed	98,289

13.2 Construction Capital Cost

Based on the capital estimate of Jinjian's *Preliminary Design*, and SRK's forecast updates, SRK adjusted the capital cost estimate. The estimated construction capital cost is shown in Table 13-2, of which the reserve cost is estimated at 8% of the sum of engineering cost and other cost.

SRK assumes it will be built in 2020 and put into operation in 2021. Since the project started construction in 2013, by the end of April 2019, the investment of RMB 983 million has been completed, and the remaining investment is evenly distributed in 2019 and 2020.

Based on 13% of machinery and equipment, 9% of construction engineering and installation engineering, and 6% of technical service as the VAT rate, SRK estimates the deductible VAT amount of the fixed assets is RMB 75.43 million.

Table 13-2: Construction Capital Estimate

No.	Engineering and Cost	Estimate Cost (RMB10k)				
		Construction Engineering	Equipment Purchase	Installation Engineering	Other Cost	Total Cost
1	<i>Engineering cost</i>	66,177	13,846	4,217	-	84,240
1.1	Mining engineering	45,478	5,781	1,805	-	53,065
1.2	Processing engineering	6,346	6,347	885	-	13,577
1.3	Tailings engineering	5,293	186	741	-	6,220
1.4	Public and auxiliary engineering	9,061	1,531	786	-	11,378
2	<i>Other cost of engineering construction</i>	-	-	-	28,521	28,521
2.1	Land requisition	-	-	-	10,358	10,358
2.2	Management cost of construction unit	-	-	-	6,085	6,085
2.3	Engineering supervision cost	-	-	-	577	577
2.4	Exploration, test, design and assessment	-	-	-	1,578	1,578
2.5	Temporary facility cost of construction unit	-	-	-	708	708
2.6	Maintenance cost of mine workings	-	-	-	275	275
2.7	Engineering insurance expense	-	-	-	139	139
2.8	Combined trial operation cost	-	-	-	514	514
2.9	Cost for personal training and advance into the plant	-	-	-	366	366
2.10	Tools and furniture purchase cost	-	-	-	142	142
2.11	Mining right and exploration cost	-	-	-	7,779	7,779
3	<i>Reserve cost</i>				9,021	9,021
4	<i>Construction investment</i>	66,177	13,846	4,217	37,542	121,782

13.3 Interest Incurred during Construction

Interest incurred during construction is not considered in this preliminary economic analysis.

13.4 Sustaining Capital

Sustainable capital is the investment in workings maintenance, workings development, water prevention and equipment renewal during the mine production and operation process, and is estimated at 3% of the operating cost.

13.5 Working Capital

The working capital estimate is shown in Table 13-3, and the working capital required by normal production year is RMB 38.14 million. The working capital is invested and withdrawn in accordance with production requirements.

Table 13-3: Working Capital Estimate

No.	Item	Turnover	Normal Production Period (RMB 10k)
-----	------	----------	------------------------------------

1	Current assets		4,497
1.1	Receivables	9	1,784
1.2	Inventory		1,959
1.2.1	Purchased materials and fuel	12	683
1.2.3	Unfinished product	24	607
1.2.4	Finished product	24	669
1.3	Cash	12	754
2	Current liabilities		683
2.1	Accounts payable	12	683
3	Working capital		3,814

13.6 Operating Costs

SRK modified existing and added costs based on the estimation in Jinjian's *Preliminary Design*. SRK forecasted operating costs are shown in Table 13-4.

Environment Rehabilitation and Closure costs were considered as environment protection and reclamation costs, which was estimated at 11.89 million RMB. This cost has been apportioned to each ton of ore over the LoM.

The straight-line method was used for amortization based on different types of fixed assets. Residual values were not considered. The depreciation period for the construction is 20 years and 10 years for equipment and installation. TSF's depreciation period is same with its service life which is 8.3 years. Land acquisition cost were amortized equally over 20 years. Mining right fees and exploration expenses were also equally apportioned to each ton of ore. Depreciation period for other fees is 5 years.

The concentrate Sales Cost includes a Loading cost of 1 RMB/t concentrate, noting that Transportation fees and other costs were borne by the purchasers.

Financial Expenses includes an assumed 70% of the working capital as the loan on an annual interest rate of 6%.

Table 13-4: Operating Costs Estimation by SRK

No.	Cost	Unit Cost (RMB/t ore)
1	Production	193.86
1.1	Material Consumption	49.34
1.2	Electricity	32.58
1.3	Salary	39.07
1.4	Manufacture	72.87
	Salary	3.45
	Depreciation	48.22
	Maintenance and Repair	20.81
	Others	0.39
2	Management Fee	69.05
2.1	Salary, Social Security and Welfare	5.62
2.2	Electricity and Water	0.03
2.3	Office Expenses	0.05
2.4	Safety Production	4.53
2.5	Depreciation	6.85
2.6	Amortization	47.41
2.7	Technical Consulting	0.3

No.	Cost	Unit Cost (RMB/t ore)
2.8	Environmental Protection and Reclamation	2.28
2.9	Others	2
3	Financial Expenses	1.6
4	Sales Cost	0.16
5	Total Costs	264.67
6	Operating Costs	160.59

13.7 Sales Revenue

The final products include gold and silver-bearing copper concentrate, sulfur concentrate and iron concentrate. There are plans to use wet magnetic separators processing tailings from iron concentration and obtain a product to be used as an additive for cement production, but they are not considered in the economic analysis. Silver in the copper concentrate is of a saleable grade, however it is not included in revenue assumptions as silver is not reported in the resources or reserves data.

Sales revenue for each of the concentrate products is provided in Table 13-5

Table 13-5: Concentrate Sales Prices

	Units	Quantity including VAT	Payability
sulfur concentrate	RMB/tonne	12.0	
copper in the copper concentrate	RMB/tonne metal	46,000	85%
gold in the copper concentrate	RMB/gram metal	315	85%
iron concentrate	RMB/tonne metal	760	

13.8 Taxes

Taxes include company, mineral resources tax, environmental protection tax, urban maintenance and construction tax, education additional tax, stamp duty, property tax and vehicle and vessel usage tax.

The mineral resources tax was calculated and paid in percentage of total sales revenue, which is 2% for sulfur concentrate, 4% for copper concentrate, 3% for gold and 2.5% for iron concentrate.

Urban maintenance and construction tax and education additional tax was calculated as 5% of VAT payable, including 3% of education additional tax and 2% of local education additional tax.

The VAT is a tax excluded in price and is calculated by Revenue VAT less Cost VAT. The VAT payable rate for the project is 13%. The VAT imposed to construction investment is estimated to be 75.43 million RMB, which can be deducted during the operating period.

The stamp tax is calculated based on the amount of purchase and sale agreement at the rate of 0.03%, which is applied to sales of the products, materials and energy procurement. The house property tax shall be paid annually and calculated on 30% deducted of original value of the property at a rate of 1.2%. The environmental protection tax is calculated on the amount of discharged pollutant, as the mine is still under construction, a rough estimation of the environmental protection tax by rule of thumb is about 50 thousand RMB per year and 5 thousand RMB for vehicle and vessel usage tax.

13.9 Preliminary Economic Analysis

An economic analysis was conducted using the discounted cash flow method. Based on the technical and economic parameters listed in Table 13-6, the estimated cash flow of the project was shown in Table 13-8 and the net present value ("NPV") of project at different discount rates are shown in Table 13-9.

SRK selected capital and operating cost and products prices to conduct a sensitivity of the project economics. Table 13-7, Figure 13-1 and Figure 13-2 show the changes of NPVs and IRRs of the project when each of

above parameters are changed. The analysis highlights that the NPV is sensitive to the three selected factors especially the capital cost, which indicate that excessive investment makes the project economically unfeasible. SRK notes the NPV results are impacted by the sunk capital of RMB 1,012 M spent by the date of 31 March 2020.

Table 13-6: Basic Assumptions in the Economic Analysis

No.	Item	Unit	Value
1	Technical Assumptions		
	Ore Reserve	10 k t	
	Pyrite Reserve	10 k t	522.1
	Gold and Copper Reserve	10 k t	
	Construction Scale	10 k t/a	100
	Pyrite	10 k t/a	50
	Gold and Copper	10 k t/a	50
	Sulphur Recovery Rate		
	S	%	87
	Cu	%	70
	Au	%	30
	Fe	%	14
	Gold and Copper Recovery Rate		
	S	%	80
	Cu	%	87.5
	Au	%	80
2	Economic Assumptions		
	Construction Investment	10 k RMB	121,782
	Working Capital	10 k RMB	3,814
	Total Costs	RMB/t	264.67
	Operating Costs	RMB/t	160.59
	Product Price		
	Sulfur Concentrate (incl. Tax)	RMB/t-%	12.5
	Copper Concentrate		
	copper metal	RMB/t	46,000
	concentration pricing coefficient	%	85
	gold	RMB/g	380
	concentration pricing coefficient	%	85
	Iron Concentrate	RMB/t	770
	Preferred Discount Rate	%	8

Table 13-7: Sensitive Analysis Results

Sensitive Factor	Variation Ratio	NPV (M'RMB)	IRR	NPV Sensitivity	Switch Value
Base Case		-670	-3.4%		
Capital costs	-20%	-437	-0.8%	174%	-57%
	-10%	-553	-2.2%		
	10%	-787	-4.5%		
	20%	-904	-5.4%		
Operating cost	-20%	-480	0.4%	153%	-74%
	-10%	-571	-1.3%		
	10%	-773	-5.8%		
	20%	-877	-8.6%		
Products price	-20%	-972	-11.8%	222%	51%

	-10%	-820	-7.1%		
	10%	-530	-0.5%		
	20%	-401	1.9%		

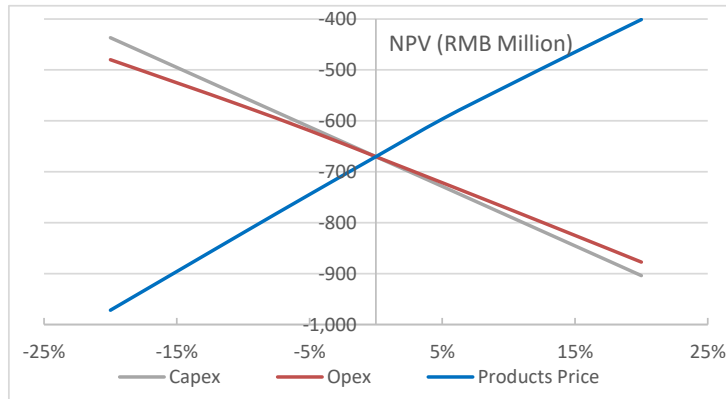


Figure 13-1: Sensitivity Analysis of NPVs Vs. Capital, Operating costs and revenue

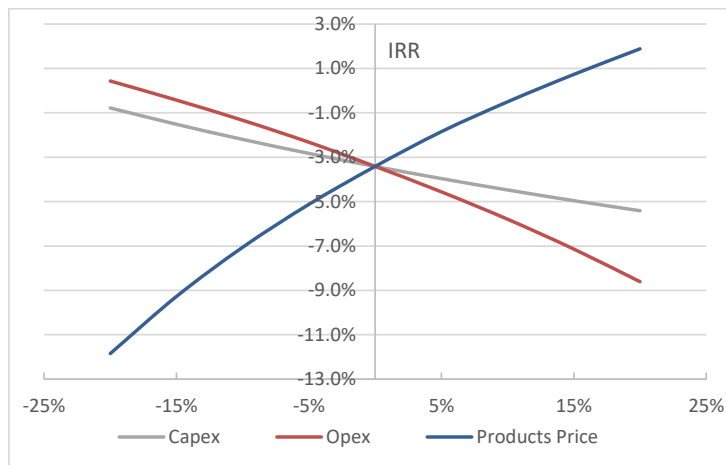


Figure 13-2: Sensitivity Analysis of IRRs Vs. Capital, Operating costs and revenue

Table 13-8: Cash Flow Profile

Items	Unit	LOM Total	Construction		Production Period														
			2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	
Pyrite Ore Mined	kt	3,150			500	250	200	200	200	200	200	200	200	200	200	200	200	200	200
Cu-Au Ore Mined	kt	10,850			500	750	800	800	800	800	800	800	800	800	800	800	800	800	800
Sales Revenue	RMB M	4,790			312	339	345	345	345	345	345	345	345	345	345	345	345	345	345
Working Capital	RMB M	-			4	4	4	4	4	4	4	4	4	4	4	-	-	-	(38)
Capital Costs	RMB M	283	84	151	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3
Operating Costs	RMB M	1,915	-	-	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137
Taxes and Surcharges	RMB M	128	-	-	7	8	8	8	8	9	10	10	10	10	10	10	10	10	10
Income Tax	RMB M	26,782			21	27	28	28	28	-	-	-	-	-	-	33	34	34	35
Net Cash Flow	RMB M	(24,318)	(84)	(151)	140	160	164	164	163	191	191	191	191	191	191	191	162	161	161

Table 13-9: NPV at Different Discount Rates

Discount Rate	6%	7%	8%	9%	10%	11%
NPV (RMB Million)	1,206	1,098	1,001	914	835	764
IRR	56%					

The Economic Analysis reported for current Mining License has not included Mineral Resources reported in accordance with JORC Code for the Exploration License, due to

- The current DCF model has only considered the utilisation of Mineral Resources within the Mining License with solid Feasibility Study and Preliminary Design supported; and
- The additional Mineral Resources within Exploration License have not been subjected to a Feasibility Study level and considered into the LoM scheduling.

A test scenario of the cashflow model by incorporating the Mineral Resources within current Exploration License has been considered. Based on similar technical and economic parameters/assumptions disclosed for the West Zone as designed, and only Indicated Resources are considered.

By considering these Mineral Resources, the LoM schedule will incorporate additional concentrate containing approximately 2 – 3 tonnes of Au and 3,000 – 4,000 tonnes of Cu; which will generate additional sales revenue about RMB 900 – 1,400 M. Comparing the West Mine factors, given a 25% - 35% increment on future capital expenditure (about RMB 100 M additionally), and 25% - 50% rise on operating cost for the deeper gold-copper zone mining, the additional value estimated in this scenario is at a range of RMB 200 M – 400 M, which suggests the Company putting more focus on the resources at deeper zone as this has demonstrated considerable potential economic significance. SRK recommends a detailed exploration programme followed by preliminary Feasibility Study to be carried out for the deeper zone.

14 Environmental Studies, Permitting, and Social or Community Impact

14.1 Environmental and Social Review Objective

The objective of this environmental review is to identify any existing and potential environmental liabilities and risks, and to assess and comment on any associated proposed remediation measures for the Huangtun Project. SRK visited these sites in Lujiang County, Anhui Province, in China.

14.2 Environmental and Social Review Process, Scope and Standards

The process for the verification of the environmental compliance and conformance for the Project comprised a review and inspection of the project's environmental management performance against:

- Chinese National environmental regulatory requirements.
- Equator Principles requirements/International Finance Corporation (IFC) environmental and social standards and guidelines, and internationally recognised environmental management practices.

14.3 Status of Environmental Approvals

The details of the Environmental Impact Assessment (EIA) reports and approvals for the Huangtun Project are presented in Table 14-1.

Table 14-1: EIA Reports and Approvals

Project	Produced By	Production date	Approved By	Approval date
Huangtun Project Huangtun Pyrite Mine Mining and Processing Project (1.0Mtpa)	Sinosteel Maanshan Institute of Mining Research	Apr-13	Anhui Province Environmental Protection Bureau	15-May-13
Huangtun Pyrite Mine Mining and Processing Project Modification (1.0Mtpa)	Anhui Huizetong Environmental Technology Company Limited	Aug-14	Anhui Province Environmental Protection Bureau	23-Dec-14

The details of the Water and Soil Conservation (WSCP) reports and approvals for the Huangtun Project are presented in Table 14-2.

Table 14-2: WSCP Reports and Approvals

Project	Produced By	Production date	Approved By	Approval date
Huangtun Project Huangtun Pyrite Mine Mining and Processing Project (1.0Mtpa)	Sinosteel Maanshan Institute of Mining Research Engineering Survey and Design Company Limited	Apr-13	Anhui Province Water Bureau	24-Apr-13
Huangtun Pyrite Mine Mining and Processing Project Modification (1.0Mtpa)	Anhui Yingce Consulting Service Company Limited	Sep-14	Anhui Province Water Bureau	14-Oct-14

No Final Check and Acceptance (FCA) reports and approvals for the Huangtun Project have been sighted as part of this review. The company stated that the FCA approvals are not required at this stage as the Huangtun Project is under construction.

SRK notes that the sighted EIA reports have been compiled in accordance with relevant Chinese laws and regulations. SRK has reviewed these EIA reports and approvals against recognized international industry environmental management standards, guidelines, and practices during a site visit between 8 July to 10 July 2019.

In the following sections, SRK provides comments in respect to the project's proposed environmental management measures.

14.4 Water Management

The potential negative impacts of a mining project to surface water and ground water are due to the indiscriminate discharge of untreated production and domestic waste-water. In addition, the mining activities may lead to the change of the groundwater table. The Huangtun River flows through the mine site and the Xi River is 4 km to the north of mine site.

The company stated that nearby residents get their water from a local tap-water pipelines system. According to the EIA report, the water source for domestic and production use for the project is from local tap-water pipelines and mine water respectively. SRK recommends the company develop a response plan for water supply, should problems with the groundwater table arise.

The wastewater for the project mainly includes mine water, mineral processing wastewater, tailings overflow water, dust suppression wastewater, backfill system wastewater and domestic sewage. The mine water, dust suppression wastewater and backfill system wastewater, which is estimated to be 28,181 m³/d, will be treated by waste water treatment station. The treated water is partially reused for processing and discharged into Huangtun River.

The process wastewater and tailings overflow wastewater will be treated and fully reused for processing. During the time of this site visit, the project was under construction and the processing plant had not been completed. SRK observed there is a wastewater treatment station on site. The company stated that the wastewater treatment station has the capacity of 40,000 m³/d and the mine water is treated before discharge into the Huangtun River. SRK has not sighted the test report for the mine water and treated wastewater as part of this review. The EIA report states that mine water, process wastewater, tailings overflow water, dust removal wastewater and filling system wastewater are acidic and should be neutralised. The EIA approval states the online monitoring system should be installed for waster discharge.

SRK sighted an administrative penalty notice for the project which was issued by Lujiang County Environmental Protection Bureau on 12 June 2017. The reason for the sanction is that leaching water from the waste rock dump was discharged into Huangtun River and the PH of the water was off limits. SRK recommends the the company collect and dispose the leaching water from the waste rock dump ("WRD") and make sure the leaching water is discharged within the relevant standards.

No comprehensive groundwater and surface water quality monitoring program has been sighted for the project. SRK recommends that quality monitoring be undertaken of the groundwater and surface water resources within the project area (including upstream and downstream of the project area), and also any site water discharges. This water quality monitoring should form part of a broader site environmental monitoring program. SRK also recommends the company construct an effective drainage system to divert run-off from undisturbed areas around disturbed areas. In addition, some prevention measures, such as surface hardening, ground seepage control, second containment facility and accident pool, are recommended to mitigate the water pollution risks.

14.5 Waste Rock and Tailings Management

According to the EIA report, the waste rock generated during the early mining will be stored in the temporary waste rock dump. When production commences, all waste rock will be backfilled underground. The project's waste rock generation rates and the waste rock dump have been previously discussed with the Mining Assessment section. During the site visit, SRK observed waste rock piled on the ground with no canopy. However, the EIA approval requires the company use canopy on the WRD to prevent seepage of the waste rock.

The EIA report states that the tailing is firstly used to backfill the mined out area, and the surplus is sold to the local building materials company, and the remaining tailing is discharged to the tailings storage facility ("TSF"). The TSF is located 1.5 km to the northwest of the processing plant. During the site visit, the TSF was under construction. The project tailings generation rates and engineering descriptions of the TSFs (designs and storage capacities) have been previously discussed within the Metallurgical and Processing Assessment section.

No geochemical characterization of waste rocks or acid rock drainage assessment has been sighted as part of this review. Acid rock drainage ("ARD") refers to the acidic water that is created when sulphide minerals are

exposed to air and water and, through a natural chemical reaction, produce sulphuric acid. ARD has the potential to introduce acidity and dissolved metals into water, which can be harmful to surface and groundwater.

The EIA report states that a leaching test has been conducted on the waste rock and tailings of the nearby Xiaoling Pyrite Mine. The result of leaching test shows that the waste rock and tailings belongs to General Industrial Solid Waste Class II. SRK recommends the company construct anti-seepage facilities under the WRD and TSF to mitigate the negative impact of leachate.

14.6 Hazardous Materials Management

Hazardous materials have the characteristics of corrosive, reactive, explosive, toxic, flammable and potentially biologically infectious, which pose a potential risk to human and/or environmental health. The hazardous materials will be generated mainly by the project's construction, mining, and processing operations and include of hydrocarbons (i.e. fuels, waste oils, and lubricants), processing reagents, chemical and oil containers, batteries, medical waste, and paint.

The company reported that there is an explosive magazine on site. During site visit the SRK inspected this explosive magazine, and it is SRK's opinion that it is a secure facility that is designed and managed in accordance with relevant Chinese National requirements.

At the time of the site visit, the company stated that the waste oil generated on site was very limited. SRK recommends that the collected waste oil, fuel tanks and dangerous chemical be stored with secondary containment which is in line with the recognised international industry management practices.

14.7 Site Ecological Assessment

The landform and topography in the mining area is commonly changed by mining, waste rock and tailings dumping, haul roads, office buildings and dormitories, and other facilities. The development of mining projects may also result in impacts to or loss of flora and fauna habitat. If effective measures are not taken to manage and rehabilitate the disturbed areas, the surrounding land can become polluted and the land utilization function will be changed, causing an increase in land desertification, water loss and soil erosion.

The project's EIA should determine the extent and significance of any potential impacts to flora and fauna habitat. Where these potential impacts to flora and fauna habitat are determined to be significant, the EIA should also propose effective measures to reduce and manage these potential impacts. According to the EIA report, the vegetation in the mining area mainly comprises bamboo, poplar, masson pine, lateral cypress, cypress and other trees. The number of wild animals in the project area is small. The EIA report indicates that no rare or endangered species were identified within the project area.

The WSCP report for the project provides a total disturbed area of 30.13 ha, which is broken down into the following project areas:

- Industrial site for mining and processing – 11.74 ha;
- Tailings storage facility – 9.23 ha;
- Office and living area – 6.4 ha;
- Pipelines – 1.78 ha;
- Roads – 0.98 ha.

At the time of writing, no other documented, estimated, and/or currently surveyed areas of land disturbance for the project have been sighted as part of this review. SRK recommends that the operational areas of land disturbed for the project be surveyed and recorded on an annual basis and the topsoil be collected for the future reclamation.

14.8 Dust and Gas Emissions

The dust and gas emissions sources for the project are mainly from underground mining, ore crushing and screening, TSF, explosion, open areas, wastewater treatment station and movement of vehicles and mobile equipment. The EIA report for the Huangtun Project provides the following proposed site dust management measures:

- Water sprinkling of the underground mining;
- Install dust remover of the process of crushing and screening;
- Haul road hardening and greening;
- Speed limit on vehicles; and
- Water sprinkling of the temporary WRD.

It is SRK's opinion that the fugitive dust prevention measures mentioned in the EIA report are reasonable and SRK did not note the obvious dust emission in the open area of the project.

14.9 Noise Emissions

The main sources of noise emissions for the Huangtun Project are from the operation of the mining and processing plant operation (drilling, blasting, loading, haulage, crushers, ball mills, draught fans, pumps and other processing equipment) and movement of vehicles/mobile equipment. The EIA report for the Huangtun Project proposes the following noise management measures:

- Use of low noise equipment where possible;
- Optimization of the layout;
- Use of equipment with mufflers;
- Time limit on road transportation; and
- Enclose some equipment.

During the time of this site visit, SRK observed the obvious noise emission in the open area of the project and a number of dwellings are scattered around the industrial site. No operational noise monitoring report/planned programme has been sighted as part of this review.

It is SRK's opinion that the noise prevention measures mentioned in the EIA report are feasible and recommended the company develop an operational noise monitoring programme for the project.

14.10 Site Closure Planning and Rehabilitation

The Chinese national requirements for mine closure are covered under Article 21 of the Mineral Resources Law of People's Republic of China (1996), the Rules for Implementation of the Mineral Resources Law of the People's Republic of China (2006), the Mine Site Geological Environment Protection Regulations (2015), and the Land Rehabilitation Regulation (2011) issued by the State Council. In summary, these legislative requirements cover the need to conduct land rehabilitation, to prepare a site closure report, and to submit a site closure application for assessment and approval.

The recognised international industry practice for managing site closure is to develop and implement an operational site closure planning process and document this through an operational Closure Plan. While this site closure planning process is not specified within the Chinese national requirements for mine closure, the implementation of this process for a Chinese mining project will:

- Facilitate achieving compliance with these Chinese national legislative requirements; and
- Demonstrates conformance to a recognised international industry management practice.

There is currently no overall operational closure planning process in place for the project that is in line with the recognised international industry management practices. However, SRK was provided with a project's Geological Environment Protection and Land Reclamation Plan (November 2018) which describes the proposed rehabilitation of the site as being undertaken in the following three stages:

Stage 1 (January 2019- December 2023) – conduct backfilling in the mined out area and geological environment monitoring on the corresponding surface of the mined out area;

Stage 2 (January 2024- December 2038) – cover soil and conduct greening on the TSF's beach where are not used temporarily; conduct maintenance and monitoring on the slope of the TSF's dam;

Stage 3 (January 2039- August 2046) – conduct demolition of temporary buildings at industrial site and backfilling in shaft and adit; cover topsoil and conduct revegetation.

SRK notes that the proposed approach to geological environmental protection and land reclamation of the site is generally in line with the relevant recognised Chinese industry practices. The plan also states that the static and dynamic investment on the geological environmental protection and land reclamation are RMB 11,886,000 and RMB 32,996,480, respectively. According to the Chinese legal requirements, a mine geological environment treatment and restoration fund account should be established by the mine. The company provided SRK with a photo which shows there was RMB 2,063,200 in this account.

14.11 Occupational Health and Safety

A well developed and comprehensive safety management system comprises site inductions, site policies, safe work procedures, training, risk/hazard management (including signage), use of personal protective equipment (“PPE”), emergency response process, incident/accident reporting, an onsite first aid/medical centre, designated safety responsibilities for site personnel, regular safety meetings and a work permit/tagging system.

SRK has reviewed the safety assessment reports and emergency response plan as provided by the company, and is of the opinion that the reports cover items that are generally in line with recognised Chinese industry practices and Chinese safety regulations. During the site visit, SRK observed that safety signs were in place, safety provisions and rules were also displayed within the work areas, guard railings were installed on all gantries, and proper personal protection equipment was provided and was being used by the workers, such as hardhats.

SRK has sighted a notice of decision on administrative penalty which was issued by Lujiang County Safety Production Inspection Bureau on 6 March 2017. The notice shows that there was one fatal accident which occurred in November 2016. SRK recommends the company conduct safety record and develop incident analysis reports for the possible injuries in future. The proposed reports analysed the cause of injuries and identified measures to prevent a recurrence, which are in line with international recognized OHS accident monitoring practice.

14.12 Environmental Protection and Management Plan

The purpose of an operational Environmental Protection and Management Plan (“EPMP”) is to direct and coordinate the management of the project’s environmental risks. The EPMP documents the establishment, resourcing, and implementation of the project’s environmental management programs. The site environmental performance should be monitored and feedback from this monitoring could then be utilised to revise and streamline the implementation of the EPMP.

No such plan has been developed for project operations that cover the aforementioned components. However, the EIA reports reviewed by SRK describe the various components of a comprehensive operational EPMP for the project, such as environmental administration, regular air/water/noise monitoring to be conducted by the Lujiang County environmental monitoring station and site environmental management. The EIA report also specifies the monitoring points, analysis items and monitoring frequency. The proposed monitoring items comprise surface water, groundwater, waste water, dust and noise.

SRK recommends that the company develop and implement an operational EPMP—inclusive of a monitoring programme—in line with the recognised international practices.

14.13 Social Aspects

The Huangtun Project is located in Longqiao Town approximately 32 km southeast of Lujiang County, Anhui Province and is surrounded mainly by farmland and forest.

The main administrative body for the Huangtun Project is the Anhui Province Government, with some delegation of environmental regulation to Lujiang County. SRK has sighted an administrative penalty notice for the project which was issued by Lujiang County Environmental Protection Bureau on 12 June 2017. During the site visit, the company stated that there are no natural reserves or significant cultural heritage sites within or surrounding the project area; and the EIA report also does not report any natural reserves or significant cultural heritage sites within or surrounding the project.

The nearest village to the project's industrial site is Xinjian Village. During the site visit, SRK observed the nearest residence and the industrial site are separated by a road. The company did not report the distance between the nearest residence and the main production facilities (processing plant, mining site and TSF).

Two EIA reports for the project provided the public participation surveys for the project construction. Two survey results showed 95.4% and 91.26% personal support for the project. However, SRK noted that there were two complaints occurred during the publicity of the survey. The complainant was concerned about the distance between the village and TSF and representativeness of the survey. The local residents did raise water pollution and air pollution as the key environmental concerns for the project's development.

SRK has sighted one land use permit and nine land compensation agreements for the project. SRK recommends that the company acquire the necessary land use permit or agreements for the current and future operation to meet the national legal requirements. In addition, a public consultation and disclosure plan is recommended to ensure ongoing community engagement and a resettle action plan is suggested to manage land acquisition related impacts.

As part of this review, SRK has not sighted any documentation in relation to any actual or potential impacts of non-governmental organisations on the sustainability of the Huangtun's mine and processing operations.

15 Project Risk Assessment

In general, mining project risk decreases from the exploration to the development to production stage. The Huangtun Project is polymetallic project at construction stage following completion of a Feasibility Study and Front-End Engineering Study As such SRK considers the overall risk of the Project to be low to medium.

SRK considered various technical aspects which may affect the Project, and has conducted a risk assessment, the results of which are summarised in Table 15-1.

Table 15-1: Summary of the Huangtun Project Risk Assessment

Risk Issue	Likelihood	Consequence	Overall
Geology and Resource			
Lack of Significant Resource	Unlikely	Moderate	Low
Lack of Significant Reserve	Unlikely	Major	Medium
Significant Unexpected Faulting or Other Structure	Possible	Moderate	Medium
Mining			
Production Shortfalls	Possible	Moderate	Medium
Production Pumping System Adequacy	Possible	Moderate	Medium
Geotechnical or Hydrogeological Issues	Possible	Moderate	Medium
Underground Support and Development	Unlikely	Moderate	Low
Mine Plan Failure	Possible	Moderate	Medium
Process Plant			
Lower Yields	Possible	Minor	Low
Lower Recovery	Unlikely	Moderate	Low
Higher Production Cost	Possible	Moderate	Medium
Poor Plant Design	Unlikely	Major	Medium
Capital and Operating Costs			
Project Timing Delays	Possible	Moderate	Medium
Capital Cost Increase	Possible	Moderate	Medium
Capital Costs - Ongoing	Possible	Moderate	Medium
Operating Costs Underestimated	Possible	Moderate	Medium
Environmental and Social Risks			
Surface water management and discharges (i.e. stormwater runoff, erosion control measures).	Possible	Moderate	Medium
Groundwater management and discharges (i.e. mine dewatering and seepage from the WRD).	Possible	Moderate	Medium
Dust generation and gas emissions management and monitoring.	Possible	Moderate	Medium
Storage and handling of hazardous materials.	Possible	Moderate	Medium
Waste generation and management (industrial and domestic wastes).	Possible	Moderate	Medium
Rehabilitation of the waste rock stockpiles and other disturbed areas.	Possible	Moderate	Medium
Potential and current contaminated sites	Possible	Moderate	Medium
Site erosion controls, sediment entrainment and deposition	Possible	Moderate	Medium
Lack of geochemical characterisation/ ARD assessment of waste rock.	Possible	Moderate	Medium
Impact to the ecological system;	Possible	Moderate	Medium

Note:

To ensure the technical integrity of the risk analysis process as applied in the project technical review process, the following Australian Standards for risk analysis and risk management have been utilised for overall guidance:

- AS/NZS 3931:1998 Risk Analysis of Technological Systems – Application Guide;
- AS/NZS 4360:1999 Risk Management; and
- HB 203:2004 Environmental Risk Management – Principles and Process.

These Australian Standards have been developed in line with comparable international standards.

A risk is generally described in terms of the severity/consequence and likelihood of an undesirable occurrence or incident. The greater the potential severity and likelihood of an undesirable occurrence, the higher the level of risk associated with the related activity.

The generic approach for this project technical review qualitative risk analysis has the following three steps:

- Establish the context/define the scope of the analysis – goals/objectives, the analysis strategy and evaluation criteria.
- Identify and analyse the risks in terms of consequence and likelihood.
- Evaluate and rank the risks.

Qualitative Risk Analysis - Scope

The scope definition and context for the qualitative risk analysis can be summarised as follows:

- **Goals/Objectives** – The primary objective is to analyse the qualitative risks associated with the project's development, operational and closure aspects.
- **Strategy** – The strategy employed comprises the application of a qualitative risk analysis where the 'relative magnitude' of risks associated with the project are estimated. Inclusive within this process are also the concepts of inherent and residual risks. Inherent risks being those hazards that are present within the project without any remedial management, and residual risks are defined as those hazards remaining after the application of remedial risk management measures. The risks analysed are those considered as the 'inherent risks' for the project at the time of the technical review.

This qualitative risk analysis strategy has the following key steps:

- **Step 1** – Develop a qualitative risk matrix. This has relative significance rankings for the potential consequences/impacts, levels of event likelihood and the corresponding risk rankings from negligible to extreme.
- **Step 2** – Define the inherent risks (i.e. at the time of the technical review). List the sources of risks and apply the qualitative risk analysis to define the level of risk.

Qualitative Risk Analysis Matrix

The proposed qualitative risk matrix uses the following definitions for consequence and likelihood:

- Consequence:
 - **Catastrophic:** Disaster with potential to lead to business failure.
 - **Major:** Critical event/impact, which with proper remedial management, will be endured.
 - **Moderate:** Significant event/impact, which may be managed under normal procedures.
 - **Minor:** Consequences/impacts that may be readily absorbed, but some remedial management effort is still required.
 - **Insignificant:** No additional/remedial management required.
- Likelihood:

- **Certain:** The event is expected to occur in most circumstances.
- **Likely:** The event probably will occur in most circumstances (i.e. also could be on a regular basis such as weekly or monthly).
- **Possible:** The event should occur at some time (i.e. once in a while).
- **Unlikely:** The event could occur at some time.
- **Rarely:** The event may occur only in exceptional circumstances.

Based on these definitions the *Qualitative Risk Matrix* is presented below.

Likelihood	Consequences				
	Insignificant	Minor	Moderate	Major	Catastrophic
Certain	Low risk	Moderate risk	Moderate risk	High risk	Extreme risk
Likely	Low risk	Moderate risk	Moderate risk	High risk	High risk
Possible	Negligible risk	Low risk	Moderate risk	Moderate risk	High risk
Unlikely	Negligible risk	Low risk	Low risk	Moderate risk	Moderate risk
Rarely	Negligible risk	Negligible risk	Negligible risk	Low risk	Moderate risk

The risk definitions from this risk matrix can be further grouped into risk evaluation categories that are based on regulatory compliance and the ability for the risk to be managed to a level that conforms to industry standards, guidelines and/or codes of practice. These are:

- **Category 1 – Unacceptable Inherent Risks** (Extreme/high risks) – can be defined as those sources of risk that are essentially unacceptable, which if uncorrected, may result in business failure or critical impacts to business.
- **Category 2 – Tolerable Inherent Risks** (Moderate risks) – can be defined as those sources of risk that are tolerable and while, at the time of the technical review, they are non-compliant/non-conforming they can be made to be compliant/conforming (acceptable risks) through the application of risk management measures.
- **Category 3 – Acceptable Inherent Risks** (Low/negligible risks) – can be defined as those sources of risk that are acceptable and are compliant with legal requirements and conform to recognised industry standards, guidelines and codes of practice.

References

1. Engineering Survey and Design Co., Ltd. Of Sinosteel Maanshan Institute of Mining Research Co., Ltd., *Feasibility Study Report of IMtpa Ore Mining and Processing Engineering Project of Huangtun Pyrite Mine for Anhui Jinding Mining Stock Co., Ltd (Finalized)*., May 2013
2. Gocom Jinjian Engineering Design Co., Ltd., *Preliminary Design of IMtpa Ore Mining and Processing Engineering Project of Huangtun Pyrite Mine for Anhui Jinding Mining Stock Co., Ltd. , Volume 1 Instruction [Project Number: YS405-2012]*, October 2014
3. Gocom Jinjian Engineering Design Co., Ltd., *[YS405-2012] Update of Preliminary Design of IMtpa Ore Mining and Processing Engineering Project of Huangtun Pyrite Mine for Anhui Jinding Mining Stock Co., Ltd. ,* November 2018
4. Engineering Survey and Design Co., Ltd. Of Sinosteel Maanshan Institute of Mining Research Co., Ltd., *Optimization of Feasibility Study and Assessment of Techno-economics of Huangtun Pyrite Mine for Anhui Jinding Mining Stock Co., Ltd (Finalized)*., April 2019
5. Gocom Jinjian Engineering Design Co., Ltd., *[YS405-2019] Update of Preliminary Design of IMtpa Ore Mining and Processing Engineering Project of Huangtun Pyrite Mine for Anhui Jinding Mining Stock Co., Ltd. ,* June 2020

Appendices

Appendix 1: Mining / Exploration Licence

中华人民共和国

采矿许可证

(副本)

证号: C3400002013086210131038

采矿权人: 安徽省金鼎矿业股份有限公司

地 址: 安徽省合肥市庐江县

矿山名称: 安徽省庐江县黄屯硫铁矿

经济类型: 其他有限责任公司

开采矿种: 硫铁矿、铁矿、铜矿

开采方式: 地下开采

生产规模: 100万吨/年

矿区面积: 1.3040平方公里

有效期限: 贰拾柒年零壹月拾日 至 2043年8月19日
个月

发证机关
 (采矿登记专用章)
 二〇一六年八月十日 日

中华人民共和国国土资源部印制

矿区范围拐点坐标: (1980西安坐标系)

点号	X坐标	Y坐标
1.	3445492.89	39546839.75
2.	3445497.52	39547872.99
3.	3444789.16	39547876.20
4.	3444788.68	39547770.22
5.	3444480.70	39547771.61
6.	3444479.74	39547559.64
7.	3444079.36	39547561.44
8.	3444076.17	39546846.02

特别提示: 采矿权人应当于采矿许可证有效期届满前30日申报延续登记。逾期不报, 矿权自动灭失, 责任自负。领取采矿许可证后, 必须具备其他法定条件后方可实施开采作业。注: 井巷工程标高至地表。

开采深度: 由13米至-460米标高 共有8个拐点圈定

**Appendix 2: Comparison of JORC and Chinese Resource
Categories**

Chinese System for Mineral Resources and Ore Reserves Categorization

The system for the categorisation of mineral resources and ore reserves in China is in a period of transition which commenced in 1999. The traditional system, which is derived from the former Soviet system, uses five categories based on decreasing levels of geological confidence - Categories A, B, C, D and E. The new system (Rule 66) promulgated by the Ministry of Land & Resources (MLR) in 1999 uses three-dimensional matrices, based on economic, feasibility/mine design and geological degrees of confidence. These are categorised by a three number code of the form "123". This new system is derived from the UN Framework Classification proposed for international use. All new projects in China must comply with the new system. However, estimates and feasibility studies carried out before 1999 will have used the old system.

