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SD-GOLD

SHANDONG GOLD MINING CO., LTD.

山東黃金礦業股份有限公司

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

(Stock Code: 1787)

**DISCLOSEABLE TRANSACTION
ACQUISITION OF TMAC RESOURCES INC.**

On 8 May 2020 (after trading hours), the Company and SDG Hong Kong entered into the Arrangement Agreement with the Target Company. The Company, through a subsidiary to be set up by SDG Hong Kong in Canada, proposed an acquisition arrangement to acquire all Target Shares in issue and any new Target Shares that may be issued from exercising the equity instruments (including restricted stock units, director share units and restricted share rights) in cash consideration of CAD1.75 per Target Share. The Company will provide guarantee for SDG Hong Kong for its fulfillment of the Arrangement Agreement.

SDG Hong Kong also entered into the Subscription Agreement to subscribe the Subscription Shares at USD15 million (i.e. CAD1.75 per Subscription Share) (equivalent to approximately CAD21.0 million), representing approximately 9% of the enlarged issued share capital of the Target Company. Based on 118,116,421 Target Shares in issue as at the date of the Arrangement Agreement, the total consideration is approximately CAD206.7 million. Assuming all of the relevant equity instruments are exercised, based on 119,456,881 Target Shares, the total consideration is approximately CAD209.1 million. The total consideration of the Acquisition and the transaction contemplated under the Subscription Agreement is approximately CAD230.1 million.

The Acquisition will be implemented according to the arrangement plan stipulated in the Business Corporations Act (Ontario), subject to review and approval by the shareholders' special meeting of the Target Company, and the approvals of the relevant regulatory authorities, courts and stock exchanges.

The Transaction was approved by the board of directors of the Target Company and the Board of the Company.

Completion	The completion will take place within six months after the Arrangement Agreement is signed. If the relevant government's approvals are not obtained or the on-site visit is not completed within such six months, either party can consider the conditions of (i) approval progress; or (ii) on-site visit and handover be postponed for three months.
Conditions precedent	<p>Completion is conditional upon certain conditions being fulfilled, including:</p> <ol style="list-style-type: none"> i. the resolutions in relation to the Arrangement Agreement has been approved by the special meeting of shareholders of the Target Company; ii. interim and final orders have been obtained from the court; iii. the Target Company and SDG Hong Kong are satisfied with the arrangement plan filed with the Directors; iv. none of laws in force will make the Completion illegal or prohibit Completion by the Target Company or the Group; v. regulatory approvals have been obtained; vi. key statements and guarantees are true and accurate; vii. the Target Company has fulfilled its undertakings in all material aspects; viii. there are no legal proceedings which will affect the transaction; ix. shareholders of the Target Company who have the right to object (and have not withdrawn) hold no more than 7% of the outstanding Target Shares in issue; x. no events have occurred or continued that would have a significant adverse effect on the Target Company; xi. the Target Company has delivered on-site visits and handover confirmations to SDG Hong Kong and such confirmations remain in effect for 30 days; and xii. the contracts with major communities or organizations are still valid and in good condition.

Other major terms

- (1) Major undertakings made by the Target Company during the period before Completion:
 - (a) to operate the business of the Target Company normally;
 - (b) to keep all insurances of the Target Company in force;
 - (c) to maintain, with its best reasonable commercial efforts, normal conditions of the Target Company's business structure, assets and properties, maintain employee services and relationships, and maintain good relationships with suppliers, customers, landlords, creditors, dealers, and others who have business relationships with the Target Company;
 - (d) The Target Company shall not modify the articles of association, redeem shares, change the capital structure, restructure mergers, capital expenditures, dispose of or divest assets, modify the rest and maintenance plans and budgets, incur additional debts, sign new contracts in excess of USD500,000, modify or terminate major contracts, change the salaries and compensation of executives and directors of the Target Company, etc., without prior written consent of SDG Hong Kong;
 - (e) to provide the designated persons of SDG Hong Kong with all important communications with government departments and indigenous groups as permitted by laws and make its best reasonable commercial efforts to arrange the designated persons of SDG Hong Kong to participate in discussions on related matters;
 - (f) to arrange communication between the designated persons of SDG Hong Kong and government departments and indigenous groups;
 - (g) to arrange the designated persons of SDG Hong Kong to complete the on-site visit;
 - (h) to provide information about principal operating activities to the designated persons of SDG Hong Kong and participate in some major meetings of the Target Company;
 - (i) to obtain the consent from SDG Hong Kong for the maintenance plan and revision of budget;
 - (j) to obtain approval from SDG Hong Kong for the business restart plan.

