*The Stock Exchange of Hong Kong Limited and the Securities and Futures Commission take no responsibility for the contents of this Application Proof, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Application Proof.*

**Application Proof of**

# XIZANG ZHIHUI MINING CO., LTD.*
# 西藏智匯礦業股份有限公司

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

## WARNING

The publication of this Application Proof is required by The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and the Securities and Futures Commission (the "**Commission**") solely for the purpose of providing information to the public in Hong Kong.

This Application Proof is in draft form. The information contained in it is incomplete and is subject to change which can be material. By viewing this document, you acknowledge, accept and agree with Xizang Zhihui Mining Co., Ltd. (the "**Company**", together with its subsidiaries, the "**Group**"), its joint sponsors, overall coordinators, advisers or members of the underwriting syndicate that:

(a) this document is only for the purpose of providing information about the Company to the public in Hong Kong and not for any other purposes. No investment decision should be based on the information contained in this document;

(b) the publication of this document or any supplemental, revised or replacement pages on the Stock Exchange's website does not give rise to any obligation of the Company, its joint sponsors, overall coordinators, advisers or members of the underwriting syndicate to proceed with an offering in Hong Kong or any other jurisdiction. There is no assurance that the Company will proceed with the offering;

(c) the contents of this document or any supplemental, revised or replacement pages may or may not be replicated in full or in part in the actual final listing document;

(d) this document is not the final listing document and may be updated or revised by the Company from time to time in accordance with the Rules Governing the Listing of Securities on the Stock Exchange;

(e) this document does not constitute a prospectus, offering circular, notice, circular, brochure or advertisement offering to sell any securities to the public in any jurisdiction, nor is it an invitation to the public to make offers to subscribe for or purchase any securities, nor is it calculated to invite offers by the public to subscribe for or purchase any securities;

(f) this document must not be regarded as an inducement to subscribe for or purchase any securities, and no such inducement is intended;

(g) neither the Company nor any of its affiliates, its joint sponsors, overall coordinators, advisers or underwriters is offering, or is soliciting offers to buy, any securities in any jurisdiction through the publication of this document;

(h) no application for the securities mentioned in this document should be made by any person nor would such application be accepted;

(i) the Company has not and will not register the securities referred to in this document under the United States Securities Act of 1933, as amended, or any state securities laws of the United States;

(j) as there may be legal restrictions on the publication of this document or dissemination of any information contained in this document, you agree to inform yourself about and observe any such restrictions applicable to you; and

(k) the application to which this document relates has not been approved for listing and the Stock Exchange and the Commission may accept, return or reject the application for the subject public offering and/or listing.

**THIS APPLICATION PROOF IS NOT FOR PUBLICATION OR DISTRIBUTION TO PERSONS IN THE UNITED STATES. ANY SECURITIES REFERRED TO HEREIN HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AND MAY NOT BE OFFERED OR SOLD IN THE UNITED STATES WITHOUT REGISTRATION THEREUNDER OR PURSUANT TO AN AVAILABLE EXEMPTION THEREFROM. NO PUBLIC OFFERING OF THE SECURITIES WILL BE MADE IN THE UNITED STATES.**

**NEITHER THIS APPLICATION PROOF NOR ANY INFORMATION CONTAINED HEREIN CONSTITUTES AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY ANY SECURITIES IN THE UNITED STATES OR IN ANY OTHER JURISDICTIONS WHERE SUCH OFFER OR SALE IS NOT PERMITTED. THIS APPLICATION PROOF IS NOT BEING MADE AVAILABLE IN, AND MAY NOT BE DISTRIBUTED OR SENT TO ANY JURISDICTION WHERE SUCH DISTRIBUTION OR DELIVERY IS NOT PERMITTED.**

No offer or invitation will be made to the public in Hong Kong until after a prospectus of the Company has been registered with the Registrar of Companies in Hong Kong in accordance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). If an offer or an invitation is made to the public in Hong Kong in due course, prospective investors are reminded to make their investment decisions solely based on the Company's prospectus registered with the Registrar of Companies in Hong Kong, copies of which will be published to the public during the offer period.

**THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE AND THAT THE INFORMATION MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED "WARNING" ON THE COVER OF THIS DOCUMENT.**

# IMPORTANT

If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

西藏智汇矿业股份有限公司
Xizang Zhihui Mining Co.,Ltd

# XIZANG ZHIHUI MINING CO., LTD.*

# 西藏智匯礦業股份有限公司

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

## [REDACTED]

| | | |
|---|---|---|
| **Number of [REDACTED] under the [REDACTED]** | **:** | **[REDACTED] H Shares (subject to the [REDACTED])** |
| **Number of [REDACTED]** | **:** | **[REDACTED] H Shares (subject to [REDACTED])** |
| **Number of [REDACTED]** | **:** | **[REDACTED] H Shares (subject to [REDACTED] and the [REDACTED])** |
| **[REDACTED]** | **:** | **HK$[REDACTED] per H Share plus brokerage of 1%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and the Stock Exchange trading fee of 0.00565% (payable in full on application in Hong Kong dollars, subject to refund)** |
| **Nominal value** | **:** | **RMB1.00 per H Share** |
| **[REDACTED]** | **:** | **[●]** |

***Joint Sponsors, [REDACTED], [REDACTED], [REDACTED] and [REDACTED]***

國金證券(香港)有限公司
SINOLINK SECURITIES (HK) CO. LTD.

邁時資本
MAXA CAPITAL

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.

A copy of this document, having attached thereto the documents specified in "Documents Delivered to the Registrar of Companies" in Appendix VIII to this document, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this document or any other document referred to above.

The [REDACTED] is expected to be fixed by agreement between the [REDACTED] (for themselves and on behalf of the [REDACTED]) and us on the [REDACTED]. The [REDACTED] is expected to be on or before [REDACTED], [REDACTED] and, in any event, not later than [12:00 noon on [REDACTED]], [REDACTED]. The [REDACTED] will not be more than HK$[REDACTED] and is currently expected to be not less than HK$[REDACTED]. Investors applying for the [REDACTED] may be required to pay, on application (subject to application channels), the maximum [REDACTED] of HK$[REDACTED] for each Share together with a brokerage of 1%, the SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and the Stock Exchange trading fee of 0.00565%, subject to refund if the [REDACTED] as finally determined is less than HK$[REDACTED] per [REDACTED].

The [REDACTED] (for themselves and on behalf of the [REDACTED]) with the consent of our Company, may reduce the number of [REDACTED] and/or the indicative [REDACTED] below that stated in this document at any time prior to the morning of the last day for lodging applications under the [REDACTED]. In such a case, notices of the reduction in the number of [REDACTED] and/or the indicative [REDACTED] will be published on the website of the Stock Exchange at **www.hkex.com.hk** and our website at **zhihuimining.com**. Further details are set out in "[REDACTED]" and "How to Apply for [REDACTED]" in this document. If, for any reason, the [REDACTED] (for themselves and on behalf of the [REDACTED]) and we are unable to reach an agreement on the [REDACTED] by [12:00 noon on [REDACTED], [REDACTED], the [REDACTED] will not become unconditional and will lapse immediately.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this document, including the risk factors set out in "Risk Factors" in this document. The obligations of the [REDACTED] under the [REDACTED] to subscribe for, and to procure subscribers for, the [REDACTED], are subject to termination by the [REDACTED] (for themselves and on behalf of the [REDACTED]) if certain events shall occur prior to 8:00 a.m. on the [REDACTED]. Such grounds are set out in "[REDACTED]" in this document. It is important that you refer to that section for further details.

The [REDACTED] have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be [REDACTED], sold, pledged or transferred, except pursuant to an exemption from, or in a transaction subject to, the registration requirements of the U.S. Securities Act and in accordance with any applicable U.S. state securities laws. The [REDACTED] are being [REDACTED] and sold only outside the United States in offshore transactions in reliance on Regulation S.

# IMPORTANT

[REDACTED]

# IMPORTANT

[REDACTED]

# EXPECTED TIMETABLE[(1)]

[REDACTED]

# EXPECTED TIMETABLE[1]

[REDACTED]

# EXPECTED TIMETABLE[(1)]

[REDACTED]

# EXPECTED TIMETABLE[1]

[REDACTED]

# CONTENTS

**IMPORTANT NOTICE TO PROSPECTIVE INVESTORS**

*This document is issued by our Company solely in connection with the [REDACTED] and the [REDACTED] and does not constitute an [REDACTED] to sell or a solicitation of an [REDACTED] to subscribe for or buy any security other than the [REDACTED]. This document may not be used for the purpose of, and does not constitute, an [REDACTED] to sell or a solicitation of an [REDACTED] to subscribe for or buy any security in any other jurisdiction or in any other circumstances. No action has been taken to permit a [REDACTED] of the [REDACTED] or the distribution of this document in any jurisdiction other than Hong Kong. The distribution of this document and the [REDACTED] and sale of the [REDACTED] in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.*

*You should rely only on the information contained in this document to make your investment decision. We have not authorised anyone to provide you with information that is different from what is contained in this document. Any information or representation not included in this document must not be relied on by you as having been authorised by us, the Joint Sponsors, the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], any of our or their respective directors or advisers, or any other person or party involved in the [REDACTED]. Information contained on our website, located at zhihuimining.com, does not form part of this document.*

*Page*

**Expected Timetable** . . . . . iii

**Summary** . . . . . 1

**Definitions** . . . . . 24

**Glossary of Technical Terms** . . . . . 33

**Forward-looking Statements** . . . . . 46

**Risk Factors** . . . . . 49

**Waivers from Strict Compliance with the Listing Rules** . . . . . 75

**Information about this Document and the [REDACTED]** . . . . . 77

**Directors and Parties Involved in the [REDACTED]** . . . . . 82

**Corporate Information** . . . . . 87

**Industry Overview** . . . . . 89

**Regulatory Overview** . . . . . 113

**History and Corporate Structure** . . . . . 126

**Business** . . . . . 137

**Relationship with Our Controlling Shareholders** . . . . . 252

**Directors and Senior Management** . . . . . 261

# CONTENTS

**Substantial Shareholders** . . . . . 282

**Share Capital** . . . . . 284

**Financial Information** . . . . . 287

**Future Plans and [REDACTED]** . . . . . 341

**[REDACTED]** . . . . . 347

**[REDACTED]** . . . . . 358

**How to Apply for [REDACTED]** . . . . . 369

**Appendix I — Accountants' Report** . . . . . I-1

**Appendix II — Unaudited [REDACTED] Financial Information** . . . . . II-1

**Appendix III — Independent Technical Report** . . . . . III-1

**Appendix IV — Taxation and Foreign Exchange** . . . . . IV-1

**Appendix V — Summary of Articles of Association** . . . . . V-1

**Appendix VI — Summary of the Principal Legal and Regulatory Provisions** . . . . . VI-1

**Appendix VII — Statutory and General Information** . . . . . VII-1

**Appendix VIII — Documents Delivered to the Registrar of Companies and Available on Display** . . . . . VIII-1

# SUMMARY

*This summary aims to give you an overview of the information contained in this document. As this is a summary, it does not contain all the information that may be important to you. You should read the entire document before you decide to invest in the [REDACTED]. There are risks associated with any investment. Some of the particular risks in investing in the [REDACTED] are set out in "Risk Factors" in this document. You should read that section carefully before you decide to invest in the [REDACTED].*

## OVERVIEW

We are a mining company focusing our business on zinc, lead and copper exploration, mining, production and sales of concentrates based in Xizang, China. According to SMM, we ranked fifth in terms of the average annual production volume of zinc concentrates, fourth in terms of the average annual production volume of lead concentrates, and fifth in terms of the average annual production volume of copper concentrates in Xizang in 2024. In 2024, we accounted for 4.2% of the total lead concentrates production and 0.1% of the total copper concentrate production in Xizang, respectively. The production of lead concentrates and copper concentrates in Xizang are dominated by leading companies. In 2024, the top two companies, both locally based in Xizang, accounted for 36.1% and 31.6% of total market share of lead concentrates production; and the top two companies, both locally based in Xizang, accounted for 44.2% and 42.3% of total market share of copper concentrates production in Xizang. Our mining operations are located in Rongdoi Township, Jiali County, Nagqu, Xizang. Our Mengya'a Mine comprises an open-pit mine which has been in commercial operation since 2007, and an underground mine, which has commenced commercial operation since the second quarter of 2025. Our mining operations are located within the nationally designated Jinda Integrated Exploration Area at an altitude between 5,000.0 m asl and 5,300.0 m asl where rich mineral resources have been found. We hold exploration rights over an area of approximately 58.5 sq.km and mining rights over an area of approximately 4.5 sq.km., respectively.

As a mining company in Xizang, we believe we need to consistently adopt a localised business approach, taking into account the unique geography and Xizang's specific policies to ensure our business can adapt to the local conditions and lead to ongoing business sustainability and success. As at 31 July 2025, our open-pit mine contained total ore reserves of 1,438.0 kt at average grades of 4.90% Zn, 0.69% Pb, 0.10% Cu and 10.09 g/t Ag; and our underground mine contained total ore reserves of 10,623.0 kt at average grades of 4.14% Zn, 2.99% Pb, 0.21% Cu and 35.00 g/t Ag. Our Mengya'a Mine can, in aggregate, supply 400.0 kt of ores annually for concentrate production at our processing plant.

We have a business operation chain that encompasses exploration, mining, production and sales of concentrates. Our main products include zinc, lead and copper concentrates. Our revenue is generated from sales of these concentrates to our customers in China. Our customers include nonferrous metal traders who conduct onward sales of concentrates to end users of concentrates; and refineries which further process our concentrates depending on their customers' needs. Specifically, nonferrous metal traders purchase our concentrates and conduct onward sales to refineries to generate profits. The downstream refinery customers cover various regions in China, and most of them are listed companies and/or state-owned enterprises. Refineries refine zinc, lead and copper concentrates into metal ingots. We are committed to unlocking the potential of Xizang's mining industry, by leveraging its unique geological conditions and rich mineral resources. We also aim to implement advanced technologies and innovative practices throughout our business operations.

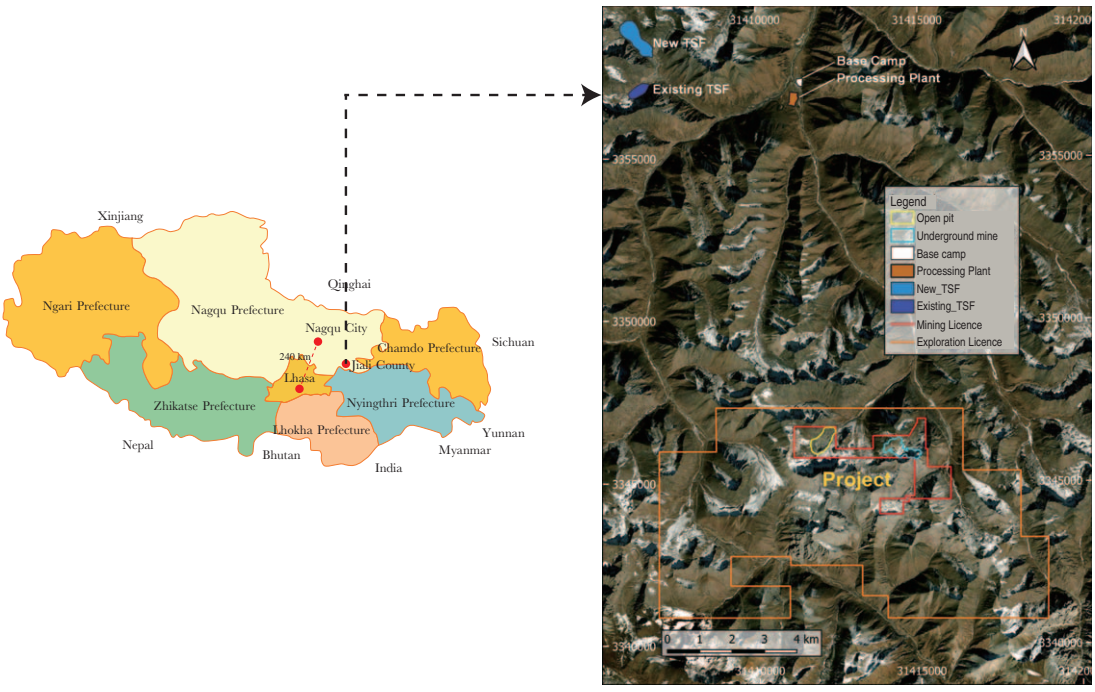
## OUR EXPLORATION AND MINING RIGHTS

We currently hold an exploration licence and a mining licence to cover the commercial operation of our open-pit mine and the commercial operation of our underground mine. The following table sets out the details of our exploration licence and mining licence.

| | Licence name | Licence holder | Area | Type of natural resources | Permitted annual mining capacity | Licence number | Valid period of licence | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | From | To | Status |
| | | | *($km^2$)* | | *(tonne)* | | | | |
| Mengya'a Mine | Exploration licence | Huaxia Mining | 58.45 | N/A | N/A | T5400002009033010025699 | 16 February 2025 | 24 June 2026 | Current |
| | Mining licence | Huaxia Mining | 4.4544 | Lead, silver, zinc and copper | 400,000 | C5400002011043210111466 | 16 February 2025 | 15 December 2025 | Current |

## OUR MINERAL ASSETS AND ORE RESERVES

Our mining operations are located in Rongdoi Township, Jiali County, Nagqu, Xizang. We are operating an open-pit mine and developing an underground mine. Other key mining assets also include a base camp complex, a processing plant and two tailings ponds. The maps below illustrate the geographical locations of our open-pit mine, our underground mine and our other key mining assets.




(Jiali County, Nagqu, Xizang)

According to the Independent Technical Report, the ore reserves estimates for our open-pit mine and our underground mine are based on the technical studies and ongoing operational records in accordance with the JORC Code.

According to the Independent Technical Report, our open-pit mine contains total ore reserves of 1,438.0 kt at average grades of 4.90% Zn, 0.69% Pb, 0.10% Cu and 10.09 g/t Ag. All Ore Reserves are fresh materials. As at the date of the Independent Technical Report, our open-pit mine had a remaining LoM of 8.0 years based on an annual production plan of approximately 200.0 kt alone and our underground mine had a remaining LoM of 31.0 years.

The following table sets out the ore reserves statement for the open-pit mine as at 31 July 2025 under JORC Code based on the Independent Technical Report.

| Category | Ore Reserve (kt) | Pb Grade (%) | Zn Grade (%) | Cu Grade (%) | Ag Grade (g/t) | Pb Metal (kt) | Zn Metal (kt) | Cu Metal (kt) | Ag Metal (t) |
|---|---|---|---|---|---|---|---|---|---|
| Proved | 400.0 | 1.14 | 4.54 | 0.10 | 14.51 | 4.57 | 18.16 | 0.41 | 5.80 |
| Probable | 1,038.0 | 0.52 | 5.04 | 0.10 | 8.39 | 5.41 | 52.27 | 1.07 | 8.71 |
| **Total** | **1,438.0** | **0.69** | **4.90** | **0.10** | **10.09** | **9.99** | **70.43** | **1.48** | **14.51** |

According to the Independent Technical Report, our underground mine contains total Ore Reserves of 10,623.0 kt at average grades of 4.14% Zn, 2.99% Pb, 0.21% Cu and 35.00 g/t Ag. The ore reserves are divided into fresh and oxide materials.

The following table sets out the ore reserves statement for our underground mine as at 31 July 2025 with an equivalent lead cut-off grade ≥6.0% for oxide and 3.7% for fresh materials under JORC Code based on the Independent Technical Report.

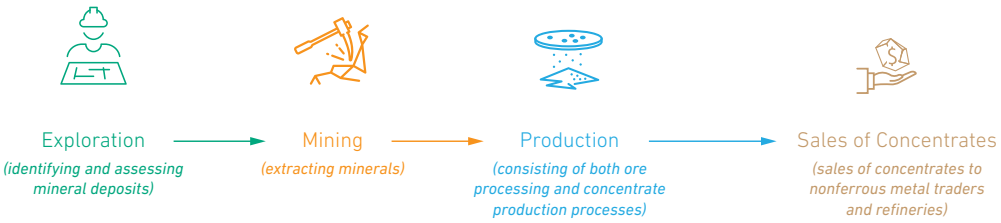
| Type | Category | Ore Reserve (kt) | Pb Grade (%) | Zn Grade(%) | Cu Grade (%) | Ag Grade (g/t) | Pb Metal (kt) | Zn Metal (kt) | Cu Metal (kt) | Ag Metal (t) |
|---|---|---|---|---|---|---|---|---|---|---|
| Oxide | Proved | 32 | 5.69 | 3.34 | 0.31 | 33.94 | 1.80 | 1.06 | 0.10 | 1.07 |
| | Probable | 427 | 4.96 | 2.74 | 0.18 | 26.82 | 21.17 | 11.71 | 0.78 | 11.45 |
| | Subtotal | 458 | 5.01 | 2.79 | 0.19 | 27.31 | 22.97 | 12.77 | 0.88 | 12.52 |
| Fresh | Proved | 4,728 | 2.91 | 5.12 | 0.26 | 44.30 | 137.65 | 241.90 | 12.34 | 209.47 |
| | Probable | 5,436 | 2.88 | 3.41 | 0.17 | 27.56 | 156.82 | 185.58 | 9.38 | 149.82 |
| | Subtotal | 10,165 | 2.90 | 4.21 | 0.21 | 35.35 | 294.47 | 427.48 | 21.72 | 359.29 |
| Total | Proved | 4,760 | 2.93 | 5.10 | 0.26 | 44.23 | 139.44 | 242.95 | 12.44 | 210.55 |
| | Probable | 5,863 | 3.04 | 3.37 | 0.17 | 27.51 | 177.99 | 197.30 | 10.16 | 161.27 |
| | **Total** | **10,623** | **2.99** | **4.14** | **0.21** | **35.00** | **317.43** | **440.25** | **22.60** | **371.81** |

## OUR MINING OPERATIONS

The following flowchart illustrates our business operation chain:



**Business Operation Chain**




- ***Exploration***: Our extensive exploration programmes from 2004 to 2021 allowed us to identify mineralised deposits within our exploration licensed area through mapping, sampling, trenching and drilling, with a focus on refining resource estimates. In late 2024, we conducted an infill and validation programme to refine resource classifications and verify exploration data. During the Track Record Period, we possessed patents of exploration that we believe would provide us a competitive advantage. See "Business — Exploration" in this document for details. During the Track Record Period, we entirely outsourced exploration and mining works to subcontractors. See "Business — Mining — Exploration and Mining Subcontracting Arrangement" in this document for details.

- ***Mining***: During the Track Record Period, we have engaged subcontractors to undertake demolition, drilling, blasting and excavation works. In recent years, we have also diversified our ore resources through external procurement for consistent product quality and enhanced operational efficiency. See "Business — Mining — Management System of Exploration and Mining Activities" and " Business — Mining — Management Discussion on Ore Procurement" in this document for details.

- ***Production***: Our Mengya'a Beneficiation Plant processes ores into zinc, lead and copper concentrates by blending, crushing, grinding, flotation and product dewatering. We adopt the methodology of comprehensive utilisation for mineralised waste which have been obtained during our exploration and project development processes. For the years ended 31 December 2022, 2023, 2024 and the seven months ended 31 July 2025, the ore processing volume was approximately 354.0 kt, 374.2 kt, 321.8 kt and 204.6 kt, respectively. See "Business — Production" in this document for details.

- ***Sale of concentrates***: Our main products are zinc concentrates, lead concentrates and copper concentrates. For the years ended 31 December 2022, 2023, 2024 and the seven months ended 31 July 2025, revenue from our sales of concentrates were approximately RMB482.4 million, RMB546.1 million, RMB301.4 million and RMB256.6 million, respectively. Revenue from concentrate sales is recognised upon transfer of control of products to customers, following inspection and testing of the products. A transportation service provider manages delivery of concentrates from our processing plant to Lhasa.

## OPERATING COST, MINING VOLUME, PRODUCTION VOLUME, PRODUCTION CAPACITY AND UTILISATION RATE

During the Track Record Period, our total operating expenditure increased from RMB224.5 million in 2022 to RMB249.9 million in 2023, primarily driven by higher mining costs during that year. In 2024, our total expenditures decreased significantly to RMB130.9 million, representing a reduced volume of ores mined from the open-pit operations. For the seven months ended 31 July 2025, our total operating expenditure was RMB98.9 million.

The following table sets out the historical operating costs during the Track Record Period.

| | 2022 | 2023 | 2024 | For the seven months ended 31 July 2025 |
|---|---|---|---|---|
| | *(RMB million)* | *(RMB million)* | *(RMB million)* | *(RMB million)* |
| **Operating cash cost by types** | | | | |
| Mining | 121.9 | 146.3 | 60.5 | 54.0 |
| Processing | 78.5 | 78.9 | 53.5 | 37.2 |
| General and Administration | 5.7 | 6.8 | 4.6 | 3.1 |
| Sales expense | 1.0 | 0.4 | 0.2 | 0.3 |
| Non-income taxes, royalties and other governmental charges | 17.3 | 17.4 | 12.1 | 4.3 |
| **Total** | **224.5** | **249.9** | **130.9** | **98.9** |
| **Operating cash cost by activity** | | | | |
| Contract mining | 96.3 | 116.0 | 41.6 | 40.3 |
| Workforce employment | 23.7 | 27.0 | 24.0 | 17.4 |
| Consumables | 28.1 | 29.0 | 21.0 | 17.1 |
| Fuel, electricity, water and other services | 38.4 | 36.7 | 18.6 | 6.3 |
| On-site and off-site administration | 5.7 | 6.8 | 4.6 | 3.1 |
| Environmental protection and monitoring | 0.0 | 0.9 | 0.6 | 0.6 |
| Transport of workforce | — | — | — | — |
| Product marketing and transport | 15.0 | 16.0 | 8.3 | 9.7 |
| Non-income taxes, royalties and other governmental charges | 17.3 | 17.4 | 12.1 | 4.3 |
| **Total** | **224.5** | **249.9** | **130.9** | **98.9** |

During the Track Record Period, negligible amount of workforce transportation costs and contingency allowance costs were incurred and included in our on-site and off-site administrative costs. We do not anticipate any additional workforce transportation costs and contingency allowance costs in the future.

The following table sets out a breakdown of the ore mining volume, ore processing volume and production capacity of the processing plant for the years/period indicated.

| | For the year ended 31 December | | | For the seven months ended 31 July |
|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2025 |
| | *(tonnes)* | *(tonnes)* | *(tonnes)* | *(tonnes)* |
| Permitted annual ore mining volume | 400,000.0 | 400,000.0 | 400,000.0 | 400,000.0 |
| Ore mining volume[(1)] | 273,158.8 | 399,520.4 | 240,626.1 | 205,320.3[(4)] |
| Designed processing volume[(2)] | 400,000.0 | 400,000.0 | 400,000.0 | 400,000.0 |
| Ore processing volume[(3)] | 354,038.0 | 374,157.5 | 321,789.2 | 204,603.3[(4)] |

*Notes:*

(1) In 2024, due to weather conditions and planned technical adjustments to the production lines, the overall ore mining volume for the year ended 31 December 2024 decreased compared to that of previous years.

(2) According to the Independent Technical Report, the processing plant was established in October 2007, designed by Lanzhou Nonferrous Metallurgical Design and Research Institute Company Limited (蘭州有色冶金設計研究院有限公司). The processing plant commenced production in December 2010.

(3) The annual variation in ore processing volume primarily depends on the inventory level. During the Track Record Period, we adopted the methodology of comprehensive utilisation for mineralised waste that had been obtained from our exploration and project management. The processing volume of mineralised waste were 204.7 kt, 217.0 kt, 11.4 kt and nil for the years ended 31 December 2022, 2023, 2024 and the seven months ended 31 July 2025, respectively.

(4) The volume is calculated as at 31 July 2025.

The following table sets out the breakdown of the utilisation rates of our processing plant for the years/period indicated.

| | For the year ended 31 December | | | For the seven months ended 31 July |
|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2025 |
| | % | % | % | % |
| Ore mining utilisation rate | 68.3 | 99.9 | 60.2 | 51.3 |
| Ore processing utilisation rate | 88.5 | 93.5 | 80.4 | 51.2 |

Ore mining utilisation rates were calculated using the actual ores extracted each year/period of the Track Record Period, divided by 400.0 kt which was the annual licensed amount. Ore processing utilisation rates were calculated using the ores processed each year/period of the Track Record Period, divided by 400.0 kt which was the designed processing volume of our processing plant. Fluctuations of such rates were attributable to variations in our actual mining and processing volume.

## OUR CUSTOMERS

During the Track Record Period, our top five customers in each year/period included (i) nonferrous metal traders who generally conducted onward sales of concentrates to end users of concentrates, and (ii) refineries which further processed our concentrates depending on their customers' needs. For the years ended 31 December 2022, 2023, 2024 and the seven months ended 31 July 2025, revenue from our top five customers in each year/period accounted for approximately 93.9%, 90.1%, 88.1% and 81.7% of our total revenue for the relevant year. Revenue from largest customer in each year/period accounted for approximately 41.0%, 24.2%, 31.2% and 40.8% of our revenue for the years ended 31 December 2022, 2023 and 2024 and the seven months ended 31 July 2025, respectively.

We have a high concentration of customers. The following table sets out the number of customers by customer type for the years ended 31 December 2022, 2023, 2024 and the seven months ended 31 July 2025.

| | For the year ended 31 December | | | For the seven months ended 31 July |
|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2025 |
| Nonferrous metal trader | 4 | 5 | 6 | 8 |
| Refinery | 3 | 3 | 3 | 2 |

See "Business — Our Customers" in this document for details.

## OUR SUPPLIERS, CONTRACTORS AND SUBCONTRACTORS

During the Track Record Period, in conducting our mining operations, we purchased consumables and public utilities in connection with exploration, mining, processing of mined ores and production of metal concentrates. During the Track Record Period, we also engaged contractors and subcontractors for exploration, mining and construction services. These entities were independent third parties, including (i) exploration and mining subcontractors; (ii) the contractor of the infrastructure of our underground mine and (iii) the contractor of our Phase 2 Tailings Pond. For the years ended 31 December 2022, 2023, 2024 and the seven months ended 31 July 2025, purchases from our top five suppliers in each year/period accounted for approximately 73.4%, 69.8%, 73.2% and 55.0% of our total purchases for the relevant year. Purchases from our largest supplier in each year/period accounted for approximately 22.8%, 30.6%, 30.1% and 22.0% of our total purchases for the years ended 31 December 2022, 2023, 2024 and the seven months ended 31 July 2025, respectively.

See "Business — Our Suppliers, Contractors and Subcontractors" in this document for details.

## OUR CONTROLLING SHAREHOLDERS

As at the Latest Practicable Date, our Company was owned as to 198,000,000 Shares, representing 54.12% of its total issued share capital, by Xizang Zhifeng; and 162,000,000 Shares, representing 44.28% of its total issued share capital, by Xizang Shengyuan. There are two separate groups of Controlling Shareholders comprising (i) the group of Controlling Shareholders through Xizang Zhifeng, comprising Ms. Fan, Ms. He, Mr. Lv, Xizang Zhifeng and Zhihui Partnership; and (ii) Xizang Shengyuan. As at the Latest Practicable Date, Zhihui Partnership was a limited partnership established under the laws of the PRC with Ms. He being its executive partner. The partnership agreement of Zhihui Partnership provides, among other things, that the executive partner shall be responsible for the management and execution of the affairs of Zhihui Partnership. As such, Ms. He is deemed to be interested in the 5,853,659 Shares held by Zhihui Partnership under the SFO; and Xizang Zhifeng was held as to 41% by Ms. Fan, 40% by Ms. He and 19% by Mr. Lv, who have confirmed that they are parties acting in concert under the AIC Confirmation; therefore, Ms. Fan, Ms. He, Mr. Lv, Xizang Zhifeng and Zhihui Partnership are deemed to be interested in aggregate of 203,853,659 Shares representing 55.72% of the total issued share capital of our Company. For further details of the AIC Confirmation, see "History and Corporate Structure" in this document. Xizang Shengyuan was established on 14 December 2009 and became a wholly state-owned enterprise as a platform to hold state's investments in mining companies. As at the Latest Practicable Date, Xizang Shengyuan was undergoing the registration with the local administration for industry and commerce upon completion of which Xizang Shengyuan will be directly wholly owned by Xizang SASAC.

Our Directors are satisfied that our Group is capable of carrying on our business independently of our Controlling Shareholders and their respective close associates after the [REDACTED]. As at the Latest Practicable Date, none of our Controlling Shareholders or Directors had any interest in any business which competes or is likely to compete, either directly or indirectly, with our business which would require disclosure under Rule 8.10 of the Listing Rules. See "Relationship with our Controlling Shareholders" in this document for details.

## COMPETITION

The competitive landscape for zinc, lead and copper concentrates in China is characterised by a combination of domestic production dynamics, global supply chain challenges and fluctuating demand. The future development for the zinc, lead and copper concentrates will depend on the market players' ability to address these challenges while capitalising on emerging opportunities. In Xizang, the annual lead concentrate production was approximately 88.2 kt in 2024; the annual zinc concentrate production was approximately 111.3 kt in 2024; and the annual copper concentrate production was approximately 376.4 kt in 2024, respectively.

See "Business — Competition" in this document for details.

## COMPETITIVE STRENGTHS

We believe we possess the following competitive strengths:

- we enjoy a distinct advantage in Xizang for our sufficient and high-calibre mineral resources given the region's geographical characteristics;
- our business operations are community-centric and are built upon a strong local reputation through active and close community interactions;
- the longevity of expanded tailings storage capacity is well-positioned to support our mining operations and demonstrates our commitment to, and resilience in sustainable mining activities;
- we possess technological expertise and a dedicated and stable talent pool to ensure our continued success; and
- a dependable and experienced management team and an inclusive group culture.

See "Business — Competitive Strengths" in this document for details.

## OUR STRATEGIES

We intend to implement the following strategies:

- increasing our exploration investments within our existing mining rights in Xizang;
- enhancing our mining capacity;
- upgrading ore processing and concentrate production capability and capacity for our sustainable growth; and
- investment in and acquisition of mining assets.

See "Business — Our strategies" in this document for details.

## SUMMARY OF FINANCIAL INFORMATION

The following table sets out our consolidated statements of comprehensive income for the years/periods indicated. See "Financial Information" in this document and the Accountants' Report set out in Appendix I to this document for details.

| | For the year ended 31 December | | | For the seven months ended 31 July | |
|---|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Revenue** | 482,354 | 546,128 | 301,434 | 72,619 | 256,627 |
| Cost of sales | (307,709) | (328,402) | (196,942) | (46,189) | (170,889) |
| **Gross profit** | 174,645 | 217,726 | 104,492 | 26,430 | 85,738 |
| Selling and distribution expenses | (1,048) | (412) | (452) | (367) | (271) |
| General, administrative and other expenses | (44,606) | (56,492) | (47,556) | (33,523) | (28,599) |
| Other income | 7,327 | 5,183 | 9,269 | 8,065 | 3,283 |
| Other gains and losses, net | 404 | 9,828 | 472 | 281 | (41) |
| Finance costs | (1,786) | (2,040) | (2,922) | (1,905) | (1,833) |
| [REDACTED] expenses | — | — | [REDACTED] | — | [REDACTED] |
| **Profit before tax** | 134,936 | 173,793 | 62,860 | (1,019) | 57,299 |
| Income tax expense | (17,046) | (19,068) | (7,006) | 1,015 | (5,562) |
| **Profit (loss) for the year/period attribute to:** | | | | | |
| - Owners of our Company | 117,890 | 154,725 | 55,854 | (4) | 51,737 |
| **Profit (loss) and total comprehensive income (expense) for the year/period attributable to the owners of our Company** | 117,890 | 154,725 | 55,854 | (4) | 51,737 |

**Revenue**

During the Track Record Period, our revenue was generated from the sales of three main mineral products, being (i) zinc concentrates, (ii) lead concentrates and (iii) copper concentrates. For the years ended 31 December 2022, 2023, 2024 and the seven months ended 31 July 2025, our revenue was approximately RMB482.4 million, RMB546.1 million, RMB301.4 million and RMB256.6 million, respectively. During the Track Record Period, revenue generated from the sales of zinc concentrates was the largest revenue segment of our Group. For the years ended 31 December 2022, 2023, 2024 and the seven months ended 31 July 2025, revenue generated from the sales of zinc concentrates was approximately RMB296.3 million, RMB273.8 million, RMB215.8 million and RMB124.7 million, accounting for approximately 61.4%, 50.1%, 71.6% and 48.6% of our total revenue, respectively. During the Track Record Period, all of our revenue was generated in China. Revenue from sales of concentrates is generally influenced by the quality of the concentrates we sell during the year/period and the average selling price of the year/period. Revenue is also influenced by the utilisation of our processing plant, which might be influenced by the optimisation plan of the plant, among other factors. Our revenue for the year ended 31 December 2024 significantly decreased primarily due to (i) shortened production period caused by weather-related production delays during the year and (ii) the temporary suspensions of the two production lines to accommodate the interleaved upgrade of our processing plant during the year. Our revenue for the seven months ended 31 July 2025 significantly increased from that for the seven months ended 31 July 2024 primarily due to key factors including (i) our resumption of full operation since April 2025 without exceptional delays caused by the extreme weather conditions that we experienced in 2024, (ii) full utilisation of two production lines upon the completion of our processing plant upgrade since October 2024, and (iii) an increase in concentrate output due to an increase in ore grades of mined ores and externally procured ores where higher-grade ores generally yield higher outputs and generate more revenue.

The Directors are of the view that the decrease in our revenue in 2024 was temporary and was not expected to have any material adverse effect on our Group's operations and business prospects in the foreseeable future. The decrease was caused by the rotational update to production lines in 2024, which was a natural operational requirement out of the actual operational development at that time and based on our Group's technology innovation strategy. It has a long-term financial benefit to our Group as it significantly increases our Group's comprehensive utilisation capability and it had already delivered positive financial contributions during in the year of 2024. The short-term dip in financial performance, while still producing an acceptable absolute profit of over RMB55.0 million, represented a prudent trade-off for attaining higher profit levels in future years. According to the audited financial statements of the stub period ended at 31 July 2025, our Group had assumed its normal production and is expected to achieve the profit level in 2025 similar to the profit level in 2022 and 2023.

For the years ended 31 December 2022, 2023, 2024 and the seven months ended 31 July 2025, the quantity of concentrates we sold were approximately 31.0 kt, 37.1 kt, 16.2 kt and 13.0 kt, respectively. The following table sets out a breakdown of the quantity of each of our zinc concentrates, lead concentrates and copper concentrates sold for the years/periods indicated.

| | For the year ended 31 December | | | For the seven months ended 31 July | |
|---|---|---|---|---|---|
| | **2022** | **2023** | **2024** | **2024** | **2025** |
| | *tonnes* | *tonnes* | *tonnes* | *tonnes* | *tonnes* |
| Zinc concentrates | 19,766.0 | 23,544.0 | 12,325.0 | 2,508.0 | 8,845.0 |
| Lead concentrates | 10,757.0 | 12,801.0 | 3,668.0 | 1,102.0 | 3,802.0 |
| Copper concentrates | 432.0 | 790.0 | 183.0 | 86.0 | 338.0 |
| **Total** | 30,955.0 | 37,135.0 | 16,176.0 | 3,696.0 | 12,985.0 |

The following table sets out a breakdown of our revenue by product type for the years/periods indicated.

| | For the year ended 31 December | | | | | | For the seven months ended 31 July | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2022** | | **2023** | | **2024** | | **2024** | | **2025** | |
| | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* |
| Zinc concentrates | 296,266 | 61.4 | 273,780 | 50.1 | 215,811 | 71.6 | 40,448 | 55.7 | 124,688 | 48.6 |
| Lead concentrates | 160,229 | 33.2 | 222,746 | 40.8 | 71,512 | 23.7 | 25,274 | 34.8 | 106,300 | 41.4 |
| Copper concentrates | 25,859 | 5.4 | 49,602 | 9.1 | 14,111 | 4.7 | 6,897 | 9.5 | 25,639 | 10.0 |
| **Total** | 482,354 | 100.0 | 546,128 | 100.0 | 301,434 | 100.0 | 72,619 | 100.0 | 256,627 | 100.0 |

During the Track Record Period, our customers included (i) nonferrous metal traders who generally conducted onward sales to end users of concentrates and (ii) refineries which further processed our zinc, lead and copper concentrates based on the needs of their customers. The following table sets out a breakdown of our revenue by customer type for years/periods indicated.

| | For the year ended 31 December | | | | | | For the seven months ended 31 July | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2022 | | 2023 | | 2024 | | 2024 | | 2025 | |
| | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* |
| Nonferrous metal trader | 371,800 | 77.1 | 406,410 | 74.4 | 227,210 | 75.4 | 62,978 | 86.7 | 214,898 | 83.7 |
| Refinery | 110,554 | 22.9 | 139,718 | 25.6 | 74,224 | 24.6 | 9,641 | 13.3 | 41,729 | 16.3 |
| **Total** | 482,354 | 100.0 | 546,128 | 100.0 | 301,434 | 100.0 | 72,619 | 100.0 | 256,627 | 100.0 |

## Pricing

The following table sets out the average selling price for each of our zinc concentrates, lead concentrates and copper concentrates.

| | For the year ended 31 December | | | For the seven months ended 31 July | |
|---|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2024 | 2025 |
| | *RMB/ tonne* | *RMB/ tonne* | *RMB/ tonne* | *RMB/ tonne* | *RMB/ tonne* |
| Zinc concentrates | 14,989 | 11,628 | 17,510 | 16,128 | 14,097 |
| Lead concentrates | 14,895 | 17,401 | 19,496 | 22,935 | 27,959 |
| Copper concentrates | 59,859 | 62,787 | 77,109 | 80,198 | 75,855 |

## Cost of Sales

For the years ended 31 December 2022, 2023, 2024 and the seven months ended 31 July 2025, our cost of sales was approximately RMB307.7 million, RMB328.4 million, RMB196.9 million and RMB170.9 million, respectively.

The following table sets out a breakdown of our cost of sales sorted by product type for the years/periods indicated.

| | For the year ended 31 December | | | | | | For the seven months ended 31 July | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2022 | | 2023 | | 2024 | | 2024 | | 2025 | |
| | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* |
| Zinc concentrates | 196,582 | 63.9 | 207,553 | 63.2 | 149,975 | 76.2 | 31,112 | 67.4 | 116,463 | 68.2 |
| Lead concentrates | 106,677 | 34.7 | 113,524 | 34.6 | 44,656 | 22.7 | 14,009 | 30.3 | 49,972 | 29.2 |
| Copper concentrates | 4,450 | 1.4 | 7,325 | 2.2 | 2,311 | 1.1 | 1,068 | 2.3 | 4,454 | 2.6 |
| **Total** | 307,709 | 100.0 | 328,402 | 100.0 | 196,942 | 100.0 | 46,189 | 100.0 | 170,889 | 100.0 |

## Gross Profit and Gross Profit Margin

For the years ended 31 December 2022, 2023, 2024 and the seven months ended 31 July 2025, our gross profit amounted to approximately RMB174.6 million, RMB217.7 million, RMB104.5 million and RMB85.7 million, respectively. For the same years/period, our gross profit margin was approximately 36.2%, 39.9%, 34.7% and 33.4%, respectively. Our gross profit margin for the period ended 31 July 2025 remained stable from that for the period ended 31 December 2024.

The following table sets out our gross profit margin by product type for the years/periods indicated.

| | For the year ended 31 December | | | | | | For the seven months ended 31 July | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2022 | | 2023 | | 2024 | | 2024 | | 2025 | |
| | Gross profit | Gross profit margin | Gross profit | Gross profit margin | Gross profit | Gross profit margin | Gross profit | Gross profit margin | Gross profit | Gross profit margin |
| | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* |
| Zinc concentrates | 99,684 | 33.6 | 66,227 | 24.2 | 65,836 | 30.5 | 9,336 | 23.1 | 8,225 | 6.6 |
| Lead concentrates | 53,552 | 33.4 | 109,222 | 49.0 | 26,856 | 37.6 | 11,265 | 44.6 | 56,328 | 53.0 |
| Copper concentrates | 21,409 | 82.8 | 42,277 | 85.2 | 11,800 | 83.6 | 5,829 | 84.5 | 21,185 | 82.6 |
| **Total** | 174,645 | 36.2 | 217,726 | 39.9 | 104,492 | 34.7 | 26,430 | 36.4 | 85,738 | 33.4 |

**Profit for the Year/Period**

For the years ended 31 December 2022, 2023, 2024 and the seven months ended 31 July 2025, our net profit amounted to approximately RMB117.9 million, RMB154.7 million, RMB55.9 million and RMB51.7 million, respectively, which were generally in line with the respective combined effect of the increase in revenue and gross profit from 2022 to 2023, the decrease in our revenue and gross profit from 2023 to 2024, the increase in revenue and gross profit from the seven months ended 31 July 2024 to the seven months ended 31 July 2025. The decrease in our revenue and gross profit from 2023 to 2024 was primarily attributable to production line upgrades and weather-induced delays in 2024. See detailed reasons for the change in revenue and gross profit in respective year/period in "Summary of Financial Information" of this document.

**SUMMARY OF FINANCIAL POSITION**

The following table sets out details of our current assets and current liabilities as at the dates indicated. See "Financial Information" in this document and the Accountants' Report set out in Appendix I to this document for details.

| | As at 31 December | | | As at 31 July | As at 31 August |
|---|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2025 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000 unaudited* |
| **CURRENT ASSETS** | | | | | |
| Inventories | 54,402 | 55,645 | 60,691 | 84,778 | 80,572 |
| Other receivables and prepayments | 6,489 | 9,119 | 23,292 | 47,984 | 51,230 |
| Amounts due from a related party | 504 | 504 | — | — | — |
| Financial assets at fair value through profit or loss ("**FVTPL**") | 100,417 | 30,780 | — | — | 120,000 |
| Prepaid income tax | — | — | 1,198 | 393 | — |
| Time deposits | — | — | 20,000 | 20,000 | 20,000 |
| Bank balances | 42,270 | 30,808 | 142,222 | 153,432 | 38,459 |
| **TOTAL CURRENT ASSETS** | 204,082 | 126,856 | 247,403 | 306,587 | 310,261 |
| **CURRENT LIABILITIES** | | | | | |
| Bank borrowings | — | 3,000 | 64,675 | 67,974 | 4,000 |
| Amounts due to related parties | 1 | 3 | 3 | — | — |
| Trade and other payables | 211,767 | 189,646 | 209,750 | 175,157 | 184,363 |
| Contract liabilities | 295 | 4,133 | 25,361 | 44,217 | 47,589 |
| Lease liabilities | 4,660 | 368 | 73 | 340 | 340 |
| Provision | 1,250 | — | 1,317 | 1,220 | 1,211 |
| Tax payable | 35,082 | 27,546 | 25,374 | 26,413 | 28,089 |
| **TOTAL CURRENT LIABILITIES** | 253,055 | 224,696 | 326,553 | 315,321 | 265,592 |
| **NET CURRENT ASSETS/ (LIABILITIES)** | **(48,973)** | **(97,840)** | **(79,150)** | **(8,734)** | **44,669** |

Our net current liabilities increased from approximately RMB49.0 million as at 31 December 2022 to approximately RMB97.8 million as at 31 December 2023, representing an increase of approximately RMB48.8 million. The increase was primarily attributable to a decrease in our total current assets of approximately RMB77.2 million, representing the reallocation of cash resources towards the acquisition of capital assets, which were subsequently recognised as property, plant and equipment in 2023. Our net current liabilities decreased from approximately RMB97.8 million as at 31 December 2023 to approximately RMB79.2 million as at 31 December 2024, representing a decrease of approximately RMB18.6 million. The decrease was mainly due to an increase in our total cash balances of approximately RMB131.4 million in 2024. Our net current liabilities decreased significantly from approximately RMB79.2 million as at 31 December 2024 to approximately RMB8.7 million as at 31 July 2025, representing a decrease of approximately RMB70.5 million. Such decrease was mainly attributable to an increase in our total current assets brought by increase of inventories and other receivables and prepayments. Nonetheless, we recorded net current assets of approximately RMB44.7 million as at 31 August 2025, representing an increase of approximately RMB53.4 million from our net current liabilities of approximately RMB8.7 million as at 31 July 2025. The said reversal of our net current liabilities to net current assets was mainly due to the net cash generated from operating activities.

The following table sets out details of our non-current assets and non-current liabilities as at the dates indicated. See "Financial Information" in this document and the Accountants' Report set out in Appendix I to this document for details.

| | As at 31 December | | | As at 31 July | As at 31 August |
|---|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2025 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* *unaudited* |
| **NON-CURRENT ASSETS** | | | | | |
| Property, plant and equipment | 451,924 | 567,387 | 620,692 | 706,266 | 704,046 |
| Right-of-use assets | 16,244 | 63,455 | 61,504 | 60,759 | 60,558 |
| Intangible assets | 340,765 | 326,290 | 316,673 | 399,986 | 395,743 |
| Exploration and evaluation assets | 144,811 | 146,695 | 150,113 | 7,496 | 7,496 |
| Investments in subsidiaries | — | — | — | — | — |
| Amounts due from subsidiaries | — | — | — | — | — |
| Other receivables and prepayments | 381 | 1,012 | 73 | 96 | 96 |
| Time deposits | — | 20,000 | 20,000 | 20,000 | — |
| Restricted time deposits | — | 30,000 | 30,000 | — | — |
| Deferred tax assets | 11,413 | 11,271 | 8,437 | 7,315 | 6,220 |
| **TOTAL NON-CURRENT ASSETS** | 965,538 | 1,166,110 | 1,207,492 | 1,201,918 | 1,174,159 |

| | As at 31 December | | | As at 31 July | As at 31 August |
|---|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2025 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | | | | | *unaudited* |
| **NON-CURRENT LIABILITIES** | | | | | |
| Deferred tax liabilities | 55,008 | 52,733 | 51,271 | 50,090 | 49,442 |
| Other non-current payables | — | 48,548 | 34,587 | 24,877 | 24,877 |
| Amounts due to subsidiaries | — | — | — | — | — |
| Lease liabilities | 48 | 45 | 31 | 296 | 297 |
| Bank borrowings | — | — | — | 26,000 | 26,000 |
| Provisions | 8,562 | 9,272 | 8,352 | 6,083 | 6,116 |
| **TOTAL NON-CURRENT LIABILITIES** | 63,618 | 110,598 | 94,241 | 107,346 | 106,732 |
| **NET ASSETS** | **852,947** | **957,672** | **1,034,101** | **1,085,838** | **1,112,096** |

Our net assets increased from approximately RMB852.9 million as at 31 December 2022 to approximately RMB957.7 million as at 31 December 2023, which was primarily attributable to our profits of approximately RMB154.7 million less the dividends of approximately RMB50.0 million settled in 2023. Our net assets increased from approximately RMB957.7 million as at 31 December 2023 to approximately RMB1,034.1 million as at 31 December 2024, which was mainly related to our profits of approximately RMB55.9 million in 2024 and the newly issued and paid-up capital of approximately RMB20.6 million in 2024. Our net assets increased from approximately RMB1,034.1 million as at 31 December 2024 to approximately RMB1,085.8 million as at 31 July 2025, which was mainly related to our profits of approximately RMB51.7 million in the seven months ended 31 July 2025. Our net assets increased from approximately RMB1,085.8 million as at 31 July 2025 to approximately RMB1,112.1 million as at 31 August 2025, which was mainly attributable to our profits in August 2025.

## SUMMARY OF CONSOLIDATED STATEMENTS OF CASH FLOWS

The following table sets out cash flows for the years/periods indicated.

| | For the year ended 31 December | | | For the seven months ended 31 July | |
|---|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Net cash generated from operating activities | 243,104 | 163,842 | 153,516 | 11,650 | 25,257 |
| Net cash used in investing activities | (81,221) | (128,239) | (120,995) | (55,970) | (27,656) |
| Net cash (used in)/ from financing activities | (135,752) | (47,065) | 78,893 | 39,541 | 13,609 |
| Net increase/(decrease) in cash and cash equivalents | 26,131 | (11,462) | 111,414 | (4,779) | 11,210 |
| Cash and cash equivalents at beginning of the year/period | 16,139 | 42,270 | 30,808 | 30,808 | 142,222 |
| Cash and cash equivalents at end of the year/period | 42,270 | 30,808 | 142,222 | 26,029 | 153,432 |

See "Financial Information — Liquidity and Capital Resources" in this document for details.

## KEY FINANCIAL RATIOS

The following table sets out certain of our key financial ratios as at the dates indicated and for the years/period indicated.

| | As at and for the year ended 31 December | | | As at and for the seven months ended |
|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 31 July 2025 |
| **Liquidity Ratio** | | | | |
| Current ratio | 0.8 | 0.6 | 0.8 | 1.0 |
| Quick ratio | 0.6 | 0.3 | 0.6 | 0.7 |
| **Profitability Ratio** | | | | |
| Gross profit margin | 36.2% | 39.9% | 34.7% | 33.4% |
| **Rates of Return** | | | | |
| Return on assets | 10.1% | 12.0% | 3.8% | N/A*(Note)* |
| Return on equity | 13.8% | 16.2% | 5.4% | N/A*(Note)* |

*Note:* Such ratios for the seven months ended 31 July 2025 are not meaningful or might be misleading as they cannot represent a full-year operation and performance.

See "Financial Information — Key Financial Ratios" in this document for details.

## DIVIDENDS

In January 2022, we declared and fully paid dividends of RMB30.0 million. In April 2023, we declared dividends of RMB50.0 million which were subsequently fully paid in May 2023.

Our Board is responsible for submitting proposals in respect of dividend payments, if any, to the Shareholders' general meeting for approval. Our Board may declare dividends in the future after taking into account our distributable profits, financial condition, cash flows, expected future capital expenditure, return to our Shareholders, capital requirements, finance costs, the external financing environment and any other factors that the Directors may deem relevant. Any declaration and payment, as well as the amount of, dividends will be subject to the requirements of our Article of Association and the PRC Company Law. According to the PRC Company Law and our Articles of Association, dividends are distributed to our Shareholders in proportion to their shareholdings. We currently do not have a fixed pay-out ratio for future cash dividends. The payment of dividends may also be limited by legal restrictions.

See "Financial Information — Dividends" in this document for details.

## [REDACTED] EXPENSES

The estimated total [REDACTED] expenses, including [REDACTED] commissions (based on the [REDACTED] of the [REDACTED] and assuming that the [REDACTED] is not exercised) for the [REDACTED] are approximately RMB[REDACTED] million (HK$[REDACTED] million), which represents approximately [REDACTED]% of the gross [REDACTED] from the [REDACTED]. Such estimated total [REDACTED] include [REDACTED]-related expenses, including [REDACTED] commission of approximately RMB[REDACTED] million (HK$[REDACTED] million). For the year ended 31 December 2024 and for the seven months ended 31 July 2025, approximately RMB[REDACTED] million (HK$[REDACTED] million) and RMB[REDACTED] million (HK$[REDACTED] million) has been charged to our statement of profit or loss, respectively. An estimated amount of approximately RMB[REDACTED] million (HK$[REDACTED] million) is expected to be expensed through the statement of profit or loss and the remaining amount of approximately RMB[REDACTED] million (HK$[REDACTED] million) is expected to be recognised directly as a deduction from equity upon the [REDACTED].

## RECENT DEVELOPMENTS

During the Track Record Period, we have engaged an independent third party to undertake all the infrastructure works in connection with our underground mine. See "Business Section — Our Mineral Assets and Ore Reserves — Our Mengya'a Mine — Development of underground mine" in this document for details. As the Latest Practicable Date, the development of our underground mine had been completed and its commercial production has commenced since the second quarter of 2025. During the Track Record Period, we engaged an independent third party in respect of the construction of our new tailings pond to further support our mining operations. As at the Latest Practicable Date, the construction of the new tailings pond had been substantially completed and we had conducted our internal safety inspection over our new tailings pond. The new tailings pond will commence operation in 2026 upon obtaining all necessary administrative and regulatory inspections and approvals. See "Business Section — Production — Tailings — Phase 2 Tailings Pond (our new tailings pond)" in this document for details.

Our Directors have confirmed that, up to the date of this document, there has been no material adverse change in our business operations, financial or trading positions or prospects since 31 July 2025, being the date on which our latest audited consolidated financial statements were prepared, and there has been no event since 31 July 2025 which would materially affect the information as set out in the Accountants' Report in Appendix I to this document.

## STATISTICS OF THE [REDACTED]

| | **Based on the minimum [REDACTED] of HK$[REDACTED] per [REDACTED]** | **Based on the [REDACTED] of HK$[REDACTED] per [REDACTED]** |
|---|---|---|
| Market capitalisation of our Shares[(1)] | HK$[REDACTED] | HK$[REDACTED] |
| Unaudited [REDACTED] adjusted consolidated net tangible assets per Share[(2)] | HK$[REDACTED] | HK$[REDACTED] |

*Notes:*

(1) All statistics in this table are based on the assumption that [REDACTED] Shares (including [REDACTED] H Shares and [REDACTED] Domestic Shares) expected to be in issue immediately following completion of the [REDACTED] (assuming the [REDACTED] is not exercised).

(2) The unaudited [REDACTED] adjusted consolidated net tangible assets per Share is calculated after making the adjustments referred to in Appendix II to this document and on the basis of a total of [REDACTED] total Shares (including [REDACTED] H Shares) were in issue immediately following completion of the [REDACTED] (assuming that the [REDACTED] is not exercised).

**[REDACTED]**

We estimate that we will receive [REDACTED] of approximately HK$[REDACTED] million (equivalent to approximately RMB[REDACTED] million from the [REDACTED], after deducting the [REDACTED] commissions and other estimated expenses payable by us in connection with the [REDACTED], assuming an [REDACTED] of HK$[REDACTED] per H Share (being the [REDACTED] of the indicative [REDACTED]) [and that the [REDACTED] is not exercised]. In line with our strategies, we intend to apply the [REDACTED] from the [REDACTED] for the following purposes:

- approximately HK$[REDACTED] million (equivalent to approximately RMB[REDACTED] million), representing approximately [REDACTED]% of the [REDACTED] from the [REDACTED], will be fully utilised for improving our mining capabilities by 2030;

- approximately HK$[REDACTED] million (equivalent to approximately RMB[REDACTED] million), representing approximately [REDACTED]% of the [REDACTED] from the [REDACTED], will be fully utilised for increasing our exploration investments within our existing mining rights in Xizang by 2030;

- approximately HK$[REDACTED] million (equivalent to approximately RMB[REDACTED] million), representing approximately [REDACTED]% of the [REDACTED] from the [REDACTED], will be fully utilised for enhancing ore processing and concentrate production capability for our sustainable growth by 2030;

- approximately HK$[REDACTED] million (equivalent to approximately RMB[REDACTED] million), representing approximately [REDACTED]% of the [REDACTED] from the [REDACTED], will be fully utilised for investment in and acquisition of assets by 2030;

- approximately HK$[REDACTED] million (equivalent to approximately RMB[REDACTED] million), representing approximately [REDACTED]% of the [REDACTED] from the [REDACTED], are expected to be fully used as working capital and other general corporate purposes by 2030;

- approximately HK$[REDACTED] million (equivalent to approximately RMB[REDACTED] million), representing approximately [REDACTED]% of the [REDACTED] from the [REDACTED], will be used for repayment of bank loans by 2026.

To the extent that the [REDACTED] are not immediately applied to the above purposes, we will deposit those [REDACTED] into short-term interest-bearing accounts at licensed commercial banks and/or other authorised financial institutions (as defined under the SFO or the applicable laws and regulations in other jurisdictions).

See "Future Plans and [REDACTED]" in this document for details.

## KEY RISK FACTORS

We believe the following are some of the major key risks that may have an impact on our business and financial performance:

- fluctuations in the market price of zinc, lead and copper concentrates could materially and adversely affect our profitability and cash flow;
- our existing mining operations have a finite life;
- as we continue the exploration and mining process, the ore grade of our Mengya'a Mine is expected to decrease over time;
- business operation in Xizang presents unique challenges, particularly due to the high altitude which can have serious implications for the health and safety of our employees;
- our operations are subject to risks relating to occupational hazards and production safety;
- our business is subject to climate and weather conditions of Xizang Plateau; and
- we face certain risks and uncertainties beyond our control from natural disasters that may negatively impact our mining operations.

See "Risk Factors" in this document for details.

## ENVIRONMENTAL REHABILITATION

According to the relevant PRC laws and regulations, we are required to be responsible for site closure and land rehabilitation in relation to mining activities and submit a land rehabilitation plan to the Ministry of Natural Resources of the PRC (中華人民共和國自然資源部) or the local land and resources branch for review when renewing the mining licences. The purpose of land rehabilitation is to rehabilitate the land damaged by the mining operations in order to control water and soil loss and protect the ecological environment. We have a land rehabilitation plan, and we recognise provision for environmental rehabilitation and relocation of mines pursuant to the regulations of Nagqu in which our mining operations are located. The amount of the provision is estimated based on the life of mining tenement, timing of mine closure and cost of such rehabilitation, and such estimation basis will be updated annually. For the years ended 31 December 2022, 2023, 2024 and the seven months ended 31 July 2025, provisions made for environmental rehabilitation and relocation of mines were approximately RMB9.8 million, RMB9.3 million, RMB9.7 million and RMB7.3 million, respectively. See "Business — Environment, Social and Governance — Environmental Protection — Environmental rehabilitation" and "Financial Information — Selected Balance Sheet Items — Provision" in this document for the details of our land rehabilitation plan and the movement of provision made for site closure and land rehabilitation purposes during the Track Record Period. We also have our own ESG policies with respect of environmental rehabilitation. Our ESG policies mainly include environmental protection policies, mine land reclamation plan (《礦山地質環境保護與土地複墾方案》), human resources policies, occupational health and safety policies, operation

management policies and business ethics policies and rules, which provide important guidance for our sustainability practices, allow us to oversee the implementation of ESG measures and demonstrate our commitment to business integrity, talent development, environmental protection and community development.

**REGULATORY COMPLIANCE**

During the Track Record Period and up to the Latest Practicable Date, we were in full compliance with the relevant PRC laws and regulations. In respect of our mining and exploration licences, we had not been penalised by any government authorities for any issues. To the best of our Directors' knowledge, we currently do not expect to encounter any difficulty in renewing them when they expire, if applicable, and no unexpected or adverse changes have occurred since the date of their respective issuance.

As advised by our PRC Legal Advisers, during the Track Record Period and up to the Latest Practicable Date, we had complied in all material aspects with the applicable PRC laws and regulations relating to environmental protection. During the Track Record Period and up to the Latest Practicable Date, we had not received any notice or warning, nor had we been subject to any investigation or suffered any fines or penalties that would have a material adverse effect on our production and operations as a result of any breach of the relevant PRC environmental laws and regulations.

*In this document, unless the context otherwise requires, the following terms shall have the meanings set out below. Certain other terms are explained in "Glossary of Technical Terms."*

| | |
|---|---|
| "AFRC" | Accounting and Financial Reporting Council |
| "AIC Confirmation" | an acting-in-concert confirmation agreement entered into among Ms. Fan, Mr. Lv and Ms. He on 26 September 2024 in relation to their acting in concert arrangement, a summary of which is set out in "History and Corporate Structure" in this document |
| "Articles of Association" or "Articles" | the articles of association of our Company, as amended, which shall become effective on the [REDACTED], a summary of which is set out in "Appendix V — Summary of Articles of Association" to this document |
| "associates" | has the meaning ascribed to it under the Hong Kong Listing Rules |
| "Audit Committee" | the audit committee of our Board |
| "Board" or "Board of Directors" | the board of Directors |
| "Business Day" or "business day" | a day on which banks in Hong Kong are generally open to the public for normal banking business and which is not a Saturday, Sunday or public holiday in Hong Kong |
| "CAGR" | compound annual growth rate |

[REDACTED]

| | |
|---|---|
| "China" or the "PRC" | the People's Republic of China, but for the purpose of this document and for geographical reference only and except where the context requires, references in this document to "China" and the "PRC" do not include Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan |
| "close associate(s)" | has the meaning ascribed to it under the Hong Kong Listing Rules |
| "Companies Ordinance" | the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time |

| | |
|---|---|
| "Companies (Winding Up and Miscellaneous Provisions) Ordinance" | the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time |
| "Company" or "our Company" | Xizang Zhihui Mining Co., Ltd.* (西藏智匯礦業股份有限公司), a limited liability company established in the PRC on 28 November 2013 which was converted into a joint stock limited company on 18 December 2020 |
| "connected person(s)" | has the meaning ascribed thereto under the Listing Rules |
| "Controlling Shareholder(s)" | has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Xizang Zhifeng, Xizang Shengyuan, Zhihui Partnership, Ms. Fan, Mr. Lv and Ms. He. For further details, see "Relationship With Our Controlling Shareholders" in this document |
| "Corporate Governance Code" | the Corporate Governance Code set out in Appendix C1 to the Listing Rules |
| "CSRC" | China Securities Regulatory Commission (中國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the PRC national securities markets |
| "Director(s)" | director(s) of our Company |
| "Domestic Shares" | domestic shares in the ordinary share capital of our Company, with a par value of RMB1.00 each, which are subscribed for and paid up in Renminbi |
| "EIT Law" | the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得税法), as amended, supplemented or otherwise modified from time to time |
| "Extreme Conditions" | extreme conditions caused by a super typhoon as announced by the government of Hong Kong |
| | [REDACTED] |
| "General Manager" | the general manager of our Company |
| | [REDACTED] |

[REDACTED]

| | |
|---|---|
| "Group", "our Group", "our", "we", or "us" | our Company and all of its subsidiaries, or any one of them as the context may require |
| "Guide for New Listing Applicants" | the Guide for New Listing Applicants issued by the Hong Kong Stock Exchange effective from 1 January 2024 (as amended, supplemented or otherwise modified from time to time) |

[REDACTED]

| | |
|---|---|
| "H Share(s)" | Shares which an application has been made for [REDACTED] and permission to trade on the [REDACTED] with nominal value of RMB1.00 each |

[REDACTED]

| | |
|---|---|
| "Hong Kong" or "HK" | the Hong Kong Special Administrative Region of the PRC |
| "Hong Kong dollars" or "HK$" | Hong Kong dollars and cents respectively, the lawful currency of Hong Kong |

[REDACTED]

| | |
|---|---|
| "Hong Kong Stock Exchange" or "Stock Exchange" | The Stock Exchange of Hong Kong Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited |

[REDACTED]

| | |
|---|---|
| "Huahai Mineral" | Xizang Huahai Mineral Co., Ltd. (西藏華海礦業有限公司), a limited liability company established in the PRC on 10 July 2019 and an indirect wholly-owned subsidiary of our Company |
| "Huaxia Mining" | Xizang Huaxia Mining Co., Ltd. (西藏華夏礦業有限公司), a limited liability company established in the PRC on 10 May 2004 and a direct wholly-owned subsidiary of our Company |
| "Huazhong Industrial" | Xizang Huazhong Industrial Co., Ltd. (西藏華衆實業有限公司), a limited liability company established in the PRC on 17 December 2019 and an indirect wholly-owned subsidiary of our Company |
| "IFRS" | International Financial Reporting Standards |
| "Independent Technical Report" | Independent Technical Report published by SRK in Appendix III to this document |
| "independent third party(ies)" | any person(s) or entity(ies) who is not a connected person of our Company within the meaning of the Listing Rules |

[REDACTED]

[REDACTED]

| | |
|---|---|
| "Joint Sponsors" | Sinolink Securities (Hong Kong) Company Limited and Maxa Capital Limited |
| "JORC Code" | Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia (JORC), December 2012 |
| "Latest Practicable Date" | 13 October 2025, being the latest practicable date for the purpose of ascertaining certain information contained in this document prior to its publication |

[REDACTED]

| | |
|---|---|
| "Listing Committee" | the listing committee of the Hong Kong Stock Exchange |

[REDACTED]

| | |
|---|---|
| "Listing Rules" or "Hong Kong 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) |
| "Macau" | the Macau Special Administrative Region of the PRC |
| "Main Board" | the stock market (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operated in parallel with the GEM of the Hong Kong Stock Exchange |
| "MIIT" | Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部) |
| "MOF" | Ministry of Finance of the PRC (中華人民共和國財政部) |
| "MOFCOM" | Ministry of Commerce of the PRC (中華人民共和國商務部) |
| "Mr. Lv" | Mr. Lv Xijun (呂喜軍), our non-executive Director and one of our Controlling Shareholders |
| "Ms. Fan" | Ms. Fan Xiulian (范秀蓮), our founder, non-executive Director and one of our Controlling Shareholders |
| "Ms. He" | Ms. He Qian (何前), our chairwoman of the Board, executive Director and one of our Controlling Shareholders |
| "NDRC" | the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會) |
| "NIPA" | the National Intellectual Property Administration of the PRC (中華人民共和國國家知識產權局) |
| "Nomination Committee" | the nomination committee of our Board |
| "NPC" | the National People's Congress of the PRC (中華人民共和國全國人民代表大會) |

[REDACTED]

[REDACTED]

| | |
|---|---|
| "PBOC" | the People's Bank of China (中國人民銀行), the central bank of the PRC |
| "PRC Government" | the central government of the PRC and all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof or, where the context requires, any of them |
| "PRC Legal Advisers" | Deheng Law Offices |

[REDACTED]

| | |
|---|---|
| "Regulation S" | Regulation S under the U.S. Securities Act |

[REDACTED]

| | |
|---|---|
| "Remuneration Committee" | the remuneration committee of our Board |
| "RMB" or "Renminbi" | Renminbi, the lawful currency of the PRC |
| "SAFE" | the State Administration of Foreign Exchange of the PRC (中華人民共和國外匯管理局) |
| "SAT" | the State Administration of Taxation of the PRC (中華人民共和國國家税務總局) |
| "Securities and Futures Commission" or "SFC" | the Securities and Futures Commission of Hong Kong |

| | |
|---|---|
| "Securities Law" | the Securities Law of the PRC (中華人民共和國證券法), as amended, supplemented or otherwise modified from time to time |
| "SFO" | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time |
| "Share(s)" | ordinary share(s) in the capital of our Company with a nominal value of RMB1.00 each, including both Domestic Shares and H Shares |
| "Shareholder(s)" | holder(s) of the Share(s) |
| "SMM" | SMM Information & Technology Co., Ltd. |
| "SRK" | SRK Consulting (Hong Kong) Limited |
| "SRK Group" | SRK Global Limited |
| "State Council" | the State Council of the PRC (中華人民共和國國務院) |
| "Strategy Committee" | the strategy committee of our Board |
| "subsidiary(ies)" | has the meaning ascribed thereto under the Listing Rules |
| "substantial shareholder(s)" | has the meaning ascribed thereto under the Listing Rules |
| "Takeovers Code" | the Code on Takeovers and Mergers and Share Buybacks published by the SFC (as amended, supplemented or otherwise modified from time to time) |
| "Track Record Period" | the three financial years ended 31 December 2022, 2023, 2024 and the seven months ended 31 July 2025 |

[REDACTED]

| | |
|---|---|
| "United States" or "U.S." | the United States of America, its territories, its possessions and all areas subject to its jurisdiction |
| "U.S. dollars", "US$" or "USD" | United States dollars, the lawful currency of the United States |

[REDACTED]

[REDACTED]

| | |
|---|---|
| "Xizang" or "Xizang Autonomous Region" | Xizang Autonomous Region of the PRC |
| "Xizang SASAC" | the State-owned Assets Supervision and Administration Commission of Xizang Autonomous Region (西藏自治區國有資產監督管理委員會) |
| "Xizang Shengyuan" | Xizang Shengyuan Mineral Group Co., Ltd. (西藏盛源礦業集團有限公司), a limited liability company established in the PRC on 14 December 2009 and one of our Controlling Shareholders |
| "Xizang Zhifeng" | Xizang Zhifeng Industrial Co., Ltd (西藏智峰實業有限公司), a limited liability company established in the PRC on 1 August 2018 and one of our Controlling Shareholders |
| "Zhihua Industrial" | Xizang Zhihua Industrial Co., Ltd. (西藏智華實業有限公司), a limited liability company established in the PRC on 11 September 2019 and a direct wholly-owned subsidiary of our Company |
| "Zhihui Mining (Hong Kong)" | Zhihui Mining (Hong Kong) Limited (智匯礦業(香港)有限公司), a limited company incorporated in Hong Kong on 6 January 2025 and a direct wholly-owned subsidiary of our Company |
| "Zhihui Partnership" | Xizang Zhihui Enterprise Management Partnership (Limited Partnership) (西藏智輝企業管理合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on 14 August 2024 with Ms. He being its executive partner, our employee shareholding platform and one of our Controlling Shareholders |
| "%" | per cent |

*For ease of reference, the names of PRC laws and regulations, governmental authorities, institutions, nature persons or other entities (including our subsidiaries) have been included in this document in both the Chinese and English languages and in the event of any inconsistency, the Chinese names shall prevail.*

# GLOSSARY OF TECHNICAL TERMS

*This glossary contains definitions of certain terms used in this document in connection with our Company and our business. Some of these may not correspond to standard industry definitions.*

| | |
|---|---|
| "5G" | the latest advancement in cellular network technology. It offers significant improvements over 4G in terms of speed, latency, and capacity, enabling new possibilities for mobile devices, IoT, and various industries |
| "μm" | micrometres, equal to one millionth of a metre |
| "-200 mesh" | a sieve or filter with openings that allow particles smaller than approximately 74 microns in size to pass through |
| "Ag" | silver |
| "alloy" | mixture of two or more elements in which the primary component is a metal |
| "asl" | above sea level |
| "assay sample" | a representative portion of a mineral deposit or ore that is collected and analysed to determine its composition and quality |
| "ball mill" | type of grinder used to grind or blend materials into fine powder |
| "Bangonghu-Nujiang Suture" | significant geological feature located in central Xizang, separating the Qiangtang terrane to the north from the Lhasa terrane to the south |
| "beneficiation" | process involving the removal of gangue minerals from ore to produce a higher-grade product |
| "blending ratio" | proportion of different types of ores mixed together to achieve a desired grade or quality for processing |
| "bulk density" | a physical property of mineral components, defined by the weight of an object or material divided by its volume, including the volume of its pore spaces |
| "CAGR" | compound annual growth rate |
| "carboniferous" | time period 359 to 299 million years ago |
| "channel sample" | sample collected by cutting a continuous groove or channel into the rock face using tools such as chisels, saws, or drills. The groove is typically uniform in width and depth to ensure consistency |

| | |
|---|---|
| "cm" | centimetres |
| "comprehensive utilisation" | refers to the scientific and rational methods used to blend ore resources that might be difficult to utilise directly due to their low-grade with high-grade ore. Comprehensive utilisation optimises the overall quality of the ore materials, thereby improving the efficiency and economic benefits during the beneficiation processes |
| "compressive" | the capacity of a material or structure to withstand loads tending to reduce size, measured by plotting |
| "concentrate" | concentrates are produced by separating zinc-, lead- and copper- bearing minerals from other minerals and impurities found in the ore. The concentration process often involves crushing, grinding, and various separation techniques such as flotation, gravity separation, or leaching. Our lead and copper concentrates contain inseparable coexistent minerals (伴生金屬) such as silver |
| "cone crusher" | a type of crushing equipment to efficiently crush hard and abrasive materials into smaller, manageable sizes |
| "copper-lead recovery" | extraction and separation of copper and lead from ores or waste materials like slag |
| "crusher" | a machine designed to reduce the size of large rocks or other materials into smaller, more manageable pieces |
| "crushing" | process of breaking down large ore bodies into smaller, manageable sizes to facilitate subsequent processing stages like grinding and separation |
| "Cu" | copper |
| "cut-off grade" | minimum concentration of a valuable mineral or metal in ore that makes it economically viable to extract and process |
| "cyclone" | a device used in mineral processing and other industries to classify and separate particles based on size and density |
| "cyclone feed slurry pump" | type of pump specifically designed to feed slurries into hydrocyclones for particle separation in mining and other industrial applications |
| "deposit" | naturally occurring concentration of minerals or metals that can be economically extracted |

| | |
|---|---|
| "diamond twinned holes" | diamond drill hole that is drilled very close to and in the same orientation as an existing diamond drill hole |
| "double spiral classifier" | type of equipment used in mineral processing to classify and separate materials based on their size and density, featuring two spiral blades that rotate to move materials through a tank to allow for efficient classification and separation of fine and coarse particles |
| "double-screw classifier" | type of equipment used in mineral processing for the classification and separation of materials based on size and density, featuring two helical screws that rotate to move materials through a tank or trough to allow for effective classification of ore slurries |
| "drill hole" | a hole drilled in the ground by a drill rig, usually for exploratory purposes to obtain geological information and to allow sampling of rock material |
| "East Tethyan Orogenic Belt" | a significant geological feature that formed as a result of the tectonic processes associated with the closure of the Tethys Ocean. This orogenic belt extends across several countries, including parts of Turkey, Iran, and the Caucasus region. It is characterised by complex geological formations, including folded and faulted sedimentary rocks, metamorphic rocks, and igneous intrusions |
| "electric vibrating feeder" | type of vibrating feeder that uses electric power to generate vibrations, which are then transmitted to a feeding trough or tube |
| "EqPb grade" | equivalent lead grade, which is a method used to express the economic value of multiple metals in a polymetallic deposit in terms of a single metal, typically lead |
| "exploration" | activities undertaken to prove the location, volume and quality of a deposit |
| "explosives depot" | specialised facility designed for the safe storage of explosives and ammunition |
| "fault" | a fracture or fracture zone in rock along which movement has occurred |
| "feed size" | maximum size of material that can be fed into the crusher or other processing equipment |

| | |
|---|---|
| "filter press" | a mechanical device used in various industries, including mining, chemical processing, and wastewater treatment, for solid-liquid separation |
| "fine ore bin" | a storage facility used in mineral processing to hold finely crushed ore before it is fed into further processing stages, such as grinding and flotation |
| "five fixed" principles of lubrication | guidelines used to ensure effective lubrication management in equipment maintenance, including "fixed point", "fixed quality", "fixed time", "fixed quantity" and "fixed person" |
| "flotation" | process in exploration and project development for separating valuable minerals i.e., high-grade ore from mineralised waste by exploiting differences in their hydrophobicity |
| "flotation cells" | components for the separation and concentration of valuable minerals like copper, lead, and zinc, operating by introducing air into a slurry of finely ground ore, causing hydrophobic minerals to attach to air bubbles and rise to the surface, forming a froth that is skimmed off as a concentrate |
| "flotation column" | a device used in exploration and project development to separate valuable minerals i.e., high-grade ore from mineralised waste by feeding a slurry into the top and introducing air bubbles at the bottom that would attach to hydrophobic particles, which rise to form a froth rich in valuable minerals |
| "flotation machine" | a device used in exploration and project development to separate valuable minerals i.e., high-grade ore from mineralised waste by exploiting differences in their hydrophobicity |
| "flotation test" | test that assesses the efficiency of separating minerals based on their surface properties |
| "flux" | substance used to facilitate various processes, including smelting, refining, and metal joining |
| "fold" | a bend or flexure in a rock unit or series of rock units that has been caused by crustal movements |
| "formation" | a body of rock having a consistent set of characteristics (lithology) that distinguish it from adjacent bodies of rock |
| "fresh ore" | ore that has not been significantly altered by weathering or oxidation processes |

# GLOSSARY OF TECHNICAL TERMS

| | |
|---|---|
| "g" | grams |
| "g/t" | grams per tonne |
| "Gangdese Metallogenic Belt" | significant geological region located in southern Xizang, China, known for its rich mineral deposits, particularly copper, gold, and molybdenum, and part of the larger East Tethyan Orogenic Belt and is characterised by a series of porphyry and skarn-type deposits formed during various geological epochs |
| "geomembrane" | a synthetic, very low permeability barrier used in various applications to control fluid migration and prevent leakage |
| "geotextile membrane" | a type of geotextile fabric used for filtration, separation, and protection in various civil engineering and environmental applications |
| "GFA" | gross floor area |
| "greenstone" | a type of metamorphic rock that is typically green in colour due to the presence of minerals like chlorite, actinolite, and other green amphiboles |
| "grid type ball mill" | type of ball mill used in mineral processing, particularly for grinding coarser minerals, characterised by the presence of a grid plate at the discharge end, which facilitates the forced discharge of ground material |
| "grinding" | process of reducing the size of ore particles to facilitate the liberation of valuable minerals from gangue material |
| "grinding cyclone classifier" | use of hydrocyclones in the classification stage of a grinding circuit in mineral processing |
| "grinding mill" | machine used to reduce the size of materials, such as ores or minerals, into smaller particles |
| "HDPE" | high-density polyethylene |
| "$hm^2$" | square hectometre |
| "HQ size" | a diameter of approximately 63.5 millimetres of core samples taken during drilling operations |
| "India-Eurasia collision" | a significant geological event that began around 50 to 60 million years ago and continues to shape the Himalayan mountain range and the Xizang Plateau |

| | |
|---|---|
| "Indian and Eurasian plates" | two major tectonic plates that have been involved in a significant collision, resulting in the formation of the Himalayan mountain range and the Xizang Plateau |
| "Indicated Resource" | classification of mineral resources that represents a moderate level of geological confidence with spacing between drill holes or channel sampling within 100 m, or slope of regression greater than 0.6 |
| "Indus-Yarlung Zangbo Suture" | significant tectonic feature located in southern Xizang and the northern Himalayas, marking the boundary where the Indian plate collided with the Eurasian plate |
| "Inferred Resource" | classification of mineral resources that represents the lowest level of geological confidence with spacing between drill holes or channel sampling more than 100 m, or the domains estimated using Inverse Distance Weighted method. |
| "ISO 14001:2015 certification" | an internationally recognised standard that provides a framework for organisations to establish, implement, and maintain an effective Environmental Management System to improve their environmental performance |
| "jaw crusher" | type of mechanical equipment used for crushing large rocks and materials into smaller pieces |
| "Jinsha-Jiang Suture" | significant geological feature located in western China, stretching from Weixi in western Yunnan to Derong in western Sichuan |
| "k" | thousand |
| "kg" | kilograms |
| "km" | kilometres |
| "kt" | kilotonnes |
| "kt/a" | kilotonnes per annum |
| "kW" | kilowatts |
| "Lhasa Terrane" | significant geological region located in southern Xizang, and one of the three major tectonic belts in the Xizang Plateau, situated between the Qiangtang and Tethyan Himalayan Terranes |

| | |
|---|---|
| "LoM" | Life of mine, which is a determination of the number of years a site will mine and process ore based on various input conditions, including economic, environmental, and business considerations |
| "m" | metres |
| "$m^3$" | cubic metres |
| "m asl" | metres above sea level |
| "Measured Resource" | classification of mineral resources that represents the highest level of geological confidence with spacing between drill holes or channel sampling within 50 m, or slope of regression greater than 0.85 |
| "Meso-Tethys Ocean" | an ancient ocean basin that played a crucial role in the evolution of the Tethys tectonic domain, existing during the Mesozoic Era |
| "Mesozoic Era" | a major geological time period that lasted from approximately 252 to 66 million years ago. It is often referred to as the "Age of Reptiles" due to the dominance of dinosaurs during this time |
| "metal ion" | charged ion of metals that are present in solutions, often as a result of mining activities or industrial processes |
| "metamorphic rock" | a rock formed by transformation of existing rocks subject to elevated heat and pressure |
| "Mineral Resource" | concentration or occurrence of material of intrinsic economic interest on or inside the Earth's crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge |
| "mineralised waste" | the part of ore deposits with ore grade that is below the industrial grade and is not economically viable for exploitation under current technological and economic conditions, which is in line with Announcement by the Xizang Autonomous Region Department of Natural Resources on the Recognition Standards for Low-Grade Ores, Waste Rock, Tailings, Slag, Wastewater and Exhaust Gas (《西藏自治區自然資源廳關於低品位礦、廢石、尾 礦、廢渣、廢水、廢氣認定標準的公告》) |

| | |
|---|---|
| "mining dilution rate" | the percentage of waste material that is unintentionally mixed with ore during the mining process, which can occur during extraction, transportation and processing |
| "mining loss rate" | percentage of mineral resources that are not extracted during the mining process |
| "mm" | millimetres |
| "nameplate capacity" | the theoretical maximum output the plant can achieve under optimal conditions |
| "Neo-Tethys Ocean" | a significant body of water that existed from the Late Triassic to the early Cenozoic Era |
| "nonferrous metal" | metals that do not contain iron or have only trace amounts of iron |
| "NPV" | Net present value |
| "open-pit" | mining of a deposit from a pit open to the surface and usually carried out by stripping of overburden materials (equivalent to a quarry) |
| "ore" | naturally occurring solid materials of our Mengya'a Mine containing valuable metals or minerals that can be profitably extracted with our application of advanced technological methods using a Pb+Zn threshold of ≥3% to differentiate between direct feed to the processing plant and low grade materials that we consider bear sub-economic value |
| "ore fraction" | portion of an ore sample that has been separated based on specific characteristics such as size, density, and mineral content |
| "ore grade" | ratio of the content of a useful element or its compounds in an ore, for which the greater the content, the higher the grade |
| "ore loss" | the amount of valuable mineral material that is not extracted during the mining process. This can happen due to various factors, such as mining inefficiencies, equipment errors, or geological conditions |
| "ore reserve" | the economically mineable part of a measured and/or indicated resource, variable by the techniques adopted in the process of exploration and mining by each of the market company thereof |

# GLOSSARY OF TECHNICAL TERMS

| | |
|---|---|
| "Ore Reserve" | the economically mineable part of a Measured and/or Indicated Mineral Resource, variable by the techniques adopted in our process of exploration and mining |
| "Ore Reserves Statement" | a formal document that outlines the economically mineable part of a Measured and/or Indicated Mineral Resource |
| "ore throughput" | ore processed by mining operations over a given period |
| "ore-yielding volume" | volume of rock or mineral deposit from which valuable minerals or metals can be extracted |
| "overflow ball mill" | type of ball mill used in mineral processing, characterised by its discharge mechanism, where the slurry overflows from the mill due to the height of the material level being higher than the discharge port |
| "oxide ore" | a type of mineral deposit where the metal of interest is primarily found in the form of oxides. These ores are typically formed through the process of weathering, where primary sulphide minerals are exposed to oxygen and water, leading to the formation of oxides |
| "Pb" | lead |
| "Pb-Zn(-Cu-Ag)" | a type of mineral deposit that contains lead (Pb), zinc (Zn), and sometimes copper (Cu) and silver (Ag) |
| "Permian" | time period 299-252 million years ago |
| "pH" | measure of acidity or alkalinity in solutions, which is crucial for various processes and environmental considerations |
| "pit bench face" | the vertical surface of a bench, which is a horizontal or slightly inclined ledge that forms a single level of operation in an open-pit mine |
| "pit bench floor" | the bottom surface of a bench, which is a horizontal or slightly inclined ledge that forms a single level of operation in an open-pit mine |
| "plate feeder" | type of bulk material designed to transport materials, particularly large lumps or coarse materials, from one point to another, often feeding them into crushers or other processing equipment |
| "PQ size" | a diameter of approximately 85 millimetres of core samples taken during drilling operations |

| | |
|---|---|
| "Probable Ore Reserves" | economically mineable part of Indicated Resources, and sometimes Measured Resources |
| "probe hole" | a small exploratory hole drilled into the ground to gather information about subsurface conditions, such as rock type, water presence, or voids |
| "processing recovery" | efficiency with which valuable minerals or metals are extracted from ores during the mineral processing stage |
| "product dewatering" | process of removing excess water from mineral concentrates to produce a more solid product |
| "Proved Reserve" | economically mineable part of Measured Resources |
| "Proven Ore Reserves" | economically mineable part of Measured Resources |
| "pyrite depressant" | chemicals used in flotation processes to selectively prevent pyrite, a common gangue mineral, from floating |
| "Qiangtang Terrane" | significant geological region located in the central part of the Xizang Plateau, bounded by the Jinsha Suture Zone to the north and the Bangong-Nujiang Suture Zone to the south, separating it from the Songpan-Ganzi Terrane and the Lhasa Terrane, respectively |
| "R&D" | research and development |
| "Recycled Products" | recycled zinc, recycled lead and other substituted products as substitutes for zinc concentrates and lead concentrates |
| "radiation shielding" | using materials to block or reduce exposure to ionising radiation |
| "raw ore bin" | a storage facility used in mining and mineral processing to hold raw ore extracted from mines |
| "raw ore yard" | an area where raw ore is stored after extraction from a mine and before it undergoes further processing |
| "reagent" | a substance or compound added to a system to cause a chemical reaction, test if a reaction occurs, or measure the presence or concentration of another substance |
| "rough flotation" | stage in the flotation process that aims to recover as many of the valuable minerals as possible from the ore |

| | |
|---|---|
| "scavenger flotation" | stage in the flotation process that aims to recover any remaining valuable minerals that are not captured during the rougher stage |
| "sedimentary rock" | a rock formed from the accumulation and consolidation of sediment, usually in layered deposits and which may consist of rock fragments of various sizes, remains or products of animals or plants, products of chemical action or of evaporation, or mixtures of these |
| "skarn" | coarse-grained metamorphic rock formed through the interaction of hot, magmatic fluids with carbonate rocks |
| "skarn deposit" | mineral deposit formed through the interaction of hot, magmatic-hydrothermal fluids with carbonate rocks |
| "slope of regression" | a fundamental aspect of linear regression analysis, illustrating the relationship between the independent variable (predictor) and the dependent variable (response). In the context of Kriging estimates, the slope of the regression line serves as an indicator of the quality of the estimation |
| "Songpan-Ganzi Terrane" | significant geological region located in the northern part of the Xizang Plateau |
| "sq.km." | square kilometres |
| "sq.m." | square metres |
| "stacking" | arrangement of filter plates and frames to create chambers for the filtration process |
| "stirring tank" | a vessel used in various industrial processes to mix and blend materials thoroughly |
| "stress regime" | relative magnitudes of the principal stresses acting on the Earth's crust, which determine the type of faulting and deformation that occurs |
| "strip ratio" | critical metric in open-pit mining that measures the amount of waste material (overburden) that must be removed to extract a unit of ore |
| "stripping volume" | amount of overburden (waste material) that must be removed to access a specific volume of ore |
| "subduction" | fundamental geological process where one tectonic plate moves beneath another at convergent plate boundaries |

| | |
|---|---|
| "suture zones" | areas where two tectonic plates have converged and fused together, often along a major fault line |
| "tailing facility" or "tailings storage facility" | a specially designed structure used to store the waste materials left over after the extraction of valuable minerals from ore |
| "tailings" | waste materials left over after the process of separating valuable minerals from ore in mining operations |
| "tailings pond" | a specialised storage facility used to contain waste materials generated during mining operations, allowing solids to settle and water to be separated and potentially recycled |
| "tectonostratigraphic terranes" | fault-bounded geological entities characterised by a distinct stratigraphy and geologic history that differs from adjacent terranes |
| "tensile fault" | formation of faults under a pulling force that stretches the rock until it breaks |
| "Tethyan Himalayan Terranes" | refer to a series of geological formations and regions that are part of the larger Himalayan mountain system. These terranes were formed through complex geological processes, including the collision of tectonic plates, volcanic activity, and sedimentation over millions of years. They are characterised by diverse rock types, including sedimentary, metamorphic, and igneous rocks, and play a crucial role in understanding the geological history and tectonic evolution of the Himalayas |
| "thickener" | a large sedimentation tank used to separate solids from liquids, concentrating the solids and recovering valuable minerals |
| "thrust" | a type of fault where older rocks are pushed over younger rocks due to compressional forces |
| "thrust belt" | a region of the Earth's crust characterised by a series of thrust faults and folds, typically formed at the edges of mountain ranges |
| "tonnes" | a unit of mass equal to 1,000 kilograms |
| "trench" | a long, narrow excavation or depression in the ground, often created during the initial stages of mining or as part of the mining process |
| "TSF" | tailings storage facility |

| | |
|---|---|
| "viable ore" | natural rock or sediment that contains one or more valuable minerals, typically metals, concentrated above background levels, and is economically viable to mine and process |
| "vibrating screen" | a mechanical screening machine used to separate materials based on size |
| "waste rock" | the surrounding rock or gangue extracted during the mining process where the concentration of useful components is below the ore cut-off grade, which is in line with Announcement by the Xizang Autonomous Region Department of Natural Resources on the Recognition Standards for Low-Grade Ores, Waste Rock, Tailings, Slag, Wastewater and Exhaust Gas (《西藏自治區自然資源廳關於低品位礦、廢石、尾礦、廢渣、廢水、廢氣認定標準的公告》) |
| "water recovery tank" | a storage container used to hold water that has been recovered from various stages of the processing cycle |
| "weathering" | response of materials once in equilibrium within Earth's crust to new conditions at or near contact with water, air, or living matter |
| "weighbridge" | large scale used to measure the weight of vehicles and their contents |
| "weighbridge house" | a structure or building associated with a weighbridge, often serving as a control room or office where the weighing operations are managed and recorded |
| "Xizang Plateau" | vast and geologically complex region in western China, known for its rich mineral resources, including copper and iron |
| "XY-4 drill rig" | a type of core drilling equipment used in various geological and mining applications |
| "Zn" | zinc |

# FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements that state our intentions, beliefs, expectations or predictions for the future that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include all statements in this document that are not historical facts, including, without limitation, statements relating to:

- our strategies, plans, objectives and our ability to implement such strategies and achieve our plans, objectives and goals;
- future developments, trends and conditions in the zinc, lead and copper concentrate markets in Xizang and other areas of China;
- future developments, trends and conditions in the broader mining industry in Xizang and other areas of China;
- the competitive markets for zinc, lead and copper concentrates and the broader mining sector in Xizang and other areas of China;
- the actions and development of our competitors;
- the evolvement of regulatory framework of the zinc, lead and copper concentrate markets and the broader mining industry;
- the evolvement in mining-related governmental policies;
- our abilities to protect and renovate our technological knowhow with respect to exploration, mining, ore processing and concentrate production;
- our abilities to fortify our strengths in exploration and mining activities for onward ore processing and concentrate production in connection with our sales of concentrates;
- prospective product demand from nonferrous metal traders and refineries, which are our customers;
- prospective consumption level by the end users of our concentrates;
- our strategies and plans to seize business opportunities in the zinc, lead and copper concentrate market, which is generally classified as a demand-over-supply market;
- our strategies and plans to seize business opportunities and fortify our business against the backdrop of robust government support for the broader metals and mining industries;

- our abilities to incentivise our talents and attract more industry leaders to support our business operations and strengthen our active and leading position in Xizang;
- our strategies, plan and abilities to bolster our presence in Xizang and other areas of China;
- our strategies, plans and abilities to protect our reputation on a continuous basis;
- our strategies, plans and abilities to fortify our sales network, consisting of sales to nonferrous metal traders and refineries;
- our abilities to implement effective inventory control measures;
- our abilities to implement effective logistics arrangement;
- the amount and nature of, and potential for, future development of our business;
- our future capital needs and capital expenditure plans;
- our dividend policy; and
- the general economic, cultural, social and political environment in China.

When used in this document, the words "aim", "anticipate", "believe", "could", "estimate", "expect", "going forward", "intent", "may", "ought to", "plan", "project", "seek", "should", "will", "would" and similar expressions, as they relate to us, are intended to identify forward-looking statements. However, all statements in the document other than statements of historical fact are forward-looking statements. Such forward-looking statements reflect the views of our management as at the date of this document with respect to future events and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this document. Although we believe that the expectations reflected in such forward-looking statements are reasonable, actual results and events may differ materially from the information contained in the forward-looking statements as a result of number of factors, including:

- our ability to respond to competition from other market players;
- our ability to maintain our market reputation as an active and reliable mining company in Xizang with a complete business operation chain encompassing exploration, mining, production and sales;
- our ability to implement our new business strategies;
- our ability to achieve sustained growth in a demand-over-supply market;
- our ability to capture new business opportunities in echo with strong government support for the industry;
- our ability to manage our sales network;

- our ability to remain as an active and reliable mining company in a fragmented market;
- changes to regulatory environment affecting our business;
- macroeconomic measures taken by the government to manage economic growth; and
- other factors beyond our control.

Should one or more of these risks or uncertainties materialise, or should the underlying assumptions prove to be incorrect, our results of operations and financial condition may be adversely affected and may vary materially from those described herein as anticipated, believed or expected. Accordingly, such statements are not a guarantee of future performance and you should not place undue reliance on such forward-looking information. Moreover, the inclusion of forward-looking statements should not be regarded as representations by us that our plans and objectives will be achieved or released.

The forward-looking statements in the document reflect our views of our management as at the date of this document and are subject to change in light of future developments. Subject to the requirements of the Listing Rules, we do not intend to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise.

*You should carefully consider all of the information in this document, including the risks and uncertainties described below, before making an investment in our H Shares.*

*Our business, financial position and results of operations could be materially and adversely affected by any of these risks. The trading price of our H Shares could significantly decrease due to any of these risks, and you may lose all or part of your investment. You should pay particular attention to the fact that we are a PRC company and are governed by a legal and regulatory environment which may differ significantly from those prevailing in other jurisdictions.*

## RISKS RELATING TO OUR BUSINESS AND INDUSTRY

### Fluctuations in the market price of zinc, lead and copper concentrates could materially and adversely affect our profitability and cash flow.

Our revenue is generated from the sales of zinc, lead and copper concentrates. Historically, while the average price for zinc concentrates, lead concentrates and copper concentrates has increased in value over time, such price may fluctuate and there can be no assurance that such price will not continue to fluctuate in the future or that such prices will otherwise remain at sufficiently high levels to support our profitability and cash flow. China's zinc concentrate prices, influenced by refined zinc prices and treatment charges, increased from RMB17,788.0 per tonne in 2018 to a sharp surge at approximately RMB19,073.0 per tonne in 2022, followed by a decline to RMB15,322.0 per tonne in 2023 and rebounded to RMB19,020.0 per tonne in 2024. Lead concentrate prices decreased from RMB17,462.0 per tonne in 2018 to RMB12,504.0 per tonne in 2020 due to oversupply but increased thereafter because of supply shortages, reaching about RMB16,501.0 per tonne in 2024. Copper concentrate prices steadily increased from RMB43,560.0 per tonne in 2018 to RMB69,146.0 per tonne in 2024, driven by strong downstream demand and macroeconomic factors. See "Industry Overview" in this document for further details of the historical average selling price of zinc concentrates, lead concentrates and copper concentrates from 2018 and 2024, and the projected trends for 2025 to 2028. The average selling price for each of our zinc concentrates, lead concentrates and copper concentrates has shown an upward trend, with that of zinc concentrates increasing from RMB14,989.0 per tonne in 2022 to RMB17,510.0 per tonne in 2024, of lead concentrates rising from RMB14,895.0 per tonne in 2022 to RMB19,496.0 per tonne in 2024, and of copper concentrates increasing from RMB59,859.0 per tonne in 2022 to RMB77,109.0 per tonne in 2024. For the seven months ended 31 July 2025, the average selling price for each of our zinc concentrates, lead concentrates and copper concentrates was RMB14,097.0 per tonne, RMB27,959.0 per tonne and RMB75,855.0 per tonne, respectively. See "Business — Sales of Concentrates — Pricing" in this document for further details of the average annual selling price of our concentrates for the years ended 31 December 2022, 2023, 2024 and the seven months ended 31 July 2025, respectively. Fluctuations of the price for zinc, lead and copper concentrates may sometimes be difficult to predict, being dependent on numerous factors such as (i) global macro-economic and political events and sentiments such as regional conflicts; (ii) supply and demand for zinc concentrates and lead concentrates; (iii) interest rate and inflation rate expectations; and (iv) actual and predicted behaviour of central banks in relation to mineral acquisition and disposals. As our revenue was generated from our sales of lead, zinc and copper concentrates, fluctuations in the market price of these products could affect our financial performance.

**Our existing mining operations have a finite life.**

Our existing mining operations have a finite life and will eventually close. According to the Independent Technical Report, the estimated LoM of our Mengya'a Mine, on the combined basis, is 31 years. To sustain our concentrate production and ensure long-term viability beyond the current defined mine lives, we must prioritise reserve replacement strategies, including the conversion of Mineral Resources to Ore Reserves and the discovery of new orebodies through exploration.

Key risks include insufficient capital allocation for exploration and feasibility studies, uncertainties in exploration success, technical challenges such as geotechnical complexities or declining ore grades, market volatility affecting commodity prices, and operational inefficiencies in mine planning or infrastructure development. Failure to replenish reserves at a rate commensurate with depletion could lead to reduced production volume of each of zinc, lead and copper concentrates, diminishing revenue streams and cash flow post-LoM. This contraction could also lower the mineral asset's NPV, erode investor confidence, and limit access to capital for future projects. Prolonged reserve shortfalls may further constrain strategic flexibility to adapt to market shifts or operational disruptions. According to the Independent Technical Report, as at 31 July 2025, our Mengya'a Mine is economically viable for another 31 years. Such economic analysis was carried out based on various assumptions and factors. Therefore, in a hypothetical scenario where a decline in commodity prices, combined with other technical factors, significantly impacts the economic viability of the mining project, revenue could be reduced to the point where the project becomes uneconomic. In such a case, the resulting financial strain may limit cash flow, reducing the ability to sustain operations and ultimately leading to the failure to meet production targets. See relevant economic viability analysis as presented in 14.3 of "Appendix III — Independent Technical Report" to this document.

**As we continue the exploration and mining process, the ore grade of our Mengya'a Mine is expected to decrease over time.**

The ore grade is a key determinant of the economic feasibility of mining operations. Higher-grade ores generally yield higher outputs at lower processing costs, making them more profitable. However, as high-grade deposits become exhausted, the ore grade may decrease over time. Lower-grade ores require more intensive mining and processing efforts, leading to higher unit costs and a substantial increase in overall operational costs. This shift may reduce our profit margins and make it increasingly difficult to sustain operations. Furthermore, the exploration process itself is inherently uncertain. While we may discover new mineral deposits, there is no guarantee that these will possess the same quality as the existing reserves. If we encounter lower-grade ores during exploration, it could necessitate a re-evaluation of our business model and operational strategies, such as expediting the plan of comprehensive utilisation of mineralised waste. Such uncertainty further complicates our ability to plan for the future, as we may face unexpected challenges that impact our financial stability.

**We are subject to risks relating to inventory, including the risk of obsolescence and impairment.**

Having an appropriate level of raw materials inventory is pivotal in minimizing the effect of the volatility of raw materials prices and minimizing the risk of obsolescence of our inventory. Any sudden decrease in the market demand and the corresponding unanticipated drop in the sales and the prices of the relevant goods or any failure of us in successfully maintaining the flexibility in our raw materials and spare parts supply arrangements could cause our inventory to accumulate or depreciate in value, which may adversely affect our businesses, financial condition and results of operations. While our work-in-progress and finished goods are not exposed to the risk of obsolescence since they do not deteriorate easily, we review our inventory from time to time and make provisions for write-down of inventories when it deems necessary. Assumptions regarding metal prices and recovery rates will have impact on the assessment of the value of our inventories.

**Our mining operations face risks related to occupational hazards and production safety due to the high altitude of Xizang and the inherent risks brought by the use of explosives and other dangerous articles.**

Our mining operations are located at an altitude of over 5,000 m asl, which presents significant challenges for our employees. One of the most serious risks associated with this high altitude is altitude sickness, also known as acute mountain sickness ("**AMS**"). AMS occurs when people ascend to high elevations, and their bodies struggle to acclimatise to the lower levels of oxygen in the air. Symptoms can vary in severity and may include headaches, nausea, dizziness, fatigue, and shortness of breath. In more severe cases, altitude sickness can lead to life-threatening conditions such as high-altitude pulmonary edema or high-altitude cerebral edema, both of which require immediate medical attention.

The nature of mining work often involves physical exertion, which increases the body's need for oxygen. This makes our employees more vulnerable to altitude sickness, especially if they are not given adequate time to acclimatise. Some workers may begin to feel symptoms after only a short time at high altitude, while others may take longer to adjust to the local conditions. Apart from altitude sickness, workers in high-altitude regions such as Xizang face a higher risk of occupational diseases compared to those in other areas, such as pulmonary edema and cardiovascular diseases. The psychological effects of working in such extreme conditions can also contribute to the risks of altitude sickness with increased levels of anxiety, depression and feelings of isolation. The physical symptoms of altitude sickness combined with the demanding nature of mining work can exacerbate psychological strain, making it difficult for workers to maintain emotional resilience.

Additionally, our mining operations involve the handling and storage of explosives and other dangerous articles (such as explosives used in the mining process in which ores are extracted). There may be risks of accidental detonation, fires or toxic exposure in the course of handling and storing explosives during ore extraction. Accidents causing severe injuries or fatalities may happen to our employees due to various reasons, such as the mishandling of dangerous articles in our mining operations. There can be no assurance that such accidents will not occur in the future.

As a mining company, we are subject to various laws, rules and regulations imposed by the PRC Government related to occupational hazards and production safety. Given the fact that the PRC Government has been strengthening the enforcement of safety regulations in relation to the mining industry, more stringent laws and regulations regarding production safety may be implemented and existing laws and regulations may be strictly enforced in the future. There is no assurance that our mining operations would not be disrupted or suspended due to risks in relation to occupational hazards and production safety. We may not be able to comply with all existing or future laws and regulations in relation to production safety economically or at all.

Should we fail to comply with any production safety laws or regulations, we would be required to suspend our mining operation, rectify the non-compliance within a limited period and/or pay fines. Failure to rectify any non-compliance could lead to suspension of our mining and fines as well. In addition, accidents may arise due to various reasons, such as the mishandling of dangerous articles in our mining operations. Should we fail to comply with any relevant laws, regulations or policies or should any accident occur, our business, reputation, financial condition and results of operations may be adversely affected, and we may be subject to penalties, civil liabilities or criminal liabilities.

**Our business operations are subject to challenging climate and weather conditions, which may adversely affect our operational efficiency.**

Due to the weather conditions of Xizang, we may experience significant seasonality in our business operations. The region's unique climate, characterised by extreme variations and unpredictable weather patterns, can pose substantial challenges that affect our mining activities, transportation logistics, and overall productivity. During certain seasons, adverse weather conditions such as heavy snowfall or rainfall may hinder access to our mining sites, leading to temporary shutdowns or reduced operational capacity. These disruptions can result in delays in production schedules, impacting our ability to meet market demand and potentially affecting our revenue streams. For instance, prolonged periods of inclement weather may necessitate the suspension of mining operations, which not only delays output but can also lead to increased costs associated with equipment maintenance and site management during downtime. Moreover, the seasonality of weather patterns may also influence the availability and cost of necessary resources, including labour and equipment. Generally, we suspend our business operations from January to March or April of each year due to the severe weather. In times of adverse weather, we may face challenges in sourcing qualified labour, as local workers may be unable to travel safely to our sites. Additionally, the transportation of materials and equipment may be compromised, leading to increased transportation costs and potential supply chain disruptions. This further complicates our operational planning and may result in unforeseen expenses that could impact our profitability. Additionally, extreme weather conditions of Xizang Plateau may affect the supply of electricity and other public utilities. As we consume electricity for the operation of our mining operations, continuous and stable supply of electricity is important. If there is any power shortage, brownout or blackout that lasts for a significant period of time due to the extreme weather conditions, our business and results of operations may be adversely affected.

The challenging climate and weather conditions in Xizang, coupled with its high altitude, can significantly affect our productivity. In severe cases of altitude sickness or other occupational diseases, affected workers may need to be transported to lower-altitude regions for treatment, putting additional strain on our labour resources. Harsh climates, including heavy snowfall, low temperatures, and unpredictable weather patterns, can limit workers' ability to safely travel to and from mining sites. Such conditions may cause delays in shift changes, reduce labour availability and disrupt the scheduling of critical tasks. Additionally, psychological stress associated with working in such an extreme environment can exacerbate existing health problems or trigger new conditions. Employees may experience anxiety, fear or stress related to their health risks, which can diminish focus, motivation and morale. This mental strain can hinder effective communication, collaborating and teamwork, leading to errors or slower decision-making, indirectly impacting production timelines and even enhance risks of accidents or fatalities. These combined health challenges brought by such extreme environmental factors create a complex set of hurdles that can delay production schedules and increase operational costs.

For the year ended 31 December 2024, our revenue decreased by approximately RMB244.7 million, gross profit decreased by about RMB113.2 million, and sales volume dropped by approximately 20,959 tonnes compared to the corresponding period in 2023. One of reasons for such decreases was a shortened production period caused by weather-related delays in April 2024. We cannot guarantee that such weather disruptions will not recur in the future. Unpredictable climate and weather conditions may adversely affect our operations in ways beyond our control, potentially resulting in material negative impacts on our business, financial condition, and operating results.

**We face certain risks and uncertainties beyond our control from unforeseen events and/or natural disasters that may negatively impact our mining operations.**

Our business operations are subject to a number of operational risks and hazards, some of which are beyond our control. These operational risks and hazards mainly include:

- major catastrophic events and natural disasters, including earthquakes, fires, floods, landslides, drought, snowstorms and other hazardous weather conditions;
- geological or mining conditions such as instability of the slopes and subsidence of the working areas;
- unexpected or periodic interruptions due to inclement or hazardous weather conditions;
- shortages of water, power or fuel supply;
- unforeseen accidents occurring in connection with our mining or ore processing operations; and
- unexpected equipment failures, malfunction and breakdowns of information management systems, or unexpected maintenance or technical problems.

Natural disasters, especially earthquakes, snowstorms, floods and landslides, may require us to evacuate personnel or curtail operations. Such risks and hazards may result in damage or loss to our mining and processing operations, and they may also require us, among other things, to evacuate personnel, delay or temporarily suspend our mining operations, reduce our productivity or delay delivery of our products to our customers. Periods of curtailed activity may increase the operating costs. If any of these accidents occurs, it could materially and adversely affect our business, financial condition and results of operations.

Natural disasters, acts of war or terrorism or other factors beyond our control may adversely affect the economy, infrastructure and livelihood of the people in the regions where we conduct our business. Our mining operations may be under the threat of flood, earthquake, sandstorm, snowstorm, fire, drought, mudslides or other natural disasters causing instability of slopes and subsidence of working areas in our mines, power, water or fuel shortages, critical equipment failures, malfunction and breakdown of information management systems, unexpected maintenance or technical problems, or are susceptible to potential wars or terrorist attacks. Serious natural disasters may result in loss of lives, injury, destruction of assets, reduction in our productivity and disruption of our business and operations. Acts of war or terrorism may also injure our employees, cause loss of lives, disrupt our business network and destroy our markets. Any of these factors and other factors beyond our control could have an adverse effect on the overall business sentiment and environment, cause uncertainties in the regions where we conduct business, cause our business to suffer in ways that we cannot predict and materially and adversely impact our business, financial condition and results of operations.

**The failure of a tailings storage facility could negatively impact our business, reputation and results of operations.**

Mining companies face inherent risks in their operation of tailings storage facilities. Tailings storage facilities, such as tailings ponds, are structures designed and managed to contain fine mining waste, known as tailings. Tailings are a by-product of mining, consisting of the processed rock or soil left over from separating the commodities of value from the rock or soil within which they occur. However, the use of tailings storage facilities exposes us to certain risks that could be detrimental to operations, the environment, and/or public health and safety that may arise from some present process or future event. Tailings storage facilities designed as upstream raised facilities may present greater risk, particularly where the facility is located in an area of high seismic activity. When tailings storage facilities fail, the consequences can be catastrophic for communities, local economies and the surrounding environment. The occurrence of a tailings dam failure at one of our tailings storage facilities could also lead to the loss of human life and/or extensive property and permanent environmental damage, leading to the need for a large expenditure on contingencies and on recovering the regions and people affected, and the payment of penalties, fines or other monetary damages. Tailings facilities are in a near-constant state of change, from initial construction, during operations and until closure. This presents a significant challenge in reviewing and assessing their safety, requiring a multi-faceted programme with multiple levels of safety assessment in order to be effective. There can be no guarantee of the effectiveness of our designs or the construction quality of the tailings storage facilities. There can be no guarantee that the monitoring of the tailings storage facilities would effectively identify safety concerns either. Nor can there be any guarantee that any of the measures that have been put in place to safeguard our tailings storage facilities will prevent the failure of one or more of them, or that such potential failure will be detected in advance.

**An increase in the unplanned strip ratio poses significant risks to our mining operations, particularly in terms of operating costs and overall economic viability.**

A higher strip ratio means that more waste material must be removed to access a given quantity of ore. This results in increased operational costs, including higher expenditures on fuel, labour, equipment wear and tear, and maintenance. Elevated strip ratios can make certain mining areas uneconomical, particularly during periods of low commodity prices or rising operational costs. If product prices decline, the reduced profit margins associated with high strip ratios could significantly impact our overall profitability.

Moreover, high strip ratios often require substantial upfront capital investments in heavy equipment, haul roads, and waste storage facilities. These capital outlays can create cash flow constraints, limiting our ability to fund other critical projects or initiatives. Such financial pressures may also restrict opportunities for mine expansion, exploration, or the adoption of new technologies, potentially undermining the long-term competitiveness of our mining operations.

In summary, an elevated strip ratio represents a persistent risk to the financial performance and operational sustainability of our mining operations. Effective mine planning, cost management, and operational efficiency are essential to mitigating these risks and ensuring the continued economic viability of our projects.

**Subject to specific geological circumstances, we may be affected by challenges relating to slope and stability of underground openings.**

We may adopt new mining techniques following the commercial operation of our underground mine. The underground mine is to be dug deeper while the waste and tailings deposits increase in size. Under these circumstances, certain geotechnical challenges may arise, including, for example, the possibility of failure of the mine's underground openings or voids. Such failures can have consequences, such as disruptions to mining operations, safety hazards for workers and costly repairs.

The risk of underground mine failure is influenced by various factors, including geological conditions, the design of the mine, and the methods of extraction employed. As we excavate deeper, the pressure exerted on the surrounding rock increases, which can compromise the stability of mine structures. If additional measures are necessary to prevent such failures, it may lead to unanticipated expenses that can impact our financial performance. Moreover, the stability of underground openings is crucial not only for operational safety but also for the integrity of our stated Ore Reserves. Any instability could result in a reassessment of these reserves, affecting our overall resource estimation and future planning.

**We have a high concentration of customers during the Track Record Period.**

We have a significant concentration of customers during the Track Record Period. For the years ended 31 December 2022, 2023, 2024 and the seven months ended 31 July 2025, our five largest customers in each year/period accounted for approximately 93.9%, 90.1%, 88.1% and 81.7% of our total revenue, respectively. Additionally, sales of concentrates to our largest customer in each year/period represented approximately 41.0%, 24.2%, 31.2% and 40.8% of our total revenue for the respective years.

There is no assurance that these major customers will continue to enter into sales agreements with us at prices acceptable to us, nor can we guarantee that they will remain financially stable in the future. Should these customers face financial difficulties, and if we become unable to diversify our customer base in a timely manner, our business, operational results, profitability and liquidity may be adversely affected.

Additionally, heavy reliance on limited number of customers may pose a significant risk on financial stability, as a decline in purchase orders from any of these concentrated customers may lead to substantial revenue loss. Furthermore, the potential for dependency on a limited number of customers increases our vulnerability to market fluctuations and changes in customer demands. Any disruptions in our relationships with our major customers could possibly severely impact our overall financial health and operational stability.

**We had a high concentration of suppliers (including contractors and subcontractors) during the Track Record Period.**

We have a significant concentration of suppliers, including contractors and subcontractors, during the Track Record Period. For the years ended 31 December 2022, 2023, 2024 and the seven months ended 31 July 2025, purchases from our five largest suppliers and subcontractors in each year/period accounted for approximately 73.4%, 69.8%, 73.2% and 55.0% of our total purchases, respectively. Additionally, procurement of service from our largest contractor in each year/period represented approximately 22.8%, 30.6%, 30.1% and 22.0% of our total purchases for the respective years.

We cannot guarantee that our existing suppliers, contractors and subcontractors will continue to provide suitable equipment, materials, or services in the future. If any of our key suppliers, contractors or subcontractors fail to deliver the necessary materials or services, or if we are unable to identify alternative sources that meet our requirements and standards in a timely manner and on favourable terms, our business operations could be significantly disrupted. This could lead to delays in production, increased costs, and potential project cancellations, all of which would adversely affect our financial condition and operational results.

Moreover, the concentration of suppliers increases our vulnerability to supply chain disruptions caused by various factors, such as geopolitical tensions, natural disasters or economic instability. Any significant changes in the financial health or operational capabilities of these suppliers could jeopardise our ability to maintain consistent production levels and meet customer demand.

**Our mining operations are subject to safety inspection from government which may cause temporary suspension of our mining operations.**

Our mining operations are subject to safety inspections conducted by government authorities, which can lead to the temporary suspension of our mining operations. These inspections are mandatory and can occur with little to no advance notice, disrupting our mining operations at some times. Such suspension can halt production, delay project timelines, and lead to significant financial losses due to the inability to fulfil contractual obligations with our customers and suppliers. When an inspection results in a temporary shutdown, it not only affects our immediate output but can also probably, to a lesser extent, have repercussions on our mining operational capacity. Prolonged interruptions may lead to a backlog in production and necessitate a reassessment of our mining operational strategies. Such disruption can result in increased costs associated with ramping back up to full production levels once operations are allowed to resume.

Additionally, any delays in resuming operations can create uncertainty for our workforce. Employees may face job insecurity during extended periods of inactivity. This uncertainty can lead to decreased productivity and difficulties in retaining skilled workers, further complicating our ability to resume operations smoothly. The financial implications of such suspension may also be significant. A halt in production directly impacts our revenue streams, which can strain our financial resources and hinder our ability to invest in future growth opportunities. Furthermore, the regulatory scrutiny inherent in the mining industry means that any findings during these inspections may require us to undertake corrective actions. Such requirements could prolong the suspension of our mining operations and increase our operational costs, compounding the adverse effects on our financial performance.

**Our business expansion plan may not achieve the intended economic benefits.**

Due to the finite nature of our existing mining operations, an integral part of our business strategy is to expand our business by increasing our Ore Reserves and production capacity, as well as through selective acquisition of additional mines. The decrease in our financial assets at FVTPL of approximately RMB69.6 million from 31 December 2022 to 31 December 2023 was mainly due to utilising the bank balances and cash redeemed from the financial products we invested in 2023 for the land use right and construction fees of our new tailings pond. See "Financial Information — Review of Historical Results of Operations — Year Ended 31 December 2024 Compared to Year Ended 31 December 2023 — Financial assets at fair value through profit or loss ("FVTPL")" in this document for details. However, we may not be able to successfully implement our expansion plan, or our future expansion plan may not achieve the intended economic benefits. Our expansion plan may also be delayed or adversely affected by numerous factors, including the failure to obtain necessary regulatory approvals, technical difficulties, and the lack of manpower or other resource constraints, which may divert resources and management attention from our other business activities. In addition, the costs incurred for our expansion plans may exceed our planned investment budget. As a consequence of delays, cost overruns, changes in market circumstances or other factors, the intended economic benefits from these expansion plans may not materialise and our business, financial condition and results of operations may be materially and adversely affected.

**As a developing mining company, we cannot guarantee that we will generate revenue or positive cash flow and grow our business as planned.**

We have over a decade of mining experience. While we generated profits or positive cash flows from the existing mining operations during the Track Record Period, we cannot completely assure you that we will be able to achieve successful operation or commercial viability going forward considering the finite life of the existing mining operations. Nor can we completely assure you that we can replicate our success into the commercial operation of our underground mine, which has commenced since the second quarter of 2025. That said, it may become possible that we may not be able to generate profits in the future. We may encounter risks and uncertainties commonly experienced by some of the mining companies, including those relating to:

- our ability to maintain effective control over operating costs and expenses;
- our ability to maximise returns of our Shareholders by constantly evaluating risks against opportunities in the market when allocating capital for expansion;
- our ability to explore and identify new mineral deposits to keep our mining operation sustainable in the long run;
- our ability to ramp up our processing capacities and production output according to our plan;
- the quality of our ores for concentrate production;
- our ability to respond to changes in the regulatory environment in Xizang and China; and
- our ability to manage the logistics, utility and supply needs of our expanded operations.

If we are unable to address any of these and other related risks, our business, financial condition and operating results may be materially and adversely affected.

Our revenue decreased by approximately RMB244.7 million, or 44.8%, from approximately RMB546.1 million for the year ended 31 December 2023 to approximately RMB301.4 million for the year ended 31 December 2024, primarily attributable to (i) shortened production period caused by weather-related delays during the year and (ii) the temporary suspensions of production lines to accommodate the interleaved upgrade of the two production lines of our processing plant during 2024. We cannot guarantee that such decrease in revenue could be prevented in the future, given the complex risks and uncertainties experienced inherent to our mining operations, also taking into account the unique weather conditions of Xizang.

Although there is currently no direct competition between Recycled Products and our concentrates products. However, we cannot assure that such competition will not emerge in the future, which could potentially have an adverse impact on our revenue and operating results. See "Industry Overview — Limitations on the Future Development of Recycled Products" and "Business — Sale of Concentrates — Non-competition between Recycled Products and our Concentrates" in this document for details.

**We are subject to risks relating to the transport of our inventory.**

During the Track Record Period, transportation service providers were engaged by us to deliver ores to our processing plant, and to deliver our concentrates from our processing plant to Lhasa. Ores and concentrates are valuable items, and we are subject to risk of delay, damage or loss of such items, which may occur for reasons beyond our control, including labour disputes or strikes, acts of war or terrorism and natural disasters. While we seek to ensure the safety of our deliveries through our transportation internal control protocol and the transportation management team as stipulated in the transportation service agreement, we cannot guarantee that there will not be any safety accidents or loss of such deliveries. Moreover, we have less control over external service providers. Any delay, damage or loss of our work-in-progress and products during the transportation process may have a material and adverse effect on our business, financial condition and results of operations.

**Our mining operations may face risks in relation to production delays and increased production costs resulting from design defects, production safety and occurrence of accidents.**

Our infrastructure and facilities may contain design defects, and the success of commissioning and trial production may not guarantee smooth formal production in the future. The breakdown or modification of the facilities may delay the production and incur significant costs. In addition, we may experience in the future increase costs of production arising from compliance with production safety laws and regulations.

Our employees and our independent third party contractors and subcontractors may encounter accidents, technical difficulties, mechanical failure or breakdown during the mining and production processes, as well as manmade and natural disasters beyond our control. Additionally, the use of explosives in underground excavation, such as in tunnels and mines, carries inherent risks and dangers. Handling and detonating explosives can lead to serious safety hazards, including accidental explosions, rockfalls, and flying debris, which pose significant threats to workers' safety and health. There can be no assurance that accidents will not occur in the future. The occurrence of accidents may disrupt or suspend our mining operations, increase production costs, result in liability to us and harm our reputation. Such incidents may also result in breaches of the conditions for our mining licences or any other approvals, licences or authorisations, which may result in fines and penalties or even possible revocation of such permits, approvals, licences and authorisations. We cannot guarantee that safety accidents will not occur at our mines in the future. The occurrence of accidents may result in damage to or destruction of production facilities, personal injuries or casualties, environmental damage, business interruption, delays in production, increased production costs, monetary losses and potential legal liability to us. Such incidents may also result in breaches of the conditions for our mining licences or any other approvals, licences or authorisations, which may result in fines and

penalties or even possible revocation of such permits, approvals, licences and authorisations. Should we fail to comply with any relevant laws, regulations or policies or should any accident occur, our business, reputation, financial condition and results of operations may be adversely affected, and we may be subject to penalties, civil liabilities or criminal liabilities.

**Our mining operations are exposed to risks in relation to environmental protection and rehabilitation.**

Operations of mines are subject to environmental risks and hazards. Our mining operations are subject to PRC environmental laws and regulations, such as the treatment and discharge of hazardous wastes and materials and environmental rehabilitation. These laws and regulations set a series of standards for waste substances that may be discharged into the environment, and impose fees for the discharge of such waste substances. We are required to conduct our mining operations in a manner that minimises the impact on the environment, such as through rehabilitation and re-vegetation of mined land. In the future, we may have rehabilitation obligations in respect of areas we have cleared for mining and production purposes.

Environmental hazards may occur in connection with our mining operations as a result of human negligence, force majeure or otherwise. Therefore, we cannot guarantee that our mining operations will not have environmental risks or hazards in the future. The occurrence of any environmental hazards may delay production, increase production costs, cause personal injuries or property damage, result in liability to us and damage our reputation. Such incidents may also result in breaches of the conditions for our mining and exploration licences or other approvals, licences or authorisations, which may result in fines or penalties or even possible revocation of such permits, approvals, licences and authorisations.

We may experience increased production costs arising from compliance with environmental laws and regulations. Moreover, the development of the PRC's economy and the improvements in living standards may lead to heightened awareness of environmental protection. As a result, it is possible that more stringent environmental laws and regulations may be implemented in the future, or the existing environmental laws and regulations may be more strictly enforced. We may not always be able to comply with future laws and regulations in relation to environmental protection and rehabilitation economically or at all. Should we fail to comply with any such laws and regulations, we may be subject to penalties and liabilities under PRC laws and regulations, including but not limited to warnings, fines, suspension of production and closure of the facility that fails to comply with the relevant environmental standards.

In addition, there can be no assurance that supplies of electricity, water or raw materials will not be interrupted or that their prices will not increase in the future. In the event that our existing suppliers cease to supply us with electricity, water or raw materials at commercially acceptable prices or at all, our mining operations will be interrupted, and our financial condition and results of operations will be materially and adversely affected.

Our mining operations may also be affected by climate change regulations. Greenhouse gases are emitted by our mining operations as a result of fuel and energy consumption. While our mining operations are not presently subject to specific regulatory measures to address or limit greenhouse gas emissions promulgated in Xizang. As regulatory requirements in respect of climate change evolve, compliance may require additional costs and involve other unexpected effects, which could have a material adverse effect on our operations, financial condition and results of operations. As mining and processing mineral products is an energy-intensive business, transitioning to a lower-carbon economy will require significant investment and may entail extensive policy, legal, technology, and market changes to address mitigation and adaptation requirements related to climate change.

**We might be subject to claims, disputes and legal proceedings in our ordinary course of business.**

We cannot guarantee that we will not be involved in claims, disputes and legal proceedings in our ordinary course of business. From time to time, we may be involved in claims, disputes and legal proceedings in our ordinary course of business. These may include issues of concern relating to, among others, health and safety accidents, environmental matters, breach of contract or labour disputes and infringement of intellectual property rights. Any claims, disputes or legal proceedings initiated by us or brought against us, with or without merit, may result in substantial costs and diversion of resources, and if we are unsuccessful, could materially harm our reputation. Furthermore, claims, disputes or legal proceedings against us may be due to defective supplies sold to us by our suppliers, who may not be able to indemnify us in a timely manner, or at all, for any costs that we incur as a result of such claims, disputes and legal proceedings.

**We may not be able to retain or secure key qualified personnel, key senior management or other personnel for our operations.**

We depend on certain key qualified personnel, key senior management and other employees in our business, particularly those set out in "Directors and Senior Management" in this document. There can be no assurance that such parties will continue to provide services to us or will honour the agreed terms and conditions of their employment contracts. Loss of any key personnel or failure to recruit and retain personnel for our future operations and development may have a material adverse effect on our business. The market for employees with industry experience and technical skills can be highly competitive. We cannot be certain that the services of our senior management and a sufficient number of technically skilled employees will continue to be available to us. Any senior management departures or unavailability (due to death, injury, illness or other reasons) or technically skilled worker shortages could adversely affect our operational efficiency and production levels. We may be unable to hire or retain appropriate technically skilled employees or other management personnel, or may have to pay higher levels of remuneration than we currently intend. In particular, qualified personnel may be scarce in certain regions where our mines are located.

If we are unable to hire and retain appropriate management and technically skilled personnel, or if there are not sufficient succession plans in place, our business may be materially and adversely affected.

**We may not be able to obtain, retain or renew government approvals, licences and permits necessary for our business operations.**

Our ability to carry out our business operations is subject to our ability to obtain and retain necessary approvals, licences and permits from relevant PRC government authorities and to renew them prior to their expiry. Any failure to obtain, retain or renew, or any delay in obtaining or renewing, such approvals, licences or permits could subject us to a variety of administrative penalties or other government actions and adversely impact our business operations. According to the Mineral Resources Law of the PRC (《中華人民共和國礦產資源法》), all mineral resources in the PRC are owned by the state. As a mining company, we are required to obtain certain government licences and permits, among which mining licences are crucial for our mining operations. Mining licences are limited to a specific geographic area and a certain time period. The validity of a mining licence is determined according to the scale of the mine. In addition, we are required to apply to the appropriate authorities for a renewal before such licences expire in accordance with relevant renewal procedures and timelines as stipulated by the relevant competent authorities. However, we may not be able to obtain or renew such approvals, licences or permits, or obtain, retain or renew other approvals, licences and permits necessary for our business operations in the future, either in respect of our mines or at any mines we may operate in the future. Moreover, pursuant to relevant PRC laws and regulations, before commencing formal production, we are required to pass the inspection and acceptance of safety facilities and environmental protection facilities by the production safety authority and environmental protection authority and to obtain a production safety permit. Our mining licences for our mines are also subject to annual inspection by the competent bureau of land and resources at provincial level. In the annual inspection, the relevant authorities will consider whether our mining activities in the past year have been in compliance according to the relevant laws and regulations. In any case of non-compliance, we will be given a deadline to rectify the non-compliance, or our mining licences may be revoked. Should our mining licence be revoked or we have to incur additional significant costs to rectify non-compliances, our business, financial condition and results of operations would be materially and adversely affected.

**Mining operations is subject to extensive regulations and affected by government policies in the PRC mining industry.**

We are subject to extensive national, provincial and local government regulations, policies and controls in the PRC that govern many aspects of our industry, including, without limitation:

- limits on increases in ore output volume;
- grant and renewal of mining rights;
- grant and renewal of safety production permits;
- production safety and casualty ratings;
- taxes and fees;

- environmental, health and safety standards; and

- annual verification of mining licences and exploration licences.

The liabilities, costs, obligations and requirements associated with these laws and regulations may be significant and may delay or interrupt our mining operations. Failure to comply with the relevant laws and regulations in our mining operations may result in penalties or suspension of our mining operations.

Additionally, we cannot assure you that the relevant government agencies will not alter these laws or regulations or impose additional or more stringent laws or regulations. Compliance with new laws or regulations may require us to incur significant costs, capital expenditures or other obligations and secure new sources of financing. More stringent laws or regulations may also restrict our business operations. The cost of compliance with regulations is and will continue to be substantial, and any increase in costs due to changes in laws or regulations or to our failure to comply may subject us to, among others, suspension of mining operations and penalties which could have a material adverse effect on our business, financial condition and results of operations. In addition, the current PRC government policies favour the acquisition and consolidation of mines by large mining companies. However, we cannot assure you that such policies will not change in the future. In the event that those policies favouring our acquisition and expansion plans change, our costs of carrying out our acquisition and expansion plans may increase substantially and our ability to effect such plans may decrease. Our operations are exposed to risks in relation to environmental protection and rehabilitation and our business operations may be affected by current or future safety and environmental regulations. Our operations are subject to environmental risks and hazards and we are subject to extensive and increasingly stringent safety and environmental protection laws and regulations in the PRC. These laws and regulations:

- impose environmental protection taxes;

- require the establishment of reserves for reclamation and rehabilitation;

- impose fines for serious environmental offences; and

- allow the PRC Government, at its discretion, to close down any facilities failing to comply with orders to correct or stop operations that have caused serious environmental damage.

Environmental hazards may occur in connection with our operations as a result of human negligence, force majeure or otherwise. The occurrence of any environmental hazards may delay production, increase production costs, cause personal injuries or property damage, result in liability to us and/or damage our reputation. Claims may be asserted against us arising out of our operations in the normal course of business, including claims relating to land use, safety, health and environmental matters. Some incidents may also result in a breach of conditions of our mining licences and exploration licences, or other consents, approvals or authorisations, which may result in fines or penalties or even possible revocation of our mining licences and/or exploration licence. We are not insured against environmental liabilities and there can be no assurance that environmental liabilities would not materially and adversely affect our business and results of operations.

The PRC Government is currently moving towards more rigorous enforcement of applicable laws and regulations, as well as the adoption and enforcement of more stringent environmental standards. As a result, our budgeted capital expenditures for safety and environmental regulatory compliance may be insufficient and we may need to allocate additional funds. Moreover, we cannot assure you that we can comply with all applicable safety and environmental laws and regulations that may be adopted or amended in the future. If we fail to comply with current or future safety or environmental laws and regulations, we may be required to stop production, pay penalties or fines and take corrective actions, any of which may have a material adverse effect on our business, financial condition and results of operations.

**The preferential tax treatment currently enjoyed by our PRC subsidiary may be changed or discontinued, which may adversely affect our business, financial condition and results of operations.**

According to the Notice of the Continuation of Enterprise Income Tax for Implementation of Exploration and Development of Western Region (《關於延續西部大開發企業所得税政策的公告》) jointly issued by the MOF of the PRC and the State Administration of Taxation and National Development and Reform Commission on 23 April 2020, operating companies located in the western region of the PRC which engage in "encouraged businesses" are entitled to the preferential EIT rate of 15% from 1 January 2021 to 31 December 2030 if the operating revenue of the encouraged business in a year accounts for 60% of the total revenue of the company in that year. Our Company and our subsidiary, Xizang Zhihua, are categorised as the said companies which are entitled to the preferential EIT of 15% during the Track Record Period. Additionally, each of our Company and Zhihua Industrial were granted with further waiver of 40% local tax. Huaxia Mining was also granted with waiver of 40% local tax. We cannot assure you that we will be able to pass all reviews of our eligibility for the said presential tax rate in the future and to complete the tax reduction and exemption filing with the competent tax authorities in order to maintain the preferential tax rate. We also cannot assure you that the said preferential tax rate treatment according to the PRC laws and regulations will not change or be discontinued in the future.

**We had net current liabilities as at 31 December 2022, 2023 and 2024 and as at 31 July 2025.**

We had net current liabilities of approximately RMB49.0 million, RMB97.8 million, RMB79.2 million and RMB8.7 million as at 31 December 2022, 2023, 2024 and as at 31 July 2025. Nonetheless, as at 31 August 2025, we recorded a reversal to net current assets of approximately RMB44.7 million. However, having net current liabilities could expose us to liquidity risks, which could in turn restrict our ability to make necessary capital expenditure or develop business opportunities, and our business, results of operation and financial condition could be materially and adversely affected as a result. If we are unable to generate sufficient cash flow from our operations or unable to obtain sufficient funds or renew banking facilities to finance our operations or satisfy our current liabilities in a timely manner, our business operations, liquidity and ability to raise funding may be materially and adversely affected. We cannot assure you that we will be able to maintain sufficient working capital or revenue or raise the necessary funding to pay off our current liabilities and meet our capital commitments. In such circumstances, our business, financial condition, results of operations and prospects may be materially and adversely affected.

**We received government grants during the Track Record Period, and any significant reduction in such grants offered to us may affect our financial condition and results of operations.**

For the years ended 31 December 2022, 2023, 2024 and the seven months ended 31 July 2025, we received government grants of approximately RMB6.5 million, RMB4.1 million, RMB7.6 million and RMB2.2 million, respectively. It is important to note that these government grants are one-off in nature and are granted at the discretion of the government. As such, there can be no guarantee that similar funding will continue to be available to us in the future. The discretionary nature of government grants indicates that we cannot rely upon them as a stable or predictable source of income. The PRC Government periodically adjusts its policies regarding business taxes and other forms of financial support, and these changes can significantly impact the availability and amount of grants provided to the companies engaging in mining industry. Any modifications to these policies, along with the uncertainties that accompany such adjustments, could adversely affect our financial condition and operational results.

**Our business requires significant and continuous capital investment.**

As a result of our overall business expansion strategy, we will require a high level of capital expenditure in the foreseeable future to fund our ongoing operations and future growth. We expect our capital expenditures for our existing mines and the funding for our expansion plans to, among others, further construction of mining infrastructure, increase our Ore Reserves to extend LoM through additional exploration activities and expand business through selective acquisition. For the years ended 31 December 2022, 2023, 2024 and the seven months ended 31 July 2025, our capital expenditure was approximately RMB95.0 million, RMB222.9 million, RMB89.8 million and RMB56.9 million, respectively. A substantial portion of such capital expenditure was dedicated to expanding our mining asset portfolio, specifically the development of our underground mine and the construction of our new tailings pond. See "Financial Information — Capital Expenditure" in this document for details. If we fail to construct additional mining infrastructure at the expanded area to extend our boundary in the existing mined area and design, our zinc, lead and copper ore processing volume and sales volume will be reduced and our revenue and profitability will be adversely affected. In view of the above, we will require additional capital to continuously construct new benches in accordance with the optimisation plan and design, implement our strategy of acquiring additional mining assets and undertaking additional exploration activities in the future. We intend to fund our capital expenditures, future acquisitions and additional exploration activities out of internal sources of liquidity and/or through access to additional financing from external sources. Our ability to obtain external financing in the future at a reasonable cost is subject to a variety of uncertainties, including:

- our future financial condition, results of operations and cash flows;
- the condition of the global and domestic financial markets; and
- changes in the monetary policy of the PRC Government with respect to bank interest rates and lending practices.

If we require additional funds and cannot obtain them on acceptable terms when required or at a reasonable financing cost or at all, we may be unable to fulfil our expansion needs. These or other factors may also prevent us from entering into transactions that would otherwise benefit our business or implementing our future strategies. Any of these factors may have a material adverse effect on our business, financial condition and results of operations.

**We may have difficulty in managing our future growth and any associated increased scale of our operations.**

We expect to expand primarily through organic growth, together with potential asset acquisitions. Our future expansion may place a significant strain on our managerial, operational, technical and financial resources. In order to better allocate our resources to manage our growth, we must hire, recruit and manage our workforce effectively and implement adequate internal controls in a timely manner. If we are unable to effectively manage our growth and the associated increased scale of our operations, our business, financial condition and results of operations could be materially and adversely affected.

**To the extent that we seek to expand through acquisitions, investment in joint ventures and associates, and strategic collaborations, we may experience problems and difficulties in executing, managing and integrating the acquisitions, joint ventures, associates and strategic collaborations.**

To further grow our businesses and increase our competitiveness and profitability, we intend to continue expanding our mining and production operations in various product segments in China. We may strategically pursue acquisitions, investment in joint ventures and associates, or strategic collaborations to maintain or expand our mining operations and our Mineral Resources and Ore Reserves base.

Any acquisition, joint venture, associate or strategic collaboration may change the scale of our business and operations and may expose us to new geographic, geological, political, social, strategic, operating, financial, legal, regulatory and contractual risks, including, but not limited to:

- significant changes in commodity prices after we have committed to complete a transaction and established a purchase price or share exchange ratio;
- risks arising from historical non-compliance in relation to acquired properties, which we may not be able to identify in spite of pre-acquisition due diligence;
- mineral ore bodies that may not meet expectations; and
- difficulties integrating and assimilating the operations and personnel of any acquired companies, realising anticipated synergies and maximising the financial and strategic position of the combined enterprise, and maintaining uniform standards, policies and controls.

**We may incur impairment losses for intangible assets such as our mining rights and related assets, which may adversely affect our results of operations.**

Based on our accounting policy, our mining rights are amortised using the unit of production method based on the actual production volume over the estimated total proven and probable reserves of the mines. Estimating reserves involves inherent complexity and uncertainty, relying on geological, engineering and economic data interpretations. If the mining property is abandoned, the relevant mining rights are written off in the statement of profit or loss. Exploration and evaluation assets are stated at cost less impairment losses. Similarly, if any project is abandoned in a very unlikely event, the total expenditure incurred, including to acquire exploration rights and to carry out exploration activities, will be written off in our statement of profit or loss. For details, see note 4 of the Accountants' Report in Appendix I to this document. Although our intangible assets increased from approximately RMB340.8 million as at 31 December 2022 to approximately RMB400.0 million as at 31 July 2025 due to the transfer and reclassification of exploration assets as intangible assets and the capitalisation of newly acquired software in relation to mining and office work, impairment losses for intangible assets may still be incurred leading to a decrease in our intangible assets in the future. See "Financial Information — Selected Balance Sheet Items — Intangible assets" in this document for details. The value of our mining rights or the total expenditure in relation to our exploration and evaluation assets may have a material adverse impact on our results of operations.

## RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

**We are subject to the political, economic and social development as well as laws, rules and regulations in the PRC.**

Our business is mainly operated in Xizang, the PRC, where we conduct the majority of our operations. As a result, our business is linked to the political, economic and social climate of the region and the PRC as a whole, and national and social security to a certain extent. The PRC Government's measures to stimulate economic growth and resource allocation have historically introduced a degree of uncertainty that could potentially impact our operations.

We shall comply with the applicable PRC laws, rules and regulations. With the social development, the relevant PRC laws, rules and regulations in force at present may be amended in the future, and their interpretation and implementation shall be determined in accordance with relevant laws and regulations in force at the time. Any non-compliance with any existing or new laws and regulations could materially and adversely affect our business, financial condition, results of operations, cash flows and prospects.

**We may be affected by currency exchange regimes and exchange rate fluctuation.**

During the Track Record Period, we generated our revenue, expenditures, liabilities and assets in RMB, while the [REDACTED] from the [REDACTED] will be in HKD. Our operations and financial results are significantly influenced by the fluctuations in currency exchange rates, particularly between the RMB and the HKD, as well as the USD and other foreign currencies.

Under the current PRC foreign exchange control system, the PRC Government exercises significant control over the convertibility of RMB into foreign currencies and the remittance of currency out of the country. The PRC's foreign exchange control system may impede our ability to obtain sufficient foreign currency for dividend payments to shareholders, to satisfy any other foreign exchange requirements, or to capitalise our capital expenditure plans, and even our business operating results and financial condition.

The PRC Government may also at its discretion restrict access to foreign currencies for current account transactions in the future. While certain current account transactions can be made in foreign currencies without prior approval from the State Administration of Foreign Exchange ("**SAFE**") by adhering to existing foreign exchange regulations, converting RMB into foreign currency and remitting it out of the PRC to pay for capital expenses, such as repaying foreign-denominated debts, requires government approval. The restrictions on foreign exchange transactions under capital accounts may also affect our ability to secure foreign exchange through debt or equity financing.

**Fluctuations in the value of the Renminbi may have an effect on our business.**

Our business may be significantly influenced by variations in the exchange rates between the RMB and other major currencies, such as the HKD and the USD. As the [REDACTED] raised from the [REDACTED] will be expressed in HKD, should the Renminbi strengthen against the USD, the Hong Kong dollar, or any other foreign currency, there could be a decrease in the value of our assets that are denominated in those foreign currencies, as well as a reduction in the [REDACTED] from the [REDACTED]. On the contrary, weakening of the Renminbi could negatively impact the value of our H Shares when measured in foreign currency terms, and similarly affect any dividends we declare on these shares.

In addition, the fluctuations in the value of the Renminbi relative to the HKD or USD would affect our financial results in HKD or USD terms, even in the absence of any fundamental changes in our business operations or actual financial performance.

**There may be changes regarding the interpretation and enforcement of laws, rules and regulations where we conduct business.**

Our business is subject to the legal and regulatory environment of the PRC. The PRC legal framework is fundamentally a civil law system, which is characterised by a comprehensive set of written statutes and regulations. It is important to recognise that many of these laws, rules and regulations are of recent origin and are subject to continuous interpretations from time to time. Consequently, the interpretation and enforcement of these legal instruments can vary, leading to a degree of uncertainty. While the Supreme People's Court may provide authoritative guidance, the volume of published court decisions that can be referenced is relatively sparse, and their precedential value is generally limited. As the PRC's legal system is characterised by the issuance of new laws, rules, regulations, guidelines, and interpretations, such changes may at any time retrospectively affect our existing legal rights, protections and remedies.

**It may be difficult to effect service of process, enforce foreign judgments and arbitral awards against us or our Directors and senior management located in the PRC.**

The substantial presence of our operations, assets, and personnel within the PRC jurisdiction has significant implications for our legal and regulatory landscape. Most of our Directors and senior management team are residents of the PRC, and their assets are predominantly located within the PRC. As a result, it presents a challenge in effecting service of process outside of the PRC, including but not limited to jurisdictions such as the United States or Hong Kong. Consequently, shareholders may face difficulties in enforcing judgments against our company or its Directors and senior management team if such judgments originate from courts outside of the PRC.

On 25 January 2024, the Supreme People's Court of the PRC and the Hong Kong government entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and Hong Kong (關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排) (the "**Arrangement**"). Although the Arrangement seeks to establish a bilateral legal mechanism with greater clarity and certainty for recognition and enforcement of judgments in a wider range of civil and commercial matters between the courts of Hong Kong and the PRC, there can be no assurance as to the outcome, effectiveness and enforceability of the judgements in a PRC court.