Wherever possible, the Chinese Resource and Reserve estimates have been reassigned by SRK to categories similar to those used by the JORC Code to standardize categorization. Although similar terms have been used, SRK does not mean to imply that in their present format they are necessarily classified as 'Mineral Resources' as defined by the Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves (the "JORC Code").

With regards to the new Chinese Category Scheme, as shown in the following table, the three numbers refer to economic, feasibility/mine design and geological degrees of confidence.

Appendix Table 1: Definition of the New Chinese Resource Category Scheme

Category	Denoted	Comments
Economic	1	Full Feasibility Study considering economic factors has been conducted
	2	Pre-feasibility to scoping study which generally considers economic factors has been conducted
	3	No pre-feasibility or scoping study conducted to consider economic analysis
Feasibility	1	Further analysis of data collected in "2" by an external technical department
	2	More detailed feasibility work including more trenches, tunnels, drilling, detailed mapping etc
	3	Preliminary evaluation of feasibility with some mapping and trenches
Geologically controlled	1	Strong geological control
	2	Moderate geological control via closely-spaced data points (e.g. small-scale mapping)
	3	Minor work which projected throughout the area
	4	Review stage

Relationship between JORC Code and the Chinese Reserves System

In China, the methods used to estimate the resources and reserves are generally prescribed by the relevant Government authority, and are based on the level of knowledge for that particular geological style of deposit. The parameters and computational methods prescribed by the relevant authority include cut-off grades, minimum thickness of mineralisation, maximum thickness of internal waste, and average minimum 'industrial' or 'economic' grades required. The resource classification categories are assigned largely on the basis of the spacing of sampling, trenching, underground tunnels and drill holes.

In the pre-1999 system, Category A generally included the highest level of detail possible, such as grade control information. However, the content of each category B, C & D may vary from deposit to deposit in China, and therefore must be carefully reviewed before assigning to an equivalent "JORC Code type" category. The traditional Categories B, C & D are broadly equivalent to the 'Measured', 'Indicated', and 'Inferred' categories that are provided by the JORC Code and USBM / USGS systems used widely elsewhere in the world. In the JORC Code system the 'Measured Resource' category has the most confidence and the 'Inferred'

category has the least confidence, based on the increasing levels of geological knowledge and continuity of mineralisation.

A broad comparison guide between the Chinese classification scheme and the JORC Code is presented in the following table.

Appendix Table 2: A Broad Comparison between JORC Code and Chinese System

Old Chinese Classification		A & B		C		D	E & F	
New Chinese Classification								
"E" Economic Evaluation (1XX)	Designed Mining Loss Accounted	Recoverable Reserve (111)	Probable Recoverable Reserve (121)		Probable Recoverable Reserve (122)			
	Designed Mining Loss NOT Accounted (b)	Basic Reserve (111b)	Basic Reserve (121b)		Basic Reserve (122b)			
Marginal Economic (2MXX)		Basic Reserve (2M11)	Basic Reserve (2M21)		Basic Reserve (2M22)			
Submarginal Economic (2SXX)		Resource (2S11)	Resource (2S21)		Resource (2S22)			
Intrinsic Economic (3XX)				Resource (331)	Resource (332)	Resource (333)	Resource (334?)	
"F" Feasibility Evaluation		Feasibility (010)	Pre-Feasibility (020)	Scoping (030)	Pre-Feasibility (020)	Scoping (030)	Scoping (030)	
"G" Geological Evaluation		Measured (001)		Indicated (002)		Inferred (003)	Predicted (004)	
Comparison to JORC Code							Unclassified	
							Inferred Resource	
						Probable Reserve or Indicated Resource		
		Proved / Probable Reserve or Measured Resource						

Appendix 3: Chinese Environmental Legislative Background

The *Mineral Resources Law of the People's Republic of China (1996)* and *Environmental Protection Law (1989)* provide the main legislative framework for the regulation and administration of mining projects within China. The *Environmental Protection Law (1989)* provides the main legislative framework for the regulation and administration of mining projects environmental impacts.

The following articles of the *Mineral Resources Law of the People's Republic of China (1996)* summarise the specific provisions in relation to environmental protection:

- **Article 15 Qualification & Approval** – Anyone who wishes to establish a mining enterprise must meet the qualifications prescribed by the State, and the department in charge of examination and approval shall, in accordance with law and relevant State regulations examine the enterprise's mining area, its mining design or mining plan, production and technological conditions and safety and environmental protection measures. Only those that pass the examination shall be granted approval.
- **Article 21 Closure Requirements** – If a mine is to be closed down, a report must be prepared with information about the mining operations, hidden dangers, land reclamation and utilisation, and environmental protection, and an application for examination and approval must be filed in accordance with relevant State regulations.
- **Article 32 Environmental Protection Obligations of Mining License Holders** – In mining mineral resources, a mining enterprise or individual must observe the legal provisions on environmental protection to prevent pollution of the environment. In mining mineral resources, a mining enterprise or individual must economise on the use of land. In case cultivated land, grassland or forest land is damaged due to mining, the mining enterprise concerned shall take measures to utilize the land affected, such as by reclamation, tree and grass planting, as appropriate to the local conditions. Anyone who, in mining mineral resources, causes losses to the production and well-being of other persons shall be liable for compensation and shall adopt necessary remedial measures.

The following articles of the *Environmental Protection Law of the People's Republic of China (1989)* summarise the specific provisions for environmental protection in relation to mining:

- **Article 13 Environmental Protection** – Units constructing projects that cause pollution to the environment must observe the state provisions concerning environmental protection for such construction projects. The environmental impact statement on a construction project must assess the pollution the project is likely to produce and its impact on the environment and stipulate the preventive and curative measures; the statement shall, after initial examination by the authorities in charge of the construction project, be submitted by specified procedure to the competent department of environmental protection administration for approval. The department of planning shall not ratify the design plan descriptions of the construction project until after the environmental impact statement on the construction project is approved.
- **Article 19 Statement of Requirement for Environmental Protection** – Measures must be taken to protect the ecological environment while natural resources are being developed or utilised.
- **Article 24 Responsibility for Environmental Protection** – Units that cause environmental pollution and other public hazards shall incorporate the work of environmental protection into their plans and establish a responsibility system for environmental protection, and must adopt effective measures to prevent and control the pollution and harms caused to the environment by waste gas, waste water, waste residues, dust, malodorous gases, radioactive substances, noise, vibration and electromagnetic radiation generated in the course of production, construction or other activities.
- **Article 26 Pollution Prevention & Control** – Installations for the prevention and control of pollution at a construction project must be designed, built and commissioned together with the principal part of the project. No permission shall be given for a construction project to be commissioned or used, until its installations for the prevention and control of pollution are examined and considered up to the standard by the competent department of environmental protection administration that examined and approved the environmental impact statement.

- **Article 27 Report on Pollution Discharge** – Enterprises and institutions discharging pollutants must report to and register with the relevant authorities in accordance with the provisions of the competent department of environmental protection administration under the State Council.
- **Article 38 Violation Consequences** – An enterprise or institution which violates this Law, thereby causing an environmental pollution accident, shall be fined by the competent department of environmental protection administration or another department invested by law with power to conduct environmental supervision and management in accordance with the consequent damage; in a serious case, the persons responsible shall be subject to administrative sanction by the unit to which they belong or by the competent department of the government.

In addition to the above articles, the following article in the *Environmental Impact Assessment (EIA) Law (2002)* summarises the provisions in relation to the approval of EIA reports of construction projects and the commencement of construction:

- **Article 25** – If the environmental impact assessment documents of construction projects are not examined by the law-stipulated examining and approving department or are not approved after being examined, the examining and approving department of the construction project must not approve its construction and the construction unit must not start construction.

The following articles of the *Regulations on the Administration of Construction Project Environmental Protection (November 1998)* summarise the specific provisions for undertaking a project's Environmental Final Checking and Acceptance process:

- **Article 20** – The construction unit should, upon completion of a construction project, file an application with the competent department of environmental protection administration that examined and approved the said construction project environmental impact report, environmental impact statement or environmental impact registration form for acceptance checks on completion of matching construction of environmental protection facilities required for the said construction project. Acceptance checks for completion of construction of environmental protection facilities should be conducted simultaneously with the acceptance checks for completion of construction of the main body project. Where trial production is required for the construction project, the construction unit should, within 3 months starting from the date of the said construction project going into trial production, file an application with the competent department of environmental protection administration that examined and approved the said construction project environmental impact report, environmental impact statement or environmental impact registration form for acceptance checks on completion of matching construction of environmental protection facilities required for the said construction project.
- **Article 21** – For construction projects that are built in phases, go into production or are delivered for use in phases, acceptance checks for their corresponding environmental protection facilities should be conducted in phases.
- **Article 22** – Competent departments of environmental protection administration should, within 30 days starting from the date of receipt of the application for acceptance checks on completion of construction of the environmental protection facilities, complete the acceptance checks.
- **Article 23** – The said construction project may only formally go into production or be delivered for use when the matching construction of the environmental protection facilities required for the construction project has passed acceptance checks.

The following article of the *Water & Soil Conservation Law of the People's Republic of China (2011)* summarises the provisions for the preparation and approval of Water and Soil Conservation Plans:

- **Article 25 and Article 27** – When a construction is carried out in a mountainous, hilly or sandstorm area, a water and soil conservation programme must be prepared by a certified organization and approved by the department of water administration. Water and soil conservation facilities in a construction project must be designed, constructed and put into operation simultaneously with the principal part of the project. When a construction project is completed and checked for acceptance, the water and soil conservation

facilities shall be checked for acceptance at the same time, with personnel from the department of water administration participating.

The following are other Chinese laws that provide environmental legislative support to the *Minerals Resources Law of the People's Republic of China (1996)* and the *Environmental Protection Law of the People's Republic of China (1989)*:

- Environmental Impact Assessment (EIA) Law (2002).
- Law on Prevention & Control of Atmospheric Pollution (2000).
- Law on Prevention & Control of Noise Pollution (1996).
- Law on Prevention & Control of Water Pollution (2008).
- Law on Prevention & Control Environmental Pollution by Solid Waste (2004).
- Forestry Law (1998).
- Water Law (2002).
- Water Conservancy Industrial Policy (1997).
- Land Administration Law (2004).
- Protection of Wildlife Law (2004).
- Energy Conservation Law (2007).
- Electric Power Law (1995).
- Management Regulations of Prevention & Cure of Tailings Pollution (1992).
- Management Regulations of Dangerous Chemical Materials (2011).

The relevant environmental protection related Chinese legislation that are required to be utilised for project's design are a combination of the following National design regulations and emissions standards:

- Environment Protection Design Regulations of Construction Project by Environment Protection Committee of State Council of PRC and State Development Planning Commission (1987).
- Regulations on the Administration of Construction Project Environmental Protection (1998).
- Regulations for Quality Control of Construction Projects (2000).
- Regulations for Environmental Monitoring (2007).
- Regulations on Nature Reserves (1994).
- Regulations on Administration of Chemicals Subject to Supervision & Control (1995).
- Environment Protection Design Regulations of Metallurgical Industry (YB9066-55).
- Emission standard of pollutants for mining and mineral processing industry (GB 28661-2012)
- Emission standard for industrial enterprises noise at boundary (GB 12348—2008)
- Emission standard of environment noise for boundary of construction site (GB 12523—2011)
- Comprehensive Emission Standard of Wastewater (GB8978-1996).
- Environmental Quality Standard for Surface Water (GB3838-2002).
- Environmental Quality Standard for Groundwater (GB/T14848-1993).
- Ambient Air Quality Standard (GB3095-1996).
- Comprehensive Emission Standard of Atmospheric Pollutants (GB16297-1996).
- Emission Standard of Atmospheric Pollutants from Industrial Kiln (GB9078-1996).
- Emission Standard of Atmospheric Pollutants from Boiler (GB13271-2001) ---- II – stage coal-fired boiler.
- Emission Standard for Pollutants from Coal Industry (GB 20426—2006)
- Environmental Quality Standard for Soils (GB15618-1995).
- Standard of Boundary Noise of Industrial Enterprise (GB12348-90).
- Emissions Standard for Pollution from Heavy Industry; Non-Ferrous Metals (GB4913-1985).

- Control Standard on PCB's for Wastes (GB13015-1991).
- Control Standard on Cyanide for Waste Slugs (GB12502-1990).
- Standard for Pollution Control on Hazardous Waste Storage (GB18597-2001).
- Standards for pollution control on the storage and disposal site for general industrial solid wastes (GB 18599-2001)
- Identification Standard for Hazardous Wastes-Identification for Extraction Procedure Toxicity (GB5085.3-1996).
- Standard of Landfill and Pollution Control of Hazardous Waste (GB 18598-2001).

**Appendix 4: Equator Principles and Internationally
Recognised Environmental Management Practices**

In seeking to obtain project financing or to list on a stock exchange, these institutions require the proponent to comply with such documents as the *Equator Principles (July 2013)* and the *International Finance Corporation (IFC, January 2012) Performance Standards and Guidelines*. This is exemplified by the following preamble from the *Equator Principles*:

Large infrastructure and industrial Projects can have adverse impacts on people and on the environment. As financiers and advisors, we work in partnership with our clients to identify, assess and manage environmental and social risks and impacts in a structured way, on an ongoing basis. Such collaboration promotes sustainable environmental and social performance and can lead to improved financial, environmental and social outcomes.

We, the Equator Principles Financial Institutions (EPFIs), have adopted the Equator Principles in order to ensure that the Projects we finance and advise on are developed in a manner that is socially responsible and reflects sound environmental management practices. We recognise the importance of climate change, biodiversity, and human rights, and believe negative impacts on project-affected ecosystems, communities, and the climate should be avoided where possible. If these impacts are unavoidable they should be minimised, mitigated, and/or offset.

We believe that adoption of and adherence to the Equator Principles offers significant benefits to us, our clients, and local stakeholders through our clients' engagement with locally Affected Communities. We therefore recognise that our role as financiers affords us opportunities to promote responsible environmental stewardship and socially responsible development, including fulfilling our responsibility to respect human rights by undertaking due diligence in accordance with the Equator Principles.

The following Tables provide a brief summary of the Equator Principles and the IFC Performance Standards respectively. These documents are used by the EPFI's and stock exchanges in their review of the social and environmental performance of proponent companies.

Appendix Table 3: Equator Principles

Equator Principles	Title	Key Aspects(Summary)
1	Review and Categorization	Categorize such project based on the magnitude of its potential impacts and risks.
2	Environmental and Social Assessment	Conduct an Environmental and Social Assessment, and the Assessment Documentation should propose measures to minimize, mitigate, and offset adverse impacts in a manner relevant and appropriate to the nature and scale of the proposed Project.
3	Applicable Environmental and Social Standards	the Assessment process evaluates compliance with the then applicable IFC Performance Standards on Environmental and Social Sustainability (Performance Standards) and the World Bank Group Environmental, Health and Safety Guidelines (EHS Guidelines).
4	Environmental and Social Management System and Equator Principles Action Plan	An Environmental and Social Management Plan (ESMP) will be prepared by the client to address issues raised in the Assessment process and incorporate actions required to comply with the applicable standards. Where the applicable standards are not met to the EPFI's satisfaction, the client and the EPFI will agree an Equator Principles Action Plan (AP).
5	Stakeholder Engagement	Demonstrate effective Stakeholder Engagement as an ongoing process in a structured and culturally appropriate manner with Affected Communities and Other Stakeholders.
6	Grievance Mechanism	Establish a grievance mechanism designed to receive and facilitate resolution of concerns and grievances about the Project's environmental and social performance.
7	Independent Review	Carry out an Independent Review of the Assessment Documentation including the ESMPs, the ESMS, and the Stakeholder Engagement process documentation in order to assess Equator Principles compliance.
8	Covenants	covenant in the financing documentation to comply with all relevant host country environmental and social laws, regulations and permits in all material respects. In addition, (a)to comply with the ESMPs and Equator Principles AP (where applicable) during the construction and operation of the Project in all material respects; and (b)to provide periodic reports in a format agreed with the EPFI; and (c) to decommission the facilities, where applicable and appropriate, in accordance with an agreed decommissioning plan.
9	Independent Monitoring and Reporting	Assess Project compliance with the Equator Principles and ensure ongoing monitoring and reporting after Financial Close and over the life of the loan.
10	Reporting and Transparency	The EPFI will report publicly, at least annually, on transactions that have reached Financial Close and on its Equator Principles implementation processes and experience, taking into account appropriate confidentiality considerations.

Appendix Table 4: IFC Performance Standards

IFC Performance Standards	Title	Key Aspects(Summary)
1	Assessment and Management of Environmental and Social Risks and Impacts	Environmental and Social Assessment and Management System, (i) policy; (ii) identification of risks and impacts; (iii) management programs; (iv) organizational capacity and competency; (v) emergency preparedness and response; (vi) stakeholder engagement; and (vii) monitoring and review. Stakeholder Engagement, External Communications and Grievance Mechanisms, and Ongoing Reporting to Affected Communities.
2	Labor and Working Conditions	Working Conditions and Management of Worker Relationship, Protecting the Work Force, Occupational Health and Safety, Workers Engaged by Third Parties, and Supply Chain.
3	Resource Efficiency and Pollution Prevention	Resource Efficiency including Greenhouse Gases and Water Consumption. Pollution Prevention including Hazardous and non-hazardous Waste Management, Hazardous Materials Management, Pesticide Use and Management
4	Community Health, Safety and Security	Infrastructure and Equipment Design and Safety, Hazardous Materials Management and Safety, Ecosystem Services, Community Exposure to Disease, Emergency Preparedness and Response, and Security Personnel.
5	Land Acquisition and Involuntary Resettlement	Compensation and Benefits for Displaced Persons, Community Engagement, Grievance Mechanism, Resettlement and Livelihood Restoration Planning and Implementation, Resettlement Action Plan, Livelihood Restoration Plan, and Private Sector Responsibilities Under Government-Managed Resettlement.
6	Biodiversity Conservation and Sustainable Management of Living Natural Resources	Protection and Conservation of Biodiversity, Legally Protected and Internationally Recognized Areas, Management of Ecosystem Services, Sustainable Management of Living Natural Resources, and Supply Chain.
7	Indigenous Peoples	Avoidance of Adverse Impacts, Critical Cultural Heritage, and Mitigation and Development Benefits.
8	Cultural Heritage	Protection of Cultural Heritage in Project Design and Execution, Chance Find Procedures, and Project's Use of Cultural Heritage.

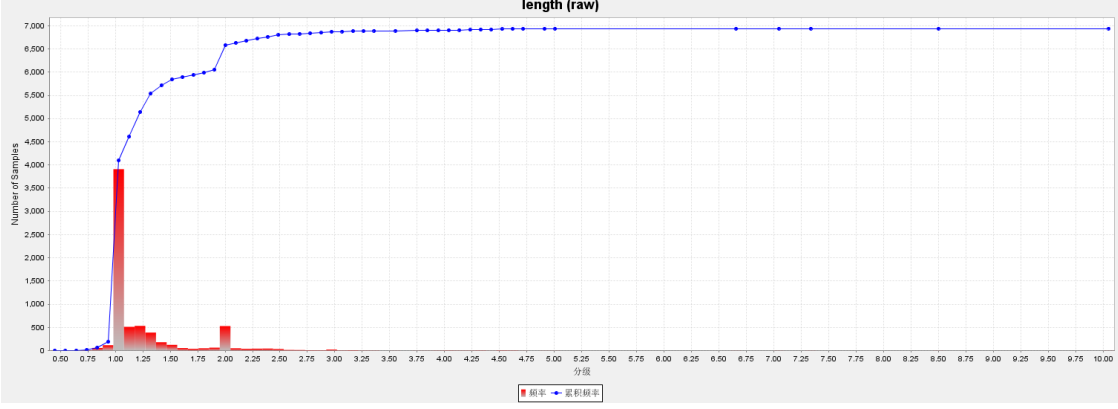
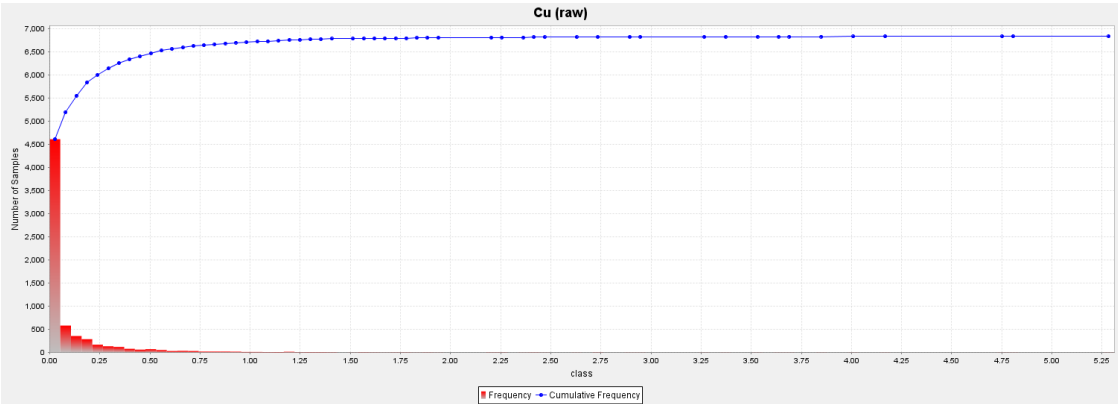
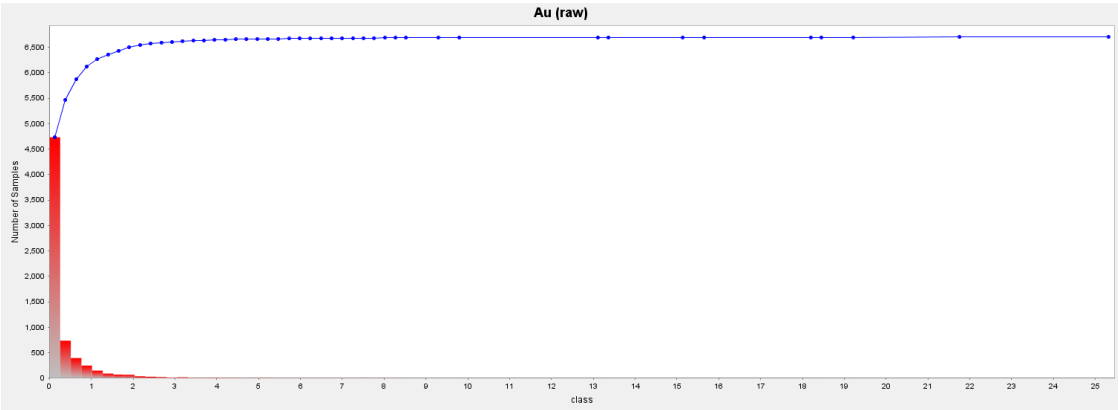
Summary Background Information on Some Key Internationally Recognised Environmental Management Practices.

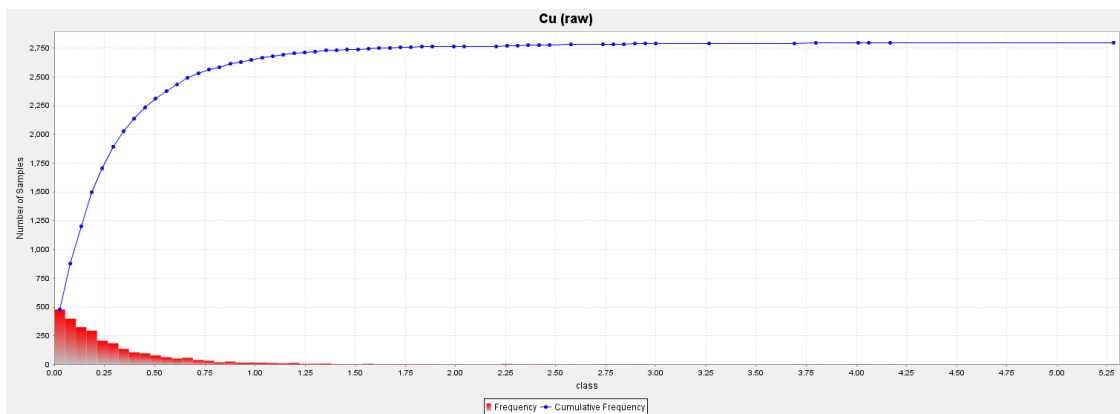
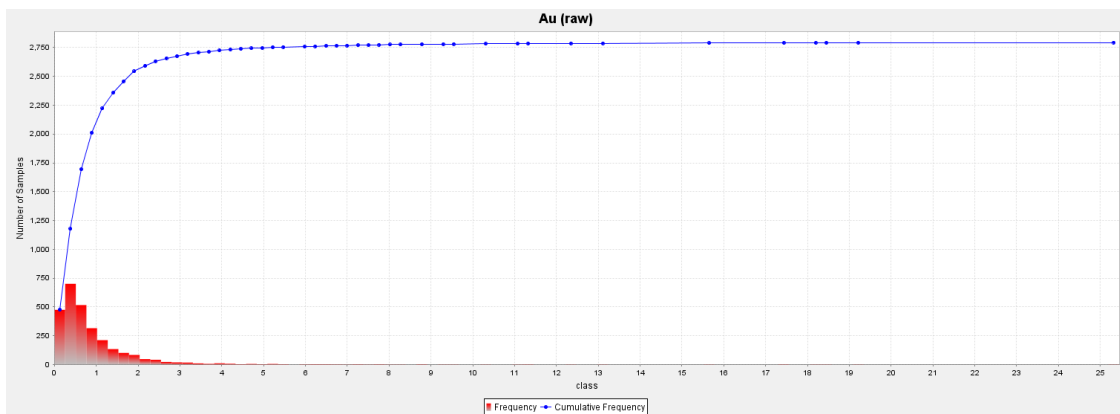
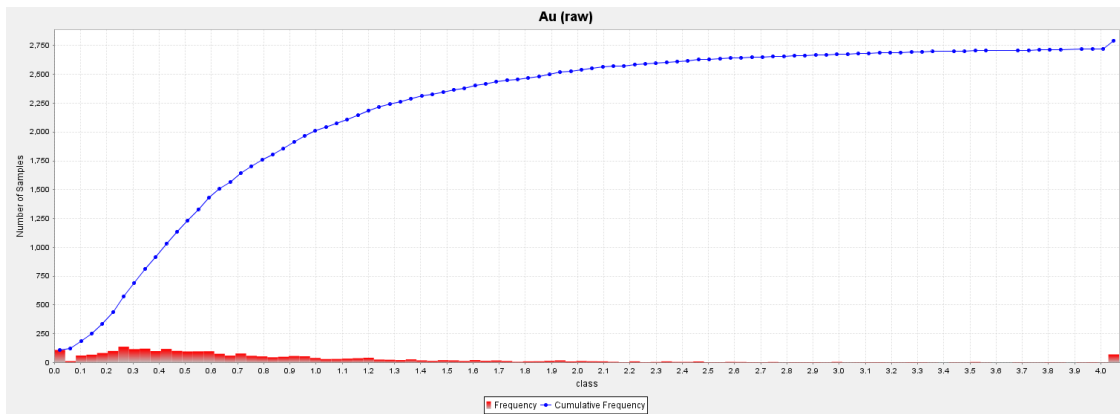
The following provides background information on some key internationally recognised environmental management practices:

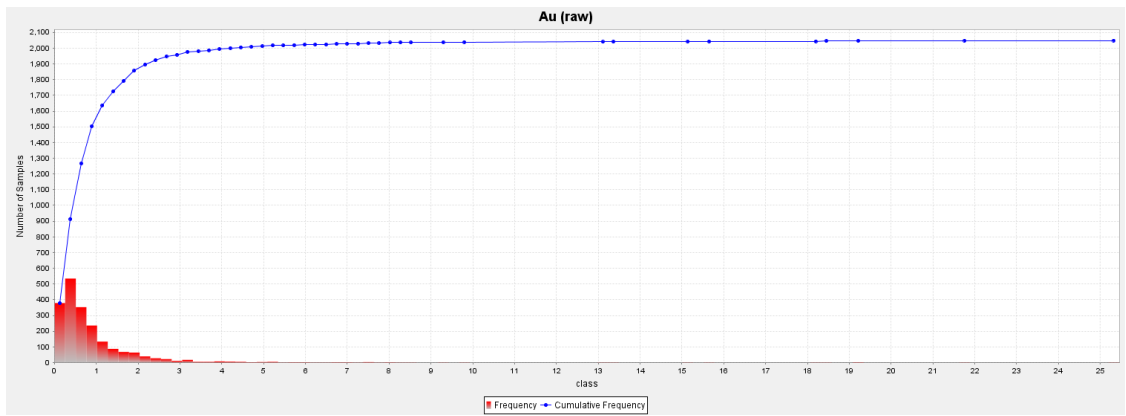
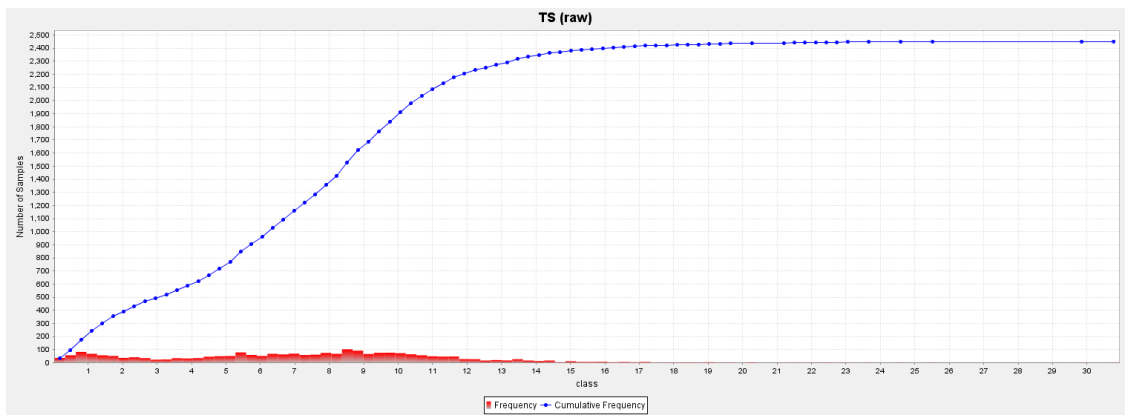
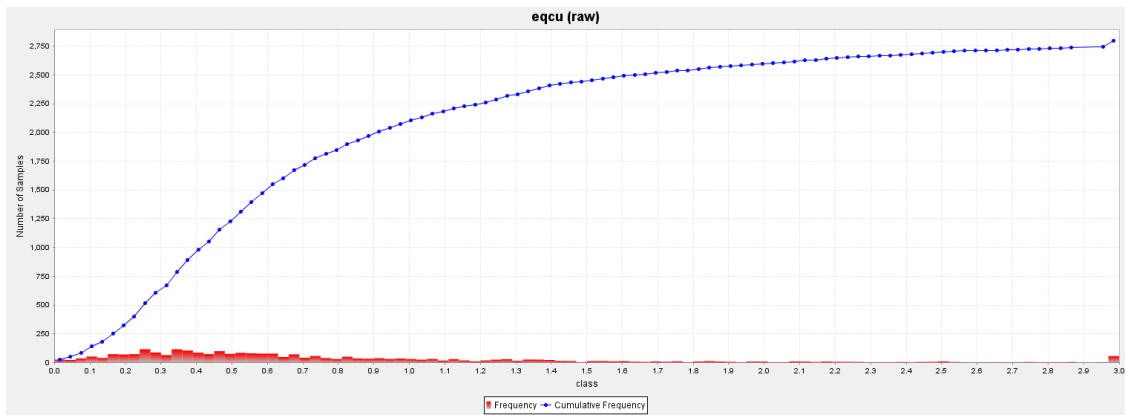
- **Land disturbance** – The main impact on the surrounding ecological environment is due to disturbance and contamination caused by surface stripping, waste rock and tailings storage, processing plant drainage, processing waste water, explosions, transportation and associated buildings that are erected. If effective measures are not taken to manage and rehabilitate the disturbed areas, the surrounding land can become polluted and the land utilization function will be changed, causing an increase in land degradation, water loss and soil erosion.
- **Flora and fauna** – Land disturbance from the development of mining and mineral processing projects may also result in impacts to or loss of flora and fauna habitat. The project development EIA should determine the extent and significance of any potential impacts to flora and fauna habitat. Where these potential impacts to flora and fauna habitat are determined to be significant, the EIA should also propose effective measures to reduce and manage these potential impacts.
- **Contaminated Sites Assessment** – The assessment, recording and management of contaminated sites within mining or mineral processing operations, is a recognised international industry practice (i.e. forms part of the IFC Guidelines) and in some cases a National regulatory requirement (e.g. an Australian environmental regulatory requirement). The purpose of this process is to minimise the level of site contamination that may be generated throughout a project's operation while also minimising the level and extent of site contamination that will need to be addressed at site closure.
 - A contaminated site or area can be defined as; 'An area that has substances present at above background concentrations that presents or has the potential to present a risk of harm to human health, the environment or any environmental value'.
 - Contamination may be present in soil, surface water or groundwater and also may affect air quality through releases of vapours or dust. Examples of typical contaminated areas within a mining/mineral processing project are spillages to soil/water of hydrocarbons and chemicals, and uncontained storage and spillages to soil/water of ores and concentrates. The process to assess and record the level of contamination basically involves a combination of visual (i.e. suspected contamination observed from spillages/releases) and soil/water/air sampling and testing (i.e. to confirm contaminant levels). Once the level of contamination is defined, the area's location and contamination details are then recorded within a site register.
 - Remediation/clean up of contamination areas involves the collection and removal of the contaminated materials for treatment and appropriate disposal, or in some cases the in-situ treatment of the contaminated (e.g. use of bioremediation absorbents on hydrocarbon spillage). The other key component to the management of contaminated areas is to also remove or remedy the source of the contamination (e.g. place hydrocarbon storage and handling within secondary containment).
- **Environmental Protection and Management Plan** – The purpose of an operational Environmental Protection and Management Plan (EPMP) is to direct and coordinate the management of the project's environmental risks. The EPMP documents the establishment, resourcing and implementation of the project's environmental management programs. The site environmental performance is monitored and feedback from this monitoring is then utilised to revise and streamline the implementation of the EPMP.
- **Emergency Response Plan** - The IFC describes an emergency as 'an unplanned event when a project operation loses control, or could lose control, of a situation that may result in risks to human health, property, or the environment, either within the facility or in the local community'. Emergencies are of a scale that have operational wide impacts, and do not include small scale localised incidents that are covered under operational area specific management measures. Examples of an emergency for a mining/mineral processing project are events such as pit wall collapse, underground mine explosion, the failure of a TSF or a large scale spillage/discharge of hydrocarbons or chemicals. The recognised international industry practice for managing emergencies is for a project to develop and implement an Emergency Response Plan (ERP). The general elements of an ERP are:

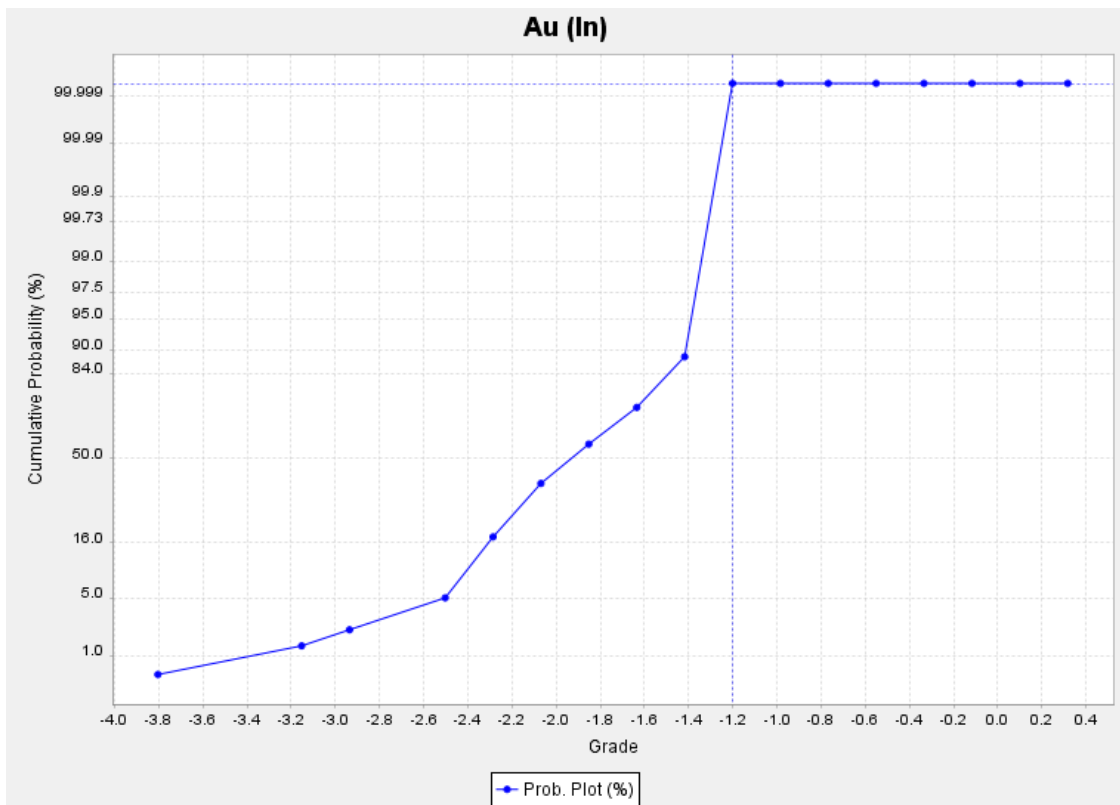
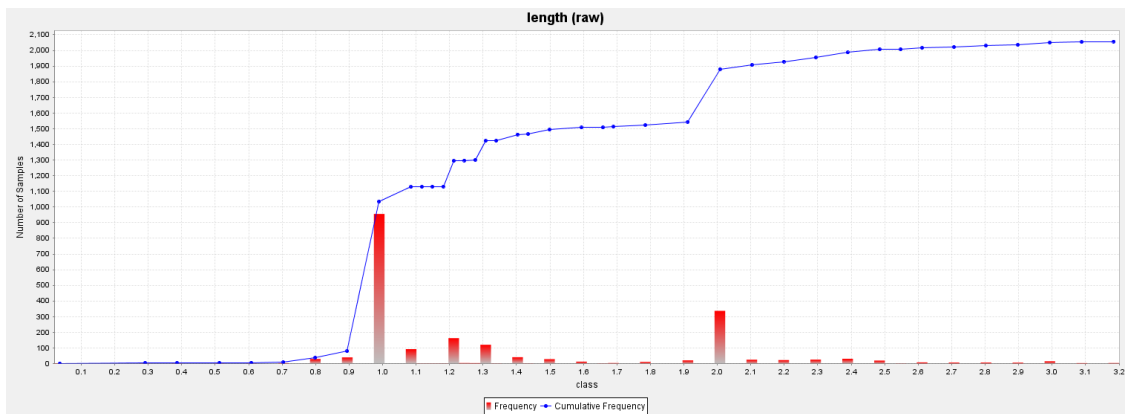
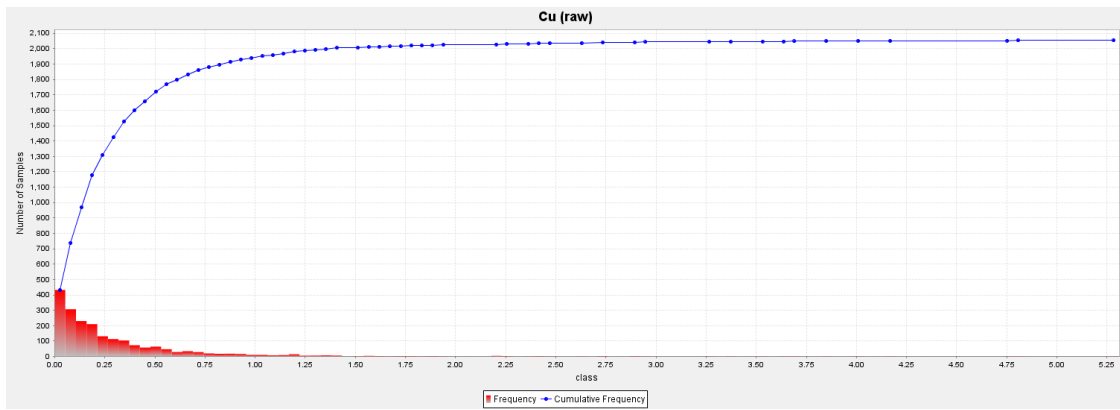
- Administration – policy, purpose, distribution, definitions of potential site emergencies and organisational resources (including setting of roles and responsibilities).
- Emergency response areas – command centres, medical stations, muster and evacuation points.
- Communication systems – both internal and external communications.
- Emergency response procedures – work area specific procedures (including area specific training).
- Checking and updating – prepare checklists (role and action list and equipment checklist) and undertake regular reviews of the plan.
- Business continuity and contingency – options and processes for business recovery from an emergency.
- **Site Closure Planning and Rehabilitation** – The recognised international industry practice for managing site closure is to develop and implement an operational site closure planning process and document this through an operational Closure Plan. This operational closure planning process should include the following components:
 - Identify all site closure stakeholders (e.g. government, employees, community etc.).
 - Undertake stakeholder consultation to develop agreed site closure criteria and post operational land use.
 - Maintain records of stakeholder consultation.
 - Establish a site rehabilitation objective in line with the agreed post operational land use.
 - Describe/define the site closure liabilities (i.e. determined against agreed closure criteria).
 - Establish site closure management strategies and cost estimates (i.e. to address/reduce site closure liabilities).
 - Establish a cost estimate and financial accrual process for site closure.
 - Describe the post site closure monitoring activities/program (i.e. to demonstrate compliance with the rehabilitation objective/closure criteria).