- (2) Termination fee: USD12.5 million. The Target Company shall pay this termination fee to SDG Hong Kong if the transaction with SDG Hong Kong fails to be completed for the following reasons: (a) the board of directors of the Target Company changes the original recommendation for the Acquisition; (b) the Target Company chooses to complete another better acquisition plan, or (c) the approval from the special meeting of shareholders of the Target Company is not obtained, or (d) the Target Company commits intentional default or fraud, on the condition that other acquisition proposals are made public before termination of the transaction with SDG Hong Kong, and the transaction plan is completed by the Target Company within 12 months after the termination.
- (3) Reverse termination fee: USD12.5 million. SDG Hong Kong shall pay this reverse termination fee to the Target Company if the transaction is not approved by the PRC government before the long stop date or part of the completion conditions are not fulfilled due to intentional violation or fraud on the part of SDG Hong Kong or the Company.
- (4) SDG Hong Kong agreed to provide a shareholder's loan to the Target Company upon Completion for maintenance of the Target Company's operation.

Approvals of the
Acquisition

The Transaction was unanimously approved by the board of directors of the Target Company, and was approved by the Board of the Company.

SDG Hong Kong also entered into a lock-up agreement with RCF Management, LLC ("**RCF**"), the Target Company's largest shareholder holding approximately 30.4% equity interest of the Target Company, Newmont Corporation ("**Newmont**"), Target Company's second largest shareholder holding approximately 27.3% equity interest of the Target Company, and Target Company's directors and senior management. RCF, Newmont and the directors and senior management of the Target Company agreed to vote for the Acquisition at the special meeting of shareholders of the Target Company.

The Acquisition, however, is subject to filing or approval where necessary, including but not limited to effective approvals or waivers from the PRC government or its authorized authorities and relevant Canadian regulatory authorities, courts and stock exchanges.

The Acquisition will be implemented according to the arrangement plan stipulated in the Business Corporations Act (Ontario), subject to affirmative votes of at least 2/3 (66%) of the shareholders who vote at the special meeting of shareholders of the Target Company (and a majority of its disinterested shareholders participating in voting), which will be held within 60 days after the signing of the Arrangement Agreement. In addition to the approval of the special meeting, the Acquisition also requires the approval of relevant regulators, courts and stock exchanges, and meets other customary completion conditions for transactions of a similar nature.

The Canadian Imperial Bank of Commerce and the Bank of Montreal has issued fairness opinion letters for the special committee of the Target Company. Both opinion letters considered that the quotation offered to the shareholders of the Target Company for the transaction is fair and reasonable from a financial perspective based on the existing assumptions, restrictions and other conditions.

Subscription Agreement

SDG Hong Kong entered into a Subscription Agreement with the Target Company, pursuant to which SDG Hong Kong entered into the Subscription Agreement to subscribe the Subscription Shares at USD15 million (i.e. CAD1.75 per Subscription Share), representing approximately 9% of the enlarged issued share capital of the Target Company. The purpose of the share subscription is to provide transitional operating fund to the Target Company. Such subscription price is the same as the consideration per Target Share in the Arrangement Agreement.

After the following conditions have been met: (1) the Toronto Stock Exchange approves the issuance of shares, (2) the Target Company issues a share certificate to SDG Hong Kong; and (3) the Target Company delivers to SDG Hong Kong proof that it has fulfilled the statements and guarantees agreed in the Subscription Agreement, the completion of the Subscription Agreement will take place on the fifth working day after the signing of the Subscription Agreement or the second working day after the Toronto Stock Exchange approves the issuance of shares (whichever is later). SDG Hong Kong shall pay the Target Company a total consideration of USD15 million upon completion of the Subscription Agreement.

