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JINCHUAN 金川

JINCHUAN GROUP INTERNATIONAL RESOURCES CO. LTD

金川集團國際資源有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2362)

**OPERATIONAL UPDATE
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2022;
AND PROFIT WARNING**

This announcement is made by Jinchuan Group International Resources Co. Ltd (the “**Company**”, together with its subsidiaries, collectively the “**Group**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

OPERATIONAL UPDATE FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2022

The board of directors (the “**Board**”) of the Company announces the unaudited operational update for the nine months ended 30 September 2022 (the “**Period**”).

Operational Data

The Group’s operational data of mining operations and the revenue generated from trading of mineral and metal products summarised and shown in the table below are derived from the management account and internal records currently available to the Group. Such operational data are intended to give investors an overview of the Group’s operations in a timely manner which may differ from the actual data to be disclosed in future periodic report(s) of the Group.

	For the nine months ended 30 September 2022	For the nine months ended 30 September 2021
Mining operations		
Production:		
Copper (<i>tonne</i>)	44,477	45,244
Cobalt (<i>tonne</i>)	3,468	2,407
Product sold:		
Copper (<i>tonne</i>)	46,922	47,376
Cobalt (<i>tonne</i>)	3,194	1,660
Revenue (including provisional pricing adjustment) – approximate figures:		
Copper (<i>US\$'000</i>)	356,402	430,790
Cobalt (<i>US\$'000</i>)	129,137	70,189
Mining operations revenue (<i>US\$'000</i>)	485,539	500,979
Trading of mineral and metal products		
Revenue – trading of externally sourced mineral and metal products – approximate figures (<i>US\$'000</i>)	210,546	95,548
Total revenue (<i>US\$'000</i>)	<u>696,085</u>	<u>596,527</u>

Note: Pricing coefficients were considered in actual sales revenue

During the Period, the Group's mining operations produced 44,477 tonnes of copper content included in copper cathode and copper concentrate (nine months ended 30 September 2021: 45,244 tonnes) and 3,468 tonnes of cobalt content included in cobalt hydroxide (nine months ended 30 September 2021: 2,407 tonnes).

During the Period, Ruashi Mining SAS, a non wholly-owned subsidiary of the Company, successfully purchased more ore from independent suppliers which offset the impact caused by the decrease in self-mined ore's feed grade, resulting in a stable copper production in the Period as compared to the corresponding period in 2021. Meanwhile, the ore purchased was of higher cobalt grade as compared to self-mined ore, as a result cobalt production volume increased by approximately 44% to 3,468 tonnes in the Period as compared to the corresponding period in 2021 of 2,407 tonnes.

During the Period, the Group's mining operations sold 46,922 tonnes of copper (nine months ended 30 September 2021: 47,376 tonnes), representing a decrease of approximately 1% year-on-year compared to the corresponding period in 2021, and 3,194 tonnes of cobalt (nine months ended 30 September 2021: 1,660 tonnes), representing an increase of approximately 92% year-on-year compared to the corresponding period in 2021.

Due to the disruption to international logistics arrangement caused by additional quarantine measures under COVID-19 and the longer waiting time for exporting goods out of the Democratic Republic of Congo ("**DRC**"), the Group's average delivery time from the DRC to the eastern part of the world was longer than normal. The unavailability of trucks and vessels had led to a low cobalt sales volume compared to the production volume in the Period, and hence resulted in the increase in the Group's cobalt finished goods inventory volume. The Group aims to sell the inventory on hand when global logistics resume normal.

Out of the sales of copper and cobalt, the Group's mining operations generated revenue of approximately US\$356.4 million and US\$129.1 million in the Period, respectively (nine months ended 30 September 2021: approximately US\$430.8 million and US\$70.2 million, respectively), representing approximately 17% year-on-year decrease and 84% year-on-year increase respectively compared to the corresponding period in 2021.

The average copper price realised in the Period was US\$7,596 per tonne, representing a decrease of approximately 17% as compared to US\$9,093 per tonne in the corresponding period in 2021. The benchmark London Metal Exchange ("**LME**") copper price decreased by approximately 21% from the end of 2021 and reached US\$7,647 per tonne by the end of September 2022 and resulted in the decrease in the Group's copper revenue in the Period. Cobalt sales revenue increased as a result of the increase in sales volume in the Period. Also, as a result of lower commodity prices, there was a downward adjustment to the provisional price previously recognised.