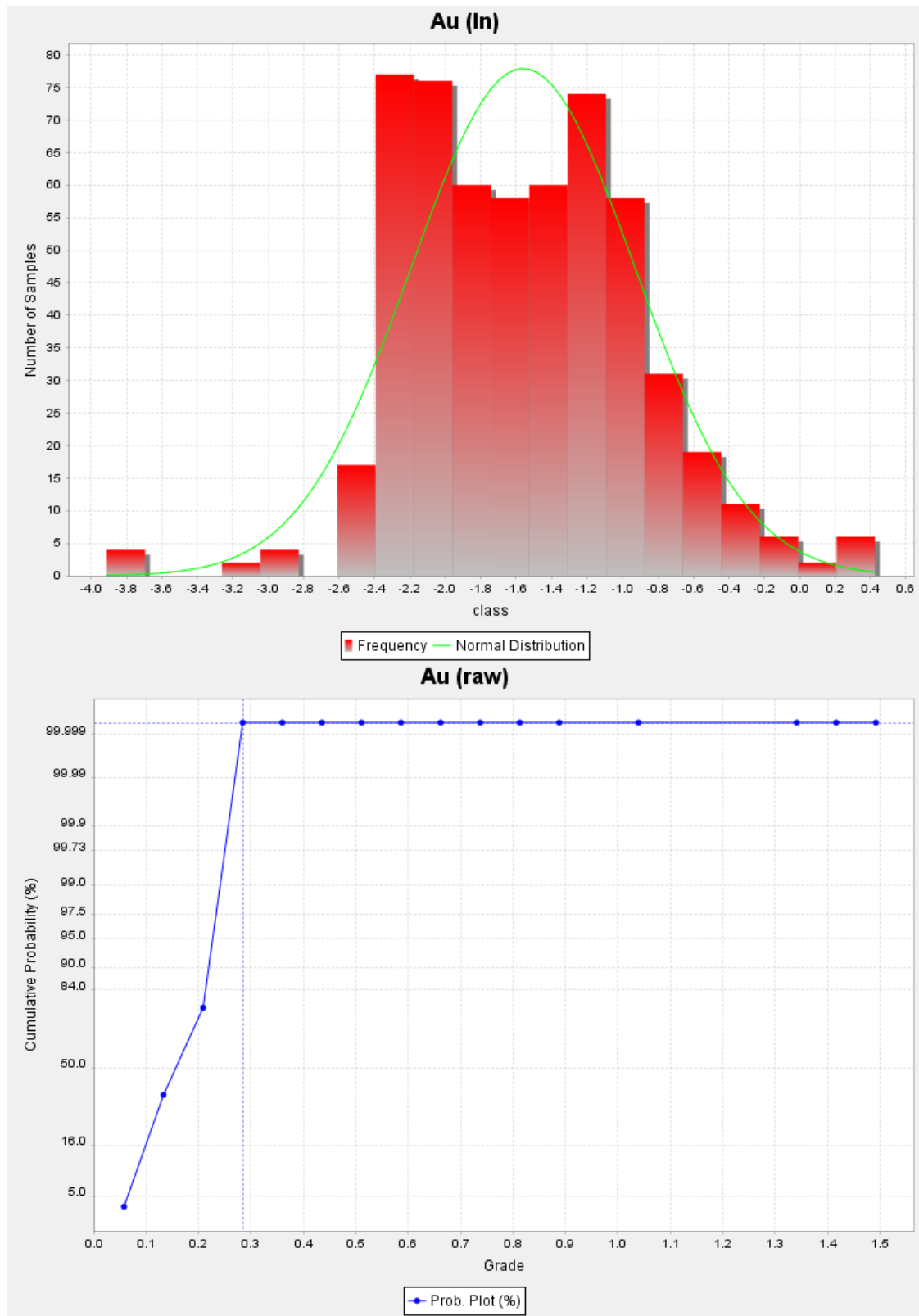
Appendix 5: Statistics and Geostatistics

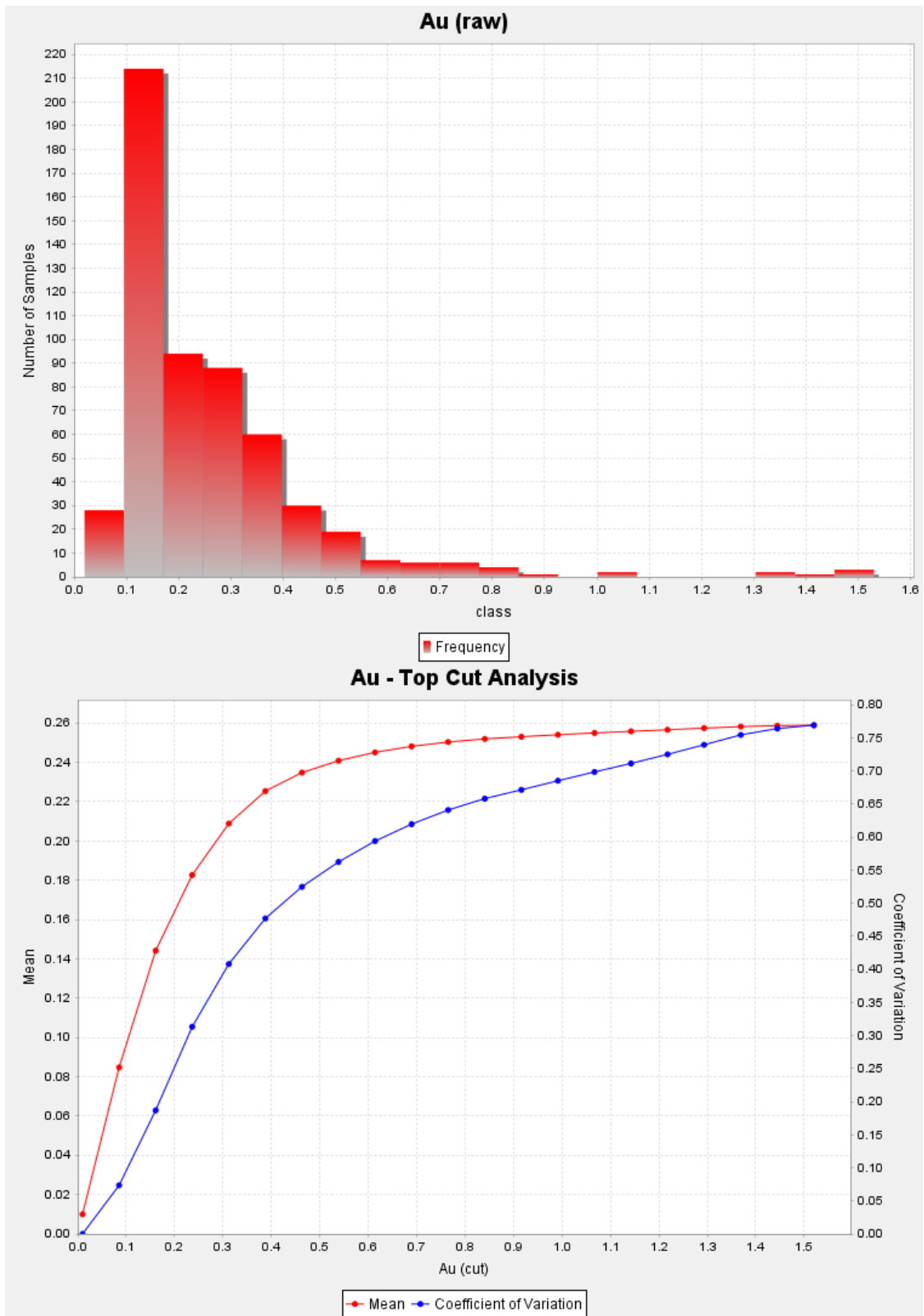


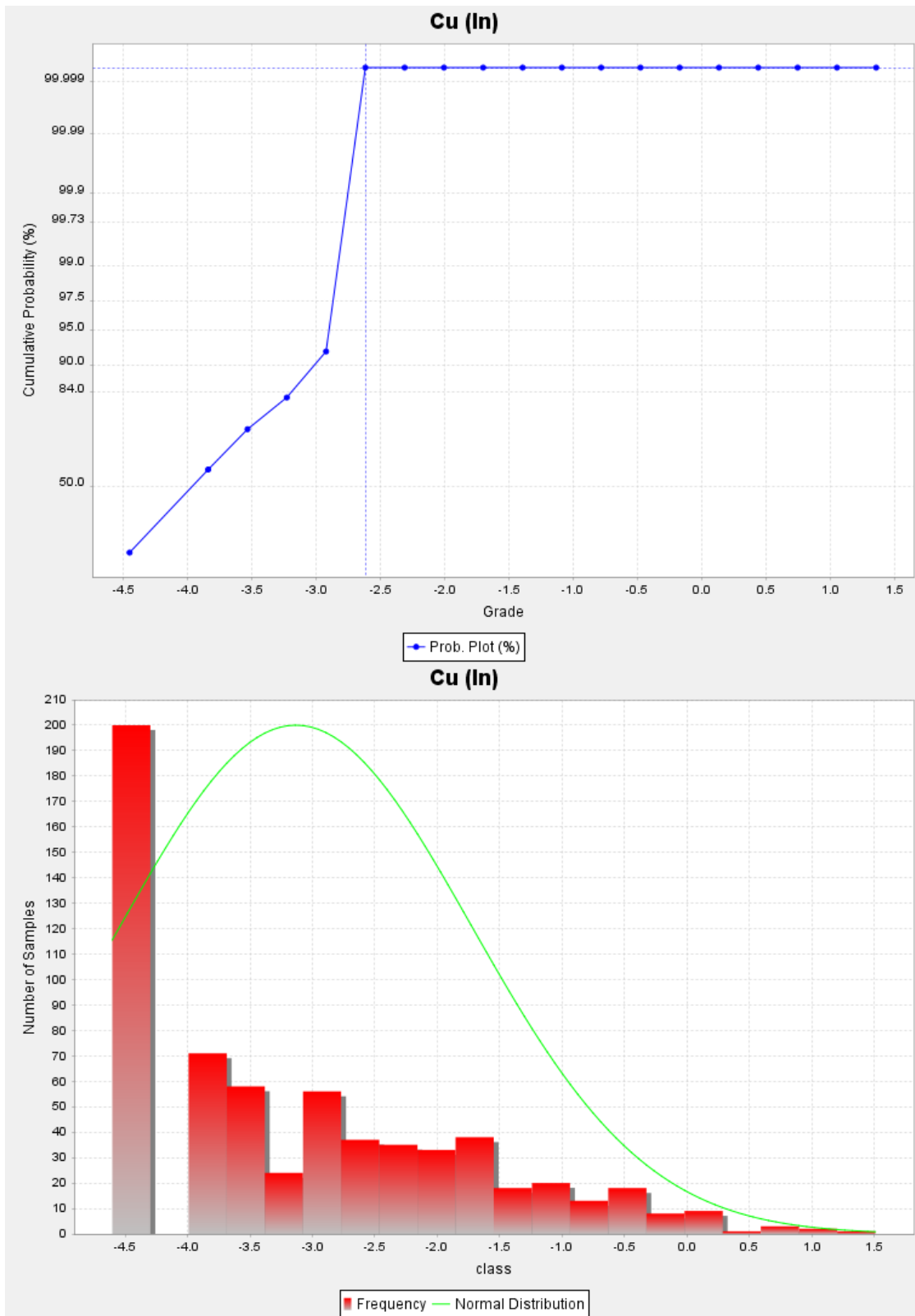


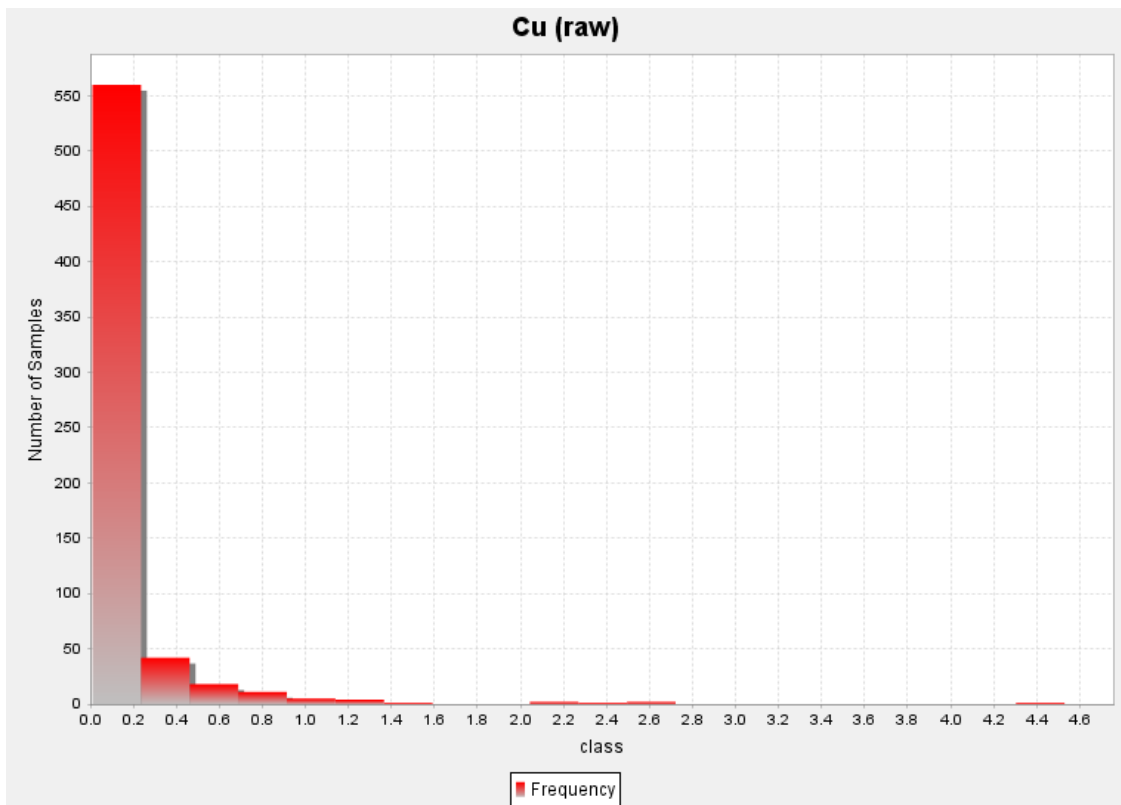
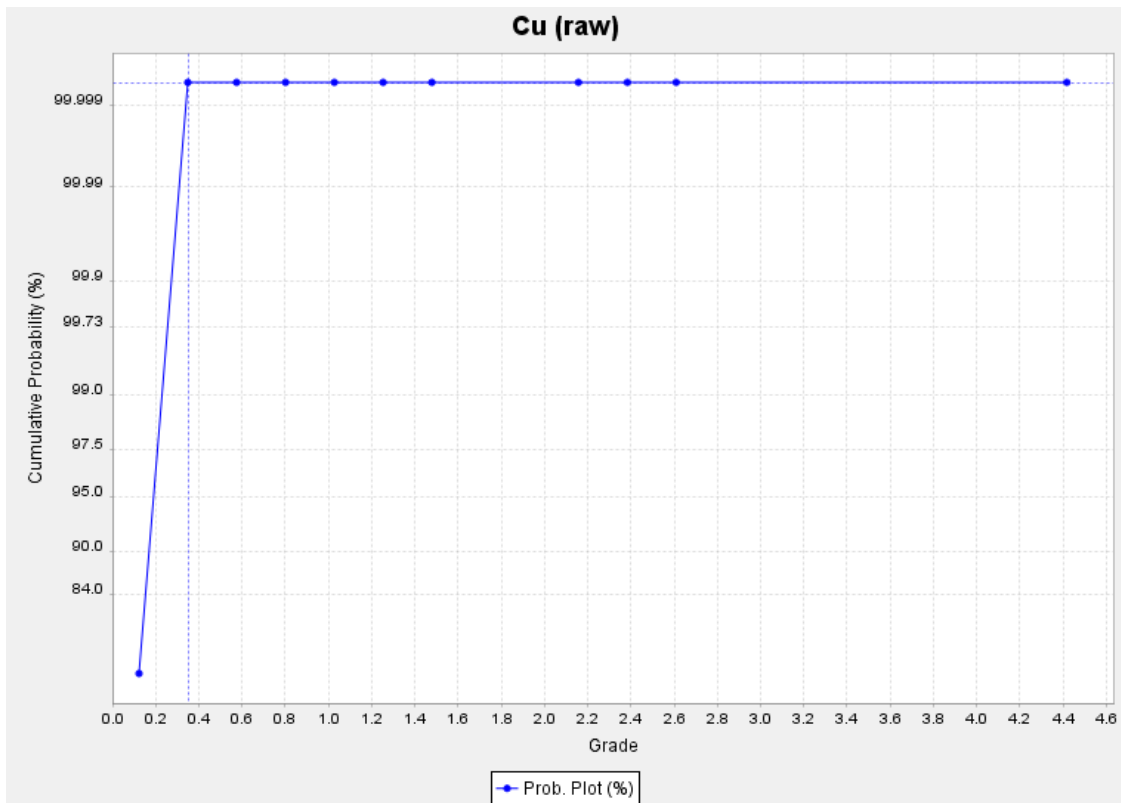


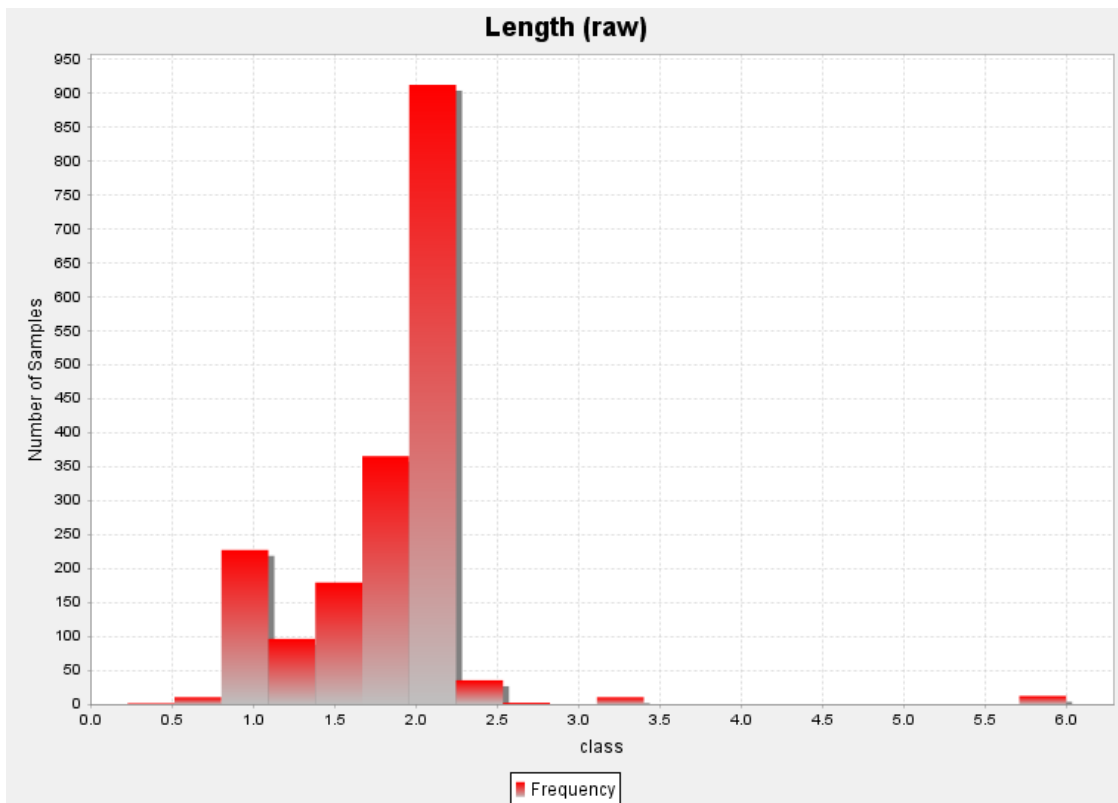
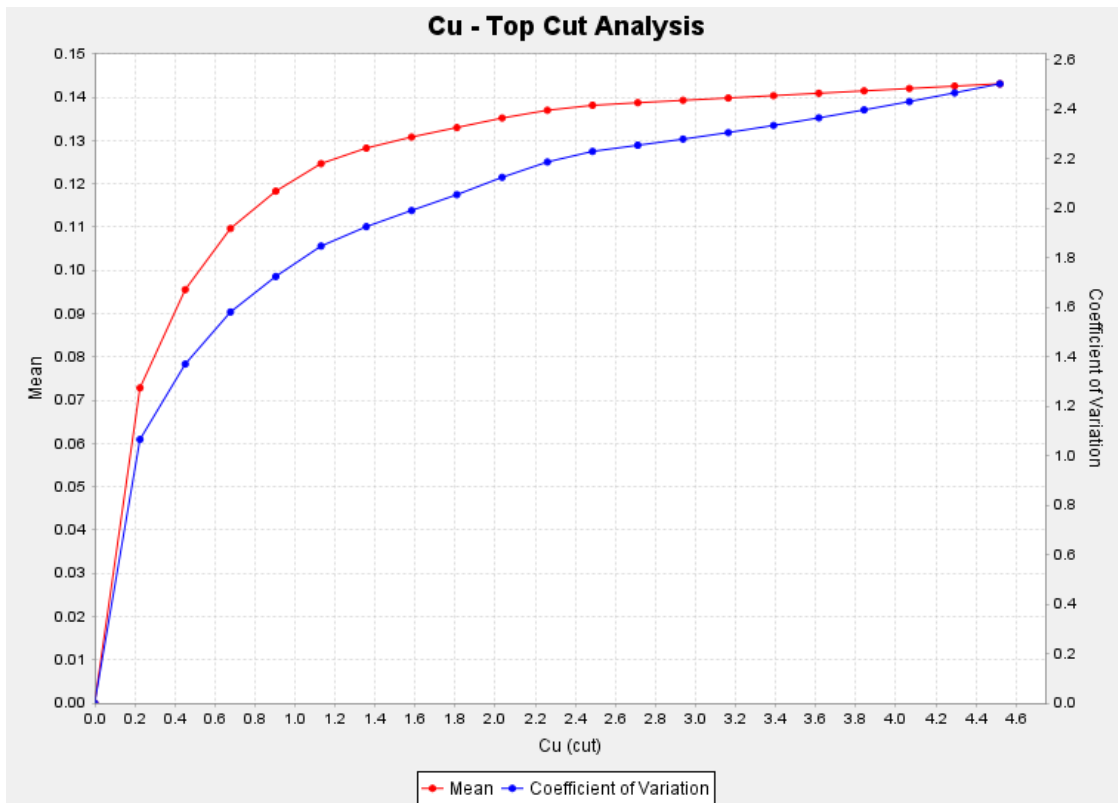


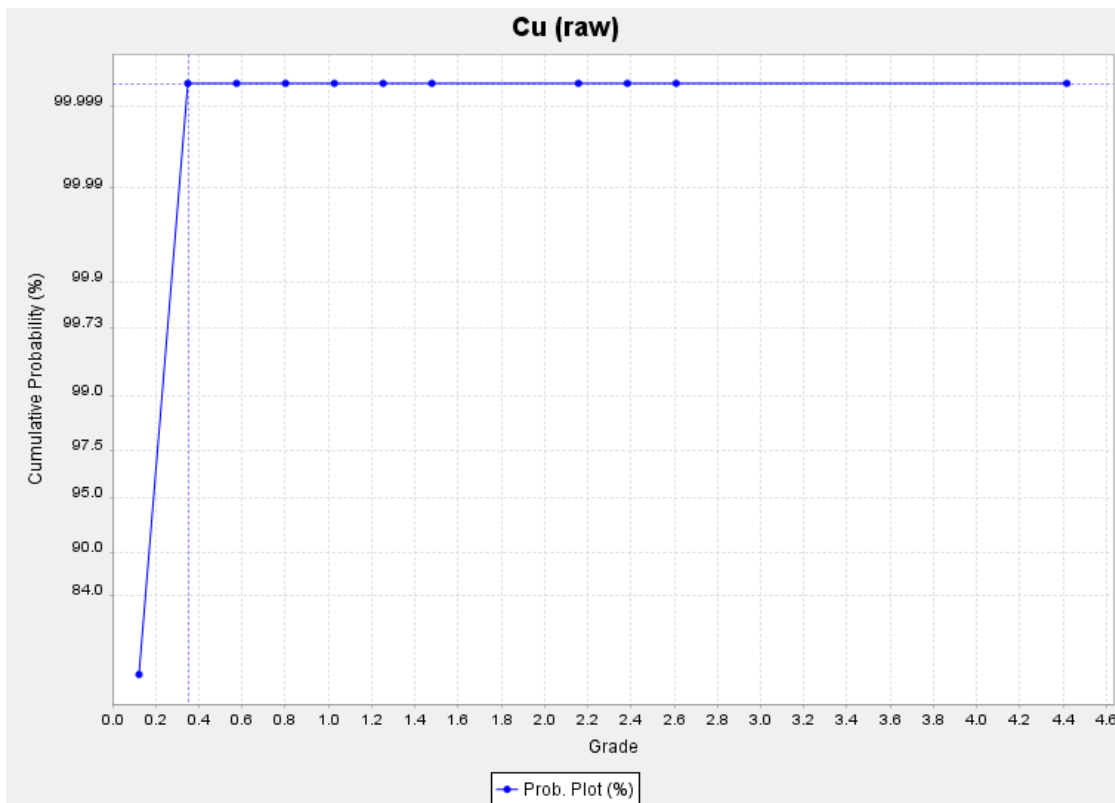
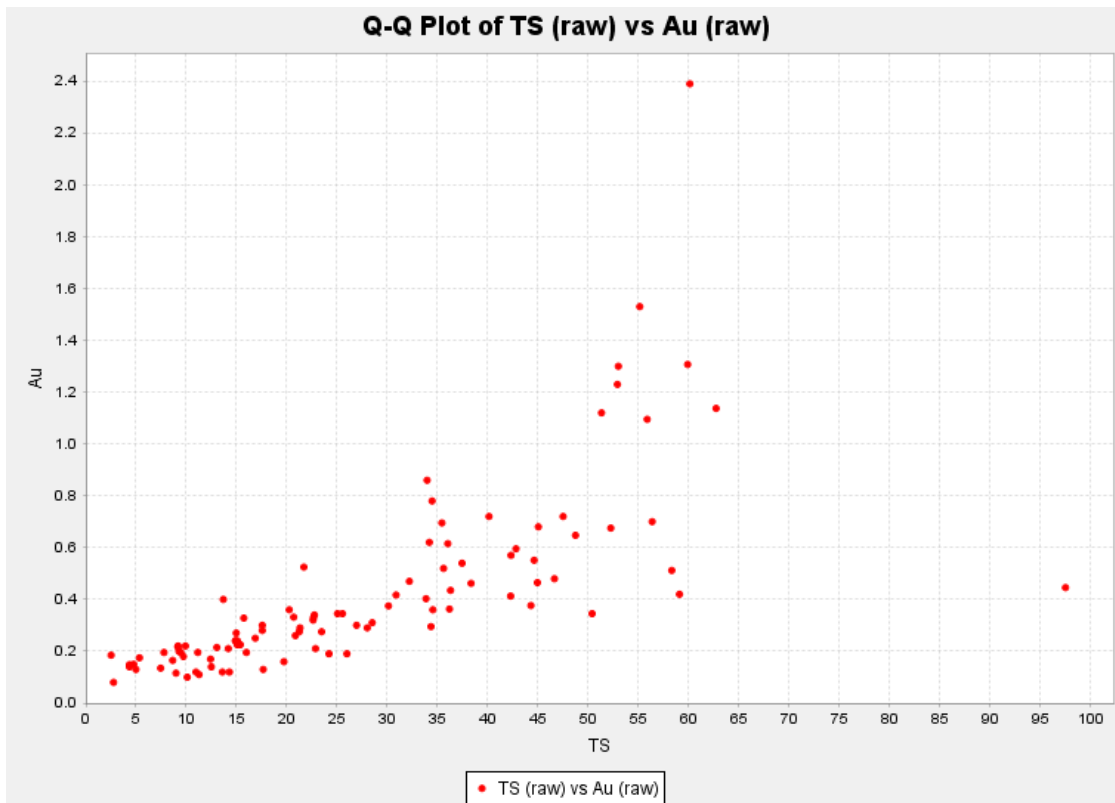


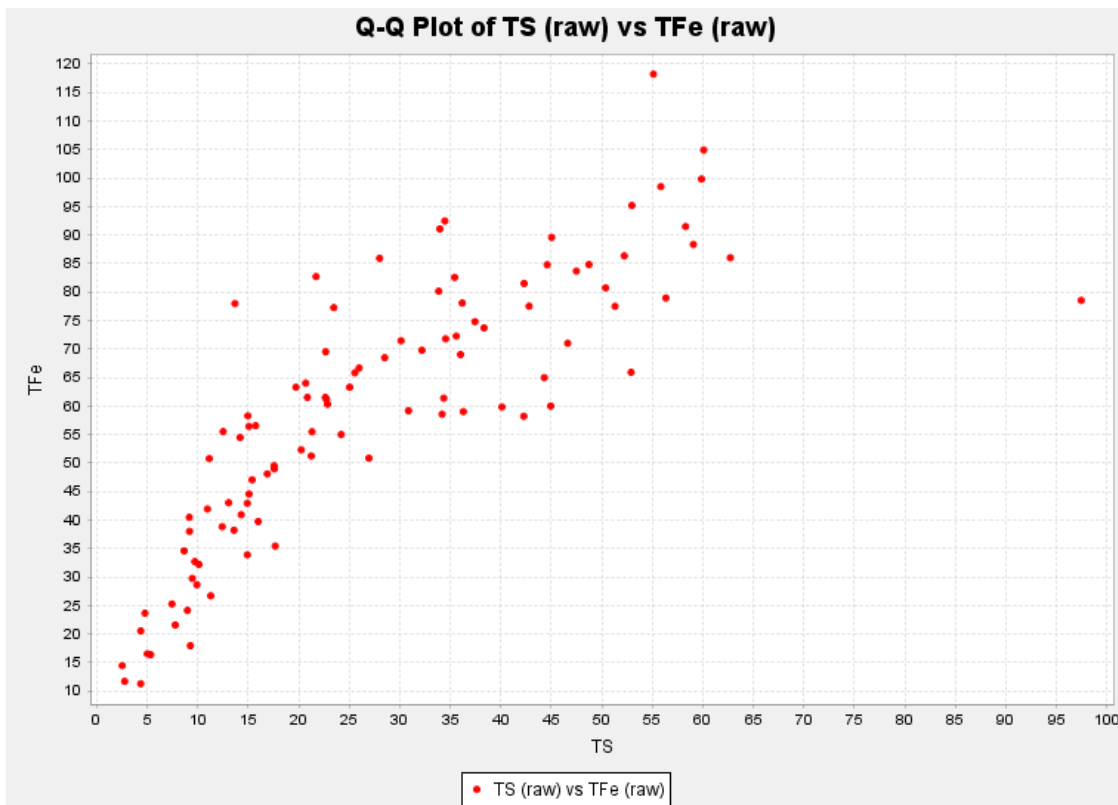
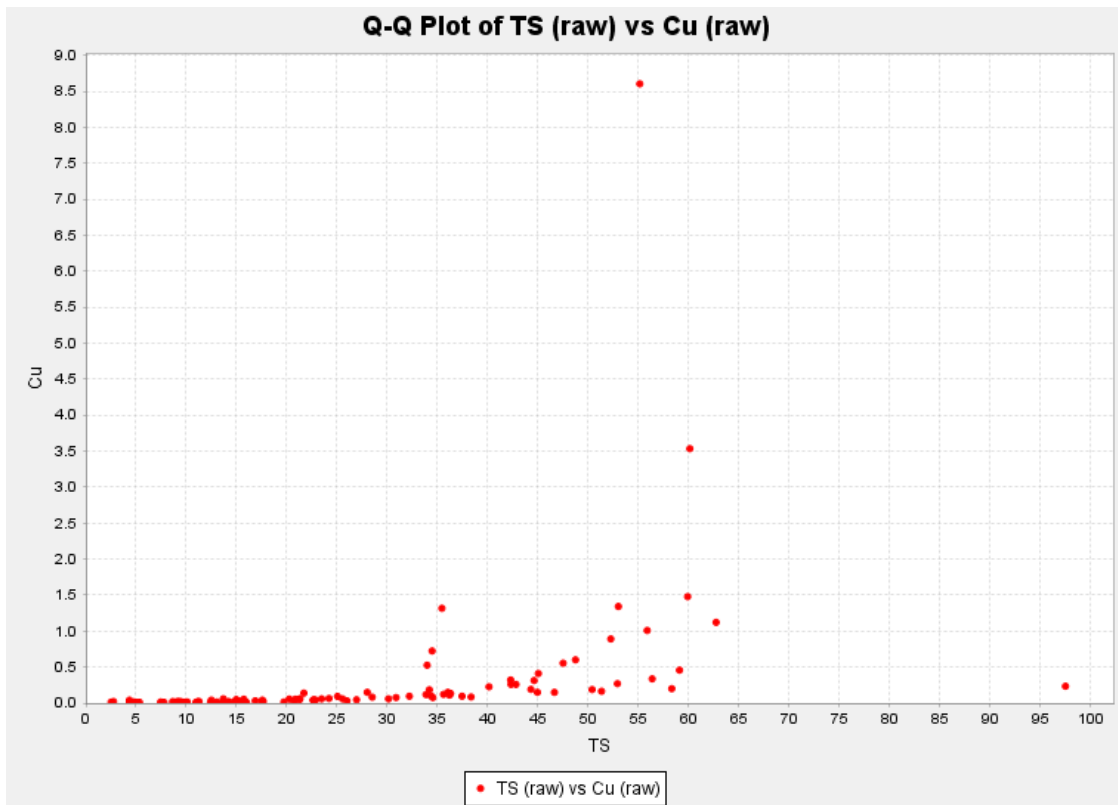