INFORMATION OF THE RELEVANT PARTIES

The Company

The Company is an integrated gold company listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange since 2003 and 2018, respectively and engaged in gold exploration, mining, processing, smelting and sales. It is one of the largest gold producers listed in the PRC and/or Hong Kong that operates in the PRC, controlling and operating more than 10 gold mines with operation primarily located in Shandong province. The Company has gradually expanded its business into the Inner Mongolia autonomous region, Gansu province and Fujian province and abroad, namely acquiring a 50% interest in the veladero mine in San Juan province of Argentina in June 2017.

SDG Hong Kong

SDG Hong Kong was incorporated in Hong Kong on 27 February 2017 with limited liability and a wholly-owned subsidiary of the Company. SDG Hong Kong is an investment holding company.

The Target Company

TMAC Resources Inc. is a gold mining company in Canada, headquartered in Canada and listed on the Toronto Stock Exchange of Canada (stock code: TMR). It is principally engaged in the exploration, mining and production of gold resources in Canada. The core assets of the Target Company is the Hope Bay project located in the northeast of Nunavut, Canada.

Particulars of the Hope Bay project

Exploration and Mining right

The Hope Bay project has a exploration and mining right area of 1,101 sq. km, mainly divided into three mining areas: Doris, Madrid and Boston. Canadian mineral right leases are divided into mineral claims and mineral lease. In this project, it is divided into federal mineral right lease and Nunavut's Inuit land mineral lease. As far as federal mineral rights are concerned, the Target Company has 78 mineral claims and 78 mineral leases, both valid and sustainable. As far as Nunavut's Inuit land mineral rights are concerned, the Target Company obtained the right to mineral exploration by signing a land mineral exploration agreement with Nunavut Tunngavik Incorporated, underground mineral rights holder of Inuit's land. The Target Company has lease right, the maximum validity period can be extended to 31 December 2035, being mineral lease in respect of the land BB60 under the Doris Land Mineral Production Lease, its validity period may be extended indefinitely upon satisfaction of conditions.

Resources

As at 31 December 2019, according to the Canadian NI 43-101 standard, the Hope Bay project has 3,545,000 ounces (110.3 tonnes) of proven and probable reserves of gold, with an average grade of 6.5 g/t.

The reserves are based on the announcement of final resources and reserves of the Hope Bay project as at 31 December 2019 released by the Target Company on its official website. Reserve estimates are defined using the criterion of the Canadian Institute of Mining, Metallurgy and Petroleum (2014). Different cutoff grades are used for mineral reserves based on different types of deposit: 1. the cutoff grade of 4.0 g/t for a stope with medium and deep hole mining; 2. the cutoff grade of 3.0 g/t for tunnelling ore; 3. the cutoff grade of 2.0 g/t for the surface pillars in northern Madrid. Reserves are estimated using the average long-term gold price of USD1,325/oz and the exchange rate of USD1.34 to CAD1. The ore beneath the lake will remain 50m pillars. The data may not add up to the total due to rounding of numbers.

As at 31 December 2019, according to the Canadian NI 43-101 standard, the Hope Bay project has 5,173,000 ounces (160.9 tonnes) of proven and controlled resources of gold, with an average grade of 7.4 g/t, and 2,127,000 ounces (66.2 tonnes) of estimated resource of gold, with an average grade of 6.1 g/t.

The reserves are based on the announcement of final resources and reserves of the Hope Bay project as at 31 December 2019 released by the Target Company on its official website. Reserve estimates are defined using the criterion of the Canadian Institute of Mining, Metallurgy and Petroleum (2014). The mineral resource includes the amount of resource converted into reserve, which is unmined raw rock that does not include surface ore heap. Mineral resource is not the reserve of minerals and has not been proved for its economically viability. The cutoff grade of 3.5 g/t is used for each deposit of mineral resources. Reserves are estimated using the average long-term gold price of USD1,500/oz and the exchange rate of USD1.34 to CAD1. The ore beneath the lake will remain 50m pillars. The resource modelling uses a minimum interpretive width of 1.5m. The weight of ore is defined using the weight of geological block model.

Progress of project development

The Hope Bay project includes an 80 km long and 20 km wide archaic greenstone belt that includes a mining camp with extensive infrastructures. The Target Company acquired the Hope Bay from Newmont for US\$114 million in 2013 and invested a total of CAD650 million to develop the Madrid and Boston mines. At present, it has been fully approved for production in the Doris, Madrid and Boston mining areas along the Hope Bay. Previous owners have invested more than CAD1,700 million to develop and build the Hope Bay.

