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**Zijin Mining Group Co., Ltd.\***

**紫金礦業集團股份有限公司**

*(a joint stock limited company incorporated in the People's Republic of China with limited liability)*

**(Stock code: 2899)**

## **Announcement in relation to investing in the Porgera gold mine project in Papua New Guinea**

### **1. Summary on the Transaction**

On 26 May 2015, Zijin Mining Group Co., Ltd.\* (the "Company"), Gold Mountains (H.K.) International Mining Company Limited ("Gold Mountains"), a wholly-owned subsidiary of the Company, jointly entered into a share acquisition agreement (the "Agreement") with Barrick Gold Corporation ("Barrick") and Barrick (PD) Australia Limited ("Barrick Australia"). Gold Mountains will pay US\$298 million (approximately equivalent to RMB1.82078 billion based on the exchange rate of US\$1 to RMB6.11 on 26 May 2015, same hereafter) to acquire (a) 50% equity interest in the Target Company held by Barrick Australia and (b) 50% of the shareholders' loans provided to the Target Company by Barrick and its affiliates. (the "Transaction") After the Transaction is completed, 50% equity interest in the Target Company will be owned by Gold Mountains. The Target Company will become a joint venture of the Company. Equity method will be used in recognition of the Target Company's performance.

The Target Company is a company incorporated in Papua New Guinea, in which Barrick holds 100% equity interest through Barrick Australia, its wholly-owned subsidiary. The major assets of the Target Company is the 95% equity interest it holds in the Porgera Joint Venture (non-registered) ("PJV") in Papua New Guinea.

This Transaction was approved by 9<sup>th</sup> meeting of the Fifth term of the board of directors. The completion of the Transaction is subject to the relevant major terms and conditions stated in this announcement, including obtaining the valid approvals of the PRC government or related departments that it authorised, and the Papua New Guinean government (if applicable).

To the best knowledge, information and belief of the Directors, the Target Company and its controlling shareholder are not connected persons to the Company and its controlling shareholder. Therefore, the Transaction does not constitute a connected transaction.

This announcement is made on a voluntary basis as all the applicable percentage ratios involved in the Transaction are less than 5% under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

As the Transaction belongs to a project to be invested in by the proceeds raised in the non-public issuance of shares of the Company, information on the Transaction is also disclosed in the “Proposal on the Non-public Issuance of A shares of Zijin Mining Group Co., Ltd.\*” which is announced by the Company on the same day. Matters related to the Company’s non-public issuance of shares involved in the Transaction shall be proposed to shareholders’ general meeting of the Company for consideration.

## **2. Basic information of the parties to the Transaction**

1. Zijin Mining Group Co., Ltd.\*, a joint stock limited company incorporated in the PRC.
2. Gold Mountains (H.K.) International Mining Company Limited, a company registered in Hong Kong with limited liability. Gold Mountains is an important platform of the Company for overseas investment, financing and operation, and is mainly engaged in the import and export of mineral products, mining machinery and equipment, mineral investment and other business. It is a wholly-owned subsidiary of the Company.
3. Barrick Gold Corporation, a company registered in Toronto, Canada, is listed on the stock exchanges of Toronto and New York (stock code: TSX: ABX, NYSE: ABX). It is one of the largest gold producers in the world mainly focusing on the exploration, mining and processing of mineral resources.

According to the 2014 annual report published by Barrick, as at the end of 2014, Barrick’s total assets was US\$33.879 billion, net assets was US\$12.862 billion, operating income realised in 2014 was US\$10.276 billion, and net profit attributable to owners of the parent was -US\$2.907 billion. For details of Barrick, please refer to its corporate website <http://www.barrick.com>.

4. Barrick (PD) Australia Limited, a wholly-owned subsidiary of Barrick, is an Australian registered company. It is currently the sole shareholder of the Target Company, of which its major asset is a 95% interest in the PJV.

## **3. Basic Information of the Target Company**

### **(1) Introduction on the Target Company**

Barrick (Niugini) Limited (“Target Company”) is a company incorporated in Papua New Guinea with registered address in Port Moresby, Papua New Guinea. 100% of its equity interest is held by Barrick Australia.

The Target Company mainly holds 95% equity interest in the PJV (non-registered) of Papua New Guinea.

After the Transaction is completed, Barrick Australia and Gold Mountains will each hold 50% equity interest in the Target Company.