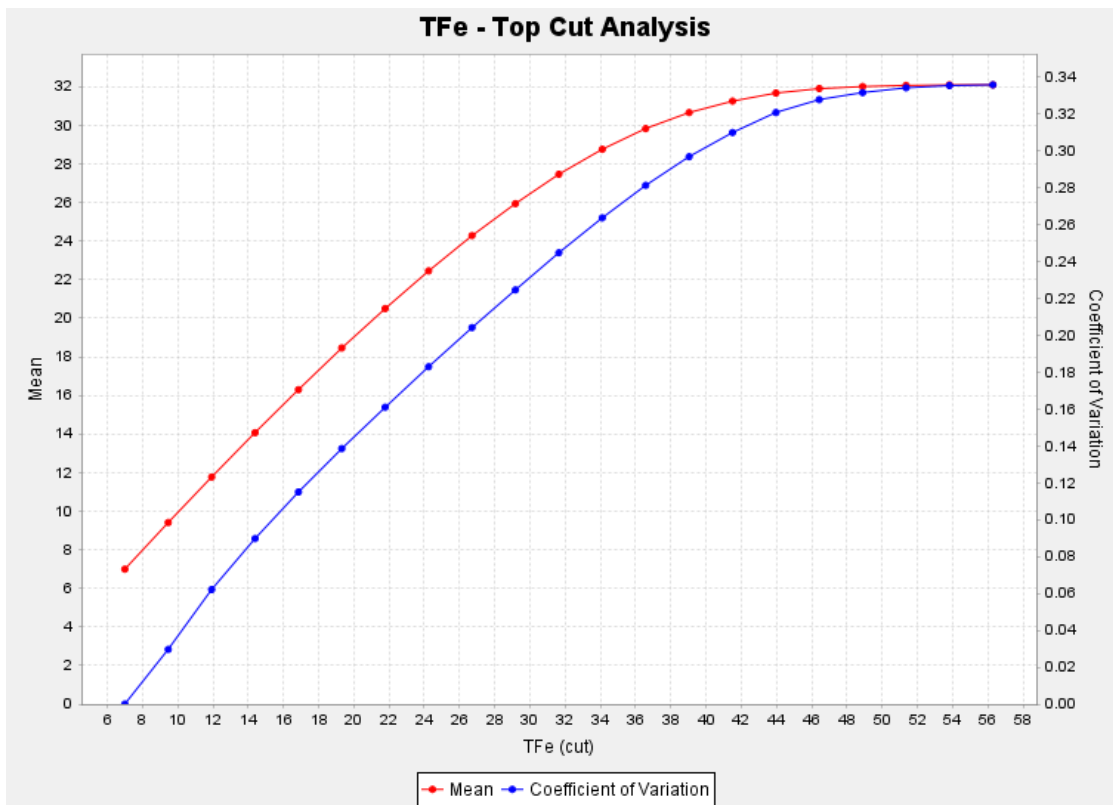
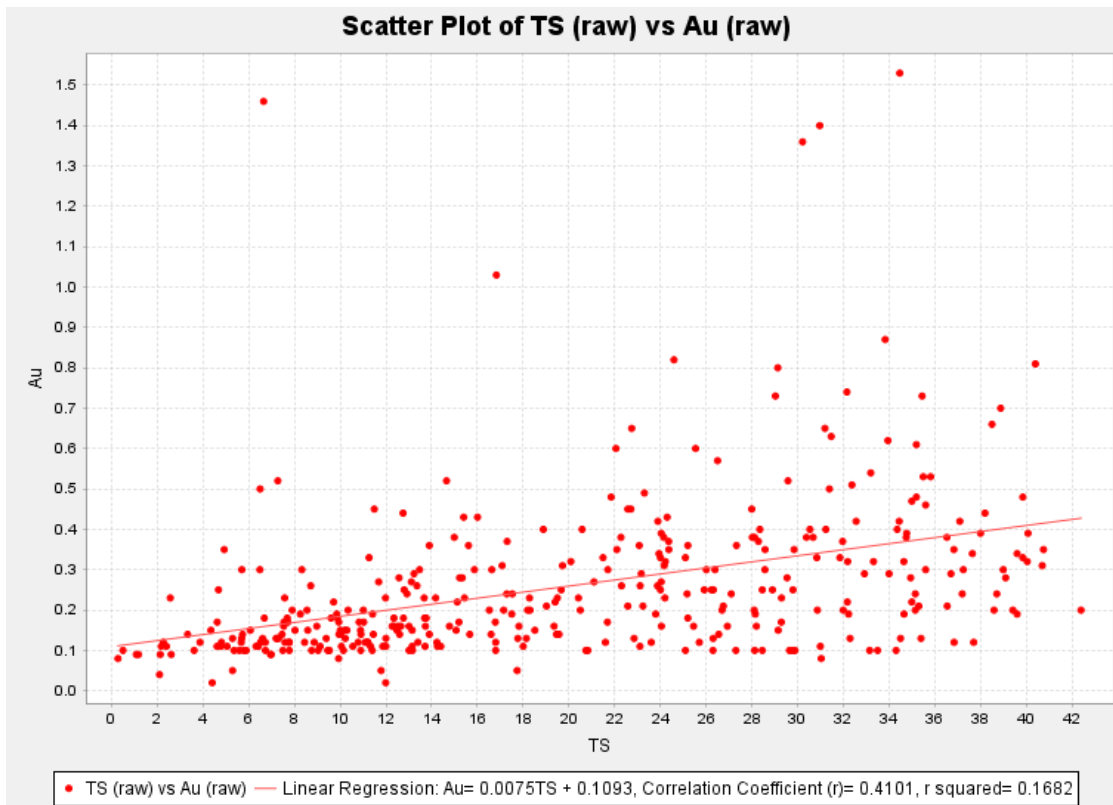


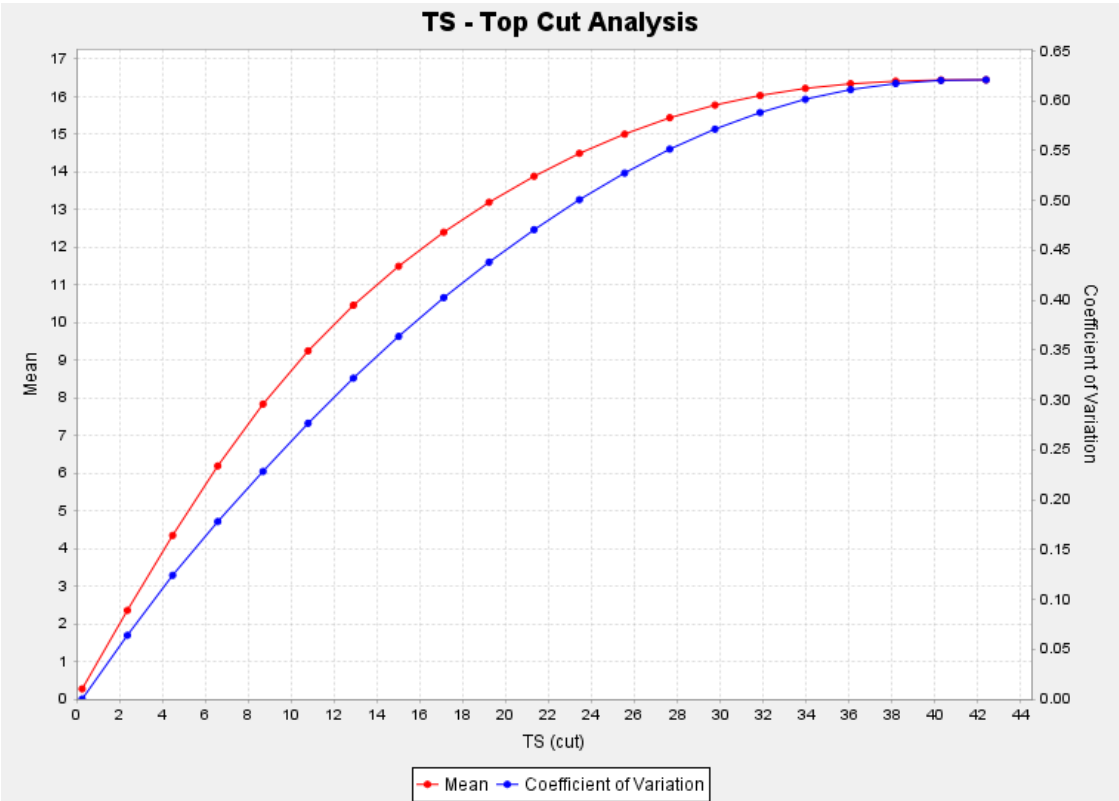












EXECUTIVE SUMMARY

Pizu Group Holdings Limited (Pizu or the Company) has appointed SRK Consulting (Australasia) Pty Ltd (SRK) to prepare a Competent Valuers Report (CVR or Report) on the Huangtun Polymetallic Project located in Anhui Province, China (the Project). SRK understands that this Report is to accompany a Competent Persons Report (CPR) prepared by SRK's Beijing office (SRK China) to support the Company's submission to the Hong Kong Stock Exchange (HKSE) relating to a major transaction.

On 28 June 2019 (after trading hours), Pizu announced that its wholly owned subsidiary company, Pizu (Shenzhen) Mining Company Limited (Pizu Shenzhen) had entered into a Private Placement (by way of an equity capital and cooperation agreement) with Anhui Jinding Mining Co., Ltd (Jinding Mining). Upon completion of the Private Placement, Jinding Mining will become a non-wholly owned subsidiary of Pizu.

Jinding Mining is a limited liability company incorporated under the laws of the Peoples Republic of China (PRC) established on 23 June 2010. It is principally engaged in the mining, processing and sale of pyrite, iron ore and copper. Jinding Mining holds a 100% interest in the Project which comprises a single granted exploration licence and a granted mining licence at a development stage.

Summary of principal objectives

SRK and SKR China have been appointed by Pizu to prepare a CPR and CVR to be included in a submission to the HKSE. To this end, this CVR, is to be read in conjunction with, and not independently of, SRK China's CPR, with both documents to be considered in their entirety.

The objective of this Report, in combination with the CPR, is to provide an independent assessment of the techno-economic assumptions that would likely be considered by market participants in determining the market value of the Project as part of a potential investment or transaction process.

SRK was provided with the Company's financial model (the Model) relating to the Project based on the completion of the Project Feasibility Study (Class 4 estimate, $\pm 20\%$ accuracy).

SRK has completed an assessment of all material information pertaining to the Project and has selected the most appropriate valuation techniques based on the perceived study maturity of the Project and the availability and quality of the supporting information. This Report expresses an opinion regarding the value of the Project as directed in SRK's mandate from Pizu. This Report does not comment on the merits of any transaction between the Pizu and any other parties.

This Report has been prepared in accordance with the Australasian Code for Public Reporting of Technical Assessment and Valuation of Mineral Assets – VALMIN Code (2015), which incorporates the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves – JORC Code (2012).

Outline of work program

SRK's work program included an outline of the valuation methodologies and principal assumptions adopted by SRK in determining the valuation ranges and preferred value, including details of the relevant market factors.

SRK has not carried out any Mineral Resource or Ore Reserve estimation/calculation activities but has relied on estimates prepared by SRK China for the purposes of its Report.

Valuation

SRK has considered methods commonly used to value mineral assets at these stages of development. These methods are outlined in Section 6.2 of this Report. SRK has produced a Market Value as defined by the VALMIN Code (2015).

All monetary figures used in this Report are expressed in either United States Dollar (US\$), Chinese Yuan Renminbi (RMB) or Hong Kong Dollar (HK\$) terms, unless otherwise stated. The final valuation is presented in US\$ and HK\$. This Report has adopted a Valuation Date of 1 July 2020.

SRK considered both income and market approaches to the valuation of the Ore Reserves associated with the Huangtun Project. SRK notes that the value implied by its DCF Analysis is a Technical Value (as defined in the VALMIN Code 2012) and does not necessarily reflect the value at which the Project would transact if it were placed on the market. The DCF method only considers the currently scheduled Ore Reserves and Mineral Resources and does not consider the value associated with residual resources. The values implied by DCF Analysis are supported by market-based approaches, namely Comparable Transaction and Peer Company analysis.

In line with HKSE Chapter 18 requirements, Indicated Resources have been considered as residual Resources under the Comparable Transaction and Peer Company methods. As such the currently stated Inferred Resources offer further upside value potential, if they can be successfully upgraded to higher confidence resource categories.

Silver has not been modelled in the Ore Reserve and Mineral Resource estimates and hence has not been considered as a payable metal for valuation purposes.

In assigning its selected valuation range, SRK has placed equal weight on the values implied by the DCF, Comparable Transactions and Peer Company Analyses to inform its overall valuation range. The preferred value (selected) was based on the average of the derived high and low values of the value range.

Table ES-1 summarises the market value of a 100% equity interest in the Project as at the Valuation Date.

Table ES-1: Valuation summary – 100% basis – as at 1 July 2020

Method	Low <i>(US\$M)</i>	High <i>(US\$M)</i>	Preferred <i>(US\$M)</i>
DCF analysis	110.6	132.6	120.8
Comparative transactions	99.8	131.4	115.5
Peer Multiples	69.1	202.2	135.6
Selected	93.2	166.8	124.0

Note: Any discrepancies between values in the table are due to rounding.

Based on the investigation and analysis contained within this report and on the valuation methods employed, SRK is of the opinion that the preferred Market Value of a 100% interest in the Huangtun Pyrite Mine as at 1 July 2020 is US\$124.0 M, which at an exchange rate of US\$1: HK\$7.75 equates to approximately

HK\$961 M (HONG KONG DOLLARS NINE HUNDRED AND SIXTY-ONE MILLION ONLY).

SRK's valuation is based on information provided by Pizu, SRK China and from public domain information. SRK has endeavoured by making all reasonable enquiries, to confirm the authenticity and completeness of the technical data upon which this report is based. No audit of financial data has been conducted. It is stressed that the values outlined in this report are opinions as to likely value, not absolute values, which can only be tested by going to the market.

TABLE OF CONTENTS

Executive Summary V-1

Disclaimer..... V-12

List of Abbreviations V-13

1 Introduction and Scope of Report V-17

 1.1 Nature of the brief and summary of principal objectives V-18

 1.2 Reporting standard V-19

 1.3 Work program V-20

 1.3.1 Legal matters V-20

 1.4 Key data sources V-20

 1.5 Effective date V-20

 1.6 Project team V-21

 1.7 Limitations, reliance on information, declaration and consent V-24

 1.7.1 Limitations..... V-24

 1.7.2 Statement of independence..... V-25

 1.7.3 Indemnities V-25

 1.7.4 Practitioner Consent..... V-25

 1.7.5 Consent V-26

 1.7.6 Consulting fees V-26

 1.7.7 Remarks..... V-26

2	Overview of the Chinese Mining Industry	V-27
2.1	Chinese macro-economic environment	V-27
2.2	Chinese sulphur industry	V-28
2.3	Chinese gold industry	V-29
2.4	Chinese copper industry	V-31
3	Project Summary	V-31
3.1	Project Location	V-31
3.2	Regional Environment	V-32
3.3	Licences and Approvals	V-33
3.4	Key Project Value Drivers	V-35
4	Other Considerations	V-38
4.1	Commodity overview	V-38
4.1.1	Sulphur	V-38
4.1.2	Gold	V-43
4.1.3	Copper	V-44
4.2	Country risk ratings	V-46
4.3	Previous valuations	V-47
5	Valuation Preface	V-47
5.1	Introduction	V-47
5.2	Valuation approaches	V-48
5.3	Valuation basis	V-50
5.3.1	Preferred approach	V-52
5.3.2	Valuation Date	V-52

5.4	Overarching Valuation Assumptions	V-52
5.5	Income approach – Discounted cashflow	V-53
5.5.1	Basis of the DCF Analysis	V-53
5.5.2	Economic Input Parameters	V-54
5.5.3	Payability	V-56
5.5.4	Working Capital – Debtor and Creditor Days	V-56
5.5.5	Discount Rate	V-56
5.5.6	Taxes	V-57
5.5.7	Saleable Product	V-59
5.5.8	Operating Costs	V-60
5.5.9	Capital Estimates	V-62
5.5.10	DCF Analysis Summary	V-63
5.5.11	Sensitivities	V-64
5.6	Market approach	V-66
5.6.1	Introduction	V-66
5.6.2	Comparable market transactions – Resources	V-67
5.6.3	Comparable market transactions – Reserves	V-70
5.6.4	Peer Multiples – Mineral Resources	V-71
5.6.5	Peer Multiples – Ore Reserves	V-72
5.6.6	Value Analysis	V-73

6	Valuation Summary	V-75
6.1	Valuation risks	V-77
6.1.1	Resources and Reserves	V-77
6.1.2	Mining and processing risk	V-78
6.1.3	Environmental risk	V-78
6.1.4	Land access	V-78
6.1.5	COVID-19	V-78
6.2	Opinion of Value	V-79
7	References	V-80

LIST OF TABLES

Table 1-1:	Team members and allocated scope topics	V-21
Table 2-1:	Top Chinese/Hong Kong Gold Producers	V-30
Table 2-2:	Top Chinese/Hong Kong Copper Producers	V-31
Table 3-1:	Huangtun Project – Mining Licence details.	V-33
Table 3-2:	Huangtun Project – Exploration Licence details.	V-34
Table 3-3:	Other Related Licences	V-34
Table 4-1:	Global sulphur production.	V-39
Table 4-2:	Risk rating for comparison purposes	V-46
Table 5-1:	VALMIN valuation approaches according to development status	V-49
Table 5-2:	Valuation basis	V-51
Table 5-3:	Consensus market forecasts of long-term prices, real terms.	V-55
Table 5-4:	Macro-economic forecasts and commodity prices	V-55
Table 5-5:	Expected commodity concentrate valuation coefficients	V-56
Table 5-6:	Calculation of the WACC	V-57
Table 5-7:	Saleable product revenue.	V-59
Table 5-8:	Operating costs	V-61
Table 5-9:	Valuation summary	V-63

Table 5-10: Crystal Ball simulation statistics	V-66
Table 5-11: Resource based multiple transaction analysis	V-69
Table 5-12: Comparable Transactions considered by SRK for resource multiples	V-70
Table 5-13: Comparable Transactions considered by SRK for reserve multiples	V-70
Table 5-14: Reserve based multiple transaction analysis	V-71
Table 5-15: Peer Multiple Resource analysis	V-71
Table 5-16: Peer Multiples considered by SRK for reserve multiples.	V-72
Table 5-17: Reserve based multiple peer analysis.	V-73
Table 6-1: Valuation summary – 100% basis – as at 1 July 2020	V-75
Table 6-2: General guide regarding confidence for target and Resource/Reserve estimates	V-76

LIST OF FIGURES

Figure 2-1:	China's Unroasted Pyrite Export tonnages	V-29
Figure 3-1:	Project Location map	V-32
Figure 4-1:	Global sulphur market.	V-38
Figure 4-2:	Global sulphur price	V-40
Figure 4-3:	Sulphur prices for China and the Middle East	V-41
Figure 4-4:	Chinese sulphur pricing in 2020	V-42
Figure 4-5:	Three-year gold price history	V-44
Figure 4-6:	LME copper price over the past 3 years	V-46
Figure 5-1:	Annual Concentrate Production.	V-59
Figure 5-2:	Percentage split of revenue.	V-60
Figure 5-3:	Percentage split of operating costs	V-62
Figure 5-4:	NPV versus Real Discount Rate	V-63
Figure 5-5:	NPV sensitivities to change in assumptions.	V-64
Figure 5-6:	Crystal Ball sensitivity analysis.	V-65
Figure 5-7:	Resource based multiples –normalised MTR multiple vs implied AuEq grade (with total contained mineral value as bubble size)	V-68
Figure 5-8:	Resource based multiples –normalised MTR multiple vs implied AuEq grade (with total contained mineral value as bubble size)	V-68
Figure 6-1:	Uncertainty by advancing exploration stage	V-77

LIST OF APPENDICES

Appendix A:	Comparative Transaction	V-83
Appendix B:	Peer Analysis	V-86
Appendix C:	Discount Rate Determination	V-94

DISCLAIMER

The opinions expressed in this Report have been based on the information supplied to SRK Consulting (Australasia) Pty Ltd (SRK) by Pizu Group Holdings Limited (Pizu). The opinions in this Report are provided in response to a specific request from Pizu to do so. SRK has exercised all due care in reviewing the supplied information and the publicly available market information. While SRK has compared key supplied data with expected values, the accuracy of the results and conclusions from the review are entirely reliant on the accuracy and completeness of the supplied data and the market information. SRK does not accept responsibility for any errors or omissions in the supplied information and does not accept any consequential liability arising from commercial decisions or actions resulting from them. Opinions presented in this Report apply to the site conditions and features as they existed at the time of SRK's investigations, and those reasonably foreseeable. These opinions do not necessarily apply to conditions and features that may arise after the date of this Report, about which SRK had no prior knowledge nor had the opportunity to evaluate.

LIST OF ABBREVIATIONS

Abbreviation/Acronym	Meaning
%	Percentage
Ag	Silver
AIG	Australian Institute of Geoscientists
Au	Gold
AusIMM	Australasian Institute of Mining and Metallurgy
B	Billion
Bt	Billion tonnes
BFS	Bankable Feasibility Study
CAPEX	Capital expenditure or capital expense
China	Peoples Republic of China
CIF	Carriage Insurance and Freight
CMF	Commodity market forecast
CNY	Chinese Renminbi or Yuan
Company	Pizu Group Holdings Limited
CPI	Consumer price inflation
CPR	Competent Persons Report
CVR	Competent Valuers Report
Cu	Copper
DCF	discounted cashflow
EBITDA	Earnings before income tax, depreciation and amortisation
EIA	Environmental Impact Assessment

Abbreviation/Acronym	Meaning
ETF	Exchange Traded Funds
EV	Enterprise Value
Fe	Iron
FS	Feasibility Study
g/t	Grams per tonne
HKSE	Hong Kong Stock Exchange
IER	Independent Expert Report
IVSC	International Valuation Standards Council
JORC Code	The Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves (2012 Edition)
kg	Kilograms
km	Kilometres
km ²	Square kilometres
kt	Kilotonnes
ktpa	Kilotonnes per annum
LOM	Life of Mine
LTP	Long Term Price
M	Million
m	Metres
Mineral Resources	Mineral Resources – as defined by the JORC Code (2012)
Mo	Molybdenum
Mt	Million tonnes

Abbreviation/Acronym	Meaning
Mtpa	Million tonnes per annum
MTR	Metal Transaction Ratio
NPV	Net Present Value
OPEX	Operating expenses
Pb	Lead
PFS	Pre-Feasibility Study
Pizu	Pizu Group Holdings Limited
Pizu Shenzhen	Pizu (Shenzhen) Mining Company Limited
PRC	Peoples Republic of China
PP	Price participation
RC	Refining Charges
Report	Competent Valuers Report
RICS	Royal Institution of Chartered Surveyors
ROM	Run of Mine
S&P	S&P Global Market Intelligence (formerly SNL)
SRK	SRK Consulting (Australasia) Pty Ltd
SRK China	SRK Consulting (China) Pty Ltd
t	Tonnes
TBA	To be advised
TC	Treatment Charges
tFe	Total iron content
the Project	Huangtun Pyrite Polymetallic Project in Anhui Province, China

Abbreviation/Acronym	Meaning
tpa	Tonnes per annum
UoM	Unit of Measure
USc	United States cents
USD or US\$	United States dollars
USGS	United States Geological Survey
VALMIN Code	The Australasian Code for the Public Reporting of the Technical Assessments and Valuations of Mineral Assets (2015 Edition)
YoY	Year On Year
Zn	Zinc

1 INTRODUCTION AND SCOPE OF REPORT

Pizu Group Holdings Limited (Pizu or the Company) has appointed SRK Consulting (Australasia) Pty Ltd (SRK) to prepare a Competent Valuers Report (CVR or Report) on the Huangtun Polymetallic Project located in Anhui Province, China (the Project). SRK understands that this Report is to accompany a Competent Persons Report (CPR) being prepared by SRK's Beijing office (SRK China) to support the Company's submission to the Hong Kong Stock Exchange (HKSE) relating to a major transaction.

This Report should be read in conjunction with, and not independently of, SRK China's CPR.

On 28 June 2019 (after trading hours), Pizu announced that its wholly owned subsidiary company, Pizu (Shenzhen) Mining Company Limited (Pizu Shenzhen) had entered into a Private Placement (by way of an equity capital and cooperation agreement) with Anhui Jinding Mining Co., Ltd (Jinding Mining). Upon completion of the Private Placement, Jinding Mining will become a non-wholly owned subsidiary of Pizu.

Jinding Mining is a limited liability company incorporated under the laws of the Peoples Republic of China (PRC) established on 23 June 2010. It is principally engaged in the mining, processing and sale of pyrite, iron ore and copper. Jinding Mining holds a 100% interest in the Project, which comprises a single granted exploration permit (pending renewal) and a granted mining permit at a development stage.

As defined in the VALMIN Code (2015), mineral assets comprise all property including (but not limited to) tangible property, intellectual property, mining and exploration tenure and other rights held or acquired in relation to the exploration, development of and production from those tenures. This may include plant, equipment and infrastructure owned or acquired for the development, extraction and processing of minerals relating to that tenure.

For this valuation, the Project and associated tenure were classified in accordance with the categories outlined in the VALMIN Code (2015):

- **Early Stage Exploration Projects** – Tenure holdings where mineralisation may or may not have been identified, but where Mineral Resources have not been identified.
- **Advanced Exploration Projects** – Tenure holdings where considerable exploration has been undertaken and specific targets have been identified that warrant further detailed evaluation, usually by drill testing, trenching or some other form of detailed geological sampling. A Mineral Resource estimate may or may not have been made, but sufficient work will have been undertaken on at least one prospect to provide both a good understanding of the type of mineralisation present and encouragement that further work will elevate one or more of the prospects to the Mineral Resources category.

- **Pre-Development Projects** – Tenure holdings where Mineral Resources have been identified and their extent estimated (possibly incompletely), but where a decision to proceed with development has not been made. Properties at the early assessment stage, properties for which a decision has been made not to proceed with development, properties on care and maintenance and properties held on retention titles are included in this category if Mineral Resources have been identified, even if no further work is being undertaken.
- **Development Projects** – Tenure holdings for which a decision has been made to proceed with construction or production or both, but which are not yet commissioned or operating at design levels. The economic viability of Development Projects will be proven by at least a Pre-Feasibility Study (PFS).
- **Production Projects** – Tenure holdings – particularly mines, wellfields and processing plants that have been commissioned and are in production.

SRK has classified the Huangtun Pyrite Polymetallic Project as a Development Project in accordance with the definitions outlined in the VALMIN Code (2015).

1.1 Nature of the brief and summary of principal objectives

SRK has been requested by Pizu to prepare a CPR and an associated CVR to be included in a submission to the HKSE. To this end, this CVR, is to be read in conjunction with, and not independently of, SRK China's CPR, with both documents to be considered in their entirety.

The objective of this Report, in combination with the CPR, is to provide an independent assessment of the techno-economic assumptions that would likely be considered by market participants in determining the market value of the Project as part of a potential investment or transaction process.

SRK was provided with the Project's financial model (Model). The Model was built by SRK China based on parameters and assumptions presented in the preliminary design with SRK's own modifications. SRK has completed an assessment of the material techno-financial inputs pertaining to the Project as stated in May 2020.

Key areas assessed by SRK include:

- Mineral Resources and Ore Reserves incorporated into the Model (excluding estimation or calculations)
- Reasonableness of any timing assumptions incorporated in the Model
- Ore Reserve schedule (including poly-metallic grades and mining recovery grades)

- Processing throughput (including process recovery rates, poly-metallic concentrate grades, excluding metal yields)
- Operating costs (including production and labour costs)
- Capital expenditure
- Any other relevant technical assumptions not specified above.

SRK has selected the most appropriate valuation technique for the Project, based on its perceived maturity and the available information. This Report expresses an opinion regarding the value of the Project as directed in SRK's mandate from Pizu Mining. This Report does not comment on the merits of any transaction between the owners of these mineral interests and any other parties.

1.2 Reporting standard

For the avoidance of doubt, this report has been prepared according to the:

- 2015 edition of the Australasian Code for the Public Reporting of Technical Assessments and Valuations of Mineral Assets (VALMIN Code)
- 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code).

This Report has been prepared by SRK as a Technical Assessment and Valuation Report under the VALMIN Code, and is designed to meet the requirements as set out in the HKSE's Chapter 18.

Two of the authors of this Report, Jeames McKibben and Shaun Barry, are Registered Valuers and Chartered Valuation Surveyors with the Royal Institution of Chartered Surveyors (RICS). As a result, this Report may be subject to monitoring by RICS under its Conduct and Disciplinary Regulations. This Report does not comply with the RICS 2017 Valuation Standards, otherwise known as the 'Red Book', as SRK is required to provide a valuation range that reflects the highest and lowest likely Market Values of the Project, in accordance with its mandate.

For the purposes of the Report, value is defined as 'market value', being "*the amount of money (or the cash equivalent or some other consideration) for which a mineral asset should change hands on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after appropriate marketing, wherein the parties each acted knowledgeably, prudently and without compulsion*".

1.3 Work program

This assignment commenced in September 2019 with a review of information supplied by Pizu, as well as other publicly available data and information sourced by SRK, including subscription databases such as S&P Global Market Intelligence database services. Company information was uploaded to an online data room and SRK consultants worked through the datasets and the Model and completed research on comparable market transactions to assist with the valuation. The assignment was placed on hold in late September 2019, while the Company completed additional drilling designed to upgrade the stated Mineral Resources. The assignment was re-initiated in mid-April 2020, following the completion of SRK China's update of the initial CPR.

A team from SRK China including Pengfei Xiao completed a site visit to the Huangtun Pyrite Polymetallic Project during the period 8 to 10 July 2019 for the purposes of both the CPR and CVR.

1.3.1 Legal matters

SRK has not been engaged to comment on any legal matters.

SRK notes that it is not qualified to make legal representations as to the ownership and legal standing of the tenements that are the subject of this valuation. SRK has not attempted to confirm the legal status of the tenements with respect to joint venture agreements, local heritage or potential environmental or land access restrictions.

SRK has been provided with legal documentation obtained by Pizu from Jingtian & Gongcheng, an independent legal firm. The document, titled Anhui Jingting Mining Co., Ltd. Legal Due diligence report (First Draft), <安徽省金鼎礦業股份有限公司法律盡職調查報告(初稿)> dated 20 June 2019, comments on Jinding Mining's legal rights to the Huangtun Pyrite Polymetallic Project, which are the subject of this Report.

SRK's understanding of the current tenure situation is set out in SRK China's and Chapter 3.3 of this report.

1.4 Key data sources

Data and information relating to the Project as used by SRK during the preparation of this Report are referenced throughout the Report.

1.5 Effective date

The Date of this Report is 13 May 2020, and the Valuation Date is 1 July 2020.

1.6 Project team

This Report has been prepared by a team of consultants from SRK's offices in Australia and China. SRK's Project Manager for this Project was Jeames McKibben, a Principal Consultant (Project Evaluation) with over 25 years' experience.

Table 1-1: Team members and allocated scope topics

Consultant Name/Position	Role
Pengfei Xiao Principal Consultant (Geology)	Project management and site visit
Jeames McKibben Principal Consultant (Project Evaluation)	Project management, report compilation
Shaun Barry Principal Consultant (Project Evaluation)	Project valuation – Discounted cash flow analysis
Pascale Petit Associate Principal Consultant (Project Evaluation)	Project valuation – initial Discounted cash flow analysis
Mathew Davies Senior Consultant (Geology)	Project valuation – comparable transaction/peer analysis
Karen Lloyd Associate Principal Consultant (Project Evaluation)	Peer review

Details of the qualifications and experience of the consultants who have carried out the work in this Report, who have extensive experience in the mining industry and are members in good standing of appropriate professional institutions, are set out below.

Pengfei Xiao, MSc, BSc, MSEG, SEG, MAusIMM – Principal Consultant

Pengfei Xiao specialises in mineral exploration applying comprehensive geological and geophysical methods; and his expertise also includes resource modelling and estimation. He is familiar with both theory and practice in sampling, sample preparation and chemical analysis. As a consulting geoscientist, he has been active in over 60 projects including due diligence reviews, exploration design, data verification and resource estimation in China, Mongolia, Africa, America, Southeast and Central Asia. His experience relates precious metal (Au, Ag, PGE), base metal (Cu, Ni, Pb, Zn) and other metal deposits (Fe, Mn, V, Mo, Co), and also includes a few non-metal projects (phosphorite, potash, gypsum). In the past five years he has been working in geology and resource assessment with SRK, and co-authored a dozen of technical reports aiding clients in successful property transactions; and more than half of them are published in stock exchanges.

Shaun Barry, MSc, BSc (Hons), Dip Inv Mgt, MAusIMM(CP), MRICS – Principal Consultant

Shaun has a commercial and geological background with more than 28 years of experience in mining, exploration and quarry valuations, mineral economics, minerals marketing and geology. In corporate advisory and business development, Shaun has provided independent expert reviews, valuations, due diligence and optimisation mine studies while working for InSitu Advisory, SLR Consulting, Xstract Mining Consultants and Anglo Coal. In his role of marketing Shaun contracted sales of alumina, bauxite, copper, cobalt, chrome ore and other commodities working for Rio Tinto and Anglo Platinum.

He also negotiated logistic solutions for platinum group metals and calcined bauxite. Shaun has also worked as a Mining Equity Analyst on the Johannesburg Securities Exchange, Mineral Economist and Mine Geologist in South Africa.

Jeames McKibben, BSc Hons, MBA, MRICS, FAusIMM(CP), MAIG – Principal Consultant

Jeames McKibben is an experienced international mining professional having operated in a variety of roles including consultant, project manager, geologist and analyst over more than 25 years. He has a strong record in mineral asset valuation, project due diligence, independent technical review and deposit evaluation. As a consultant, he specialises in mineral asset valuations and Independent Technical Reports for equity transactions and in support of project finance. Jeames has been responsible for multi-disciplinary teams covering precious metals, base metals, bulk commodities (ferrous and energy) and other minerals in Australia, Asia, Africa, North and South America and Europe. He has assisted numerous mineral companies, financial, accounting and legal institutions and has been actively involved in arbitration and litigation proceedings. Jeames is a current member of the VALMIN Code and IMVAL Committees.

Karen Lloyd, BSc (Hons), MBA, FAusIMM – Associate Principal Consultant

Karen Lloyd has more than 20 years' international resource industry experience gained with some of the major mining consulting and investment houses globally. She specialises in independent reporting, mineral asset valuation, project due diligence and corporate advisory services. Karen has worked in funds management and analysis for debt, mezzanine and equity financing and provides consulting and advisory in support of project finance. She has been responsible for multidisciplinary teams covering precious metals, base metals, industrial minerals and bulk commodities in Australia, Asia, Africa, the Americas and Europe. Karen is a Fellow of the Australasian Institute of Mining and Metallurgy (FAusIMM) and has the appropriate relevant qualifications, experience, competence and independence to be considered a 'Specialist' and 'Competent Person' under the VALMIN (2015) and JORC (2012) Codes, respectively.

Mathew Davies, BSc Hons (Exploration & Resource Geology), MAusIMM – Senior Consultant

Mathew Davies is a geologist with over nine years' experience in the Australian mining industry. Mathew's multi-commodity experience includes coal and mineral exploration, with technical competency in exploration management and planning; drill rig supervision; core logging and sampling; regional- to prospect-scale geological mapping; target generation; prospectivity analysis; legislative compliance; and reporting. Mathew is also competent in the development of geological models using Leapfrog and Minex, supported by a high level of competence in spatial packages such as ArcGIS and MapInfo. Mathew has been developing his skills in project valuation and has experience in valuation for a broad range of commodities and geological settings, including coal, iron ore, copper, gold, lead, zinc, silver, tin, nickel, molybdenum, phosphate, potash, uranium, mineral sands, niobium, tantalum and graphite.

Pascale Petit, MSc (Eng), MEng(MRM), Pr Eng, C Eng FIE Aust, CP Eng, – Associate Consultant

Pascale has 19 years' consulting and professional experience in Australia and South Africa. Her background is in mechanical engineering and engineering management. She has also been involved for the last 9 years in techno-economic modelling, analysis and valuation of complex mining, processing and energy projects.

Pascale has operated across several commodities and multiple assets worth USD2 billion (Real terms). She has advised small companies, listed corporations across multiple organisational levels, management and engineering consulting firms and government entities. She has a broad-based understanding and execution of various levels of studies for engineering, estimating and valuations, trade-off analysis and optimisation. Pascale has generated solutions in mining and processing infrastructure and services across 45 commodities and in 32 countries. Her work has included renewable and new energy roadmaps, carbon mitigation analysis, scenario development in mines and energy, and energy management advantages across value chains. She is published and has delivered corporate training courses internationally in project finance in mining and energy.

Pascale is passionate about 3 E's, Engineering, Economics and the Environment. She integrates environmental economics into the mine value chain and mineral economics.

1.7 Limitations, reliance on information, declaration and consent

1.7.1 Limitations

SRK's opinion contained herein is based on technical and financial information provided to SRK by Pizu throughout the course of SRK's assessments as described in this Report, which in turn reflects various technical and economic conditions at the time of writing. Subsequent events have not been considered and we are not required to update our report for such events and conditions. Such technical information as provided by Pizu was taken in good faith by SRK.

This Report includes technical information, which requires subsequent calculations to derive subtotals, totals, averages and weighted averages. Such calculations may involve a degree of rounding. Where such rounding occurs, SRK does not consider it to be material.

SRK has relied to a considerable extent on information provided by Pizu in arriving at our opinion of value. SRK is not in the position to verify the accuracy of all information provided. As far as SRK has been able to ascertain, the information provided by Pizu was complete and not incorrect, misleading or irrelevant in any material aspect. To the best of our knowledge, all data set forth in this report are reasonable and accurately determined. The data, opinions, or estimates identified as being furnished by others that have been used in formulating this analysis are gathered from reliable sources; yet, no guarantee is made nor liability assumed for their accuracy. No responsibilities for the operation and financial information that have not been provided to us are accepted.

Pizu has confirmed in writing to SRK that full disclosure has been made of all material information and that to the best of its knowledge and understanding, the information provided by Pizu was complete, accurate and true and not incorrect, misleading or irrelevant in any material aspect. SRK has no reason to believe that any material facts have been withheld.

In particular, SRK note that our Report was based on information contained in SRK China's Technical Report and other background information provided to us.

Our conclusion of the market value is derived from generally accepted valuation approaches and practices that rely substantially on the use of various assumptions and consideration of many uncertainties, not all of which can be easily quantified or ascertained.

1.7.2 Statement of independence

Neither SRK, nor any of its personnel involved in the preparation of this Report have:

- any material present or contingent interest in Pizu or any of the properties or mineral assets described herein; or
- any association with Pizu, or related parties, which may lead to bias.

SRK warrants that its team of consultants is competent to undertake the Report as requested by Pizu, and to the best of SRK's knowledge and belief, having made reasonable enquiries, SRK has no conflicts, real or perceived, capable of preventing SRK from performing the requested services.

SRK has no beneficial interest in the outcome of this technical assessment capable of affecting its independence.

1.7.3 Indemnities

As recommended by the VALMIN Code (2015), Pizu has provided SRK with an indemnity under which SRK is to be compensated for any liability and/or any additional work or expenditure resulting from any additional work required:

- which results from SRK's reliance on information provided by Pizu or this party not providing material information; or
- which relates to any consequential extension workload through queries, questions or public hearings arising from this Report.