**Holders of our H Shares are subject to the PRC income tax.**

Non-PRC resident individuals and enterprises holding our H Shares are subject to PRC tax laws and regulations, which impose different tax obligations on dividends received and gains realised from the sale or other disposition of H Shares.

Non-PRC resident individuals are required to pay a 20% individual income tax on dividends received and the gains realised upon the sale or other disposition of the H Shares held by them, as stipulated by the Individual Income Tax Law of the PRC (2018 Revision) (《中華人民共和國個人所得税法 (2018 修訂)》) and its implementation regulations. We are required to withhold such tax from dividend payments, unless applicable tax treaties between the PRC and the jurisdictions in which the foreign individuals reside, reduce or provide an exemption for the relevant tax obligations. Pursuant to the Circular of the State Taxation Administration on Individual Income Tax Collection Issues upon Abolishment of Document Guoshuifa [1993] No. 045 (《國家税務總局關於國税發[1993]045號文件廢止後有關個人所得税徵管問題的通知》), a tax rate of 5% to 20% (generally 10%) shall apply to the dividends paid by domestic non-foreign-invested enterprises issuing shares in Hong Kong to overseas resident individuals. Such tax rate depends on any applicable tax treaties between China and the jurisdiction in which the non-PRC resident individual holder of H Shares resides, and tax arrangement between the PRC and Hong Kong.

As for non-PRC resident enterprises incorporated under the laws of the foreign country whose actual administration institution is outside the PRC, but have set up institutions or establishments in the PRC or, without institutions or establishments set up in the PRC but have income originating from the PRC, according to the PRC EIT Law, dividends paid by us and gains realised by such foreign enterprises from the sale or disposition of H shares are subject to PRC enterprise income tax at a 20%, which may be reduced under any special arrangement or applicable tax treaties between the China and the jurisdiction in which the non-PRC resident enterprise resides. In accordance with the Circular on Issues Relating to Withholding of Enterprise Income Tax by PRC Resident Enterprises on Dividends Paid to Overseas Non-PRC Resident Enterprise Shareholders of H Shares (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得税有關問題的通知》) (Guo Shui Han [2008] No. 897) (國税函[2008]897號) issued by SAT on 6 November 2008, the withholding tax rate for dividends payable to non-PRC resident enterprise holders of H Shares has been reduced to 10% and we intend to withhold tax at a rate of 10% from dividends paid to non-PRC resident enterprise holders of our H Shares (including [REDACTED]). Non-PRC resident enterprises that are entitled to be taxed at a reduced rate under an applicable income tax treaty or arrangement will be required to apply to the PRC tax authorities for a refund of any amount withheld in excess of the applicable treaty rate, and payment of such refund will be subject to the PRC tax authorities' approval.

Given these uncertainties on the interpretation of the PRC tax laws, holders of our H Shares should consider the potential impact of PRC tax laws on their investment and the possibility of future changes that could affect the tax treatment of their holdings.

**Payment of dividends is subject to conditions under the PRC law.**

As stipulated under PRC laws, dividends may be paid only out of distributable profits. Distributable profits refer to net profit as determined under PRC GAAP or IFRS Accounting Standards, whichever is lower, less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make. As a result, we may not have sufficient, if any, distributable profits to enable us to make dividend distributions to our Shareholders in the future, including periods for which our financial statements indicate that our operations have been profitable. Any distributable profits that are not distributed in a given year are retained and available for distribution in subsequent years.

In addition, because the calculation of distributable profits under PRC GAAP is different from the calculation under IFRS Accounting Standards in certain respects, our subsidiaries may not have distributable profits as determined under PRC GAAP, even if they have profits for that year as determined under IFRS Accounting Standards, or vice versa. Accordingly, we may not receive sufficient distributions from our subsidiaries. Failure by our subsidiaries to pay dividends to us could have a negative impact on our cash flow and our ability to make dividend distributions to our Shareholders in the future, including those periods in which our financial statements indicate that our operations have been profitable.

## RISKS RELATING TO THE [REDACTED]

### There has been no prior public market for our H Shares, and their liquidity and market price may be volatile.

Prior to the completion of the [REDACTED], there has been no public market for our H Shares. The [REDACTED] for our H Shares is the result of negotiations between us and the [REDACTED] (for themselves and on behalf of the [REDACTED]), and the [REDACTED] may differ significantly from the market price for our H Shares following the [REDACTED]. We have applied for [REDACTED] of, and permission to deal in, our H Shares on the [REDACTED]. However, there is no assurance that an active and liquid trading market for our H Shares will develop or be sustained after the completion of the [REDACTED]. There is also no guarantee that the market price of our H Shares will not decline following the completion of the [REDACTED]. Furthermore, the market price and trading volume of our H Shares may be highly volatile. Factors including but not limited to our financial condition, actual or anticipated fluctuations in our operating performance, announcements of competitive developments, acquisitions or strategic alliances in our industry and general political, financial, social and economic conditions may have a material adverse effect on the market price and trading volume of our H Shares.

### Holders of our H Shares are subject to the risk that the price of our H Shares could fall during the period before trading of our H Shares begins.

The price of our H Shares sold to the public under the [REDACTED] will be determined on the pricing date. However, our H shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be several business days after the pricing date. As a result, investors of our H shares may not be able to sell or otherwise deal in our H Shares during that period. Accordingly, holders of our H Shares may be subject to the risk that our H Share trading price could fall during the period before trading of our H share begins as a result of adverse market conditions or other unfavourable developments which arise between the date of sale and the date trading begins.

### Future sales or perceived sales of substantial amounts of our H Shares in the public market could have a material adverse effect on the prevailing market price of our H Shares and our ability to raise additional capital in the future.

The market price of our H Shares could be significantly influenced by the sale or the expectation of the sale of substantial volumes of our H Shares in the public market. Such sales, or the perception that they might occur, have the potential to cause a material decrease in the market price of our H Shares. This is particularly relevant when considering the potential issuance of new H Shares or securities that are convertible into or exchangeable for H Shares.

In addition to the direct impact on market price, the issuance of new H Shares or share-linked securities could result in dilution of existing shareholders' holdings, especially if the newly issued securities carry rights or privileges which take priority over those conferred by the H Shares. As a result of such dilution, and the potential for new securities to carry preferential rights, can further contribute to a decline in the market price of our H Shares.

**Our Controlling Shareholders have significant influence over our Company and their interests may not be aligned with the interests of our other Shareholders.**

Prior to and immediately upon the completion of our [REDACTED], without taking into account any Shares which may be issued pursuant to the exercise of the [REDACTED], our Controlling Shareholders will remain having substantial control over our Company.

Our Controlling Shareholders will possess a majority of the voting power at general meetings, not accounting for any additional shares that may be issued if the [REDACTED] is exercised. This level of control enables them to significantly influence our business and affairs, including decisions in respect of mergers or other business combinations, acquisition or disposition of assets, issuance of additional Shares or other equity securities, timing and amount of dividend payments, and our management.

The interests of our Controlling Shareholders may not always coincide with those of our other Shareholders. While they can exercise their voting rights in alignment with their preferences, this may not always benefit our Company or minority Shareholders. Such conflicts of interests could potentially lead to decisions that are detrimental to the value of our Company or for our other Shareholders.

**You will incur immediate and substantial dilution and may experience further dilution in the future.**

The [REDACTED] of our [REDACTED] is higher than the net tangible asset value per Share immediately prior to the [REDACTED]. Therefore, purchasers of our [REDACTED] in the [REDACTED] will experience an immediate dilution in [REDACTED] consolidated net tangible asset value. Holders of the [REDACTED] may experience dilution in the net tangible asset value per Share of their Shares if we issue additional shares in the future at a price that is lower than the net tangible asset value per Share at that time.

**We may need additional capital, and the sale or issue of additional H Shares or other equity securities could result in additional dilution to our Shareholders.**

We may require additional capital to finance our continued growth or other future developments. If we fail to raise additional funds, the market price of our H Shares could decline as a result of future sales or issuances of additional equity securities in the public market, or the perception that such sales or issuances may occur. Future sales, or perceived sales, of substantial amounts of our securities or other securities relating to our H Shares, including part of any future offerings, could also materially and adversely affect the prevailing market price of our H Shares and our ability to raise capital in the future at a time and at a price which we deem appropriate.

**If securities or industry analysts do not publish research or reports about our business, or if they adversely change their recommendations regarding our H Shares, the market price and trading volume for our H Shares could decline.**

Research reports published by securities or industry analysts about our business may influence the trading market of our H shares. If one or more analysts who cover us downgrade their evaluations of our H Shares, or if they issue reports with negative outlooks or misinformation regarding our operations, it could result in a material decline in the market price of our H Shares. If one or more of these analysts cease coverage for us or fail to publish regular reports on us, we could lose visibility in the financial markets, which, in turn, could adversely affect the market price or trading volume of our H shares.

**We may not declare dividends on our H Shares in the future.**

There is no assurance as to when and in what form dividends will be paid on our H Shares following the [REDACTED]. Declaring dividends on our H shares is subject to the discretion of our Board and is contingent upon a comprehensive assessment of our financial condition, operational results, and capital requirements, among other considerations, and will subject to our Shareholders' approval. We may not have sufficient or any profits to enable us to make dividend distributions to our Shareholders in the future, even if our financial statements indicate that our operations have been profitable.

## RISKS RELATING TO STATEMENTS MADE IN THIS DOCUMENT

**Certain facts, statistics and data contained in this document with respect to the industry may not be accurate and should not be unduly relied upon.**

Certain facts, statistics and data in this document are derived from various sources including publications and industry-related sources prepared by government officials or independent third parties. In addition, certain information and statistics set out in "Industry Overview" in this document have been extracted from the Industry Report. We believe that the sources of information are appropriate sources for such information, and the Joint Sponsors and our Directors have taken reasonable care to extract and reproduce the publications and industry-related sources in this document. In addition, we have no reason to believe that such information is false or misleading or that any fact that would render such information false or misleading has been omitted. However, neither our Group, our Directors, the Joint Sponsors, nor any parties involved in the [REDACTED] have independently verified, or make any representation as to, the accuracy of such information and statistics from the official government sources. It cannot be assured that statistics derived from the official government sources are stated or prepared at the same standard or level of accuracy as, or consistent with, those in other publications within or outside Hong Kong. Accordingly, such information and statistics from the official government sources may not be accurate and should not be unduly relied upon.

**You should read the entire document carefully and should not rely on any information contained in press articles or other media regarding us and the [REDACTED].**

Investors should read the entire document carefully and we strongly caution you not rely on any information contained in press articles and/or other media regarding us, our business, our industry and the [REDACTED] prior to the publication of this document, which contained, among other things, certain financial information, projections, valuations and other forward-looking information about us and the [REDACTED]. We have not authorised the disclosure of any such information in the press or media and do not accept responsibility for the accuracy or completeness of any information such press articles or other media coverage, nor the fairness or appropriateness of any estimates, views or opinions expressed by the press or other media regarding the [REDACTED] or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of such information. To the extent such statements are inconsistent with, or conflict with, the information contained in this document, we disclaim responsibility for them and you should not rely on such information.

**Forward-looking statements contained in this document are subject to risks and uncertainties.**

This document contains forward-looking statements relating to us and our operations and strategies made based on our current beliefs, assumptions and information currently available to us.

When used in this document, the words "anticipate", "believe", "estimate", "plan", "could", "potential", "outcome", "expect", intend", "may", "seek", "will", "would", "should", "going forward" and any similar terms, as they relate to us or our business, are intended to identify these forward-looking statements. Such statements are necessary estimates that reflects the current views of our Directors and management and subject to risks and uncertainties that may cause actual results to differ materially from those suggested by the forward-looking statements in this document. Whether the actual results of such statements will conform to our predictions is beyond our actual control. As a result, investors should not regard these forward-looking statements as a guarantee of future performance and you should not place undue reliance on any forward-looking information. All forward-looking statements in this document are qualified by reference to this cautionary statement. We do not intend to update these forward-looking statements in addition to our ongoing disclosure obligations pursuant to the Listing Rules or other requirements of the Stock Exchange.

In preparation for the [REDACTED], our Company has sought the following waiver from strict compliance with the relevant provisions of the Listing Rules.

## MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rules 8.12 of the Listing Rules, our Company must have sufficient management presence in Hong Kong. This normally means that at least two of the executive Directors must be ordinarily resident in Hong Kong. Rule 19A.15 of the Listing Rules further provides that the requirement in Rule 8.12 of the Listing Rules may be waived by having regard to, among other considerations, our arrangements for maintaining regular communication with the Stock Exchange.

Our principal business and operations are located, managed and conducted in the PRC through its operating subsidiaries established in the PRC. Since the management and operation of our Group have been mainly under the supervision of our sole executive Director and senior management, our Company considers that it would be impractical and not commercially necessary for our Group to appoint additional executive Directors solely for the purpose of satisfying Rules 8.12 and 19A.15 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has] granted, a waiver from strict compliance with the requirements under Rules 8.12 and 19A.15 of the Listing Rules, subject to the condition that the following measures and arrangements are made for maintaining regular, adequate and effective communication with the Stock Exchange:

(i) we have appointed two authorised representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our principal channel of communication with the Stock Exchange. The two authorised representatives of our Company ("**Authorised Representatives**") are Ms. He, our sole executive Director who is a permanent resident ordinarily residing in Hong Kong and Mr. Li Shun, our company secretary and chief financial officer. Each of the Authorised Representatives will be available to meet with the Stock Exchange within a reasonable period of time upon the request of the Stock Exchange and will be readily contactable by telephone and/or email. Each of the Authorised Representatives is authorised to communicate on behalf of our Company with the Stock Exchange;

(ii) each of the Authorised Representatives has means to contact all members of our Board (including our independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact our Directors for any matters. To enhance the communication between the Stock Exchange, the Authorised Representatives and our Directors, we have provided the Stock Exchange with the respective office phone number, mobile phone number and email address of each Director. In the event that a Director expects to travel or is out of the office, he/she will provide the phone number of the place of his/her accommodation or other means of communication to the Authorised Representatives;

(iii) our Directors, who are not ordinarily resident in Hong Kong, have confirmed that they possess or can apply for valid travel documents to visit Hong Kong and are able to come to Hong Kong when required, to meet with the Stock Exchange upon reasonable notice;

(iv) we have, in compliance with Rule 3A.19 of the Listing Rules, appointed Maxa Capital Limited as our compliance adviser ("**Compliance Adviser**") who will, among other things, in addition to the Authorised Representatives, act as a channel of communication between the Stock Exchange and our Company for the period commencing on the [REDACTED] and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the [REDACTED]. The Compliance Adviser will have full access at all times to the Authorised Representatives, our Directors and other officers, who will act as the additional channel of communication with the Stock Exchange when the Authorised Representative are not available; and

(v) meetings between the Stock Exchange and our Directors can be arranged through our Authorised Representatives or our Compliance Adviser, or directly with our Directors within a reasonable time frame.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

## DIRECTORS

| Name | Address | Nationality |
|---|---|---|
| **Executive Director** | | |
| Ms. He Qian (何前) | RM 6A, 6/F, Florida Mansion<br>Nos 9 11 Cleveland Street<br>Hong Kong | Chinese |
| **Non-executive Directors** | | |
| Ms. Fan Xiulian (范秀蓮) | Flat E<br>38/F<br>Sun Tower (Tower 1A)<br>The Arch<br>1 Austin Road West<br>Tsim Sha Tsui<br>Kowloon<br>Hong Kong | Chinese |
| Mr. Lv Xijun (呂喜軍) | Room 101<br>Unit 2<br>Building 76-24<br>Longwan Street<br>Longgang District<br>Huludao<br>Liaoning Province<br>PRC | Chinese |
| Mr. Lhakpa Tsering (拉巴次仁) | No.15 Jinzhu West Road<br>Lhasa<br>Xizang<br>PRC | Chinese |
| Mr. Silang Wangdui (斯郎旺堆) | No.11, No. 536 Qingzang Road<br>Duilongdeqing County<br>Xizang<br>PRC | Chinese |

| Name | Address | Nationality |
|---|---|---|
| **Independent Non-executive Directors** | | |
| Mr. Ye Hui (葉輝) | Room 1702<br>No. 10, Lane 1083 Pingxingguan Road<br>Jing'an District<br>Shanghai<br>PRC | Chinese |
| Ms. Yang Xiaoyan (楊曉燕) | Flat C, 35/F<br>Block 1<br>Grand Central<br>33 Hip Wo Street<br>Kwun Tong<br>Hong Kong | Chinese |
| Ms. Dong Lijun (董黎君) | Room 2503, Block 1, Building 28<br>Rainbow City<br>Puyan Street<br>Binjiang District<br>Hangzhou<br>Zhejiang Province<br>PRC | Chinese |

See "Directors and Senior Management" in this document for further information of our Directors.

## PARTIES INVOLVED IN THE [REDACTED]

**Joint Sponsors**

**Sinolink Securities (Hong Kong) Company Limited**
*(A corporation licensed to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO)*
Unit 3501-08, 35/F
Cosco Tower
183 Queen's Road Central
Sheung Wan
Hong Kong

**Maxa Capital Limited**
*(A corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO)*
Unit 2602, 26/F
Golden Centre
188 Des Voeux Road Central
Sheung Wan
Hong Kong

[REDACTED]

| | |
|---|---|
| **[REDACTED]** | **Sinolink Securities (Hong Kong) Company Limited**<br>Unit 3501-08, 35/F<br>Cosco Tower<br>183 Queen's Road Central<br>Sheung Wan<br>Hong Kong<br><br>**Maxa Capital Limited**<br>Unit 2602, 26/F<br>Golden Centre<br>188 Des Voeux Road Central<br>Sheung Wan<br>Hong Kong |
| **Reporting Accountants and Independent Auditor** | **Deloitte Touche Tohmatsu**<br>*Certified Public Accountants*<br>*Registered Public Interest Entity Auditor*<br>35/F, One Pacific Place<br>88 Queensway<br>Hong Kong |
| **Legal Advisers to our Company** | *as to Hong Kong laws:*<br>**Ashurst Hong Kong**<br>43/F, Jardine House<br>1 Connaught Place<br>Central<br>Hong Kong<br><br>*as to PRC laws:*<br>**Deheng Law Offices**<br>12/F Tower B<br>Focus Place<br>19 Finance Street<br>West District<br>Beijing<br>PRC |

| | |
|---|---|
| **Legal Advisers to Sponsors and the [REDACTED]** | *as to Hong Kong law:*<br>**Jingtian & Gongcheng LLP**<br>Suites 3203-3207<br>32/F, Edinburgh Tower<br>The Landmark<br>15 Queen's Road Central<br>Hong Kong<br><br>*as to PRC laws:*<br>**Jingtian & Gongcheng**<br>34/F, Tower 3<br>China Central Place<br>77 Jianguo Road<br>Chaoyang District<br>Beijing<br>PRC |
| **Industry Consultant** | **SMM Information & Technology Co., Ltd.**<br>9/F in South Section<br>Building 9<br>Lujiazui Software Park<br>20 E'shan Road<br>Pudong New Area<br>Shanghai<br>PRC |
| **Internal Control Consultant** | **Acclime Consulting (Hong Kong) Limited**<br>Room 01, 22/F Leighton Centre<br>77 Leighton Road<br>Causeway Bay<br>Hong Kong |
| **Competent Person** | **SRK Consulting (Hong Kong) Limited**<br>Suite 1818<br>18/F, V Heun Building<br>138 Queen's Road Central<br>Central<br>Hong Kong |
| **Receiving Bank[s]** | [●] |

# CORPORATE INFORMATION

| | |
|---|---|
| **Registered Office, Head Office and Principal Place of Business in the PRC** | Building 2<br>No. 2 Tongzhan West Road<br>Serni District<br>Nagqu<br>Xizang<br>PRC |
| **Principal Place of Business in Hong Kong** | Units 903A-905, 9/F<br>Observatory Road<br>Tsim Sha Tsui<br>Kowloon<br>Hong Kong |
| **Company's Website** | zhihuimining.com<br>*(The information on the website does not form part of this document)* |
| **Company Secretary** | Mr. Li Shun (李順)<br>*Chartered Secretary and Chartered Governance Professional of the Hong Kong Chartered Governance Institute*<br>Room 301, Building 1<br>Kelly Building<br>Lane 3758<br>Chunshen Road<br>Minhang District<br>Shanghai<br>PRC |
| **Authorised Representatives** | Ms. He Qian (何前)<br>RM 6A, 6/F, Florida Mansion<br>Nos 9 11 Cleveland Street<br>Hong Kong<br><br>Mr. Li Shun (李順)<br>Room 301, Building 1<br>Kelly Building<br>Lane 3758<br>Chunshen Road<br>Minhang District<br>Shanghai<br>PRC |
| **Strategy Committee** | Ms. Fan Xiulian (范秀蓮) *(Chairwoman)*<br>Mr. Lv Xijun (呂喜軍)<br>Ms. Yang Xiaoyan (楊曉燕) |

| | |
|---|---|
| **Audit Committee** | Mr. Ye Hui (葉輝) *(Chairman)*<br>Mr. Silang Wangdui (斯郎旺堆)<br>Ms. Dong Lijun (董黎君) |
| **Remuneration Committee** | Ms. Dong Lijun (董黎君) *(Chairwoman)*<br>Ms. He Qian (何前)<br>Ms. Yang Xiaoyan (楊曉燕) |
| **Nomination Committee** | Ms. Yang Xiaoyan (楊曉燕) *(Chairwoman)*<br>Mr. Lhakpa Tsering (拉巴次仁)<br>Ms. Dong Lijun (董黎君) |
| **Compliance Adviser** | **Maxa Capital Limited**<br>Unit 2602, 26/F<br>Golden Centre<br>188 Des Voeux Road Central<br>Sheung Wan<br>Hong Kong |
| | [REDACTED] |
| **Principal Banks** | **Industrial and Commercial Bank of China Limited, Lhasa Economic and Technological Development Zone Branch**<br>No. 31 Jinzhu Middle Road<br>Lhasa<br>Xizang<br>PRC |
| | **Bank of Xizang, Nagqu Branch**<br>No. 38 Zhejiang Middle Road<br>Nagqu<br>Xizang<br>PRC |

*Certain information and statistics set out in this section and elsewhere in this document are derived from various government and other publicly available sources and from the market research report prepared by SMM. We engaged SMM, an independent third party, to prepare the SMM Report in connection with the [REDACTED]. The information from official government sources has not been independently verified by us, the Joint Sponsors, the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED] and the [REDACTED], any of their respective directors, officers, representatives, employees and advisers, or any other persons or parties involved in the [REDACTED], and no representation is given as to its accuracy.*

## SOURCES OF INDUSTRY INFORMATION

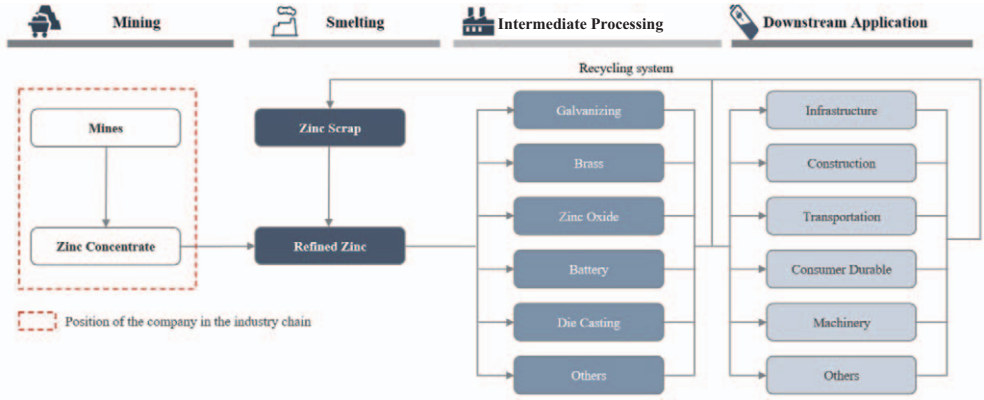
In connection with the [REDACTED], we commissioned SMM Information & Technology Co., Ltd. ("**SMM**"), an independent third party, to prepare a report on the zinc, lead and copper market. We have agreed to pay a total of RMB298,000.0 in fees for the preparation of the SMM Report. SMM is an integrated internet platform dedicated to providing benchmark prices, market analysis, consulting services, and industry conferences for the metals and mining sector. With over 20 years of experience, SMM comprehensively addresses diverse metal markets. Headquartered in Shanghai, SMM operates subsidiaries in Yantai, Foshan, Beijing, Chengdu, Shenzhen, Hangzhou, and internationally in Singapore, the UK, Indonesia, and the US. Employing over 500 professionals globally, SMM publishes daily Shanghai spot prices (SMM prices) for hundreds of nonferrous metal products, establishing itself as an authoritative source for contract settlements. These prices comply with IOSCO international standards, making SMM the only third-party pricing agency in China's nonferrous industry certified by IOSCO. SMM has received multiple accolades, including recognition as a National High-Tech Enterprise and Shanghai Innovative Small and Medium-sized Enterprise.

SMM conducted both primary and secondary research using a variety of resources. Primary research involved interviewing key industry experts and leading industry participants. Secondary research involved analysing data from various publicly available data sources, such as National Bureau of Statistics of China, United States Geological Survey, etc. In compiling the SMM Report, SMM has adopted the following of each market: (i) the social, economic and political environment is expected to maintain a stable trend in the forecast period; (ii) the key industry drivers are likely to continue to drive the growth in each market during the forecast period; and (iii) there is no extreme force majeure or unforeseen industry regulations in which the market may be affected either dramatically or fundamentally during the forecast period. The Directors, upon acting with reasonable prudence, confirmed that there has been no occurrence of adverse change in the overall market information that would subject the data to significant restrictions, contradictions or negative effects since the date of the SMM Report.

## OVERVIEW OF ZINC INDUSTRY

### Zinc Industry Value Chain

The zinc industry value chain is similar to that of lead. Zinc ore is extracted and processed into concentrates. Upstream mining companies generally sell concentrates to traders, who conduct onward sales to refineries. Refineries refine the concentrates into ingots. Downstream enterprises further process the ingots into products like galvanised sheets, alloys, and zinc oxide. These processed zinc derivatives are ultimately utilised across industries such as real estate, automotive, and infrastructure. In 2024, China's domestic consumption of refined zinc reached 6,642.0 kt. Infrastructure and construction represented the predominant consumers, accounting for approximately 34.0% and 22.0% of total consumption, while transportation and consumer durable together contributed 30.0%.




*Source: SMM*

### Zinc Reserves

Zinc is a light grey, conductive metal that is abundant in the Earth's crust. Global zinc reserves in 2024 were approximately 230,000.0 kt. The top 3 countries accounted for approximately 60.4% of the global zinc reserves. Among them, the zinc reserves of Australia, China and Russia were 64,000.0 kt, 46,000.0 kt and 29,000.0 kt, respectively. Their global shares were approximately 27.8%, 20.0% and 12.6%, respectively.

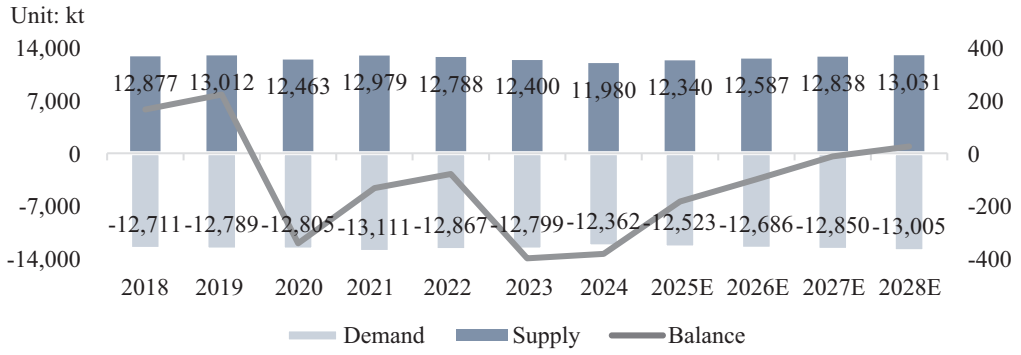
### Global Zinc Concentrate Supply and Demand

Regarding supply, from 2018 to 2024, global zinc concentrate production declined at a CAGR of approximately -1.2%. This trend was influenced by multiple factors, including the extreme weather, and geopolitical conflicts, etc. Additionally, some mines in countries such as Peru closed or suspended production due to resource depletion, labour shortages, and strikes, leading to a contraction in global zinc concentrates supply. However, from 2025 to 2028, with the commissioning of several large lead-zinc mining projects, the CAGR of global zinc concentrate supply is expected to be 1.8%.

Regarding demand, from 2018 to 2024, global zinc concentrate demand initially increased from 12,711.0 kt in 2018 to 13,111.0 kt in 2021, followed by a decline to 12,362.0 kt in 2024, resulting in a CAGR of approximately -0.5%. The shortage in the supply of zinc concentrates led to price increases, prompting downstream enterprises to adopt recycled zinc as a substitute for zinc concentrates. However, due to the undersupply of recycled zinc raw materials and the immature market development, the market size of recycled zinc is far smaller than that of primary zinc, making it highly unlikely for recycled zinc to replace primary zinc in the future. From 2025 to 2028, demand is expected to rise again, increasing from 12,523.0 kt to 13,005.0 kt, with a CAGR of approximately 1.3%, driven by rising end-use consumption.

**Global Zinc Concentrate Supply and Demand, 2018-2028E**

| | Supply | Demand |
|---|---|---|
| CAGR (2018-2024) | -1.2% | -0.5% |
| CAGR (2025E-2028E) | 1.8% | 1.3% |




*Source: ILZSG, China Nonferrous Metals Industry Association, SMM*

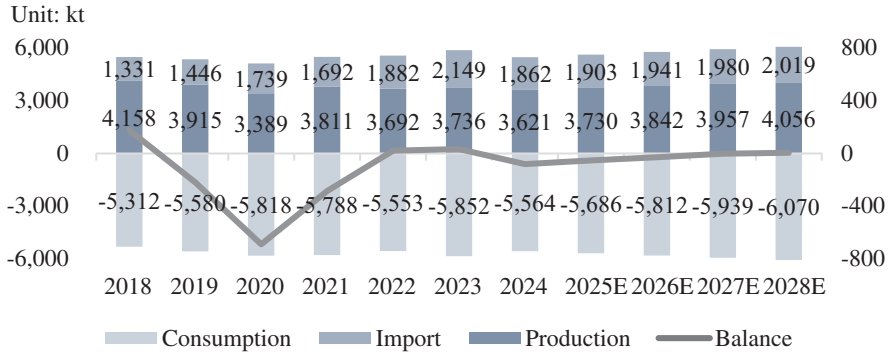
**Zinc Concentrate Supply and Demand in China**

Similar to China's lead concentrate market, the zinc concentrate market in China is also facing a supply deficit, as demand for exceeds domestic production, necessitating the import of zinc concentrate from overseas. From 2018 to 2024, domestic production declined at a CAGR of -2.3%, caused by the short lifespan of some domestic mines and the instability of ore grades. During the same period, imports experienced a significant increase to meet downstream demand, with a CAGR of approximately 5.8%. It is anticipated that from 2025 to 2028, the start-up of new projects will further enhance supply, with domestic production expected to maintain a CAGR of 2.8%, while the CAGR of imports will decline to 2.0%.

The demand for zinc concentrates in China continues to rise. As the largest consumer of refined zinc, China has a significant demand driven by its infrastructure and galvanising industries. It is anticipated that from 2025 to 2028, demand will increase with a CAGR of 2.2%, due to advancements in downstream industries.

**China Zinc Concentrate Supply and Demand, 2018-2028E**

| | Production | Import | Demand |
|---|---|---|---|
| CAGR (2018-2024) | -2.3% | 5.8% | 0.8% |
| CAGR (2025E-2028E) | 2.8% | 2.0% | 2.2% |




*Source: NBS of China, China Nonferrous Metals Industry Association, General Administration of Customs of PRC, SMM*

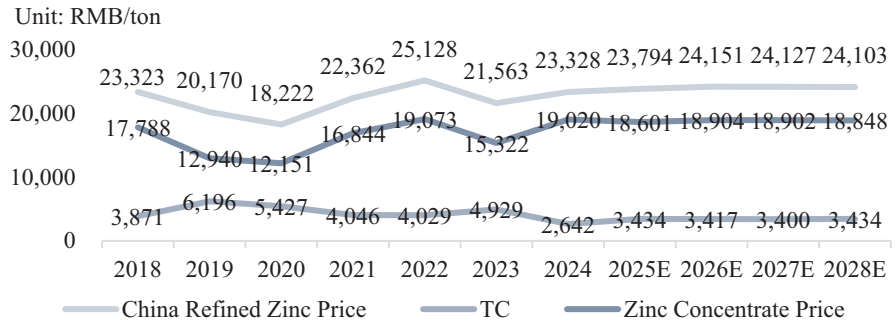
**Zinc Concentrate Price in China**

The fluctuation of domestic zinc concentrates treatment charges ("**TC**") is influenced by the supply-demand situation in the zinc concentrate market. In addition to TC, the pricing of domestic zinc concentrates also considers the additional profit-sharing mechanism, the "80-20 split", where the zinc price benchmark (which has been RMB15,000.0 per tonne for the past decade) is pre-agreed. When the refined zinc price exceeds or falls below the price benchmark of RMB15,000.0 per tonne, the mine shares or bears 80.0% of the price spread, while the refinery shares or bears 20.0%. When the #1 refined zinc price is greater than RMB15,000.0 per tonne, the calculation formula is: Zinc concentrate price = SMM 1# refined zinc price - TC - (SMM 1# refined zinc price - RMB15,000.0) * 0.2; when the SMM 1# refined zinc price is less than RMB15,000.0 per tonne, the calculation formula is: Zinc concentrate price = SMM 1# refined zinc price - TC + (15,000 - SMM 1# refined zinc price) * 0.2. Additionally, when calculating the price of zinc concentrates, the price per tonne needs to be adjusted based on the benchmark grade. The lower the grade, the greater the price deduction.

Overall, China's zinc concentrate prices are influenced by the fluctuation of refined zinc prices and zinc concentrate TC. For example, for zinc concentrates with a grade of 50.0%, from 2018 to 2024, zinc concentrate prices showed a fluctuating trend, dropping from RMB17,788.0 per tonne in 2018 to RMB12,151.0 per tonne in 2020, then rapidly rising to RMB19,073.0 per tonne in 2022. In 2023, due to the significant decline in refined zinc prices, zinc concentrate prices fell back to RMB15,322.0 per ton. In 2024, with the rise in refined zinc prices and the decline in TC, China's zinc concentrate prices rebounded to RMB19,020.0 per tonne. In 2025, due to an increase in imports of zinc concentrates, domestic zinc concentrate prices are expected to slightly decrease to RMB18,601.0 per tonne. Looking ahead to 2026-2028, influenced by supply-demand relationships, China's zinc concentrate prices are expected to show a slight increase followed by a decline, dropping from RMB18,904.0 per tonne in 2026 to RMB18,848.0 per tonne in 2028.

Currently, zinc concentrate TC prices are mostly determined after negotiations between mines and refineries. Since TC theoretically represents the processing fee paid by mines to refineries, when zinc concentrate supply is tight, TC is lower; when zinc concentrate supply is ample, TC is higher. Therefore, due to the pricing logic of TC, zinc concentrate prices generally have an inverse relationship with TC. Since 2018, due to factors such as the global economic slowdown and China-US trade frictions, downstream zinc demand weakened, and refineries' demand for zinc concentrate decreased, causing TC to gradually rise to RMB6,196.0 per tonne in 2019. Subsequently, due to the pandemic, zinc concentrate production decreased, and TC fell to about RMB4,000.0 per tonne by 2022. In 2023, due to the overall surplus of domestic zinc concentrate supply, TC remained high, with an annual average TC of RMB4,929.0 per tonne. By 2024, with the continued tight supply of zinc ore, TC was under great pressure, dropping to RMB2,642.0 per tonne. In 2025, the increase in imported zinc concentrates alleviated the domestic supply pressure of zinc concentrate compared to 2024, leading to a rise in TC to RMB3,434.0 per tonne. Looking ahead, due to downstream demand and continued tight mine supply, TC is expected to continue to decline slightly from 2026 to 2028. Considering that refineries have already reached breakeven point, the decline in TC will be limited.

**China Zinc Concentrate Price, 2018-2028E**




*Source: SMM*

*Note: The price of zinc concentrates refers to the amount charged upon delivery to the refineries, inclusive of freight and VAT.*

**Competitive Landscape in China and Xizang**

China is the largest producer of zinc concentrates in the world. However, due to the geographical distribution of zinc resources and mineralisation conditions, the production of zinc concentrates in China is dispersed, with most coming from small-scale mines. In 2024, our Company ranked among the Top 60 zinc concentrate producers in China. The production of zinc concentrates in Xizang in 2024 was approximately 111.3 kt, accounting for 3.1% of the national total, with our Company ranking fifth in production in Xizang. From 2022 to 2024, the average annual production of zinc concentrates in Xizang was approximately 108.5 kt, accounting for approximately 2.9% of the national annual average total, with our Company ranking second in the production in Xizang. In 2024, the annual production of zinc concentrates in Xizang was approximately 111.3 kt, with our Company ranking fifth in the production in Xizang.

**Top Five Zinc Concentrate Producers in Xizang, 2022 to 2024**

| | | Production (t) | | | | |
|---|---|---|---|---|---|---|
| **Ranking** | **Company** | **2022** | **2023** | **2024** | **Average** | **Market Share** |
| 1 | Company C[3] | 22,597.0 | 24,110.0 | 25,720.0 | 24,142.3 | 22.3% |
| 2 | Our Company | 19,857.0 | 23,453.0 | 12,329.0 | 18,546.2 | 17.1% |
| 3 | Company A[1] | 16,827.0 | 16,076.0 | 19,601.0 | 17,501.4 | 16.1% |
| 4 | Company B[2] | 0.0 | 3,730.0 | 18,920.0 | 7,550.0 | 7.0% |
| 5 | Company F[4] | 0.0 | 0.0 | 14,663.0 | 4,887.7 | 4.5% |
| | Others | 41,840.0 | 45,572.0 | 20,089.0 | 35,833.6 | 33.0% |
| | Total | 101,121.0 | 112,941.0 | 111,322.0 | 108,461.3 | 100.0% |

*Source: Corporate Annual Report, SMM*

**Top Five Zinc Concentrate Producers in Xizang, 2024**

| **Ranking** | **Company** | **Production (t)** | **Market Share** |
|---|---|---|---|
| 1 | Company C[3] | 25,720.0 | 23.1% |
| 2 | Company A[1] | 19,601.0 | 17.6% |
| 3 | Company B[2] | 18,920.0 | 17.0% |
| 4 | Company F[4] | 14,663.0 | 13.2% |
| 5 | Our Company | 12,329.0 | 11.1% |
| | Others | 20,089.0 | 18.0% |
| | Total | 111,322.0 | 100.0% |

*Source: Corporate Annual Report, SMM*

*Notes:*

1. Company A, established in 2002 and headquartered in Lhasa, Xizang, is a Chinese company listed on SSE, mainly engaged in mineral product mining, beneficiation and sale, with a total operating revenue of approximately RMB1.61 billion in 2024.

2. Company B, established in 2003 and headquartered in Lhasa, Xizang, is a non-listed Chinese company engaged in mineral product mining, beneficiation and sale, with a registered capital of approximately RMB60 million.

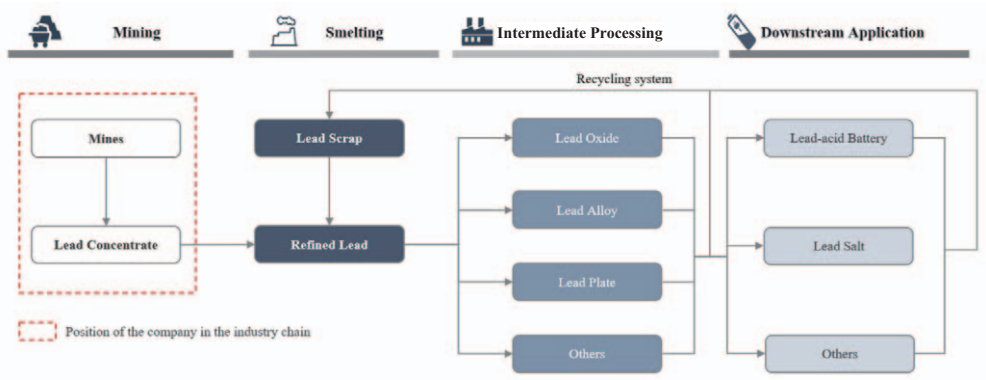
3. Company C, established in 2005 and headquartered in Lhasa, Xizang, is a non-listed Chinese company engaged in mineral product mining, beneficiation and sale, with a registered capital of approximately RMB260 million.

4. Company F, established in 2007 and headquartered in Lhasa, Xizang, is a non-listed Chinese company engaged in mineral product mining, beneficiation and sale, with a registered capital of approximately RMB1.76 billion.

## OVERVIEW OF LEAD INDUSTRY

### Lead Industry Value Chain

The lead industry chain contains mining, smelting, intermediate processing and downstream applications. Lead ore is mined and processed into lead concentrate, which is then smelted into refined lead by refineries. Procuring ore from independent third parties occasionally occurs in mining companies. Upstream mining companies generally sell concentrates to traders, who conduct onward sales to refineries. Downstream processing enterprises further process refined lead into lead oxide, lead alloys, etc., to produce lead-acid batteries and other products, which are ultimately used in industries such as chemicals, automotive and energy storage. In 2024, lead consumption in China was dominated by lead-acid batteries, which accounted for approximately 86.0% of the total consumption.




*Source: SMM*

### Lead Reserves

Lead is a blue-grey metal with a low melting point, weak ductility, strong malleability, high corrosion resistance, and the ability to block radiation. Global lead reserves in 2024 were approximately 96,000.0 kt. The top 3 countries accounted for 68.6% of the global lead reserves, indicating a high concentration of resources. Among them, the lead reserves of Australia, China and Russia were 35,000.0 kt, 22,000.0 kt and 8,900.0 kt, respectively. Their global shares were approximately 36.5%, 22.9% and 9.3%, respectively.

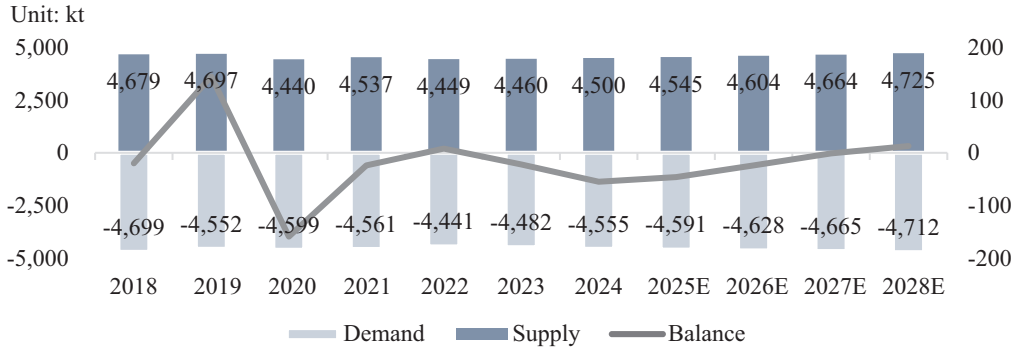
### Global Lead Concentrate Supply and Demand

Globally, the production of lead concentrates is mainly concentrated in countries such as China, Australia, the US, Mexico, and Peru. China is the world's largest country in lead mine production, accounting for over 33.0% of lead concentrate supply. The global lead concentrate production experienced a slight decline, with a CAGR of -0.6% from 2018 to 2024. This downward trend could be attributed to several critical factors, including the impacts of extreme weather events, geopolitical tensions and strikes, etc., which led to operational suspensions across various mining sites. It is anticipated that global lead concentrate supply will gradually recover, increasing with a CAGR of approximately 1.3% from 2025 to 2028.

During the same period, global lead concentrate demand decreased at a CAGR of -0.5% from 2018 to 2024. Supply shortages of lead concentrates in certain years resulted in price increases, thereby prompting downstream enterprises to adopt recycled lead as a substitute for lead concentrates. However, The capacity utilisation rates of recycled lead producers are limited due to raw material supply constraints, including the tight availability of waste lead-acid batteries and environmental protection regulations, which restrict the stability of recycled lead supply. The cost of recycled lead products has approached that of primary products. Therefore, it is highly unlikely that recycled lead will replace primary lead in the future. From 2025 to 2028, demand is expected to grow steadily at a CAGR of approximately 0.9%, driven by the growth in end-use consumption.

**Global Lead Concentrate Supply and Demand, 2018-2028E**

| | Supply | Demand |
|---|---|---|
| CAGR (2018-2024) | -0.6% | -0.5% |
| CAGR (2025E-2028E) | 1.3% | 0.9% |



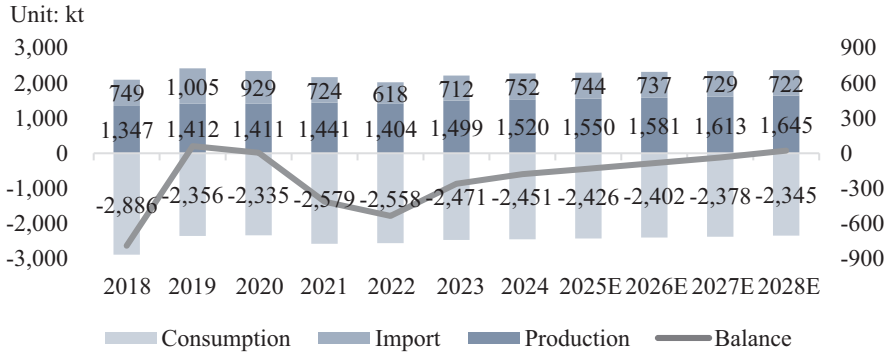

*Source: Source: ILZSG, China Nonferrous Metals Industry Association, SMM*

**Lead Concentrate Supply and Demand in China**

A supply deficit is gripping China's lead concentrate market, as demand exceeds domestic production, necessitating the import of lead concentrate from overseas. From 2018 to 2024, domestic production grew steadily at a CAGR of approximately 2.0%, supported by the commissioning of new projects. Except in 2022, when production fell to 1,404.0 kt due to the COVID-19 pandemic and power rationing. During the same period, imports initially increased and then decreased, with a CAGR of approximately 0.1%. As domestic production has grown, imports have gradually declined. It is anticipated that from 2025 to 2028, the start-up of new projects will further enhance supply of lead concentrate, with domestic production expected to maintain a CAGR of approximately 2.0%, while imports are projected to decrease at a CAGR of approximately -1.0%. In terms of lead concentrate demand, due to the influence of the substitution for lead concentrate with recycled lead, the overall domestic lead concentrate demand has shown a downward trend from 2018 to 2028. However, since 2024, due to the instability of raw material supplies for recycled lead, the production of recycled lead has begun to decline. It is anticipated that the future impact of recycled lead as a substitute for lead concentrates will continue to diminish.

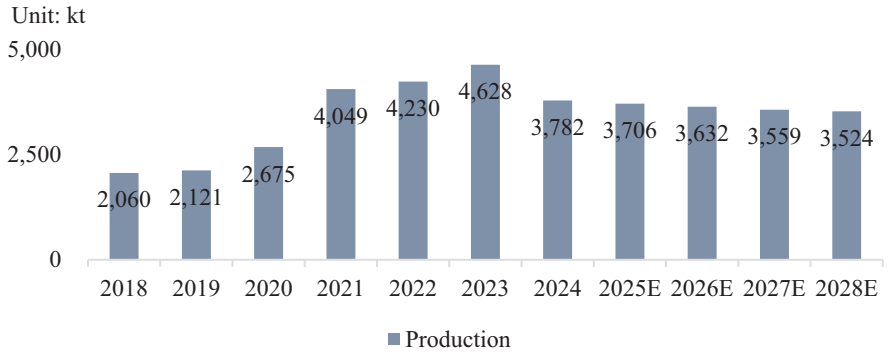
**China Lead Concentrate Supply and Demand, 2018-2028E**

| | Production | Import | Demand |
|---|---|---|---|
| CAGR (2018-2024) | 2.0% | 0.1% | -2.7% |
| CAGR (2025E-2028E) | 2.0% | -1.0% | -1.1% |




*Source: NBS of China, China Nonferrous Metals Industry Association, General Administration of Customs of PRC, SMM*

**China Recycled Lead Production, 2018-2028E**




*Source: SMM*

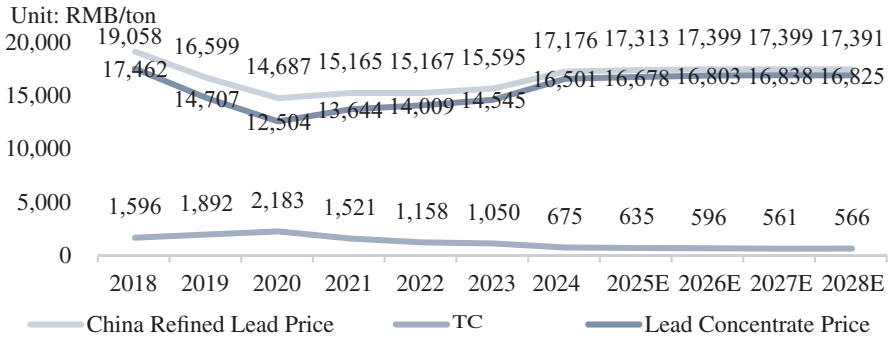
**Lead Concentrate Price in China**

The pricing mechanism for domestic lead concentrates is relatively straightforward, calculated by deducting treatment charges ("**TC**") from the price of #1 refined lead. The price per ton is adjusted based on benchmark grades, typically 50% or 60%, with greater deductions for lower grades. Domestic mine prices fluctuate with market conditions but generally respond more slowly than international prices. The pricing of precious metals in lead concentrates can be done separately, but it must follow specific standards. If harmful elements exceed the limits, the price of lead concentrates will be correspondingly reduced.

Overall, China's lead concentrate prices are influenced by fluctuation of refined lead prices and TC. For instance, prices for 50% grade concentrates decreased from RMB17,462.0 per tonne in 2018 to RMB12,504.0 per tonne in 2020, driven by an oversupply in the market. However, after 2020, due to a supply shortage in China's lead concentrate market, lead concentrates prices began rising, reaching RMB16,501 per tonne by 2024. From 2025 to 2028, it is anticipated that minor supply constraints will cause lead concentrate prices to increase gradually from RMB16,678.0 per tonne to RMB16,825.0 per tonne.

TC for lead concentrates are notably influenced by the supply-demand dynamics of upstream raw materials. Generally, tighter concentrate supply results in lower TC. Prior to 2020, the domestic lead concentrate market experienced a higher supply, leading to high and rising TC. However, since 2020, tightening supply has caused TC to decline to RMB675.0 per tonne by 2024. Future declines in TC are anticipated due to tight concentrate supply, but the extent will likely be limited due to already low levels.

**China Lead Concentrate Price, 2018-2028E**




*Source: SMM*

*Note: The price of lead concentrate refers to the amount charged upon delivery to the refineries, inclusive of freight and VAT.*

**Competitive Landscape in China and Xizang**

China is the largest producer of lead concentrates in the world. However, due to the geographical distribution of lead resources and mineralisation conditions, the production of lead concentrates in China is dispersed, with most coming from small-scale mines. In 2024, our Company ranked among the Top 60 lead concentrate producers in China. The production of lead concentrates in Xizang in 2024 was approximately 88.2 kt, accounting for 5.8% of the national total, with our Company ranking fourth in production in Xizang. From 2022 to 2024, the annual production of lead concentrates in Xizang averaged approximately 57.0 kt, accounting for approximately 3.9% of the national annual average total production volume, with our Company ranking fourth in the production in Xizang. In 2024, the annual production of lead concentrates in Xizang was approximately 88.2 kt, with our Company ranking fourth in the production in Xizang.

**Top Five Lead Concentrate Producers in Xizang, 2022 to 2024**

| | | Production (t) | | | | |
|---|---|---|---|---|---|---|
| **Ranking** | **Company** | **2022** | **2023** | **2024** | **Average** | **Market Share** |
| 1 | Company A | 15,718.0 | 17,492.0 | 14,363.0 | 15,857.5 | 27.8% |
| 2 | Company B | 0.0 | 10,360.0 | 31,880.0 | 14,080.0 | 24.7% |
| 3 | Company F | 0.0 | 0.0 | 27,896.0 | 9,298.7 | 16.3% |
| 4 | Our Company[2] | 10,746.0 | 12,785.0 | 3,670.0 | 9,066.9 | 15.9% |
| 5 | Company G[1] | 0.0 | 0.0 | 3,459.0 | 1,153.0 | 2.0% |
| | Others | 1,523.0 | 14,157.0 | 6,944.0 | 7,541.6 | 13.3% |
| | Total | 27,987.0 | 54,794.0 | 88,212.0 | 56,997.7 | 100.0% |

*Source: Corporate Annual Report, SMM*

**Top Five Lead Concentrate Producers in Xizang, 2024**

| **Ranking** | **Company** | **Production (t)** | **Market Share** |
|---|---|---|---|
| 1 | Company B | 31,880.0 | 36.1% |
| 2 | Company F | 27,896.0 | 31.6% |
| 3 | Company A | 14,363.0 | 16.3% |
| 4 | Our Company[2] | 3,670.0 | 4.2% |
| 5 | Company G[1] | 3,459.0 | 3.9% |
| | Others | 6,944.0 | 7.9% |
| | Total | 88,212.0 | 100.0% |

*Source: Corporate Annual Report, SMM*

*Notes:*

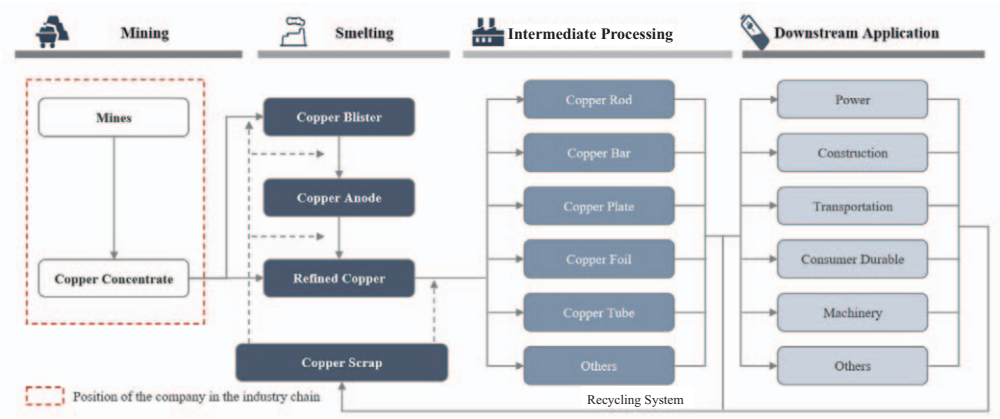
1. Company G, established in 2004 and headquartered in Lhasa, Xizang, is a non-listed Chinese company engaged in mineral product mining, beneficiation and sale, with a registered capital of approximately RMB170 million.

2. The difference between the production amount above and the quantity of lead concentrates disclosed in the section "Business — Sales of Concentrates" was due to the presence of coexistent minerals, typically resulting in small amounts of silver being included in the concentrates, which cannot be further extracted and purified during the production process. The quantity of silver is agreed by sample testing when the lead concentrates are sold, where silver is priced separately. The quantities of silver in lead concentrates amounted to 11.0 tonnes in 2022 and 16.0 tonnes in 2023 and 4.0 tonnes in 2024.

## OVERVIEW OF COPPER INDUSTRY

### Copper Industry Value Chain

Copper has excellent ductility, electrical conductivity and thermal conductivity and is easy to process. As to the copper's value chain, the upstream is the mining and beneficiation of copper concentrates. The midstream is the smelting and refining of copper concentrates or copper scrap and the downstream is the processing and application of copper. Copper processing products include rods, bars, tubes, plates, foils, etc. Main downstream applications include construction, power, transportation, household appliances, electronics and machinery. In 2024, China's downstream consumption of copper reached approximately 15,234.0 kt. The power industry was the largest sector, accounting for about approximately 45.0% of total consumption. Consumer durable represented 15.0%, with household appliances like air conditioners being significant users. Additionally, transportation, construction, and machinery sectors accounted for approximately 12.0%, 9.0% and 9.0%, respectively.




*Source: SMM*

### Copper Reserves

Copper is a highly conductive metal, with global copper ore reserves estimated to reach 980,000.0 kt in 2024. The top 3 countries accounted for 39.8% of the global copper reserves. Among them, the copper reserves of Chile, Peru and Australia were 190,000.0 kt, 100,000.0 kt and 100,000.0 kt, respectively. Their global shares were approximately 19.4%, 10.2% and 10.2%, respectively. Copper reserves in China were approximately 41,000.0 kt, accounting for 4.2% of the total.

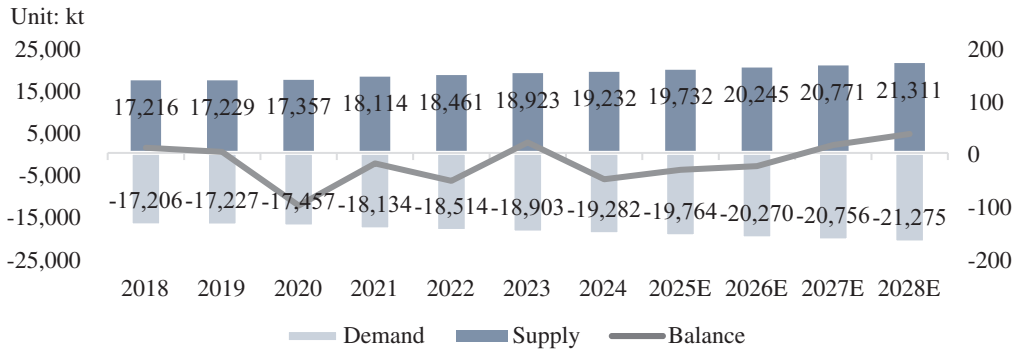
### Global Copper Concentrate Supply and Demand

From 2018 to 2024, global copper concentrate production exhibited a consistent upward trend, achieving a CAGR of approximately 1.9%. This continuous increase was supported by the commissioning of new projects in global copper mining, such as Julong copper mine, Kamoa-Kakula copper mine and Mirador copper mine. Looking ahead to the period from 2025 to 2028, driven continuously by the commencement of new mining projects, it is anticipated that global copper concentrate supply will continue to expand, maintaining a CAGR of 2.6%.

From 2018 to 2024, with the continuous increase in downstream refined copper supply, global copper concentrates demand also continued to rise. Copper concentrates demand increased from 17,206.0 kt to 19,282.0 kt, with a CAGR of approximately 1.9%, with Asia, especially China, being the main consumer of copper concentrates globally. Looking ahead to 2025-2028, driven by demand from downstream industries such as wind power, photovoltaics, and new energy vehicles, global copper concentrate consumption is expected to continue growing, rising from 19,764.0 kt to 21,275.0 kt, with a CAGR of approximately 2.5%.

**Global Copper Concentrate Supply and Demand, 2018-2028E**

| | Supply | Demand |
|---|---|---|
| CAGR (2018-2024) | 1.9% | 1.9% |
| CAGR (2025E-2028E) | 2.6% | 2.5% |




*Source: ICA, China Nonferrous Metals Industry Association, SMM*

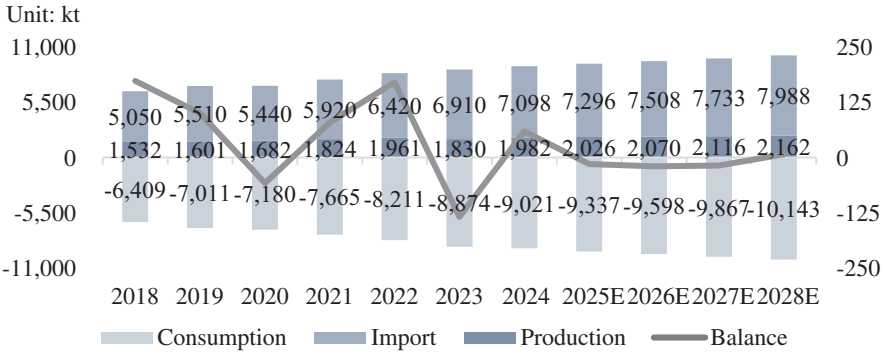
### Copper Concentrate Supply and Demand in China

The demand for copper concentrates in China increased at a CAGR of 5.9% from 2018 to 2024. As one of the world's largest copper consumers, China's self-sufficiency rate for copper concentrates is relatively low, as China relies primarily on imports to meet demand. Although domestic copper concentrate production has grown, it still falls significantly short of meeting downstream market demand. From 2018 to 2024, China's copper concentrate production rose from 1,532.0 kt to 1,982.0 kt, with a CAGR of approximately 4.4%. Meanwhile, China's copper concentrate imports rapidly increased from 5,050.0 kt in 2018 to 7,098.0 kt in 2024, with a CAGR of approximately 5.8%.

From 2025 to 2028, benefiting from the active development of downstream industries such as wind power, photovoltaic, and new energy vehicles, China's copper concentrate demand is expected to continue growing at a CAGR of approximately 2.8%. The start-up of new projects will further enhance supply, with domestic production expected to maintain a CAGR of approximately 2.2%. However, due to the inability of domestic copper mines to fully meet smelting demand, copper concentrate import volume is expected to rise, with a CAGR of approximately 3.1%.

**China Copper Concentrate Supply and Demand, 2018-2028E**

| | Production | Import | Demand |
|---|---|---|---|
| CAGR (2018-2024) | 4.4% | 5.8% | 5.9% |
| CAGR (2025E-2028E) | 2.2% | 3.1% | 2.8% |




*Source: NBS of China, China Nonferrous Metals Industry Association, General Administration of Customs of PRC, SMM*

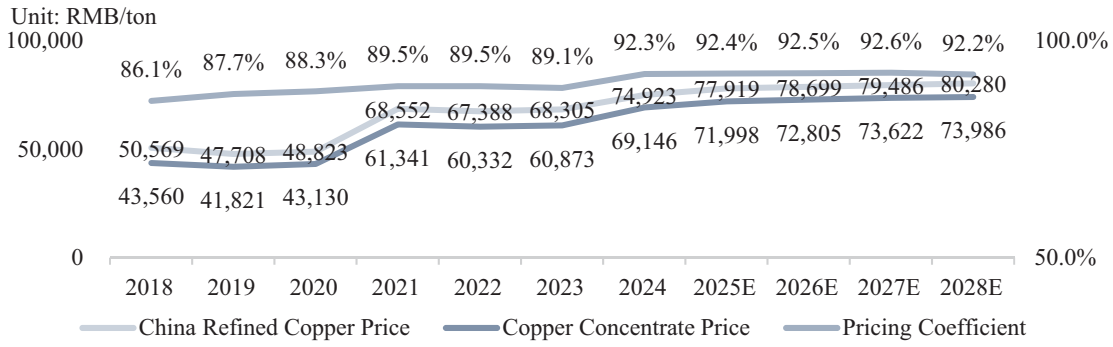
**Copper Concentrate Price in China**

Currently, the pricing of China's copper concentrates mainly uses the price of #1 refined copper multiplied by the pricing coefficient, minus fees due to grade differences and impurity excess. The pricing coefficient of copper varies in different periods, normally fluctuating between 60.0%-95.0%. Settlement is based on a standard copper content of 20.0%, with the specific calculation formula being: Copper Concentrate Price = #1 Refined Copper Price × Copper Concentrate Pricing Coefficient + Copper Grade Variation Fee.

From 2018 to 2024, driven by robust downstream demand and macroeconomic factors, the price of China's copper concentrates rose continuously, from RMB43,560.0 per tonne to RMB69,146.0 per tonne, with a CAGR of approximately 8.0%. Looking ahead to 2025-2028, due to the tight supply of copper concentrates, the price is expected to continue to rise slightly, from RMB71,998.0 per tonne to RMB73,986.0 per tonne.

Regarding the pricing coefficient of domestic copper concentrates, due to the continued tight supply, the pricing coefficient is expected to rise continuously. However, constrained by the high level of the domestic pricing coefficient, some refineries are operating at a loss, limiting the potential for further increases.

**China Copper Concentrate Price, 2018-2028E**




*Source: SMM*

**Competitive Landscape in China and Xizang**

China's copper concentrate supply is relatively more concentrated compared to lead and zinc concentrates. Since copper concentrate is our byproduct, its production of copper concentrate is relatively low, ranking among the Top 300 in China in 2024. The production of copper concentrates in Xizang in 2024 was approximately 376.4 kt, accounting for 19.0% of the national copper production volume, total, with our Company ranking fifth in production in Xizang. From 2022 to 2024, the annual production of copper concentrates in Xizang averaged approximately 333.0 kt, accounting for 17.3% of the national annual average total, with our Company ranking fifth in the production in Xizang. In 2024, the annual production of copper concentrates in Xizang was approximately 376.4 kt, with our Company ranking fifth in the production in Xizang.

**Top Five Copper Concentrate Producers in Xizang, 2022 to 2024**

| | | Production (t) | | | | |
|---|---|---|---|---|---|---|
| **Ranking** | **Company** | **2022** | **2023** | **2024** | **Average** | **Market Share** |
| 1 | Company D[1] | 114,977.0 | 154,000.0 | 166,330.0 | 145,102.3 | 43.6% |
| 2 | Company E[2] | 131,500.0 | 111,000.0 | 159,084.0 | 133,861.3 | 40.2% |
| 3 | Company F | 85,004.0 | 20,051.0 | 47,929.0 | 50,994.7 | 15.3% |
| 4 | Company C | 840.0 | 783.0 | 840.0 | 821.0 | 0.3% |
| 5 | Our Company[3] | 432.0 | 788.0 | 185.0 | 468.4 | 0.1% |
| | Others | 1,458.0 | 1,880.0 | 1,991.0 | 1,776.2 | 0.5% |
| | Total | 334,211.0 | 288,502.0 | 376,359.0 | 333,024.0 | 100.0% |

*Source: Corporate Annual Report, SMM*

**Top Five Copper Concentrate Producers in Xizang, 2024**

| **Ranking** | **Company** | **Production (t)** | **Market Share** |
|---|---|---|---|
| 1 | Company D[1] | 166,330.0 | 44.2% |
| 2 | Company E[2] | 159,084.0 | 42.3% |
| 3 | Company F | 47,929.0 | 12.7% |
| 4 | Company C | 840.0 | 0.2% |
| 5 | Our Company[3] | 185.0 | 0.1% |
| | Others | 1,991.0 | 0.5% |
| | Total | 376,359.0 | 100.0% |

*Source: Corporate Annual Report, SMM*

*Notes:*

1. Company D, established in 2006 and headquartered in Lhasa, Xizang, is a non-listed Chinese company engaged in mineral product mining, beneficiation and sale, with a registered capital of approximately RMB5.02 billion.

2. Company E, established in 2005 and headquartered in Chamdo, Xizang, is a non-listed Chinese company engaged in mineral product mining, beneficiation and sale, with a registered capital of approximately RMB2.8 billion.

3. The difference between the production amount above and the quantity of copper concentrates disclosed in the section "Business — Sales of Concentrates" was due to the presence of coexistent minerals, typically resulting in small amounts of silver being included in the concentrates, which cannot be further extracted and purified during the production process. The quantity of silver is agreed by sample testing when the copper concentrates are sold, where silver is priced separately. The quantities of silver in copper concentrates amounted to 2.0 tonnes in 2022, 2.0 tonnes in 2023 and 1.0 tonne in 2024.

## CONCENTRATE PRODUCTION COST

In 2024, the average total production cost for mining companies in China was approximately RMB400.0 per tonne. Labour costs represented the largest component in the production of metal concentrates, accounting for 29.0% of total costs. In recent years, these costs have escalated due to inflation and expenditures related to third-party engineering teams. Energy costs constituted 21.0% of the overall production expenses and have similarly seen an upward trend in recent years. Raw material costs accounted for 10.0%. The COVID-19 pandemic has adversely affected transportation and other factors, resulting in increased costs of raw materials, such as explosives, agents, and auxiliary materials. Furthermore, administrative costs represented 6.0% of total production expenses. Other costs, which encompass maintenance, depreciation, amortisation, and transportation, accounted for 34.0% of the total production costs.

## COMPETITIVE STRENGTH OF OUR COMPANY

In the mining industry, our Company has the following advantages:

- *Resource and Geographical Advantages.* Our Company is located in Xizang, rich in multi-metal resources like zinc, lead, copper, and silver. In 2024, the annual production of zinc concentrates and lead concentrates ranked top fifth and fourth in the region. We possesses significant reserves and tailings storage capacity, enabling another 31 years of continuous mining. This ensures a reliable supply of raw materials for refined lead and zinc processing, supporting our long-term sustainable development.

- *Professional Technical Team.* Our Company features a stable and authoritative professional team, including two safety production experts recognised by the National Mine Safety Administration, representing 40.0% of the region's talent. This expertise fosters innovation and enhances operational efficiency.

- *Good Community Relations.* Strong relationships with local communities, financial institutions, and government entities are crucial for us. Our commitment to social responsibility and local economic development creates a supportive environment for operations and strengthens our reputation.

## GROWTH DRIVERS OF THE INDUSTRY

We believe the following factors will drive the growth of the industry:

- *Market Demand Expansion.* The rapid growth of the renewable energy sector and the increasing adoption of electric vehicles have substantially heightened the demand for lead-acid batteries and copper, thereby propelling the growth of these industries. The ongoing development of new infrastructure, including ultra-high voltage transmission systems, 5G communication networks, and electrified railways, alongside the increasing demand for photovoltaic supports within the renewable energy sector, continues to drive a steady rise in the demand for zinc. Details of such market deman for zinc, lead and copper are set out as follows:

  (i) *zinc concentrates*: According to the zinc industry chain, zinc concentrates are ultimately used in sectors such as infrastructure, construction, transportation, consumer durables, and machinery. The infrastructure sector accounts for the largest share in China's downstream zinc end-use, representing over 30%, and both traditional and new infrastructure boost demand for zinc ingots. In traditional infrastructure, areas such as transportation infrastructure, urban-rural cold chain and other logistics infrastructure, municipal and industrial park infrastructure will all bolster zinc demand. For new infrastructure, sectors like 5G telecom base stations, ultra-high voltage power transmission, intercity high-speed rail, and urban rail transit also have substantial demand for galvanized structural components, so the push in infrastructure may effectively drive zinc demand. With the accelerated advancement of new energy, the PV sector is experiencing high growth. Zinc consumption in PV is approximately 1,800 t/GW, which will also drive zinc consumption. In the wind power industry, zinc is mainly used in wind turbine towers and bolts, with each GW of wind power installation requiring 5,500 t of zinc. With the rapid development of offshore and onshore wind power, demand for zinc is expected to continue increasing.

  (ii) *lead concentrates*: According to the lead industry chain, the main end-use application of lead concentrates is lead-acid batteries. Lead-acid batteries dominate in low-speed EVs and e-bikes. After China implemented the e-bike trade-in policy in September 2024, cumulative e-bike replacements under the trade-in program reached 1.38 million units from September to December 2024, directly boosting lead-acid battery demand and thereby driving lead concentrate consumption. In the energy storage system sector, breakthroughs in lead-carbon battery technology (such as Kungong Technology's aluminum-based lead-carbon battery) have addressed the shortcomings of traditional lead-acid batteries, improving safety performance by 2-3 orders of magnitude compared to lithium batteries, and have been applied in projects like Guangzhou Huachu and Gansu Zhongdian. Demand for lead-acid batteries in areas such as backup power for telecom base stations and marine starter batteries will also remain stable.

(iii) *copper concentrates*: According to the copper industry chain, the main end-use applications of copper concentrates include power, construction, transportation, consumer durables, and machinery. Demand from the power sector is the core driver of copper consumption growth, accounting for about 45% of China's total copper consumption in 2024, with copper products such as power cables, distributors, and transformers widely used in power investments. The "National Power 14th Five-Year Overall Plan and 2035 Vision Outlook" indicates that China's power structure will shift from traditional fossil fuels to clean, low-carbon renewable energy power, with nearly 6 trillion yuan invested in the power grid and related industries; according to the "New-Type Power System Action Plan 2021-2030," smart flexible distribution networks, digital grids, AC-DC hybrid grids, smart distribution stations, and ESS will become major directions for power sector development, which will directly drive copper demand. Copper consumption in the transportation sector is mainly concentrated in the production of traditional automobiles and NEVs, as well as the construction of new energy charging infrastructure (represented by charging piles). NEVs, benefiting from the continuous expansion of market size, continue to promote copper consumption. In addition, the widespread deployment of charging piles will also boost copper consumption in the later market.

- *Policies Support.* According to the Management Measures for Green Mine Construction in the Xizang Autonomous Region (西藏自治區綠色礦山建設管理辦法) mining enterprises included in the green mine directory are entitled to the following support policies:

  (i) Mineral Resource Policy Support: For mining indicators of mineral types subject to total quantity control and the allocation of mining rights that comply with national industrial policies, priority will be given to green mining enterprises.

  (ii) Land Use Assurance for Green Mine Construction: When formulating the overall land use plan, the land required for green mine construction projects will be integrated into the planning arrangements, and priority will be given in the annual land use plan to meet the reasonable demand for newly constructed or expanded green mines.

  (iii) Financial and Tax Policy Support: Enterprises engaged in the research, development, and transformation of technologies for green mine construction within the scope of "National Key Supported High-Tech Fields" that meet the criteria for recognition as high-tech enterprises may benefit from a reduced corporate income tax rate of 15%. Furthermore, green mining enterprises will be exempt from resource taxes on the extraction of associated minerals and tailings; resource tax reductions of 50% will apply to the extraction of low-grade minerals.

(iv) Other National Support Policies for Green Mine Construction: In addition to the aforementioned benefits, being included in the national green mine directory is a significant achievement for our Company in realising its green development goals. It also serves as an important means for us to fulfil its social responsibilities, enhance industry self-discipline, and ensure the healthy development of the mining sector. This recognition greatly contributes to the enhancement of our brand value and sustainable development, yielding substantial economic and social benefits. Furthermore, the implementation of the trade-in policy is expected to stimulate the consumption of downstream products containing lead, zinc and copper, thereby indirectly benefiting the sales of our refined products.

The trade-in policy refers to the state's use of fiscal subsidies, tax incentives, financial support, and other means to encourage consumers to retire old consumer goods or production equipment, such as home appliances, automobiles, agricultural machinery, and construction machinery, and purchase new products that meet higher energy efficiency, more environmentally friendly, and smarter standards, thereby boosting domestic demand, promoting industrial upgrading, and reducing environmental pollution. For example, in the automotive sector, consumers can receive a certain amount of subsidy for retiring old internal combustion engine vehicles or new energy vehicles and purchasing new ones; in the home appliance sector, purchasing green, smart home appliances with top energy efficiency ratings also qualifies for subsidies or discounts.

The trade-in policy has directly increased sales of products such as automobiles, machinery, home appliances, and 3C devices, which require various non-ferrous metals in their production. This has promoted the growth of end-use consumption of non-ferrous metals such as lead, zinc, and copper, thereby driving upstream metal mining.

- *Technological Innovation.* The industry is characterised by ongoing technological advancements that enhance resource extraction efficiency and utilisation, mitigate environmental impacts, and promote sustainable practices.

- *Infrastructure Investment.* The escalation of investments in infrastructure, particularly in power grid modernisation and urban rail transit systems, serves to stimulate demand for copper and its associated products.

- *Environmental and Green Development Trends.* Increasingly stringent environmental policies are leading to the consolidation of the industry by phasing out smaller enterprises, thereby providing larger firms with expanded market opportunities and fostering the green transformation of the sector.

## DEVELOPMENT TREND OF THE INDUSTRY

The following are some of the trends of the global and PRC zinc, lead and copper mining industry:

- *Green and Low-Carbon Transition.* The zinc, lead and copper mining industry actively practices the concept of green development by applying advanced environmental protection technologies to reduce pollutant emissions and minimise environmental impact. Technologies such as waste heat recovery and energy-saving equipment are promoted to improve energy utilisation efficiency and reduce carbon emissions.

- *Development of Intelligence and Automation.* Intelligent technologies are widely applied in mining, such as unmanned vehicles and automated tunnelling equipment, to enhance production efficiency and safety. The Internet of Things and big data technologies are used to monitor the mining environment and equipment operation status in real time, providing early risk warnings to ensure safe mine operations. In the future, data-driven intelligent management models will continue to advance, enhancing the overall competitiveness of the industry.

- *Resource Integration and Technological Innovation.* Enterprises integrate resources through mergers and acquisitions to expand production scale and enhance market competitiveness. Meanwhile, breakthroughs in the development and utilisation technologies for low-grade and refractory ores have improved the comprehensive utilisation rate of resources. It is economically and practically beneficial to recover value from low-grade and refractory ores. Advances in resource exploration technologies also provide a strong support for industry development, helping enterprises discover more potential mineral resources.

## ENTRY BARRIERS OF THE INDUSTRY

Both the global and PRC nonferrous industries have high entry barriers, including:

- *Resource Barriers.* Ore reserves and resource quantities are key factors for the sustainable development of mining companies. Due to different formation conditions, the types, grades, and orebody occurrence conditions of nonferrous metals vary significantly across mines, greatly impacting the production costs of nonferrous metal mining companies. Acquiring nonferrous metal resources of a certain scale and mining value is the primary barrier to entering the industry in which our Company operates.

- *Technical Barriers.* With the decline in ore grades and the increase in mining depth, the difficulty and complexity of mining operations have correspondingly risen, creating high technical barriers for new entrants. Exploration and mining of existing, newly built, rebuilt, and expanded mines require the latest technologies, complete sets of equipment, and supporting facilities. Furthermore, only companies equipped with advanced technologies and sufficient experience can meet the increasingly stringent government requirements for safety production and environmental protection, thereby increasing the difficulty for new entrants.

- *Talent Barriers.* The nonferrous metal mining industry requires professional talent for various stages such as mining and ore processing. Recruiting and training professionals with strong expertise to form a technical team requires a long cycle, making it difficult for new entrants to address the lack of talent in a short period.

- *Capital Barriers.* The nonferrous metal mining industry is a capital-intensive sector. First, geological exploration during the prospecting phase requires significant investment, with uncertainty regarding whether resources can be discovered. Second, in addition to the fixed investments required for nonferrous metal mining facilities, company's construction involves the development of supporting infrastructure such as transportation, water, and electricity, as well as investments in related auxiliary facilities for environmental protection and safety, resulting in substantial overall project investment, forming a significant capital barrier. Moreover, as the government imposes increasingly stringent requirements for safety production and environmental protection, investments in these areas will also increase, leading to additional expenditures.

- *Policy Barriers.* China implements strict administrative licensing systems for the development and production of nonferrous metal mines. According to the regulations, enterprises must obtain an "Exploration Licence" for nonferrous metal resource exploration and "Mining Licence", "Safety Production Licence", and other permits for nonferrous metal mining. For operations involving explosives, a "Blasting Operation Unit Licence" and other relevant permits are required. If the mining area involves the use of surface or underground water resources, or the occupation of grassland or forest resources, approval from relevant departments or the acquisition of corresponding qualifications is necessary, or fees must be paid as stipulated. National and local policies and regulations also establish standards for production scale, process equipment, safety assurance, environmental protection implementation, and production layout in nonferrous metal mining. For instance, the minimum production scale for newly established lead-zinc mines must not be less than 30.0 kt per year for a single mine.

## LIMITATIONS ON THE FUTURE DEVELOPMENT OF RECYCLED PRODUCTS

- *Product Quality.* Recycled Products face challenges in achieving the precision standards required by high-value manufacturing industries such as aerospace, national defence and precision electronics due to the complex sourcing of raw materials (e.g., dismantling of scrap from various downstream industries).

- *Supply Stability.* The capacity of Recycled Products is highly dependent on the stability of the scrap product recycling system. Currently, the uneven regional distribution of recycling companies and regulatory policies contribute to instability in raw material supply. The capacity utilisation rates of recycled lead producers are limited due to raw material supply constraints, including the tight availability of waste lead-acid batteries and environmental protection regulations, which restrict the stability of recycled lead supply. Meanwhile, the recycled zinc industry remains in a developmental stage and faces significant constraints that limit its current scale and growth potential. In contrast, primary products (lead/zinc/copper concentrates) benefit from a globalised mineral supply chain, ensuring stable production for downstream industries.

- *Product Price.* The cost of Recycled Products has approached that of primary products (zinc, lead and copper concentrates) due to the impact of environmental regulations, particularly in terms of investments in environmental protection equipment (such as exhaust gas treatment) and the costs associated with purification technologies. Consequently, the price advantage of Recycled Products has significantly diminished.

- *Technical Adaptation Barriers.* Some downstream clients in certain industries have production lines that are deeply adapted to the parameters of primary products (lead/zinc/copper concentrates). Switching to recycled raw materials would require the replacement of production lines and equipment, incurring substantial transformation costs.

**Report Statement**

* This report is independently created or compiled by SMM Information & Technology Co., Ltd. (hereinafter referred to as "SMM"). SMM legally owns the complete copyright of this report, which is fully protected by the "Copyright Law of the People's Republic of China", the "Trademark Law of the People's Republic of China", the "Anti-Unfair Competition Law of the People's Republic of China", and other relevant laws, regulations, and applicable international treaties. Without written authorisation from SMM, no organisation or individual is permitted to reproduce, modify, sell, transfer, display, translate, compile, disseminate, or disclose the content of this report to any third party in any form, nor authorise any third party to use it. For any unauthorised use, SMM will pursue legal liability in accordance with the law, requiring the infringer to bear legal responsibilities, including but not limited to bearing the liability for breach of contract, restitution of unjust gains, and compensation for direct and indirect economic losses.

The content included in this report, including but not limited to information, articles, data, charts, images, audio, video, logos, advertisements, trademarks, trade names, domain names, layout designs, and any other information, is owned or held by SMM and its related rights holders, and is strictly protected by the "Copyright Law of the People's Republic of China", the "Trademark Law of the People's Republic of China", the "Anti-Unfair Competition Law of the People's Republic of China", and other laws, regulations, and applicable international treaties concerning copyright, trademark rights, domain name rights, commercial data information rights, and other related rights. Without written permission from SMM, any organisation or individual is strictly prohibited from reproducing, modifying, using, selling, transferring, displaying, translating, compiling, disseminating, or disclosing the above content to any third party in any way, or authorising any third party to use it. Any violation of the above provisions will result in SMM taking legal action to hold the infringer accountable, requiring them to bear corresponding legal responsibilities, including but not limited to bearing the liability for breach of contract, restitution of unjust gains, and compensation for direct and indirect economic losses.

* Except for publicly available information, all other data in this report is based on public information (including but not limited to industry news, seminars, exhibitions, corporate financial reports, brokerage reports, data from the National Bureau of Statistics (NBS), customs import and export data, and various data released by major associations and institutions). Such data is derived through comprehensive analysis and reasonable inference by the research team using SMM's internal database model. The content is for reference only and does not constitute decision-making advice. Clients should make independent judgments in their decisions, and any decisions made by clients are independent of SMM.

SMM reserves the final right of interpretation for the terms of this statement and retains the right to adjust and modify the content of the statement based on actual circumstances.

We are subject to a variety of PRC laws, rules and regulations affecting many aspects of our business. This section summarises the major PRC laws and regulations that may have a significant impact on our business and operations in the PRC.

## LAWS AND REGULATIONS RELATING TO MINERAL RESOURCES

The Mineral Resources Law of the PRC (《中華人民共和國礦產資源法》) was promulgated by the Standing Committee of the National People's Congress ("**SCNPC**") on 19 March 1986 and became effective on 1 October 1986. The SCNPC amended the Mineral Resources Law on 29 August 1996, 27 August 2009 and 8 November 2024, respectively. On 26 March 1994, the State Council promulgated the Implementation Rules for the Mineral Resources Law of the PRC (《中華人民共和國礦產資源法實施細則》) ("**Implementation Rules**"). The Mineral Resources Law of the PRC and its Implementation Rules provide that:

- All mineral resources of the PRC, including such resources on the earth's surface or underground, are owned by the State. The State ownership of mineral resources shall remain unchanged notwithstanding that the ownership or the right to use the land to which such mineral resources are attached has been granted to a different entity or individual. The State Council exercises the rights of ownership of the State in relation to mineral resources.

- The State protects the rational development and use of mineral resources and prohibits any organisation or individual from using any means to seize or damage mineral resources.

- The exploration for and mining of mineral resources is subject to separate applications in accordance with the law. A party must carry out registration procedures after the approval of its application and the issue of exploration rights or mining rights. This does not apply, however, if a mining enterprise which has already applied and obtained mining rights in accordance with the law carries out exploration for the purpose of its own production operations within the boundaries of its designated mining area. Those engaging in the exploration and mining of mineral resources must comply with the stipulated qualification conditions.

- The State implements a system of the paid acquisition of the issue of exploration rights and mining rights. However, the State may, depending on circumstances, stipulate the reductions in or exemptions from fee payments for these exploration rights and mining rights be granted.

- The transfer of exploration rights and mining rights is prohibited, except in the following instances: (i) the holder of exploration rights to a designated exploration area has the right to undertake stipulated exploration work within that area and is then entitled to obtain in priority mining rights to mine within the designated exploration area. After completing the stipulated minimum amount of exploration operations, the holder of exploration rights may, subject to approval in accordance with the law, transfer the exploration rights to another party; (ii) a mining enterprise which has already obtained mining rights and which requires to alter the holder of the mining rights due to an enterprise merger or division, or as the

result of it entering a joint equity or cooperative venture with another party, or due to the sale of enterprise assets, or other changes which alter ownership of enterprise assets, may transfer the exploration rights to another party, subject to approval in accordance with the law. The reselling of exploration rights and mining rights for profit is prohibited.

- The State Council department in charge of geology and mineral resources or the relevant competent departments authorised by the State Council and the provincial, autonomous regional or directly administered municipal people's government departments in charge of geology and mineral resources are responsible for the granting of exploration and mining licences. Generally, holders of exploration licences and mining licences have those rights and obligations as prescribed by laws.

**Rights and Obligations of Holders of Exploration Licences**

According to the Implementation Rules, the rights exercisable by a holder of an exploration permit include, among other things, the following: (i) to conduct exploration according to the areas, duration and targets stipulated in the exploration permit; (ii) to install power supply lines, water supply pipelines and telecommunications lines in exploration areas and adjacent areas, but these shall not affect or damage existing water pipelines or supply facilities or communication lines; (iii) to visit exploration areas and adjacent areas; (iv) to use land temporarily according to project requirements; (v) priority in obtaining the right to explore newly discovered types of minerals and mine mineral resources within the exploration area; (vi) to sell mineral products recovered during exploration according to the approved project; however, mineral products to be purchased on a monopoly basis by units designated by the State Council shall be so purchased.

The obligations of a holder of an exploration permit include, among other things, the following: (i) to commence construction within the prescribed time limit and complete exploration work within the time limit stipulated in the exploration permit; (ii) to report on such matters as commencement of operations to the exploration registration authority; (iii) to carry out construction according to the exploration project design and not conduct the mining of mineral resources without authorisation; (iv) when locating key minerals, to conduct comprehensive exploration and evaluation of associated mineral resources; (v) to prepare a report on the exploration of mineral resources to be submitted to the relevant departments for examination and approval; (vi) to collect archive materials on the results of exploration of mineral resources for submission pursuant to relevant State regulations; (vii) to comply with the provisions of laws and statutory regulations with regard to production safety, restoration and reutilisation of land and environmental protection; (viii) to promptly seal or fill a mine or hole left after completion of exploration for mineral resources or adopt other measures to eliminate hidden dangers to safety.

Pursuant to the Administrative Measures on Registration of Blocks for Exploration of Mineral Resources (《礦產資源勘查區塊登記管理辦法》) which became effective on 12 February 1998 and was amended on 29 July 2014, the holder of an exploration permit shall meet the following minimum exploration investment requirement from the date of obtaining the exploration permit: (i) RMB 2,000 per square kilometre for the first exploration year; (ii) RMB 5,000 per square kilometre for the second exploration year; and (iii) RMB 10,000 per square kilometre for each exploration year from the third exploration year.

**Establishment of mine geological environment treatment and restoration fund account**

According to "Notice on the Issuance of the Measures for the Administration of the Mine Geological Environment Treatment and Restoration Fund (Trial)" (《西藏自治區礦山地質環境治理恢復基金管理辦法(試行)》) jointly issued in 2020 by the Department of Natural Resources, Department of Finance, and Department of Ecology and Environment of Xizang, mining companies in the PRC are required to prepare a geological environmental protection and reclamation plan and to submit such plan for assessment and approval by the relevant authorities. Furthermore, mining companies must establish a mine geological environment treatment and restoration fund account in accordance with the principles of "enterprise establishment, government supervision, demand assurance, and dedicated use of funds."

The fund is to be used exclusively for mine geological environment treatment, restoration, and land reclamation. Mining companies are required to extract and use the fund according to a pre-approved plan, and the extraction and use of the fund are subject to credit management by the authorities. In accordance with applicable accounting standards, the anticipated disposal costs related to the fund are included in the relevant asset costs and are extracted annually from the sales revenue of mineral products over the expected mining period, and are accounted for as production costs.

**Rights and Obligations of Holders of Mining Licences**

According to the Implementation Rules, the rights exercisable by a holder of a mining permit include, among other things, the following: (i) to conduct mining activities in accordance with the mining scope and duration as stipulated in the mining permit; (ii) to sell mineral products, except those mineral products to be purchased on a monopoly basis by units designated by the State Council; (iii) to construct facilities for production subsistence within the mining areas as required for mining; (iv) to legally obtain land use rights in accordance with production and construction requirements.

The obligations of a holder of a mining permit include, among other things, the following: (i) to carry out construction or mining of mines within the approved time limit; (ii) to conduct effective protection, rational mining, and comprehensive utilisation of mineral resources; (iii) to pay resource tax and mineral resource royalty fees in accordance with the law; (iv) to comply with the provisions of relevant laws and statutory regulations concerning safety in production, water and soil conservation, land restoration and reutilisation and environmental protection; (v) to accept supervision and administration of the department in charge of geology and mineral resources and the relevant departments in charge, and to compile a ore reserve form and submit a statistical report on the development and utilisation of mineral resources pursuant to regulations.

**Comprehensive Mining and Utilisation**

According to The Mineral Resources Law of the PRC, the exploitation of mineral resources shall be conducted in accordance with reasonable mining sequences and methods, while effective measures shall be taken to ensure that the mining recovery rate, mineral processing recovery rate, and comprehensive utilisation rate meet the requirements of relevant national standards.

In parallel with the exploitation of the main minerals, the minerals with industrial value that occur in association or as by-products of the ordinary mineral production should be subject to unified planning, comprehensive mining, and integrated utilisation to prevent waste. For minerals that cannot be comprehensively exploited at the moment or must be extracted simultaneously but cannot be comprehensively utilised for the time being, as well as tailings containing useful components, effective protective measures shall be taken to prevent loss and damage.

In accordance with Specifications for Lead and Zinc Industry (《鉛鋅行業規範條件》), which was issued by the MIIT on 28 February 2020 and came into effect on the same day, for underground mining of lead-zinc ores, the comprehensive energy consumption per ton of raw ore must be below 4.4 kg of standard coal. For open-pit mining, the comprehensive energy consumption per ton of extracted ore must be below 0.6 kg of standard coal. The comprehensive energy consumption for lead-zinc ore beneficiation must be below 6.1 kg of standard coal per ton of ore. The mining recovery rate, mineral processing recovery rate, and comprehensive utilisation rate of lead-zinc mining enterprises shall comply with the relevant requirements stipulated in the Announcement on the Minimum 'Three Rates' Indicators for the Rational Utilisation of Iron, Copper, Lead, Zinc, Rare Earth, Potash and Fluorite Mineral Resources (Trial) (《關於鐵、銅、鉛、鋅、稀土、鉀鹽和螢石等礦產資源合理開發利用"三率"最低指標要求 (試行) 的公告》) issued by the former Ministry of Land and Resources.

**Usage Fees and Renewal of Exploration and Mining Licences**

Holders of exploration licences and holders of mining licences are subject to exploration right usage fees and mining right usage fees, respectively. In accordance with the Administrative Measures on Registration of Blocks for Exploration of Mineral Resources, exploration right usage fees shall be calculated according to the terms of the exploration permit and shall be payable on an annual basis. The rate of exploration right usage fee for the first year to the third year of exploration shall be RMB100 per square kilometre of exploration area per year. From the fourth year of exploration onwards, the rate will be increased by RMB100 per square kilometre of exploration area per year. However, the annual maximum rate shall not exceed RMB500 per square kilometre of exploration area. According to the Administrative Measures for Registration of the Mining of Mineral Resources (《礦產資源開採登記管理辦法》), which became effective on 12 February 1998 and amended on 29 July 2014, the mining right usage fee shall be paid on an annual basis. The rate of mining right usage fee shall be RMB1,000 per square kilometre of mining area per year.

According to the Administrative Measures on Registration of Blocks for Exploration of Mineral Resources, the maximum validity period of an exploration permit shall be 3 years. The exploration right could be reserved, and the exploration permit could be extended within 30 days prior to its expiration, upon approval of the competent authority. The exploration permit could be extended for twice, and each extension shall not exceed 2 years. Pursuant to the Administrative Measures for Registration of the Mining of Mineral Resources, the validity period of a mining permit shall be determined according to the scale of the mine. The maximum validity period of the initial term of a mining permit for a big-scale mine, medium-scale mine and small-scale mine shall be 30 years, 20 years and 10 years, respectively. The mining permit can be renewed within 30 days prior to its expiration, upon compliance with the prescribed extension procedure. If the holder of a mining permit fails to renew its permit in time, such mining permit shall be automatically annulled upon expiration.

**Mining Right Transfer Proceeds**

According to the Mining Right Transfer Proceeds Collection Measures (《礦業權出讓收益徵收辦法》), which was promulgated by the MOF, MNR and STA on 24 March 2023 and became effective on 1 May 2023, mining right holders shall pay mining right transfer proceeds. From 1 July 2017 to 30 April 2023, any unpaid mining right transfer proceeds shall be calculated based on the mining right transfer yield rate specified in these Measures and the sales revenue during the unpaid period. The payable amount may be collected either in a lump sum or evenly over six years.

**Related Resource Tax and Resource Compensation Fee**

According to the Resource Tax Law of the PRC (《中華人民共和國資源税法》), which was promulgated by the SCNPC on 26 August 2019 and became effective on 1 September 2020, the specific rate of resource tax applicable to taxable products shall be governed by the List of Taxable Items attached to the Resource Tax Law of the PRC, and the resource tax rate for lead ores, zinc ores and copper ores (including raw ores and processed ores) shall be 2%-10%.

Pursuant to the Rules for the Administration of Collection of Mineral Resource Compensation Fees (《礦產資源補償費徵收管理規定》), promulgated by the State Council on 27 February 1994 and amended on 3 July 1997, the holder of a mining permit shall pay the mineral resource compensation fees from sale proceeds of mineral products on a pro rata basis.

**LAWS AND REGULATIONS RELATING TO ENVIRONMENTAL PROTECTION**

The PRC Government has formulated a comprehensive set of environmental protection laws and regulations that cover areas such as sewage discharge and waste disposal. The PRC laws and regulations relating to environmental protection mainly include: the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) (revised on 24 April 2014 and implemented on 1 January 2015), the Water Pollution Prevention and Control Law of the PRC (《中華人民共和國水污染防治法》) (revised on 27 June 2017 and implemented on 1 January 2018), the Atmospheric Pollution Prevention and Control Law of the PRC (《中華人民共和國大氣污染防治法》) (revised and implemented on 26 October 2018), the Law of the PRC on Prevention and Control of Environmental Pollution by Solid Waste (《中華人民共和國固體廢物污染環境防治法》) (revised on 29 April 2020 and implemented on 1 September 2020), the Environmental Protection Tax Law of the PRC (《中華人民共和國環境保護税法》) (revised and implemented on 26 October 2018), the Implementation Regulation on the Environmental Protection Tax Law of the PRC (《中華人民共和國環境保護税法實施條例》) (revised on 25 December 2017 and implemented on 1 January 2018), the Measures for Pollutant Discharge Permitting Administration (《排淤許可管理辦法》) (promulgated on 1 April 2024 and implemented on 1 July 2024), the Law of the PRC on Noise Pollution Prevention and Control (《中華人民共和國噪聲污染防治法》) (promulgated on 24 December 2021 and implemented on 5 June 2022), and Provisions for the Protection of Geological Environment in Mines (《礦山地質環境保護規定》) (revised and implemented on 24 July 2019).

Pursuant to the aforesaid laws and regulations, enterprises that discharge and dispose of toxic and dangerous substances such as wastewater, waste gas and solid wastes shall comply with the national and local standards of usage and shall declare to and register with the relevant environmental protection administration authorities and pay pollution discharge fees according to law where applicable.

Pursuant to the Law on Environmental Impact Assessment of the PRC (《中華人民共和國環境影響評價法》), which came into effect on 1 September 2003 and was amended on 2 July 2016 and 29 December 2018, respectively, construction entities should prepare or fill in the environment impact reports, reporting forms or registration forms of the environment impact according to the degree of environmental impact caused by the construction projects as follows: (i) if the environmental impact may be significant, an environmental impact report shall be required, which shall thoroughly appraise the potential environmental impact; (ii) if the environmental impact may be gentle, an environmental impact report form of analysing or appraising the specific potential environmental impact shall be required; and (iii) if the environmental impact may be so slight that it is unnecessary to conduct an appraisal of the environmental impacts, an environmental impact registration form shall be filled in and submitted.

Pursuant to the Interim Measures for Environmental Protection Acceptance of Completed Construction Projects (《建設項目竣工環境保護驗收暫行辦法》) which came into effect on 20 November 2017 and the Regulations on the Administration Construction Project Environmental Protection (《建設項目環境保護管理條例》), which was revised on 16 July 2017 and implemented on 1 October 2017, after the completion of a construction project for which an environmental impact report or an environmental impact report form is required, the construction entity shall, according to standards and procedures prescribed by the environmental protection administrative authorities, conduct environmental protection completion acceptance check and compile an acceptance check report. A construction project for which an environmental impact report or an environmental impact report form is required shall not be put into production or use until the environmental protection completion acceptance check has been passed.

## LAWS AND REGULATIONS RELATING TO LAND

Pursuant to the Land Administration Law of the PRC (《中華人民共和國土地管理法》), which was promulgated on 25 June 1986 and was revised on 29 December 1988, 29 August 1998, 28 August 2004 and 26 August 2019, respectively, and the Regulations on the Implementation of the Land Administration Law of the PRC (《中華人民共和國土地管理法實施條例》), which was promulgated on 27 December 1998 and was revised on 8 January 2011, 29 July 2014 and 2 July 2021,respectively, land in the PRC is either state-owned or collectively-owned. State-owned land and collectively-owned land may be allocated to units or individuals for use according to law. Lawfully registered land ownership and land use rights are protected by law. In the case of temporary use of state-owned land or collectively-owned land for construction projects or geological survey, approval shall be obtained from the land administrative department of the government at or above the county level. Land users shall sign contracts with relevant land administrative department or rural economic collective organisations or village committees for the temporary use of land, depending on the ownership of land and shall pay land compensation fees as stipulated in the contracts for the temporary use of land. The term for the temporary use of land shall generally not exceed two years. The state shall establish a territorial spatial planning system, and territorial spatial plans approved in accordance with the law

shall be the primary basis for various activities of land development, protection, and construction. Where a territorial spatial plan has been worked out, the comprehensive plan for land utilisation and the urban-rural plan shall no longer be effective. Before a territorial spatial plan is determined, the existing overall plan for land utilisation and urban-rural plan legally approved shall continue to be effective. The results of land surveys are of great importance in the preparation of territorial spatial plans, as well as the management, protection and utilisation of natural resources.

Pursuant to the Mineral Resources Law of the PRC and the Measures for the Administration of the Examination and Approval of the Use of Woodlands by Construction Projects (《建設項目使用林地審核審批管理辦法》), which was promulgated on 31 March 2015 and was amended on 22 September 2016, 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 construction projects occupying forest land, the forest land shall be used in a reasonable, economical, and intensive manner in accordance with the protection and use plan. In case cultivated land, grassland or forest land is damaged due to mining, the mining enterprise concerned shall take measures to utilise 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.

Pursuant to the Regulation on Land Reclamation (《土地復墾條例》) which was promulgated and came into effect on 5 March 2011 and the Measures for the Implementation of the Regulation on Land Reclamation (《土地復墾條例實施辦法》), which came into effect on 1 March 2013 and was amended on 24 July 2019, the production and construction entities or individuals shall be responsible for the reclamation of the land destroyed by their production and construction activities. A land user shall, when handling the application for a piece of construction land or handling the application for the mining right, submit the plan for land reclamation for approval. Where the plan for land reclamation does not meet the relevant requirements, the construction land use right or the mining permit cannot be obtained. If a land user implements land reclamation in accordance with the land reclamation plan, he shall report to the competent land and resources authorities of the local people's governments at or above the county level for examination and acceptance.

## LAWS AND REGULATIONS RELATING TO PRODUCTION SAFETY

The PRC Government has formulated a relatively comprehensive set of laws and regulations on production safety, including the Work Safety Law of the PRC (《中華人民共和國安全生產法》) (effective as at 1 November 2002 and revised on 27 August 2009, 31 August 2014 and 10 June 2021, respectively), the Mine Safety Law of the PRC (《中華人民共和國礦山安全法》) (effective as at 1 May 1993 and revised on 27 August 2009) as well as the Regulations for the Implementation of the Mine Safety Law of the PRC (《中華人民共和國礦山安全法實施條例》) (effective as at 30 October 1996), covering mineral resources exploration, mining and mine construction. The PRC Government applies a work safety licensing system for production safety to mining enterprises under the Regulations on Work Safety Licences (《安全生產許可證條例》) (effective as at 13 January 2004 and revised on 18 July 2013 and 29 July 2014, respectively). No mining enterprise may engage in production activities without holding a valid work safety licence. Any mining enterprise which fails to satisfy the production safety conditions set out in the Regulations on Work Safety Licences may not obtain a work safety licence and carry out any production activity. Mining enterprises which have obtained the

work safety licences shall not lower their production safety standards, and shall be subject to the supervision and inspection by the licensing authorities from time to time. If the licensing authority is of the opinion that any of such enterprises no longer satisfy the production safety requirements, the work safety licence may be withheld or revoked. The valid period for a work safety licence shall be 3 years. The enterprise may apply for extension of the licence within 3 months prior to expiration of the licence, and if the licensed enterprise has been strictly complied with the relevant laws and regulations in relation to work safety and free of any fatal accident during the term of the licence, with the consent of the licensing authority, the licence could be renewed without examination procedure. The primary person in charge and the work safety management personnel of a mining enterprise shall pass the assessment on their work safety knowledge and management capabilities conducted by the competent work safety authority.

The PRC Government has also formulated a set of national standards on production safety for the mining industry. For example, the mine design shall comply with production safety requirements and industry practice; mining enterprises must establish and improve the safe production responsibility system. Managers of mines shall be responsible for the safe production in their respective enterprises. Mining enterprises must provide safety education and training to their workers and staff; those without receiving safety education and training may not take up a post of duty.

Pursuant to the relevant requirements of the Mine Safety Law of the PRC, the Regulations on the Reporting, Investigation and Disposition of Work Safety Accidents (《生產安全事故報告和調查處理條例》), the Notice on Regulating the Inspection for Acceptance upon Completion of Safety Facilities in Metal and Non-metal Mine Construction Projects (《關於規範金屬非金屬礦山建設項目安全設施竣工驗收工作的通知》), the authorities in charge of mining enterprises under the people's governments at or above the county level shall exercise the following functions and responsibilities with respect to the control of safety work in mines: (i) to inspect the implementation of laws and regulations on safety in mines by mining enterprises; (ii) to examine and approve designs of safety facilities in mine construction projects; (iii) to supervise the inspection for acceptance upon completion of safety facilities in mine construction projects; (iv) to manage the training of managers of mines and personnel in charge of safety work in mining enterprises; (v) to investigate and handle work safety accidents at mines; and (vi) other controlling functions and responsibilities provided for in laws and administrative rules and regulations. Upon occurrence of accidents, mining enterprises shall immediately take measures to rescue their workers and report any casualty to the relevant authority. In the event of a general mine accident, the mining enterprise shall be responsible for investigating and handling the case. In the event of a fatal accident, the government, the relevant authority, the labour union and the mining enterprise shall conduct investigation and handle the case together. In addition, mining enterprise shall pay compensation to any staff who was injured or died in the accident in accordance with the national requirements. Such mining enterprise may only resume production after the relevant danger at the scene has been eliminated.

Pursuant to the Measures on the Implementation of Work Safety Permit for Non-Coal Mining Enterprises (《非煤礦礦山企業安全生產許可證實施辦法》) (which came into effect on 17 May 2004 and revised on 8 June 2009 and 26 May 2015, respectively), non-coal mining enterprises must obtain the production safety permit and are prohibited from engaging in any production activities without obtaining the permit.

## REGULATIONS ON TAXATION

### Enterprise Income Tax

The Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得税法》) promulgated by the NPC on 16 March 2007, became effective on 1 January 2008 and amended on 24 February 2017 and 29 December 2018, respectively, as well as the Implementation Rules of the Enterprise Income Tax Law (《中華人民共和國企業所得税法實施條例》) promulgated by the State Council on 6 December 2007, became effective on 1 January 2008 and amended on 23 April 2019 and 6 December 2024, are the principal law and regulation governing enterprise income tax in the PRC. According to the Enterprise Income Tax Law and the Implementation Rules of the Enterprise Income Tax Law, enterprises are classified into resident enterprises and non-resident enterprises. Resident enterprises refer to enterprises that are legally established in the PRC, or are established under foreign laws but whose actual management bodies are located in the PRC. And non-resident enterprises refer to enterprises that are legally established under foreign laws and have set up institutions or sites in the PRC but with no actual management body in the PRC, or enterprises that have not set up institutions or sites in the PRC but have derived incomes from the PRC. A uniform income tax rate of 25% applies to all resident enterprises and non-resident enterprises that have set up institutions or sites in the PRC to the extent that such incomes are derived from their set-up institutions or sites in the PRC, or such income are obtained outside the PRC but have an actual connection with the set-up institutions or sites. For industries and projects which receive key support and encouragement for development from the State, preferential treatment on enterprise income tax will be available.

According to the Announcement on Continuation of Enterprise Income Tax Policies for the Large-scale Development in the Western Region (《關於延續西部大開發企業所得税政策的公告》) promulgated by the MOF, the SAT and the NDRC on 23 April 2020, during the period from 1 January 2021 to 31 December 2030, Enterprise Income Tax shall be levied at a reduced tax rate of 15% on enterprises established in the western region in encouraged industries. In accordance with the Temporary Measures for the Implementation of Enterprise Income Tax Policies in the Xizang (《西藏自治區企業所得税政策實施辦法(暫行)》) promulgated by the People's Government of Xizang on 29 April 2022, enterprises established in the western region in encouraged industries in the Xizang Autonomous Region shall continue to implement the Enterprise Income Tax rate of 15% in the policy of the Large-scale Development in the Western Region.

### Value Added Tax

According to the Temporary Regulations on Value Added Tax of the PRC (《中華人民共和國增值税暫行條例》) ("**VAT Regulations**"), which was promulgated by the State Council on 13 December 1993, came into effect on 1 January 1994, and was amended on 10 November 2008, on 6 February 2016 and 19 November 2017, respectively, and the Detailed Rules for the Implementation of the VAT Regulations (《中華人民共和國增值税暫行條例實施細則》), which was promulgated by the MOF and came into effect on 25 December 1993 and was amended on 15 December 2008 and 28 October 2011, respectively, all taxpayers selling goods, providing processing, repairing or replacement services or importing goods within the PRC shall pay value added tax. Other than those as specified in the VAT Regulations, the tax rate of 17% shall be levied on taxpayers selling or importing various goods, and providing processing, repairing or replacement service. According to the Notice of the MOF and the SAT on Adjusting Value added Tax Rates (《財政部、國家税務總局關於調整增值税税率的通知》)

which was issued on 4 April 2018 and became effective on 1 May 2018, the deduction rates of 17% and 11% applicable to the taxpayers who have value added tax taxable sales activities or imported goods are adjusted to 16% and 10%, respectively. According to the Notice on Relevant Policies for Deepening Value Added Tax Reform (《關於深化增值税改革有關政策的公告》) which was issued on 20 March 2019 by the MOF, the SAT and the General Administration of Customs and became effective on 1 April 2019, the value added tax rate was reduced to 13% and 9%, respectively.

On 25 December 2024, the Value-added Tax Law of the PRC (《中華人民共和國增值税法》) was promulgated by the SCNPC, which will come into effect from 1 January 2026.

**Urban Maintenance and Construction Tax**

In accordance with the Urban Maintenance and Construction Tax Law of the PRC (《中華人民共和國城市維護建設税法》) which was promulgated by the SCNPC on 11 August 2020 and came into effect on 1 September 2021, entities and individuals which are subject to value added tax and consumption tax, shall pay urban maintenance and construction tax. The tax rate is 7% for a taxpayer who is domiciled in a downtown area, and 5% for a taxpayer who is domiciled in a county or town, and 1% for a taxpayer who is domiciled outside a downtown area, county or town.

**REGULATIONS ON EMPLOYMENT AND SOCIAL SECURITIES**

**Employment**

Pursuant to the Labor Law of the PRC (《中華人民共和國勞動法》) which was promulgated by the SCNPC on 5 July 1994 and subsequently amended on 27 August 2009 and 29 December 2018, the Labor Contract Law of the PRC《(中華人民共和國勞動合同法》) which was promulgated by the SCNPC on 29 June 2007 and subsequently amended on 28 December 2012 and the Implementing Regulations of the Labor Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》) which was promulgated by the State Council on 18 September 2008, labour contracts in written form shall be needed to establish labour relationships between employers and employees. Wages cannot be lower than the local standards of minimum wages. The employer must establish the system of occupational safety and sanitation, strictly implement the rules and standards of the State, provide education regarding occupational safety and sanitation among employees, provide employees with labour safety and sanitation conditions and necessary articles of labour protection conforming to the provisions of the State, and provide regular health examination for employees engaged in work involving occupational hazards.

**Social Insurance and Housing Provident Funds**

Under applicable PRC laws related to the social insurance, including the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) which was promulgated by the SCNPC on 28 October 2010 and amended on 29 December 2018, the Interim Regulations on Levying Social Insurance Premiums (《社會保險費徵繳暫行條例》) which was promulgated by the State Council on 22 January 1999 and amended on 24 March 2019, and the Administrative Regulations on the Housing Provident Fund (《住房公積金管理條例》) which was promulgated by the State Council on 3 April 1999, amended on 24 March 2002 and 24 March 2019, respectively, employers are required to contribute, on behalf of their employees, to a number of social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, occupational injury insurance, maternity insurance and to housing provident funds. These payments are made to local administrative authorities and any employer who fails to contribute may be ordered to make good the deficit within a stipulated time limit and fined.

**Prevention and Control of Occupational Diseases**

According to the Law of the PRC on the Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》), which was promulgated by the SCNPC on 27 October 2001 and was revised on 31 December 2011, 2 July 2016, 4 November 2017 and 29 December 2018, respectively, a construction entity shall conduct the pre-assessment of occupational hazards at the feasibility study stage if a construction project may cause any occupational hazards. The protective facilities against occupational diseases of the construction project shall be designed, constructed, and put to use in production and other operations at the same time as the main body of the project. And before the acceptance check of a construction project, the construction entity shall evaluate the effects of occupational hazard control.

**REGULATIONS ON INTELLECTUAL PROPERTIES**

**Patents**

Pursuant to the Patent Law of the PRC (《中華人民共和國專利法》), promulgated by the SCNPC on 12 March 1984 and latest amended on 17 October 2020 and became effective as from 1 June 2021, the Implementation Rules of the Patent Law of the PRC (《中華人民共和國專利法實施細則》) which was promulgated by the State Council on 15 June 2001 and latest amended on 11 December 2023 and became effective as from 20 January 2024, and the Public Announcement on Measures on Filing of Patent Licensing Contracts (《專利實施許可合同備案辦法》) which was promulgated by the State Intellectual Property Office on 27 June 2011 and became effective on 1 August 2011, there are three types of patent in the PRC: invention patent, utility model patent and design patent. The current protection period is 20 years for invention patent, 10 years for utility model patent and 15 years for design patent, commencing from their respective application dates. Any individual or entity that utilises a patent or conducts any other activity in infringement of a patent without prior authorisation of the patentee shall pay compensation to the patentee and is subject to a fine imposed by relevant administrative authorities and, if constituting a crime, shall be held criminally liable in accordance with the law. Any organisation or individual proposing to implement the patent of others shall enter

into a licensing contract with the patentee for implementation and pay royalties to the patentee. The parties concerned shall complete filing formalities within three months from the effective date of a patent licensing contract. And the State Intellectual Property Office shall be responsible for filing of patent licensing contracts nationwide.

**Domain names**

In accordance with the Administrative Measures for Internet Domain Names (《互聯網域名管理辦法》), which was issued by the MIIT on 24 August 2017 and effective as at 1 November 2017, the Implementing Rules for the Registration of National Top-level Domain Names (《國家頂級域名註冊實施細則》) and Procedural Rules for Resolution of Disputes over National Top-level Domain Names (《國家頂級域名爭議解決程序規則》) which were promulgated by China Internet Network Information Centre on June 18, 2019 and came into effect on the same date, the MIIT is the main regulatory body responsible for the administration of the PRC internet domain names. Domain name registrations are handled through domain name service agencies established under the relevant regulations. The domain name services follow a "apply first, register first" principle. Applicants for registration of domain names shall provide their true, accurate and complete information of such domain names to and enter into registration agreements with domain name registration service institutions. The applicants shall become the holders of such domain names upon successful registration. The domain name disputes shall be accepted and solved by a domain name dispute resolution body as recognised by the China Internet Network Information Centre.

## REGULATIONS ON OVERSEAS SECURITIES OFFERING AND LISTING BY DOMESTIC COMPANIES

On 17 February 2023, the CSRC promulgated the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) ("**Overseas Listing Trial Measures**") and relevant supporting guidelines, which came into effect on 31 March 2023. The Overseas Listing Trial Measures comprehensively improves and reforms the existing regulatory regime for overseas offering and listing of PRC domestic companies' securities and regulates both direct and indirect overseas offering and listing of PRC domestic companies' securities. Any domestic company that is deemed to conduct overseas offering and listing activities shall file with the CSRC in accordance with the Overseas Listing Trial Measures.

The Overseas Listing Trial Measures provide that the overseas securities offering and listing will be considered a direct overseas offering by a PRC domestic company if the issuer is a company limited by shares registered and established in mainland China. Pursuant to the Overseas Listing Trial Measures, an issuer shall file with the CSRC within three business days after its application for initial public offering is submitted to competent overseas securities regulators. Failure to complete the filing under the Overseas Listing Trial Measures may subject a PRC domestic enterprise to rectification ordered by the CSRC, warning, and fine of RMB1 million to RMB10 million.

A domestic enterprise that intends to be listed or is listed overseas may raise funds and pay dividends in foreign currencies or RMB. The use and investment of proceeds from overseas issuance by a domestic enterprise shall comply with the laws, administrative regulations and relevant national rules. The foreign exchange and cross-border flow of capitals relating to the overseas issuance and listing of a domestic enterprise shall comply with the national regulations on cross-border investment and financing, foreign exchange management, and cross-border RMB management.

The Overseas Listing Administrative Measures provide that an overseas offering and listing is explicitly prohibited under any of the following circumstances: (1) if the offering and listing is specifically prohibited by laws, administrative regulations and relevant national provisions; (2) if the overseas offering and listing constitutes endangers to national security as reviewed and determined by competent authorities under the State Council in accordance with law; (3) if, in the past three years, the domestic enterprise or its controlling shareholders or actual controllers have committed corruption, bribery, embezzlement, misappropriation of property, or other criminal offenses disruptive to the order of the socialist market economy; (4) if the domestic enterprise is under investigation according to law for suspected crimes or major violations of laws and regulations, but no clear conclusions have been reached; or (5) if there are material ownership disputes over the equity held by the controlling shareholder or by other shareholders that are controlled by the controlling shareholder and/or actual controller.

## OVERVIEW

We are a mining company focusing our business on zinc, lead and copper exploration, mining, production and sales of concentrates based in Xizang, China. Our business is located in Rongdoi Township, Jiali County, Nagqu, Xizang. We hold exploration rights over an area of approximately 58.5 sq.km and mining rights over 4.5 sq.km, respectively. Since our inception, we have been leveraging Xizang's unique geological conditions and rich mineral resources, backed by favourable government initiatives in support of the region's mining industries. According to SMM, we ranked fifth in terms of the annual production volume of zinc concentrates, fourth in terms of the annual production volume of lead concentrates, and fifth in terms of the annual production volume of copper concentrates, in Xizang in 2024.

The history of our Company can be traced back to 2013 when our Company was established in Xizang, the PRC by Ms. Fan, our founder. From 2013 to 2024, our Company went through a series of capital increase and brought in new Shareholders. See "— Our Corporate Development" in this section for further details. On 18 December 2020, our Company was converted into a joint stock limited company and we changed our Company's name from Xizang Zhihui Industrial Co., Ltd. (西藏智匯實業有限公司) to Xizang Zhihui Mining Co., Ltd.* (西藏智匯礦業股份有限公司).

## OUR BUSINESS DEVELOPMENT MILESTONES

Major milestones in our history of establishment and development are summarised as follows:

| Year | Milestones |
|---|---|
| 2013 | Our Company was established by Ms. Fan as in Xizang, the PRC |
| 2014 | Huaxia Mining became a direct non-wholly owned subsidiary of our Company |
| 2018 | Our Company was awarded the "National Youth Safety Production Demonstration Post (全國青年安全生產示範崗)" jointly granted by Central Committee of the Communist Youth League (共青團中央) and Ministry of Emergency Management (應急管理部) |
| 2019 | Our Company was awarded the "China Nonferrous Metals Industry Science and Technology Award (中國有色金屬工業科技技術獎)" by the Office of National Science and Technology Awards Works, Ministry of Science and Technology of the PRC (中國科技部國家科學技術獎工作辦公室) |
| | Huaxia Mining was recognised as one of the "Top 20 Private Enterprises in Xizang Autonomous Region (西藏自治區民營企業20強)" by the People's Government of Xizang Autonomous Region (西藏自治區人民政府) |
| | Huaxia Mining was awarded the "Green Mining (綠色礦山)" granted by Ministry of Natural Resources (自然資源部) |
| 2020 | Xizang Shengyuan subscribed for 45% equity interest in our Company |
| | Our Company was converted from a limited liability company into a joint stock limited company |

| | |
|---|---|
| 2023 | Our Company was awarded the "Outstanding Enterprise Award of Xizang Autonomous Region (西藏自治區優秀企業獎)" granted by Xizang Autonomous Region Department of Industry and Information Technology (西藏自治區工業和信息化廳) |
| 2024 | Huaxia Mining was awarded as the "Green Supply Chain Management Enterprises in the Autonomous Region (自治區綠色供應鏈管理企業)" granted by Xizang Autonomous Region Department of Economic and Information Technology (西藏自治區經濟和信息化廳) |
| 2025 | Huaxia Mining was awarded the "Year 2024 Annual Advanced Enterprise in Safe Production in the Region (2024年度全區安全生產先進企業)" by Xizang Autonomous Region Department of Emergency Management (西藏自治區應急管理廳) |

## OUR CORPORATE DEVELOPMENT

### Establishment of Our Company

Our Company was established in Xizang, the PRC as a limited liability company on 28 November 2013 with an initial registered capital of RMB50 million. Upon establishment, our Company was owned as to 60% by Ms. Fan and 40% by Ms. Yang Fei (楊飛), the daughter of Ms. Fan.

### Major Changes in Shareholding and Corporate Form

Our Company carried out a series of equity financing since its establishment, introducing new Shareholders to our Group. The major changes in shareholding and corporate form of our Company are set out below:

#### *Capital increases and reduction in 2014*

On 7 June 2014, our Company passed a Shareholders' resolution to increase the registered capital from RMB50 million to RMB200 million. Upon completion of the above capital increase, our Company was owned as to 60% and 40% by Ms. Fan and Ms. Yang Fei, respectively. Our Company completed the registration with the local Administration for Market Regulation (市場監督管理局) (formerly known as the local Administration for Industry and Commerce (工商行政管理總局)) ("**Local AMR**") in respect of the capital increase on 18 June 2014.

On 18 September 2014, our Company passed a Shareholders' resolution to approve: (i) the introduction of Mr. Lv and Mr. Wang Junmin (王俊民) as the new Shareholders of our Company; and (ii) the increase in registered capital of our Company from RMB200 million to RMB500 million.

In light of Mr. Lv's extensive experience in mining industry, Mr. Lv was invited to join the management team of our Company. Mr. Lv acted as the executive director, legal representative and General Manager. Mr. Wang Junmin acted as a passive investor. After Mr. Lv and Mr. Wang Junmin's investments, our Company was held as to 40% by Ms. Fan (16% of which was held by her daughter), 20% by Mr. Lv and 40% by Mr. Wang Junmin. Registration for increase in registered capital was completed by our Company with the Local AMR on 26 September 2014.

On 18 November 2014, all of our then Shareholders passed a Shareholders' resolution to approve the reduction of the registered capital of our Company from RMB500 million to RMB125 million. Subsequent to such capital reduction, our Company remained to be held as to 40% by Ms. Fan (16% of which was held by her daughter), 20% by Mr. Lv and 40% by Mr. Wang Junmin. Registration for reduction in registered capital was completed by our Company on 12 January 2015.

***First equity transfer in 2015***

On 8 January 2015, Ms. Yang Fei and Ms. Fan entered into an equity transfer agreement, pursuant to which Ms. Yang Fei agreed to transfer 16% equity interest in our Company to Ms. Fan at nil consideration as the equity interest held by Ms. Yang Fei in our Company had always been held on behalf of Ms. Fan since the establishment of our Company.

Our Company completed the registration with the Local AMR in respect of the abovementioned equity transfer on 16 January 2015. Upon completion, our Company was held as to 40% by Ms. Fan, 20% by Mr. Lv and 40% by Mr. Wang Junmin.

***Second equity transfer in 2018 and establishment of Xizang Zhifeng***

On 1 August 2018, Xizang Zhifeng was established as a holding vehicle of our Company. On 26 September 2018, each of Ms. Fan, Mr. Lv and Mr. Wang Junmin entered into an equity transfer agreement with Xizang Zhifeng, pursuant to which, each of Ms. Fan, Mr. Lv and Mr. Wang Junmin agreed to transfer 40%, 20% and 40% equity interest in our Company to Xizang Zhifeng, at the consideration of RMB50 million, RMB25 million and RMB50 million, respectively. The consideration of such equity transfer was determined based on our Company's then registered capital.

Upon completion, our Company was wholly owned by Xizang Zhifeng, which was in turn held as to 40%, 20% and 40% by Ms. Fan, Mr. Lv and Mr. Wang Junmin, respectively. On 11 October 2018, registration for such equity transfer was completed with Local AMR.

***Acquisition by Ms. He in Xizang Zhifeng***

On 13 November 2019, Ms. He acquired equity interest in Xizang Zhifeng proportionately from the then existing Shareholders, representing 5% of equity interest in our Company. Consequently, Xizang Zhifeng was held as to 38% by Ms. Fan, 19% by Mr. Lv, 5% by Ms. He and 38% by Mr. Wang Junmin.

***Capital increase in 2020 by Xizang Shengyuan***

On 13 July 2020, our Company entered into a capital increase agreement with Xizang Zhifeng, Xizang Shengyuan and Huaxia Mining, pursuant to which, Xizang Shengyuan agreed to subscribe for 45% of equity interest in our Company at the aggregate consideration of RMB294,444,151.46 (among which, RMB102,272,727 was counted as increased registered capital and RMB192,171,424.46 exceeding the increased registered capital was included in our Company's capital reserve). As at the

Latest Practicable Date, [Xizang Shengyuan was undergoing the registration with the local administration for industry and commerce upon completion of which Xizang Shengyuan will be directly wholly owned by Xizang SASAC, and serves as a state-owned investment holding entity.] Xizang Shengyuan is principally engaged in investment in mineral companies in Xizang.

The consideration in respect of the aforementioned capital increase was settled by equity contribution of 45% equity interest in Huaxia Mining held by Xizang Shengyuan, which was determined based on arm's length negotiations with reference to a valuation report issued by Beijing Zhongtonghua Asset Appraisal Co., Ltd. (北京中同華資產評估有限公司), an independent valuer. According to the valuation, the equity value of our Company and Huaxia Mining amounted to approximately RMB566.53 million and 654.32 million. Upon completion of the aforesaid capital increase, our Company was held as to 55% and 45% by Xizang Zhifeng and Xizang Shengyuan, respectively; and Huaxia Mining became the wholly owned subsidiary of our Company. On 24 July 2020, all of our then Shareholders passed a Shareholders' resolution approving the increase of our Company's registered capital to RMB227,272,727 and that the increased registered capital of RMB102,272,727 was contributed by 45% equity interest held by Xizang Shengyuan in Huaxia Mining.

Our Company completed the registration for capital increase on 28 July 2020 and Huaxia Mining completed the registration for change of shareholders on 30 July 2020. Upon completion, Huaxia Mining was wholly owned by our Company.

***Conversion to a Joint Stock Limited Company***

On 27 November 2020, our Company passed a Shareholders' resolution approving the conversion of our Company from a limited liability company into a joint stock limited company and the name of our Company was changed from Xizang Zhihui Industrial Co., Ltd. (西藏智匯實業有限公司) to Xizang Zhihui Mining (西藏智匯礦業股份有限公司).

Upon completion of the conversion, the registered capital of our Company was RMB360 million divided into 360,000,000 Shares with a nominal value of RMB1.00 each, which were subscribed for by Xizang Zhifeng and Xizang Shengyuan in proportion to their respective equity interests in our Company before the conversion. The conversion was completed on 18 December 2020.

***Equity change in 2023 of Xizang Zhifeng***

On 13 December 2023, each of Ms. Fan and Ms. He entered into an equity transfer agreement with Mr. Wang Junmin whereby Mr. Wang divested all of his equity interest in Xizang Zhifeng by simultaneously transferring 3% equity interest to Ms. Fan and 35% equity interest to Ms. He at the consideration of RMB5,375,391.19 and RMB62,712,897.14, respectively, which was determined based on the net asset value of Xizang Zhifeng and arm's length negotiations. As a result, Xizang Zhifeng was held as to 41% by Ms. Fan, 40% by Ms. He and 19% by Mr. Lv.

***Capital increase by employee shareholding platform***

On 6 August 2024, our Company passed a Shareholders' resolution approving the increase of registered capital to RMB365,853,659 by Zhihui Partnership, an employee shareholding platform. On 12 August 2024, our Company entered into a capital increase agreement with Zhihui Partnership, pursuant to which Zhihui Partnership, the employee shareholding platform agreed to subscribe for additional registered capital of RMB5,853,659 at the consideration of RMB20,575,278, which was determined with reference to a valuation report issued by an independent valuer with a premium of RMB14,721,619 included in the capital reserve of our Company. The fund for such capital increase was received by our Company on 23 August 2024 and our Company completed registration of capital increase with the Local AMR on 29 August 2024. Upon completion of the abovementioned capital increase, our Company was held as to 54.12% by Xizang Zhifeng, 44.28% by Xizang Shengyuan and 1.6% by Zhihui Partnership.

Zhihui Partnership is a limited partnership jointly established by 24 employees of our Group. The general partner of Zhihui Partnership is Ms. He, the chairwoman of our Board. The partnership agreement of Zhihui Partnership provides that the executive partner shall be responsible for the management and execution of the affairs of Zhihui Partnership. As such, Ms. He is deemed to be interested in the Shares held by Zhihui Partnership under the SFO. No single ultimate beneficial owner holds 30% or more interests in Zhihui Partnership. Our core connected persons and their respective close associates hold 1.77% of the interest of Zhihui Partnership, which is held by Ms. He.

**AIC Confirmation**

Ms. Fan, Mr. Lv and Ms. He entered into the AIC Confirmation on 26 September 2024. The AIC Confirmation stated that the parties confirm and agree that:

(1) as at the date of signing the AIC Confirmation, Ms. Fan and Mr. Lv jointly control Xizang Zhifeng and thereby exercise control over our Company, serving as its joint de facto controllers, while Ms. He, since her becoming a holder of interest in Xizang Zhifeng in November 2019, has consistently acted in concert with them in all material aspects of the operations of Xizang Zhifeng and our Company, including the exercise of shareholder rights, nomination of directors/supervisors, voting in our shareholders' meetings, daily production/operational decisions, and management appointments, without any disagreements arising. As Xizang Zhifeng's legal representative, Ms. He has always consulted Ms. Fan and Mr. Lv in advance before (i) exercising voting rights on matters submitted to our Shareholders' meetings, or (ii) nominating/deciding director and supervisor candidates for our Company and has consistently voted in alignment with their opinions;

(2) upon execution and effectiveness of the AIC Confirmation, Ms. Fan, Mr. Lv and Ms. He shall continue to act in concert regarding the daily production, operation, management, and material decision-making of Xizang Zhifeng and our Company (whether held directly or indirectly through Xizang Zhifeng, or other entities), committing to actively cooperate and jointly manage operations in accordance with their unanimous will, which include but not limited to: (i) unanimous exercise of shareholder rights (including proposals, director/supervisor nominations, and voting) in Xizang Zhifeng; (ii) prior approval by

Xizang Zhifeng's shareholders' meeting before its legal representative (Ms. He) votes on our Company matters, with voting strictly aligned with the parties' unanimous position, including director/supervisor nominations; (iii) unanimous decisions on operational systems, strategies, financial policies, and market objectives for both Xizang Zhifeng and our Company; (iv) alignment on material matters such as capital changes, equity transfers, charter amendments, investments, joint ventures, and guarantees; (v) consistent actions in all shareholder/board decisions of our Company, including unanimous votes by jointly nominated directors; and (vi) identical senior management nominations and unanimous director votes for both Xizang Zhifeng and our Company.

(3) (i) in a situation where any of the said party is unable to attend Xizang Zhifeng's shareholders' meeting, such party shall authorise another party to attend the meeting and vote on his/her behalf; in a situation where none of the party is able to attend the shareholders' meeting, a third party representative is to be nominated for the meeting purpose; (ii) should Ms. He, in her capacity as Xizang Zhifeng's legal representative, becomes unable to attend Shareholders' meeting of our Company, she shall authorise either Ms. Fan or Mr. Lv to attend and vote on her behalf; or (iii) any director nominated by the parties who cannot attend board meetings of our Company must authorise another jointly nominated director to attend and vote on his/her behalf;

(4) they will consult and negotiate before any shareholders' meetings of Xizang Zhifeng or our Company and to exercise voting rights only upon reaching a unanimous decision. Mr. Lv will align with Ms. Fan on all the shareholder matters of Xizang Zhifeng, with Ms. Fan's opinion prevailing in case of disagreement. Ms. He will align with both Ms. Fan and Mr. Lv on all matters as a shareholder and legal representative of Xizang Zhifeng, with the joint opinion of Ms. Fan and Mr. Lv prevailing in case of disagreement;

(5) any transfer of equity in Xizang Zhifeng requires prior consent from the other parties, who have a right of first refusal, and equity will be allocated proportionately if both exercise this right. They will not enter into any agreements with third parties regarding company management or control without unanimous agreement; and

(6) the AIC Confirmation takes effect upon execution, remains valid as long as they hold equity directly or indirectly in Xizang Zhifeng or our Company, unless terminated by mutual agreement.

## SUBSIDIARIES OF OUR COMPANY

We adopt the integrated management and operation model within our Group and the management of our subsidiaries was conducted by our senior management team, whereby the management decisions with respect to overall strategic planning, business operation, financial management, internal control and human resources are executed at both Group and subsidiary levels.

As at the Latest Practicable Date, we had five subsidiaries, the details of which are as follows:

**Huaxia Mining**

Huaxia Mining was established in Nagqu, Xizang, the PRC as a limited liability company on 10 May 2004 with an initial registered capital of RMB10 million. The registered capital of Huaxia Mining was subsequently increased to RMB70 million on 25 June 2010. Upon its establishment and prior to the acquisition of 55% equity interest by our Company in November 2014, Huaxia Mining was owned as to 55% and 45% by Xizang Huayi Industrial and Trade Co., Ltd. (西藏華億工貿有限公司) ("**Huayi Industrial and Trade**") and Second Brigade of the Geological Mineral Exploration and Development Bureau of the Xizang Autonomous Region (西藏自治區地質礦產勘查開發局第二地質大隊) ("**Second Brigade**"), respectively.

On 20 September 2014, our Company entered into an agreement with Huayi Industrial and Trade, pursuant to which our Company shall absorb Huayi Industrial and Trade. Upon completion of the absorption and the merger, our Company became the shareholder of Huaxia Mining. Huaxia Mining completed the registration with the Local AMR in respect of the abovementioned merger on 14 November 2014. Upon completion, Huaxia Mining was owned as to 55% and 45% by our Company and Second Brigade.

In April 2019, 45% equity interest held by Second Brigade in Huaxia Mining was transferred to Xizang Juyuan Geological Mineral Development Co., Ltd. (西藏聚源地礦開發有限公司) ("**Juyuan Geological Mineral**"). In May 2019, pursuant to an equity transfer agreement entered into between Juyuan Geological Mineral and Xizang Shengyuan, Juyuan Geological Mineral transferred the 45% equity interest to Xizang Shengyuan at the consideration of RMB170.6 million, which was determined with reference to a valuation report issued by an independent issuer.

On 13 July 2020, Xizang Shengyuan entered into a capital increase agreement with our Company, pursuant to which, Xizang Shengyuan subscribed for 45% equity interest in our Company in consideration of its 45% equity interest in Huaxia Mining. For details, see "— Our Corporate Development — Capital increase in 2020 by Xizang Shengyuan" above in this section. Huaxia Mining completed registration for such equity transfer with the Local AMR on 30 July 2020. Upon completion of such equity transfer and up to the Latest Practicable Date, Huaxia Mining was wholly owned by our Company.

Huaxia Mining is principally engaged in mineral exploration and production and sales of concentrates.

**Huahai Mineral**

Huahai Mineral was established in Lhasa, Xizang, the PRC on 10 July 2019 with a registered capital of RMB1 million. Upon its establishment and up to the Latest Practicable Date, Huahai Mineral was wholly owned by Huaxia Mining.

Huahai Mineral is principally engaged in exploration, processing and sales of concentrates.

**Zhihua Industrial**

Zhihua Industrial was established in Lhasa, Xizang, the PRC on 11 September 2019 with a registered capital of RMB1 million. Upon its establishment and up to the Latest Practicable Date, Zhihua Industrial was wholly owned by our Company.

Zhihua Industrial is principally engaged in sales of concentrates.

**Huazhong Industrial**

Huazhong Industrial was established in Nagqu, Xizang, the PRC on 17 December 2019 with a registered capital of RMB10 million. Upon its establishment and up to the Latest Practicable Date, Huazhong Industrial was wholly owned by Huaxia Mining.

Huazhong Industrial is principally engaged in sales of concentrates.

**Zhihui Mining (Hong Kong)**

Zhihui Mining (Hong Kong) was incorporated in Hong Kong on 6 January 2025 with the total issued share capital of HK$24,000,000. Upon its incorporation and up to the Latest Practicable Date, Zhihui Mining (Hong Kong) was wholly owned by our Company.

Zhihui Mining (Hong Kong) is principally engaged in trading of mineral products.

## MAJOR ACQUISITIONS, MERGERS AND DISPOSALS

Throughout the Track Record Period and as at the Latest Practicable Date, we did not conduct any major acquisitions, mergers or disposals.

## PREVIOUS [REDACTED] ATTEMPT

In December 2020, we entered into an agreement with CITIC Securities Company Limited (中信証券股份有限公司) in relation to the pre-[REDACTED] application guidance and made a preliminary filling (上市輔導備案) with the Xizang Office of the CSRC (中國証券監督管理委員會西藏監管局) in December 2020 for its proposed application for [REDACTED] on Shanghai Stock Exchange ("**A Share [REDACTED] Attempt**").

Having taken into account our long-term business development plan and financing needs for our further expansion, and considered that the [REDACTED], being an internationally recognised and reputable stock exchange, to be a more appropriate [REDACTED] venue, our Company voluntarily decided not to continue the A Share [REDACTED] Attempt in 2024 and to pursue a [REDACTED] in Hong Kong. We were given to understand that the duration of our A Share [REDACTED] Attempt's guidance filing was not abnormally prolonged compared to the standard A-share guidance filing practices, based on the observations from several independent market practitioners with experience in A-share [REDACTED]. As at the Latest Practicable Date, our Company did not submit any formal [REDACTED] application in relation to the A Share [REDACTED] Attempt to any regulatory

authority in the PRC nor received any material enquiries or comments from the CSRC and all other applicable regulatory authorities. Our Directors further confirmed that there is no other material matter in relation to the A Share [REDACTED] Attempt that needs to be brought to the attention of the investors and the [REDACTED].

Based on the independent due diligence work performed by the Joint Sponsors, the Joint Sponsors are not aware of any material matters relating to the A Share [REDACTED] Attempt that may have implications to our suitability for [REDACTED] on the [REDACTED] or that need to be brought to the attention of the investors and the [REDACTED].

## REASONS FOR THE [REDACTED]

Our Directors believe that the [REDACTED] of our H Shares on the [REDACTED] benefits our Group and our Shareholders considering that the [REDACTED] offers an international platform for accessing wider capital fund pool and promoting our Group to global investors, which in turn provides further capital to bolster our business development and international expansion efforts, and to strengthen our Group's working capital. For details of our application of [REDACTED] from the [REDACTED], please see "Future Plans and [REDACTED]" in this document.

## COMPLIANCE WITH LAWS AND REGULATIONS

As advised by our PRC Legal Advisers, we have obtained relevant approvals or confirmation and has registered or filed with the relevant competent authorities (where applicable) in accordance with the relevant laws and regulations in respect of its establishment and subsequent transfers of equity interests, and changes in registered capital (where applicable), and the establishment of our Company and subsequent transfers of equity interests and changes in registered capital (where applicable) are effective and legally binding.

## PUBLIC FLOAT

Immediately upon completion of the [REDACTED], our Company will have a total number of [REDACTED] Shares, comprising [REDACTED] Domestic Shares and [REDACTED] H Shares. [REDACTED] Domestic Shares, including [REDACTED] Domestic Shares held by our Controlling Shareholders, will not be considered as part of the public float as such Domestic Shares will not be converted into H Shares. [REDACTED] H Shares (representing approximately [REDACTED]% of our total issued Shares upon [REDACTED]) to be issued by our Company under the [REDACTED] to [REDACTED] will be counted towards the public float.

With respect to the indicative [REDACTED] of HK$[REDACTED], HK$[REDACTED] and HK$[REDACTED] per [REDACTED] (being the low-end, mid-point and the high-end of the [REDACTED], respectively), the expected market capitalization of the Company's H Shares at the time of [REDACTED] will be approximately HK$[REDACTED] billion, HK$[REDACTED] billion and HK$[REDACTED] billion, respectively. Under Rule 19A.13A(1) of the Listing Rules, in the event the expected market value of the Company's H Shares upon [REDACTED] does not exceed HK$[REDACTED] billion, at least [REDACTED]% of the total issued H Shares must be held by the public upon [REDACTED], and the Company's expected public float of [REDACTED]% will satisfy the minimum public float requirement under Rule 19A.13A(1) of the Listing Rules.

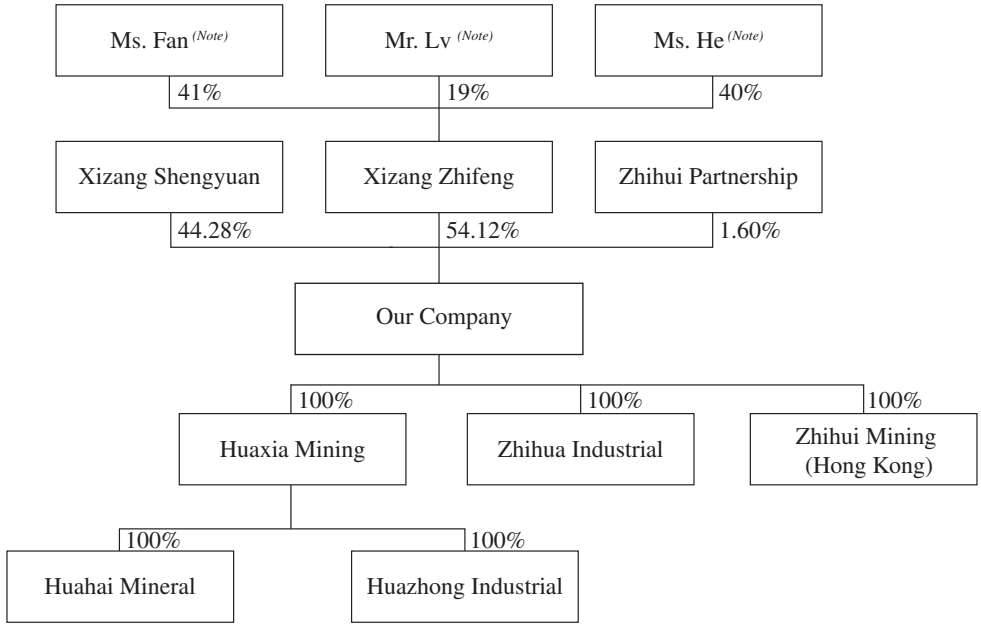
## FREE FLOAT

Rule 19A.13C of the Listing Rules provides that, where a new applicant is a PRC issuer with no other [REDACTED] shares at the time of [REDACTED], this will normally mean that the portion of H shares for which [REDACTED] is sought that are held by the public and not subject to any disposal restrictions (whether under contract, the Listing Rules, applicable laws or otherwise), at the time of [REDACTED], must:(a) represent at least 10% of the total number of issued shares in the class to which H shares belong at the time of [REDACTED] (excluding treasury shares), with an expected market value at the time of [REDACTED] of not less than HK$50,000,000; or (b) have an expected market value at the time of [REDACTED] of not less than HK$600,000,000. [As at the Latest Practicable Date, none of the Shares held by the public is subject to any disposal restrictions, our Company can satisfy the free float requirement under Rule 19A.13C of the Listing Rules.]

## OUR SHAREHOLDING AND CORPORATE STRUCTURE

### Corporate Structure Immediately Before Completion of the [REDACTED]

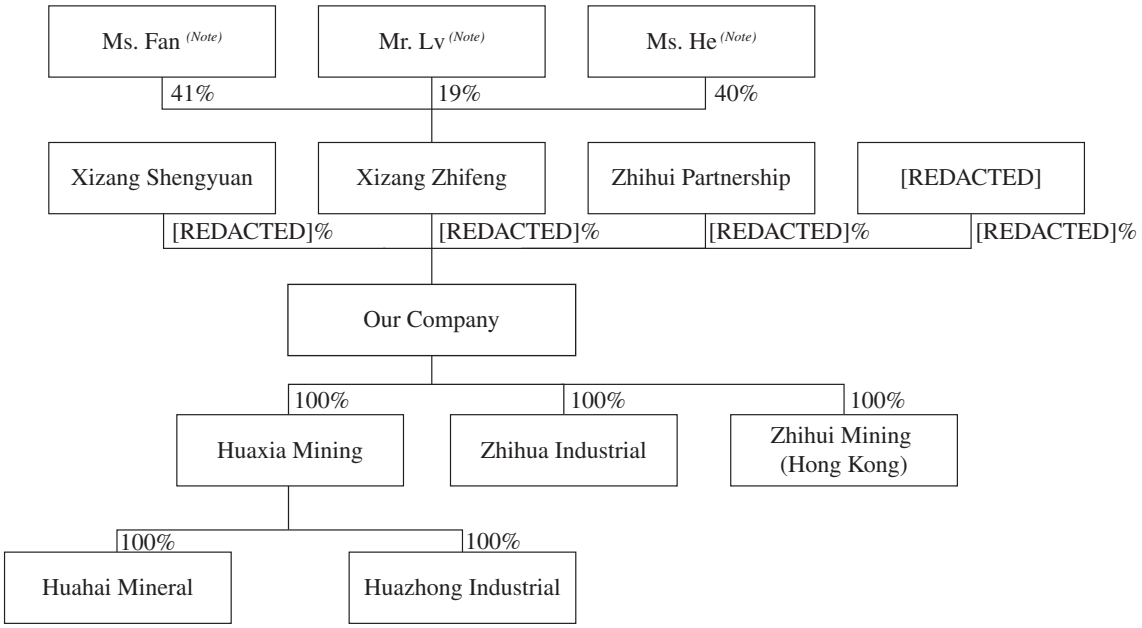
The chart below sets out the shareholding structure of our Company immediately before completion of the [REDACTED]:




*Note:* By the AIC Confirmation entered into among Ms. Fan, Mr. Lv and Ms. He, they confirmed that since November 2019, Ms. Fan and Mr. Lv have jointly controlled of our Company, and Ms. He has been acting in concert and will continue to act in concert with them.