**(2) Financial status of the Target Company in recent 2 years**

To fulfill the requirements of the transaction, Barrick had made a series of adjustments to its structure in the Target Company prior to the acquisition. Unaudited proforma financial data of the Target Company which is in line with the structure of the Transaction and the International Accounting Standards is as follows:

Unit: US\$'000

Items	31 December 2014/Year 2014	31 December 2013/Year 2013
Total assets	1,147,281	1,581,574
Total liabilities	1,303,547	1,781,214
Net assets	-156,266	-199,640
Operating income	644,452	657,418
Net profit/loss	40,159	-1,016,071

Note

- 1: The aforementioned financial data is unaudited;
- 2: The financial data stated above may be different from the audit results to be prepared under Chinese Accounting Standards by the Company's appointed accounting firm. Investors shall pay attention to such differences.

**(3) Basic information of the Porgera gold mine project**

**1. Structure of the project**

The Porgera gold mine operates through the PJV. 95% equity interest in the PJV is held by the Target Company, the remaining 5% is held by Mineral Resources Enga Limited.

**2. Resources of the project**

The Porgera gold mine is a world-class epithermal gold mine with a large volume of resources reserve. According to Barrick's 2014 annual report, based on the NI43-101 reporting standard of Canada, the resources volume / reserve volume owned by Barrick proportionate to its shareholding in the Porgera gold mine project is as follows (reserve volume is excluded from resources volume):

**(1) Reserve volume (based on 95% equity interest)**

Proved	Probable	Total (Proved+Probable)
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Ore volume ('000 tonnes)	Grade (gramme / tonne)	Metal volume ('000 ounces)	Ore volume ('000 tonnes)	Grade (gramme / tonne)	Metal volume ('000 ounces)	Ore volume ('000 tonnes)	Grade (gramme / tonne)	Metal volume ('000 ounces)
2,426	8.5	663	14,623	4.99	2,345	17,049	5.49	3,008

Note: based on 1 ounce = 31.1035 grammes (same hereafter), total volume of gold reserve owned by the Porgera gold mine is approximately 93.56 tonnes, in which: approximately 20.62 tonnes is proved reserve volume, approximately 72.94 tonnes is probable reserve volume.

## (2) Resources volume (based on 95% equity interest)

Measured (M)			Indicated (I)			Total (M + I)	Inferred		
Ore volume ('000 tonnes)	Grade (gramme / tonne)	Metal volume ('000 ounces)	Ore volume ('000 tonnes)	Grade (gramme / tonne)	Metal volume ('000 ounces)	Metal volume ('000 ounces)	Ore volume ('000 tonnes)	Grade (gramme / tonne)	Metal volume ('000 ounces)
161	5.8	30	34,095	3.67	4,020	4,050	20,875	3.14	2,105

Note: total resources volume owned by the Porgera gold mine is approximately 191.44 tonnes, of which: approximately 0.93 tonne is measured resources volume, approximately 125.04 tonnes is indicated resources volume and approximately 65.47 tonnes is inferred resources volume.

As at the date the announcement is released, the verification report on the volume of resources reserve of the Porgera gold mine prepared in accordance with Chinese standard is still under preparation.

## (3) Geographical location and infrastructure

The Porgera gold mine is 130 kilometers away from the west of Mount Hagen, the western city of Papua New Guinea, and 600 kilometers away from the northwest of the capital, Port Moresby. The materials needed for the operation of the Porgera gold mine are transported from the port city of Lae to the mine through road transportation.

## (4) Investment environment of the project

### 1. Geographical location of Papua New Guinea

Papua New Guinea is 160 kilometers away from northern Australia and is situated in the southern tropical region. It comprises of eastern Island of New Guinea and approximately 600 offshore islands. Its land area covers 465,000 square kilometers and is the second largest country after Australia in the southern Pacific region.

## **2. Mining as the major economic pillar of Papua New Guinea**

The economy of Papua New Guinea is relatively underdeveloped. Its economic activities mainly include agriculture, forestry, fishery, metal mining and exploration and development of oil and natural gas. Gold mine resources in Papua New Guinea are very abundant.

## **3. Relatively stable investment environment**

Papua New Guinea has a relatively stable political environment and a sound legal system. The Papua New Guinean government encourages foreign investors to invest in the development of natural resources in Papua New Guinea, and it has maintained good relations with China ever since both countries established formal diplomatic relations in 1976. There is a gradual rising trend in the investment in Papua New Guinea from China in the recent years.

## **(5) Status of the project's mining rights and land use approval**

The PJV has a special mining lease (mining permit number: SML1), which covers an area of 2,227 hectares and was granted in May 1989. It is effective till May 2019 and can be applied to extend for 20 more years according to the current regulations in force in Papua New Guinea.

The PJV also possesses several land use permits for mining purpose (number: LMP72, LMP77, etc.), mining rights (ML101, etc.) and special land use rights (ME1, ME2, etc.) in the mining areas for use of tailing dumps, staff campsites and commuter plane runways, etc.

## **6. Status of production and operation of the project**

### **(i) Status of mining**

The existing mining capacity of the Porgera gold mine is 5.4 million tonnes of crude ore per year (including 4 million tonnes from open-pit mining/stockpiles and 1.4 million tonnes from underground mining) .