1.7.4 Practitioner Consent

The information in this report that relates to the Valuation of Jinding Mining's Huangtun Pyrite Mine is based on, and fairly reflects information compiled and conclusions derived by Mr Jeames McKibben and Mr Shaun Barry. Mr McKibben is a Competent Person and Fellow of the AusIMM, a Member of the AIG and a Registered Valuer and Chartered Valuation Surveyor with the RICS. Mr Barry is a Member of the AusIMM and a Registered Valuer and Chartered Valuation Surveyor with the RICS.

Both Mr McKibben and Mr Barry are independent consultants employed by SRK, an independent mining consultancy.

Mr McKibben and Mr Barry have sufficient experience that is relevant to the Technical Assessment and Valuation of the Mineral Assets under consideration, the style of mineralisation and the types of deposit under consideration and to the activity being undertaken to qualify as Practitioners as defined in the 2015 edition of the “Australasian Code for the Public Reporting of Technical Assessments and Valuations of Mineral Assets”, and as Competent Persons as defined in the 2012 Edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves”.

Mr McKibben and Mr Barry consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.

1.7.5 Consent

SRK consents to this Report being included, in full, in Pizu’s HKSE submission in the form and context in which the technical assessment is provided. SRK provides this consent on the basis that the technical assessment expressed in the Executive Summary and in the individual sections of this Report is considered with, and not independently of, the information set out in the complete report. SRK does not consent to this Report being used for any other purpose.

1.7.6 Consulting fees

SRK was remunerated with a time-based fee for the preparation of this Report, with no part of the fee contingent on the conclusions reached, or the content or future use of this Report. Except for these fees, SRK has not received and will not receive any pecuniary or other benefit whether direct or indirect for or in connection with the preparation of this Report.

SRK’s estimated fee for completing this Report is based on its normal professional daily rates plus reimbursement of incidental expenses. The fees are agreed based on the complexity of the assignment, SRK’s knowledge of the assets and availability of data. The fee payable to SRK for this engagement is estimated at approximately A\$18,000.

1.7.7 Remarks

All monetary figures used in this Report are expressed in either United States Dollar (US\$), Chinese Yuan Renminbi (RMB) or Hong Kong Dollar (HK\$) terms, unless otherwise stated. The final valuation is presented in US\$ and HK\$. This Report has adopted a Valuation Date of 1 July 2020.

2 OVERVIEW OF THE CHINESE MINING INDUSTRY

The following section is largely derived from public data sources as referenced.

2.1 Chinese macro-economic environment

In the late 1970s, China transitioned from a closed, centrally planned system to a more market-oriented economy. As a result of these reforms, the Chinese Gross Domestic Product (GDP) growth has subsequently averaged almost 10 percent a year, and as a result more than 850 million people have been lifted out of poverty.

Today, China is an upper-middle-income country and the world's second largest economy. However, its per capita income is still only about a quarter of that of high-income countries, and about 373 million Chinese are living below the upper-middle-income poverty line of US\$5.50 per day. Income inequality has improved over the last decade but remains relatively high.

China's high GDP growth has been based on resource-intensive manufacturing, exports, and comparatively low-paid labour. This has led to economic, social, and environmental imbalances. Over the past few years, growth has moderated in the face of structural constraints, including declining labour force growth, diminishing returns to investment, and slowing productivity.

According to the International Monetary Fund (IMF), China's economic growth was estimated at 6.15% for 2019. According to the economic data for 2019, the inflation rate (CPI – consumer price index, annual variation) is approximately 2.9% and the Chinese domestic bank interest rates for loans generally varied from 4% to 5%. The annual interest rate for long-term loans from domestic banks is about 4.9%. The interest rates for savings (1 to 3 years basis) vary from 1% to 3%. The IMF's findings suggested that the pace of debt accumulation had slowed. Simultaneously, the financial system is better regulated and supervised, and the current account surplus is no longer excessive.

Given its size, China is central to important regional and global development issues. China is the largest emitter of greenhouse gases, and its air and water pollution impacts other countries. Maintaining economic growth at reasonable levels has important implications for the growth of the rest of the world economy.

Recent developments have significantly impacted the outlook for the Chinese economy. China was the first country to experience the full force of the novel corona virus (COVID-19), with confirmed active cases at over 60,000 by mid-February 2020. Although the extent and speed of the virus's spread paralysed Chinese society, the nationwide shutdown led to the epidemic's slowdown in mid-February. By 19 March 2020, the number of new domestically driven cases fell to zero. All other new cases were reportedly recent returnees who found it safer to be in China than elsewhere.

The resulting economic damage to China has been severe, and its prospects for recovery, even with massive financial support, remain uncertain. Sustainably restoring China's productive capacity in the near term requires an unlikely revival of US demand. China's economic indicators for January and February were much weaker than market watchers had forecast. Year over year, retail sales fell by 20.5 percent and industrial production by 13.5 percent which are China's worst numbers on record.

The prolonged containment effort has left hundreds of millions of migrant workers unable to return to work, and factories are now struggling to get back to full capacity given the shortages of labour and essential parts. Analysts have downgraded their outlook for the Chinese economy and consider a historic contraction in the first quarter nearly guaranteed. Even with a major fiscal stimulus and interest rate cuts, estimates for 2020 growth vary from 1 percent to 4 percent against the original target of 6 percent.

While China's economy is slowly restarting, major European and US economies are in turmoil. China will likely struggle to find sufficient customers across the Western nations, and emerging markets elsewhere are not large enough to compensate. Affected sectors include automobiles, as major Western companies have closed down production, and communications equipment, as supply chains have been disrupted.

The COVID-19 outbreak will also likely force a re-examination of the logic underpinning the US administration's extensive use of tariffs to pressure China on trade and investment reforms. The phase one trade deal concluded in January is now inoperative, since there is no possibility that China can meet its agreement to purchase vast quantities of American goods this year. More importantly, the US strategy to pair tariffs with trade restrictions is incompatible with new priorities, such as ensuring producers have access to necessary parts. The revival of world trade and well-functioning supply networks is essential to resuscitating growth in both China and the West.

2.2 Chinese sulphur industry

China is the world's largest producer and consumer of pyrite and sulphur. Estimated production were approximately 17,400 Mt in 2019 (USGS, 2020). Sulphur products are widely used in Chinese industries such as: producing rubber, paper, textiles, food and matches. During the processing of pyrite to make sulfuric acid, tailings and slags are produced. These tailings and slags can be used for iron and steel smelting, and slags with high sulphur content and low iron content can be used in cement manufacturing.

For comparison, in other countries, sulphur either originates from natural sources, or is a by-product from refinery and metallurgical processes. Outside China, other major consumers of sulphur are Finland, Russia, Germany, Canada, and Brazil.

China's sulphuric acid production has historically been dominated by pyrite, which is determined by the characteristics of China's raw sulphur resources and the end product. More than 75% of China's sulphuric acid is used to produce fertilisers.

In the recent decade, the structure of China's sulfuric acid industry has gradually changed. Increasing high-quality (imported) sulphur is replacing domestic pyrite for acid manufacturing; however, pyrite remains an important source.

Producing pyrite mines occur in several places in China, including Hebei, Guangdong, Sichuan, Anhui, Liaoning, Shandong and Shanxi Jiangxi.

According to China's Ministry of Agriculture, 35% of China's sulphuric acid is produced from pyrite, and the demands on China's sulphuric acid production in 2020 were estimated to require about 19.5 Mt of pyrite.

China's average monthly production of unroasted iron pyrite export data was 1,375.500 t for the period January 2002 to February 2020. Production reached an all-time high of 45,088.000 t in July 2003 and a record low of 80.000 t in February 2009.

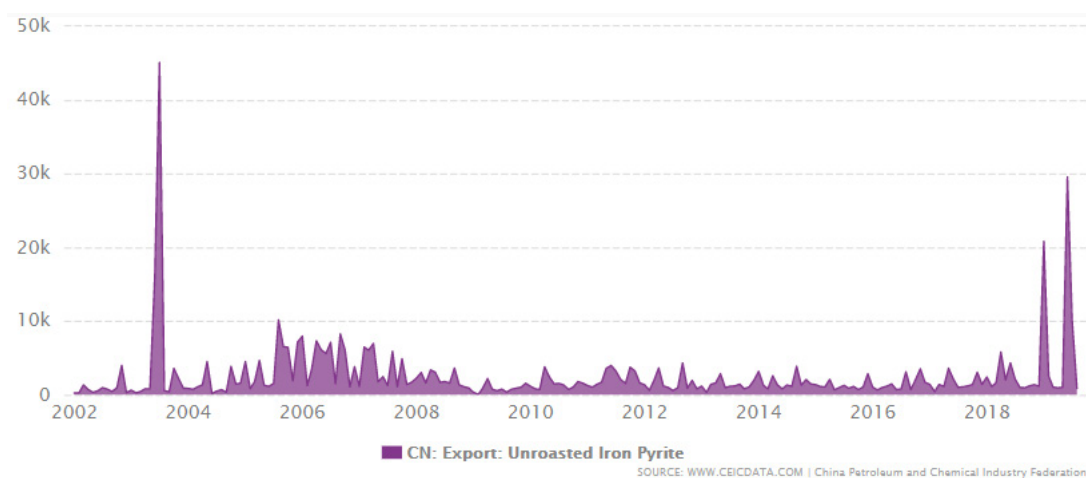


Figure 2-1: China's Unroasted Pyrite Export tonnages

Source: China Petroleum and Chemical Industry Federation

2.3 Chinese gold industry

China is the world's largest gold producer in terms of total gold production and produced 420 t of gold in 2019, increasing by 4.7 percent from 2018, (USGS, 2020).

China has surpassed the United States and South Africa as the largest primary gold producer since 2007. Chinese primary gold production has recently declined to 420 tonnes in 2019 after peaking at 453 tonnes in 2016.

In 2019, S&P Global Market Intelligence reported that the top six primary gold (from gold ore) producing provinces in China were Shandong, Henan, Fujian, Shaanxi Inner Mongolia Autonomous region and Hunan Province.

The top gold producers listed in China and/or Hong Kong are outlined in Table 2-1 below;

Table 2-1: Top Chinese/Hong Kong Gold Producers

Company	Stock Code	Output (Moz)		Attributable Reserves + Resources (Moz)
		2018	2019	
Zhongjin Gold Corp Ltd	SH600489	0.78	NA	12.31
Zijin Mining Group Company Ltd	SH601899	1.17	1.31	62.85
Shandong Gold Mining Co., Ltd	SH600547	1.27	1.29	38.61
Zhaojin Mining Industry Company Limited	HK1818	0.67	0.64	29.95
Lingbao Gold Company	HK3330	0.06	0.07	5.86

Source: S&P Global Market Intelligence

Zhongjin Gold Corporation, a subsidiary of China National Gold Group Co., Ltd (formerly China National Gold Corporation), is the largest gold producer in China and is listed on the Shanghai Stock Exchange. According to Zhongjin's annual report for 2018, it produced 783,192 oz and sold 1.99 Moz of gold in 2018. Furthermore, it had gold resources of 12.31 Moz of contained gold at the end of 2019.

As well as being a major producer, China is also one of the largest gold consuming countries. A total of 1,151 tonnes of gold was consumed in Chinese market in 2018 (the most recent information available), increasing by 5.7 percent from 2017. Approximately 736.29 tonnes of gold were bought as jewellery, accounting for ~63% percent of the total consumer demand.

Chinese gold demand has remained relatively steady due to:

- the relative stability of the local currency and hence the local gold price;
- The resilience of the Chinese economy; and
- The absence of large stocks of gold holding among consumers due to earlier market regulations restricting private gold ownership.

2.4 Chinese copper industry

According to the National Bureau of Statistics of China, Chinese copper reserves are estimated to be approximately 26 Mt of contained copper in 2019. Chinese copper reserves are mainly found in east, southwest and northern China.

China is the world's fifth largest copper ore producing country. However, China still imports large quantities of copper concentrate. Chinese copper concentrate imports accounted for 65.7% of the total consumption in 2019.

According to the USGS (2020), Chinese copper production increased from 1,590 Mt in 2018 to 1,600 Mt in 2019.

The top copper producers listed in China and/or Hong Kong are outlined in Table 2-2 below;

Table 2-2: Top Chinese/Hong Kong Copper Producers

Company	Stock Code	Output (kt) 2018	Attributable Reserves + Resources (Mt)
Jiangxi Copper Corp Ltd	SH600362	200	14.04
Zijin Mining Group Company Ltd	SH601899	255	55.17
Western Mining Co. Ltd	SH601168	47	4.07
China Nonferrous Metal Mining Corp Ltd	SEHK1258	319	5.12

Source: S&P Global Market Intelligence

3 PROJECT SUMMARY

3.1 Project Location

The Project is located in Lujiang County, Anhui Province, China. It is situated some 30 km southeast to the regional town of Lujiang, 35 km northwest of Tongling and approximately 80 km south-southeast of Hefei, the Provincial capital. The central geographic coordinates of the Project are:

- Longitude – 117°30' East
- Latitude – 31°07' North.

The location of the Project is shown in Figure 3-1.

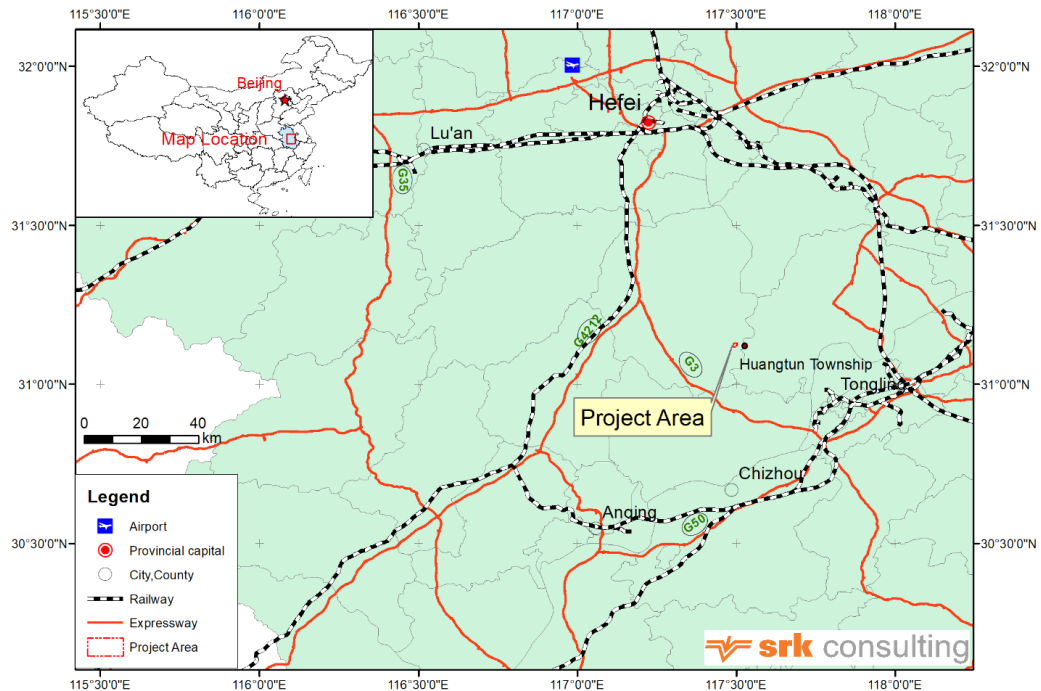


Figure 3-1: Project Location map

Source: SRK China

3.2 Regional Environment

The Project lies to the north of the Yangtze River on an alluvial plain northeast of the Zhongshan mountainous region. The surface elevation of the licence area ranges from 8 m to 10 m above sea level (m ASL). The mining area is drained by the New Huangtun River. The surrounding land use comprises mainly farmland and forest.

The region experiences a subtropical monsoon climate characterised by temperate and humid weather over four distinct seasons, being mostly wet in spring and summer a dry autumn and moderate winter. The average temperature of the region is 16.4°C with a minimum average temperature of 3.4°C in January and a maximum average temperature of 28.8°C in July. Precipitation mainly occurs from May to August with an annual precipitation of approximately 1,216.2 mm. Evaporation is around 1,497.5 mm. Exploration and mining activities are able to be conducted largely uninterrupted year-round.

The Project lies immediately adjacent to and west of the Yueshan Mine. The surrounding area has a long history of mining and smelting dating back to 3,000 BC, and was an important source of raw materials for Chinese metallurgists to produce sophisticated bronze tools, weapons and armour. Since that time, the polymetallic mines of the area have become increasingly important to the Chinese economy.

The local economy is principally based on copper smelting and refining along with the manufacturing of industrial chemicals, electronics, construction materials, textiles and machinery. The area has high quality infrastructure including good rail, road and port facilities and hosts several significant mines currently being exploited for copper, gold, pyrite and limestone.

The nearby urban centre of Tongling currently ranks as one of the largest copper producing areas in China with in excess of 130,000 tonnes of Grade A electrolytic copper produced per annum. Manufactured copper products from Tongling include enamelled wire, electrolytic copper screen, multi-layer copper plate and printed circuit board. Tongling is also a significant producer of sulphuric acid and fertilizer.

3.3 Licences and Approvals

SRK notes that it is not qualified to make legal representations as to the ownership and legal standing of the tenements that are the subject of this valuation. SRK has not attempted to confirm the legal status of the tenements with respect to joint venture agreements, local heritage or potential environmental or land access restrictions.

The Mining Licence area is 1.304 km² and is held by Anhui Jinding Mining Company Limited (Jinding Mining). In addition, Jinding Mining holds an exploration licence covering the majority of the mining licence area, which expires on 19 January 2022. SRK China has advised SRK that it has sighted documents supporting the exploration licence. SRK has been advised by SRK China that the area of the exploration licence encompasses the entirety of the Mineral Resource area.

The licences held for the Project are summarised in the Tables below and in Chapter 3.1 and Appendix 1 of SRK's CPR report:

Table 3-1: Huangtun Project – Mining Licence details.

Licence Details

Name of Certificate	P.R. China Mining Licence
Certificate number	C3400002013086210131038
Mine Right Holder	Anhui Jinding Mining Company Limited
Location	Huangtun town, Lujiang County, Anhui
Name of Minefield	Huangtun Pyrite Mine
Company category	Private Limited
Mining Method	Underground
Production Scale	1.00 Mtpa
Minefield Acreage	1.304 km ²
Excavation Depth	–460 m to 13 m ASL, with 8 inflection points
Validity	27 years, 5 months from 10 March 2016 to 19 August 2043
Issue Date	10 March 2016
Issuer	Anhui Province Department of Land and Resources

Source: SRK China viewed the original document and provided comment in the CPR.

Table 3-2: Huangtun Project – Exploration Licence details.**Licence Details**

Number	T34120180102054565
Exploration Right	General Exploration Licence
Address	Huangtun town, Lujiang County, Anhui
Project Name	Huangtun Au-Cu Polymetallic Prospecting
Geographical location	around 31°07'48",117°29'28"
Sheet Designation	H50E006014, HS0E006015
Map Number	NA
Exploration Area	1.25 km ²
Validity	19 January 2022
Exploration Institute	No. 237 Geological Brigade of Bureau of Geology and Mineral Exploration of Anhui Province
Institute Address	No. 115, Changjiang East Road, Yaohai District, Hefei City, Anhui Province
Issue Date	19 January 2020
Issuer	Anhui Province Department of Land and Resources

Source: SRK China viewed the original document and provided comment in the CPR.

Table 3-3: Other Related Licences

Title	Number	From	To
Business Licence	91340124557812583D	23 Jun 2010	22 Jun 2082
Land Use Permit	(2016) 11047	10 Mar 2016	13 Dec 2065
Forest Land Use	(2014) 269	4 Nov 2014	

Source: SRK China viewed the original document and provided comment in the CPR.

As noted in SRK's CPR, SRK China has sighted nine land compensation agreements covering the construction of the industrial site, tailings storage facility, tailings transportation pipelines, etc as well as nine forest cut permits.

No Gold Mining Approval document, Safety Production Permits (including but not limited to Underground mining), Water Use Permit and Site Discharge Permit have been sighted by SRK China or SRK. Pizu has advised SRK that the Project is still under construction and the Safety Production Permit and Site Discharge Permit is not required at this stage. SRK recommends the Company acquire the necessary licences and permits to advance the project towards formal production to meet the requirements of the relevant environmental protection regulations.

3.4 Key Project Value Drivers

The principal components of the Project that provide the basis for SRK's valuation analysis are as follows:

- The Project hosts two known mineralised areas designated as West Zone and East Zone which are separated by the F1 Fault. The Western Zone mineralisation is chalcopyrite dominated with likely production of gold-copper concentrates whilst the East Zone is pyrite dominated with production of iron and pyrite concentrates.
- Known mineralisation occurs along the contact between a trachyandesitic porphyry intrusive body and pyroclastic country rocks. The highest-grade copper-gold mineralisation occurs along the contact zone. The main ore mineral is pyrite, but other economically important minerals include hematite, magnetite, chalcopyrite, galena and sphalerite.
- As set out in SRK China's CPR and also below, Probable Ore Reserves of 5.22 Mt at 18.79% S, 0.07% Cu, 13.59% Fe and 0.13 g/t Au in the East Zone and 8.50 Mt at 0.27% Cu, 0.82 g/t Au and 6.70% Sulphur in the West Zone.

Ore Reserves with the Huangtun West Zone as at 31 December 2019

Category	Tonnage (Mt)	Cu (%)	Au (g/t)	TS (%)
Probable	8.5	0.27	0.82	6.70

Ore Reserves with the Huangtun East Zone as at 31 December 2019

Category	Tonnage (Mt)	TS (%)	Cu (%)	Au (g/t)	TFe (%)
Probable	5.2	18.8	0.10	0.13	13.6

- As set out in SRK China's CPR and also below, Indicated and Inferred Mineral Resources of 13.2 Mt at an average grade of 0.89 g/t Au and 0.29% Cu for 11.8 t (378 koz) of gold and 37.5 kt of copper within the West Zone and 42.4 Mt averaging 0.08 g/t Au, 0.06% Cu, 15.7% S and 8.98% Fe for 3.1 t (101.5 koz) of gold, 24.7 kt of copper, 3,807 kt of iron and 6,656 kt of sulphur in the East Zone.

Mineral Resources with the Huangtun West Zone as at 31 December 2019

Category	Tonnage (Mt)	Au (g/t)	Au (t)	Cu (%)	Cu (kt)
Indicated	9.2	0.87	7.9	0.29	26.6
Inferred	4.0	0.95	3.8	0.27	11.0
TOTAL	13.2	0.89	11.8	0.29	37.5

Cut-off grade: 0.3% EqCu

Mineral Resources with the Huangtun East Zone as at 31 December 2019

Category	Tonnage (Mt)	Au (g/t)	Au (t)	Cu (%)	Cu (t)	TFe (%)	TFe (kt)	TS (%)	TS (kt)
Indicated	25.7	0.08	2.0	0.06	15,206	10.12	2,600	16.48	4,236
Inferred	16.7	0.07	1.1	0.06	9,509	7.23	1,207	14.50	2,420
TOTAL	42.4	0.08	3.1	0.06	24,715	8.98	3,807	15.7	6,656

Cut-off grade: 12% total sulphur (TS)

- At the Effective Date of this Report, the Project is under construction with proposed underground development for four levels in place including three shafts, the up-cast and level ways at -240 m above sea level (m ASL), -290 m ASL and -340 m ASL. Stope developments are in place on the -290 and -240 levels and sublevel drifts on the -276 level. Curtain grouting for ground water management is in place and comprises a 1,052.9 m central curtain, 969.1 m southern curtain and 700.1 m western curtain. The underground mine targets a mine life in excess of 30 years, albeit that it is currently only approved to 2043.
- Production mining is planned to commence in 2021 at an overall production rate of 1 Mtpa in line with the current approvals.
- The Company intends to develop the Project in two stages using overhand post pillar, overhand cut and fill and overhand drift and fill mining methods. Stage 1 involves the extraction of ore from above the -290 m ASL, while Stage 2 targets ores between the -290 m ASL and -540 m ASL levels. Further approvals will be required in order to develop the deeper Stage 2 zones, given the current mining licence limits mining to a depth of only -460 m ASL.
- Geotechnical conditions at the Project are classified as being moderate to complex, while the hydrological regime is complex.

- To date, studies have been reportedly completed to a Feasibility Study and Preliminary Design level, however based on its assessment, SRK considers the level of study to be more accurately presented at a Pre-Feasibility Study level given the estimated accuracy regarding some of the modifying factors and costings. Studies were carried out in April 2019 to optimise the resources/reserves, processing route and the resultant production schedule.
- The Company's production schedule provides approximately 14 Mt of material (Ore Reserves and Indicated Resource) to be mined at a designated mining rate of 1.0 Mtpa ore. In 2019, the Company carried out a production expansion study to increase mining to 1.5 Mtpa, however this remains to be approved and implemented.
- The processing plant remains to be constructed and is designed to produce 1 Mtpa of copper concentrate, pyrite (sulphur) concentrate and iron concentrate using conventional processing technologies.
- Based on the currently proposed processing route, sulphur, iron, copper, gold and silver are able to be recovered from both the eastern (pyrite) ores and western (chalcopyrite) ores. Gold and silver are enriched within the copper concentrate. While gold has been considered as a payable metal, silver has not been reported within the defined resource and reserves and hence has not been assessed for valuation purposes.
- Operating costs over the life of the Project are estimated by SRK China to be RMB137.80/t Run of Mine material (ROM).
- Capital costs are largely sunk and include land acquisition, exploration, landholder compensation, shaft engineering, curtain grouting, underground development, ground engineering (i.e. roads, stockpile areas, electrical transmission, accommodation and meal facilities, tailings and rehabilitation infrastructure) and design costs.
- There are no significant buildings, roads or places of interest in the mine area. Mine infrastructure in place includes the three shafts and underground workings, roadways, explosives magazine, tailings storage facility (in part), process water ponds, electrical substation and transformers, compressed air station, dormitory and canteen facilities.
- Environmental impact assessments (EIA) and Water and Soil Conservation (WSCP) reports and approvals are in place, but the Project remains to be awarded Final Check and Acceptance approval whilst the Project remains in construction. Based on its review, SRK China noted a number of environmental activities remained outstanding including: (i) a comprehensive groundwater and surface water monitoring program, (ii) geochemical characterisation of the waste rock and acid mine drainage studies, (iii) operational noise monitoring, (iv) operational closure planning, (v) an operational Environmental Protection and Management Plan. Overall, SRK China has categorised the environmental risks and moderate/tolerable (i.e. requiring risk management measures) and as being generally manageable.

4 OTHER CONSIDERATIONS

4.1 Commodity overview

4.1.1 Sulphur

Consumption

Regulations implemented in southeast Asia, including the levy of duties and granting subsidies are tightly controlled. This is one of the reasons a domestic supply-demand market for fertiliser-based ingredients is favoured in China. In addition, the inclusion of sulphur in cement polymer concrete is expected to gain prominence in the future.

China is the leading sulphur importer, representing about 35% of the global imports, the bulk of volume is used to manufacture sulphuric acid (Figure 4-1).

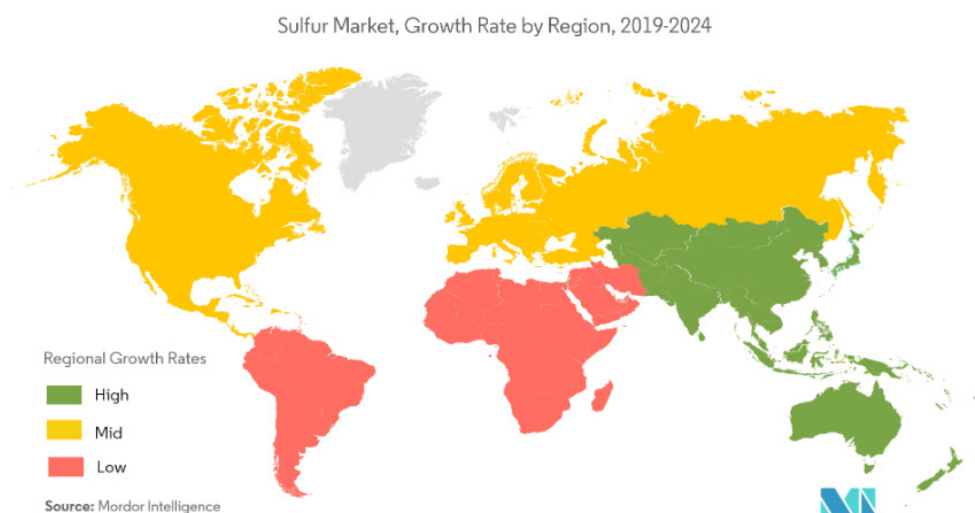


Figure 4-1: Global sulphur market

Source: Mordor Intelligence. *SULPHUR MARKET – GROWTH, TRENDS, AND FORECAST (2019 – 2024)*

Production

The global sulphur production remained on the same level in 2019, as compared to 2018 and 2017, as shown in Table 4-1. The interest in sulphur and sulphuric acids has increased based on the demand for fertilisers. This will result in a greater demand for sulphur and sulphur-based products.

Independent Commodity Intelligence Services (ICIS) suggest that the sulphur supply/demand scenario is expected to change from 2019, with new projects starting

up and a change in requirement from the phosphates market, which will affect the sulphur market.

China is the second-largest world producer of sulphur, with 57% being sourced from the extraction of pyrite. The rise in energy production from the oil and gas sector in China has enhanced the domestic sulphur recovery. Favourable policies towards fertilisers with the increasing energy production are likely to boost China as a leading market for sulphur.

According to the USGS, the largest increases in sulphur production during the next five years are expected to take place in India, Kuwait, and Saudi Arabia. New sulphur demand associated with phosphate fertiliser projects is expected from Brazil, China, Egypt, India, and Turkey (Table 4-1).

Table 4-1: Global sulphur production

Country	Production		
	2017	2018	2019 (estimated)
United States	9,640	9,680	8,800
Australia		900	900
Brazil	530	500	500
Canada	5,460	5,320	5,300
Chile	1,800	1,500	1,500
China	17,400	17,400	17,400
Finland	940	940	940
Germany	888	868	870
India	3,430	3,430	3,400
Iran	2,200	2,200	2,200
Italy	511	550	550
Japan	3,490	3,400	3,400
Korea, Republic of	3,080	3,080	3,100
Kuwait	850	850	900
Netherlands	520	520	520
Poland	1,240	1,230	1,230
Qatar	2,100	2,000	2,100
Russia	7,080	7,080	7,100
Saudi Arabia	6,000	6,500	6,600
United Arab Emirates	3,300	3,300	3,400
Venezuela	700	700	700
Other countries	3,460	3,500	3,900
World total (rounded)	80,200	79,400	79,000

Source: USGS Sulphur

Historical Pricing

After a period of volatility between 2014 and 2016, the sulphur price rose substantially from the US\$70/tonne range to reach values between US\$150/t and US\$200/t in Quarter 4 2017 and Quarter 1 2018, as shown in Figure 4-2. The prices remained stable for 1.5 years from Q1 2016.

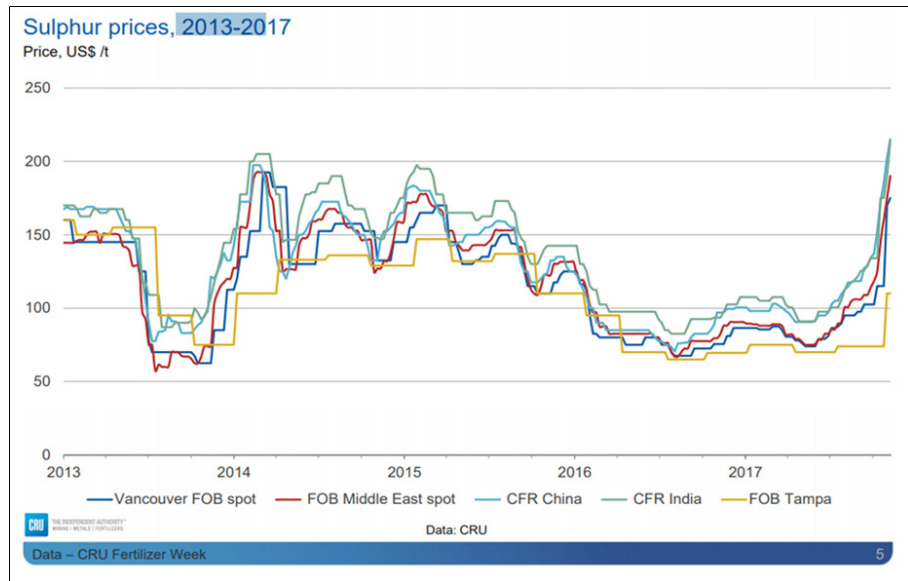


Figure 4-2: Global sulphur price

Source: CRU Fertiliser Week

The Chinese sulphur market price tends to follow the Middle Eastern sulphur market price as shown in Figure 4-3. The forecast is for sulphur pricing to decrease on the back of long-term contract negotiations, which will result in a lower benchmark price in the short-term.

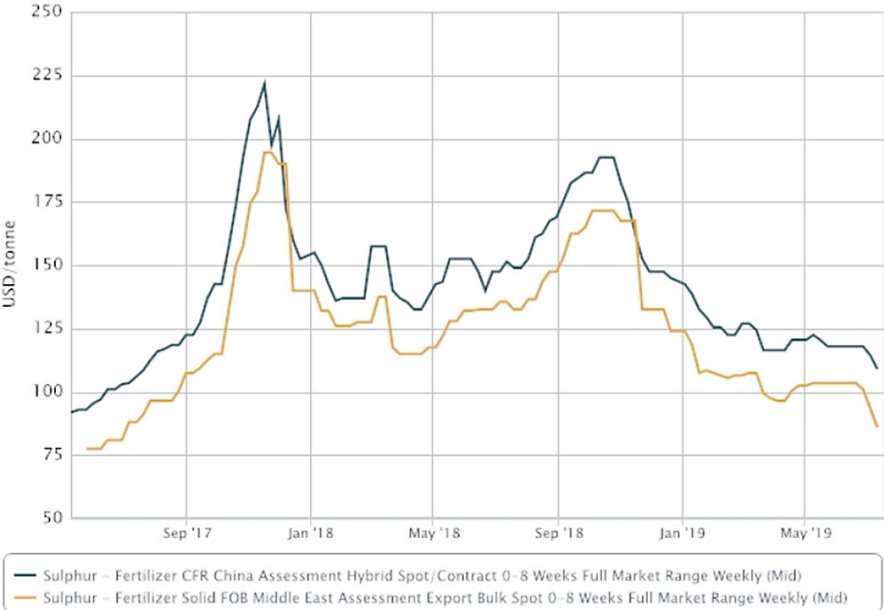


Figure 4-3: Sulphur prices for China and the Middle East

Source: ICIS (global-sulphur-prices-weaken-further-on-high-stocks-weak-demand)

Market research on sulphur products in the region by China Gold Corporation in 2018 found the standard price of sulphur in the Hefei and Tongling regions (taking 35% S as standard concentrate product) were stable at around RMB450/t (as of January 2018), and forecast stable to rising prices for the next two years. This is broadly in line with more recent market pricing as indicated by SunSirs Commodity Data Group of between RMB470/t and RMB650/t over early 2020 (Figure 4-4).

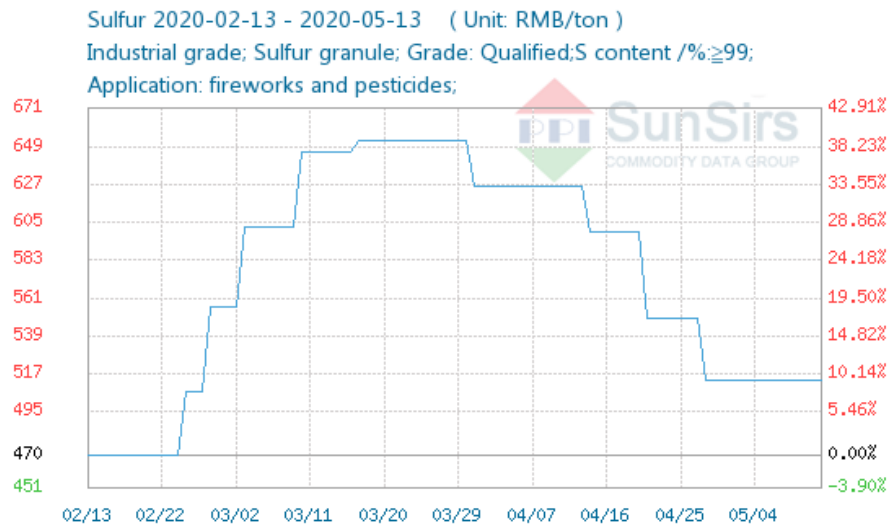


Figure 4-4: Chinese sulphur pricing in 2020

Source: SunSirs Commodity Data Group, 2020

4.1.2 Gold

According to the Australian Office of the Chief Economist (2020), the gold price is expected to reach a 7-year high in 2020, due to uncertainties over the COVID-19 outbreak and its impact on the global economy, particularly China, before declining slowly to 2025 in response to a global rebound.

Consumption

World gold consumption declined by 1.0 percent in 2019 as higher gold prices reduced the demand for gold jewellery. In China, the trade tensions with the US, slowing economic growth and higher gold prices all contributed to weaker consumer sentiment and reduced demand for jewellery. Central banks and other government institutions continued to purchase gold in 2019. Economic uncertainty, and a desire to diversify out of the US dollar appear to have been the main driving factors for continued strong central bank purchases. Gold used in industrial fabrication fell slightly over 2019 as US-China trade tensions impacted on the sale of consumer electronics. Higher gold prices also impacted on the demand for gold in the dental sector as consumers substituted ceramics for gold.

Global gold consumption is forecast to fall by 2.3 percent in 2020 as higher gold prices and the outbreak of the COVID-19 epidemic weigh on jewellery sales. This will be offset by increased central bank gold buying. After 2020, world gold consumption is projected to rise at an annual rates of 5.0 percent over the 5-year outlook, driven by lower gold prices and stronger economic growth. Demand from China is expected to increase, as price-sensitive Chinese consumers react to price falls. Economic growth, ongoing urbanisation and rising incomes are all expected to contribute to higher jewellery sales in India.

Production

World gold supply grew by 2.2 percent in 2019 propelled by an 11 percent rise in gold scrap. Higher prices encouraged consumers to sell gold to recyclers. China was the main driver of growth, as low cost and convenient online gold recycling platforms booted gold buy backs.

World gold mine production fell by 1.3 percent in 2019 with production in China falling by 5.9 percent due to stricter environmental regulation. This was offset by increased production from Australia and Canada on the back of new mine production.