**Corporate Structure Immediately after Completion of the [REDACTED]**

The chart below sets out the shareholding structure of our Company immediately after completion of the [REDACTED] (assuming the [REDACTED] is not exercised):




*Note:* By the AIC Confirmation entered into among Ms. Fan, Mr. Lv and Ms. He, they confirmed that since November 2019, Ms. Fan and Mr. Lv have jointly controlled of our Company, and Ms. He has been acting in concert and will continue to act in concert with them.

## OVERVIEW

We are a mining company focusing our business on zinc, lead and copper exploration, mining, production and sales of concentrates based in Xizang, China. According to SMM, we ranked fifth in terms of the annual production volume of zinc concentrates, fourth in terms of the annual production volume of lead concentrates, and fifth in terms of the annual production volume of copper concentrates in Xizang in 2024. Our business is located in Rongdoi Township, Jiali County, Nagqu, Xizang. Our Mengya'a Mine comprises an open-pit mine which is in its commercial operation stage, and an underground mine, which has commenced commercial operation since the second quarter of 2025. Our mining operation is located within the nationally designated Jinda Integrated Exploration Area at an altitude between 5,000.0 m asl and 5,300.0 m asl where rich mineral resources have been found. We hold exploration rights over an area of approximately 58.5 sq.km and mining rights over an area of approximately 4.5 sq.km, respectively. With our ESG commitment, our Mengya'a Mine has been selected in the List of National Green Mine (《綠色礦山名錄》) by the Ministry of Natural Resources of the PRC (中華人民共和國自然資源部). Safety is our first priority. We were awarded the "2024 Annual Regional Safety Production Advanced Enterprise (2024年度全區安全生產先進企業)" by Xizang Autonomous Region Department of Emergency Management (西藏自治區應急管理廳). As a mining company in Xizang, we believe we need to consistently adopt a localised business approach, taking into account the unique geological conditions and Xizang's specific policies to ensure our business can adapt to the local conditions and lead to ongoing business sustainability and success. As at 31 July 2025, our open-pit mine contained total Ore Reserves of 1,438.0 kt at average grades of 4.90% Zn, 0.69% Pb, 0.10% Cu and 10.09 g/t Ag; and our underground mine contained total Ore Reserves of 10,623.0 kt at average grades of 4.14% Zn, 2.99% Pb, 0.21% Cu and 35.00 g/t Ag. Our Mengya'a Mine can, in aggregate, supply 400.0 kt of ores annually for concentrate production at our processing plant.

We have a business operation chain that encompasses exploration, mining, production, and sales of concentrates. Our main products include zinc concentrates, lead concentrates and copper concentrates. During the Track Record Period, our revenue was generated from sales of these concentrates to our customers in China. Our customers included nonferrous metal traders who generally conducted onward sales of concentrates to end users of concentrates; and refineries who further processed our concentrates depending on their customers' needs. We possess solid experience of producing lead, zinc and copper concentrates; and we have received multiple awards and accolades. Notably, we were awarded the "China Nonferrous Metals Industry Science and Technology Award" (中國有色金屬工業科學技術獎) by the China Nonferrous Metals Industry Association (中國有色金屬工業協會) and the Nonferrous Metals Society of China (中國有色金屬學會) in 2019. We are committed to unlocking the potential of Xizang's mining industry, by leveraging Xizang's unique geological conditions and rich mineral resources. We also aim to implement advanced technologies and innovative practices throughout our business operations.

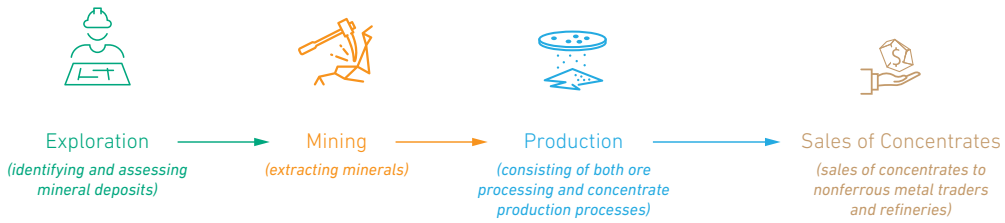
The following table sets out the highlights of our essential operating mining assets as at the Latest Practicable Date.

| Asset | Highlights |
|---|---|
| Mengya'a Mine | • Comprises an open-pit mine which has been in commercial operation since 2007, an underground mine which has commenced commercial operation since the second quarter of 2025, a base camp complex, a processing plant, and two tailings storage facilities clustered within a 10.0 km radius, at elevations between 4,600.0 m asl and 5,600.0 m asl<br>• Both the mines and the project sites are situated at elevations between 5,000.0 m asl and 5,300.0 m asl<br>• Located in Rongdoi Township, Jiali County, Nagqu, Xizang, which is approximately 120.0 km northeast of Lhasa<br>• Permitted annual mining capacity of 400.0 kt<br>• LoM of approximately 31 years (combined basis) |
| *Open-pit mine/ Pb 14* | • An open-pit Pb-Zn(-Cu-Ag) skarn deposit mine<br>• Commenced commercial production since 2007<br>• LoM of approximately 8 years on a standalone basis with the presumption of an annual production of approximately 200.0 kt |
| *Underground mine/ Pb 12* | • An underground mine, which has entered into its commercial operation stage since the second quarter of 2025<br>• LoM of approximately 31 years<br>• Located approximately 3.0 km east of the open-pit mine |
| Base camp complex | • An administration and accommodation complex<br>• Approximately 10.0 km north of the mining sites, at an elevation of around 4,600.0 m asl |
| Processing plant (Mengya'a Beneficiation Plant) | • An ore processing plant to produce zinc, lead and copper concentrates as its primary products<br>• Commenced commercial production since December 2010 |

| Asset | Highlights |
|---|---|
| Tailings storage facilities | • Includes Phase 1 Tailings Pond which is currently in use and Phase 2 Tailings Pond, which has been substantially completed and is expected to commence operation in 2026<br>• Facilities for storing tailings generated from the flotation process |

The following flowchart illustrates our business operation chain.

**Business Operation Chain**




- ***Exploration*:** Exploration is the initial phase which involves identifying and assessing mineral deposits through geological surveys, sampling and drilling. Exploration of mining resources in Xizang is inherently challenging due to the region's rugged terrain, high altitudes and harsh weather conditions, which can hinder accessibility and operational efficiency. These factors require specialised techniques and professional planning to effectively assess and develop the mineral potential in this unique environment. Some of our exploration team members possess more than a decade of exploration experience in Xizang, thereby deeply understanding Xizang's resources. We benefit from technical support and engage qualified external teams for some tasks. In respect of geophysical exploration, our exploration team has collaborated with the Second Brigade of the Xizang Autonomous Region Geological and Mineral Exploration and Development Bureau (西藏自治區地質礦產勘查開發局地質二隊) and Xizang Chuandi Geology Survey Engineering Company Limited (西藏川地地質勘查工程有限公司). In respect of testing and analysis, our exploration team has collaborated with Lhasa Jinzangyan Mineral Analysis and Testing Company Limited (拉薩金藏岩礦分析測試有限公司). Through these collaborations, we have a solid grasp of the characteristics and conditions of Xizang's terrain and mining areas, including accessibility, climate, physiography and the technical challenges they may present, enabling us to develop solutions for more efficient exploration efforts.

Our exploration team utilises analytical methods to evaluate the potential of various sites in Xizang, ensuring that we focus on areas with the highest likelihood of yielding valuable ores (i.e., ores that at least meet the cut-off grade for concentrate production purpose). We have also conducted research in collaboration with China University of Geosciences (中國地質大學) in the field of exploration. Through this collaboration, we successfully identified a new method for exploring potential mineral resources based on the variation of indicator elements in greenstone (基於綠泥石指示元素變化判別找礦類型的新辦法), which is a core invention patent among our intellectual property portfolio. Meanwhile, we place great emphasis on the innovation of exploration equipment to enhance our exploration efficiency with new technologies. To this end, we strengthen R&D efforts in developing new equipment and devices used in our ore exploration activities. As at 31 July 2025, we possessed two utility model accreditations for our ore exploration equipment, and our exploration team consisted of five geologists, among which two held Senior Engineer Qualification Certificates (高級工程師資格證書) in the PRC. During the Track Record Period, we entirely outsourced exploration and mining works to subcontractors. See "— Mining — Exploration and Mining Subcontracting Arrangement" in this section for details.

- ***Mining:*** Once a viable deposit is confirmed, we may proceed to the mining phase. This involves extracting minerals by applying specific techniques based on our exploration mining studies and results. We have been using open-pit mining technique for our open-pit operations, and we have commenced the commercial operation of the underground mine since the second quarter of 2025. Our mining operations prioritise safety, efficiency and minimal environmental impact.

  Based on exploration and technical studies results, appropriate mining methods for open-pit or underground mining are determined, and the necessary infrastructure, including roads, power supply and water resource management systems, is planned. Once all required licences and permits are obtained, we enter into the mining preparation phase, which generally involves site clearing and the establishment of facilities such as mine entrances, crushing stations and concentrators. During the actual mining process, if the open-pit mining method is applied, the overburden must first be removed, and blasting techniques are applied to break large ore blocks for transport. In the case of underground mining, a network of access tunnels is created, along with measures to ensure tunnel stability. Upon the conclusion of mining process, ores will be transported to our processing plant. Meanwhile, we will record the quantity of the ores that have been extracted, ensuring compliance with the annual mining limit volume stipulated in our mining licence.

  During the Track Record Period, we engaged three subcontractors in respect of our mining works. As these subcontractors were also instructed to undertake exploration works, we gave them clear guidelines prior to the commencement of any exploration and mining works, ensuring exploration and mining works can be conducted in accordance with our technical studies. Ores are transported to our processing plant. Currently, we have one processing plant, which is located in a valley 10.0 km north of our mining site. During the Track Record Period, we engaged two transportation service providers which were responsible for transporting ores to our processing plant.

We also purchased high-grade ores from independent third party ore suppliers in 2024 and 2025. See "— Mining — Management Discussion on Ore Procurement" in this section for details.

- ***Production:*** Production consists of two steps including ore processing and concentrate production. Ores are processed at our processing plant, namely, Mengya'a Beneficiation Plant, to produce concentrates. The production of our zinc, lead and copper concentrates involves several key stages, starting with crushing and grinding to reduce the ore size and liberate valuable ore minerals. Next, concentration methods, primarily representing flotation, are employed to separate valuable ore minerals from gauge minerals, by using chemicals to create bubbles that allow targeted minerals to float to the surface. The concentrated ores are subsequently filtered and dried to remove moisture to achieve the desired purity in accordance with the requisite industry standards and our customers' requests. Throughout this process, proper management and disposal of waste materials and tailings are essential to minimise environmental impacts.

  The improvement of grinding fineness is a key aspect of our production process, which requires blending due to the high impurity content in ores. Additionally, high-grade ores and mineralised waste may also be blended economically for us to produce feed ores that meet the specifications for concentrate production purpose. By replacing and upgrading the grinding cyclone classifier, we have increased the original grinding fineness from 65.0 to 70.0% passing 74.0 μm to 70.0 to 75.0% passing 74.0 μm. Additionally, we have implemented a fully enclosed water recycling system without discharge, which has earned us "China Nonferrous Metals Industry Science and Technology Award" (中國有色金屬工業科學技術獎) in December 2019. We also introduced new beneficiation equipment in 2024, including flotation columns with an aim to improve the quantity and quality of our concentrates.

- ***Sales of concentrates:*** Our three main mineral products represent zinc concentrates, lead concentrates and copper concentrates, each of which play a significant role in various industries. Generally speaking, lead concentrates are crucial for the production of batteries, radiation shielding and a variety of alloys, making them indispensable in the automotive and electronics sectors. Zinc concentrates are primarily used for galvanising steel to prevent corrosion, as well as in the manufacturing of brass and other alloys. In parallel, copper concentrates can be used in electrical applications attributable to their excellent conductivity and are widely used in wiring, plumbing and electronic devices. During the Track Record Period, our customers consisted of (i) nonferrous metal traders who generally conducted onward sales to end users of concentrates; and (ii) refineries which further processed our concentrates based on the needs of their customers.

By focusing on the quality and efficiency of our mining and production process, we ensure that our concentrates meet the industry standards, satisfying our customers' diverse needs and reinforcing our position as an active and reliable mining company in Xizang. According to SMM, the broader zinc, lead and copper market is characterised as a typical demand-over-supply market, with strong demand from end users of concentrates. Driven by the growth in downstream industries such as renewable energy, the prices of concentrates are expected to remain at a relatively high level in the foreseeable future. Our average selling prices for zinc, lead and copper concentrates reached approximately RMB27,959.0 per tonne, RMB14,097.0 per tonne and RMB75,855.0 per tonne for the seven months ended 31 July 2025, respectively.

For the years ended 31 December 2022, 2023, 2024 and the seven months ended 31 July 2025, our total revenue was approximately RMB482.4 million, RMB546.1 million, RMB301.4 million and RMB256.6 million, respectively. For the year ended 31 December 2022, 2023, 2024 and the seven months ended 31 July 2025, our gross profit was RMB174.6 million, RMB217.7 million, RMB104.5 million and RMB85.7 million, with a gross profit margin of approximately 36.2%, 39.9%, 34.7% and 33.4%, respectively. For the year ended 31 December 2022, 2023, 2024 and the seven months ended 31 July 2025, our net profit was approximately RMB117.9 million, RMB154.7 million, RMB55.9 million and RMB51.7 million, with a net profit margin of approximately 24.4%, 28.3%, 18.5% and 20.2%, respectively.

The following table sets out a breakdown of our revenue by product type for the years/periods indicated.

| | For the year ended 31 December | | | | | | For the seven months ended 31 July | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2022 | | 2023 | | 2024 | | 2024 | | 2025 | |
| | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* |
| Zinc concentrates | 296,266 | 61.4 | 273,780 | 50.1 | 215,811 | 71.6 | 40,448 | 55.7 | 124,688 | 48.6 |
| Lead concentrates | 160,229 | 33.2 | 222,746 | 40.8 | 71,512 | 23.7 | 25,274 | 34.8 | 106,300 | 41.4 |
| Copper concentrates | 25,859 | 5.4 | 49,602 | 9.1 | 14,111 | 4.7 | 6,897 | 9.5 | 25,639 | 10.0 |
| **Total** | 482,354 | 100.0 | 546,128 | 100.0 | 301,434 | 100.0 | 72,619 | 100.0 | 256,627 | 100.0 |

The following table sets out a breakdown of our revenue by customer type for years/periods indicated.

| | For the year ended 31 December | | | | | | For the seven months ended 31 July | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2022 | | 2023 | | 2024 | | 2024 | | 2025 | |
| | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* |
| Nonferrous metal trader | 371,800 | 77.1 | 406,410 | 74.4 | 227,210 | 75.4 | 62,978 | 86.7 | 214,898 | 83.7 |
| Refinery | 110,554 | 22.9 | 139,718 | 25.6 | 74,224 | 24.6 | 9,641 | 13.3 | 41,729 | 16.3 |
| **Total** | 482,354 | 100.0 | 546,128 | 100.0 | 301,434 | 100.0 | 72,619 | 100.0 | 256,627 | 100.0 |

## COMPETITIVE STRENGTHS

We believe that the following strengths provide the foundation of our position as one of the leading mining companies in Xizang:

### We enjoy a distinct advantage in Xizang for our sufficient and high-calibre mineral resources given the region's geographical characteristics

We enjoy a distinct advantage in Xizang, attributable to our abundant and high-quality mineral resources, which are enhanced by the region's favourable geographical characteristics. Our mining operations are centred around rich polymetallic resources, representing zinc, lead and copper, which serve as our main processing materials. As at 31 July 2025, our open-pit mine contained total Ore Reserves of 1,438.0 kt at average grades of 4.90% Zn, 0.69% Pb, 0.10% Cu and 10.09 g/t Ag; and our underground mine contained total Ore Reserves of 10,623.0 kt at average grades of 4.14% Zn, 2.99% Pb, 0.21% Cu and 35.00 g/t Ag. This reliability plays a crucial role in supporting our long-term concentrate production activities and sales strategies, ensures our sustainable growth and fosters our position us as an active and leading market player in Xizang.

The relatively complex geological structure of the Xizang Plateau creates ideal conditions for the formation of a wide array of both metallic and non-metallic mineral resources. This rich geological diversity is not a mere natural asset; it also serves as the essential foundation for our business sustainability and growth. The unique geological formations and processes in the region contribute to the concentration of valuable minerals, allowing us to tap into substantial reserves that are critical for our business operations. The said geological richness significantly reduces the costs and risks associated with exploring and developing new mining sites. With a well-defined understanding of Xizang's geology, we are able to strategically target exploration efforts, leading to more efficient resource identification and extraction. This targeted approach minimises uncertainties and enhances the overall productivity of our mining operations. Additionally, the favourable geological conditions indicate that we can expect higher-quality mineral deposits, which further streamline our concentrate production. The combination of reduced exploration risks and access to high-grade ores not only improves our mining operational efficiency but also strengthens our competitive position in the mining market, known for the provision of our high-calibre concentrates. As we continue to leverage the geological advantage of Xizang, we are well-equipped to sustain our growth and meet the increasing demands for our products, being zinc, lead and copper concentrates. This is testified by our effort and success in developing our underground mine in Xizang, which has commenced its commercial operation since the second quarter of 2025, and can supply, in aggregate, 400.0 kt of ores annually to our processing plant.

### Our business operations are community-centric and are built upon a strong local reputation through active and close community interactions

We follow the philosophy of adaptive development catering to the local natural environment, cultural traditions and socio-economic conditions of Xizang. This philosophy is reflected not only in our approach to mineral development but also permeates all aspects of our business management and community engagement. We actively participate in ecological protection and restoration, promoting

a green transformation in the local sand and gravel industry, as a responsible enterprise committed to minimising environmental impact resulting from our mining activities. Specifically, we prioritise ecological and environmental protection and have formulated land reclamation plans for our mining operations and tailings pond in accordance with the PRC laws and regulations. We commit to promoting ecological restoration, reclaiming the damaged lands and restoring the productivity of the damaged lands upon completion of the mining operations. See "— Environmental, Social and Governance" in this section for details. Hence, we have earned high recognition from the local government and residents. To acknowledge the aforesaid, our Mengya'a Mine has been selected into the List of Green Mine (《綠色礦山名錄》), an accolade showcasing our ESG endeavours, commitment to the society and respect for the nature and the local residents.

We value fostering friendly relationships with the local Xizang residents, respecting and protecting their culture and way of life. We prioritise employing local labour and provide skills training opportunities to help them enhance their employment skills and increase local income level. As at 31 July 2025, approximately 20.0% of our employees were ethnics minorities, across different departments and working units. We believe this inclusion demonstrates our adaption to the local Xizang working culture and commitment to the region. Our exploration and mining activities in Xizang require not only advanced technological support but also a deep understanding of, and respect for the local culture and social structure due to the special geological locations and the unique cultural background of the region. Since our establishment, we have been focusing on resource development in Xizang, accumulating rich operational experience and establishing long-term, stable partnerships with the local government and indigenous communities. In addition, we support local educational initiatives to demonstrate our commitment to the local community. These measures have facilitated strengthening community cohesion and promoted social harmony. Compared with new market entrants in the broader mining industry, our local connections and social networks create formidable competitive barriers, thereby securing our leading position in exploration and mining activities in Xizang. We remain committed to sustainable development, aiming to promote economic growth while protecting Xizang's local cultural and natural heritage.

**The longevity of expanded tailings storage capacity is well-positioned to support our mining operations and demonstrates our commitment to, and resilience in sustainable mining activities**

We are currently constructing a new tailings pond, in addition to our existing tailings pond which we expect will reach its maximum storage capacity around 2026 given our high ore processing and concentrate production speed. We expect to put our new tailings pond into operation in 2026. Our expanded tailings facilities are strategically designed to effectively support our mining activities for another 31 years. As at the Latest Practicable Date, our new tailings pond, namely, Phase 2 Tailings Pond, is one of the largest in terms of storage capacity in the lead-and-zinc industry in Xizang and is also one of the highest in terms of elevation in China. As at the same date, we were applying for the "Snow Lotus Award" (雪蓮杯) to accredit our tailings pond for the aforementioned "Xizang's firsts". In terms of the industry norm, tailings storage can present operational limitations for many of the mining companies. See "Business — Production — Tailings" in this document for details relating to our new tailings pond which is currently under construction. Specifically, the capacity of the tailings pond limits a company's mining operations over time. Once the maximum storage capacity is reached, mining companies must either suspend or reduce mining activities to avoid potential environmental risks and legal liabilities. Additionally, as the tailings pond approaches its maximum capacity, the costs of processing and transporting tailings may increase, requiring companies to invest

more in infrastructure and, consequently, raising operational costs. Furthermore, mining companies must comply with environmental regulations to ensure that tailings management meets the requisite government standards. Failure to adhere to these regulations could result in fines. Nonetheless, our robust and extended capacity of our tailings facilities storage infrastructure effectively mitigates these issues. Our extended tailings facility longevity not only reflects our unwavering commitment to sustainable mining practices but also positions us with a competitive advantage in the mining industry where effective tailings management is often a pressing concern for most of the market players. This allows us to concentrate on optimising our mining operational efficiency and maximising productivity without the constant pressures and uncertainties associated with limited storage options. Moreover, our ability to maintain a long-term tailings storage capacity demonstrates our foresight and strategic planning in resource management. It provides reassurance to the local community that we are dedicated to responsible mining activities. By mitigating risks associated with tailings, we become able to invest in further enhancements to our mining operations, knowing that we have a solid foundation to support our ongoing mining activities.

Our Phase 2 Tailings Pond will backup our tailings absorption capacity. This expansion is not a mere logistical improvement; it represents a pivotal advancement in our mining operational capabilities. Our investment in advanced tailings management solutions underscores our proactive approach to tackling challenges inherent to the mining industry and emphasises our deep-rooted commitment to environmental stewardship. Where sustainability is increasingly critical, a strategic development positions us favourably for long-term growth and resilience in today's mining landscape, which we believe sets us apart from our competitors who may struggle with inadequate storage solutions, ensuring that we remain at the forefront among the local competitors while upholding our ESG commitment.

**We possess technological expertise and a dedicated and stable talent pool to ensure our continued success**

We boast a strong intellectual property portfolio, highlighted by our ownership of 12 patents related to mining and mineral processing technologies. These patents encompass a range of innovative mining methods and novel-yet-practical devices, reflecting our unwavering determination to advance the mining industry through our R&D. Our investment in innovation positions us at the forefront of technological advancements in the mining industry. Among our inventions is a novel method for exploring ore types based on the variation of indicator elements in greenstone (基於綠泥石指示元素變化判別找礦類型的新辦法). This innovative approach leverages the unique properties of illite, a common clay mineral, to detect variations in elemental composition that can indicate the presence of specific minerals or ores. By analysing these elemental changes, our extraction team becomes able to identify mining types more accurately, enhancing our ability to locate valuable resources efficiently. This innovation also exemplifies our commitment to leveraging technology in our business operations, ultimately driving sustainable practices and maximising resource recovery in our mining activities. Additionally, we have developed various applications designed to enhance air purification in mines, improve dust control and optimise mineral exploration processes. These advancements are crucial in addressing the environmental challenges faced by the mining industry today.

Our diverse patent portfolio highlights our technological expertise and demonstrates our dedication to environmental sustainability and operational efficiency. By integrating sustainable practices into our mining operations, we are committed to minimising our ecological footprint while maximising resource recovery. This approach aligns with global trends toward responsible resource management and positions us favourably in the eyes of stakeholders who prioritise sustainability. Furthermore, our focus on R&D, combined with our capability to translate technological know-how into practical solutions, positions us as a leader in the mining industry in Xizang. We continually strive to enhance the quality of our zinc, lead and copper concentrates and adapt to the evolving demands of the industry. These technological knowhows are outlined in the "Detailed Exploration Implementation Plan for Lead-Zinc Deposits in the Mengya'a Mining Area (2024-2028)" (《蒙亞礦區週邊鉛鋅礦詳查實施方案(2024-2028年)》), based on which we will become able to implement highly efficient mechanised mining methods by introducing automated equipment and technologies. The said technologies include near infra-red spectrum ore analysing technology, which can be applied in exploration process to improve efficiency.

In addition to our technological knowhows, we also have a dedicated and stable talent pool composed of qualified and experienced professionals. As at 31 July 2025, we had five geological specialists, including two nationally-accredited technical experts, i.e., safety production experts recognised by the National Mine Safety Administration, who represented 40.0% of the nationally accredited geology technicians in Xizang. Some of our professional geologists have worked for our Group for almost a decade, and some of them are our veteran experts, having been working for us since our establishment. They are well-acquainted with the local geography, extraction technology requirements and local culture of Xizang. These technicians also possess deep and solid technical knowledge in the mining field, helping us navigate the issues we may face in our mining activities.

**A reliable and experienced management team and an inclusive group culture**

We boast a long-serving and cohesive management team with a proven track record in the mining industry in China. Ms. He Qian, our executive Director and chairwoman of our Board, possesses over two decades of experience in accounting, investment management and corporate governance. Mr. Lv Xijun, our non-executive Director, who was our General Manager until April 2023 has possessed over 16 years of experience in metal and mining industries. Additionally, with Mr. Lhakpa Tsering and Mr. Silang Wangdui (each of whom is a local Xizang resident) on board, our management team has become ethnically diverse. They can provide us with more insights into Xizang's unique culture, which is crucial for us to keep abreast with the local development and facilitate our seamless adaption to the local business culture. See "Directors and Senior Management" in this document for the detailed introduction of each of Ms. He, Mr. Lv, Mr. Lhakpa Tsering and Mr. Silang Wangdui.

Our corporate culture is embroidered with devotion and dedication, fostering an inspiring environment for our employees in pursuit of excellence. We are committed to developing tailored growth plans that nurture individual strengths. Most of our senior management members have been trained and organically promoted based on their performances and growth potential. We also recruit well-rounded talents with valuable skills and experience gained outside our Group enriching our diverse group culture. We value both our internally trained talents, who offer loyalty and home-grown capabilities, as well as our external hires, who contribute complementary skill sets and experiences. We believe our unique group culture is key to our success and serves as the backbone of our continuous and sustainable growth.

## OUR STRATEGIES

### Increase our exploration investments within our existing mining rights in Xizang

We are committed to enhancing our exploration investments within our existing mining rights in Xizang. Our strategic focus will be on identified exploration areas in the region, where we aim to increase our total metal content. This initiative is driven by our belief in Xizang's untapped potential and the necessity of bolstering our resource base to meet growing market demands for our products. By allocating additional resources and leveraging advanced exploration techniques, we anticipate uncovering valuable deposits that will not only strengthen our leading position in the mining industry in Xizang but also contribute to our sustainable growth. This approach will enable us to optimise our mining operations, enhance our competitive edge and ensure long-term value creation for our stakeholders.

The "Overall Planning for Mineral Resources in Nagqu (2021-2025)" (《那曲市礦產資源總體規劃(2021-2025)》) explicitly outlines the strategy to strengthen the national planning for the construction of the Jiali Mengya — Gongbu Jiangda Yaguila lead-zinc mining area in Xizang (西藏嘉黎蒙亞啊—工布江達亞桂拉鉛鋅礦國家規劃礦區), promoting the comprehensive exploration and development of lead and zinc resources. In this light, we aim to introduce advanced exploration technologies and equipment, strengthening R&D, and enhancing talent training. Through these measures, we believe we can comprehensively improve our mineral exploration capabilities and efficiency, thereby discovering more high-quality ores, which will lay a solid foundation for our long-term development.

### Enhance our mining capacity

We are dedicated to enhancing our mining capacity to meet the increasing domestic demand for zinc, lead and copper concentrates. This strategic initiative reflects our proactive approach to addressing market challenges and reinforcing our competitiveness in the mining industry of Xizang. To achieve this goal, we will implement several key measures. First, we will invest in advanced mining equipment, such as high-efficiency excavators and transport vehicles, to enhance our ore extraction capabilities. These upgrades will improve our efficiency in mining operations and ensure a stable supply of raw materials. Additionally, we will refine our mining processes to minimise downtime and optimise workflows, thereby maximising ore output and preventing any disruptions in mining activities.

As part of our strategic plan, our underground mine has entered the commercial stage since the second quarter of 2025. Considering the aforesaid, we have collaborated with an external nonferrous metallurgy design institute on a feasibility study of lifting our current mining capacity. By integrating these initiatives, we are well-positioned to meet the growing market demands for zinc, lead and copper concentrates.

**Upgrade ore processing and concentrate production capability and capacity for our sustainable growth**

Due to increasing market demand for zinc, lead and copper concentrates, we aim to boost the ore processing and concentrate production capacity of our Mengya'a Beneficiation Plant. To achieve this goal, we will invest in advanced mineral processing equipment and technologies, such as high-efficiency flotation machines and crushers. These upgrades will enhance ore processing and concentrate production capacity of our processing plant while significantly reducing energy consumption and improve the durability and efficiency during extreme weather conditions. A system equipped with automation functionalities will ensure the long-term stability of the new equipment and the enhancement in capabilities to process lower-grade ores. In addition, we will optimise and innovate existing processes to improve mineral recovery rates and product quality. We will also pay attention to efficient processing technologies for the purpose of enhancing overall efficiency of the processing plant.

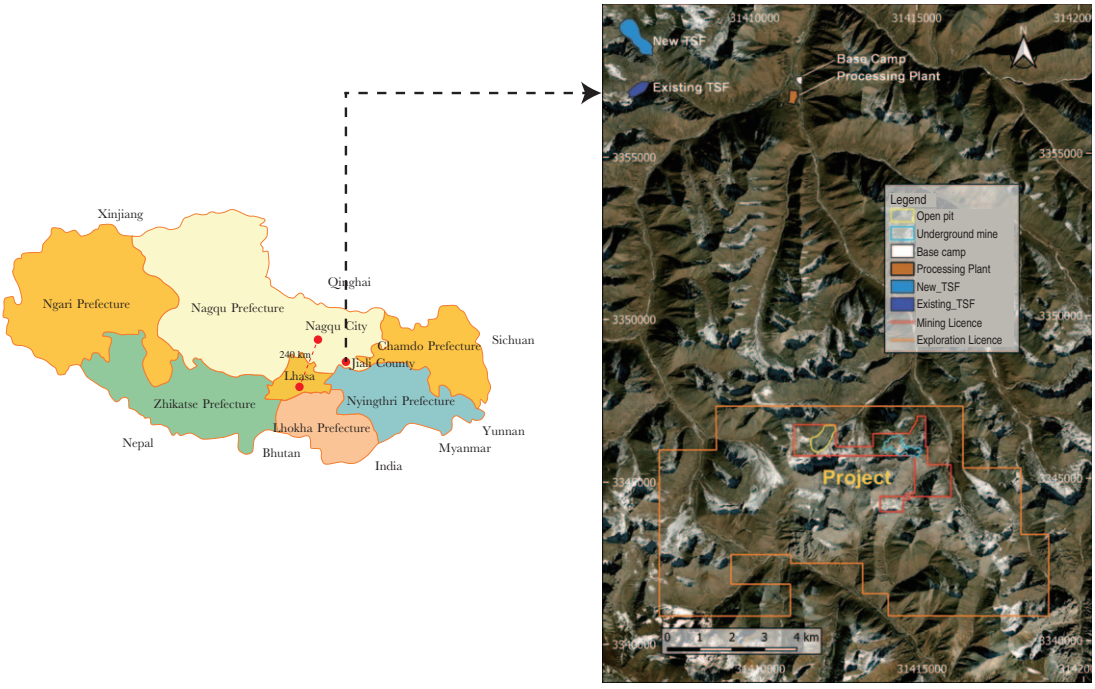
Moreover, we will enhance management processes and introduce advanced information technology systems to improve efficiency and accuracy in mineral processing. A thorough assessment of current workflows will identify bottlenecks for optimisation, ensuring smooth coordination across all stages. Through these initiatives, we believe we can improve the ore processing and concentrate production capacity of our Mengya'a Beneficiation Plant, cater to the growing domestic demand for zinc, lead and copper concentrates, and fostering a strong competitive position in the mining industry in Xizang.

**Investment in and acquisition of mining assets**

We also plan to explore and pursue investment and acquisition opportunities in mining assets that demonstrate growth potential. We would prioritise selecting mining assets that are primarily based in Xizang with defined mineral resources, containing nonferrous metals and other precious metals. As at the Latest Practicable Date, we had not identified any prominent investment or acquisition targets, nor have we entered into any agreements in this regard. Evaluating and acquiring high-potential mineral assets involves a comprehensive assessment of their geological potential, operational efficiency, and financial viability. Partnering with various stakeholders in the mining sector, such as local and international mining companies, technology suppliers, and research institutions, can improve our mining operational performance and expand our market presence. This process aligns with our strategic growth objectives by identifying assets that offer strong returns and synergies to bolster our presence in Xizang.

## OUR MINERAL ASSETS AND ORE RESERVES

Our mining operations are located in Rongdoi Township, Jiali County, Nagqu, Xizang. The maps below illustrate the geographical locations of our open-pit mine, our underground mine and our key mining assets.




(Jiali County, Nagqu, Xizang)

Our major mining assets and facilities are located at Gangdese Metallogenic Belt in the mid-southern portion of the Lhasa Terrane, include:

(i) one open-pit Pb-Zn(-Cu-Ag) skarn deposit mine, with an area of approximately 4.5 sq.km. and operates on various levels from 5,000.0 m asl to 5,300.0 m asl, with a permitted annual mining capacity of 400.0 kt (together with the underground mine) as at the Latest Practicable Date; and

(ii) one underground mine which has commenced commercial operation since the second quarter of 2025, with a permitted annual mining capacity of 400.0 kt (together with the open-pit mine) as at the Latest Practicable Date.

Our open-pit mine and underground mine are located in close proximity, around 3.0 km, from each other, and within 10.0 km from our base camp complex and the processing plant, which has a daily processing nameplate capacity of 3.0 kt. The two tailings storage facilities are located in close proximity, around 5.0 km, with the base camp complex and the processing plant. All of these mine assets and facilities are easily accessible by highway and to the nearest international airport, namely Lhasa Gonggar Airport, located approximately 62.0 km southwest to the city centre of Lhasa.

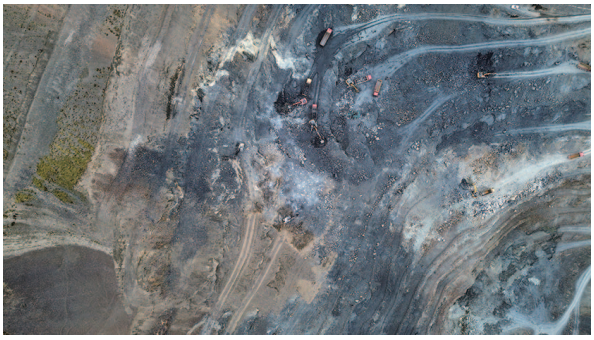
## Our Mengya'a Mine

### Summary

Our Mengya'a Mine is comprised of an open-pit mine, an underground mine, a base camp complex, a processing plant, and two tailings ponds (one of which is still under development but it has been substantially completed). The underground mine is located approximately 3.0 km east of the open-pit mine. The mine sites are situated at elevations between 5,000.0 and 5,300.0 m asl. The base camp and processing plant are positioned in a valley about 10.0 km north of the mining sites, at an elevation of around 4,600.0 m asl. Our tailings ponds are located in a valley 5.0 km west of the base camp and processing plant, with elevations ranging from 4,600.0 to 5,600.0 m asl. The open-pit mine and underground mine are surrounded by an exploration licence.

The mine's deposit type is interpreted as a Pb-Zn(-Cu-Ag) skarn deposit, exhibiting layers or lenses hosted within Carboniferous-Permian sedimentary rocks. The open-pit mine began production in 2007. The underground mine has commenced commercial operation since the second quarter of 2025. Ores from Mengya'a Mine can, in aggregate, supply 400.0 kt annually to the processing plant, which produces zinc, lead and copper concentrates.

Our Mengya'a Mine is located within the eastern part of the Lhasa Terrane of the Xizang Plateau. The Xizang Plateau was formed as a result of closure of the Neo-Tethys Ocean and the collision between the Indian and Eurasian plates and is characterised by three major suture zones. From south to north, these are the Indus-Yarlung Zangbo Suture, the Bangonghu-Nujiang Suture, and the Jinsha-Jiang Suture. These suture zones divide the Xizang Plateau into three distinct tectonostratigraphic terranes: the Lhasa Terrane, the Qiangtang Terrane, and the Songpan-Ganzi Terrane. A series of east-west-trending thrust belts have been developed as a result of the combined effects of the southward subduction of the Meso-Tethys Ocean and the northward subduction of the Neo-Tethys Ocean. This has given rise to a prominent occurrence of overturned folds and thrusts. During the India-Eurasia collision, the entire Lhasa Terrane was subjected to a compressive stress regime, leading to the formation of a series of intersecting east-west trending overthrust faults and north-south trending tensile faults.

*(Snapshots of our open-pit mine)*

**Independent Report**

We engaged SRK Consulting (Hong Kong) Limited, an independent third party and an international consulting company that offers advice and solutions to resource industries for mining projects, as the independent technical consultant, to prepare the Independent Technical Report as set out in Appendix III to this document, which is an independent assessment and evaluation of our Mineral Resources and Ore Reserves as at 31 July 2025.

The below information set out below relating to our Mineral Resources and Ore Reserves constitutes forward looking information, which is subject to certain risks and uncertainties. See "Risk Factors" and "Forward-Looking Statements" in this document for details.

According to SRK, there was no material change in the Independent Technical Report or our Mineral Resources and Ore Reserves estimate since 31 July 2025, being the effective date of our Mineral Resources and Ore Reserves estimate, and up to the date of this document.

**Mineral Resources**

According to the Independent Technical Report, our Mengya'a Mine has a Mineral Resource estimate of 16,813.0 kt at an average grade of 4.70% Zn, 3.29% Pb, 0.24% Cu and 38.0g/t Ag, comprising 6,726.0 kt of Measured Resource, 7,198.0 kt of Indicated Resource and 2,888.0 kt Inferred Resource as at 31 July 2025.

**Development of underground mine**

Our underground mine has commenced commercial operation since the second quarter of 2025. We have engaged Chongqing Yitong Mine Construction Engineering Company Limited Xizang Branch* (重慶億通礦山建設工程有限公司西藏分公司) ("**Infrastructure Contractor**" or "**Chongqing Yitong**"), an independent third party, to undertake the infrastructure works in connection with the development of our underground mine. Our Mengya'a Mine can, in aggregate, supply 400.0 kt of ores annually to the processing plant, to produce zinc, lead and copper concentrates. Chongqing Yitong is also an exploration and mining subcontractor of our Company. See "— Exploration and Mining Subcontracting Arrangement" in this section for details.

From 1 October 2024 to 31 July 2025, our total contracting expenses to the Infrastructure Contractor as recognised on our financial statement was approximately RMB30.3 million.

After depletion of Ore Reserves at the open-pit mine, the underground mine is scheduled to ramp up mining capacity to 400.0 kt/a to ensure a consistent feed to the processing plant.

With respect to our underground mine, we have obtained a written confirmation issued by Xizang Autonomous Region Department of Emergency Management (西藏自治區應急管理廳), which confirms that (i) the safety facility designs of the underground mine have been approved thereby, and (ii) the construction of our underground mine has been in full compliance with the relevant PRC laws and regulations.

Upon [REDACTED], our company will adhere to all relevant requirements under the Listing Rules, including the disclosure obligations related to exploration, development, mining and concentration production activities, as well as a summary of expenditures incurred in these activities as defined in Chapter 18 of the Listing Rules. This will ensure that our shareholders and investors remain well-informed.

**Difference between open-pit mine and underground mine**

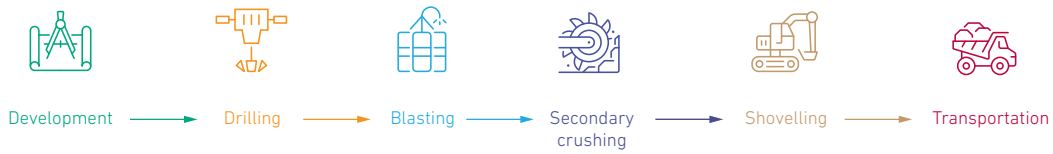
The following table summarises the key difference between open-pit mine and underground mine in term of mining method and workflow, expertise, cost structure and certainty as per ore extraction.

| | Open-pit mine | Underground mine |
|---|---|---|
| **Mining method and workflow** | Open-pit mining is suitable for ore bodies located close to the surface. The process begins with the removal of waste rock above the ore body to expose it, followed by the extraction of the ore. | Underground mining is appropriate for ore bodies situated deep beneath the surface. It involves developing a system of tunnels and shafts or other access points such as adits or declines to access the ore body. Mining methods are then selected based on the ore body's orientation and the stability of the surrounding rock to efficiently extract the ore. |
| **Expertise** | The process begins with removing the surface soil and waste rock above the ore body, followed by mining the ore upon being exposed. A top-down bench mining method is used through controlling the angles of benches and slopes, as well as the width and gradient of roads to meet design requirements, ensuring slope stability and the safety and efficiency of transport vehicles. | After accessing the ore body via shafts, adits or declines and tunnels, the ore is extracted. Compared to open-pit mining, underground mining involves more specialised components, including hoisting systems, ventilation, drainage, and enhanced ground pressure management. The production organisation is more complex, and the associated costs are comparatively higher. |
| **Cost structure** | The direct production costs primarily consist of removing surface soil and waste rock, transportation expenses, and ore extraction costs, as dictated by the production process | Direct production costs are higher due to additional expenses such as ventilation, drainage, and other operational requirements. Safety-related costs also increase because of the need for ground support. Furthermore, underground mining demands a larger workforce for ventilation, drainage, and safety management, leading to significantly higher personnel expenses compared to open-pit mining. |

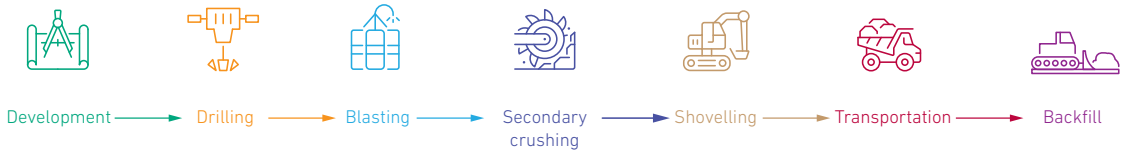
| | Open-pit mine | Underground mine |
|---|---|---|
| **Certainty as per ore extraction** | Compared with underground mining, open-pit mining typically offers a relatively higher degree of certainty and predictability, due to its relatively straightforward geological conditions and intuitive operational processes. Initially, detailed geological exploration and surveying enable accurate determination of the ore body's location, shape, and reserves. As the ore body is located at or near the surface, the geological structure is generally simple and stable, reducing the impact of uncertainties. Furthermore, open-pit mining employs large-scale mechanised operations, utilising equipment such as electric shovels, hydraulic excavators and dump trucks, which standardise and control the production process. The expansive working face of an open-pit mine facilitates management and operations, allowing for flexible adjustments to production plans in response to market demand. | In contrast, underground mining faces relatively greater uncertainty and challenges. The geological conditions of underground ore bodies tend to be more complex and variable than that of open-pit ore bodies, including faults and folds, which increase the difficulty of exploration and assessment. Although modern technologies and drilling techniques have improved the accuracy of geological information, the precise localisation and reserve estimation of underground ore bodies still present significant margins of error compared to open-pit mining. Additionally, underground mining requires the excavation of a series of shafts and tunnels, along with complex support measures such as rock bolts, shotcrete and metal frameworks, the process of which is more complex than that of open-pit mining. These processes not only add to the construction difficulty but also pose safety hazards such as gas explosions, water inrush and collapses. Moreover, the construction of ventilation, drainage and transportation systems in underground mines could become intricate, which may affect the continuity and stability of production. |

The following flowcharts illustrates the workflow for each of open-pit mining and underground mining.

**Open-Pit Mining:**




**Underground Mining:**




## Ore Reserves

Our Mengya'a Mine consists of two separate deposits: the Pb14 open-pit deposit and the Pb12 underground deposit. According to the Independent Technical Report, as at 31 July 2025, the Pb14 open-pit mine contains an Ore Reserve of 1,438.0 kt with average grades of 4.90% Zn, 0.69% Pb, Zn, 0.10% Cu and 10.09 g/t Ag, comprising 400.0 kt of Proved Reserve and 1,038 kt of Probable Reserve in accordance with the JORC Code. The Pb12 underground mine contains an Ore Reserve of 10,623.0 kt with average grades of 4.14% Zn, 2.99% Pb, 0.21% Cu and 35.00 g/t Ag, including 4,760.0 kt of Proved Reserve and 5,863 kt of Probable Reserve as at 31 July 2025 in accordance with the JORC Code. As at the date of the Independent Technical Report, open-pit mine had a remaining LoM of 8.0 years based on an annual production plan of approximately 200.0 kt alone and our underground project had a remaining LoM of 31.0 years.

The following table sets out the Ore Reserves Statement for the open-pit mine as at 31 July 2025 in accordance with JORC Code, based on the Independent Technical Report.

| Category | Ore Reserve (kt) | Pb Grade (%) | Zn Grade (%) | Cu Grade (%) | Ag Grade (g/t) | Pb Metal (kt) | Zn Metal (kt) | Cu Metal (kt) | Ag Metal (t) |
|---|---|---|---|---|---|---|---|---|---|
| Proved | 400.0 | 1.14 | 4.54 | 0.10 | 14.51 | 4.57 | 18.16 | 0.41 | 5.80 |
| Probable | 1,038.0 | 0.52 | 5.04 | 0.10 | 8.39 | 5.41 | 52.27 | 1.07 | 8.71 |
| **Total** | **1,438.0** | **0.69** | **4.90** | **0.10** | **10.09** | **9.99** | **70.43** | **1.48** | **14.51** |

*Notes:*

1. The cut-off grades used to distinguish ore from waste are set at EqPb ≥1.8%.
2. The mining dilution rate is 5.0% and the ore loss is 5.0%.
3. The Ore Reserves are reported on a dry metric tonne basis.
4. The reference point for reporting of Ore Reserves is the stockpile at the crusher feed.
5. The Ore Reserves are reported inclusive of Mineral Resources.
6. The Mineral Resources are effective as at 31 July 2025.

The following table sets out the Ore Reserves Statement for the underground mine as at 31 July 2025 under JORC Code, based on the Independent Technical Report.

| Type | Category | Ore Reserve (kt) | Pb Grade (%) | Zn Grade(%) | Cu Grade (%) | Ag Grade (g/t) | Pb Metal (kt) | Zn Metal (kt) | Cu Metal (kt) | Ag Metal (t) |
|---|---|---|---|---|---|---|---|---|---|---|
| Oxide | Proved | 32 | 5.69 | 3.34 | 0.31 | 33.94 | 1.80 | 1.06 | 0.10 | 1.07 |
| | Probable | 427 | 4.96 | 2.74 | 0.18 | 26.82 | 21.17 | 11.71 | 0.78 | 11.45 |
| | Subtotal | 458 | 5.01 | 2.79 | 0.19 | 27.31 | 22.97 | 12.77 | 0.88 | 12.52 |
| Fresh | Proved | 4,728 | 2.91 | 5.12 | 0.26 | 44.30 | 137.65 | 241.90 | 12.34 | 209.47 |
| | Probable | 5,436 | 2.88 | 3.41 | 0.17 | 27.56 | 156.82 | 185.58 | 9.38 | 149.82 |
| | Subtotal | 10,165 | 2.90 | 4.21 | 0.21 | 35.35 | 294.47 | 427.48 | 21.72 | 359.29 |
| Total | Proved | 4,760 | 2.93 | 5.10 | 0.26 | 44.23 | 139.44 | 242.95 | 12.44 | 210.55 |
| | Probable | 5,863 | 3.04 | 3.37 | 0.17 | 27.51 | 177.99 | 197.30 | 10.16 | 161.27 |
| | **Total** | **10,623** | **2.99** | **4.14** | **0.21** | **35.00** | **317.43** | **440.25** | **22.60** | **371.81** |

*Notes:*

1. The cut-off grades used to distinguish ore from waste are set at EqPb of ≥6.0% for oxide and ≥3.7% for fresh materials in the Pb12 UG.
2. The Ore Reserves are reported on a dry metric tonne basis.
3. The reference point for reporting of Ore Reserves is the stockpile at the crusher feed.
4. The Ore Reserves are reported inclusive of Mineral Resources.
5. The Mineral Resources are effective as at 31 July 2025.

The average mining dilution rate and the ore loss rate of the open-pit mine during the Track Record Period is 5% and 5%, respectively, according to the Independent Technical Report.

Our Directors confirmed that no material adverse changes had occurred with respect to our Mineral Resources or Ore Reserves of our mines since 31 July 2025, the effective date of the Independent Technical Report included in Appendix III to this document, and up to the Latest Practicable Date.

Both the open-pit mine and the underground mine are in commercial operation as at the Latest Practicable Date. The production scale of our Mengya'a Mine on the combined basis is governed by our mining licence, which sets out the permitted annual mining capacity of 400.0 kt.

As a licensed mining company subject to strict regulatory oversight, we have adopted measures to ascertain that the production scale of our Mengya'a Mine will be within the permitted annual mining capacity of 400.0 kt. Externally, we undergo regular examinations and inspections by various local government agencies throughout the year to ensure compliance with all applicable laws and regulations. Internally, we have established a robust and comprehensive internal control system to maintain full compliance with mining operation requirements. To achieve such compliance, our operational management team drafts an annual production plan that is carefully reviewed and approved by our Board each year, ensuring our mining activities remain within the authorised limits. We hold monthly management meetings to monitor actual production against the budgeted plan, allowing us to promptly address any deviations and maintain compliance with the permitted capacity. Additionally, we have an internal audit department that reports directly to our Board on any compliance issues or breaches, reinforcing our commitment to regulatory adherence. The diverse composition of our Board further strengthens our governance and compliance framework. It includes three independent non-executive directors, representing over one-third of our Board, as well as two non-executive directors appointed by Xizang Shengyuan, which represents Xizang SASAC. The balanced structure of our Board ensures that high standards of corporate governance are applied throughout our operations, underscoring our dedication to regulatory compliance and sustainable mining practices.

Our Directors have confirmed that our mining and production activities were in full compliance with the relevant PRC laws and regulations during the Track Record Period and up to the Latest Practicable Date. The Announcement on the Minimum 'Three Rates' Indicators for the Rational Utilisation of Iron, Copper, Lead, Zinc, Rare Earth, Potash and Fluorite Mineral Resources (Trial) (《關於鐵、銅、鉛、鋅、稀土、鉀鹽和螢石等礦產資源合理開發利用"三率"最低指標要求 (試行)的公告》) issued by the former Ministry of Land and Resources, sets out the minimum benchmarks for lead-zinc mines regarding mining recovery rate, mineral processing recovery rate, and comprehensive utilisation rate. Our "Three Rates" indicators in 2022 and 2023 are both higher than the national minimum requirements. The investigation and review of the "Three Rates" indicator for 2024 is scheduled to be conducted in September 2025. Currently, we have no records of being penalised or reprimanded due to non-compliance with the "Three Rates" standards.

## EXPLORATION AND MINING RIGHTS

We currently hold an exploration licence and a mining licence for our Mengya'a Mine. Our valid mining licence has a total permitted mining capacity of approximately 400.0 kt per year and covers a total area of approximately 4.5 sq.km.

The following table sets out the details of our mining licence and exploration licence to cover the commercial operation of our open-pit mine and the commercial operation of our underground mine as at the Latest Practicable Date.

| | Licence name | Licence holder | Area | Type of natural resources | Permitted annual mining capacity | Licence number | Valid period of licence | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | From | To | Status |
| | | | *($km^2$)* | | *(tonne)* | | | | |
| Mengya'a Mine | Exploration licence | Huaxia Mining | 58.45 | N/A | N/A | T5400002009033010025699 | 16 February 2025 | 24 June 2026 | Current |
| | Mining licence | Huaxia Mining | 4.4544 | Lead, silver, zinc and copper | 400,000 | C5400002011043210111466 | 16 February 2025 | 15 December 2025 | Current |

The above exploration licence was initially issued on 12 July 2004. Our exploration licence was extended on 24 June 2024, with a validity period up to 24 June 2026, for a duration of two years, as the initial setup time of our exploration right exceeded 10 years. Such extension was granted in compliance with the applicable PRC regulation which requires that the validity period of the extended registered licence of those with an initial setup time exceeding 10 years (including 10 years) shall be two years. Due to changes in the exploration area, our exploration licence was amended on 16 February 2025, without altering the expiration date. The current two-year validity period for the extension of our exploration licence is in line with industry practice and is the maximum duration stipulated by the effective laws at the time. The current exploration licence held by us has less than one year of validity remaining because we amended the registrations within the permitted time during the renewal process.

The above mining licence was initially issued in September 2006. Our mining licence underwent its fourth extension registration on 15 December 2019, with a validity period up to 15 December 2025, for a duration of six years, which is in line with industry practice. The current mining licence held by us has less than one year of validity remaining because we amended registrations twice during the renewed period, with the first registration to record change in the mining method (i.e. adding underground mining) on 25 June 2024 and the second registration to record the expansion of the mining area in February 2025, respectively. The commencement date of the validity period reflects the most recent amendment registration, while the expiration date of the licence remained unchanged. Therefore, the validity period exhibited on the current mining licence is less than one year.

According to the PRC Mineral Resources Law, the Regulation for Registering to Explore for Mineral Resources Using the Block System (礦產資源勘查區塊登記管理辦法) and the Procedures for Administration of Registration of Mining of Mineral Resources (礦產資源開採登記管理辦法), before the exploration and mining activities relating to mineral resources can commence, the project company must first obtain the exploration licences and the mining licences, which generally entitle the project company to the exploration and mining rights attached to the relevant mining project. The holder of a mining licence has, among others, the rights to engage in mining activities in the designated area and within the term prescribed under the mining licence, to conduct exploration within the designated mining area for the purpose of their own production, to set up production facilities and amenities within the designated area upon obtaining the relevant approvals in accordance with the relevant laws and regulations, to sell the mineral products except for those minerals which are required by the State Council to be sold to designated entities, and to acquire the land use rights legally based on the requirement of its production and construction. As advised by our PRC Legal Advisers, (i) we currently have valid exploration and mining licences; and no separate exploration licence is required to be obtained as long as Huaxia Mining conducts exploration within the designated mining area under its mining licences for its own production; and (ii) the obtaining of our exploration and mining licences, and the subsequent renewals of our licences were in full accordance with the relevant laws and regulations. The Directors confirm that there will be no impediment to renewing the Group's exploration and mining licences; and the PRC Legal Advisers support the view that there is no predicable legal impediment to renew such licences and permits.

In connection with aforementioned sales of specific minerals which shall be regulated by the State Council, the Rare Earth Management Regulations (《稀土管理條例》) (the "**Regulation**") stipulates that the MIIT, along with relevant State Council departments, determines and publicly announces the rare earth mining and separation enterprises that are allowed to conduct the sales of those specific minerals. The State Council has classified tungsten, tin, antimony and ion-type rare earth minerals as specific minerals. These minerals are subject to protective mining, with planned and unified management from extraction to market sale and export. As we do not sell these specific mineral products, we are not subject to the Regulations.

We focus on the mining and beneficiation of ores, utilising flotation processes to produce and separate zinc, lead and copper concentrates as our main products. During the mineral production process, the presence of coexistent minerals typically results in small amounts of silver being included in the concentrates. However, since we are a mining company and do not engage in smelting business, we are unable to further extract and purify the silver content, which exists in trace amounts within the sold concentrates. It is a standard practice that silver content is valued once it reaches a certain threshold. Generally speaking, if there are 100 grams of silver per tonne of concentrate, it will be priced. However, when silver prices become high, even smaller amounts, such as a few dozen grams, may also be priced. As at the Latest Practicable Date, we do not have separate sales arrangements for the coexistent silver.

We have successfully amended the mining license to cover both open-pit and underground mines, with validity till 15 December 2025. Additionally, our underground mine commenced commercial operations in the second quarter of 2025. If any of our mines have a residual Ore Reserves upon expiration of our mining licences, we need to submit a renewal application. Under the relevant PRC laws and regulations and as advised by our PRC Legal Advisers, if residual reserves remain after the term of the mining rights expires, the holders of such mining rights are entitled to apply for extensions of additional terms. Application for the renewal of a mining licence must be made at least 30 days prior to the expiration date. As advised by our PRC Legal Advisers, there is no specific restriction or limitation on the number of times the licences may be renewed. Our exploration and mining licences have remained valid upon renewals without any administrative obstacles since the commencement of the operation of the Mengya'a Mine. Therefore, our PRC Legal Advisers and our Directors are of the view that there will be no obstacle with future renewals of our exploration and mining licences.

As at 31 July 2025, we pledged our mining rights with carrying amount of approximately RMB399.2 million to secure our bank facilities. The amount of the relevant bank borrowings were approximately RMB64.0 million as at 31 July 2025, the details of which are set out in note 17 and 26 of the Accountants' Report in Appendix I to this document.

## EXPLORATION

### Summary

Following the initial reconnaissance of our mining site, comprehensive exploration programmes were implemented from 2004 to 2021, focusing on the mineralised deposits (e.g. Pb14 and Pb12) within our exploration licence area. These programmes included mapping, surface sampling, geophysical surveys, trenching and drilling activities. During the Track Record Period, exploration activities were confined to focusing on the validation of geophysical anomalies.

A total of 253 drill holes were completed during historical exploration from 2004 to 2021. However, cores of 70 drill holes drilled prior to 2010 were not preserved. Among these 253 drill holes, 246 drill holes drilled at Pb12 and Pb14 deposits have been used for resource estimation purposes by SRK. See "Appendix III — Independent Technical Report" to this document for details.

The following table sets out a summary of historical drill holes.

**Summary of historical drill holes**

| Year | Hole (counts) | Length (m) | Assay sample (counts) | Bulk density samples (counts) |
|---|---|---|---|---|
| 2004 | 4 | 304.96 | 28 | 0 |
| 2006 | 43 | 5,157.62 | 336 | 67 |
| 2007 | 3 | 492.74 | 25 | 18 |
| 2008 | 4 | 1,107.11 | 90 | 0 |
| 2009 | 3 | 253.31 | 50 | 0 |
| 2010 | 2 | 96.83 | 37 | 0 |
| 2011 | 40 | 10,472.69 | 681 | 0 |
| 2012 | 34 | 11,688.78 | 605 | 89 |
| 2014 | 14 | 3,041.60 | 249 | 33 |
| 2015 | 15 | 4,230.25 | 472 | 42 |
| 2017 | 27 | 7,472.95 | 476 | 47 |
| 2018 | 10 | 1,892.07 | 266 | 21 |
| 2019 | 15 | 4,314.48 | 385 | 40 |
| 2020 | 20 | 3,960.26 | 525 | 38 |
| 2021 | 19 | 5,588.03 | 580 | 33 |
| **Total** | 253 | 60,073.68 | 4,805 | 428 |

*Source: Compiled by SRK, 2025*

A total of 31 mineralised targets with deposits were identified and numbered within our exploration area. These targets are labelled from Pb1 to Pb35 with the exception of Pb10, Pb11, Pb15 and Pb24. A total of 31 deposits have been identified within the exploration licence. Among these, deposits Pb1, Pb2, Pb3, Pb4, Pb5, Pb12, Pb13, Pb14, Pb16, Pb17, Pb18 and Pb19 are located within the boundaries of the current mining licence. The remaining 19 deposits are situated outside the current mining licence, primarily in the central and western regions of the exploration licence. See table 5.2 and Chapter 7 in "Appendix III — Independent Technical Report" to this document for details.

**Infill and Validation Programme**

From October to November 2024, we conducted an infill and validation programme aiming to upgrade the defined resource categories and to validate the historical exploration results, as recommended by SRK. This programme included 2 diamond twinned holes (SRK001 and SRK002) on pit bench floor, 3 trenches (TR001 to TR003) on pit bench face and 19 underground channels. Core drilling was conducted using XY-4 drill rigs. Each drill hole began with a PQ size collar to penetrate the topsoil, transitioning to HQ size for deeper sections. Core recovery ranged from 95.0% to 100.0%, with an average recovery of 98.0%. Trench samples collected from pit bench face and underground channel samples collected in drives were all continuous channel intervals of consistent width, depth and length of approximately 10.0 cm × 5.0 cm × 1.5 m, channelled either by chisels or saws. A total of 139 samples were taken and sent to SGS Tianjin Laboratory for determination of Pb, Zn, Cu and Ag contents.




*Snapshot of Infill and Validation Programme*

We possess two patents of exploration, which we believe give us a competitive edge to distinguish our technological knowhow from that of the market standard and enhance our innovative capabilities:

- A sample storage device for mineral geological exploration (一種礦物地質勘查用樣品存放裝置); and

- A portable mineral composition identification device specifically designed for mineral exploration (一種礦產勘探專用的便攜式礦物成分識別裝置).

## MINING

### Mining Subcontracting Arrangement

During the Track Record Period, we engaged independent third party subcontractors in respect of our mining works. The following table sets out the key terms of the exploration and mining subcontracting arrangement.

| | |
|---|---|
| **Contract price and payment** | Charge varies for each type of works, which is pre-agreed in the exploration and mining subcontracting agreement. Each type of works is subject to our verification and acceptance according to our quality standards. The charges are paid on multiple occasions, including but not limited to the following occasions: (i) in the month following the completion of the relevant works as stipulated in the monthly construction phase table, subject to quality check of the relevant works; (ii) at the second calendar year end following the completion of the works; and (iii) at the end or termination of the mining and subcontracting agreement. |
| **Term** | Fixed term, generally for one to two years. |
| **Scope of service** | The exploration and mining subcontractor shall provide, among other things, demolition, drilling, blasting and excavation works in accordance with the relevant PRC laws and regulations. In general, we are responsible for purchasing explosive materials required for blasting works in the exploration mining process. |

| | |
|---|---|
| **Subcontractors' obligations** | The exploration mining works must meet our quality standards and the subcontractor must comply with the standards and requirements as set out in the subcontracting agreement. The subcontractors shall be responsible for all risks and losses associated with any accidents and quality issues arising from the works which are carried out by the subcontractor. |
| **Warranty and indemnity** | The subcontractors shall compensate us for any losses suffered by us due to any quality issues of the subcontracting works. |
| **Termination** | We may terminate the subcontracting agreement by serving a prior written notice to the subcontractors on the occurrence of certain events, including but not limited to: (i) failure to follow our safety instructions; (ii) unauthorised possession and use of explosive materials by the subcontractor; (iii) serious accidents relating to safety; (iv) failure to meet our production plans or progress as subcontracting agreement; (v) failure to meet our safety stipulate standards in respect of the equipment provided. |
| **Renewal** | The subcontracting agreement does not set out any renewal clause. |
| **Management of subcontractor** | The performance and conduct of the subcontractor is subject to the supervision of our Company. We may supervise the subcontractor and inspect its carrying out of works stipulated under the subcontracting agreement in relation to, among other things, issues of production safety, quality of work and progress. The subcontractor shall, upon receiving notification of any problem noticed by us, properly rectify such problems on time. |

For the years ended 31 December 2022, 2023, 2024 and the seven months ended 31 July 2025, our total expenses for our exploration activities were approximately RMB6.2 million, RMB2.4 million, RMB3.4 million and RMB1.9 million, respectively. For the same years/period, our total expenses for our mining activities were approximately RMB81.4 million, RMB99.2 million, RMB33.5 million and RMB40.1 million, respectively.

**Management System of Exploration Mining Activities**

We have implemented the management system of subcontracting services. The following table sets out the key points of the management system.

| | |
|---|---|
| **Safety management system** | The safety management system of ore processing plant aims to implement the policy of "safety first, prevention foremost, and comprehensive management", clarifying and standardising the safety responsibilities of employees at work to protect their safety and health. The main contents include:<br>• Safety production goals: eliminate major personal injury accidents, major mechanical equipment accidents and major fire accidents.<br>• Safety organisation and work system: establish a safety team by conducting regular inspections, reviewing safety regulations, implementing hazard rectification systems, and participating in accident investigations and handling.<br>• Responsibilities of safety management personnel: specify safety responsibilities of the plant manager, deputy manager, safety officer, and other management personnel.<br>• Safety production management system: scope of safety production management include tailings pond safety management, fire safety management, electrical safety management, and special vehicle safety operation procedures. |
| **Equipment management system** | The equipment management system aims to ensure the standard operation of equipment and improve equipment operation efficiency. The main contents include:<br>• Equipment maintenance system: conduct regular maintenance by making maintenance plans and maintenance records.<br>• Equipment meeting system: conduct monthly equipment meetings to summarise maintenance situations and to arrange the maintenance tasks of the following month.<br>• Equipment accident and fault management system: make timely reporting and handle of equipment accidents. |

- Equipment safety maintenance procedures: make specific requirements for daily maintenance, primary and secondary maintenance.

- Equipment lubrication management system: implement the "five fixed" principles of lubrication to ensure good equipment lubrication.

**Administrative management system**

The administrative management system includes attendance, anti-theft, office management, water and electricity conservation, and environmental protection. The main contents include:

- Attendance system: strictly implement a system under which employees need to be punctual for work.

- Anti-theft management system: provide financial rewards for reporting individuals stealing plant materials.

- Office management system: office management includes personnel management, leave application and guest reception management.

- Water and electricity conservation management system: raise awareness of water and electricity conservation and implement water and electricity plan indicators.

- Environmental protection management system: prevent pollution and ensure environmental hygiene of production and living areas.

**Labour discipline management and penalty regulations**

These regulations aim to standardise management and ensure employee safety and health. The main contents include:

- Labour protection equipment: all labour personnel must wear labour protection equipment during work.

- Labour discipline: all labour personnel must strictly adhere to labour discipline, and retrain from tardiness, leaning work early without authorisation and unauthorised absenteeism.

- Regulations: prohibit drinking, gambling, and smoking in the canteen and dormitory.

| | |
|---|---|
| **Responsibilities of various posts** | Detailed responsibilities of the plant manager, deputy manager, workshop directors, team leaders, maintenance workers, electricians, and other posts are specified and implemented to ensure smooth work. |
| **Weekly inspection and scheduling meeting management system** | Weekly inspections are conducted and meetings are scheduled to check and maintain safety production, on-site management, labour discipline, environmental hygiene, and other aspects to ensure efficient and orderly production work. |

**Explosives supply and management**

We source explosives from qualified suppliers that adhere to industry standards, ensuring that rigorous quality control measures are in place. Safety is of our first priority. All personnel involved in handling explosives undergo mandatory training and certification programmes to ensure that they understand the safe operating procedures and emergency response protocols. Regular safety audits and risk assessments help identify potential hazards, allowing us to implement effective mitigation strategies. We strictly adhere to all relevant regulations governing the storage, transportation, and use of explosives, maintaining comprehensive records for transparency and accountability.

Environmental considerations are integral to our mining operations, and we conduct impact assessments for blasting activities to minimise ecological disruption. Our emergency preparedness plans include detailed response protocols and regular drills, ensuring that our team is ready to act swiftly in the event of an incident. Through these comprehensive measures, we are committed to responsible explosives management, prioritising the safety of our personnel and the surrounding communities while supporting the success of our mining operations.

**Management Discussion on Ore Procurement**

We procured 20.0 kt of ores from an independent third party (which is Supplier B. See "Business — Our Supplier, Contractors and Subcontractors — Our Top Five Suppliers" in this document for details), with the amount of RMB17.0 million in aggregate in 2024. For the seven months ended 31 July 2025, we procured 60.0 kt of ores from Xizang Xinhu Mining Co., Ltd.* (西藏鑫湖礦業有限公司) ("**Xizang Xinhu**"), which is an independent third party and under the common control as Supplier B.

Diversifying our ore resources through external procurement is a strategic initiative aimed at inherently facilitating cost reduction and enhancing our mining efficiency. Although we did not procure ores from Supplier B in 2022 and 2023, the decision to procure ores from Supplier B in 2024 was consistent with the aforementioned strategic direction. The external ore procurement was also in line with our strategy to upgrade our production lines in 2024.

According to SMM, it is generally observed that (i) procuring ores from independent third party ore suppliers occasionally occurs in the mining industry and thus is not an abnormal market conduct; (ii) mining companies are currently recognising the importance of diversifying their supply of ores to mitigate risks associated with supply chain disruptions and fluctuating ore grades from their own mines; (iii) by sourcing high-grade ores from independent third party ore suppliers, mining companies

can enhance their processing efficiency and ensure that they meet customer specifications consistently; (iv) the competitive landscape of the mining industry necessitates mining companies to remain agile and adaptable in terms of supply chain management; (v) by integrating external ore procurement into their operational strategies, mining companies can leverage additional resources without the extensive capital investment required for new mine development, which allows mining companies to capitalise on market opportunities while managing costs effectively.

Our management has specifically evaluated the possibility of diversifying our ore resources through external procurement going forward based on the following discussions:

(i) the processing phase is crucial in our existing business operation chain, which directly affects the quality and quantity of our zinc, lead and copper concentrates;

(ii) due to the inherent geological constraints or extraction progress, it may become possible that our own mines may not consistently provide sufficient ores that meet the required cut-off grade for our concentrate production, which is out of our control;

(iii) we have a plan to maximise the production capability of our Mengya'a Beneficiation Plant; and

(iv) by introducing external high-grade ores, we attempt to ensure stable operations of our processing lines, avoiding downtime caused by insufficient raw materials.

Based on the above, our Directors are of the view that diversifying our ore resources through external procurement is a strategic move that will enhance our mining operational efficiency, ensure consistent product quality, and enhance the position of our Company to meet the increasing market demand for our zinc, lead and copper concentrates. Supplier B or Xizang Xinhu has no other past or present relationships (including, without limitation, family, business, employment, financing, trust, shareholding or otherwise) with our Company or its subsidiaries, their controlling or substantial shareholders, directors, supervisors, or senior management, or any of their respective associates.

The ores we procured were also lead-zinc ores, with an estimated ore grade ranging from approximately 7.5% to 8.5%, which were supplied by the aforesaid independent third parties. These ores are similar in quality to those produced by us. Such similarity is crucial as significant differences in ore quality could affect our processing plant's ability to produce the concentrates.

We gained access to procurement opportunities by participating in the open bidding and tendering processes. All relevant bidding information was made publicly available, ensuring that it was accessible to all market participants rather than being exclusive to us. As a result, the pricing and business terms were fair and consistent with the prevailing market rates.

We believe the said ore procurement underscores the importance of effectively integrating internal and external resources for our sustainable development. On one hand, it demonstrates our flexibility and foresight in addressing industry challenges. On the other hand, it reflects our strong

execution capabilities in supply chain management. Additionally, we believe the ore procurement plan can allow us to secure sufficient suppliers of ore and mitigate the risks of our mining process being disrupted by fluctuations in ore quality under certain unforeseen circumstances, thereby serving as a backup plan for our Group to maximise concentrate production capacity.

**Inventory Management**

Our inventories mainly represent fresh ores, consumables and finished goods. We manage our inventories by monitoring inventory levels based on our monthly production reports. Our production team maintains records for all major suppliers and coordinates physical inventory counts.

## PRODUCTION

Processing of mined ores and production of metal concentrates takes place at our Mengya'a Beneficiation Plant. Our processing plant, namely, Mengya'a Beneficiation Plant, was established in October 2007 and was subsequently put into operation in December 2010. It was designed by Lanzhou Nonferrous Metallurgical Design and Research Institute Company Limited (蘭州有色冶金設計研究院有限公司), with an initial daily processing nameplate capacity of 2.0 kt, operating approximately 200 days per year, with an annual ore throughput of 400.0 kt. By 2022, the daily processing nameplate capacity has reached 3.0 kt due to our renovation and upgrades for our processing plant. Mineral products processed by our processing plant include zinc concentrates, lead concentrates and copper concentrates, being our key products sold to our customers.

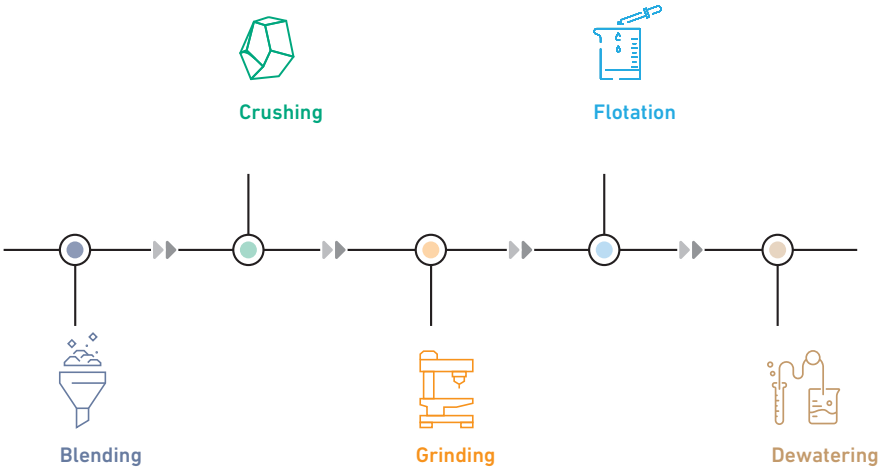
With the technologically renovated processing plant, our current processing procedure is well-structured, including traditional three-stage closed-circuit crushing, two-stage closed-circuit grinding, copper-lead bulk flotation followed by separation, flotation, zinc flotation, and two-stage concentrate dewatering through thickening and pressure filtration. In 2024, a pre-concentration plant for mineralised waste was also constructed at our open-pit mining site, utilising an intelligent sorting machine to process 10.0 — 60.0 mm ore fractions and pre-discard mineralised waste, with promising trial production results.



*A snapshot of Mengya'a Beneficiation Plant*

## Beneficiation Process

The beneficiation production process includes blending, crushing, grinding, flotation and product dewatering. The flotation process consists of copper-lead mixed flotation, zinc flotation, and copper-lead concentrate separation flotation. All intermediate ores are sequentially returned to the previous operation. The following flowchart summarises the main steps of the beneficiation process followed by detailed illustration of each step.




### *Blending*

Blending is a crucial process in which mineralised waste is blended with high-grade ore to optimise overall ore quality such that mineralised waste can also be utilised for concentrate production. Blending enhances the efficiency of subsequent ore processing and concentrate production, making it a typical example of comprehensive utilisation.

### *Crushing*

The ore transported from the mine is unloaded into a 120.0 $m^3$ raw ore bin or stockpiled in the raw ore yard. It is then fed into the primary jaw crusher by a heavy-duty plate feeder at the bottom of the bin. A traditional three-stage closed-circuit crushing process is adopted. The feed size is less than or equal to 500.0 mm, and the product size is less than 12.0 mm. The crushed product is transported by belt conveyors to two 1.5-kt fine ore bins, each corresponding to a grinding-flotation series.

### *Grinding*

The crushed ore in the fine ore bin is fed into the ball mills by multiple vibrating feeders and belt conveyors. The grinding process uses a two-stage closed-circuit system, with the crushed ore ground to a fineness of 70.0-75.0% passing -200.0 mesh (74.0 μm). Stage 1 consists of a grid-type ball mill and a double-screw classifier forming a closed circuit, while Stage 2 consists of a cyclone group and an overflow ball mill forming a closed circuit. There are two identical grinding circuits, and the subsequent flotation is also divided into two corresponding series.

***Flotation***

The process used is named "copper-lead mixed — separation flotation — zinc flotation".

First, sulphur and zinc minerals are suppressed such that the copper-lead mixed concentrates can be separated out. After that, the leftover copper-lead tailings goes through zinc flotation to recover zinc. In the copper-lead flotation stage, two types of equipment are used: flotation columns and flotation machines. The flotation column helps recover minerals that float easily, while the flotation machine uses a series of steps — "1 roughing, 3 cleaning, and 3 scavenging" to extract the more difficult-to-float copper-lead minerals, which include:

- Roughing: The first step where most of the valuable minerals are separated from the waste.
- Cleaning: The next three steps where the concentrates are purified by removing impurities.
- Scavenging: The last three steps where leftover valuable minerals are recovered.

The concentrates from both the flotation column and machine are combined to form the copper-lead mixed concentrates.

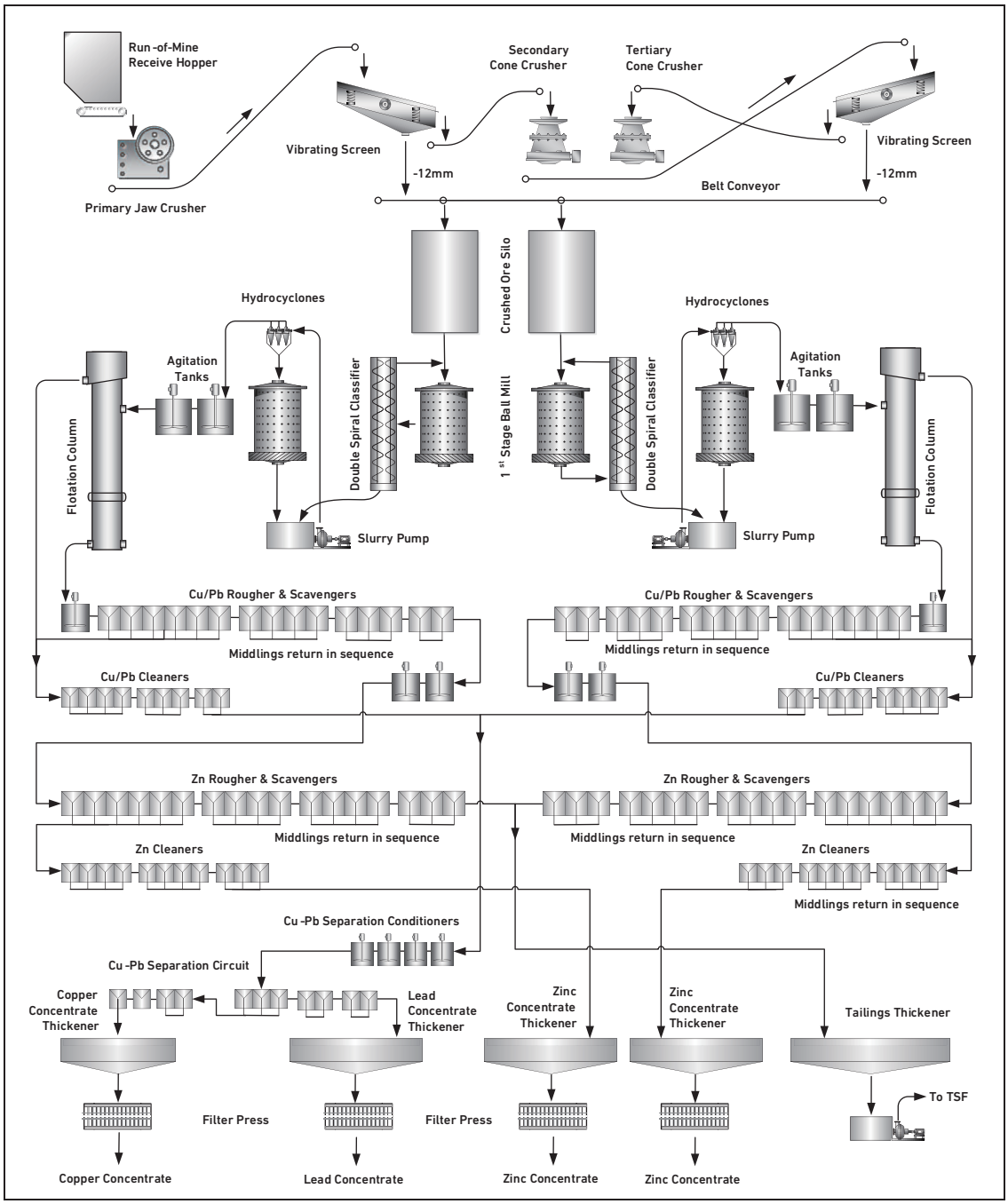
Secondly, these copper-lead mixed concentrates go through a separation flotation process, again using the "1 roughing, 3 cleaning, and 3 scavenging" steps. During this stage, lead is suppressed so that the process produces separate lead concentrates and copper concentrates.

Finally, the leftover material from copper-lead flotation is processed through the same series of steps to recover zinc concentrates. Throughout the process, intermediate concentrates are recycled back to earlier stages to maximise recovery.

***Dewatering***

Zinc concentrates, lead concentrates and copper concentrates all undergo a two-stage dewatering process, consisting of thickening and filter pressing, to control the final moisture content of the concentrate to no more than 9.0%, which is the transportable level. If the moisture content exceeds 9.0%, further drying is carried out in the concentrate storage. All water extracted from the concentrates is pumped into the beneficiation plant's high-level water recovery tank. The tailings discharged from the flotation process contain a high volume of water content, with tailings concentrations as low as 20.0% to 25.0%, with concentration referring to the proportion of solid particles in the slurry of tailings. Pumping these water-laden tailings up to 500 metres to a high-level water recovery tank is both energy-intensive and water-inefficient. Therefore, thickening through dewatering is essential to reduce operational costs and maximise water recovery. This process significantly increases the tailings concentration to approximately 38.0% by removing excess water during thickening. The overflow is pumped into the high-level water recovery tank, where it is returned to the production process as process water. The underflow is pumped to the tailings storage facility. The return water from the tailings storage is also conveyed through pipelines into the high-level water recovery tank in the beneficiation plant.

The following diagram sets out the details of the processing flow of our Mengya'a Beneficiation Plant.



**Mineralised Waste and Comprehensive Utilisation**

Mineralised waste refers to material obtained during our mining process that cannot be economically processed due to low metal content, i.e., bearing a grade that is below the cut-off grade. In the mining industry, mineralised waste are commonly simply referred as waste.

We adopt the methodology of comprehensive utilisation for mineralised waste that have been obtained for our mining operations, as it is economically and practically beneficial to recover valuable components from the mineralised waste, following the introduction of beneficiation process. mineralised waste can, notably, be blended with high-grade ores such that these mineralised waste can be economically and rationally used for ore processing and concentrate production. Such processing is classified as blending in the mining industry, which facilitates the recovery of valuable components from mineralised waste. Advanced flotation techniques can extract usable components such as metals from mineralised waste, while chemical leaching can efficiently recover trace amounts of precious metals or rare earth elements. During the Track Record Period, the mineralised waste we obtained from our mining process had been used for blending, or kept in our mining site.

In terms of open-pit mining, ores are naturally layered and mixed with waste rocks and stones beneath the surface. mineralised waste coexist and are often interspersed with higher-quality ores in complex geological formations. Due to this natural layering, it is inevitable that mining operations encounter mineralised waste during extraction. The volume of mineralised waste mined depends largely on the specific and complex geological conditions at each site and depth, rather than on mining plans or human control. Therefore, the mining team cannot fully control how much mineralised waste must be removed or processed before reaching higher-quality ore. During the Track Record Period, fluctuations in the volume of mineralised waste reflected such geological complexities. For example, in 2024, the mining team encountered less mineralised waste but more pure waste rock, whereas in 2022 and 2023, there was a higher proportion of mineralised waste relative to waste rock.

Mineralised waste contain lower concentrations of economically valuable metals, making them uneconomical to process on their own. To address this, we have deployed a blending technique, mixing mineralised waste with higher-grade ores to create an ore blend that meets or exceeds the processing plant's minimum threshold. This allows the metal content in mineralised waste to be recovered effectively, thereby increasing total concentrate output.

Blending is a widely used practice in the mining industry as it maximises metal recovery and improves overall resource utilisation. We can increase total production volume by incorporating mineralised waste, which contributes to higher revenues and profits while spreading operational costs over a larger output. Aside from the increased volume and corresponding revenue growth, the blending of mineralised waste does not negatively affect the selling price, product quality, or profit margins of the concentrates compared to those produced solely from higher-grade ores.

According to Article 7 of the Mineral Resources Law of the PRC, a policy of unified planning, rational layout, comprehensive exploration, rational exploitation, and comprehensive utilisation for mineral resources exploration and development is implemented by the State. Xizang Autonomous Region's Natural Resources Department (西藏自治區自然資源廳) defines mineralised waste as minerals that fall between the boundary and lowest industrial grades, lacking mining value under current economic conditions. Additionally, the Circular Economy Promotion Law (《循環經濟促進法》) requires mining companies to extract and utilise valuable coexistent minerals while preventing resource loss; and the Draft Implementation Regulations for the Mineral Resources Law of the PRC (《中華人民共和國礦產資源法實施條例(徵求意見稿)》) emphasises efficient use of mineralised waste. Based on the above, the comprehensive use of mineralised waste by mining companies does not contravene the mandatory provisions of the applicable PRC laws and regulations and the relevant local laws and regulations of Xizang. During the Track Record Period, we consumed approximately 204.7 kt, 217.0 kt, 11.4 kt and nil of mineralised waste to blend with ores economically and strategically to produce feed ores that meet the specifications for concentrate production purpose. The mineralised waste that were comprehensively used in our production in 2024 was substantially lower than that of in 2022 and 2023. Variations in the quantity of mineralised waste that were comprehensively used each year during the Track Record Period was resulted from the reduction of the total quantity of ores that were mined from our open-pit mine.

**Expansion and technology renovation of Mengya'a Beneficiation Plant**

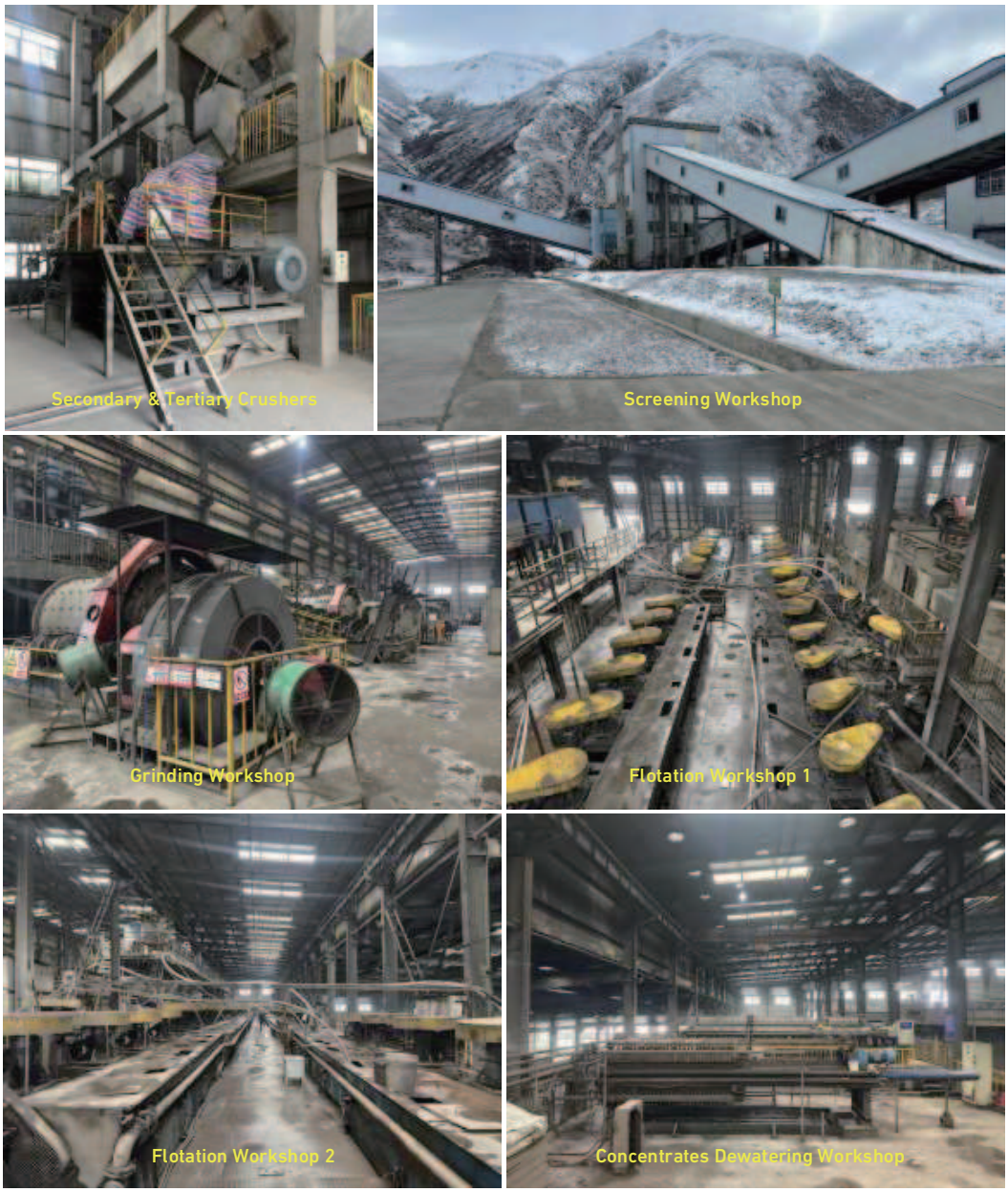
The expansion and renovation of our processing plant started in 2017, and by 2022, the nameplate daily processing capacity has reached 3.0 kt. The following timeline sets out the milestone by year in terms of our renovation and upgrades for Mengya'a Beneficiation Plant.

| Year | Milestone |
|---|---|
| 2017 | The crushing system was upgraded by replacing the secondary and tertiary cone crushers and adding a vibrating screen before secondary crushing, which reduced the particle size of the crushed product. |
| 2018 | A flotation column was added before the copper-lead mixed flotation to extend the flotation time and improve copper-lead recovery. Additionally, one more filter press was added for dewatering the lead and zinc concentrates. |
| 2020 | The number of flotation cells for copper-lead rough flotation and zinc rough flotation was increased from 4 to 6. The scavenger flotation cells were also adjusted to extend the flotation time. |
| 2021 | The reagent system underwent a significant adjustment, drastically reducing lime consumption. The pH of the process water was reduced from 13-14 to 7-8, leading to a gradual improvement in beneficiation performance. |
| 2022 | The secondary grinding cyclone classifier was replaced from FX500 to FX400, and the grinding fineness increased from 65.0-70.0% passing 74.0μm to 70.0-75.0% passing 74.0μm. The copper-lead separation process added a rough flotation cell, along with an additional scavenger and cleaner flotation stage, which improved the copper-lead separation efficiency. |

***Key equipment and corresponding metrics***

Our processing plant consists of a series of key equipment, devices and relevant parts to function. The following table sets out the key equipment and corresponding metrics.

| No. | Equipment Name | Model/Specification | Power (kW) | Quantity |
|---|---|---|---|---|
| 1 | Raw Ore Bin | 120.0$m^3$ | — | 1 |
| 2 | Plate Feeder | BZ1200-6 | 22 | 1 |
| 3 | Jaw Crusher | C100 | 110 | 1 |
| 4 | Cone Crusher | NH400C | 220 | 1 |
| 5 | Cone Crusher | CH440MF | 315 | 1 |
| 6 | Vibrating Screen | YSC2148 | 22 | 1 |
| 7 | Vibrating Screen | YA2160 | 22 | 1 |
| 8 | Fine Ore Bin | 1.5 kt | — | 2 |
| 9 | Electric Vibrating Feeder | GZ1006 | 1.1 | 8 |
| 10 | Grid Type Ball Mill | MQG2736 | 400 | 2 |
| 11 | Overflow Ball Mill | MQY2736 | 400 | 2 |
| 12 | Double Spiral Classifier | 2FG-20 | 15×2 | 2 |
| 13 | Cyclone Group | FX400×4 | — | 2 |
| 14 | Cyclone Feed Slurry Pump | 150/100E-AH | 90 | 4 |
| 15 | Stirring Tank | Φ2.5×2.5m | 30 | 2 |
| 16 | Stirring Tank | Φ2.5×2.5m | 22 | 8 |
| 17 | Stirring Tank | Φ2.5×2.5m | 18.5 | 1 |
| 18 | Stirring Tank | Φ2.5×2.5m | 11 | 3 |
| 19 | Flotation Column | — | 37+75 | 2 |
| 20 | Flotation Machine | XCF-8 | 22 | 18 |
| 21 | Flotation Machine | KYF-8 | 15 | 46 |
| 22 | Flotation Machine | XCF-4 | 15 | 16 |
| 23 | Flotation Machine | KYF-4 | 11 | 35 |
| 24 | Thickener | NZS-9 | 7.5 | 1 |
| 25 | Thickener | NT-18 | 11 | 3 |
| 26 | Filter Press | CJZJ-10$m^2$ | 11 | 1 |
| 27 | Filter Press | CJZJ-30$m^2$ | 22 | 3 |
| 28 | Filter Press | XMZGF220/1250 | 5.5+15 | 2 |
| 29 | Thickener | NZY-30 | 15 | 1 |




*Snapshots of main workshops at our Mengya'a Beneficiation Plant*

For the years ended 31 December 2022, 2023, 2024 and the seven months ended 31 July 2025, the ore mining volume was approximately 273.2 kt, 399.5 kt, 240.6 kt and 205.3 kt, respectively. The current cut-off for the Ore Reserve estimate, in accordance with the JORC Code, is EqPb ≥1.8%, which represents a minimum grade that can be mined profitably under predetermined conditions. In actual mining practice, we have adopted a flexible strategy, using a Pb+Zn threshold of ≥3% to differentiate between direct feed to the processing plant and low grade materials that we consider bear sub-economic value. The low grade materials are further pre-concentrated at our in-pit trial pre-concentration plant. We have also adopted a blending strategy by mixing low-grade materials with ore to achieve an average grade that meets the processing plant's feed requirements.

The following table sets out a breakdown of the ore mining volume, ore processing volume and production capacity of the processing plant for the years/periods indicated.

| | For the year ended 31 December | | | For the seven months ended 31 July |
|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2025 |
| | *tonnes* | *tonnes* | *tonnes* | *tonnes* |
| Permitted annual ore mining volume | 400,000.0 | 400,000.0 | 400,000.0 | 400,000.0 |
| Ore mining volume[(1)] | 273,158.8 | 399,520.4 | 240,626.1 | 205,320.3[(4)] |
| Designed processing volume[(2)] | 400,000.0 | 400,000.0 | 400,000.0 | 400,000.0 |
| Ore processing volume[(3)] | 354,038.0 | 374,157.5 | 321,789.2 | 204,603.3[(4)] |

*Notes:*

(1) In 2024, due to weather conditions and planned technical adjustments to the production lines, the overall ore mining volume for the year ended 31 December 2024 decreased compared to that of previous years.

(2) According to the Independent Technical Report, the processing plant was established in October 2007, designed by Lanzhou Nonferrous Metallurgical Design and Research Institute Company Limited (蘭州有色冶金設計研究院有限公司). The processing plant commenced production in December 2010.

(3) Generally speaking, we recorded a certain amount of inventory of ores which were generally used for concentrates production for the following year. Therefore, the ore processing volume for the year depends not only on the ore mining volume of the year but also to a certain extent depends on, the inventory level. During the Track Record Period, we adopted the methodology of comprehensive utilisation for mineralised waste that had been obtained from our exploration and project management. See "— Mineralised Waste and Comprehensive Utilisation" in this section regarding the applicable PRC laws and regulations of comprehensive utilisation of mineralised waste. The processing volume of mineralised waste were 204.7 kt, 217.0 kt, 11.4 kt and nil for the years ended 31 December 2022, 2023, 2024 and the seven months ended 31 July 2025, respectively. The ore processing volume decreased significantly from 374.2 kt in 2023 to 321.8 kt in 2024, which was primarily due to production line upgrades and weather-induced delays.

In respect of production line upgrades, in 2024, we undertook a planned, sequential upgrade and interleaved maintenance of two key production lines at our processing plant from May to October, maintaining partial operations throughout that period. Consequentially, the production of concentrates was not at full capacity, resulting in reduced processing days of our processing plant. In respect of weather-induced delays, unfavourable weather conditions, particularly during April 2024, caused unexpected delays in production activities. These weather disruptions shortened the effective production period and affected logistics, raw material handling, and plant operations. Weather conditions also affected transportation of raw materials and finished products, as well as workforce availability and safety, further compounding operational challenges.

We voluntarily adjusted our production plan primarily due to: (i) the need to carry out pre-scheduled preparation works, including essential maintenance and technical upgrades, for processing ores extracted from the underground mine in anticipation of its commercial mining commencing in 2025; and (ii) a delay in the commencement of mining operations and production timeline caused by extreme weather conditions in early 2024. Despite these adjustments, our Directors believe that we do not expect any further major changes to the production plan in the foreseeable future. The current schedule reflects a realistic and safety-conscious approach to ensure operational readiness and compliance with occupational safety measures.

(4) The volume is calculated as at 31 July 2025.

The permitted annual mining capacity of our Mengya'a Mine is stipulated as 400.0 kt. We strive to achieve this volume each year to maximise profitability, which is subject to certain factors, such as the ore inventory level. That is because an excessive ore inventory not only occupied the limited storage space but also potentially affected the liquidity position if existing ore inventory were not converted into operating cash inflow in time through sales. In addition, the extraction of mineralised waste is common during our mining process. For instance, in 2022, we had a high level of ore inventory at the beginning of the year, together with large amount of extracted mineralised waste. If we had carried out the mining plan at full capacity of 400.0 kt whilst keeping its excessive ore and mineralised waste storage, that would have sunk more cost hence adversely affecting our liquidity position. Nor was there enough storage space available to accommodate those extra mined ores . Additionally, the comprehensive utilisation of mineralised waste is promoted and encouraged by the government to prevent resource loss. Therefore, we adjusted and allocated our processing capacity to the existing ore inventory together with mineralised waste in 2022 and thus consequentially led to a reduction in our actual ore mining volume in the year.

The aforesaid reason also applies to 2024. Nonetheless, other factors such as our initiative to undertake maintenance and technical upgrades to prepare for processing ores from our underground mines, and the delay in the commencement of mining operations and production timeline due to the extreme weather conditions in early 2024, also impacted our actual ore mining volume for the year.

By contrast, the combined impact of all the aforesaid factors was minimal in 2023, and accordingly, we succeeded in reaching an actual ore mining volume of approximately 400.0 kt in 2023.

The following table sets out the breakdown of the utilisation rates of our processing plant for the years/period indicated.

| | For the year ended 31 December | | | For the seven months ended 31 July |
|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2025 |
| | % | % | % | % |
| Ore mining utilisation rate | 68.3 | 99.9 | 60.2 | 51.3 |
| Ore processing utilisation rate | 88.5 | 93.5 | 80.4 | 51.2 |

Ore mining utilisation rates were calculated using the actual ores extracted each year/period of the Track Record Period, divided by 400.0 kt which was the annual licensed amount. Ore processing utilisation rates were calculated using the ores processed each year/period of the Track Record Period, divided by 400.0 kt which was the designed processing volume of our processing plant. Fluctuations of such rates were attributable to variations in our actual mining and processing volume.

**Tailings**

**Phase 1 Tailings Pond**

The processing plant's tailings pond, also referred to as Phase 1 Tailings Pond, is located 5.1 km southwest of the plant on the left bank of the Anong Qu tributary. This valley-type pond has a designed final stacking elevation of 5,036.0 m asl, a total dam height of 76.0 m, and a storage capacity of 2.97 million $m^3$. It commenced trial operation in June 2011, with a seepage control modification implemented in 2014, which included the installation of geotextile membranes.

The initial rock-fill dam features upstream and downstream slopes of 1:2.0, a 12.5 m-wide crest, and an initial height of 40.0 m, with an additional 36.0 m added through tailings stacking. A 1.5 mm-thick HDPE geomembrane is installed in the pond for seepage control, and drainage facilities guide seepage water to a return water pool. The catchment area is 4.83 $km^2$, covering 12.6 hectares, and includes flood diversion ditches to manage rainwater.

Tailings from the flotation plant are concentrated and dewatered before being pumped through high-pressure pipelines to the pond. Clarified water and seepage are directed back to the plant for recycling via a gravity-fed pipeline. The pond is equipped with comprehensive monitoring systems for safety and environmental protection, including rainfall and displacement monitoring facilities, video surveillance and groundwater environmental monitoring wells. By virtue of construction and subsequent modifications, the pond has been operated in its normal status, meeting all safety and environmental standards, with an estimated remaining storage capacity sufficient for another two years, based on our current actual production volume each year during the Track Record Period.

**Phase 2 Tailings Pond *(our new tailings pond)***

With the expansion of the mine resource exploration, the proven resource reserves have gradually increased. As we plan to expand the mining capability, we are of the view that Phase 1 Tailings Pond will no longer meet the tailings discharge requirements after the expansion. To maintain normal mine ore processing and ensure sustainable development, we have decided to construct a new tailings pond in another tributary upstream of the Anong Qu, located northeast of Phase 1 Tailings Pond. As at the Latest Practicable Date, the construction of our new tailings pond had been substantially completed.

Phase 2 Tailings Pond is administratively located within the jurisdiction of Rongdoi Township, Jiali County, and is adjacent to Phase 1 Tailings Pond. The straight-line distance between the tailings dams of the two ponds is about 1.05 km, and the distance from the processing plant is approximately 5.6 km. The new tailings pond is a valley-type pond with a designed final stacking elevation of 5,210.0 m. The total dam height is 153.0 m, with an initial dam height of 53.0 m and a later tailings stacking dam height of 100.0 m. The total storage capacity of Phase 2 Tailings Pond is 21.2 million $m^3$, and the effective storage capacity is 13.78 million $m^3$. The total storage capacity of the tailings pond represents the full geometric volume of the impoundment, while the effective storage capacity reflects the actual usable space available for tailings deposition after considering essential safety and operational requirements. According to SRK, at the current flotation plant capacity of 400.0 kt/a, the estimated service life of Phase 2 Tailings Pond is approximately 64 years, which is sufficient to cover the LoM of our Mengya'a Mine.

During the Track Record Period, we engaged Xizang Jiwei Construction Engineering Company Limited* (西藏集為建設工程有限公司) ("**Xizang Jiwei**") , an independent third party, in respect of the construction of the new tailings pond. Xizang Jiwei was engaged by us pursuant to our bidding protocol, which was in full accordance with Bid Invitation and Bidding Law of the PRC (《中華人民共和國招標投標法》).

The following table sets out the key terms of the construction agreement in constructing the new tailings pond.

| | |
|---|---|
| **Contract price and payment** | Fixed contract price of RMB267,000,263.62. The charges are paid on multiple occasions, including but not limited to the following occasions: (i) payment based on Xizang Jiwei's submission of progress report; (ii) payment of materials purchased by Xizang Jiwei; (iii) payment of 80% (including cumulative payments made in the early stages) of the construction project price and returning of performance bond within 20 working days upon the inspection and approval of the construction works; and (iii) payment of 95% (including cumulative payments made in the early stages) of the approved construction project amount within 20 working days after the third-party costs consulting agency has issued the relevant report, and of the remaining 5% in proportion upon the lapse of the defects liability period and no issues in relation to quality have been discovered. |
| **Construction period term** | From 1 September 2021 to 20 September 2024, or upon the actual completion of the construction. |

**Scope**

Xizang Jiwei shall provide, among other things, services in relation to constructing a tailings pond with a dam height of 153.0 metres, total storage capacity of 21.2 million sq.m. and of second class, including the construction of the initial dam, bottom drainage, project for prevention of bottom seepage, interception of drainage system, water inception dam, the upstream shaft spillway of the main tunnel, the main interception and drainage tunnel, the flood drainage branch tunnel in the reservoir and the corresponding branch tunnel shaft, the drainage chute, the surface interception ditch of the western ditch, the west ditch interception tunnel and the corresponding flood drainage shaft, the downstream outlet stilling pool and other energy-saving anti-scouring facilities, the water diversion open channel, the downstream interception dam, the seepage collection pool and return pool, and the trash rack, etc. The scope of the construction work is in accordance with all contents of design drawings and as set out in the agreement. In general, we are responsible for inspection of Xizang Jiwei's construction work.

**Xizang Jiwei's obligations**

The construction works must satisfactorily meet our quality standards. Xizang Jiwei must organise and complete the design, procurement and construction of the construction project in accordance with the standards and requirements as set out in the agreement, and bear maintenance responsibilities during the defects liability period and warranty period. Xizang Jiwei shall be responsible for all risks and losses in relation to the quality and safety of the construction works.

**Warranty and indemnity**

Xizang Jiwei shall compensate us for any losses suffered by us due to any issues in relation to quality issues, delay in progress, refusal to rectify, or non-compliance with our inspection. Xizang Jiwei shall also indemnify us for various breaches including but limited to: (i) the failure to submit labour contracts and to be responsible for labour protection insurance; (ii) the project manager being absent from the construction sites without our permission; and (iii) the change of project manager or key personnel without consulting us and having our permission, or refusal to change personnels upon our request.

The agreed-upon indemnity period is one year, and it has been further agreed that the warranty period for waterproofing of the new tailings pond shall be two years, both commencing from the completion of the construction acceptance procedure.

| | |
|---|---|
| **Termination** | We may terminate the agreement with to Xizang Jiwei on the occurrence of certain events, including but not limited to: (i) failure to comply with our requirement in relation to performance security; (ii) failure to comply with our requirement in relation to subcontracting; (iii) failure to meet our progress and to take measures to revise the progress plan in accordance with our instructions; (iv) serious quality issues and the rectification of such has been delayed for more than 28 days without reasonable justification; (v) the bankruptcy, cessation of business, liquidation, entering receivership, or an indication of the above mentioned circumstances; (vi) express refusal or implied refusal by conduct to perform the agreement, or failure to perform the agreement upon our written notice, or performing the agreement through inappropriate means; (vii) failure to pass the inspection tests rendering the loss of functionality or productivity of the project; (viii) suspension of construction works of more than 56 days due to reasons by Xizang Jiwei rendering an impact to the construction works, or suspension of construction works of more than 182 days; (ix) failure to comply with the requirement in relation to the completion date rendering a delay of more than 182 days; and (x) failure to rectify a breach within a specified reasonable period after the issuance of a rectification notice rendering the frustration of the agreement. We will need to serve a written notice to Xizang Jiwei under certain circumstances in order to terminate the agreement. |
| **Renewal** | The agreement does not set out any renewal clause. |
| **Management of Xizang Jiwei's performance** | The performance and conduct of Xizang Jiwei is subject to the supervision of our personnel. We may supervise Xizang Jiwei and inspect its carrying out of works stipulated under the agreement on, among other things, issues of quality of work, progress, safety maintenance, use of materials and site operation. Xizang Jiwei shall, upon receiving notification of any problem revealed by us, properly review such comments and rectify such problems. |

For the benefits of having a new tailings pond, see "— Competitive Strengths — The longevity of expanded tailings storage capacity is well-positioned to support our mining operations and demonstrates our commitment to, and resilience in sustainable mining practices" in this section for details.

Mining companies face inherent risks in their operation of tailings storage facilities. See "Risk Factors — The failure of a tailings storage facility could negatively impact our business, reputation and results of operations" in this document for details. During the Track Record Period and up to the Latest Practicable Date, we did not experience any tailings dam failure of other failure of tailings.

For the years ended 31 December 2022, 2023, 2024 and the seven months ended 31 July 2025, the construction service purchase from Xizang Jiwei was approximately RMB47.3 million, RMB137.4 million, RMB64.8 million and RMB6.0 million, respectively. As at the Latest Practicable Date, the remaining balances of construction expenses to be paid to Xizang Jiwei was approximately RMB55.0 million.

Although we have conducted our internal safety inspection, construction of our Phase 2 Tailings Pond has not yet reached the stage of completion. According to the construction timetable, the final completion of Phase 2 Tailings Pond will take place only after government inspection and approval, which is scheduled in mid-2026. Operations will commence thereafter. Our Directors confirm that as at the Latest Practicable Date, the current construction was on schedule and the construction would be completed on time.

**Risks Associated with our Mining Operations**

The mining industry inherently has a high level of risk, which results from factors like the characteristics of the ore body, its distribution, grade, and fluctuations in mining and ore processing that cannot be precisely forecasted or fully accounted for. The following table sets out a summary of the risk assessment according to the Independent Technical Report, including its assessment result, the ratings of the relevant risks and recommendations for actions to mitigate technical risks.

| | Risks | | | | | | |
|---|---|---|---|---|---|---|---|
| **Risk** | **Description** | **Control Recommendations** | **Likelihood** | **Consequence** | **Rating** | **Mitigation Measures** | **Implementation Status & Time Frame** |
| **Mineral Resource and Ore Reserve** | | | | | | | |
| Relationship between density and combined Pb+Zn grade | Analysis of 316 samples from Pb12 and Pb14 deposits showed no significant correlation in Pb12 oxide ore, but a marginal correlation in fresh ore. | Conduct a detailed study to evaluate correlations, focusing on the Pb12 deposit. | Possible | Minor | Low | Enhanced sampling and testing in both oxide and fresh ore zones to better understand ore variability and correlations. | We have commenced discussion with an exploration team regarding the implementation of the proposed exploration programme. |

| | Risks | | | | | | |
|---|---|---|---|---|---|---|---|
| **Risk** | **Description** | **Control Recommendations** | **Likelihood** | **Consequence** | **Rating** | **Mitigation Measures** | **Implementation Status & Time Frame** |
| **Mining** | | | | | | | |
| Poor production plan | Failure to meet targets due to mine access delays or equipment shutdown. | Implement short-term planning to identify/resolve delays and meet ore targets. | Unlikely | Moderate | Low | Reserve a certain amount of spare production capacity and exercise strict control over production volume balance to ensure plan reliability. | We commenced reserving spare production capacity and implementing production volume controls as part of our standard planning process. These measures are fully operational and continuously monitored to ensure ongoing effectiveness. |
| High altitude diseases | Operational difficulties (e.g. health risks, equipment inefficiency) due to altitude. | Implement acclimatisation programmes, emergency medical facilities, and equipment modifications. | Possible | Moderate | Medium | Increase mechanisation, localise employees, and provide competitive compensation and benefits to reduce labour intensity and turnover. | We have carried out mechanisation improvements and continue to expand these efforts. Employee localisation programmes and competitive benefits have been fully implemented, with ongoing evaluation to maintain workforce stability. |
| Poor project implementation | Construction delays due to resource shortages or poor planning. | Monitor project plans, establish contingency budgets, and standby resources. | Unlikely | Moderate | Low | Conduct continuous geological exploration and dynamically control production volume to maintain continuity and reduce resource depletion risk. | We commenced annual geological exploration activities as an integral part of our resource management strategy. Production volume controls are firmly established and regularly reviewed to maintain project stability. |

| | Risks | | | | | | |
|---|---|---|---|---|---|---|---|
| **Risk** | **Description** | **Control Recommendations** | **Likelihood** | **Consequence** | **Rating** | **Mitigation Measures** | **Implementation Status & Time Frame** |
| Unfavourable mining design | Existing infrastructure (designed for exploration) may not support mining. | Conduct infrastructure assessments, upgrade ventilation and safety systems and ensure regulatory compliance is achieved. | Possible | Moderate | Medium | Engage professional design institutes and conduct multi-level technical and regulatory assessments to ensure safe and reliable designs. | We have been engaging professional design institutes for all mining projects and have established a rigorous multi-level review process. This approach is standard practice and continues to be applied for all new designs. |
| Equipment shortage or shutdown | Insufficient equipment due to unstable ROM production. | Implement maintenance schedules and inventory management. | Unlikely | Moderate | Low | Optimise equipment maintenance, strengthen spare parts inventory, and install redundancy systems for key equipment to ensure production continuity. | We commenced optimisation of the maintenance system and enhancement of spare parts inventory several years ago. Redundancy systems for critical equipment have been installed and are maintained as part of ongoing operational procedures. |
| Lack of skilled labour | Labour shortages leading to operational failures. | Train local workers, retain skilled labour, and hire domestic experts. | Possible | Moderate | Medium | Cooperate with local vocational colleges, expand nationwide recruitment, and offer market-competitive benefits to attract and retain skilled workers. | We initiated partnerships with educational institutions and expanded recruitment channels in recent years. Training programmes and benefits packages are fully implemented and continuously improved to attract and retain talent. |
| Adverse micro-geological conditions | Faults/ disturbances causing disruption to mine plans. | Implement real-time geological mapping and update underground working plans | Unlikely | Moderate | Low | Strengthen geological exploration and develop tailored technical solutions for varying geological conditions. | We commenced enhanced geological exploration initiatives and the development of customised technical solutions, which are actively applied and refined as new conditions arise. |

| | Risks | | | | | | |
|---|---|---|---|---|---|---|---|
| **Risk** | **Description** | **Control Recommendations** | **Likelihood** | **Consequence** | **Rating** | **Mitigation Measures** | **Implementation Status & Time Frame** |
| Bad weather interruptions | Operational shutdowns due to extreme weather. | Use weather-resistant facilities, maintain ROM stockpiles, and plan for delays. | Possible | Minor | Low | Maintain robust inventory management and flexible production planning to mitigate operational disruptions caused by extreme weather. | We have implemented inventory management protocols and flexible production planning for several years. These measures are regularly reviewed and adapted to seasonal weather patterns. |
| **Processing** | | | | | | | |
| Low recoveries for oxidised ore | Concentrator optimised for sulfide ore struggles with oxidised ore. | Adjust reagent regimes to improve oxidised ore beneficiation. | Possible | Minor | Low | Employ metallurgical research, process optimisation, selective mining, and explore alternative extraction technologies. | We commenced metallurgical research and process optimisation programmes which are ongoing. Selective mining practices are in place, and investigations into alternative extraction technologies continue. |
| Recycled water impacts | Recycled water reduces Cu-Pb-Zn recovery rates. | Optimise reagent regimes to minimise water quality impacts. | Unlikely | Moderate | Low | Maintain advanced flotation and recycling technology and strengthen research to reduce environmental impacts and improve efficiency. | We have deployed advanced flotation and recycling technology following its award in 2019. We are seeking to intensify research efforts to enhance recycled water utilisation in the near future. |
| **Tailings Storage Facilities** | | | | | | | |
| Earthquakes | Seismic events exceeding design resistance capacity. | Monitor warnings, establish emergency plans, and prevent secondary disasters. | Unlikely | Moderate | Low | Establish and practise an emergency response plan, implement online monitoring, and design engineering works to meet seismic standards. | We commenced development and filing of the emergency response plan several years ago and conduct regular drills. Online monitoring systems are fully operational, and engineering works consistently meet seismic standards. |

| | Risks | | | | | | |
|---|---|---|---|---|---|---|---|
| **Risk** | **Description** | **Control Recommendations** | **Likelihood** | **Consequence** | **Rating** | **Mitigation Measures** | **Implementation Status & Time Frame** |
| High altitude and cold weather | Winter conditions cause tailings discharge issues. | Halt production in extreme cold, control discharge speed, and follow protocols. | Unlikely | Minor | Low | Suspend production during extreme cold and monitor new tailings disposal technologies for cold environments to adopt advanced measures timely. | We have adopted seasonal production suspensions in response to extreme cold weather and continue to monitor technological advancements. |
| Flood or seepage accidents | Damage to facilities due to the use of substandard materials, poor structural integrity, inadequate construction quality, or insufficient chute sealing in flood discharge and seepage prevention systems. | Improve inspections, maintenance, and quality control. | Possible | Moderate | Medium | Engage supervisory companies, pass government inspections, and enforce a strict management system for safe tailings pond operation. | We have engaged supervisory companies and have successfully passed all required inspections. The management system is fully implemented and rigorously maintained on an ongoing basis. |
| Damaged impermeable layer | Membrane damage during phased installation. | Improve supervision and maintenance during construction. | Possible | Minor | Low | Enhance supervision and careful management during construction to avoid membrane damage. Carry out land rehabilitation. | We have initiated a land rehabilitation plan especially in Nagqu in which our mining operations are located. |

| | Risks | | | | | | |
|---|---|---|---|---|---|---|---|
| **Risk** | **Description** | **Control Recommendations** | **Likelihood** | **Consequence** | **Rating** | **Mitigation Measures** | **Implementation Status & Time Frame** |
| Changes in tailings discharge volume or tailings characteristics | Changes in mining, mineral processing, or tailings treatment processes can result in an increased annual volume of tailings storage or a decline in tailings quality. Substantial variations may lead to a reduction in dam strength. | Improve supervision and implement countermeasures promptly. | Unlikely | Moderate | Low | Adopt advanced tailings treatment technologies to minimise water and soil pollution. | We have continued improving the tailing waste management and the overall process supervision mechanism to control the source of waste pollution at source and enhance the reuse of waste. |
| **Environment and Social** | | | | | | | |
| Absence of key licences and permits | New permits required for refurbishment and expansion project. | Proactively identify and apply for all required permits/licences before project commencement and maintain compliance monitoring. | Unlikely | Moderate | Low | Obtain and retain necessary approvals, licences and permits from relevant PRC government authorities and to renew them prior to their expiry. | We successfully varied the mining licence to cover both the open-pit mine and the underground mine, with validity till 15 December 2025 in light of our underground mine which has commenced commercial operation since the second quarter of 2025. |
| Habitat damage (flora/fauna) | Land disturbance from infrastructure development/ production, leading to biodiversity loss. | Minimise land footprint, implement phased land reclamation and restore habitats with native vegetation post-disturbance. | Possible | Moderate | Medium | Conduct vegetation restoration projects to promote the recovery of ecosystems around mining areas. | We have participated in environment protection projects, including but not limited to the Nanbeishan Greening Project and initiated land rehabilitation plan. |

| | Risks | | | | | | |
|---|---|---|---|---|---|---|---|
| **Risk** | **Description** | **Control Recommendations** | **Likelihood** | **Consequence** | **Rating** | **Mitigation Measures** | **Implementation Status & Time Frame** |
| Water pollution (surface/ground) | Untreated mine dewatering, leachate from mineralised waste or stockpiles or beneficiation wastewater leaks. | Treat and re-use dewatering water, install leachate collection systems, prevent leaks via containment and monitor water quality quarterly. | Possible | Moderate | Medium | Strengthen monitoring of leachate from causing surface water and groundwater pollution. | We commenced active recycling and reuse of wastewater with an aim to achieve zero discharge of production wastewater. |
| Air pollution | Dust emissions from mining, transportation, and beneficiation activities. | Spray water on roads/sites, install dust suppression systems (e.g. mist cannons) and enclose processing facilities. | Possible | Minor | Low | Strengthen the use of energy-saving and clean technologies and increasing the proportion of low-carbon energy. | We have set dust collecting machines in our operation sites to purify air. We commenced energy-efficient initiatives through leveraging technology with an aim to reduce total GHG emission. |
| Hazardous substance pollution | Materials that are corrosive, reactive, explosive, toxic and flammable may pose a potential risk to environmental health. | Store hazardous materials in secure, dedicated facilities; register and track waste, and engage licensed contractors to carry out disposal. | Unlikely | Moderate | Low | Careful storage and disposal of hazardous substance in line with recognised international industry management practices. | We have been actively minimising hazardous substance pollution by adopting industry best practices for the storage and disposal of such substances, which is subject to regular review to ensure compliance and risk mitigation. |

| | Risks | | | | | | |
|---|---|---|---|---|---|---|---|
| **Risk** | **Description** | **Control Recommendations** | **Likelihood** | **Consequence** | **Rating** | **Mitigation Measures** | **Implementation Status & Time Frame** |
| Community opposition | Complaints/ resistance from local population due to project impacts (noise, dust, land use). | Establish a grievance redress mechanism, fund community infrastructure (e.g. water supply, schools), and engage in transparent stakeholder dialogue. | Unlikely | Moderate | Low | Supporting the community through investments in essential infrastructure, poverty alleviation and education works. | We have been providing employment opportunities to villagers in nearby villages. We have been making donations to establishing a fund to train and promote youth volunteers engaged in activities that celebrate the Yan'an spirit, as well as another fund to support the poverty alleviation and education works in Nagqu. |
| High operating costs | Costs exceed forecasts, reducing profits. | Secure long-term contracts with suppliers/contractors. | Unlikely | Moderate | Low | Adopt stringent cost management practices and streamline operations to eliminate wasteful spending. | We have adopted cost control measures and have been continuously reviewing and optimising our operational processes to reduce unnecessary operating expenses. |
| Product price volatility | Declining demand reduces prices. | Optimise processes, reduce costs, or scale down unprofitable operations. | Possible | Moderate | Medium | Enhance production efficiency to lower costs per unit. Expand the range of products or entering new markets to reduce vulnerability to price swings in any single segment. | We have been implementing measures to improve operational efficiency and exploring to broaden our offerings to reduce our exposure to fluctuations in product prices, subject to ongoing and periodic review. |

## SALE OF CONCENTRATES

### Sales Master Agreement

In spite of customer type, we adopt a standard sales master agreement. The following table sets out the key terms and conditions of our sales master agreements.

| | | |
|---|---|---|
| **Grade** | : | For lead and zinc concentrates, impurity contents must not exceed standard limit of each type of concentrates as prescribed in the sales agreement. For copper concentrates, there is no standard limit for impurity contents, and the grade would affect the price of the concentrates. |
| **Delivery** | : | We are responsible for delivering concentrates from our processing plant to Lhasa upon completion of production. Customers need to make further arrangements to transport the concentrates from Lhasa to their designated places. |
| **Sample check and testing** | : | Each of our customers will conduct onsite sampling and moisture testing on the concentrates to be transported, along with the issuance of a test report. Samples will also be transported to the laboratory of our Company for further assessment. |
| **Inspection** | : | Concentrates should be weigh bridged by our Company, in accordance with the scale standard promulgated by the National Bureau of Measurement (國家計量局). |
| **Payment** | : | A deposit of an amount requested by our Company should be prepaid to us by the customer. Such advance payment is used to settle the fees of the concentrates ordered by our customers, based on the corresponding average selling price and the sales amount. Whilst the deposit for a specific customer falls short of RMB1.0 million, the customer shall top up the deposit, before we deliver the concentrates to our customers. The remaining deposit shall be returned to the customer in a situation where the customer's demand for the concentrates surpasses our supply. |

For the years ended 31 December 2022, 2023, 2024 and the seven months ended 31 July 2025, the quantity of concentrates we sold were approximately 31.0 kt, 37.1 kt, 16.2 kt and 13.0 kt, respectively. The following table sets out a breakdown of the quantity of each of our zinc concentrates, lead concentrates and copper concentrates sold for the years/periods indicated.

| | For the year ended 31 December | | | For the seven months ended 31 July | |
|---|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2024 | 2025 |
| | *tonnes* | *tonnes* | *tonnes* | *tonnes* | *tonnes* |
| Zinc concentrates | 19,766.0 | 23,544.0 | 12,325.0 | 2,508.0 | 8,845.0 |
| Lead concentrates | 10,757.0 | 12,801.0 | 3,668.0 | 1,102.0 | 3,802.0 |
| Copper concentrates | 432.0 | 790.0 | 183.0 | 86.0 | 338.0 |
| **Total** | 30,955.0 | 37,135.0 | 16,176.0 | 3,696.0 | 12,985.0 |

The discrepancy between the quantities of concentrates sold and produced primarily arises from inventory timing and classification differences. Specifically, the year-end inventory of zinc concentrates for the year ended 31 December 2022 amounted to 91.0 tonnes, which were subsequently sold while the corresponding revenue for the sales was recognised in 2023. Similarly, for the year ended 31 December 2024, the remaining year-end inventories include 4.0 tonnes of zinc concentrates, 6.0 tonnes of lead concentrates, and 3.0 tonnes of copper concentrates.

For the years ended 31 December 2022, 2023, 2024 and the seven months ended 31 July 2025, revenue from our sales of concentrates was approximately RMB482.4 million, RMB546.1 million, RMB301.4 million and RMB256.6 million, respectively. The following table sets out a breakdown of our revenue by customer type for the years/periods indicated.

| | For the year ended 31 December | | | | | | For the seven months ended 31 July | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2022 | | 2023 | | 2024 | | 2024 | | 2025 | |
| | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* |
| Nonferrous metal trader | 371,800 | 77.1 | 406,410 | 74.4 | 227,210 | 75.4 | 62,978 | 86.7 | 214,898 | 83.7 |
| Refinery | 110,554 | 22.9 | 139,718 | 25.6 | 74,224 | 24.6 | 9,641 | 13.3 | 41,729 | 16.3 |
| **Total** | 482,354 | 100.0 | 546,128 | 100.0 | 301,434 | 100.0 | 72,619 | 100.0 | 256,627 | 100.0 |

See "— Our Customers — Overview" in this section for a discussion of the backgrounds of nonferrous metal traders and refineries.

**Non-competition between Recycled Products and our Concentrates**

There is currently no direct competition between Recycled Products and our metal concentrates due to several factors, including lower product quality, lower supply stability, diminishing price advantages, and technical adaptation barriers in relation to the Recycled Products. See "Industry Overview — Limitations on the Future Development of Recycled Products" and "Risk Factors — Our business expansion plan may not achieve the intended economic benefits" in this document for details.

Beyond these inherent limitations, the recycled lead sector in China is a well-established industry with stable and long-standing market players. As a mature and entrenched industry sector, it is neither new nor emerging, and thus does not pose direct competition to us. As advised by our PRC Legal Advisers, there are no prevalent relevant PRC laws, regulations or policies that require downstream industry players to utilise Recycled Products.

**Pricing**

In China, the market pricing of zinc, lead and copper concentrates is influenced by several guiding mechanisms rather than being solely determined by market forces. The metal market references domestic benchmark prices, particularly from SMM, providing a foundation for domestic pricing. Additionally, industry associations regularly publish reference prices and market trend reports to assist producers and buyers in their negotiations. Government policies are equally important. For instance, tariffs on certain metal exports can impact international prices. While these guiding mechanisms are important, the actual selling price is influenced by market supply and demand, especially during periods of volatility. Contract negotiations between the seller and the buyer eventually determine the final selling price, incorporating formulas that reflect market price fluctuations.

The following table set out the average selling price for each of our zinc concentrates, lead concentrates and copper concentrates.

| | For the year ended 31 December | | | For the seven months ended 31 July |
|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2025 |
| | Average Selling Price | Average Selling Price | Average Selling Price | Average Selling Price |
| | *RMB/ tonne* | *RMB/ tonne* | *RMB/ tonne* | *RMB/ tonne* |
| Zinc concentrates | 14,989 | 11,628 | 17,510 | 14,097 |
| Lead concentrates | 14,895 | 17,401 | 19,496 | 27,959 |
| Copper concentrates | 59,859 | 62,787 | 77,109 | 75,855 |

**Revenue Recognition**

Revenue from our sale of zinc, lead and copper concentrates is recognised at point in time when control of the concentrates are transferred to our customers, i.e., when the nonferrous metal concentrates are delivered to the designated locations instructed by our customers, and at prices pre-determined in the sales master agreements, or a purchase order. We receive payments in advance from all customers with no credit terms on sales. Contract liability is recognised for sales receipts in which revenue has yet been recognised. For each sale, a sample of the nonferrous metal concentrates is inspected by us prior to delivery for the purpose of determining the mineral content to be adopted as the basis of calculation of transaction price.

**Product Delivery**

According to our sales master agreements, we are obligated to deliver the concentrates to our customers, upon the completion of inspection, sample check and testing of our concentrates. Concentrates are delivered from our processing plant to Lhasa. Customers need to make further arrangements to transport the concentrates from Lhasa to their designated places.

**Transportation arrangement**

During the Track Record Period, we engaged a transportation service company, namely Jurui Farmers and Herders Professional Cooperative in Rongdoi Township, Jiali County* (嘉黎縣絨多鄉聚瑞農牧民專業合作社) ("**Jurui FHPC**") in charge of our concentrate delivery from our processing plant to Lhasa. The engagement of the transportation service company allows us to manage the delivery, enhances our operational efficiency and enables us to focus on optimising and innovating our ore processing and concentrate production processes. This improves the overall responsiveness and flexibility of our business operation chain. The following table sets out the key terms of the transportation service agreement entered into between our Company and the transportation service provider.

| | | |
|---|---|---|
| **Management of fleet** | : | The transportation service provider should properly organise the fleet and ensure its operation allowing our concentrates to arrive at the designated places of our customers safely and on time. |
| **Route planning** | : | We should notify the transportation service provider of the route planning such that the fleet can follow the plan for the purpose of efficient and secure product delivery. |
| **Inspection** | : | We are entitled to inspect the fleet of the transportation service provider to ensure that the transportation runs smoothly. We are also entitled to instruct the transportation service provider to rectify the issues we may find during the normal course of our inspection. |

| | | |
|---|---|---|
| **Prohibition** | : | The transportation service provider is strictly prohibited to unload concentrates without due cause during the transportation. |
| **Payment** | : | Monthly payment should be made by our Company. |

Historically and during the Track Record Period, there had been no instances of delivery delays due to improper actions by the transportation service company we engaged, nor had there been any serious complaints from our customers about product delivery. Based on above, our Directors have confirmed that there is no deficiency in our product delivery arrangement.

For the years ended 31 December 2022, 2023, 2024 and the seven months ended 31 July 2025, our total transportation service purchase from transportation service provider was RMB28.5 million, RMB32.2 million, RMB15.9 million and RMB13.4 million, respectively.

## ENVIRONMENTAL REHABILITATION

According to the relevant PRC laws and regulations, we are required to be responsible for site closure and land rehabilitation in relation to mining activities and submit a land rehabilitation plan to the Ministry of Natural Resources of the PRC (中華人民共和國自然資源部) or the local land and resources branch for review when renewing the mining licences. The purpose of land rehabilitation is to rehabilitate the land damaged by the mining operations in order to control water and soil loss and protect the ecological environment. We have a land rehabilitation plan, and we recognise provision for environmental rehabilitation and relocation of mines pursuant to the regulations of Nagqu in which our mining operations are located. The amount of the provision is estimated based on the life of mining tenement, timing of mine closure and cost of such rehabilitation, and such estimation basis will be updated annually. For the years ended 31 December 2022, 2023, 2024 and the seven months ended 31 July 2025, provisions made for environmental rehabilitation and relocation of mines were approximately RMB9.8 million, RMB9.3 million, RMB9.7 million and RMB7.3 million, respectively. See "— Environment, Social and Governance — Environmental Protection — Environmental rehabilitation" in this section and "Financial Information — Selected Balance Sheet Items — Provision" in this document for the details of our land rehabilitation plan and the movement of provision made for site closure and land rehabilitation purposes.

As advised by our PRC Legal Advisers, during the Track Record Period and up to the Latest Practicable Date, we have complied in all material aspects with the applicable laws and regulations relating to environmental protection. During the Track Record Period and up to the Latest Practicable Date, we have not received any notice or warning, nor have we been subject to any investigation or suffered any fines or penalties that would have a material adverse effect on our production and operations as a result of any breach of the relevant PRC environmental laws and regulations.

## SEASONALITY

Our mining activities need to be conducted considering the unique weather conditions of Xizang to optimise operational efficiency and production scheduling. Xizang has distinct plateau climate characteristics, including significant temperature variations between day and night and well-defined rainy and dry seasons. In terms of mining activities, summer (i.e., June to August) is the optimal time for exploration and mining activities, as temperature is more pleasant, facilitating our employees' adaptation to the plateau environment and improving productivity. There is typically a lapse of time between our exploration and mining operations. Once these phases are initiated, the production of concentrates occurs continuously throughout the year. However, weather in Xizang can be highly unpredictable and prone to extreme changes, including heavy rain, sleet, and hail, which may cause delays to both our mining operations and delay in production schedules at our processing plant. Such unpredictabilities brought by the extreme weather conditions of Xizang poses uncertainties to our mining schedule accordingly, differing from other mining companies operating in other regions in the PRC.

However, during the rainy season spanning from June to August, there may be heavy rain, sleet and hail, therefore, we must take precautions to address potential risks of slippery roads and mudslides, ensuring safe and stable logistics transport. Winter, spanning from November to March or April, presents extreme cold, with ground freezing or being covered in snow, which increases extraction difficulties and costs, making it generally unsuitable for large-scale mining operations.

March to May generally offers favourable conditions, with less rainfall or snowfall, making it an ideal time to commence mining operations. This period with relatively stable weather allows for a smoother start to the mining season, helping to mitigate potential disruptions caused by the region's unpredictable climate.

## OUR CUSTOMERS

### Overview

During the Track Record Period, customers of our zinc, lead and copper concentrates, as recognised in our financial statements, were nonferrous metal traders who generally blend concentrates to produce customised concentrates and conducted onward sales of such customised concentrates to end users of concentrates, which are refineries to further process the concentrates depending on their customers' needs. The downstream refinery customers cover various regions in China, and most of them are listed companies and/or state-owned enterprises. Refineries refine zinc, lead and copper concentrates into metal ingots.

It is a common practice in the industry for mining companies, including the Group, to engage metal traders as intermediaries rather than conducting direct sales to refineries for the following reasons:

(i) mining companies and refineries have structurally divergent payment preferences. Mining companies, including the Group, typically prefer payment-before-delivery terms to ensure liquidity and to finance continuous mining activities and mitigate volatility and default risk. The payment-before-delivery arrangement is the industry norm, which is common when selling concentrates to nonferrous metal traders in the demand-driven metal-mining industry. In contrast, refineries tend to purchase concentrates on delivery-before-payment or extended credit terms to align their cash collections from downstream metal sales. Metal traders bridge this fundamental timing mismatch by assuming the intervening funding obligation. They monetise the concentrates inventory and absorb the refinery's credit exposure, thereby allowing both the mining companies and the refineries to avoid incremental working-capital financing that would otherwise arise in a direct sale arrangement. For these reasons, some refineries even proactively require mining companies to enter into contracts with their designated metal traders.

(ii) besides liquidity management, metal traders perform an important concentrates consolidation and blending function that neither mining companies nor refineries can replicate on a cost-effective basis. Each refinery's smelting process is calibrated to specific blends of metal content, impurity levels, and moisture. Traders can pool concentrates from multiple mines with differing grades and contents and formulate blended concentrates that satisfy the precise metallurgical specifications of each refinery. If the Group or any mining company were to sell directly to refineries, the refineries would have a very limited selection scope of mining company suppliers whose product could directly and completely match the smelting needs of the refineries; and the refineries must negotiate with one or more mining companies to test, and manage stockpiles from multiple sources simultaneously, increasing its operational complexity and costs, inventory-management cost, and quality-control risk.

(iii) metal traders also play a crucial role in solving the problem of logistics and transportation between the mining companies and refineries, in compliance with national environmental protection regulations. The production of outputs classified as high-emission under the "Guidance on Strengthening the Ecological and Environmental Source Control of High-Energy-Consuming and High-Emitting (Dual-High) Construction Projects" (EIA [2021] No. 45) is prohibited in Xizang. Consequently, refineries must be located in inland Chinese provinces, necessitating the long-distance transportation of metal concentrates out of Xizang. The mining companies such as the Group typically only agree to deliver the concentrates to the designated locations within a limited distance in Xizang whereas the refineries usually demand direct delivery to their facilities. This is where metal traders step in, bridging a logistical gap to ensure the smooth operation of the entire supply chain. As illustrated above, metal traders do far more than act as mere resellers of the Group's products. Instead, they blend concentrates to produce customised feedstock that aligns with the exact metallurgical specifications of each refinery.

To the best knowledge of our Directors and upon all reasonable enquiries, there were nonferrous metal trader customers which are the trading arms of the groups conducting their ore-refining business via affiliated companies in their same groups. For the purpose of clear presentation, such customers are classified as a refinery for the avoidance of doubt.

The following table sets out the number of customers by customer type for the years ended 31 December 2022, 2023, 2024 and the seven months ended 31 July 2025.

| | For the year ended 31 December | | | For the seven months ended 31 July |
|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2025 |
| Nonferrous metal trader | 4 | 5 | 6 | 8 |
| Refinery | 3 | 3 | 3 | 2 |

**Our Top Five Customers**

The lead and zinc mining industry operates in a demand-driven market characterised by constrained supply that has persisted for many years. Under these conditions, it is generally the purchasers who initiate contact with mining companies, rather than the other way round, and such contacts are most often facilitated by industry referrals to companies regarded as credible and reputable. Moreover, prominent industry gatherings, including the annual China (Shanghai) International Non-Ferrous Metals Industry Exhibition and the SMM Metal Industry Conference, serve as indispensable forums through which mining companies, traders, refineries and research institutions exchange information and cultivate commercial opportunities. The Group, with an operating history of nearly two decades in Xizang, one of China's most resource-rich regions for lead, zinc, and copper, has accordingly achieved broad recognition in the marketplace.

For the years ended 31 December 2022, 2023, 2024 and the seven months ended 31 July 2025, our top five customers in each year/period accounted for approximately 93.9%, 90.1%, 88.1% and 81.7% of our total revenue, respectively. Our largest customer in each year/period accounted for approximately 41.0%, 24.2%, 31.2% and 40.8% of our revenue for the years ended 31 December 2022 and 2023, 2024 and the seven months ended 31 July 2025, respectively. We generally conduct background searches of potential customers to ensure that they are reliable business counter-parties before we enter into the sales master agreements with these potential customers. According to the payment term as stipulated in the sales master agreements, a deposit of an amount requested by our Company should be prepaid to us by the customer.

*Year ended 31 December 2022*

| Ranking | Customer | Revenue | % of Total Revenue | Credit Term | Commencement of Business Relationships | Products Sold | Background | Relationship with our Group |
|---|---|---|---|---|---|---|---|---|
| | | *RMB'000* | *%* | | | | | |
| 1 | Xizang Zhiyuan Mining Co., Ltd.* (西藏智遠礦業有限公司) | 197,742 | 41.0 | Not applicable | 2019 | Zinc concentrates | Nonferrous metal trader incorporated in 2019, engaging in the procurement and sale of nonferrous metal products, mainly zinc concentrates, lead concentrates and copper concentrates, covering the western region of China | Independent Third Party |
| 2 | Henan Yishun Metal Co., Ltd.* (河南億舜金屬有限公司) | 99,183 | 20.6 | Not applicable | 2018 | Lead concentrates and copper concentrates | Nonferrous metal trader incorporated in 2018, engaging in the procurement and sale of nonferrous metal products, mainly zinc concentrates, lead concentrates and copper concentrates, covering the central and eastern regions of China | Independent Third Party |
| 3 | Xizang Chenwei Trading Co., Ltd.* (西藏辰威貿易有限公司) | 65,556 | 13.6 | Not applicable | 2017 | Zinc concentrates and lead concentrates | Refinery incorporated in 2017, engaging in the production and sale of nonferrous metal products, such as zinc concentrates and lead concentrates, and lead-zinc ore, covering the central and western regions of China | Independent Third Party |
| 4 | Customer A | 55,129 | 11.4 | Not applicable | 2019 | Lead concentrates | Nonferrous metal trader incorporated in 2019, engaging in the procurement and sale of powdered ore, mainly lead-zinc ore powder and antimony ore powder, covering the central region of China | Independent Third Party |
| 5 | Customer B | 35,111 | 7.3 | Not applicable | 2016 | Zinc concentrates and lead concentrates | Refinery incorporated in 2013, engaging in the production and sale of metal and mineral products, and chemical raw materials | Independent Third Party |
| **Total** | | 452,721 | 93.9 | | | | | |

In respect of sales of concentrates to our top five customers in 2022, the average selling price of zinc concentrates ranged from RMB14,884.0 per tonne to RMB15,188.7 per tonne, the average selling price of lead concentrates ranged from RMB13,484.5 per tonne to RMB15,103.9 per tonne, and the average selling price of copper concentrates was RMB62,367.3 per tonne, respectively.

*Year ended 31 December 2023*

| Ranking | Customer | Revenue | % of Total Revenue | Credit Term | Commencement of Business Relationships | Products Sold | Background | Relationship with our Group |
|---|---|---|---|---|---|---|---|---|
| | | *RMB'000* | *%* | | | | | |
| 1 | Xizang Zhiyuan Mining Co., Ltd.* (西藏智遠礦業有限公司) | 131,899 | 24.2 | Not applicable | 2019 | Zinc concentrates, lead concentrates and copper concentrates | Nonferrous metal trader incorporated in 2019, engaging in the procurement and sale of nonferrous metal products, mainly zinc concentrates, lead concentrates and copper concentrates, covering the western region of China | Independent Third Party |
| 2 | Xizang Quanshun Mining Co., Ltd.* (西藏泉舜礦業有限公司) | 115,809 | 21.2 | Not applicable | 2021 | Zinc concentrates, lead concentrates and copper concentrates | Nonferrous metal trader incorporated in 2021, engaging in the procurement of zinc concentrates, lead concentrates and copper concentrates, covering the central and eastern regions of China | Independent Third Party |
| 3 | Xizang Chenwei Trading Co., Ltd.* (西藏辰威貿易有限公司) | 92,740 | 17.0 | Not applicable | 2017 | Zinc concentrates and lead concentrates | Refinery incorporated in 2017, engaging in the production and sale of nonferrous metal products, such as zinc concentrates and lead concentrates, and lead-zinc ore, covering the central and western regions of China | Independent Third Party |
| 4 | Customer A | 88,584 | 16.2 | Not applicable | 2019 | Zinc concentrates and lead concentrates | Nonferrous metal trader incorporated in 2019, engaging in the procurement and sale of powdered ore, mainly lead-zinc ore powder and antimony ore powder, covering the central region of China | Independent Third Party |
| 5 | Henan Yishun Metal Co., Ltd.* (河南億舜金屬有限公司) | 63,142 | 11.5 | Not applicable | 2018 | Zinc concentrates and lead concentrates | Nonferrous metal trader incorporated in 2018, engaging in the procurement and sale of nonferrous metal products, mainly zinc concentrates, lead concentrates and copper concentrates, covering the central and eastern regions of China | Independent Third Party |
| **Total** | | 492,174 | 90.1 | | | | | |

In respect of sales of concentrates to our top five customers in 2023, the average selling price of zinc concentrates ranged from RMB11,322.0 per tonne to RMB12,275.9 per tonne, the average selling price of lead concentrates ranged from RMB16,604.1 per tonne to RMB18,139.9 per tonne, and the average selling price of copper concentrates ranged from RMB62,441.2 per tonne to RMB62.746.0 per tonne, respectively.

***Year ended 31 December 2024***

| Ranking | Customer | Revenue | % of Total Revenue | Credit Term | Commencement of Business Relationships | Products Sold | Background | Relationship with our Group[(1)] |
|---|---|---|---|---|---|---|---|---|
| | | *RMB'000* | *%* | | | | | |
| 1 | Xizang Zhiyuan Mining Co., Ltd.* (西藏智遠礦業有限公司) | 94,062 | 31.2 | Not applicable | 2019 | Zinc concentrates | Nonferrous metal trader incorporated in 2019, engaging in the procurement and sale of nonferrous metal products, mainly zinc concentrates, lead concentrates and copper concentrates, covering the western region of China | Independent Third Party |
| 2 | Xizang Chenwei Trading Co., Ltd.* (西藏辰威貿易有限公司) | 62,719 | 20.8 | Not applicable | 2017 | Zinc concentrates | Refinery incorporated in 2017, engaging in the production and sale of nonferrous metal products, such as zinc concentrates and lead concentrates, and lead-zinc ore, covering the central and western regions of China | Independent Third Party |
| 3 | Xizang Quanshun Mining Co., Ltd.* (西藏泉舜礦業有限公司) | 62,481 | 20.7 | Not applicable | 2021 | Zinc concentrates, lead concentrates and copper concentrates | Nonferrous metal trader incorporated in 2021, engaging in the procurement of zinc concentrates, lead concentrates and copper concentrates, covering the central and eastern regions of China | Independent Third Party |
| 4 | Customer A | 27,119 | 9.0 | Not applicable | 2019 | Zinc concentrates and lead concentrates | Nonferrous metal trader incorporated in 2019, engaging in the procurement and sale of powdered ore, mainly lead-zinc ore powder and antimony ore powder, covering the central region of China | Independent Third Party |
| 5 | Dulan County Multimetal Mining Co., Ltd.* (都蘭縣多金屬礦業有限責任公司) | 19,049 | 6.4 | Not applicable | 2024[(2)] | Zinc concentrates | Nonferrous metal trader incorporated in 2002, engaging in the production, procurement and sale of zinc, lead and iron products | Independent Third Party |
| **Total** | | 265,430 | 88.1 | | | | | |

*Notes:*

(1) "Relationship with our Group" includes the relationship of each customer and their respective ultimate beneficiary owners with our Group.