Traditional trucks and excavators are used for open-pit mining. Underground mining adopts a sub-level, retreat open stopping mining method, using tailings and mullocks to refill the stopes.

### **(ii) Processing Capacity**

The processing plant of the Porgera gold mine can process 6 million tonnes of crude ore per year. Techniques used in processing include crushing, grinding and reprocessing, flotation processing, hot-pressure oxidation and cyanidation carbon-in-pulp leaching.

### (iii) Major indicators on production and cost

Since the Porgera gold mine completed its construction and started production in 1990, the accumulated gold production has reached 18.81 million ounces (i.e. 585 tonnes) up to 2014. The major indicators on production and cost from 2012 to 2014 are as follows:

Items	Unit	Year 2014	Year 2013	Year 2012
Volume of mining and stripping	'000 tonnes	15,719	18,628	21,935
Volume of ore processed	'000 tonnes	5,584	5,354	4,963
Feed grade	gramme/tonne	3.10	3.22	3.17
Volume of gold production	'000 ounces	493	482	436
Volume of gold sold	'000 ounces	507	465	426
Cost of sale	US\$ million	545	524	484
Cash cost	US\$/ounce	915	965	968
All-in sustaining costs	US\$/ounce	996	1,361	1,452

Source of data: Barrick's 2014 annual report

## 7. Status of the project's environmental impact assessment

The relevant environmental impact assessment permits for production and operation in the Porgera gold mine have been obtained. Details are as follows:

Number	Number of environmental impact assessment permit	Content	Effective period
1	WI-L3 (91)	Issues related to extraction of surface water	Until December 2053
2	WDL3 (121)	Compliance issue of waste disposal	Until December 2038
3	WE-L2A(254)	Issues related to extraction of surface water	Until April 2037

## 4. Major terms of the share acquisition agreement

On 26 May 2015, the Company and Gold Mountains officially entered into a share acquisition agreement with Barrick and Barrick Australia. Major terms of the Agreement are as follows:

### (1) Overview of the Transaction

The Company has designated Gold Mountains as the buyer (the "Buyer") to pay US\$298 million to Barrick Australia, the seller (the "Seller"), for acquisition of:

- (1) 50% equity interest in the Target Company, being 774,888,390 ordinary shares of the Target Company free and clear of encumbrances with consideration of US\$100 million; and
- (2) 50% of the aggregate shareholders' loans once lent from Barrick and its affiliates to the Target Company which is free and clear of encumbrances with consideration of US\$198 million.

The total amount of the consideration for the Transaction may be adjusted subject to the determination on the change of the amount of the Target Company's working capital as at the completion date in accordance with International Financial Reporting Standards as agreed by the Seller and the Buyer.

### **(2) Completion date of the Transaction**

The completion date of the Transaction (the "Completion Date") will be on or before 31 August 2015 or other date as agreed by the Seller and Buyer (the "Cut Off Date").

### **(3) Payment**

By the time the Transaction is completed, the Buyer shall transfer the consideration to the bank account specified in advance by the Seller.

### **(4) Conditions Precedent of the Transaction**

The conditions precedent of the Transaction include but not limited to:

1. The Buyer obtains all necessary approvals, consents and authorizations from the Ministry of Commerce, the National Development, Reform Commission and the State Administration of Foreign Exchange or relevant authorized departments of the PRC;
2. The Seller or the Buyer, if applicable, obtains all necessary approvals, consents and authorizations issued by the governmental authority of Papua New Guinea; and
3. There being no injunction or other interim or appealable order issued by any court of competent jurisdiction or any governmental authority restraining or enjoining or otherwise prohibiting on an interim basis the Transaction is in effect.

### **(5) Funding obligations**

The Target Company shall fund all of its expenditures, fees and liabilities from its own cash on hand and other assets to the extent practicable. Unless otherwise determined by the board of directors of the Target Company, to the extent the capital needs not covered by available free cash flow generated from the Porgera mine, each shareholder should supplement the capital needs under each approved program and budget according to their shareholding.

### **(6) Corporate matters and management of the Target Company**

Major terms of the corporate matters and management of the Target Company as stipulated in the

shareholders' agreement are as follows:

1. The board of directors of the Target Company shall consist of 6 directors. Gold Mountains and Barrick Australia shall each be entitled to nominate 3 of them;
2. Pursuant to the shareholders' agreement, so long as both parties hold a proportionate interest of at least 45%, one of Gold Mountains and Barrick Australia shall be entitled to appoint one executive managing director who is responsible for the production and operation of the Target Company, and at such time the other party shall be entitled to appoint the chairman of the board of directors and one deputy managing director;
3. For ensuring the stability of the production and operation, the parties agreed that the first executive managing director will be the current general manager nominated by Barrick Australia, Gold Mountains will nominate the first chairman of the board of directors and one deputy managing director. The appointment of each of the chairman of the board of directors, executive managing director and deputy managing director should be approved by the board of directors.