The project was completed and put into operation in 2017, and currently produces a total of about 9.5 tonnes of gold. Of the above, 55,000 ounces (about 1.72 tonnes) were produced in 2017, and 111,000 ounces (about 3.45 tonnes) were produced in 2018 with an all-in sustainable cost of US\$1,291/oz. 139,000 ounces (about 4.3 tonnes) of gold were produced in 2019 with an all-in sustainable cost of US\$1,075/oz in the first three quarters. The designed capacity of existing processing plant is 2,000 tonnes per day. However, the indicators of designed processing capacity and recovery rate have not been satisfied due to the problems of beneficiation design, operation and mineral mining and supply capability. The current production capacity is maintained at 1,600 to 1,700 tonnes per day.

Key financial data of the Target Company

The Target Company was audited by KPMG Canada in FY2017 and FY2018 which issued an unqualified audit opinion. Since 1 January 2017, the Target Company implemented International Financial Reporting Standard which is the same accounting standard applied to the Group. The key financial indicators of the Target Company are as follows:

	As at/for the twelve months ended 31 December 2017 <i>(CAD million)</i>	As at/for the twelve months ended 31 December 2018 <i>(CAD million)</i>	As at/for the nine months ended 30 September 2019 <i>(unaudited)</i> <i>(CAD million)</i>
Total assets	1,163.3	1,199.4	1,244.4
Total liabilities	319.8	303.4	313.8
Net assets	843.5	896.0	930.6
Operating income	56.4	178.0	206.8
Profit/loss before tax	(35.1)	(46.9)	26.9
Net profit/loss	(25.3)	(42.1)	16.8

REASONS FOR AND BENEFITS OF THE TRANSACTION

(1) Strengthen global layout of the Group

The Transaction will enable the Group to enter Canada's famous gold mining area, and enhances its global presence as it is possible to build a world-class mine there. The Group will have cooperation with global first-class company and team, so as to lay a solid foundation for seeking further development overseas.

(2) Help the Company to realize strategic goals

The considerable scale of resources of the Target Company can benefit the Group to achieve the "13th Five-Year" strategic goal. After the Acquisition, the Company will be committed to exploring the potential of prospecting and storage, to fully realize the value of the asset, thereby enhancing the scale of gold production in the Company will be greatly increased, and will further consolidate the position of the world's largest gold producers.

(3) Expect to achieve good returns of the Company

After the Acquisition, the Target Company will be delisted to complete the privatization, the Target Company will be wholly-owned by the Group. The financial information of the Target Company will be consolidated into the financial statements of the Group. Upon Completion, the Company plans to improve the Target Company's production layout and process. The Acquisition is expected to bring good returns to the Company.

HONG KONG LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio in respect of the Transaction exceeds 5% but less than 25%, as calculated under Rule 14.07 of the Hong Kong Listing Rules, the Transaction constitutes a discloseable transaction for the Company under Chapter 14 of the Hong Kong Listing Rules.

As the Company's A Shares are listed on the Shanghai Stock Exchange, the Company will continue to be subject to and regulated by the SSE Listing Rules and other applicable laws and regulations in the PRC insofar as our A Shares remain listed. The requirements of the Hong Kong Listing Rules in relation to discloseable transactions are different from those of the SSE Listing Rules.

CONFIRMATION BY THE BOARD

To the best of the Directors knowledge, information and belief and having made all reasonable enquiries, no Directors has a material interest in the Transaction and is required to abstain from voting at the Board meeting approving the Transaction.

To the best of the Directors knowledge, information and belief and having made all reasonable enquiries, the Target Company and its ultimate beneficial owners are third party independent of the Company and the connected persons of the Company.

The Directors, including the independent non-executive Directors, believe that the terms set out for the Transaction are fair and reasonable and are in the interests of the Company and its Shareholders as a whole.

INVESTMENT RISKS

Uncertainty risk of the Transaction

The Transaction is subject to certain conditions, and there is uncertainty about the Completion of the Transaction.