(2) Based in Xizang, we have developed a business presence and service network that not only covers Xizang but also extends effectively to neighbouring provinces, including Qinghai Province where the customer is based. Drawing on our well-established reputation as a reliable mining company in the western region of China, and considering the mining industry featured as a demand-over-supply market, the customer acquainted us and has chosen us as its concentrate supplier.

In respect of sales of concentrates to our top five customers in 2024, the average selling price of zinc concentrates ranged from RMB16,236.5/tonne to RMB18,369.3/tonne, the average selling price of lead concentrates ranged from RMB19,520.8/tonne to RMB20,245.7/tonne, and the average selling price of copper concentrates was RMB77,109.3/tonne, respectively.

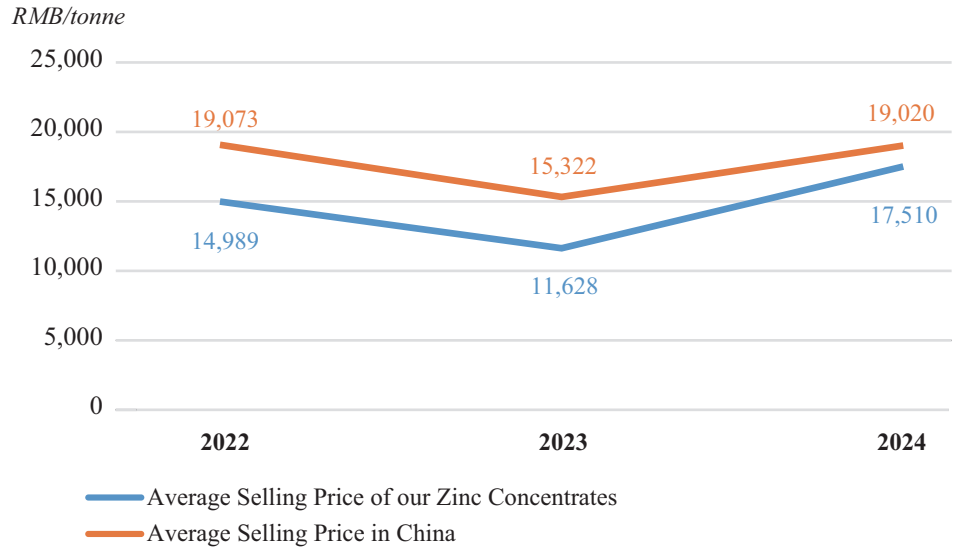
***Seven months ended 31 July 2025***

| Ranking | Customer | Revenue | % of the Total Revenue | Credit Terms | Commencement of Business Relationship | Products Sold | Background | Relationship with our Group |
|---|---|---|---|---|---|---|---|---|
| | | *(RMB'000)* | % | | | | | |
| 1 | Xizang Quanshun Mining Co., Ltd.* (西藏泉舜礦業有限公司) | 104,806 | 40.8 | Not applicable | 2021 | Zinc concentrates, lead concentrates and copper concentrates | Nonferrous metal trader incorporated in 2021, engaging in the procurement of zinc concentrates, lead concentrates and copper concentrates, covering the central and eastern regions of China | Independent Third Party |
| 2 | Xizang Zhiyuan Mining Co., Ltd.* (西藏智遠礦業有限公司) | 42,019 | 16.4 | Not applicable | 2019 | Zinc concentrates | Nonferrous metal trader incorporated in 2019, engaging in the procurement and sale of nonferrous metal products, mainly zinc concentrates, lead concentrates and copper concentrates, covering the western region of China | Independent Third Party |
| 3 | Xizang Chenwei Trading Co., Ltd.* (西藏辰威貿易有限公司) | 22,107 | 8.6 | Not applicable | 2017 | Zinc concentrates | Refinery incorporated in 2017, engaging in the production and sale of nonferrous metal products, such as zinc concentrates and lead concentrates, and lead-zinc ore, covering the central and western regions of China | Independent Third Party |
| 4 | Sichuan Yingcui Siting Trading Co., Ltd.* (四川英萃斯汀貿易有限公司) | 21,047 | 8.2 | Not applicable | 2025 | Zinc concentrates and lead concentrates | Nonferrous metal trader incorporated in 2019, engaging in the sales of metal products with a focus on hardware and related components, covering the western region of China | Independent Third Party |
| 5 | Customer C | 19,622 | 7.7 | Not applicable | 2024 | Zinc concentrates and lead concentrates | Refinery incorporated in 2019, engaging in the wholesale trade and import-export of nonferrous metals and metal products, mainly zinc concentrates, lead concentrates and copper concentrates, covering the northern, eastern and western regions of China | Independent Third Party |
| **Total** | | 209,601 | **81.7** | | | | | |

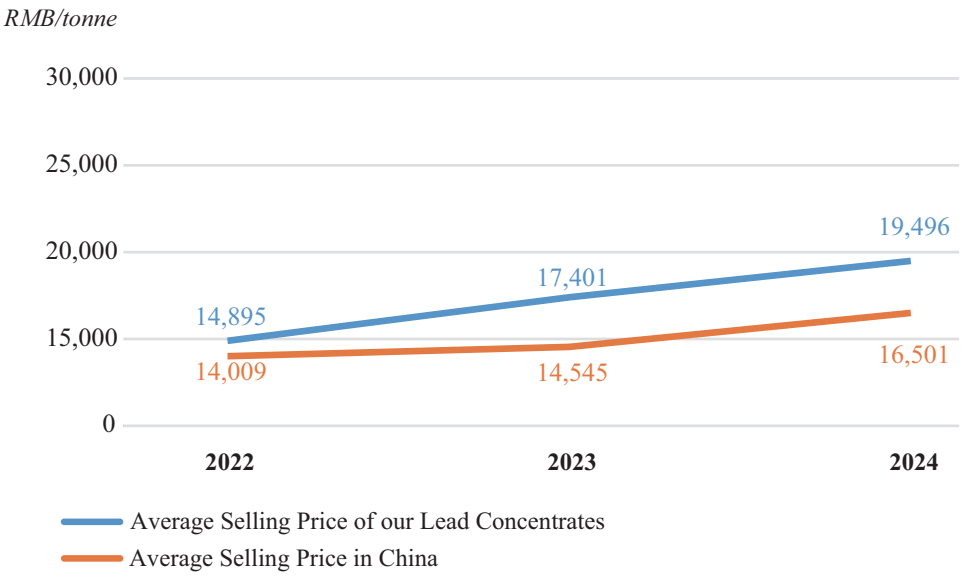
In respect of sales of concentrates to our top five customers in the seven months ended 31 July 2025, the average selling price of zinc concentrates ranged from RMB14,028.6 per tonne to RMB14,186.4 per tonne, the average selling price of lead concentrates ranged from RMB27,191.7 per tonne to RMB30,446.4 per tonne, and the average selling price of copper concentrates was RMB75,855.0 per tonne, respectively.

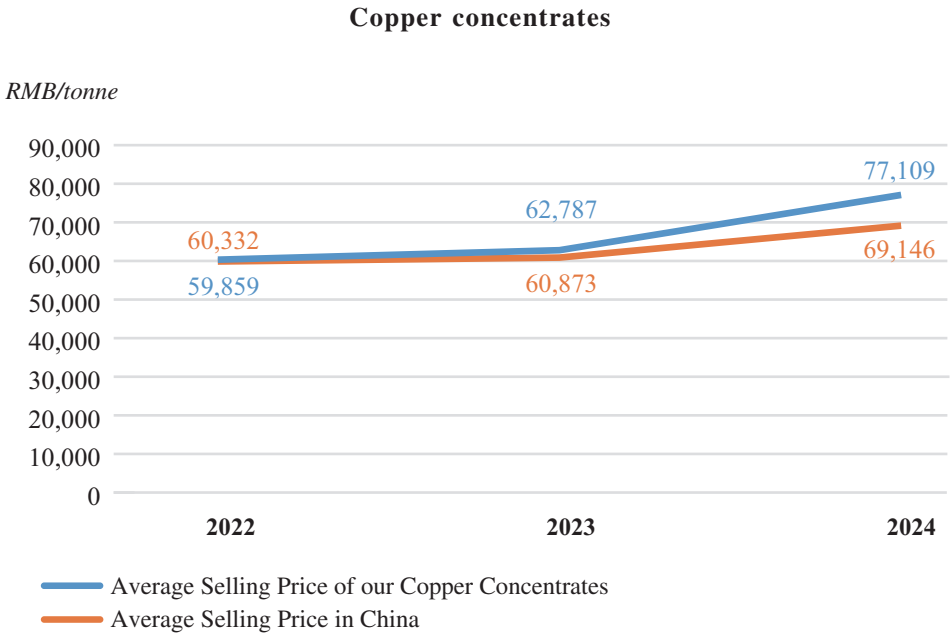
The selling price of our concentrates is consistent with the overall industry average during the Track Record Period. When selling concentrates, we refer to industry benchmark price. Depending on the metal content in the concentrates and whether it contains precious metal, the final selling price fluctuates around the benchmark price. See "— Sales of Concentrates — Pricing" in this section for further details of pricing policy and "Industry Overview" in this document for further details of the historical average selling price of zinc concentrates, lead concentrates and copper concentrates during the Track Record Period. The following graphs set out the trend comparison of the average selling price for each of our concentrates and the historical average selling price of the concentrates in China for the year indicated.

**Zinc concentrates**




**Lead concentrates**






For the seven months ended 31 July 2025, the average selling price of zinc concentrates, lead concentrates and copper concentrates in China was approximately RMB18,396/tonne, RMB16,194/tonne and RMB73,371/tonne, respectively. For the same period, the average selling price of our zinc concentrates, lead concentrates and copper concentrates was approximately RMB14,097/tonne, RMB27,959/tonne and RMB75,855/tonne, respectively.

The average selling price of the Group's zinc concentrates follows prevailing market trends and is correlated to the price of zinc ingots. The decrease in average selling price of zinc concentrates in 2023 and the seven months ended 31 July 2025 followed the drop in the historical prevailing market average selling price of zinc ingots in China, which was due to the decreased global market price of zinc ingots during such period, which in turn was influenced by various world macro-economic factors.

***Impact of co-existent component of silver on the average selling prices***

The average selling prices of our lead and copper concentrates are higher than the average selling price of lead concentrates and copper concentrates in China because the lead and copper concentrates sold by the Group contained co-existent component of silver. During the mineral production process, the presence of co-existent minerals typically results in small amounts of silver being included in the concentrates. However, since the Group is a mining company and does not engage in smelting business, the silver component was technically unviable to be extracted and purified during the ore processing and concentrates production processes from lead or copper concentrates and could only be extracted and purified by further smelting process by the refinery companies. Therefore, the Group had to price the silver within its lead or copper concentrates. According to SMM, the average selling prices of 2# silver ingots (99.95%) for the three years ended 31 December 2024 and for the seven months ended 31 July 2025 were RMB4,695.34/kg, RMB5,537.52/kg and RMB7,201.24/kg, and RMB8,266.35/kg respectively. For the three years ended 31 December 2024 and for the seven months ended 31 July 2025, there were approximately 12.4 tonnes, 18.6 tonnes, 4.2 tonnes and 8.9 tonnes of silver in the lead and copper concentrates which

attributed to approximately RMB41.7 million, RMB74.7 million, RMB22.5 million and RMB58.1 million in revenue. Due to the much higher price of silver, the Group's overall selling prices for lead and copper concentrates had therefore been elevated accordingly depending on the actual amount of silver component contained in the lead or copper concentrates sold to the relevant customers.

Since the silver component was only co-existent element with the lead and/or copper and only accounted for approximately 0.1% per ton of the Group's lead or copper concentrates, additional revenue generated from silver was grouped under the revenue from sales of lead or copper concentrates, even though the silver component was priced and charged to the customers on a standalone basis.

Silver has a strong geochemical affinity for lead and copper due to similar chemical behavior during ore formation. It often substitutes for lead in galena and integrates into copper ores like chalcopyrite due to compatible crystal structures and ionic properties. In contrast, silver rarely co-exists with zinc, as zinc forms distinct minerals like sphalerite that are less compatible with silver. Silver is typically recovered as a by-product from lead and copper concentrates, while its concentration in zinc concentrates is usually too low to justify recovery.

We have a high concentration of customers during the Track Record Period. As the zinc, lead and copper concentrates we sell are large in terms of quantity, we generate our revenue from a limited number of customers, and most of our top five customers are nonferrous metal traders who generally conducted onward sales of our concentrates. Accordingly, we had a high concentration of customers during the Track Record Period. Our Directors believe that the high concentration of customers during the Track Record Period will not result in a material adverse impact on our business operations, as zinc, lead and copper concentrates market is generally defined as a typical demand-over-supply market in the mining industry, according to SMM. Specifically, we do not depend on downstream customers for the sale of concentrates to generate profit. Instead, our customers have to actively secure their supply of concentrates as early and extensively as possible, which is demonstrated by our balance of our contract liabilities and refundable receipt on our financial statements. Additionally, we can easily switch and choose new trading partners without compromising our business interests. Most of our existing customers have had trading relationships with us for years and had formed trustful business relationship with us with good track record. Importantly, there is no indication that any of the majority of these customers would like to terminate the business relationship with us. Furthermore, our customer portfolio has been gradually diversifying over the past few years, with the percentage of the top five customers diluting each year. Therefore, our Directors are of the view, and the Joint Sponsors concur, that the high level of customer and supplier concentration is not expected to materially adversely impact our business operations. In addition, our Directors are of the view and the Joint Sponsors concur that, the likelihood of any material adverse change or termination of our Group's relationships with its major customers is remote, considering that as SMM has confirmed, a high level of customer concentration is an industry-wide norm in China's mining sector, not a geographically limited phenomenon. This is primarily because in our industry customers typically place orders in large volume, unlike small, frequent purchases from multiple buyers typically of other industries. These customers are stable, long-standing clients who, in a seller's market of our industry, are motivated to maintain sizable procurement programmes to secure reliable supply. Consequently, the Group's business relationship with top customers is expected to remain stable. The relationships are mutually beneficial as the Group provides customers with consistent product supply, while customers provide the Group with stable revenue.

## OUR SUPPLIERS, CONTRACTORS AND SUBCONTRACTORS

During the Track Record Period, in conducting our mining operations, we purchased consumables and public utilities in connection with exploration, mining and processing of ores. In the normal course of our mining operations, we also procured contracting and subcontracting services from independent third parties for mining services, transportation services and construction services in respect of our mining assets such as our underground mine and tailings storage facilities.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material lack of capacity, supply shortage, fluctuation in procurement price, delay or disruption in our business operations relating to our suppliers or any material product claims attributable to our suppliers or subcontractors.

### Suppliers of Consumables and Public Utilities

During the Track Record Period and up to the Latest Practicable Date, we mainly procured consumables such as mining related devices and relevant parts, reagents, explosives and public utility such as electricity. We take into consideration a number of factors when selecting our preferred consumables suppliers. These factors include quality of materials, proximity, safety, and delivery time and price competitiveness. Our mining operations require us to procure explosives and therefore, our quality control department places a strong emphasis on the safety and quality of these materials to ensure our mining operations are in full compliance with the relevant PRC laws and regulations. Historically and during the Track Record Period, there was no accident relating to the use of explosives. During the Track Record Period and up to the Latest Practicable Date, supply of electricity also remained stable and sufficient for our mining operations, and there had been no incident of insufficient supply of electricity or blackout that disrupted our mining operations. As our supplier of electricity is a state-owned enterprise, the electricity price is subject to government pricing and guidance, Therefore, the electricity is charged at market rate. In addition, there are alternative local suppliers of consumables, equipment and subcontracting services on comparable prices and terms in Xizang where the Group operates.

### Exploration and Mining Subcontracting Arrangement

During the Track Record Period, we engaged three subcontractors in respect of our mining works. For details, including the key terms of subcontracting agreements and our management protocol in respect of these exploration and mining subcontractors, see "— Mining — Exploration and Mining Subcontracting Arrangement" in this section.

**Assets and Infrastructure Construction Arrangement**

In respect of our mining assets, we also engaged certain contractors to undertake asset and infrastructure constructions works. During the Track Record Period, we engaged an independent third party contractor in respect of the infrastructure development of our underground mine; and we engaged an independent third party contractor in respect of the construction of our Phase 2 Tailings Pond. See "— Our Mineral Assets and Ore Reserves — Our Mengya'a Mine — Development of underground mine" in this section and "— Sales of Concentrates — Product Delivery — Transportation arrangement" in this section for details.

**Transportation Arrangement**

During the Track Record Period, we engaged two independent third parties in respect of our ore transportation works. Upon completion of mining process, ores will be transported to our processing plant for the production of zinc, lead and copper concentrates. One of them was also responsible to deliver the concentrates from our processing plant to Lhasa. See "— Sale of Concentrates — Sales Master Agreement — Transportation arrangement" in this section for details.

**Our Top Five Suppliers**

For the years ended 31 December 2022, 2023, 2024 and the seven months ended 31 July 2025, our top five suppliers in each year/period accounted for approximately 73.4%, 69.8%, 73.2% and 55.0% of our total purchases, respectively. Our largest supplier in each year/period accounted for approximately 22.8%, 30.6%, 30.1% and 22.0% of our total purchases.

*Year ended 31 December 2022*

| Ranking | Supplier | Purchase Amount | % of Total Purchase | Credit Term | Commencement of Business Relationships | Products Purchased/ Services Procured | Background | Relationship with our Group |
|---|---|---|---|---|---|---|---|---|
| | | *RMB'000* | % | | | | | |
| 1 | Chongqing Yitong | 63,836 | 22.8 | By instalment subject to the construction and/or subcontracting work progress | 2016 | Construction and subcontract | Mining and construction company incorporated in 2017, engaging in mine engineering, procurement and construction contracting, covering the southwestern, eastern and northeastern regions of China | Independent Third Party |
| 2 | Xizang Jiwei | 47,300 | 16.9 | By instalment subject to the construction work progress | 2021 | Construction | Construction company incorporated in 2014, engaging in mine services such as mining, ore beneficiation, infrastructure support and tailings storage, covering Xizang and high-altitude areas of China, and foreign countries including Tajikistan and Nigeria | Independent Third Party |
| 3 | Sichuan Haojian Henghua Construction Engineering Co., Ltd. Xizang Branch* (四川浩建恒華建築工程有限公司西藏分公司) | 46,326 | 16.6 | By instalment subject to the construction and/or subcontracting work progress | 2022 | Subcontract | Mining and construction company incorporated in 2022, engaging in mining, mine construction and construction engineering, covering the southwestern regions of China | Independent Third Party |
| 4 | Jurui FHPC | 28,470 | 10.2 | 15 days | 2016 | Transportation | Transportation company incorporated in 2016, engaging in transportation services with a primary focus on ore transportation, covering the Jiali County, Nagqu, Xizang | Independent Third Party |
| 5 | Supplier A | 19,392 | 6.9 | 30 days | 2013 | Electricity | Electric power company incorporated in 1997, engaging in power generation, transmission and supply, and construction of power facilities, covering the region of Xizang | Independent Third Party |
| **Total** | | 205,324 | 73.4 | | | | | |

*Year ended 31 December 2023*

| Ranking | Supplier | Purchase Amount | % of Total Purchase | Credit Term | Commencement of Business Relationships | Products Purchased/ Services Procured | Background | Relationship with our Group |
|---|---|---|---|---|---|---|---|---|
| | | *RMB'000* | % | | | | | |
| 1 | Xizang Jiwei | 137,396 | 30.6 | By instalment subject to the construction progress | 2021 | Construction | Construction company incorporated in 2014, engaging in mine services such as mining, ore beneficiation, infrastructure support and tailings storage, covering Xizang and high-altitude areas of China, and foreign countries including Tajikistan and Nigeria | Independent Third Party |
| 2 | Chongqing Yitong | 75,340 | 16.8 | By instalment subject to the construction and/or subcontracting work progress | 2016 | Construction and subcontract | Mining and construction company incorporated in 2017, engaging in mine engineering, procurement and construction contracting, covering the southwestern, eastern and northeastern regions of China | Independent Third Party |
| 3 | Sichuan Haojian Henghua Construction Engineering Co., Ltd. Xizang Branch* (四川浩建恒華建築工程有限公司西藏分公司) | 46,445 | 10.4 | By instalment subject to the construction and/or subcontracting work progress | 2022 | Subcontract | Mining and construction company incorporated in 2022, engaging in mining, mine construction and construction engineering, covering the southwestern regions of China | Independent Third Party |
| 4 | Jurui FHPC | 32,215 | 7.2 | 15 days | 2016 | Transportation | Transportation company incorporated in 2016, engaging in transportation services with a primary focus on ore transportation, covering the Jiali County, Nagqu, Xizang | Independent Third Party |
| 5 | Supplier A | 21,678 | 4.8 | 30 days | 2013 | Electricity | Electric power company incorporated in 1997, engaging in power generation, transmission and supply, and construction of power facilities, covering the region of Xizang | Independent Third Party |
| **Total** | | 313,074 | 69.8 | | | | | |

*Year ended 31 December 2024*

| Ranking | Supplier | Purchase Amount | % of Total Purchase | Credit Term | Commencement of Business Relationships | Products Purchased/ Services Procured | Background | Relationship with our Group |
|---|---|---|---|---|---|---|---|---|
| | | *RMB'000* | % | | | | | |
| 1 | Xizang Jiwei | 64,801 | 30.1 | By instalment subject to the construction progress | 2021 | Construction | Construction company incorporated in 2014, engaging in mine services such as mining, ore beneficiation, infrastructure support and tailings storage, covering Xizang and high-altitude areas of China, and foreign countries including Tajikistan and Nigeria | Independent Third Party |
| 2 | Chongqing Yitong | 47,969 | 22.3 | By instalment subject to the construction and/or subcontracting work progress | 2016 | Construction and subcontract | Mining and construction company incorporated in 2017, engaging in mine engineering, procurement and construction contracting, covering the southwestern, eastern and northeastern regions of China | Independent Third Party |
| 3 | Supplier B | 17,047 | 7.9 | Not applicable | 2024 | Consumables ore | Nonferrous metal trading company incorporated in 2014, engaging in the procurement of lead-zinc ore and the sale of lead-zinc ingots and silver ingots, covering all regions in China | Independent Third Party |
| 4 | Jurui FHPC | 15,928 | 7.4 | 15 days | 2016 | Transportation | Transportation company incorporated in 2016, engaging in transportation services with a primary focus on ore transportation, covering the Jiali County, Nagqu, Xizang | Independent Third Party company |
| 5 | Supplier A | 11,962 | 5.5 | 30 days | 2013 | Electricity | Electric power company incorporated in 1997, engaging in power generation, transmission and supply, and construction of power facilities, covering the region of Xizang | Independent Third Party |
| **Total** | | 157,707 | 73.2 | | | | | |

**Seven months ended 31 July 2025**

| Ranking | Supplier | Purchase Amount | % of the Total Purchase | Credit Terms | Commencement of Business Relationship | Products Purchased/ Services Procured | Background | Relationship with our Group |
|---|---|---|---|---|---|---|---|---|
| | | *(RMB'000)* | | | | | | |
| 1 | Xizang Xinhu (Note 1) | 50,730 | 22.0 | Not applicable | 2025 | Consumables ore | Mining company incorporated in 2004, engaging in lead-zinc ore mining, processing and sales in Xizang | Independent Third Party |
| 2 | Chongqing Yitong | 36,062 | 15.6 | By installment subject to the construction and subcontracting work progress | 2016 | Construction and subcontract | Mining and construction company incorporated in 2017, engaging in mine engineering, procurement and construction contracting, covering the southwestern, eastern and northeastern regions of China | Independent Third Party |
| 3 | Xizang Xiongda Mining Construction Engineering Co., Ltd.* (西藏熊大礦山建設工程有限公司) | 20,002 | 8.7 | By installment subject to the subcontracting work progress | 2025 | Subcontract | Mining company incorporated in 2014, engaging in mine engineering, covering Xizang | Independent Third Party |
| 4 | Jurui FHPC | 13,423 | 5.8 | 15 days | 2016 | Transportation | Transportation company incorporated in 2016, engaging in transportation services with a primary focus on ore transportation, covering the Jiali County, Nagqu, Xizang | Independent Third Party |
| 5 | Supplier C | 6,639 | 2.9 | 7 days | 2025 | Transportation | Transportation and mining machinery renting company incorporated in 2025 | Independent Third Party |
| | Total | 126,856 | 55.0 | | | | | |

*Note 1:* Xizang Xinhu and Supplier B are under common control.

We engaged suppliers, contractors and subcontractors during the Track Record Period based on the location of our mining operations, taking into consideration their product and service quality, price offered, credentials and relevant experience in the mining industry. We believe there are sufficient local suppliers of consumables, equipment and subcontracting services offering prices and terms acceptable to us, despite that we had a concentration of suppliers during the Track Record Period. As confirmed by SMM, it is not uncommon for companies in mining industry to have a concentration of suppliers. Our Directors believe, and the Joint Sponsors concur, that the concentration of suppliers during the Track Record Period will not result in a material adverse impact on our business operations.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE

We strive to improve our environmental, social and governance ("**ESG**") strategies to create an efficient and diversified production environment. We place ESG principles at the core of our strategy, demonstrating our commitment to sustainable development through dedicated resource allocation and continuous enhancements across our operation.

### Our ESG Policies and ESG Working Group

We operate our business in a responsible and sustainable manner, and we are committed to maintaining transparency and accountability to our stakeholders, including but not limited to employees, communities, customers and suppliers. We believe that our business operations should not damage the environment and abide strictly by the environmental protection regulations of the PRC when dealing with wastes, water usage and pollutant emissions at our operation sites. We also aim to keep abreast of changes in government policies and liaise with local regulators to ensure our strict compliance with relevant laws and regulations. To manage sustainability efforts more effectively, we review, and assess the effectiveness of our ESG frameworks on a regular basis and have formulated the relevant ESG policies for our Company.

We have established a Sustainability and Risk Management Working Group ("**ESG Working Group**"), which is oversighted by our Board and led by our executive Director. We aim to minimise our impact on the environment and natural resources in our business operations and monitor and manage our use of resources, including energy, water and construction materials at operation sites. We also aim to ensure that wastes are handled in compliance with applicable laws and regulations, thereby providing a safe, diverse and inclusive workplace for our employees. In addition, we provide regular training, as well as fair and competitive supports and welfare for our employees.

Our ESG policies mainly include environmental protection policies, mine land reclamation plan (《礦山地質環境保護與土地複墾方案》), human resources policies, occupational health and safety policies, operation management policies and business ethics policies and rules, which provide important guidance for our sustainability practices, allow us to oversee the implementation of ESG measures and demonstrate our commitment to business integrity, talent development, environmental protection and community development.

To implement our ESG policies more effectively, we have set up the ESG Working Group consisting of different members coming from various departments of our Group, including but not limited to Finance Department, Operation Department, Audit and Legal Department. Our ESG Working Group possesses rich professional management capabilities in safety, environmental protection and occupational health. Our ESG Working Group also has comprehensive management capabilities and a strong sense of responsibility in fulfilling social responsibilities, operating in accordance with laws and regulations and managing community relations. Our ESG Working Group holds regular meetings to discuss ESG, internal control and risk management-related matters and receives reports from relevant departments, and submits reports to our Board for evaluation on a regular basis. Our Board reviews risks and opportunities relating to sustainability with the ESG Working Group and approves ESG-related business strategies. Additionally, our Directors will promptly make resolutions on ESG-related issues raised by the ESG Working Group, formulate work plans and assign relevant tasks for follow-ups by the relevant departments and/or working units.

Specifically, our ESG Working Group is responsible for (i) dealing with ESG, internal control and risk management-related matters; (ii) overseeing and assessing any ESG-related risks that we may face in our business operations; (iii) fostering a corporate culture of safety and strictly implementing the occupational health and safety system to ensure that all health and safety factors are taken into account; (iv) identifying and assessing climate-related risks and opportunities that have potential impacts on us; (v) developing strategies of responding to climate change, setting targets of reducing greenhouse gas ("**GHG**") emissions and guiding implementation efforts; (vi) conducting regular discussions to discuss and determine ESG-related issues required to be addressed; (vii) reporting to our Board on ESG-related risks and opportunities; and (viii) advising our Board on ESG reports, strategies, initiatives and objectives. We will also engage with independent third-party advisers as our ESG adviser ("**ESG Advisers**") to assess our ESG-related risks and provide professional advice to our Board when necessary.

We integrate our business development, industry characteristics and national policies with the expectations of stakeholders in identification, assessment and selection of material ESG-related topics. Through stakeholder surveys and industry analysis, we determine our material issues and focus on addressing them during our business development process. The most important ESG-related topics we have identified include adaptation to climate change, environmental compliance, ecological protection, labour management, occupational health and safety, business ethics and anti-corruption.

**Identification and Assessment of ESG-related Risks**

Based on the aforesaid ESG topics, we systematically assess ESG risks related to our operations. Our ESG risks mainly involve (i) environmental risks, including physical and transition risks from the climate change, risk of environmental violations due to non-compliant disposal of pollutants and ecological damage risks from mining operations, and other natural disaster risks including but not limited to earthquakes; (ii) social risks, such as health and safety hazards for employees during our business operations and (iii) governance risks, such as corruption risks resulting from non-compliance incidents conducted by employees and suppliers, leading to damage to our interests and brand image. We strictly adopt occupational health and safety production measures in accordance with regulatory requirements during our business operations. Moreover, we organise safety inspections on a monthly basis and promptly rectify any issues discovered to effectively safeguard the occupational health and

safety of our employees. To further understand the impact of these risks on our ESG development, we set out the risk content and employ quantifiable risk indicators for further detection and control, including:

| Risk Type | Risk Description | Quantifiable Risk Indicator |
|---|---|---|
| **Environmental risk** | | |
| Climate change | With increasing global attention on climate change, we are facing more climate-related risks, including physical risks and transition risks. For details on these risks and the corresponding mitigation measures, see "Identification, Assessment and Management of Climate-related Risks and Opportunities — Climate-related risks" in this subsection. | For our GHG emissions, see "Environmental Protection — Use of resources — Our resource usage — Key Performance Indicator" in this subsection. |
| Environmental violation | There are emissions of environmental pollutants such as exhaust gas and wastewater in our production process, and their emissions are regulated by both the national and regional environmental protection authorities. Improper environmental management may lead to environmental compliance risks. We establish emission reduction strategies and strictly adhere to environmental laws and regulations for the collection, treatment and disposal of pollutants. | For our environmental pollutant emissions, see "Environmental Protection — Environmental pollutant management — Key Performance Indicator" in this subsection. |
| Ecological damage | Our business primarily involves zinc, lead and copper mining, which may have negative impacts on water resources, soil environment and, topographical and geomorphological landscape. There is a risk of causing ecological imbalance. We will mitigate this risk through environmental protection and land rehabilitation plans at the mine, including measures such as constructing retaining walls, planting grass to protect the biodiversity and ensure the stability of the ecosystem. | For our land rehabilitation plan, see "Environmental Protection — Environmental rehabilitation" in this subsection. |

| Risk Type | Risk Description | Quantifiable Risk Indicator |
|---|---|---|
| **Social risk** | | |
| Health and safety | During our mining operations, various activities such as drilling, blasting, mining, loading, unloading and transportation may pose negative impacts on the health and safety of our employees, potentially leading to safety accidents. Therefore, we have implemented internal policies and guidance for emergency response in safety aspects. We conduct regular inspections to identify safety hazards, classify and control these hazards and provide safety-related training. | We had no employee fatalities due to work-related incidents during the Track Record Period. We had not lost any workdays due to work-related injuries for employees during the Track Record Period. |
| **Governance risk** | | |
| Bribery and corruption | We are fully aware that employees, suppliers and others failing to adhere to business ethics or causing losses to us may harm our brand image. Therefore, we strictly prohibit employees from accepting or soliciting bribes from stakeholders in any form. | We had no corruption incidents during the Track Record Period. |

## Identification, Assessment and Management of Climate-related Risks and Opportunities

Climate change is a major global challenge and one of the key factors that may affect our sustainability. To minimise its impact, we pay attention to climate governance, seek measures for managing climate change impact and make climate action a pillar of our ESG efforts. Based on the recommendations of the Task Force on Climate-Related Financial Disclosure ("**TCFD**"), we have initially identified climate-related risks and opportunities considering our business characteristics, and expect to regularly monitor, assess and analyse such risks. In response to the climate-related risks and opportunities identified, we have also prepared countermeasures and initiatives for our operations. Furthermore, we plan to regularly monitor climate-related risks and take on our corporate environmental responsibility to mitigate the adverse impacts of climate change.

### Climate-related risks

We have assessed the environmental impacts of our operations and strived to minimise and avoid the adverse environmental impacts throughout the business operation in strict accordance with the applicable environmental protection laws and regulations. We have identified the following climate-related physical risks and transition risks and their potential impacts on our business and financial performance in the short (1 to 3 years), medium (3 to 5 years) and long (5 to 10 years) terms.

*Physical risks*

| Climate-related risk | Time scale | Potential impact |
|---|---|---|
| • Frequent occurrence of extreme weather events such as blizzards, hailstorms, heavy rainstorm, thunderstorm | Short, medium and long terms | • Impacts on business operations and workforce management (e.g., employee safety problems leading to absenteeism) and reduced operational efficiency.<br>• Degree of financial impact: medium. |
| • Change in seasonality<br>• Global warming exacerbates<br>• Average temperature rises | Short, medium and long terms | • Temperature rises lead to the thawing of permafrost, increasing the risk of landslides and geological disasters, which causes damage to production facilities and requires more expenses for construction and safety measures.<br>• Disruption of roads due to landslides caused by extended rainy season, leading to a reduction in the efficiency of the transportation and operational process.<br>• Degree of financial impact: medium. |

*Transition risks*

| Climate-related risk | Time scale | Potential impact |
|---|---|---|
| • Strengthened obligations for emissions disclosure<br>• More rigorous regulations of pollutant emissions | Short, medium and long term | • Increased compliance costs.<br>• Degree of financial impact: medium. |

As climate change may intensify, we are increasingly prioritising responses to climate-related risks. Based on the aforementioned climate change risks, we have developed the following responses to control and mitigate adverse impacts of climate change.

| Potential physical risk | Response |
|---|---|
| Increased health and safety risks | • Pay close attention to weather forecasts and take measures in advance to cope with extreme weather;<br>• Formulate emergency plans and reserve utility back-ups in advance; and<br>• Conduct regular safety trainings to improve our employees' ability to prevent and handle accidents. |
| Mechanical damage | • Retrofit electricity power lines by installing lightning arrester to withstand extreme weather conditions such as thunderstorm; and<br>• Strengthen equipment and power lines inspections to minimise the potential damage caused by extreme weather conditions. |
| Landslides caused by heavy precipitation | • Regular safety inspections are carried out to rectify safety issues promptly;<br>• Construction of flood control facilities including embankments, drainage ditches and water barriers; and<br>• Clear the drainage system on a regular basis, ensuring the drainage capacity is sufficient and preventing severe accumulation of water due to increased inflow. |
| **Potential transition risk** | **Response** |
| Increased compliance costs | • Pay close attention to the relevant national, provincial and municipal government policies, keep abreast of the relevant laws and regulations and strengthen communication and contact with the relevant regulatory bodies. |

**Climate-related opportunities**

In addition to the aforementioned the physical and transition risks, we recognise that climate change may likewise present us from seizing business opportunities. In particular, we have identified the following opportunities, which will allow us to extend operating time in winter, improve resource efficiency, use more low-carbon energy to reduce operational emissions, facilitate the low-carbon transition and promote sustainable business operation:

- Operating time may increase as fewer snowstorms due to the rising temperature, which increases the amount of production and helps to generate more revenue for our Group;
- Operating costs may decrease by using energy-efficient machinery and equipment, better managing dust, solid waste and recycling water;
- Low-carbon energy produces fewer GHG emissions, which reduces the risk of incurring additional costs incurred from the application of higher-carbon energy; and
- Commit to environmental protection and sustainable development, continuously maintain our fame in the List of National Green Mine (《全國綠色礦山名錄》), which promotes our corporate image and foster positive community interactions.

**Environmental Protection**

We believe that the prevalent global trend in sustainability is focused on "going green" and transitioning to low-carbon energy. As we are committed to environmental responsibility, we have implemented a range of measures to enhance our eco-friendliness and pursue high-quality and sustainable development.

**Environmental compliance**

We should comply with a number of environmental laws and regulations including the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), the Water Pollution Prevention and Control Law of the PRC (《中華人民共和國水污染防治法》) and the Regulation of Xizang Autonomous Region on Environmental Protection (《西藏自治區環境保護條例》), to name a few. Therefore, we self-regulate our environmental protection practices and conduct environmental impact assessments in accordance with these laws and regulations. During the Track Record Period, we did not receive any notice or warning with respect to environment protection , nor were we subject to any material fine or penalty that had a material adverse effect on our operations.

Going forward, we will continue to improve our internal management policies on environmental protection and green production, taking into account the requirements of local environmental protection authorities, established good practices and the progress and condition of our operation. We will also enhance the management and control of wastewater, dust waste, by strengthening inspections and monitoring. Compliance costs are expected to rise as we continue to expand our business, nonetheless, such costs are expected to a relatively small portion of our overall operating cost and will not have a significant impact on our financial performance.

**Environmental management**

Environmental management is of high priority on our ESG agenda, and we have the Safety and Environment Department to enhance our environment management. We have integrated the principles of green production into our operations to reduce adverse impacts of our operations on the environment. In particular, we focus on managing wastewater, dust, solid waste and hazardous waste from our operation to ensure compliance with relevant disposal requirements. We have developed a robust environmental management system aligned with standards and we have obtained ISO 14001:2015 certification. This system has explicitly defined responsibilities for both environmental and business matters, enabling us to continuously improve our environmental performance and achieve sustainable production.

**Use of resources**

**Our targets**

In line with our business development plan and our capacity of lowering emissions, we have set the following targets for energy resource management and water resource management:

| Category | Target |
|---|---|
| Energy resource management | Enhancing energy management, including prohibiting the use of energy-consuming equipment that has been officially eliminated by the PRC Government, and applying new technologies, processes, equipment and materials to improve energy efficiency. |
| Water resource management | Implementing the concept of water conservation, including application of water saving processes and technologies in our daily operations to reduce water waste and improve water efficiency. |

We expect a steady increase in energy and resource consumption as we continue to develop the mining operations, which we expect to stabilise after we commence the operation of new mining site and tailings pond. We plan to adjust and refine our targets from time to time, depending on our actual operating needs, and step up energy-saving measures to minimise waste accordingly.

**Our resource usage**

Resource usage: We primarily purchase diesel and electricity for our motors, equipment and appliances, workshops and general ancillary equipment. Our primary water supply for the mining site and the processing plant are the Qizuqu Mainstem (齊祖曲幹流) and the Yunonglangqu Mainstem (玉弄郎曲幹流). We primarily use water for our daily operations. As the available volume of the water supplies is much greater than the maximum intake volume of our usage, we do not anticipate any water shortages or difficulties in obtaining water for our operations. We have also obtained approval for our usage of water and corresponding environmental impact assessment from the relevant competent authority. The following table illustrates our consumption of energy and water during the Track Record Period.

| Key Performance Indicator | | Unit[(Note)] | For the Year ended 31 December 2022 | 2023 | 2024 | For the seven months ended 31 July 2025 |
|---|---|---|---|---|---|---|
| **Energy consumption** | | | | | | |
| Non-renewable energy | Gasoline | MWh | 188.00 | 191.30 | 200.14 | 160.84 |
| | Diesel | MWh | 2,221.90 | 2,246.22 | 1,672.03 | 1,124.45 |
| Purchased energy | Electricity | MWh | 30,507.02 | 33,892.46 | 20,162.35 | 13,889.97 |
| Total energy consumption | | MWh | 32,916.92 | 36,329.98 | 22,034.52 | 15,175.26 |
| **Water consumption** | | | | | | |
| Total water consumption | | Cubic metre | 332,124.00 | 339,729.00 | 271,199.00 | 116,869.00 |

*Note:* Units of gasoline, diesel and purchased electricity we used are converted to the same unit using the following formula: total energy consumption = number of energy units used x unit conversion factor. Conversion factors are based on the International Energy Agency's Energy Statistics Manual (Annex 3: Units and Conversion Equivalents).

We promote resource utilisation through blending and the improvement of grinding fineness during the processing in our operation, to improve the recovery of mineralised waste. Moreover, through comprehensive utilisation methodologies, we maximise resource efficiency, thereby reducing environmental impact. This integrated approach underscores our commitment to sustainable and responsible production practices.

**Environmental pollutants**

**Our targets**

The following table sets out our targets for emissions of GHG, dust, wastewater and waste to provide guidelines to promote relevant management measures.

| Pollutant emission | Target |
|---|---|
| GHG emissions | Responding to the "carbon peaking and carbon neutrality" target, strengthening the use of energy-saving and clean technologies and increasing the proportion of low-carbon energy. In 2026, we aim to control our total GHG emission at approximately 120% of that recorded in 2024. |
| Dust emissions | We have set dust collecting machines in our operation sites and expect the purified air released to not exceed the limits set (80 $mg/m^3$) by the discharge standard. |
| Wastewater emissions | We expect to achieve zero discharge of production wastewater through recycling and reuse of such wastewater. We aim to maintain zero production water discharge in our future operation. |
| Tailing waste emissions | We plan to continue to improve the tailing waste management and the overall process supervision mechanism to control the source of waste pollution at source and enhance the reuse of waste. In 2026, we aim to control our tailing waste emission at approximately 140% of that recorded in 2024. |

**Environmental pollutant management**

Having been aware of the impact of emissions on the environment, we aim to strictly control the dust, wastewater and wastes generated from our operational activities. In this regard, we have employed a series of measures to prevent and control the generation of pollutants throughout the process. The sources, emissions and management initiatives for each type of emissions are listed below:

GHG emissions: As part of our commitment to the environment, we plan to introduce new technologies and energy-saving equipment to our operations. The aim is to reduce GHG emissions, eventually helping our industry go green and low carbon. Our GHG emissions include direct emissions (Scope 1) from machinery and vehicles, energy indirect emissions (Scope 2) from purchased electricity, and other indirect emissions (Scope 3) from business travel, upstream

transportation, and downstream transportation. The following table illustrates our GHG emissions during the Track Record Period.

| Key Performance Indicator[1] | Unit | For the Year ended 31 December 2022 | 2023 | 2024 | For the seven months ended 31 July 2025 |
|---|---|---|---|---|---|
| GHG emissions (Scope 1) | Tonnes of carbon dioxide equivalent ($tCO_2e$) | 611.86 | 618.72 | 475.70 | 327.38 |
| GHG emissions (Scope 2) | $tCO_2e$ | 17,398.15 | 21,030.27 | 12,510.74 | 8,618.73 |
| GHG emissions (Scope 3)[2] | $tCO_2e$ | 37,132.37 | 42,777.03 | 25,847.53 | 17,906.63 |
| Total GHG emissions | $tCO_2e$ | 55,142.38 | 64,426.02 | 38,833.97 | 26,852.74 |

*Notes:*

1. GHG emission data are presented in terms of carbon dioxide equivalent and are based on, including but not limited to (i) "The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards" issued by the World Resources Institute and the World Business Council for Sustainable Development; (ii) "How to prepare an ESG Report — Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange; (iii) "Notice on the Management of Enterprise Greenhouse Gas Emissions Reporting by Power Generation Industry for 2023-2025" issued by Ministry of Environmental Protection of the People's Republic of China; and (iv) the "Global Warming Potential Values" from the IPCC Sixth Assessment Report.

2. Calculation of GHG emission (Scope 3) from upstream and downstream transportation is based on estimation of transportation distance.

We endeavour to promote green operations, save energy and lower consumption in the operational sites and office, improve resource utilisation and raise environmental awareness among the workforces. We also aim to optimise financial performance by strengthening runtime management, reducing downtime, improving equipment efficiency, benchmarking against best practices and lowering unit consumption. Our specific energy conservation measures include but are not limited to (i) replacing old transformers with energy-saving electric transformers to reduce the active and reactive power loss of equipment; (ii) using energy-efficient LED light sources and lamps for lighting.

In addition, we have formulated guidelines to control and supervise the usage of vehicles owned by us. Specific measures include (i) regulating the use of vehicles, going through the insurance-related procedures in accordance with the vehicle management regulations of the PRC, carrying out regular maintenance checks and oil usage inspections, controlling expenditures and cutting down expenses; and (ii) prohibition on use of a vehicle without permission and requiring detailed record for each use (including the approver, mileage, driver and other relevant details).

Dust control: During the mining operations, the main sources of dust are usage of our owned vehicles and machinery. We have set up hydraulic sprays and dust collecting machines to control dust during our operations. In addition, we perform systematic, preventive inspections on a regular basis to reduce the emission of exhaust pollutants. During production equipment inspections, we will also take the following measures to reduce air pollutant emissions: (i) ensuring that environmental parameters (such as dust, noise and vibration of machines, equipment and transport facilities) during the runtime can meet the required standards by the Government; and (ii) using high-quality diesel fuel to fuel machinery and vehicles and minimise engine idling.

Wastewater management: the wastewater generated from our construction and operations mainly include production wastewater and domestic sewage. The production wastewater generated from the processing plant will be collected and transported by a submersible sewage pump to the return tank in the tailings pond for further collection and reuse. We have implemented a fully enclosed water recycling system with no discharge, and the production water reuse rate in the processing plant has achieved approximately 86.8%. Domestic sewage will also be discharged after treatment and then used for fertilising grassland.

Waste management: our wastes primarily include, tailings and domestic waste. After ore processing from the processing plant, tailings produced will all be pumped to the tailings pond for storage and disposal. In addition, domestic waste will be collected after classification, and transported and processed by third parties. Furthermore, we have formulated detailed guidelines on the treatment of hazardous waste. Hazardous waste is collected and then entrusted to qualified units for disposal. We have also contracted with a qualified third-party waste disposal company for the disposal of hazardous waste. We are required to promptly report on the occurrence of any loss, leakage or diffusion of hazardous waste to the relevant health authorities and to keep proper records of such accidents.

The waste discharge from our operations during the Track Record Period is set out below:

| | | For the Year ended 31 December | | | For the seven months ended 31 July |
|---|---|---|---|---|---|
| **Key Performance Indicator** | **Unit** | **2022** | **2023** | **2024** | **2025** |
| Hazardous waste[(1)] | kg | 77.00 | 150.00 | 104.00 | N/A |
| Non-hazardous waste[(2)] | kt | 494.3 | 515.5 | 297.1 | 155.1 |

*Notes:*

1. Hazardous waste produced from our operations generally included small amounts of used oil. Related data is handled uniformly and available by the end of each year.

2. Non-hazardous waste produced from our operations generally included tailings.

**Ecological protection**

We regard ecological protection as one of the primary tasks in the construction of green mines and the achievement of sustainable development. Before the initiation of a proposed project, we conduct environmental impact assessments to pre-evaluate the effects of business activities on the ecological environment. We aim to pay attention to multistage environmental and natural resource protection of our mining operations and carry out land rehabilitation activities within the mine area.

To avoid adverse effects on flora and fauna due to our business operations, we plan to undertake the following measures: (i) enhancing the greenery of the surroundings by expanding the area of green planting, including planting of vegetation in areas with an altitude below 5,070 metres near the tailings pond; and (ii) hiring professionals and experts on a contractual basis to monitor the status of soil, ensuring the condition of soil is suitable for planting.

**Environmental rehabilitation**

We prioritise ecological and environmental protection and have formulated land reclamation plans for our mining operations and tailings ponds in accordance with the relevant PRC laws and regulations. We commit to promoting ecological restoration, reclaiming the damaged lands and restoring the productivity of the damaged lands upon completion of the mining operations.

We strictly follow the PRC's guidelines in respect of the formulation of land rehabilitation plans for damaged lands, and commission qualified third parties for rehabilitation design, including the actual scope of damaged lands and the scope of lands requiring reclamation. The total estimated cost for our land rehabilitation for mining sites and tailings ponds are approximately RMB1.6 million and RMB31.5 million, respectively. See relevant rehabilitation plan details as presented in 13.5.7 of "Appendix III — Independent Technical Report" to this document.

Our primary rehabilitation tasks include measures that aim to avoid or mitigate geological disaster hazards caused by mining activities, reduce the impact and damage to aquifers, lessen the destruction of topographical and landscape features, control the impact on water and soil resources, and maximise the restoration of the ecological geological environment of the mine. In addition, we divide the land reclamation into three stages, namely, the production stage, the rehabilitation stage, and the management and maintenance stage, with specific tasks for each stage summarised below.

| | |
|---|---|
| Production stage (生產期) | • Set up warning signs and installing net fences around subsidence areas.<br>• Establish and improve ground deformation monitoring points.<br>• Set up dynamic groundwater observation points. |

| | |
|---|---|
| | • Establish soil pollution monitoring points and analyse to monitor soil pollution conditions. |
| | • Rehabilitate sloped areas by planting vegetation. |
| Rehabilitation stage (復墾期) | • Continue to carry out geological disaster prevention and control work. |
| | • Remove production equipment. |
| | • Continue to strengthen monitoring of leachate from causing surface water and groundwater pollution. |
| | • Prepare closure reports and submit them for approval by relevant authorities. |
| Management and maintenance stage (管護期) | • Continuous monitor the ecological environment, hydrological environment, ground subsidence, land reclamation effectiveness, and soil quality of the lands. |

As advised by our PRC Legal Advisers, mining companies in the PRC are required to prepare a geological environmental protection and reclamation plan and to submit it for assessment and approval by the relevant authorities. In addition, mining companies must establish a dedicated mine geological environment treatment and restoration fund account to ensure that sufficient financial resources are available for the restoration and reclamation of mining sites upon the completion of mining activities.

The Group has fully complied with these regulatory requirements. In August 2023, Huaxia Mining engaged a qualified third-party institution to prepare the revised "Geological Environmental Protection and Land Reclamation Plan for the Mengyaa Lead and Zinc Mine in Jiali County, Nagqu City, Xizang," which was subsequently submitted for assessment and approval. In September 2023, the Xizang Autonomous Region Land and Mineral Rights Trading and Resource Reserve Assessment Center conducted a review of the plan and issued its assessment opinions. Separately, in March 2020, Huaxia Mining established a dedicated land reclamation fund account with the Lhasa Branch of Industrial Bank Co., Ltd. Following updated regulations, the Group re-established a dedicated mine geological environment treatment and restoration fund account in July 2024, transferring the existing funds into this new account.

**Social Matters**

**Labour law compliance**

We adhere to the relevant labour standards, laws and regulations in the PRC, including but not limited to the Labour Law of the PRC (《中華人民共和國勞動法》), the Provisions on Prohibition of Using Child Labour (《禁止使用童工規定》) and the Law of the PRC on Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》). In order to ensure compliance and improve employment management, we have formulated a series of employment management related policies, including but not limited to the Employee Handbook, the Recruitment Management Policy (《員工招聘管理制度》) and the Prevention of Occupational Diseases — Occupation Health Management System (《職業病防治-職業健康管理制度》) which aligned ISO 45001 standard. During the Track Record Period, we did not have any material legal violations or lawsuits in relation to labour rights.

**Human rights protection system**

We place importance on safeguarding human rights within our labour management practices and prohibit child labour and forced labour. During the Track Record Period, we did not have any material legal violations or lawsuits related to child labour or forced labour. We have formulated recruitment management measures to verify the personal information of all new hires. We conduct background checks on the identity and background of new employees upon their entry, requiring applicants to provide proof of personal information, educational background, qualifications, work experience and other relevant information. Employees can voluntarily resign by following our relevant employment procedures. Additionally, to ensure reasonable working time for our employees, we have established standard working hours. In cases where overtime is necessary, the relevant department shall submit a request for review by superiors, and affected employees will be compensated for overtime work in accordance with labour contract regulations.

**Equality and inclusiveness**

We are committed to fostering a diverse and inclusive workplace and offering equal employment opportunities. We believe in the unique value that each individual brings to our Group and the industry, irrespective of factors such as their religion, gender, age, ethnic, and marital status. Our reliable and experienced management team exemplifies this commitment through its diverse composition and inclusive culture. We have achieved ethnic diversity within our leadership, which enables us to gain deeper insights into Xizang's unique culture. We also promote local employment when possible and have provided working opportunities in our mining and processing sites.

As at 31 July 2025, we had a total of 292 full-time employees. All of our employees are based in the PRC. The tables below set out further details of our diverse workforce as at 31 July 2025:

| Key performance indicators | | Number of employees |
|---|---|---|
| **Gender** | Female | 31 |
| | Male | 261 |
| **Age** | Below 30 | 42 |
| | 30-50 | 199 |
| | Over 50 | 51 |
| **Ethnic** | Han (漢族) | 229 |
| | Zang (藏族) | 46 |
| | Mongol (蒙古族) | 3 |
| | Manchu (滿族) | 6 |
| | Other ethnic minorities | 8 |
| **Total** | | 292 |

**Employee welfare**

We recognise the importance of maintaining good relationships with our employees and have established relevant guidelines, including but not limited to the welfare benefits management measures, allowance management system. We make sure that our welfare policies are compliant with local employee welfare laws and regulations. For example, we provide our employees with insurance and other essential benefits such as sick leave, bereavement leave, maternity leave, marriage leave. We also provide additional benefits for the employees such as free accommodation, food, telecommunication allowance, high-altitude work allowance and paid leave during winter. Moreover, we provide regular health examinations for our employees. Our aim is to enhance employees' welfare benefits, thereby improving their stability and retention within our Company.

**Employee development and promotion**

We bear the responsibility and obligation of fostering employee development and career progression. To facilitate this, we have established relevant internal policies and procedures to encourage employees to engage in continuous learning, actively participate in on-the-job continuing education, and pursue professional certification examinations.

**Supply chain ESG management**

We have established ESG-related requirements for suppliers to mitigate supply chain-related risks. We comprehensively evaluate suppliers' production qualifications, quality management systems, integrity performance and creditworthiness. Based on this evaluation, we determine the list of qualified suppliers and regularly update it. In 2024, we were awarded the title of "Green Supply Chain Management Enterprise (自治區綠色供應鏈管理企業)" in Xizang. Additionally, we include business integrity into our regular supplier evaluation during the procurement process. If any violations are identified, we may reserve the right to cease collaboration with the supplier. Furthermore, to reduce carbon emissions associated with purchased goods, we prioritise local procurement while ensuring the quality of materials and equipment.

**Business ethics and anti-corruption**

When selecting suppliers, we implement an open bidding process to ensure fair competition among suppliers. We also compare multiple suppliers and review the qualifications of the suppliers to ensure that the purchased goods meet quality and safety requirements. In addition, our employees are required to sign the Commitment Letter for Integrity and Self-Discipline (《廉潔自律承諾書》), which is to promote ethical behaviour and prevent corruption. Moreover, we have also established the anti-corruption policy and whistle-blowing mechanism.

**Occupational health and work safety**

During our operations, we are committed to complying with the safety rules and regulations as stipulated by the PRC Government. In addition, we shall ensure the implementation of measures to prevent and eliminate accidents and occupational diseases. As a result, we have received "2024 Annual Regional Safety Production Advanced Enterprise (2024年度全區安全生產先進企業)" award for our efforts. See "— Awards, Recognitions and Accreditations" in this section for details.

**Work safety management**

We have established internal occupational health and safety management policies that are generally in line with recognised industry practices and safety regulations in the PRC. In particular, we have established a set of guidelines, including but not limited to the safety technical operating procedures, the guidelines on safety and labour protection, and the guidelines on safety production. We emphasise safety management for high-risk engineering projects, analyse potential hazards at various stages of a project and our operation, and establish and ensure the implementation of safety construction plans. We aim to identify and address potential risks, offer safety and labour protection training to management at all levels, allocate responsibilities for safety and labour protection, refine the management of safety and labour protection systems to prevent, and control the occurrence of construction production safety incidents.

The Safety and Environment Department is tasked with ensuring the effective implementation of safety and labour protection systems, including carrying out safety and labour protection training, organising and conducting safety and labour protection inspections and overseeing the optimisation of safety and labour protection conditions and measures. Other employees are responsible for adhering to safety and labour protection instructions, internal labour guidelines, production technical requirements, labour discipline and the directives of their superiors, and are obliged to attend relevant training and examinations as scheduled.

In addition, we require the contractors and subcontractors to possess appropriate qualifications in their contracted tasks and production safety relevant to the specific mining tasks they are contracted to perform. This includes holding all necessary licences, certifications and professional credentials that verify their technical qualifications and commitment to safety in mining activities. Contractors and subcontractors must demonstrate that they are properly trained and certified to perform key mining activities such as mineral extraction, drilling, blasting, and ore processing in compliance with industry safety standards and regulatory requirements. Their qualifications should reflect a thorough understanding of safe operational procedures, hazard identification, risk management, and emergency response specific to mining environments. Their qualifications must also reflect compliance with national and industry-specific regulatory frameworks, including occupational health and safety laws, environmental protection regulations, and mining safety codes. Emphasis is placed on ensuring that all personnel involved have received appropriate safety training and possess the certifications needed to minimise workplace accidents and protect the health and safety of workers. We also provide regular safety trainings to our contractors and subcontractors to ensure they stay up-to-date with the latest safety protocols and industry practices. These trainings cover topics including hazard recognition, proper use of personal protective equipment, and emergency response procedures. By continuously reinforcing safety awareness and practical skills, we aim to foster a proactive safety culture and enhance the overall safety performance on site.

**Work safety training**

We emphasise training and conduct safety training courses to reinforce safety management and raise employee safety awareness. We have developed the safety and labour protection training programme, and fire safety training rules to ensure that employees adhere to safety requirements, mitigate safety and fire risks in projects and protect the safety of employees.

**Employee health protection**

We also hold each employee in high regard, recognising them as essential team members, and are dedicated to providing a workplace that is both safe and conducive to happiness and well-being. Alongside safety education and training, we ensure that employees are equipped with comprehensive personal protective gear, such as safety clothing, gloves, footwear, and helmet. Our safety engineers offer guidance on the correct use and wear of such protective equipment, and they regularly conduct on-site inspections to verify that all factory employees have implemented health protection measures.

In cases where employees experience discomfort or minor illnesses such as altitude sickness caused by hypoxia that require medical attention during work, we have prepared a first aid kit and medicines on the operation sites. In the event of a sudden serious illness or an injury occurring during on-site operations, we will also make emergency arrangements for transportation with our own ambulance and accompanying personnel to take the employee to the hospital for urgent treatment. Moreover, we conduct regular employee health examinations to evaluate their physical well-being and make any necessary adjustments accordingly.

**Contribution to community**

We value social responsibilities and are committed to contributing to the local communities. We have participated in environment protection projects, including but not limited to the Nanbeishan Greening Project (南北山綠化工程) which is an afforestation project led by the Lhasa Forestry and Grassland Bureau (拉薩市林業和草原局). The scale of this project is over 130 $hm^2$, with an aggregate cost over RMB15.8 million.

As part of our contribution to the local communities, we provide employment opportunities to villagers in nearby villages. Such employment opportunities include truck drivers and workers in our mining and processing sites.

In addition, we have made donations to support the development of public welfare and contribute to building a harmonious society. The amount of donations by our Company were approximately RMB14.0 million, RMB19.8 million, RMB10.1 million and RMB 10.0 million, for the years ended 31 December 2022, 2023, 2024 and the seven months ended 31 July 2025, respectively. Our donations have been used to, including but not limited to, establishing a fund to train and promote youth volunteers engaged in activities that celebrate the Yan'an spirit, as well as another fund to support the poverty alleviation and education works in Nagqu.

## INTELLECTUAL PROPERTY

We believe our intellectual property rights, including our patents, domain names and trademark, are crucial to our existing and future business development. In optimising the value of our intellectual property rights, we effectively manage, safeguard and protect them in China. As at the Latest Practicable Date, we had 12 patents and five domain names in China, as well as one trademark in Hong Kong. As at the same date, one of the said patents was also registered in the Netherlands. See "Appendix VII — Statutory and General Information — B. Further Information about our Business — 2. Intellectual property rights" for the details of our intellectual property rights.

During the Track Record Period and up to the Latest Practicable Date, we were not aware of any material infringement of our intellectual properties or any material disputes or claims against us in relation to the infringement of intellectual properties of third parties arising from our business. See "Risk Factors — Risk Relating to Our Business and Industry — We might be subject to claims, disputes and legal proceedings in our ordinary course of business" in this document for details.

## COMPETITION

### Summary

The competitive landscape for zinc, lead and copper concentrates in China is characterised by a combination of domestic production dynamics, global supply chain challenges and fluctuating demand. The future development for the zinc, lead and copper concentrates will depend on the market players' ability to address these challenges while capitalising on emerging opportunities.

### Zinc Concentrates

The global supply market for zinc concentrates has experienced a declining trend, with a CAGR of approximately -1.2% from 2018 to 2024. However, from 2025 to 2028, the global zinc concentrate supply is expected to recover, with a projected CAGR of 1.8% driven by new mining projects. Despite being the largest consumer and producer of zinc concentrates, China has experienced fluctuations in domestic production. Following a decline from 2018 to 2020, production of zinc concentrates surged in 2021. Going forward, both domestic production and imports are projected to rise from 2025 to 2028, supporting overall demand for zinc concentrates. In Xizang, the annual zinc concentrate production was approximately 111.3 kt in 2024, with the market still dominated by small-scale producers.

### Lead Concentrates

China stands as the world's largest producer of lead concentrates, contributing over 33.0% to the global supply. Going forward, China's lead concentrate production is projected to grow at a CAGR of approximately 2.0% from 2025 to 2028. While global demand is expected to decrease slightly from 2018 to 2024, a rebound is anticipated from 2025 to 2028, reflecting an increase in end-use consumption of lead concentrates. In Xizang, the annual lead concentrate production was approximately 88.2 kt in 2024, with a competitive landscape dominated by a few key producers.

### Copper Concentrates

The copper concentrate market exhibits a more concentrated supply compared to lead and zinc concentrates. From 2018 to 2024, global copper concentrate production grew at a CAGR of approximately 1.9%, bolstered by the commissioning of new projects in the mining industry. This upward trend is expected to continue, with anticipated for the period from 2025 to 2028. China's copper concentrate production has also demonstrated steady growth, increasing from 1,532.0 kt to 1,982.0 kt between 2018 and 2024, with a CAGR of approximately 4.4%. In Xizang, the annual copper concentrate production was approximately 376.4 kt in 2024, characterised by a competitive landscape with a few dominant producers.

To the best knowledge of our Directors, during the Track Record Period, we did not have any overlapping of customer base with our customers which are nonferrous metal traders. As disclosed above, our customers include traders which are the trading arms of group companies engaged in refinery business but do not include downstream refineries which refine concentrates into metal ingots. See "Business — Our Customers — Overview" in this document for details. Therefore, there is no material overlap of customers of the Group and their downstream customers. The risk of potential competition between the Group and the nonferrous metal trader customers is remote. The delineation between our customer base and the customer base of our customers helps reduce the risk of potential conflicts of interest between us and our customers such as preferential pricing or contract terms. The delineation also serves to support fair and independent commercial relationships, which contributes to the stability of our supply chain and sales channels.

## AWARDS, RECOGNITIONS AND ACCREDITATIONS

We have obtained awards, recognitions and accreditations from various government authorities and organisations in relation to our business. The following table sets out a selected accolades we have obtained in recent years.

| Year of Grant | Award | Awarding Entity/Organisation | Awarded Entity |
|---|---|---|---|
| 2025 | 2024 Annual Regional Safety Production Advanced Enterprise (2024年度全區安全生產先進企業) | Xizang Autonomous Region Department of Emergency Management (西藏自治區應急管理廳) | Huaxia Mining |
| 2024 | Green Supply Chain Management Enterprise (自治區綠色供應鏈管理企業) | Xizang Autonomous Region Department of Economic and Information Technology (西藏自治區經濟和信息化廳) | Huaxia Mining |
| 2023 | Demonstration Point of the Regional "Double Strong and Six Good" Two New Organisation and Party Organisation (全區"雙強六好" 兩新組織黨組織示範點) | Organisation Department of the CPC Xizang Autonomous Region Committee (中共西藏自治區委員會組織部) | Our Company |
| 2020 | 2020 Model Enterprise for Implementing Main Responsibility of Environmental Protection (2020落實環保主體責任模範企業) | The Jiali County People's Government (嘉黎縣人民政府) | Our Company |

| Year of Grant | Award | Awarding Entity/Organisation | Awarded Entity |
|---|---|---|---|
| 2020 | Water-saving Enterprise in the Industrial Sector of Xizang Autonomous Region (西藏自治區工業領域節水型企業) | Xizang Autonomous Region Department of Economic and Information Technology (西藏自治區經濟和信息化廳) and Xizang Autonomous Region Water Resources Department (西藏自治區水利廳) | Huaxia Mining |
| 2019 | The Top Twenty Private Enterprises in Xizang Autonomous Region (西藏自治區民營企業20強) | The People's Government of Xizang Autonomous Region (西藏自治區人民政府) | Huaxia Mining |
| 2019 | Leading Private Enterprise in Green Advantageous Mineral Resources in Xizang Autonomous Region (西藏自治區綠色優勢礦產類龍頭民營企業) | Federation of Industry and Commerce of Xizang Autonomous Region (西藏自治區工商聯) | Huaxia Mining |
| 2019 | First Non-public Economic Development Conference in Nagqu — Advanced Group in Operating Income(那曲市第一次非公有制經濟發展大會營業收入先進集體) | The CPC Nagqu Municipal Committee (中共那曲市委員會) and Nagqu Municipal People's Government (那曲市人民政府) | Huaxia Mining |
| 2019 | Geological Science and Technology Award of the China Geological Survey (中國地質調查局地質科技獎) | The China Geological Survey (中國地質調查局) | Huaxia Mining |
| 2019 | 2018 Model Enterprise for Implementing Main Responsibility of Environmental Protection (2018年落實環保主體責任模範企業) | The Jiali County People's Government (嘉黎縣人民政府) | Our Company |

| Year of Grant | Award | Awarding Entity/Organisation | Awarded Entity |
|---|---|---|---|
| 2018 | Demonstration Post of 2018 Annual National Youth Safety Production (2018年度全國青年安全生產示範崗) | Central Committee of the Communist Youth League Ministry of Emergency Management (共青團中央應急管理部) | Our Company |
| 2018 | Model Enterprise for Implementing Main Responsibility of Safety Production (落實安全生產主體責任模範企業) | The Jiali County People's Government (嘉黎縣人民政府) | Our Company |
| 2018 | 2017 Jiali County Environmental Protection Key Work: Special Contribution Unit (2017年嘉黎縣環境保護重點工作特殊貢獻單位) | The Jiali County People's Government (嘉黎縣人民政府) | Our Company |
| 2018 | 2017 Major Household of Nagqu Annual Enterprise Taxpayer (那曲地區2017年度企業納税大戶) | The CPC Nagqu Committee, the Nagqu Administrative Office (中共那曲地區委員會那曲地區行政公署) | Our Company |
| 2017 | Model Enterprise for Implementing Main Responsibility of Safety Production (落實安全生產主體責任標杆企業) | Xizang Autonomous Region Safety Production Committee Office (西藏自治區安全生產委員會辦公室) and Xizang Autonomous Region Safety Production Supervision Administration (西藏自治區安全生產監督管理局) | Our Company |

## OCCUPATIONAL HEALTH AND SAFETY

We are subject to various PRC laws and regulations with respect to labour, safety and work-related incidents. See "Regulatory Overview" in this document for the key PRC laws and regulations applicable to our business operations.

We are committed to maintaining a safe working environment and promoting the awareness of occupational health and safety. We are also responsible for implementing safety measures to ensure a safe and healthy workplace, as some of our business activities involve usage of dangerous products, explosives, for example, in connection with extracting ores during the mining phase of our business operation chain. Our management also ensures that necessary information, instruction and supervision are provided so that all employees are safe from injury and health risks. We organise safety orientations for new employees to keep them informed and train them in relation to offering to safety regulations and emergency procedures. The emergency procedures such as fire or explosion emergency plans have been fully established, and we regularly arrange rescue, fire and evacuation drills in order to prevent casualties in case of accidents.

Our Directors have confirmed that during the Track Record Period and up to the Latest Practicable Date, we complied with all relevant safety laws and regulations in all material respects. During the Track Record Period and up to the Latest Practicable Date, the relevant PRC authorities had not imposed any sanction, penalty, fines or punishment on us for any non-compliance with any health and safety laws or regulations in the PRC. Due to the nature of our business, we may occasionally encounter some workplace injuries. However, as our employees are all covered by comprehensive workers' compensation insurance, these occasional injuries have never had a significant adverse impact on our business operations and financial performance historically and during the Track Record Period.

On 23 April 2023, a workforce accident occurred at the entrance of our Phase 2 Tailings Pond within the mining site area of our subsidiary, Huaxia Mining. An employee of our contractor, who was responsible for constructing the Phase 2 Tailings Pond was inspecting a vehicle when the cylinder suddenly depressurised, causing the bucket to drop and crush the said employee's back. The said employee died despite all rescue efforts. According to the accident report, the direct cause of the casualty was attributable to the failure to use secondary support while inspecting the vehicle, which constituted a contravention of applicable safety regulations.

The Emergency Management Bureau of Jiali County (嘉黎縣應急管理局) and the Jiali County People's Government (嘉黎縣人民政府) issued a written confirmation, confirming that:

(i) the occurrence of the incident was in the mining site area of Huaxia Mining and the incident was adjudged as a general safety incident (一般性安全生產事故);

(ii) Huaxia Mining complied with its reporting obligations as stipulated by the Regulations on Reporting and Investigation of Production Safety Accidents (《生產安全事故報告和調查處理條例》);

(iii) according to the investigation findings of the incident, Huaxia Mining was not held liable for this incident and had not been involved in any safety production accidents since 1 January 2022; and

(iv) Huaxia Mining has not been subject to administrative penalties, such as licence suspension, fines, or death compensation.

Furthermore, according to the investigation findings of the incident and the Explanation of the Situation Regarding the Safety Incident at Xizang Huaxia (《關於西藏華夏礦業安全事故的情況說明》) issued by the Economic and Information Bureau of Nagqu City (那曲市經濟和信息化局), we were not found to be liable for the incident.

Our PRC Legal Advisers have confirmed that the accident which occurred on 23 April 2023 was categorised as a "general production safety accident" (一般生產安全事故). A general accident does not trigger the restrictive measures set out in the Notice of the State Council on Further Strengthening Enterprise Safety Production Work (《國務院關於進一步加強企業安全生產工作的通知》). During the Track Record Period and up to the Latest Practicable Date, no other accident experienced by the Group fell within any of those prescribed thresholds. Consequently, the restrictive measures, including limitations on new project approvals, land use rights, securities financing and bank lending, are inapplicable to the Group. As no such restrictions have been or are expected to be imposed, the accident has had no material adverse impact on the Group's operations or financial performance.

The Emergency Management Bureau of Jiali County and the Jiali County People's Government are the competent authorities to classify and confirm a general production safety accident under Article 19 of the Regulation on the Reporting, Investigation and Handling of Production Safety Accidents (《生產安全事故報告和調查處理條例》) and Article 6 of the Measures on Fines for Production Safety Accidents (《生產安全事故罰款處罰規定》), which allocate the investigation, approval and penalty powers for general accidents to the county level. Although the Economic and Information Bureau of Nagqu City is not a safety regulator, it issued a factual statement on 9 July 2024 in its capacity as the municipal bureau subordinate to the Autonomous Region's Department of Economy and Information Technology, which is the authority supervising the Group's qualification as an "Autonomous Region Green Supply Chain Management Enterprise". That statement therefore has reference value in affirming that the accident does not affect the Group's green-supply-chain status. The confirmations given by the Jiali County Emergency Management Bureau and the Jiali County People's Government are not administrative penalty decisions, but descriptive confirmations of objective facts within their jurisdiction.

Under both the PRC Work Safety Law (《中華人民共和國安全生產法》) and the Interim Measures on Safety Management of Outsourced Works in Non-coal Mines (《非煤礦山外包工程安全管理暫行辦法》), liability for an accident is ultimately determined by the official accident investigation report and its governmental approval. In the present case, Jiali County People's Government, the authority responsible for approving investigations into general work safety accidents, confirmed in its 16 January 2025 letter that the Group had fulfilled all of its statutory duties and that no administrative penalties were imposed on Huaxia Mining in connection with the accident. Therefore, Huaxia Mining is not solely responsible for the regulatory obligations including those relating to workplace safety and also is not required to bear primary liability for the accident.

Save for the accident on 23 April 2023, no other production safety accidents occurred within the Group during the Track Record Period and up to the Latest Practicable Date.

Based on the above, our Directors have confirmed that the incident did not have any material impact on our business operation and financial performance, nor there is any indication that there is any deficiency of our safety internal control measure. Save for the said incident, there was no other safety incident in the ordinary course of our mining operations during the Track Record Period and up to the Latest Practicable Date.

We have implemented the following measures to strength contractor and subcontractor management to prevent the occurrence of similar accidents:

- **Careful vetting and selection of contractors and subcontractors**: Adopt enhanced evaluation procedures for the vetting and selection of contractors and subcontractors, which include, but are not limited to, a comprehensive review of their credentials, safety measures and historical safety performance records. This process involves carefully assessing their professional licences and industry qualifications, the effectiveness of contractors' and subcontractors' safety protocols, examining past incidents or violations, and evaluating their overall commitment to maintaining a safe working environment. Contractors and subcontractors with a documented history of poor safety performance or non-compliance with safety standards, or without the requisite credentials, will be screened out and excluded from consideration.

- **Prohibition of unauthorised subcontracting**: To maintain control over project quality and safety standards, contractors are expressly prohibited from engaging any subcontractors without first obtaining our prior written consent. This measure allows us to carefully review and approve all subcontracting arrangements, ensuring that every party involved in the project aligns with our established safety protocols and performance expectations. We can prevent unauthorised subcontracting that may compromise safety or quality, and ensure consistent adherence to regulatory requirements and internal standards.

Further, we have taken the following enhanced internal control measures to prevent the occurrence of similar incidents:

- **Comprehensive Training**: Regularly provide all employees with comprehensive safety training, covering emergency response, equipment operation standards, and personal protective measures. New employees must undergo basic safety knowledge training upon hiring and pass an assessment before starting work. Current employees should participate in refresher training at least once a year to update and reinforce their safety awareness and skills.

- **Strict Inspection Protocols**: Establish and enforce a rigorous safety inspection system to ensure that all production equipment and work environments meet national safety standards. Create a dedicated safety inspection team responsible for routine and special inspections to promptly identify and eliminate potential hazards. For critical equipment, develop detailed maintenance plans and strictly adhere to them, documenting each inspection and maintenance activity for effective tracking and management.

- **Detailed Emergency Plans**: Develop comprehensive emergency response plans that cover various potential emergencies, such as fires, explosions, and collapses. Organise regular drills for all employees to enhance their ability to respond to unforeseen events. The emergency plans should clearly outline the specific responsibilities of each department and individual during an incident, ensuring swift and accurate information transfer and efficient, orderly rescue operations. Additionally, regularly assess and refine the plans, adjusting them based on real circumstances to ensure they remain practical and effective.

## PROPERTIES

### Owned Properties

As at the Latest Practicable Date, we owned 19 parcels of land and properties in the PRC. A summary of these owned lands and properties as at the Latest Practicable Date is set out below:

| No. | Location | Landlord | Usage | Approximate GFA of the land |
|---|---|---|---|---|
| | | | | *(sq.m.)* |
| 1 | No. 1, 6/F, Unit 1, Building 8, East of Liuwu Mansion, South of Road 1-3, North of Road 1-4, West of Donghuan Road, Liuwu New District, Lhasa, Xizang | Huaxia Mining | Commercial | 542.18 |
| 2 | No. 2, 6/F, Unit 1, Building 8, East of Liuwu Mansion, South of Road 1-3, North of Road 1-4, West of Donghuan Road, Liuwu New District, Lhasa, Xizang | Huaxia Mining | Commercial | 542.18 |
| 3 | Yulongsongduo Village, Rongdoi Township, Jiali County, Nagqu, Xizang | Huaxia Mining | Mining area | N/A*(Note)* |
| 4 | Yulongsongduo Village, Rongdoi Township, Jiali County, Nagqu, Xizang | Huaxia Mining | Mining and factory area | 5,217.90 |
| 5 | Yulongsongduo Village, Rongdoi Township, Jiali County, Nagqu, Xizang | Huaxia Mining | Mining and factory area | 18,858.66 |
| 6 | Yulongsongduo Village, Rongdoi Township, Jiali County, Nagqu, Xizang | Huaxia Mining | Mining area | N/A*(Note)* |

| No. | Location | Landlord | Usage | Approximate GFA of the land |
|---|---|---|---|---|
| | | | | *(sq.m.)* |
| 7 | Yulongsongduo Village, Rongdoi Township, Jiali County, Nagqu, Xizang | Huaxia Mining | Mining area | N/A*(Note)* |
| 8 | Yulongsongduo Village, Rongdoi Township, Jiali County, Nagqu, Xizang | Huaxia Mining | Mining area | N/A*(Note)* |
| 9 | Yulongsongduo Village, Rongdoi Township, Jiali County, Nagqu, Xizang | Huaxia Mining | Mining area | N/A*(Note)* |
| 10 | Yulongsongduo Village, Rongdoi Township, Jiali County, Nagqu, Xizang | Huaxia Mining | Mining area | N/A*(Note)* |
| 11 | Yulongsongduo Village, Rongdoi Township, Jiali County, Nagqu, Xizang | Huaxia Mining | Mining area | N/A*(Note)* |
| 12 | Yulongsongduo Village, Rongdoi Township, Jiali County, Nagqu, Xizang | Huaxia Mining | Mining area | N/A*(Note)* |
| 13 | Yulongsongduo Village, Rongdoi Township, Jiali County, Nagqu, Xizang | Huaxia Mining | Mining area | N/A*(Note)* |
| 14 | Yulongsongduo Village, Rongdoi Township, Jiali County, Nagqu, Xizang | Huaxia Mining | Mining area | N/A*(Note)* |
| 15 | Yulongsongduo Village, Rongdoi Township, Jiali County, Nagqu, Xizang | Huaxia Mining | Mining area | N/A*(Note)* |
| 16 | Yulongsongduo Village, Rongdoi Township, Jiali County, Nagqu, Xizang | Huaxia Mining | Mining area | N/A*(Note)* |
| 17 | Yulongsongduo Village, Rongdoi Township, Jiali County, Nagqu, Xizang | Huaxia Mining | Mining and factory area | 117.98 |
| 18 | Yulongsongduo Village, Rongdoi Township, Jiali County, Nagqu, Xizang | Huaxia Mining | Mining area | N/A*(Note)* |
| 19 | Yulongsongduo Village, Rongdoi Township, Jiali County, Nagqu, Xizang | Huaxia Mining | Mining and factory area | 35.59 |

*Note:* GFA is not applicable as there is no building that has been constructed on the parcel of land.

We do not have any property interest with a carrying amount of 15% or more of our combined total assets as at 31 July 2025. Therefore, according to Chapter 5 of the Listing Rules and section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), the document is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance which requires a valuation report with respect to all of our interests in land or buildings.

**Absence of property ownership certificates**

As at the Latest Practicable Date, we had not obtained property ownership certificates for 10 parcels of land or properties. A summary of these properties as at the Latest Practicable Date is set out below:

| No. | Location | Landlord | Usage | Approximate GFA |
|---|---|---|---|---|
| | | | | *(sq.m.)* |
| 1 | Phase 2 Tailings Pond | Huaxia Mining | Storage of tailings | 698,399.00 |
| 2 | Pb12 mining area | Huaxia Mining | Mining and living area | 258,349.00 |
| 3 | Explosives depot | Huaxia Mining | Security room and living area | 764.70 |
| 4 | General building in mining area | Huaxia Mining | Office and housing | 2,551.98 |
| 5 | Weighbridge house in mining area | Huaxia Mining | Weighing | 30.00 |
| 6 | New security room and supporting buildings for explosive depot | Huaxia Mining | Security room | 114.70 |
| 7 | Canteen, activities centre and solarium in the living area | Huaxia Mining | Housing for employees | 3,591.00 |
| 8 | Pharmacy expansion area | Huaxia Mining | Warehouse | 279.13 |
| 9 | Lime warehouse expansion area | Huaxia Mining | Warehouse | 200.86 |
| 10 | Duty room | Huaxia Mining | Duty room | 33.76 |

The absence of land and/or property ownership certificates is attributable to the facts that:

(i) we are in the process of obtaining some land and/or property ownership certificates, and the requisite procedures would be completed in 2026;

(ii) we are in the process of fulfilling the land transfer procedures for some of the aforementioned properties, and the requisite procedures would be completed in 2026; and

(iii) in terms of the Phase 2 Tailings Pond, land and/or property ownership certificate will be issued upon the completion of construction of Phase 2 Tailings Pond and upon the completion of safety acceptance procedure.

Based on the current negotiations between our Company and the relevant local competent authority with respect to obtaining the land ownership certificates, except for the land ownership certificate for the explosives depot, we do not foresee any material obstacle that may impede our ability to obtain the aforesaid land ownership certificates in due course. According to the penalty provisions stipulated in the Implementation Regulations of the Land Administration Law of the PRC (《中華人民共和國土地管理法實施條例》), the Urban and Rural Planning Law of the PRC (《中華人民共和國城鄉規劃法》) and the Construction Law of the PRC (《中華人民共和國建築法》), and as advised by our PRC Legal Advisers, the potential maximum penalty due to the absence of the land and/or property ownership certificates is approximately RMB2.6 million in aggregate.

On 21 January 2025 and 6 August 2025, Jiali County Natural Resources Bureau (嘉黎縣自然資源管理局) issued written confirmations, which confirm that (i) Huaxia Mining has completed the necessary regulatory procedures for the transfer of Phase 2 Tailings Pond and the relevant ownership certificate is expected to be issued upon the completion of all construction works and the completion of safety acceptable procedure and accordingly, there is no obstacle for us to obtain the ownership certificate; (ii) Huaxia Mining is entitled to use the Pb12 mining area, explosives depot and the general building in the designated mining area for mining and business operations, which complies with the relevant PRC laws and regulations; (iii) it will not impose penalties on Huaxia Mining, nor will it confiscate or reclaim the land or order the demolition of any buildings and/or the properties on the land; (iv) since 1 January 2022, Huaxia Mining has strictly complied with the laws, regulations, rules, and normative documents related to land management; (v) Huaxia Mining has obtained the right to use the land in accordance with legal procedures and has not been subject to administrative penalties for violating laws, regulations, or rules; (vi) there are also no ongoing or potential disputes, investigations, or lawsuits in relation to Huaxia Mining, and it has not received any report from any third party regarding the illegal or irregular activities related to the properties.

In addition, on 25 February 2025 and 1 August 2025, Jiali County Housing and Urban-Rural Development Bureau (嘉黎縣住房和城鄉建設局) issued written confirmations, which confirm that (i) Huaxia Mining is permitted to use the weighbridge house in mining area, security room and supporting buildings for explosive depot, canteen, activities centre and solarium in the living area, pharmacy expansion area, lime warehouse expansion area and duty room in accordance with their current status for business and daily operations; (ii) the use of aforementioned parcels of land and properties does not contravene the laws or regulations and it will not impose penalties on Huaxia Mining, nor will it confiscate or reclaim the land or order the demolition of any buildings and/or the properties on the land; (iii) since 1 January 2022, Huaxia Mining has strictly complied with the laws,

regulations, rules, and normative documents related to land management; (iv) Huaxia Mining has obtained the right to use the land in accordance with legal procedures and has not been subject to administrative penalties for violating laws, regulations, or rules; and there has been no violation of properties management laws, nor has there been any administrative penalty imposed for violating the provisions of properties management laws.

Based on the above, our PRC Legal Advisers have confirmed that (i) we are lawfully entitled to possess, use, benefit from and dispose of (including transfer, lease, mortgage, and other dispositions) the said properties; (ii) there are no mortgages or judicial seizures affecting these properties; and (iii) there are no unresolved significant property disputes or potential controversies. Our PRC Legal Advisers have further confirmed that Jiali County Natural Resources Bureau (嘉黎縣自然資源管理局) and Jiali County Housing and Urban-Rural Development Bureau (嘉黎縣住房和城鄉建設局) are the relevant competent authorities in charge of the land regulation matters in Jiali County within its jurisdiction, and accordingly, the aforementioned confirmations issued by them are legally binding and will not be challenged by any third parties.

Based on the above, our PRC Legal Advisers have confirmed, and our Directors are of the view that the absence of the ownership certificates for the aforesaid parcels of land and properties will not have an adverse impact on our business operations, nor constitute an obstacle for the [REDACTED].

**Leased Properties**

As at the Latest Practicable Date, we leased 10 properties in the PRC. A summary of these leased properties as at the Latest Practicable Date is set out below:

| No. | Location | Landlord | Tenant | Lease Period | Usage | Approximate GFA |
|---|---|---|---|---|---|---|
| | | | | | | *(sq. m.)* |
| 1 | No. 11004, Headquarters Economic Base, West of Dalian Road, North of Gesang Road, Lhasa Economic and Technological Development Zone | Sichuan Huafeng Drilling Engineering Company Limited (四川華鋒鑽探工程有限責任公司) | Our Company | 2 November 2022 to 2 November 2025 | Registered address of Zhihua Industrial | 57.92 |
| 2 | Building 2 No. 2 Tongzhan West Road Serni District Nagqu | Nagqu Logistics Centre Management Bureau, Xizang (西藏那曲物流中心管理局) | Our Company | 25 August 2023 to 25 August 2028 | Registered address of our Company | 60.00 |
| 3 | Room 401, Unit 1, Building 8, Hailiang Century New City | Dawa Wangdui (達瓦旺堆) | Zhihua Industrial | 10 June 2025 to 9 June 2026 | Employee dormitory | 143.16 |

| No. | Location | Landlord | Tenant | Lease Period | Usage | Approximate GFA |
|---|---|---|---|---|---|---|
| | | | | | | *(sq. m.)* |
| 4 | Room 401, Unit 2, Building 8, Hailiang Century New City | Deji Qunzong (德吉群宗) | Our Company | 1 April 2025 to 31 March 2026 | Employee dormitory | 141.74 |
| 5 | Room 301, Unit 3, Building 6, Hailiang Century New City | Deji Zhuoma (德吉卓瑪) | Zhihua Industrial | 18 March 2025 to 17 March 2026 | Employee dormitory | 129.17 |
| 6 | Room 501, Unit 1, Building 5, Hailiang Century New City | Pubu Zhuoma (普布卓瑪) | Our Company | 7 August 2025 to 6 August 2026 | Employee dormitory | 129.17 |
| 7 | Room 204, Unit 2, Building 15, Fuxing Beiyuan, Shangcheng District, Hangzhou | Tang Laibao (唐來寶) | Our Company | 7 September 2024 to 8 September 2025 (renewed: 8 September 2025 to 7 September 2026) | Employee dormitory | 57.03 |
| 8 | Room 1502, Unit 1, Building 5, Lanting Apartment, Xihu District, Hangzhou | Jiang Wen (江文) | Huahai Mineral | 19 February 2025 to 18 February 2026 | Employee dormitory | 46.69 |
| 9 | 2nd Floor, Building 31, Gongka Town, Mozhugongka County | Mozhugongka Zongmuxia Traditional Art Processing Company Limited (墨竹工卡宗穆夏傳統藝術品加工有限公司) | Huahai Mineral | 20 June 2025 to 19 June 2026 | Registered Address of Huahai Mineral | 60.00 |
| 10 | No. 2, Building 23, Phase 1, Hailiang Phochang, west of Chagu Avenue and east of Beijing Avenue, Liuwu New District, Lhasa | Wu Gang (吳剛) | Zhihua Industrial | 1 July 2025 to 30 June 2027 | Employee dormitory | 181.59 |

**Non-registration of lease agreements**

As at the Latest Practicable Date, we had not yet registered our six lease agreements with the local housing administration authorities as required under the relevant PRC laws, primarily due to the limited cooperation from the landlords in registering the relevant lease agreements, which was beyond our control; and due to the landlords' lack of title certificates. As advised by our PRC Legal Advisers, lease agreements have to be registered with the relevant authorities within 30 days of signing according to the Administration Measures for Commodity House Leasing (《商品房屋租賃管理辦法》) and if we fail to rectify within a prescribed period, we may be subject to a maximum administrative penalty of RMB10,000.0 for each unregistered lease. As at the Latest Practicable Date, we had not received any notice from any regulatory authority with respect to potential administrative penalties or enforcement actions due to our failure to register the lease agreements as set out above. Our PRC Legal Advisers further advised that the non-registration of lease agreements would however not affect the enforceability of these lease agreements. Accordingly, our Directors are of the view that our non-registration would not have any material adverse impact on our business operations.

**Use of Grassland Properties**

As at the latest Practicable Date, we were using three parcels of grassland properties in the PRC. A summary of the use of grassland properties as at the Latest Practicable Date is set out below:

| No. | Relevant Location | Landlord | Usage | Approximate GFA |
|---|---|---|---|---|
| | | | | *(sq.m.)* |
| 1 | Phase 1 Tailings Pond | Huaxia Mining | Storage of tailings | 239,055.8 |
| 2 | Pb14 mining area | Huaxia Mining | Open-pit mine | 125,112.0 |
| 3 | Mining area highway | Huaxia Mining | Mining area highway and pipelines from tailings dam to processing plant | 71,500.0 |

All three plots of grassland properties are within the scope confirmed by the Consent for the Acquisition and Use of Grasslands (徵收使用草原同意書) and the forest vegetation restoration fees have been fully paid accordingly. Huaxia Mining has entered into grassland properties compensation agreements with the grassland properties usage rights holders, namely the Villagers' Committee of Yulongsongduo Village, Rongdoi Township, Jiali County, Nagqu, Xizang (西藏自治區那曲市嘉黎縣絨多鄉玉隆松多村村民委員會), and the Villagers' Committee of Tawoqie Village, Rongdui Township, Jiali County (嘉黎縣絨多鄉它悟切村村委會). Upon the execution of the said agreements, we promptly paid the compensation fees for using the grassland properties accordingly. As advised by our PRC Legal Advisers, there have been no ongoing or potential disputes or lawsuits in relation to the use of the grassland properties with the grassland properties usage rights holders.

On 22 January 2025, the Nagqu Municipal Forestry and Grassland Bureau (那曲市林業和草原局) issued a written certificate, confirming that (i) Huaxia Mining has strictly complied with national and local laws, regulations, rules and normative documents in relation to grassland management; (ii) the use of aforementioned parcels of grassland properties does not contravene the laws or regulations and it will not impose penalties on Huaxia Mining; and (iii) there are no ongoing or potential disputes, investigations, or lawsuits against Huaxia Mining. There has been no violation of grassland management laws, has there been any administrative penalty imposed for violating the provisions of grassland management laws.

On 21 January 2025 and 6 August 2025, the Jiali County Natural Resources and Forestry Grassland Bureau (嘉黎縣自然資源和林業草原局) issued written certificates, confirming that (i) the use of aforementioned parcels of grassland properties are in compliance with the mining land policies of Xizang; (ii) Huaxia Mining is permitted to use the Phase 1 Tailings Pond for storage of tailings, Pb14 mining area for operating an open-pit mine, and mining area highway as a highway and pipelines from tailings dam to the processing plant, in accordance with their current status for business and daily operations; (iii) it will not impose penalties on Huaxia Mining, nor will it confiscate or reclaim the land or order the demolition of any buildings and/or the properties on the land.

Our PRC Legal Advisers have further confirmed that the Nagqu Municipal Forestry and Grassland Bureau (那曲市林業和草原局) and the Jiali County Natural Resources and Forestry Grassland Bureau (嘉黎縣自然資源和林業草原局) are the relevant competent authorities in charge of the grassland regulation matters in Nagqu and Jiali County, respectively, within its jurisdiction, and accordingly, the aforementioned confirmations are legally binding and will not be challenged by any third parties.

## QUALITY CONTROL

As a mining company, quality control is crucial to our mining operations. We have established a stringent quality control system to ensure the quality of our concentrates. We are required to comply with the applicable PRC laws and regulations in respect of our production. Set out below is a key summary of the quality standards of our concentrates by type that we need to comply with.

- our zinc concentrate quality standards (excluding purity and impurity content agreed upon with customers) conform to the National Standard for Zinc Concentrate of the PRC (《中華人民共和國鋅精礦國家標準》) (YS/T320-2014 for grade III),

- our lead concentrate quality standards (excluding purity and impurity content agreed upon with customers) conform to the National Standard for Lead Concentrate of the PRC (《中華人民共和國鉛精礦國家標準》) (YS/T319-2013 for grades II and III), and

- our copper concentrate quality standards (excluding purity and impurity content agreed upon with customers) conform to the National Standard for Copper Concentrate of the PRC (《中華人民共和國銅精礦國家標準》) (YS/T318-2007 for grades III and IV).

During the Track Record Period, we did not encounter any concentrate quality issue, nor did we have any product liability issue in the ordinary course of dealings with our customers.

We provide quality and technical specifications to suppliers and generally require suppliers to provide warranty for the supplies we procure. We inspect the physical conditions and the quantities received of each delivery of raw materials, consumables, parts and replacement before accepting the products into our inventory. In terms of procurement of services, we engage contractors and subcontractors for certain parts of the our mining operations, such as extracting ores in the mining phase of our business operation chain, transportation and construction works of our underground mine and Phase 2 Tailings Pond. We require all these contractors and subcontractors to meet our qualification requirements and conduct their operations in accordance with our internal standards, industry standards and the relevant PRC laws and regulations. We supervise and regularly inspect their works to ensure their works are undertaken in accordance with our quality standards. We conduct quality inspections when they have completed the works before we accept their works.

We have established a comprehensive internal control framework to maintain rigorous oversight of contractors and subcontractors, ensuring ongoing compliance with all applicable occupational health and safety, environmental protection and licensing requirements:

- **Oversight by different departments**: Our Safety and Environment Department holds primary responsibility for monitoring and enforcing compliance with workplace safety standards and all relevant contractual obligations. The department conducts thorough onsite inspections on a regular basis with other departments including the Engineering Department, during which designated officers carry out detailed assessments of contractors and subcontractors' adherence to applicable occupational health and safety regulations, environmental protection requirements and other statutory obligations. Additionally, these officers verify the validity of all necessary licences, certifications and permits required for the safe and lawful execution of their operations. Furthermore, our General Administration Department oversees the administration of employment injury insurance for all employees involved in mining activities.

- **Incident reporting and rectification procedures**: In the event that any non-compliance, misconduct or violation of applicable rules or contractual terms is identified, officers from the relevant internal departments and externally-engaged supervising engineers will document the issue by completing a hazard rectification notice (《隱患整改通知單》). Whereupon, the relevant contractors or subcontractors are promptly notified and required to take immediate corrective action to address the identified deficiencies. To ensure effective resolution, the departments and supervising engineers conduct follow-up inspections to ensure that the corrective measures have been properly implemented and that the non-compliance, misconduct, or violation has been fully rectified.

- **General Supervising Office**: We have established a General Supervising Office (總監辦) tasked with coordinating communication between the relevant internal departments and all contractors and subcontractors engaged in mining operations. This office actively monitors the safety conditions of workers on site, ensuring that health and safety policies are effectively implemented and that any emerging risks are promptly addressed.

- **Emergency preparedness and regulatory compliance**: To prepare for potential safety incidents, we have developed the Production Safety Accident Emergency Response Plan (《生產安全事故應急預案》). This plan provides clear guidance on procedures to be followed in the event of an accident to minimise harm and ensure swift response. We have also obtained official acknowledgment of this plan from the relevant regulatory authority.

## INSURANCE

We maintain insurance policies that are required under PRC laws and regulations as well as policies based on the industry practice and our assessment of our operational needs. During the Track Record Period, in accordance with relevant PRC laws and regulations, we maintained pension insurance, medical insurance, work injury insurance, safety liability insurance, maternity insurance, unemployment insurance, accident insurance and employer liability insurance to cover the potential risks related to our Group and our employees.

Based on our past experience and understanding of the prevailing industry practice in China, we believe that our existing insurance coverage is in line with industry norm and is sufficient for our present operations. Nonetheless, we may not be adequately insured against all unanticipated risks and losses that may arise. With the expansion of our business and the potential new risks that we may be exposed to as a result, we may take out further insurance as our Directors deem appropriate and based on the suggestions from our PRC Legal Advisers. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material business interruptions or material insurance claims.

We are also required by PRC social insurance laws and regulations to make contributions to social insurance funds for our employees. We have not been required by the relevant authorities to make back payments of social insurance and housing provident funds during the Track Record Period. In addition, we expect that we will maintain directors' and officers' liability insurance for the executive Directors and executive officers of our Company on or before [REDACTED].

## EMPLOYEES

As at 31 July 2025, we had 292 employees, amongst which approximately 46.6% had working experience of at least five years in the mining industry. All of our employees are based in China.

| Function | As at 31 July 2025 | |
|---|---|---|
| | *Number of employees* | *% of our total employees* |
| Processing Plant | 130 | 44.5 |
| Mining Department | 79 | 27.1 |
| Inspection Department | 16 | 5.5 |
| General Administration Department | 16 | 5.5 |
| Transportation and External Coordination Department | 11 | 3.8 |
| General Office | 9 | 3.1 |
| Planning Operations Department | 5 | 1.7 |
| Finance Department | 5 | 1.7 |
| Geology Department | 5 | 1.7 |
| Procurement Department | 4 | 1.4 |
| Safety and Environment Department | 4 | 1.4 |
| Human Resources Department | 3 | 1.0 |
| Audit and Legal Department | 2 | 0.7 |
| Investment and Acquisition Department | 2 | 0.7 |
| Sales Department | 1 | 0.3 |
| **Total** | **292** | **100** |

### Recruitment and Remuneration

We believe that our quality personnel are key to our success and future development. We also provide training and promotion opportunities to our employees. We also recruit talents to diversify our staff portfolio and enrich group culture embroidered with devotion, dedication and inclusion. The remuneration package of our employees includes basic salary, position salary and allowances. We determine employee remuneration based on factors such as qualifications, expertise and years of relevant experience.

### Equal Employment, Gender Diversity and Ethnic Inclusion in the Workforce

We promote equal employment opportunities and avoid all forms of illegal employment such as child labour and forced labour as stipulated in our internal regulations on labour management of employees. We recognise gender diversity and ethnicity diversity in the workplace as a key factor in our continuous development and success. Since our incorporation, we have been actively promoting gender equality within our Group. Additionally, we respect the diverse backgrounds of our employees and promote ethnic inclusion within our Group.

## REGULATORY COMPLIANCE

### Licence, Permits and Certificates

We are subject to laws, regulations and supervision by different levels of regulatory authorities and are required to maintain various licences, permits and certificates in order to conduct our business of exploration, mining, production and sales of concentrates. See "Regulatory Overview" in this document for the summary of relevant PRC laws and regulations which our business operations are subject to. As at the Latest Practicable Date, we had obtained all requisite licences, permits and certificate material to our business operations in the PRC, and such licences, permits and certificates are valid and remain in effect. In respect of our mining operations, we have obtained Mining Licences (採礦許可證), Mineral Resource Exploration Licence (《礦產資源勘查許可證》), Safety Production Licence (《安全生產許可證》), Blasting Operation Licence (Non-commercial) (《爆破單位作業許可證(非營業性)》), Registration Certificate of Fixed Pollution Source Discharge (《固定污染源排污登記證書》) and Water Extraction Licence (《取水許可證》).

With respect to our compliance with the Announcement on the Minimum 'Three Rates' Indicators for the Rational Utilisation of Iron, Copper, Lead, Zinc, Rare Earth, Potash and Fluorite Mineral Resources (Trial) (《關於鐵、銅、鉛、鋅、稀土、鉀鹽和螢石等礦產資源合理開發利用"三率"最低指標要求 (試行) 的公告》) issued by the former Ministry of Land and Resources, the Xizang Autonomous Region Department of Natural Resources conducts investigations on the "Three Rates" of key mineral resources in the Xizang Autonomous Region and holds expert reviews every September. See "Regulatory Overview — Laws and Regulations relating to Mineral Resources — Comprehensive Mining and Utilisation". The Minimum "Three Rates" Indicator of Huaxia Mining exceeded the national standards in 2022 and 2023, and the investigation and review of the "Three Rates" Indicator for 2024 is scheduled to be conducted in September 2025. To the best of our Directors' knowledge, we have not encountered any instances of penalties or notifications in relation to the "Three Rates" Indicator.

During the Track Record Period and up to the Latest Practicable Date, we had not been penalised by any government authorities for non-compliance incidents relating to material licences, permits or certificates. To the best of our Directors' knowledge, we currently do not expect to encounter any material difficulty in renewing them when they expire, if applicable, and no material unexpected or adverse changes have occurred since the date of their respective issuance.

### Litigation

As at the Latest Practicable Date, Huludao Jinshun Mining Development Company Limited (葫蘆島金順礦業開發有限公司) ("**Jinshun Mining**")) filed a lawsuit against our subsidiary, Huaxia Mining, in the Intermediate People's Court of Lhasa (西藏自治區拉薩市中級人民法院) (the "**Intermediate Court**"), seeking RMB10.8 million damages for service fees and affiliated claims pursuant to a relevant service and claiming that Huaxia Mining failed to discharge its obligation to settle outstanding payments owed to it. On 28 March 2025, the said court ruled that Jinshun Mining should have sought arbitration as its first resort, thereby dismissing the lawsuit. In response to the dismissal and on 3 April 2025, Jinshun Mining made an appeal. On 26 May 2025, the Higher People's Court of Tibet Autonomous Region (西藏自治區高級人民法院) (the "**Higher Court**") issued a ruling, holding that the arbitration clause in the said service agreement at issue was no longer valid, and that the Intermediate Court should not have dismissed the lawsuit. The Higher Court therefore revoked the Intermediate Court's ruling and ordered the Intermediate Court to hear the case. On 13 June 2025, the Intermediate Court served Huaxia Mining with a notice of response to the lawsuit. As of the Latest Practicable Date, a hearing date for the case had not yet been set.

Based on the public search records and as confirmed by our Directors, the legal representative of Jinshun Mining had been repeatedly pursuing claims related to the said service agreement since 2007, all of which had been dismissed. A previous case ruling by the Higher Court in 2023, the court held that the evidence submitted by the legal representative of Jinshun Mining could not prove that there remained any clear creditor-debtor relationship between Jinshun Mining and Huaxia Mining. The court found that such lawsuit lacked a factual basis and did not meet the substantive requirements for filing a lawsuit. The court upheld the dismissal of such lawsuit. Based on the ruling of the above, our PRC Legal Advisers are of the view that the pending litigation lodged by Jinshun Mining against Huaxia Mining will not have any significant impacts on our business operations and financial performance, given that the amount involved in this case accounts for only 0.99% of the Group's net asset value as at 31 July 2025, and that the legal representative of Jinshun Mining has previously filed multiple lawsuits based on the same facts under the said service agreement at issue, all of which have been dismissed.

## RISK MANAGEMENT AND INTERNAL CONTROL

### Risk Management and Corporate Governance

In the regular progression of our business activities, we are inherently subject to a spectrum of risks, encompassing market, operational and financial risks. It is through this lens that we approach risk mitigation, ensuring that our business operations are safeguarded against potential adversities, thereby securing our competitive edge and business and financial stability. Accordingly, we have established a risk management system with relevant policies and procedures that we believe are appropriate for our business operations. We have adopted and implemented comprehensive risk management policies in various aspects of our business operations, such as financial reporting, compliance, and anti-bribery. Such risk management policies are established by our Board and are updated from time to time, based on the current effective PRC laws and regulations and our Articles. Our conviction stands firm that the existing internal control mechanism and procedures will epitomise adequacy of our operational effectiveness. To monitor the ongoing implementation of our risk management policies and corporate governance measures after [REDACTED], we have adopted, and will continue to put in place the following risk management measures:

(a) ***Code of Conduct:*** Our code of conduct explicitly communicates to each employee our values, acceptable criteria for decision-making and our ground rules for behaviour.

(b) ***Internal Audit:*** Our internal audit function regularly monitors key controls and procedures in order to assure our management and Board that the internal control system is functioning as intended. The Audit Committee of our Board is responsible for supervising our internal audit function.

(c) ***Licensing:*** In accordance with our internal measures, our Audit and Legal Department is assigned to ensure we have all necessary licences for our business operation and to keep track of the licensing update and renewal.

(d) ***Compliance with Listing Rules and PRC Laws:*** We will continue to monitor our compliance with relevant laws and regulations and our senior management team will work closely with our employees to implement actions required to ensure our compliance with relevant laws and regulations. We will also continue to arrange various trainings to be provided by Hong Kong legal advisers to our Directors, senior management and employees on the Listing Rules, including but not limited to aspects related to corporate governance and connected transactions, and by our PRC Legal Advisers on PRC laws and regulations. Our senior management, internal audit and the Audit Committee together monitor the implementation of our internal control system on an ongoing basis to ensure our policies and implementation are effective and sufficient.

(e) ***Investment and Acquisition:*** We have established an Investment and Acquisition Department, which is responsible for overseeing all investment activities in accordance with our pre-established investment management policies and procedures, since February 2025. Under these internal control measures, the total annual investment budget must be reviewed and approved in advance by our Board, while any major capital investments, which is defined as a single transaction or a series of related transactions exceeding RMB50.0 million in aggregate, require specific, case-by-case approval from our Board following the initial approval of the annual budget.

**Internal Control**

In preparation for the [REDACTED], we have engaged an independent third party consultant ("**Internal Control Consultant**") to perform a review over selected areas of our internal controls in November 2024 ("**Internal Control Review**"). The scope of the Internal Control Review performed by the Internal Control Consultant was agreed between the Internal Control Consultant and us. The selected areas of our internal controls that have been reviewed by the Internal Control Consultant including controls environment, risk management, monitoring, information and communication, and anti-money laundering and anti-fraud programmes under entity level, as well as financial reporting and disclosure, revenue, purchasing, production/mining, inventory, cash management and treasury, human resources and payroll, fixed assets & intangible assets, construction in progress, information technology general control, taxes, insurance, intellectual property under process level. There are other risks relating to our business and operations and market risks in the ordinary course of our business. See "Risk Factors" and "Financial Information — Key Factors Affecting Our Results of Operations" in this document for details. We have subsequently taken corrective actions in response to such findings and recommendations from our Internal Control Consultant. The Internal Control Consultant performed a follow-up review in March and April 2025 ("**Follow-up Review**") to review the status of the management actions taken by us to address the findings of the Internal Control Review. The Internal Control Consultant did not see the need to make any further recommendations in such Follow-up Review. The Internal Control Review and the Follow-up Review were conducted based on information provided by us and no assurance or opinion on internal controls was expressed by the Internal Control Consultant.

Based on the above, our Directors are of the view that our Group has taken reasonable steps to establish a proper internal control system to minimise risks of non-compliance incidents and prevent occurrence of non-compliance incidents in future, at both working and monitoring levels. Therefore, our Directors are of the view that the enhanced internal control measures adopted our Group are adequate and effective in reducing the risk of future non-compliance incidents by our Group with legal and regulatory requirements.

## COVID-19 IMPACT

During the period of the corona virus disease 2019 ("**COVID-19**") pandemic, we swiftly implemented effective health and safety prevention and proactive response measures to protect our employees and maintain production. The impact of COVID-19 is low in Xizang. The low population density in Xizang and on our mining site may be relevant. Throughout the pandemic, the Group did not experience any significant interruptions in mining or processing activities. Our production and transportation activities required minimal personnel interaction, thereby minimizing the impact of the pandemic on production. Our Directors confirmed that the COVID-19 pandemic had limited impact on our business operations and financial performance during the Track Record Period and up to the Latest Practical Date.

## OUR CONTROLLING SHAREHOLDERS

There are two separate groups of Controlling Shareholders, comprising (i) the group of Controlling Shareholders through Xizang Zhifeng, comprising Ms. Fan, Ms. He, Mr. Lv and Xizang Zhifeng, together with Zhihui Partnership, which owned 55.72% interest of the Company as the Latest Practicable Date and (ii) Xizang Shengyuan, which owned 44.28% interest of the Company as at the Latest Practicable Date.

As at the Latest Practicable Date, Xizang Zhifeng was held as to 41% by Ms. Fan, 40% by Ms. He and 19% by Mr. Lv, who have confirmed that they are parties acting in concert under the AIC Confirmation. Ms. Fan, Ms. He and Mr. Lv have been aligning their votes in shareholders' general meetings of the Company since November 2019. For further details of the AIC Confirmation, see "History and Corporate Structure" in this document. As at the Latest Practicable Date, Zhihui Partnership was a limited partnership established under the laws of the PRC with Ms. He being its executive partner. The partnership agreement of Zhihui Partnership provides, among other things, that the executive partner shall be responsible for the management and execution of the affairs of Zhihui Partnership. As such, Ms. He is deemed to be interested in the 5,853,659 Shares held by Zhihui Partnership under the SFO as at the Latest Practicable Date.

Xizang Shengyuan was established on 14 December 2009 and became a wholly state-owned enterprise as a platform to hold state's investments in mining companies. As at the Latest Practicable Date, Xizang Shengyuan was undergoing the registration with the local administration for industry and commerce upon completion of which Xizang Shengyuan will be directly wholly owned by Xizang SASAC, a government authority responsible for the supervision and administration of state-owned assets in Xizang. Xizang SASAC, being the PRC Provincial-level Government, fall within the definition of "PRC Governmental Bodies" under Rule 19A.04 of the Listing Rule. Thus, Xizang SASAC shall not be considered as a controlling shareholder of our Company pursuant to Rule19A.14 of the Listing Rules.

# RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Immediately after the [REDACTED] the following persons are deemed as Controlling Shareholders:

| Name of Shareholder | Nature of Interest | Shares held as at the Latest Practicable Date | | Shares held immediately upon the completion of the [REDACTED] (assuming the [REDACTED] is not exercised) | | Shares held immediately following the completion of the [REDACTED] (assuming the [REDACTED] is exercised in full) | |
|---|---|---|---|---|---|---|---|
| | | *Number* | *Approximate Percentage* | *Number* | *Approximate Percentage* | *Number* | *Approximate Percentage* |
| Ms. Fan *(1&2)* | Interest in controlled corporation | 203,853,659(L) | 55.72% | 203,853,659(L) | [REDACTED]% | 203,853,659(L) | [REDACTED]% |
| Mr. Lv *(1&2)* | Interest in controlled corporation | 203,853,659(L) | 55.72% | 203,853,659(L) | [REDACTED]% | 203,853,659(L) | [REDACTED]% |
| Ms. He *(1&2)* | Interest in controlled corporation | 203,853,659(L) | 55.72% | 203,853,659(L) | [REDACTED]% | 203,853,659(L) | [REDACTED]% |
| Xizang Zhifeng | Beneficial owner | 198,000,000(L) | 54.12% | 198,000,000(L) | [REDACTED]% | 198,000,000(L) | [REDACTED]% |
| Zhihui Partnership | Beneficial owner | 5,853,659(L) | 1.60% | 5,853,659(L) | [REDACTED]% | 5,853,659(L) | [REDACTED]% |
| Xizang Shengyuan | Beneficial owner | 162,000,000(L) | 44.28% | 162,000,000(L) | [REDACTED]% | 162,000,000(L) | [REDACTED]% |

*Notes:*

1. As at the Latest Practicable Date, Zhihui Partnership was a limited partnership established under the laws of the PRC with Ms. He being its executive partner. The partnership agreement of Zhihui Partnership provides, among other things, that the executive partner shall be responsible for the management and execution of the affairs of Zhihui Partnership. As such, Ms. He is deemed to be interested in the 5,853,659 Shares held by Zhihui Partnership under the SFO as at the Latest Practicable Date.

2. Pursuant to the AIC Confirmation, each of Ms. Fan, Mr. Lv and Ms. He was deemed to be interested in 198,000,000 Shares held by Xizang Zhifeng and also 5,853,659 Shares held by Zhihui Partnership as at the Latest Practicable Date.

## INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

On the basis of the following factors, our Directors are satisfied that our Group is capable of carrying on our business independently of our Controlling Shareholders and their respective close associates after the [REDACTED].

### Management Independence

Our daily operational and management decisions are made by our executive Director and our senior management, with our Board having an overall supervision of our management. Upon the [REDACTED], our Board will consist of eight Directors comprising one executive Director, four non-executive Directors and three independent non-executive Directors. For more information, see "Directors and Senior Management" in this document.

We believe that our Directors and senior management are able to perform their roles in our Company independently and our Company is capable of managing its business independently from our Controlling Shareholders and their respective close associates for the following reasons:

(i) each of our Directors is aware of his/her fiduciary duties as a Director which require, among other things, that he/she acts for the benefit and in the best interests of our Company and does not allow his/her personal interest to interfere with our best interests;

(ii) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Director(s) shall abstain from voting on any resolutions of our Board of Directors approving any contract, arrangement or any other proposal in which he or any of his/her close associates has a material interest and shall not be counted in the quorum present at the relevant meeting of our Board of Directors meeting;

(iii) our daily management and operations are carried out by our executive Director, Ms. He, and our senior management team (in particular Mr. Ma Ying), who have the adequate relevant experience to ensure the normal operation of the day-to-day business and management of our Group. Although Ms. He is a party to the AIC Confirmation pursuant to which parties confirmed that Ms. Fan and Mr. Lv have been the *de facto* controllers of our Company and Ms. He has been acting in concert, Ms. Fan and Mr. Lv make decisions at strategic level of our development and do not involve in our daily management and operations. As at the Latest Practicable Date, none of the members of our senior management team held any equity interest in our Controlling Shareholders or their close associates;

(iv) other than Ms. He, our Directors do not participate in the day-to-day management and operations of our business. However, they would keep up to date with our business affairs, provide strategic advice for our business development and assist in supervising and scrutinising our business performance to fulfil their obligation as a Director. In particular, the Strategy Committee chaired by Ms. Fan (members consisting of Ms. Fan, Mr. Lv and

Ms. He) is responsible for studying and advising on the long term strategy and operation plans of our Group. Mr. Lhakpa Tsering, our Director and also the legal representative of Xizang Shengyuan, was nominated by Xizang Shengyuan to monitor the business performance of our Company;

(v) we have appointed three independent non-executive Directors, comprising over one-third of our Board of Directors, to provide a balance of the number of our Board of Directors and with a view to ensuring the decisions of our Board of Directors are made only after due consideration of independent and impartial opinions and promoting the interests of our Company and our Shareholders as a whole. The independent non-executive Directors are not associated with our Controlling Shareholders and their associates. We believe our independent non-executive Directors individually and collectively possess the requisite knowledge and experience to provide professional and experienced advice to our Company. Our Directors are of the view that our independent non-executive Directors are able to bring impartial and sound judgment to the decision-making process of our Board and protect the interests of our Company and our Shareholders as a whole; and

(vi) we have adopted corporate governance measures and sufficient and effective control mechanisms to manage conflicts of interest, if any, between our Group and our Controlling Shareholders, which would support our independent management. See "— Corporate Governance" in this section for further details.

Based on the above, our Directors are of the view that our Board of Directors, together with our senior management team, are able to perform their managerial roles in our Group independently from our Controlling Shareholders and their respective close associates.

**Operational Independence**

Our Group is operationally independent of our Controlling Shareholders and their respective close associates. We can make decisions and carry out our own business operations independently. We have sufficient capital, facilities, technology and employees to operate our business independently. We hold or enjoy the benefits of all relevant licences and intellectual properties necessary to operate our business. We own or have the right to use all the operational facilities relating to our business. We have our own organisational structure made up of individual functional departments, each with specific areas of responsibilities.

We have not shared any operational resources such as sales and marketing, risk management and general administration resources with our Controlling Shareholders or their respective close associates. We have also established a set of internal control procedures to facilitate the effective operation of our business. We independently manage and have independent access to our customers and suppliers. In the event that any conflict of interest arises between our Group and the Controlling Shareholders, our independent non-executive Directors will also provide checks and balances over the decisions of our Board on significant transactions, connected transactions and other transactions involving any actual or potential conflict of interests.

### Financial Independence

Our Group has an independent financial system and makes financial decisions according to our own business needs. We have our own internal control and accounting systems and finance department to perform independent treasury function on cash receipts and payments, independent accounting and reporting functions and independent internal control function. Neither our Controlling Shareholders nor their respective close associates intervene with our use of funds. We have adequate internal resources and credit profile to support our daily operations, and we are capable of obtaining financing from independent third parties without relying on any guarantee or security provided by our Controlling Shareholders or their respective close associates. As at the Latest Practicable Date, we did not have any outstanding borrowing or guarantee from our Controlling Shareholders or any of their respective close associates.

Based on the above, our Directors are of the view that we are able to maintain financial independence from our Controlling Shareholders and their respective close associates.

## BUSINESS DELINEATION AND COMPETITION

We are a mining company focused on lead and zinc exploration, mining, production and sales of concentrates based in Xizang, China. We have a comprehensive business operation chain that encompasses exploration, mining, production, and sales of concentrates. For further details of our business, see "Business" in this document.

### Rule 8.10 of the Listing Rules

As at the Latest Practicable Date, none of our Controlling Shareholders or Directors had any interest in any business which competes or is likely to compete, either directly or indirectly, with our business which would require disclosure under Rule 8.10 of the Listing Rules.

### Xizang Shengyuan

Notwithstanding the fact that our Company was held as to 44.28% by Xizang Shengyuan as at the Latest Practicable Date, we consider Xizang Shengyuan is a financial investor with a passive role and Xizang Shengyuan has no involvement in our day-to-day operations and management. Xizang Shengyuan, being a wholly owned enterprise by Xizang SASAC, was established as a state-owned investment holding entity. Among eight Directors on the Board of our Company, two Directors were nominated by Xizang Shengyuan. To the best knowledge of our Company and as confirmed by Xizang Shengyuan, the Director nominated by Xizang Shengyuan is not involved in the day-to-day operations and management of our Company.

The principal business of Xizang Shengyuan does not compete, or is likely to compete, either directly or indirectly, with our business and would require disclosure under Rule 8.10 of the Listing Rules. We are a mining company focusing our business on zinc, lead and copper exploration, mining, production and sales of concentrates. In contrast, the principal business of Xizang Shengyuan is investment holding of mining companies in Xizang on behalf of Xizang Government. Furthermore,

there is no competition, or likely to be any competition, either directly or indirectly, between the companies that Xizang Shengyuan invested in and companies in our Group. Among all the companies that Xizang Shengyuan holds interests in, most of them do not possess mining rights (despite that they may have exploration rights). For those companies that do have mining rights or are engaged in production of minerals, Xizang Shengyuan does not consolidate the financial results of any of them. Therefore, there is no competition between the business of Xizang Shengyuan and that of our Group.

**Xizang Zhifeng**

We consider that there is clear delineation of our principal business from the business of our Controlling Shareholders. One of the Controlling Shareholders, Xizang Zhifeng, is an investment holding vehicle with no business other than holding the interests in our Company. None of Ms. Fan, Mr. Lv and Ms. He has any interest in any business which competes or is likely to compete, either directly or indirectly, with our principal business.

**Zhihui Partnership**

We consider that there is clear delineation of our principal business from the business of our Controlling Shareholders. One of the Controlling Shareholders, Zhihui Partnership, purely operates as our employee shareholding platform, which has or will have no interest in any business which competes or is likely to compete, either directly or indirectly, with our principal business.

## NON-COMPETITION UNDERTAKING

In light of the managerial roles of Xizang Zhifeng's shareholders in our Company, Xizang Zhifeng, Ms. Fan, Mr. Lv and Ms. He (the "**Covenantors**") have irrevocably and unconditionally undertaken to us in the Deed of Non-competition (for itself and as trustee for its subsidiaries) that they will not, and will procure that none of their respective associates (other than members of our Group) will, during the Restricted Period (as defined below), directly or indirectly, either on their own account, in conjunction with, on behalf of, or through any person, firm or company, among other things, carry on, participate or be interested, engaged or otherwise involved in or acquire or hold (in each case whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) the zinc, lead and copper mining related operations, including geological exploration and mining, processing, smelting and technical services, and production and sales of specialised equipment and supplies and construction materials for zinc, lead and copper mines and/or any other new business that we may undertake from time to time after the [REDACTED] within the PRC (collectively referred to as "**Restricted Business**") and where they become aware of such engagement of the Restricted Business they shall notify our Company forthwith.

The above restriction does not apply to the Covenantors with respect to their interests in the shares of any member of our Group, or interests in the shares of a company (other than our Group) which are listed on a recognised stock exchange provided that (i) the total number of the shares held by any the Covenantors and/or her/his/its associates (in aggregate) does not amount to more than 5% of the issued shares of such company; and (ii) any of the Covenantors and/or his/her/its associates are not entitled to nominate a majority of the directors of that company.

Further, each of the Covenantors has undertaken that if any business investment/other commercial opportunity relating to the Restricted Businesses (the "**Competing Business Opportunity**") is identified by or offered to it or any of its close associates (other than members of our Group), it shall, and shall procure that its close associates shall, refer such Competing Business Opportunity to our Company on a timely basis by giving written notice (the "**Offer Notice**") containing all information reasonably necessary for our Company to consider whether to pursue such Competing Business Opportunity.

Upon receiving the Offer Notice, we shall seek opinions and decisions from a Board committee who do not have an interest in the Competing Business Opportunity (the "**Independent Board**") as to whether to pursue or decline the Competing Business Opportunity. Such Covenantor shall be entitled to pursue such Competing Business Opportunity only if (i) it has received a written notice from our Company declining the Competing Business Opportunity and confirming that the Competing Business Opportunity would not constitute competition with the Restricted Business, or (ii) it has not received the notice from our Company within ten (10) Business Days from the receipt of the Offer Notice by our Company. If there is any material change in the nature, terms or conditions of such Competing Business Opportunity pursued by the Covenantor, it shall refer such revised Competing Business Opportunity to our Company as if it were a new Competing Business Opportunity.

In the event that any of the Covenantors and/or his/her/its associates (other than our Group) wishes to dispose of his/her/its business investment or interest in any entity relating to the Restricted Business he/she/it have acquired, such Covenantor and/or his/her/its associates (other than our Group) shall provide our Group with pre-emptive right ("**Pre-emptive Right**") to acquire any such interest in the Restricted Business under the same circumstances. Where the relevant committee of our Board of Directors decides to waive the Pre-emptive Right by way of written notice, such Covenantor and/or his/her/its associates (other than our Group) may offer to sell such business investment or interest in the Restricted Business to other third parties on such terms which are no more favourable than those made available to our Group. In deciding whether to exercise the above Pre-emptive Right, our Directors will consider various factors including the purchase price and their values and benefits, as well as the benefit that they will bring to our Group.

The Covenantors have further undertaken to us that it will provide and procure its close associates to provide on best endeavour basis, all information necessary for the annual review by our independent non-executive Directors for the enforcement of the Deed of Non-competition. They will make a written confirmation in our annual report on the compliance with the Deed of Non-competition.

Each of the Covenantors acknowledges and agrees that our Directors who have no material interest in the matters discussed will/may, based on the information available to them, including information and confirmation provided by or obtained from such Covenantor and/or his/her/its associates (other than members of our Group) as described above, review on an annual basis (a) the compliance with the Deed of Non-competition; and (b) all the decisions taken in relation to whether to exercise the option under the Deed of Non-competition and whether to pursue any Competing Business Opportunity or other business opportunities which may be referred or offered to our Company by any of the Covenantors and/or his/her/its associates (other than members of our Group) under the Deed of Non-competition. Findings of such review will be disclosed in our Company's annual report after the [REDACTED].

The obligation of the Covenantors under the Deed of Non-competition shall continue during the period (the "**Restricted Period**") which: (i) the Shares remain [REDACTED] on the Stock Exchange; and (ii) the Covenantors and/or their close associates (other than members of our Group), individually or jointly, are entitled to exercise, or control the exercise of, not less than the 30% of the voting power at general meetings of our Company, or control the composition of a majority of our Board; or (iii) close associates of the Covenantors remain as a director of any member of our Group.

## CORPORATE GOVERNANCE

We will comply with the provisions of the Corporate Governance Code in Appendix C1 to the Listing Rules, which set out principles of good corporate governance. Our Directors recognise the importance of good corporate governance in protection of our Shareholders' interests. We would adopt the following measures to safeguard good corporate governance standards and to avoid potential conflict of interests between our Group and the Controlling Shareholders:

(a) where a general meeting is held for considering proposed transactions in which any of our Controlling Shareholders has a material interest, she/he/it shall abstain from voting on the relevant resolutions and shall not be counted in the quorum for the voting;

(b) where a Board meeting is held for the matters in which a Director has a material interest, such Director shall abstain from voting on the relevant resolutions and shall not be counted in the quorum for the voting;

(c) in the event that our independent non-executive Directors are requested to review any conflict of interest between our Group and any of our Controlling Shareholders, she/he/it shall provide the independent non-executive Directors with all necessary information and our Company shall disclose the decisions of the independent non-executive Directors either in its annual reports or by way of announcements;

(d) the independent board committee comprising independent non-executive Directors who are independent of the Covenantors will be responsible for reviewing, considering and deciding whether to pursue or decline any Competing Business Opportunity referred to by the Covenantors pursuant to the Deed of Non-competition, and an independent financial adviser or other professional advisers may be appointed or engaged as the independent board committee considers necessary to advise them on the terms of such Competing Business Opportunity;

(e) the independent board committee comprising independent non-executive Directors who are independent of the Covenantors will decide whether or not to pursue the Competing Business Opportunity/exercise the Pre-emptive Right. Such independent board committee may appoint or engage an independent financial adviser or other professional advisers to advise it. The Covenantors shall provide all information reasonably required by such independent board committee to assist them in their assessment of the exercise or non-exercise of the Competing Business Opportunity and/or Pre-emptive Right;

(f) our Directors (including our independent non-executive Directors) will seek independent and professional opinions from external advisers at our Company's cost as and when appropriate in accordance with the Corporate Governance Code and Corporate Governance Report set out in Appendix C1 to the Listing Rules;

(g) our Directors will receive mandatory director training each year in compliance with the requirements of the Listing Rules to develop and refresh their knowledge and skills to keep pace with continuous regulatory developments; and

(h) we have appointed Maxa Capital Limited, with effect upon the [REDACTED], as our Compliance Adviser who will provide us with professional advice and guidance, in respect of compliance with the Listing Rules and applicable laws including various requirements relating to directors' duties and corporate governance.

Based on above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Group and our Controlling Shareholders and/or other Directors to protect minority Shareholders' rights after the [REDACTED].

## OVERVIEW

Our Board of Directors consists of eight Directors, including one executive Director, four non-executive Directors, and three independent non-executive Directors. Our Board is responsible and has general powers for the management and conduct of our business.

All of our Directors and senior management of our Company have met the qualification requirements under the relevant PRC laws and regulations and the Listing Rules for their respective positions.

## BOARD OF DIRECTORS

The following table sets out key information of our Directors.

| Name | Age | Position(s) | Date of appointment as Director | Time of joining our Group | Roles and responsibilities | Relationship with other Directors or senior management |
|---|---|---|---|---|---|---|
| Ms. He Qian (何前) | 53 | Chairwoman of our Board, executive Director | 27 November 2020 | January 2019 | Responsible for overall strategic planning, operational decisions and overseeing operation and management of our Group | N/A |
| Ms. Fan Xiulian (范秀蓮) | 61 | Non-executive Director | 28 November 2013 | Since the establishment of our Company | Responsible for overall strategic planning and decisions of our Group | N/A |
| Mr. Lv Xijun (呂喜軍) | 62 | Non-executive Director | 25 May 2016 | September 2014*(Note)* | Responsible for overall strategic planning and decisions of our Group | N/A |
| Mr. Lhakpa Tsering (拉巴次仁) | 53 | Non-executive Director | 27 November 2020 | August 2020 | Responsible for providing guidance for the development of our Group | N/A |
| Mr. Silang Wangdui (斯郎旺堆) | 40 | Non-executive Director | 8 December 2023 | December 2023 | Responsible for providing guidance for the development of our Group | N/A |
| Mr. Ye Hui (葉輝) | 50 | Independent non-executive Director | 27 November 2020 | November 2020 | Providing independent opinion and judgment to our Board, thereby protecting the overall interest of our Company | N/A |

| Name | Age | Position(s) | Date of appointment as Director | Time of joining our Group | Roles and responsibilities | Relationship with other Directors or senior management |
|---|---|---|---|---|---|---|
| Ms. Yang Xiaoyan (楊曉燕) | 51 | Independent non-executive Director | 27 November 2020 | November 2020 | Providing independent opinion and judgment to our Board, thereby protecting the overall interest of our Company | N/A |
| Ms. Dong Lijun (董黎君) | 56 | Independent non-executive Director | 8 December 2023 | December 2023 | Providing independent opinion and judgment to our Board, thereby protecting the overall interest of our Company | N/A |

**Note:* The person joined our Group as an employee of Huaxia Mining, which became a subsidiary of our Group in September 2014.

**Executive Director**

**Ms. He Qian (何前)**, aged 53, joined our Group in January 2019 as the chief financial officer and was appointed as a Director on 27 November 2020. She has been the chairwoman of our Board since May 2023. She was designated as the executive Director on 26 March 2025 (effective upon [REDACTED]). She also served as the executive director of Zhihua Industrial since June 2023 and Huahai Mineral since July 2023. Ms. He is responsible for overall strategic planning, operational decisions and overseeing our operation and management. Ms. He is a member of our Remuneration Committee. With over 23 years of experience in corporate governance, financial management and investment, Ms. He brings extensive expertise in corporate operations in our Group.

In addition to her employment with our Group, Ms. He also served as an independent director/executive director of various listed companies, details of which are set out below:

| Period | Company | Last Position |
|---|---|---|
| January 2015 — September 2024 | Cherish Sunshine International Limited (承輝國際有限公司) (formerly known as China Public Procurement Limited (中國公共採購有限公司)) (stock code:01094) | executive director |
| May 2016 — October 2022 | Jiangsu Akcome Science and Technology Co., Ltd. (江蘇愛康科技股份有限公司) (stock: code: ST.400235 (formerly SZ.002610)) (delisted in 2024) | independent director |

| Period | Company | Last Position |
|---|---|---|
| May 2016 — May 2022 | Zhejiang Chunhui Intelligent Control Co., Ltd. (浙江春暉智能控制股份有限公司) (stock: code: SZ.300943) | independent director |
| March 2022 — Present | Lionco Pharmaceutical Group Co., Ltd. (靈康藥業集團股份有限公司) (stock code: SH.603669) | independent director |
| October 2023 — Present | Suzhou Xingye Material Technology Co., Ltd. (蘇州興業材料科技股份有限公司) (stock code: SH.603928) | independent director |

Prior to joining our Group, Ms. He was a partner at Zhejiang Yuehua Accounting Firm Co., Ltd. (浙江岳華會計師事務所有限公司) from October 2001 to December 2008. From January 2009 to April 2015, she served as a partner at Ruihua Accounting Firm (Specialised General Partnership) Zhejiang Branch (瑞華會計師事務所(特殊普通合夥)浙江分所) (formerly known as Zhongrui Yuehua Accounting Firm Co., Ltd. Zhejiang Branch (中瑞岳華會計師事務所有限公司浙江分所)). Since March 2015, she has been the chairwoman of the board of directors of Zhejiang Yueyou Investment Management Co., Ltd. (浙江岳佑私募基金管理有限公司).

Ms. He was a director, supervisor, executive partner, general manager or manager of the following companies when they were dissolved or within 12 months before they were dissolved. Such companies were established in the PRC and the business licence of which had been deregistered as these companies had already ceased operation. Ms. He confirmed that these companies were solvent at the time of their respective deregistration and their respective deregistration had not resulted in any liability or obligation against her. The following table sets out further details of the deregistered companies.

| Name of the Company | Position held | Date of Dissolution | Method of Dissolution | Nature of Business |
|---|---|---|---|---|
| Shanghai Kuihui Enterprise Management Consulting Partnership (Limited Partnership) (上海揆輝企業管理諮詢合夥企業(有限合夥)) | Executive Partner | 21 July 2017 | Deregistration (注銷) | Enterprise management consulting, investment management consulting, etc. |
| Shanghai Kuihua Enterprise Management Consulting Partnership (Limited Partnership) (上海揆華企業管理諮詢合夥企業(有限合夥)) | Executive Partner | 1 June 2016 | Deregistration (注銷) | Enterprise management consulting, investment management consulting, etc. |

| Name of the Company | Position held | Date of Dissolution | Method of Dissolution | Nature of Business |
|---|---|---|---|---|
| Hangzhou Xianxi Investment Management Partnership (Limited Partnership) (杭州賢璽投資管理合夥企業(有限合夥)) | Executive Partner | 24 February 2021 | Deregistration (注銷) | Investment management, non-securities investment consulting, etc. |
| Zhejiang Saixi Investment Management Co., Ltd. (浙江賽璽投資管理有限公司) | Manager | 25 May 2021 | Deregistration (注銷) | Investment management |
| Xizang Sweet Tribe Bee Farming Co., Ltd. (西藏甜蜜部落蜜蜂養殖有限公司) | Supervisor | 15 July 2022 | Deregistration (注銷) | Queen bee breeding; bee product technology development, etc. |
| Hangzhou Qihe Cultural Creative Co., Ltd. (杭州琪和文化創意有限公司) | Supervisor | 29 January 2019 | Deregistration (注銷) | Cultural and artistic event planning (excluding performances and performance brokerage), etc. |
| Hangzhou Sailing Jincheng Investment Management Partnership (Limited Partnership) (杭州賽領錦澄投資管理合夥企業(有限合夥)) | Partner | 19 January 2020 | Deregistration (注銷) | Investment management, etc. |
| Hangzhou Dejian Investment Partnership (Limited Partnership) (杭州得健投資合夥企業(有限合夥)) | Partner | 11 February 2022 | Deregistration (注銷) | Investment management (excluding securities, futures), industrial investment |
| Hangzhou Sailing Chaogang Investment Management Partnership (Limited Partnership) (杭州賽領潮港投資管理合夥企業(有限合夥)) | Partner | 11 July 2019 | Deregistration (注銷) | Investment management, industrial investment, etc. |
| Zhongrui Yuehua Certified Public Accountants (Special General Partnership) (中瑞岳華會計師事務所(特殊普通合夥)) | Partner | 29 October 2024 | Deregistration (注銷) | Reviewing corporate financial statements, issuing audit reports, etc. |
| Shenzhen Ke'ang Business Consulting Co., Ltd. (深圳市科昂商務諮詢有限公司) | Director | 8 December 2017 | Deregistration (注銷) | Business information consulting; enterprise management consulting, etc. |
| Hangzhou Hangyue Investment Management Co., Ltd. (杭州杭嶽投資管理有限公司) | Director | 24 March 2021 | Deregistration (注銷) | Investment management, non-securities investment consulting, etc. |

| Name of the Company | Position held | Date of Dissolution | Method of Dissolution | Nature of Business |
|---|---|---|---|---|
| Zhejiang Saiyou Investment Management Co., Ltd. (浙江賽佑投資管理有限公司) | Manager | 8 April 2021 | Deregistration (注銷) | Investment management, equity investment, etc. |
| Xizang Yesheng Food Technology Co., Ltd. (西藏也生食品科技有限公司) | Supervisor | 18 November 2021 | Deregistration (注銷) | Research and development of pre-packed food |
| Hangzhou Qianchi Investment Management Consultation Co., Ltd. (杭州乾馳投資管理諮詢有限公司) | Director | 17 November 2009 | Deregistration (注銷) | Service and investment management consultation |

Ms. He completed her undergraduate programme in accounting from University of International Business and Economics (對外經濟貿易大學) in January 2006. In September 2011, Ms. He obtained an executive master's degree in business administration from Cheung Kong Graduate School of Business (長江商學院). Additionally, she obtained an executive master's degree in finance from Shanghai Jiao Tong University (上海交通大學) in December 2015.

**Non-executive Directors**

**Ms. Fan Xiulian (范秀蓮)**, aged 61, is the founder of our Company and has assumed various management positions since the establishment of our Company. Ms. Fan was appointed as a Director on 28 November 2013 and was designated as a non-executive Director on 26 March 2025 (effective upon [REDACTED]). As the chairwoman of our Strategy Committee, Ms. Fan is responsible for overall strategic planning and decisions of our Group. She has extensive experience in corporate management and operation.

From March 2003 to December 2005, she served as the general manager of Shenyang Xinborui Pharmaceutical Co., Ltd (瀋陽欣博瑞醫藥有限公司). Since January 2006, she has been the general manager of Haisco Pharmaceutical Group Co., Ltd (海思科醫藥集團股份有限公司) ("**Haisco Pharmaceutical**"), whose shares are listed on the Shenzhen Stock Exchange (stock code: SZ.002653). She has also been a director of Haisco Pharmaceutical since November 2007.

Ms. Fan was a director, general manager, legal representative, partner or supervisor of the following companies when they were dissolved or within 12 months before they were dissolved. Such companies were established in the PRC and the business licences of which had been deregistered as the companies had already ceased operation. Ms. Fan confirmed that the companies were solvent at the time of their respective deregistration and the respective deregistration had not resulted in any liability or obligation against her. The following table sets out further details of the deregistered companies.

| Name of the Company | Position held | Date of Dissolution | Method of Dissolution | Nature of Business |
|---|---|---|---|---|
| Xizang Angke Industrial Co., Ltd. (西藏昂科實業有限公司) | Legal representative, executive director and general manager | 13 May 2014 | Deregistration (注銷) | Investment and asset management |

| Name of the Company | Position held | Date of Dissolution | Method of Dissolution | Nature of Business |
|---|---|---|---|---|
| Shenyang Borui Pharmaceutical Co., Ltd. (瀋陽博瑞醫藥有限公司) | Legal representative and executive director | 19 January 2009 | Deregistration (注銷) | Pharmaceutical wholesale |
| Xizang Haisi Kangrui Medical Investment Management Co., Ltd. (西藏海思康睿醫療投資管理有限公司) | Legal representative | 16 June 2021 | Deregistration (注銷) | Investment and consulting in the medical industry |
| Xingcheng City Small Loans Co., Ltd. (興城市鑫源小額貸款有限責任公司) | Executive director | 17 June 2014 | Deregistration (注銷) | Small loans lending and financing |
| Hainan Haisike Pharmaceutical Co., Ltd. (海南海思科醫藥有限公司) | Supervisor | 4 January 2011 | Deregistration (注銷) | Traditional Chinese medicines and chemical drug formulations |
| Xizang Baisi Venture Capital Partnership (Limited Partnership) (西藏栢思創業投資合夥企業(有限合夥)) | Partner | 28 July 2022 | Deregistration (注銷) | Investment and venture capital |
| Shenzhen City Ke'ang Business Consulting Co., Ltd. (深圳市科昂商務諮詢有限公司) | Legal representative, chairman of the board of directors and general manager | 8 December 2017 | Deregistration (注銷) | Business information consulting and enterprise management consulting |
| Shenyang City Hunnan New District Ruiyuan Small Loans Co., Ltd. (瀋陽市渾南新區瑞源小額貸款有限責任公司) | Executive director | 20 May 2016 | Deregistration (注銷) | Small loans lending and financing |
| Xizang Huayi Industrial and Trade Co., Ltd. (西藏華億工貿有限公司) | Executive director | 3 January 2016 | Deregistration (注銷) | Processing and sales of mineral products |
| Sichuan Kangdeli Pharmaceutical Co., Ltd. (四川康德利醫藥有限責任公司) | General manager | 15 September 2014 | Deregistration (注銷) | Biochemical drugs and biological products |

Ms. Fan obtained a bachelor's degree in mechanic engineering from South China University of Technology (華南理工大學) (formerly known as South China College of Technology (華南工學院)) in July 1987 and an executive master's degree in business administration from Cheung Kong Graduate School of Business in September 2011.

**Mr. Lv Xijun (呂喜軍)**, aged 62, was appointed as a Director on 25 May 2016 and was designated as a non-executive Director on 26 March 2025 (effective upon [REDACTED]), responsible for overall strategic planning and decisions of our Group. Mr. Lv is a member of our Strategy Committee. Mr. Lv served as the executive director of Zhihua Industrial from September 2019 to June 2023 and Huahai Mineral from July 2019 to July 2023.

Since May 2008, he has been the chairman of the board of directors of Huludao Huayue Shipbuilding Supply Co., Ltd. (葫蘆島華越船舶配套有限公司) responsible for the allocation of nonferrous metals in the northern region of China. From 2004 to 2014, Mr. Lv served as the director of Huaxia Mining and subsequently from 2014 to 2021, he served as the general manager of Huaxia Mining, during which period he was responsible for the overall operations, mining and exploration of Huaxia Mining. Mr. Lv served as the General Manager from December 2020 to April 2023, responsible for our day-to-day management and overseeing areas such as mining and processing operations.

Mr. Lv was the chairman of the board of directors of the following company when it was dissolved or within 12 months before it was dissolved. Such company was established in the PRC and the business licence of which had been deregistered as such company had already ceased operation. Mr. Lv confirmed that such company was solvent at the time of its deregistration and the deregistration had not resulted in any liability or obligation against him. The following table sets out further details of the deregistered company.

| Name of the Company | Position held | Date of Dissolution | Method of Dissolution | Nature of Business |
|---|---|---|---|---|
| Huludao Huayue Heavy Industry Co., Ltd. (葫蘆島華越重工有限公司) | Legal representative and chairman of the board of directors | 22 May 2012 | Deregistration (注銷) | Design and manufacture of marine engineering equipment and supporting products |

Mr. Lv was also the legal representative or a supervisor of the following companies when they were dissolved or within 12 months before they were dissolved. Such companies were established in the PRC and the business licence of which had been revoked:

| Name of the Company | Position held | Date of revocation | Reason for revocation | Outcome/current position |
|---|---|---|---|---|
| Huludao Shilitong Mining Co., Ltd (葫蘆島市立通礦業有限責任公司) | Legal representative | 23 January 2003 | Failure to deregister as required under relevant PRC laws and regulations | The company ceased its business operation prior to revocation of business licence. It had been compulsorily liquidated and currently has no operation but not yet deregistered. |
| Huludao Huayue Industrial and Commerce Co., Ltd. (葫蘆島華越工貿有限公司) | Supervisor | 30 November 2009 | Failure to deregister as required under relevant PRC laws and regulations | The company ceased its business operation prior to revocation of business licence. It had been compulsorily liquidated and currently has no operation but not yet deregistered. |

Mr. Lv has confirmed that (i) he was not directly responsible for handling the company secretarial matters, which was assigned to certain specified staff in the above-mentioned company; and (ii) there was no dishonest or fraudulent act on his part in respect of the revocation of the business licence of the above-mentioned company. Mr. Lv further confirmed that up to the Latest Practicable Date, he has not received any (i) notice or sanction by any relevant government authorities against him imposing any penalty or order for rectification or alleging that he is personally liable in respect of the revocation of above-mentioned company; or (ii) notice of disqualification by relevant authorities requiring him to cease to act as director of any PRC company.

**Mr. Lhakpa Tsering (拉巴次仁)**, aged 53, was appointed as a Director on 27 November 2020 and was designated as a non-executive Director on 26 March 2025 (effective upon [REDACTED]), responsible for providing guidance for the development of our Group. Mr. Lhakpa is a member of our Nomination Committee.

Mr. Lhakpa has over 22 years of experience in mining, geological exploration, and corporate management. Prior to joining our Company, Mr. Lhakpa Tsering worked as party branch member, discipline inspection secretary and chairman of the labour union at Xizang Engineering Survey and Construction Group Co., Ltd. (西藏工程勘察施工(集團)有限責任公司) from January 2012 to March 2016. From March 2016 to January 2019, he served as deputy party secretary and director at Central Laboratory of the Geological and Mineral Exploration and Development Bureau of the Xizang Autonomous Region (西藏自治區地質礦產勘察開發局中心實驗室). From January 2019 to August 2020, he was the deputy secretary and captain at Brigade of the Geological and Mineral Exploration and Development Bureau of the Xizang Autonomous Region (西藏自治區地質礦產勘查開發局地熱地質大隊). Since August 2020, he has been the party secretary and chairman of the board of directors of Xizang Shengyuan.

Mr. Lhakpa obtained the qualification of Senior Engineer in Geophysical and Geochemical Exploration (物化探高級工程師) on 15 June 2010 granted by the Xizang Bureau of Geology and Exploration Geothermal Team (西藏地勘局地熱地質大隊).

Mr. Lhakpa completed his undergraduate programme at Hebei GEO University (河北地質大學) (previous known as Shijiazhuang College of Economics (石家莊經濟學院)) in July 1996 with a bachelor's degree in applied geophysics.