## **5. Pricing of the Transaction**

The price of the Transaction is determined based on the due diligence and financial analysis made on the Target Company by the Company and the external professional teams appointed by the Company, with reference to the Porgera gold mine's volume of resources, valuation of the project, comparable figures in the market, and combining the Company's evaluation on the prospect of the targeted assets, impacts on the Company's future operation and strategy, and is on normal commercial terms and arrived at after an arm's length negotiation. As at the date of this announcement, the evaluation report on the Target Company's assets prepared in accordance with Chinese standard is still under preparation.

## **6. Impact of the Transaction on the Company**

### **(1) In line with the Company's development strategy and is advantageous to promoting the progress of internationalization**

The Porgera gold mine project has been tracked by the Company for a long period of time. The Company has carried out site visits on the project and conducted in-depth research on the project. The project has large volume of resources reserve and mature production technology. Thus the management risk is controllable. If the Transaction is successful, both the reserve volume of gold resources and the production volume of mine-produced gold of the Company may potentially be increased and the Company's profitability can further enhanced.

The Porgera gold mine is a mature and large-scale mine in production. By acquiring the project, the Company can learn the top production technology and management model outside the country. This provides a good learning platform for the Company to upgrade its technology and management levels.

The Porgera gold mine is located in an important gold metallogenic belt in the world. There is excellent

growing prospect for resources.

In summary, the Company considers that the Transaction is of great strategic significance, beneficial to the improvement of the Company's profitability and sustainability and is in line with a new round of development of the Company. The Board of the Company considers the relevant terms in the Transaction are fair and reasonable, and in the interest of the Company and its shareholders as a whole.

## **(2) Source of fund for the acquisition**

The consideration for the acquisition in the Transaction is US\$298 million (approximately equivalent to RMB1.821 billion), which accounts for 6.49% of the audited amount of net assets of the Company in the year 2014. The Company intends to use the proceeds raised in the non-public issuance of shares in the Transaction. The Company will invest in the project with other means of financing according to the development progress of the project before the proceeds raised in the non-public issuance are in place, and the proceeds raised in the non-public issuance will be used to substitute the Company's funding after they are received into account.

## **7. Risk of the Transaction**

### **(1) It is a conditional Transaction, the risks causing failure of the acquisition include but not limited to:**

The completion of the Transaction is subject to the fulfillment of the conditions precedent set out in the agreement, including obtaining the valid approvals of the PRC government or related departments that it authorised, and the Papua New Guinean government (if applicable).

### **(2) Mine operation risk**

This is the first time the Company participates in the operation of a mining project in Papua New Guinea. Since differences exist in terms of laws and regulations, finance and tax, business practices, trade union policy, corporate culture, etc. between Papua New Guinea (where the asset being acquired is located) and China. Upon completion of the acquisition, the Company will be confronted with certain operational and management risks.

### **(3) Market risk**

Market risk mainly comes from the price trend of gold in the future. If there is significant fluctuation of gold price in future, the profitability of the project will be more uncertain and may thereby affect the value of the Target Company.

### **(4) Foreign exchange risk**

The Transaction will be settled in US\$. Due to the impact of the exchange rate fluctuation, the Transaction which will be settled in US\$ will have certain foreign exchange risk.

## **8. Strategic Cooperation Memorandum of Understanding**

In addition, the Company and Barrick have signed a long-term strategic cooperation memorandum of understanding which outlines the intent of both companies to collaborate on future projects and investments that will leverage the competitive strengths of each company to maximize the individual benefits and create long-term value for the shareholders of both companies.

**This announcement is published in both Chinese and English. In the case of any discrepancies, the Chinese version shall prevail over its English version.**

This announcement is made on a voluntary basis.

**Investors and shareholders are advised by the Board to exercise caution when dealing in the shares of the Company.**

As at the date of this announcement, the Board of Directors of the Company comprises Messrs. Chen Jinghe (Chairman), Wang Jianhua, Qiu Xiaohua, Lan Fusheng, Zou Laichang, Fang Qixue and Lin Hongfu as executive directors, Mister. Li Jian as non-executive director, and Messrs. Lu Shihua, Ding Shida, Qiu Guanzhou, and Sit Hoi Wah, Kenneth as independent non-executive directors.

By Order of the Board of Directors  
**Zijin Mining Group Co., Ltd.\***  
**Chen Jinghe**  
*Chairman*

26 May 2015, Fujian, the PRC

*\* The Company's English name is for identification purpose only*