The world gold supply is forecasted to reach a peak in 2021 and then decline moderately in 2025. Global mine production is forecasted to increase by 2.0 percent in 2020 and 1.9 percent in 2021. In China, the COVID-19 outbreak and stricter environmental regulations are expected to reduce Chinese gold mine production by 2.9 percent in 2020. After 2020, China's gold mine production is forecasted to rebound modestly and then stand at around 2019 levels.

After 2021, world gold supply is projected to fall at an average annual rate of 1.1 percent, due to lower scrap supply. An expected downward movement in gold prices is likely to discourage gold selling.

World mine production is expected to grow until 2022 and then decline between 2023 and 2025 at an annual rate of 0.5 percent as ore grades decline.

Historical Pricing

Figure 4-5 presents the London Bullion Market Association (LBMA) gold price over the past 3 years.



Figure 4-5: Three-year gold price history

Source: S&P Global Market Intelligence

The standard gold price in China is the price of Au9999 released by the Shanghai Gold Exchange. The market currently trades in units of one kilogram and three kilograms for gold with purities of 99.99% and 99.95%, respectively. Prices are quoted in RMB per gram. Initially, the Shanghai Gold Exchange began trading for individuals and as a result, Chinese individual investors were able to participate in physical gold investment through the financial members of the Shanghai Gold Exchange and other membership clients approved by the People's Bank of China.

4.1.3 Copper

According to the Australian Office of the Chief Economist (2020), copper prices are expected to increase over the next five years as consumption outpaces production.

Consumption

World GDP growth and subsequently copper consumption were weighed down by trade tensions and slowing activity in 2019. The stagnant consumption was expected to continue into 2020 as the impacts of COVID-19 filter through the global economy. World consumption is forecast to increase by 2.2 percent in 2020. This projection is heavily dependent upon China, which consumes half of the world's copper. Declining macroeconomic indicators in late 2019 and early 2020 point to a weakening in Chinese consumption in the wake of COVID-19 impacts. These factors are likely to see China's copper consumption growth to remain stagnant over 2020, although stimulus spending may offset some of this.

In the medium term, copper consumption is likely to be bolstered by an ongoing transition towards carbon-efficient power generation and transportation. The level of adoption and subsequent consumption trajectories for these markets is difficult to determine with high precision, as the uptake is dependent upon rapidly changing cost profiles and government policies. World copper consumption is projected to grow at an average of 2.3 percent over the next 5-years.

Production

World copper production contracted slightly in 2019, after healthy growth in 2018. In 2020, production is expected to grow again, supported by ongoing ramp up of production in Peru. World mine production is currently being impacted by numerous production challenges include rising electricity costs, civil unrest and changes to tax regimes which is impacting profitability in the current low-price environment. Nonetheless, mine production is projected to expand by an average 2.5 percent over the next five years, albeit with significant downside risk.

Production from China, which accounts for approximately 40 percent of global refined production, is expected to remain constrained over 2020 as COVID-19 impacts operating capacity. Supply chain interruptions including concentrate availability and the sale of sulphuric acid by-products, pose a threat to production rates and led to a downward revision of expected output in the near term.

Over the medium term, new capacity is expected to come online in China, Peru, Russia and Indonesia.

Historical Pricing

Figure 4-6 presents the London Metals Exchange (LME) copper price over the past 3 years.



Figure 4-6: LME copper price over the past 3 years

Source: S&P Global Market Intelligence

4.2 Country risk ratings

According to Control Risks ratings (accessed via S&P Global Market Intelligence), the risk ratings for various countries are provided in Table 4-2 for cross referencing mineral assets used in SRK's Comparative Transactions and Peer Analysis.

The table also includes the credit rating used by sovereign wealth funds, pension funds and other investors to gauge the credit worthiness of China, and the country's borrowing costs. It includes the government debt credit rating for China as reported by major credit rating agencies.

Table 4-2: Risk rating for comparison purposes

Agency	Rating	Date	Outlook
Trading Economics	80 [†]	2019	Positive
DBRS	A (high)	21 March 2019	Negative
Moody's	A1	24 May 2017	Stable
Standard & Poor (S&P)	A+	21 September 2017	Stable

Risk parameter	Political	Operational	Security	Terrorism
China	Medium	Medium	Low	Low
Mongolia	Medium	Medium	Medium	Insignificant
Kyrgyzstan	High	High	High	Medium
Kazakhstan	Medium	Medium	Low	Low
Indonesia	Medium	Medium	Medium	Medium
Philippines	Medium	Medium	Medium	Medium

†100 (riskless) and zero (likely to default)

4.3 Previous valuations

The VALMIN Code (2015) requires that an Independent Valuation Report refer to other recent valuations or Expert Reports undertaken on the mineral properties being assessed. SRK is not aware of any previous recent reports commenting on the Market Value of the Project, having asked that question directly to Pizu.

5 VALUATION PREFACE

5.1 Introduction

SRK was engaged by Pizu to prepare a CVR on the Huangtun Polymetallic Project located in Anhui Province, China. The Project is currently held by Jinding Mining and is to be acquired by Pizu by way of a placement into this company.

In determining the appropriate parameters for valuation purposes, SRK has considered the assessments that might be made by a willing, knowledgeable and prudent participant in assessing the market value of the Project and the Project's associated tenure.

In assessing the technical aspects relevant to this Valuation, SRK has relied on information provided by Pizu, as well as information sourced from the public domain. This report also relies on the technical assessment conducted by SRK China as outlined in the associated CPR. As noted elsewhere, this report should be considered collectively with, and not independently of, the information contained within SRK China's CPR.

The opinions expressed and conclusions drawn are appropriate at the Valuation Date of 1 July 2020. The valuation is only valid for this date and may change with time in response to variations in economic, market, legal or political conditions, in addition to the receipt of new Mineral Resource/Ore Reserve and exploration information.

5.2 Valuation approaches

While the VALMIN Code (2015) states that the selection of the valuation approach and methodology is the responsibility of the practitioner, where possible, SRK considers a number of methods.

The aim of this approach is to compare the results achieved using different methods to select a preferred value within a valuation range. This reflects the uncertainty in the data and interaction of the various assumptions inherent in the valuation.

The VALMIN Code (2015) outlines three generally accepted valuation approaches:

- 1 Market Approach
- 2 Income Approach
- 3 Cost Approach.

The Market Approach is based primarily on the principle of substitution. The mineral asset being valued is compared with the transaction value of similar mineral assets transacted in an open market (CIMVAL, 2003). Methods include comparable transactions, metal transaction ratio (MTR) and option or farm-in agreement terms analysis.

The Income Approach is a forward-looking approach based on the principle of anticipation of economic benefits and includes all methods that are based on the income or cashflow generation potential of the mineral asset (CIMVAL, 2003). Valuation methods that follow this approach include Discounted Cashflow (DCF) modelling, Monte Carlo Analysis, Option Pricing and Probabilistic methods.

The Cost Approach is a retrospective approach based on the principle of contribution to value (CIMVAL, 2003). Methods include the appraised value method and multiples of exploration expenditure, where expenditures are analysed for their contribution to the exploration tenure of the mineral asset.

The applicability of the various valuation approaches and methods vary depending on the stage of exploration or development of the mineral asset, and hence the amount and quality of the information available on the mineral potential of the assets. Table 5-1 presents the various valuation approaches for the valuation of mineral assets at the various stages of exploration and development.

Table 5-1: VALMIN valuation approaches according to development status

Valuation Approach	Exploration Projects	Pre-Development Projects	Development Projects	Production Projects
Market	Yes	Yes	Yes	Yes
Income	No	In some cases,	Yes	Yes
Cost	Yes	In some cases,	No	No

Source: VALMIN Code (2015)

The market-based approach to valuation is generally accepted as the most suitable approach for valuation of projects at all stages of development.

An income-based method such as a DCF model is commonly adopted for assessing the value of a Tenure containing a deposit where an Ore Reserve has been reported following an appropriate level of technical studies and to accepted technical guidelines such as the JORC Code (2012) and the VALMIN Code (2015). However, an income-based method is not considered an appropriate method for deposits that are less advanced, i.e. where there is no declared Ore Reserve or supporting mining and related technical studies.

The use of cost-based methods, such as considering suitable multiples of exploration expenditure, is best suited to exploration properties, i.e. prior to estimation of Mineral Resources. As current Mineral Resources have been declared for the development and advanced exploration projects, cost-based methods of valuation are considered less suitable than market-based methods of valuation for these properties.

In general, these methods are accepted analytical valuation approaches that are in common use for determining Market Value (defined below) of mineral assets, using market-derived data.

The 'Market Value' is defined in the VALMIN Code (2015) as, in respect of a mineral asset, the amount of money (or the cash equivalent of some other consideration) for which the Mineral Asset should change hands on the Valuation Date between a willing buyer and a willing seller in an arm's length transaction after appropriate marketing wherein the parties each acted knowledgeably, prudently and without compulsion. The term 'Market Value' has the same intended meaning and context as the International Valuation Standards Council (IVSC) term of the same name. This has the same meaning as Fair Value in Regulatory Guide 111. In the 2005 edition of the VALMIN Code this was known as Fair Market Value.

The 'Technical Value' is defined in the VALMIN Code (2015) as an assessment of a Mineral Asset's future net economic benefit at the Valuation Date under a set of assumptions deemed most appropriate by a Practitioner, excluding any premium or discount to account for market considerations. The term 'Technical Value' has an intended meaning that is similar to the IVSC term 'Investment Value'.

Valuation methods are, in general, subsets of valuation approaches. For example, the income-based approach comprises several methods. Furthermore, some methods can be considered to be primary methods for valuation while others are secondary methods or rules of thumb that are considered suitable only to benchmark valuations completed using primary methods.

The methods traditionally used to value exploration and development properties include:

- Multiples of exploration expenditure (MEE)
- Joint venture terms (expenditure-based)
- Geoscience rating (e.g. Kilburn – area-based)
- Comparable market value (real estate-based)
- MTR analysis (ratio of the transaction value to the gross dollar metal content, expressed as a percentage – real estate-based)
- Yardstick/rule of thumb (e.g. \$/t resource or production unit, percentage of an in-situ value)
- Geological risk.

In summary, however, the various recognised valuation methods are designed to provide an estimate of the mineral asset or property value in each of the various categories of development. In some instances, a particular mineral asset or property or project may comprise assets which logically fall under more than one of the previously discussed development categories.

5.3 Valuation basis

In estimating the value of the Project as at the Valuation Date, SRK has considered various valuation methods within the context of the VALMIN Code (2015). SRK has considered the Mineral Resources and Ore Reserves associated with the Project.

The valuation methods applied depends on the relative maturity of assessment for each asset, as well as the amount of available data supporting the project. In preparing its valuation of the Project, SRK has considered the two main approaches (income and market), as well as the available methodologies under each approach.

In selecting its overall valuation approach for the Project, SRK has studied the availability and quality of information, the current development status of the Project, the defined Mineral Resource position (predominantly Indicated and Inferred) and Ore Reserve (Probable) base, the input parameters and associated financial outcomes from the Phase 1 Feasibility Study (Class 4) as outlined in the supplied Company financial model and discussed in detail in SRK's CPR.

For the defined schedule, SRK's DCF Analysis demonstrated that the stated Ore Reserves are economically viable. As such, SRK has elected to adopt a DCF valuation methodology (an Income based approach) for valuation purposes.

The Project is in the development stage and initial capital expenditure is complete. As such, SRK considers it appropriate to also value the stated Ore Reserves and Mineral Resources using market-based metrics. Production is expected to start in 2021. As such the initial capital expenditure is considered as a sunk cost and not included in the DCF analysis.

In SRK's opinion, it is appropriate to value the scheduled 14 Mt, inclusive of stated Ore Reserve using income-based valuation methods. However, in considering the Project, SRK notes that there is currently insufficient information on the environmental timeframes associated with the regulatory requirements for mining activities and hence some residual risk.

Table 5-2: Valuation basis

Development Stage	Description	Valuation basis
Development of East Mine Complex	Defined Mineral Resources and Ore Reserves	Income: Discounted Cash flow Market: Comparable transactions Market: Peer Trading multiples
Development of West Mine Complex	Defined Mineral Resources and Ore Reserves	Income: Discounted Cash flow Market: Comparable transactions Market: Peer Trading multiples

In order to provide a high-level cross check of the reasonableness of the value outcomes determined through income-based methods, SRK considers it appropriate to also use market-based approach using comparable transactions and peer trading multiples.

In determining the value of the currently stated Ore Reserves and Mineral Resources for the Project, SRK considers that these are reported to a sufficient standard under the JORC Code guidelines, and hence, are suitable for valuation purposes, albeit with minor modifications. The stated Inferred Resource is considered geologically too speculative to have the economic considerations applied to them that would enable them to be categorised as Ore Reserves and hence has not been valued in line with HKSE Chapter 18 requirements.

Outside of the defined Mineral Resources and Ore Reserves, SRK does not consider there is any additional potential associated with the associated mineral tenure and potential extensions to the known resource areas at the Project site. As such, these have not been considered by SRK, since they fall outside of the defined perimeter of the Project and no information was supplied in support of any additional exploration potential.

5.3.1 Preferred approach

In arriving at a market value for the Project, SRK has adopted a combination of Income and Market approaches for the valuation of the defined Ore Reserves and Mineral Resources at the East (pyrite dominated) and West (copper dominated) deposits, respectively.

5.3.2 Valuation Date

The Valuation Date adopted in this report is 1 July 2020.

5.4 Overarching Valuation Assumptions

For the purposes of this valuation, SRK has assumed the following:

- Jinding Mining has free and uninterrupted rights to use or to assign the interests in the Huangtun Pyrite Project for the whole of the unexpired terms as granted and any mining rights premiums/administrative costs payable have already been fully paid.
- The mining and exploration licences are able to be renewed as required in order to achieve the planned extraction phase.
- All required licences, certificates, consents or other legislative or administrative authority from any local, provincial or national government or private entity or organisation has been or can readily be obtained or renewed
- There will not be material changes in government policies or political, legal (including legislation or regulations or rules), fiscal (including interest rate or exchange rate), market or economic conditions, the bases or rates of taxation in the PRC, where the Huangtun Project is located
- The Project is successfully developed as planned and is able to mine, to transport and sell the products at the market prices projected
- The Project has adequate working capital to implement the scheduled mining operations from time to time
- The Project has adopted reasonable and necessary security measures and has considered several contingency plans against any disruption (such as fire, change of government policy, labour dispute, implementation of serious statutory mining safety measures, geological formation structurally deformed, soil erosion and other types of unexpected accident or natural disasters or catastrophes including pandemic) to the scheduled mining operations

- There exists reliable and adequate transportation networks and capacity for the mining products
- The Company can be freely disposed and transferred free of all encumbrances for its existing or approved uses in the market to both local and overseas purchasers without payment of any premium to the PRC Government.

5.5 Income approach – Discounted cashflow

The material techno-economic inputs to the Model were assessed by SRK to understand whether there was a reasonable basis to use the Model for valuation purposes. The DCF Analysis is based on estimated future free cash flows which have been discounted to present value. The analysis is widely used within investment banking and company valuation. A sensitivity analysis on key technical and financial parameters was then applied to acquire a range of values.

The DCF is based on the profiled mining schedule (incorporating the defined Ore Reserves and Mineral Resources) and all costs associated with development, mining and processing of the scheduled tonnages as provided by SRK China. Relevant taxation and other operating factors, such as recoveries, stay-in-business costs and contingencies were incorporated into the DCF model to produce a cash flow over the life cycle of the Project, which is estimated at 14 years. The DCF analysis for the Project was performed in Real terms.

A sensitivity analysis was subsequently conducted to determine how the values change with incremental changes to certain assumptions and changes in input parameters over a range of percentages ($\pm 20\%$). These include both activity-based parameters and independent factors, such as financial and economic parameters.

5.5.1 Basis of the DCF Analysis

In generating the financial model and deriving the resultant values, SRK notes the following:

- SRK has relied on SRK China's CPR and we have no responsibility for the reliability of the advice.
- The mining area of 1.304 km² and the production capacity of 1,000,000 tonnes per annum of the Huangtun Pyrite Mine is adopted.
- SRK employed a deterministic base case cash flow model with 2020 economic input parameters.
- The value of the project was illustrated over the schedule (incorporating Ore Reserves and certain Mineral Resources) only.
- The life-of mine (LOM) model is assumed to be 14 years for valuation purposes.

- As per information from the CPR and upon full operation of the Project, the recovery of sulphur, iron, copper, silver and gold was assumed as follows.

	Sulphur (%)	Copper (%)	Gold (%)	Silver (%)	Iron (%)
Metallurgical recoveries	88.0	70.1	30.0	37.3%	14.0

- SRK's DCF analysis used mid-period discounting based on financial years ending June.
- A hurdle rate of 9.47% (in Real terms) was assumed for the discount factor based on analysis outlined in Section 5.5.5.
- The impact of the Mineral Royalties Reform Plan publicised on 20 April 2017 was on concentrate (based on reserve revenue) with a 2% on sales revenue generated.
- An effective valuation date of 1 July 2020 was adopted.
- Sensitivity analyses were performed to ascertain the impact of concentrate prices, total operating costs and capital expenditures.
- No salvage value was included for plant and equipment on cessation of operations as the current size of the define Resource suggests mining may take place beyond 14 years.
- Valuation of the tax entity was performed on a stand-alone basis.
- The DCF was reported on an aggregated attributable beneficial interest basis ("total basis") for the East and West deposits.

5.5.2 Economic Input Parameters

The following section outlines the macro-economic and price forecasts adopted by SRK over the LOM.

Based on the work of Consensus Economics, a reputable source of commodity price forecasts, for March 2020, SRK has considered long-term consensus market forecast (CMF) prices for gold, copper and iron ore as presented in Table 5-3. These are derived from the median of analysts' forecasts and presented in real terms. The base information used to derive the CMF is sourced from the Energy and Metals Consensus Forecast dated March 2020, as published by Consensus Economics Inc. The CMF prices were converted to Chinese Renminbi (RMB) using an exchange rate of 7 to the US\$. SRK has also considered spot prices quoted by Shanghai Metals Market (SMM) and SunSirs China Commodity Data Group.

Table 5-3: Consensus market forecasts of long-term prices, real terms

Commodity price	Units	Analysts	Low	Median	High	Spot 23/04/ 2020
Gold	US\$/oz	9	1,110	1,350	1,620	
	RMB/gram	–	250	304	365	379
Copper	US\$/t	9	5,535	6,500	6,764	
	RMB/t	–	38,745	45,500	47,348	41,980
Iron Ore (Fine) China	US\$/dmtu	9	89	100	143	
	RMB/t	–	399	448	641	696
	RMB/t					600

Sources: Consensus Economics Inc, SMM <https://price.metal.com/>, SunSi <http://sunsirs.com/uk/sdetail-month--.html>

Based on data provided by Trade Economics (<https://tradingeconomics.com/china/indicators>), the RMB has depreciated against the US dollar from around 6.86 to 7.10 since the start of 2020. Trade Economic forecast that this trend will continue for the next 12 months with the rate depreciating to around RMB7.2 to the US\$.

Based on the CMF and spot prices, SRK has adopted the exchange rate and commodity prices presented in Table 5-4 in real terms for the life of the Project for the purpose of this valuation.

Table 5-4: Macro-economic forecasts and commodity prices

Nominal Terms	Units of Measure	Value
Exchange Rate	RMB/US\$	7.00
Gold unprocessed price (incl. tax) Real	RMB/gram	350
Copper price in concentrate (incl. tax) Real	RMB/tonne	48,000
Sulphur price in concentrate (excl. tax) Nominal	RMB/tonne	500
Iron concentrate price (incl. tax) Real	RMB/tonne	770

Source: SRK analysis

5.5.3 Payability

For this Project, SRK assumed that the material from the East and West deposits will be treated at a processing facility at the Project. Both chalcopyrite and pyrite will be treated using two 500,000 tpa grinding and flotation series and traditional concentrate processes. The processing facility will produce a sulphur concentrate, a copper concentrate and an iron concentrate via three processing streams. SRK has also assumed an 85% copper and gold payability from the copper concentrate, and 100% iron and sulphur payability (Table 5-5). Silver is not considered to be a payable metal (but remains an upside opportunity for the Project), as it has not been reasonably defined in the Mineral Resource estimates to date.

Table 5-5: Expected commodity concentrate valuation coefficients

Commodity coefficient	UoM	Value
Gold concentrate valuation coefficient	percent	85%
Copper concentrate valuation coefficient	percent	85%
Sulphur concentrate valuation coefficient	percent	100%
Iron concentrate valuation coefficient	percent	100%

Source: SRK analysis

5.5.4 Working Capital – Debtor and Creditor Days

SRK has assumed product debtor days are 90 days and creditor days are 30 days.

5.5.5 Discount Rate

SRK's assumed discount rate is 9.5% real, using the using the estimated weighted cost of capital as the basis and adding a 4.30% project risk premium. The Parameters used in the Weighted Average Cost of Capital (WACC) calculation (Table 5-6) were sources from Trade Economics (<https://tradingeconomics.com/china/indicators>). The betas of four listed Chinese mining companies were used to estimate the average beta value used in Table 5-7.

Table 5-6: Calculation of the WACC

Parameter	Units of Measure	Units
Corporate Tax Rate	25.00%	percent
Inflation rate – long term	2.00%	percent
Debt as% of capital	30.00%	percent
Common Equity as % of capital	70.00%	percent
Cost of Debt		
Pre-tax cost of debt – long term	4.35%	percent
Less: tax shield	1.09%	percent
Cost of debt	3.26%	percent
Cost of Common Equity		
Risk Free Rate: 5-year Government Bond	2.55%	percent
Risk Premium	6.30%	percent
Beta-weighted market risk premium		
Equity market risk premium	6.00%	percent
Beta	1.05	index
Cost of equity	8.85%	percent
Weighted Average Cost of Capital		
Cost of Debt	0.98%	percent
Cost of Equity	6.20%	percent
WACC (Nominal)	7.17%	percent
WACC (Real)	5.17%	percent
Project Risk		
Industry risk return	1.50%	percent
Financial management risk	1.20%	percent
Exploration and development stage risk	1.60%	percent
Project Risk	4.30%	percent
Discount rate (Nominal)	11.47%	percent
Discount rate (Real)	9.47%	percent

Source: SRK analysis

5.5.6 Taxes

Taxes and duties applicable to the Project include a mineral resources tax, an environmental protection tax, an urban maintenance and construction tax, an education additional tax, stamp duty, property tax and a vehicle and vessel usage tax.

The mineral resources tax was calculated and paid as a percentage of total sales revenue, which is 2% for sulphur concentrate, 2% for copper concentrate, 2% for gold and 2.5% for iron concentrate.

Urban maintenance and construction tax and education additional tax was calculated as 5% of Value Added Tax (VAT) payable, including 3% of education additional tax and 2% of local education additional tax. The VAT is a tax excluded in price and it is calculated by output VAT deducting input VAT. The VAT payable rate for the project is 13%. The VAT imposed to construction investment is estimated to be 28.6 million RMB, which is deducted in the first 5 years of the operation period.

The stamp duty is calculated based on the amount of purchase and sale agreement at the rate of 0.03%, which is usually imposed to sales of the products, materials and energy procurement. The house property tax shall be paid annually and calculated on 30% deducted of original value of the property at a rate of 1.2%. This has been estimated at RMB420,000 per year.

The environmental protection tax is calculated on the amount of discharged pollutant, as the mine is still under construction, a rough estimation of the environmental protection tax by rule of thumb is about 50 thousand RMB per year and 5 thousand RMB for vehicle and vessel usage tax.

The corporate income tax is 25% on taxable income. As a State investment incentive, prior years capital expenditure is offset against corporate income tax over five year for a total amount of RMB332.3 million.

5.5.7 Saleable Product

SRK's DCF Analysis is based on a 14 years mine life centred on the production of gold, copper, sulphur and iron concentrates saleable products, as shown annually in Table 5.1. Whilst silver is contained in the copper concentrate, SRK understands that silver is not considered a payable metal and hence no income is to be derived from silver sales. Total revenue per commodity is shown in Table 5-7.

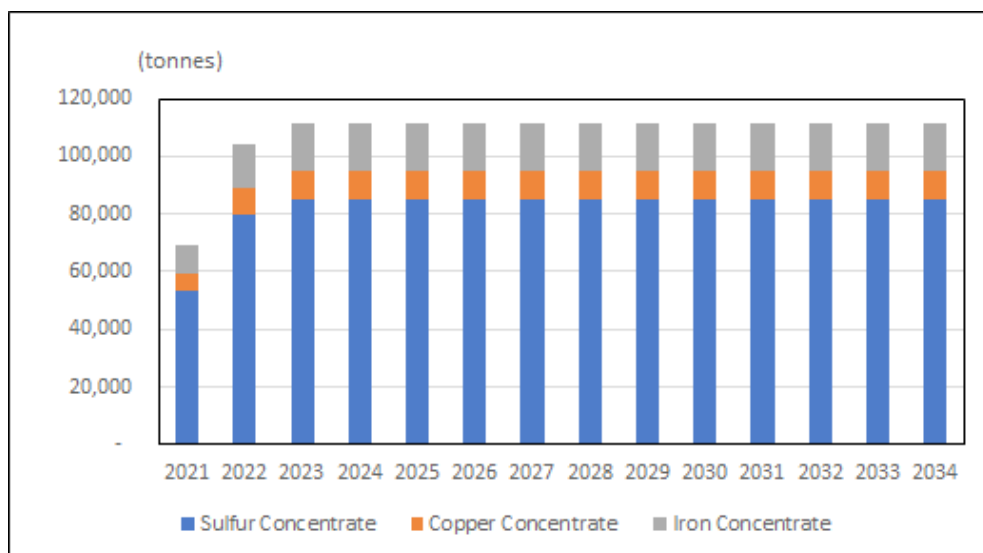


Figure 5-1: Annual Concentrate Production

Source: SRK analysis

Based on the projected concentrate volumes and forecast commodity prices the total revenue for the 14-year LOM is RMB3,826 M (US\$547 M).

Table 5-7: Saleable product revenue

Item	Assumed Price (incl VAT)	Total revenue (CNY)	Total revenue (US\$)
Gold in concentrate	RMB350/g	2,127,565,300	303,937,900
Copper in concentrate	RMB48,000/t	999,953,841	142,850,549
Sulphur concentrate	RMB500/t	475,752,763	67,964,680
Iron concentrate	RMB770/t	222,918,833	31,845,548
Total revenue		3,826,190,737	546,598,677

Source: SRK analysis

Gold comprises the largest percentage of revenue at 56% while the next largest is copper revenue. Copper and gold in the chalcopyrite concentrate make up 82% of the revenue for the Project.

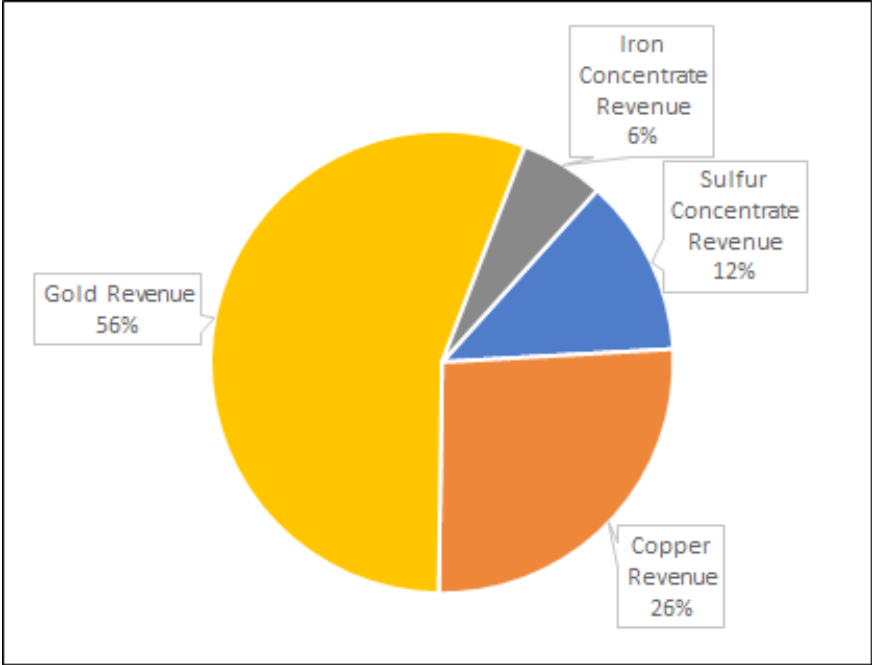


Figure 5-2 Percentage split of revenue

Source: SRK analysis

5.5.8 Operating Costs

SRK has assessed the operating costs of the preliminary design studies of the Project that were compiled on first principle itemised costing basis. For the purpose of this valuation, these were converted to unit costs (RMB/t ROM) and applied in the DCF Analysis.

A summary of the operating costs as shown in Table 5-8 and Table 5-9.

Table 5-8 Operating costs

Operating Expenditure	<i>RMB</i>	<i>RMB/t</i>	<i>US\$</i>	<i>US\$/t</i>
Mining	1,434,862,783	102.49	204,980,398	14.64
material consumables	600,600,621	42.90	85,800,089	6.13
electricity	396,663,826	28.33	56,666,261	4.05
labour	437,598,336	31.26	62,514,048	4.47
Manufacture	307,009,409	21.93	43,858,487	3.13
salary	48,241,200	3.45	6,891,600	0.49
maintenance	253,308,209	18.09	36,186,887	2.58
others	5,460,000	0.39	780,000	0.06
Administration	184,502,062	13.18	26,357,437	1.88
salary	68,383,304	4.88	9,769,043	0.70
water and electricity	420,000	0.03	60,000	0.00
admin	700,000	0.05	100,000	0.01
safety	55,086,957	3.93	7,869,565	0.56
technical consulting	4,200,000	0.30	600,000	0.04
environmental	13,711,801	0.98	1,958,829	0.14
others	42,000,000	3.00	6,000,000	0.43
Sales	2,857,711	0.20	408,244	0.03
Total	1,929,231,965	137.80	275,604,566	19.69

The composition of the operating costs on an activity basis are shown in Figure 5-3. The costs for mining, manufacturing and administration are 74%, 16% and 10% of total operating costs, respectively.

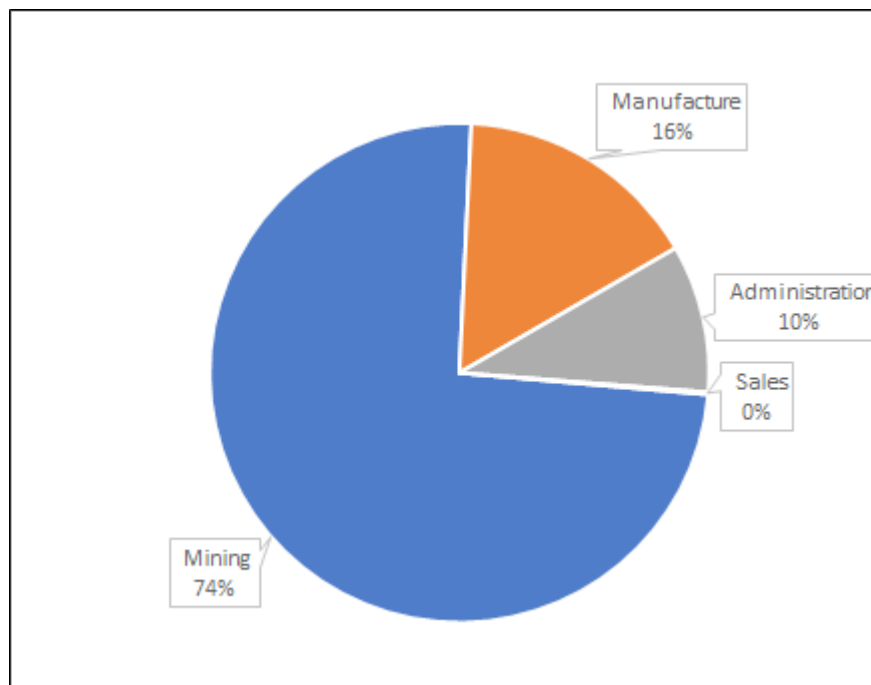


Figure 5-3 Percentage split of operating costs

Source: SRK analysis

5.5.9 Capital Estimates

The Project is in the development stage with first production in 2021. All initial capital expenditure required to engineer, design, procure, construct and commission the works is complete and for the purpose of this valuation exercise is considered as sunk costs. The capital planned for the operation for the schedule over the LOM for the Project includes of Stay-in-Business (SIB) capital. It excludes any Expansion Capital and Replacement Capital, nor does it include any exploration costs.

Any Expansion Capital will be incurred to open up new mining areas, which will expand on existing operating areas to increase the overall production capacity, once the scheduled tonnages at the East and West deposits are depleted.

The Replacement Capital is the investment required to refurbish, upgrade or replace machinery and equipment which have become inefficient, or have reached the end of their design lives, for any production that occurs after the defined LOM.

The stay-in-business (SIB) capital has been estimated on a rule of thumb basis of 2.5% of the operating cost. This is approximately RMB3.4 million per year, a total of RMB48 million over the life of the Project.

5.5.10 DCF Analysis Summary

Based on the scheduled Ore Reserves, the operation is expected to be in production for a period of fourteen years, ending in June 2034. Costs included all labour and productions costs and the capital required to sustain mining operations. The operating costs represent production as all-inclusive operating costs.

The Net Present Value (NPV) was calculated using a discount rate of 9.5% in real terms to obtain the cashflows results summarised in Table 5-9.

Table 5-9: Valuation summary

	Unit	Value	Unit	Value
Free Cash Flow REAL	RMB	1,634,585,625	US\$	233,512,232
NPV post-tax@ 8.0% discount	RMB	927,959,590	US\$	132,565,656
NPV post-tax@ 9.5% discount	RMB	845,991,718	US\$	120,855,960
NPV post-tax@ 11.0% discount	RMB	774,229,923	US\$	110,604,275

The NPV is plotted against the real discount rate in Figure 5-4. Internal Rate of Return (IRR) is where the NPV is zero. Figure 5-5 illustrates the IRR is substantially greater than its cost of capital.

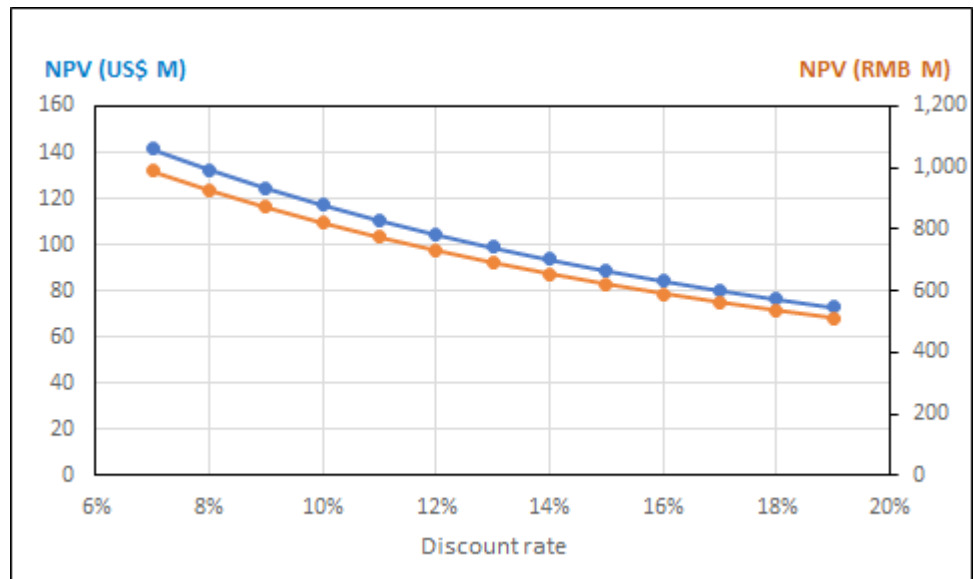


Figure 5-4: NPV versus Real Discount Rate

Source: SRK analysis

In summary, based on the assumptions made in this report, SRK is of the opinion that likely to pay between RMB774.2M and RMB927.9M, with a preferred market value of RMB846.0 M for the 14 Mt within the current mine schedule.

5.5.11 Sensitivities

Deterministic approach

SRK has considered the impact of changes in key assumptions to the valuation using a deterministic approach by changing one assumption while keeping all other assumptions constant. SRK has selected five main risk input assumptions in the cash flow analysis: operating costs, ROM tonnage, and commodity prices shows that the Project is most sensitive to change on operating costs. Figure 5-5 illustrates that the next sensitive economic assumption is the gold price. This is the result of gold making up 56% of the total revenue of the Project.

The cash flow is robust and can sustain a change of any of these parameters of up to 30% without achieving a negative NPV as illustrated in Figure 5-5.

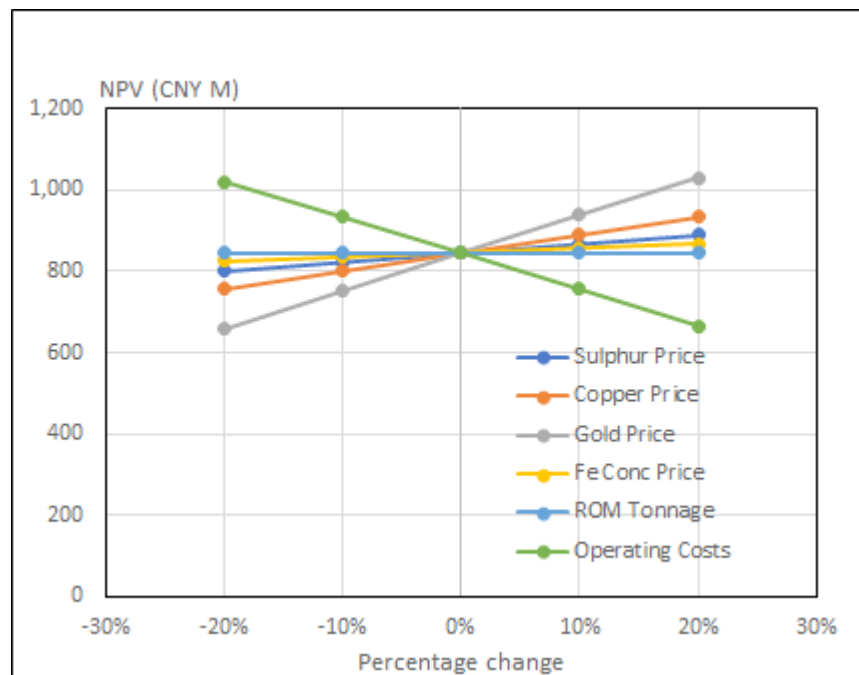


Figure 5-5: NPV sensitivities to change in assumptions

Source: SRK analysis

Stochastic approach

SRK has considered the impact of changes in key assumptions to the valuation using a stochastic approach via Crystal Ball.

