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Xinjiang Xinxin Mining Industry Co., Ltd.*

新疆新鑫礦業股份有限公司

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

(Stock code: 3833)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO IMPAIRMENT OF ASSETS

Reference is made to the announcement of Xinjiang Xinxin Mining Industry Co., Ltd.* (the "**Company**") dated 26 March 2021 in relation to its annual results for the year ended 31 December 2020 (the "**Announcement**") and the annual report of the Company for the year ended 31 December 2020 (the "**Annual Report**"). As disclosed in the Announcement and the Annual Report, the Company recognised impairment loss of approximately RMB135.5 million arising from an impairment in value of the exploration rights of Shaanxi Xinxin Mining Co., Ltd. ("**Shaanxi Xinxin**"). The purpose of this supplemental announcement is to provide additional information in respect of such impairment loss for reference and consideration by the shareholders and investors of the Company. Unless otherwise defined, capitalised terms used herein shall have the same meanings ascribed to them in the Announcement and/or the Annual Report.

Reasons for and the circumstances leading to the impairment loss

In April 2020, Shaanxi Provincial Forestry Bureau (陝西省林業局) issued the Shaan Lin Han [2020] No. 179 document (陝林函[2020]179號文件), pursuant to which, the area, scope and functional area division of Xinkailing Nature Reserve in Shaanxi Province (陝西省新開嶺自然保護區) was adjusted. According to the Shangnan Natural Resources Document [2020] No. 277 (商南自然資函[2020]277號) issued by Shangnan County Natural Resources Bureau (商南縣自然資源局), certain portion of the mines owned by Shaanxi Xinxin (the "**Mines**") overlapped with the area of the Xinkailing Nature Reserve in Shaanxi Province (陝西省新開嶺自然保護區), leading to such portion of the reserves of the Mines being diminished.

According to the requirements of the "Accounting Standards for Business Enterprises No. 8 – Assets Impairment", where there are any indication of impairment in value of an asset, the Company should estimate its recoverable amount. If the impairment results of the recoverable amount indicates that the recoverable amount of the asset is lower than its book value, the Company shall write down the book value of such asset to its recoverable amount, recognize the impairment loss of such asset into profit or loss for the current period and make corresponding provision for impairment of assets concurrently.

Due to certain portion of the reserves of the Mines was diminished as a result of the change of the area of the Xinkailing Nature Reserve in Shaanxi Province (陝西省新開嶺自然保護區), together with the change of the metal price, the Company has performed an impairment test to determine the recoverable amount of the exploration rights of the Mines. The recoverable amount of the exploration rights of the Mines is the higher of the fair value less disposal costs and the present value of expected future cash flows. The Company engaged an independent external appraiser to assess the fair value of the exploration rights of the Mines as of 31 December 2020 (the "**External Valuation Report**"). Based on the impairment test, the Company determined the recoverable value of the exploration rights to be in the amount of approximately RMB72.6 million, which yielded an impairment loss of the exploration rights amounting to approximately RMB135.5 million as recorded by the Group for the year ended 31 December 2020.

Details of the impairment assessment of assets

In determining the recoverable amount of the exploration rights of the Mines as at 31 December 2020, the Company used certain major inputs/key assumptions, details of which are stated below:

Key assumptions	Value used in the External Valuation Report (fair value)	Value used for the FY2020 present value of expected future cash flows	Value used for the FY2019 present value of expected future cash flows	Reasons for changes in FY2019 and FY2020
Volume of the mineral reserves	26.5695 million tonnes The volume of the mineral reserves in FY2020 was estimated according to the reserves report and reserves carve-out report of Xinjiang Guangcheng Mining Technology Co., Ltd., an independent third party of the Company.	26.5695 million tonnes The volume of the mineral reserves in FY2020 was estimated according to the reserves report and reserves carve-out report of Xinjiang Guangcheng Mining Technology Co., Ltd., an independent third party of the Company.	39.4549 million tonnes The volume of the mineral reserves in FY2019 was estimated according to the amount of resources approved and filed by the Shannxi provincial office of the Ministry of Land and Resources in 2012.	The decrease in the volume of the mineral reserves was due to the overlapping of certain portion of the Mines with the Xinkailing Nature Reserve in Shaanxi Province (陝西省新開嶺自然保護區).

Key assumptions	Value used in the External Valuation Report (fair value)	Value used for the FY2020 present value of expected future cash flows	Value used for the FY2019 present value of expected future cash flows	Reasons for changes in FY2019 and FY2020
Projected output of the Mines	20.3650 million tonnes The projected output of the Mines was determined based on the life of the Mines and the annual production capacity.	20.3650 million tonnes The projected output of the Mines was determined based on the life of the Mines and the annual production capacity.	30.7680 million tonnes The projected output of the Mines was determined based on the life of the Mines and the annual production capacity.	The decrease in the projected output of the Mines was due to the decrease in the mineral reserves.
Metal prices	RMB117,900/tonne The metal prices was determined with reference to the average metal prices for the past 5 years from mining secretary website.	RMB118,000/tonne The metal prices was determined with reference to the average metal prices for the past 5 years from mining secretary website.	RMB134,000/tonne The metal prices was determined with reference to the average metal prices for the past 5 years from mining secretary website.	The change was due to periodic fluctuation of metal prices in the metal market.
Capital and operating costs	RMB11.063 billion The capital and operating costs was determined with reference to the development and utilisation plan.	RMB12.101 billion The capital and operating costs was determined with reference to the industry cost.	RMB18.505 billion The capital and operating costs was determined with reference to the industry cost.	The change was due to the decrease in mineral reserves leading to decrease of mine service life, which leads to the decrease of operating costs and capital expenditure.
Revenue growth rate in forecast period	Nil	Nil	Nil	No change in the projected revenue growth rate.
Discount rate	8% The discount rate is determined by the capital asset pricing model.	8% The discount rate is determined by the capital asset pricing model.	8% The discount rate is determined by the capital asset pricing model.	No change in the discount rate.

As shown above, the key assumptions adopted in the impairment tests, such as the expected revenue growth rate and the discount rate, remain unchanged in FY2019 and FY2020. The decrease in volume of the mineral reserves, projected output of the Mines and the capital and operating costs were due to the loss of certain reserves areas as a result of the overlapping of certain portion of the Mines with the Xinkailing Nature Reserve in Shaanxi Province (陝西省新開嶺自然保護區), whereas the decrease in metal prices was mainly affected by the periodic price fluctuation in the metal market.

In accordance with the aforesaid impairment testing, for FY2020, the recoverable amount of the asset is calculated at the higher of the fair value less disposal costs and the present value of future cash flows, and was determined to be in the amount of approximately RMB72.6 million. As the carrying value of the Mines of approximately RMB208.1 million exceeds the recoverable amount of approximately RMB72.6 million, an impairment loss in the amount of approximately RMB135.5 million was recognized in profit or loss.

The above additional information does not affect other information contained in the Announcement or the Annual Report and save for those disclosed above, all other information contained in the Announcement and the Annual Report remains unchanged.

By Order of the Board
Xinjiang Xinxin Mining Industry Co., Ltd.*
Li Zhen Zhen, Lam Cheuk Fai
Joint Company Secretaries

Xinjiang, the PRC, 12 April 2021

As at the date of this announcement, the executive Director is Mr. Qi Xinhui; the non-executive Directors are Mr. Zhang Guohua, Mr. Zhou Chuanyou, Mr. Guo Quan and Mr. Hu Chengye; and the independent non-executive Directors are Mr. Hu Benyuan, Mr. Wang Qingming and Mr. Lee Tao Wai.

* *For identification purpose only*