**Mr. Silang Wangdui (斯郎旺堆)**, aged 40, was appointed as a Director on 8 December 2023 and was designated as a non-executive Director on 26 March 2025 (effective upon [REDACTED]), responsible for providing guidance for the development of our Group. Mr. Silang Wangdui is a member of our Audit Committee.

Mr. Silang Wangdui has over 18 years of experience in mining, geological exploration and corporate management. Prior to joining our Board, he served as the team leader of Geological Exploration Institute of the Sixth Geological Brigade of the Geological Survey Bureau (地勘局第六地質大隊地勘院) ("**Sixth Brigade**") from 2007 to 2009. From 2010 to 2012, he was the deputy technical head of the Geological Exploration Institute of the Sixth Geological Brigade. He served as the project manager of the Western Xizang Project Department of the Sixth Brigade from

2013 to 2015. From 2016 to 2017, he served as the project manager for the Central Xizang Project Department of the Sixth Brigade. From 2018 to 2020, he was the acting deputy head of the technical department at the preparation team of Xizang Shengyuan. Since 2021, he has been the acting head of the technical department at Xizang Shengyuan.

Mr. Silang Wangdui was accredited as a Senior Engineer in geology and mineral resources (地質礦產高級工程師) by Geological Exploration Engineering Series Senior Professional Technical Post Evaluation Committee of Xizang Autonomous Region (西藏自治區地勘工程系列高級專業技術職務評審委員會) in July 2023.

Mr. Silang Wangdui obtained a bachelor's degree of science in geographic information from Yangtze University (長江大學) in June 2007.

**Independent non-executive Directors**

**Mr. Ye Hui (葉輝)**, aged 50, was appointed as an independent Director on 27 November 2020 and designated as an independent non-executive Director on 26 March 2025 (effective upon [REDACTED]). With extensive experience in accounting, Mr. Ye is responsible for providing independent opinion and judgment to our Board, thereby protecting the overall interest of our Company. Mr. Ye is the chairman of our Audit Committee.

Prior to joining our Group, from August 2009, Mr. Ye served as an audit manager and later as a senior manager at the Shanghai branch of Zhongrui Yuehua Certified Public Accountants Firm Co., Ltd. (中瑞岳華會計師事務所有限公司上海分所), which was later named as at the Shanghai branch of Ruihua Certified Public Accountants (Special General Partnership) (瑞華會計師事務所(特珠普通合夥)上海分所). From November 2019 to June 2020, Mr. Ye worked as a senior manager at Shanghai branch of Tianjian Certified Public Accountants (Special General Partnership) (天健會計師事務所(特殊普通合夥)上海分所). Since June 2020, he has been a partner at the Shanghai branch of Shangkuai Certified Public Accountants (Special General Partnership) (上會會計師事務所(特殊普通合夥)).

Mr. Ye was accredited as a certified public accountant in the PRC and an intermediate accountant (中級會計師) by the MOF of the PRC in May 2000. He was also recognised as a certified tax agent (註冊稅務師) by Bureau of Human Resource and Social Security of Guizhou Province (貴州省人力資源及社會保障廳) in October 2001.

Mr. Ye obtained a bachelor's degree in accounting from Guizhou University of Commerce (貴州商學院) (formerly known as Guizhou Commercial College (貴州商業高等專科學校)) in July 1996.

**Ms. Yang Xiaoyan (楊曉燕)**, aged 51, was appointed as an independent Director on 27 November 2020 and designated as an independent non-executive Director on 26 March 2025 (effective upon [REDACTED]). Ms. Yang is responsible for providing independent opinion and judgment to our Board, thereby protecting the overall interest of our Company. Ms. Yang is the chairwoman of our Nomination Committee and a member of our Remuneration Committee and Strategy Committee.

Ms. Yang has over 20 years of experience in education management, corporate training and corporate social responsibilities. She served as the project executive director of the EMBA Department at Guanghua School of Management, Peking University (北京大學光華管理學院) from July 2000 to August 2003. Between January 2009 and November 2013, she was the director of Cisco Leadership Institute at Guanghua School of Management, Peking University (北京大學光華管理學院思科領導力研究院). From December 2013 to March 2025, she worked at Cheung Kong Graduate School of Business and her last position was assistant dean. She has been an independent director of Dongyang Life Insurance Co., Ltd. (Korea) (韓國東洋人壽保險公司) since March 2021. From August 2023 to September 2024, she served as an independent non-executive director of Cherish Sunshine International Limited (stock code: 01094). Since March 2025, she has been the Head of Mainland Strategy Development of the School of Business Administration of the Hong Kong University of Science and Technology.

Ms. Yang obtained a bachelor's degree in arts majoring in English from Beijing Normal University in July 1996 and a master's degree in business administration from the Hong Kong University of Science and Technology in November 2004.

**Ms. Dong Lijun (董黎君)**, aged 56, was appointed as an independent Director on 8 December 2023 and designated as an independent non-executive Director on 26 March 2025 (effective upon [REDACTED]). Ms. Dong is mainly responsible for providing independent opinion and judgment to our Board, thereby protecting the overall interest of our Company. Ms. Dong is the chairwoman of our Remuneration Committee and a member of our Audit Committee and Nomination Committee.

Ms. Dong has over 22 years of experience in the legal industry and has extensive experience on providing advice on corporate governance and compliance. From May 2002 to May 2003, Ms. Dong worked as a lawyer at Zhejiang Zhongzhou Law Firm (浙江中宙律師事務所). Since June 2003, Ms. Dong has been a lawyer at Zhejiang Tiance Law Firm (浙江天冊律師事務所) and her current position is a partner. Ms. Dong obtained her qualification certificate of legal profession in April 1994.

Ms. Dong obtained a bachelor's degree in laws from Ningbo University (寧波大學) in July 1991 and a master's degree in economics majoring in western economics from Zhejiang University (浙江大學) in July 1999.

**General**

Our Directors have confirmed that:

- save as disclosed in the paragraph headed "Further Information About Our Directors and Substantial Shareholders — 2. Service Contracts" in Appendix VII to this document, none of our Directors has any existing or proposed service contract with our Company other than contracts expiring or determinable by the relevant member of our Company within one year without payment of compensation (other than statutory compensation);

- save as disclosed in the paragraph headed "Further Information about Our Directors and Substantial Shareholders — 1. Disclosure of Interests" in Appendix VII to this document and above, each of our Directors has no interests in the Shares within the meaning of Part XV of the SFO;

- save as disclosed in "— Board of Directors" in this section, each of our Directors had not been a director of any other publicly listed company during the three years prior to the Latest Practicable Date and as at the Latest Practicable Date; and

- save as disclosed in "— Board of Directors" in this section, none of our Directors completed his/her respective education programmes by way of attendance of long distance learning or online courses.

## SENIOR MANAGEMENT

The following table sets out key information of our senior management.

| Name | Age | Position(s) | Date of appointment as senior management | Time of joining our Group | Roles and responsibilities | Relationship with other Directors or senior management |
|---|---|---|---|---|---|---|
| Mr. Ma Ying (馬英) | 53 | General Manager | 18 April 2023 | September 2014*(Note)* | Responsible for day-to-day operation and management of our Group, overseeing areas such as mining and concentrate production, sales and supply chain management and risk management and internal controls | N/A |
| Mr. Xu Baofu (徐寶富) | 40 | Deputy general manager | 18 April 2023 | September 2014*(Note)* | Responsible for mineral management, ore processing and concentrate production and mining site construction of our Group | N/A |
| Mr. Xing Zhenshuo (邢振鑠) | 37 | Deputy general manager | 18 April 2023 | September 2014*(Note)* | Responsible for public relations and logistics management and administration of our Group | N/A |
| Mr. Li Shun (李順) | 49 | Chief financial officer and board secretary | 28 October 2024 | September 2024 | Responsible for the investment and financial management of our Group | N/A |
| Mr. Kang Yimin (康亦民) | 56 | Chief geotechnical engineer | since January 2022 | September 2014*(Note)* | Responsible for mining exploration and mineral resources management of our Group | N/A |

*Note:* The person joined our Group as an employee of Huaxia Mining, which became a subsidiary of our Company in September 2014.

**Mr. Ma Ying (馬英)**, aged 53, was appointed as the General Manager on 18 April 2023. Mr. Ma is principally responsible for day-to-day functionality and efficiency of our Group, overseeing areas such as mining and processing operations, sales and supply chain management and risk management and internal controls. Mr. Ma has accumulated extensive expertise in relation to mineral exploration, processing and mining production from his past experiences.

Prior to joining our Group, Mr. Ma has worked at various positions at MCC Huludao Nonferrous Metals Group Co., Ltd. (中冶葫蘆島有色金屬集團) ("**Huludao Nonferrous Metals Group**") from July 1995 to November 2006, including technician, deputy section head and his last position was the principal-in-charge of bidding office. Since November 2006, he has assumed various positions at Huaxia Mining. From November 2006 to September 2008, Mr. Ma was the mining chief of Huaxia Mining. From September 2008 to December 2014, Mr. Ma was the vice general manager and mining chief of Huaxia Mining, responsible for overseeing daily operations and safety management of the mines. Since April 2023, he has been the General Manager.

Mr. Ma was accredited as a Certified Safety Engineer by the Bureau of Human Resources and Social Security of Xizang Autonomous Region (西藏自治區人力資源與社會保障廳) in January 2012. In January 2023, Mr. Ma was appointed as Safety Production Expert (安全生產專家) of National Mine Safety Administration (國家礦山安全監察局).

Additionally, he is an external safety production technical expert of the Xizang Mining Association and serves as vice chairman of the Nagqu Federation of Industry and Commerce (那曲市工商聯) and a member of the Second Committee of the Nagqu Municipal Political Consultative Conference (政協第二屆那曲市委員會).

Mr. Ma completed his undergraduate programme in mine engineering from Central South University (中南大學) (previously known as Central South Industrial University (中南工業大學)) in June 1995. In December 2011, he obtained a master's degree in business administration from Dongbei University of Finance and Economics (東北財經大學).

**Mr. Xu Baofu (徐寶富)**, aged 40, was appointed as the deputy general manager of our Company on 18 April 2023. Mr. Xu is mainly responsible for engineering construction and plant production of our Group.

Mr. Xu worked as a measurement technician at Huaxia Mining from August 2008 to June 2014 2011. From July 2014 to May 2015, Mr. Xu was transitioned to the role of construction staff at the engineering department at Huaxia Mining and he was promoted as the supervisor of the engineering department at Huaxia Mining from June 2015 to May 2017. From June 2017 to October 2021, he served as the manager of the planning and operations department at Huaxia Mining. From November 2021 to December 2023, he was promoted as the deputy general manager of Huaxia Mining, responsible for engineering construction and production planning. From August 2021 to April 2023, he served as a non-employee representative supervisor of our Company. Mr. Xu obtained the qualification of Intermediate Civil Engineering Manager granted by China Human Resources Professional Competency Evaluation Centre (中國人力資源職業能力人才評價中心) in June 2023. Since January 2024, Mr. Xu was responsible for engineering construction and plant production of our Group.

Mr. Xu obtained a bachelor's degree in engineering majoring in surveying and mapping from Central South University (中南大學) in June 2008.

**Mr. Xing Zhenshuo (邢振鑠)**, aged 37, was appointed as the deputy general manager of our Company on 18 April 2023. Mr. Xing is primarily responsible for public relations and logistics management and administration of our Group.

Mr. Xing has extensive experience in mining industry. From April 2011 to March 2014, he worked as a production technician and section chief of the production technology department of Huaxia Mining. From March 2014 to March 2015, Mr. Xing was promoted as an assistant production director at the mining factory of Huaxia Mining. From April 2015 to March 2017, he served as an assistant to the production director, head of the production technology department, and deputy manager of the safety and environmental protection department of Huaxia Mining. From April 2017 to December 2019, Mr. Xing was the manager of safety and environmental protection department of Huaxia Mining. From December 2019 to May 2023, he was a non-employee representative supervisor of our Company. Since May 2023, he has been a deputy general manager of our Company and the general manager of Huaxia Mining.

Mr. Xing was recognised as a Certified Safety Engineer by the Ministry of Human Resources and Social Security of the PRC in October 2018. He was accredited as an Engineer in Geology and Mineral Resources (地質礦產工程師) granted by Geological Exploration Engineering Series Senior Professional Technical Post Evaluation Committee of Xizang Autonomous Region (西藏地勘工程系列高級專業技術職務評審委員會) in January 2017.

His co-authored thesis on "Research on Reducing Blasting Costs in Energy-Saving and Consumption-Reducing Open-Pit Mining (對露天採礦節能降耗中降低爆破成本的研究)" and "Exploration of the Application of Mining Technology in Mining Operations (採礦工藝技術在採礦作業中的應用探析)" were awarded the first prize in the paper evaluation of Engineering Technology Monthly (工程技術月刊) in April 2016.

Mr. Xing obtained a bachelor's degree in engineering majoring in mineral resources engineering from University of South China (南華大學) in July 2010.

**Mr. Li Shun (李順)**, aged 49, was appointed as the chief financial officer and board secretary of our Company on 28 October 2024. Mr. Li is primarily responsible for investment and financial management of our Group.

Mr. Li has over 14 years of experience in financial management and investment. Prior to joining our Group, Mr. Li worked in the financial control department of China International Capital Corporation (UK) Limited (中國國際金融股份有限公司英國公司) from April 2010 to July 2014. From August 2014 to May 2021, he was the chief financial officer of Metropolis International Finance Leasing Company Limited (信都融資租賃有限公司). From October 2021 to September 2024, Mr. Li assumed various positions, including non-executive director, chief financial officer and board secretary of Cherish Sunshine International Limited (承輝國際有限公司), whose shares are listed on the Stock Exchange (stock code: 01094).

Mr. Li was accredited as a Global Chartered Management Accountant by Association International Certified Professional Accountants and was admitted as a Fellow Chartered Management Accountant by the Chartered Institute of Management Accountants in November 2024. Additionally, he has been a Chartered Secretary since May 2023 and a Fellow Chartered Governance Professional by the Hong Kong Chartered Governance Institute since March 2025.

Mr. Li obtained a bachelor's degree in arts from Beijing Foreign Studies University (北京外國語大學) in July 1999 and a master of science degree in management from The University of Lancaster in October 2002.

**Mr. Kang Yimin (康亦民)**, aged 56, has been the chief geotechnical engineer of our Company since January 2022. He is mainly responsible for geological exploration of our Group.

Mr. Kang has over 30 years of experience in the mining industry. Prior to joining our Group, Mr. Kang worked at Huludao Nonferrous Metals Group from July 1993 to February 2000, where he served as a technician and engineer of material supply workshop. He then worked as a technical director and engineer at the material supply branch factory of Huludao Nonferrous Metals Group from February 2000 to July 2006. He later took on the role of senior geological engineer and deputy general manager of the geological department at Xizang Huayi Industry and Trade Co., Ltd. (西藏華億工貿實業有限公司) from July 2006 to December 2014. Mr. Kang further served as the deputy manager and senior geological engineer at Huaxia Mining from January 2012 to December 2021. Since January 2022, he has served as a manager of the geological department and chief engineer at Huaxia Mining.

Mr. Kang was recognised as a "national non-coal mine safety production expert (全國非煤礦山安全生產專家)" in January 2023, an "expert in mineral resource reserves assessment for the Xizang Autonomous Region (西藏自治區礦產資源儲量評審專家)" in August 2024, an "expert in mineral resource reserves assessment for the Xizang Autonomous Region (西藏自治區礦產資源儲量評審專家) in August 2024, an "expert of the Xizang Autonomous Region Science and Technology Department (西藏自治區科技廳專家)" in August 2022, an "expert of the Xizang Autonomous Region Housing and Urban-Rural Development Department Association (西藏自治區住建廳協會專家)" in June 2023, an "expert in ecological protection and restoration of land and space for the Xizang Autonomous Region (西藏自治區國土空間生態保護修復專家)" in December 2019 and a "geologist of the China Mining Association (中國礦業聯合會地質師)" in June 2022 and a "safety engineering manager (安全工程管理師)" in July 2023.

Mr. Kang received the second prize of the "Science and Technology Award from the China Geological Survey (中國地質科技獎)" in May 2019 and second prize of the "Land and Resources Science and Technology Award (國土資源科學技術獎)" in January 2020 for his breakthroughs in the mineralisation patterns and exploration of lead-zinc deposits in the eastern section of the Nyainqêntanglha mineralisation belt in Xizang. Mr. Kang holds one invention patent in relation to the method for identifying deposit types based on chlorite, three utility model patents, and one personal software copyright.

His thesis on "In-situ U-Pb geochronology of Ti-bearing andradite as a practical tool for linking skarn alteration and Pb-Zn mineralisation: A case study of the Mengya'a deposit, Xizang", "Geology and factors controlling the formation of the newly discovered Beimulang porphyry Cu deposit in the western Gangdese, southern Xizang" and "Determining multiple fluid pulse and evolution using zoned garnet in Mengya'a skarn Pb-Zn-polymetallic deposit, Xizang" was published on Ore Geology Reviews in 2021, 2022 and 2023, respectively.

Mr. Kang obtained a bachelor's degree in applied geophysics from Guilin University of Technology (桂林理工大學, formerly known as Guilin College of Metallurgy and Geology (桂林冶金地質學院)) in July 1993 and a master's degree in business administration from Dongbei University of Finance and Economics (東北財經大學) in June 2011.

**General**

Save as disclosed in "— Senior Management" in this section, each of our senior management has confirmed that:

- he did not hold and had not held any other positions in our Company and any other members of our Company as at the Latest Practicable Date;

- he did not hold and had not held any other directorships in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the three years prior to the Latest Practicable Date and as at the Latest Practicable Date; and

- save as disclosed in "— Board of Directors" in this section, he has not completed his education programmes as disclosed in this section by way of attendance of long distance learning or online courses.

**COMPANY SECRETARY**

Mr. Li Shun was appointed as the company secretary of our Company on 26 March 2025 (effective upon [REDACTED]). For the biography of Mr. Li, see "— Senior Management" of this section.

## COMPLIANCE ADVISER

We have appointed Maxa Capital Limited as our Compliance Adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the Compliance Adviser will advise us on the following circumstances:

- before the publication of any announcements, circulars or financial reports required by regulatory authorities or applicable laws;
- where a transaction, which might be a notifiable or connected transaction under Chapters 14 and 14A of the Listing Rules, is contemplated, including share issues, sales or transfers of treasury shares and share repurchases;
- where we propose to use the [REDACTED] of the [REDACTED] in a manner different from that detailed in this document or where our business activities, developments or results deviate from any forecast, estimate or other information in this document; and
- where the Stock Exchange makes an inquiry of us regarding unusual price movement and trading volume or other issues under Rule 13.10 of the Listing Rules.

Pursuant to Rule 3A.24 of the Listing Rules, the Compliance Adviser will, in a timely manner, inform us of any amendment or supplement to the Listing Rules and new or amended laws and regulations in Hong Kong applicable to us.

The terms of the appointment shall commence on the [REDACTED] and end on the date which we distribute our annual report of our financial results for first full the financial year commencing after the [REDACTED].

## BOARD COMMITTEES

Our Board delegates certain responsibilities to various dedicated committees in accordance with relevant PRC laws, regulations, the Articles of Association and the Listing Rules, namely, the Audit Committee, the Remuneration Committee, the Nomination Committee and the Strategy Committee. The appointment of the respective committee members were approved by our Board on 13 November 2023.

**Audit Committee**

We have established the Audit Committee (effective from the [REDACTED]) with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.4 and paragraph D.3 of Part 2 of the Corporate Governance Code. The Audit Committee consists of three Directors, namely Mr. Ye Hui, Ms. Yang Xiaoyan and Mr. Silang Wangdui, with Mr. Ye Hui serving as the chairman. Mr. Ye holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules. The primary duties of the Audit Committee include, but not limited to, the following:

- proposing the appointment or change of external auditors to our Board, and monitoring the independence of external auditors and evaluating their performance;
- examining the financial information of our Company and reviewing financial reports and statements of our Company;
- examining the financial reporting system, the risk management and internal control system of our Company, overseeing their rationality, efficiency and implementation and making recommendations to our Board; and
- dealing with other matters that are authorised by our Board.

**Remuneration Committee**

We have established the Remuneration Committee (effective from the [REDACTED]) with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph E.1 of Part 2 of the Corporate Governance Code. The Remuneration Committee consists of three Directors, namely Ms. Dong Lijun, Ms. He and, Ms. Yang Xiaoyan, with Ms. Dong Lijun serving as the chairwoman. The primary duties of the Remuneration Committee include, but not limited to, the following:

- advising our Board on the overall remuneration plan and structure of our Directors and senior management and the establishment of transparent formal procedures for determining remuneration policy of our Company;
- examining the criteria of performance evaluation of our Directors and the senior management of our Company, conducting performance evaluation and making recommendations to our Board;
- formulating individual remuneration plans for our Directors and members of the senior management in accordance with the terms of reference of the importance of their positions, the time they spend on such positions as well as the remuneration benchmarks for the relevant positions in the other comparable companies; and
- dealing with other matters that are authorised by our Board, and if necessary, engaging external experts to provide relevant independent services.

**Nomination Committee**

We have established the Nomination Committee (effective from the [REDACTED]) with written terms of reference in compliance with paragraph B.3 of Part 2 of the Corporate Governance Code. The Nomination Committee consists of three Directors, namely Ms. Yang Xiaoyan, Mr. Lhakpa Tsering and Ms. Dong Lijun, with Ms. Yang Xiaoyan serving as the chairwoman. The primary functions of the Nomination Committee include, but not limited to, the following:

- conducting extensive search and providing to our Board suitable candidates for our Directors, general managers and other members of the senior management;
- overseeing the implementation of our Board diversity policy; taking into account various factors when determining the composition of our Board, including, but not limited to, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and service tenure;
- examining the size and composition of our Board and its members in respect of their skills, knowledge, experience and diversity at least once every year, and making recommendations to our Board on any change in our Board composition in accordance with our strategies;
- researching and developing standards and procedures for the election of our Board members, general managers and members of the senior management, and making recommendations to our Board; and
- dealing with other matters that are authorised by our Board.

**Strategy Committee**

We have established the Strategy Committee which consists of three Directors, namely Ms. Fan, Mr. Lv and Ms. Yang Xiaoyan, with Ms. Fan serving as the chairwoman. The Strategy Committee will assist our Board, in conjunction with our senior management, in addressing the overall mission, vision and strategic direction of our Company. The primary functions of the Strategy Committee include, but not limited to:

- considering and approving of major financing decisions and plans;
- providing our Board and senior management, as applicable, with input and recommendations with respect to key strategic initiatives;
- assisting management in establishing a strategic planning process;
- identifying and addressing organisational challenges; and
- evaluating strategic alternatives for our Board and senior management.

## CORPORATE GOVERNANCE

We are committed to achieving high standards of corporate governance with a view to safeguarding the interests of our Shareholders. To accomplish this, we intend to comply with the corporate governance requirements under the Corporate Governance Code after the [REDACTED].

## BOARD DIVERSITY

We have adopted a board diversity policy ("**Board Diversity Policy**") to enhance the effectiveness of our Board and to maintain a high standard of corporate governance. Pursuant to our Board Diversity Policy, in reviewing and assessing suitable candidates to serve as a Director, the Nomination Committee will consider a range of diversity perspectives with reference to our business model and specific needs, including but not limited to gender, age, language, cultural and educational background, professional qualifications, skills, knowledge, industry and regional experience and/or length of service.

Our Directors have a balanced mixed of knowledge and skills, including but not limited to overall business management, mining exploration and production, finance and accounting. They obtained degrees in various majors including but not limited to business administration, accounting and mine engineering.

Our Board is of the view that our Board satisfies our Board Diversity Policy. The Nomination Committee is responsible for reviewing the diversity of our Board, reviewing our Board Diversity Policy from time to time, developing and reviewing measurable objectives for implementing our Board Diversity Policy, and monitoring the progress on achieving these measurable objectives in order to ensure that the policy remains effective. We will (i) disclose the biographical details of each Director and (ii) report on the implementation of our Board Diversity Policy (including whether we have achieved board diversity) in its annual corporate governance report. In particular, we will take opportunities to increase the proportion of female members of our Board when selecting and recommending suitable candidates for our Board appointments to help enhance gender diversity in accordance with stakeholder expectations and recommended best practices.

Four out of eight of our Directors upon [REDACTED] are female, and we have been taking and will continue to take steps to maintain that our Board with gender diversity. Further, we have been taking, and will continue to take steps to promote gender diversity at our Board and management levels. Our Board Diversity Policy provides that our Board should aim to maintain the proportion of female members over time after the [REDACTED] where possible when selecting and making recommendations on suitable candidates for our Board appointments. We place great importance on gender diversity, with approximately 10.6% of our employees being female as at 31 July 2025. We will (i) aim to maintain the percentage of female staff who has the necessary skills and experience, especially at middle to senior level; (ii) provide career development and training opportunities to our female staff whom we consider having the suitable experience, skill and knowledge of our operation and business to prepare them with the required attributes and competencies to serve as members of our Board with regards to our strategic needs and the industry in which we operate, such that they will be eligible for managerial and board-level positions in the future; and (iii) identify and select suitable

female candidates to become our Board members and such candidates will be reviewed and recommended by our nomination committee to our Board periodically. We are of the view that the above measures will offer greater prospects for securing a pipeline of female candidates to maintain gender diversity in our Board in the long run.

In addition, two out of eight of our Directors are Zang ethnic minority. We have achieved ethnic diversity within our leadership, which enables us to gain deeper insights into Xizang's unique culture. Our workforce reflects the rich ethnic inclusion and our employees are from Han and Zang, Mongol, Manchu, Hui, Tujia, Yi, and Pumi ethnic minorities, with Zang ethnic employees account for 15.8% of our employees as at 31 July 2025. This ethnic inclusion is a point of pride for our Company, as it creates a dynamic and inclusive work environment that draws from a wide range of perspectives and life experiences. We actively promote cross-cultural understanding and collaboration, enabling employees of all ethnic backgrounds to contribute their unique talents and skills.

## COMPENSATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Our Company offers executive Director and members of our senior management, who are also employees of our Company, emolument in the form of salaries, allowances, discretionary bonus and benefits in kind (if applicable). Our independent non-executive Directors receive emolument based on their responsibilities (including being members or the chair of our board committees). We adopt a market and incentive-based employee emolument structure and implement a multi-layered evaluation system which focuses on performance and management goals.

The aggregate amount of remuneration paid to our Directors for the three financial years ended 31 December 2022, 2023, 2024 and seven months ended 31 July 2025 were approximately RMB3.425 million, RMB3.020 million, RMB2.489 million and RMB1.456 million, respectively.

It is estimated that remuneration and benefits in kind (excluding any possible payment of discretionary bonus) equivalent to approximately RMB2.5 million in aggregate will be paid and granted to our Directors by us in respect of the financial year ended 31 December 2025 under arrangements in force at the date of this document.

For the financial years ended 31 December 2022, 2023, 2024 and seven months ended 31 July 2025, the aggregate amount of emolument paid to the five highest paid individuals included three, one, one and one director(s). The aggregate amount of emolument paid to the remaining two, four, four and four individuals were approximately RMB3.471 million, RMB4.970 million, RMB4.901 million and RMB2.983 million, respectively.

During the Track Record Period, no remuneration was paid to, or receivable by, our Directors or the five highest paid individuals of our Group as an inducement to join or upon joining our Company or as a compensation for loss of office in the Track Record Period. Further, none of our Directors had waived any emolument during the same period.

Except as disclosed above, no other payments had been paid, or are payable, by our Company to our Directors or the five highest paid individuals of our Company during the Track Record Period.

## DIRECTORS' CONFIRMATION

Each of our Directors confirms that he/she (i) has obtained legal advice from our legal advisers as to Hong Kong laws on 14 April 2025, respectively as regards the requirements under the Listing Rules that are applicable to him/her as a Director and the possible consequences of making a false declaration or giving false information to the Stock Exchange; and (ii) understands his or her obligations as a director of a [REDACTED] issuer under the Listing Rules.

Our Company confirms that each of our independent non-executive Directors has confirmed to us:

- his/her independence as regards each of the factors referred to in Rule 3.13(1) to (8) of the Listing Rules;

- he/she does not have any past or present financial or other interest in the business of our Company or our subsidiaries, or any connection with any core connected person of our Company; and

- there are no other factors that may affect his/her independence at the time of his/her appointment.

## SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the [REDACTED] and assuming that the [REDACTED] is not exercised, the following persons are expected to have an interest and/or short positions in the Shares or underlying Shares of our Company which would fall to be disclosed to us pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at general meetings of our Company or our subsidiaries:

### (a) Interest in our Company

| Name of Shareholder | Nature of Interest | Shares held as at the Latest Practicable Date | | Shares held immediately upon the completion of the [REDACTED] (assuming the [REDACTED] is not exercised) | | Shares held immediately following the completion of the [REDACTED] (assuming the [REDACTED] is exercised in full) | |
|---|---|---|---|---|---|---|---|
| | | *Number*[1&2] | *Approximate Percentage* | *Number*[1&2] | *Approximate Percentage* | *Number*[1&2] | *Approximate Percentage* |
| Xizang Zhifeng | Beneficial owner | 198,000,000(L) | 54.12% | 198,000,000(L) | [REDACTED]% | 198,000,000(L) | [REDACTED]% |
| Ms. Fan [3&4] | Interest in controlled corporation | 203,853,659(L) | 55.72% | 203,853,659(L) | [REDACTED]% | 203,853,659(L) | [REDACTED]% |
| Mr. Lv [3&4] | Interest in controlled corporation | 203,853,659(L) | 55.72% | 203,853,659(L) | [REDACTED]% | 203,853,659(L) | [REDACTED]% |
| Ms. He [3&4] | Interest in controlled corporation | 203,853,659(L) | 55.72% | 203,853,659(L) | [REDACTED]% | 203,853,659(L) | [REDACTED]% |
| Xizang Shengyuan [5] | Beneficial owner | 162,000,000(L) | 44.28% | 162,000,000(L) | [REDACTED]% | 162,000,000(L) | [REDACTED]% |

*Notes:*

(1) The letter "L" denotes a person's "long position" (as defined under Part XV of the SFO) in such Shares. All interests are long positions.

(2) As at the Latest Practicable Date, there were in total 365,853,659 Shares in the issued share capital of our Company. Upon completion of the [REDACTED] and assuming the [REDACTED] is not exercised, [REDACTED] H Shares will be issued. Upon completion of the [REDACTED] and assuming the [REDACTED] is exercised in full, [REDACTED] H Shares will be issued.

(3) As at the Latest Practicable Date, Zhihui Partnership was a limited partnership established under the laws of the PRC with Ms. He being its executive partner. The partnership agreement of Zhihui Partnership provides, among other things, that the executive partner shall be responsible for the management and execution of the affairs of Zhihui Partnership. As such, Ms. He is deemed to be interested in the 5,853,659 Shares held by Zhihui Partnership under the SFO as at the Latest Practicable Date.

(4) Pursuant to the AIC Confirmation, each of Ms. Fan, Mr. Lv and Ms. He was deemed to be interested in 198,000,000 Shares held by Xizang Zhifeng and also 5,853,659 Shares held by Zhihui Partnership as at the Latest Practicable Date.

(5) As at the Latest Practicable Date, Xizang Shengyuan was undergoing the registration with the local administration for industry and commerce upon completion of which Xizang Shengyuan will be directly wholly owned by Xizang SASAC.

Save as disclosed herein, our Directors are not aware of any persons who will, immediately following completion of the [REDACTED] (assuming the [REDACTED] is not exercised), without taking into account the [REDACTED] that may be taken up under the [REDACTED], have interests or short positions in Shares or underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or, will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

## IMMEDIATELY BEFORE THE [REDACTED]

As at the Latest Practicable Date, the issued share capital of our Company was RMB365,853,659, divided into 365,853,659 Shares, with a nominal value of RMB1.00 each:

## UPON COMPLETION OF THE [REDACTED]

Immediately upon completion of the [REDACTED], assuming the [REDACTED] is not exercised, the share capital of our Company will be as follows:

| Description of Shares | Number of Shares | Approximate % to total share capital |
|---|---|---|
| Domestic Shares in issue | [REDACTED] | [REDACTED] |
| H Shares to be issued pursuant to the [REDACTED] | [REDACTED] | [REDACTED] |
| Total | [REDACTED] | [REDACTED] |

Immediately upon completion of the [REDACTED], assuming the [REDACTED] is exercised, the share capital of our Company will be as follows:

| Description of Shares | Number of Shares | Approximate % to total share capital |
|---|---|---|
| Domestic Shares in issue | [REDACTED] | [REDACTED] |
| H Shares to be issued pursuant to the [REDACTED] | [REDACTED] | [REDACTED] |
| Total | [REDACTED] | [REDACTED] |

## SHARES OF OUR COMPANY

The H Shares, to be issued following the completion of the [REDACTED], and the Domestic Shares are ordinary Shares in the share capital of our Company, all of which are considered as one class of Shares. H Shares may only be subscribed for and traded in Hong Kong dollars. Domestic Shares and H Shares are regarded as one class of Shares under our Articles of Association and will rank *pari passu* with each other in all other respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this document. Dividends in respect of our Shares may be paid by us in Hong Kong dollars or Renminbi, as the case may be. In addition to cash, dividends may be distributed in the form of Shares.

## CONVERSION OF OUR DOMESTIC SHARES INTO H SHARES

According to the regulations by the securities regulatory authorities of the State Council and our Articles of Association, the Domestic Shares may be converted into H Shares, and such converted Shares may be listed and traded on an overseas stock exchange provided that the conversion, [REDACTED] and trading of such converted Shares have been approved by the securities regulatory authorities of the State Council. In addition, such conversion, trading and [REDACTED] shall complete any requisite internal approval process and in all respects comply with the regulations prescribed by the securities regulatory authorities of the State Council and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange.

Based on the procedures for the conversion of our Domestic Shares into H Shares as described in this section, we can apply for the [REDACTED] of all or any portion of our Domestic Shares on the Stock Exchange as H Shares in advance of any proposed conversion to ensure that the conversion process can be completed promptly upon notice to the Stock Exchange and delivery of Shares for entry on the H Share register. As any [REDACTED] of additional Shares after our [REDACTED] on the Stock Exchange is ordinarily considered by the Stock Exchange to be a purely administrative matter, it does not require such prior application for [REDACTED] at the time of our [REDACTED] in Hong Kong.

No voting by class Shareholders is required for the [REDACTED] and trading of the converted Shares on the Stock Exchange. Any application for [REDACTED] of the converted Shares on the Stock Exchange after our initial [REDACTED] is subject to prior notification by way of announcement to inform Shareholders and the public of any proposed transfer.

So far as we are aware, none of our Shareholders currently proposes to convert any of their Domestic Shares into H Shares.

## RESTRICTION OF SHARE TRANSFER

In accordance with the PRC Company Law, the shares issued prior to any public offering of shares by a company cannot be transferred within one year from the date on which such publicly offered shares are listed and traded on the relevant stock exchange. As such, the Shares issued by our Company prior to the issue of H Shares will be subject to such statutory restriction on transfer within a period of one year from the [REDACTED].

Our Directors and members of the senior management of our Company shall declare their shareholdings in our Company and any changes in their shareholdings. Shares transferred by our Directors and members of the senior management each year during their term of office shall not exceed [REDACTED]% of their total respective shareholdings in our Company. The Shares that the aforementioned persons held in our Company cannot be transferred within one year from the date on which the shares are [REDACTED] and traded, nor within half a year after they leave their positions in our Company. The Articles of Association may contain other restrictions on the transfer of the Shares held by our Directors and members of senior management of our Company.

## SHAREHOLDERS' APPROVAL FOR THE [REDACTED]

Approval from holders of the Shares is required for our Company to issue H Shares and seek the [REDACTED] of H Shares on the Stock Exchange. Our Company has obtained such approval at the Shareholders' general meeting held on 10 April 2025.

## CIRCUMSTANCES UNDER WHICH GENERAL MEETING IS REQUIRED

For details of circumstances under which our Shareholders' general meeting is required, see "Appendix V — Summary of Articles of Association" to this document.

*The following discussion and analysis should be read in conjunction with our consolidated financial statements included in the Accountants' Report in Appendix I to this document, together with the accompanying notes. Our consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("**IFRS Accounting Standards**").*

*The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties. In evaluating our business, you should carefully consider the information provided in this document, including but not limited to "Risk Factors" and "Business" in this document.*

*For the purposes of this section, unless the context otherwise requires, references to the years of 2022, 2023 and 2024 refer to the years ended 31 December of each of 2022, 2023 and 2024. In addition, the following discussion and analysis contains certain amounts and percentage figures that have been subject to rounding adjustments, Accordingly, figures shown as totals in certain tables may not be arithmetic aggregation of the figures preceding them, and all monetary amounts and percentages shown are approximate amounts only.*

## OVERVIEW

We are a mining company focusing our business on zinc, lead and copper exploration, mining, production and sales of concentrates based in Xizang, China. Our mining operations are located in Rongdoi Township, Jiali County, Nagqu, Xizang. Our Mengya'a Mine comprises an open-pit mine, which has been in commercial operation since 2007, and an underground mine, which has commenced commercial operation since the second quarter of 2025. Our mining operations are located within the nationally designated Jinda Integrated Exploration Area at an altitude between 5,000.0 and 5,300.0 m asl. We hold exploration rights over an area of approximately 58.5 sq.km and mining rights over an area of approximately 4.5 sq.km. According to SMM, we ranked fifth in terms of the annual production volume of zinc concentrates, fourth in terms of the annual production volume of lead concentrates, and fifth in terms of the annual production volume of copper concentrates in Xizang in 2024.

We have a business operation chain that encompasses exploration, mining, production and sales of concentrates. Our main products include zinc concentrates, lead concentrates and copper concentrates. During the Track Record Period, our customers consisted of (i) nonferrous metal traders who generally conducted onward sales to end users of zinc, lead and copper concentrates and (ii) refineries which further processed our concentrates based on the needs of their customers.

For the years ended 31 December 2022, 2023, 2024 and the seven months ended 31 July 2025, our total revenue was approximately RMB482.4 million, RMB546.1 million, RMB301.4 million and RMB256.6 million, respectively. Our gross profit was approximately RMB174.6 million, RMB217.7 million, RMB104.5 million and RMB85.7 million, with a gross profit margin of approximately 36.2%, 39.9%, 34.7% and 33.4%, respectively. Our net profit was approximately RMB117.9 million, RMB154.7 million, RMB55.9 million and RMB51.7 million, respectively. For the same years/period, our net profit margin was approximately 24.4%, 28.3%, 18.5% and 20.2%, respectively.

## BASIS OF PREPARATION

Our historical financial information has been prepared in accordance with IFRS Accounting Standards ("**IFRS Accounting Standards**"), which comprise all standards and interpretations approved by the International Accounting Standards Board ("**IASB**"). For the purpose of preparing and presenting the historical financial information for the Track Record Period, we have consistently applied the accounting policies which conform with IFRS Accounting Standards, which are effective for the accounting periods beginning on or after 1 January 2025, throughout the Track Record Period. The historical financial information has been prepared on the historical cost basis except for certain financial instruments that are measured at fair values.

## KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations and financial position have been and will continue to be affected by a number of factors, including those set out in "Risk Factors" in this document and those discussed below:

### Changes in demand for our concentrates may affect the price of our concentrates

Zinc, lead and copper are major global and domestic commodities whose prices are influenced by a variety of complex factors. One significant factor is the state of the global economy. For instance, during economic downturns, industrial activity declines, leading to reduced demand for these metals and subsequent price drops. Conversely, in periods of economic growth, especially with the rapid development of emerging economies like China, demand for these metals can rise significantly, driving selling prices up. Additionally, changes in supply and demand dynamics are crucial in determining prices. If major producing countries experience supply shortages due to natural disasters or labour disputes, this could lead to market tightness and increase in prices. On the contrary, weakened demand or increased supply from new mines may cause prices to fall.

It is important for us to understand these market dynamics, and we have established a comprehensive price monitoring and analysis system to obtain timely market information and adjust concentrate production and sales strategies accordingly. For example, if metal prices are expected to rise in the near future, increasing inventory could be beneficial to sell at higher prices later. By contrast, if prices are projected to decline, accelerating sales would be wise to avoid losses from excess inventory.

### Our reserves and processing capability of our Mengya'a Beneficiation Plant

The reserves of our Mengya'a Mine and the capability of the processing plant directly influence our long-term production capabilities and economic performance. Accurate geological exploration and resource assessment ensure the reliability of reserve data, allowing for the development of a sound long-term production plan. High-grade ores typically lead to greater economic benefits, but mineralised waste, by virtue of comprehensive utilisation, can also be economically extracted through optimised processing techniques. The daily processing capability of the processing plant and the sophistication of its equipment determine the yield of concentrates. Modern processing facilities and automated control systems can significantly enhance processing capability and recovery rates, reduce waste generation and improve overall production efficiency. Furthermore, continuously optimising the processing workflow, by employing advanced flotation technologies and effectively managing tailings to recover residual value, is essential for increasing both the quantity and quality of our concentrates.

**Our ability to adapt business operations to local conditions and culture of Xizang**

Conducting business in a unique environment requires a deep understanding of local conditions and cultural contexts. Therefore, it is essential for us to adapt our business operations to the specific characteristics of Xizang, respecting the rich cultural heritage and customs that shape the local community.

We shall respect and integrate local practices into our business strategies and foster strong relationships and build trust within the local community such that we can enhance our operational success. Being sensitive to the unique cultural and environmental aspects of Xizang allows us to operate more effectively. This adaptability is key for us to navigating challenges and seizing opportunities that align with the local values and needs, ultimately driving sustainable growth for our business in the region.

**Logistics transportation and supply chain management**

Due to Xizang's remote geographical location and challenging transportation conditions, the costs of raw material supply, subcontracting arrangement and transportation are relatively high. Effective supply chain management, subcontracting management and logistics optimisation are crucial for controlling costs. Establishing an efficient logistics network, engaging competent and qualified subcontractors, selecting appropriate transportation methods, and utilising information technology to enhance supply chain transparency and responsiveness are key measures to reduce unnecessary costs and improve customer satisfaction. For instance, rationally planning transportation routes and choosing the most economical transportation methods can significantly lower logistics expenses.

**Our ability to continuously promote technological upgrades and innovations**

We render ongoing technological innovation and investment in R&D to enhance our competitiveness and profitability. Implementing more efficient mining and processing technologies creates advanced management systems that improve production efficiency and real-time monitoring and scheduling capabilities. The application of green mining technologies is increasingly important, as they help reduce environmental pollution during extraction and processing, ensuring our compliance with strict environmental regulations. Additionally, continuous R&D investment can lead to the discovery of new minerals or improved utilisation of existing ones, such as extracting more valuable metals from mineralised waste.

**Our mining operations are subject to seasonality primarily because of the unique weather conditions of Xizang**

The unique weather conditions of Xizang significantly impact our mining operations and financial performance. The region's plateau climate features substantial temperature variations and distinct rainy and dry seasons. Summer (June to August) is the optimal period for exploration and mining due to milder temperatures, enhancing workers' productivity. However, this season also brings heavy rainfall, sleet and hail, which can lead to slippery roads and mudslides, necessitating precautionary measures for safe logistics. Conversely, winter (November to March or April) presents extreme cold, with freezing conditions that complicate extraction efforts and increase operational costs. These weather-related challenges require our careful planning to optimise our mining operations and manage risks effectively throughout the year.

**Changes in government policies and regulations with respect to the region and the industry**

Changes in government policies and regulations, including tax incentives and environmental protection requirements, may have an impact on our Group. This is particularly important in ecologically sensitive areas including Xizang, where adherence to strict environmental regulations is of great importance. For instance, tax reductions and other financial incentives provided by the local government can directly lower our operating costs and improve our profit margin.

In addition to economic support, governments also regulate mining activities through legislation to ensure compliance with environmental protection standards. In fragile ecological regions like Xizang, improper development practices can lead to severe consequences. Therefore, strictly adhering to local environmental regulations and implementing high standards of ecological protection measures is not only a legal requirement but also a reflection of social responsibility. Examples include adopting advanced tailings treatment technologies to minimise water and soil pollution, and conducting vegetation restoration projects to promote the recovery of ecosystems around mining areas. Furthermore, actively participating in local community development projects, such as improving infrastructure and providing employment opportunities, can enhance our influence in the region as business operations in the region require seamless adoption to the local unique circumstances.

## MATERIAL ACCOUNTING POLICIES AND ESTIMATES

We have identified certain accounting policies that are most significant to the preparation of our historical financial information. Some of our material accounting policies involve subjective assumptions and estimates, as well as complex judgements by our management relating to accounting items. We make estimations and assumptions for our future development. Estimates and judgements are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Set out below are accounting policies which we believe are of critical importance to us or involve the most significant estimates, assumptions and judgments used in the preparation of our financial statements. Our material accounting policies, which are important for understanding our financial condition and results of operations, are set out in note 4 of the Accountants' Report in Appendix I to this document. Some of our accounting policies involve subjective assumptions, estimates and judgements that are set out in note 5 of the Accountants' Report in Appendix I to this document.

**Revenue Recognition**

Revenue from the sales of concentrates is recognised at point in time when control of the concentrates have transferred to our customers, which depends on the actual delivery of our concentrates. See "Business — Sales of Concentrates — Product Delivery" in this document for the details of product delivery arrangement.

**Income Tax Expense**

We are subject to Enterprise Income Tax ("**EIT**") in China, which requires significant judgment in determining the appropriate provision for EIT. According to the Notice of the Continuation of the Enterprise Income Tax for Implementation of Exploration and Development of Western Region (《關於延續西部大開發企業所得税政策的公告》) (Notice of the Ministry of Finance, State Administration of Taxation and National Development and Reform Commission No. 23 [2020]) issued on 23 April 2020, companies located in the western region of the PRC and engaged in the business encouraged by the PRC Government is entitled to the preferential EIT rate of 15% from 1 January 2021 to 31 December 2030 if the operating revenue of the encouraged business in a year accounted for more than 60% of the total income in that year. We are engaged in the "business encouraged by the PRC Government in the western region" and hence become eligible for the preferential EIT rate at 15% during the Track Record Period. During the normal course of our business, there are various transactions and calculations in which the ultimate tax determination may be uncertain. If the final tax outcomes differ from the amounts initially recorded, these differences will affect both our current income tax and deferred tax provisions in the period when the determinations are made. This inherent uncertainty underscores the importance of our accounting policies and estimates related to income tax, which are critical for accurately reflecting our financial position and performance.

**Estimation Uncertainty**

In the application of our accounting policies, our management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. These estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

**Ore reserves**

Technical estimates of our ore reserves are inherently imprecise and represent only approximate amounts because of the subjective judgements employed in developing such information. There are authoritative guidelines regarding the engineering criteria that have to be satisfied before estimated ore reserves can be designated as "proved" and "probable". Proved and probable ore reserves estimates are updated on a regular basis upon taking into account the recent economic production and technical information of each mine. In addition, as production levels and technical standards change from year to year, the estimate of proved and probable ore reserves also changes. Despite the inherent imprecision in these technical estimates, these estimates are used in determining the depreciation of certain property, plant and equipment and amortisation for mining rights. Details of these property, plant and equipment and mining rights are set out in notes 15 and 17 of the Accountants' Report in Appendix I to this document.

**Asset retirement obligation**

The estimation of the liabilities for asset retirement obligation involves estimating of the amount and timing for the future cash spending as well as the discount rate used for reflecting current market assessments of the time value of money and the risks specific to the liability. We consider the factors, including the development plan of the mines, the geological structure of the mining regions and reserve volume, to determine the scope, amount and timing of retirement obligation to be performed. Determination of the effect of these factors involves judgements from our Group and the estimated liabilities may turn out to be different from the actual expenditure to be incurred. The discount rate used by us may also be altered to reflect the changes in the market assessments of the time value of money and the risks specific to the liability, such as change of the borrowing rate and inflation rate in the market. As changes in estimates occur such as mine plan revisions, changes in estimated costs, or changes in timing of the performance of retirement activities, the revisions to the obligation will be recognised at the appropriate discount rate. Details of the provisions for asset retirement obligation are set out in note 30 of the Accountants' Report in Appendix I to this document.

**Sensitivity Analysis**

The following sensitivity analysis illustrates the impact of hypothetical fluctuations on our profit before tax by fluctuation of price of nonferrous metal concentrates, subcontracting expenses, utility expenses and transportation expenses, respectively.

**Impact on profit before tax by fluctuation of price of nonferrous metal concentrates**

| | 2022 | 2023 | 2024 | For the seven months ended 31 July 2025 |
|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| ±1% | ±4,824 | ±5,461 | ±3,014 | ±2,566 |
| ±5% | ±24,118 | ±27,306 | ±15,072 | ±12,831 |
| ±10% | ±48,235 | ±54,613 | ±30,143 | ±25,663 |

**Impact on profit before tax by fluctuation of subcontracting expenses**

| | 2022 | 2023 | 2024 | For the seven months ended 31 July 2025 |
|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| ±1% | ±814 | ±992 | ±335 | ±401 |
| ±5% | ±4,069 | ±4,958 | ±1,675 | ±2,003 |
| ±10% | ±8,138 | ±9,915 | ±3,350 | ±4,005 |

**Impact on profit before tax by fluctuation of utility expenses**

| | 2022 | 2023 | 2024 | For the seven months ended 31 July 2025 |
|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| ±1% | ±191 | ±217 | ±118 | ±63 |
| ±5% | ±955 | ±1,083 | ±590 | ±313 |
| ±10% | ±1,911 | ±2,167 | ±1,181 | ±627 |

**Impact on profit before tax by fluctuation of transportation expenses**

| | 2022 | 2023 | 2024 | For the seven months ended 31 July 2025 |
|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| ±1% | ±289 | ±324 | ±162 | ±97 |
| ±5% | ±1,444 | ±1,621 | ±812 | ±486 |
| ±10% | ±2,889 | ±3,242 | ±1,623 | ±972 |

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

The following table sets out our consolidated statements of comprehensive income with line items in absolute amounts for the years/periods indicated. Our historical results presented below are not necessarily indicative of the results that may be expected for any future period.

| | For the year ended 31 December | | | For the seven months ended 31 July | |
|---|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Revenue** | 482,354 | 546,128 | 301,434 | 72,619 | 256,627 |
| Cost of sales | (307,709) | (328,402) | (196,942) | (46,189) | (170,889) |
| **Gross profit** | 174,645 | 217,726 | 104,492 | 26,430 | 85,738 |
| Selling and distribution expenses | (1,048) | (412) | (452) | (367) | (271) |
| General, administrative and other expenses | (44,606) | (56,492) | (47,556) | (33,523) | (28,599) |
| Other income | 7,327 | 5,183 | 9,269 | 8,065 | 3,283 |
| Other gains and losses, net | 404 | 9,828 | 472 | 281 | (41) |
| Finance costs | (1,786) | (2,040) | (2,922) | (1,905) | (1,833) |
| [REDACTED] expenses | — | — | (443) | — | (978) |
| **Profit before tax** | 134,936 | 173,793 | 62,860 | (1,019) | 57,299 |
| Income tax expense | (17,046) | (19,068) | (7,006) | 1,015 | (5,562) |
| **Profit for the year/period attribute to:** | | | | | |
| - Owners of our Company | 117,890 | 154,725 | 55,854 | (4) | 51,737 |
| **Profit and total comprehensive income for the year/period attributable to the owners of our Company** | 117,890 | 154,725 | 55,854 | (4) | 51,737 |

## DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

### Revenue

During the Track Record Period, our revenue was generated from the sales of three main mineral products, representing (i) zinc concentrates, (ii) lead concentrates and (iii) copper concentrates. Revenue from the sales of our concentrates are recognised at point in time when control of our concentrates have transferred to the customers, and at prices as stipulated in our sales master agreements. During the Track Record Period, all of our revenue was generated in the PRC.

***Revenue by product type***

The following table sets out the breakdown of our revenue by product type for the years/periods indicated.

| | For the year ended 31 December | | | | | | For the seven months ended 31 July | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2022 | | 2023 | | 2024 | | 2024 | | 2025 | |
| | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* |
| Zinc concentrates | 296,266 | 61.4 | 273,780 | 50.1 | 215,811 | 71.6 | 40,448 | 55.7 | 124,688 | 48.6 |
| Lead concentrates | 160,229 | 33.2 | 222,746 | 40.8 | 71,512 | 23.7 | 25,274 | 34.8 | 106,300 | 41.4 |
| Copper concentrates | 25,859 | 5.4 | 49,602 | 9.1 | 14,111 | 4.7 | 6,897 | 9.5 | 25,639 | 10.0 |
| **Total** | 482,354 | 100.0 | 546,128 | 100.0 | 301,434 | 100.0 | 72,619 | 100.0 | 256,627 | 100.0 |

During the Track Record Period, revenue generated from the sales of zinc concentrates was the largest portion of our revenue. For the years ended 31 December 2022, 2023, 2024 and the seven months ended 31 July 2025, revenue generated from the sales of zinc concentrates was approximately RMB296.3 million, RMB273.8 million, RMB215.8 million and RMB124.7 million, accounting for approximately 61.4%, 50.1%, 71.6% and 48.6% of our total revenue, respectively.

Revenue from sales of concentrates is predominately influenced by the sales volume, the average selling price and the composition of product type in each year. The following table sets out the breakdown of our revenue, sales volume and the average selling price of our concentrate by product type for the years/periods indicated.

| | For the year ended 31 December | | | | | | | | | For the seven months ended 31 July | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2022 | | | 2023 | | | 2024 | | | 2024 | | | 2025 | | |
| | Revenue | Sales volume | Average selling price | Revenue | Sales volume | Average selling price | Revenue | Sales volume | Average selling price | Revenue | Sales volume | Average selling price | Revenue | Sales volume | Average selling price |
| | *RMB'000* | *tonnes* | *RMB/tonne* | *RMB'000* | *tonnes* | *RMB/tonne* | *RMB'000* | *tonnes* | *RMB/tonne* | *RMB'000* | *tonnes* | *RMB/tonne* | *RMB'000* | *tonnes* | *RMB/tonne* |
| Zinc concentrates | 296,266 | 19,766 | 14,989 | 273,780 | 23,544 | 11,628 | 215,811 | 12,325 | 17,510 | 40,448 | 2,508 | 16,128 | 124,688 | 8,845 | 14,097 |
| Lead concentrates | 160,229 | 10,757 | 14,895 | 222,746 | 12,801 | 17,401 | 71,512 | 3,668 | 19,496 | 25,274 | 1,102 | 22,935 | 106,300 | 3,802 | 27,959 |
| Copper concentrates | 25,859 | 432 | 59,859 | 49,602 | 790 | 62,787 | 14,111 | 183 | 77,109 | 6,897 | 86 | 80,198 | 25,639 | 338 | 75,855 |
| **Total** | 482,354 | 30,955 | 15,582 | 546,128 | 37,135 | 14,707 | 301,434 | 16,176 | 18,635 | 72,619 | 3,696 | 19,648 | 256,627 | 12,985 | 19,763 |

For the reasons explaining the fluctuations of our revenue during the Track Record Period, see "— Review of Historical Results of Operations" in this section.

***Revenue by customer type***

During the Track Record Period, we sold our concentrates to (i) nonferrous metal traders who generally conducted onward sale of concentrates to end users of concentrates; and (ii) refineries which further processed our concentrates based on the needs of their customers. Revenue from sales to nonferrous metal traders was the largest portion of revenue by customer type during the Track Record Period. For the years ended 31 December 2022, 2023, 2024 and the seven months ended 31 July 2025, revenue from sales of concentrates to nonferrous metal traders was approximately RMB371.8 million, RMB406.4 million, RMB227.2 million and RMB214.9 million, accounting for approximately 77.1%, 74.4%, 75.4% and 83.7%, respectively. The following table sets out a breakdown of our revenue by customer type for the years/periods indicated.

| | For the year ended 31 December | | | | | | For the seven months ended 31 July | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2022 | | 2023 | | 2024 | | 2024 | | 2025 | |
| | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* |
| Nonferrous metal trader | 371,800 | 77.1 | 406,410 | 74.4 | 227,210 | 75.4 | 62,978 | 86.7 | 214,898 | 83.7 |
| Refinery | 110,554 | 22.9 | 139,718 | 25.6 | 74,224 | 24.6 | 9,641 | 13.3 | 41,729 | 16.3 |
| **Total** | 482,354 | 100.0 | 546,128 | 100.0 | 301,434 | 100.0 | 72,619 | 100.0 | 256,627 | 100.0 |

**Cost of Sales**

For the years ended 31 December 2022, 2023, 2024 and the seven months ended 31 July 2025, our cost of sales was approximately RMB307.7 million, RMB328.4 million, RMB196.9 million and RMB170.9 million, respectively.

The following table sets out a breakdown of our cost of sales, sorted by nature, for the years/periods indicated.

| | For the year ended 31 December | | | | | | For the seven months ended 31 July | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2022 | | 2023 | | 2024 | | 2024 | | 2025 | |
| | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* |
| Procurement of fresh ores costs | — | — | — | — | 4,651 | 2.4 | — | — | 60,923 | 35.7 |
| Subcontracting expenses | 81,377 | 26.4 | 99,150 | 30.2 | 33,504 | 17.0 | 8,142 | 17.6 | 40,054 | 23.4 |
| Depreciation and amortisation | 63,578 | 20.7 | 66,796 | 20.3 | 43,518 | 22.1 | 15,702 | 34.0 | 28,174 | 16.5 |
| Staff costs | 29,293 | 9.5 | 33,652 | 10.2 | 28,439 | 14.4 | 14,849 | 32.1 | 20,499 | 12.0 |
| Transportation expenses | 28,885 | 9.4 | 32,422 | 9.9 | 16,883 | 8.6 | 1,008 | 2.2 | 18,762 | 11.0 |
| Consumable costs | 28,235 | 9.2 | 29,109 | 8.9 | 21,116 | 10.7 | 5,432 | 11.8 | 11,127 | 6.5 |
| Utility expenses | 19,107 | 6.2 | 21,669 | 6.6 | 11,809 | 6.0 | 2,070 | 4.5 | 6,267 | 3.7 |
| Other taxes | 16,963 | 5.5 | 16,842 | 5.1 | 11,765 | 6.0 | 1,970 | 4.3 | 4,292 | 2.5 |
| Changes in inventories of finished goods and work in process | 9,117 | 3.0 | (3,402) | (1.0) | 12,181 | 6.2 | (4,330) | (9.4) | (33,972) | (19.9) |
| Others | 31,154 | 10.1 | 32,164 | 9.8 | 13,076 | 6.6 | 1,346 | 2.9 | 14,763 | 8.6 |
| **Total** | 307,709 | 100.0 | 328,402 | 100.0 | 196,942 | 100.0 | 46,189 | 100.0 | 170,889 | 100.0 |

Procurement of fresh ores costs represented costs incurred for the procurement of fresh ores for the processing and production.

Subcontracting expenses represented our costs incurred in connection with our exploration and mining subcontracting arrangement. During the Track Record Period, we engaged three exploration and mining subcontractors to undertake exploration and mining works at our open-pit mine and underground mine. For the years ended 31 December 2022, 2023, 2024 and the seven months ended 31 July 2025, our total expenses for our exploration activities were approximately RMB6.2 million, RMB2.4 million, RMB3.4 million and RMB1.9 million, respectively.

Depreciation and amortisation represented the depreciation and amortisation of our property, plant and equipment and mining rights.

Staff costs represented salaries and remuneration of our employees.

Transportation expenses represented the costs associated with transporting our fresh ores from the mining sites of our Group or supplier to our processing plant, and the costs associated with transporting concentrates from our processing plant to Lhasa.

Consumable costs represented expenses for the procurement of raw materials and reagents used in our mining and production processes.

Utility expenses mainly represented the expenses incurred in connection with the procurement of utilities, primary representing electricity which was consumed during our mining operations.

Other taxes represented the resource tax and environmental tax in connection with our mining operations.

Changes in inventories of finished goods and work in process represented how inventory was used to cover our cost of sales. Negative difference indicated that a portion of surplus ores and concentrates that were allocated in our inventories upon the completion of production for the previous year. Positive difference indicated that part of our cost of sales for the current year has been drawn from the ores and concentrates inventory which were carried over from the previous year.

Others generally included miscellaneous expenses such as compensation fee for occupation of grassland, repair fee for processing equipment and rental fee of mining equipment.

The following table sets out a breakdown of our cost of sales, sorted by product type, for the years/periods indicated.

| | For the year ended 31 December | | | | | | For the seven months ended 31 July | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2022 | | 2023 | | 2024 | | 2024 | | 2025 | |
| | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* |
| Zinc concentrates | 196,582 | 63.9 | 207,553 | 63.2 | 149,975 | 76.2 | 31,112 | 67.4 | 116,463 | 68.2 |
| Lead concentrates | 106,677 | 34.7 | 113,524 | 34.6 | 44,656 | 22.7 | 14,009 | 30.3 | 49,972 | 29.2 |
| Copper concentrates | 4,450 | 1.4 | 7,325 | 2.2 | 2,311 | 1.1 | 1,068 | 2.3 | 4,454 | 2.6 |
| **Total** | 307,709 | 100.0 | 328,402 | 100.0 | 196,942 | 100.0 | 46,189 | 100.0 | 170,889 | 100.0 |

**Gross Profit and Gross Profit Margin**

For the years ended 31 December 2022, 2023, 2024 and the seven months ended 31 July 2025, our gross profit amounted to approximately RMB174.6 million, RMB217.7 million, RMB104.5 million and RMB85.7 million, respectively. For the same years/period, our gross profit margin was approximately 36.2%, 39.9%, 34.7% and 33.4%, respectively.

The following table sets out our gross profit margin by product type for the years/periods indicated.

| | For the year ended 31 December | | | | | | For the seven months ended 31 July | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2022 | | 2023 | | 2024 | | 2024 | | 2025 | |
| | Gross profit | Gross profit margin | Gross profit | Gross profit margin | Gross profit | Gross profit margin | Gross profit | Gross profit margin | Gross profit | Gross profit margin |
| | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* |
| Zinc concentrates | 99,684 | 33.6 | 66,227 | 24.2 | 65,836 | 30.5 | 9,336 | 23.1 | 8,225 | 6.6 |
| Lead concentrates | 53,552 | 33.4 | 109,222 | 49.0 | 26,856 | 37.6 | 11,265 | 44.6 | 56,328 | 53.0 |
| Copper concentrates | 21,409 | 82.8 | 42,277 | 85.2 | 11,800 | 83.6 | 5,829 | 84.5 | 21,185 | 82.6 |
| **Total** | 174,645 | 36.2 | 217,726 | 39.9 | 104,492 | 34.7 | 26,430 | 36.4 | 85,738 | 33.4 |

For the reasons explaining the fluctuation of our gross profit and gross profit margin, See "— Review of Historical Results of Operation" in this section.

**Selling and Distribution Expenses**

Selling and distribution expenses represented the fees incurred in our marketing activities, primarily representing staff costs of our marketing personnel. For the years ended 31 December 2022, 2023, 2024 and the seven months ended 31 July 2025, our selling and distribution expenses were approximately RMB1.0 million, RMB0.4 million, RMB0.5 million and RMB0.3 million, respectively.

**General, Administrative and Other Expenses**

General, administrative and other expenses consisted of (i) staff costs, (ii) donation, (iii) business development expenses, (iv) maintenance expenses, (v) general office expenses, (vi) depreciation and amortisation, (vii) tax charges, (viii) professional expenses, (ix) vehicle expenses, (x) travelling and accommodation expenses, (xi) rental expenses, (xii) suspension costs and (xii) others.

The following table sets out a breakdown of our administrative expenses, sorted by nature, for the years/periods indicated.

| | Year ended 31 December | | | | | | For the seven months ended 31 July | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2022 | | 2023 | | 2024 | | 2024 | | 2025 | |
| | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* |
| Staff costs | 18,838 | 42.2 | 21,148 | 37.4 | 20,784 | 43.7 | 11,769 | 35.1 | 12,813 | 44.8 |
| Donation | 13,969 | 31.3 | 19,828 | 35.1 | 10,128 | 21.3 | 9,690 | 28.9 | 10,036 | 35.1 |
| Professional expenses | 3,477 | 7.8 | 3,453 | 6.1 | 1,313 | 2.8 | 540 | 1.6 | 1,450 | 5.1 |
| Business development expenses | 2,375 | 5.3 | 3,923 | 6.9 | 3,085 | 6.5 | 1,429 | 4.3 | 2,298 | 8.0 |
| Maintenance expenses | 2,095 | 4.7 | 2,823 | 5.0 | 47 | 0.1 | 47 | 0.1 | 17 | 0.1 |
| General office expenses | 1,169 | 2.6 | 1,334 | 2.4 | 487 | 1.0 | 135 | 0.4 | 308 | 1.1 |
| Depreciation and amortisation | 998 | 2.2 | 1,202 | 2.1 | 1,113 | 2.3 | 608 | 1.8 | 624 | 2.2 |
| Tax charges | 647 | 1.5 | 966 | 1.7 | 635 | 1.3 | 305 | 0.9 | 283 | 1.0 |
| Vehicle expenses | 517 | 1.2 | 897 | 1.6 | 568 | 1.2 | 111 | 0.3 | 317 | 1.1 |
| Rental expenses | 128 | 0.3 | 151 | 0.3 | 71 | 0.1 | 71 | 0.2 | 30 | 0.1 |
| Suspension costs | — | — | — | — | 8,364 | 17.6 | 8,364 | 25.0 | — | — |
| Others | 393 | 0.9 | 767 | 1.4 | 961 | 2.1 | 454 | 1.4 | 423 | 1.4 |
| **Total** | 44,606 | 100.0 | 56,492 | 100.0 | 47,556 | 100.0 | 33,523 | 100.0 | 28,599 | 100.0 |

Staff costs were our largest administrative expenses during the Track Record Period, primarily representing the costs of our management and administrative personnel, including the basic salary, bonuses and pension of these personnel.

Donation consisted of voluntary donations to the local community that were specially designated as poverty alleviation and education funds, heating construction funds, natural disasters and transportation subsidies aimed at improving the living and education levels of local residents. For the years ended 31 December 2022, 2023, 2024 and the seven months ended 31 July 2025, our donation were approximately RMB14.0 million, RMB19.8 million, RMB10.1 million and RMB10.0 million, respectively.

Professional expenses included auditor remuneration, legal and other professional service expenses, which were not related to the Listing.

Business development expenses represented expenses for conducting market research and expenses for business development advices and marketing-related travelling and accommodation expenses.

Maintenance expenses represented the costs incurred for the general cleaning and maintenance of our premises.

General office expenses represented property management expenses, public utility expenses and other expenses incurred in relation to our general office management.

Depreciation and amortisation represented the depreciation and amortisation of our properties and equipments.

Tax charges represented various types of tax incurred in the ordinary course of our business operation.

Vehicle expenses represented expenses associated with the operation and maintenance of our vehicles such as fuel costs, vehicle insurance and registration and licensing fees.

Rental expenses represented our payment for leases of our offices and employee dormitories.

Suspension costs represented the costs relating to the one-off additional costs relating to our voluntary adjustment of our production plan in 2024, which primarily consisted of staff expenses and depreciation of property, plant and equipment incurred in April 2024. This recognition reflects the delay in commencing mining operations in 2024 due to extreme weather conditions and modification in the production lines during the year. Our management voluntarily postponed the production schedule in 2024 in order to prioritise occupational safety measures for our staff and other personnel involved.

Others included, but not limited to, bank charges which represented fees and costs incurred for various banking services.

**Other Income**

During the Track Record Period, other income consisted of (i) government grants, (ii) interest income on time deposits and (iii) sales of scrap and other materials. For the years ended 31 December 2022, 2023, 2024 and the seven months ended 31 July 2025, our other income was approximately RMB7.3 million, RMB5.2 million, RMB9.3 million and RMB3.3 million, respectively.

**Other Gains and Losses, net**

During the Track Record Period, other gains and losses primarily consisted of (i) loss/(gain) on disposal of property, plant and equipment, (ii) gain on extension of repayment of mining rights granting fees payable, (iii) gain on fair value changes of financial assets at FVTPL and (iv) gain on termination of leases.

The following table sets out a breakdown of our other gains and losses for the years/periods indicated.

| | For the year ended 31 December | | | For the seven months ended 31 July | |
|---|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| (Loss)/gain on disposal of property, plant and equipment, net | (158) | (156) | 23 | 23 | — |
| Gain on extension of repayment of mining rights granting fees payable | — | 8,207 | — | — | — |
| Gain on fair value changes of financial assets at FVTPL | 520 | 1,596 | 315 | 185 | 91 |
| Gain on termination of leases | — | 166 | 4 | 4 | — |
| Net foreign exchange losses | — | — | (40) | — | (178) |
| Others | 42 | 15 | 170 | 69 | 46 |
| **Total** | 404 | 9,828 | 472 | 281 | (41) |

Loss/(gain) on disposal of property represented the difference between the sale proceeds of the properties sold by us and the said property's book value at the time of disposal.

Gain on extension of repayment of mining rights granting fee payable represented the time value for such extension of payment which is non-cash in nature, details of which can be referred to note (2) under the section headed "Finance Costs" below.

Gain on fair value changes of financial assets at FVTPL represented the gains generated from the financial products we purchased.

Gain on termination of leases represented the write-off unamortised assets and liabilities relating to the termination of the said leases.

## Finance Costs

During the Track Record Period, our finance costs represented interest expense on (i) bank borrowings, (ii) lease liabilities, (iii) provisions for unwinding of discount and (iv) our extended mining right. For the years ended 31 December 2022, 2023, 2024 and the seven months ended 31 July 2025, our finance costs were approximately RMB1.8 million, RMB2.0 million, RMB2.9 million and RMB1.8 million, respectively.

The following table sets out a breakdown of our finance costs for the years/periods indicated.

| | For the year ended 31 December | | | | | | For the seven months ended 31 July | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2022 | | 2023 | | 2024 | | 2024 | | 2025 | |
| | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* |
| Interest expenses on bank borrowings | 1,001 | 56.0 | 17 | 0.8 | 510 | 17.5 | 424 | 22.3 | 616 | 33.6 |
| Interest expenses on provision for unwinding of discount[(1)] | 545 | 30.5 | 451 | 22.1 | 397 | 13.6 | 232 | 12.2 | 166 | 9.1 |
| Interest expenses on lease liabilities | 240 | 13.5 | 143 | 7.0 | 4 | 0.1 | 3 | 0.2 | 2 | 0.1 |
| Interest expenses on extended mining right fees payable[(2)] | — | — | 1,429 | 70.1 | 2,011 | 68.8 | 1,246 | 65.3 | 1,049 | 57.2 |
| **Total** | 1,786 | 100.0 | 2,040 | 100.0 | 2,922 | 100.0 | 1,905 | 100.0 | 1,833 | 100.0 |

*Notes:*

(1) Pursuant to the regulations of the governmental authorities in the places where the mines are located, we recognise provision for environmental rehabilitation and restoration of mines. The amount of provision is an estimate based upon the life of mining tenements, timing of mine closure and cost of such rehabilitation. The management will update the estimation basis annually.

(2) Based on the prevailing rules and regulations for the grant of mining rights, we accrued and paid fees for our mining right granted by the relevant government authority based on certain percentage of revenue from sales of nonferrous metal concentrates for entire life. According to Mining Right Transfer Proceeds Collection Measures (Cai Zong [2023] No. 10) (《礦業權出讓收益徵收辦法》(財綜〔2023〕10號)) issued in April 2023, the settlement of our mining right granting fees payable of approximately RMB58.3 million as at 30 April 2023 was permitted to be extended to next six equal annual instalments from 30 June 2024 to 30 June 2029. At inception, our mining right granting fees payable were discounted at appropriate rate of 4.30% for the extension of repayment, and an interest income of approximately RMB8.2 million was recognised at inception in 2023 while interest expense on the extended mining right granting fees payable was also recognised over six years.

**Income Tax Expense**

For the years ended 31 December 2022, 2023, 2024 and the seven months ended 31 July 2025, our income tax expenses were approximately RMB17.0 million, RMB19.1 million, RMB7.0 million and RMB5.6 million, respectively. During the Track Record Period, all of our profits were derived from our business in China. Therefore, our profits generated from our business operations were subject to the PRC corporate income tax. The reconciliation of the tax expense applicable to profit before tax at the statutory rates for the jurisdictions in which our Company and majorities of subsidiaries are domiciled to the tax expense at the effective tax rate is disclosed in note 10 of the Accountants' Report as set out in Appendix I to this document.

The following table sets out our income tax expenses for the years/periods indicated.

| | For the year ended 31 December | | | For the seven months ended 31 July | |
|---|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Current income tax | | | | | |
| — PRC corporate income tax | 19,985 | 21,201 | 5,634 | 1,455 | 5,621 |
| Deferred income tax | (2,939) | (2,133) | 1,372 | (2,470) | (59) |
| **Total** | 17,046 | 19,068 | 7,006 | (1,015) | 5,562 |

For the years ended 31 December 2022, 2023, 2024 and the seven months ended 31 July 2025, our effective tax rate was approximately 12.6%, 11.0%, 11.1% and 9.7%, respectively.

During the Track Record Period, as our Company and all of our operating subsidiaries are incorporated in the PRC, we are subject to EIT of the PRC on each of our Company and our subsidiaries' taxable income in accordance with the EIT Law. According to the EIT Law, a uniform 25% EIT rate is generally applicable to both foreign-invested enterprises and domestic enterprises, except where a special preferential rate applies. The EIT is calculated based on the entity's global income as determined under PRC tax laws and accounting standards.

According to the Notice of the Continuation of the Enterprise Income Tax for Implementation of Exploration and Development of Western Region (《關於延續西部大開發企業所得税政策的公告》) (Notice of the Ministry of Finance, State Administration of Taxation and National Development and Reform Commission No. 23 [2020]) issued on 23 April 2020, companies which are located in the western region of the PRC and engaged in the business encouraged by the PRC Government is entitled to the preferential EIT rate of 15% from 1 January 2021 to 31 December 2030 if the revenue of the encouraged business in a year accounted for more than 60% of the total income in that year. Each of our Company and Zhihua Industrial was engaged in the "business encouraged by the PRC Government in the western region", are eligible for the preferential EIT rate at 15% for the Track Record Period.

In addition, each of our Company and Zhihua Industrial was granted with further waiver of 40% local tax and resulted in the tax rate being 9% during the Track Record Period. Huaxia Mining was granted with a waiver of 40% local tax and resulted in the tax rate being 15% during the Track Record Period.

During the Track Record Period and up to the Latest Practicable Date, we had fulfilled all our income tax obligations and have not had any unresolved income tax issues or disputes with the relevant tax authorities.

**Profit for the Year/Period**

As a result of the foregoing, for the years ended 31 December 2022, 2023, 2024 and the seven months ended 31 July 2025, our net profit was approximately RMB117.9 million, RMB154.7 million, RMB55.9 million and RMB51.7 million, respectively. For the same years/period, our net profit margin was approximately 24.4%, 28.3%, 18.5% and 20.2%, respectively.

## REVIEW OF HISTORICAL RESULTS OF OPERATIONS

### Year Ended 31 December 2023 Compared to Year Ended 31 December 2022

**Revenue**

Our revenue increased by approximately RMB63.7 million, or 13.2%, from approximately RMB482.4 million for the year ended 31 December 2022 to approximately RMB546.1 million for the year ended 31 December 2023, primarily attributable to an increase in revenue from sales of lead concentrates and copper concentrates, primarily driven by the increases in both sales volume and the average selling price of such concentrates. Such increase was partially offset by a decrease in revenue from the sales of zinc concentrates. Despite our sales volume of zinc concentrates increased from approximately 19,766.0 tonnes in 2022 to approximately 23,544.0 tonnes in 2023, the average selling price of zinc concentrates decreased from RMB14,989.0 per tonne to RMB11,628.0 per tonne during the same year, which resulted in a decrease in our revenue from the sales of zinc concentrates in 2023.

**Cost of Sales**

Cost of sales increased by approximately RMB20.7 million, or 6.7% from approximately RMB307.7 million for the year ended 31 December 2022 to approximately RMB328.4 million for the year ended 31 December 2023, was primarily attributable to an increase in our sales volume of concentrates. Our sales volume of concentrates increased by approximately 20.0% from approximately 30,955.0 tonnes for the year ended 31 December 2022 to approximately 37,135.0 tonnes for the year ended 31 December 2023. The growth rate of our cost of sales in 2023 being significantly lower than that of our sales volume during the same year was primarily due to that (i) the grade of ores we obtained during our mining process in 2023 was higher as compared to that of 2022 which yielded higher product outputs at lower processing costs; and (ii) the unit cost of concentrate production decreased with the increased ore mining volume and ore processing volume in 2023.

**Gross Profit and Gross Profit Margin**

As a result of the foregoing, our gross profit increased by approximately RMB43.1 million, or 24.7% from approximately RMB174.6 million for the year ended 31 December 2022 to approximately RMB217.7 million for the year ended 31 December 2023.

Gross profit margin increased from approximately 36.2% for the year ended 31 December 2022 to approximately 39.9% for the year ended 31 December 2023. The gross profit and gross profit margin by product type sold are analysed as follows:

- Zinc concentrates: Gross profit decreased by approximately RMB33.5 million, or 33.6% from approximately RMB99.7 million for the year ended 31 December 2022 to approximately RMB66.2 million for the year ended 31 December 2023, primarily due to a decrease in revenue from the sales of zinc concentrates and a decrease in gross profit margin of zinc concentrates in 2023. Gross profit margin decreased from approximately 33.6% for the year ended 31 December 2022 to approximately 24.2% for the year ended 31 December 2023. Such decrease was primarily attributable to a decrease in our average selling price of zinc concentrates in 2023, partially offset by a decrease in unit cost of concentrate production due to higher ore grade and economies of scale.

- Lead concentrates: Gross profit increased by approximately RMB55.6 million, or 103.7% from approximately RMB53.6 million for the year ended 31 December 2022 to approximately RMB109.2 million for the year ended 31 December 2023. Such increase was primarily attributable to an increase in revenue from the sales of lead concentrates and an increase in gross profit margin of sales of lead concentrates in 2023. Gross profit margin increased from approximately 33.4% for the year ended 31 December 2022 to approximately 49.0% for the year ended 31 December 2023. Such increase was primarily attributable to an increase in the average selling price of lead concentrates and decreased unit cost of concentrate production due to higher ore grade and economies of scale.

- Copper concentrates: Gross profit increased by approximately RMB20.9 million, or 97.7% from approximately RMB21.4 million for the year ended 31 December 2022 to approximately RMB42.3 million for the year ended 31 December 2023. Such increase was primarily attributable to an increase in revenue from the sales of copper concentrates and an increase in gross profit margin of copper concentrates in 2023. Gross profit margin increased from approximately 82.8% for the year ended 31 December 2022 to approximately 85.2% for the year ended 31 December 2023. Such increase was primarily attributable to an increase in the average selling price of copper concentrates and a decrease in the unit cost of concentrate production due to higher ore grade and economies of scale.

**Selling and Distribution Expenses**

Selling and distribution expenses decreased by approximately RMB0.6 million, or 60.0% from approximately RMB1.0 million for the year ended 31 December 2022 to approximately RMB0.4 million for the year ended 31 December 2023. Such decrease was mainly attributable to a decrease in the staff costs, rental expenses and office expenses of our market personnel during the year.

**General, Administrative and Other Expenses**

General, administrative and other expenses increased by approximately RMB11.9 million, or 26.7% from approximately RMB44.6 million for the year ended 31 December 2022 to approximately RMB56.5 million for the year ended 31 December 2023, primarily because we incurred more staff costs as our remuneration to our employees increased following an increase in our overall profit earnings. Such increase was also attribute to an increase in our professional expenses and business development expenses during the year.

**Other Income**

Other income decreased by approximately RMB2.1 million, or 28.8% from approximately RMB7.3 million for the year ended 31 December 2022 to approximately RMB5.2 million for the year ended 31 December 2023, primarily attributable to a decrease in government grants during the year.

**Other Gains and Losses, net**

Other gains increased by approximately RMB9.4 million, or 2,350% from approximately RMB0.4 million for the year ended 31 December 2022 to approximately RMB9.8 million for the year ended 31 December 2023, primarily attributable to an increase in our gain on extension of repayment of mining rights granting fees payables and gain on fair value changes of financial assets at FVTPL.

**Finance Costs**

Finance costs increased by approximately RMB0.2 million, or 11.1% from approximately RMB1.8 million for the year ended 31 December 2022 to approximately RMB2.0 million for the year ended 31 December 2023, primarily due to an increase in the interest on extended mining right from nil to approximately RMB1.4 million in 2023. Such increase was offset by a decrease in the interest on bank borrowings as we repaid most of our bank borrowings during the year.

**Income Tax Expenses**

Income tax expenses were relatively stable during the year. For the years ended 31 December 2022 and 2023, our income tax expenses were approximately RMB17.0 million and RMB19.1 million, respectively, resulting from taxable profit recorded during the year.

**Profit for the Year**

Our net profit increased by approximately RMB36.8 million from approximately RMB117.9 million for the year ended 31 December 2022 to approximately RMB154.7 million for the year ended 31 December 2023, which was in line with the increase in revenue and gross profit, due to the combined effect of the foregoing.

**Year Ended 31 December 2024 Compared to Year Ended 31 December 2023**

**Revenue**

Our revenue decreased by approximately RMB244.7 million, or 44.8%, from approximately RMB546.1 million for the year ended 31 December 2023 to approximately RMB301.4 million for the year ended 31 December 2024. Such decrease was primarily attributable to production line upgrades and weather-induced delays during the year. In respect of production line upgrades, in 2024, we undertook a planned, sequential upgrade and interleaved maintenance of two key production lines at our processing plant from May to October of 2024, maintaining partial operations throughout that period. These upgrades were essential to enhance processing capabilities and prepare for the integration of ores from the underground mine, which has commenced commercial operation since the second quarter of 2025. The technical upgrades involved complex modifications to equipment to enhance the overall efficiency of the production lines. This required specialised engineering, testing, and calibration, which extended downtime, aimed at improving yield, product quality, and environmental compliance. While beneficial in the long term, the implementation phase temporarily disrupted normal operations. Consequentially, the production of concentrates was not at full capacity, resulting in reduced processing days of our processing plant. In respect of weather-induced delays, unfavourable weather conditions, particularly during April 2024, caused unexpected delays in production activities. These weather disruptions shortened the effective production period and affected logistics, raw material handling, and plant operations. Weather conditions also affected transportation of raw materials and finished products, as well as workforce availability and safety, further compounding operational challenges.

As a result, the total sales volume of the concentrates decreased from approximately 37,135 tonnes for the year ended 31 December 2023 to approximately 16,176 tonnes for the year ended 31 December 2024, notwithstanding the fact that the average selling price increased in 2024.

**Cost of Sales**

Cost of sales decreased by approximately RMB131.5 million, or 40.0% from approximately RMB328.4 million for the year ended 31 December 2023 to approximately RMB196.9 million for the year ended 31 December 2024, which was generally in line with the decrease in our revenue during the year.

**Gross Profit and Gross Profit Margin**

As a result of the foregoing, our gross profit decreased by approximately RMB113.2 million, or 52.0% from approximately RMB217.7 million for the year ended 31 December 2023 to approximately RMB104.5 million for the year ended 31 December 2024.

Gross profit margin decreased from approximately 39.9% for the year ended 31 December 2023 to approximately 34.7% for the year ended 31 December 2024. The gross profit and gross profit margin by product type sold are analysed as follows:

- Zinc concentrates: Despite that our sales volume of zinc concentrates decreased significantly from 23,544 tonnes in 2023 to 12,325 tonnes in 2024, gross profit from sales of zinc concentrates remained relatively stable at approximately RMB66.2 million in 2023 and approximately RMB65.8 million in 2024, mainly because the average selling price of zinc concentrates significantly increased from RMB11,628 per tonne to RMB17,510 per tonne during the same year. Gross profit margin increased from approximately 24.2% for the year ended 31 December 2023 to approximately 30.5% for the year ended 31 December 2024. Such increase was primarily due to an increase in the average selling price in 2024, partially offset by an increase in unit cost of concentrate production due to a decrease in the ore mining volume and ore processing volume during the same year.

- Lead concentrates: Gross profit decreased by approximately RMB82.3 million, or 75.4% from approximately RMB109.2 million for the year ended 31 December 2023 to approximately RMB26.9 million for the year ended 31 December 2024. Such decrease was primarily attributable to a significant decrease in the revenue from sales of lead concentrates and gross profit margin of lead concentrates in 2024. Gross profit margin decreased from approximately 49.0% for the year ended 31 December 2023 to approximately 37.6% for the year ended 31 December 2024. Such decrease was primarily due to an increase in unit cost of concentrate production due to the lower ore grade and a decrease in the ore mining volume and ore processing volume in 2024, partially offset by an increase in the average selling price of lead concentrates during the same year.

- Copper concentrates: Gross profit decreased by approximately RMB30.5 million, or 72.1% from approximately RMB42.3 million for the year ended 31 December 2023 to approximately RMB11.8 million for the year ended 31 December 2024. Such decrease was primarily attributable to a decrease in the revenue from the sales of copper concentrates and a decrease in the gross profit margin of copper concentrates in 2024. Gross profit margin decreased from approximately 85.2% for the year ended 31 December 2023 to approximately 83.6% for the year ended 31 December 2024. Such decrease was primarily due to an increase in unit cost of production due to a decrease in ore grade and a decrease in the ore mining volume and ore processing volume in 2024, partially offset by an increase in the average selling price of copper concentrates during the year.

**Selling and Distribution Expenses**

Selling and distribution expenses increased by approximately RMB40,000, or 10.0% from approximately RMB0.4 million for the year ended 31 December 2023 to approximately RMB0.5 million for the year ended 31 December 2024. The slight increase was mainly attributable to an increase in our staff costs and rental expenses during the year.

**General, Administrative and Other Expenses**

General, administrative and other expenses decreased by approximately RMB8.9 million, or 15.8% from approximately RMB56.5 million for the year ended 31 December 2023 to approximately RMB47.6 million for the year ended 31 December 2024, primarily because we incurred one-off amount of suspension costs in 2024 attributable to the one-off additional costs relating to our voluntary adjustment of our production plan in 2024.

**Other Income**

Other income increased by approximately RMB4.1 million, or 78.8% from approximately RMB5.2 million for the year ended 31 December 2023 to approximately RMB9.3 million for the year ended 31 December 2024, primarily attributable to a decrease in our interest income on other non-current liabilities, partially offset by an increase in government grants during the year.

**Other Gains and Losses, net**

Other gains decreased by approximately RMB9.3 million, or 94.9% from approximately RMB9.8 million for the year ended 31 December 2023 to approximately RMB0.5 million for the year ended 31 December 2024, primarily attributable to the one-off gain on an extension of repayment of mining right granting fee payable of RMB8.2 million that was only recognised in 2023.

**Finance Costs**

Finance costs increased by approximately RMB0.9 million, or 45.0% from approximately RMB2.0 million for the year ended 31 December 2023 to approximately RMB2.9 million for the year ended 31 December 2024, primarily due to an increase in the interest on extended mining rights fees payable and an increase in our interest on bank borrowings.

**Income Tax Expenses**

Income tax expenses decreased by approximately RMB12.1 million, or 63.4% from approximately RMB19.1 million for the year ended 31 December 2023 to approximately RMB7.0 million for the year ended 31 December 2024, resulting from a decrease in our taxable profit recorded during the year.

**Profit for the Year**

Our net profit decreased by approximately RMB98.8 million from approximately RMB154.7 million for the year ended 31 December 2023 to approximately RMB55.9 million for the year ended 31 December 2024, which was generally in line with the decrease in our revenue and gross profit, due to the combined effect of the foregoing.

**Seven Months Ended 31 July 2025 Compared to Seven Months Ended 31 July 2024**

**Revenue**

Our revenue increased by approximately RMB184.0 million, or 253.4%, from approximately RMB72.6 million for the seven months ended 31 July 2024 to approximately RMB256.6 million for the seven months ended 31 July 2025. Such increase is driven by an increase in the sales volume across all of such concentrates in 2025. The increase in our sales volume was due to key factors including (i) our resumption of full operation since April 2025 without exceptional delays caused by the extreme weather conditions that we experienced in 2024, (ii) full utilisation of two production lines upon the completion of our processing plant upgrade since October 2024, and (iii) an increase in concentrate output due to an increase in ore grades of mined ores and externally procured ores where higher-grade ores generally yield higher outputs and generate more revenue.

**Cost of Sales**

Cost of sales increased by approximately RMB124.7 million, or 270.0% from approximately RMB46.2 million for the seven months ended 31 July 2024 to approximately RMB170.9 million for the seven months ended 31 July 2025, which was generally in line with the increase in our revenue during the period. Additionally, costs of externally procured ores were higher than our own mined ores, which also contributed to the increase in our cost of sales.

**Gross Profit and Gross Profit Margin**

As a result of the foregoing, our gross profit increased by approximately RMB59.3 million, or 224.4% from approximately RMB26.4 million for the seven months ended 31 July 2024 to approximately RMB85.7 million for the seven months ended 31 July 2025.

Gross profit margin decreased from approximately 36.4% for the seven months ended 31 July 2024 to approximately 33.4% for the seven months ended 31 July 2025. Such decrease was generally related to a decrease in gross profit of sales of zinc concentrates as elaborated below. Additionally, the costs of externally procured ores were higher than the costs incurred from our own mined ores due to higher grade of ores procured. The gross profit and gross profit margin by product type sold are analysed as follows:

- Zinc concentrates: Gross profit decreased by approximately RMB1.1 million, or 11.9% from approximately RMB9.3 million for the seven months ended 31 July 2024 to approximately RMB8.2 million for the seven months ended 31 July 2025, primarily due to a decrease in our sale prices which was in line with the market price movement during the period while the cost of sales slightly decreased during the period. Gross profit margin decreased from approximately 23.1% for the seven months ended 31 July 2024 to approximately 6.6% for the seven months ended 31 July 2025. Such decrease was primarily attributable to (i) a decrease in our average selling price of zinc concentrates in 2025 following an increase in the treatment charges of refineries for the seven months ended 31 July 2025, and (ii) the aforesaid reason due to the ore procurement in 2025. For the fluctuation of treatment charges, see "Industry Overview — Overview of Zinc Industry — Zinc Concentrate Price in China" in this document.

- Lead concentrates: Gross profit increased by approximately RMB45.1 million, or 400.0% from approximately RMB11.3 million for the seven months ended 31 July 2024 to approximately RMB56.3 million for the seven months ended 31 July 2025. Such increase was primarily attributable to an increase in revenue from the sales of lead concentrates. Gross profit margin increased from approximately 44.6% for the seven months ended 31 July 2024 to approximately 53.0% for the seven months ended 31 July 2025. Such increase was primarily attributable to an increase in the average selling price of lead concentrates as the silver content within the lead concentrates we sold during the period was higher, leading to an increase in overall value of the concentrates.

- Copper concentrates: Gross profit increased by approximately RMB15.4 million, or 263.4% from approximately RMB5.8 million for the seven months ended 31 July 2024 to approximately RMB21.2 million for the seven months ended 31 July 2025. Such increase was primarily attributable to an increase in revenue from the sales of copper concentrates in 2025. Gross profit margin decreased from approximately 84.5% for the seven months ended 31 July 2024 to approximately 82.6% for the seven months ended 31 July 2025, as the silver content within the copper concentrates decreased, giving rise to a lower selling price of copper concentrates.

**Selling and Distribution Expenses**

Selling and distribution expenses decreased by approximately RMB0.1 million, or 26.2% from approximately RMB0.4 million for the seven months ended 31 July 2024 to approximately RMB0.3 million for the seven months ended 31 July 2025. Such decrease was mainly attributable to a decrease in the staff costs during the period.

**General, Administrative and Other Expenses**

General, administrative and other expenses decreased by approximately RMB4.9 million, or 14.7% from approximately RMB33.5 million for the seven months ended 31 July 2024 to approximately RMB28.6 million for the seven months ended 31 July 2025, as we did not incur any suspension costs during the period since we resumed our business operation timely since April 2025.

**Other Income**

Other income decreased by approximately RMB4.8 million, or 59.3% from approximately RMB8.1 million for the seven months ended 31 July 2024 to approximately RMB3.3 million for the seven months ended 31 July 2025, primarily attributable to a decrease in government grants during the period.

**Other Gains and Losses, net**

We recorded other gains of approximately RMB0.3 million for the seven months ended 31 July 2024 and other losses of approximately RMB41,000 for the seven months ended 31 July 2025. Such change was primarily attributable to (i) a decrease in our gain on financial assets at FVTPL, and (ii) net foreign exchange losses during the period.

**Finance Costs**

Finance costs decreased by approximately RMB72,000, or 3.8% from approximately RMB1.9 million for the seven months ended 31 July 2024 to approximately RMB1.8 million for the seven months ended 31 July 2025, primarily due to a decrease in the interest on extended mining right, offset by an increase in our total borrowing amount of approximately RMB29.3 million during the period.

**Income Tax Expenses**

We recorded income tax credit of RMB1.0 million for the seven months ended 31 July 2024 and income tax expenses of approximately RMB5.6 million for the seven months ended 31 July 2025. Such change was primarily attributable to an increase in our taxable profit recorded during the period.

**Profit for the Period**

We recorded net loss of RMB4,000 for the seven months ended 31 July 2024 and net profit of approximately RMB51.7 million for the seven months ended 31 July 2025. This change was in line with the increase in revenue and gross profit, due to the combined effect of the foregoing.

## SELECTED BALANCE SHEET ITEMS

### NET CURRENT LIABILITIES

The following table sets out details of our current assets and current liabilities as at the dates indicated.

| | As at 31 December | | | As at 31 July | As at 31 August |
|---|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2025 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* *unaudited* |
| **CURRENT ASSETS** | | | | | |
| Inventories | 54,402 | 55,645 | 60,691 | 84,778 | 80,572 |
| Other receivables and prepayments | 6,489 | 9,119 | 23,292 | 47,984 | 51,230 |
| Amounts due from a related party | 504 | 504 | — | — | — |
| Financial assets at fair value through profit or loss ("**FVTPL**") | 100,417 | 30,780 | — | — | 120,000 |
| Prepaid income tax | — | — | 1,198 | 393 | — |
| Time deposits | — | — | 20,000 | 20,000 | 20,000 |
| Bank balances | 42,270 | 30,808 | 142,222 | 153,432 | 38,459 |
| **TOTAL CURRENT ASSETS** | 204,082 | 126,856 | 247,403 | 306,587 | 310,261 |
| **CURRENT LIABILITIES** | | | | | |
| Bank borrowings | — | 3,000 | 64,675 | 67,974 | 4,000 |
| Amounts due to related parties | 1 | 3 | 3 | — | — |
| Trade and other payables | 211,767 | 189,646 | 209,750 | 175,157 | 184,363 |
| Contract liabilities | 295 | 4,133 | 25,361 | 44,217 | 47,589 |
| Lease liabilities | 4,660 | 368 | 73 | 340 | 340 |
| Provision | 1,250 | — | 1,317 | 1,220 | 1,211 |
| Tax payable | 35,082 | 27,546 | 25,374 | 26,413 | 28,089 |
| **TOTAL CURRENT LIABILITIES** | 253,055 | 224,696 | 326,553 | 315,321 | 265,592 |
| **NET CURRENT LIABILITIES/ (LIABILITIES)** | **(48,973)** | **(97,840)** | **(79,150)** | **(8,734)** | **44,669** |

Our net current liabilities increased from approximately RMB49.0 million as at 31 December 2022 to approximately RMB97.8 million as at 31 December 2023. Such increase was mainly attributable to a decrease in our total current assets in 2023 while our total current liabilities remained relatively stable during the year. The decrease in our current assets was primarily due to a decrease in financial assets at FVTPL and a decrease in bank balances, which was due to the reallocation of cash resources towards the acquisition of capital assets, subsequently recognised as property, plant and equipment, and partially offset by an increase in other receivables and prepayments.

Our net current liabilities decreased from approximately RMB97.8 million as at 31 December 2023 to approximately RMB79.2 million as at 31 December 2024. Such decrease was mainly attributable to an increase in our total current assets, particularly an increase in total cash balances of approximately RMB131.4 million, which outpaced the increase in our total current liabilities in 2024.

Our net current liabilities decreased from approximately RMB79.2 million as at 31 December 2024 to approximately RMB8.7 million as at 31 July 2025, representing a decrease of approximately RMB70.5 million. Such decrease was mainly attributable to an increase in our total current assets brought by increase of inventories and other receivables and prepayments.

Having net current liabilities could expose us to liquidity risks, which could in turn restrict our ability to make necessary capital expenditure or develop business opportunities, and our business, results of operation and financial condition could be materially and adversely affected as a result. See "Risk Factors — We had net current liabilities as at 31 December 2022, 2023 and 2024 and as at 31 July 2025" in this document.

As the underground mine has been in commercial operation, the ores from the new mine will directly contribute to the concentrate output increase hence improving the total sales revenue, which translates into increased cash inflows. The enhanced cash inflows has strengthened, and will continue to strengthen our current asset base and help further reduce net current liabilities through the settlement of short-term obligations. Meanwhile, the completion of the Phase 2 Tailings Pond can ensure that we remain capable of handling tailings required by law, which guarantees our sustained mining operations. Moreover, as both projects are coming to an end, the capital expenditure required for the projects have significantly diminished which helps improve our overall liquidity position.

Based on our consolidated financial information as at 31 August 2025, being the latest practicable date on which such information was available to us, we recorded net current assets of approximately RMB44.7 million, representing an increase of approximately RMB53.4 million from our net current liabilities of approximately RMB8.7 million as at 31 July 2025. The said reversal of our net current liabilities to net current assets was mainly due to the net cash generated from operating activities. Concurrently, with our mining and processing operations having resumed full production capacity, our management anticipates a substantial increase in cash inflows from sales revenue, which will further strengthen our overall liquidity position.

**Inventories**

Our inventories consist of (i) work in process, which mainly represents the fresh ores; (ii) consumables; and (iii) finished goods. The following table sets out the components of our inventories as at the dates indicated.

| | As at 31 December | | | As at 31 July |
|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Work in process | 38,295 | 42,470 | 44,905 | 56,465 |
| Consumables | 15,334 | 13,175 | 15,568 | 20,517 |
| Finished goods | 773 | — | 218 | 7,796 |
| | 54,402 | 55,645 | 60,691 | 84,778 |

Our inventories increased from approximately RMB54.4 million as at 31 December 2022, to approximately RMB55.6 million as at 31 December 2023 and to approximately RMB60.7 million as at 31 December 2024. Our inventories increased in each of 2023 and 2024 mainly due to an increase in work in process (fresh ores) because our balance of ores increased in 2023 and we made purchase of ores from an independent third party ore supplier in 2024, respectively. See "Business — Mining — Management Discussion on Strategic Ore Procurement" in this document for details. Our inventories continued to increase to approximately RMB84.8 million as at 31 July 2025 because of the increase in fresh ores of work in process and consumables to support our mining operations of ore processing and production in 2025. Our inventories decreased slightly from approximately RMB84.8 million as at 31 July 2025 to approximately RMB80.6 as at 31 August 2025 mainly due to an slight decrease in work in process (fresh ores) which has been processed and produced into concentrates during the period.

Our management performs regular review on ageing analysis of our inventories and the condition of our inventories, and makes provision against obsolete and slow-moving inventory items which are identified as no longer suitable for sale or use in the production. The following table sets out the ageing analysis of our inventories as at the dates indicated.

| | As at 31 December | | | As at 31 July |
|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Within one year | 49,643 | 50,640 | 53,843 | 74,854 |
| One to two years | 1,312 | 1,881 | 2,497 | 5,472 |
| Two to three years | 1,346 | 771 | 1,670 | 1,236 |
| Over three years | 2,101 | 2,353 | 2,681 | 3,216 |
| **Total** | 54,402 | 55,645 | 60,691 | 84,778 |

Our inventories with age of over one year were solely represented by our consumable materials. These aged consumable materials mainly comprised of metal consumables or spare parts which have long shelf life. We had regularly conducted review or maintenance work on these metal consumables or spare parts to ensure that they are in usable condition. Our management confirmed that, after performing the abovementioned analysis, there is no recoverability issue regarding inventories and no provision for impairment of inventories was required during the Track Record Period.

The following table sets out our average inventory turnover days for the Track Record Period.

| | Year ended 31 December | | | For the seven months ended |
|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 31 July 2025 |
| Average inventory turnover days[(Note)] | 68.0 | 60.3 | 106.3 | 89.4 |

*Note:* Average inventory turnover days were derived by dividing the arithmetic mean of the opening and ending balance of inventories by the cost of sales for the respective year and multiplied by the number of days in the year. The number of days for the years ended 31 December is 360 days. The number of days for the seven months ended 31 July 2025 is 210 days.

In 2022 and 2023, our average inventory turnover days remained at a similar level, at 68.0 days and 60.3 days. Our average inventory turnover days increased to approximately 106.3 days in 2024 as we procured additional ores from an independent third party ore supplier in the fourth quarter of 2024, which led to a higher balance of inventories at the end of 2024, while our cost of sales decreased in the same year. Our average inventory turnover days decreased to approximately 89.4 days for the seven months ended 31 July 2025 as we commenced our concentrate production in a timely manner in April 2025 without any delay due to exceptional circumstances of extreme weather condition and voluntary technical upgrades incurred in 2024.

Our total inventories continued to increase to approximately RMB84.8 million as at 31 July 2025 due to an increased collection and storage of the production-related raw materials,mainly fresh ores, consumables, for the ores processing and production.

As at 31 August 2025, RMB7.8 million or 100%, of finished goods in our inventories as at 31 July 2025 had been utilised.

**Other receivables and prepayments**

Our prepayments primarily related to prepayments made to suppliers, contractors and, subcontractors for the procurement of requisite raw materials and services in the ordinary course of our mining operations.

The following table sets out the breakdown of our other receivables and prepayments as at the dates indicated.

| | As at 31 December | | | As at 31 July |
|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Prepayments to suppliers | 6,108 | 7,936 | 16,932 | 25,833 |
| Prepayments for property, plant and equipment | 18 | 649 | 73 | 73 |
| Deposits | 363 | 363 | — | 23 |
| Value-added tax recoverable | 225 | 484 | 630 | 1,467 |
| Deferred issue costs | — | — | 3,407 | 18,519 |
| Interest receivables | — | 494 | 2,088 | 1,491 |
| Other receivables | 156 | 205 | 235 | 674 |
| Total | 6,870 | 10,131 | 23,365 | 48,080 |
| Less: Prepayments for property, plant and equipment and deposits classified as non-current assets | (381) | (1,012) | (73) | (96) |
| Portion classified as current assets | 6,489 | 9,119 | 23,292 | 47,984 |

Our other receivables and prepayments increased from approximately RMB6.5 million as at 31 December 2022 to approximately RMB9.1 million as at 31 December 2023, representing an increase of approximately RMB2.6 million, mainly due to an increase in prepayments to the contractors and suppliers of approximately RMB1.8 million in relation to (i) the construction of the Phase 2 Tailings Pond, (ii) the optimisation of our Mengya'a Beneficiation Plant and (iii) purchase of diaphragm pump. Our other receivables and prepayments increased to approximately RMB23.3 million as at 31 December 2024, representing an increase of approximately RMB14.2 million, due to (i) an increase in prepayments to our suppliers of approximately RMB9.0 million in relation to equipments used in the mining plant and raw materials; (ii) an increase in deferred issue costs of approximately RMB3.4 million in relation to [REDACTED] expenses and (iii) an increase in interest receivables of approximately RMB1.6 million in relation to increase in time deposit in 2024.

Our other receivables and prepayments continued to increase to approximately RMB48.0 million as at 31 July 2025 primarily due to the increase in deferred issue costs of approximately RMB15.1 million for the seven months ended 31 July in 2025.

**Financial assets at fair value through profit or loss ("FVTPL")**

Our financial assets at FVTPL is determined by a fair value hierarchy of Level 2 through quoted values provided by financial institutions. The following table sets out the balance of our financial assets at FVTPL as at the dates indicated.

| | Fair value as at 31 December | | | Fair value as at 31 July |
|---|---|---|---|---|
| **Financial assets** | **2022** | **2023** | **2024** | **2025** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Financial assets at FVTPL | 100,417 | 30,780 | — | — |

Our financial assets at FVTPL decreased from approximately RMB100.4 million as at 31 December 2022 to approximately RMB30.8 million as at 31 December 2023, representing a decrease of approximately RMB69.6 million, mainly due to our payments for land use right and construction fees for tailings pond by using the bank balances and cash redeemed from the financial products we invested in 2023. Our financial assets at FVTPL decreased to nil as at 31 July 2025 because we redeemed some of our financial products and place those bank balances and cash to time deposits.

With regards to the purchase and redemption of financial products, we have formulated an investment policy of diversifying risks and generating steady returns on the premise of ensuring the safety of fund. We generally prefer bank-issued financial products with a relatively low risk level assigned to them by relevant banks as stipulated in the purchase agreements for. In terms of investing in financial products, our investment strategy is to diversify risks and generate returns, while ensuring the safety of the funds. We have implemented the following investment policies:

- Our Finance Department and Investment and Acquisition Department are responsible for the analysis and research of investments in financial products as well as the routine management of such investments; and

- Investments in financial products could be made when we have surplus cash that is not required for our short-term working capital purposes.

We have established internal control measures for investing in financial products, including: (i) evaluating working capital sufficiency for business needs prior to and after investment; (ii) adopting a prudent approach in selecting and approving financial assets to minimise financial risks; and (iii) making case-by-case investment decisions based on factors such as the macroeconomic environment, market conditions, risk control and expected investment outcomes. In relation to the valuation of financial products, our Directors will (i) delegate the Audit and Legal Department to review the terms and conditions of the investment agreements, carefully consider all related information and agree on the valuation approaches adopted and key assumptions; (ii) review the analysis and research of investments in financial products made by our Finance Department; and (iii) approve the results if the procedures are deemed satisfactory and it is unnecessary to appoint external valuation expert to conduct the valuation. Based on the above processes, our Directors are of the view that the valuation analysis is fair and reasonable, and the fair value measurements of financial products are properly prepared.

**Bank borrowings**

The following table sets out the components of our bank borrowings as at the dates indicated.

| | As at 31 December | | | As at 31 July |
|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Bank borrowings: | | | | |
| - Secured and unguaranteed borrowings | — | — | 40,000 | 30,000 |
| - Secured and guaranteed borrowings | — | — | 21,675 | 63,974 |
| - Unsecured and unguaranteed borrowings | — | 3,000 | 3,000 | — |
| | — | 3,000 | 64,675 | 93,974 |

Our bank borrowings increased from nil as at 31 December 2022 to approximately RMB3.0 million as at 31 December 2023, mainly due to an increase in unsecured and unguaranteed borrowings of approximately RMB3.0 million to further support of business operations. Our bank borrowings increased to approximately RMB64.7 million as at 31 December 2024, representing an increase of approximately RMB61.7 million, due to the additional investment in relation to the development of our underground mine and new tailings pond. Our bank borrowings further increased to approximately RMB94.0 million as at 31 July 2025, primarily representing an increase of RMB29.3 million, due to the continuous investment required for developing our underground mine and new tailings pond, as well as the procurement of raw materials.

**Trade and other payables**

Our trade payables mainly represent the outstanding amounts payable by us to our suppliers for the procurement of raw materials and utilities. The following table sets out the balance of our trade payables as at the dates indicated.

| | As at 31 December | | | As at 31 July |
|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Trade payables | 37,432 | 7,030 | 17,775 | 46,950 |

Our trade payables decreased from approximately RMB37.4 million as at 31 December 2022 to approximately RMB7.0 million as at 31 December 2023, representing a decrease of approximately RMB30.4 million or 81.3%. Such decrease was mainly due to more settlement made to our major suppliers in 2023. Our trade payables increased from approximately RMB7.0 million as at 31 December 2023 to approximately RMB17.8 million as at 31 December 2024, representing an increase of approximately RMB10.8 million or 154.3%. Such increase was mainly due to an increase in trade payables relating to exploration and mining subcontracting expenses in 2024. Our trade payables increased from approximately RMB17.8 million as at 31 December 2024 to approximately RMB47.0 million as at 31 July 2025, representing an increase of approximately RMB29.2 million or 164.1%. Such increase was mainly due to an increase in the unsettled amounts for mining costs and transportation fees.

Our trade payables increased from approximately RMB47.0 million as at 31 July 2025 to approximately RMB54.7 million as at 31 August 2025, representing an increase of approximately RMB7.7 million or 16.4%. Such increase was mainly due to an increase in the unsettled amounts for mining costs and transportation fees.

Our suppliers and subcontractors typically grant us a credit period of 15 to 60 days. The following table sets out the ageing analysis of our trade payables based on the invoice date as at the dates indicated.

| | As at 31 December | | | As at 31 July |
|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Within 30 days | 29,068 | 766 | 15,366 | 34,764 |
| 31 - 60 days | 754 | 676 | 70 | 7,465 |
| 61 - 90 days | 489 | 226 | — | 888 |
| Over 90 days | 7,121 | 5,362 | 2,339 | 3,833 |
| | 37,432 | 7,030 | 17,775 | 46,950 |

The following table sets out our average trade payables turnover days for the Track Record Period.

| | For the year ended 31 December | | | For the seven months ended 31 July |
|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Average trade payables turnover days*(Note)* | 25.1 | 24.4 | 22.7 | 39.8 |

*Note:* Average trade payables turnover days were derived by dividing the arithmetic mean of the opening and ending balance of trade payables by the total purchase for the respective year and multiplied by the number of days in the year/period. The number of days for the years ended 31 December is 360 days. The number of days for the seven months ended 31 July 2025 is 210 days.

Our average trade payables turnover days remained relatively stable in 2022, 2023 and 2024. Our average trade payables turnover days increased to 39.8 days in 2025, mainly due to the increase in trade payables as at 31 July 2025.

As at 31 August 2025, approximately RMB26.9 million, representing approximately 57.2% of our trade payables outstanding as at 31 July 2025 of approximately RMB47.0 million, had been settled.

The following table sets out the components of our other payables as at the dates indicated.

| | As at 31 December | | | As at 31 July |
|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Salaries and wages payables | 7,523 | 6,401 | 6,350 | 5,626 |
| Payable for acquisition of property, plant and equipment | 65,334 | 114,872 | 94,648 | 91,902 |
| Mining rights granting fees payable | 58,258 | 60,589 | 45,071 | 32,838 |
| Payable for acquisition of right-of-use assets for land | — | 23,396 | — | — |
| Other tax payables | 32,090 | 9,823 | 3,625 | 11,704 |
| Deposits from suppliers | 9,242 | 9,086 | 6,386 | 9,531 |
| Accrued issued cost | — | — | 1,070 | 1,289 |
| Refundable receipts | 663 | 6,933 | 69,348 | — |
| Others | 1,225 | 64 | 64 | 194 |
| | 174,335 | 231,164 | 226,562 | 153,084 |

Based on the prevailing rules and regulations for the grant of mining rights, we accrued and paid fees (recognised as expenses) for mining rights granted by the relevant PRC bureau based on certain percentage of revenue from sales of nonferrous metal concentrates for entire life. According to Mining Right Transfer Proceeds Collection Measures (Cai Zong [2023] No. 10 (《礦業權出讓收益徵收辦法》(財綜〔2023〕10號)) issued in March 2023, the settlement of our mining rights granting fees payable of RMB58,258,000 as at 30 April 2023 was permitted to be extended to next six equal annal instalments from 30 June 2024 to 30 June 2029. At inception, the mining rights granting fees payable were discounted at appropriate rate of 4.3% for the extension of repayment, and a gain of RMB8,207,000 was recognised upon revision of the payment terms on 30 April 2024 while interest expense on the extended mining rights granting fees payable was also recognised over six years.

Our other payables increased from approximately RMB174.3 million as at 31 December 2022 to approximately RMB231.2 million as at 31 December 2023, representing an increase of approximately RMB56.9 million. Such increase was mainly attributable to substantial increase in payable for acquisition of property, plant and equipment and payable for acquisition of right-of-use assets in 2023. Our other payables decreased from approximately RMB231.2 million as at 31 December 2023 to approximately RMB226.6 million as at 31 December 2024, representing a decrease of approximately RMB4.6 million. Such decrease was mainly attributable to an increase in refundable receipts, offset by a decrease in payable for acquisition of right-of-use assets for land during the year. Our other payables decreased from approximately RMB226.6 million as at 31 December 2024 to approximately RMB153.1 million as at 31 July 2025, representing a decrease of approximately RMB73.5 million. Such decrease was mainly attributable to the diminishing of the refundable receipts on our balance sheets. Refundable receipts represented customers' motive to secure concentrates from us upon a upfront deposit. Upon receipt of a deposit, the deposit will be recognised as refundable receipts, which is subject to our concentrate production schedule. By contrast, subject to our actual production progress, if there is assurance that there will be concentrates which can be delivered to the customers, the said deposit will be recognised as contract liabilities. The refundable receipts increased substantially from approximately RMB0.7 million as at 31 December 2022 to approximately RMB6.9 million as at 31 December 2023 and to approximately RMB69.3 million as at 31 December 2024, reflecting customers' motive to secure the concentrates from us as soon as practicable in this typical demand-over-supply market. All refundable receipts for each of the year ended 31 December 2022, 2023 and 2024 had been repaid. As at 31 July 2025, we did not record any refundable receipts because deposits had been recognised as contract liabilities for the seven months ended 31 July 2025. During the Track Record Period, refundable receipts were related to 10 customers, which are all independent third parties. These parties represented refineries and metal traders based on Xizang, Inner Mongolia, Henan, Hunan, Jiangsu and Qinghai.

**Contract liabilities**

Contract liabilities represent the full payments in the advances from customers in respect of contracts for sales of nonferrous metal concentrates and relevant contract liabilities. Contract liabilities represent the full payments in the advances from customers in respect of contracts for sales of nonferrous metal concentrates and relevant contract liabilities are recognised as revenue when the control of the concentrates are transferred to the customers. All the contract liabilities are utilised or expected to be utilised within one year. The following table sets out the component of our contract liabilities as at the dates indicated.

| | As at 31 December | | | As at 31 July |
|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Sale of nonferrous metal concentrates | 295 | 4,133 | 25,361 | 44,217 |

We require all customers to make advance payments for sales, with no credit terms extended. Contract liabilities are recognised when payments are received in advance of revenue recognition. Contract liabilities typically increase when there is a rise in market demand for our concentrates, leading to more customers making upfront payments.

Our contract liabilities increased from approximately RMB0.3 million as at 31 December 2022 to approximately RMB4.1 million as at 31 December 2023, representing an increase of approximately RMB3.8 million. Such increase was mainly attributable to an increase in lead concentrate demands in 2023, which resulted in an increase in upfront payment we received in relation to sales of lead concentrates during the year. Our contract liabilities increased from approximately RMB4.1 million as at 31 December 2023 to approximately RMB25.4 million as at 31 December 2024, representing an increase of approximately RMB21.3 million. Such increase was mainly attributable to an increase in demand for lead and zinc concentrates from our customers in 2024, which resulted in increase in upfront payment we received in relation to the sales of lead and zinc concentrates during the year. Our contract liabilities increased from approximately RMB25.4 million as at 31 December 2024 to approximately RMB44.2 million as at 31 July 2025, representing an increase of approximately RMB18.9 million. Such increase was also mainly attributable to the increase in demand for lead and zinc concentrates from our customers in 2025 and the certainty of delivering the concentrates to our customers to fulfill their demands according to a definitive concentrate production schedule.

As at 31 August 2025, approximately RMB25.2 million, representing approximately 57.0% of our contract liabilities as at 31 July 2025, were recognised as revenue.

**Lease liabilities**

During the Track Record Period, we had 10 leased properties in the PRC, which were used as our office and employee dormitory. We also had leased certain equipment and devices in connection with our mining activities. Our lease liabilities were recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. As at 31 December 2022, 2023, 2024 and 31 July 2025 and 31 August 2025, our lease liabilities amounted to approximately RMB4.7 million, RMB0.4 million, RMB0.1 million, RMB0.6 million and RMB0.6 million, respectively.

The table below sets out a breakdown of our lease liabilities as at the dates indicated.

| | As at 31 December | | | As at 31 July | As at 31 August |
|---|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2025 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Lease liabilities | 4,708 | 413 | 104 | 636 | 637 |

See "— Net Current Liabilities — Lease liabilities" in this section for details.

Our lease liabilities decreased from approximately RMB4.7 million as at 31 December 2022 to approximately RMB0.4 million as at 31 December 2023, and further decreased to approximately RMB0.1 million as at 31 December 2024. Such decrease was mainly attributable to a decrease in our settlement of rental expenses for mining equipments. Our lease liabilities increased from approximately RMB0.1 million as at 31 December 2024 to RMB0.6 million as at 31 July 2025. Such increase was mainly attributable to the addition of a new lease contract.

**Provision**

We recognise provision for environmental rehabilitation and relocation of mines, pursuant to the regulations of the governmental authorities in the places where the mines are located. The amount of provision is estimated based on the life of mining tenement, timing of mine closure and cost of such rehabilitation, and such estimation basis will be updated annually.

The following table sets out the movements of the provision for our environmental rehabilitation and relocation of mines during the Track Record Period.

| | For the year ended 31 December | | | For the seven months ended 31 July |
|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| At the beginning of the year/period | 11,715 | 9,812 | 9,272 | 9,669 |
| Effect on revision of enviromental rehabilitation and restoration plan | — | 317 | — | (2,532) |
| Unwinding of discount | 545 | 451 | 397 | 166 |
| Utilisation of provision | (2,448) | (1,308) | — | — |
| At the end of the year/period | 9,812 | 9,272 | 9,669 | 7,303 |
| Less: Portion classified as current liabilities | (1,250) | — | (1,317) | (1,220) |
| Non-current portion | 8,562 | 9,272 | 8,352 | 6,083 |

**Deferred tax liabilities**

Our deferred tax liabilities decreased from approximately RMB55.0 million as at 31 December 2022 to approximately RMB52.7 million as at 31 December 2023, decreased to approximately RMB51.3 million as at 31 December 2024, and further decreased to approximately RMB50.1 million as at 31 July 2025. Such decrease was attributable to a decrease in the temporary difference between the book value of our mining rights and tax bases.

**Property, plant and equipment**

Our property, plant and equipment increased from approximately RMB451.9 million as at 31 December 2022 to approximately RMB567.4 million as at 31 December 2023, increased to approximately RMB620.7 million as at 31 December 2024, and further increased to approximately RMB706.3 million as at 31 July 2025. Such increase was attributable to increase in assets recognised as a result of completion of our Phase 2 Tailings Pond.

**Right-of-use assets**

Our right-of-use assets increased from approximately RMB16.2 million as at 31 December 2022 to approximately RMB63.5 million as at 31 December 2023. Such increase was mainly attributable to the significant increase in carrying amount in relation to our leasehold lands. Our right-of-use assets remained relatively stable at approximately RMB61.5 million as at 31 December 2024 and approximately RMB60.8 million as at 31 July 2025, the carrying amounts in relation to leasehold lands, machineries and buildings of which remained relatively constant.

**Intangible assets**

Our intangible assets decreased from approximately RMB340.8 million as at 31 December 2022 to approximately RMB326.3 million as at 31 December 2023, and further decreased to approximately RMB316.7 million as at 31 December 2024. Such decrease was due to an increase in the accumulated amortisation of our mining rights of the Mengya'a Mine obtained to conduct our mining operations in Jiali County, Nagqu, Xizang. Our intangible assets increased from approximately RMB316.7 million as at 31 December 2024 to approximately RMB400.0 million as at 31 July 2025. Such increase was due to the transfer and reclassification of exploration assets as intangible assets and the capitalisation of newly acquired software in relation to mining and office software.

**Exploration and evaluation assets**

Our exploration and evaluation assets increased from approximately RMB144.8 million as at 31 December 2022 to approximately RMB146.7 million as at 31 December 2023, and further increased to approximately RMB150.1 million as at 31 December 2024. Such increase was attributable to the ongoing development of the underground mine and the ongoing construction of the new tailings pond.

Our exploration and evaluation assets decreased from approximately RMB150.1 million as at 31 December 2024 to approximately RMB7.5 million as at 31 July 2025. Such decrease was due to the transfer and reclassification of assets as property, plant and equipment and intangible assets in relation to the development of our underground mine.

## WORKING CAPITAL SUFFICIENCY

Taking into account our cash generating capabilities, financial resources available to us and the [REDACTED] from the [REDACTED], our Directors are of the opinion, and the Joint Sponsors concur, that we have sufficient working capital to cover at least 125% of our costs for at least the next 12 months from the date of this document.

## INDEBTEDNESS

The following table sets out the details of our indebtedness as at the dates indicated.

| | As at 31 December | | | As at 31 July | As at 31 August |
|---|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2025 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Current liabilities** | | | | | |
| Amounts due to related parties | 1 | 3 | 3 | — | — |
| Bank borrowings | — | 3,000 | 64,675 | 67,974 | 4,000 |
| Lease liabilities | 4,660 | 368 | 73 | 340 | 340 |
| **Non-current liabilities** | | | | | |
| Lease liabilities | 48 | 45 | 31 | 296 | 297 |
| Bank borrowings | — | — | — | 26,000 | 26,000 |
| **Total** | 4,709 | 3,416 | 64,782 | 94,610 | 30,637 |

### Bank Borrowings

During the Track Record Period and up to 31 August 2025, being the latest practicable date, for the purpose of indebtedness statement, our borrowings were primarily bank borrowings. As at 31 December 2022, 2023, 2024 and 31 July 2025 and 31 August 2025, our bank borrowings were approximately nil, RMB3.0 million, RMB64.7 million and RMB94.0 million and RMB30.0 million, respectively. Our bank borrowings and other borrowings were unsecured or secured, and denominated in RMB.

The following table sets out a breakdown of our bank borrowings as at the dates indicated.

| | As at 31 December | | | As at 31 July | As at 31 August |
|---|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2025 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Bank borrowings: | | | | | |
| - Secured and unguaranteed borrowings | — | — | 40,000 | 30,000 | 30,000 |
| - Secured and guaranteed borrowings | — | — | 21,675 | 63,974 | — |
| - Unsecured and unguaranteed borrowings | — | 3,000 | 3,000 | — | — |
| | — | 3,000 | 64,675 | 93,974 | 30,000 |

The effective interest rate of our bank loans ranged from 1.1% to 1.35% during the Track Record Period.

As at 31 August 2025, being the latest practicable date for the purpose of the statement of indebtedness, our bank borrowings of approximately RMB30.0 million were secured by mortgages over our property, plant and equipment and leasehold lands.

As at the Latest Practicable Date, we had unutilised bank facilities with an aggregate amount of approximately RMB94.8 million.

**Lease Liabilities**

During the Track Record Period, we had leased properties and equipment and devices used for our mining activities. As at 31 December 2022, 2023, 2024, 31 July 2025, our lease liabilities amounted to approximately RMB4.7 million, RMB0.4 million, RMB0.1 million, RMB0.6 million, respectively.

As at 31 August 2025, being the latest practicable date for the purposes of the statement of indebtedness, our lease liabilities amounted to RMB0.6 million, which are unsecured and unguaranteed.

See "— Net Current Liabilities — Lease Liabilities" in this section for details.

**Indebtedness Statement and Confirmation**

Except as disclosed in this document or any intra-group liabilities, we did not have any outstanding or authorised to be issued but unissued debt securities, term loans, other borrowings or indebtedness in nature of borrowing, including bank overdrafts and liabilities under acceptance or acceptance credits or hire purchase commitments, mortgages and charges, contingent liabilities or guarantees as at 31 August 2025, being the latest practicable date for the purpose of the indebtedness statement.

Save as disclosed above, our Directors have confirmed that there had been no material change in our indebtedness since 31 August 2025 and up to the date of this document.

## LIQUIDITY AND CAPITAL RESOURCES

We had cash and cash equivalents of approximately RMB42.3 million, RMB30.8 million, RMB142.2 million and RMB153.4 million as at 31 December 2022, 2023, 2024 and 31 July 2025, respectively. Our cash and cash equivalents were all held in RMB.

The following tables sets out cash flows for the years/periods indicated.

| | For the year ended 31 December | | | For the seven months ended 31 July | |
|---|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Net cash generated from operating activities | 243,104 | 163,842 | 153,516 | 11,650 | 25,257 |
| Net cash used in investing activities | (81,221) | (128,239) | (120,995) | (55,970) | (27,656) |
| Net cash (used in)/ from financing activities | (135,752) | (47,065) | 78,893 | 39,541 | 13,609 |
| Net increase/(decrease) in cash and cash equivalents | 26,131 | (11,462) | 111,414 | (4,779) | 11,210 |
| Cash and cash equivalents at beginning of the year/period | 16,139 | 42,270 | 30,808 | 30,808 | 142,222 |
| Cash and cash equivalents at end of the year/period | 42,270 | 30,808 | 142,222 | 26,029 | 153,432 |

### Cash Flows generated from Operating Activities

During the Track Record Period, we primarily derived our cash inflows from operating activities of our sales of zinc, lead and copper concentrates through the receipt of payments from our customers for these mineral products. Our primary cash outflows from operating activities related to purchases of raw materials, procurement of electric power and transportation services, and procurement of contracting and subcontracting expenses in connection with our mining of ores and construction of mining assets. Our cash flows from operating activities can be affected by factors such as the schedule of mining activities, construction progress of mining assets and infrastructure and the timing of payment from our customers and our payments of trade payables to suppliers, contractors and subcontractors during the ordinary course of our business.

For the year ended 31 December 2022, our net cash generated from operating activities was approximately RMB243.1 million, primarily reflecting our profit before tax of approximately RMB134.9 million, adjusted by (i) depreciation and amortisation of approximately RMB64.6 million, (ii) finance costs of approximately RMB1.8 million, (iii) an increase in trade and other payables of approximately RMB70.7 million and (iv) a decrease in contract liabilities of approximately RMB17.7 million.

For the year ended 31 December 2023, our net cash generated from operating activities was approximately RMB163.8 million, primarily reflecting our profit before tax of approximately RMB173.8 million, adjusted by (i) depreciation and amortisation of approximately RMB68.0 million, (ii) interest income of approximately RMB0.9 million, (iii) a decrease in trade and other payables of approximately RMB39.7 million and (iv) an increase in contract liabilities of approximately RMB3.8 million.

For the year ended 31 December 2024, our net cash generated from operating activities was approximately RMB153.5 million, primarily reflecting our profit before tax of approximately RMB62.9 million, adjusted by (i) depreciation and amortisation of approximately RMB44.6 million, (ii) finance costs of approximately RMB2.9 million, (iii) an increase in trade and other payables of approximately RMB46.7 million and (iv) an increase in contract liabilities of approximately RMB21.2 million.

For the seven months ended 31 July 2025, our net cash generated from operating activities was approximately RMB25.3 million, primarily reflecting our profit before tax of approximately RMB57.3 million, adjusted by (i) depreciation and amortisation of approximately RMB28.8 million, (ii) a decrease in trade and other payables of approximately RMB42.8 million, (iii) an increase in contract liabilities of approximately RMB18.9 million and (iv) an increase in inventories of approximately RMB24.1 million.

**Cash Flows used in Investing Activities**

During the Track Record Period, our net cash used in investment activities primarily represented (i) payments for acquisition of financial assets at FVTPL, (ii) purchase of property, plant and equipment, (iii) purchase of right-of-use assets and (iv) placements of time deposit.

For the year ended 31 December 2022, we had net cash outflows in investing activities of approximately RMB81.2 million, mainly representing our purchases of financial products issued by the commercial banks in the PRC for short-term investments purpose.

For the year ended 31 December 2023, we had net cash outflows in investing activities of approximately RMB128.2 million, mainly representing our purchases of property, plant and equipment for our business operation and purchase of right-of-use assets.

For the year ended 31 December 2024, we had net cash outflows from investing activities of approximately RMB121.0 million, mainly representing our purchases of property, plant and equipment for our business operation.

For the year ended 31 July 2025, we had net cash outflows from investing activities of approximately RMB27.7 million, mainly representing our purchases of property, plant and equipment for our business operation and withdrawals of restricted time deposits.

**Cash Flows (used in)/from Financing Activities**

During the Track Record Period, our cash inflows from financing activities represented (i) new bank borrowings and (ii) proceeds from issue of shares. Our cash outflows in financing activities mainly represented (i) repayments of bank borrowings, (ii) dividends paid and (iii) repayments of lease liabilities.

For the year ended 31 December 2022, our net cash outflows in financing activities were approximately RMB135.8 million, primarily representing repayments of bank borrowings during the year.

For the year ended 31 December 2023, our net cash outflows used in financing activities were approximately RMB47.1 million, primarily representing dividends paid in May 2023.

For the year ended 31 December 2024, our net cash inflows generated from financing activities were approximately RMB78.9 million, primarily due to the new bank borrowings and proceeds from issue of shares during the year.

For the year ended 31 July 2025, our net cash inflows generated from financing activities were approximately RMB13.6 million, primarily due to the new bank borrowings, deferred issue costs paid and repayments of bank borrowings.

## CAPITAL EXPENDITURE

Our historical capital expenditure during the Track Record Period primarily included expenditures for exploration and mining subcontracting expenses, transportation and utilities expenses and other operating expenses. We funded our capital expenditure requirements during the Track Record Period mainly from operating cash inflow and bank facilities. For the years ended 31 December 2022, 2023, 2024 and the seven months ended 31 July 2025, our capital expenditure was approximately RMB95.0 million, RMB222.9 million, RMB89.8 million and RMB56.9 million, respectively. We expect to incur further capital expenditure in 2025 to meet the expected growth of our mining asset portfolio, in particular the development of our underground mine, which has commenced commercial operation since the second quarter of 2025, and the construction of our new tailings pond, which is expected to be completed in 2026.

## CAPITAL COMMITMENTS

As at 31 December 2022, 2023, 2024 and 31 July 2025, we recorded capital commitments of approximately RMB247.8 million, RMB154.3 million, RMB78.4 million and RMB75.4 million in connection with the capital commitment towards the Phase 2 Tailings Pond and the Nanbeishan Green Project (南北山綠化工程), which is an ESG project led by Lhasa Forestry and Grassland Bureau (拉薩市林業和草原局) in which we participated as our contribution to the local community.

The following table sets out capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the historical financial information for the years/period indicated.

| | As at 31 December | | | As at 31 July |
|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the historical financial information | 247,794 | 154,253 | 78,353 | 75,424 |

## CONTINGENT LIABILITIES

During the Track Record Period, except as disclosed herein and apart from intra-group liabilities, we did not have any outstanding loan capital, bank overdrafts and liabilities under acceptance or other similar indebtedness, debentures, mortgages, charges or loans, or acceptance credits or hire purchase commitments, guarantees or other material contingent liabilities or any covenant in connection therewith as at 31 August 2025, being the latest practicable date for the purpose of the indebtedness statement.

## OFF-BALANCE SHEET TRANSACTIONS

During the Track Record Period and up to the Latest Practicable Date, we had not entered into any off-balance sheet transaction.

## RELATED PARTY TRANSACTIONS

During the Track Record Period, we entered into transactions with our related parties, representing the remuneration of key management personnel. For details, see note 34 of the Accountants' Report in Appendix I to this document.

## PRODUCTION COSTS AND CASH OPERATING COSTS

Cash operating costs for our mines primarily consist of mining operation costs and processing costs. For the years ended 31 December 2022, 2023, 2024 and the seven months ended 31 July 2025, our cash operating costs were RMB224.5 million, RMB249.9 million, RMB130.9 million and RMB98.9 million, respectively.

The tables below set forth a summary of our historical and forecast of the cash operating costs for the years indicated, based on the Independent Technical Report.

| | 2022 | 2023 | 2024 | 2025 (January-July) | 2025 (August-December) | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | *(RMB million)* | *(RMB million)* | *(RMB million)* | *(RMB million)* | *(RMB million)* | *(RMB million)* | *(RMB million)* | *(RMB million)* | *(RMB million)* | *(RMB million)* | *(RMB million)* | *(RMB million)* |
| **Operating cash cost by types** | | | | | | | | | | | | |
| Mining | 121.9 | 146.3 | 60.5 | 54.0 | 75.1 | 141.4 | 113.6 | 86.2 | 89.0 | 88.7 | 87.8 | 106.5 |
| Processing | 78.5 | 78.9 | 53.5 | 37.2 | 46.4 | 72.4 | 75.1 | 72.9 | 78.2 | 80.1 | 79.6 | 85.1 |
| General and administration | 5.7 | 6.8 | 4.6 | 3.1 | 5.1 | 5.4 | 5.5 | 5.6 | 5.7 | 5.9 | 6.1 | 6.3 |
| Sales expense | 1.0 | 0.4 | 0.2 | 0.3 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 |
| Non-income taxes, royalties and other governmental charges | 17.3 | 17.4 | 12.1 | 4.3 | 13.4 | 29.0 | 31.7 | 24.0 | 28.8 | 33.3 | 25.6 | 34.6 |
| **Total** | **224.5** | **249.9** | **130.9** | **98.9** | **140.3** | **248.4** | **226.2** | **189.0** | **201.9** | **208.2** | **199.3** | **232.7** |
| **Operating cash cost by activity** | | | | | | | | | | | | |
| Contract mining | 96.3 | 116.0 | 41.6 | 40.3 | 55.0 | 112.2 | 83.8 | 56.1 | 57.3 | 56.9 | 54.8 | 72.6 |
| Workforce employment | 23.7 | 27.0 | 24.0 | 17.4 | 25.1 | 26.4 | 26.7 | 27.2 | 28.0 | 28.9 | 29.7 | 30.6 |
| Consumables | 28.1 | 29.0 | 21.0 | 17.1 | 13.4 | 23.8 | 24.5 | 24.7 | 26.2 | 26.0 | 27.1 | 27.7 |
| Fuel, electricity, water and other services | 38.4 | 36.7 | 18.6 | 6.3 | 21.4 | 38.8 | 40.1 | 40.5 | 43.1 | 42.7 | 44.5 | 45.5 |
| On-site and off-site administration | 5.7 | 6.8 | 4.6 | 3.1 | 5.1 | 5.4 | 5.5 | 5.6 | 5.7 | 5.9 | 6.1 | 6.3 |
| Environmental protection and monitoring | 0.0 | 0.9 | 0.6 | 0.6 | 0.9 | 1.2 | 1.0 | 0.9 | 0.9 | 1.0 | 1.0 | 1.1 |
| Transport of workforce | — | — | — | — | — | — | — | — | — | — | — | — |
| Product marketing and transport | 15.0 | 16.0 | 8.3 | 9.7 | 5.9 | 11.6 | 12.8 | 10.0 | 11.8 | 13.6 | 10.5 | 14.3 |
| Non-income taxes, royalties and other governmental charges | 17.3 | 17.4 | 12.1 | 4.3 | 13.4 | 29.0 | 31.7 | 24.0 | 28.8 | 33.3 | 25.6 | 34.6 |
| Contingency allowances | — | — | — | — | — | — | — | — | — | — | — | — |
| **Total** | **224.5** | **249.9** | **130.9** | **98.9** | **140.3** | **248.4** | **226.2** | **189.0** | **201.9** | **208.2** | **199.3** | **232.7** |

Our operating costs for the year ended 31 December 2024 significantly decreased, as a result of the temporary suspension of production lines to accommodate the sequential upgrade of the two productions lines of our processing plant during 2024. Therefore, the production of concentrates was not at full capacity, resulted in reduced processing days of our processing plant. Proportionately, our operating costs decreased compared with that of normal years.

Based on the Independent Technical Report, the forecast for the remaining LOM of 8.0 years is based on historical operating costs, contractual agreements with mining contractors, and government-prescribed resource tax rates and other applicable tax rates. Inflation has also been factored. Operating costs exclude expenses related to the purchase and processing of third-party ores, as well as the processing of ores from the ore sorter, which is at the trial stage.

See "Appendix III — Independent Technical Report" to this document for details.

## KEY FINANCIAL RATIOS

The following table sets out certain of our key financial ratios as at the dates indicated and for the years/period indicated.

| | As at and the year ended 31 December | | | As at and the year ended 31 July |
|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2025 |
| **Liquidity Ratio** | | | | |
| Current ratio[(1)] | 0.8 | 0.6 | 0.8 | 1.0 |
| Quick ratio[(2)] | 0.6 | 0.3 | 0.6 | 0.7 |
| **Profitability Ratio** | | | | |
| Gross profit margin | 36.2% | 39.9% | 34.7% | 33.4% |
| **Rates of Return** | | | | |
| Return on assets[(3)] | 10.1% | 12.0% | 3.8% | N/A[(5)] |
| Return on equity[(4)] | 13.8% | 16.2% | 5.4% | N/A[(5)] |

*Notes:*

(1) Current ratio is calculated by dividing total current assets by total current liabilities as at the end of the year.

(2) Quick ratio is calculated by dividing total current assets (excluding inventories) by total current liabilities as at the end of the year.

(3) Return on assets ratio is calculated using net profit divided by total assets at the end of the year, multiplied by 100%.

(4) Return on equity ratio is calculated using net profit divided by total equity at the end of the year, multiplied by 100%.

(5) Such ratios for the seven months ended 31 July 2025 are not meaningful or might be misleading as they cannot represent a full-year operation and performance.

***Current Ratio***

Our current ratio was 0.8 times, 0.6 times, 0.8 times and 1.0 times as at 31 December 2022, 2023, 2024 and 31 July 2025, respectively. The decrease of our current ratio as at 31 December 2023 as compared to 31 December 2022 primarily because our liquid cash was converted into fixed deposits during the year. The increase of our current ratio as at 31 December 2024 as compared to 31 December 2023 was primarily due to an increase in our total cash balances primarily due to an increase in our bank borrowings and payment in advance from our customers. The increase of our current ratio as at 31 July 2025 as compared to 31 December 2024 was primarily due to an increase in our other receivables and prepayments and an increase in our inventory during the period.

***Quick Ratio***

Consistent with the changes in our current ratio, our quick ratio was 0.6 times, 0.3 times, 0.6 times and 0.7 times, as at 31 December 2022, 2023, 2024 and 31 July 2025, respectively.

***Gross Profit Margin***

See "— Description of Major Components of our Results of Operations — Gross Profit and Gross Profit Margin" in this section for a detailed analysis of our gross profit margin during the Track Record Period.

***Return on Assets***

Our return on assets was 10.1%, 12.0% and 3.8% as at 31 December 2022, 2023 and 2024, respectively. Our return on assets increased from 10.1% as at 31 December 2022 to 12.0% as at 31 December 2023, primarily due to an increase in our net profits during the year. Our return on assets decreased from 12.0% as at 31 December 2023 to 3.8% as at 31 December 2024, primarily due to a decrease in our net profits during the year.

***Return on Equity***

Our return on equity was 13.8%, 16.2% and 5.4% as at 31 December 2022, 2023 and 2024, respectively. Our return on equity increased from 13.8% as at 31 December 2022 to 16.2% as at 31 December 2023, primarily due to an increase in our net profits generated during the year. Our return on equity decreased from 16.2% as at 31 December 2023 to 5.4% as at 31 December 2024, primarily due to a decrease in net profit during the year.

## QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISKS

We are exposed to various types of financial and market risks, including interest rate risk, credit risk and liquidity risk. Our operation management is responsible for the risk management. For details, see note 36 of the Accountants' Report in Appendix I to this document.

### 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 market interest rates. Lease liabilities bearing fixed rates expose us to fair value interest rate risk. Our bank balances are mainly at prevailing interest rates.

### 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 us. Our credit risk exposures are primarily attributable to bank balances, time deposits, restricted time deposits, amounts due from a related party and other receivables. We do not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

### Liquidity Risk

Liquidity risk relates to the risk that our Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. We have established an appropriate liquidity risk management framework for the management of our short, medium and long-term funding and liquidity management requirement. We manage liquidity risk by maintaining adequate banking facilities and borrowing facilities, by continuing monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

## DIVIDENDS

In January 2022, we declared and fully paid dividends of RMB30.0 million. In April 2023, we declared dividends of RMB50.0 million which were subsequently fully paid in May 2023.

Our Board is responsible for submitting proposals in respect of dividend payments, if any, to the Shareholders' general meeting for approval. Our Board may declare dividends in the future after taking into account our distributable profits, financial condition, cash flows, expected future capital expenditure, return to our Shareholders, capital requirements, finance costs, the external financing environment and any other factors that the Directors may deem relevant. Any declaration and payment, as well as the amount of, dividends will be subject to the requirements of our Article of Association and the PRC Company Law. According to the PRC Company Law and our Articles of Association, dividends are distributed to our Shareholders in proportion to their shareholdings. We currently do not have a fixed pay-out ratio for future cash dividends. The payment of dividends may also be limited by legal restrictions.

In any event, we will pay dividends out of our profit after tax only after we have made the following allocations:

(a) recovery of accumulated losses, if any;

(b) allocation to the statutory common reserve fund an amount of 10% of our profit after tax, as determined under the Accounting Standards for Business Enterprises issued by the MOF ("**PRC GAAP**"); until such fund has reached more than 50% of our registered capital; and

(c) allocation, if any, to a discretionary common reserve fund an amount approved by the Shareholders in a Shareholders' meeting.

## DISTRIBUTABLE RESERVES

As at 31 July 2025, our Company had approximately RMB458.4 million distributable reserves, representing retained profits.

## [REDACTED] EXPENSES

The estimated total [REDACTED] expenses, including [REDACTED] commissions (based on the [REDACTED] of the [REDACTED] range and assuming that the [REDACTED] is not exercised) for the [REDACTED] are approximately RMB[REDACTED] million (HK$[REDACTED] million), which represents approximately [REDACTED]% of the gross [REDACTED] from the [REDACTED]. Such estimated total [REDACTED] expenses include [REDACTED]-related expenses, including [REDACTED] commission of approximately RMB[REDACTED] million (HK$[REDACTED] million). For the year ended 31 December 2024 and for the seven months ended 31 July 2025, approximately RMB[REDACTED] million (HK$[REDACTED] million) and RMB[REDACTED] million (HK$[REDACTED] million) has been charged to our statement of profit or loss, respectively. An estimated amount of approximately RMB[REDACTED] million (HK$[REDACTED] million) is expected to be expensed through the statement of profit or loss and the remaining amount of approximately RMB[REDACTED] million (HK$[REDACTED] million) is expected to be recognised directly as a deduction from equity upon the [REDACTED].

## UNAUDITED [REDACTED]

The following unaudited [REDACTED] statement of adjusted consolidated net tangible assets of our Group attributable to owners of our Company is prepared based on the consolidated net tangible assets of our Group attributable to owners of our Company as at 31 July 2025 as derived from the Accountants' Report set out in Appendix I to this document, and adjusted as described below.

| | **Consolidated net tangible assets of our Group attributable to owners of our Company as at 31 July 2025**[(1)] | **Estimated [REDACTED] from the [REDACTED]**[(2)] | **Unaudited [REDACTED] adjusted consolidated net tangible assets of our Group attributable to owners of our Company as at 31 July 2025**[(3)] | **Unaudited [REDACTED] adjusted consolidated net tangible assets of our Group attributable to owners of our Company per Share as at 31 July 2025**[(4)] | |
|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB* | *HK$* |
| Based on [REDACTED] of HK$[REDACTED] per [REDACTED] | [678,356] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| Based on [REDACTED] of HK$[REDACTED] per [REDACTED] | [678,356] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |

*Notes:*

1. The audited consolidated net tangible assets of our Group attributable to owners of our Company as at 31 July 2025 is derived from the Accountants' Report set out in Appendix I to this document, which has been calculated based on the audited consolidated net assets of our Group attributable to the owners of our Company as at 31 July 2025 of RMB[1,085,838,000] less intangible assets and certain exploration and evaluations assets of our Group attributable to the owners of our Company as at 31 July 2025 of RMB[399,986,000] and RMB[7,496,000], respectively.

2. The estimated [REDACTED] from the [REDACTED] are based on [REDACTED] [REDACTED] that may be issued at the low end price and high end of the indicative [REDACTED] of HK$[REDACTED] (equivalent to RMB[REDACTED]) and HK$[REDACTED] (equivalent to RMB[REDACTED]) per [REDACTED], respectively, after deduction of [REDACTED] per [REDACTED] commissions and other [REDACTED] related expenses payable by our Company, excluding the [REDACTED] which had been charged to profit or loss during the Track Record Period. The calculation of the estimated [REDACTED] from [REDACTED] does not take into account any Shares (i) which may be allotted and issued upon the exercise of the [REDACTED] or (ii) which may be allotted and issued by our Company under the general mandates for the allotment and issue of Shares of our Company.