Operation risk of the Hope Bay project

The operation risk is mainly the risk that the operational activities cannot meet the expected goals due to the complex and variable external environment and the Company's own limitation in recognition and adaptability of the internal and external environments during the daily course of operation.

In the process of due diligence for the Hope Bay project, the following were specifically analyzed through the review of various aspects such as mineral resources, ore reserves, mining engineering, beneficiation metallurgy, environmental communities, health and safety existing and proposed tailings ponds, etc: unsatisfaction of the actual production to annual production plan, failure of beneficiation recovery rate to meet the designed indicators, possible delay in the progress of selection of plant to expand construction, the complexity of geological conditions, complex hydrological conditions and special environmental communities.

Foreign exchange risk

Since most of the Target Company's revenue is denominated in USD while its operating costs and expenses are denominated in CAD, the Acquisition is subject to certain foreign exchange risks.

Market risk

Market risk is mainly manifested in the future trend of gold prices. Any future significant decline in gold price will bring greater uncertainty to the profitability of the Hope Bay project, which in turn will affect the value of the Target Company.

DEFINITIONS

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

“Acquisition”	the acquisition arrangement to acquire all Target Shares in issue and any new Target Shares that may be issued from exercising the equity instruments (including restricted stock units, director share units and restricted share rights) pursuant to the Arrangement Agreement;
“Arrangement Agreement”	the arrangement agreement dated 8 May 2020 entered into between the Company, SDG Hong Kong and the Target Company in relation to the Acquisition;
“Board”	the board of Directors of the Company;
“CAD”	Canadian dollar, the lawful currency of Canada;
“China” or the “PRC”	the People's Republic of China;

“Company”	Shandong Gold Mining Co., Ltd. (山東黃金礦業股份有限公司), a joint stock company incorporated in the PRC under the laws of the People’s Republic of China with limited liability on 31 January 2000, the H shares and A shares of which are listed on the main board of the Hong Kong Stock Exchange (Stock Code: 1787) and the Shanghai Stock Exchange (Stock Code: 600547) respectively;
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Arrangement Agreement;
“Directors”	the directors of the Company;
“Group”	the Company and all of our subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, the businesses operated by such subsidiaries or their predecessors (as the case may be);
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time;
“SDG Hong Kong”	Shandong Gold Mining (HongKong) Co., Limited (山東黃金礦業(香港)有限公司), incorporated in Hong Kong on 27 February 2017 with limited liability and a wholly-owned subsidiary of the Company;
“Shanghai Stock Exchange”	Shanghai Stock Exchange (上海證券交易所);
“Shareholders”	the shareholders of the Company;
“SSE Listing Rules”	the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange (上海證券交易所股票上市規則) as amended supplemented or otherwise modified from time to time;
“Subscription Agreement”	the subscription arrangement dated 8 May 2020 entered into between the SDG Hong Kong and the Target Company in relation to the subscription and allotment of Target Shares at USD15.0 million (i.e. CAD1.75 per Subscription Share);

“Subscription Shares”	the Target Shares to be issued and allotted to SDG Hong Kong at CAD 1.75 per Subscription Share;
“Target Company”	TMAC Resources Inc., a company incorporated in Canada on 30 October 2012, the shares of which are listed on the Toronto Stock Exchange (stock code: TMR);
“Target Share”	the common shares of the Target Company
“Transaction”	the Acquisition and the transaction contemplated under the Subscription Agreement; and
“USD”	United States dollar, the lawful currency of the United States.

The exchange rates adopted in this announcement is based on the RMB exchange rate midpoint price of CAD1 to RMB5.0060 and USD1 to RMB7.0931 announced by the China Foreign Exchange Trading Center on 7 May 2020.

By Order of the Board of
Shandong Gold Mining Co., Ltd.
Li Guohong
Chairman

Jinan, the PRC, 8 May 2020

As at the date of this announcement, the executive directors of the Company are Mr. Wang Peiyue, Mr. Tang Qi and Mr. Li Tao; the non-executive directors of the Company are Mr. Li Guohong, Mr. Wang Lijun and Ms. Wang Xiaoling; and the independent non-executive directors of the Company are Mr. Gao Yongtao, Ms. Hui Wing and Mr. Lu Bin.