In a stochastic approach, all risks such as price, capital and operating costs, recovery, feed grades and production volumes are simultaneously varied to see the impact on the cash flow value. In simulating costs, SRK has used a uniform distribution in the range ± 10 to 15% from the base scenario and for recovery and feed grades $\pm 5\%$ based on advice from SRK China's engineers and that of the design institute. In the case for price and production volumes a normal distribution was used.

The sensitivity of the NPV to the variation in these risks are simulated within the cash flow using 10,000 trials, producing a probability distribution of NPVs in an attempt to quantify the uncertainties. This distribution quantifies the probability of an unsatisfactory NPV, which represents the 'value-at-risk' (VaR).

The simulation suggests a base value of US\$120.85 M, with a mean of US\$120.60 M and a standard deviation of US\$26.12 M using the SRK base case market assumptions as illustrated in Figure 5-6.

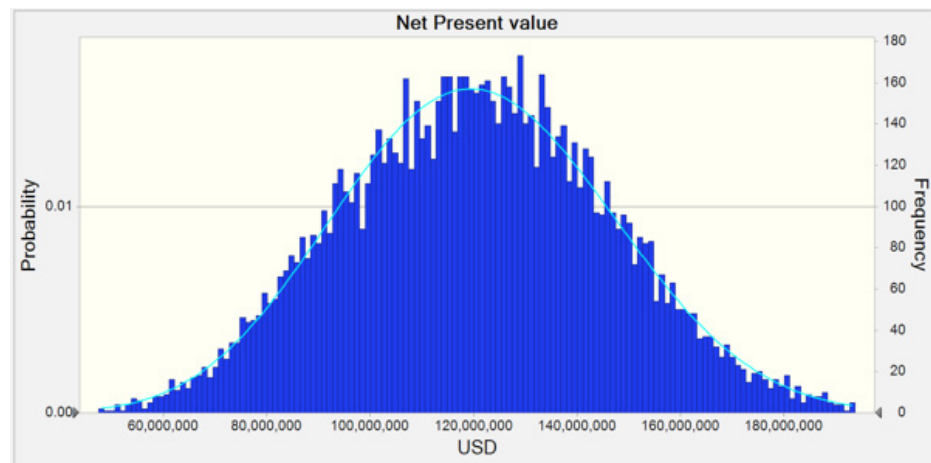


Figure 5-6: Crystal Ball sensitivity analysis

Source: SRK analysis

Table 5-10: Crystal Ball simulation statistics

Statistic	Unit	Value
Base	US\$ M	\$120.86
Mean	US\$ M	\$120.62
Median	US\$ M	\$120.60
Standard Deviation	US\$ M	\$26.12
Min	US\$ M	\$31.57
Max	US\$ M	\$214.11
10% confidence limit	US\$ M	\$86.63
90% confidence limit	US\$ M	\$154.16

Source: SRK analysis

5.6 Market approach

5.6.1 Introduction

SRK considers that using a fundamental income (i.e. DCF) approach does not take into account all available market information.

On this basis, SRK has also considered the value of the currently defined reserves and/or resources within the Project area using the ‘rule of thumb’ method by assigning a dollar value per AuEq ounce in either resources or reserves in the ground. SRK notes that this derived value is derived from comparable market transactions or peer analysis as outlined below.

The market approach involves identifying and analysing market transactions for similar non-producing mineral projects to the subject project. For ease of calculation, the contained mineralisation associated with each deposit was converted to a metal equivalent basis (in this instance, gold equivalent or AuEq) by adopting prevailing metal pricing for each prospective metal.

For polymetallic projects containing more than one metal or commodity, such as Huangtun, it is common to adopt a metal transaction ratio (MTR) for valuation purposes. The MTR is the ratio of the transaction value (as implied by transactions involving comparable projects) to the gross dollar metal content (as implied by the contained metal held in Mineral Resources for the comparable project), expressed as a percentage. The MTR enables direct comparison of projects based on metal content and is used for valuation purposes only. It does not consider ultimate metal recoverability as required by JORC Code (2012) and hence caution should be used when assessing metal content for any other purpose.

To value the stated Mineral Resources, SRK has carried out a search for publicly available information on market transactions (Appendix A) involving similar projects that have occurred in the period leading up to, or about, the Effective Date of this valuation. Notably, SRK considered transactions for assets located in Asia and the Asian Pacific. While SRK was unable to identify any projects reporting pyrite or sulphur Mineral Resources, SRK considers that transactions and peer multiples for projects containing pre-dominantly copper and gold may be considered comparable on an AuEq basis.

SRK notes that its compiled transaction dataset for analysis encompasses transaction spanning a significant period of time (2012 to 2020) and thus differing market conditions. The transaction multiples have been adjusted by normalising the multiples using the difference between the commodity price at the time of the transaction and the gold price as at the Valuation Date. Normalisation is assumed to represent a market-based proxy for market sentiment. Both the raw and normalised values are presented, where adjustments have been made.

Importantly, while transaction multiples are widely used in valuation, they rely on the assumption that the reported Mineral Resources have been appropriately reported and can be taken at face value. As such, the method assumes that differences in reporting regimes, between different Competent Persons, resource classification, metal recovery and adopted cut-off grades (which may change between assets and/or companies) do not materially influence the implied multiple. The method implicitly assumes total recoverability of all contained metal tonnes/ounces, as reliable and accurate data is generally not disclosed or available around the time of most transactions or for all companies. Importantly, SRK's implied value calculations are for the purposes of its valuation and do not attempt to estimate or reflect the metal likely to be recovered as required under the JORC Code (2012).

5.6.2 Comparable market transactions – Resources

Based on its review of transactions involving similar projects to the Project, SRK notes the following implied transaction multiples are shown in Appendix A.

Based on SRK's analysis, there are a number of development to operating projects in China and Kazakhstan with very high MTR multiples (Figure 5-7). Excluding those high MTR values (Figure 5-8) highlights two distinct populations in the MTR dataset; larger porphyry projects (at or below MTR of 1) and the smaller higher-grade fault hosted other projects.

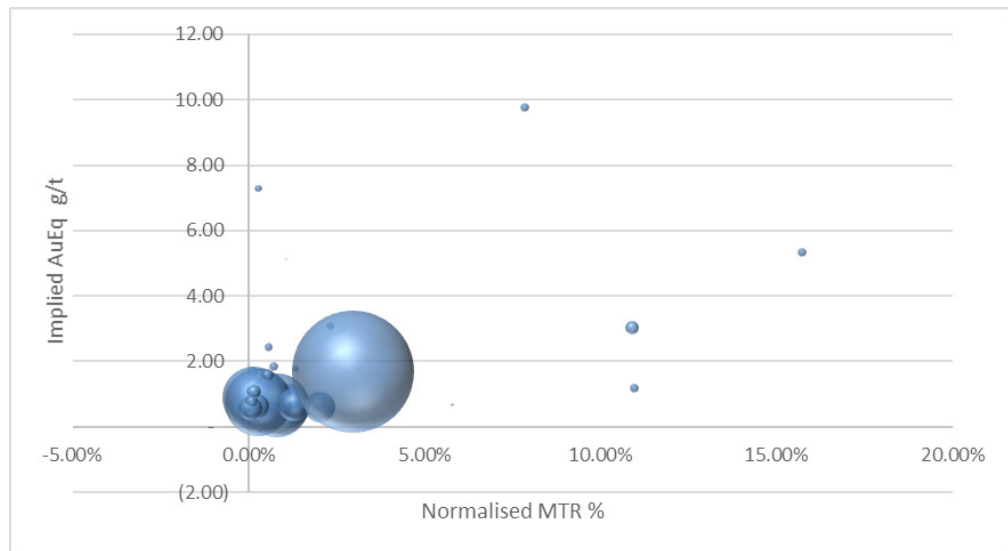


Figure 5-7: Resource based multiples –normalised MTR multiple vs implied AuEq grade (with total contained mineral value as bubble size)

Source: SRK analysis

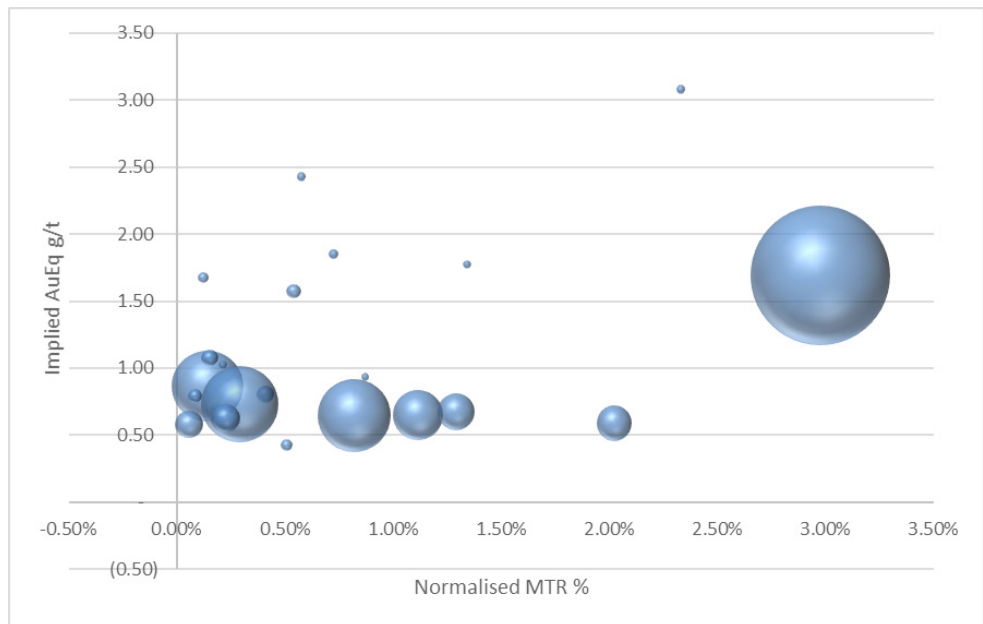


Figure 5-8: Resource based multiples –normalised MTR multiple vs implied AuEq grade (with total contained mineral value as bubble size)

Source: SRK analysis

Note: Outliers have been removed for graphical purposes.

Table 5-11: Resource based multiple transaction analysis

Statistical analysis	Transaction multiple – Raw (MTR%)	Transaction multiple – Normalised (MTR%)
All resource multiples		
Minimum	0.04%	0.06%
Median	0.61%	0.72%
Average	1.91%	2.40%
Maximum	12.83%	15.72%
Weighted average	1.37%	1.76%
Operating Projects		
Minimum	4.11%	5.8%
Median	8.11%	9.38%
Average	7.22%	8.88%
Maximum	8.55%	10.96%
Weighted average	8.42%	10.81%
Pre-production transactions		
Minimum	0.04%	0.06%
Median	0.48%	0.53%
Average	1.47%	1.74%
Maximum	12.83%	15.72%
Weighted average	0.51%	0.66%

SRK's selected range of implied values are based on projects with similar total contained metal value and similar stage of development (Table 5-12).

Table 5-12: Comparable Transactions considered by SRK for resource multiples

Date	Project/ Company Name	Assets Acquired	Buyer	Seller	Location
10/12/2019	Mount Kare Project	Mount Kare	RTG Mining Inc	GMG Mining Group	PNG
12/11/2019	Misima Project	Misima	Kingston Resources Ltd	JXTG Holdings Inc	PNG
5/09/2019	Aucu project	Aucu	RTG Mining Inc	White Cliff Minerals Limited	Kyrgyzstan
5/09/2017	West Lombok property	West Lombok	PT Ancora Indonesia Resources Tbk	Southern Arc Minerals Inc.	Indonesia
3/10/2017	Karchiga project	Karchiga	CMSS Global Supply and Trading – FZC	Orsu Metals Corporation	Kazakhstan
31/08/2016	Kyrgyz mineral assets	Shambesai	Guizhou Geological and Mineral Resources Development Company Limited	Manas Resources Limited	Kyrgyzstan
11/04/2016	Karchiga project	Karchiga	Karasat Trading FZE	Orsu Metals Corporation	Kazakhstan
22/05/2015	Changkeng gold project	Changkeng	Minco Silver Corporation	Minco Gold Corporation	China

5.6.3 Comparable market transactions – Reserves

Based on its review of transactions involving similar projects to the Project, SRK notes the following transactions also contained information regarding Ore Reserves.

Table 5-13: Comparable Transactions considered by SRK for reserve multiples

Date	Project Name	Location	Implied MTR	
			Implied MTR (%) – raw	(%) – normalised
31/01/2020	Gosowong Project	Indonesia	25.21%	25.72%
12/07/2018	Grasberg Project	PNG	13.01%	16.74%
3/10/2017	Karchiga project	Kazakhstan	1.18%	1.52%
31/08/2016	Kyrgyz mineral assets	Kyrgyzstan	2.61%	3.10%
26/04/2016	Jinfeng project	China	15.81%	20.26%

Table 5-14: Reserve based multiple transaction analysis

Statistical analysis	Transaction multiple	Transaction multiple
	– Raw (MTR%)	– Normalised (MTR%)
Minimum	1.18%	1.52%
Median	13.01%	16.74%
Average	11.57%	13.47%
Maximum	25.21%	25.72%
Weighted average	12.98%	16.65%

5.6.4 Peer Multiples – Mineral Resources

To further assess the market value of the Project, SRK has reviewed the enterprise value (EV) of selected listed companies (ASX, HKSE, SHEX and TSX-V) with defined resources as reported by S&P Global Market Intelligence. The EV is based on each company's most recently reported financial and share registry information for the recent quarter being December 2019.

SRK has identified a number of publicly traded companies with assets primarily located in Asia and the Asia-Pacific region. These companies hold predominantly copper and gold mineral assets. The majority of these companies hold multiple (3+) operating assets, in addition to pre-production, early and advanced stage assets.

SRK has carried out an analysis of these companies and their attributable Mineral Resources on a gold equivalent (AuEq) basis in order to determine an EV multiple. The results of SRK's analysis is provided in Table 5-15 and full details are provided in Appendix B.

Table 5-15: Peer Multiple Resource analysis

Statistical analysis	Peer multiple (EV US\$/AuEq troy oz)
All – Excluding Outliers	
Minimum	7.80
Median	85.78
Average	113.04
Maximum	413.43
Weighted average	161.27

Statistical analysis	Peer multiple (EV US\$/AuEq troy oz)
Companies with few assets and 1 or 2 operating assets	
Minimum	7.80
Median	25.42
Average	40.86
Maximum	126.12
Weighted average	49.00
Non-operating assets	
Minimum	10.07
Median	19.07
Average	20.03
Maximum	31.77
Weighted average	16.38

5.6.5 Peer Multiples – Ore Reserves

Based on its review of peer companies holding similar projects to the Project, SRK notes the following companies also reported Ore Reserves and hence an implied Reserve multiple can be derived.

Table 5-16: Peer Multiples considered by SRK for reserve multiples

Company	EV (US\$ M)	Implied Value (US\$/t)
Apex Mining Co	183.6	436.05
Chengtun Mining Group Co Ltd	1,966.9	891.33
China Gold International Resources	1,287.5	87.63
Lepanto Consolidated Mining Co	114.5	75.50
Manila Mining Corp	34.4	26.32
Philex Mining Corp	399.9	78.44
PT J Rsrc Asia Pasifik Tbk	756.1	160.76
Shandong Gold Mining Co Ltd	16,255.0	2,130.72
Steppe Gold Ltd	38.4	170.12
United Paragon Mining Corp	21.1	32.34
Western Mining Co Ltd	5,422.3	1,530.26

* EV = Enterprise Value as at 30 April 2020.

Table 5-17: Reserve based multiple peer analysis

Statistical analysis	Implied Value (US\$/t)
Minimum	26.32
Median	124.19
Average	473.31
Maximum	2,130.72
Weighted average	605.22

5.6.6 Value Analysis

Ore Reserves

As outlined in SRK's CPR, the stated Ore Reserves are the primary component of the LOM production schedule and hence support any future cashflows to be derived from the Project.

Using average monthly commodity prices for April 2020 (the most recent available) as published by the World Bank¹, the contained value of the Ore Reserves at Huangtun is estimated at approximately 454,579 AuEq ounces or US\$765.13 M.

Based on SRK's analysis of comparable transactions involving projects with Ore Reserves SRK considers the market would apply a MTR of between 13.0% and 17.0% to the Huangtun Ore Reserves given they remain in development, the polymetallic nature of the mineralisation and the comparatively small tonnages involved relative to other comparable projects. This MTR range is informed by both the implied values for Ore Reserve and the implied minimum value and average value for Mineral Resources associated with operating mines. On this basis, SRK considers the current market would pay in the range US\$99.5 M to US\$130.1 M for a 100% interest in the Ore Reserves associated with the Huangtun Project.

As a cross check to this value, SRK has also considered the value implied through peer analysis. On this, based on its analysis of peer companies holding Ore Reserves, SRK considers the current market would pay in the range US\$170 to

¹ The gold equivalence calculation is used only for valuation purposes and does not reflect the actual metallurgical recovery able to be achieved. It has been calculated in line with the cut-off grade philosophy adopted by SRK China for Huangtun, summed and expressed in equivalent gold grade or ounces. The prices used in the calculation were based on the World Bank Pink Sheets for April 2020, these being average price for gold was US\$1,591.93/troy ounce, copper was US\$5,057.97/t, iron ore was US\$84.73/t. Sunsir estimate the sulphur price over 2020 has averaged RMB503/t or approximately US\$70/t. Silver was excluded from the calculation as it was not considered to be a payable metal.

$$\text{AuEq} = ((\text{Au (oz)} * \text{Au Price per ounce}) + (\text{Cu (t)} * \text{Cu Price per t}) + (\text{Fe (t)} * \text{Fe Price per tonne}) + (\text{Sulphur (t)} * \text{S Price per tonne})) / \text{Au Price per ounce}$$

US\$440/oz for the AuEq ounces at Huangtun. This range is informed by both the implied values for Steppe Gold Limited (US\$170.12/t) and Apex Mining Co (US\$436/t). This implied range again reflects the development status of the asset, the polymetallic nature of the mineralisation, and the comparatively small tonnages at Huangtun. On this basis, SRK considers the current market would pay in the range US\$68.2 M to US\$200.0 M for a 100% interest in the Ore Reserves associated with the Huangtun Project.

SRK notes the broad alignment of the values implied by comparable transactions and peer analysis of Ore Reserves.

Mineral Resources

In addition to the stated Ore Reserves, SRK notes that there is additional value associated with the Mineral Resources which reside outside of the stated LOM schedule. SRK China has estimated that these so-called residual resources are as follows:

Zone	Category	Tonnage (Mt)	Au (g/t)	Cu (%)	S (%)	Fe (%)
West	Inferred	1.0	0.95	0.27	11.5	5.6
East	Indicated	2.2	0.08	0.06	16.5	10.1
	Inferred	16.7	0.07	0.06	14.5	7.2

Source: SRK China

Given the requirements of HKSE Chapter 18, SRK has only valued the stated Indicated Resources available at the East Zone. As such, with further exploration and technical assessment designed to upgrade the Inferred Resources in both the East and West Zones, there is additional upside potential to SRK's derived value.

Using average monthly commodity prices for April 2020 (the most recent available) as published by the World Bank², the contained value of the residual resources at Huangtun is estimated at approximately 43,383 AuEq ounces or US\$73.0 M.

² The gold equivalence calculation is used only for valuation purposes and does not reflect the actual metallurgical recovery able to be achieved. It has been calculated to represent total metal value in line with the cut-off grade philosophy adopted by SRK China at Huangtun, summed and expressed in equivalent gold grade or ounces. The prices used in the calculation were based on the World Bank Pink Sheets for April 2020, these being average price for gold was US\$1,591.93/troy ounce, copper was US\$5,057.97/t, iron ore was US\$84.73/t. Sunsir estimate the sulphur price over 2020 has averaged RMB503/t or approximately US\$70/t. Silver was excluded from the calculation as it was not considered to be a payable metal.

$$\text{AuEq} = ((\text{Au (oz)} * \text{Au Price per ounce}) + (\text{Cu (t)} * \text{Cu Price per t}) + (\text{Fe (t)} * \text{Fe Price per tonne}) + (\text{Sulphur (t)} * \text{S Price per tonne})) / \text{Au Price per ounce}$$

Based on SRK's analysis of comparable transactions involving projects with Mineral Resources SRK considers the market would apply a MTR of between 0.5% and 1.8% to the Huangtun residual resources given they remain in development, have not been included in a mine schedule, the polymetallic nature of the mineralisation and the comparatively small tonnages involved relative to other comparable projects. This MTR range is informed by the implied values for pre-development Mineral Resources in particular the median (0.53%) and average value (1.74%). On this basis, SRK considers the current market would pay in the range US\$0.4 M to US\$1.3 M for a 100% interest in the residual resources associated with the Huangtun Project.

As a cross check to this value, SRK has also considered the value implied through peer analysis. On this, based on its analysis of peer companies holding Mineral Resources, SRK considers the current market would pay in the range US\$20 to US\$50/oz for the AuEq ounces at Huangtun. This range is informed by the implied values for United Paragon Mining (US\$19.07/t), Steppe Gold Limited (US\$31.77/t) and Apex Mining Co (US\$50.35/t). This implied range again reflects the development status of the asset, that these residual resources have not been scheduled for mining, the polymetallic nature of the mineralisation, and the comparatively small tonnages at Huangtun. On this basis, SRK considers the current market would pay in the range US\$0.9 M to US\$2.2 M for a 100% interest in the residual Resources associated with the Huangtun Project.

SRK notes the broad alignment of the values implied by comparable transactions and peer analysis of residual Resources.

6 VALUATION SUMMARY

SRK considered the underlying stated Mineral Resources for valuation purposes and the scheduled Ore Reserve over the profiled life of mine plan.

Table 6-1 summarises the market value of a 100% equity interest in the Project as at the Valuation Date.

Table 6-1: Valuation summary – 100% basis – as at 1 July 2020

Method	Low <i>(US\$M)</i>	High <i>(US\$M)</i>	Preferred <i>(US\$M)</i>
DCF analysis	110.6	132.6	120.8
Comparative transactions	99.8	131.4	115.5
Peer Multiples	69.1	202.2	135.6
Selected	93.2	166.8	124.0

Note: Any discrepancies between values in the table are due to rounding.

In assigning these values, SRK has placed equal weight on the values implied by all the valuation methods to inform its overall valuation range. Since SRK has no strong preference to either end of the valuation range, the preferred value (selected) was based on the average of the low and high implied values.

SRK notes that the value implied by its DCF Analysis is a Technical Value (as defined in the VALMIN Code 2012) and does not necessarily reflect the value at which the Project would transact if it were placed on the market. SRK notes that were it placed for sale, SRK expects there would be a market for the Huangtun Project, that it would trade and that the actual consideration paid would be positive. The DCF method only considers the currently scheduled Ore Reserves and Mineral Resources and does not consider the value associated with residual resources.

In line with HKSE Chapter 18 requirements, only Indicated Resources have been considered as residual Resources under the Comparative Transaction and Peer Analysis methods. As such the currently stated Inferred Resources offer further upside value potential, if they can be successfully upgraded to higher confidence resource categories.

Silver has not been modelled in the Ore Reserve and Mineral Resource estimates and hence has not been considered as a payable metal for valuation purposes.

In assigning its valuation range and preferred value, SRK is mindful that the valuation range is also indicative of the uncertainty associated with advanced stage exploration/development assets.

The range in value is driven by the confidence limits placed around the size and grade of mineralised occurrences assumed to occur within each project area. Typically, this means that as exploration progresses, and a prospect moves from an early to advanced stage prospect, through Inferred, Indicated or Measured Mineral Resource categories to Reserve status, there is greater confidence around the likely size and quality of the contained mineralisation and its potential to be extracted profitably.

Table 6-2 presents a general guide of the confidence in targets, resource and reserve estimates, and hence value, referred to in the mining industry.

Table 6-2: General guide regarding confidence for target and Resource/Reserve estimates

Classification	Estimate range (90% confidence limit)
Proven/Probable Reserves	±5 to 10%
Measured Mineral Resources	±10 to 20%
Indicated Mineral Resources	±30 to 50%
Inferred Mineral Resources	±50 to 100%
Exploration target	+100%

This level of uncertainty with advancing project stages can be seen in Figure 6-1.

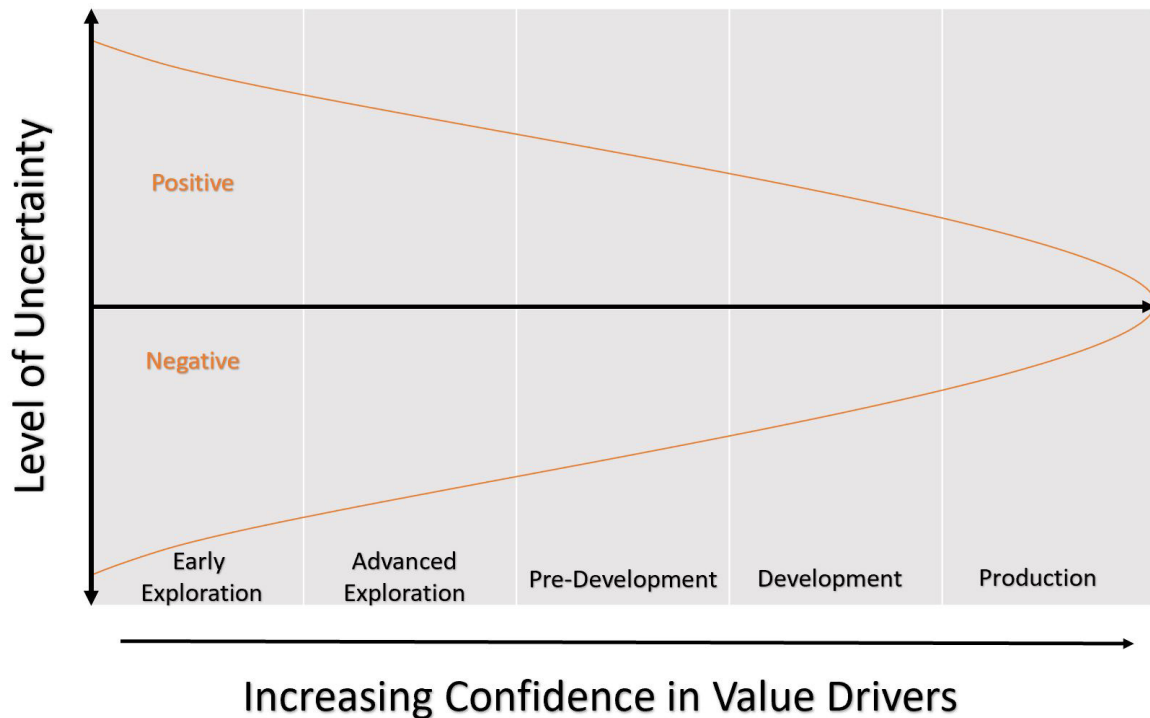


Figure 6-1: Uncertainty by advancing exploration stage

Estimated confidence of $\pm 60\%$ to 100% or more, are not uncommon for exploration areas and are within acceptable bounds, given the level of uncertainty associated with early stage exploration assets. By applying narrower confidence ranges, one is implying a greater degree of certainty regarding these assets than may be the case in reality. Where possible, SRK has endeavoured to narrow its valuation range.

6.1 Valuation risks

SRK is conscious of the risks associated with valuing assets which can impact the valuation range. In defining its valuation range, SRK notes that there are always inherent risks involved when deriving any arm's length valuation and the evaluation of a polymetallic project. These factors can ultimately result in significant differences in valuations over time. The key risks include but are not limited to risks outlined in the following subsections.

6.1.1 Resources and Reserves

Resources and Reserve estimates prepared under the JORC Code (2012) are best estimates based on individual judgement and reliance upon knowledge and experience using industry standards and the available database. SRK deems the resource to reserve conversion to be a high risk.

6.1.2 Mining and processing risk

While SRK considers the risk associated with mining and infrastructure to be low, it considers the processing risk to be moderate to high.

6.1.3 Environmental risk

SRK considers the environmental risk at the Project to be high, given several appropriate approvals and permits that are required.

6.1.4 Land access

SRK considers the land access risk to be low to moderate, given the status of the tenure at the Valuation Date.

6.1.5 COVID-19

SRK notes that at the time of writing, the COVID-19 pandemic was having a dramatic impact on the global economy and Chinese society and markets. There are significant uncertainties regarding the influence of COVID-19, with global financial markets having experienced significant downward movements and substantial volatility since early-March 2020. As at the date of this report, these uncertainties remain.

No specific adjustments for the potential impact of COVID-19 have been reflected in the Market Value of the Huangtun Project. Specifically, SRK note that gold markets and shares in gold focussed companies appear to have been resilient to the impact of COVID-19. Furthermore, the time to assess, test and extract mineral assets is generally several years in duration, whereas the effects of the COVID-19 crisis are hopefully shorter in duration. Accordingly, no specific adjustment was deemed warranted in forming our value opinions in this regard.

6.2 Opinion of Value

Based on the investigation and analysis contained within this report and on the valuation methods employed, SRK is of the opinion that the preferred market value of the 100% interest in the Huangtun Pyrite Mine as at 1 July 2020 is US\$124.0 M, which at an exchange rate of US\$1: HK\$7.75 equates to approximately

HK\$961 M (HONG KONG DOLLARS NINE HUNDRED AND SIXTY-ONE MILLION) ONLY.

SRK's valuation is based on information provided by Pizu, SRK China and from public domain information. SRK has endeavoured by making all reasonable enquiries, to confirm the authenticity and completeness of the technical data upon which this report is based. No audit of financial data has been conducted. The valuations discussed in this report have been prepared with an effective valuation date of 1 July 2020. It is stressed that the values outlined in this report are opinions as to likely value, not absolute values, which can only be tested by going to the market.

Compiled by

Shaun Barry

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Peer Reviewed by

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Associate Principal Consultant

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APPENDICES

APPENDIX A: COMPARATIVE TRANSACTION

Table C-1: Polymetallic transactions with Mineral Resources

Project	Assets	Country	Development Stage	Date	Vendor	Purchaser	Consideration (100% basis) (US\$ M)	Tonnage (Mt)	Total Mineral Value (US M)	Total MTR Au troy oz (M)	MTR (%)	Normalised (MTR%)
Gosowong	Gosowong	Indonesia	Operating	Jan-20	Newcrest Mining Ltd	PT Indotan Halmahera Bangkit	120	3.12	1,558	1.26	7.70%	7.85%
Mt Kare	Mt Kare	PNG	Feasibility Started	Dec-19	GMG Mining Group	RTG Mining Ltd.	17.25	42.5	3,428	2.77	0.50%	0.54
Misima	Misima	PNG	Reserves Development	Nov-19	JXTG Holdings Inc	Kingston Resources Ltd	6.39	82.3	4,521	3.65	0.14%	0.15%
Aucu project	Aucu	Kyrgyzstan	Prefeas/Scoping	Sep-19	White Cliff Minerals Limited	RTG Mining Ltd.	2.94	2.95	1,099	0.89	0.27%	0.28%
Malmyzh	Malmyzh	Russia	Advanced Exploration	Oct-18	Russian Copper Company	IG Copper LLC	392.16	1,390.00	45,987.10	37.14	0.853%	1.12%
Grasberg mine	Grasberg	Indonesia	Operating	Jul-18	PT Indonesia Asahan Aluminium (Persero)	Investor group	8,359.21	4,175.00	361,099.03	291.60	2.315%	2.977%
Koksay project	Koksay	Kazakhstan	Prefeas/Scoping	Jun-18	China Nonferrous Metal Industry's Foreign Engineering And Construction Co., Ltd.	KAZ Minerals PLC	360.82	736.00	22,133.62	17.87	1.630%	2.025%
Karchiga project	Karchiga	Kazakhstan	Feasibility Complete	Oct-17	CMSS Global Supply and Trading – FZC	Orsu Metals Corporation	6.24	10.82	1,345.50	1.09	0.463%	0.577%

Project	Assets	Country	Development		Date	Vendor	Purchaser	Consideration (100% basis) (US\$ M)	Tonnage (Mt)	Total Contained		Normalised (MTR%)	
			Stage	Development						Mineral Value (US\$ M)	Au troy oz (M)		MTR (%)
West Lombok property	West Lombok	Indonesia	Feasibility Started		Sep-17	PT Ancora Indonesia Resources Tbk	Southern Arc Minerals Inc.	2.22	78.53	3,170.98	2.56	0.070%	0.085%
Aucu project	Aucu	Kyrgyzstan	Reserves Development		Jan-17	White Cliff Minerals Limited	Somerley Group	6.34	20.30	972.17	0.79	0.652%	0.871%
Shuak property	Shuak	Kazakhstan	Target Outline		Nov-16	Central Asia Metals Plc	GRK-Aksu Limited	2.50	49.55	1,782.45	1.44	0.140%	0.18%
Akdjol-Tokhtazan property	Tokhtazan	Kyrgyzstan	Reserves Development		Aug-16	Private investors	Orsu Metals Corporation	2.00	22.68	1,941.74	1.57	0.103%	0.122%
Kharmagtai project	Kharmagtai	Mongolia	Advanced Exploration		Feb-14	Xanadu Mines Ltd	Turquoise Hill Resources Ltd	18.30	133.00	5,479.15	4.42	0.334%	0.409%
Ereen Project & Handgait Frieda River	Ereen Project & Handgait Frieda River	Mongolia Papua New Guinea	Advanced Exploration		Sep-12	Mongolian Resource Co	Central Asia Metals plc	12.10	98.79	2,163.20	1.75	0.559%	0.51%
Savoyardy assets	Savoyardy	Kyrgyzstan	Prefeas/Scoping		Aug-16	Private Investor - Mr. Xijin Han	Manas Resources Limited	0.50	0.21	54.92	0.04	0.910%	1.081%
Talas mining interests	Andash, Taldybulak Talas	Kyrgyzstan	Feasibility, Prefeas/Scoping		Apr-16	Socagest SA	Tengri Resources plc	6.00	452.70	13,394.18	10.82	0.045%	0.057%
Kyrgyz mineral assets	Shambesai	Kyrgyzstan	Feasibility BFS?		Aug-16	Guizhou Geological and Mineral Resources Development Company Limited	Manas Resources Limited	10.00	17.30	1,639.91	1.32	0.610%	0.618%
Karchiga project	Karchiga	Kazakhstan	Feasibility Complete		Apr-16	Karasat Trading FZE	Orsu Metals Corporation	10.29	10.82	981.25	0.79	1.049%	1.334%

Project	Assets	Country	Development Stage	Date	Vendor	Purchaser	Consideration (100% basis) (US\$ M)	Tonnage (Mt)	Total Contained Mineral Value (US M)	Total MTR Au troy oz (M)	MTR (%)	Normalised (MTR%)
Komarovskoye project	Komarovskoye	Kazakhstan	Operating	Apr-16	Polymetal International Plc	Glencore Plc	143.47	28.00	1,677.46	1.35	8.553%	10.96%
Jinfeng property	Jinfeng	China	Operating	Apr-16	China National Gold Group Corporation	Eldorado Gold Corporation	365.85	27.73	4,297.81	3.47	8.513%	10.91%
Tampakan Dalabai gold project	Tampakan Dalabai	Philippines Kazakhstan	Feasibility Operating	Aug-15 Jul-15	Alsons Group Uroven OMR LLP	Glencore Plc Central Asia Resources Limited	560.00 5.75	2,940.00 3.98	96,956.07 139.90	78.29 0.11	0.578% 4.110%	0.702% 4.950%
Changkeng gold project	Changkeng	China	PreFeas/Scoping	May-15	Mimco Silver Corporation	Minco Gold Corporation	22.04	7.96	1,254.90	1.01	1.757%	1.992%
Tampakan Koksay project	Tampakan Koksay	Philippines Kazakhstan	Feasibility Prefeas/Scoping	Jan-15 Feb-14	Indophil Resources Kazakhmys PLC	Glencore Plc CCC Mining Construction B.V.	251.47 260.00	2,940.00 716.67	109,885.81 24,593.28	88.74 19.86	0.229% 1.057%	0.291% 1.295%
Eastern Dragon project	Eastern Dragon	China	Preproduction	Feb-14	CDH Investments	Eldorado Gold Corporation	200.00	5.70	1,558.46	1.26	12.833%	15.72%
Taldybulak Talas	Taldybulak Talas	Kyrgyzstan	Prefeas/Scoping	Dec-13	Robust Resources Ltd	Gold Fields Ltd	25.00	452.70	14,455.23	11.67	0.173%	0.225%

APPENDIX B: PEER ANALYSIS

Table D-1: Peer Analysis Companies with predominantly (copper/gold) Asian or Asian Pacific Assets

Company	Listing Code	Assets	Country of Primary Assets	EV (US\$ M)	Market Cap (US\$ M)	Total Attributable Resources		Attributable Contained		Attributable Contained		Attributable Contained		Peer multiple (EV US\$/ AuEq Troy oz)
						Attributable	Resources	Gold Troy Ounces	Silver Troy Ounces	Copper	Zinc	Lead	Iron ore	
Chengtun Mining Group Co. Ltd	600711	E'ma Mining, Guizhou Huajin, Congo (DRC), Yinxin Mining, Fengchi Mining, Xinsheng Mining, Hengyuan Ximmao, Sanxin Mining	Kazakhstan	1,966.9	1,319.8	0.89	(M)	(M)	(M)	(M)	(M)	(M)	0.891	2,208.57
Sichuan Hongda Co. Ltd.	600331	Mchuchuma, Lanping Jinding, Liganga, Aidai, Shifang	Mongolia	723.1	642.7	3.04	(M)	0.74					3.257	294.77
Sinomine Resource Grp Co Ltd	002738	Kamatete, Mirdita, Shirvuma, Albanian Pilates, Dongpeng plant	Mongolia	665.1	587.8	0.35		0.33	0.12			348.00	29.899	31.64
Philex Mining Corp.	PX	Silangan, Kalayaan, Padcal, Bulawan, Lascocon, Diplahan, Bulog, Cayas	Kyrgyzstan	399.9	213.1	17.12		3.81					33.620	13.54
PT J Rsrc Asia Pasifik Tbk	PSAB	Doup, Gorontalo, North Lanut, Penjom, Seruyung, Bakan	Russia	756.1	325.8	8.81	297.2489						8.815	85.78
Tibet Huayu Mining Co. Ltd.	601020	Kangqiao, Adayao, Huayu, Longzi, Zhaxikang, TALCO	Kyrgyzstan	868.6	607.4	7.15	332.28	0.00					10.829	103.70

Company	Listing Code	Country of Primary Assets	EV Market Cap (US\$ M)	Total Attributable Resources	Attributable Contained			Attributable Contained			Peer multiple (EV US\$/ AuEq Troy oz)	
					Gold Troy Ounces	Silver Troy Ounces	Copper	Zinc	Lead	Iron ore		AuEq Troy Ounces
Zhongjin Gold Corp. Ltd.	600489	Kyrgyzstan	6,458.2	4,258.7	12.36	(M)	0.18	(Mt)	414.54	(M)	46.388	178.73
Shandong Gold Mining Co. Ltd.	600547	Philippines	16225	14,975.6	39.25	(M)	4.07	(Mt)	2.49	(Mt)	39.245	413.43
Western Mining Co. Ltd.	601168	Philippines	5,422.3	1,880.8	406.49	(M)	2.51	(Mt)	2.49	(Mt)	30.359	238.4
Lingbao Gold Group Co. Ltd.	3330	Kyrgyzstan	531.9	113.7	5.88	(M)	5.885	(Mt)	2.49	(Mt)	5.885	90.38

Company	Listing Code	Assets	Country of Primary Assets	EV (US\$ M)	Market Cap (US\$ M)	Total Attributable Resources	Attributable Contained			Attributable Contained			Attributable Contained			Peer multiple (EV US\$/ AuEq Troy oz)
							Gold Troy Ounces	Silver Troy Ounces	Copper Contained	Zinc Contained	Lead Contained	Iron ore Contained	AuEq Troy Ounces			
Lepanto Consolidated Mining Co	LCB	Far Southeast, Lepanto, Lepanto (closed)	Kyrgyzstan	114.5	106.2	363.58	8.53	(M)	1.89	(Mt)	16.713	(M)	7.80			
China Gold International Resources Corp. Ltd.	CGG	Jiama, CSH 217	Kazakhstan	1287.5	210.1	10.21	(M)	(M)	(M)	(M)	10.209	(M)	126.12			
Apex Mining Co.	APX	Itoigon-Suyoc, Paracale, Maceo, Modi Tuang	Kazakhstan	183.6	102.8	28.20	3.65	(M)			3.647	(M)	50.55			
Steppe Gold Ltd	STGO	Altan Tsagaan Ovoo, Uudiam Khundii, Bayan Undur	Kyrgyzstan	38.4	28.7	0.83	6.46	(M)	0.18	(Mt)	1.376	(M)	31.77			
Mantla Mining Corp.	MA	Kalayaan, Briggs-Colorado	Indonesia	34.4	34.5	79.14	2.04	(M)	0.22	(Mt)	2.978	(M)	10.07			
United Paragon Mining Corp.	UPM	Longos, Negros, San Mauricio	Kazakhstan	21.1	20.6	3.16	1.11	(M)			1.106	(M)	19.07			

Source: S&P Global Market Intelligence using data available as at 23 April 2020.