   For the purpose of the calculation of the estimated [REDACTED] from the [REDACTED], the amount denominated in HK$ has been converted into RMB at the rate of HK$1 to RMB[0.9112], which was the exchange rate prevailing on [4 September 2025] with reference to the rate published by the People's Bank of China. No representation is made that the HK$ amounts have been, could have been or may be converted to RMB, or vice versa, at that rate or any other rates or at all.

3. For the purpose of the unaudited [REDACTED] adjusted consolidated net tangible assets of our Group attributable to owners of our Company per share as at 31 July 2025, the amount denominated in RMB has been converted into HK$ at the rate of RMB[0.9112] to HK$1, which was the exchange rate prevailing on [4 September 2025] with reference to the rate published by the People's Bank of China. No representation is made that the HK$ amounts have been, could have been or may be converted to RMB, or vice versa, at that rate or any other rates or at all.

4. The unaudited [REDACTED] adjusted consolidated net tangible assets of our Group attributable to the owners of our Company per share as at 31 July 2025 per Share is arrived at on the basis that [REDACTED] Shares were in issue immediately upon completion of the [REDACTED]. It does not take into account any Share (i) which may be allotted and issued upon the exercise of the [REDACTED] or (ii) which may be allotted and issued by our Company under the general mandates for the allotment and issue of our Company.

5. No adjustment has been made to the unaudited [REDACTED] adjusted consolidated net tangible assets of our Group attributable to owners of our Company as at 31 July 2025 to reflect any trading result or other transactions of our Group entered into subsequent to 31 July 2025.

## NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that, up to the date of this document, there has been no material adverse change in our business operations, financial or trading positions or prospects since 31 July 2025, being the date on which our latest audited consolidated financial statements were prepared, and there has been no event since 31 July 2025 which would materially affect the information as set out in the Accountants' Report in Appendix I to this document.

## DISCLOSURE UNDER RULE 13.13 TO 13.19 OF THE LISTING RULES

Our Directors have confirmed that, as at the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

## FUTURE PLANS

We strive to solidify our market leading position in the mining industry and propel our business growth through our strategies. See "Business — Our Strategies" in this document for a detailed description of our future plans.

## [REDACTED]

We estimate that we will receive [REDACTED] of approximately HK$[REDACTED] million (equivalent to approximately RMB[REDACTED] million from the [REDACTED], after deducting the [REDACTED] commissions and other estimated expenses payable by us in connection with the [REDACTED], assuming an [REDACTED] Price of HK$[REDACTED] per H Share (being the [REDACTED] of the indicative [REDACTED] range) and that the [REDACTED] is not exercised.

Our Directors intend to apply the [REDACTED] from the [REDACTED] for the following purposes, in particular to comprehensively enhance our capabilities in our business operation chain, i.e. the process of mining, exploration and production:

(1) approximately HK$[REDACTED] million (equivalent to approximately RMB[REDACTED] million), representing approximately [REDACTED]% of the [REDACTED] from the [REDACTED], will be applied to comprehensive mining capacity enhancement comprising (i) approximately RMB[REDACTED] million for mining infrastructure; and (ii) approximately RMB[REDACTED] million for mining auxiliary facilities. Specifically, our underground mine has commenced commercial operation since the second quarter of 2025 and we aim to elevate our mining capacity to the extent possible, based on a feasibility study in connection with our target to increase our current mining capacity, on which we collaborated with an external nonferrous metallurgy design institute in April 2022.

    (i) For the mining infrastructure enhancement, we plan to apply:-

        (a) approximately RMB[REDACTED] million to acquire high-capacity machinery and equipment with the latest technology to improve our extraction capabilities and implement intelligent mining system.

            Such machinery and equipment may include jumbo drill rigs, remote-controlled load-haul-dump (LHD) loaders, scaling rigs, mine haulage trucks, shotcrete sprayers, bolting rigs and an intelligent control system. Individually, jumbo drill rigs achieve faster penetration rates and more accurate blast patterns, reducing over-break and lowering downstream crushing loads. Remote-controlled LHDs improve safety by removing operators from hazardous underground environments and can increase productivity by allowing for more efficient and continuous operation, and improving labour safety as well. Scaling rigs contribute to safer working conditions by efficiently removing loose rock from tunnel surfaces. Mine haulage trucks are designed for high-capacity, efficient ore transport within the mine, while shotcrete sprayers and bolting rigs are used to reinforce underground excavations, improving overall mine stability and safety. The unit price of such machinery and equipment ranges from RMB0.22 million to RMB2.85 million. Our Group will determine the quantity of equipment to be procured based on operational needs.

(b) approximately RMB[REDACTED] million for underground development works, where approximately RMB[REDACTED] million will be applied to the construction of access and haulage infrastructure, such as the development of vertical shafts, inclined shafts, ramps, horizontal tunnels, ventilation and water supply systems, which are essential for ore access and transportation; approximately RMB[REDACTED] million will be applied to the installation of essential support system, such as backfill systems to ensure safe and sustainable underground operations; and approximately RMB[REDACTED] million will be applied to installation of intelligent management and control systems for real-time monitoring and digital mine management; and

(c) approximately RMB[REDACTED] million for installation of an energy-efficient ore haulage system, which is an optical processing system using optical technology like cameras and fiber optics for monitoring, control, and safety.

(ii) For the energy-saving and safety auxiliary facilities, we plan to apply approximately RMB[REDACTED] million for energy-saving measures, which may include direct energy-saving equipment, such as LED lighting, variable frequency drives, high-efficiency fans, flow meters to directly reduce daily operational energy consumption; automation and intelligent equipment, such as automated control system, intelligent sewage treatment, modern analyzers to reflect an emphasis on smart management and green production; and power system upgrades, such as substations, cables, overhead lines, are the main investment focus, to ensure efficient and safe electricity supply and forming the foundation for energy savings.

We expect that the [REDACTED] allocated to enhancing our mining capacity will be fully utilised by 2030 with a detailed breakdown of the [REDACTED] to be allocated as below:

| **Major Uses** | **Amount of [REDACTED]** | **Percentage of Total [REDACTED]** |
|---|---|---|
| | *(RMB in millions)* | *(%)* |
| **Mining infrastructure** | | |
| - High-capacity machinery and equipment | [REDACTED] | [REDACTED] |
| - Underground development works | [REDACTED] | [REDACTED] |
| - Energy-efficient ore haulage system | [REDACTED] | [REDACTED] |
| *subtotal* | *[REDACTED]* | *[REDACTED]* |
| **Mining auxiliary facilities** | [REDACTED] | [REDACTED] |
| **Total** | **[REDACTED]** | **[REDACTED]** |

(2) approximately HK$[REDACTED] million (equivalent to approximately RMB[REDACTED] million), representing approximately [REDACTED]% of the [REDACTED] from the [REDACTED], will be used for increasing our exploration investments within our existing mining rights in Xizang.

Our exploration capabilities will be enhanced so that we will become able to conduct comprehensive surveys and employ advanced exploration method, which will be achieved through (i) enhancing our total metal content through deploying additional resources by virtue of more extensive surface digging and drilling activities and adopting innovative exploration techniques, (ii) implementing innovative exploration tools and technologies, investing in workforce training to enhance the effectiveness and efficiency of our mineral exploration processes.

We expect that the [REDACTED] allocated to our exploration investment will be fully utilised by 2030 with a detailed breakdown of the [REDACTED] to be allocated as below:

| **Major Uses** | **Amount of [REDACTED]** | **Percentage of Total [REDACTED]** |
|---|---|---|
| | *(RMB in millions)* | *(%)* |
| Drilling, trenching and sampling | | |
| - procurement of mining tools | [REDACTED] | [REDACTED] |
| - trenching and sampling | [REDACTED] | [REDACTED] |
| - workforce training | [REDACTED] | [REDACTED] |
| *subtotal* | *[REDACTED]* | *[REDACTED]* |
| Geological mapping, topographical survey and geophysical survey | [REDACTED] | [REDACTED] |
| Design evaluation | [REDACTED] | [REDACTED] |
| **Total** | **[REDACTED]** | **[REDACTED]** |

(3) approximately HK$[REDACTED] million (equivalent to approximately RMB[REDACTED] million), representing approximately [REDACTED]% of the [REDACTED] from the [REDACTED], will be used for enhancing our production capabilities with ore processing and concentrate production capability upgrade for our sustainable growth. For this purpose, we will acquire a piece of high-capacity processing equipment to improve the efficiency and effectiveness of our ore beneficiation processes equipped with high-capacity crushers, grinding mills and flotation cells to increase recovery rates and product quality, coupled with process optimisation techniques such as advanced control systems to improve the efficiency of production during extreme weather conditions. The high-capacity processing equipment that our Group intends to procure is equipped high-capacity crushers, grinding mills and flotation cells to increase recovery rates and product quality. Our Group expects to increase recovery rates for lead and zinc by 0.5-2% and for copper and silver by 2-5%, while also improving product quality. These upgrades will reduce frontline labour requirements by 5-10%, lower operational costs, and increase equipment utilisation rates by 2-5%. Additionally, intelligent automation and mechanisation will enhance safety, reduce labour intensity, and support environmental management, resulting in higher productivity, significant cost savings, and a safer, more sustainable mining operation. In addition, investing in integrated information technology systems, which may include enterprise resources planning and manufacturing execution systems, will enable real-time data collection, analysis and reporting, leading to better process control and resource management.

We expect that the [REDACTED] allocated to enhancing ore processing and concentrate production capacity for our sustainable growth will be fully utilised by 2030 with a detailed breakdown of the [REDACTED] to be allocated as below:

| Major Uses | Amount of [REDACTED] | Percentage of Total [REDACTED] |
|---|---|---|
| | *(RMB in millions)* | *(%)* |
| Mineral processing equipment | [REDACTED] | [REDACTED] |
| Civil construction | [REDACTED] | [REDACTED] |
| Mineral processing plant installation and commissioning | [REDACTED] | [REDACTED] |
| Automation control system | [REDACTED] | [REDACTED] |
| **Total** | **[REDACTED]** | **[REDACTED]** |

(4) approximately HK$[REDACTED] million (equivalent to approximately RMB[REDACTED] million), representing approximately [REDACTED]% of the [REDACTED] from the [REDACTED], will be used for investment in and acquisition of assets that demonstrate growth potential. The geological potential, operational efficiency and financial viability of target mining assets would be evaluated to identify the high-potential assets that would align with our strategic growth objectives. We may collaborate with other market participants to leverage synergies and expand our operational footprint, including collaborating with local and international mining companies, technology providers and research institutions to enhance our capabilities and market reach. Diversifying our asset portfolio would help us mitigate risks and enhance long-term profitability by reducing dependency on a single asset or market. Upon acquisition of mining assets, we would work towards ensuring seamless integration of acquired assets to maximise value creation, which includes developing detailed integration plans, aligning operational processes and leveraging best practices to achieve operational excellence.

According to SMM, asset investments and acquisitions are common, presenting potential acquisition targets in the lead-zinc mining industry. Specifically, the lead-zinc mining industry in China is characterised by a decentralised structure, comprising numerous small and medium-sized mining companies, which serve as the basis for these targets. In recent years, there have been several notable acquisition cases within the mining industry. These activities not only reflect the ongoing demand for resource integration and industrial optimisation in the industry but also highlight the opportunities for corporate expansion and development through investment or acquisitions.

As at the Latest Practicable Date, we had not identified any prominent investment or acquisition targets, nor had we entered into any agreements in this regard. Nonetheless, there are a few potential target companies which are located in the western region of China. Generally speaking, these mining companies primarily engage in exploration activities, which have yet progressed to the commercial operation phase. Given the preliminary nature of such operations, our acquisition costs are expected to be relatively modest. Upon acquisition, we are expected and required to make further capital investments to progress the acquisition target's operations to commercialisation, i.e., advancing the operations of the mining company to production phase, such that it could generate extra revenue for our Group in the future.

We expect that the [REDACTED] allocated to the investment in and acquisition of assets will be fully utilised by 2030, on the prerequisite on our management assessment followed with a conclusion that the risk associated to the investment and acquisition is minimised to the extent reasonable.

(5) approximately HK$[REDACTED] million (equivalent to approximately RMB[REDACTED] million), representing approximately [REDACTED]% of the [REDACTED] from the [REDACTED], will be used as working capital and other general corporate purposes by 2030.

(6) approximately HK$[REDACTED] million (equivalent to approximately RMB[REDACTED] million), representing approximately [REDACTED]% of the [REDACTED] from the [REDACTED], will be used for repayment of bank loans by 2026. We currently intend to repay the secured and unguaranteed borrowings owed to the Seni Branch of the Agricultural Bank of China Limited (中國農業銀行股份有限公司色尼支行) with effective interest rate of 1.25%, which is the first maturing loan amongst the existing bank borrowings.

We expect the [REDACTED] allocated to the foregoing purposes will be fully utilised by 2030, presuming that there is no significant change of conditions.

The above allocation of the [REDACTED] will be adjusted on a pro rata basis in the event that the [REDACTED] is fixed at a higher level compared to the [REDACTED] of the estimated [REDACTED] range. In the event that the [REDACTED] is fixed at a lower level compared to the [REDACTED] of the estimated [REDACTED], we will apply our cash inflow from operating activities to the intended [REDACTED].

If the [REDACTED] is fixed at HK$[REDACTED] per H Share, being the high-end of the [REDACTED] range stated in this document and assuming no exercise of the [REDACTED], the [REDACTED] will be increased by approximately HK$[REDACTED] million. If the [REDACTED] is fixed at HK$[REDACTED] per H Share, being the [REDACTED] of the [REDACTED] range stated in this document and assuming no exercise of the [REDACTED], the [REDACTED] will be reduced by approximately HK$[REDACTED] million. If the [REDACTED] is set either above or below the [REDACTED] of the indicative [REDACTED] range, we intend to adjust our allocation of [REDACTED] for the above purposes on a pro rata basis.

The additional [REDACTED] that we would receive if the [REDACTED] is exercised in full would be HK$[REDACTED] million after deducting the [REDACTED] commissions and other estimated expenses payable by us in connection with the [REDACTED] (assuming an [REDACTED] of HK$[REDACTED] per H Share, being the [REDACTED] of the [REDACTED] range stated in this document). Additional [REDACTED] received due to the exercise of any [REDACTED] will be utilised according to the allocation of [REDACTED] for the above purposes on a pro rata basis.

To the extent that the [REDACTED] are not immediately applied to the above purposes, we will deposit those [REDACTED] into short-term interest-bearing accounts at licensed commercial banks and/or other authorised financial institutions (as defined under the SFO or the applicable laws and regulations in other jurisdictions).

We will make an appropriate announcement if there is any change to the above proposed [REDACTED].

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

# HOW TO APPLY FOR [REDACTED]

[REDACTED]

# HOW TO APPLY FOR [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

# HOW TO APPLY FOR [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

# HOW TO APPLY FOR [REDACTED]

[REDACTED]

[REDACTED]

*The following is the text of a report set out on pages I-1 to I-[●] received from the Company's reporting accountants, [●], Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.*

*[LOGO]*

**ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF XIZANG ZHIHUI MINING CO., LTD. AND SINOLINK SECURITIES (HONG KONG) COMPANY LIMITED AND MAXA CAPITAL LIMITED**

**Introduction**

We report on the historical financial information of 西藏智匯礦業股份有限公司(Xizang Zhihui Mining Co., Ltd.) (the "Company") and its subsidiaries (together, the "Group") set out on pages I-[●] to I-[●] which comprises the consolidated statements of financial position of the Group as at 31 December 2022, 2023 and 2024 and 31 July 2025, the statements of financial position of the Company as at 31 December 2022, 2023 and 2024 and 31 July 2025, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the three years ended 31 December 2024 and the seven months ended 31 July 2025 (the "Track Record Period") and material accounting policy information and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-[●] to I-[●] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [●] (the "Document") in connection with the [REDACTED] of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

**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 2 to the Historical Financial Information, and for such internal control as the directors of the Company 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 (the "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 2 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 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 of the Company, 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 Group's financial position as at 31 December 2022, 2023 and 2024 and 31 July 2025, of the Company's financial position as at 31 December 2022, 2023 and 2024 and 31 July 2025 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

**Review of stub period comparative financial information**

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the seven months ended 31 July 2024 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative 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 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 2 to the Historical Financial Information.

**Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance**

***Adjustments***

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-[●] have been made.

***Dividends***

We refer to Note 13 to the Historical Financial Information which contains information about the dividends declared and paid by the Company in respect of the Track Record Period.

**[●]**
*Certified Public Accountants*
Hong Kong
[Date]

## HISTORICAL FINANCIAL INFORMATION OF THE GROUP

### Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB") and were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB"), which is also the functional and presentation currency of the Company and its subsidiaries, and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

## CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | | Year ended 31 December | | | Seven months ended 31 July | |
|---|---|---|---|---|---|---|
| | NOTES | 2022 | 2023 | 2024 | 2024 | 2025 |
| | | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* (unaudited) | *RMB'000* |
| Revenue | 6 | 482,354 | 546,128 | 301,434 | 72,619 | 256,627 |
| Cost of sales | | (307,709) | (328,402) | (196,942) | (46,189) | (170,889) |
| Gross profit | | 174,645 | 217,726 | 104,492 | 26,430 | 85,738 |
| Selling and distribution expenses | | (1,048) | (412) | (452) | (367) | (271) |
| General, administrative and other expenses | | (44,606) | (56,492) | (47,556) | (33,523) | (28,599) |
| Other income | 7 | 7,327 | 5,183 | 9,269 | 8,065 | 3,283 |
| Other gains and losses, net | 8 | 404 | 9,828 | 472 | 281 | (41) |
| Finance costs | 9 | (1,786) | (2,040) | (2,922) | (1,905) | (1,833) |
| [REDACTED] expenses | | — | — | [REDACTED] | — | [REDACTED] |
| Profit (loss) before tax | | 134,936 | 173,793 | 62,860 | (1,019) | 57,299 |
| Income tax (expense) credit | 10 | (17,046) | (19,068) | (7,006) | 1,015 | (5,562) |
| **Profit (loss) and total comprehensive income (expense) for the year/period attributable to owners of the Company** | 11 | 117,890 | 154,725 | 55,854 | (4) | 51,737 |
| Earnings (loss) per share (in RMB) | 14 | | | | | |
| Basic | | 0.33 | 0.43 | 0.15 | * | 0.14 |

* represents an amount less than RMB0.01.

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| | | The Group | | | | The Company | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | As at 31 December | | | As at 31 July | As at 31 December | | | As at 31 July |
| | NOTES | 2022 | 2023 | 2024 | 2025 | 2022 | 2023 | 2024 | 2025 |
| | | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **NON-CURRENT ASSETS** | | | | | | | | | |
| Property, plant and equipment | 15 | 451,924 | 567,387 | 620,692 | 706,266 | 90 | 60 | 42 | 422 |
| Right-of-use assets | 16 | 16,244 | 63,455 | 61,504 | 60,759 | 70 | 117 | 56 | 47 |
| Intangible assets | 17 | 340,765 | 326,290 | 316,673 | 399,986 | 52 | 41 | 31 | 428 |
| Exploration and evaluation assets | 18 | 144,811 | 146,695 | 150,113 | 7,496 | — | — | — | — |
| Investments in subsidiaries | 38 | — | — | — | — | 475,065 | 475,065 | 475,065 | 475,065 |
| Amounts due from subsidiaries | 19 | — | — | — | — | 485,604 | 485,604 | — | — |
| Other receivables and prepayments | 22 | 381 | 1,012 | 73 | 96 | — | — | — | — |
| Time deposits | 25 | — | 20,000 | 20,000 | 20,000 | — | 20,000 | 20,000 | 20,000 |
| Restricted time deposits | 25 | — | 30,000 | 30,000 | — | — | — | — | — |
| Deferred tax assets | 20 | 11,413 | 11,271 | 8,437 | 7,315 | — | — | — | 594 |
| | | 965,538 | 1,166,110 | 1,207,492 | 1,201,918 | 960,881 | 980,887 | 495,194 | 496,556 |
| **CURRENT ASSETS** | | | | | | | | | |
| Inventories | 21 | 54,402 | 55,645 | 60,691 | 84,778 | — | — | — | — |
| Other receivables and prepayments | 22 | 6,489 | 9,119 | 23,292 | 47,984 | 96 | 304 | 4,301 | 20,132 |
| Amounts due from a related party | 23 | 504 | 504 | — | — | 64 | 64 | — | — |
| Amounts due from a subsidiary | 19 | — | — | — | — | 195,709 | 97,343 | 261,579 | 239,794 |
| Financial assets at fair value through profit or loss ("FVTPL") | 24 | 100,417 | 30,780 | — | — | — | — | — | — |
| Prepaid income tax | | — | — | 1,198 | 393 | — | — | 1,198 | 393 |
| Time deposits | 25 | — | — | 20,000 | 20,000 | — | — | — | — |
| Bank balances | 25 | 42,270 | 30,808 | 142,222 | 153,432 | 4,991 | 983 | 23,842 | 22,340 |
| | | 204,082 | 126,856 | 247,403 | 306,587 | 200,860 | 98,694 | 290,920 | 282,659 |

| | | The Group | | | | The Company | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | As at 31 December | | | As at 31 July | As at 31 December | | | As at 31 July |
| | NOTES | 2022 | 2023 | 2024 | 2025 | 2022 | 2023 | 2024 | 2025 |
| | | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **CURRENT LIABILITIES** | | | | | | | | | |
| Bank borrowings | 26 | — | 3,000 | 64,675 | 67,974 | — | — | — | — |
| Amounts due to related parties | 23 | 1 | 3 | 3 | — | — | 2 | 2 | — |
| Trade and other payables | 27 | 211,767 | 189,646 | 209,750 | 175,157 | 7,955 | 11,570 | 11,572 | 2,747 |
| Amounts due to subsidiaries | 19 | — | — | — | — | 203,517 | 315,174 | 45 | — |
| Contract liabilities | 28 | 295 | 4,133 | 25,361 | 44,217 | 50 | 4,133 | 3,456 | 13,051 |
| Lease liabilities | 29 | 4,660 | 368 | 73 | 340 | 48 | 79 | 47 | 48 |
| Provision | 30 | 1,250 | — | 1,317 | 1,220 | — | — | — | — |
| Tax payable | | 35,082 | 27,546 | 25,374 | 26,413 | 1,417 | 1,372 | — | — |
| | | 253,055 | 224,696 | 326,553 | 315,321 | 212,987 | 332,330 | 15,122 | 15,846 |
| **NET CURRENT (LIABILITIES) ASSETS** | | **(48,973)** | **(97,840)** | **(79,150)** | **(8,734)** | **(12,127)** | **(233,636)** | **275,798** | **266,813** |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **916,565** | **1,068,270** | **1,128,342** | **1,193,184** | **948,754** | **747,251** | **770,992** | **763,369** |
| **NON-CURRENT LIABILITIES** | | | | | | | | | |
| Deferred tax liabilities | 20 | 55,008 | 52,733 | 51,271 | 50,090 | — | 17 | 68 | — |
| Other non-current payables | 27 | — | 48,548 | 34,587 | 24,877 | — | — | — | — |
| Amounts due to subsidiaries | 19 | — | — | — | — | 167,906 | — | — | — |
| Lease liabilities | 29 | 48 | 45 | 31 | 296 | 24 | 45 | 31 | 31 |
| Bank borrowings | 26 | — | — | — | 26,000 | — | — | — | — |
| Provisions | 30 | 8,562 | 9,272 | 8,352 | 6,083 | — | — | — | — |
| | | 63,618 | 110,598 | 94,241 | 107,346 | 167,930 | 62 | 99 | 31 |
| **NET ASSETS** | | **852,947** | **957,672** | **1,034,101** | **1,085,838** | **780,824** | **747,189** | **770,893** | **763,338** |
| **EQUITY** | | | | | | | | | |
| Share capital | 31 | 360,000 | 360,000 | 365,854 | 365,854 | 360,000 | 360,000 | 365,854 | 365,854 |
| Reserves | | 492,947 | 597,672 | 668,247 | 719,984 | 420,824 | 387,189 | 405,039 | 397,484 |
| **TOTAL EQUITY** | | **852,947** | **957,672** | **1,034,101** | **1,085,838** | **780,824** | **747,189** | **770,893** | **763,338** |

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

| | Share capital | Capital reserve | Statutory reserve | Special reserve | Retained profits | Total |
|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* (Note a) | *RMB'000* (Note b) | *RMB'000* | *RMB'000* |
| As at 1 January 2022 | 360,000 | 202,448 | 11,320 | 16,829 | 174,460 | 765,057 |
| Profit and total comprehensive income for the year | — | — | — | — | 117,890 | 117,890 |
| Transfer to statutory reserve | — | — | 6,446 | — | (6,446) | — |
| Dividends recognised as distribution (Note 13) | — | — | — | — | (30,000) | (30,000) |
| Transfer to special reserve | — | — | — | 134 | (134) | — |
| As at 31 December 2022 | 360,000 | 202,448 | 17,766 | 16,963 | 255,770 | 852,947 |
| Profit and total comprehensive income for the year | — | — | — | — | 154,725 | 154,725 |
| Transfer to statutory reserve | — | — | 7,446 | — | (7,446) | — |
| Dividends recognised as distribution (Note 13) | — | — | — | — | (50,000) | (50,000) |
| Transfer from special reserve | — | — | — | (281) | 281 | — |
| As at 31 December 2023 | 360,000 | 202,448 | 25,212 | 16,682 | 353,330 | 957,672 |
| Profit and total comprehensive income for the year | — | — | — | — | 55,854 | 55,854 |
| Issue of new shares (Note 31) | 5,854 | 14,721 | — | — | — | 20,575 |
| Transfer to statutory reserve | — | — | 3,189 | — | (3,189) | — |
| Transfer from special reserve | — | — | — | (2,223) | 2,223 | — |
| As at 31 December 2024 | 365,854 | 217,169 | 28,401 | 14,459 | 408,218 | 1,034,101 |
| Profit and total comprehensive income for the period | — | — | — | — | 51,737 | 51,737 |
| Transfer to special reserve | — | — | — | 1,599 | (1,599) | — |
| As at 31 July 2025 | 365,854 | 217,169 | 28,401 | 16,058 | 458,356 | 1,085,838 |
| As at 1 January 2024 (audited) | 360,000 | 202,448 | 25,212 | 16,682 | 353,330 | 957,672 |
| Loss and total comprehensive expense for the period | — | — | — | — | (4) | (4) |
| Transfer from special reserve | — | — | — | (833) | 833 | — |
| As at 31 July 2024 (unaudited) | 360,000 | 202,448 | 25,212 | 15,849 | 354,159 | 957,668 |

*Notes:*

(a) According to the relevant laws in the People's Republic of China (the "PRC"), entities established in the PRC with limited liability are required to transfer at least 10% of their net profit after taxation, as determined under the PRC accounting regulations, to a non-distributable reserve fund ("statutory reserve") until the reserve balance reaches 50% of their respective registered capital. The transfer to the statutory reserve must be made before the distribution of a dividend to owners. Such reserve fund can be used to offset the previous years' losses, if any, and is non-distributable other than upon liquidation.

(b) Pursuant to the relevant PRC regulations, the Group is required to transfer maintenance and production funds at fixed rates based on relevant bases, such as production volume, to a specific reserve account ("special reserve"). The maintenance and production funds could be utilised when expenses or capital expenditures on production maintenance and safety measures are incurred. The amount of maintenance and production funds utilised would be transferred from the special reserve to retained profits.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Year ended 31 December | | | Seven months ended 31 July | |
|---|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* *(unaudited)* | *RMB'000* |
| **OPERATING ACTIVITIES** | | | | | |
| Profit (loss) before tax | 134,936 | 173,793 | 62,860 | (1,019) | 57,299 |
| Adjustments for: | | | | | |
| Finance costs | 1,786 | 2,040 | 2,922 | 1,905 | 1,833 |
| Interest income | (609) | (862) | (1,646) | (865) | (727) |
| Depreciation and amortisation | 64,576 | 67,998 | 44,631 | 16,310 | 28,798 |
| Loss (gain) on disposal of property, plant and equipment, net | 158 | 156 | (23) | (23) | — |
| Gain on extension of repayment of mining rights granting fees payable | — | (8,207) | — | — | — |
| Gain on termination of leases | — | (166) | (4) | (4) | — |
| Gain on fair value changes of financial assets at FVTPL | (520) | (1,596) | (315) | (185) | (91) |
| Net foreign exchange losses | — | — | 40 | — | 178 |
| Operating cash flows before movements in working capital | 200,327 | 233,156 | 108,465 | 16,119 | 87,290 |
| Decrease (increase) in inventories | 7,461 | (1,243) | (5,046) | (11,810) | (24,087) |
| Increase in other receivables and prepayments | (2,684) | (2,136) | (8,809) | (12,856) | (10,200) |
| Increase (decrease) in trade and other payables | 70,731 | (39,728) | 46,682 | (14,092) | (42,825) |
| (Decrease) increase in contract liabilities | (17,685) | 3,838 | 21,228 | 40,940 | 18,856 |
| Decrease in provisions | (2,448) | (1,308) | — | — | — |
| Cash generated from operations | 255,702 | 192,579 | 162,520 | 18,301 | 29,034 |
| Income tax paid | (12,598) | (28,737) | (9,004) | (6,651) | (3,777) |
| **Net cash generated from operating activities** | 243,104 | 163,842 | 153,516 | 11,650 | 25,257 |

| | Year ended 31 December | | | Seven months ended 31 July | |
|---|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* *(unaudited)* | *RMB'000* |
| **INVESTING ACTIVITIES** | | | | | |
| Interest received | 609 | 368 | 52 | 23 | 1,324 |
| Purchases of property, plant and equipment | (34,113) | (118,412) | (105,860) | (56,188) | (57,834) |
| Purchases of intangible assets | (557) | — | — | — | (408) |
| Purchases of exploration and evaluation assets | (4,355) | (1,884) | (3,418) | (1,440) | (829) |
| Payments for right-of-use assets for leasehold lands | — | (29,622) | (23,396) | (9,358) | — |
| Proceeds from disposal of property, plant and equipment | 40 | 78 | 28 | 28 | — |
| Repayments of advances to related parties | — | — | 504 | — | — |
| Placements of time deposits | — | (20,000) | (20,000) | — | — |
| Payments for acquisition of financial assets at FVTPL | (220,000) | (400,000) | (140,000) | (70,000) | (118,000) |
| Proceeds from disposal of financial assets at FVTPL | 170,160 | 471,233 | 171,095 | 80,965 | 118,091 |
| Withdrawals of restricted time deposits | 6,995 | — | — | — | 30,000 |
| Placements of restricted time deposits | — | (30,000) | — | — | — |
| **Net cash used in investing activities** | (81,221) | (128,239) | (120,995) | (55,970) | (27,656) |
| **FINANCING ACTIVITIES** | | | | | |
| New bank borrowings raised | — | 3,000 | 94,675 | 73,000 | 72,299 |
| Repayments of bank borrowings | (100,000) | — | (33,000) | (33,000) | (43,000) |
| Interest paid | (1,381) | (20) | (514) | (424) | (616) |
| Repayments of lease liabilities | (4,371) | (47) | (466) | (35) | — |
| Dividends paid | (30,000) | (50,000) | — | — | — |
| Advances from related parties | — | 2 | — | — | — |
| Repayment to related parties | — | — | — | — | (3) |
| Proceeds from issue of new shares | — | — | 20,575 | — | — |
| Deferred issue costs paid | — | — | (2,377) | — | (15,071) |
| **Net cash (used in) from financing activities** | (135,752) | (47,065) | 78,893 | 39,541 | 13,609 |
| **Net increase (decrease) in cash and cash equivalents** | 26,131 | (11,462) | 111,414 | (4,779) | 11,210 |
| **Cash and cash equivalent at beginning of the year/period** | 16,139 | 42,270 | 30,808 | 30,808 | 142,222 |
| **Cash and cash equivalents at end of the year/period, represented by bank balances** | 42,270 | 30,808 | 142,222 | 26,029 | 153,432 |

## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

### 1. GENERAL

Xizang Zhihui Mining Co., Ltd. (the "Company") was established in the PRC on 28 November 2013 and was converted into a joint stock company with limited liability on 18 December 2020 under the Company Law of the PRC. The addresses of the registered office and the principal place of business of the Company are set out in the section head "Corporate Information" in the [Document].

The Company, together with its subsidiaries (collectively, the "Group"), is principally engaged in the exploration, mining, production and sales of non-ferrous metal concentrates, which include lead, zinc and copper in the PRC. The information of the subsidiaries of the Company is set out in Note 38.

As at 31 July 2025, the Company was held by Xizang Zhihui Enterprise Management Partnership (Limited Partnership) (西藏智輝企業管理合夥企業(有限合夥), "Zhihui Partnership", a limited partnership established under the laws of the PRC), Xizang Shengyuan Mineral Group Co., Ltd. (西藏盛源礦業集團有限公司, a limited liability company established in the PRC and is ultimately owned by Xizang SASAC), and Xizang Zhifeng Industrial Co., Ltd (西藏智峰實業有限公司, "Xizang Zhifeng", a limited liability company established in the PRC) as to 1.60%, 44.28% and 54.12%, respectively. In the opinion of the directors of the Company, the ultimate holding company of the Company is Xizang Zhifeng, which is held by Ms. Fan Xiulian ("Ms. Fan"), Ms. He Qian ("Ms. He") and Mr. Lv Xijun ("Mr. Lv"), who have been acting in concert and are considered as ultimate controlling party of the Company.

### 2. BASIS OF PREPARATION OF THE HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared based on the accounting policies which conform with IFRS Accounting Standards as issued by the IASB. For the purpose of preparation of the Historical Financial Information, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the Historical Financial Information include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the material accounting policy information set out in Note 4 below.

The statutory consolidated financial statements of the Company for the years ended 31 December 2022, 2023 and 2024 were issued in accordance with relevant accounting principles and financial regulations applicable to enterprises in the PRC and were audited by Zhejiang Yuehua Certified Public Accountants Co., Ltd. (浙江岳華會計師事務所有限公司), Certified Public Accountants registered in the PRC.

Going concern basis

As at 31 December 2022, 2023 and 2024 and 31 July 2025, the Group had net current liabilities of approximately RMB48,973,000, RMB97,840,000, RMB79,150,000 and RMB8,734,000. In the opinion of the directors of the Company, [the Historical Financial Information has been prepared on a going concern basis because the Group will be able to meet in full its financial obligations as and when they fall due for the next twelve months from the date of this report, taking into account of the expected cash inflows from operations, early redemption of time deposits, renew of bank borrowings and utilisation of undrawn facilities currently available to the Group that are expected to be extendable when due upon requests of the Group based on current negotiation with these banks.]

## 3. APPLICATION OF NEW AND AMENDMENTS TO IFRS ACCOUNTING STANDARDS

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently applied the accounting policies which conform with IFRS Accounting Standards, which are effective for the Group's accounting period beginning on 1 January 2025, throughout the Track Record Period.

**New and amendments to IFRS Accounting Standards in issue but not yet effective**

At the date of this report, the Group has not early adopted the following new and amendments to IFRS Accounting Standards that have been issued but are not yet effective:

| | |
|---|---|
| Amendments to IFRS 9 and IFRS 7 | Amendments to the Classification and Measurement of Financial Instruments[2] |
| Amendments to IFRS 9 and IFRS 7 | Contracts Referencing Nature-dependent Electricity[2] |
| Amendments to IFRS 10 and IAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1] |
| Amendments to IFRS Accounting Standards | Annual Improvements to IFRS Accounting Standards - Volume 11[2] |
| IFRS 18 | Presentation and Disclosure in Financial Statements[3] |

[1] Effective for annual periods beginning on or after a date to be determined

[2] Effective for annual periods beginning on or after 1 January 2026

[3] Effective for annual periods beginning on or after 1 January 2027

Except as described below, the directors of the Company anticipate that the application of all other amendments to IFRS Accounting Standards will have no material impact on the Group's financial position and financial performance in the foreseeable future.

IFRS 18 "Presentation and Disclosure in Financial Statements" ("IFRS 18") sets out requirements on presentation and disclosures in financial statements and it will replace International Accounting Standard ("IAS") 1 "Presentation of Financial Statements" ("IAS 1"). This new IFRS Accounting Standard, while carrying forward many of the requirements in IAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss and other comprehensive income; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some IAS 1 paragraphs have been moved to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" and IFRS 7 "Financial Instruments Disclosures". Minor amendments to IAS 7 "Statement of Cash Flows" and IAS 33 "Earnings per Share" are also made.

IFRS 18 and amendments to other standards will be effective for annual periods beginning on or after 1 January 2027, with early application permitted. The application of the new standard is not expected to have material impact on the financial position of the Group but is expected to affect the presentation of the statement of profit or loss and other comprehensive income and statement of cash flows and disclosures in the future financial statements. The Group will continue to assess the impact of IFRS 18.

## 4. MATERIAL ACCOUNTING POLICY INFORMATION

Basis of consolidation

The Historical Financial Information incorporates the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year/period are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Investments in subsidiaries

Investments in subsidiaries is included in the statements of financial position of the Company at cost less any accumulated impairment loss.

Revenue from contracts with customers

Information about the Group's accounting policies relating to contracts with customers is provided in Note 6.

Leases

The Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 "Lease" at inception of the contract. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

**The Group as a lessee**

***Short-term leases***

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option.

***Right-of-use assets***

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liabilities;
- any lease payments made at or before the commencement date; and
- any initial direct costs incurred by the Group.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statements of financial position.

***Refundable rental deposits***

Refundable rental deposits paid are accounted under IFRS 9 "Financial Instruments" ("IFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

***Lease liabilities***

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include fixed payments.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

***Lease modifications***

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use assets.

Borrowing costs

Borrowing costs not directly attributable to the acquisition or construction of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "Other income".

Employee benefits

**Retirement benefit costs**

The Group participates in government-managed retirement benefit schemes, which are defined contribution schemes, pursuant to which the Group pays a fixed percentage of its staff's wages as contributions to the plans. Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS Accounting Standards requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries) after deducting any amount already paid.

Taxation

Income tax expense represents the sum of the tax current and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from profit/loss before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business

combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at the end of each reporting periods and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting periods.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 "Income Taxes" requirements to recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all taxable temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes to the same taxable entity levied by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes other than construction in progress as described below. Property, plant and equipment are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction in progress for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent

the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statements of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation of property, plant and equipment is recognised so as to write off the cost of assets other than mine structure and construction in progress less their residual values over their estimated useful lives, using the straight-line method. Depreciation of mine structure is provided using the unit of production method based on the actual production volume over the estimated total proven and probable reserves of the ore mine. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Exploration and evaluation assets

Exploration and evaluation assets are stated at cost less impairment losses. Exploration and evaluation assets are mainly comprised of cost to acquire exploration rights as well as expenditures incurred during topographical exploration process, including topographical and geological surveys, exploratory drilling, sampling and trenching and activities in relation to commercial and technical feasibility studies. If any project is abandoned, the total expenditure thereon will be written off in the statement of profit or loss.

Expenditure incurred prior to acquiring legal rights to explore an area is written off as incurred. When the technical feasibility and commercial viability of extracting mineral resources become demonstrable, previously recognised exploration and evaluation assets are reclassified to mining rights and property, plant and equipment. These assets are assessed for impairment annually and before reclassification. Prior to capitalising exploration, drilling and related costs, the management determines that the following conditions have been met that will contribute to future cash flows:

- There is a probable future benefit that will contribute to future cash inflows;
- The Group can obtain the benefit and controls access to it;
- The transaction or event giving rise to the future benefit has already occurred; and
- Costs incurred can be measured reliably.

Mining rights

Mining rights with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment loss. Amortisation is provided using the unit of production method based on the actual production volume over the estimated total proven and probable reserves of the ore mine.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

An obligation to incur environmental rehabilitation and restoration costs arises when environmental disturbance is caused by the development or ongoing production of a mining activity. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalised as part of the related property, plant and equipment at the start of each project, as soon as the obligation to incur such costs arises. These costs are recognised in profit or loss over the life of the operation, through depreciation of the asset. Costs for restoration of subsequent site damage which is created on an ongoing basis during production are recognised in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a settlement date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15 "Revenue from Contracts with Customers". Transaction costs that are directly attributable to

the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

**Financial assets**

***Classification and subsequent measurement of financial assets***

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

*(i) Amortised cost and interest income*

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

*(ii) Financial assets at FVTPL*

Financial assets that do not meet the criteria for being measured at amortised cost are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting periods, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other gains and losses, net" line item.

***Impairment of financial assets under IFRS 9***

The Group performs impairment assessment under ECL model on financial assets (including time deposits, restricted time deposits, amounts due from a related party/subsidiaries, deposits, trade (if any) and other receivables and bank balances) which are under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, and factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

For the instruments described above, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

*(i) Significant increase in credit risk*

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

*(ii) Definition of default*

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

*(iii) Credit-impaired financial assets and Write-off policy*

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

*(iv) Measurement and recognition of ECL*

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Financial assets (including time deposits, restricted time deposits, amounts due from a related party/subsidiaries, deposits, trade (if any) and other receivables and balance balances) are individually assessed by management of the Group using internal credit rating. ECL on these financial assets are estimated by reference to past due status of the individual debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtor, future economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount where the corresponding adjustment is recognised through a loss allowance account.

***Derecognition of financial assets***

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

**Financial liabilities and equity**

***Classification as debt or equity***

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity instruments in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

***Equity instruments***

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

***Financial liabilities at amortised cost***

All financial liabilities including bank borrowings, amounts due to related parties/subsidiaries, trade and other payables (including other non-current payables) are subsequently measured at amortised cost using the effective interest method.

***Derecognition of financial liabilities***

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

## 5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key sources of estimation uncertainty at the end of each reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months.

Key sources of estimation uncertainties

**Depreciation/amortisation of mine structure and mining rights under unit of production method**

Technical estimates of the Group's ore reserves are inherently imprecise and represent only approximate amounts because of the subjective judgements involved in developing such information. There are authoritative guidelines regarding the engineering criteria that have to be met before estimated ore reserves can be designated as "proved" and "probable". Proved and probable ore reserves estimates are updated on a regular basis and take into account recent economic production and technical information about each mine. In addition, as production levels and technical standards change from year to year, the estimate of proved and probable ore reserves also changes. Despite the inherent imprecision in these technical estimates, these estimates are used in determining the depreciation of mine structure in the property, plant and equipment and amortisation for mining rights in the intangible assets. Details of these property, plant and equipment and mining rights are disclosed in Note 15 and Note 17, respectively.

**Provisions for environmental rehabilitation and restoration costs**

The estimation of provisions for environmental rehabilitation and restoration costs involves the estimates of the amount and timing for the future cash spending as well as the discount rate used for reflecting current market assessments of the time value of money and the risks specific to the liability. The Group considers the factors including development plan of the mines, the geological structure of the mining regions and reserve volume to determine the scope, amount and timing of environmental rehabilitation and restoration obligation to be performed. Determination of the effect of these factors involves judgements from the Group and the estimated liabilities may turn out to be different from the actual expenditure to be incurred. As changes in estimates occur (such as mine plan revisions, changes in estimated costs, or changes in timing of the performance of retirement activities), the revisions to the obligation will be recognised at the appropriate discount rate. Details of the provisions for environmental rehabilitation and restoration costs are disclosed in Note 30.

## 6. REVENUE AND SEGMENT INFORMATION

Revenue

**Disaggregation of revenue from contracts with customers**

The following is an analysis of the Group's revenue from its products:

| | Year ended 31 December | | | Seven months ended 31 July | |
|---|---|---|---|---|---|
| | **2022** | **2023** | **2024** | **2024** | **2025** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* (unaudited) | *RMB'000* |
| ***Type of revenue - sales of nonferrous metal concentrates*** | | | | | |
| - Zinc concentrates | 296,266 | 273,780 | 215,811 | 40,448 | 124,688 |
| - Lead concentrates | 160,229 | 222,746 | 71,512 | 25,274 | 106,300 |
| - Copper concentrates | 25,859 | 49,602 | 14,111 | 6,897 | 25,639 |
| | 482,354 | 546,128 | 301,434 | 72,619 | 256,627 |
| ***Timing of revenue recognition*** | | | | | |
| - At point in time | 482,354 | 546,128 | 301,434 | 72,619 | 256,627 |

**Performance obligations for contracts with customers and revenue recognition policies**

***Sales of nonferrous metal concentrates***

Revenue from the sales of nonferrous metal concentrates, primarily, zinc, lead and copper concentrates, are recognised at point in time when control of the nonferrous metal concentrates have transferred to the customers, i.e. when the nonferrous metal concentrates are delivered to the designated locations instructed by the customers, and at prices pre-determined in agreements.

The Group requests for payments in advance from all customers with no credit terms on sales.

A contract liability is recognised for sales receipts in which revenue has yet been recognised.

In each transaction, a sample of the nonferrous metal concentrates is inspected by the Group prior to delivery to determine the mineral content to be adopted as the basis of calculation of transaction price.

The directors of the Company consider that in general the mineral content and grades of the Group's nonferrous metal concentrates products meet the customers' requirements after the goods have passed the inspections and no further processing is required to improve the grades of the products when the products have been approved for delivery to customers.

The Group applies the practical expedient in paragraph 121 of IFRS 15 of not disclosing the transaction price allocated to the remaining performance obligation as the original expected duration of substantially all the contracts of the Group are within one year or less.

Segment information

For the purposes of resources allocation and performance assessment, the executive director of the Company, being the chief operating decision maker, reviews the consolidated results and financial position when making decisions about allocating resources and assessing performance of the Group as a whole and hence, the Group has only one reportable segment and no further analysis of this single segment is presented.

Geographical information

All of the Group's sales are made to the customers in the PRC.

All the Group's non-current assets (excluding other receivables, time deposits, restricted time deposits and deferred tax assets) are located in the PRC.

Information about major customers

Revenue from customers contributing over 10% of total revenue of the Group for each reporting periods is as below:

| | Year ended 31 December | | | Seven months ended 31 July | |
|---|---|---|---|---|---|
| | **2022** | **2023** | **2024** | **2024** | **2025** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* *(unaudited)* | *RMB'000* |
| - Customer A | 197,742 | 131,899 | 94,062 | 25,108 | 42,019 |
| - Customer B | 99,183 | 63,142 | — | — | — |
| - Customer C | 65,556 | 92,740 | 62,719 | 9,641 | * |
| - Customer D | 55,129 | 88,584 | * | 17,066 | * |
| - Customer E | * | 115,809 | 62,481 | 20,804 | 104,806 |

* Less than 10% of total revenue of the Group of the respective year/period during the Track Record Period.

## 7. OTHER INCOME

| | Year ended 31 December | | | Seven months ended 31 July | |
|---|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* (unaudited) | *RMB'000* |
| Government grants (Note) | 6,494 | 4,103 | 7,622 | 7,200 | 2,217 |
| Interest income | 609 | 862 | 1,646 | 865 | 727 |
| Sales of scrap materials | 224 | 218 | 1 | — | 339 |
| Total | 7,327 | 5,183 | 9,269 | 8,065 | 3,283 |

*Note:* The government grants were mainly incentives provided by local government authorities in the PRC to reward the Group's support and contribution for the development of local economies. There were no unfulfilled conditions or contingencies relating to these government grants at the end of each reporting period during the Track Record Period.

## 8. OTHER GAINS AND LOSSES, NET

| | Year ended 31 December | | | Seven months ended 31 July | |
|---|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* (unaudited) | *RMB'000* |
| (Loss) gain on disposal of property, plant and equipment, net | (158) | (156) | 23 | 23 | — |
| Gain on an extension of repayment of mining rights granting fees payable (Note 27) | — | 8,207 | — | — | — |
| Gain on fair value changes of financial assets at FVTPL | 520 | 1,596 | 315 | 185 | 91 |
| Gain on termination of leases | — | 166 | 4 | 4 | — |
| Net foreign exchange losses | — | — | (40) | — | (178) |
| Others | 42 | 15 | 170 | 69 | 46 |
| Total | 404 | 9,828 | 472 | 281 | (41) |

## 9. FINANCE COSTS

| | Year ended 31 December | | | Seven months ended 31 July | |
|---|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | | | | *(unaudited)* | |
| Interest expense on: | | | | | |
| - bank borrowings | 1,001 | 17 | 510 | 424 | 616 |
| - lease liabilities | 240 | 143 | 4 | 3 | 2 |
| - provisions for unwinding of discount (Note 30) | 545 | 451 | 397 | 232 | 166 |
| - extended mining rights fees payable (Note 27) | — | 1,429 | 2,011 | 1,246 | 1,049 |
| Total | 1,786 | 2,040 | 2,922 | 1,905 | 1,833 |

## 10. INCOME TAX EXPENSE (CREDIT)

| | Year ended 31 December | | | Seven months ended 31 July | |
|---|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | | | | *(unaudited)* | |
| Current tax | 19,985 | 21,201 | 5,634 | 1,455 | 5,621 |
| Deferred tax (Note 20) | (2,939) | (2,133) | 1,372 | (2,470) | (59) |
| Total | 17,046 | 19,068 | 7,006 | (1,015) | 5,562 |

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the enterprise income tax ("EIT") rate for the group entities established in the PRC is 25% for the Track Record Period.

According to the Notice of the Continuation of the Enterprise Income Tax for Implementation of Exploration and Development of Western Region (Notice of the Ministry of Finance, State Administration of Taxation and National Development and Reform Commission No. 23 [2020]) issued on 23 April 2020, companies located in the western region of the PRC and engaged in the business encouraged by the PRC Government is entitled to the preferential EIT rate of 15% from 1 January 2021 to 31 December 2030 if the operating revenue of the encouraged business in a year accounted for more than 60% of the total income in that year. The Company and Xizang Zhihua Industrial Co., Ltd. (西藏智華實業有限公司, "Zhihua Industrial", a wholly-owned subsidiary of the Company) are engaged in the "business encouraged by the PRC Government in the western region" are eligible for the preferential EIT rate at 15% for the Track Record Period.

In addition, the Company and Zhihua Industrial were granted with further waiver of 40% reduction on EIT and resulted in the effective EIT rate being 9% during the Track Record Period. Xizang Huaxia Mining Co., Ltd. (西藏華夏礦業有限公司, "Huaxia Mining", a wholly-owned subsidiary of the Company) was granted with waiver of 40% reduction on EIT and resulted in the effective EIT rate being 15% during the Track Record Period.

The taxation for the Track Record Period can be reconciled to the profit (loss) before tax per the consolidated statements of profit or loss and other comprehensive income as follows:

| | Year ended 31 December | | | Seven months ended 31 July | |
|---|---|---|---|---|---|
| | **2022** | **2023** | **2024** | **2024** | **2025** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* *(unaudited)* | *RMB'000* |
| Profit (loss) before tax | 134,936 | 173,793 | 62,860 | (1,019) | 57,299 |
| Tax at the PRC EIT rate of 25% | 33,734 | 43,448 | 15,715 | (255) | 14,325 |
| Income tax at concessionary rate | (20,195) | (24,959) | (9,095) | (1,024) | (9,217) |
| Tax effect of expenses not deductible for tax purposes | 3,338 | 420 | 288 | 206 | 375 |
| Tax effect of tax losses not recognised | 169 | 159 | 98 | 58 | 79 |
| Income tax expense (credit) | 17,046 | 19,068 | 7,006 | (1,015) | 5,562 |

## 11. PROFIT (LOSS) FOR THE YEAR/PERIOD

Profit (loss) for the year/period has been arrived at after charging:

| | Year ended 31 December | | | Seven months ended 31 July | |
|---|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* *(unaudited)* | *RMB'000* |
| Depreciation and amortisation on: | | | | | |
| - property, plant and equipment | 51,204 | 52,082 | 34,622 | 15,934 | 21,626 |
| - right-of-use assets | 3,625 | 1,584 | 2,112 | 1,228 | 1,275 |
| - intangible assets | 9,747 | 14,475 | 9,617 | 151 | 6,900 |
| Total depreciation and amortisation | 64,576 | 68,141 | 46,351 | 17,313 | 29,801 |
| Less: capitalised in construction in progress | — | (143) | (1,720) | (1,003) | (1,003) |
| | 64,576 | 67,998 | 44,631 | 16,310 | 28,798 |
| Staff costs: | | | | | |
| Directors' remuneration (Note 12) | 3,425 | 3,020 | 2,489 | 1,454 | 1,456 |
| Other staff costs: | | | | | |
| Salaries, wages, bonuses and allowances | 45,504 | 51,102 | 45,898 | 24,658 | 30,218 |
| Retirement benefits | 2,827 | 3,253 | 3,193 | 1,806 | 1,901 |
| Total staff costs | 51,756 | 57,375 | 51,580 | 27,918 | 33,575 |
| Less: capitalised in exploration and evaluation assets | (2,642) | (2,181) | (1,910) | (938) | — |
| Less: capitalised in inventories | (29,293) | (33,652) | (28,439) | (14,849) | (20,499) |
| | 19,821 | 21,542 | 21,231 | 12,131 | 13,076 |
| Subcontracting expenses | 110,161 | 121,785 | 48,440 | 8,144 | 56,064 |
| Less: capitalised in property, plant and equipment | (26,677) | (19,715) | (14,704) | — | (15,932) |
| Less: capitalised in inventories | (81,377) | (99,150) | (33,504) | (8,142) | (40,054) |
| | 2,107 | 2,920 | 232 | 2 | 78 |
| [REDACTED] expenses | — | — | [REDACTED] | — | [REDACTED] |
| Transportation expenses | 28,885 | 32,422 | 16,883 | 1,008 | 18,762 |
| Cost of inventories sold | 267,583 | 285,702 | 176,727 | 41,161 | 158,661 |
| Auditors' remuneration | 254 | 1,052 | 833 | 490 | 244 |
| Donations (Note) | 13,969 | 19,828 | 10,128 | 9,690 | 10,036 |

*Note:* The donations are voluntary and are specifically designated for education poverty alleviation funds, heating construction funds, natural disasters and transportation subsidies, aiming at improving the living and education level of local villagers in Xizang.

## 12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors' emoluments

Directors' remuneration for the Track Record Period, disclosed pursuant to the applicable Listing Rules and Hong Kong Companies Ordinance, is as follows:

**Year ended 31 December 2022**

| | Directors' fee | Salaries and allowances | Performance-based bonuses | Retirement benefit scheme contributions | Total |
|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Executive director:** | | | | | |
| Ms. He (Note) | — | 1,317 | — | 13 | 1,330 |
| **Non-executive directors:** | | | | | |
| Ms. Fan | — | 854 | — | — | 854 |
| Mr. Lv | — | 791 | — | — | 791 |
| Mr. Lhakpa Tsering | — | — | — | — | — |
| Mr. Yan Jun | — | — | — | — | — |
| **Independent non-executive directors:** | | | | | |
| Mr. Ye Hui | 150 | — | — | — | 150 |
| Ms. Yang Xiaoyan | 150 | — | — | — | 150 |
| Ms. Zhong Ling | 150 | — | — | — | 150 |
| | 450 | 2,962 | — | 13 | 3,425 |

**Year ended 31 December 2023**

| | Directors' fee | Salaries and allowances | Performance-based bonuses | Retirement benefit scheme contributions | Total |
|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Executive director:** | | | | | |
| Ms. He (Note) | — | 1,700 | 300 | 25 | 2,025 |
| **Non-executive directors:** | | | | | |
| Ms. Fan | — | 285 | — | — | 285 |
| Mr. Lv | — | 260 | — | — | 260 |
| Mr. Lhakpa Tsering | — | — | — | — | — |
| Mr. Silang Wangdui (appointed on 27 November 2023) | — | — | — | — | — |
| Mr. Yan Jun (resigned on 26 November 2023) | — | — | — | — | — |
| **Independent non-executive directors:** | | | | | |
| Mr. Ye Hui | 150 | — | — | — | 150 |
| Ms. Yang Xiaoyan | 150 | — | — | — | 150 |
| Ms. Zhong Ling (resigned on 26 November 2023) | 138 | — | — | — | 138 |
| Ms. Dong Lijun (appointed on 8 December 2023) | 12 | — | — | — | 12 |
| | 450 | 2,245 | 300 | 25 | 3,020 |

**Year ended 31 December 2024**

| | Directors' fee | Salaries and allowances | Performance-based bonuses | Retirement benefit scheme contributions | Total |
|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Executive director:** | | | | | |
| Ms. He (Note) | — | 1,700 | 300 | 39 | 2,039 |
| **Non-executive directors:** | | | | | |
| Ms. Fan | — | — | — | — | — |
| Mr. Lv | — | — | — | — | — |
| Mr. Lhakpa Tsering | — | — | — | — | — |
| Mr. Silang Wangdui | — | — | — | — | — |
| **Independent non-executive directors:** | | | | | |
| Mr. Ye Hui | 150 | — | — | — | 150 |
| Ms. Yang Xiaoyan | 150 | — | — | — | 150 |
| Ms. Dong Lijun | 150 | — | — | — | 150 |
| | 450 | 1,700 | 300 | 39 | 2,489 |

**Seven months ended 31 July 2024 (unaudited)**

| | Directors' fee | Salaries and allowances | Performance-based bonuses | Retirement benefit scheme contributions | Total |
|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Executive director:** | | | | | |
| Ms. He (Note) | — | 992 | 175 | 23 | 1,190 |
| **Non-executive directors:** | | | | | |
| Ms. Fan | — | — | — | — | — |
| Mr. Lv | — | — | — | — | — |
| Mr. Lhakpa Tsering | — | — | — | — | — |
| Mr. Silang Wangdui | — | — | — | — | — |
| **Independent non-executive directors:** | | | | | |
| Mr. Ye Hui | 88 | — | — | — | 88 |
| Ms. Yang Xiaoyan | 88 | — | — | — | 88 |
| Ms. Dong Lijun | 88 | — | — | — | 88 |
| | 264 | 992 | 175 | 23 | 1,454 |

**Seven months ended 31 July 2025**

| | Directors' fee | Salaries and allowances | Performance-based bonuses | Retirement benefit scheme contributions | Total |
|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Executive director:** | | | | | |
| Ms. He (Note) | — | 992 | 175 | 25 | 1,192 |
| **Non-executive directors:** | | | | | |
| Ms. Fan | — | — | — | — | — |
| Mr. Lv | — | — | — | — | — |
| Mr. Lhakpa Tsering | — | — | — | — | — |
| Mr. Silang Wangdui | — | — | — | — | — |
| **Independent non-executive directors:** | | | | | |
| Mr. Ye Hui | 88 | — | — | — | 88 |
| Ms. Yang Xiaoyan | 88 | — | — | — | 88 |
| Ms. Dong Lijun | 88 | — | — | — | 88 |
| | 264 | 992 | 175 | 25 | 1,456 |

Note: Ms. He is the chairman of the board of directors and executive director of the Company and her emoluments disclosed above include her services rendered as the chairman of the board of directors and executive director in the management of the affairs of the group entities.

During the Track Record Period, no remuneration was paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

Performance-based bonus is determined by reference to the duties and responsibilities of Ms. He within the Group and the Group's performance.

There was no arrangement under which a director waived or agreed to waive any remuneration during the Track Record Period.

Five individuals with the highest emoluments

The five highest paid individuals of the Group included 3, 1, 1, 1 (unaudited) and 1 directors for the years ended 31 December 2022, 2023 and 2024 and the seven months ended 31 July 2024 and 2025, respectively, whose emoluments are included in the disclosures above. The emoluments of the remaining 2, 4, 4, 4 (unaudited) and 4 individuals for the years ended 31 December 2022, 2023 and 2024 and the seven months ended 31 July 2024 and 2025, respectively, are as follows:

| | Year ended 31 December | | | Seven months ended 31 July | |
|---|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* (unaudited) | *RMB'000* |
| Salaries, wages and allowance | 3,248 | 4,261 | 4,155 | 2,133 | 2,501 |
| Performance-based bonuses | 200 | 659 | 695 | 406 | 450 |
| Retirement benefits | 23 | 50 | 51 | 29 | 32 |
| | 3,471 | 4,970 | 4,901 | 2,568 | 2,983 |

The number of the five highest paid employees who are not the directors of the Company whose remuneration fell within the following bands is as follows:

| | Number of employees | | | | |
|---|---|---|---|---|---|
| | Year ended 31 December | | | Seven months ended 31 July | |
| | 2022 | 2023 | 2024 | 2024 | 2025 |
| | | | | (unaudited) | |
| **Emolument bands** | | | | | |
| Nil to Hong Kong Dollar ("HK$") 1,000,000 | 1 | 3 | 3 | 3 | 3 |
| HK$1,500,001 to HK$2,000,000 | — | — | — | 1 | 1 |
| HK$3,000,001 to HK$3,500,000 | 1 | 1 | 1 | — | — |

During the Track Record Period, no remuneration was paid by the Group to the five highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office. None of the five highest paid individuals waived or agreed to waive any remuneration during the Track Record Period.

## 13. DIVIDENDS

| | Year ended 31 December | | | Seven months ended 31 July | |
|---|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | | | | *(unaudited)* | |
| Dividends for ordinary shareholders of the Company recognised as distribution | | | | | |
| 2022 Final — approximately RMB0.08 per ordinary share | 30,000 | — | — | — | — |
| 2023 Final — approximately RMB0.14 per ordinary share | — | 50,000 | — | — | — |
| | 30,000 | 50,000 | — | — | — |

## 14. EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings (loss) per share attributable to owners of the Company is based on the following data:

| | Year ended 31 December | | | Seven months ended 31 July | |
|---|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2024 | 2025 |
| | | | | *(unaudited)* | |
| **Earnings for the year/period** | | | | | |
| Profit (loss) for the year/period attributable to owners of the Company for the purpose of basic earnings (loss) per share (RMB'000) | 117,890 | 154,725 | 55,854 | (4) | 51,737 |
| **Number of shares** | | | | | |
| Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share ('000) | 360,000 | 360,000 | 362,095 | 360,000 | 365,854 |

No diluted earnings (loss) per share during the Track Record Period were presented as there were no potential ordinary shares in issue for the periods.

## 15. PROPERTY, PLANT AND EQUIPMENT

### The Group

| | Buildings and structure | Mine structure | Mine site infrastructure | Office equipment, electronic and other devices | Transportation vehicles | Machinery and other equipment | Construction in progress | Total |
|---|---|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **COST** | | | | | | | | |
| At 1 January 2022 | 176,443 | 252,831 | 141,867 | 3,125 | 3,224 | 46,108 | 98,870 | 722,468 |
| Additions | — | — | 12 | 186 | 1,203 | 132 | 79,286 | 80,819 |
| Transfer | 38,344 | 470 | — | — | — | — | (38,814) | — |
| Disposals | — | — | — | — | (306) | (44) | — | (350) |
| At 31 December 2022 | 214,787 | 253,301 | 141,879 | 3,311 | 4,121 | 46,196 | 139,342 | 802,937 |
| Additions | — | 317 | 184 | 274 | 1,851 | 1,373 | 163,780 | 167,779 |
| Transfer | 7,296 | — | — | — | — | — | (7,296) | — |
| Disposals | — | — | — | — | (722) | (562) | — | (1,284) |
| At 31 December 2023 | 222,083 | 253,618 | 142,063 | 3,585 | 5,250 | 47,007 | 295,826 | 969,432 |
| Additions | — | — | — | 5 | — | 275 | 87,652 | 87,932 |
| Disposals | — | — | — | — | (100) | — | — | (100) |
| At 31 December 2024 | 222,083 | 253,618 | 142,063 | 3,590 | 5,150 | 47,282 | 383,478 | 1,057,264 |
| Additions | — | — | — | — | 1,442 | — | 54,649 | 56,091 |
| Transfer | — | 128,262 | 5,305 | 3,679 | 386 | 248 | (137,880) | — |
| Transfer from exploration and evaluation assets (Note 18) | — | 53,641 | — | — | — | — | — | 53,641 |
| Effect on revision of environmental rehabilitation and restoration plan (Note 30) | — | (2,532) | — | — | — | — | — | (2,532) |
| At 31 July 2025 | 222,083 | 432,989 | 147,368 | 7,269 | 6,978 | 47,530 | 300,247 | 1,164,464 |
| **ACCUMULATED DEPRECIATION** | | | | | | | | |
| At 1 January 2022 | 64,229 | 127,326 | 67,764 | 2,371 | 1,864 | 36,407 | — | 299,961 |
| Charge for the year | 8,453 | 27,944 | 12,676 | 229 | 596 | 1,306 | — | 51,204 |
| Disposals | — | — | — | — | (151) | (1) | — | (152) |
| At 31 December 2022 | 72,682 | 155,270 | 80,440 | 2,600 | 2,309 | 37,712 | — | 351,013 |
| Charge for the year | 8,511 | 28,315 | 12,965 | 185 | 783 | 1,323 | — | 52,082 |
| Disposals | — | — | — | — | (668) | (382) | — | (1,050) |
| At 31 December 2023 | 81,193 | 183,585 | 93,405 | 2,785 | 2,424 | 38,653 | — | 402,045 |
| Charge for the year | 8,741 | 13,433 | 10,120 | 200 | 784 | 1,344 | — | 34,622 |
| Disposals | — | — | — | — | (95) | — | — | (95) |
| At 31 December 2024 | 89,934 | 197,018 | 103,525 | 2,985 | 3,113 | 39,997 | — | 436,572 |
| Charge for the period | 5,094 | 9,166 | 5,885 | 220 | 513 | 748 | — | 21,626 |
| At 31 July 2025 | 95,028 | 206,184 | 109,410 | 3,205 | 3,626 | 40,745 | — | 458,198 |
| **CARRYING AMOUNT** | | | | | | | | |
| At 31 December 2022 | 142,105 | 98,031 | 61,439 | 711 | 1,812 | 8,484 | 139,342 | 451,924 |
| At 31 December 2023 | 140,890 | 70,033 | 48,658 | 800 | 2,826 | 8,354 | 295,826 | 567,387 |
| At 31 December 2024 | 132,149 | 56,600 | 38,538 | 605 | 2,037 | 7,285 | 383,478 | 620,692 |
| At 31 July 2025 | 127,055 | 226,805 | 37,958 | 4,064 | 3,352 | 6,785 | 300,247 | 706,266 |

The above items of property, plant and equipment, except for mine structure and construction in progress, after taking into account the residual values, are depreciated on a straight-line basis over their estimated useful lives at the followings:

| | |
|---|---|
| Buildings and structure | 20 - 40 years |
| Mine site infrastructure | 5 - 20 years |
| Office equipment, electronic and other devices | 5 years |
| Transportation vehicles | 5 years |
| Machinery and other equipment | 5 - 10 years |

Depreciation of mine structure is provided using the unit of production method based on the actual production volume over the estimated total proven and probable reserves of the ore mine.

Depreciation of construction in progress, on the same basis as other property assets, commences when the assets are ready for their intended use and transfer to respective category.

As at 31 December 2024 and 31 July 2025, the Group pledged certain owned properties to secure certain bank facilities of the Group. Details of which are set out in Note 26.

As at 31 December 2022, 2023 and 2024 and 31 July 2025, carrying amounts of RMB5,043,000, RMB11,970,000, RMB11,312,000 and RMB10,929,000, respectively, in respect of property certificates under which the Group is in the process of obtaining. The directors of the Company are of the opinion that the Group is entitled to occupy or use these properties in accordance with the relevant property purchase agreements during the Track Record Period.

**The Company**

Property, plant and equipment of the Company represents the office equipment, electronic and other devices.

## 16. RIGHT-OF-USE ASSETS

| | The Group | | | | The Company |
|---|---|---|---|---|---|
| | Leasehold lands | Machineries | Buildings | Total | Buildings |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **CARRYING AMOUNT** | | | | | |
| At 31 December 2022 | 10,433 | 5,672 | 139 | 16,244 | 70 |
| At 31 December 2023 | 63,078 | 213 | 164 | 63,455 | 117 |
| At 31 December 2024 | 61,112 | 312 | 80 | 61,504 | 56 |
| At 31 July 2025 | 59,965 | 228 | 566 | 60,759 | 47 |
| **For the year ended 31 December 2022** | | | | | |
| Depreciation charge | 217 | 3,403 | 5 | 3,625 | 2 |
| **For the year ended 31 December 2023** | | | | | |
| Depreciation charge | 373 | 1,161 | 50 | 1,584 | 28 |
| Capitalised in construction in progress | (143) | — | — | (143) | — |
| | 230 | 1,161 | 50 | 1,441 | 28 |
| **For the year ended 31 December 2024** | | | | | |
| Depreciation charge | 1,966 | 96 | 50 | 2,112 | 27 |
| Capitalised in construction in progress | (1,720) | — | — | (1,720) | — |
| | 246 | 96 | 50 | 392 | 27 |
| **For the seven months ended 31 July 2025** | | | | | |
| Depreciation charge | 1,147 | 84 | 44 | 1,275 | 9 |
| Capitalised in construction in progress | (1,003) | — | — | (1,003) | — |
| | 144 | 84 | 44 | 272 | 9 |

| | The Group | | | | | The Company | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Year ended 31 December | | | Seven months ended 31 July | | Year ended 31 December | | | Seven months ended 31 July | |
| | 2022 | 2023 | 2024 | 2024 | 2025 | 2022 | 2023 | 2024 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | | | | *(unaudited)* | | | | | *(unaudited)* | |
| Expense relating to short-term leases | 3,658 | 5,756 | 3,164 | 1,347 | 2,140 | 110 | 52 | — | — | — |
| Total cash outflow for leases | 8,409 | 35,428 | 27,030 | 10,740 | 2,140 | 130 | 77 | 7 | 7 | — |
| Additions to right-of-use assets | | | | | | | | | | |
| — Leasehold lands | — | 53,018 | — | — | — | — | — | — | — | — |
| — Leased machineries and buildings | 9,219 | 315 | 195 | — | 530 | 72 | 75 | — | — | — |

For the years ended 31 December 2022, 2023 and 2024 and the seven months ended 31 July 2024 and 2025, the Group leases office, warehouses, machinery and vehicles for its operations. Lease contracts are entered into for fixed term of two to five years. Lease terms are negotiated on an individual basis and contain different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

During the year ended 31 December 2023, the Group purchased a leasehold land in the PRC with remaining lease of 50 years for construction of tailing pond.

As at 31 December 2022, 2023 and 2024 and 31 July 2025, the Group has obtained the land use right certificates except for certain of leasehold lands of the Group with a net book value of nil, RMB51,454,000, RMB49,734,000 and RMB48,731,000, respectively, in respect of land use right certificates under which the Group is in the process of obtaining.

As at 31 July 2025, the Group pledged certain of leasehold lands to secure certain bank borrowings of the Group. Details of which are set out in Note 26.

Depreciation is provided to write off the carrying amounts of right-of-use-assets over their estimated useful lives, using the straight-line method as follows:

| | |
|---|---|
| Leasehold lands | 30 - 50 years |
| Machineries | 2 - 3 years |
| Buildings | 5 years |

**Restrictions or covenants on leases**

In addition, lease liabilities of RMB4,708,000, RMB413,000, RMB104,000 and RMB636,000 are recognised with related right-of-use assets of RMB5,811,000, RMB377,000, RMB392,000 and RMB794,000 as at 31 December 2022, 2023 and 2024 and 31 July 2025, respectively. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

## 17. INTANGIBLE ASSETS

| | The Group | | | The Company |
|---|---|---|---|---|
| | Mining rights | Software and others | Total | Software |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **COST** | | | | |
| At 1 January 2022 | 515,719 | 198 | 515,917 | 20 |
| Additions | — | 557 | 557 | 53 |
| At 31 December 2022, 2023 and 2024 | 515,719 | 755 | 516,474 | 73 |
| Additions | — | 408 | 408 | 408 |
| Transfer from exploration and evaluation assets (Note 18) | 89,805 | — | 89,805 | — |
| At 31 July 2025 | 605,524 | 1,163 | 606,687 | 481 |
| **ACCUMULATED AMORTISATION** | | | | |
| At 1 January 2022 | 165,797 | 165 | 165,962 | 17 |
| Charge for the year | 9,680 | 67 | 9,747 | 4 |
| At 31 December 2022 | 175,477 | 232 | 175,709 | 21 |
| Charge for the year | 14,402 | 73 | 14,475 | 11 |
| At 31 December 2023 | 189,879 | 305 | 190,184 | 32 |
| Charge for the year | 9,550 | 67 | 9,617 | 10 |
| At 31 December 2024 | 199,429 | 372 | 199,801 | 42 |
| Charge for the period | 6,858 | 42 | 6,900 | 11 |
| At 31 July 2025 | 206,287 | 414 | 206,701 | 53 |
| **CARRYING AMOUNT** | | | | |
| At 31 December 2022 | 340,242 | 523 | 340,765 | 52 |
| At 31 December 2023 | 325,840 | 450 | 326,290 | 41 |
| At 31 December 2024 | 316,290 | 383 | 316,673 | 31 |
| At 31 July 2025 | 399,237 | 749 | 399,986 | 428 |

Mining rights refer to the rights for conducting mining activities at Mengya'a Mine in Jiali County, Nagqu, Xizang, the PRC obtained by the Group.

Mining rights are depreciated using the unit-of-production method based on the actual production volume over the estimated total proven and probable reserves of the ore mines.

As at 31 December 2024 and 31 July 2025, the Group pledged certain owned mining rights to secure its bank facilities. Details of which are set out in Note 26.

## 18. EXPLORATION AND EVALUATION ASSETS

**The Group**

| | *RMB'000* |
|---|---|
| **COST** | |
| At 1 January 2022 | 140,456 |
| Additions | 4,355 |
| At 31 December 2022 | 144,811 |
| Additions | 1,884 |
| At 31 December 2023 | 146,695 |
| Additions | 3,418 |
| At 31 December 2024 | 150,113 |
| Additions | 829 |
| Transfer to mining rights (Note 17) | (89,805) |
| Transfer to property, plant and equipment (Note 15) | (53,641) |
| At 31 July 2025 | 7,496 |

The Group's exploration and evaluation assets represent cost incurred to acquire an exploration licence at Mengya'a Mine, expenditures incurred during topographical and geological surveys, exploratory drilling, sampling and trenching and construction and other costs incurred for commercial and technical feasibility studies in that area. During the seven months ended 31 July 2025, following the confirmation of commercially viable ore reserves in certain area under the exploration licence at Mengya'a Mine with a mining right granted, the relevant intangible component of the exploration and evaluation assets was reclassified to mining rights. Besides, the mine structure related to the ore reserves completed was also transferred to property, plant and equipment. As at 31 July 2025, the Group continued an infill and validation programme in the area of its exploration right aiming to upgrade the defined resource categories and to validate the historical exploration results which substantiates no indication of impairment existed.

## 19. AMOUNTS DUE FROM/TO SUBSIDIARIES

Save as non-trade, unsecured and interest-free amounts due from subsidiaries of RMB485,604,000 payable in 2024, the Company's other balances with subsidiaries are non-trade nature, unsecured, non-interest bearing and have no fixed repayment term.

## 20. DEFERRED TAXATION

**The Group**

For the purpose of presentation in the consolidated statements of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances of the Group for financial reporting purposes:

| | As at 31 December | | | As at 31 July |
|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Deferred tax assets | 11,413 | 11,271 | 8,437 | 7,315 |
| Deferred tax liabilities | (55,008) | (52,733) | (51,271) | (50,090) |
| | (43,595) | (41,462) | (42,834) | (42,775) |

The followings are the Group's major deferred tax assets (liabilities) recognised and movements thereon during the Track Record Period:

| | Fair value adjustment arising from acquisition of Huaxia Mining | Unpaid mining right granting fees | Provisions for environmental rehabilitation and restoration costs | Right-of-use assets | Lease liabilities | Tax losses | Others | Total |
|---|---|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| At 1 January 2022 | (56,618) | 7,496 | 1,757 | — | — | — | 831 | (46,534) |
| Credit (charge) to profit or loss | 1,610 | 1,243 | (285) | (863) | 698 | — | 536 | 2,939 |
| At 31 December 2022 | (55,008) | 8,739 | 1,472 | (863) | 698 | — | 1,367 | (43,595) |
| Credit (charge) to profit or loss | 2,319 | 349 | (81) | 816 | (646) | — | (624) | 2,133 |
| At 31 December 2023 | (52,689) | 9,088 | 1,391 | (47) | 52 | — | 743 | (41,462) |
| Credit (charge) to profit or loss | 1,591 | (2,327) | 59 | (7) | (43) | — | (645) | (1,372) |
| At 31 December 2024 | (51,098) | 6,761 | 1,450 | (54) | 9 | — | 98 | (42,834) |
| Credit (charge) to profit or loss | 1,121 | (1,835) | (355) | (31) | 48 | 1,192 | (81) | 59 |
| At 31 July 2025 | (49,977) | 4,926 | 1,095 | (85) | 57 | 1,192 | 17 | (42,775) |

As at 31 December 2022, 2023 and 2024 and 31 July 2025, the Group had unused tax losses of RMB1,682,000, RMB2,318,000, RMB2,668,000 and RMB14,000,000, under PRC EIT, respectively, available to offset against future profits. A deferred tax asset has been recognised in respect of approximately nil, nil, nil and RMB11,018,000, respectively, as at 31 December 2022, 2023, 2024 and 2022 and 31 July 2025. No deferred tax asset has been recognised in respect of the remaining RMB1,682,000, RMB2,318,000, RMB 2,668,000 and RMB2,982,000 as at 31 December 2022, 2023 and 2024 and 31 July 2025, respectively, due to the unpredictability of future profit streams. The unrecognised tax losses of the Group with expiry dates as disclosed in the following table.

| | As at 31 December | | | As at 31 July |
|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| 2024 | 40 | 40 | — | — |
| 2025 | 366 | 366 | 366 | 366 |
| 2026 | 601 | 601 | 601 | 601 |
| 2027 | 675 | 675 | 675 | 675 |
| 2028 | — | 636 | 636 | 636 |
| 2029 | — | — | 390 | 390 |
| 2030 | — | — | — | 314 |
| | 1,682 | 2,318 | 2,668 | 2,982 |

**The Company**

The Company's net deferred tax liabilities/assets at the end of each reporting periods mainly represent taxable temporary differences arising from lease and tax losses.

## 21. INVENTORIES

**The Group**

| | As at 31 December | | | As at 31 July |
|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Consumables | 15,334 | 13,175 | 15,568 | 20,517 |
| Work in process | 38,295 | 42,470 | 44,905 | 56,465 |
| Finished goods | 773 | — | 218 | 7,796 |
| | 54,402 | 55,645 | 60,691 | 84,778 |

## 22. OTHER RECEIVABLES AND PREPAYMENTS

| | The Group | | | | The Company | | | |
|---|---|---|---|---|---|---|---|---|
| | As at 31 December | | | As at 31 July | As at 31 December | | | As at 31 July |
| | 2022 | 2023 | 2024 | 2025 | 2022 | 2023 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Prepayments to suppliers | 6,108 | 7,936 | 16,932 | 25,833 | 31 | 91 | 97 | — |
| Prepayments for property, plant and equipment | 18 | 649 | 73 | 73 | — | — | — | — |
| Deposits | 363 | 363 | — | 23 | 30 | — | — | — |
| Value-added tax recoverable | 225 | 484 | 630 | 1,467 | 27 | 1 | — | 469 |
| Deferred issue costs | — | — | 3,407 | 18,519 | — | — | 3,407 | 18,519 |
| Interest receivables | — | 494 | 2,088 | 1,491 | — | 198 | 779 | 1,116 |
| Other receivables | 156 | 205 | 235 | 674 | 8 | 14 | 18 | 28 |
| | 6,870 | 10,131 | 23,365 | 48,080 | 96 | 304 | 4,301 | 20,132 |
| Less: Prepayments for property, plant and equipment and deposits classified as non-current assets | (381) | (1,012) | (73) | (96) | — | — | — | — |
| Portion classified as current assets | 6,489 | 9,119 | 23,292 | 47,984 | 96 | 304 | 4,301 | 20,132 |

The Group does not hold any collateral over deposits and other receivables. Details of the impairment assessment of deposits and other receivables are set out in Note 36.

## 23. AMOUNTS DUE FROM/ TO RELATED PARTIES

The balances of the Group and the Company are non-trade nature, unsecured, non-interest bearing, and repayable on demand.

## 24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group's balances as at 31 December 2022 and 2023 represent wealth management products issued by banks subscribed by the Group with no guaranteed principal and return, depending on the performance of the underlying financial investments or the change in exchange rates as specified in the relevant placements. These wealth management products can be redeemable on demand or in a short term.

## 25. RESTRICTED TIME DEPOSITS, TIME DEPOSITS, BANK BALANCES

The Group and the Company

Time deposits are placed with banks with original maturity from three months to three years and those with maturity more than one year at the end of the reporting periods are classified as non-current assets.

As at 31 December 2023 and 2024, the restricted time deposits are used for securing bank facilities.

The interest rates of the Group's and the Company's restricted time deposits, time deposits and bank balances at the end of each reporting periods are as follows:

| | As at 31 December | | | As at 31 July |
|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2025 |
| **The Group** | | | | |
| - Time deposits | N/A | 2.90% | 2.00%-2.90% | 2.00%-2.90% |
| - Restricted time deposits | N/A | 2.90% | 2.90% | N/A |
| - Bank balances | 0.25% | 0.20% | 0.10% | 0.05% |
| **The Company** | | | | |
| - Time deposits | N/A | 2.90% | 2.90% | 2.90% |
| - Bank balances | 0.25% | 0.20% | 0.10% | 0.05% |

Details of the impairment assessment of restricted time deposits, time deposits and bank balances are set out in Note 36.

## 26. BANK BORROWINGS

**The Group**

| | As at 31 December | | | As at 31 July |
|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Bank borrowings: | | | | |
| - Secured and unguaranteed borrowings | — | — | 40,000 | 30,000 |
| - Secured and guaranteed borrowings (Note) | — | — | 21,675 | 63,974 |
| - Unsecured and unguaranteed borrowings | — | 3,000 | 3,000 | — |
| | — | 3,000 | 64,675 | 93,974 |
| Less: amount classified as current liabilities | — | (3,000) | (64,675) | (67,974) |
| Portion classified as non-current liabilities | — | — | — | 26,000 |

*Note:* As at 31 December 2024 and 31 July 2025, the bank borrowings of RMB21,675,000 and RMB63,974,000 were secured by the mining rights and guaranteed by the Company.

The Group's following secured bank borrowings are pledged by the following assets:

| | As at 31 December | | | As at 31 July |
|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Property, plant and equipment (Note 15) | — | — | 6,802 | 71,534 |
| Leasehold lands in right-of-use assets (Note 16) | — | — | — | 10,622 |
| Mining rights (Note 17) | — | — | 316,290 | 399,237 |
| Restricted time deposits (Note 25) | — | — | 30,000 | — |
| | — | — | 353,092 | 481,393 |

The ranges of effective interest rate of the Group's bank borrowings are:

| | As at 31 December | | | As at 31 July |
|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2025 |
| Effective interest rate per annum: | | | | |
| - Fixed-rate borrowings | N/A | 1.55% | 1.10%-1.45% | 1.10%-1.35% |

## 27. TRADE AND OTHER PAYABLES

| | The Group | | | | The Company | | | |
|---|---|---|---|---|---|---|---|---|
| | As at 31 December | | | As at 31 July | As at 31 December | | | As at 31 July |
| | 2022 | 2023 | 2024 | 2025 | 2022 | 2023 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Trade payables | 37,432 | 7,030 | 17,775 | 46,950 | 3,793 | 5 | 5 | 77 |
| Salaries and wages payables | 7,523 | 6,401 | 6,350 | 5,626 | 745 | 1,442 | 1,879 | 1,378 |
| Payable for acquisition of property, plant and equipment | 65,334 | 114,872 | 94,648 | 91,902 | — | — | — | — |
| Mining rights granting fees payable (Note (a)) | 58,258 | 60,589 | 45,071 | 32,838 | — | — | — | — |
| Payable for acquisition of right-of-use assets for land | — | 23,396 | — | — | — | — | — | — |
| Other tax payables | 32,090 | 9,823 | 3,625 | 11,704 | 2,697 | 3,189 | 376 | — |
| Deposits from suppliers | 9,242 | 9,086 | 6,386 | 9,531 | — | — | — | — |
| Accrued shares issued costs | — | — | 1,070 | 1,289 | — | — | 1,070 | 1,289 |
| Refundable receipts (Note (b)) | 663 | 6,933 | 69,348 | — | 663 | 6,933 | 8,240 | — |
| Others | 1,225 | 64 | 64 | 194 | 57 | 1 | 2 | 3 |
| | 174,335 | 231,164 | 226,562 | 153,084 | 4,162 | 11,565 | 11,567 | 2,670 |
| | 211,767 | 238,194 | 244,337 | 200,034 | 7,955 | 11,570 | 11,572 | 2,747 |
| Less: Mining rights granting fees payable classified as non-current liabilities (Note (a)) | — | (48,548) | (34,587) | (24,877) | — | — | — | — |
| Portion classified as current liabilities | 211,767 | 189,646 | 209,750 | 175,157 | 7,955 | 11,570 | 11,572 | 2,747 |

*Notes:*

(a) Based on the prevailing rules and regulations for the grant of mining rights, the Group accrued and paid fees (recognised as expenses) for mining rights granted by the relevant PRC bureau based on certain percentage of revenue from sales of nonferrous metal concentrates for entire life. According to Mining Right Transfer Proceeds Collection Measures (Cai Zong [2023] No. 10) (《礦業權出讓收益徵收辦法》(財綜[2023]10號)》) issued in March 2023, the settlement of the Group's mining rights granting fees payable of RMB58,258,000 as at 30 April 2023 was permitted to be extended to next six equal annal instalments from 30 June 2024 to 30 June 2029. At inception, the mining rights granting fees payable were discounted at appropriate rate of 4.30% for the extension of repayment, and a gain of RMB8,207,000 was recognised upon revision of the payment terms on 30 April 2024 while interest expense on the extended mining rights granting fees payable was also recognised over six years.

(b) The amounts are received from customers for purchases of the Group's products and are refundable. At the date of this report, these amounts were fully refunded to customers.

The credit period granted by suppliers up to 15-60 days.

The following is an aged analysis of trade payables of the Group and of the Company presented based on the invoice date at the end of each reporting periods:

| | The Group | | | | The Company | | | |
|---|---|---|---|---|---|---|---|---|
| | As at 31 December | | | As at 31 July | As at 31 December | | | As at 31 July |
| | 2022 | 2023 | 2024 | 2025 | 2022 | 2023 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Within 30 days | 29,068 | 766 | 15,366 | 34,764 | 3,793 | 5 | 5 | 77 |
| 31 - 60 days | 754 | 676 | 70 | 7,465 | — | — | — | — |
| 61 - 90 days | 489 | 226 | — | 888 | — | — | — | — |
| Over 90 days | 7,121 | 5,362 | 2,339 | 3,833 | — | — | — | — |
| | 37,432 | 7,030 | 17,775 | 46,950 | 3,793 | 5 | 5 | 77 |

## 28. CONTRACT LIABILITIES

| | The Group | | | | The Company | | | |
|---|---|---|---|---|---|---|---|---|
| | As at 31 December | | | As at 31 July | As at 31 December | | | As at 31 July |
| | 2022 | 2023 | 2024 | 2025 | 2022 | 2023 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Sales of nonferrous metal concentrates | 295 | 4,133 | 25,361 | 44,217 | 50 | 4,133 | 3,456 | 13,051 |

As at 1 January, 2022, the Group's and the Company's contract liabilities amounted to approximately RMB17,980,000 and RMB1,423,000, respectively.

The significant increase in the Group's contract liabilities as at 31 December 2024 and 31 July 2025 was mainly due to the increase in advances from customers resulting from the increasing market demand of nonferrous metal concentrates.

Contract liabilities represent the full payments in the advances from customers in respect of contracts for sales of nonferrous metal concentrates contracts and relevant contract liabilities are recognised as revenue when the control over the goods were transferred to the customers. All the contract liabilities are utilised/expected to be utilised within one year.

## 29. LEASE LIABILITIES

| | The Group | | | | The Company | | | |
|---|---|---|---|---|---|---|---|---|
| | As at 31 December | | | As at 31 July | As at 31 December | | | As at 31 July |
| | 2022 | 2023 | 2024 | 2025 | 2022 | 2023 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Lease liabilities payable:** | | | | | | | | |
| - Within one year | 4,660 | 368 | 73 | 340 | 48 | 79 | 47 | 48 |
| - Within a period of more than one year but not more than two years | — | — | — | 280 | 24 | 14 | 15 | 15 |
| - Within a period of more than two years but less than five years | 48 | 45 | 31 | 16 | — | 31 | 16 | 16 |
| | 4,708 | 413 | 104 | 636 | 72 | 124 | 78 | 79 |
| Less: Amount due for settlement within 12 months shown under current liabilities | (4,660) | (368) | (73) | (340) | (48) | (79) | (47) | (48) |
| Amount due for settlement after 12 months shown under non-current liabilities | 48 | 45 | 31 | 296 | 24 | 45 | 31 | 31 |

The weighted average incremental borrowing rates applied to lease liabilities is 3.85% to 4.60% during the Track Record Period.

## 30. PROVISIONS

**The Group**

Pursuant to the regulations of the governmental authorities in the places where the mines are located, the Group recognises provisions for environmental rehabilitation and restoration costs for its mines. The amount of provisions is an estimate based upon the life of mining tenements, timing of mine closure and cost of such rehabilitation and restoration. The management will update the estimation basis annually.

| | As at 31 December | | | As at 31 July |
|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| At the beginning of the year/period | 11,715 | 9,812 | 9,272 | 9,669 |
| Effect on revision of environmental rehabilitation and restoration plan (Note 15) | — | 317 | — | (2,532) |
| Unwinding of discount (Note 9) | 545 | 451 | 397 | 166 |
| Utilisation of provision | (2,448) | (1,308) | — | — |
| At the end of the year/period | 9,812 | 9,272 | 9,669 | 7,303 |
| Less: Portion classified as current liabilities | (1,250) | — | (1,317) | (1,220) |
| Non-current portion | 8,562 | 9,272 | 8,352 | 6,083 |

## 31. SHARE CAPITAL AND RESERVES OF THE COMPANY

**Share capital of Company:**

| | Number of shares | Share capital |
|---|---|---|
| | *'000* | *RMB'000* |
| **Ordinary share of RMB1 each** | | |
| **Authorised:** | | |
| At 1 January 2022, 31 December 2022 and 31 December 2023 | 360,000 | 360,000 |
| Issue of new shares (Note) | 5,854 | 5,854 |
| At 31 December 2024 and 31 July 2025 | 365,854 | 365,854 |
| **Issued and fully paid:** | | |
| At 1 January 2022, 31 December 2022 and 31 December 2023 | 360,000 | 360,000 |
| Issue of new shares (Note) | 5,854 | 5,854 |
| At 31 December 2024 and 31 July 2025 | 365,854 | 365,854 |

*Note:* On 6 August 2024, the Company passed a shareholders' resolution approving an increase of registered capital to RMB365,853,659 by Zhihui Partnership, whose partners include Ms. He (as general and executive partner) and certain senior management and employees of the Group (as limited partners), which is an employee shareholding platform controlled by Ms. He. Since Ms. He is the Chairman and one of the ultimate controlling parties of the Company, Zhihui Partnership is a related party of the Company. On 12 August 2024, the Company entered into a capital increase agreement with Zhihui Partnership, pursuant to which Zhihui Partnership agreed to subscribe for additional registered capital of RMB5,853,659 at a consideration of RMB20,575,278, as determined with reference to an independent valuation report and, save as aforesaid, both the Company and Zhihui Partnership have no other rights and obligations. The consideration in excess of the nominal value of the ordinary share of the Company amounting to RMB14,721,619 was credited to the capital reserve of the Company. The cash consideration was received by the Company on 23 August 2024. Since then, Zhihui Partnership also became a shareholder of the Company.

**Reserves of the Company:**

| | Capital reserve | Statutory reserve | Retained profits | Total |
|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| As at 1 January 2022 | 315,251 | 10,820 | 108,006 | 434,077 |
| Profit and total comprehensive income for the year | — | — | 16,747 | 16,747 |
| Transfer to statutory reserve | — | 1,675 | (1,675) | — |
| Dividends recognised as distribution (Note 13) | — | — | (30,000) | (30,000) |
| As at 31 December 2022 | 315,251 | 12,495 | 93,078 | 420,824 |
| Profit and total comprehensive income for the year | — | — | 16,365 | 16,365 |
| Transfer to statutory reserve | — | 1,636 | (1,636) | — |
| Dividends recognised as distribution (Note 13) | — | — | (50,000) | (50,000) |
| As at 31 December 2023 | 315,251 | 14,131 | 57,807 | 387,189 |
| Profit and total comprehensive income for the year | — | — | 3,129 | 3,129 |
| Issue of new shares | 14,721 | — | — | 14,721 |
| Transfer to statutory reserve | — | 313 | (313) | — |
| As at 31 December 2024 | 329,972 | 14,444 | 60,623 | 405,039 |
| Loss and total comprehensive expense for the period | — | — | (7,555) | (7,555) |
| As at 31 July 2025 | 329,972 | 14,444 | 53,068 | 397,484 |

## 32. RETIREMENT BENEFIT PLANS

The employees of the Company and its PRC subsidiaries are members of a state-managed defined contribution retirement scheme operated by the PRC Government. Their employees are required to contribute a certain percentage of their payroll to the retirement benefit scheme subject to certain cap as governed by the social fund bureau. The only obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme.

The total costs charged to profit or loss, amounting to RMB2,840,000, RMB3,278,000, RMB3,232,000, RMB1,829,000 (unaudited) and RMB1,926,000 for the years ended 31 December 2022, 2023 and 2024 and for the seven months ended 31 July 2024 and 2025, respectively, representing contributions paid to the retirement benefit scheme by the Group.

## 33. CAPITAL COMMITMENTS

| | As at 31 December | | | As at 31 July |
|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the Historical Financial Information | 247,794 | 154,253 | 78,353 | 75,424 |

## 34. RELATED PARTIES DISCLOSURES

Apart from disclosures elsewhere in the Historical Financial Information, the Group also entered into the following transactions with related parties during the Track Record Period:

**Remuneration of key management personnel**

The remuneration of key management personnel of the Group during the Track Record Period was as follows:

| | Year ended 31 December | | | Seven months ended 31 July | |
|---|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* (unaudited) | *RMB'000* |
| Salaries, wages and allowance | 5,697 | 5,829 | 6,085 | 2,102 | 2,710 |
| Performance-based bonuses | 277 | 957 | 1,044 | 405 | 501 |
| Retirement benefits | 60 | 76 | 94 | 28 | 40 |
| | 6,034 | 6,862 | 7,223 | 2,535 | 3,251 |

## 35. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the Track Record Period.

The capital structure of the Group consists of net debt (which includes bank borrowings, lease liabilities, net of bank balances) and equity attributable to owners of the Company (comprising share capital and reserves).

The management of the Group reviews the capital structure from time to time. As a part of this review, the management considers the cost of capital and the risks associated with the capital. Based on recommendations of the management, the Group will balance its overall capital structure through issue of new shares, new debts or the redemption of existing debts.

## 36. FINANCIAL INSTRUMENTS

### (a) Categories of financial instruments

| | The Group | | | | The Company | | | |
|---|---|---|---|---|---|---|---|---|
| | As at 31 December | | | As at 31 July | As at 31 December | | | As at 31 July |
| | 2022 | 2023 | 2024 | 2025 | 2022 | 2023 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Financial assets** | | | | | | | | |
| At FVTPL | 100,417 | 30,780 | — | — | — | — | — | — |
| At amortised cost | 43,293 | 82,374 | 214,545 | 195,620 | 686,406 | 604,206 | 306,218 | 283,278 |
| **Financial liabilities** | | | | | | | | |
| At amortised cost | 172,155 | 224,973 | 297,970 | 275,389 | 375,936 | 322,115 | 8,294 | 80 |

### (b) Financial risk management objectives and policies

The Group's and Company's financial instruments include financial assets at FVTPL, bank balances, deposits, interest and other receivables, restricted time deposits, time deposits, amounts due from a related party/subsidiaries, bank borrowings, trade and other payables, amounts due to related parties. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group and the Company manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

***Market risk***

*Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group and the Company are exposed to fair value interest rate risk in relation to fixed-rate time deposits and restricted time deposits, and fixed-rate bank borrowings and lease liabilities.

The fair value interest rate risk on the financial assets at FVTPL is limited because the periods of these investment products are short.

The management of the Company considers that the overall interest rate risk expose to the Group and the Company is not significant and no sensitivity analysis is presented for the Group and the Company.

***Credit risk and impairment assessment***

Credit risk refers to the risk that the Group's and the Company's counterparties default on their contractual obligations resulting in financial losses to the Group and the Company. The Group's and the Company's credit risk exposures are primarily attributable to bank balances, time deposits, restricted time deposits, amounts due from a related party/subsidiaries, deposits, interest and other receivables. The Group and the Company do not hold any collateral or other credit enhancements to cover the credit risk associated with their financial assets. The expected credit loss rate for financial assets measured at amortised cost are assessed to be insignificant.

For individual assessment of ECL of the Group's and the Company's financial assets, the Group's internal credit risk grading assessment comprises the following categories:

| Internal credit rating | Description | Trade receivables | Other financial assets |
|---|---|---|---|
| Low risk | The counterparty has a low risk of default and does not have any past-due amounts. | Lifetime ECL — not credit-impaired | 12-month ECL |
| Watch list | Debtor frequently repays after due dates but usually settle in full. | Lifetime ECL — not credit-impaired | 12-month ECL |
| Doubtful | There have been significant increases in credit risk since initial recognition through information developed internally or external resources. | Lifetime ECL — not credit-impaired | Lifetime ECL — not credit-impaired |
| Loss | There is evidence indicating the asset is credit-impaired. | Lifetime ECL — credit-impaired | Lifetime ECL — credit-impaired |
| Write-off | There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery. | Amount is written off | Amount is written off |

The table below details the credit risk exposures of the Group's and the Company's financial assets as at 31 December 2022, 2023 and 2024 and 31 July 2025, which are subject to ECL assessment:

| | | | | | Gross carrying amount | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | The Group | | | | The Company | | | |
| | | | | | As at 31 December | | | As at 31 July | As at 31 December | | | As at 31 July |
| | Notes | External credit rating | Internal credit rating | 12m or Lifetime ECL | 2022 | 2023 | 2024 | 2025 | 2022 | 2023 | 2024 | 2025 |
| | | | | | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Financial assets at amortised cost** | | | | | | | | | | | | |
| Deposits, interest and other receivables | 22 | N/A | Low Risk | 12m ECL (not credit-impaired) | 519 | 1,062 | 2,323 | 2,188 | 38 | 212 | 797 | 1,144 |
| Amounts due from a related party/ subsidiaries | 23/19 | N/A | Low Risk | 12m ECL (not credit-impaired) | 504 | 504 | — | — | 681,377 | 583,011 | 261,579 | 239,794 |
| Time deposits | 25 | Baa1-Baa3 | Low Risk | 12m ECL (not credit-impaired) | — | 20,000 | 40,000 | 40,000 | — | 20,000 | 20,000 | 20,000 |
| Restricted time deposits | 25 | Baa1 | Low Risk | 12m ECL (not credit-impaired) | — | 30,000 | 30,000 | — | — | — | — | — |
| Bank balances | 25 | Baa1-Baa3 | Low Risk | 12m ECL (not credit-impaired) | 42,270 | 30,808 | 142,222 | 153,432 | 4,991 | 983 | 23,842 | 22,340 |
| | | | | | 43,293 | 82,374 | 214,545 | 195,620 | 686,406 | 604,206 | 306,218 | 283,278 |

*Deposits, interest and other receivables*

In determining the ECL for deposits, interest and other receivables of the Group and the Company, the management of the Company has taken into account the historical default experience and forward-looking information, as appropriate. The management of the Company has assessed that the deposits, interest and other receivables have not had significant increases in credit risk since initial recognition and risk of default is insignificant, and therefore, no ECL has been provided.

*Amounts due from a related party/subsidiaries*

The management of the Company considers the credit risk of amounts due from a related party/subsidiaries of the Group and the Company are not material based on the repayment history. Besides, the management of the Company is able to access to the financial information of the subsidiaries which have strong financial position. Thus, management of the Company considers the risk of ECL being insignificant and no ECL, therefore, is provided.

*Time deposits, restricted time deposits and bank balances*

The credit risk on time deposits, restricted time deposits and bank balances of the Group and the Company are limited because the counterparties are reputational banks with high credit ratings internationally/locally and no ECL, therefore, is provided.

***Liquidity risk***

As at 31 December 2022, 2023 and 2024 and 31 July 2025, the Group had net current liabilities of approximately RMB48,973,000, RMB97,840,000, RMB79,150,000 and RMB8,734,000. In the opinion of the directors of the Company, [the Historical Financial Information has been prepared on a going concern basis because the Group will be able to meet in full its financial obligations as and when they fall due for the foreseeable future, taking into account of the expected cash flows from operations, its financial assets (including restricted time deposits, time deposits, bank balances) and bank borrowings (Note 26) and undrawn facilities currently available to the Group that are expected to be extendable when due upon requests of the Group based on current negotiation with these banks.]

The following table details the Group's and the Company's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows, where applicable.

**The Group**

| | Weighted average of interest rate | On demand or within 1 year | Over 1 year but within 2 years | Over 2 years but within 3 years | Over 3 years | Total undiscounted cash flows | Carrying amount |
|---|---|---|---|---|---|---|---|
| | | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **As at 31 December 2022** | | | | | | | |
| **Financial liabilities** | | | | | | | |
| Trade and other payables | N/A | 172,154 | — | — | — | 172,154 | 172,154 |
| Amounts due to related parties | N/A | 1 | — | — | — | 1 | 1 |
| Lease liabilities | 4.40% | 4,803 | 50 | — | — | 4,853 | 4,708 |
| Total | | 176,958 | 50 | — | — | 177,008 | 176,863 |

| | Weighted average of interest rate | On demand or within 1 year | Over 1 year but within 2 years | Over 2 years but within 3 years | Over 3 years | Total undiscounted cash flows | Carrying amount |
|---|---|---|---|---|---|---|---|
| | | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **As at 31 December 2023** | | | | | | | |
| **Financial liabilities** | | | | | | | |
| Trade and other payables | Nil/4.30% | 180,061 | 9,710 | 9,710 | 29,128 | 228,609 | 221,970 |
| Amounts due to related parties | N/A | 3 | — | — | — | 3 | 3 |
| Bank borrowings | 1.55% | 3,008 | — | — | — | 3,008 | 3,000 |
| Lease liabilities | 4.32% | 372 | 16 | 16 | 16 | 420 | 413 |
| Total | | 183,444 | 9,726 | 9,726 | 29,144 | 232,040 | 225,386 |

| | Weighted average of interest rate | On demand or within 1 year | Over 1 year but within 2 years | Over 2 years but within 3 years | Over 3 years | Total undiscounted cash flows | Carrying amount |
|---|---|---|---|---|---|---|---|
| | | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **As at 31 December 2024** | | | | | | | |
| **Financial liabilities** | | | | | | | |
| Trade and other payables | Nil/4.30% | 202,579 | 9,710 | 9,710 | 15,167 | 237,166 | 233,292 |
| Amounts due to related parties | N/A | 3 | — | — | — | 3 | 3 |
| Bank borrowings | 1.26% | 64,918 | — | — | — | 64,918 | 64,675 |
| Lease liabilities | 4.24% | 75 | 16 | 16 | — | 107 | 104 |
| Total | | 267,575 | 9,726 | 9,726 | 15,167 | 302,194 | 298,074 |

| | Weighted average of interest rate | On demand or within 1 year | Over 1 year but within 2 years | Over 2 years but within 3 years | Over 3 years | Total undiscounted cash flows | Carrying amount |
|---|---|---|---|---|---|---|---|
| | | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **As at 31 July 2025** | | | | | | | |
| **Financial liabilities** | | | | | | | |
| Trade and other payables | Nil/4.30% | 163,177 | 9,710 | 9,710 | 5,457 | 188,054 | 181,415 |
| Bank borrowings | 1.25% | 68,070 | 6,131 | 20,678 | — | 94,879 | 93,974 |
| Lease liabilities | 4.06% | 615 | 16 | 16 | — | 647 | 636 |
| Total | | 231,862 | 15,857 | 30,404 | 5,457 | 283,580 | 276,025 |

**The Company**

| | Weighted average of interest rate | On demand or within 1 year | Over 1 year but within 2 years | Over 2 years but within 3 years | Over 3 years | Total undiscounted cash flows | Carrying amount |
|---|---|---|---|---|---|---|---|
| | | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **As at 31 December 2022** | | | | | | | |
| **Financial liabilities** | | | | | | | |
| Trade and other payables | N/A | 4,513 | — | — | — | 4,513 | 4,513 |
| Amounts due to subsidiaries | N/A | 203,517 | 167,906 | — | — | 371,423 | 371,423 |
| Lease liabilities | 4.40% | 50 | 25 | — | — | 75 | 72 |
| Total | | 208,080 | 167,931 | — | — | 376,011 | 376,008 |

| | Weighted average of interest rate | On demand or within 1 year | Over 1 year but within 2 years | Over 2 years but within 3 years | Over 3 years | Total undiscounted cash flows | Carrying amount |
|---|---|---|---|---|---|---|---|
| | | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **As at 31 December 2023** | | | | | | | |
| **Financial liabilities** | | | | | | | |
| Trade and other payables | N/A | 6,939 | — | — | — | 6,939 | 6,939 |
| Amounts due to related parties | N/A | 2 | — | — | — | 2 | 2 |
| Amounts due to subsidiaries | N/A | 315,174 | — | — | — | 315,174 | 315,174 |
| Lease liabilities | 4.32% | 82 | 16 | 16 | 16 | 130 | 124 |
| Total | | 322,197 | 16 | 16 | 16 | 322,245 | 322,239 |

| | Weighted average of interest rate | On demand or within 1 year | Over 1 year but within 2 years | Over 2 years but within 3 years | Over 3 years | Total undiscounted cash flows | Carrying amount |
|---|---|---|---|---|---|---|---|
| | | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **As at 31 December 2024** | | | | | | | |
| **Financial liabilities** | | | | | | | |
| Trade and other payables | N/A | 8,247 | — | — | — | 8,247 | 8,247 |
| Amounts due to related parties | N/A | 2 | — | — | — | 2 | 2 |
| Amounts due to subsidiaries | N/A | 45 | — | — | — | 45 | 45 |
| Lease liabilities | 4.24% | 49 | 16 | 16 | — | 81 | 78 |
| Total | | 8,343 | 16 | 16 | — | 8,375 | 8,372 |

| | Weighted average of interest rate | On demand or within 1 year | Over 1 year but within 2 years | Over 2 years but within 3 years | Over 3 years | Total undiscounted cash flows | Carrying amount |
|---|---|---|---|---|---|---|---|
| | | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **As at 31 July 2025** | | | | | | | |
| **Financial liabilities** | | | | | | | |
| Trade and other payables | N/A | 80 | — | — | — | 80 | 80 |
| Lease liabilities | 4.24% | 49 | 16 | 16 | — | 81 | 79 |
| Total | | 129 | 16 | 16 | — | 161 | 159 |

**(c) Fair value measurement of financial instruments**

Some of the Group's financial instruments are measured at fair value for financial reporting purpose. In estimating the fair value, the Group used market-observable data to the extent that is available.

***Fair value of the Group's financial assets that are measured at fair value on a recurring basis***

The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

| | Fair value as at | | | | | |
|---|---|---|---|---|---|---|
| | 31 December | | | | | |
| **Financial assets** | **2022** | **2023** | **2024** | **31 July 2025** | **Fair value hierarchy** | **Valuation technique(s) and key input(s)** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | | |
| Wealth management products issued by banks classified as financial assets at FVTPL | 100,417 | 30,780 | — | — | Level 2 | Quoted value provided by financial institution Discounted cash flows — future cash flows are estimated based on estimated return, and discounted at a rate that reflects the credit risks of various counterparties. |

***Fair value of the Group's and the Company's financial assets that are not measured at fair value on a recurring basis***

The directors of the Company consider that the Group's and the Company's carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Historical Financial Information approximate to their fair values.

## 37. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statements of cash flows as cash flows from financing activities.

| | Lease liabilities | Accrued shares issued costs | Bank borrowings | Dividend payable | Amounts due to related parties | Total |
|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| At 1 January 2022 | — | — | 100,000 | — | 1 | 100,001 |
| Financing cash flows | (4,751) | — | (101,001) | (30,000) | — | (135,752) |
| Dividend declared | — | — | — | 30,000 | — | 30,000 |
| Interest recognised | 240 | — | 1,001 | — | — | 1,241 |
| New leases entered | 9,219 | — | — | — | — | 9,219 |
| At 31 December 2022 | 4,708 | — | — | — | 1 | 4,709 |
| Financing cash flows | (50) | — | 2,983 | (50,000) | 2 | (47,065) |
| Dividend declared | — | — | — | 50,000 | — | 50,000 |
| Interest recognised | 143 | — | 17 | — | — | 160 |
| New lease entered | 315 | — | — | — | — | 315 |
| Lease termination | (4,703) | — | — | — | — | (4,703) |
| At 31 December 2023 | 413 | — | 3,000 | — | 3 | 3,416 |
| Financing cash flows | (470) | (2,377) | 61,165 | — | — | 58,318 |
| Interest recognised | 4 | — | 510 | — | — | 514 |
| New lease entered | 195 | — | — | — | — | 195 |
| Issue costs accrued | — | 3,407 | — | — | — | 3,407 |
| Net foreign exchange loss | — | 40 | — | — | — | 40 |
| Lease termination | (38) | — | — | — | — | (38) |
| At 31 December 2024 | 104 | 1,070 | 64,675 | — | 3 | 65,852 |
| Financing cash flows | — | (15,071) | 28,683 | — | (3) | 13,609 |
| Interest recognised | 2 | — | 616 | — | — | 618 |
| New lease entered | 530 | — | — | — | — | 530 |
| Issue costs accrued | — | 15,112 | — | — | — | 15,112 |
| Net foreign exchange loss | — | 178 | — | — | — | 178 |
| At 31 July 2025 | 636 | 1,289 | 93,974 | — | — | 95,899 |

| | Lease liabilities | Accrued shares issued costs | Bank borrowings | Dividend payable | Amounts due to related parties | Total |
|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| At 1 January 2024 (audited) | 413 | — | 3,000 | — | 3 | 3,416 |
| Financing cash flows | (35) | — | 39,576 | — | — | 39,541 |
| Interest recognised | 3 | — | 424 | — | — | 427 |
| Lease termination | (38) | — | — | — | — | (38) |
| At 31 July 2024 (unaudited) | 343 | — | 43,000 | — | 3 | 43,346 |

## 38. INVESTMENTS IN SUBSIDIARIES/PARTICULARS OF SUBSIDIARIES OF THE COMPANY

### Investments in subsidiaries

### The Company

| | As at 31 December | | | As at 31 July |
|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Huaxia Mining | 474,065 | 474,065 | 474,065 | 474,065 |
| Zhihua Industrial | 1,000 | 1,000 | 1,000 | 1,000 |
| | 475,065 | 475,065 | 475,065 | 475,065 |

## PARTICULARS OF SUBSIDIARIES OF THE COMPANY

During the Track Record Period and as at the date of this report, the Company has direct or indirect interests in the following subsidiaries:

| Name of subsidiaries | Place and date of establishment/ incorporation | Issued and fully paid capital/ paid-up registered capital | Equity interest attributable to the Company | | | | | Principal activities |
|---|---|---|---|---|---|---|---|---|
| | | | As at 31 December | | | As at 31 July | As at the date of | |
| | | | 2022 | 2023 | 2024 | 2025 | this report | |
| ***Directly held:*** | | | | | | | | |
| Huaxia Mining (Note(b)) | The PRC 10 May 2004 | RMB[70,000,000] | 100% | 100% | 100% | 100% | [100%] | Mineral exploration, mining, production and sales of mineral products |
| Zhihua Industrial (Note(b)) | The PRC 11 September 2019 | RMB[1,000,000] | 100% | 100% | 100% | 100% | [100%] | Sales of mineral products |
| Zhihui Mining (Hong Kong) Limited.( Note(d)) | Hong Kong 6 January 2025 | HKD[24,000,000] | N/A | N/A | N/A | 100% | [100%] | Sales of mineral products |
| ***Indirectly held:*** | | | | | | | | |
| Xizang Huahai Mineral Co., Ltd.( 西藏華海礦業有限公司) (Note(c)) | The PRC 10 July 2019 | RMB[1,000,000] | 100% | 100% | 100% | 100% | [100%] | Exploration, production and sales of mineral products |
| Xizang Huazhong Industrial Co., Ltd.( 西藏華眾實業有限公司) (Note(c)) | The PRC 17 December 2019 | RMB[10,000,000] | 100% | 100% | 100% | 100% | [100%] | Sales of mineral products |

*Notes:*

(a) All the subsidiaries of the Company are limited liability companies. None of the subsidiaries had any debt securities outstanding as at 31 December 2022, 2023 and 2024 and 31 July 2025 or at any time during the Track Record Period.

(b) No statutory financial statements was required for these subsidiaries in the PRC since there are no statutory audit requirements in the PRC. The Group had engaged Zhejiang Yuehua Certified Public Accountants Co., Ltd.(浙江岳華會計師事務所有限公司), Certified Public Accountants registered in the PRC, to audit the financial statements of Huaxia Mining and Zhihua Industrial for the years ended 31 December 2022, 2023 and 2024 that were prepared in accordance with relevant accounting principles and financial regulations applicable to the PRC enterprise.

(c) No statutory financial statements was required for these subsidiaries in the PRC since there are no statutory audit requirements in the PRC.

(d) No statutory financial statements was prepared for this subsidiary since it is newly incorporated and the financial statements have not yet been due to be issued.

## 39. MAJOR NON-CASH TRANSACTIONS

(a) During the seven months ended 31 July 2025, the Group entered into a new lease agreement for the use of an office premise for 2 years. On the lease commencement, the Group recognised a right-of-use asset and a lease liability of RMB530,000 and RMB530,000, respectively.

(b) During the seven months ended 31 July 2024, the Group terminated a lease agreement for the use of office premise with remaining 1 year. Upon termination of the lease, the Group derecognised a right-of-use asset and a lease liability of RMB34,000 and RMB38,000, respectively, and recognised a gain of RMB4,000 in "other gains or losses, net".

(c) During the year ended 31 December 2024, the Group entered into a new lease agreement for the use of machineries for 3 years. On the lease commencement, the Group recognised a right-of-use asset and a lease liability of RMB195,000 and RMB195,000, respectively.

During the year ended 31 December 2024, the Group terminated a lease agreement for the use of office premise with remaining 1 year. Upon termination of the lease, the Group derecognised a right-of-use asset and a lease liability of RMB34,000 and RMB38,000, respectively, and recognised a gain of RMB4,000 in "other gains or losses, net".

(d) During the year ended 31 December 2023, the Group entered into a new lease agreement for the use of an office premise for 3 years. On the lease commencement, the Group recognised a right-of-use asset and a lease liability of RMB315,000 and RMB315,000, respectively.

During the year ended 31 December 2023, the Group terminated lease agreements for the use of machineries with remaining 1 year. Upon termination of the leases, the Group derecognised right-of-use assets and lease liabilities of RMB4,537,000 and RMB4,703,000, respectively, and recognised a gain of RMB166,000 in "other gains or losses, net".

(e) During the year ended 31 December 2022, the Group entered into new lease agreements for the use of office premises and machineries for 2-3 years. On the lease commencement, the Group recognised right-of-use assets and lease liabilities of RMB9,219,000 and RMB9,219,000, respectively.

## 40. EVENTS AFTER REPORTING PERIOD

[The Group has no significant event took place subsequent to 31 July 2025 that needs to be disclosed.]

## 41. SUBSEQUENT FINANCIAL STATEMENTS

[No audited financial statements of the Company, any of its subsidiaries or the Group have been prepared in respect of any period subsequent to 31 July 2025.]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Draft

# Independent Technical Report on the Mengya'a Lead and Zinc Project

Jiali County, Nagqu City, Xizang Autonomous Region, China
Xizang Zhihui Mining Co., Ltd.



SRK Consulting (Hong Kong) Ltd ▪ TZM001 ▪ [REDACTED]

srk consulting

# Independent Technical Report on the Mengya'a Lead and Zinc Project

Jiali County, Nagqu City, Xizang Autonomous Region, China

**Prepared for:**
Xizang Zhihui Mining Co., Ltd.
Block 2, 2 Tongzhan West Road
Serni District, Nagqu City
Xizang Autonomous Region
China

**Prepared by:**
SRK Consulting (Hong Kong) Limited
Suite 1818, 18/F, V Heun Building
138 Queen's Road Central, Central
Hong Kong

+852 2520 2522
www.srk.com

**Lead Author:** Gavin Chan **Initials:** GC
**Reviewer:** Jeames McKibben **Initials:** JM

**File Name:**

**Suggested Citation:**
SRK Consulting (Hong Kong) Ltd. [REDACTED]. Independent Technical Report on the Mengya'a Lead and Zinc Project. Draft. Prepared for Xizang Zhihui Mining Co., Ltd.: China. Project number: TZM001. Issued [REDACTED].

**Copyright © 2025**

# Acknowledgments

The following consultants have contributed to the preparation of this Report:

| Role | Name | Professional designation |
|---|---|---|
| Coordinating Author | Gavin Chan | BSc, MPhil, PhD, FAIG |
| Coordinating Author | Tony Tang | BSc, MSc, PhD, MAusIMM, MAIG |
| Coordinating Author | Falong Hu | MBA, BEng, FAusIMM |
| Coordinating Author | Chunfu Yang | BEng, RCE, CSPM |
| Coordinating Author | Lanliang Niu | BEng, MAusIMM |
| Coordinating Author | Nan Xue | MSc, MBA, MAusIMM |
| Peer Review | Robin Simpson | BSc(Hons), MSc, MAIG |
| Peer Review | Jeames McKibben | BSc(Hons), MBA, FAusIMM(CP), MAIG, MRICS |
| Releasing Authority | Gavin Chan | BSc, MPhil, PhD, FAIG |

Disclaimer: The opinions expressed in this Report have been based on the information supplied to SRK Consulting (Hong Kong) Ltd (SRK) by Xizang Zhihui Mining Co., Ltd. (Zhihui). The opinions in this Report are provided in response to a specific request from Zhihui to do so. SRK has exercised all due care in reviewing the supplied 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. 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.

# Useful definitions

This list contains definitions of symbols, units, abbreviations, and terminology that may be unfamiliar to the reader.

| Abbreviation | Meaning/Definition |
|---|---|
| ° | degrees |
| °C | degrees Celsius |
| µm | micrometres, equal to one millionth of a metre |
| AAS | atomic absorption spectroscopy |
| AIG | Australian Institute of Geoscientists |
| Anticline | An anticline is an arch-like fold in rock layers, where the oldest rocks are at the core of the fold, and the layers dip away from the centre. |
| ARD | acid rock drainage |
| asl | above sea level |
| AusIMM | Australasian Institute of Mining and Metallurgy |
| BGRIMM | Beijing General Research Institute of Mining & Metallurgy |
| bulk density | A physical property of mineral components, defined by the weight of an object or material divided by its volume, including the volume of its pore spaces |
| CGCS | China Geodetic Coordinate System |
| Channel sample | Sample collected by cutting a continuous groove or channel into the rock face using tools such as chisels, saws, or drills. The groove is typically uniform in width and depth to ensure consistency. |
| cm | centimetres |
| compressive | The capacity of a material or structure to withstand loads tending to reduce size, measured by plotting. |
| concentrate | These concentrates are produced by separating zinc-, lead- and copper-bearing minerals from other minerals and impurities found in the ore. The concentration process often involves crushing, grinding, and various separation techniques such as flotation, gravity separation, or leaching. |
| CRM | Certified Reference Material |
| drill core | A solid, cylindrical sample of rock produced by an annular drill bit, generally rotatively driven but sometimes cut by percussive methods (drill core is extracted from a drill hole). |
| drill hole | A hole drilled in the ground by a drill rig, usually for exploratory purposes to obtain geological information and to allow sampling of rock material. |
| EDTA | ethylene diamine tetraacetic acid; a polyamino carboxylic acid with the formula C10H16N2O8. It is known for its ability to sequester metal ions, forming stable complexes. This property makes it useful in applications where metal ions need to be controlled or removed. |
| EIA | Environmental impact assessment, a comprehensive analysis of the environmental |

| | |
|---|---|
| | consequences of a mining project |
| EPCM | Engineering, Procurement and Construction Management |
| EqPb (lead equivalent) | Calculated by converting the grades of zinc and silver into an equivalent lead grade, taking into account their prices and recovery rates. |
| exploration | Activities undertaken to prove the location, volume and quality of a deposit |
| fault | A fracture or fracture zone in rock along which movement has occurred |
| fold | A bend or flexure in a rock unit or series of rock units that has been caused by crustal movements |
| formation | A body of rock having a consistent set of characteristics (lithology) that distinguish it from adjacent bodies of rock |
| g | grams |
| g/cm3 | grams per cubic centimetre |
| g/t | grams per tonne |
| HDPE | high density polyethylene |
| HKEx | The Stock Exchange of Hong Kong Limited |
| IDW | inverse distance weighted |
| ITR | Independent Technical Report |
| JORC | Joint Ore Reserves Committee |
| JORC Code | Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia (JORC), December 2012. |
| JV | joint venture |
| k | thousand |
| kg | kilograms |
| km | kilometres |
| $km^2$ | square kilometres |
| kt | thousand tonnes |
| kV | kilovolts |
| kW | kilowatts |
| m | metres |
| LOM | life-of-mine |
| M | million |
| m asl | metres above sea level |
| m/d | metres per day |
| m3 | cubic metres |

| | |
|---|---|
| magmatic | Pertaining to, or derived from, magma |
| metamorphic rock | A rock formed by transformation of existing rocks subject to elevated heat and pressure |
| mg | milligrams |
| Mineral Resource | Concentration or occurrence of material of intrinsic economic interest on or inside the Earth's crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge. |
| mm | millimetres |
| MRE | Mineral Resource Estimate |
| Mt | million tonnes |
| mudstone | Mudstone is a fine-grained sedimentary rock composed primarily of clay-sized particles. |
| OK | Ordinary Kriging |
| open-pit | Mining of a deposit from a pit open to the surface and usually carried out by stripping of overburden materials (equivalent to a quarry) |
| Ore | Ore is a naturally formed material containing metals or minerals that can be economically extracted. |
| Ore Reserve | 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. Such studies demonstrate that, at the time of reporting, extraction could reasonably be justified. |
| PBX | potassium butyl xanthate |
| Permian | Time period 299–252 million years ago |
| phyllite | A type of foliated metamorphic rock created from slate that has fine-grained mica |
| QA/QC | Quality Assurance and Quality Control |
| Quaternary | Time period 2.58–0 million years ago |
| RCE | Registered Civil Engineer in China |
| Report | Independent Technical Report |
| RL | relative level |
| ROM | run-of-mine |
| RQD | rock quality designation |
| RTK | real-time kinematics |
| sedimentary rock | A rock formed from the accumulation and consolidation of sediment, usually in layered deposits and that may consist of rock fragments of various sizes, remains or products of animals or plants, products of chemical action or of evaporation, or mixtures of these |
| shale | A fine-grained sedimentary rock, formed from mud that is a mix of clay and silt |
| sill | A tabular sheet intrusion of molten rock (magma) that has intruded between older |

| | |
|---|---|
| | layers of sedimentary rock; a sill does not cut across the pre-existing formations |
| slope of regression | a fundamental aspect of linear regression analysis, illustrating the relationship between the independent variable (predictor) and the dependent variable (response). In the context of Kriging estimates, the slope of the regression line serves as an indicator of the quality of the estimation. |
| specific gravity | The ratio of its mass to the mass of an equal volume of water |
| SRK | SRK Consulting (Hong Kong) Limited |
| SRK Group | SRK Global Limited |
| stratigraphy | The study of sedimentary rock units, including their geographic extent, age, classification, characteristics and formation |
| strength | applied force against deformation in a testing machine. It is the maximum compressive stress that can be applied to a material, such as a rock, under given conditions, before failure occurs. |
| strike | Direction of line formed by intersection of a rock surface with a horizontal plane. Strike is always perpendicular to direction of dip. |
| swath plot | A swath plot is typically created by dividing the study area into parallel slices or swaths along a specific direction (e.g., north – south, east – west, or vertical). For each swath, the average estimated value and the average actual value (from sample data) are calculated and plotted against the swath position. |
| t | tonnes |
| t/a | tonnes per annum |
| t/d | tonnes per day |
| TSF | tailings storage facility |
| variogram model | A variogram is a graph that represents the degree of spatial dependence between sample points as a function of distance. It plots the semivariance (half the average squared difference between paired data points) against the distance separating those points. |
| variography | A fundamental technique in geostatistics used to analyse the spatial variability and correlation of a regionalised variable, such as mineral grades, soil properties, or any other spatially distributed data. |
| vein | Sheet-like body of minerals formed by fracture filling or replacement of lost rock |
| waste | The part of an ore deposit that is too low in grade to be of economic value at the time of mining, but which may be stored separately for possible treatment later. |
| wireframe | A skeletal three-dimensional model in which only lines and vertices are represented, a preliminary stage used in preparing a full three-dimensional model. |

# Executive summary

SRK Consulting (Hong Kong) Limited (SRK) has been commissioned by Xizang Zhihui Mining Co., Ltd. (Zhihui) to prepare an Independent Technical Report (ITR) on the Mengya'a Lead and Zinc Project in Jiali County, Xizang Autonomous Region, China. The Report has been prepared in accordance with the VALMIN Code (2015), JORC Code (2012) and the Hong Kong Stock Exchange (HKEx) Listing Rules in relation to Zhihui's [REDACTED] and capital raising on HKEx.

**Scope of work**

The scope of work for this Report includes a review of the following technical aspects:

- Geology and Mineral Resources
- Mining and Ore Reserves
- Mineral processing
- Tailings storage facility
- Capital and operating costs
- Permitting, environmental and social considerations.

A risk assessment is also included.

**Work program**

SRK's work program included a review of the provided information, site visits by SRK personnel in September and November 2024, estimation of the Mineral Resource and Ore Reserve, and preparation of this Report.

**Mengya Lead and Zinc Project**

Lead and zinc mineralisation was first identified within the current project area in 2002 during reconnaissance work by the Second Brigade of the Xizang Autonomous Region Geological and Mineral Exploration Bureau (Second Brigade). Initial prospecting concluded in 2003, followed by a multi-phase exploration program (2004–2021) led by the Second Brigade and Xizang Huaxia Mining Co., Ltd.,(Huaxia Mining), a subsidiary of Zhihui. This program included geological mapping, geophysical surveys, trenching, and diamond core drilling. In late 2024, Zhihui conducted an infill and validation drilling campaign to verify historical exploration data.

Operational development began in 2006, when Huaxia Mining secured the initial mining licence. Open-pit mining commenced at the Pb14 deposit in 2007. The 2,000 t/d processing plant was established in October 2007 and put into operation in December 2010. By 2022, the plant's processing nameplate capacity had been upgraded to 3,000 t/d. In 2024, the exploration licence ,originally granted in 2002 was renewed multiple times and remains valid until 24 June 2026. The mining licence was initially granted in 2006 and renewed multiple times. The latest mining licence was granted in 2024 and the licence area was expanded to 4.4544 km² in February 2025, covering the open-pit and the underground development site. This new mining licence is valid until 15 December 2025.

The project's infrastructure includes a processing plant located 10 km north of the mine site, a base camp administration and accommodation complex, and two tailings storage facilities (TSFs). The open-pit mine and underground project are situated 3 km apart, at elevations of 5,000–5,300 m above sea level (asl), while the base camp administration and accommodation complex and processing plant occupy a valley 10 km north at approximately 4,600 m asl. The TSFs are located 5 km west of the camp, spanning elevations of 4,600–5,600 m asl. Construction of the underground

mining system completed in May 2025 and production commenced in the second quarter of 2025. The combined output from the open-pit and underground mines is expected to deliver 400,000 t of ore annually to the processing plant, producing lead (Pb), zinc (Zn), and copper (Cu) concentrates.

## Geology and mineralisation

The project is located within the Gangdese Metallogenic Belt on the southeastern Xizang Plateau in western China, a region renowned for porphyry, skarn, and epithermal polymetallic deposits. This belt formed through complex geological processes, including the northward subduction of the Neo-Tethys Ocean and subsequent collisional orogeny between the Indian and Eurasian tectonic plates.

The local geological setting is dominated by the Quesang–Songduo stratigraphic group, comprising Late Carboniferous to Jurassic sedimentary sequences. These strata consist of terrigenous clastic and carbonate rocks, which host the project's primary base metal mineralisation.

Skarn-type Pb–Zn–(Ag–Fe–Cu) deposits are widely present within the Northern Gangdese Metallogenic Belt (NGMB). A magmatic–metallogenic model explains their formation, linking mineralisation to the emplacement of sedimentary(S)-type granitic magmas derived from partial melting of ancient crust. These magmas, enriched in Pb and Zn, are critical to the metal endowment of the Mengya'a deposit and similar systems in the NGMB.

Over 30 skarn prospects and deposits have been identified within the project tenures, with known mineralisation are predominantly layered or lenticular in shape, occurring within the Laigu and Luobadui formations at limestone-siltstone contacts. The primary ore minerals include sphalerite (Zn), galena (Pb), and minor pyrrhotite, pyrite and chalcopyrite (Cu). Gangue minerals comprise typical skarn assemblages such as garnet, diopside, actinolite and calcite, reflecting metasomatic alteration processes during mineralisation.

## Exploration

Exploration at the project area has progressed systematically since the discovery of base metal mineralisation in 2002. The initial phase of exploration (July 2002–2003) involved reconnaissance activities performed by the Second Brigade. Through surface excavations and geophysical surveys, the Second Brigade identified the Pb4 mineralisation, marking the first significant base metal discovery in the area.

From 2004 to 2021, comprehensive exploration programs were conducted across the project's tenure area. The Second Brigade executed a series of ground-based electromagnetic surveys in 2004, 2008, 2012 and 2017, which led to the discovery of the Pb12 deposit and led to follow-up drilling campaigns. During this period, a total of 253 diamond drill holes , totalling 60,073.68 m were completed, with 4,805 samples assayed for Pb, Zn, Cu and Ag and 428 samples tested for bulk density.

To validate the historical exploration data, Zhihui implemented a validation program in 2024, as recommended by SRK. This program included two diamond twinned holes, three trenches and 19 underground channels. Within the project's exploration licence area, over 30 prospects or deposits have been identified to date. Further exploration is warranted to evaluate the potential of these prospects.

## Mineral Resources

The current Mineral Resource for the Pb12 and Pb14 deposits within the Mengya'a Project area were estimated in 2024 using Leapfrog Edge software (version 2024.1). This software was used to create geological and mineralisation domain models, prepare statistical analysis, construct block model, and estimate Pb, Zn, Cu and Ag grades. The database used for estimation purposes comprised 246 historical drill holes (59,275.98 m), three infill trenches (108 m), two twinned holes (164.95 m) and 19 underground channels (57 m), totalling 4,891 assay samples. Wireframe models for these two deposits were developed using Leapfrog's vein selection and domain functions to define contacts between mineralisation and host rock. A total of 37 domains were constructed for the Pb12 and Pb14 deposits. Mineralised intervals were delineated using cut-off grades: Pb ≥0.5% or Zn ≥1.0% for Pb12, and Pb ≥0.3% or Zn ≥0.5% for Pb14. Raw assay data were composited into 1.5 m-wide intervals, with a 39% Pb grade cap applied to mitigate outlier influence. No capping was applied for Zn, Cu or Ag.

Ordinary Kriging (OK) was primarily used for grade estimation purposes. Variogram models from six key domains (e.g. D12103, D14102) were applied to 31 other domains considered to have similar mineralisation trends but insufficient data able to support standalone variograms. For domains with distinct mineralisation trends, the Inverse Distance Weighted (IDW) method was used. The block model was constructed with a parent block size of 20 mE × 20 mN × 4 mZ and a sub-block size of 2 mE × 2 mN × 2 mZ, without rotation.

As at 31 July 2025, the depleted resources from the existing Pb14 deposit open pit have been excluded. For the Pb12 deposit, wireframe modelling and deductions have been carried out for the underground exploration adit areas. Resource classification criteria included geological confidence, data quality, and geostatistical reliability, with the following criteria applied according to classification: Measured (sampling ≤50 m or regression slope >0.85), Indicated (sampling ≤100 m or regression slope >0.6), and Inferred (sampling >100 m or IDW-estimated domains).

Applied cut-off grades were derived from historical operational data. The Mineral Resource estimate within the mining licence was prepared in accordance with the JORC Code (2012) with an effective date of 31 July 2025 as presented in Table ES 1, excluding sterilised and mined-out areas.

**Table ES 1: Mineral Resource Statement for the Mengya'a Project as at 31 July 2025**

| Domain | Cut-off | Category | Tonnage (kt) | Pb Grade (%) | Zn Grade (%) | Cu Grade (%) | Ag (g/t) | Pb Metal (kt) | Zn Metal (kt) | Cu Metal (kt) | Ag Metal (t) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Pb12 deposit | EqPb ≥4.7% (oxide) EqPb ≥2.9% (fresh) | Measured | 6,299 | 2.81 | 4.73 | 0.25 | 42 | 176.73 | 298.02 | 15.82 | 264 |
| | | Indicated | 6,027 | 4.65 | 4.94 | 0.26 | 41 | 280.30 | 297.88 | 15.66 | 249 |
| | | Inferred | 2,583 | 3.23 | 3.70 | 0.25 | 40 | 83.42 | 95.43 | 6.49 | 104 |
| | | Subtotal | 14,909 | 3.63 | 4.64 | 0.25 | 41 | 540.45 | 691.33 | 37.97 | 617 |
| Pb14 deposit | EqPb ≥1.4% | Measured | 427 | 1.13 | 4.64 | 0.11 | 15 | 4.84 | 19.80 | 0.45 | 7 |
| | | Indicated | 1,172 | 0.52 | 5.29 | 0.11 | 9 | 6.10 | 62.00 | 1.28 | 10 |
| | | Inferred | 305 | 0.77 | 5.32 | 0.17 | 17 | 2.35 | 16.24 | 0.51 | 5 |
| | | Subtotal | 1,904 | 0.70 | 5.15 | 0.12 | 12 | 13.28 | 98.04 | 2.24 | 22 |
| **Total** | | Measured | 6,726 | 2.70 | 4.73 | 0.24 | 40 | 181.57 | 317.82 | 16.27 | 270 |
| | | Indicated | 7,198 | 3.98 | 5.00 | 0.24 | 36 | 286.40 | 359.88 | 16.94 | 259 |
| | | Inferred | 2,888 | 2.97 | 3.87 | 0.24 | 38 | 85.77 | 111.67 | 7.00 | 110 |
| | | **Total** | **16,813** | **3.29** | **4.70** | **0.24** | **38** | **553.77** | **787.37** | **40.21** | **639** |

Notes:

[1] Any differences between totals and sum of components are due to rounding.

[2] EqPb 4.7% (oxide) and EqPb 2.9% (fresh) cut-off grades were applied to the resource block models of the Pb12 deposit. An EqPb 1.4% cut-off grade was applied to the resource block models of the Pb14 deposit.

[3] Mineral Resources are not Ore Reserves and do not have demonstrated economic viability. The estimate of Mineral Resources may be materially affected by environmental, permitting, legal, title, taxation, socio-political, marketing, or other relevant issues.

[4] Mineral Resources are reported inclusive of Ore Reserves.

[5] The Mineral Resources are effective as at 31 July 2025.

[6] Lead equivalent (EqPb) formulas were applied: fresh ore: EqPb = Pb + 1.1457 × Zn + 2.5464 ×Cu + 0.0296 × Ag and oxide ore: EqPb = Pb + 1.3315 × Zn + 2.7501 × Cu + 0.0062 × Ag.. Metal price assumptions included 18,600 RMB/Pb t for lead concentrate, 21,100 RMB/Zn t for zinc concentrate, 81,500 RMB/Cu t for copper concentrate, and 8.10 RMB/g for silver. The recovery assumptions for fresh ore are as follows: zinc recovery is 91.0%, copper recovery is 52.0%, silver recovery in the copper concentrate is 9.2%, and silver recovery in the lead concentrate is 66.4%. For oxide ore, the recovery assumptions are zinc recovery at 66.1%, copper recovery at 35.1%, silver recovery in the copper concentrate at 10.4%, and silver recovery in the lead concentrate at 57.3%.

**Competent Person's Statement:** The information in this Report that relates to Mineral Resources is based on information compiled by Dr (Tony) Shuangli Tang who is a Member of the Australian Institute of Geoscientists (AIG) and a Member of the Australasian Institute of Mining and Metallurgy (AusIMM). Dr Tang is a full-time employee of SRK Consulting (Hong Kong) Limited and has sufficient experience that is relevant to the style of mineralisation, type of deposit under consideration and to the activity which he under takes 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).

## Mining

There are two base metal deposits defined within the Mengya'a mine tenures. The Pb14 deposit currently operates as an open-pit mine (known as Pb14 OP), while the Pb12 deposit is planned for underground mining operations (known as Pb12 UG), which commenced production in the second quarter of 2025.

### Pb14 Open-Pit

The Pb14 Open-Pit mine operates using a conventional truck and shovel method, with operations scheduled for 200 days per year and mining activities carried out as a contractor operation.

Material is blasted and subsequently loaded into trucks using 2 m³ hydraulic excavators. Run-of-mine (ROM) ore is transported by 25-t trucks to the processing plant and the distance from the mining area to the processing plant is approximately 11 km. The mineralised waste is hauled by 25-t trucks to the mineralised waste dump, which is located approximately 600 m northeast of the open pit, on the northern side.

The average mining dilution rate is 5% and the ore loss is 5%.

The open-pit life-of-mine (LOM) is scheduled over 8 years, starting in July 2025 with production of 200 kt/a.

### Pb12 Underground

The Pb12 Underground operations are designed for a production capacity of 200 kt/a in alignment with the Pb14 Open-Pit operations. Upon the depletion of resources at Pb14 OP, the Pb12 UG is scheduled to ramp up production to 400 kt/a to ensure a consistent feed to the processing plant.

The mining sequence for Pb12 UG, from top to bottom, will consist of two phases: Stage I involves mining above the 5,100 m RL, with 5,180 m RL as the pilot mining level; Stage II involves mining below the 5,100 m RL

The development system for the Pb12 UG will utilise existing exploration adits. A decline system will be constructed to connect levels, where a level adit is not available.

The expected LOM for the underground is 31 years. Room and pillar with delayed backfill method and sublevel open stoping (longitudinal or transverse) are nominated for the Pb12 UG.

## Ore Reserves

SRK has estimated the Ore Reserves for the Mengya'a mine in accordance with the guidelines of the JORC Code (2012). The Ore Reserve estimates are supported by technical studies and ongoing operational records, which are considered to be at the level of a pre-feasibility study (PFS).

The Mengya'a mine comprises two distinct deposits: Pb14 OP and Pb12 UG. The economically mineable portions of the Measured and Indicated Mineral Resources within the designed stopes or the designed open-pit, inclusive of diluting materials and allowances for losses, have been classified as Proved and Probable Ore Reserves, respectively. The estimation of feed ore is determined with the reference point at the stockpile at the crusher feed.

As at 31 July 2025, Pb14 OP contains total Ore Reserves of 1,438 kt at an average grades of 0.69% Pb, 4.90% Zn, 0.10% Cu and 10.09 g/t Ag. (Table ES 2). All Ore Reserves are fresh material.

**Table ES 2: Ore Reserves Statement for Pb14 OP at Mengya'a mine as at 31 July 2025**

| Category | Ore Reserve (kt) | Pb Grade (%) | Zn Grade (%) | Cu Grade (%) | Ag Grade (g/t) | Pb Metal (kt) | Zn Metal (kt) | Cu Metal (kt) | Ag Metal (t) |
|---|---|---|---|---|---|---|---|---|---|
| Proved | 400 | 1.14 | 4.54 | 0.10 | 14.51 | 4.57 | 18.16 | 0.41 | 5.80 |
| Probable | 1,038 | 0.52 | 5.04 | 0.10 | 8.39 | 5.41 | 52.27 | 1.07 | 8.71 |
| **Total** | **1,438** | **0.69** | **4.90** | **0.10** | **10.09** | **9.99** | **70.43** | **1.48** | **14.51** |

Source: SRK

Notes:

[1] The cut-off grades used to distinguish ore from waste are set at EqPb ≥1.8%.

[2] The mining dilution rate is 5% and the ore loss is 5%.

[3] The Ore Reserves are reported on a dry metric tonne basis.

[4] The reference point for reporting of Ore Reserves is the stockpile at the crusher feed.

[5] The Mineral Resources are effective as at 31 July 2025.

As at 31 July 2025, the Pb12 UG contains total Ore Reserves of 10,623 kt at average grades of 2.99% Pb, 4.14% Zn, 0.21% Cu and 35.00 g/t Ag (Table ES 3). The Ore Reserves are divided into fresh and oxide materials.

**Table ES 3: Ore Reserves Statement for Pb12 UG at Mengya'a mine as at 31 July 2025**

| Type | Category | Ore Reserve (kt) | Pb Grade (%) | Zn Grade (%) | Cu Grade (%) | Ag Grade (g/t) | Pb Metal (kt) | Zn Metal (kt) | Cu Metal (kt) | Ag Metal (t) |
|---|---|---|---|---|---|---|---|---|---|---|
| Oxide | Proved | 32 | 5.69 | 3.34 | 0.31 | 33.94 | 1.80 | 1.06 | 0.10 | 1.07 |
| | Probable | 427 | 4.96 | 2.74 | 0.18 | 26.82 | 21.17 | 11.71 | 0.78 | 11.45 |
| | Subtotal | 458 | 5.01 | 2.79 | 0.19 | 27.31 | 22.97 | 12.77 | 0.88 | 12.52 |
| Fresh | Proved | 4,728 | 2.91 | 5.12 | 0.26 | 44.30 | 137.65 | 241.90 | 12.34 | 209.47 |
| | Probable | 5,436 | 2.88 | 3.41 | 0.17 | 27.56 | 156.82 | 185.58 | 9.38 | 149.82 |
| | Subtotal | 10,165 | 2.90 | 4.21 | 0.21 | 35.35 | 294.47 | 427.48 | 21.72 | 359.29 |
| Total | Proved | 4,760 | 2.93 | 5.10 | 0.26 | 44.23 | 139.44 | 242.95 | 12.44 | 210.55 |
| | Probable | 5,863 | 3.04 | 3.37 | 0.17 | 27.51 | 177.99 | 197.30 | 10.16 | 161.27 |
| | **Total** | **10,623** | **2.99** | **4.14** | **0.21** | 35.00 | 317.43 | 440.25 | 22.60 | 371.81 |

Source: SRK

Notes:

[1] The cut-off grades used to distinguish ore from waste are set at EqPb of ≥6.0% for oxide and ≥3.7% for fresh material in the Pb12 UG.

[2] The Ore Reserves are reported on a dry metric tonne basis.

[3] The reference point for reporting of Ore Reserves is the stockpile at the crusher feed.

[4] The Mineral Resources are effective as at 31 July 2025.

**Competent Person's Statement**: The information in this Report that relates to Ore Reserve is based on information compiled by Mr Falong Hu who is a Fellow of the Australasian Institute of Mining and Metallurgy (AusIMM). Mr Hu is a full-time employee of SRK Consulting (China) Limited and has sufficient experience that is relevant to the style of mineralisation, type of deposit under consideration and to the activity which he undertakes 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).

## Processing

The Mengya'a concentrator was established in 2010 with an initial processing capacity of 2,000 t/d and 200 effective working days per year. The technical foundation of the processing plan is based on the mineralogy research and metallurgical testing program conducted by the Beijing General Research Institute of Mining and Metallurgy in 2007. In December 2016, the Guangdong Metallurgical and Architectural Design Institute completed a feasibility study to increase the processing capacity to 3,000 t/d. Following several technological upgrades, the processing nameplate capacity reached 3,000 t/d in 2022.

The processing plant employs a traditional three-stage, closed-circuit crushing process followed by a two-stage, closed grinding circuit. The mill feed ore is crushed and ground to the particle size of 70–75% passing approximately 74 μm. The Cu-Pb mixed flotation, separation flotation and Zn flotation process produces saleable copper, lead, and zinc concentrates, with silver being concentrated in the copper and lead concentrates. A mild reagent system is applied to mitigate the impact of recycled water on the flotation process and to ensure full utilisation of recycled water. With regular metallurgical tests, various technological upgrades and operational optimisations, the metallurgical performance of the plant has been continuously improving over the past few years. Table ES 4 presents flotation test indicators, actual production indicators and forecast indicators.