The trading of mineral and metal products segment recorded a significant increase in revenue on trading of externally sourced commodities of 120% from approximately US\$95.5 million in the nine months ended 30 September 2021 to approximately US\$210.5 million in the Period. The increase was due to the gradual increase in trading volume of the new trading business line in Hong Kong which commenced operation in 2020.

PROFIT WARNING

The Board would like to inform the shareholders of the Company and potential investors that, based on the preliminary review of the latest unaudited consolidated management accounts of the Group for the nine months ended 30 September 2022 and the information currently available to the Board and assuming there are no significant unexpected changes to the operating environment in the period from the date of this announcement to 31 December 2022, the Group expects to record a decrease in profit attributable to shareholders of the Company for the year ending 31 December 2022 (the “Year”) in the range between US\$1 million to US\$10 million, as compared to the profit attributable to shareholders of the Company of approximately US\$120.5 million for the year ended 31 December 2021. The decrease in profit attributable to the shareholders of the Company in the Year was mainly attributable to:

(i) Longer quotation period and lower commodity prices

Due to the longer delivery time caused by global logistics disruption, the Group has agreed with various customers to adopt a longer quotation period as final settlement price, the decrease in commodity prices in the third quarter of 2022 has led to the Group’s recognition of a downward provisional pricing adjustment in the Period to revise the estimated provisional price previously recognised.

(ii) Impairment of inventories

The Group purchased more mineral ore from independent suppliers in the Period where ore purchase expenses have increased from approximately US\$6.8 million in the nine months ended 30 September 2021 to approximately US\$91.6 million in the Period, resulted in the increase in per unit production cost in the Period. As cobalt market price remained at a low level, the Group has recognised an impairment loss provision on cobalt finished goods inventory amounted to approximately US\$16.5 million in the Period.

(iii) Increase in production cost

Mining costs and processing costs increased in the Period as compared to the nine months ended 30 September 2021. Increase in mining costs was a result of the increase in volume of ore and waste mined as compared to the nine months ended 30 September 2021. Processing costs also increased due to the increase in reagent costs and electricity expenses due to power outages replaced by diesel driver generators in processing ores.

The information contained in this announcement is only a preliminary assessment by the Group based on the unaudited financial information of the Group for the nine months ended 30 September 2022 and other information currently available to the Group. The information in this announcement has not been reviewed or audited by external auditors of the Company. The Group's annual results for the Year are subject to future events during the Year, further internal review and adjustments by the Company's management and review by external auditors of the Company. The Group's financial performance is heavily affected by changes in commodity prices, which is volatile in nature and highly susceptible to swings in global policy and economic uncertainty. The Group's financial performance will also be affected by other factors, such as final confirmation of commodities volume delivered, final assay outcome available upon laboratory confirmation, final valuation on the Group's assets and liabilities which possibly may result in additional impairment loss (or gain) and/or provision to be recorded, therefore, the actual results of the Group for the Year may significantly differ from the information contained in this announcement. The Company will make further announcement as and when required if there is further information in relation to the finalisation of financial results of which are material is available. Shareholders and potential investors are advised to refer to the future periodic report(s) of the Group and the details in the annual results announcement of the Group for the Year, which is expected to be published by the end of March 2023.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company, and should note that undue reliance on or use of the above information may cause investment risks.

By order of the Board
Jinchuan Group International Resources Co. Ltd
Wong Hok Bun Mario
Company Secretary

Hong Kong, 11 November 2022

As at the date of this announcement, the Board comprises two executive directors, namely Mr. Gao Tianpeng and Mr. Cheng Yonghong; two non-executive directors, namely Mr. Liu Jian and Mr. Wang Qiangzhong; and four independent non-executive directors, namely Mr. Yen Yuen Ho, Tony, Mr. Poon Chiu Kwok, Mr. Yu Chi Kit and Ms. Han Ruixia.