Table D-2: Peer Company description

Chengtun Mining Group Co. Ltd	CHENGTUN MINING GROUP CO.LTD is a China-based company, principally engaged in the trading and mining-dressing of nonferrous metal products. The Company is engaged in the mining of copper, tin, tungsten, zinc, lead, gold and silver, as well as minerals and non-ferrous metals integrated trading business. The Company is also engaged in industrial value-added services business, including geological exploration, evaluation of resources value and inventory management, among others.
Sinomine Resource Group Co Ltd	Sinomine Resource Group Co., Ltd. originated from former Geological Prospecting Bureau of China National Nonferrous Metal Industry Co., Ltd., is established in 1999. It is a modern comprehensive joint stock mine enterprise with strength in geological prospecting services. Sinomine went public in Shenzhen Stock Exchange on December 30, 2014 (Stock Code 002738) and became the first listed company of geological prospecting industry in China. Sinomine Resource Group Co., Ltd. offers mining services. The Company provides solid mineral and metal exploration, mining, and other services. Sinomine Resource Group also operates international engineering, international trade, and other businesses.
Philex Mining Corp.	Philex Mining Corporation (PMC) is a Philippines-based company, through its subsidiaries, is organized into two business segments: the metals business segment under PMC, Philex Gold Philippines, Inc. (PGPI) and Silangan Mindanao Mining Co., Inc. (SMMCI), and the energy and hydrocarbon business segment under Philex Petroleum Corporation (PPC). The Company, through its subsidiaries, is engaged in the operation of the Bulawan mine and the development of the Sibutad Project; exploration, development and utilization of mineral resources, particularly the Lascogon Project in Surigao; businesses related to various kinds of petroleum and petroleum products, oil and other sources of energy; business of exploration and production, and other mineral related opportunities, and acquisition, exploration and development of oil and gas properties and the production of hydrocarbon products.

PT J Resource Asia Pasifik Tbk	PT J Resources Asia Pasifik Tbk is an Indonesia-based company which mainly engages in gold mining industry. The Company invests in and manages gold mining businesses along with other precious metals businesses within the Australasian region. Some mines are actively in production while others are in the development and exploration phase. It owns producing gold mines, which is located at Penjom, Malaysia and Lanut in North Sulawesi, Indonesia. The exploration projects of the Company are located at Bulagidun, Bolangitang, and Tembaga in North Sulawesi, Indonesia. The Company is also engages in provision of catering services, as well as general trading, transportation and housing business. Its subsidiary consist of PT J Resources Nusantara, which is engaged in trading and services.
Tibet Huayu Mining Co. Ltd.	Tibet Huayu Mining Co., Ltd. is principally engaged in mining, ore dressing, geological survey and trading businesses of nonferrous metal. The Company's major products include zinc concentrate, lead antimony concentrate (silver-bearing) and copper concentrate, among others. In addition to the core business of mining production, the Company operates non-ferrous metals trading business.
Zhongjin Gold Corp. Ltd.	ZHONGJIN GOLD CORP., LTD. is a China-based company principally engaged in the geological exploration, mining and beneficiation, smelting, processing and sales of gold and nonferrous metals. The Company's primary products include gold concentrates, alloy gold, proof gold, copper, silver and sulfuric acid, among others. The Company is also involved in the provision of technology and consulting services related to the production of gold, as well as the exhibition services through its subsidiaries.
Shandong Gold Mining Co. Ltd.	Shandong Gold Mining Co., Ltd. is a China-based company principally engaged in the mining, processing and sales of gold. The Company operates two segments. The Gold Mining segment is engaged in the mining of gold ore. The Gold Refining segment is engaged in the production and sales of gold. The Company is also engaged in the distribution of other metals extracted during the gold ore smelting process, such as silver, copper, iron, lead and zinc. The Company conducts its businesses in domestic and overseas markets.

Western Mining Co. Ltd.	Western Mining Co., Ltd is a China-based company, principally engaged in the mining, smelting and trading of the non-ferrous metals. The Company operates its businesses through four segments, including Mine segment, Smelting segment, Trading segment and Financial segment. The Mine segment principally provides zinc concentrates, lead concentrates and copper concentrates. The Smelting segment's main products include lead ingots, zinc ingots, aluminium ingots, electrolytic copper and crude lead, among others. The Company's products can be divided into lead products, zinc products, copper products, aluminum products, silver bullion, nickel, anode mud and others.
Lingbao Gold	Lingbao Gold Group Company Ltd. is principally engaged in the mining, processing, smelting and sales of gold and other metallic products in the People's Republic of China (the PRC). The Company operates its business through four segments. The Mining-PRC segment is engaged in gold mining and mineral ores processing operations. The Mining-KR (Korea Republic) segment is engaged in gold mining and mineral ores processing operations in the KR. The Smelting segment is engaged in gold and other metal smelting and refinery operations carried out. The Copper Processing segment is engaged in copper processing operation carried out.
Lepanto Consolidated Mining Co	Lepanto Consolidated Mining Company (Lepanto) is engaged in gold bullion production. The Company produces gold from its Victoria Project, which is located in Mankayan, Benguet. The Company operates through three segments: Mining Activities, Service and Others. The Company's Mining Activities segment is engaged in exploration and mining of gold, silver, copper, lead, zinc and various kinds of ores, metals, minerals, oil, gas and coal and their related by-products. The Company's Service segment is engaged in drilling, hauling and sawmilling services to its related and outside parties. Its Others segment is engaged in trading, manufacturing, investing and insurance broker activities of the Company. Lepanto has two mineral production sharing agreements (MPSAs), such as MPSA No. 001-90-CAR (over 948.9696 hectares) and MPSA No. 151-2000-CAR (over 1,829.3565 hectares). It has around 46 mining claims with a total area of approximately 335.52 hectares, all situated in Mankayan, Benguet.

China Gold International Resources Corp. Ltd.	China Gold International Resources Corp. Ltd. is principally engaged in the acquisition, exploration, development and mining of mineral reserves in China. The Company operates its business through two segments. The Mine-Produced Gold segment is engaged in the production of gold bullion through the Company's integrated processes. The Mine-Produced Copper segment is engaged in the production of copper concentrate and other by-products through the Company's integrated separation. Through its subsidiaries, the Company is also engaged in mining logistics and transport business.
Apex Mining Co.	Apex Mining Co., Inc. is engaged in the business of mining, milling, concentrating, converting, smelting, treating, preparing for market, manufacturing, buying, selling, exchanging and otherwise producing and dealing in gold, silver, copper, lead, zinc brass, iron, steel and all kinds of ores, metals and minerals. The Company's operation is situated in the Municipalities of Maco and Mabini, where the area has epithermal gold deposits and porphyry copper deposits. The Company operates the Maco Gold Mine situated in the Municipalities of Maco and Mabini in Compostela Valley. The Company's mine produces bullion containing gold and silver. The Company holds interests in Monte Oro Resources & Energy, Inc. (MORE), which owns Paracale Gold Ltd. that owns Coral Resources Philippines Inc., which in turn owns a mineral processing plant in Jose Panganiban, in Camarines Norte, and Bulawan Mineral Resources Corporation.
Steppe Gold Ltd	Steppe Gold Ltd is a Canada-based company engaged in precious metals and minerals exploration sector. The Company is focused on development of its flagship ATO project, a gold and silver mine. In addition, the Company has approximately 20,000 meter drill program underway at Mungu, northeast of the ATO resource. The Company has also commenced exploration at the Uudam Khundii property. The Uudam Khundii property is comprised of one exploration licence covering around 14,500 hectares. The project area is located 800 km south-west of Ulaanbaatar.

Manila Mining Corp.

Manila Mining Corporation (MMC) is engaged in the business of mining, milling, concentrating, converting, smelting, treating, preparing for market, manufacturing, buying, selling, exchanging, and otherwise producing and dealing in precious and semi-precious metals, ores, minerals and their by-products. The Company operates through Philippines business segment. The Company has a Mineral Production Sharing Agreement over an approximately 211.5 hectares area located in Placer, Surigao del Norte. It has an Exploration Permit (EP) covering over 2,462.91 hectares in Placer, Surigao del Norte. The Company's subsidiary, Kalayaan Copper-Gold Resources, Inc., is the holder of Exploration Permit No. EP-XIII- 0 14-B covering an area of approximately 286.63 hectares located in Tubod and Placer, Surigao del Norte.

United Paragon Mining Corp.

United Paragon Mining Corporation is an exploration and mining company. The Company's principal activities are exploration and development of its underground mining operations for the extraction of gold. The Company operates through mining business segment. The Company is engaged in the exploitation, recovery and sale of gold. The Company's principal mining operation is the Longos Mine at Paracale, Camarines Norte.

Source: S&P Global Market Intelligence, Financial Times and Bloomberg.

APPENDIX C: DISCOUNT RATE DETERMINATION**Assessment of appropriate discount rate**

Determining an appropriate discount rate or cost of capital for an asset requires the identification and consideration of the factors that affect the returns and risks of that asset, together with the application of widely held methodologies for determining the returns demanded by the debt and equity providers of capital employed in the asset. The discount rate applied to the projected cashflows from an asset represents the financial return that will be demanded before an investor would be prepared to acquire (or invest in) the asset.

Businesses are normally funded through a mix of debt and equity. The weighted average cost of capital (WACC) is widely used and accepted basis to calculate the “representative” rate of returns required by debt and equity investors. The required rate of return for equity is frequently evaluated using the capital asset pricing model (CAPM) and the required rate of return for debt funding is determined having regard to various factors such as current borrowing costs and prevailing credit ratings. The cost of equity and the cost of debt are weighted by the respective proportions of equity and debt funding to arrive at the WACC.

SRK’s determination of the following is set out in the following sections:

- The WACC and its elements (including the CAPM, its application in determining the cost of equity, the cost of debt and debt equity mix)
- SRK’s assessment of the appropriate parameters to be used in determining the discount rate to apply to Project.

The projected cashflows in the financial model for the Project have been expressed in CNY on a post-tax real basis. Accordingly, SRK’s discount rate assessment has been calculated on a consistent (real) basis, after allowance for the forecast inflation at the Valuation Date.

Weighted average cost of capital

The generally accepted WACC formula is the post-tax WACC, without any adjustment for imputation tax credits on dividends as shown below:

WACC formula

$$\text{WACC} = R_e E/V + R_d (1-T_c) D/V$$

Where:

R_e = expected equity investment return or cost of equity in nominal terms

R_d = interest rate of debt (pre-tax)

T_c = corporate tax rate

E = proportion of equity

D = proportion of debt

V = proportion of debt plus equity.

CAPM and the cost of equity

The CAPM stems from the theory that a prudent investor would price an investment so that the expected return is equal to the risk-free rate of return plus an appropriate premium for risk. The CAPM assumes that there is a positive relationship between risk and return. That is, rational investors are risk adverse and demand higher returns for accepting higher levels of risk.

The CAPM is based on the concept of non-diversifiable risk and calculates the cost of equity as follows:

Cost of equity formula

$$R_e = R_f + \beta_e [E(R_m) - R_f]$$

Where:

R_e = expected equity investment return or cost of equity in nominal terms

R_f = risk-free rate of return

$E(R_m)$ = expected market return

$E(R_m) - R_f$ = market risk premium

β_e = equity beta.

The individual components of the CAPM are discussed below.

Risk-free rate

The risk-free rate is normally estimated by reference to a long-term government bond with a maturity equivalent to the timeframe over which the returns from the assets are expected to be received. As the cashflow models for the Project have been prepared in CNY, the appropriate reference point for the long-term risk-free rate is the yield on the long-term 10-year Government Bond.

It should be noted that the yields on long-term 5-year and 10-year Government Bond prevailing at the Valuation Date showed a decline below 3% since January 2020, as illustrated in Figure E-1.

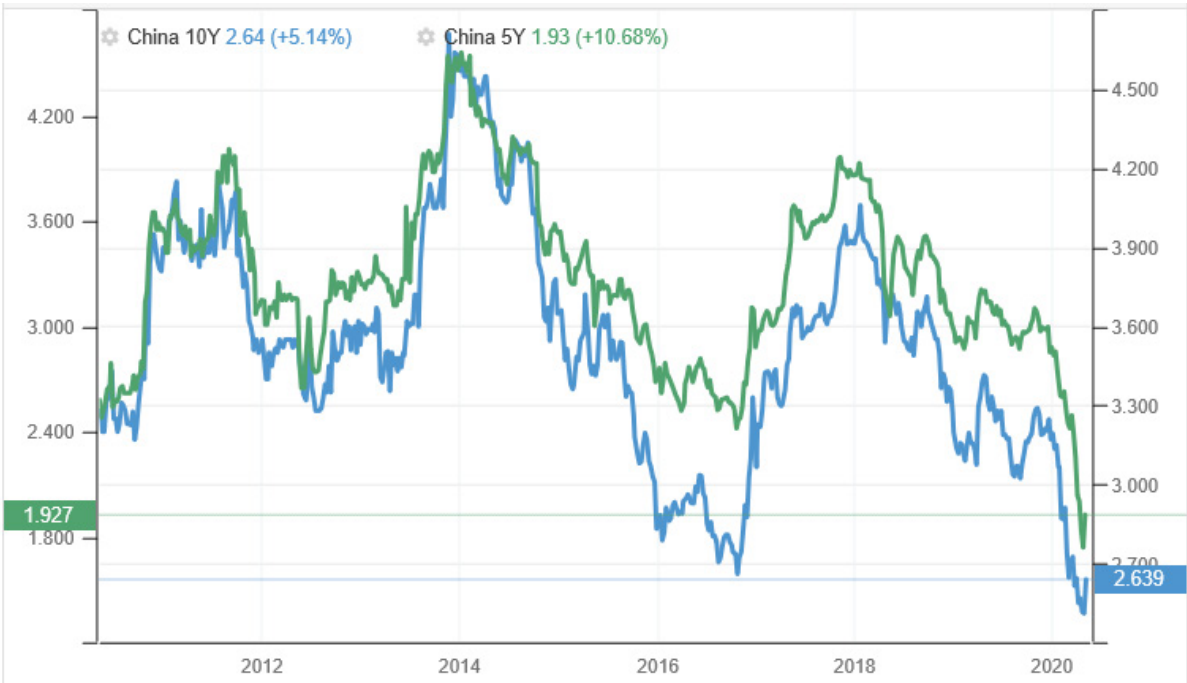


Figure E-1: Chinese 5-year and 10-year government bond yield

Source: Trade Economics, <https://tradingeconomics.com/china/government-bond-yield>

For the purposes of this Report, SRK has adopted a risk-free rate of 2.55% per annum which is at the bottom of the range for the 10-year Chinese Government bond rate, since the start of 2020.

Given that the aim of this exercise is to assess the appropriate risk-free rate in the context of the short-term rate of return required by debt and equity investors, SRK consider that applying the 10-year bond rate at the current bottom of the trading range year to date is an appropriate estimate of short-term market conditions.

Market risk premium

The market risk premium (MRP) represents the additional return above the risk-free rate that investors require to invest in a well-diversified portfolio of equity securities, (i.e. the average market risk). Strictly speaking, the MRP is equal to the expected return from holding shares over and above the return from holding risk-free government securities. Since expected returns are generally not observable, a common method of estimating the MRP is based on average realised (ex-post) returns (i.e. historical risk premia).

As realised rates of returns, especially for shares, are highly volatile over short periods, short-term average realised rates of return are unlikely to be a reliable estimate of the expected rate of return or MRP. Consequently, the MRP is measured over a long period of time. It should be noted that the standard error of the estimates of the mean for longer periods is typically lower than the standard error of the mean where a shorter period is used. This supports more reliance being placed on the average MRP calculated over the longer term.

A number of studies on historical MRPs have been carried out using long periods of historical data from the Chinese, as well as overseas markets.

SRK has adopted an MRP of 6.00% per annum, which excludes the country risk, since the product will be consumed within China for further beneficiation, consumed regionally or sold to aggregate into bulk volume for on-selling.

Equity beta

Beta is a measure of the expected volatility of the return on an investment relative to the market as a whole. The CAPM assumes that beta is the only reason expected returns on an asset differ from the respected return on the market as a whole.

A beta greater than 1 suggests that an investment's returns are expected to be more volatile, and therefore riskier than the market average, and accordingly higher returns than the market is required. Conversely, a beta less than 1 suggests that future returns will be less volatile and therefore less risky.

Similar to MRPs, expected equity betas are not observable. Historical betas are usually estimated and used as a reference to determine the appropriate forward-looking betas. In addition, factors such as betas of comparable companies; betas of the relevant industry sectors; and a qualitative assessment of the systematic risks of the subject business are also considered. Ultimately, the determination of the appropriate beta a matter of professional judgement.

Having regard to the above, and noting the Development stage of the Project, SRK has assessed an appropriate beta to apply in valuing the Project at the Valuation Date to be 1.05. SRK has selected the beta from the comparable company analysis.

Gearing

The gearing level adopted should represent the level of debt that the asset can reasonably sustain ('optimal gearing') and is not necessarily equivalent to the gearing entity of the entity owning the asset. The factors that affect the "optimum" gearing will differ between assets. Generally, the major issues to address in determining this optimum level will include:

- Variability in earning stream
- Working capital requirements
- Level of investment in tangible assets
- Nature and risk profile of the tangible assets.

SRK has assessed an appropriate capital structure and adopted a gearing of 30% debt.

Project risk and discount rate

Further to the estimated nominal WACC of 7.17%, SRK has add 4.3% to reflect the industry, financial and development risk to determine the appropriate nominal discount rate of 11.47% (9.5% real).

In general, the low the expected volatility of cashflows (i.e. risk), the higher the debt levels which can be supported (and vice versa). Furthermore, as the equity beta is a function of both business risk and financial risk (being the level of financial leverage or gearing), it is important to adopt in the WACC calculation, a level of gearing that is either:

- consistent with the gearing ratios of the listed companies for which equity betas were used to assess the appropriate beta, or
- adjusted to reflect the different level of gearing adopted.

However, this latter adjustment is subject to considerable estimation error and is therefore not preferred. Consequently, when assessing the appropriate gearing level, SRK has considered the long-term gearing of listed mineral development and mining companies.

The debt to equity ratios of the development companies as at the Valuation Date were (i.e. the company held net cash). However, many of the listed companies had significant development portfolios, and with the development of such assets and the subsequent drawdown of cash and debt facilities, SRK expects those gearing levels would have increased. Further in SRK's opinion, the declining prices over the period leading up to the Valuation Date resulted in subdued cashflows for miners that prevented these companies accumulating cash or paying down debt at that time. Accordingly, SRK has adopted an optimal gearing ratio of 30% debt funding for the Project. This gearing ratio also recognises the debt servicing capacity of the company.

Cost of debt

A cost of debt of 4.35% per annum has been adopted. This reflects a borrowing margin of around 1.28% above SRK's adopted risk-free rate.

In establishing an appropriate cost of debt, SRK considered the yields on 5-year and 10-year bonds issued by Chinese government, as shown in Figure E-1.

Having regard to the above, SRK has adopted a long-term debt margin of 4.35% above the long-term risk-free rate in assessing the long-term cost of debt for the Project.

Tax rates

The Chinese company tax rate of 25% was adopted for the purpose of calculating the WACC.

1. DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in any of the Shares, underlying shares and debentures of the Company and any of its associated corporation (within the meaning of Part XV of the SFO), which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register maintained by the Company under section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuer referred to in Rule 5.46 of the GEM Listing Rules, were as follows:

Name of shareholder	Capacity/nature of interest	Number and class of securities held <i>(Note 1)</i>	Approximate percentage of shareholding <i>(Note 2)</i>
Mr. Xiong Zeke	Interest of a controlled corporation <i>(Note 4)</i>	80,811,927 ordinary shares (L)	2.27%
	Beneficial owner	11,813,333 ordinary shares (L)	0.33%
Ms. Qin Chunhong	Interest of a controlled corporation <i>(Note 5)</i>	34,024,908 ordinary shares (L)	0.96%
	Beneficial owner	540,000 ordinary shares (L)	0.02%
Mr. Liu Fali	Beneficial owner	240,415,854 ordinary shares (L)	6.76%
	Interests of any parties to an agreement to acquire interests in the Company required to be disclosed under sections 317(1)(a) and section 318 of the SFO	1,657,687,368 ordinary shares (L) <i>(Note 3)</i>	46.57%
Mr. Ma Tianyi	Interest of a controlled corporation <i>(Note 6)</i>	3,660,000 ordinary shares (L)	0.10%

Name of shareholder	Capacity/nature of interest	Number and class of securities held (Note 1)	Approximate percentage of shareholding (Note 2)
Mr. Ma Ye	Beneficial owner	124,005,000 ordinary Shares (L)	3.48%
	Interests of any parties to an agreement to acquire interests in the Company required to be disclosed under sections 317(1)(a) and section 318 of the SFO	1,774,098,222 ordinary Shares (L) (Note 3)	49.85%
Mr. Ma Gangling	Beneficial owner	34,024,908 ordinary Shares (L)	0.96%

Notes:

1. The letter "L" denotes a long position in the shares or underlying shares of the Company or any of its associated corporations.
2. The percentage of shareholding is calculated based on the number of issued shares of the Company as at the Latest Practicable Date.
3. By virtue of the SFO and the Irrevocable Undertaking given by Mr. Ma Suocheng, Ms. Ma Xia, Ms. Ma Ye and Mr. Liu Fali in favour of Mr. Ma Qiang, (1) Mr. Ma Suocheng was deemed to be interested in all the Shares in which Ms. Ma Xia, Ms. Ma Ye, Mr. Liu Fali and Mr. Ma Qiang were interested; (2) Ms. Ma Xia was deemed to be interested in all the Shares in which Mr. Ma Suocheng, Ms. Ma Ye, Mr. Liu Fali and Mr. Ma Qiang were interested; (3) Ms. Ma Ye was deemed to be interested in all the Shares in which Mr. Ma Suocheng, Ms. Ma Xia, Mr. Liu Fali and Mr. Ma Qiang were interested; and (4) Mr. Liu Fali was deemed to be interested in all the Shares in which Mr. Ma Suocheng, Ms. Ma Xia, Ms. Ma Ye and Mr. Ma Qiang were interested.
4. These Shares represented the interests of Fabulous Seeker Holdings Limited in 80,811,927 Shares of the Company. As the entire issued share capital of Fabulous Seeker Holdings Limited was owned by Mr. Xiong Zeke, he was deemed to be interested in all the Shares in which Fabulous Seeker Holdings Limited was interested by virtue of the SFO.
5. These Shares includes the interests of Crystal Sky Development Inc. in 34,024,908 Shares of the Company which is equally owned by Ms. Qin and her husband. Ms. Qin was deemed to be interested in all the Shares by the virtue of the SFO.
6. These Shares represented the interests of Pin On Everest Asset Holdings Ltd in 3,660,000 Shares of the Company. As the entire issued share capital of Pin On Everest Asset Holdings Ltd was owned by Mr. Ma Tianyi, he was deemed to be interested in all the Shares in which Pin On Everest Asset Holdings Ltd was interested by virtue of the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were recorded in the register maintained by the Company pursuant to section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuer referred to in Rule 5.46 of the GEM Listing Rules.

2. SUBSTANTIAL SHAREHOLDERS' AND OTHERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at the Latest Practicable Date, the interests and short positions of each persons (other than a Director or chief executive of the Company) in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

Name of Shareholder	Capacity/ nature of interest	Number and class of securities held (Note 1)	Approximate percentage of shareholding (Note 2)
Shiny Ocean Holdings Limited ("Shiny Ocean")	Beneficial owner	1,361,516,331 ordinary Shares (L)	38.25%
Ma Family Holdings Co. Limited	Interest of a controlled corporation	1,361,516,331 ordinary Shares (L) (Note 3)	38.25%
Equity Trustee Limited	Trustee (other than a bare trustee)	1,361,516,331 ordinary Shares (L) (Note 3)	38.25%
Mr. Ma Suocheng	Interests of any parties to an agreement to acquire interests in the Company required to be disclosed under sections 317(1)(a) and section 318 of the SFO	1,898,103,222 ordinary Shares (L) (Note 4)	53.33%
Ms. Ma Xia	Beneficial owner	172,166,037 ordinary Shares (L)	4.84%
	Interests of any parties to an agreement to acquire interests in the Company required to be disclosed under sections 317(1)(a) and section 318 of the SFO	1,725,937,185 ordinary Shares (L) (Note 4)	48.50%

Name of Shareholder	Capacity/ nature of interest	Number and class of securities held <i>(Note 1)</i>	Approximate percentage of shareholding <i>(Note 2)</i>
Mr. Ma Qiang	Interests of any parties to an agreement to acquire interests in the Company required to be disclosed under sections 317(1)(a) and section 318 of the SFO	1,898,103,222 ordinary Shares (L) <i>(Note 4)</i>	53.33%
Mr. Yang Tao	Beneficial owner	274,919,268 ordinary Shares (L)	7.73%
Mr. Li Man	Beneficial owner	272,739,268 ordinary Shares (L)	7.66%
Mr. Lyu Wenhua	Beneficial owner	240,415,854 ordinary Shares (L)	6.76%

Notes:

1. The letter "L" denotes a long position in the shares or underlying shares of the Company or any of its associated corporations.
2. The percentage of shareholding is calculated based on the number of issued Shares of the Company as at the Latest Practicable Date.
3. These Shares were held by Shiny Ocean, which was wholly owned by Ma Family Holdings Co. Limited. The entire issued share capital of Ma Family Holdings Co. Limited was owned by Equity Trustee Limited as trustee of the Ma Family Trust of which Mr. Ma Suocheng and male lineal descendants of Mr. Ma Qiang are the discretionary beneficiaries.
4. By virtue of the SFO and the Irrevocable Undertaking given by Mr. Ma Suocheng, Ms. Ma Xia, Ms. Ma Ye and Mr. Liu Fali in favour of Mr. Ma Qiang, (1) Mr. Ma Suocheng was deemed to be interested in all the Shares in which Ms. Ma Xia, Ms. Ma Ye, Mr. Liu Fali and Mr. Ma Qiang were interested; (2) Ms. Ma Xia was deemed to be interested in all the Shares in which Mr. Ma Suocheng, Ms. Ma Ye, Mr. Liu Fali and Mr. Ma Qiang were interested; (3) Ms. Ma Ye was deemed to be interested in all the Shares in which Mr. Ma Suocheng, Ms. Ma Xia, Mr. Liu Fali and Mr. Ma Qiang were interested and (4) Mr. Liu Fali was deemed to be interested in all the Shares in which Mr. Ma Suocheng, Ms. Ma Xia, Ms. Ma Ye and Mr. Ma Qiang were interested.

Save as disclosed above, as at the Latest Practicable Date, no person (other than a Director or chief executive of the Company) had an interest or short position in the Shares or the underlying Shares of the Company that were recorded in the register kept by the Company under Section 336 of the SFO.

3. INTERESTS IN CONTRACTS, ARRANGEMENTS OR BUSINESSES

- (a) None of the Directors was materially interested, directly or indirectly, in any contract or arrangement subsisting as at the Latest Practicable Date which was significant in relation to the business of the Group nor has any Director had any direct or indirect interest in any assets which have been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2019, the date to which the latest published audited consolidated financial statements of the Group were made up.
- (b) As at the Latest Practicable Date, none of the Directors, controlling Shareholder or, so far as is known to them, their respective close associates has any business or interest apart from the Group's business that competes or may compete, either directly or indirectly, with the business of the Group.

4. LITIGATION

As at the Latest Practicable Date, there were no litigations or claims of material importance pending or threatened against any member(s) of the Group which were known to the Directors.

5. QUALIFICATION AND CONSENT OF EXPERTS

The qualifications of the experts who have been named in this circular or have given opinions or advices which are contained herein are set out below:

Name	Qualification
SRK Consulting China Ltd.	Independent Competent Person
BDO Limited	Certified Public Accountants
SRK Consulting (Australasia) Pty Ltd	Independent Competent Evaluator

- (a) As at the Latest Practicable Date, none of the aforementioned experts have any interest, direct or indirect, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.
- (b) had no interests, direct or indirect, in any assets which had been, since 31 March 2020 being the date to which the latest published audited consolidated financial statements of the Company were made up, acquired or disposed of by or leased to any of member of the Group, or are proposed to be acquired or disposed of by or leased to any of member of the Group
- (c) Each of the aforementioned experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion in this circular of its report and/or references to its name in the form and context in which it appears.

6. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of businesses) have been entered into by the member(s) of the Group within the two years immediately preceding the Latest Practicable Date which are or may be material:

- (a) The Capital Injection and Cooperation Agreement
- (b) The Share Charge
- (c) Supplemental Agreement

7. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, there was no existing or proposed service contract of directors, excluding contracts expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation), between any of the Directors and any member(s) of the Group.

The appointment of each of the independent non-executive Directors for a continuous term unless terminated by either party serving not less than 2 month's written notice to the other.

8. AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules and paragraphs C.3.1 to C.3.7 of the Corporate Governance Code contained in Appendix 15 to the GEM Listing Rules. The primary duties of the audit committee of the Company are, among others, to review and supervise the financial reporting processes and internal control procedures of the Group and to provide advice and comments to the Board accordingly. The audit committee consists of the three independent non-executive Directors of the Company, namely Ms. Zhang Lin (as chairperson), Ms. Liu Talin and Ms Yao Yunzhu. Their backgrounds are as follows:

Ms. ZHANG Lin, aged 47, was appointed as an independent non-executive Director with effect from 14 December 2012. She is the chairperson of audit committee and remuneration committee of the Company and a member of nomination committee of the Company. She was licenced as a certified public accountant in the state of California, the United States from June 2002 and the state of Georgia, the United States from October 2006.

Ms. LIU Talin, aged 52, was appointed as an independent non-executive Director with effect from 14 December 2012. She is a member of audit committee, remuneration committee and nomination committee of the Company. She obtained a bachelor's degree from the Department of Chemistry of 內蒙古大學 (Inner Mongolia University) in July 1991. She worked in 內蒙古物資集團有限責任公司 (Inner Mongolia Resources Group Co., Ltd.*) from 1994 to 2003.

Ms. YAO Yunzhu, aged 43, was appointed as an independent non-executive director with effect from 1 June 2017. She is a member of Audit Committee, Nomination Committee and Remuneration Committee of the Company. She holds a Bachelor of Laws degree from Peking University and a master's degree from City University of Hong Kong. Ms. Yao has served as an executive director of Victory Securities (Holdings) Company Limited, a company listed on the GEM Board of the Stock Exchange (Stock code: 8540) from 26 October 2018 to 21 May 2019. Ms. Yao has served as an assistant general manager of Huarong International Board of Directors since 2016. She has served as a director of policy and market research office of strategic planning and investment management department of Industrial and Commercial Bank of China (Asia) Limited, a senior manager of strategic development of COSCO Pacific Limited (COSCO Shipping Ports Limited), and was responsible for project planning, project review and strategic planning and other affairs. Ms. Yao has worked in the consular section of the Ministry of Foreign Affairs of the Peoples' Republic of China for 11 years. She has extensive experience in strategy, negotiation, operation, management and consular protection. During the above period, she has been awarded a Chevening Scholarship to study in Cambridge University.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Flat A, 11/F., Two Chinachem Plaza, 68 Connaught Road Central, Hong Kong during normal business hours for a period of 14 days from the date of this circular:

- (a) the memorandum and articles of association of the Company;
- (b) the material contracts referred to in the paragraph headed "6. Material contracts" in this Appendix;
- (c) the valuation report commissioned by SRK Consulting (Australasia) Pty Ltd in relation to the assets held by the Target Company;
- (d) the Competent Person's Report prepared by SRK Consulting China Ltd. in relation to the ore reserves of Huangtun Pyrite Mine held by the Target Company;
- (e) the annual report of the Company for each of the three financial years ended 31 March 2020;
- (f) the circular of the Company dated 11 July 2019;
- (g) the circular of the Company dated 8 July 2020; and
- (h) this circular.

10. MISCELLANEOUS

- (a) The company secretary of the Company is Ms. Shen Tianwei. Ms. Shen has obtained a Master degree in professional accounting and information system from City University of Hong Kong and is an associate member of both the Hong Kong Institute of Certified Public Accountants and Chinese Institute of Certified Public Accountants.
- (b) The compliance officer of the Company appointed pursuant to Rule 5.19 of the GEM Listing Rules is Ms. Qin Chunhong. Ms. Qin has obtained a master's degree in business administration from the School of Business Administration in Peking University and is a member of the China Certified Tax Agents Association and Chinese Institute of Certified Public Accountants.
- (c) The registered office of the Company is at Royal Bank of Canada Trust Company (Cayman) Limited, 3rd Floor, Royal Bank House, 24 Shedden Road P.O. Box 1586 Grand Cayman KY1-1110, Cayman Islands. The Company's head office and principal place of business is at Flat A, 11/F, Two Chinachem Plaza, 68 Connaught Road Central, Hong Kong.
- (d) The principal share registrar and transfer office of the Company in Cayman Islands is Butterfield Fund Services (Cayman) Limited at Butterfield House, 68 Fort Street, P.O. Box 705, George Town, Grand Cayman, Cayman Islands.
- (e) The Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (f) In the event of any inconsistency, the English texts of this circular shall prevail over its respective Chinese texts.

NOTICE OF EGM

Pizu Group Holdings Limited

比優集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8053)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the “EGM”) of the Shareholders of Pizu Group Holdings Limited (the “Company”) will be held at Flat A, 11/F., Two Chinachem Plaza, 68 Connaught Road Central, Hong Kong on Friday, 25 September 2020 at 2:00 p.m. (or immediately after the conclusion or adjournment of the Annual General Meeting of the Company to be held on the same day) for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolution as an ordinary resolution of the Company (unless otherwise indicated, capitalised terms used in this notice shall have the same meanings as defined in the circular of the Company dated 31 August 2020):

“**THAT** the Capital Injection and Cooperation Agreement dated 28 June 2019 and the Supplemental Agreement dated 20 November 2019 entered into between 比優(深圳)礦業有限公司 (Pizu (Shenzhen) Mining Limited*), being a wholly owned subsidiary of the Company and the Major Shareholders of the Target Company, 安徽省金鼎礦業有限公司 (Anhui Jinding Mining Co., Ltd.*) and the transactions contemplated thereby be and are thereunder approved and that the Directors of the Company be and are hereby authorised to take any action and sign any document (under seal, if necessary) as they consider necessary, desirable or expedient for the purpose of giving effect to the Capital Injection and Cooperation Agreement and the transactions contemplated thereunder.”

By Order of the Board
Pizu Group Holdings Limited
Xiong Zeke
Chairman

Hong Kong, 31 August 2020

(The English translation of the Chinese name is for information purposes only, and should not be regarded as the official English translation of such name)*

NOTICE OF EGM

Principal Office in Hong Kong:

Flat A, 11/F.
Two Chinachem Plaza
68 Connaught Road Central
Hong Kong

Registered Office:

SMP Partners (Cayman) Limited
Royal Bank House, 3rd Floor
24 Shedden Road P.O. Box 1586
Grand Cayman KY1-1110
Cayman Islands

Notes:

1. A shareholder of the Company entitled to attend and vote at the meeting is entitled to appoint a person or persons (if he holds two or more Shares) as his proxy or proxies to attend and vote instead of him. A proxy need not be a shareholder of the Company.
2. To be valid, a form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power of attorney or authority, must be deposited with the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, 17M/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding the meeting or any adjourned meeting, and in default thereof the form of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiry of 12 months from the date of its execution.
3. Delivery of an instrument appointing a proxy shall not preclude a shareholder from attending and voting in person at the meeting if the shareholder so desires and in such event the instrument appointing a proxy shall be deemed to be revoked.
4. The register of members of the Company will be closed from Tuesday, 22 September 2020 to Friday, 25 September 2020, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the attending and voting at the meeting, all transfers accompanied by the relevant share certificates, must be lodged with the share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on Monday, 21 September 2020. The record date for the attending and voting at the meeting is Friday, 25 September 2020.

As at the date of this notice, the Board comprises nine Directors. The executive Directors are Mr. Xiong Zeke (Chairman), Mr. Liu Fali (Chief Executive Officer), Mr. Ma Gangling (Chief Operating Officer), Mr. Ma Tianyi, Ms. Qin Chunhong and Ms. Ma Ye and the independent non-executive Directors are Ms. Zhang Lin, Ms. Liu Talin and Ms. Yao Yunzhu.