**Table ES 4: Results of processing test, historical production and future forecast**

| Performance parameters | | Unit | [1]Test | 2022 | 2023 | 2024 | Forecast |
|---|---|---|---|---|---|---|---|
| Copper Concentrate Grade | Cu | % | 21.95 | 18.67 | 19.62 | 19.78 | 20.0 |
| | Ag | g/t | 355.0 | 559.0 | 641.6 | 725.3 | 600 |
| Copper Concentrate Recovery | Cu | % | 54.97 | 43.16 | 53.26 | 49.89 | 52.0 |
| | Ag | % | 6.48 | 7.53 | 10.77 | 10.89 | 9.2 |
| Lead Concentrate Grade | Pb | % | 60.11 | 57.44 | 62.76 | 60.12 | 60.0 |
| | Ag | g/t | 401.0 | 594.1 | 784.5 | 815.7 | 700 |
| Lead Concentrate Recovery | Pb | % | 87.80 | 85.71 | 89.54 | 88.14 | 88.0 |
| | Ag | % | 58.22 | 64.68 | 66.63 | 75.53 | 66.4 |
| Zinc Concentrate Grade | Zn | % | 48.12 | 45.75 | 46.08 | 44.64 | 46.0 |
| Zinc Concentrate Recovery | Zn | % | 90.54 | 90.03 | 91.91 | 94.81 | 91.0 |
| Raw Feed Grade | Cu | % | 0.20 | 0.18 | 0.25 | 0.09 | 0.20 |
| | Pb | % | 2.72 | 2.24 | 2.42 | 0.92 | 2.20 |
| | Zn | % | 4.92 | 3.95 | 4.33 | 4.29 | 4.00 |
| | Ag | g/t | 27.41 | 30.75 | 40.59 | 15.36 | 34.0 |

Source: Huaxia

Note: [1] Processing test results of Guangdong Institute of Comprehensive Utilization of Resources (Guangdong RCUI)

## Tailings Storage Facilities

Currently, the processing plant has been in operation since 2010 and the resulting tailings is classified as Category I general industrial solid waste. The tailings stream has a particle size of 65.27% passing -200 mesh (-74 µm). After being concentrated to a slurry weight density of 32.5%, the tailings slurry is pumped to the tailings storage facility (TSF) for disposal.

The currently active TSF lies in a valley 5.1 km southwest of the processing plant and was commissioned in June 2011. An upstream tailings dam was constructed for the disposal of wet tailings. The starter embankment of the tailings dam has a height of 40 m, with a perimeter embankment height of 36 m, resulting in a total embankment height of 76 m. The final design elevation for the tailing dam is 5,036 m asl, with a total storage capacity of 2.97 million $m^3$. The catchment area spans 4.83 $km^2$. The base of the dam is lined with a geotechnical membrane liner for seepage control. In addition, flood diversion ditches and an internal drainage system (i.e. inclined drainage channels and culverts) are in place. Tailings water is recycled to the plant via gravity flow through the drainage system.

The existing TSF is expected to reach full capacity in 2026, after which a new facility will be commissioned. The new TSF is scheduled to be completed in 2026 and is located in an adjacent valley. It uses the upstream method for construction. The initial construction phase involves a 53 m-high permeable mixed-material dam, with a later stage 100 m-high tailings dam, reaching a total dam height of 153 m. The final design elevation is 5,210 m asl, with a total storage capacity of 21.2 million $m^3$. The catchment area covers 3.64 $km^2$. Key infrastructure includes an upstream flood control dam combined with a spillway tunnel, western interception ditches, an internal drainage system (inclined channels and tunnels), and a geotechnical membrane liner system. The service life of the new TSF is estimated to be 64 years at the current annual production capacity of 400,000t.

Both TSFs are equipped with an online and manual monitoring system to track pond level, beach length, phreatic line, embankment deformation, tailings discharge rates, and precipitation. Monitoring data are integrated into the mine network, with predefined control thresholds and regulatory protocols.

SRK has reviewed both facilities and concluded that the tailings disposal plans and infrastructure configurations are technically reasonable, with identified risks assessed at a low level and controllable.

## Permitting, environmental and social considerations

SRK reviewed the licences and permits provided by the Company and concluded that the project has obtained the key environmental and operational permits required for its ongoing operation, including the Safety Production Permit, Water Abstraction Permit and Pollutant Discharge Permit. In addition, the Company provided three Environmental Impact Assessment (EIA) reports, which cover the mining area, processing plant, and TSFs, including both existing operations and proposed projects. These EIA reports were prepared in accordance with Chinese laws and regulations and subsequently approved by the relevant government authorities.

There are no registered scenic spots, nature reserves, forest parks, or other ecologically sensitive areas within the current project's tenures. Although the construction may cause localised loss of the

original vegetation, it is not expected to lead to changes in the species composition of the plant communities in the evaluation area, nor will it cause the extinction of any plant species. The water sources for the mine's production and domestic use are a nearby river and mountain springs, respectively. The current wastewater sources for the project include mine dewatering water, leachate from mineralised waste dumps, leachate from raw ore stockpiles, processing wastewater, and domestic wastewater. The EIA reports recommend that all the wastewater be recycled for production use. During the exploration phase of the Pb12 deposit, several adit mineralised waste dumps were formed. In addition, there are other mineralised waste dumps on site to store mineralised waste generated from the previous mining at the Pb14 OP and the construction of the Pb12 UG. According to the EIA reports, the mineralised waste and tailings from the project are classified as Category I general industrial solid waste.

Public participation was conducted during the EIA process. No objections from the public were received during the announcement period.

## Capital and operating costs

The Project's capital and operating costs reflect significant investments in infrastructure and operational activities. Historical capital cost from 2022–July 2025 totalled RMB 446.4 million, primarily driven by the construction of the new TSF and Pb12 underground development. Forecast capital cost for August 2025–2035 highlights phased investments, peaking at RMB 68.6 million during the period of August-December 2025, followed by a gradual reduction to RMB 18.9-56.2 million annually, focusing on sustaining capital such as equipment upgrades.

Operating costs between 2022–2024 increased from RMB 224.5 million in 2022 to RMB 249.9 million in 2023, driven by higher mining costs, before declining to RMB 130.9 million in 2024 due to reduced open-pit mining volumes. Forecast operating costs for August 2025–2035 range from RMB 140.3 million to RMB 285.4 million annually, with mining activities dominating expenditures. Unit costs for copper, lead, and zinc concentrates are influenced by variable grades and energy consumption.

# 1 Introduction

## 1.1 Background

SRK Consulting (Hong Kong) Limited (SRK) is an associate company of the international group holding company, SRK Global Limited (the SRK Group). SRK was commissioned by Xizang Zhihui Mining Co., Ltd. (Zhihui or the Company) to prepare an Independent Technical Report (ITR or the Report) relating to the Mengya'a Lead and Zinc Project located near Rongdoi (town), Jiali County, Nagqu City, in the Xizang Autonomous Region.

The project comprises an actively producing open-pit mine and an underground project, which is currently under development. Other key assets include a base camp administration and accommodation complex, a processing plant and two tailings storage facilities (TSFs). An aerial view of the site layout is presented in Figure 3.1. The assets are clustered within a 10 km radius at elevations of 4,600–5,600 m asl. The underground project lies 3 km east of the open-pit mine, and both mining sites are located at elevations of 5,000–5,300 m asl. The base camp and processing plant are situated in a valley 10 km north of the mining sites at ~4,600 m asl, while the TSFs occupy a valley 5 km west of the camp and plant, at elevations spanning 4,600–5,600 m asl.

The open-pit operation has been in production since 2007. The construction of the underground mining system completed in May 2025, and underground production commenced in the second quarter of 2025. The combined production from the open-pit and underground operations is estimated to supply a total of 400,000 tonnes of ore annually to the processing plant. The ore is processed to produce lead (Pb), zinc (Zn) and copper (Cu) concentrates. The project comprises a granted exploration licence that surrounds both the open-pit mine and the underground development project.

## 1.2 Purpose of the Report

This Report has been prepared by SRK for inclusion in the [REDACTED] to be published by the Company in connection with the [REDACTED] of shares in the Company and associated capital raising on the Main Board of the Hong Kong Stock Exchange (HKEx).

## 1.3 Scope of work

The scope of work for this Report includes a review of the following technical aspects:

- geology and Mineral Resources
- mining and Ore Reserves
- mineral processing
- tailings storage facility
- capital and operating costs
- permitting, environmental and social considerations.

A risk assessment is also included.

## 1.4 Work program

SRK's work program completed under this commission included:

- review of supplied information
- site visit by SRK consultants and associates
- estimation of Mineral Resources and Ore Reserves in accordance with the JORC Code (2012)
- preparation of this Report.

## 1.5 Reporting standard

Key authors of this Report are Members or Fellows of either the Australasian Institute of Mining and Metallurgy (AusIMM) and/or the Australian Institute of Geoscientists (AIG) or other international Recognised Professional Organisations. These authors are bound by international mineral reporting codes, namely the VALMIN and JORC codes.

For the avoidance of doubt, this Report has been prepared according to:

- 2015 edition of the *Australasian Code for 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).

In accordance with the stated reporting guidelines, all geological and other relevant factors defining the Company's Exploration Results, Exploration Targets, Mineral Resources and Ore Reserves have been considered in sufficient detail to serve as a guide for future exploration and development activities. Table 1 of the JORC Code has been used as a checklist during the preparation of this Report and any comments are provided on an 'if not, why not' basis to ensure clarity to an investor on whether aspects of the future development program have been considered as they apply to the JORC Code (2012) Table 1.

The criteria of the JORC Code Table 1 reflect the normal systematic approach to exploration and target evaluation. *Relevance* and *Materiality* are overriding principles which determine the information that needs to be publicly reported. This Report has attempted to provide sufficient comment on all matters that might materially affect a reader's understanding or interpretation of the results being reported. The criteria under which the project is being evaluated are consistent with the current understanding of the geological controls on the known mineralisation, but as more knowledge is gained, these criteria could change and be improved over time.

As per the VALMIN Code (2015), a draft of the Report was supplied to Zhihui to check for material error, factual accuracy and omissions before the final version of the Report was issued.

## 1.6 Effective Date and Report Date

The Effective Date for this Report is 31 July 2025. The Report Date is [REDACTED].

The Mineral Resource and Ore Reserve statements set out in this Report are reported as at 31 July 2025.

## 1.7 Units, projection and currency

Throughout this Report, SRK has used the International System of Units. All units used in this Report are defined under Useful definitions.

All monetary values used in this Report are in Chinese Renminbi (RMB).

Unless otherwise specified, all coordinates in this report were in China Geodetic Coordinate System (CGCS) 2000/3-degree Gauss-Kruger zone 31 datum.

## 1.8 Limitations

SRK's opinion contained herein is based on information provided by Zhihui throughout the course of SRK's investigations, which in turn reflects various technical and economic conditions at the time of writing. SRK has taken the technical information as provided by Zhihui in good faith.

This Report includes technical information, which requires subsequent calculations to derive subtotals, totals, averages and weighted averages. Where such calculations involve a degree of rounding, SRK does not consider such rounding to be material.

The input, handling, computation, and output of the geological data and Mineral Resource and Ore Reserve information has been conducted professionally and accurately and to the high standards commonly expected within the geoscience profession

In conducting this assessment, SRK has assessed and addressed all activities and technical matters that might reasonably be considered to be relevant and material to such an assessment conducted to internationally accepted standards. Based on observations, interviews with appropriate staff and a review of available documentation, SRK is, after reasonable enquiry, satisfied that there are no outstanding relevant material issues other than those indicated in this Report. However, it is impossible to dismiss absolutely the possibility that parts of the site or adjacent properties may give rise to additional issues.

The conclusions presented in this Report are professional opinions based solely on SRK's interpretations of the documentation received, interviews and conversations with personnel knowledgeable about the site, and other available information, as referenced in this Report. These conclusions are intended exclusively for the purposes stated herein.

## 1.9 Legal matters

SRK has not been engaged to comment on any legal matters. SRK is not qualified to make legal representations as to the ownership and legal standing of the mineral tenements that are the subject of this Report. SRK has not attempted to confirm the legal status of the mineral titles, joint venture (JV) agreements, local heritage or potential environmental or land access restrictions. SRK understands such matters are discussed elsewhere within Zhihui's [REDACTED].

## 1.10 Reliance on other experts

SRK has not performed an independent verification of the mining licence and land titles nor the legality of any underlying agreements that may exist concerning the permits, commercial agreements with third parties or sales contracts and instead has relied on information as provided to SRK by Zhihui's independent legal advisers.

The commodity price forecasts used in this Report for economic evaluation purpose is provided by Zhihui's industry expert, Shanghai Metals Market (SMM), an independent market research and consulting company.

## 1.11 Warranties

Zhihui has represented in writing to SRK that full disclosure has been made of all material information and that, to the best of its knowledge and understanding, such information is complete, accurate and true.

## 1.12 Indemnities

As recommended by the VALMIN Code (2015), Zhihui 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 Zhihui or Zhihui not providing material information; or
- which relates to any consequential extension workload through queries, questions or public hearings arising from this Report.

## 1.13 Statement of SRK independence

Neither SRK, nor any of the authors of this Report, has any material present or contingent interest in the outcome of this Report, nor any pecuniary or other interest that could be reasonably regarded as capable of affecting their independence or that of SRK. SRK has no beneficial interest in the outcome of this Report capable of affecting its independence.

## 1.14 Corporate capability

SRK is an independent, international group providing specialised consultancy services. Among SRK's clients are many of the world's mining companies, exploration companies, financial institutions, engineering, procurement and construction management (EPCM) and construction firms, and government bodies.

Formed in Johannesburg in 1974, the SRK Group now employs some 1,700 staff internationally in over 40 permanent offices in 20 countries on 6 continents. A broad range of internationally recognised associate consultants complements the core staff.

The SRK Group's independence is ensured by the fact that it is strictly a consultancy organisation, with ownership by staff. SRK does not hold equity in any projects or companies. This permits SRK's consultants to provide clients with conflict-free and objective support on crucial issues.

### 1.14.1 Stock exchange public report

SRK has prepared many public reports for the HKEx. Selected examples are listed in Table 1.1.

**Table 1.1: Public reports prepared by SRK for disclosure on the HKEx**

| Company | Year | Project Name |
|---|---|---|
| Jiaxin International Resources Investment | 2025 | Listing on HKEx |
| Xinjiang Xinxin Mining Industry | 2025 | Major acquisition |
| Chifeng Jilong Gold Mining | 2025 | Listing on HKEx |
| Persistence Resources Group | 2024 | Listing on HKEx |
| Huaibei GreenGold | 2023 | Listing on HKEx |
| China Graphite | 2022 | Listing on HKEx |
| Pizu Group | 2020 | Major acquisition |
| Heaven-Sent Gold Group | 2019 | Listing on HKEx |
| China Unienergy | 2016 | Listing on HKEx |
| China Mining Resources | 2016 | Major acquisition |
| Agritrade Resources | 2015 | Major acquisition |
| Feishang Non-metals | 2015 | Listing on HKEx |
| Future Bright Mining | 2014 | Listing on HKEx |
| Hengshi Mining | 2013 | Listing on HKEx |
| Jinchuan Group International | 2013 | Major acquisition |
| China Daye Non-Ferrous | 2012 | Very substantial acquisition |
| MMG | 2012 | Very substantial acquisition |
| China Nonferrous Metal Mining | 2012 | Listing on HKEx |
| China Hanking Holdings | 2011 | Listing on HKEx |
| CNNC International | 2010 | Major acquisition |
| Sino Prosper | 2010 | Major acquisition |
| United Company RUSAL | 2010 | Listing on HKEx |

Source: SRK

## 1.15 Project team

This Report has been prepared by a team of SRK consultants and associates from SRK's offices in Hong Kong, Beijing, Almaty and Brisbane. The qualifications and experience of the consultants and associates who carried out the work in this Report are listed in Table 1.2. They have extensive experience in the mining industry and are members in good standing of appropriate professional institutions.sss

**Table 1.2: Details of qualifications and experience of the project team**

| Specialist | Position/Company | Responsibility | Length and type of experience | Site inspection | Professional designation |
|---|---|---|---|---|---|
| (Gavin) Heung Ngai Chan | Principal Consultant/ SRK Hong Kong | Project Management, capital and operating costs and report compilation | 20 years – 17 years in consulting specialising in valuation, financial modelling, project evaluation, geological modelling and resource estimation; 3 years in academia | 4-7 November 2024 | BSc, MPhil, PhD (Earth Sciences), GradDip (AppFin), GradCert (Geostats), FAIG |
| (Tony) Shuangli Tang | Senior Consultant/ SRK Hong Kong | Geology and Mineral Resource | 11 years – 2 years in exploration geology and valuation; 9 years in consulting specialising in geological modelling and resource estimation | 2-5 September 2024 | BSc, MSc, PhD, MAusIMM, MAIG |
| Falong Hu | Principal Consultant/ SRK China | Mining and Ore Reserve | 17 years – 3 years in mining engineering; 14 years in consulting specialising in mine planning, technical studies and Ore Reserve estimation | 4-7 November 2024 | MBA, BEng, FAusIMM |
| Lanliang Niu | Principal Consultant/ SRK China | Mineral processing | 39 years – 20 years in academic research and gold and rare earth mineral processing; and 19 years in consulting specialising in mineral processing | 4-7 November 2024 | Beng, MAusIMM |
| Nan Xue | Principal Consultant/ SRK China | Environmental and Social | 19 years – 19 years in consulting specialising in environmental impact assessment and environmental technical studies | No site visit | BSc, MSc, MBA, MAusIMM |
| Chunfu Yang | Associate Principal Consultant/ SRK Hong Kong | Tailings storage facilities | 50 years – 5 years as a lecturer in university, 31 years in engineering and technical management in mine tailings, 14 years in consulting specialising in tailings engineering | 4-7 November 2024 | BEng, RCE, CSPM |
| Robin Simpson | Principal Consultant/ SRK Kazakhstan | Peer review – Geology and Mineral Resource | 28 years – 7 years in mine and exploration geology, 21 years in consulting specialising in geological modelling and resource estimation | No site visit | BSc(Hons), MSc, MAIG |
| Jeames McKibben | Principal Consultant/ SRK Australasia | Overall Report | 31 years in consulting specialising in valuation and corporate advisory; 2 years as an analyst; 8 years in exploration and project management roles | No site visit | BSc(Hons), MBA, MRICS, FAusIMM(CP), MAIG |

Source: SRK，2025





APPENDIX III INDEPENDENT TECHNICAL REPORT
THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE AND THAT THE INFORMATION MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED "WARNING" ON THE COVER OF THIS DOCUMENT.

## 1.16 Consent

SRK consents to this Report being included, in full, in Zhihui's HKEx [REDACTED] documents in the form and context in which it is provided and not for any other purpose. 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.

### Practitioner Consent

The Competent Person who has overall responsibility for the preparation of this Report is Dr (Gavin) Heung Ngai Chan. Dr Chan is a Fellow of the AIG and a full-time employee of SRK Consulting (Hong Kong) Limited. Dr Chan has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined under the 2012 edition of the JORC Code.

The Competent Person who has overall responsibility for Mineral Resource is Dr (Tony) Shuangli Tang. Dr Tang is a Member of the AIG, a full-time employee of SRK Consulting (Hong Kong) Limited. Dr Tang has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined under the 2012 edition of the JORC Code. Dr Tang consents to inclusion in the Report of the Mineral Resources in the form and context in which they appear.

The Competent Person who has overall responsibility for Ore Reserves is the Mr Falong Hu. Mr Hu is a Fellow of the AusIMM and a full-time employee of SRK Consulting (China) Limited. Mr Hu has sufficient experience relevant to the style of mineralisation, type of deposit under consideration, and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 edition of the JORC Code. Mr Hu consents to the inclusion in the Report of Ore Reserves in the form and context in which they appear.

### HKEx requirements

Dr (Gavin) Heung Ngai Chan meets the requirements of the Competent Person, as set out in Chapter 18 of the Hong Kong Stock Exchange Listing Rules. Dr Chan is a Fellow of good standing of AIG; has more than 5 years' experience relevant to the style of mineralisation and type of deposit under consideration; is independent of the issuer applying all the tests in sections 18.21 and 18.22 of the Listing Rules; does not have any economic or beneficial interest (present or contingent) in any of the reported assets; has not received a fee dependent on the findings of this ITR; is not officer, employee of a proposed officer for the issuer or any group, holding or associated company of the issuer; and takes overall responsibility for the ITR.

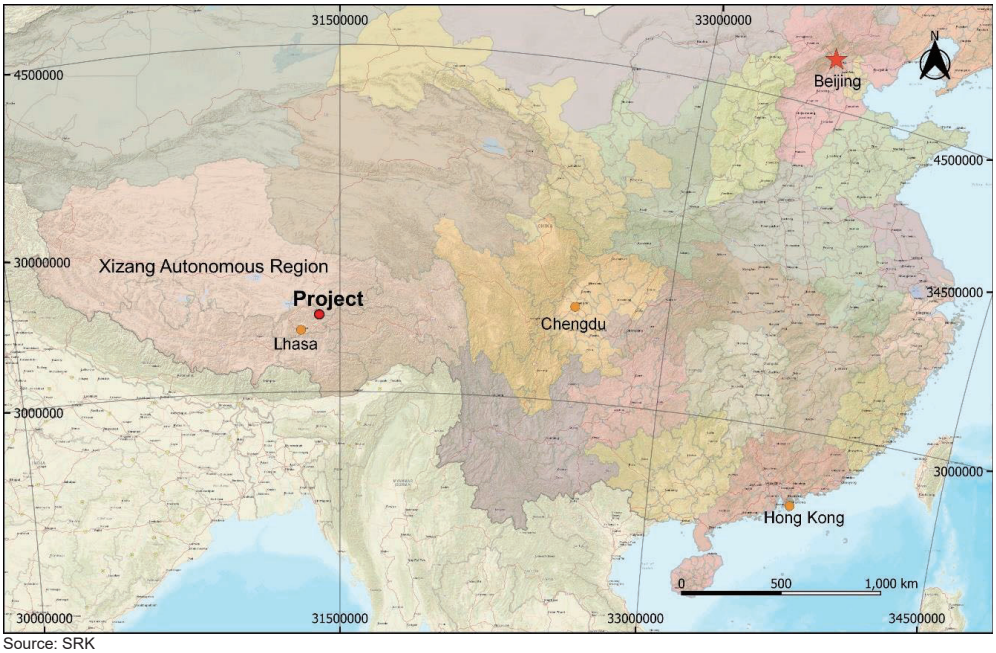
# 2 Mengya'a Lead and Zinc Project

## 2.1 Location

The project comprises an open-pit mine and an underground project which is currently under development. The construction of the underground project is scheduled to be completed in May 2025, with target production in the second half of 2025. Other key assets include a base camp complex, a processing plant and two TSFs. These assets are clustered within a 10 km radius, at elevations, spanning at spanning 4,600–5,600 m asl.

The project is located near Rongdoi township, Jiali County, Nagqu City, in the Xizang Autonomous Region of China, approximately 120 km northeast of Lhasa (Figure 2.1).

**Figure 2.1: Project location map**




Source: SRK

Note: CGCS 2000 datum.

## 2.2 Access, climate and physiography

### 2.2.1 Accessibility

Access from Lhasa to the project is approximately 165 km traveling via the G4218 Ya'an–Yecheng Expressway to Mozhugongka County and then continuing on National Highway 349 (Figure 2.2).

The nearest international airport is Lhasa Gonggar Airport, located approximately 62 km southwest of the city centre of Lhasa. It offers regular flights to major cities in China and neighbouring countries. The distance from Lhasa Gonggar Airport to the project site is approximately 180 km.

**Figure 2.2: Project access map**




Sources: SRK, ESRI, 2025.
Note: CGCS 2000 datum.

### 2.2.2 Climate

The local climate is characterised by a harsh plateau alpine environment, with extreme daily temperature variations and sharply divided seasons. A brief, humid rainy season extends from June to August bringing heavy rain, sleet and hail, while the prolonged dry season, spanning September to May, is cold and windy, and marked by frequent snowfall in autumn and winter. From November to March or April, heavy snowfall and sub-zero temperatures freeze and dry up surface streams. Average annual temperatures range between -3.3°C and -0.9°C, with January being the coldest month (-12.5°C) and July the warmest (9.8°C). Annual rainfall averages 300–500 mm, and relative humidity ranges between 48% and 51%.

The region's high elevation results in low oxygen levels, increasing the risk of altitude sickness, while intense ultraviolet radiation increases sunburn risk. This climate requires that operations be equipped to handle rapid weather shifts, extreme cold, and altitude-related health challenges.

### 2.2.3 Physiography

The project is located on the southern slope of the Nyainqêntanglha Mountains, upstream of the Lhasa River, within a high-altitude, mountainous region. The area is characterised by expansive, towering mountains with significant erosional features. Elevations in the project area range from 4,800 m to 5,570 m. The western side of the project area is marked by the Gento Peak, the region's highest elevation (5,570 m). In contrast, the northern Mengya'a valley lies at an elevation of 4,800–4,900 m, resulting in a vertical relief of up to 770 m. The erosion base level of the area is approximately 4,806 m, with the mineralisation cropping out at elevations ranging from 4,950 m to 5,400 m.

The area is primarily traversed by rivers flowing in north-south, northwest-southeast, and northeast-southwest directions, forming a dendritic river system in the upper reaches of Mengya'a. These rivers flow from south to north, eventually merging with Rezheng Zangbu, a tributary of the Lhasa River. The project area's water supply is primarily from atmospheric precipitation and snowmelt.

## 2.3 Power supply

Primary power is sourced from the Tangjia 110 kV substation, located 80 km from the site, via two self-constructed 35 kV double-circuit transmission lines. These lines terminate at a dedicated 35 kV substation within the processing plant, which houses two 6.3 MVA step-down transformers to regulate voltage for downstream distribution.

From the 35 kV substation, power is distributed through a 10 kV prefabricated substation. This substation feeds four outgoing 10 kV circuits to the processing plant, while two additional 10 kV sectionalised distribution lines supply the Pb14 OP operations. The Pb12 UG workings are energised via a T-tapped connection from the Pb14 OP 10 kV line, ensuring coordinated power delivery to both surface and subsurface operations.

Domestic power for the processing plant, living areas, and base camp complex is sourced independently from the Rongdoi township 10 kV rural distribution grid, providing segregated residential and operational power networks.

Surface mine infrastructure incorporates three dedicated substations: the 5100 Adit Central Substation, the 5210 Fan Substation and the 5100 Adit Entrance Power Substation. Underground, the 5100 adit is serviced by a low-voltage substation that delivers 380 V three-phase power for heavy equipment and 220 V single-phase power for lighting across all adit levels.

The system employs a dual-circuit, sectionalised power supply architecture, which does not rely on diesel generators. This configuration ensures redundancy, minimises downtime, and guarantees uninterrupted power availability for both surface and underground operations.

SRK considers the current power supply setup to have sufficient capacity and stability to support both current and proposed operations.

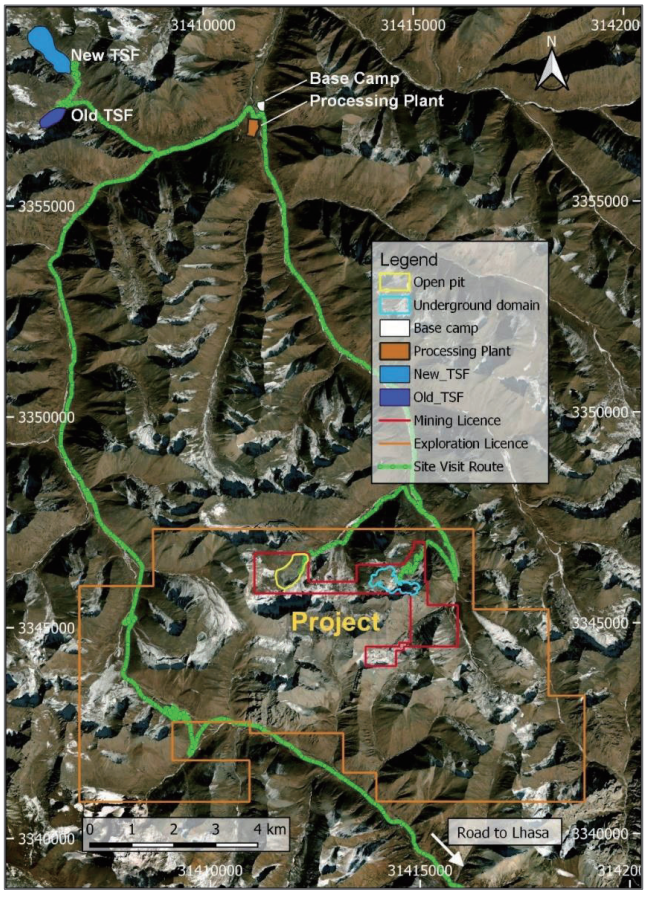
# 3 Project overview

## 3.1 Background

The Mengya'a Lead and Zinc Project comprises an open-pit mine, an underground project which is currently under development, a base camp administration and accommodation complex, a processing plant, and two TSFs as shown in Figure 3.1.

The underground project is located approximately 3 km east of the open-pit mine. The mine and the project sites are situated at elevations between 5,000 m and 5,300 m asl. The base camp and processing plant are positioned in a valley approximately 10 km north of the mining sites, at an elevation of around 4,600 m asl. The TSFs are located in a valley 5 km west of the camp and processing plant, with elevations ranging from 4,600 m to 5,600 m asl. The open-pit mine and underground project lie within a granted mining licence which is surrounded by a granted exploration licence.

**Figure 3.1: Plan view of the project**




Source: SRK (site visit route, September 2024)

The known mineralisation at the project is interpreted to represent a Pb–Zn(–Cu–Ag) skarn deposit. The mineralisation exhibits as layers or lenses hosted within the Carboniferous-Permian sedimentary rocks of the region.

The open-pit mine commenced production in September 2007 and currently yields 400,000 t/a ore for processing. The underground mining system construction completed in May 2025, with production commencing in the second quarter of 2025. Once operational, ore from the open-pit and underground mines will collectively supply 400,000 t/a to the processing plant, which produces lead, zinc and copper concentrates.

## 3.2 Tenure

The initial mining licence (5400000610026) was granted in September 2006, and was subsequently renewed in 2008, 2011, 2015, 2019 and 2024. The extent of the mining licence (C5400002011043210111466), issued on 25 June 2024 was expanded. The expanded licence, issued on 16 February 2025, is valid until 15 December 2025. The licensed area increased from 3.6061 km² to 4.4544 km², with an approved mining elevation range between 4,964 m and 5,400 m asl. The approved production capacity remains 400,000 t/a (Table 3.1).

**Table 3.1: Mining licence coordinates**

| Corner | X | Y |
|---|---|---|
| 1 | 31411114.46 | 3346720.36 |
| 2 | 31412398.46 | 3346709.33 |
| 3 | 31412392.49 | 3346032.35 |
| 4 | 31413544.67 | 3346025.05 |
| 5 | 31413544.66 | 3346422.06 |
| 6 | 31414664.24 | 3346422.06 |
| 7 | 31414914.79 | 3346828.06 |
| 8 | 31414914.94 | 3346952.02 |
| 9 | 31415172.44 | 3346950.86 |
| 10 | 31415172.4 | 3346009.71 |
| 11 | 31415227.5 | 3346009.26 |
| 12 | 31415224.51 | 3345455.3 |
| 13 | 31415945.53 | 3345450.26 |
| 14 | 31415937.54 | 3344464.28 |
| 15 | 31414653.52 | 3344474.33 |
| 16 | 31414653.52 | 3344382.33 |
| 17 | 31414465.53 | 3344383.33 |
| 18 | 31414463.54 | 3344013.34 |
| 19 | 31413740.53 | 3344019.35 |
| 20 | 31413744.53 | 3344481.31 |
| 21 | 31414546.53 | 3344475.3 |
| 22 | 31414547.53 | 3344567.3 |

| Corner | X | Y |
|---|---|---|
| 23 | 31414815.53 | 3344565.32 |
| 24 | 31414824.51 | 3345735.28 |
| 25 | 31411106.47 | 3345765.34 |

Source: Zhihui 2024

Note: CGCS 2000 datum. SRK has sighted a copy of the licence and checked against the details shown on the National Mineral Exploration and Mining Information Management System. SRK has not conducted any legal due diligence of the status of the licence and is not qualified to do so.

The mining licence is surrounded by an exploration licence (T5400002009033010025699), which was initially granted in August 2002. The exploration licence was renewed in 2025 and remains valid until 24 June 2026. The licence is registered to Huaxia Mining and covers an area of 58.45 km$^2$. Under the licence conditions, the next renewal requires the exploration stage to be advanced, with a mandatory reduction of at least 20% of the exploration area. The exploration licence coordinates are shown in Table 3.2. A map showing tenure is presented in Figure 3.2.

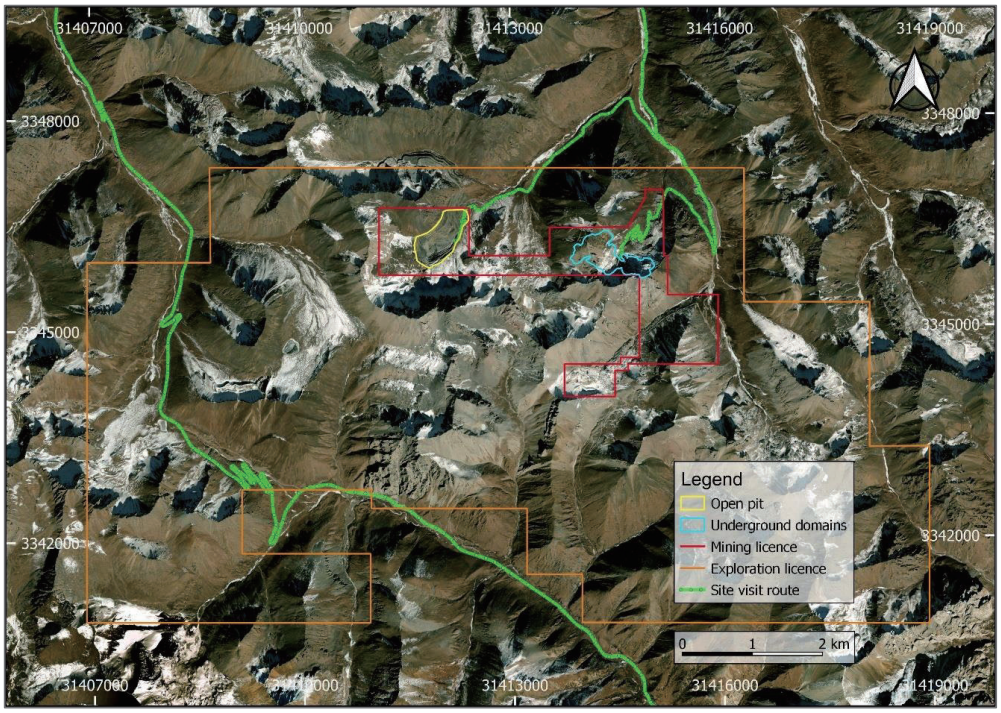
**Table 3.2: Exploration licence coordinates**

| Corner | X | Y |
|---|---|---|
| 1 | 31408697.49 | 3347311.402 |
| 2 | 31416330.41 | 3347250.412 |
| 3 | 31416315.86 | 3345346.745 |
| 4 | 31418108.53 | 3345333.20 |
| 5 | 31418093.20 | 3343281.51 |
| 6 | 31418949.84 | 3343281.427 |
| 7 | 31418931.20 | 3340758.893 |
| 8 | 31413970.97 | 3340804.60 |
| 9 | 31413976.33 | 3341489.021 |
| 10 | 31413185.83 | 3341495.247 |
| 11 | 31413193.25 | 3342432.128 |
| 12 | 31410970.13 | 3342449.948 |
| 13 | 31410972.28 | 3342714.172 |
| 14 | 31409125.07 | 3342729.322 |
| 15 | 31409117.54 | 3341820.028 |
| 16 | 31410953.80 | 3341804.97 |
| 17 | 31410945.81 | 3340820.97 |
| 18 | 31406891.73 | 3340854.616 |
| 19 | 31406935.20 | 3345974.829 |
| 20 | 31408700.66 | 3345959.973 |

Source: Zhihui 2024

Note: CGCS 2000 datum. SRK has sighted a copy of the licence and checked against the details shown on the National Mineral Exploration and Mining Information Management System. SRK has not conducted any legal due diligence of the status of the licence and is not qualified to do so.

**Figure 3.2: Mining and exploration licences**



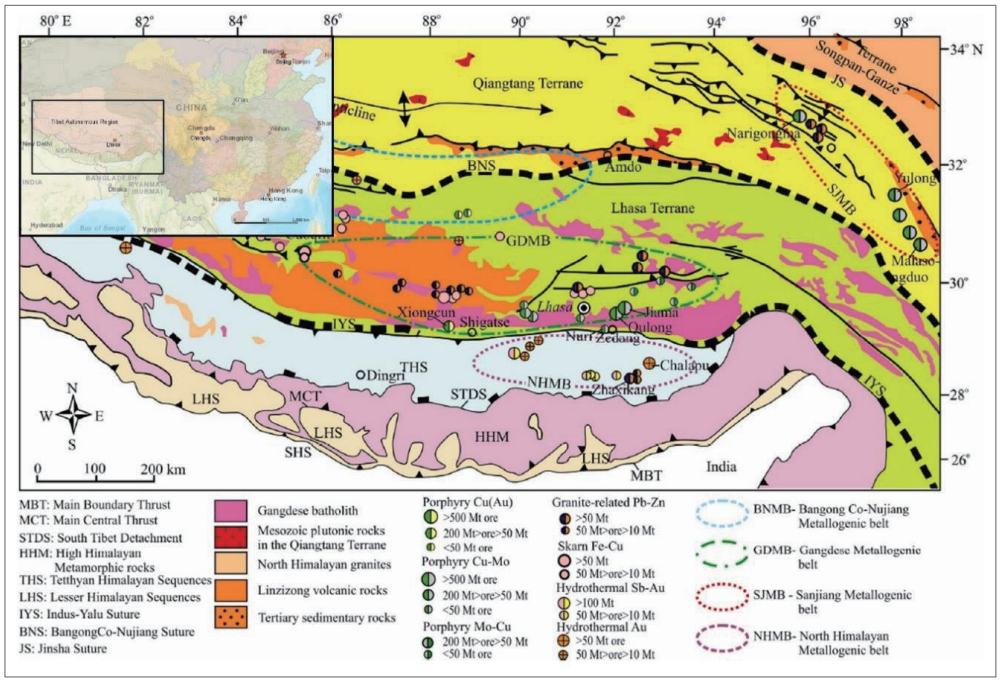

Source: SRK site visit, September 2024

# 4 Geological setting and mineralisation

## 4.1 Regional geology

The Xizang Plateau was formed as a result of closure of the Neo-Tethys Ocean and the collision between the Indian and Eurasian tectonic plates. It is characterised by three major suture zones. From south to north, these are the Indus-Yarlung Zangbo Suture (IYS), the Bangonghu–Nujiang Suture (BNS), and the Jinsha–Jiang Suture (JS). These suture zones divide the Xizang Plateau into three distinct tectonostratigraphic terranes: the Lhasa Terrane, the Qiangtang Terrane, and the Songpan–Ganzi Terrane (Chan et al. 2015). The project is located in the eastern part of the Lhasa Terrane (Figure 4.1).

**Figure 4.1: Tectonic map of Xizang Plateau**




Source: After Lin et al., 2017.

A series of east–west trending thrust belts developed in the Lhasa Terrane due to the combined effects of the southward subduction of the Meso-Tethys Ocean (Bangong-Nujiang Ocean) beneath the Lhasa Terrane during the Late Jurassic to Early Cretaceous, and the northward subduction of the Neo-Tethys Ocean beneath Eurasia during the Cretaceous to Paleogene. These subduction processes generated intense compression, resulting in widespread overturned folds and thrust faults.

During the India–Eurasia collision (beginning ~50 Ma), the Lhasa Terrane experienced a dominant north–south compressive stress regime, which produced extensive east–west trending overthrust faults (e.g. the Gangdese thrust system) as the crust shortened horizontally. During the Miocene (~23 Ma onwards), as part of a post-collisional east–west extensional regime. This extension is attributed to gravitational collapse of the thickened Xizang Plateau and regional tectonic uplift.

### 4.1.1 Gangdese Metallogenic Belt

The Gangdese Metallogenic Belt (GDMB) is a metallogenic belt in the mid-southern portion of the Lhasa Terrane (outlined by a green dashed line in Figure 4.1) known for the presence of numerous porphyry, skarn, and epithermal polymetallic deposits formed as a result of intense deformation and magmatic activities.

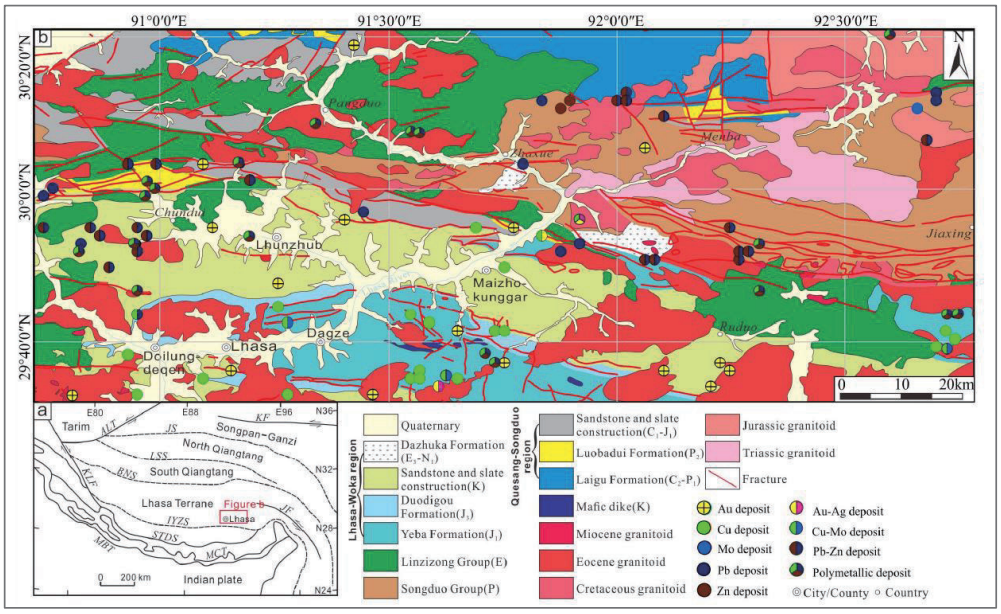
The GDMB trends parallel to the IYS, extending approximately 750 km in length and 200 km in width and comprises rock units ranging from the Palaeozoic to the Cenozoic. The belt has experienced several significant geological processes, including the northward subduction of the Neo-Tethys Ocean, followed by the orogenic events associated with the continental collision between the Indian and Eurasian plates. The northward subduction of the Neo-Tethys Ocean beneath the Lhasa Terrane from the Late Triassic to the Late Cretaceous has led to the emplacement of Gangdese batholith, a series of intermediate to acidic intrusions emplaced between 210 Ma and 60 Ma. The large-scale magmatism and the presence of trans-crustal structures provided favourable conditions for metallogenesis.

The GDMB is known for three primary types of ore deposits: Cu-Au-Mo porphyry, Fe-Cu skarn, and Pb-Zn deposits. The Miocene epoch was a significant metallogenic period for the emplacement of porphyry copper-polymetallic deposits in the mid-eastern GDMB. Numerous large-scale deposits were formed during this epoch, including the Qulong (approximately 16.13 Ma), Jiama (14.66–15.37 Ma), Zhunuo (approximately 13.72 Ma), Lakange (approximately 13.12 Ma), Tinggong (approximately 15.49 Ma), and Chongjiang deposit (approximately 14 Ma). The GDMB is recognised as one of the most well-endowed copper provinces in the Tethyan-Himalayan metallogenic belt, hosting some of China's largest porphyry copper deposits.

## 4.2 Local geology

The project is located in the northeastern part of the GDMB. The regional geology can be divided into the southern and northern sub-groups. The project is situated in the northern sub-group, which belongs to the Quesang–Songduo stratigraphic group, comprising the Late Carboniferous to Jurassic Luobadui and Laigu Formations (Figure 4.2). The southern sub-group belongs to the Lhasa–Woka stratigraphic group, including the Dazhuka Formation, the Duodigou Formation and the Yeba Formation.

**Figure 4.2: Geological map of northeastern Gangdese Metallogenic Belt**




Source: After Zhang et al., 2024.

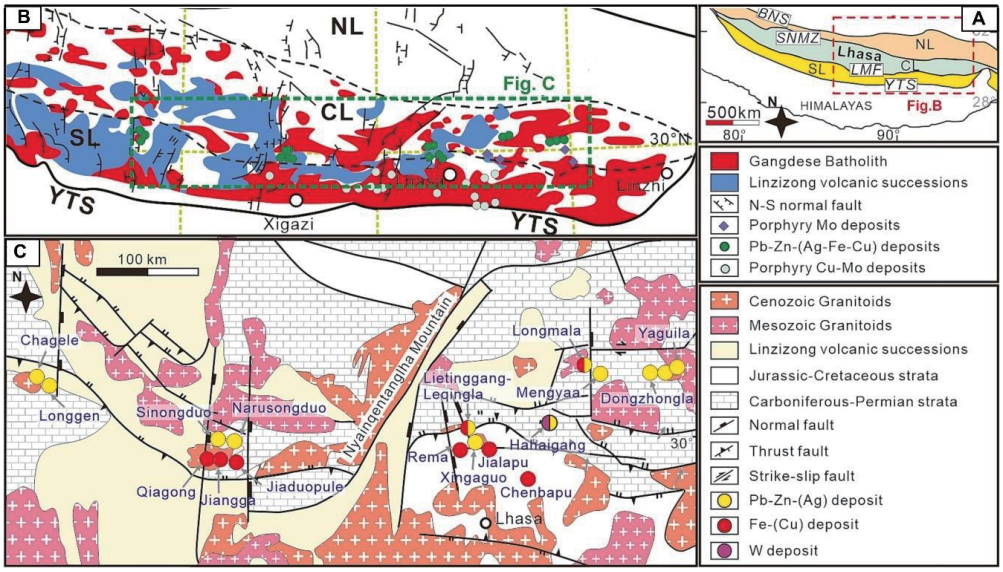
The Carboniferous-Jurassic strata are the primary host to the known mineralisation and are characterised by interbedded terrigenous clastic and carbonate rocks. Porphyry copper deposits are primarily found within the Jurassic Yeba and Duodigou formations. Skarn deposits occur locally along the unconformity between the Early Cretaceous Linzizong Formation sandstone-slate and the Late Jurassic Duodigou Formation limestone, as well as the Late Carboniferous Laigu Formation and the Permian Luobadui Formation.

Volcanic rocks are found in the Yeba Formation of the Lhasa–Woka stratigraphic zone and are extensively distributed across various strata in the Quesang–Songduo stratigraphic area. Metamorphic rocks, such as quartzite, quartz schist, phyllite with gneiss, and marble, are also prevalent in this region.

### 4.2.1 Pb-Zn, Cu and Fe deposits

Several skarn Pb-Zn-(Ag-Fe-Cu) deposits have been identified and developed in the northern Gangdese Metallogenic Belt (NGMB) (Figure 4.3). It is interpreted that metals in these Pb-Zn-(Ag) deposits are sourced from upper-crust magma, while metals in Fe-(Cu) and Pb-Zn-Fe-Cu deposits are sourced from deeper magma, involving mantle-derived components. Previous research (Zhang et al., 2023) proposed that metals in Pb-Zn-(Ag) deposits were derived from S-type granites (granitic rocks derived from the partial melting of subducted sedimentary materials), whereas those in Pb-Zn-Fe-Cu and Fe-(Cu) deposits are sourced from igneous-type (I-type) granites (granitic rocks derived from the partial melting of igneous materials).

**Figure 4.3: Pb-Zn, Cu and Fe deposits in the Gangdese Metallogenic Belt**




Source: Zhang et al., 2023.

Notes: BNS–Bangong–Nujiang suture zone; CL–Central Lhasa subterrane; JSS–Jinshajiang suture zone; LMF–Luobadui–Mila mountain fault; NL–Northern Lhasa subterrane; SL–Southern Lhasa subterrane; SNMZ–Shiquan River–Nam Tso ophiolite mélange zone; YTS–Yarlung–Tsangpo suture zone.

Within the NGMB, the granite-related skarn Pb-Zn-(Ag) and Pb-Zn-Fe-Cu polymetallic deposits are among the most economically significant (Figure 4.3C). These deposits are hosted within granite porphyry and quartz-rich granite units. These intrusives are emplaced within a host rock sequence, consisting of carbonate and clastic sedimentary rock, spanning Carboniferous, Permian, Jurassic, or Cretaceous periods (Table 4.1).

**Table 4.1: Geological features of major Pb-Zn, Cu and Fe deposits in the NGMB**

| Name | Type of deposit | Tonnage/ore | Grade | Ore-bearing rock | Host rock | Alteration | Ore minerals | Orebody shape |
|---|---|---|---|---|---|---|---|---|
| **Yaguila** | Skarn Pb-Zn-Ag | 52 Mt | Pb: 4.04% | granite porphyry, quartz porphyry | quartz sandstone and limestone, Carboniferous-Permian Laigu Formation | silicification | galena | layered |
| | | | Zn: 2.00% | | | chloritisation | sphalerite | stratabound |
| | | | Ag: 77.33 g/t | | | sericitisation | silver | lenticular |
| | | | | | | epidotisation | pyrrhotite | vein |
| | | | | | | hornfelsisation | pyrite | |
| | | | | | | skarnisation | | |
| **Mengya'a** | Skarn Pb-Zn-Ag | Pb-Zn: >12.0 Mt | Pb: 10.11% | granite porphyry | clastic rock and limestone, Carboniferous-Permian Laigu Formation; limestone and tuff, Permian Luobadui Formation | carbonatisation | galena | layered |
| | | | Zn: 11.88% | | | silicification | sphalerite | stratabound |
| | | | Ag: 100 g/t | | | chloritisation | pyrrhotite | lenticular |
| | | | Cu: 0.32% | | | sericitisation | chalcopyrite | vein |
| | | | | | | epidotisation | pyrite | |
| | | | | | | marbleisation | | |
| | | | | | | hornfelsisation | | |
| | | | | | | skarnisation | | |
| **Dongzhongla** | Skarn Pb-Zn-(Ag) | Medium-large | Pb: 2.55% | monzonitic granite, granite porphyry | limestone and tuff, Permian Luobadui Formation | carbonatisation | galena | layered |
| | | | Zn: 2.57% | | | silicification | sphalerite | stratabound |
| | | | Ag: 43.7 g/t | | | chloritisation | silver | vein |
| | | | | | | sericitisation | magnetite | |
| | | | | | | epidotisation | pyrrhotite | |
| | | | | | | skarnisation | chalcopyrite | |
| | | | | | | | pyrite | |
| **Xingaguo** | Skarn Pb-Zn-(Ag) | Medium-large | No.2 orebody: | biotite granite | sandstone, siltstone and limestone, Cretaceous Take Formation | chloritisation | magnetite | layered |





APPENDIX III INDEPENDENT TECHNICAL REPORT
THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE AND THAT THE INFORMATION MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED "WARNING" ON THE COVER OF THIS DOCUMENT.

| Name | Type of deposit | Tonnage/ore | Grade | Ore-bearing rock | Host rock | Alteration | Ore minerals | Orebody shape |
|---|---|---|---|---|---|---|---|---|
| | | | Pb:3.82% | | | silicification | sphalerite | stratabound |
| | | | Zn:7.02% | | | carbonatisation | galena | lenticular |
| | | | No.4 orebody: | | | marbleisation | pyrite | |
| | | | Pb: 9.97% | | | skarnisation | marcasite | |
| | | | Zn: 9.33% | | | | chalcopyrite | |
| | | | | | | | pyrrhotite | |
| **Longgen** | Skarn Pb-Zn | Pb: 6.3Mt Zn: 5.7 Mt Ag:109 t | Pb:3.21% | granite porphyry | sandstone, slatea and limestone, Permian Xiala Formation | carbonatisation | magnetite | stratabound |
| | | | Zn: 2.43% | | | chloritizatio | pyrite | lenticular |
| | | | Ag: 46.74 g/t | | | pyritisation | chalcopyrite | vein |
| | | | | | | marbleisation | bornite | |
| | | | | | | skarnisation | sphalerite | |
| | | | | | | | galena | |
| | | | | | | | pyrrhotite | |
| **Chagele** | Skarn Pb-Zn-(Cu-Mo) | no data | no data | granite porphyry | limestone and slate, Permian Xiala Formation | hornfelsisation, | pyrite | stratabound |
| | | | | | | silicification | chalcopyrite | vein |
| | | | | | | carbonatisation | sphalerite | |
| | | | | | | chloritisation | galena | |
| | | | | | | epidotisation | molybdenite | |
| | | | | | | sericitisation | pyrrhotite | |
| | | | | | | marbleisation | | |
| | | | | | | skarnisation | | |
| **Narusongduo** | Cryptoexplosive breccia Pb-Zn | > 15 Mt | Pb: 7.63% | granite porphyry | metasandstone, siltstone, slate, limestone, Permian Xiala Formation; crystal tuff, sandstone, andesite, Dianzhong Formation | kaolinisation | sphalerite | angular , oval |
| | | | Zn: 2.41% | | | sericitisation | galena | vein |
| | | | | | | silicification | pyrite | |





THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE AND THAT THE INFORMATION MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED "WARNING" ON THE COVER OF THIS DOCUMENT.

| Name | Type of deposit | Tonnage/ore | Grade | Ore-bearing rock | Host rock | Alteration | Ore minerals | Orebody shape |
|---|---|---|---|---|---|---|---|---|
| | | | | | | carbonatisation | chalcopyrite | |
| | | | | | | chloritisation | arsenopyrite | |
| | | | | | | epidotisation | rhodochrosite | |
| | | | | | | marbleisation | | |
| | | | | | | skarnisation | | |
| **Sinongduo** | Hydrothermal vein Pb-Zn | Large | Pb+Zn: 11.25% | granite porphyry | limestone, dolostone, slate, quartz sandstone, Carboniferous Angjie Formation | pyritisation | galena | lenticular |
| | | | | | | sericitisation | sphalerite | vein |
| | | | | | | skarnisation | smithsonite | |
| | | | | | | silicification | chalcopyrite | |
| | | | | | | carbonatisation | pyrrhotite silver | |
| | | | | | | marbleisation | | |
| | | | | | | chloritisation | | |
| | | | | | | kaolinitisation | | |
| **Longmala** | Skarn Pb-Zn-Fe-Cu | Pb-Zn: 3 Mt | Pb: 6.63% | biotite granite | limestone and marble, Permian Luobadui Formation; dolostone, Permian Wululong Formation | carbonatisation | galena | layered |
| | | Cu: 1.4 Mt | Zn: 5.46% | | | silicification | sphalerite | stratabound |
| | | | Cu: 1.99% | | | chloritisation | magnetite | lenticular |
| | | | | | | sericitisation | chalcopyrite | vein |
| | | | | | | epidotisation | pyrrhotite | |
| | | | | | | marbleisation | pyrite | |
| | | | | | | hornfelsisation | | |
| | | | | | | skarnisation | | |
| **Lietinggang-Leqingla** | Skarn Pb-Zn-Fe-Cu | Pb-Zn: 0.55 Mt | Pb+Zn: 7.74% | granite porphyry | limestone, tuff, sandstone, Permian Mengla Formation | carbonatisation | galena | layered |
| | | Fe: 8.1 Mt | Fe: 55.27% | | | silicification | sphalerite | stratabound |
| | | Cu: 0.32 Mt | Cu: 1.07% | | | chloritisation | magnetite | lenticular |





THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE AND THAT THE INFORMATION MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED "WARNING" ON THE COVER OF THIS DOCUMENT.

| Name | Type of deposit | Tonnage/ore | Grade | Ore-bearing rock | Host rock | Alteration | Ore minerals | Orebody shape |
|---|---|---|---|---|---|---|---|---|
| | | | | | | sericitisation | chalcopyrite | vein |
| | | | | | | epidotisation | molybdenite | |
| | | | | | | marbleisation | pyrrhotite | |
| | | | | | | skarnisation | pyrite | |
| **Jialapu** | Skarn Fe-(Cu) | Fe: >8.0 Mt | Fe: 40–65.97% | granodiorite | limestone and marble, Early Triassic Mailonggang Formation | carbonatisation | magnetite | layered |
| | | | | | | chloritisation | limonite | stratabound |
| | | | | | | silicification | pyrite | lenticular |
| | | | | | | marbleisation | pyrrhotite | |
| | | | | | | malachilisation | chalcopyrite | |
| | | | | | | skarnisation | | |
| **Rema** | Skarn Fe | 0.34 Mt | Fe: 43.96% | granite | sandstone and limestone, Cretaceous Take Formation | carbonatisation | magnetite | lenticular |
| | | | | | | chloritisation | pyrrhotite | vein |
| | | | | | | epidotisation | pyrite | |
| | | | | | | limonitisation | chalcopyrite | |
| | | | | | | marbleisation | | |
| | | | | | | skarnisation | | |
| **Jiaduobule** | Skarn Fe-(Cu) | no data | no data | biotite monzogranite | limestone and marble, Permian Xiala Formation | carbonatisation | magnetite | layered |
| | | | | | | chloritisation | chalcopyrite | vein |
| | | | | | | epidotisation | pyrite | |
| | | | | | | marbleisation | pyrrhotite | |
| | | | | | | skarnisation | | |
| **Chengbapu** | Skarn Cu | 0.63 Mt | Cu:1.3% | diorite, granodiorite porphyry | limestone and marble, Jurassic Duodigou Formation | carbonatisation | chalcopyrite | layered |
| | | | Pb:3.9% | | | epidotisation | molybdenite | stratabound |
| | | | Zn: 0.2% | | | hornfelsisation | pyrrhotite | lenticular |
| | | | | | | skarnisation | sphalerite | |
| **Jiangga** | Skarn Fe | no data | no data | quartz porphyry | limestone and marble, Permian Xiala | carbonatisation | magnetite | lenticular |





APPENDIX III INDEPENDENT TECHNICAL REPORT
THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE AND THAT THE INFORMATION MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED "WARNING" ON THE COVER OF THIS DOCUMENT.

| Name | Type of deposit | Tonnage/ore | Grade | Ore-bearing rock | Host rock | Alteration | Ore minerals | Orebody shape |
|---|---|---|---|---|---|---|---|---|
| | | | | | Formation | chloritisation | pyrite | |
| | | | | | | limonitisation | pyrrhotite | |
| | | | | | | skarnisation | | |
| **Qiagong** | Skarn Fe | Fe: 90 Mt | Fe: 55% | monzonite granite porphyry | sandstone and limestone, Cretaceous Take Formation | carbonatisation | magnetite | layered |
| | | | | | | chloritisation | limonite | stratabound |
| | | | | | | epidotisation | pyrite | lenticular |
| | | | | | | limonitisation | pyrrhotite | vein |
| | | | | | | marbleisation | chalcopyrite | |
| | | | | | | skarnisation | | |

Source: Zhang et al., 2023





THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE AND THAT THE INFORMATION MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED "WARNING" ON THE COVER OF THIS DOCUMENT.

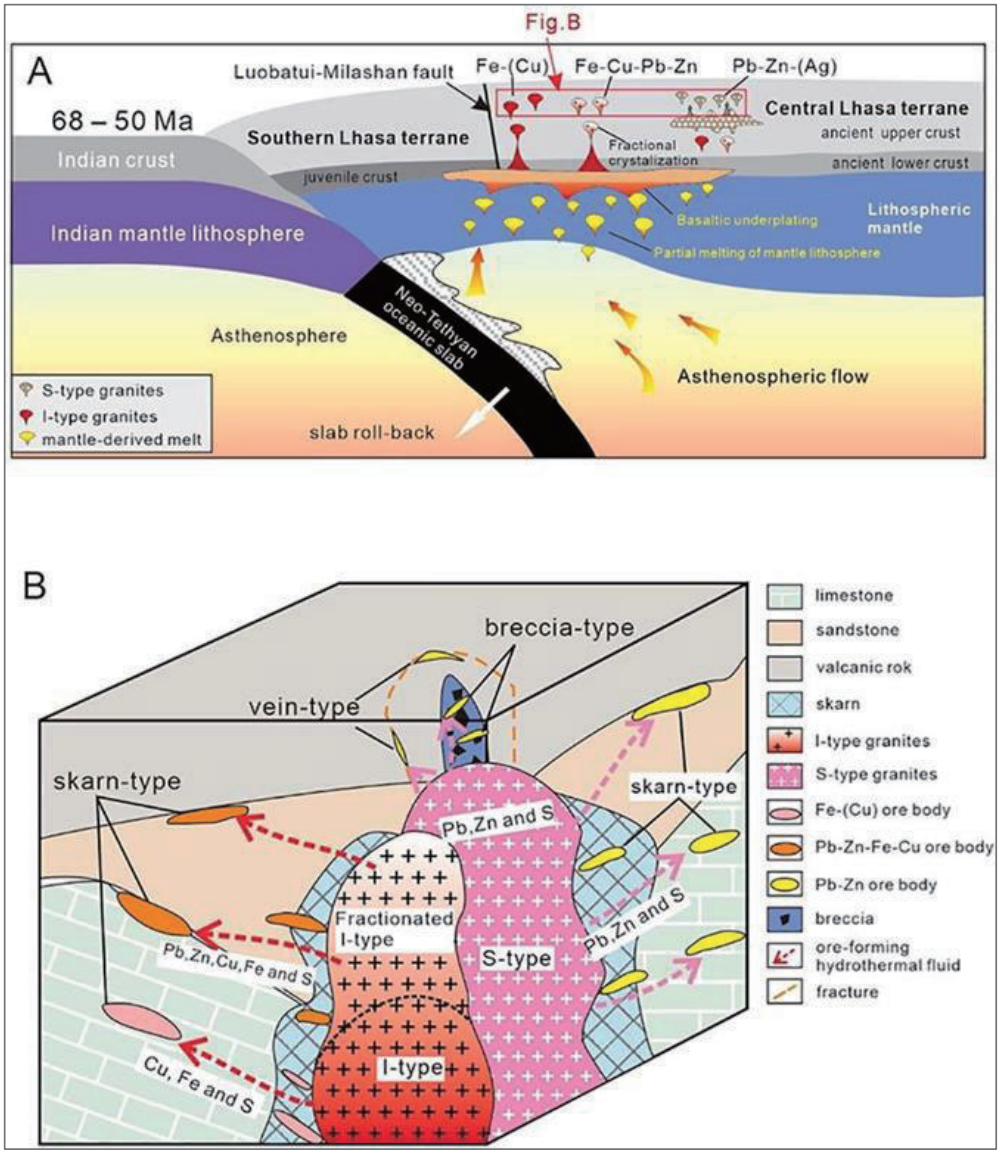
### 4.2.2 Metallogenic model

Zhang et al. (2023) proposed a magmatic-metallogenic model for skarn Pb-Zn-(Ag) and Fe-(Cu) mineralisation in the NGMB (Figure 4.4). According to this model, the collision between the Indian and Asian continental lithospheres that occurred between 68 Ma and 50 Ma led to the thickening of the Lhasa lithosphere and the rollback of the Neo-Tethyan oceanic slab. The slab rollback facilitated mantle wedge melting and the resulting mantle-derived melts ascended through the crust and assimilated crustal components from the ancient Lhasa basement.

I-type granitic magmas generated from the mixing of mantle-derived melts with the ancient Lhasa basement underwent fractional crystallisation. The subsequent melts became highly differentiated, with the formation of granitic melts that are rich in metals such as Cu, Fe, Ag, Pb and Zn. Hydrothermal fluids rich in these metals and other volatiles were released during the cooling of the granitic magma and interacted with carbonaceous and siliciclastic wallrock to form the skarn deposits. Notable examples include the Rema and Jialapu Fe-(Cu) deposits, as well as the Longmala and Lietinggang-Leqingla Pb-Zn-Fe-Cu deposits.

S-type granitic magmas were formed during the partial melting of the ancient crust and were enriched in Pb and Zn. They played a significant role in the formation of Pb-Zn-(Ag) deposits. Examples of these deposits are Yaguila, Mengya'a and Nurusongduo.

**Figure 4.4: Magmatic-metallogenic model of skarn Pb-Zn-(Ag) and Fe-(Cu) mineralisation in the NGMB**

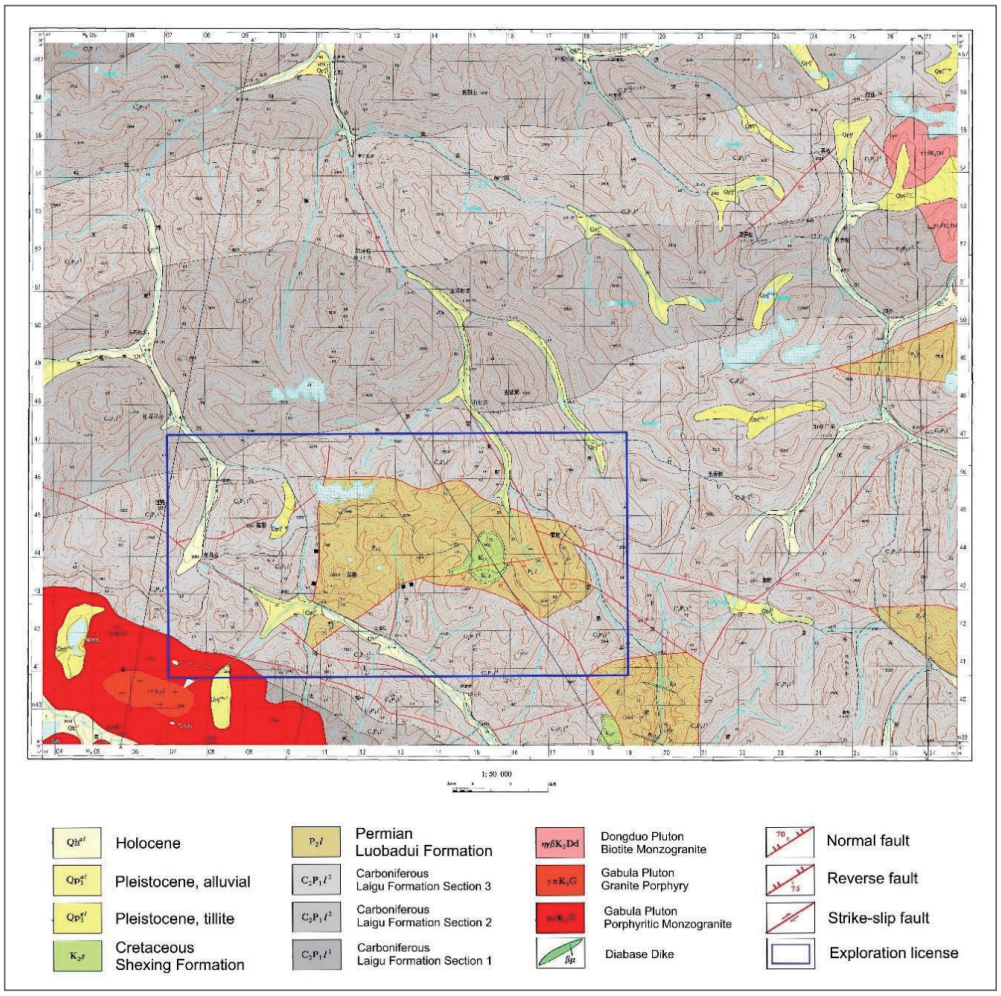



Source: Zhang et al., 2023.

## 4.3 Project geology

The geological setting of the project area and its surroundings is primarily composed of Carboniferous-Cretaceous clastic rocks and carbonates, together with small-scale intermediate to felsic granitic intrusions. The structural framework is mainly defined by approximately east–west trending faults. A geological map illustrating the mining area and its surroundings is provided in Figure 4.5.

**Figure 4.5: Geological map of project and adjacent areas**




Source: Zhihui

### 4.3.1 Stratigraphy

The stratigraphy in the project area includes the Late Carboniferous-Early Permian Laigu Formation, Middle Permian Luobadui Formation, Late Cretaceous Shexing Formation and Quaternary deposits (Table 4.2).

**Table 4.2: General stratigraphy**

| Period | Stratum | Description | Key features |
|---|---|---|---|
| Quaternary | | Widely distributed, controlled by topography, and classified into glacial (Qgl), alluvial (Qapl), and colluvial (Qedl) deposits. | Present in valleys and slopes, with glacial deposits near specific orebodies. |
| Cretaceous | Shexing Formation ($K_2s$) | Late Cretaceous Formation: Its lower contact is marked by the angular unconformity with the Middle Permian Luobadui Formation, with a slightly uneven erosional base.<br>It is characterised by purple-red and brown-red beds, primarily composed of medium to thick layers, with occasional thin layers. The main rock types include siliceous siltstone, calcareous siltstone, muddy siltstone, silty mudstone, and mudstone. These are interbedded with fine-grained quartz sandstone, microcrystalline limestone, and micritic limestone. | Localised occurrence, angular unconformity overlying the Luobadui Formation or in fault contact, with no overlaying rock unit observed. In the central-southern part of the mining area, there is a small distribution with strata dipping southeast, at an angle of 30° to 38°. |
| Permian | Luobadui Formation ($P_2l$) | Middle Permian Formation: It is generally in fault contact with the Laigu Formation, with some areas showing conformable contact. This group mainly consists of carbonate sedimentary rocks, which exhibit significant drag folds due to faulting. Commonly observed are hornfels or recrystallised limestone and marble as thermal contact metamorphic rocks. Near the faults, local folding is observed, and due to the influence of fault-aligned intrusive dykes and hydrothermal activity, contact metasomatic rocks such as skarn are developed. The main rock types include garnet-diopside-tremolite skarn, epidote-diopside skarn, and diopside skarn, with occurrences of skarn-type polymetallic mineralisation. The contact zone with the Laigu Formation is an important host to Pb-Zn orebodies in the Mengya'a mining area, such as the Pb12 ore group and the Pb13 orebody. | Exposed in the central part of the project area, the strata dip southeast and south-southeast, at 19° to 67°. |
| Carboniferous to Permian | Laigu Formation ($C_2P_1l$) | Upper Carboniferous to Lower Permian Formation | Widely distributed across the project area and can be divided into three members. In the project area, the Middle and Lower members are present. |
| | Upper Member | Not present in the project area | |
| | Middle Member | The main lithology is metamorphosed quartz sandstone, followed by mud-sandy slate and marl, interbedded with quartzite, metamorphosed feldspar quartz sandstone, granulite, quartz schist, and mica schist. Small-scale Pb-Zn orebodies, are found at the interface and on both sides of the mud-sandy slate, tuff, and metamorphosed sandstone layers. | The strata generally dip northwest or southeast, with dip angles ranging from 20° to 70°. |
| | Lower Member | It consists of grey-black carbonaceous mud-sandy slate interbedded with metamorphosed quartz sandstone, sandy mudstone slate, limestone, and marble lenses. It is generally in fault contact with the overlying Luobadui Formation limestone, with some areas showing conformable contact. This lithological section is an important ore-bearing stratigraphy in the Mengya'a Project area. | The strata generally dip northwest or southeast, with dip angles ranging from 25° to 68°. |

Source: Zhihui, 2019





APPENDIX III INDEPENDENT TECHNICAL REPORT
THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE AND THAT THE INFORMATION MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED "WARNING" ON THE COVER OF THIS DOCUMENT.

### 4.3.2 Intrusions

The intrusive rocks in the project are dominated by intermediate to felsic intrusions, which were emplaced into the Upper Carboniferous to Lower Permian Laigu Formation strata. These intrusions are distributed in east–west trending bands as irregular blocky patches. Thermal contact metamorphism halos are developed in the host rock along the contact with these plutons. Magmatic activity in the region is mainly represented by the Early Cretaceous granitoid bodies, with spatial distribution of the Late Cretaceous granites more limited. Key examples include the Early Cretaceous Gabu La biotite monzogranite and the Late Cretaceous Dongduo biotite monzogranite.

Within the project area, the magmatic rocks primarily comprise granite porphyry, diabase and diabase porphyrite. These intrusions are relatively small in scale. Diabase and diabase porphyrite typically occur as dykes, distributed in the central and eastern parts of the project area, forming groups and belts with a nearly east–west orientation. Granite porphyry is found in the central and northern parts of the project area, mostly occurring as dykes that conform to the beds of the Laigu Formation and the Luobadui Formation. Some small stocks intruding into the Luobadui Formation strata near the contact boundaries are observed.

### 4.3.3 Structure

The structures in the surrounding area are significantly influenced by the north–south compression of the Xizang Plateau, leading to the development of well-defined, nearly east–west oriented, regional faults and fold structures. These regional fault systems are highly dynamic, with faults of varying directions, characteristics, and ages undergoing multiple episodes of superposition and cross-cutting, resulting in a complex and diverse array of structural forms. In contrast, the northeast and north-northeast oriented faults developed later and are predominantly characterised by strike-slip movements. The nearly north–south oriented faults initially displayed extensional and torsional features, but later transitioned to exhibit compressional and torsional characteristics, serving a regulatory function within the east–west structural framework.

Exploration work conducted by Second Brigade on faults is insufficient for a detailed assessment of the impact of these structures on domains and thus no hypothesis or model for mineralisation potential has been developed. SRK recommends further investigation on the correlation between faults and mineralised zones be undertaken.

### 4.3.4 Alteration

The project area exhibits extensive development of various alteration in host rocks, including sericitisation, chloritisation, epidotisation, skarnification, pyritisation, carbonatisation and silicification.

## 4.4 Mineralisation

The magmatic rocks exposed in the project area are primarily granite porphyry and diabase. According to Fu et al. (2017), the granite porphyry was formed at 13 Ma, while the diabase intruded into the Luobadui Formation as dykes. Previous studies suggested that these magmatic rocks and mineralisation are genetically unrelated. More recent drill hole data by Zhang et al. (2023) reveals the presence of a granite porphyry at the deeper levels of the Laigu Formation which was dated at 68 Ma. Currently, 31 prospects or deposits have been identified in the project area, most of which are layered or lenticular, occurring in skarns within the Laigu and Luobadui formations and along the

contacts between the limestones and siltstones. The principal mineralisation includes vein-hosted to massive sphalerite and galena, with minor amounts of pyrrhotite, pyrite and chalcopyrite. The gangue minerals are comprised of common skarn minerals, such as garnet, diopside, actinolite and calcite.

At the Mengya'a deposit, hydrothermal alteration of the host rocks is characterised by skarn, potassic and sericitic alterations. The skarn alteration assemblage mainly comprises coarse-grained garnet, diopside, actinolite, epidote, muscovite and chlorite. Abundant calcite, chlorite, limonite and malachite formed in later stages and are unrelated to Pb-Zn mineralisation.

# 5 Exploration

Exploration has been ongoing at the project since the initial discovery of mineralisation in 2002.

From July 2002 to 2003, the Second Brigade carried out a reconnaissance in the area surrounding the project. This phase involved surface digging and geophysical surveys, leading to the discovery of the Pb4 mineralisation. No drilling was performed during this period.

Following the initial reconnaissance, comprehensive exploration programs were implemented from 2004 to 2021. These programs focused on the mineralised deposits (e.g. Pb14 and Pb12) within the project's exploration licence area and included mapping, surface sampling, geophysical surveys, trenching and drilling activities.

Between 2022 and 2024, exploration activities were reduced to focus on validation of geophysical anomalies.

## 5.1 Geophysical survey

The Second Brigade conducted a series of electrical and magnetic surveys in 2004, 2008, 2012 and 2017.

In 2004, a resistivity profiling survey totalling 25 km was conducted within the exploration licence area. By 2008, an induced polarisation intermediate gradient profiling survey (IP profiling survey) extended over 70 km in the central part of the exploration licence, successfully identifying the Pb12 mineralisation and prompting a subsequent drilling campaign. In 2012, a 5 $km^2$ induced polarisation intermediate gradient area survey (IP area survey) was executed to encompass the Pb12 deposit.

In 2017, a comprehensive geophysical survey program was launched in the northeastern section of the exploration licence area (Figure 5.1). This program included an IP area survey, induced polarisation electrical sounding profiling survey (IP sounding survey), magnetotelluric sounding survey (MT sounding survey), and a high-accuracy ground magnetic survey (HGM survey).

### IP area survey

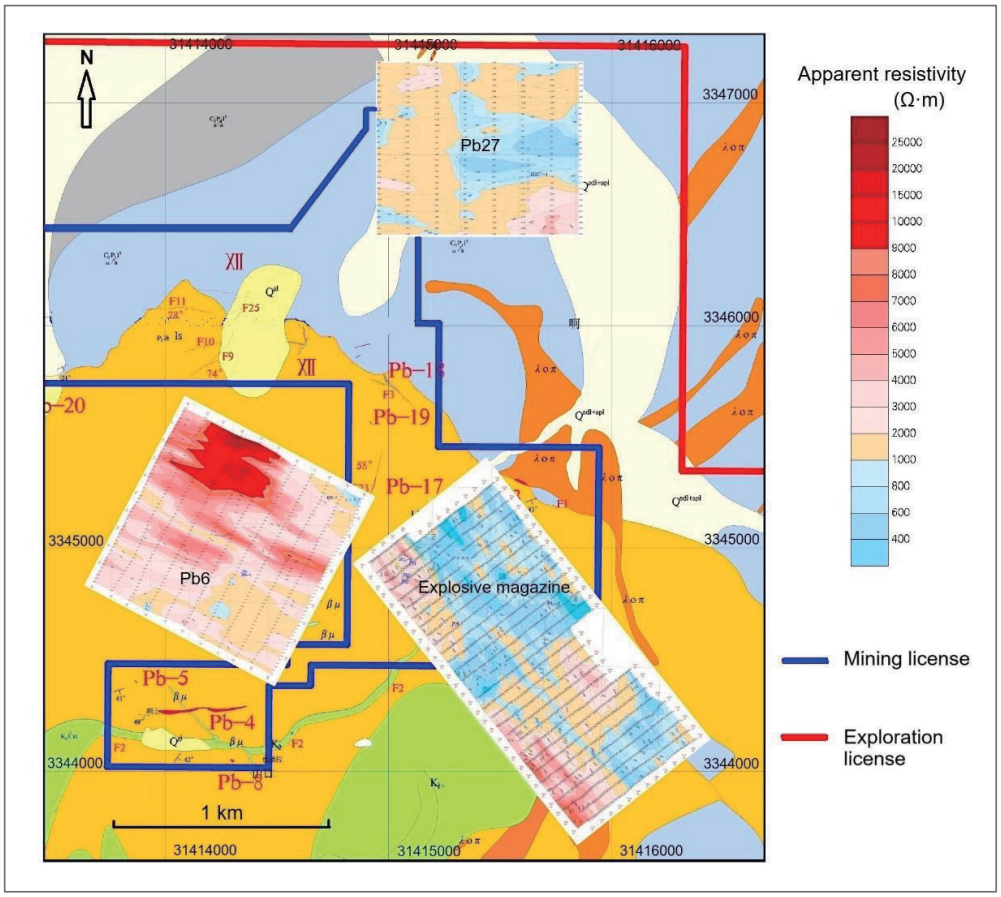
The survey used a grid spacing of 100 m × 20 m for survey points and concentrated on three primary targets: the Pb6 deposit, the Pb27 deposit and the proposed location of an explosives magazine.

- Pb6 deposit: This area covered a square measuring 1,000 m in both the NW-SE and NE-SW directions, with a total area of 1.0 $km^2$
- Pb27 deposit: This area encompassed a square measuring 700 m in the E-W direction and 600 m in the N-S direction, with a total area of 0.42 $km^2$
- explosives magazine location: This area spanned a square measuring 1,260 m in the SW-NE direction and 2,800 m in the SE-NW direction, with a total area of 3.408 $km^2$。

The IP area survey was conducted to assess two critical parameters of geological formations: apparent resistivity (ρs) and apparent chargeability (ηs). This survey used the DZD-6A multi-functional digital DC induced polarisation instrument (manufactured by Chongqing Geological Instrument Factory).

To gain a comprehensive spatial understanding of the anomalies detected in the IP area survey, further investigations were carried out using IP sounding and magnetotelluric (MT) sounding.

**Figure 5.1: Apparent resistivity results of IP area survey – 2017**




Source: Zhihui, 2020

## IP sounding survey

The IP sounding profiles were designed to be strategically placed at the centre of the IP area survey anomalies, taking the terrain and topography into consideration. Three IP sounding profiles were conducted with a station spacing of 20 m:

- the Pb27 deposit area, with a length of 180 m
- the two locations to the east of explosives magazine, with lengths of 460 and 20 m, respectively.

The total length of the IP sounding profiles is 0.66 km.

#### MT sounding

The MT sounding survey was carried out over five profiles, which are as follows:

- the western side of the Pb6 deposit area, with a length of 270 m
- the Pb27 deposit area, with a length of 210 m
- three profiles in the Pb12 deposit area, each with a length of 120 m.

The total length of the MT sounding profiles is 0.84 km.

#### HGM survey

The HGM survey covered an area of 37.7 $km^2$ at a scale of 1:10,000. The data collection for the magnetic survey was conducted using the GSM-19T proton magnetometer (manufactured in Canada).

## 5.2 Drilling campaign

Drilling programs conducted at major prospects (Pb4, Pb12, Pb13 and Pb14) within the project area can be grouped into two stages: the early-stage exploration in 2004 and the advanced exploration in 2006–2021. All drilling was completed by the Second Brigade.

### 5.2.1 2004 early-stage exploration

In 2004, the Second Brigade commenced an initial exploration campaign to enhance the understanding and definition of potential mineralisation in the area. Exploration work included geological mapping at a scale of 1:10,000, drilling of four drill holes totalling 304.96 m, excavation of 4,745.2 $m^3$ of trenches, removal of 9,602.5 $m^3$ of overburden, and construction of 81.1 m of shallow shafts.

An XY-4 drill rig was employed for diamond core drilling. All drill holes were collared with PQ size (85 mm) to penetrate the topsoil, followed by HQ size (63.5 mm) for deeper drilling. Core recovery ranged from 71% to 100%, with an average recovery of 78%. A total of 189 chemical analysis samples were collected (some of the data were not preserved).

The drill hole core was logged by onsite geologists, with detailed documentation covering lithology, mineral composition, structural features, texture, vein type, oxidation levels, alteration minerals, and rock quality designation (RQD).

The exploration work followed prevailing Chinese standards, with drill hole spacing being approximately 100 m × 50 m. All samples were sent to the Xizang Autonomous Region Geological and Mineral Exploration and Development Bureau Central Laboratory (Xizang Central Laboratory) for testing. The core was not preserved, and the laboratory has disposed of the pulps, making it impossible to verify these assays.

### 5.2.2 2006–2021 advanced exploration

During exploration between 2006 and 2021, the Second Brigade carried out a series of advanced exploration campaigns aimed at further delineating resources and assessing the potential for additional extents to the known mineralisation to be defined.

The Second Brigade successfully completed 249 drill holes, totalling 59,768.72 m, and collected 4,777 samples which were assayed for Pb, Zn, Cu and Ag, together with 428 samples for bulk density analysis. The drill hole spacing ranged from approximately 50 m × 50 m to 50 m × 100 m.

Diamond core drilling was conducted using XY-2 and XY-4 drill rigs. Each drill hole began with a PQ size (85 mm) collar to penetrate the topsoil, transitioning to HQ size (63.5 mm) for deeper sections.

The drilling activities are detailed by year as follows:

1. In September 2006, Huaxia Mining obtained the initial mining licence for the central region within the project's exploration tenure area. The Second Brigade drilled 43 diamond holes, totalling 5,157.62 m, and excavated 80 m of horizontal adits. A total of 336 samples were collected from these drill holes and 16 samples from the adits for assay analysis.
2. Between 2007 and 2008, the Second Brigade completed 7 holes, totalling 1,599.85 m, and collected 115 samples for assay analysis, together with 18 samples for bulk density testing. Hydrogeological surveys were conducted and geotechnical samples for further testing were collected.
3. From 2009 to 2010, the Second Brigade drilled 5 holes, totalling 350.14 m, and collected 87 samples for assay analysis.
4. In 2011, the Second Brigade drilled 40 diamond holes, totalling 10,472.69 m, and collected 681 samples for assay analysis.
5. In 2012, the Second Brigade completed 34 diamond holes, totalling 11,688.78 m, alongside the removal of 4,745.2 m3 of overburden and the excavation of 644.75 m of horizontal adits. They collected 605 assay samples and 89 bulk density samples. Comprehensive hydrogeological and geotechnical surveys were conducted over an area of 2 km2, complemented by 938.6 m of hydrogeological drilling through reamed boreholes. Additionally, 1,844.93 m of grade control drilling were carried out at the Pb14 deposit to optimise open-pit mining operations.
6. In 2014, the Second Brigade drilled 14 diamond holes, totalling 3,041.6 m, and collected 249 samples for assay analysis and 33 samples for bulk density testing.
7. In 2015, the Second Brigade drilled 15 diamond holes, totalling 4,230.25 m, and collected 472 samples for assay analysis and 42 samples for bulk density testing.
8. In 2017, the Second Brigade drilled 27 diamond holes, totalling 7,472.95 m, and collected 476 samples for assay analysis and 47 samples for bulk density testing.
9. In 2018, the Second Brigade drilled 10 diamond holes, totalling 1,892.07 m, and collected 266 samples for assay analysis and 21 samples for bulk density testing.
10. In 2019, the Second Brigade drilled 15 diamond holes, totalling 4,314.48 m, and collected 385 samples for assay analysis and 40 samples for bulk density testing. Additionally, 144 shallow diamond drill holes using AQ (30 mm) size, each less than 10 m deep, were completed to collect samples as an alternative to trenching for the Pb6 and Pb27 deposits. These shallow drill holes were drilled for mineralisation target identification only, and were therefore not included in the database for resource estimation).
11. In 2020, the Second Brigade drilled 20 diamond holes, totalling 3,960.26 m, and collected 525 samples for assay analysis and 38 samples for bulk density testing.
12. In 2021, the Second Brigade drilled 19 diamond holes, totalling 5,588.03 m, and collected 580

samples for assay analysis and 33 samples for bulk density testing.

13. Core recovery in 2006–2010 ranged from 69.1% to 98.4%, with an average recovery of 85%. Core recovery in 2011–2018 ranged from 80.8% to 94.8%, with an average recovery of 90%. Core recovery in 2019–2021 ranged from 73.8% to 98.7%, with an average recovery of 91%. The improvement of core recovery from 2006 to 2021 explorations was likely due to the upgrade of drilling rigs and the accumulation of experience of the drilling team.
14. The drill core was logged by onsite geologists, with detailed documentation covering lithology, mineral composition, structural features, texture, vein type, oxidation levels, alteration minerals, and RQD. Intervals do not cross lithological or mineralisation boundaries.
15. The core samples collected from holes completed prior to 2010 (70 holes) were not retained on site, and the assaying laboratory has since disposed of the associated pulps samples, rendering it impossible to verify those assay results. These holes were drilled at the Pb4, Pb13, and Pb14 prospects. However, since 2011, all core from holes drilled in the Pb12 deposit have been preserved in a well-maintained core shed at the project's base camp.

All core samples were boxed in accordance with established protocols. Each core box was clearly labelled in red paint with the drill hole number, box number, and the start and end depths. Once boxed at the drill site, the core samples were transported to the core storage facility. This was followed by detailed logging, stratification, sampling, photography, sawing, and sampling. Diamond core samples were collected by half-coring lengthwise, which was considered representative. After these processes, the cores were moved to the core storage facility located at the base camp. These cores were systematically stored, registered according to protocols, and their storage locations were marked on a core distribution map to facilitate easy retrieval in the future.

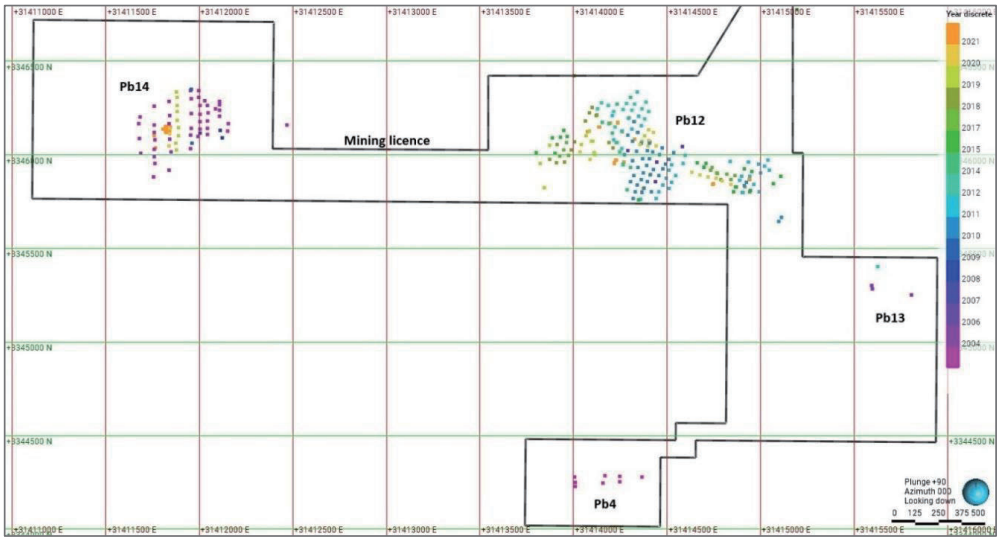
Collected samples were dispatched to various laboratories for analysis. From 2004 to 2010, samples were analysed at Xizang Central. For the periods of 2011–2012 and 2017–2021, samples were analysed by Lhasa Jinzang Rock Testing Co., Ltd. (Jinzang Laboratory). During 2014 and 2015, the samples were tested at the Yanjiao Central Laboratory of the North China Nonferrous Geological Exploration Bureau (Yanjiao Central Laboratory).

### 5.2.3 Summary

A total of 253 drill holes were completed during historical exploration from 2004 to 2021 (Table 5.1). However, the cores of 70 drill holes drilled prior to 2010 were not preserved.

Of these 253 drill holes, SRK used 246 drill holes completed at the Pb12 and Pb14 deposits for resource estimation purposes. The drill holes of these historical exploration phases are illustrated in the plan view map shown in Figure 5.2.

**Figure 5.2: Plan view of historical drill holes and channels**




Source: Compiled by SRK, 2025

The information relating to all drill holes and channel samples is summarised in Table 5.1.

**Table 5.1: Summary of historical drill holes**

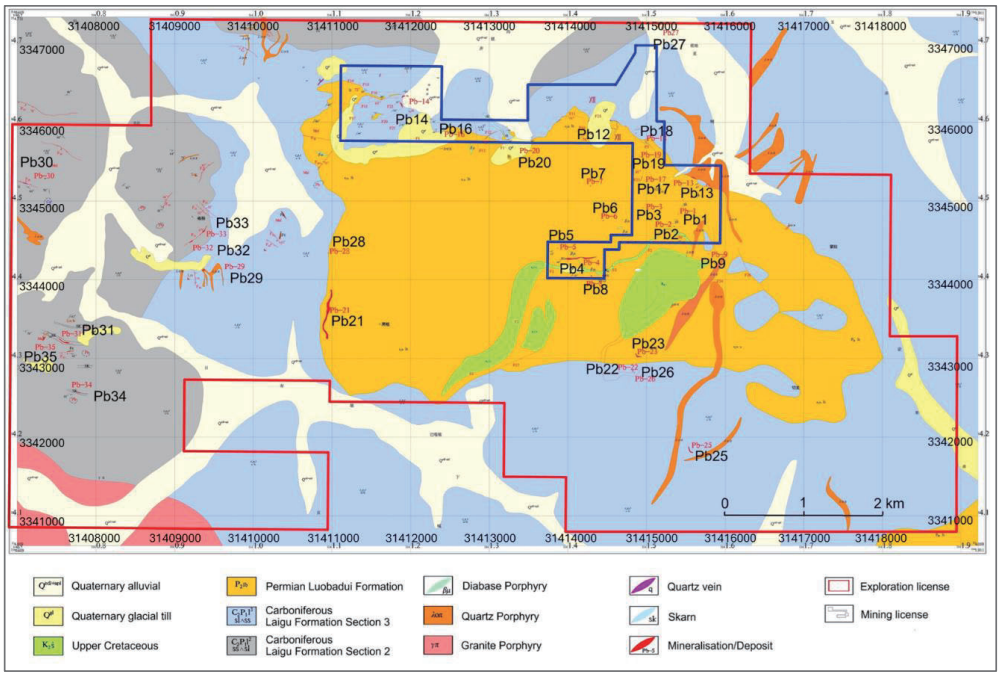
| Year | Hole (count) | Length (m) | Assay sample (count) | Bulk density samples (count) |
|---|---|---|---|---|
| 2004 | 4 | 304.96 | 28 | 0 |
| 2006 | 43 | 5,157.62 | 336 | 67 |
| 2007 | 3 | 492.74 | 25 | 18 |
| 2008 | 4 | 1,107.11 | 90 | 0 |
| 2009 | 3 | 253.31 | 50 | 0 |
| 2010 | 2 | 96.83 | 37 | 0 |
| 2011 | 40 | 10,472.69 | 681 | 0 |
| 2012 | 34 | 11,688.78 | 605 | 89 |
| 2014 | 14 | 3,041.60 | 249 | 33 |
| 2015 | 15 | 4,230.25 | 472 | 42 |
| 2017 | 27 | 7,472.95 | 476 | 47 |
| 2018 | 10 | 1,892.07 | 266 | 21 |
| 2019 | 15 | 4,314.48 | 385 | 40 |
| 2020 | 20 | 3,960.26 | 525 | 38 |
| 2021 | 19 | 5,588.03 | 580 | 33 |
| **Total** | **253** | **60,073.68** | **4,805** | **428** |

Source: SRK, 2025

## 5.3 Prospects and deposits

A total of 31 prospects and deposits have been identified within the project mining and exploration licences to date (Figure 5.3). These prospects and targets are labelled from Pb1 to Pb35 (noting that Pb10, Pb11, Pb15 and Pb24 are not included).

**Figure 5.3: Prospects and deposits**




Source: Zhihui, 2020

Among these, the Pb1, Pb2, Pb3, Pb4, Pb5, Pb12, Pb13, Pb14, Pb16, Pb17, Pb18 and Pb19 prospects are located within the current mining licence. The remaining 19 prospects are located within the central and western parts of the exploration licence. Detailed information about these prospects and deposits is presented in Table 5.2 and Section 7.

**Table 5.2: Prospects and deposits features**

| No. | Prospect/Deposit | Description |
|---|---|---|
| 1 | Pb1 | ■ Dimensions: 50 m long by 3 m wide<br>■ Ore type: oxide ore<br>■ Mineralisation: vein-shaped<br>■ Drilling: 9 shallow drill holes<br>■ Ore minerals: galena, sphalerite<br>■ Strike: 111° with a steep dip |
| 2 | Pb2 | ■ Dimensions: 30 m long by 5 m wide<br>■ Mineralisation: vein-shaped<br>■ Strike: 103° with a steep dip |

| No. | Prospect/Deposit | Description |
|---|---|---|
| **3** | Pb3 | ■ Dimensions: 20 m long by 10 m wide<br>■ Ore minerals: galena, pyrite, limonite<br>■ Strike: 102° |
| **4** | Pb4 | ■ Dimensions: 450 m long by 11 m wide<br>■ Ore type: oxide ore<br>■ Drilling: Controlled by 4 holes and 1 trench, and samples were not preserved |
| **5** | Pb5 | ■ Dimensions: 43 m long by 14 m wide<br>■ Ore Type: oxide ore<br>■ Ore minerals: galena, sphalerite<br>■ Strike: 137° |
| **6** | Pb6 | ■ Size: Small<br>■ Ore type: oxide ore<br>■ Ore minerals: galena, sphalerite<br>■ Drilling: 4 shallow drill holes<br>■ Strike: 132°, vertical |
| **7** | Pb7 | ■ Dimensions: 15 m long by 2 m wide<br>■ Mineralisation: vein-shaped<br>■ Ore minerals: galena, limonite<br>■ Strike: 280° with a steep dip angle |
| **)8** | Pb8 | ■ Dimensions: 15 m long by 1 m wide<br>■ Mineralisation: None discovered<br>■ Drilling: 7 shallow drill holes |
| **9** | Pb9 | ■ Features: 4 small veins (0.1 m in width)<br>■ Drilling: 1 trench<br>■ Ore minerals: galena<br>■ Strike: 125° with a moderate dip |
| **10** | Pb12 | Described in Table 7.3 |
| **11** | Pb13 | ■ Dimensions: 80 m long by 80 m wide<br>■ Ore minerals: galena, sphalerite<br>■ Drilling: 2 drill holes and 1 horizontal adit<br>■ Strike: 280° with a steep dip angle |
| **12** | Pb14 | Described in Table 7.3 |
| **13** | Pb16 | ■ Dimensions: 30 m long by 1.7 m wide<br>■ Strike: 140° |
| **14** | Pb17 | ■ Dimensions: 120 m long by 0.6 m wide<br>■ Ore type: oxide ore<br>■ Mineralisation: Vein-shaped<br>■ Ore minerals: galena, sphalerite<br>■ Strike: 133° with a steep dip angle |
| **15** | Pb18 | ■ Dimensions: 20 m long by 0.5 m wide<br>■ Ore type: oxide ore<br>■ Drilling: 14 shallow drill holes |

| No. | Prospect/Deposit | Description |
|---|---|---|
| | | ■ Strike: 270° with a subvertical dip angle |
| 16 | Pb19 | ■ Dimensions: 135 m long by 2.1 m wide<br>■ Trenching: 1 trench<br>■ Mineralisation: vein-shaped<br>■ Ore minerals: galena, sphalerite, cerussite<br>■ Strike: 220° with a subvertical dip angle |
| 17 | Pb20 | ■ Dimensions: 193 m long by 9.6 m wide<br>■ Alteration: Limonitisation<br>■ Strike: 90° |
| 18 | Pb21 | Dimensions: 600 m long by 40 m wide |
| 19 | Pb22 | No information provided |
| 20 | Pb23 | No information provided |
| 21 | Pb25 | No information provided |
| 22 | Pb26 | No information provided |
| 23 | Pb27 | ■ Drilling: 19 shallow drill holes, 3 intersected mineralisation<br>■ Domains: 3 separate domains |
| | Pb27-1 | ■ 8 m long by 1.5 m wide<br>■ Ore minerals: galena, sphalerite<br>■ Strike: 175° with a steep dip angle |
| | Pb27-2 | ■ 4 m long by 1 m wide<br>■ Ore minerals: galena, sphalerite<br>■ Strike: 175° with a steep dip angle |
| | Pb27-3 | ■ 2 m long by 2 m wide<br>■ Ore type: oxide ore<br>■ Ore minerals: galena, sphalerite<br>■ Strike: dips to 110° with a 30° dip angle |
| 24 | Pb28 | No information provided |
| 25 | Pb29 | ■ Dimensions: 193 m long by 9.6 m wide<br>■ Alteration: Hematitisation |
| 26 | Pb30 | ■ Location: Adjacent to the Longmala Pb-Zn-Cu Project, west of Mengya'a exploration licence<br>■ Mineralisation: Weak hematitisation<br>■ Ore minerals: Pyrite |
| 27 | Pb31 | No information provided |
| 28 | Pb32 | No information provided |
| 29 | Pb33 | No information provided |
| 30 | Pb34 | No information provided |
| 31 | Pb35 | No information provided |

Source: Zhihui, 2020

The mineralisation at the Pb12 deposit has been interpreted to comprise a total of 31 domains, whereas the Pb14 deposit has been interpreted to consist of 6 domains. The dimensions and orientation of these domains are presented in Table 7.3.

Following discussions with site geologists, oxidation has been observed in both the Pb12 and Pb14 deposits. Oxidation logging records are available for the Pb12 deposit but are not available for the Pb14 deposit.

## 5.4 Historical quantum of mineralisation estimation

Between 2004 and 2021, the Second Brigade, in collaboration with Huaxia Mining, undertook exploration activities and quantification of the likely mineralisation. These estimates were conducted in accordance with prevailing Chinese standards. The results are detailed in Table 5.3 .

**Table 5.3: Historical quantum of mineralisation estimates**

| Year | Team | Cut-off grade (%) | Tonnage (kt) | Pb grade (%) | Pb metal (kt) | Zn grade (%) | Zn metal (kt) |
|---|---|---|---|---|---|---|---|
| 2004 | Second Brigade | Open-pit, fresh ore: Pb>0.3% or Zn>0.5% Underground fresh ore: Pb>0.5% or Zn>1.0% | 111 | 21.22 | 23 | 1.48 | 2 |
| 2007 | Second Brigade | | 5,349 | 1.40 | 75 | 6.16 | 330 |
| 2012 | Second Brigade | | 8,336 | 4.67 | 184 | 5.33 | 455 |
| 2013 | Second Brigade | | 8,565 | 2.84 | 243 | 5.67 | 481 |
| 2019 | Second Brigade | | 10,669 | 3.67 | 392 | 4.79 | 511 |
| 2020 | Huaxia Mining | | 5,580 | 4.90 | 273 | 6.25 | 349 |
| 2023 | Huaxia Mining | | 12,977 | 3.31 | 430 | 4.65 | 604 |

Source: Zhihui

Notes: Estimation of quantum of mineralisation beyond current mining licence; numbers are rounded; the estimations were not prepared in accordance with the JORC Code (2012).

## 5.5 2024 infill and validation program

From October to November 2024, following SRK's recommendations, Zhihui conducted an infill and validation drilling program to confirm the historical exploration results and upgrade the resource categories. This program included two diamond twinned holes (SRK001 and SRK002) on the pit bench floor, three trenches (TR001 to TR003) on the pit bench face and 19 underground channels (Figure 5.4).

**Figure 5.4: Infill and verification drilling and underground channel sampling**



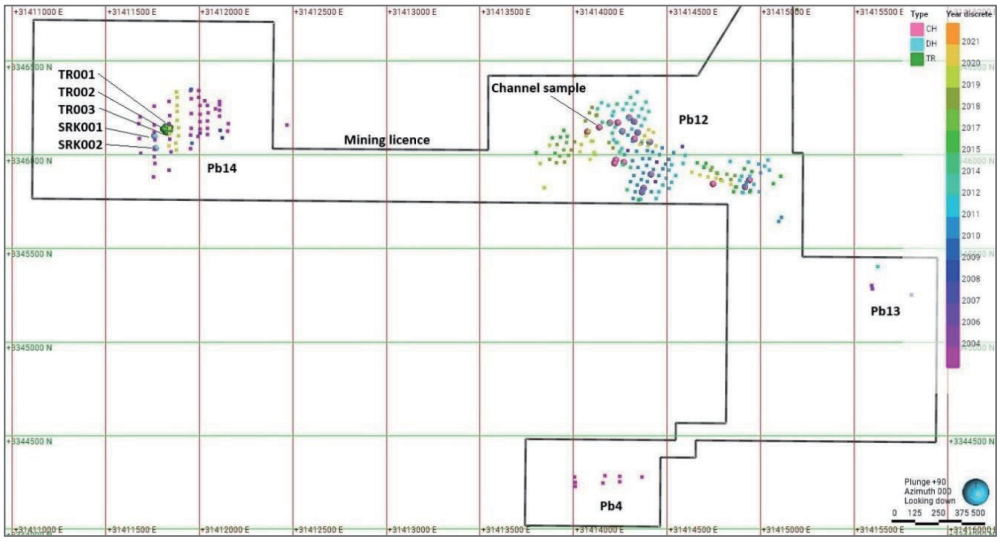

Source: SRK, 2025

Core drilling was conducted using XY-4 drill rigs. Each drill hole began with a PQ size (85 mm) collar to penetrate the topsoil, transitioning to HQ size (63.5 mm) for deeper sections. Core recovery ranged from 95% to 100%, with an average recovery of 98%.

Trench samples collected from the pit bench face and underground channel samples from the drives were all continuous channel intervals of consistent width, depth and length measuring approximately 10 cm × 5 cm × 1.5 m, channelled either by chisels or saws.

The plan view of the location for these drill holes and channels is presented in Figure 5.5. Table 5.4 presents the statistics for the 2024 validation program. A total of 139 samples were taken and sent to SGS Tianjin Laboratory for determination of Pb, Zn, Cu and Ag contents.

**Figure 5.5: 2024 infill and validation exploration program**




Source: SRK, 2025

**Table 5.4: 2024 infill and validation program statistics**

| Type | Deposit | Purpose | Drill hole (count) | Profiles (m) | Assay records (count) |
|---|---|---|---|---|---|
| Twinned hole | Pb14 | Validation | 2 | 164.95 | 47 |
| Trench | Pb14 | Infill | 3 | 108 | 54 |
| Channel sampling | Pb12 | Validation | 19 | 57 | 38 |
| **Total** | | | **24** | **329.95** | **139** |

Source: SRK, 2025

# 6 Sample preparation and assaying

## 6.1 Historical samples

Samples were sent to various laboratories for analysis over different periods. From 2004 to 2010, all samples were analysed at the Central Laboratory of the Xizang Autonomous Region Geological and Mineral Exploration and Development Bureau (Xizang Central Laboratory). For the years, 2011 to 2012 and 2017 to 2021, samples were analysed at Lhasa Jinzang Rock and Mineral Analysis and Testing Co., Ltd., also known as Lhasa Rock and Mineral Analysis and Testing Co., Ltd. (Jinzang Laboratory). In 2014 and 2015, the samples were sent to the Yanjiao Central Laboratory of the North China Nonferrous Geological Exploration Bureau (Yanjiao Laboratory).

### 6.1.1 Sample preparation

Sample preparation procedures at various laboratories followed the prevailing Chinese standard protocols. The samples were crushed to a size of 2 mm using a jaw crusher, and then pulverised to a fine particle size of 140 mesh (106 µm). Following this, the powdered samples were thoroughly blended and divided into two 500 g aliquots: a primary sample and a duplicate sample. The primary samples were further pulverised to a finer particle size of 200 mesh (74 µm). Finally, pulp samples weighing 20 g each were analysed using atomic absorption spectroscopy (AAS) to determine the concentrations of Pb, Zn, Cu and Ag.

Samples with a combined Pb+Zn grade of greater than 20% were titrated prior to analysis to ensure the accuracy:

1. Lead (Pb): Pulp samples, each weighing 0.30 g, were dissolved using a mixture of nitric acid ($HNO_3$), sulfuric acid ($H_2SO_4$) and bromine solution ($Br_2$). Hydrobromic acid (HBr) was added to the solution to volatilise arsenic, antimony and tin. The precipitated lead sulphate ($PbSO_4$) was separated and dissolved in an ammonium acetate solution ($CH_3COONH_4$). The lead content was then titrated using an ethylene diamine tetraacetic acid (EDTA) solution, with xylenol orange serving as the indicator.
2. Zinc (Zn): Pulp samples, each weighing 0.20 g, were dissolved using a mixture of hydrochloric acid (HCl), nitric acid ($HNO_3$) and sulfuric acid ($H_2SO_4$). Elements such as iron, manganese and lead were precipitated and filtered out. The resulting solution was transferred to an acetic acid-sodium acetate buffer solution at a pH of 5–6. The combined content of zinc and cadmium was titrated with a $Na_2$-EDTA standard solution, using xylenol orange as the indicator. The zinc content was determined by subtracting the cadmium content from the combined total.

### 6.1.2 Quality assurance and quality control

The quality assurance and quality control (QA/QC) protocol adopted historically included the insertion of laboratory duplicates and inter-laboratory checks.

#### 2004 to 2010 batches

During the 2004–2010 exploration period, 566 samples were collected by the Second Brigade and sent to Xizang Central Laboratory for assay testing. However, no laboratory duplicates or QA/QC program was documented for these samples.

### 2011–2012 and 2017–2021 batches

During the 2011–2012 and 2017–2021 exploration phase, a total of 3,518 samples were collected by the Second Brigade and analysed at the Jinzang Laboratory.

Among the 742 samples collected in the 2017–2018 exploration phase, 85 laboratory duplicates and 60 inter-laboratory checks were re-assayed, accounting for 11.46% and 8.09% of all the assays, respectively (Table 6.1 and Table 6.2). SRK considers the proportion of duplicate assays to be reasonable. The inter-laboratory duplicates were analysed at the Hebei Provincial Geological and Mineral Centre Laboratory (Hebei Laboratory). SRK considers the historical QA/QC results to be satisfactory, with no material bias evident.

**Table 6.1: 2017–2018 exploration phase laboratory duplicates statistics**

| Metal | Primary | | | Duplicates | | | No. of pairs | Correlation coefficient |
|---|---|---|---|---|---|---|---|---|
| | Mean | Standard deviation | Median | Mean | Standard deviation | Median | | |
| Pb% | 2.59 | 1.94 | 2.20 | 2.61 | 1.91 | 2.19 | 85 | 1.000 |
| Zn% | 2.49 | 2.54 | 1.82 | 2.50 | 2.52 | 1.82 | 85 | 1.000 |
| Cu% | 0.17 | 0.20 | 0.13 | 0.18 | 0.20 | 0.14 | 85 | 0.997 |
| Ag (g/t) | 26.78 | 25.56 | 19.90 | 27.34 | 25.31 | 20.30 | 85 | 0.997 |

Source: SRK, 2025

**Table 6.2: 2017–2018 exploration phase inter-laboratory check statistics**

| Metal | Primary | | | Duplicates | | | No. of pairs | Correlation coefficient |
|---|---|---|---|---|---|---|---|---|
| | Mean | Standard deviation | Median | Mean | Standard deviation | Median | | |
| Pb% | 2.93 | 2.09 | 2.53 | 2.91 | 2.03 | 2.51 | 60 | 0.996 |
| Zn% | 2.59 | 2.75 | 1.81 | 2.55 | 2.56 | 1.83 | 60 | 0.981 |
| Cu% | 0.22 | 0.26 | 0.16 | 0.23 | 0.26 | 0.15 | 60 | 0.998 |
| Ag (g/t) | 36.29 | 47.74 | 19.55 | 35.46 | 47.67 | 18.65 | 60 | 0.996 |

Source: SRK, 2025

### 2014–2015 batches

During the 2014–2015 exploration phase, a total of 721 samples were collected by the Second Brigade and analysed in Yanjiao Central Laboratory. Among them, 76 laboratory duplicates and 53 inter-laboratory checks were re-assayed, accounting for 10.54% and 4.85% of the 721 assays, respectively (Table 6.3 and Table 6.4). SRK considers the proportion of duplicate assays to be reasonable. The inter-laboratory duplicates were analysed at the Hebei Laboratory. SRK considers the historical QA/QC results to be satisfactory, with no material bias evident.

**Table 6.3: 2014–2015 exploration phase laboratory duplicates statistics**

| Metal | Primary | | | Duplicates | | | No. of pairs | Correlation coefficient |
|---|---|---|---|---|---|---|---|---|
| | Mean | Standard deviation | Median | Mean | Standard deviation | Median | | |
| Pb% | 8.15 | 12.10 | 4.14 | 8.14 | 12.12 | 4.11 | 76 | 1.000 |
| Zn% | 4.96 | 5.99 | 2.39 | 4.97 | 5.99 | 2.40 | 76 | 1.000 |
| Cu% | 0.28 | 0.35 | 0.18 | 0.29 | 0.34 | 0.19 | 76 | 0.999 |
| Ag (g/t) | 56.46 | 61.87 | 33.10 | 56.11 | 61.46 | 34.05 | 76 | 0.999 |

Source: SRK, 2025

**Table 6.4: 2014–2015 exploration phase inter-laboratory check statistics**

| Metal | Primary | | | Duplicates | | | No. of pairs | Correlation coefficient |
|---|---|---|---|---|---|---|---|---|
| | Mean | Standard deviation | Median | Mean | Standard deviation | Median | | |
| Pb% | 5.82 | 9.53 | 35 | 5.84 | 9.54 | 2.11 | 35 | 1.000 |
| Zn% | 4.04 | 5.12 | 35 | 4.05 | 5.13 | 1.85 | 35 | 1.000 |
| Cu% | 0.20 | 0.23 | 35 | 0.21 | 0.24 | 0.17 | 35 | 0.993 |
| Ag (g/t) | 51.24 | 48.66 | 35 | 51.45 | 48.98 | 33.00 | 35 | 0.999 |

Source: SRK, 2025

## 6.2 2024 infill and validation program

### 6.2.1 Sample preparation and test

Sample preparation was conducted at the Tianjin SGS laboratory. Initially, samples were dried and crushed to a size of 3 mm, then homogenised. A 1.0 kg portion was extracted and further ground to a particle size of 200 mesh size (74 μm).

For analysis, pulp samples weighing 0.20 g each were placed in a 50 mL PTFE (polytetrafluoroethylene) container. To each sample, 2 mL of nitric acid ($HNO_3$), hydrochloric acid (HCl), hydrofluoric acid (HF), and perchloric acid ($HClO_4$) were added. The solution was evaporated to dryness, and the remaining residue was cooled. Subsequently, 2 mL of HCl, 1 mL of nitric acid ($HNO_3$), and 10 mL of water were added, and the mixture was heated to dissolve any precipitate. The resulting solution was then diluted with 12 mL of water, making it ready for inductively coupled plasma optical emission spectroscopy (ICP-OES) testing. This testing method is referred to as ICP40Q in the SGS laboratory.

### 6.2.2 SRK validation

For the 2004–2010 period, core and pulp samples were not retained. For verification of the results from these campaigns, SRK has relied on information from twinned hole drilling and channel sampling, with associated assays demonstrating a reasonable alignment.

For the 2011–2021 period, 52 pulp samples and 107 core samples were collected and sent to SGS Tianjin Laboratory for validation.

### Pulps duplicates

Over one third of the historical pulp samples were not available for re-sampling. A total of 52 pulp duplicates were collected from the historical pulp samples of the Pb12 drill holes, which represented 1.29% of the 4,025 drill hole samples. SRK considers the proportion of duplicate assays to be barely adequate and recommends improving the storage conditions and protocols. The results are shown in Table 6.5. Despite the low count, SRK considers the available results to be satisfactory, with no material bias evident.

**Table 6.5: Pulp duplicates statistics**

| Metal | Primary | | | Duplicates | | | No. of pairs | Correlation coefficient |
|---|---|---|---|---|---|---|---|---|
| | Mean | Standard deviation | Median | Mean | Standard deviation | Median | | |
| Pb% | 7.33 | 8.55 | 3.30 | 7.45 | 8.66 | 3.23 | 52 | 0.993 |
| Zn% | 5.52 | 7.28 | 2.55 | 5.69 | 7.28 | 2.72 | 52 | 0.987 |
| Cu% | 0.38 | 0.53 | 0.15 | 0.40 | 0.55 | 0.17 | 52 | 0.996 |
| Ag (g/t) | 55.88 | 73.83 | 26.25 | 55.27 | 72.71 | 32.35 | 52 | 0.959 |

Source: SRK, 2025

### Core duplicates

Duplicates were collected from a total of 107 quarter-core historical samples of Pb12 drill holes, which represented 2.66% of the 4,025 drill hole samples. The results are shown in Table 6.6. SRK considers the duplicate ratios to be reasonable.

**Table 6.6: Core duplicates statistics**

| Metal | Primary | | | Duplicates | | | No. of pairs | Correlation coefficient |
|---|---|---|---|---|---|---|---|---|
| | Mean | Standard deviation | Median | Mean | Standard deviation | Median | | |
| Pb% | 5.76 | 6.73 | 3.21 | 6.23 | 7.29 | 3.79 | 107 | 0.936 |
| Zn% | 6.45 | 6.45 | 4.68 | 6.62 | 6.48 | 5.42 | 107 | 0.870 |
| Cu% | 0.36 | 0.44 | 0.17 | 0.39 | 0.50 | 0.22 | 107 | 0.783 |
| Ag (g/t) | 60.61 | 79.72 | 28.60 | 60.01 | 68.62 | 38.40 | 107 | 0.658 |

Source: SRK, 2025

SRK considers the results for Pb, Zn, and Cu to be satisfactory, with no significant bias detected. However, the results revealed a slight bias in Ag duplicates between the SGS Laboratory and previous laboratories. SRK noticed that the assaying methods used by the SGS Laboratory differ from those employed by the previous laboratories. SRK recommends further investigation in future to determine the underlying cause of this bias.

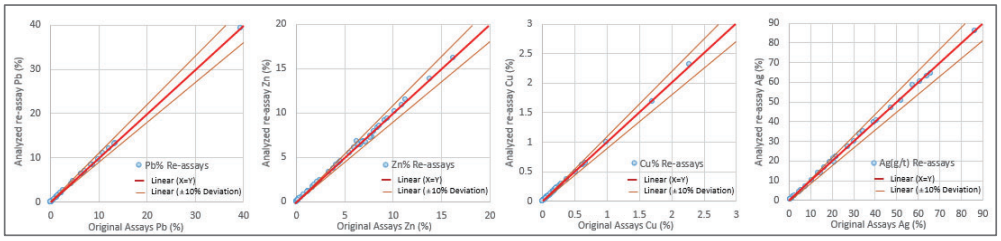
## 6.2.3 Quality assurance and quality control

### Laboratory duplicates

In all, 46 duplicates were re-assayed in SGS Laboratory testing, which represented 15.44% of the 298 field samples. The results are shown in Figure 6.1. SRK considers the results to be satisfactory,

with no material bias evident.

**Figure 6.1: Laboratory duplicates**




Source: SRK, 2025

## Blanks

A total of 20 blank tests were inserted in the sample batches at a frequency of one in every 15 samples. The blank is a test conducted with deionised water, but following the same procedures and conditions as normal sample measurement. The results were returned with most of Pb, Zn and Cu values lower than 0.0001%, and Ag values lower than 0.5 g/t, demonstrating there were no contamination issues (Figure 6.2 and Figure 6.3).

**Figure 6.2: Blanks – Cu, Pb and Zn**

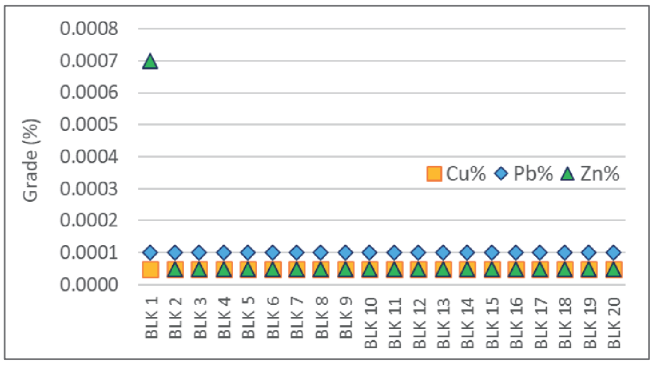
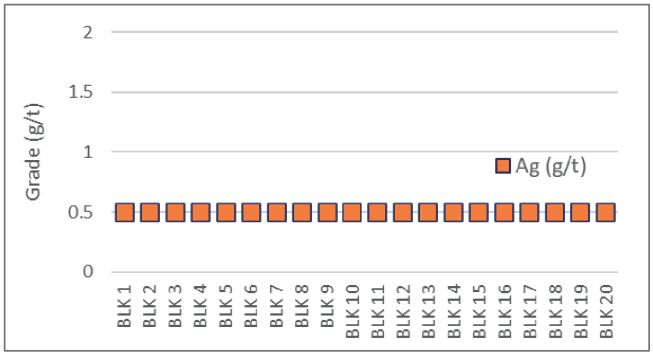



**Figure 6.3: Blanks – Ag**




Source: SRK, 2025

### Standards

A total of 20 certified reference materials (CRMs) were inserted in the sample batches at a frequency of one in every 15 samples.

The CRM results, as well as the expected mean values and their acceptable limits, are presented in Figure 6.4, Figure 6.5, Figure 6.6, Figure 6.7 and Figure 6.8, and listed in Table 6.7.

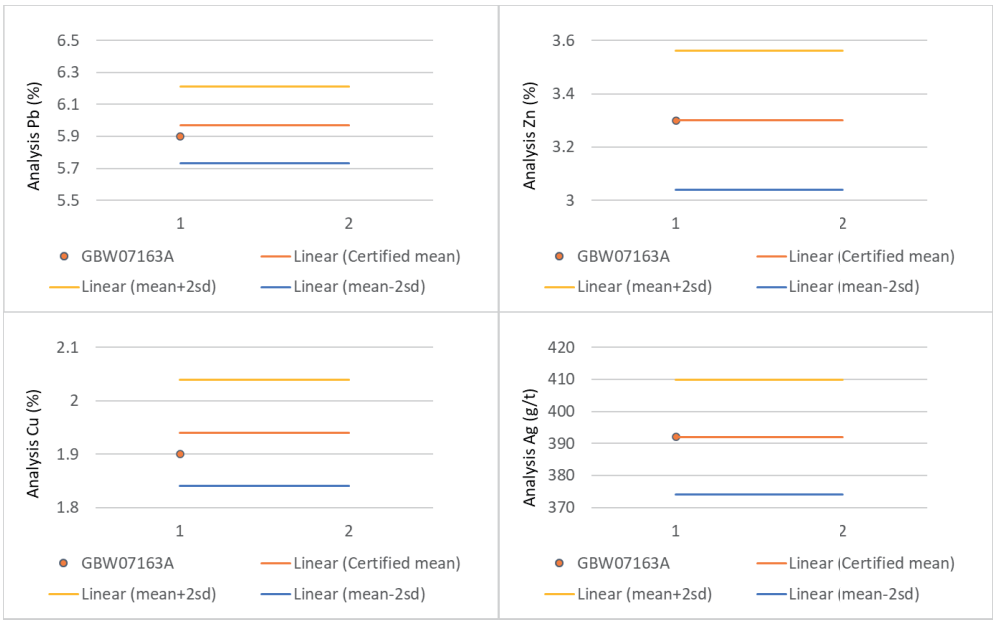
All results are within the expected values, except the Pb and Zn grades of the OREAS624 samples that yielded a value slightly below the expected value (Figure 6.8, upper left and upper right), and one Zn grade of the GBW07709 samples that yielded a value slightly above the expected value (Figure 6.6, upper right). In SRK's opinion, no systemic bias is evident.

**Table 6.7: Standards used in the program**

| Standard | Metal | Certified mean | Acceptable deviation limit (2 SD) | Unit | Number of samples |
|---|---|---|---|---|---|
| GBW07163A | Pb | 5.97 | ±0.24 | % | 1 |
| | Zn | 3.3 | ±0.26 | % | 1 |
| | Cu | 1.94 | ±0.1 | % | 1 |
| | Ag | 392 | ±18 | g/t | 1 |
| GBW07165 | Pb | 5.13 | ±0.16 | % | 7 |
| | Zn | 13.9 | ±0.4 | % | 7 |
| | Cu | 0.096 | ±0.014 | % | 7 |
| | Ag | 148 | ±12 | g/t | 7 |
| GBW07709 | Pb | 0.1 | ±0.004 | % | 2 |
| | Zn | 0.1 | ±0.004 | % | 2 |
| | Cu | 0.1 | ±0.004 | % | 2 |
| | Ag | 10 | ±1 | g/t | 2 |
| OREAS 620 | Pb | 0.774 | ±0.044 | % | 5 |
| | Zn | 3.15 | ±0.194 | % | 5 |
| | Cu | 0.173 | ±0.008 | % | 5 |
| | Ag | 38.5 | ±3.08 | g/t | 5 |
| OREAS 624 | Pb | 0.624 | ±0.038 | % | 5 |
| | Zn | 2.4 | ±0.156 | % | 5 |
| | Cu | 3.1 | ±0.158 | % | 5 |
| | Ag | 45.3 | ±2.52 | g/t | 5 |

Source: SRK, 2025

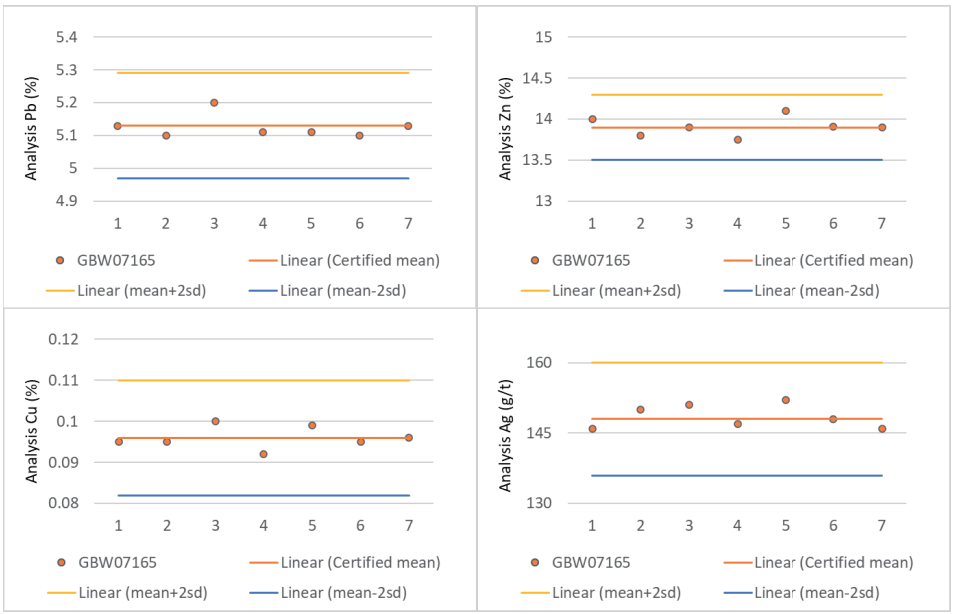
**Figure 6.4: CRM results – GBW07163A**




Source: SRK, 2025

Notes: Solid orange line represents the certified value while the yellow and blue lines indicate the ±2 SD levels.

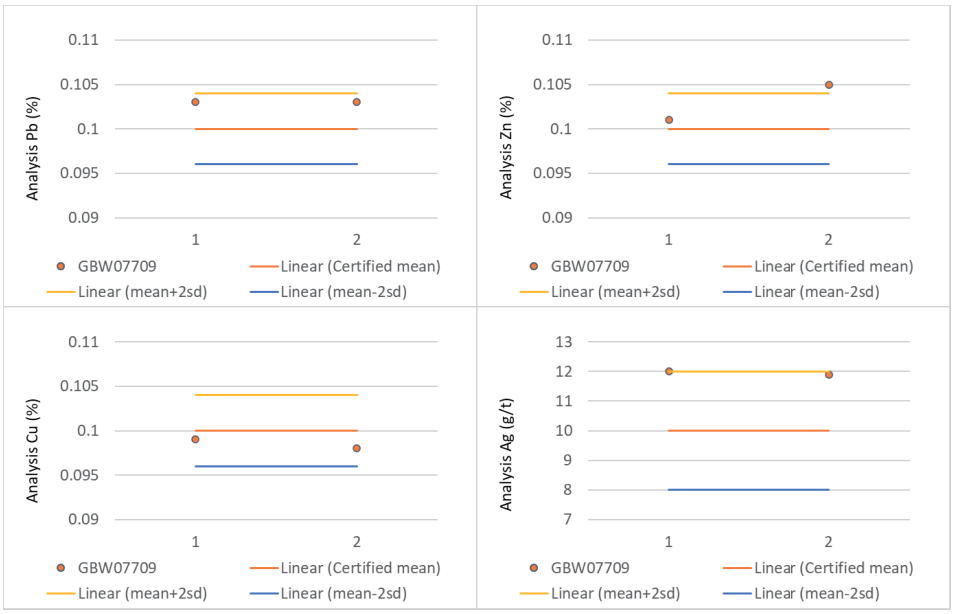
**Figure 6.5: CRM results – GBW07165**




Source: SRK, 2025

Notes: Solid orange line represents the certified value while the yellow and blue lines indicate the ±2 SD levels.

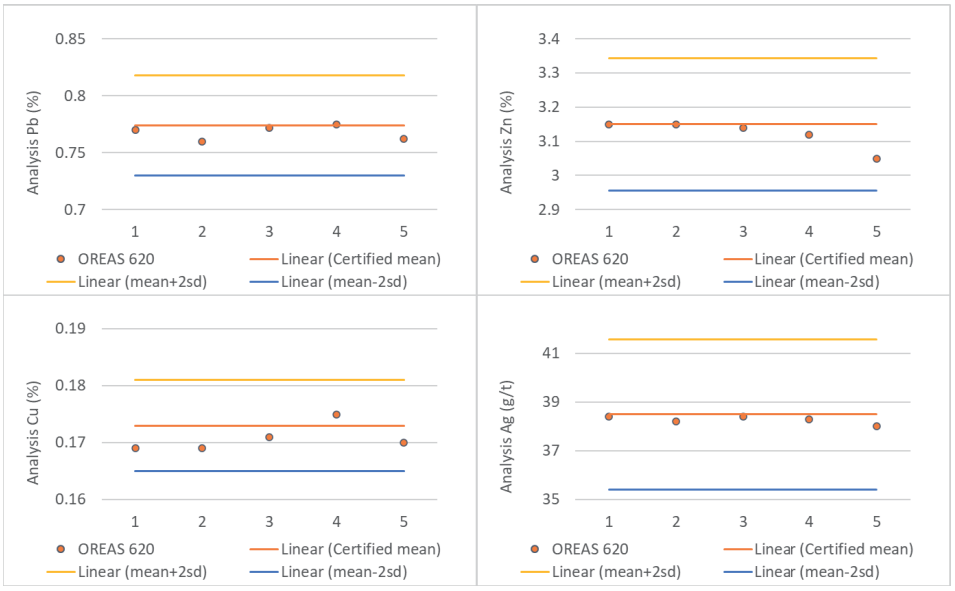
**Figure 6.6: CRM results – GBW07709**




Source: SRK, 2025

Notes: Solid orange line represents the certified value while the yellow and blue lines indicate the ±2 SD levels.

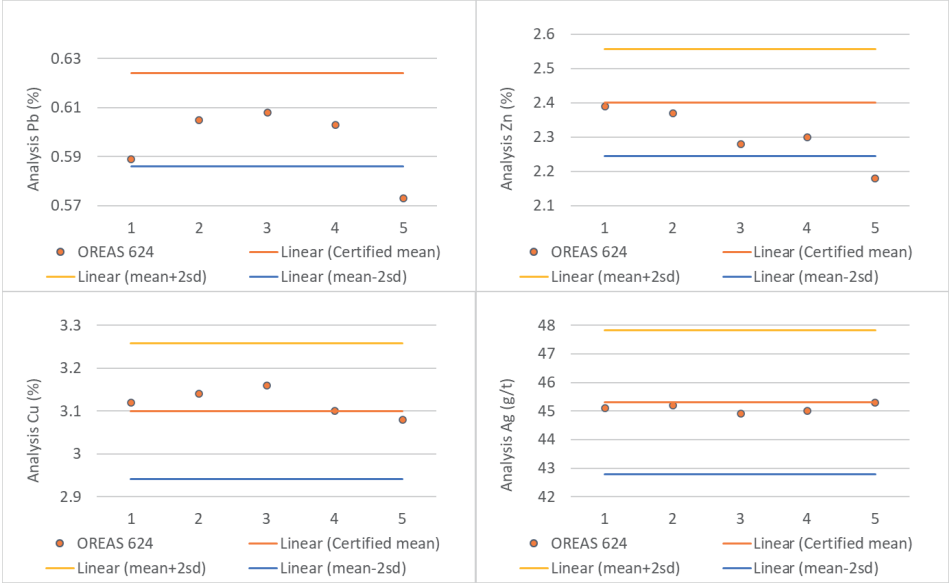
**Figure 6.7: CRM results – OREAS 620**




Source: SRK, 2025

Notes: Solid orange line represents the certified value while the yellow and blue lines indicate the ±2 SD levels.

**Figure 6.8: CRM results – OREAS 624**




Source: SRK, 2025

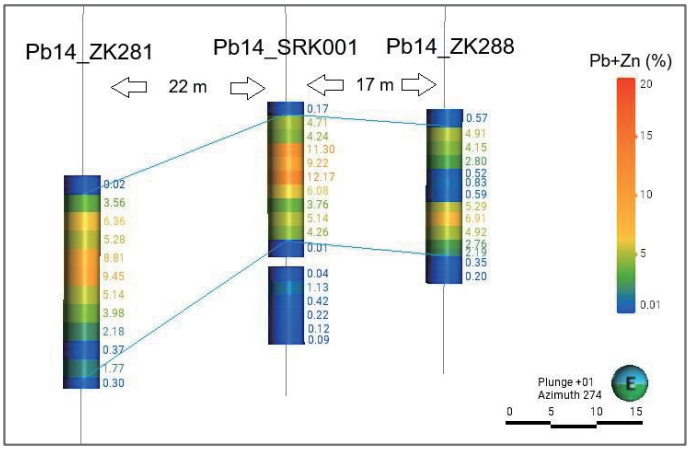
Notes: Solid orange line represents the certified value while the yellow and blue lines indicate the ±2 SD levels.

## 6.2.4 Twinned holes and channels validation

### Twinned holes

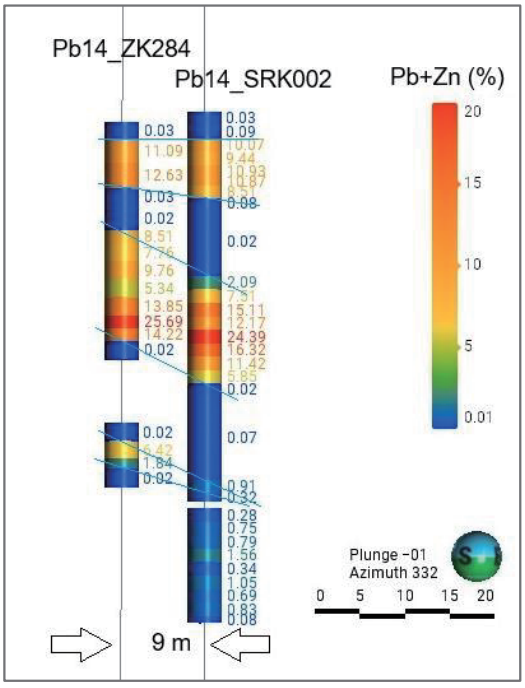
Twinned holes, denoted as SRK001 and SRK002, were completed close to the historical drill holes (Hole Pb14_ZK288 and Hole Pb14_ZK284). These twinned holes were drilled 17 m and 9 m from the original holes, respectively (Figure 5.5). Core samples were collected from intersections of mineralised limestones for assaying (Pb, Zn, Cu and Ag). The assay results of Pb+Zn grade from the twinned holes were compared to those from the original holes (Figure 6.9 and Figure 6.10).

**Figure 6.9: Twinned hole Pb14_SRK001 comparison**




Source: SRK, 2025

**Figure 6.10: Twinned hole Pb14_SRK002 comparison**




Source: SRK, 2025

The assay result for twinned hole SRK001 indicates a 14 m-thick mineralised zone, constrained by Pb+Zn grade. It is comparable to the 14 m-thick mineralised intervals in Hole Pb14_ZK288.

In twinned hole SRK002, the result indicates three mineralised zones of 6.75 m, 12 m and 1.5 m, from top to bottom respectively, constrained by combined Pb+Zn grade. They are comparable to three mineralised zones of 5.5 m, 12 m and 3 m mineralised intervals in Hole Pb14_ZK284, from top

to bottom respectively.

These averaged grades indicated a reasonable consistency, except for a lower Zn grade in twinned hole SRK002, as shown in Table 6.8.

**Table 6.8: Comparison of average grades – twinned holes vs original holes**

| **Metal** | **SRK001** | **Pb14_ZK288** | | | | |
|---|---|---|---|---|---|---|
| | **Zone 1 (14 m thick)** | | | | | |
| Pb% | 0.01 | 0.26 | | | | |
| Zn% | 6.76 | 3.00 | | | | |
| Cu% | 0.21 | 0.11 | | | | |
| Ag (g/t) | 2.51 | 10.43 | | | | |
| **Metal** | **SRK002** | **Pb14_ZK284** | | | | |
| | **Zone 1 (6.75 m thick)** | | **Zone 2 (12 m thick)** | | **Zone 3 (1.5 m thick)** | |
| Pb% | 0.52 | 0.19 | 0.73 | 0.14 | 0.83 | 0.63 |
| Zn% | 9.44 | 11.67 | 11.13 | 12.02 | 0.08 | 3.51 |
| Cu% | 0.11 | 0.26 | 0.07 | 0.14 | 0.00 | 0.13 |
| Ag (g/t) | 29.06 | 16.50 | 22.19 | 8.99 | 34.70 | 12.80 |

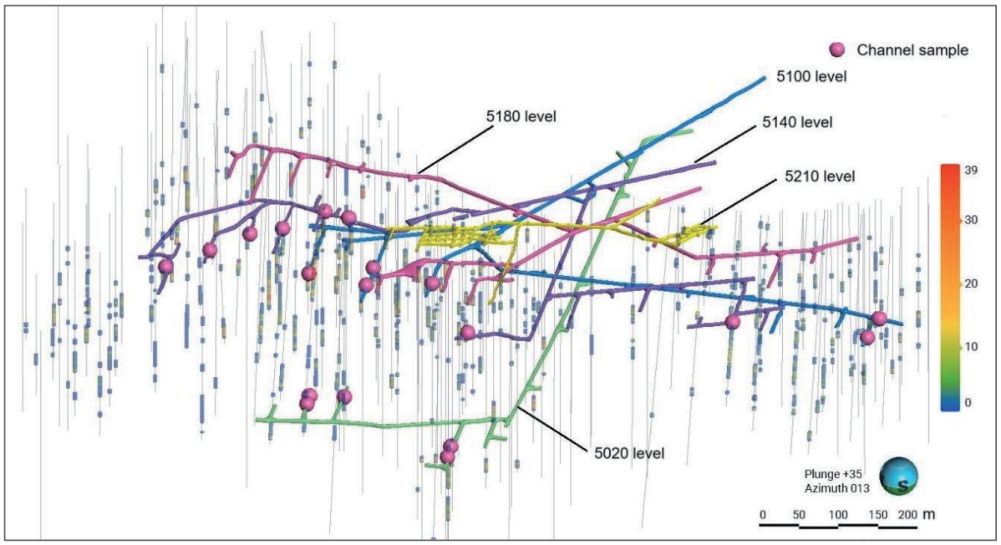
Source: SRK, 2025

The results shown in Figure 6.9 and Figure 6.10 suggest a good consistency in the mineralised zones between twinned and original holes.

### Channels

Further to SRK's recommendations, 38 channel samples were collected from 19 locations across three levels (5020, 5100, and 5140 levels) for validation (Figure 6.11).

**Figure 6.11: Channel sampling – Pb12 deposit**

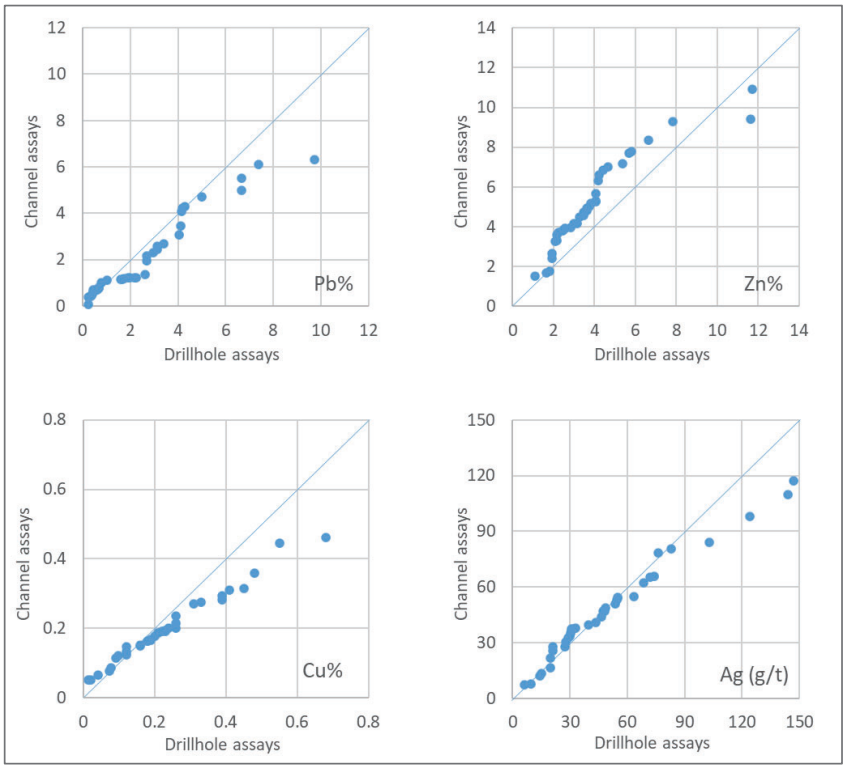



Source: SRK, 2025

The assays from these channel samples were compared with nearby drill holes to assess the representative grade of the known mineralisation. The average distance between the channel samples and the nearest drill holes is 11.6 m.

The assay results for Pb, Zn, Cu and Ag from the channel sampling were plotted against those from the nearby drill holes using Q-Q plots, as illustrated in Figure 6.12.

**Figure 6.12: Q-Q plots of channel sampling against nearby holes**




Source: SRK, 2025

The results shown in Figure 6.12 are a reasonable reflection of the interpretation of the mineralised zones based on nearby drill holes with an average distance of 11.6 m. However, there is a noted deviation in the Zn grade Q-Q plot (Figure 6.12, upper right), suggesting that further investigation is warranted.

## 6.3 Bulk density

A total of 428 samples were collected for bulk density measurement. SRK compiled the received information for 316 samples, comprising oxide ore from Pb12 and fresh ore from Pb4, Pb12, Pb13 and Pb14 (Table 6.9). These samples were measured using the water immersion method, whereby the density of the sample is determined by dividing its mass measured in air by the volume of water it displaces when submerged. The results are shown in Table 6.9.

**Table 6.9: Bulk density results**

| Ore type | Deposit | Count | Average density ($g/cm^3$) | Average Pb+Zn grade (%) |
|---|---|---|---|---|
| Oxide | Pb12 | 20 | 2.48 | 15.47 |
| | Pb4 | 12 | 4.20 | 23.47 |
| Fresh | Pb12 | 209 | 3.60 | 13.97 |
| | Pb13 | 8 | 3.60 | 16.00 |
| | Pb14 | 67 | 3.27 | 6.79 |
| **Total** | | 316 | 3.49 | 12.96 |

Source: SRK, 2025.

## 6.4 Conclusion

A review of the Xizang Central Laboratory sampling procedures and preparation during the 2004–2010 exploration period suggests that significant issues with the sample preparation methods are unlikely. However, no laboratory duplicates or QA/QC program was documented in association with these samples. To address this, SRK implemented a twinned holes validation process, and the results demonstrated good consistency with historical assay results. Core recoveries for the 2004 drill holes ranged from 71% to 100%, with an average of 78%, which is suboptimal. In contrast, core recoveries for the 2006–2010 drill holes ranged from 69.1% to 98.4%, with an average of 85%, which is considered satisfactory.

In the 2014–2015 exploration period, laboratory duplicates and inter-laboratory checks of samples analysed at the Yanjiao Laboratory suggested good reproducibility. For the samples analysed at the Jinzang Laboratory during the 2011–2012 and 2017–2021 exploration periods, duplicates records are only available for the 2017–2018 period. These records from the Jinzang Laboratory demonstrated strong reproducibility, reflecting the laboratory's analytical reliability. Core recoveries for the 2011–2018 drill holes ranged from 80.8% to 94.8%, with an average of 90%. For the 2019–2021 drill holes, core recoveries ranged from 73.8% to 98.7%, with an average of 91%. Overall, core recoveries from 2011–2021 were considered satisfactory.

SRK considers the intervals collected from the 2004–2021 program, as well as the 2024 exploration program, to be adequate for constraining and modelling the mineralised domains.

SRK recommends conducting further studies on the fresh ore density and the correlation between grade and density to better understand the variance in density.

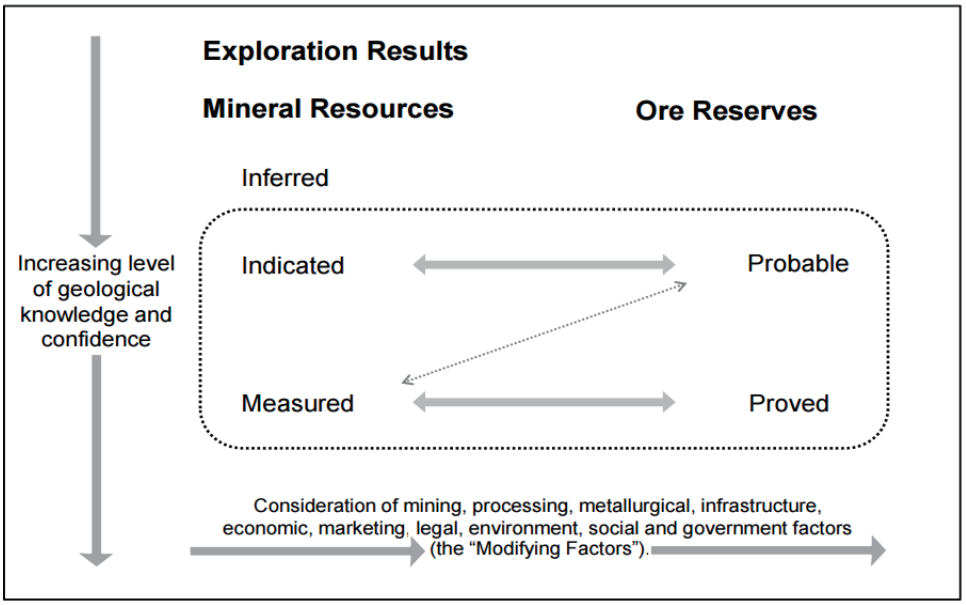
# 7 Mineral Resource estimation

## 7.1 Introduction

The quality of the exploration data collected by Zhihui from the period 2004–2024 varies. However, the results from the 2024 validation program and geostatistical analysis indicate that the historical data are generally reasonable. SRK considers that the historical data can be used for modelling the estimation domains to constrain grade estimation. The drilling data – together with trench and underground channel sampling – are considered suitable for estimating block grades in the Mineral Resource block model.

The JORC Code states that '*A Mineral Resource is a concentration or occurrence 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*'. Mineral Resources are classified as Measured, Indicated and Inferred according to the degree of geological confidence (Figure 7.1).

**Figure 7.1: General relationship between Exploration Results, Mineral Resources and Ore Reserves**




Source: JORC Code, 2012.

The following sections summarise the key assumptions, parameters and methods used to estimate the Mineral Resources for the deposit.

## 7.2 Mineral Resource estimation procedures

Leapfrog software (version 2024.1) was used to generate the geological and ore domain models and used to prepare assay data for statistical/geostatistical analysis, construct the block model, estimate Pb, Zn, Cu and Ag grade and tabulate Mineral Resources.

Three-dimensional (3D) block grade estimation approach was applied for the Project's Mineral Resource estimation, based on kriging or inverse distance weighting (IDW).

The estimation methodology involved the following steps:

- database compilation, verification as well as adjustment
- establishment of geological model based on the logging lithology and oxidation record
- definition of a Resources domain by grade shell
- data conditioning (compositing and capping) exploratory data analysis (compositing) and geostatistical analysis using variography
- block modelling and interpolation of grade and density
- Mineral Resource estimation and validation
- classification of the Mineral Resources
- assessment of 'reasonable prospects for economic extraction' and selection of appropriate cut-off grades
- preparation of the Mineral Resource Statement.

## 7.3 Database compilation and validation

The Pb4 and Pb13 deposits are in the early stages of exploration; the work completed to date has not identified mineralisation of economic significance. Consequently, the Mineral Resource estimation database was only compiled for the P12 and Pb14 deposits.

Collar, assay, and survey information from previous exploration campaigns were compiled into an MS Excel spreadsheet and validated using Leapfrog software to search for errors such as missing or overlapping intervals, correct hole or channel identifier (ID), azimuths, dips and duplicated samples. The projection of collars and the geological and resource models generated during this study were in China Geodetic Coordinate System (CGCS) 2000/3-degree Gauss-Kruger zone 31 datum.

The exploration database statistics are summarised in Table 7.1.

**Table 7.1: Summary of database used for Mineral Resource estimation**

| Method of sampling | Drill hole (count) | Profiles (m) | Assay records (count) |
|---|---|---|---|
| Historical drilling | 246 | 59,275.98 | 4,752 |
| 2024 SRK trenching | 3 | 108.00 | 54 |
| 2024 SRK drilling | 2 | 164.95 | 47 |
| 2024 SRK channel sampling | 19 | 57.00 | 38 |
| **Total** | **270** | **59,605.93** | **4,891** |

Source: SRK, 2025

## 7.4 Wireframe modelling

The wireframe models for the deposits were established using Leapfrog software. A nominal cut-off grade of either Pb ≥0.5% or Zn ≥1.0% was applied to define the mineralised intervals in the Pb12 deposit, while a lower nominal cut-off of either Pb ≥0.3% or Zn ≥0.5% was used to delineate the mineralised intervals in Pb14 deposit (Table 7.2).

Associated Cu and Ag mineralisation, which are of low grade, were constrained within the defined Pb-Zn domains.

**Table 7.2: Criteria for determination of mineralised intervals**

| Deposit | Mining method | Cut-off |
|---|---|---|
| Pb12 | Underground | Pb ≥0.5% or Zn ≥1.0% |
| Pb14 | Open-pit | Pb ≥0.3% or Zn ≥0.5% |

Source: SRK, 2025

Intervals were selected on each drill hole, trench or underground channel. Within each drill hole, the average grades of Pb and Zn weighted by interval length were employed for mineralised intervals determination. The contact points between mineralisation and host rock were generated using the 'vein selection' function, and the mineralised envelopes were built by the 'vein modelling' and 'domain' functions.

A total of 37 domains were defined for the Pb12 and Pb14 deposits. The domain parameters are listed in Table 7.3. The domain extents are shown in Figure 7.2.

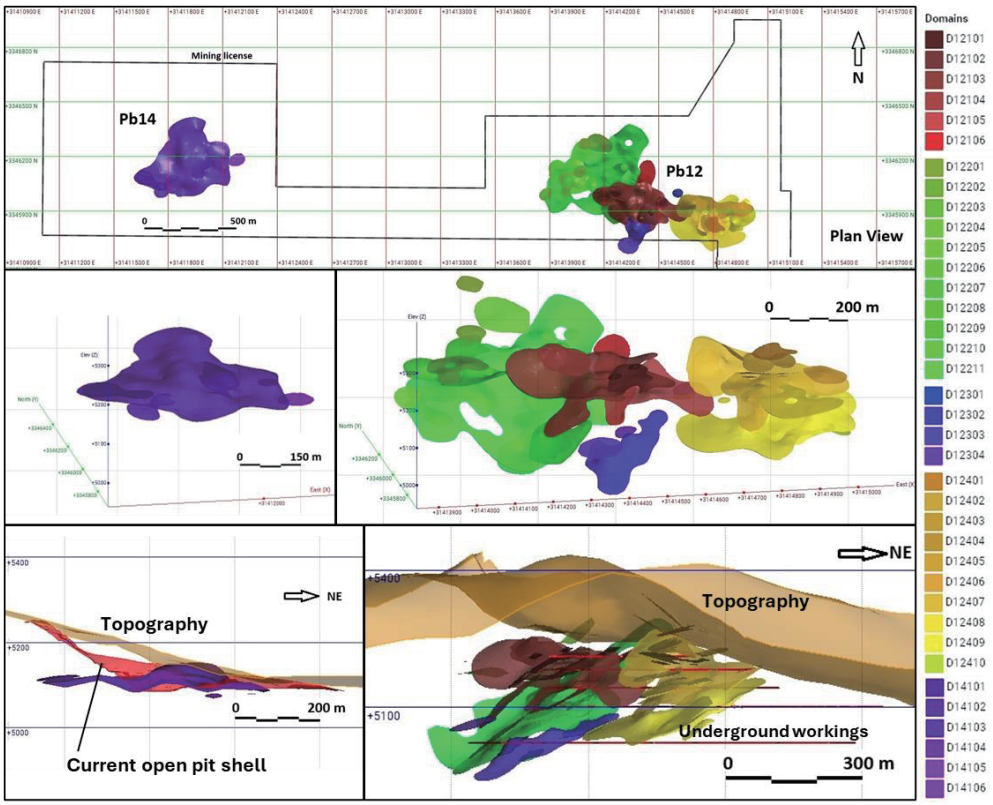
**Table 7.3: Interpreted domain parameters – Pb12 and Pb14 deposits**

| Deposit | Domain | Extension | | | Dip direction (°) | Dip angle (°) |
|---|---|---|---|---|---|---|
| | | Length (m) | Width (m) | Thickness (m) | | |
| Pb12 | D12101 | 35 | 35 | 12 | 240 | 12.5 |
| | D12102 | 1430 | 120 | 11 | 221 | 17 |
| | D12103 | 446 | 227 | 25 | 201 | 15 |
| | D12104 | 282 | 135 | 11 | 180 | 34 |
| | D12105 | 170 | 138 | 10 | 228 | 42 |
| | D12106 | 373 | 83 | 5 | 193 | 24 |
| | D12201 | 78 | 70 | 5 | 161 | 22.5 |
| | D12202 | 81 | 69 | 4.2 | 162 | 22.5 |
| | D12203 | 173 | 160 | 3 | 210 | 10 |
| | D12204 | 150 | 113 | 4 | 184 | 34 |
| | D12205 | 88 | 63 | 2.7 | 189 | 31 |
| | D12206 | 39 | 36 | 7.5 | 159 | 22 |
| | D12207 | 38 | 34 | 7 | 159 | 22 |
| | D12208 | 323 | 276 | 4.3 | 203 | 9 |
| | D12209 | 211 | 166 | 0.58 | 222 | 37 |
| | D12210 | 702 | 400 | 14.5 | 152 | 30 |
| | D12211 | 70 | 61 | 2.5 | 192 | 35 |
| | D12301 | 58 | 49 | 9.5 | 180 | 22 |
| | D12302 | 351 | 134 | 43.5 | 20 | 32 |
| | D12303 | 113 | 96 | 7 | 200 | 21 |
| | D12304 | 75 | 51 | 3 | 196 | 9 |

| Deposit | Domain | Extension | | | Dip direction (°) | Dip angle (°) |
|---|---|---|---|---|---|---|
| | | Length (m) | Width (m) | Thickness (m) | | |
| | D12401 | 120 | 88 | 2 | 211 | 15 |
| | D12402 | 102 | 75 | 2.5 | 192 | 17 |
| | D12403 | 84 | 60 | 3 | 159 | 9.5 |
| | D12404 | 93 | 74 | 1.5 | 78 | 33 |
| | D12405 | 173 | 116 | 2.5 | 13 | 13.5 |
| | D12406 | 111 | 88 | 4 | 145 | 17 |
| | D12407 | 424 | 265 | 17 | 181 | 35 |
| | D12408 | 218 | 183 | 4.5 | 182 | 13 |
| | D12409 | 475 | 243 | 7.5 | 178 | 27 |
| | D12410 | 91 | 47 | 2 | 139 | 22 |
| Pb14 | D14101 | 190 | 82 | 8 | 203 | 11 |
| | D14102 | 530 | 422 | 32 | 145 | 14 |
| | D14103 | 160 | 83 | 7 | 127 | 19 |
| | D14104 | 44 | 42 | 9 | 153 | 13 |
| | D14105 | 48 | 42 | 8 | 138 | 8 |
| | D14106 | 90 | 66 | 7 | 152 | 12 |

Source: SRK, 2025

**Figure 7.2: Interpreted domains**




Source: SRK, 2025

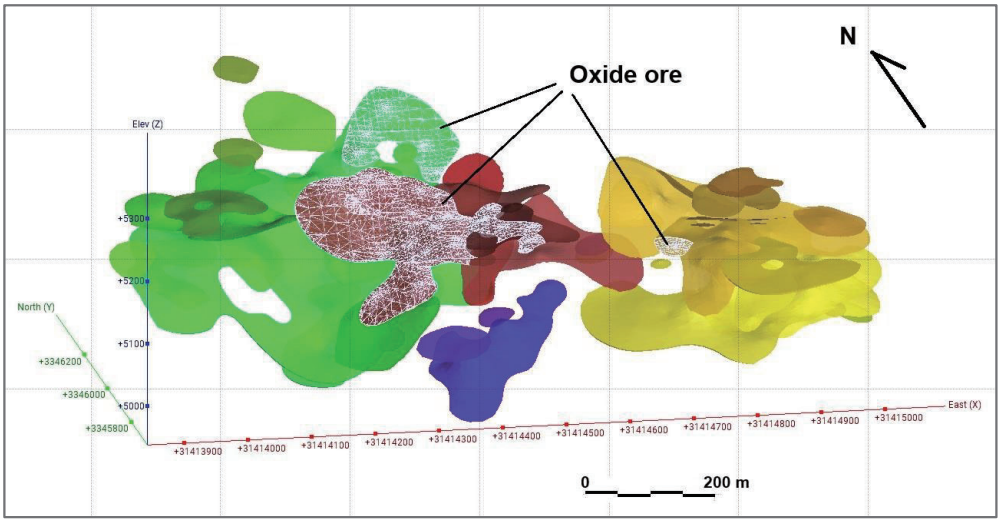
Oxidised mineralisation for the Pb12 deposit was wireframed using the available oxidation logging data. However, there were no oxidation logging records available for the Pb14 deposit to reference.

In the Pb12 deposit, Domain D12105 was found to be completely oxidised, while domains D12101, D12102, D12103, D12210, and D12407 were partially oxidised.

For the Pb14 deposit, all oxide ore has been previously mined out, as the open-pit operation has removed the shallow mineralisation.

The location of the oxidised mineralisation with respect to the other modelled domains is demonstrated in Figure 7.3.

**Figure 7.3: Wireframed oxidised mineralisation – overview**




Source: SRK, 2025

## 7.5 Exploratory data analysis

All intervals were used in the development of geological models and the interpretation of mineralised domains. Table 7.4 shows the exploratory data analysis for Pb and Zn raw samples and samples within the interpreted domains of Pb12 and Pb14 deposits.

**Table 7.4: Basic statistics for Pb and Zn for all raw samples and samples within the domains**

| Item | Pb12 raw data (Pb%) | Pb12 within domains (Pb%) | Pb14 raw data (Pb%) | Pb14 within domains (Pb%) |
|---|---|---|---|---|
| Number of samples | 4,063 | 2,274 | 828 | 676 |
| Minimum value | 0.0001 | 0.0009 | 0.0001 | 0.0001 |
| Maximum value | 60.70 | 60.70 | 14.30 | 14.30 |
| Mean | 2.27 | 3.86 | 1.04 | 1.26 |
| Variance | 19.50 | 28.10 | 2.34 | 2.59 |
| Standard Deviation | 4.42 | 5.30 | 1.53 | 1.61 |
| Coefficient of variation | 1.94 | 1.37 | 1.47 | 1.28 |

| Item | Pb12 raw data (Zn%) | Pb12 within domains (Zn%) | Pb14 raw data (Zn%) | Pb14 within domains (Zn%) |
|---|---|---|---|---|
| Number of samples | 4,062 | 2,274 | 828 | 676 |
| Minimum value | 0.0010 | 0.0150 | 0.0091 | 0.0180 |
| Maximum value | 32.62 | 32.62 | 36.12 | 36.12 |
| Mean | 2.48 | 4.21 | 4.53 | 5.51 |
| Variance | 16.01 | 21.00 | 16.52 | 14.95 |
| Standard Deviation | 4.00 | 4.58 | 4.06 | 3.87 |
| Coefficient of variation | 1.61 | 1.09 | 0.90 | 0.70 |

Source: SRK, 2025

### 7.5.1 Compositing

Many geostatistical methods of grade estimation assume that the input grade data are on a constant 'support' (mass and shape). Therefore, it is standard practice to composite the samples to a consistent length before conducting interpolation.

SRK conducted a sample composite analysis to determine the most suitable composite length for grade interpolation. This analysis involved examining variations in composite length and the minimum composite lengths for inclusion. The analysis compared the average grade obtained from composites against the length-weighted average grade of the individual raw samples. Additionally, the percentage of total sample length that would be excluded when applying the minimum composite length was assessed.

For the Resources domain (grade shell), the raw samples were composited at intervals of 1.5 m. A minimum coverage of 0.5 m was selected to ensure sufficient representation of the mineralisation was achieved. The basic statistics for each domain are provided in Table 7.5. Histograms are shown in Figure 7.4.

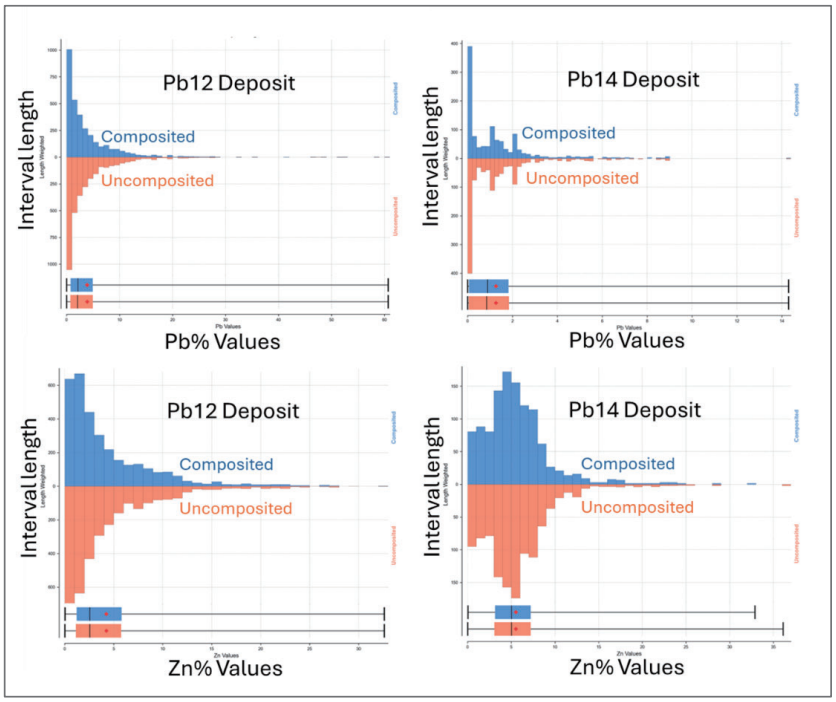
**Table 7.5: Basic statistics for Pb and Zn composite values – Resources domain**

| Item | Pb12 within domains (Pb%) | Pb12 composites (Pb%) | Pb14 within domains (Pb%) | Pb14 composites (Pb%) |
|---|---|---|---|---|
| Number of samples | 2,278 | 2,188 | 682 | 804 |
| Minimum value | 0.0009 | 0.0009 | 0.0001 | 0.0001 |
| Maximum value | 60.70 | 39.00 | 14.30 | 14.30 |
| Mean | 3.90 | 3.90 | 1.26 | 1.26 |
| Variance | 28.93 | 28.14 | 2.87 | 2.74 |
| Standard Deviation | 5.38 | 5.31 | 1.69 | 1.66 |
| Coefficient of variation | 1.38 | 1.36 | 1.34 | 1.31 |

| Item | Pb12 within domains (Zn%) | Pb12 composites (Zn%) | Pb14 within domains (Zn%) | Pb14 composites (Zn%) |
|---|---|---|---|---|
| Number of samples | 2,278 | 2,188 | 682 | 804 |
| Minimum value | 0.0150 | 0.0270 | 0.0180 | 0.0500 |
| Maximum value | 32.62 | 32.62 | 36.12 | 32.90 |
| Mean | 4.25 | 4.25 | 5.53 | 5.53 |
| Variance | 21.10 | 19.98 | 16.20 | 14.69 |
| Standard Deviation | 4.59 | 4.47 | 4.03 | 3.83 |
| Coefficient of variation | 1.08 | 1.05 | 0.73 | 0.69 |

Source: SRK, 2025

**Figure 7.4: Frequency statistics on composites – Resources domain**




Source: SRK, 2025

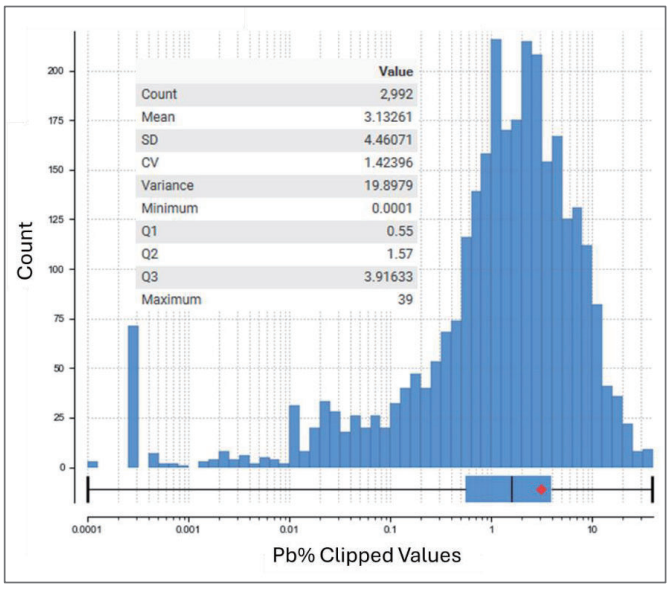
### 7.5.2 Capping

For some estimates, grade capping may be appropriate to control the influence of the highest-grade samples or composites. After reviewing the composited samples, SRK elected to apply capping to the current estimate. To determine the appropriate capping levels, SRK performed an analysis of the grade distributions using cumulative frequency analysis. The objective of this analysis was to identify the grades at which samples significantly impact the local estimation and exhibit an extreme influence.

Based on the analysis of cumulative frequency for all composites, a grade capping of 39% Pb was used. The statistics and histogram of capped composites are presented in Figure 7.5.

In general, SRK aims to limit the impact of the capping to less than 5% change in the mean value. However, in cases with extreme outliers, the change in the mean can exceed 5%. For this study, 7 composites scattered throughout the deposit are capped, which is equivalent to 0.23% of all composites. The average grade of uncapped composites is 3.20% Pb, while the average grade of capped composites is 3.13% Pb. The difference therefore falls within the acceptable 5% limit on change in mean value.

**Figure 7.5: Capped composites frequency – Pb%**




Source: SRK, 2025

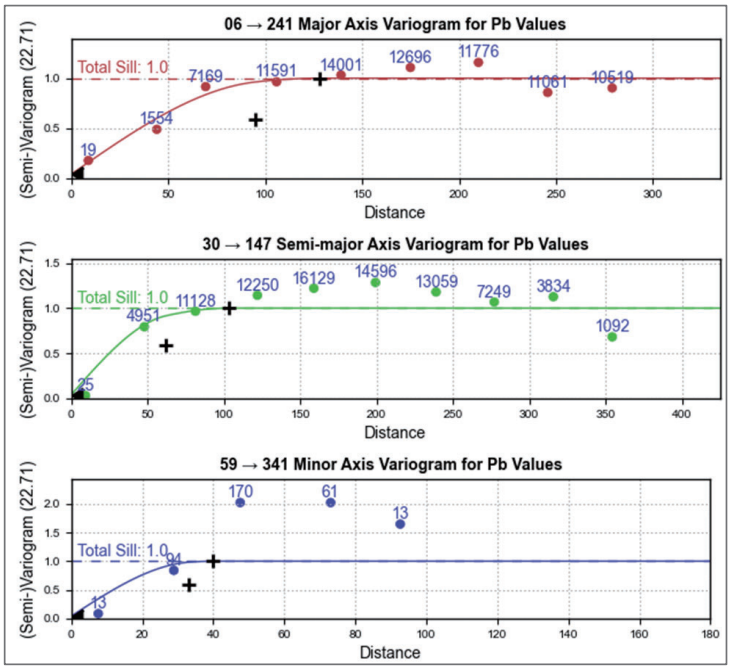
## 7.6 Variogram modelling

Variogram modelling for the Resources domain was conducted using Leapfrog Edge. The variogram fitting process was completed in the following steps:

- The nugget was determined by the downhole variogram.
- Based on 3D visualisation of grade data, the plane of maximum continuity of mineralisation was interpreted for individual domains.
- Within this plane, the direction of maximum continuity was selected as the major axis of the variogram anisotropy ellipsoid.
- The perpendicular direction within the plane was taken as the semi-major axis of the anisotropy ellipsoid.
- The direction perpendicular to the plane was used as the minor axis of the anisotropy ellipsoid.
- The variogram model was set to fit the three principal directions and checked against other directions.

Figure 7.6 shows an example of the variogram map and fitted variogram model of the Resources domain.

**Figure 7.6: Variogram map and fitted model – Domain D12210**




Source: SRK, 2025

Due to insufficient samples in 31 domains for fitting a meaningful variogram, the variogram models developed for domains D12103, D12210, D12302, D12407, D12409 and D14102 have been applied to the domains with similar features. However, for domains with a distinct dipping direction against the overall orientation, the squared inverse distance weighting (IDW) method has been used instead of ordinary kriging (OK) method. The methods applied to each domain are detailed are shown in Table 7.6.

**Table 7.6: Estimation method used for Resources domains**

| Method | Variogram | Domains applied to |
|---|---|---|
| Ordinary kriging (OK method) | D12103 | D12101 D12102 D12103 D12104 D12106 |
| | D12210 | D12201 D12202 D12203 D12204 D12205 D12206 D12207 D12210 D12211 |
| | D12302 | D12301 D12302 |
| | D12407 | D12401 D12402 D12403 D12406 D12407 |
| | D12409 | D12409 D12410 |
| | D14102 | D14101 D14102 D14103 D14104 D14105 D14106 |
| Squared inverse distance weighting (IDW method) | | D12105 D12208 D12209 D12303 D12304 |
| | | D12404 D12405 D12408 |

Source: SRK, 2025

The metal content of the domains was estimated using the IDW method and constitutes 2.37% of the total metal content across all domains within the Pb12 and Pb14 deposits.

The parameters of the fitted variogram models are shown in Table 7.7 (directions) and Table 7.8 (nugget, sill and ranges).

**Table 7.7: Variogram models – direction**

| Metal | Domain | Direction | | |
|---|---|---|---|---|
| | | Dip (˚) | Dip azimuth (˚) | Pitch (˚) |
| Pb | D12103 | 20 | 193 | 32 |
| | D12210 | 31 | 161 | 168 |
| | D12302 | 26 | 189 | 148 |
| | D12407 | 37 | 170 | 12 |
| | D12409 | 28 | 195 | 124 |
| | D14102 | 16 | 152 | 143 |
| Zn | D12103 | 29 | 194 | 165 |
| | D12210 | 34 | 164 | 31 |
| | D12302 | 25 | 199 | 165 |
| | D12407 | 37 | 169 | 33 |
| | D12409 | 23 | 191 | 124 |
| | D14102 | 15 | 178 | 78 |

Source: SRK, 2025

**Table 7.8: Variogram models – nugget, sill and ranges**

| Metal | Domain | Nugget | Structure 1 | | | | Structure 2 | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Sill | Major axis range (m) | Semi-major axis range (m) | Minor axis range (m) | Sill | Major axis range (m) | Semi-major axis range (m) | Minor axis range (m) |
| Pb | D12103 | 0.02 | 0.35 | 65 | 55 | 3 | 0.63 | 167 | 68 | 55 |
| | D12210 | 0.04 | 0.55 | 95 | 62 | 33 | 0.41 | 128 | 103 | 40 |
| | D12302 | 0.07 | 0.37 | 89 | 91 | 7 | 0.56 | 114 | 109 | 20 |
| | D12407 | 0.37 | 0.15 | 120 | 110 | 22 | 0.48 | 135 | 124 | 45 |
| | D12409 | 0.18 | 0.23 | 47 | 101 | 76 | 0.59 | 112 | 109 | 89 |
| | D14102 | 0.05 | 0.03 | 166 | 86 | 26 | 0.92 | 221 | 126 | 38 |
| Zn | D12103 | 0.18 | 0.61 | 69 | 45 | 10 | 0.21 | 108 | 103 | 20 |
| | D12210 | 0.12 | 0.27 | 79 | 78 | 10 | 0.61 | 109 | 82 | 20 |
| | D12302 | 0.09 | 0.04 | 130 | 111 | 10 | 0.87 | 168 | 152 | 20 |
| | D12407 | 0.22 | 0.14 | 86 | 74 | 10 | 0.64 | 140 | 91 | 20 |
| | D12409 | 0.18 | 0.35 | 52 | 86 | 5 | 0.47 | 185 | 115 | 18 |
| | D14102 | 0.11 | 0.39 | 20 | 63 | 3 | 0.5 | 150 | 123 | 24 |

Source: SRK, 2025

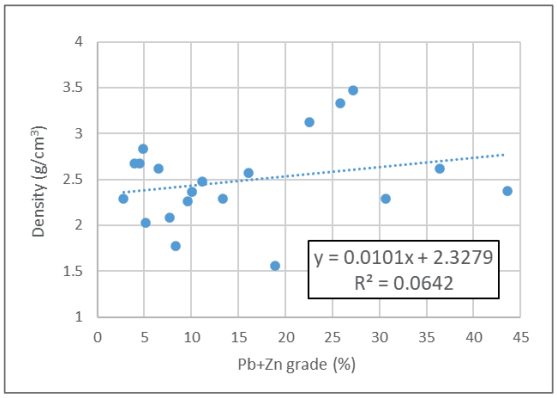
## 7.7 Density

Exploration at the Pb4 and Pb13 deposits remains at an early stage, and the Pb4 and Pb13 deposits were therefore not included in the Mineral Resource estimate. Consequently, bulk density analyses and modelling were only conducted for the Pb12 and Pb14 deposits.

Out of 316 available bulk density samples, all 219 samples with specific interval positions were collected from the Pb12 deposit. These samples were used to interpolate the density of the domains where they are located, using the squared inverse distance method.

For the Pb12 and Pb14 deposits, correlations between density and the combined Pb+Zn grade were analysed. This analysis was conducted separately for oxide ore and fresh ore in the Pb12 deposit (Figure 7.7 and Figure 7.8) and for fresh ore in the Pb14 deposit (Figure 7.9).

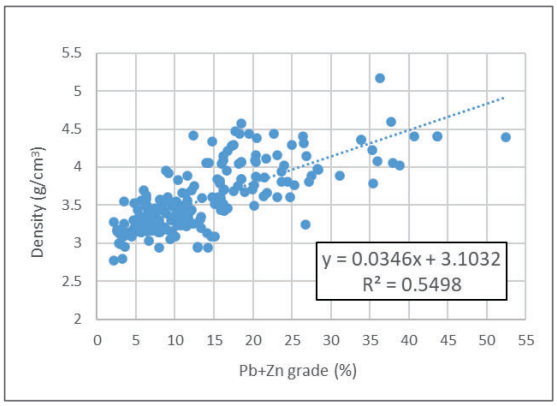
**Figure 7.7: Density distribution of oxide ore samples – Pb12**




Source: SRK, 2025.

The distribution shown in Figure 7.7 does not suggest a significant correlation. Therefore, an average density of 2.48 g/cm³ has been used for the estimation of oxide ore resources.

**Figure 7.8: Density distribution of fresh ore samples – Pb12**

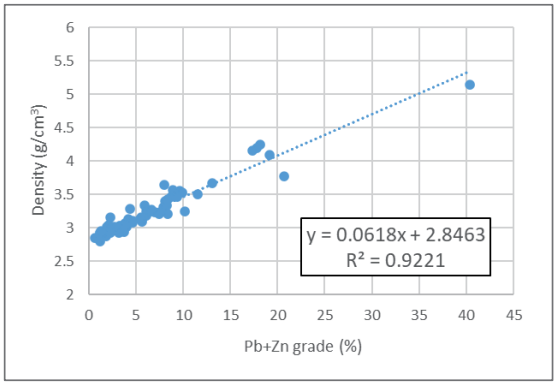



Source: SRK, 2025.

For the fresh ore in the Pb12 deposit, the following formula has been applied:

Density = 0.0346 × (Pb+Zn grade) + 3.1032.

**Figure 7.9: Density distribution of fresh ore samples – Pb14**




Source: SRK, 2025.

For the fresh ore in the Pb14 deposit, the following formula has been applied:

Density = 0.0618 × (Pb+Zn grade) + 2.8463.

## 7.8 Block model and grade estimation

### 7.8.1 Block model parameters

SRK produced the block models for all Resources domains with dimensions of 20 m × 20 m × 4 m (East × North × Elevation) and sub-blocking with dimensions of 2 m × 2 m × 2 m (East × North × Elevation) in Leapfrog Edge. No rotation has been applied. The block model origin and local dimensions of Pb12 and Pb14 deposits are shown in Table 7.9 and Table 7.10, respectively.

**Table 7.9: Summary of block model parameters – Pb12 deposit**

| Dimension | Base point | Block size (m) | Sub-block size (m) | Boundary size (m) |
|---|---|---|---|---|
| X | 31413700 | 20 | 2 | 1,440 |
| Y | 3345600 | 20 | 2 | 800 |
| Z | 5500 | 4 | 2 | 600 |

Source: SRK, 2025

**Table 7.10: Summary of block model parameters – Pb14 deposit**

| Dimension | Base point | Block size (m) | Sub-block size (m) | Boundary size (m) |
|---|---|---|---|---|
| X | 31411500 | 20 | 2 | 800 |
| Y | 3345900 | 20 | 2 | 600 |
| Z | 5300 | 4 | 2 | 400 |

Source: SRK, 2025

### 7.8.2 Grade estimation

Block grade values were interpolated using the ordinary kriging (OK) method or squared inverse distance weighted (IDW) method.

The variograms for the Pb% and Zn% were modelled and used for interpolating the grade. Due to insufficient samples in several domains for fitting a meaningful variogram, the variogram models developed for domains D12103, D12210, D12302, D12407, D12409 and D14102 have been applied to the domains with similar features. However, for those domains with a different dipping direction, the IDW method was used instead of the OK method (Table 7.6).

The Cu%, Ag (g/t) and density were interpolated using the IDW method.

The directions of search ellipsoids are locally adjusted based on the domain's occurrence, using Leapfrog's variable orientation module. The parameters used for the search ellipsoid are summarised in Table 7.11.

**Table 7.11: Search ellipsoid parameters used for Mineral Resource estimation**

| Metal | Domain | Major axis (m) | Semi-major axis (m) | Minor axis (m) | Minimum number of composites | Maximum number of composites |
|---|---|---|---|---|---|---|
| Pb | D12101, D12102, D12103, D12104, D12105, D12106 | 200 | 150 | 50 | 2 | 40 |
| | D12201, D12202, D12203, D12204, D12205, D12206, D12207, D12208, D12209, D12210, D12211 | 150 | 100 | 40 | 2 | 40 |
| | D12301, D12302, D12303, D12304 | 150 | 120 | 40 | 2 | 40 |
| | D12401, D12402, D12403, D12404, D12405, D12406, D12407, D12408, | 200 | 150 | 50 | 2 | 40 |
| | D12409, D12410 | 150 | 120 | 90 | 2 | 40 |
| | D14101, D14102, D14103, D14104, D14105, D14106 | 250 | 120 | 40 | 2 | 40 |
| Zn | D12101, D12102, D12103, D12104, D12105, D12106 | 120 | 120 | 20 | 2 | 40 |
| | D12201, D12202, D12203, D12204, D12205, D12206, D12207, D12208, D12209, D12210, D12211 | 120 | 100 | 20 | 2 | 40 |
| | D12301, D12302, D12303, D12304 | 180 | 160 | 20 | 2 | 40 |
| | D12401, D12402, D12403, D12404, D12405, D12406, D12407, D12408, | 160 | 100 | 20 | 2 | 40 |
| | D12409, D12410 | 200 | 120 | 20 | 2 | 40 |
| | D14101, D14102, D14103, D14104, D14105, D14106 | 140 | 120 | 30 | 2 | 40 |
| Cu | All domains | 160 | 100 | 40 | 2 | 40 |

| Metal | Domain | Major axis (m) | Semi-major axis (m) | Minor axis (m) | Minimum number of composites | Maximum number of composites |
|---|---|---|---|---|---|---|
| Ag | All domains | 160 | 100 | 40 | 2 | 40 |
| Density | D12103 and D12104 | 120 | 120 | 20 | 2 | 40 |
| | D12208 | 160 | 100 | 20 | 2 | 40 |
| | D12210 | 120 | 100 | 20 | 2 | 40 |
| | D12302 and D12303 | 180 | 160 | 20 | 2 | 40 |
| | D12405 and D12407 | 160 | 100 | 20 | 2 | 40 |
| | D12409 | 200 | 120 | 20 | 2 | 40 |

Source: SRK, 2025

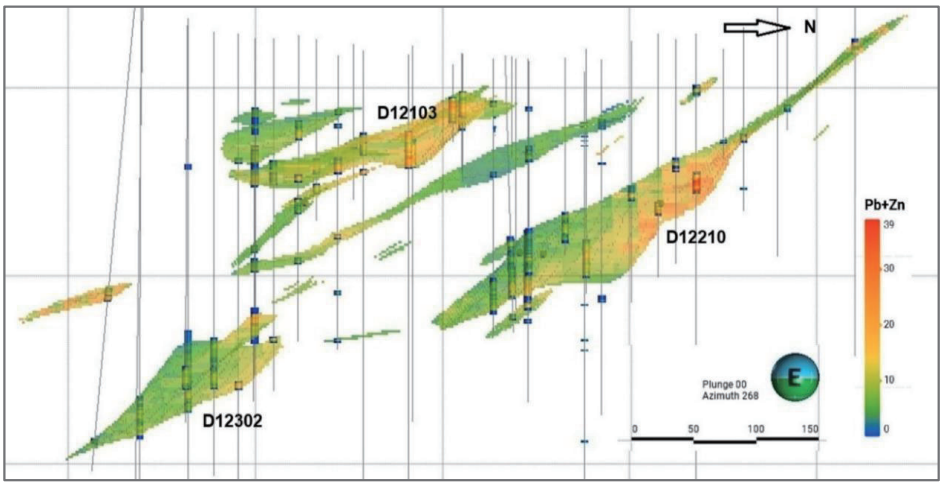
## 7.9 Model validation

SRK undertook block model validation to confirm the reasonableness of the estimation parameters and estimation results. SRK adopted the following methods for the validation:

- visual validation of block grades against drill hole grades
- trend analysis.

In sectional views, SRK performed visual validation of the sample grades (drill holes and channel sampling) against the intersection composites and estimated block model grades (Figure 7.10). This validation process demonstrated good correlation between local block estimations and nearby samples, without excessive smoothing in the block model.

**Figure 7.10: Visual validation of selected cross section (looking west)**




Source: SRK, 2025

The arithmetic mean values of the composite and the block were also compared and generally show that the deviations for major domains are within an acceptable level (Table 7.12). The largest deviations were examined further, and can be accounted for, in terms of the influence of clustering.

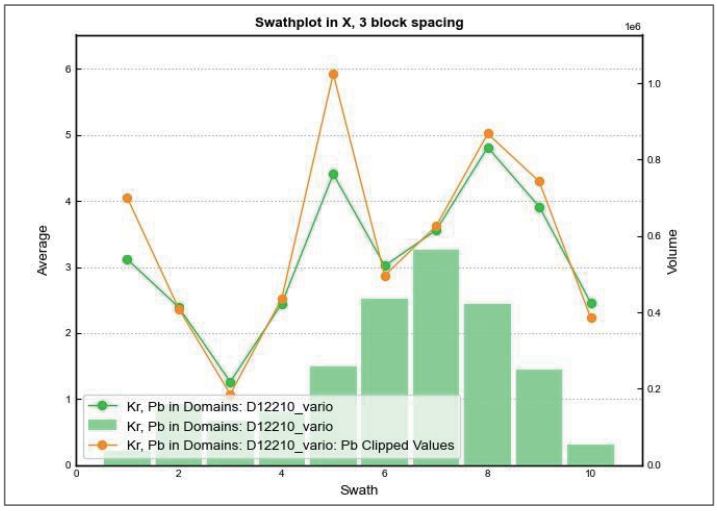
**Table 7.12: Composite and block means comparison for major domains**

| Domain | Pb% | | | | Zn% | | | |
|---|---|---|---|---|---|---|---|---|
| | Composite Mean | Block Mean | Absolute deviation | Relative deviation (%) | Composite Mean | Block Mean | Absolute deviation | Relative deviation (%) |
| D12103 | 7.76 | 6.48 | -1.28 | -16% | 4.22 | 4.30 | 0.07 | 2% |
| D12210 | 3.68 | 3.37 | -0.31 | -8% | 5.28 | 5.04 | -0.24 | -5% |
| D12302 | 1.86 | 1.77 | -0.08 | -5% | 6.21 | 6.60 | 0.39 | 6% |
| D12407 | 2.97 | 2.95 | -0.01 | 0% | 2.45 | 2.55 | 0.10 | 4% |
| D12409 | 3.03 | 2.83 | -0.20 | -7% | 2.82 | 2.86 | 0.04 | 1% |
| D14102 | 1.19 | 1.10 | -0.08 | -7% | 5.52 | 5.36 | -0.16 | -3% |

Source: SRK, 2025

Figure 7.11, Figure 7.12 and Figure 7.13 show swath plots of Pb% for Domain 12210 in the east−west, north–south and RL (elevation) directions. Figure 7.14, Figure 7.15 and Figure 7.16 show swath plots of Zn% for Domain 14102 in the east−west, north–south and RL directions. These swath plots show that the capped composites (in yellow) and block grades (in green) generally correlate at an acceptable level.

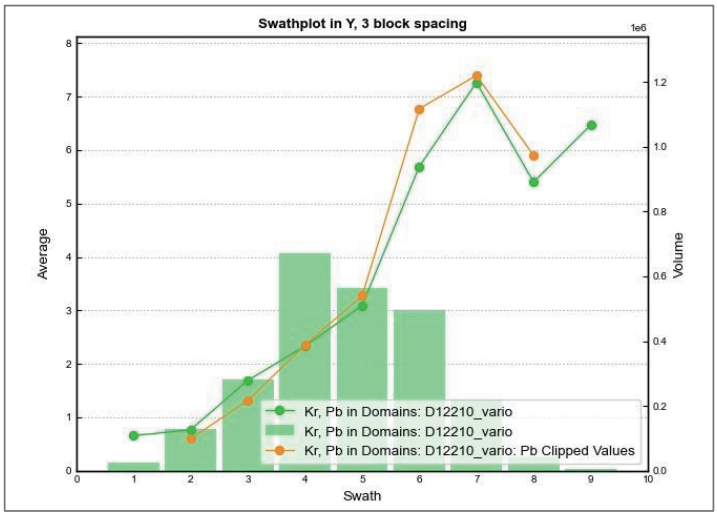
**Figure 7.11: Swath plot along east–west direction – Domain 12210**




Source: SRK, 2025

Notes: Capped composites are in yellow and block grades are in green.

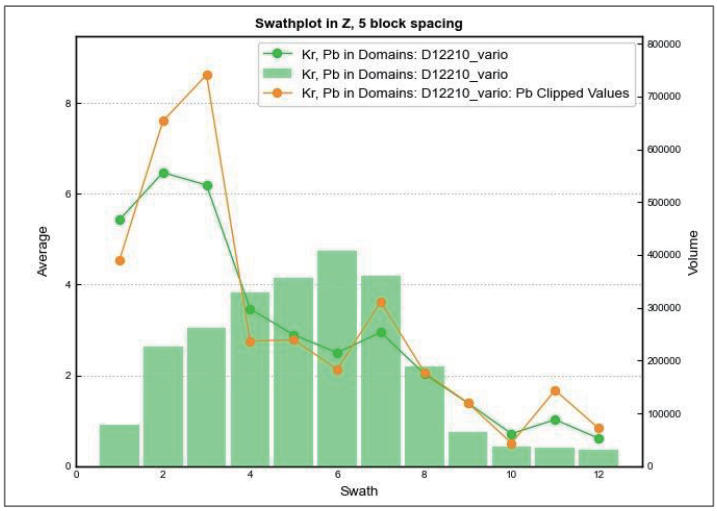
**Figure 7.12: Swath plot along north–south direction – Domain 12210**




Source: SRK, 2025

Notes: Capped composites are in yellow and block grades are in green.

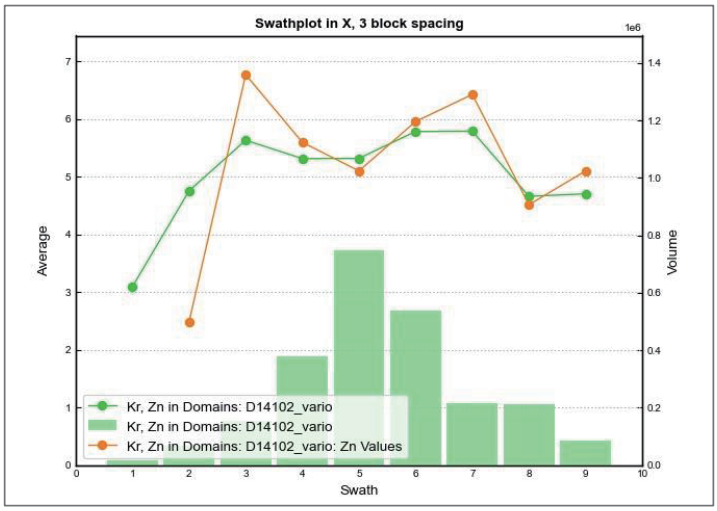
**Figure 7.13: Swath plot along RL direction – Domain 12210**




Source: SRK, 2025

Notes: Capped composites are in yellow and block grades are in green.

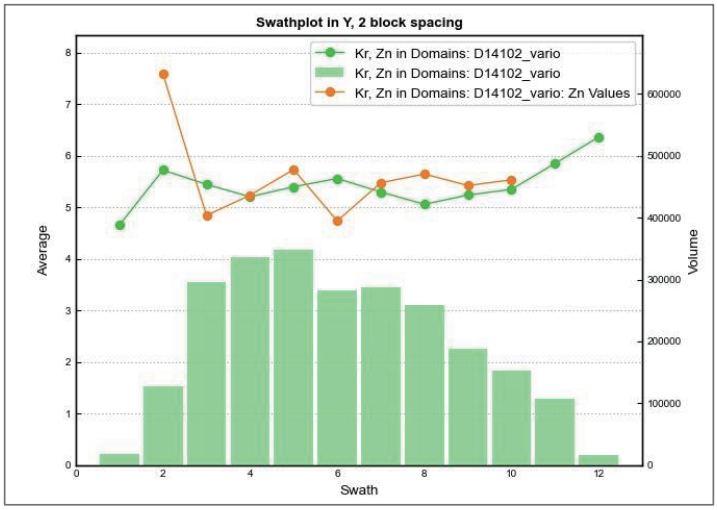
**Figure 7.14: Swath plot along east–west direction – Domain D14102**




Source: SRK, 2025

Notes: Capped composites are in yellow and block grades are in green.

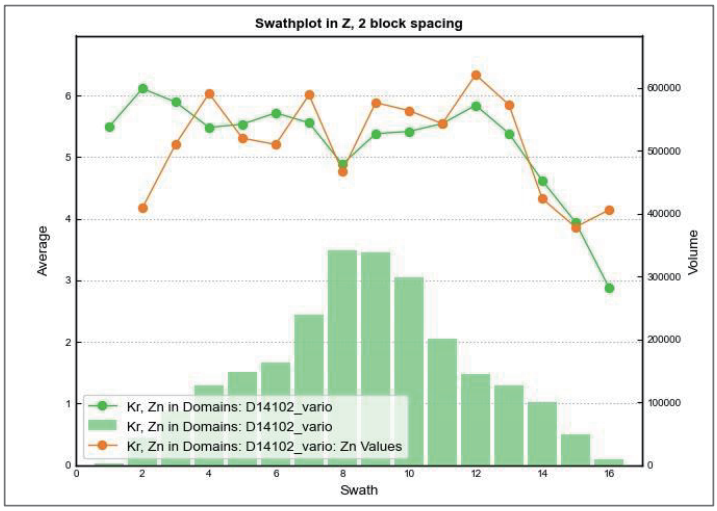
**Figure 7.15: Swath plot along north–south direction – Domain D14102**




Source: SRK, 2025

Notes: Capped composites are in yellow and block grades are in green.

**Figure 7.16: Swath plot along RL direction – Domain D14102**




Source: SRK, 2025

Notes: Capped composites are in yellow and block grades are in green.

## 7.10 Mined-out areas

As at 31 July 2025, the depleted resources from the existing Pb14 deposit open pit and Pb12 deposit underground development and workings have been excluded. The underground production of the Pb 12 deposit commenced on 12 June in the second quarter of 2025, following the completion of its construction.

## 7.11 Classification

Mineral Resource classification should consider several factors, including the confidence level in the geological continuity of the mineralised structures, the quality and quantity of exploration data supporting the estimates, and the geostatistical confidence in the tonnage and grade estimates. The classification criteria should aim to integrate these concepts to delineate consistent areas with similar Mineral Resource classifications.

The following items have been considered during classification of the Mineral Resources:

- geological continuity and reliability of interpretation
- sample support and exploration workings density
- OK attributes (kriging variance, slope of regression, kriging efficiency).

The classification criteria are shown in Table 7.13.

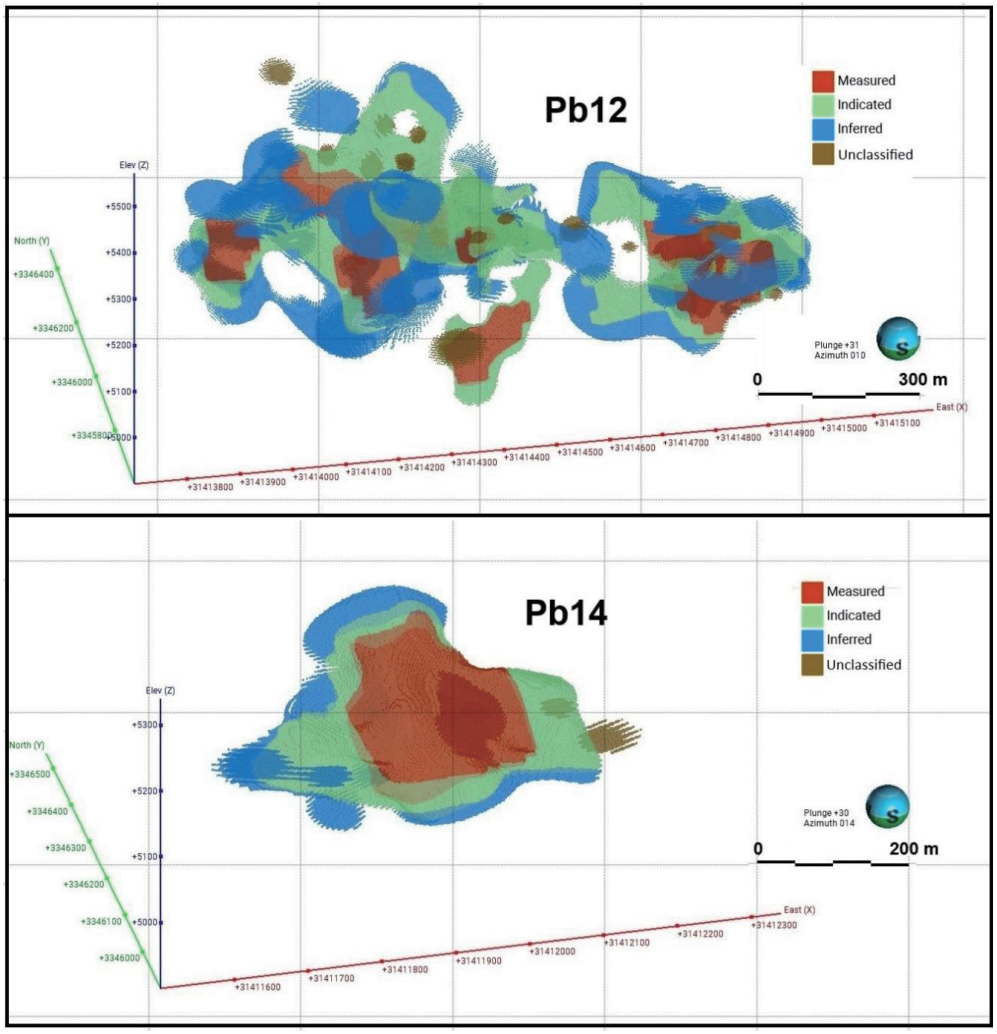
A 3D view of the Mineral Resource classification distribution is shown in Figure 7.17.

**Table 7.13: Mineral Resource classification criteria used in estimation**

| Category | Mineral Resource classification criteria |
|---|---|
| Measured | Spacing between drill holes or channel sampling is within 50 m, or slope of regression is greater than 0.85. |
| Indicated | Spacing between drill holes or channel sampling is within 100 m, or slope of regression is greater than 0.6. |
| Inferred | Spacing between drill holes or channel sampling is more than 100 m, or the domains estimated using Inverse Distance Weighted (IDW) method. |

Source: SRK, 2025

**Figure 7.17: Mineral Resource classification – 3D view**




Source: SRK, 2025

## 7.12 Mineral Resource Statement

### 7.12.1 Cut-off assumptions

Zhihui has mined the Mengya'a lead-zinc deposit and processed the ore since 2007. The conceptual economic cut-off grades for blocks are estimated based on the historical operations data and cut-off estimation presented in Table 7.14. In this context, the term 'cut-off' refers to the grade applied to the block model to determine the portion of the model that qualifies as Mineral Resources. The price of the lead concentrate, zinc concentrate, copper concentrate (per metal tonne) and silver metal (per gram) within these concentrates, are assumed to be Chinese Renminbi (RMB) 18,600, RMB21,100, RMB81,500 and RMB8.1, respectively. The recovery assumptions for fresh ore are as follows: zinc recovery is 91.0%, copper recovery is 52.0%, silver recovery in the copper concentrate is 9.2%, and silver recovery in the lead concentrate is 66.4%. For oxide ore, the recovery assumptions are zinc recovery at 66.1%, copper recovery at 35.1%, silver recovery in the copper concentrate at 10.4%, and silver recovery in the lead concentrate at 57.3%.

For fresh ore, an equivalent lead content has been used based on the calculation formula:

EqPb = Pb + 1.1457 * Zn + 2.5464 * Cu + 0.0296 * Ag.

For oxide ore, an equivalent lead content has been used based on the calculation formula:

EqPb = Pb + 1.3315 * Zn + 2.7501 * Cu + 0.0062 * Ag.

**Table 7.14: Estimation parameters for conceptual economic cut-off grades**

| Item | Open-pit ore | Underground ore |
|---|---|---|
| Processing recovery | 88% | 88% |
| Mining cost | - Note1 | 229.5 RMB/t Ore |
| Processing cost | 154.2 RMB/t Ore | 154.2 RMB/t Ore |
| General and Administration (G&A) cost | 66.8 RMB/t Ore | 66.8 RMB/t Ore |
| Resource tax | 5.9% | 5.9% |
| Lead concentrate price | 18,600 RMB/Pb t | 18,600 RMB/Pb t |
| Cut-off grade (EqPb grade) | 1.4% | 2.9% |

Source: SRK, 2025

Note: 1: For the purpose of the conceptual economic cut-off calculation, the mining cost for open-pit ore is considered negligible and is therefore assumed to be zero.

An EqPb cut-off grade of 1.4% is applied to fresh ore from open-pit operations, while an EqPb cut-off grade of 2.9% is used for fresh ore from underground operations. For oxide ore from underground operations, an EqPb cut-off grade of 4.7% is applied.

### 7.12.2 Mineral Resource Statement

Clause 20 of the JORC Code (2012) requires that all reports relating to Mineral Resource estimates must have '*reasonable prospects for eventual economic extraction*' (RPEEE).

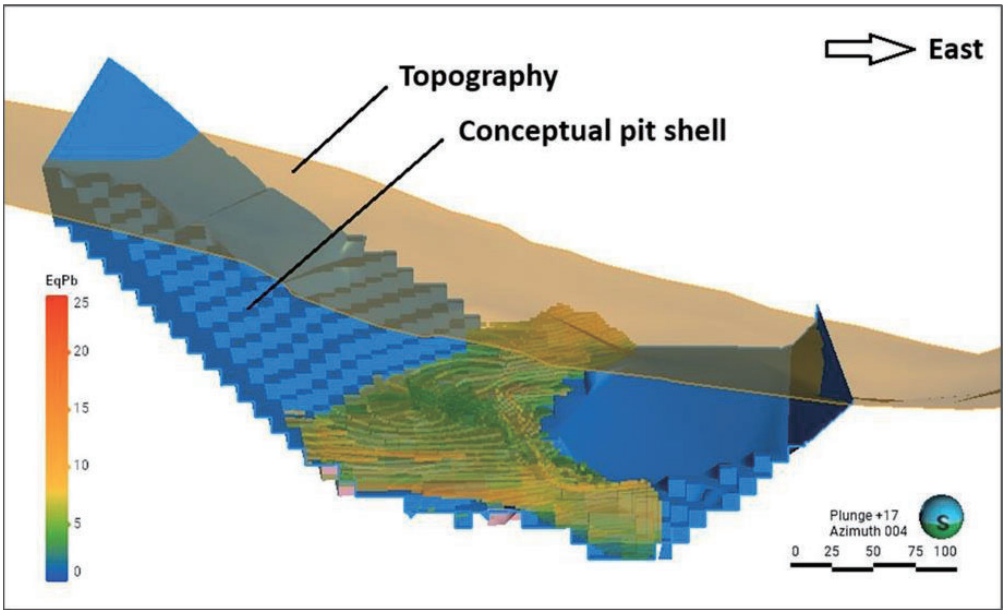
Zhihui has been operating project's Pb14 open-pit extracting Pb, Zn, Cu and Ag ores since 2007. The open-pit mining method and mineral processing flowsheet employed for this deposit has proven to be both appropriate and successful. The underground Pb12 deposit has a higher combined Pb + Zn grade and similar ore features, and a Chinese preliminary design has also been completed by Xinjiang Engineering & Research Institute of Nonferrous Metals Co., Ltd. in August 2024.

To demonstrate satisfaction of the RPEEE criterion, a pit optimisation study using the Lerchs-Grossmann algorithm was undertaken by SRK in GEOVIA Whittle software for Pb14 deposit in March 2025.

The operating parameters for the Pb 14 optimisations and cut-off grade estimates were based on the price, cost and recovery assumptions listed in Section 7.12.1, and a maximum pit slope of 42°. The Mineral Resource estimate is constrained by the pit shell corresponding to a revenue factor of 1. The pit optimisation study considered Measured, Indicated and Inferred Mineral Resources.

The Mineral Resource estimate for the Pb14 deposit constrained by conceptual pit shell as at 31 July 2025 is shown in Figure 7.18.

**Figure 7.18: Mineral Resource distribution of Pb14 Deposit within conceptual pit shell**



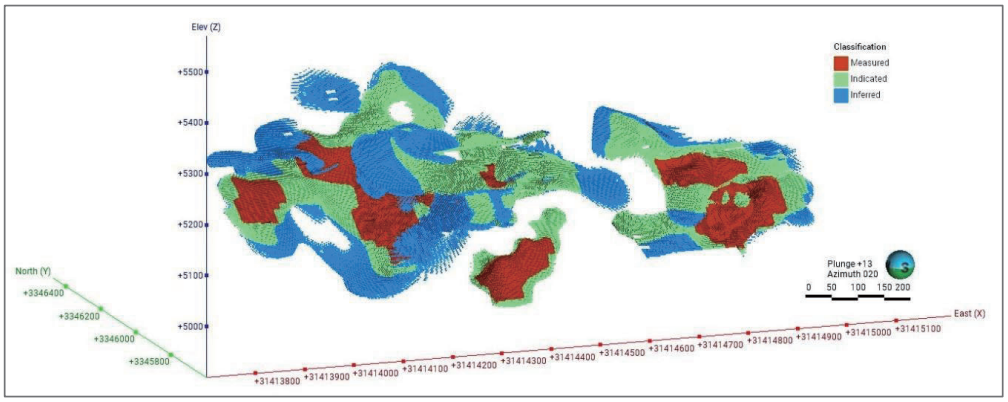

Source: SRK, 2025

A conceptual study of the mineable area was performed in Leapfrog for the Pb12 UG deposit, incorporating the commodity price, operating cost, and recovery as detailed in Section 7.12.1. Furthermore, three additional criteria were applied to assess the RPEEE for Pb12:

- A maximum distance of 50 m horizontally and 10 m vertically delineated the proximity of the domain to the nearest domain.
- A minimum individual domain size of 50,000 tonnes was mandated.
- Continuity of the resource model blocks was validated.

The Mineral Resource estimate for the Pb12 deposit constrained by criteria presented above as at 31 July 2025 is shown in Figure 7.19.

**Figure 7.19 Mineral Resource distribution of Pb12 Deposit**




Source: SRK, 2025

Mineral Resource Statement for the Mengya'a Project within the mining licence area as at 31 July 2025 is shown in Table 7.15.

**Table 7.15: Mineral Resource Statement for the Mengya'a Project as at 31 July 2025**

| Ore type | Domain | Cut-off | Category | Tonnage (kt) | Pb grade (%) | Zn grade (%) | Cu grade (%) | Ag grade (g/t) | Pb metal (kt) | Zn metal (kt) | Cu metal (kt) | Ag metal (t) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Oxide** | Pb12: D12101–D12106 | EqPb ≥4.7% | Measured | 92 | 4.83 | 3.07 | 0.28 | 30 | 4.45 | 2.83 | 0.26 | 3 |
| | | | Indicated | 699 | 6.75 | 3.73 | 0.24 | 39 | 47.17 | 26.09 | 1.68 | 27 |
| | | | Inferred | 645 | 5.26 | 2.97 | 0.30 | 38 | 33.90 | 19.13 | 1.92 | 25 |
| | | | Total | 1,435 | 5.96 | 3.35 | 0.27 | 38 | 85.51 | 48.04 | 3.86 | 55 |
| | Pb12: D12201–D12211 | | Indicated | 141 | 6.02 | 5.03 | 0.23 | 25 | 8.51 | 7.12 | 0.33 | 4 |
| | | | Inferred | 43 | 5.17 | 2.65 | 0.31 | 23 | 2.20 | 1.13 | 0.13 | 1 |
| | | | Total | 184 | 5.82 | 4.48 | 0.25 | 25 | 10.71 | 8.25 | 0.46 | 5 |
| | Subtotal | | Measured | 92 | 4.83 | 3.07 | 0.28 | 30 | 4.45 | 2.83 | 0.26 | 3 |
| | | | Indicated | 840 | 6.63 | 3.95 | 0.24 | 37 | 55.68 | 33.21 | 2.01 | 31 |
| | | | Inferred | 687 | 5.25 | 2.95 | 0.30 | 37 | 36.10 | 20.25 | 2.05 | 26 |
| | | | Total | 1,619 | 5.94 | 3.48 | 0.27 | 37 | 96.23 | 56.29 | 4.32 | 59 |
| **Fresh** | Pb12: D12101–D12106 | EqPb ≥2.9% | Measured | 88 | 5.93 | 4.96 | 0.40 | 36 | 5.20 | 4.35 | 0.35 | 3 |
| | | | Indicated | 733 | 4.09 | 4.36 | 0.21 | 29 | 29.98 | 31.93 | 1.55 | 21 |
| | | | Inferred | 163 | 3.65 | 3.21 | 0.21 | 41 | 5.96 | 5.24 | 0.35 | 7 |
| | | | Total | 984 | 4.18 | 4.22 | 0.23 | 32 | 41.14 | 41.52 | 2.24 | 31 |
| | Pb12: D12201–D12211 | | Measured | 4,050 | 2.94 | 5.09 | 0.25 | 42 | 119.03 | 206.07 | 10.06 | 172 |
| | | | Indicated | 3,482 | 4.79 | 5.59 | 0.29 | 46 | 166.91 | 194.72 | 9.98 | 160 |
| | | | Inferred | 1,195 | 2.02 | 4.21 | 0.25 | 40 | 24.11 | 50.33 | 2.97 | 48 |
| | | | Total | 8,728 | 3.55 | 5.17 | 0.26 | 44 | 310.05 | 451.12 | 23.00 | 380 |
| | Pb12: D12301–D12304 | | Measured | 899 | 1.45 | 6.06 | 0.35 | 60 | 13.00 | 54.47 | 3.16 | 54 |
| | | | Indicated | 190 | 3.10 | 8.90 | 0.37 | 59 | 5.90 | 16.94 | 0.70 | 11 |
| | | | Inferred | - | - | - | - | - | - | - | - | - |
| | | | Total | 1,089 | 1.73 | 6.56 | 0.35 | 60 | 18.89 | 71.41 | 3.87 | 65 |
| | Pb12: D12401–D12410 | | Measured | 1,170 | 3.00 | 2.59 | 0.17 | 27 | 35.06 | 30.30 | 1.99 | 32 |
| | | | Indicated | 782 | 2.79 | 2.70 | 0.18 | 33 | 21.83 | 21.08 | 1.42 | 26 |
| | | | Inferred | 537 | 3.21 | 3.65 | 0.21 | 44 | 17.25 | 19.61 | 1.12 | 23 |
| | | | Total | 2,489 | 2.98 | 2.85 | 0.18 | 33 | 74.14 | 70.99 | 4.53 | 81 |
| | Subtotal | | Measured | 6,207 | 2.78 | 4.76 | 0.25 | 42 | 172.29 | 295.20 | 15.56 | 261 |



LR 18.03(2)
LR 18.18
LR 18.29
LR 18.30(2)
LR 18.03(2)
LR 18.18
LR 18.29
LR 18.30(2)
Guide 2.6.4

THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE AND THAT THE INFORMATION MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED "WARNING" ON THE COVER OF THIS DOCUMENT.

APPENDIX III INDEPENDENT TECHNICAL REPORT

| Ore type | Domain | Cut-off | Category | Tonnage (kt) | Pb grade (%) | Zn grade (%) | Cu grade (%) | Ag grade (g/t) | Pb metal (kt) | Zn metal (kt) | Cu metal (kt) | Ag metal (t) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Indicated | 5,187 | 4.33 | 5.10 | 0.26 | 42 | 224.62 | 264.67 | 13.64 | 218 |
| | | | Inferred | 1,896 | 2.50 | 3.97 | 0.23 | 41 | 47.32 | 75.18 | 4.44 | 79 |
| | | | Total | 13,289 | 3.34 | 4.78 | 0.25 | 42 | 444.23 | 635.04 | 33.64 | 557 |
| | Pb14: D14101–D14106 | EqPb ≥1.4% | Measured | 427 | 1.13 | 4.64 | 0.11 | 15 | 4.84 | 19.80 | 0.45 | 7 |
| | | | Indicated | 1,172 | 0.52 | 5.29 | 0.11 | 9 | 6.10 | 62.00 | 1.28 | 10 |
| | | | Inferred | 305 | 0.77 | 5.32 | 0.17 | 17 | 2.35 | 16.24 | 0.51 | 5 |
| | | | Total | 1,904 | 0.70 | 5.15 | 0.12 | 12 | 13.28 | 98.04 | 2.24 | 22 |
| **Total** | Pb12 subtotal | Oxide: EqPb ≥4.7%<br>Fresh: EqPb ≥2.9% | Measured | 6,299 | 2.81 | 4.73 | 0.25 | 42 | 176.73 | 298.02 | 15.82 | 264 |
| | | | Indicated | 6,027 | 4.65 | 4.94 | 0.26 | 41 | 280.30 | 297.88 | 15.66 | 249 |
| | | | Inferred | 2,583 | 3.23 | 3.70 | 0.25 | 40 | 83.42 | 95.43 | 6.49 | 104 |
| | | | Total | 14,909 | 3.63 | 4.64 | 0.25 | 41 | 540.45 | 691.33 | 37.97 | 617 |
| | Pb14 subtotal | EqPb ≥1.4% | Measured | 427 | 1.13 | 4.64 | 0.11 | 15 | 4.84 | 19.80 | 0.45 | 7 |
| | | | Indicated | 1,172 | 0.52 | 5.29 | 0.11 | 9 | 6.10 | 62.00 | 1.28 | 10 |
| | | | Inferred | 305 | 0.77 | 5.32 | 0.17 | 17 | 2.35 | 16.24 | 0.51 | 5 |
| | | | Total | 1,904 | 0.70 | 5.15 | 0.12 | 12 | 13.28 | 98.04 | 2.24 | 22 |
| | Total | | Measured | 6,726 | 2.70 | 4.73 | 0.24 | 40 | 181.57 | 317.82 | 16.27 | 270 |
| | | | Indicated | 7,198 | 3.98 | 5.00 | 0.24 | 36 | 286.40 | 359.88 | 16.94 | 259 |
| | | | Inferred | 2,888 | 2.97 | 3.87 | 0.24 | 38 | 85.77 | 111.67 | 7.00 | 110 |
| | | | Total | 16,813 | 3.29 | 4.70 | 0.24 | 38 | 553.73 | 789.37 | 40.21 | 639 |

Notes:

[1] Any differences between totals and sum of components are due to rounding.

[2] EqPb 4.7% and EqPb 2.9% cut-off grades were applied to the resource block models of Pb12 deposit oxide ore and fresh ore, respectively. An EqPb 1.4% cut-off grade was applied to the resource block models of Pb14 deposit.

[3] Mineral Resources that are not Ore Reserves do not have demonstrated economic viability. The estimate of Mineral Resources may be materially affected by environmental, permitting, legal, title, taxation, socio-political, marketing, or other relevant issues.

[4] Mineral Resources are reported inclusive of Ore Reserves.

[5] The Mineral Resources are effective as at 31 July 2025.

[6] Lead equivalent (EqPb) formulas were applied: fresh ore: EqPb = Pb + 1.1457 × Zn + 2.5464 ×Cu + 0.0296 × Ag and oxide ore: EqPb = Pb + 1.3315 × Zn + 2.7501 × Cu + 0.0062 × Ag.. Metal price assumptions included 18,600 RMB/Pb t for lead concentrate, 21,100 RMB/Zn t for zinc concentrate, 81,500 RMB/Cu t for copper concentrate, and 8.10 RMB/g for silver. The recovery assumptions for fresh ore are as follows: zinc recovery is 91.0%, copper recovery is 52.0%, silver recovery in the copper concentrate is 9.2%, and silver recovery in the lead concentrate is 66.4%. For oxide ore, the recovery assumptions are zinc recovery at 66.1%, copper recovery at 35.1%, silver recovery in the copper concentrate at 10.4%, and silver recovery in the lead concentrate at 57.3%.







THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE AND THAT THE INFORMATION MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED "WARNING" ON THE COVER OF THIS DOCUMENT.

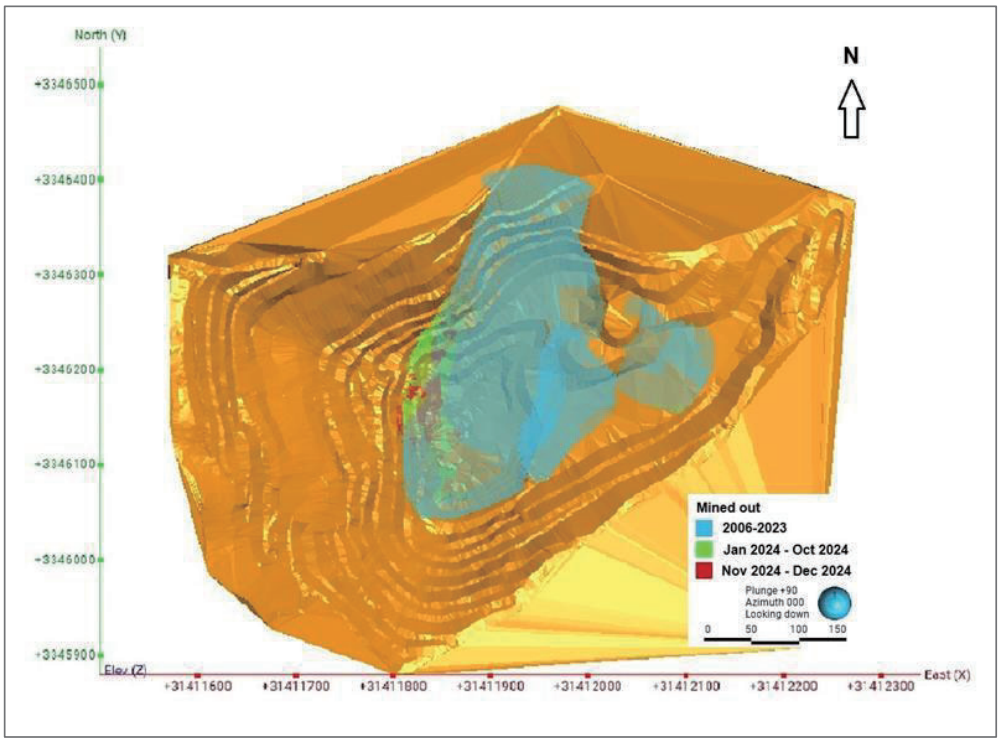
### Competent Person's Statement

The information in this Report that relates to Mineral Resources is based on information compiled by Dr (Tony) Shuangli Tang, who is a Member of the AIG and Member of the AusIMM. Dr Tang is a full-time employee of SRK Consulting (Hong Kong) Limited and has sufficient experience that is relevant to the style of mineralisation, type of deposit under consideration and to the activity that he undertakes 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).

## 7.12.3 Reconciliation

SRK reviewed the 2024 and 2025 production records as provided by Zhihui and conducted a reconciliation analysis. This analysis compared the actual produced resources to the model depletion for two periods: January 2024 – December 2024 and January 2025 – July 2025 (Figure 7.20).

**Figure 7.20: Model depletion**




Source: SRK, 2025

**Table 7.16: 2024-2025 reconciliation statistics**

| Period | Model depletion | | | Actual production | | | Difference | |
|---|---|---|---|---|---|---|---|---|
| | Tonnes (kt) | Pb (%) | Zn (%) | Tonnes (kt) | Pb (%) | Zn (%) | Tonnes (kt) | (%) |
| From Jan 2024 to Dec 2024 | 166 | 0.43 | 5.94 | 197 | 0.63 | 5.88 | -30 | -15% |
| From Jan 2025 to Jul 2025 | 190 | 1.07 | 4.94 | 192 | 1.44 | 4.96 | -2 | -1% |

Source: SRK, 2025

# 8 Mining

## 8.1 Introduction

The Mengya'a Mine comprises two deposits:

- Pb14: operated as an open-pit mine
- Pb12: planned for underground mining.

The Pb14 deposit commenced open-pit (OP) operations in 2007, whereas the Pb12 deposit has existing underground (UG) infrastructure that previously served exploration purposes and can be further utilised for production.

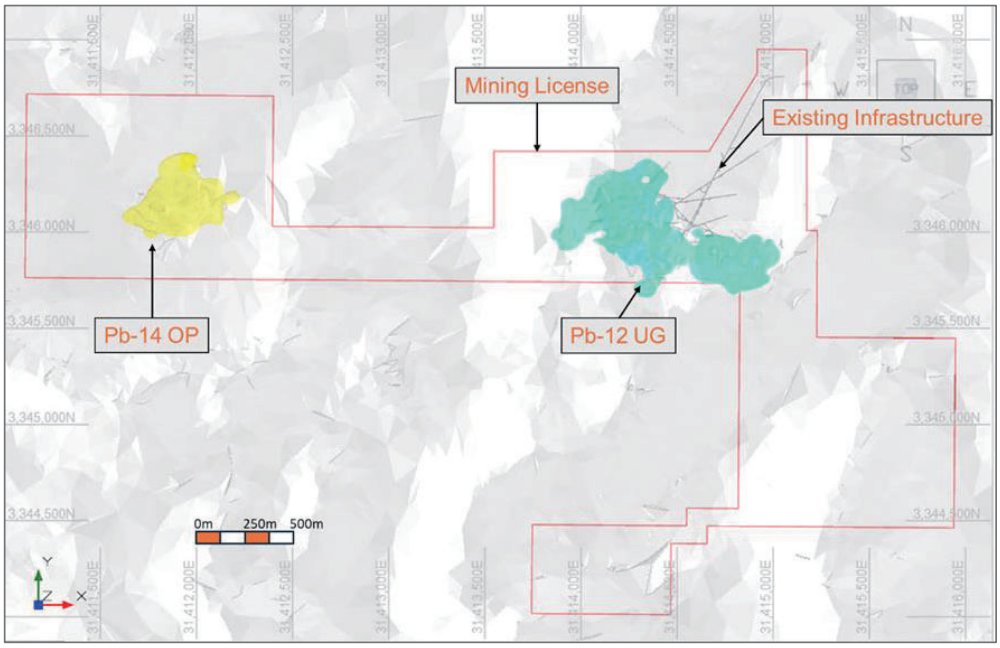
This chapter provides a comprehensive review of the mining methods at the Mengya'a mine, encompassing mining conditions, mining methodology, development systems, and mine service systems. Additionally, this chapter evaluates the overall applicability of the mining plan, its associated equipment, and the Life of Mine (LOM) plan. The objective of this assessment is to provide the basis for the declaration of Ore Reserve estimates in accordance with the JORC Code (2012).

As shown in Figure 8.1, the mining licence currently covers an area of approximately 4.4544 km², with a collective permitted mining capacity for both open-pit and underground operations of 400 kt/a. The permitted mining elevation ranges from 4,964 m to 5,400 m above sea level (asl).

Based on references from the technical studies and discussions with Huaxia Mining, the strategic plan for the Mengya'a mine is as follows:

- The Pb14 open-pit (OP) will maintain operations using the open-pit methodology and the current contractor mining equipment fleet.
- The designed production rate for the Pb14 OP is planned at 200 kt/a of run-of-mine (ROM) ore.
- The Pb12 underground (UG) has a designed production capacity of 200 kt/a in alignment with the Pb14 OP operations. Upon the depletion of resources at Pb14 OP, the Pb12 UG will ramp up to 400 kt/a to ensure a consistent feed to the processing plant.
- The mining sequence for Pb12 UG, from top to bottom, will consist of two phases: Stage I involves mining above the 5,100 m RL, with 5,180 m RL as the pilot mining level, and Stage II involves mining below the 5,100 m RL.

**Figure 8.1: General location of Mengya'a mining operations**




Source: SRK

## 8.2 Technical studies

SRK's mining review is primarily based on the following information:

- *Feasibility Study of the Mengya'a Lead-Zinc Mine in Jiali County, Nagqu, Xizang*, May 2013, Guangdong Metallurgical & Architectural Design Institute (GDMADI), hereafter referred to as **13 GDMADI FS**.
- Preliminary Design for Underground Mining of the Pb12 Deposit at the Mengya'a Lead-Zinc Mine, Jiali County, Nagqu, Xizang., April 2022, CINF Engineering Corporation Limited (CINF), hereafter referred to as **22 CINF Mining Design**.
- *Preliminary Design for Underground Mining of the Pb12 Deposit at the Mengya'a Lead-Zinc Mine, Jiali County, Nagqu, Xizang*, August 2024, Xinjiang Engineering & Research Institute of Nonferrous Metals Co., Ltd. (XERI), hereafter referred to as **24 XERI Mining Design**.

According to the technical studies as outlined above, and geological definitions, the Pb14 deposit is designed to be excavated through open-pit mining, while the Pb12 deposit will employ underground mining methods.

The Pb14 deposit has been in operation since 2007, while the Pb12 deposit has existing development tunnels that were developed for exploration purposes and can be used for production purposes upon mine commissioning.

As per the 13 GDMADI FS, the design capacity for the Pb14 open-pit mine is 400 kt/a, and for the Pb12 underground mine, it is 200 kt/a (from the beginning). According to the 22 CINF Mining Design

and the 24 XERI Mining Design, the technical study is focused on the Pb12 underground project, with a nominated capacity also set at 200 kt/a. The 24 XERI Mining Design is the update from 22 CINF Mining Desing, which includes the following differences:

1. The design scope is different: 24 XERI Mining Design considered the MRE within the previous mining licence, whereas the 22 CNFI Mining Design considered the expanded mining licence limit, as the current one.

2. Mining method: Without altering the sub-level open stoping method (longitudinal or transverse), the 24 XERI Mining Design proposed replacing the room-and-pillar method outlined in the 22 CNFI Mining Design with shrinkage stoping. However, after reviewing the orebody geometry, SRK considers the room-and-pillar method proposed in the 22 CNFI Mining Design to be more appropriate due to the shallow dip angle. The mine states that they will consider the mining method that proposed by 22 CNFI Mining Design for the operation, as well the mine plan scope studied in that.

   For the Pb12 UG, the level of accuracy of the Modifying Factors described in the 22 CINF Mining Design, the 24 XERI Mining Design and the existing underground infrastructure, and for the Pb14 OP, the level of accuracy of the Modifying Factors described in the 13 GDMADI FS and ongoing production, are considered by SRK to be similar to a prefeasibility level study (PFS), prepared in accordance with the JORC Code (2012).

## 8.3 Pb14 open-pit

### 8.3.1 Geotechnical and hydrological conditions

#### Geotechnical conditions

The Pb14 deposit area predominantly consists of clastic and carbonate rocks and contact metasomatic rocks. The rock mass is characterised by a layered structure with anisotropic properties and varying strength. The overall stability of the rock is significantly influenced by the presence of soft interlayers, weak strata, structural fractures, and the degree of weathering. The complexity of the geotechnical conditions is assessed as moderate based on the 13 GDMADI FS.

The geotechnical evaluation conducted in the 13 GDMADI FS relied exclusively on geological borehole data, as in situ stress testing has not yet been performed. SRK has determined the designed overall slope angle to be 42°, adopting a conventional approach that does not have a significant impact on mine stability or operational safety.

#### Hydrological conditions

The Pb14 deposit area is bordered by valleys oriented in the northwest-southeast and southwest-northeast directions on its southern and northern sides, respectively. The surface elevation in the Pb14 deposit area varies from 5,100 m to 5,220 m. The terrain slopes from southwest to northeast, with a gradient ranging from 5° to 12°, which facilitates the drainage of groundwater.

These geomorphological conditions are not conducive to groundwater retention, but are advantageous for water recharge and drainage. However, the upstream sections of two tributary valleys are situated in a region that is perpetually snow-covered and features gentle slopes. The substantial glacial deposits within these glacial valleys enhance the recharge of groundwater by surface water. Based on 11 LERI Mining Design, the overall hydrogeological conditions of the mining area are classified as moderate.

### 8.3.2 Pit optimisation

#### Mining Block Model

The mine design and resource estimation within the pit design were based on the Mineral Resource model (MRM) developed by SRK (Chapter 7), with an effective date of 31 December 2024. The model was provided in Datamine (.dm) format.

Key parameters of the block model are outlined in Table 8.1.

**Table 8.1: Mineral Resource block model parameters**

| Range | Minimum | Maximum |
|---|---|---|
| Easting | 31,411,400 | 31,412,300 |
| Northing | 3,345,800 | 3,346,700 |
| Elevation | 4,900 | 5,500 |
| X size | 2 | 2 |
| Y size | 2 | 2 |
| Z size | 2 | 2 |
| Rotation | - | - |

Source: SRK

SRK converted the MRM to a Mining Block Model (MBM) in Block Geomodel (.gmdlb) format for mine planning purposes using the Deswik software suite.

#### Pit optimisation parameters

The first step in transforming a Mineral Resource into a mineable open-pit Ore Reserve involves the process of open-pit optimisation. At this stage, the physical, technical, and economic parameters are applied to the mineralisation area to determine the optimal geometry for the open-pit excavation. If the economic assessment of this optimal pit shell is positive, the resulting pit shell can be used as a reference for the subsequent pit design process.

SRK used the Whittle™ software for open-pit optimisation with the Pseudoflow algorithm. In general terms, Whittle™ adjusts the base input price by a range of revenue factors (RFs) above and below a base value of 1. For each RF, Whittle™ generates a three-dimensional shape pit shell that maximizes the value based on all input parameters and the adjusted price. Lower RFs produce smaller shells, while higher RFs result in larger shells. This approach creates a series of 'nested' shells, with each shell contained within the next larger one.

A summary of the pit optimisation parameters is presented in Table 8.2.

**Table 8.2: Pit optimisation parameters**

| Optimisation parameter | Unit | Inputs | Notes |
|---|---|---|---|
| **Revenue and selling costs** | | | |
| Lead price | RMB/t | 14,300 | 50% Pb concentrate, SMM price excluding VAT |
| Treatment charge | RMB/t | -250 | Grade premium applied due to higher Pb concentrate grade (≥ 60% Pb) |
| Royalties | % | 5.9 | 22 CINF Mining Design |
| **Mining parameters and costs** | | | |
| Mining recovery | % | 5 | 13 GDMADI FS, Huaxia Mining |
| Dilution | % | 5 | 13 GDMADI FS, Huaxia Mining |
| Mining and stripping cost | RMB/t TMM | 21 | 24 XERI Mining Design |
| Overall slope angle | ° | 42 | 13 GDMADI FS, Huaxia Mining |
| **Processing parameters and costs** | | | |
| Design throughput capacity | kt/a | 200 | Huaxia Mining |
| Process plant recovery | % | 88.0 | Huaxia Mining |
| Processing cost | RMB/t ROM | 154 | Huaxia Mining |
| G&A cost | RMB/t ROM | 66.8 | 24 XERI Mining Design |

Sources: 13 GDMADI FS, 22 CINF Mining Design, 24 XERI Mining Design, Huaxia Mining, and SRK

### Pit optimisation results

A series of nested pit shells were generated based on a range of RFs reflecting lead concentrate prices. Preliminary cash flows were estimated using a 10% discount rate and a nominal lead price of RMB14,300/t. The results of the pit optimisation are detailed in Table 8.3.

Three optimisation scenarios were automatically generated by Whittle™ software:

- **Best Case**: Each of the pit shells is mined sequentially, one after the other.
- **Worst Case**: The final pit is mined bench by bench.
- **Specified Case**: This scenario is based on predefined pushback geometries.

In the Specified Case, the highest discounted cash flow was derived using pit shell 33, which was subsequently selected as the basis for pit design as it is closest to the economic maximum. This shell has a total tonnage of 9,641 kt, including 1,650 kt of ROM ore.

A pit-by-pit graph of the Measured and Indicated Mineral Resource is shown in Figure 8.2.

**Table 8.3: Whittle™ pit optimisation results**

| Pit Shell | Revenue Factor | Best Case (RMB million) | Specified Case (RMB million) | Worst Case (RMB million) | Total (kt) | Ore (kt) | Waste (kt) | Stripping Ratio (t: t) |
|---|---|---|---|---|---|---|---|---|
| 1 | 0.30 | 214.27 | 214.27 | 214.27 | 512 | 329 | 182 | 0.55 |
| 2 | 0.32 | 257.43 | 257.06 | 257.06 | 690 | 419 | 271 | 0.65 |
| 3 | 0.34 | 298.74 | 297.62 | 297.62 | 947 | 517 | 430 | 0.83 |
| 4 | 0.36 | 329.90 | 327.88 | 327.88 | 1,206 | 596 | 610 | 1.02 |
| 5 | 0.38 | 362.70 | 359.05 | 359.05 | 1,516 | 692 | 824 | 1.19 |
| 6 | 0.40 | 424.78 | 417.88 | 417.88 | 2,385 | 876 | 1,509 | 1.72 |
| 7 | 0.42 | 434.97 | 426.79 | 426.79 | 2,517 | 917 | 1,600 | 1.75 |
| 8 | 0.44 | 474.12 | 461.66 | 461.66 | 3,493 | 1,041 | 2,452 | 2.36 |
| 9 | 0.46 | 499.61 | 487.07 | 481.58 | 4,273 | 1,138 | 3,135 | 2.76 |
| 10 | 0.48 | 521.04 | 507.98 | 496.42 | 4,685 | 1,262 | 3,423 | 2.71 |
| 11 | 0.50 | 533.06 | 519.53 | 505.47 | 5,192 | 1,312 | 3,880 | 2.96 |
| 12 | 0.52 | 535.66 | 522.08 | 507.26 | 5,267 | 1,328 | 3,939 | 2.97 |
| 13 | 0.54 | 552.60 | 538.00 | 519.45 | 6,171 | 1,401 | 4,770 | 3.41 |
| 14 | 0.56 | 555.38 | 540.40 | 520.61 | 6,296 | 1,420 | 4,875 | 3.43 |
| 15 | 0.58 | 555.78 | 540.74 | 520.78 | 6,307 | 1,424 | 4,882 | 3.43 |
| 16 | 0.60 | 564.20 | 547.73 | 524.68 | 6,990 | 1,473 | 5,517 | 3.74 |
| 17 | 0.62 | 565.60 | 549.02 | 525.06 | 7,093 | 1,485 | 5,608 | 3.78 |
| 18 | 0.64 | 573.64 | 557.00 | 527.68 | 7,859 | 1,537 | 6,321 | 4.11 |
| 19 | 0.66 | 574.37 | 557.72 | 527.56 | 7,903 | 1,546 | 6,357 | 4.11 |
| 20 | 0.68 | 574.60 | 557.94 | 527.46 | 7,924 | 1,549 | 6,375 | 4.12 |
| 21 | 0.70 | 575.24 | 558.57 | 527.63 | 8,000 | 1,555 | 6,445 | 4.14 |
| 22 | 0.72 | 577.48 | 560.67 | 527.83 | 8,318 | 1,578 | 6,740 | 4.27 |
| 23 | 0.74 | 577.94 | 561.11 | 528.04 | 8,381 | 1,586 | 6,796 | 4.29 |
| 24 | 0.76 | 578.59 | 561.70 | 527.29 | 8,483 | 1,597 | 6,886 | 4.31 |
| 25 | 0.78 | 578.62 | 561.73 | 527.28 | 8,489 | 1,597 | 6,891 | 4.31 |
| 26 | 0.80 | 578.67 | 561.78 | 527.23 | 8,500 | 1,598 | 6,902 | 4.32 |
| 27 | 0.82 | 578.69 | 561.80 | 527.21 | 8,507 | 1,599 | 6,909 | 4.32 |







THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE AND THAT THE INFORMATION MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED "WARNING" ON THE COVER OF THIS DOCUMENT.

| Pit Shell | Revenue Factor | Best Case (RMB million) | Specified Case (RMB million) | Worst Case (RMB million) | Total (kt) | Ore (kt) | Waste (kt) | Stripping Ratio (t: t) |
|---|---|---|---|---|---|---|---|---|
| 28 | 0.84 | 581.12 | 563.63 | 521.88 | 9,409 | 1,635 | 7,774 | 4.75 |
| 29 | 0.88 | 581.26 | 563.72 | 521.40 | 9,464 | 1,640 | 7,824 | 4.77 |
| 30 | 0.90 | 581.35 | 563.75 | 520.86 | 9,519 | 1,644 | 7,875 | 4.79 |
| 31 | 0.92 | 581.40 | 563.78 | 520.51 | 9,567 | 1,646 | 7,922 | 4.81 |
| 32 | 0.94 | 581.41 | 563.78 | 520.46 | 9,575 | 1,646 | 7,928 | 4.82 |
| 33 | 0.96 | 581.43 | 563.78 | 520.02 | 9,641 | 1,650 | 7,991 | 4.84 |
| 34 | 0.98 | 581.43 | 563.78 | 520.01 | 9,644 | 1,650 | 7,994 | 4.84 |
| 35 | 1.00 | 581.39 | 563.66 | 519.14 | 9,798 | 1,656 | 8,142 | 4.92 |
| 36 | 1.02 | 581.37 | 563.62 | 518.99 | 9,821 | 1,658 | 8,163 | 4.92 |
| 37 | 1.04 | 580.84 | 562.38 | 511.95 | 10,438 | 1,685 | 8,753 | 5.20 |
| 38 | 1.06 | 580.71 | 562.12 | 510.69 | 10,548 | 1,690 | 8,858 | 5.24 |
| 39 | 1.08 | 580.71 | 562.12 | 510.69 | 10,549 | 1,690 | 8,859 | 5.24 |
| 40 | 1.10 | 580.62 | 561.98 | 510.14 | 10,620 | 1,691 | 8,929 | 5.28 |
| 41 | 1.12 | 580.60 | 561.96 | 510.09 | 10,627 | 1,692 | 8,935 | 5.28 |
| 42 | 1.14 | 580.59 | 561.94 | 510.06 | 10,631 | 1,692 | 8,939 | 5.28 |
| 43 | 1.16 | 580.52 | 561.84 | 509.74 | 10,666 | 1,693 | 8,972 | 5.30 |
| 44 | 1.22 | 580.50 | 561.82 | 509.66 | 10,671 | 1,694 | 8,977 | 5.30 |
| 45 | 1.26 | 580.15 | 561.32 | 507.97 | 10,782 | 1,699 | 9,083 | 5.35 |
| 46 | 1.28 | 580.11 | 561.28 | 507.85 | 10,793 | 1,699 | 9,094 | 5.35 |
| 47 | 1.30 | 580.10 | 561.26 | 507.83 | 10,796 | 1,700 | 9,096 | 5.35 |

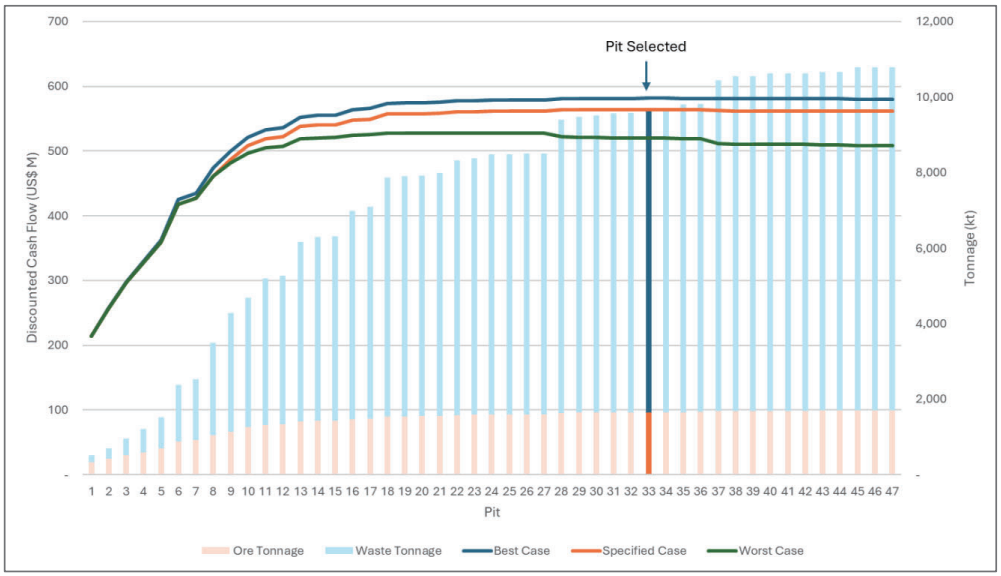
Source: SRK





THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE AND THAT THE INFORMATION MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED "WARNING" ON THE COVER OF THIS DOCUMENT.

**Figure 8.2: Pit-by-pit graph with preliminary cash flow**




Source: SRK

### 8.3.3 Pit design

The optimal pit shell detailed above was used as a guide for final pit designs.

The design ramp parameters adopted by SRK were as follows:

- Ramp grade: 9%
- Ramp width (single lane): 9 m
- Ramp width (double lane): 13 m.

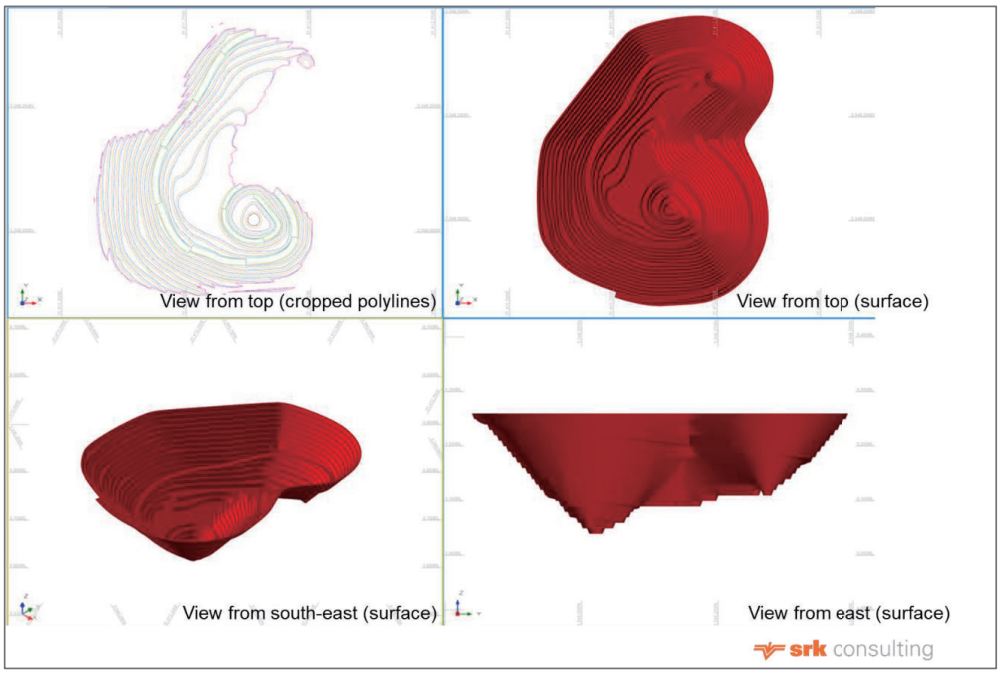
Single-lane ramps are implemented at the pit bottom when the benches begin to narrow, and mining rates are significantly reduced. Table 8.4 provides a summary of pit design parameters. Figure 8.3 shows the final pit design.

**Table 8.4: Summary of pit design parameters**

| Item | Unit | Value |
|---|---|---|
| Terrain | m RL | 5,260 |
| Bottom of the pit | m RL | 5,040 |
| Open-pit length | m | 530 |
| Open-pit width | m | 430 |
| Bottom length | m | 25 |
| Bottom width | m | 25 |
| Bench height | m | 10 |
| Bench face angle (BFA) | ° | 68 |
| Berm width | m | 5 |
| Overall slope angle | ° | 42 |
| Closed contour line | RL | 5080 |

Source: SRK

**Figure 8.3: Final pit design**




Source: SRK

### Whittle™ pit shell versus final pit design

The design process transforms the Whittle™ pit shell into a practical pit design by incorporating benches, berms and ramps. This process has resulted in 7.5% less waste material and 6.1% less ROM compared to the Whittle™ pit shell. The ongoing production activities and the terrain of the hillside part of the pit have contributed to the reduction in both waste and ROM in the design.

A comparison of the tonnage and grades between the optimal pit shell and the designed pit is provided in Table 8.5. SRK considers the differences in tonnage and grades to be acceptable.

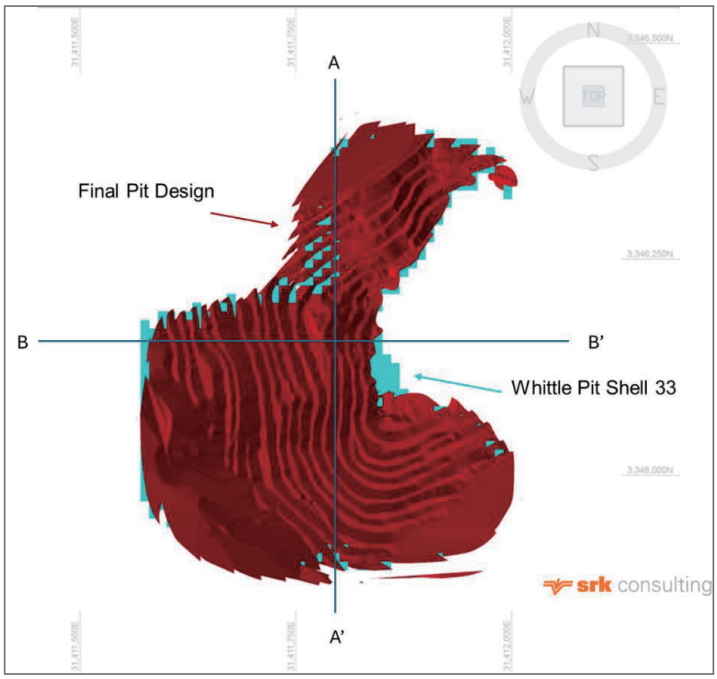
A comparison between the pit shell 33 and the final pit design is shown in Figure 8.4. Cross sections are shown in Figure 8.5 and Figure 8.6. It should be noted that the comparison between the open pit design and the Whittle-generated pit shell is based on the topography and pit shell optimisation results as at 31 December 2024. This ensures that the comparison between the Whittle shell and the pit design is made on a consistent basis, using the same topographic surface and pit shell optimization inputs.

**Table 8.5: Comparison between pit shell 33 and final pit design**

| Pit | ROM tonnes (kt) | Diluted EqPb grade (%) | Waste tonnes (kt) | Stripping ratio (t: t) | Contained metal (kt EqPb) |
|---|---|---|---|---|---|
| Pit shell 33 | 1,648 | 6.87 | 9,641 | 5.85 | 113.21 |
| Final pit design | 1,548 | 6.81 | 8,917 | 5.76 | 105.40 |
| Difference (%) | -6.1% | -0.9% | -7.5% | -1.5% | -6.9% |

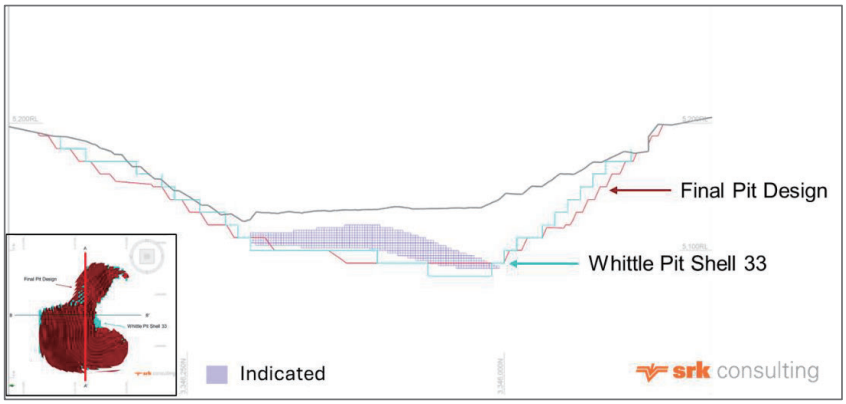
Source: SRK, 2025

**Figure 8.4: Comparison between pit shell 33 and final pit design**



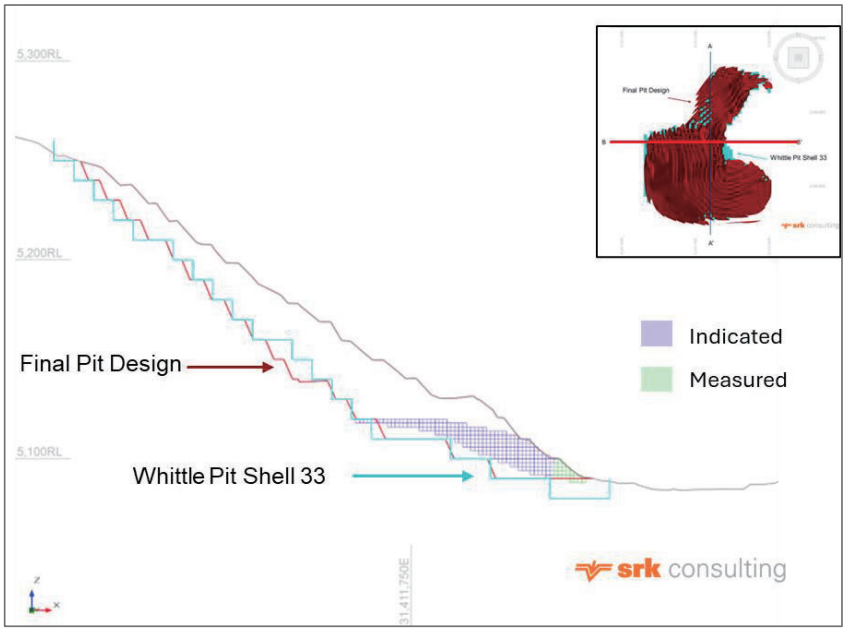

Source: SRK, 2025

**Figure 8.5: Final pit design versus pit shell 33 (Section AA')**




Source: SRK,2025

**Figure 8.6: Final pit design versus pit shell 33 (Section BB')**




Source: SRK, 2025

### 8.3.4 Mining inventory

The material mined in the final pit design (bench-by-bench) is detailed in Table 8.6 and shown in Figure 8.7.

**Table 8.6: Summary of bench-by-bench materials – final pit design**

| Bench # | Toe elevation (m asl) | ROM tonnes (kt) | Waste tonnes (kt) | Pb (%) | Zn (%) | Cu (%) | Ag (g/t) | Pb+Zn (%) | EqPb (%) | Stripping ratio (t: t) |
|---|---|---|---|---|---|---|---|---|---|---|
| 22 | 5250 | - | 14 | - | - | - | - | - | - | - |
| 21 | 5240 | - | 56 | - | - | - | - | - | - | - |
| 20 | 5230 | - | 183 | - | - | - | - | - | - | - |
| 19 | 5220 | - | 262 | - | - | - | - | - | - | - |
| 18 | 5210 | - | 311 | - | - | - | - | - | - | - |
| 17 | 5200 | - | 318 | - | - | - | - | - | - | - |
| 16 | 5190 | - | 369 | - | - | - | - | - | - | - |
| 15 | 5180 | - | 417 | - | - | - | - | - | - | - |
| 14 | 5170 | - | 516 | - | - | - | - | - | - | - |
| 13 | 5160 | - | 587 | - | - | - | - | - | - | - |
| 12 | 5150 | 2 | 683 | 0.77 | 6.84 | 0.49 | 22.37 | 7.61 | 10.51 | 452 |
| 11 | 5140 | 50 | 807 | 1.00 | 5.33 | 0.25 | 23.99 | 6.33 | 8.47 | 16 |
| 10 | 5130 | 108 | 895 | 1.11 | 4.87 | 0.14 | 18.87 | 5.98 | 7.60 | 8.32 |
| 9 | 5120 | 124 | 894 | 0.80 | 4.85 | 0.12 | 13.41 | 5.65 | 7.07 | 7.20 |
| 8 | 5110 | 268 | 715 | 0.20 | 4.43 | 0.11 | 7.41 | 4.62 | 5.78 | 2.67 |
| 7 | 5100 | 250 | 535 | 0.18 | 4.96 | 0.10 | 5.05 | 5.14 | 6.27 | 2.14 |
| 6 | 5090 | 247 | 464 | 0.63 | 5.93 | 0.09 | 10.21 | 6.56 | 7.96 | 1.88 |
| 5 | 5080 | 105 | 249 | 1.46 | 4.88 | 0.09 | 14.45 | 6.34 | 7.70 | 2.37 |
| 4 | 5070 | 106 | 169 | 1.18 | 4.63 | 0.06 | 8.93 | 5.81 | 6.90 | 1.59 |
| 3 | 5060 | 102 | 75 | 1.08 | 4.63 | 0.07 | 7.37 | 5.70 | 6.76 | 0.74 |
| 2 | 5050 | 68 | 8 | 1.14 | 3.74 | 0.06 | 8.05 | 4.89 | 5.82 | 0.12 |
| 1 | 5040 | 9 | 9 | 0.97 | 2.40 | 0.05 | 6.28 | 3.37 | 4.03 | 0.97 |
| Total | | 1,438 | 8,534 | 0.69 | 4.90 | 0.10 | 10.09 | 5.59 | 6.87 | 5.94 |

Source: SRK, 2025

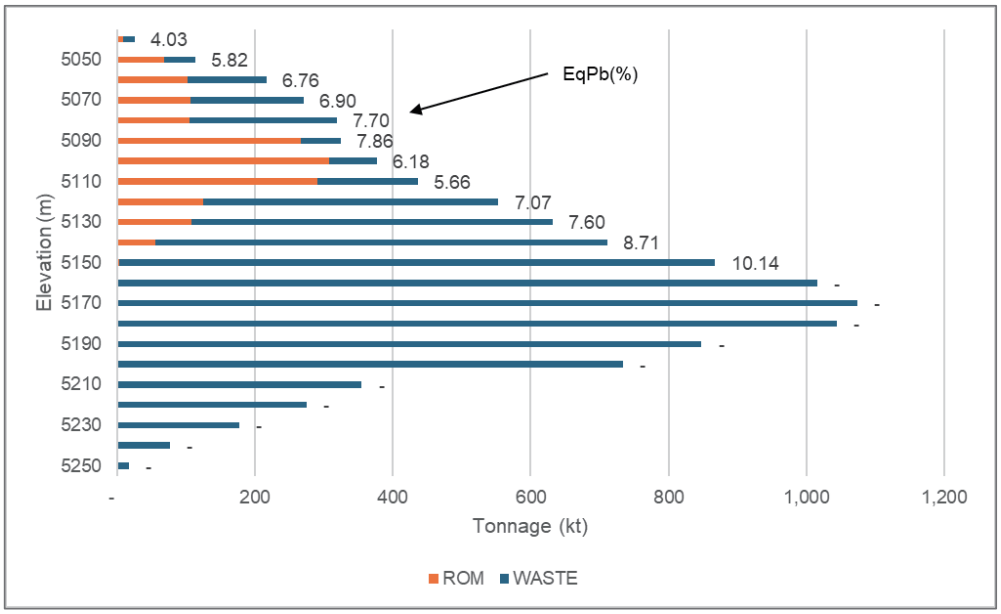
Notes: 5% ore loss and 5% dilution have been applied. The sum of individual amounts may not equal due to rounding.





APPENDIX III INDEPENDENT TECHNICAL REPORT
THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE AND THAT THE INFORMATION MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED "WARNING" ON THE COVER OF THIS DOCUMENT.

**Figure 8.7: Bench-by-bench materials – final pit design**




Source: SRK, 2025

Notes: 5% ore loss and 5% dilution have been applied.

## 8.3.5 Mining method

### Mining operations

The open-pit mine is planned to operate using a conventional truck and shovel method, with operations scheduled for 200 days per year and under a contractor mining scenario.

The drilling operations are assumed to use the Flexi ROC T35 top hammer drill rig, which accommodates hole diameters ranging from 64 mm to 115 mm. The drilling is completed on a drill pattern of 5.3 m × 4.6 m. Delay blasting technique is employed. The blast hole inclination ranges from 70° to 90°. Blasting operations are forecast to be carried out every 2 to 3 days.

The designed bench height is 5 m, with double benching (10 m) employed. To meet the bench height and balance the number of 25-tonne trucks, 2 m³ hydraulic excavators were selected.

Mined materials will be transported along haul roads, which maintain a suitable gradient for efficient movement. Double-lane haul roads have been constructed (13 m wide), while single-lane roads (9 m wide) provide access to the pit bottom. The maximum gradient for these roads is set to 9% to ensure safe and efficient haulage.

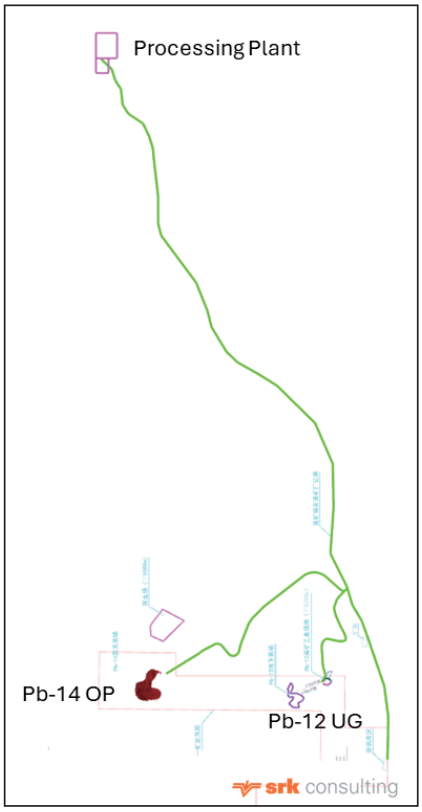
### Materials transportation

The main access ramp is located to the northeast of the Pb14 deposit area. The Pb14 deposit has been actively mined for many years, with a relatively complete road transportation system in place.

The ROM ore will be transported by truck to the processing plant. The distance from the mining area to the processing plant is approximately 11 km (green line in Figure 8.8).

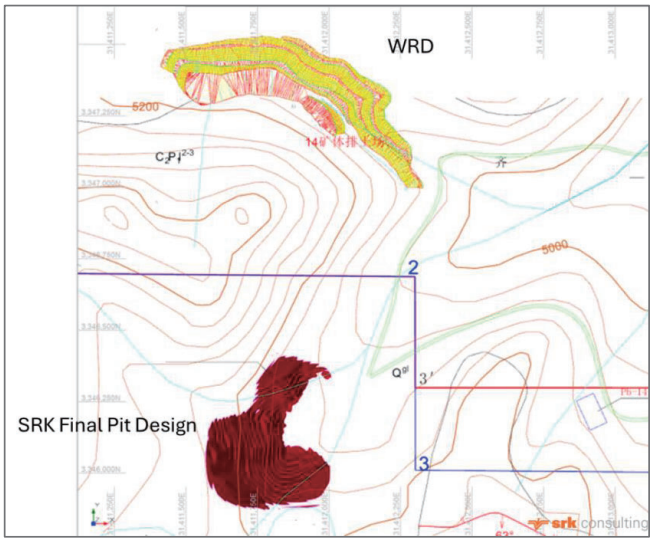
The mineralised waste is hauled by trucks to the mineralised waste dump located approximately 600 m northeast of the open-pit, on the northern side (Figure 8.9).

**Figure 8.8: Transportation route from mining area to processing plant**




Source: Huaxia Mining

**Figure 8.9: Mineralised waste dump location**




Source: SRK, 2025

## Equipment

Material will be blasted and subsequently loaded into trucks using 2 m³ hydraulic excavators. These trucks, with a capacity of 25 tonnes, will transport the loaded material to the processing plant or the mineralised waste dump. SRK received the contractor equipment list from Huaxia Mining (as outlined in Table 8.7).

The equipment fleet includes a total of 5 excavators and 15 trucks.

**Table 8.7: Primary and ancillary equipment list**

| Equipment | Model | No. of Units |
|---|---|---|
| Hitachi 360 Excavator | ZX360H-5A | 1 |
| Komatsu 360 Excavator | PC360-7 | 1 |
| Sumitomo 300 Excavator | SH360HD-6 | 1 |
| Sumitomo 350 Excavator | SH350-5 | 1 |
| Sumitomo 380 Excavator | SH380HD-5 | 1 |
| Sanhe 385 Breaking hammer | SWE385E | 1 |
| Lingong Loader | 965F | 1 |
| Trucks | NA | 15 |
| DTH drill rig | HT600 | 1 |
| Top hammer drill rig | FLexi ROC T35-11 | 1 |

Source: Huaxia Mining, summarised by SRK

### Mineralised waste dump design

Material below the designated cut-off grade will be stored in mineralised waste dump located approximately 600 m northeast of the open-pit. The mineralised waste dump is designed with an in-place density assumption of 2.2 t/m$^3$ and has sufficient capacity to accommodate the 8.9 Mt of waste material projected to be stripped over the LOM.

Dump trucks and bulldozers are expected to be used for mineralised waste disposal. Excavators load the stripped mineralised waste onto trucks, which then transport the material via designated access ramps and mine roads to the mineralised waste dump. At the mineralised waste dump, bulldozers are deployed to spread and level the mineralised waste material, ensuring efficient and orderly site management.

### Water supply

For Pb14 OP operation, water is sourced from the Qizu River, approximately 770 m east of the mining area, via a riverside sump and pump system to an elevated tank for production and fire suppression.

### Mine dewatering

Dewatering operations primarily address the management of pit inflows and precipitation.

In the hillside section of the pit, mechanical drainage is not required. Instead, strategically placed water channels along the benches efficiently direct runoff towards the main drainage channel, facilitating the discharge of water beyond the pit boundaries.

In the sunken section of the pit, drainage infrastructure includes the following:

- in-pit drainage ditches along the cleaning platform and water channels along pit roads that direct runoff to a sump at the pit bottom
- submersible pumps installed to discharge accumulated water from the pit
- an external diversion ditch to prevent external runoff from entering the pit.

## 8.3.6 Production schedule

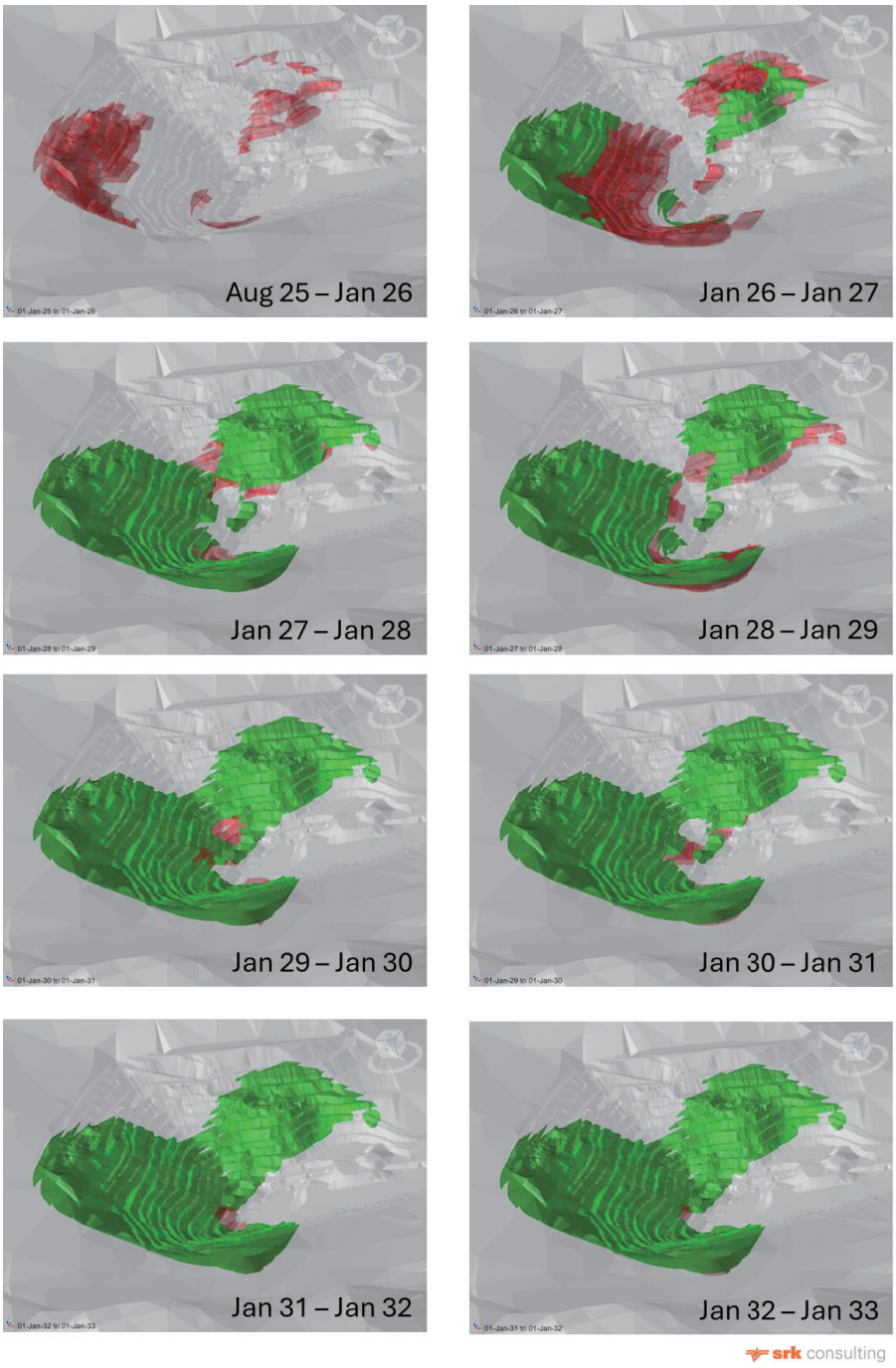
The LOM schedule has been developed using the Deswik suite software. The production schedule is organised on a yearly basis with an output of 200 kt.

The following assumptions were made during the production scheduling:

- Only blocks classified as Measured and Indicated Mineral Resources with an EqPb (lead equivalent) grade above 1.8% were considered and considered as ROM ore.
- Blocks classified as Inferred Mineral Resource, those with an EqPb grade below 1.8% and sterilised material were designated as waste.
- A conceptual starter pit was planned to guarantee supply of ROM ore in 2025.
- The maximum annual movement of waste material is at 4,000 kt/a.
- The vertical lag between mining phases is restricted to a maximum of 9 benches.
- The minimum mining width is 25 m.

The end-of-period mine designs are shown in Figure 8.10. The forecast LOM is 8 years, starting from August 2025, with 200 kt annually. The ROM amount is 1,438 kt with average EqPb grade of 6.87%, and the total EqPb contained metal is 98.74 kt. The waste amount is 8,534 kt, with an average stripping ratio of 5.94 t/t.

**Figure 8.10: End-of-period mine designs**




Source: SRK, 2025

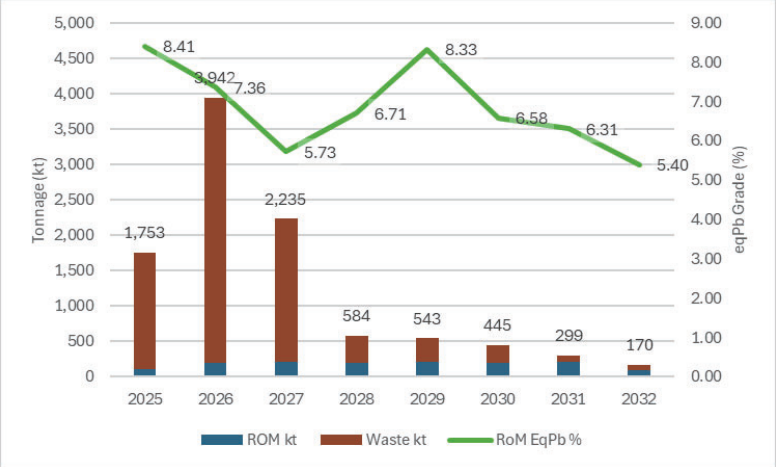
The annual mine production schedule is shown in Table 8.8 and Figure 8.11.

**Table 8.8: Annual mine production schedule**

| Mining Physicals | Unit | LOM | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 |
|---|---|---|---|---|---|---|---|---|---|---|
| ROM | kt | 1,438 | 113 | 199 | 206 | 200 | 214 | 197 | 208 | 101 |
| ROM Pb Grade | % | 0.69 | 1.11 | 1.00 | 0.30 | 0.35 | 0.63 | 0.70 | 0.85 | 0.94 |
| ROM Zn Grade | % | 4.90 | 5.50 | 4.92 | 4.20 | 5.12 | 6.26 | 4.76 | 4.43 | 3.52 |
| ROM Cu Grade | % | 0.10 | 0.19 | 0.12 | 0.12 | 0.11 | 0.09 | 0.09 | 0.08 | 0.06 |
| ROM Ag Grade | g/t | 10.09 | 17.63 | 14.34 | 10.53 | 7.68 | 10.27 | 6.84 | 6.80 | 9.99 |
| ROM EqPb Grade | % | 6.87 | 8.41 | 7.36 | 5.73 | 6.71 | 8.33 | 6.58 | 6.31 | 5.40 |
| ROM Pb+Zn Grade | % | 5.59 | 6.61 | 5.92 | 4.51 | 5.46 | 6.89 | 5.47 | 5.47 | 4.45 |
| Waste | kt | 8,534 | 1,640 | 3,744 | 2,029 | 384 | 329 | 248 | 90 | 70 |
| Total Material Movement | kt | 9,972 | 1,753 | 3,942 | 2,235 | 584 | 543 | 445 | 299 | 170 |
| Stripping Ratio | t: t | 5.94 | 14.51 | 18.86 | 9.85 | 1.92 | 1.54 | 1.26 | 0.43 | 0.69 |

Source: SRK, 2025

**Figure 8.11: Annual mine production schedule**




Source: SRK, 2025

Notes:

[1] The line represents the average EqPb grade, corresponding to the right axis.

[2] The column represents the ROM tonnes amount, corresponding to the left axis.

## 8.4 Pb12 underground

### 8.4.1 Geotechnical and hydrogeology

#### Hydrological conditions

The Second Brigade has conducted various phases of hydrogeological surveys in the mining area since 2003.

The mine is located on the southern side of the Nyainqentanglha Mountains, within the Yulonglang Valley of the upper Lhasa River, at an elevation ranging from 4,800 m to 5,570 m. The area features steep slopes and a general topography that is higher in the south and lower in the north.

The climate is classified as belonging to a typical temperate plateau semi-arid monsoon type. From 1978 to 2009, the average temperature was 6.1°C; from 1998 to 2010, the average annual rainfall was 591.76 mm, with a range of 413.0 mm to 761.4 mm. The maximum daily rainfall recorded was 47.3 mm on 19 August 2002. The rainy season, from June to September, accounts for 83.51% of the annual rainfall, with the heaviest single rainstorm delivering 33.0 mm over 3.0 to 4.0 hours, causing localised soil erosion.

Surface water

The nearby river flows through the Mengya'a Valley from south to north, passing east of the mining area. It is a seasonal river with a U-shaped valley. The width of the main channel ranges from 10 m to 20 m, with gentler slopes in the middle and lower reaches (3° to 7°) and steeper slopes upstream (10° to 14°), with incision depths of 1.4 m to 4.8 m. The channel is relatively straight. During the summer, the flow rate ranges from 16.7 L/s to 67.0 L/s.

Freezing begins in late October, and thawing occurs in March to April. The channel surface consists of 1.0–3.0 m of Quaternary glacial boulder soil, which is highly permeable, allowing most water to flow as subsurface runoff at the channel bed.

Faults

Regional faults are not well developed in the mining area, but numerous small faults, ranging from 0.6 km to 5.0 km in length, are present.

The Pb12 UG contains nine small faults: F1, F5, F6, F7, F8, F9, F10, F11 and F25.

The Pb14 OP contains six faults: F16, F19, F20, F21, F22 and F23.

According to drilling data, the vertical thickness of the structural fracture zones generally ranges from 2.59 m to 44.51 m.

Groundwater

Groundwater in the mining area is categorised into two main types: above and below the permafrost. The above-permafrost water has a limited distribution and thickness, with poor aquifer properties in the mining area, and its main concentration is in the lower-lying valley areas, posing minimal impact on mineral extraction. Below-permafrost water consists mainly of Bedrock Weathering Fracture

Water and Bedrock Structural Vein Fracture Water.

**Bedrock Weathering Fracture Water:** In the Pb12 UG, the base of the weathered zone is generally 46.00 m to 283.25 m below the surface, with a thickness of 26.24 m to 279.75 m. The aquifer thickness is 3.4 m to 139.95 m, averaging 46.08 m. In the Pb14 OP, the base of the weathered zone is generally 38.7 m to 124.4 m below the surface, with a thickness of 29.6 m to 149.3 m.

**Bedrock Structural Vein Fracture Water:** This is found within fault fracture zones, mainly distributed along the watershed, at higher elevations. The recharge area is small, and the surrounding rock has poor aquifer properties, limiting recharge sources.

Prediction of mine water inflow

The Pb12 UG is located over 2.2 km from the Mengya'a riverbed, with the orebody elevation higher than the riverbed elevation, resulting in minimal river water impact on mine water inflow. The average thickness of the weathered zone in Pb12 UG is 132.63 m (31.0 m strongly weathered, 101.0 m slightly weathered), with an average aquifer thickness of 46.08 m, a water level elevation of 5,179.45 m, and a permeability coefficient of 0.153 m/d. The Pb12 UG area has nine small faults, with structural fracture zones having an average vertical thickness of 15.58 m.

As for the Pb14 OP, drilling data from 16 boreholes indicate an average weathered zone thickness of 80.27 m (27.0 m strongly weathered, 53.0 m slightly weathered). On 8 November 2018, the total spring flow from the pit slopes was measured at 20.5 L/s. The Pb14 OP is associated with six small faults, with shallow fracture zones consistent with the weathered fracture zone elevations.

CINF conducted water inflow predictions using two methods: the 'Large Well Method' and the 'Hydrogeological Analogy Method'. The results are summarised in Table 8.9.

**Table 8.9: Water inflow prediction**

| Deposit | Elevation (m) | Large Well Method ($m^3/d$) | Hydrogeological Analogy Method ($m^3/d$) |
|---|---|---|---|
| Pb12 UG | 4,980 | 4,679 | 3,705 |
| Pb12 UG | 5,100 | 3,133 | 3,012 |
| Pb14 OP | 5,088 | 1,715 (Actual 1,771) | 1,771 |

Source: 22 CINF Mining Design

Eventually, for the Pb12 UG, CINF predicted normal water inflow at the 5,100 m RL to be 3,100 $m^3/d$ with a maximum inflow of 4,700 $m^3/d$. At the 4,980 m RL, normal inflow is predicted at 4,700 $m^3/d$, with a maximum inflow of 7,000 $m^3/d$.

As for the Pb14 OP, there is no recent prediction available; the primary management strategy is based on ongoing operation.

## Geotechnical conditions

The surrounding rock, as well as the hanging and footwall rocks, primarily consists of limestone, sandstone and slate. The rock quality designation (RQD) values, categorised by different rock type and degree of weathering, are listed in Table 8.10.

**Table 8.10: Rock quality designation in Pb12 UG**

| Rock type | Degree of weathering | RQD |
|---|---|---|
| Sandstone | Highly Weathered | 0.4–0.65 |
| | Moderately Weathered | 0.6–0.8 |
| | Slightly Weathered | 0.75 |
| Slate | Highly Weathered | 0.35–0.4 |
| | Moderately Weathered | 0.45–0.76 |
| | Slightly Weathered | 0.75 |
| Limestone | Highly Weathered | 0.85 |
| | Moderately Weathered | 0.75 |
| | Slightly Weathered | 0.8 |

Source: 22 CINF Mining Design

The definitive rock strength properties for each rock type are detailed in Table 8.11.

**Table 8.11: Rock strength summary in Pb12 UG**

| Rock Type | Degree of Weathering | Density (g/cm³) | | Water Absorption | Saturation Rate | Softening Coefficient | UCS (MPa) | | DM (MPa) | EM (MPa) | SS (MPa) | Poisson's Ratio |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Natural | Saturated | | | | Natural | Saturated | | | | |
| Sandstone | Fresh to Slightly | 2.74–2.78 | 2.75–2.79 | 0.12–0.51 | 0.54–0.84 | 0.85–0.91 | 42.5–94.2 | 36.3–85.4 | 42,978–70,706 | 44,438–72,420 | 6.30–6.85 | 0.08–0.10 |
| | Highly to Moderately | 2.66–2.68 | 2.67–2.72 | 0.42–0.44 | 0.78–0.84 | 0.58–0.65 | 31.3–35.3 | 23.2–28.4 | | 11,000–20,600 | 2.46–2.72 | 0.16 |
| Slate | Fresh to Slightly | 2.66–2.71 | 2.71–2.77 | 0.43–0.82 | 0.47–1.44 | 0.62–0.87 | 40.1–69.0 | 33.2–61.2 | 40,655–59,969 | 1,738–2,044 | 0.93–2.06 | 0.14–0.38 |
| | Highly to Moderately | 2.64–2.76 | 2.67–2.77 | 0.43–0.82 | 0.75–2.52 | 0.56–0.61 | 3.5–5.7 | 1.8–3.5 | 1,307–1,526 | 1,617–1,842 | 0.73–0.75 | 0.37–0.41 |
| Limestone | Fresh to Slightly | 2.63–2.75 | 2.64–2.76 | 0.43–0.82 | 0.67–3.15 | 0.74–0.86 | 62.6–70.9 | 52.6–63.3 | 1,587–44,632 | 1,893–45,880 | 0.75–7.67 | 0.15–0.38 |
| | Highly to Moderately | 2.58–2.70 | 2.60–2.71 | 0.43–0.82 | 0.95–3.30 | 0.53–0.65 | 3.7–21.6 | 2.1–14.4 | 1,143–2,578 | 1,472–2,914 | 0.72–0.78 | 0.36–0.40 |

Source: 22 CINF Mining Design

Notes:

[1] UCS: Uniaxial Compressive Strength
[2] DM: Deformation Modulus
[3] EM: Elastic Modulus
[4] SS: Shear Strength





APPENDIX III INDEPENDENT TECHNICAL REPORT
THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE AND THAT THE INFORMATION MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED "WARNING" ON THE COVER OF THIS DOCUMENT.

CINF established a comprehensive rock model, including the surface. The numerical model has dimensions of 1,900 m in the x-direction, 1,000 m in the y-direction, and extends from an elevation of 4,500 m to the surface in the z-direction, comprising 90,230 nodes and 480,668 elements. Table 8.12 summarises the physical and mechanical parameters of the materials used for the analysis.

**Table 8.12: Physical and mechanical parameters of the materials**

| Material Type | Density ($t/m^3$) | EM/GPa | Poisson's Ratio | IFA (°) | Cohesion (MPa) | TS (MPa) |
|---|---|---|---|---|---|---|
| Glacial till | 2.4 | 0.40 | 0.29 | 31.00 | 0.10 | 0.05 |
| Surrounding rock | 2.7 | 4.00 | 0.25 | 43.00 | 2.30 | 1.50 |
| Orebody | 3.52 | 2.00 | 0.23 | 38.00 | 2.00 | 1.20 |
| Primary backfill | 1.82 | 0.57 | 0.24 | 29.00 | 0.78 | 0.67 |
| Secondary backfill | 1.8 | 0.06 | 0.26 | 19.00 | 0.17 | 0.11 |

Source: 22 CINF Mining Design

Notes:

[1] EM: Elastic Modulus
[2] IFA: Internal Friction Angle
[3] DM: Deformation Modulus
[4] TS: Tensile Strength

CINF made the following assumptions during the analysis of stope stability and surface stability:

- The influence of distant minimal orebodies and structural planes from the main orebody is not considered.
- Each type of rock mass and fill material is regarded as an isotropic continuous medium.
- The mined-out stope is assumed to be completely filled to the roof, with no gaps between the fill material and the rock mass.
- The effects of seismic waves, explosive shock waves, and groundwater on rock mass stability are not considered.
- The physical and mechanical parameters of the rock mass used in the analysis are selected based on geological reports and by referencing benchmarks.

Stope stability geotechnical analysis

CINF used FLAC3D to analyse the stope stability for the Sublevel Open Stoping with Delayed Backfill mining method, considering both transverse and longitudinal arrangements. FLAC3D is a sophisticated numerical modelling software designed for the analysis of geotechnical and rock mechanics in three dimensions. During the simulation, the mining sequence for sublevels is conducted from bottom to top.

For stoping, the mining sequence follows a primary and secondary approach.

### Sublevel Open Stoping with Delayed Backfill (Transverse)

Table 8.13 summarises the stope parameters used for the geotechnical analysis of stope stability.

**Table 8.13: Stope parameters used for geotechnical analysis – Sublevel Open Stoping with Delayed Backfill (Transverse)**

| | Level spacing (m) | Stope width (m) | Stope length |
|---|---|---|---|
| Scenario 1 | 40 | 12 | Orebody thickness |
| Scenario 2 | 40 | 15 | Orebody thickness |
| Scenario 3 | 40 | 18 | Orebody thickness |

Source: 22 CINF Mining Design

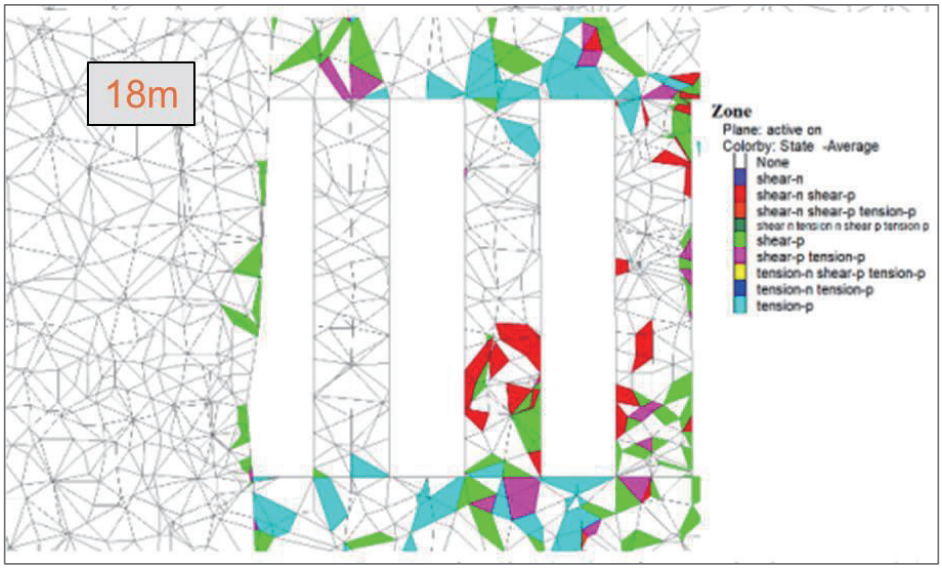
Table 8.14 summarises the analysis results. Figure 8.12 illustrates the results of the plastic zone analysis.

**Table 8.14: Plastic zone analysis results – Sublevel Open Stoping with Delayed Backfill (Transverse)**

| | Displacement (mm) | Maximum principal stress (MPa) | Tensile strength (MPa) | Plastic zone penetration? |
|---|---|---|---|---|
| Scenario 1 | 28.37–60.89 | 6–8 | 0.15–0.45 | No |
| Scenario 2 | 30.25–65.03 | 6–8 | 0.15–0.45 | No |
| Scenario 3 | 62.87–118.36 | 8–11.5 | 0.68–0.95 | Yes |

Source: 22 CINF Mining Design

**Figure 8.12: Plastic zone analysis results (primary stoping, front view, 18 m)**




Source: 22 CINF Mining Design

Based on this analysis, CINF has concluded the following:

- **Displacement analysis**: For both primary and secondary stoping, the simulation of stopes with widths of 12 m, 15 m and 18 m showed that the maximum deformation occurs at the hanging wall and footwall. It was observed that when the stope width increased to 18 m, there was a sharp increase, with a maximum total displacement of 118.36 mm. This indicates that when stope width reaches 18 m, the stope is prone to delamination and collapse, which may cause increased waste dilution.
- **Maximum principal stress analysis**: For both primary and secondary stoping, the maximum principal stress is concentrated at the bottom corners of the sidewall and the hanging wall. Overall, the backfill material does not exhibit excessive compressive stress concentration. However, when the stope width is 18 m, compressive stress concentration may occur in the surrounding rock.
- **Tensile stress analysis**: During primary stoping, the maximum tensile stress in the surrounding rock of stopes with widths of 12 m and 15 m is less than that for the 18 m width. As mining progresses, the tensile stress is primarily concentrated in the surrounding rock of the sidewalls or the hanging wall and footwall. In secondary stoping, the maximum tensile stress for 12 m and 15 m widths is less than the tensile strength of the backfill material (0.67 MPa). However, for an 18 m width stope, the tensile stress exceeds the tensile strength of the backfill material, resulting in damage to the backfill.
- **Plastic zone analysis**: When the stope width reaches 18 m, the extent of plastic zone damage in the surrounding rock is significant, and plastic zone penetration was observed.

### Sublevel Open Stoping with Delayed Backfill (Longitudinal)

Table 8.15 summarises the stope parameters used for the geotechnical analysis of stope stability.

**Table 8.15: Stope parameters used for geotechnical analysis – Sublevel Open Stoping with Delayed Backfill (Longitudinal)**

| | Level spacing (m) | Stope width (m) | Stope length (m) |
|---|---|---|---|
| Scenario 4 | 40 | Orebody thickness | 30 |
| Scenario 5 | 40 | Orebody thickness | 40 |
| Scenario 6 | 40 | Orebody thickness | 50 |

Source: 22 CINF Mining Design

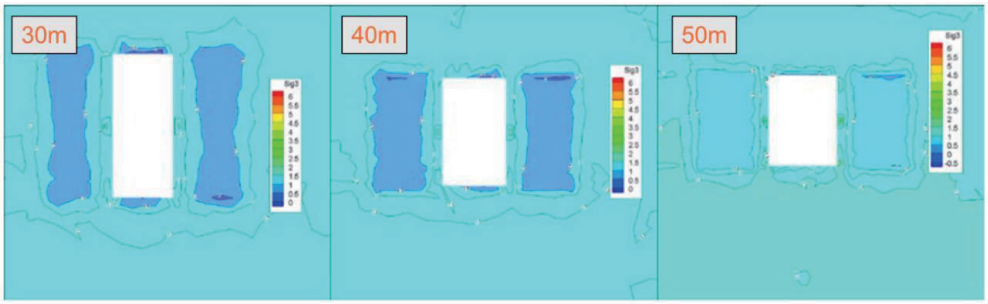
Table 8.16 summarises the analysis results. Figure 8.13 illustrates the results of the tensile stress analysis.

**Table 8.16: Tensile stress analysis results – Sublevel Open Stoping with Delayed Backfill (Longitudinal)**

| | Displacement (mm) | Maximum principal stress (MPa) | Tensile strength (MPa) | Plastic zone penetration? |
|---|---|---|---|---|
| Scenario 4 | 18.84~23.59 | 6~10 | 0.34~0.37 | No |
| Scenario 5 | 23.01~27.64 | 6~10 | 0.43~0.5 | No |
| Scenario 6 | 48.39~55.62 | 8~12 | 0.63~0.7 | No |

Source: 22 CINF Mining Design

**Figure 8.13: Tensile stress analysis results (secondary, front view)**




Source: 22 CINF Mining Design

Based on this analysis, CINF concluded the following:

- **Displacement analysis**: When the stope length is 50 m, the back displacement deformation is approximately twice that of stope lengths of 40 m and 30 m.
- **Maximum principal stress analysis**: For all three mining lengths, the maximum principal stress is concentrated at the top and bottom corners of the stope sidewalls. During the extraction process, an increase in stope length leads to excessive compressive stress concentration in the surrounding rock.
- **Tensile stress analysis**: During the primary stoping, the maximum tensile stress generated in the back is less than the tensile strength of the surrounding rock. In the secondary stoping, the maximum tensile stress is distributed within the backfill. Given that the tensile strength of the backfill is 0.67 MPa, the backfill becomes unstable when the stope length reaches 50 m, potentially leading to backfill failure.
- **Plastic zone analysis**: The distribution of the plastic zone does not vary significantly with different stope lengths, and no plastic zone penetration is observed.

### Stope design recommendations

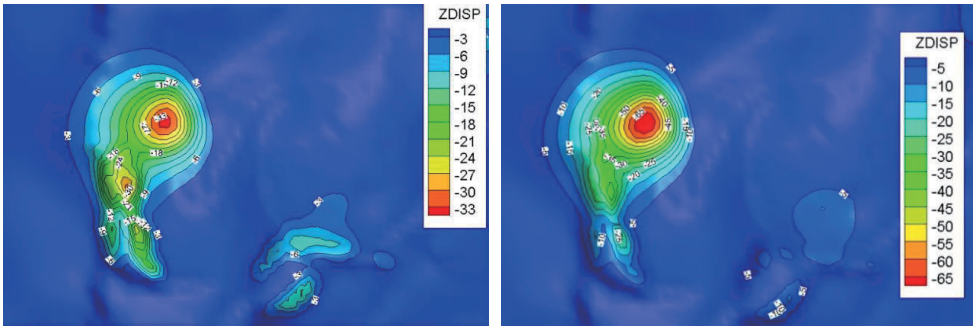
Based on the stope stability analysis, CINF recommended the following:

- For Sublevel Open Stoping with Delayed Backfill (Transverse), the recommended stope width is set at 15 m.
- For Sublevel Open Stoping with Delayed Backfill (Longitudinal), the recommended stope length is set at 40 m.

Surface stability analysis

CINF also conducted a surface stability analysis to determine the impact of surface subsidence deformation under both backfilled and non-backfilled mining conditions. The direction of maximum displacement observed on the surface is vertical. In the backfilled scenario, the maximum vertical displacement was -33.43 mm, whereas in the non-backfilled scenario, the maximum vertical displacement was -68.96 mm.

**Figure 8.14: Tensile stress analysis results (secondary, front view)**




**Backfilled mining** **Non-backfilled mining**

Source: 22 CINF Mining Design

## 8.4.1 Mineable shape optimisation

### Mining Block Model

The mine design and resource estimation within the pit design were based on MRM developed by SRK, with an effective date of 31 December 2024. The model was provided in Datamine (.dm) format.

Key parameters of the block model are outlined in Table 8.17.

**Table 8.17: Resource block model parameters**

| Range | Minimum | Maximum |
|---|---|---|
| Easting | 31,413,700 | 31,415,140 |
| Northing | 3,345,600 | 3,346,400 |
| Elevation | 4,900 | 5,500 |
| X Size | 2 | 20 |
| Y Size | 2 | 20 |
| Z Size | 2 | 4 |
| Rotation | - | - |

Source: SRK

SRK converted the MRM to a MBM in Block Geomodel (.gmdlb) format for mine planning purposes in Deswik.

The Deswik.SO (Stope Optimizer) module was used on the MRM to generate mineable shapes.

These shapes were subsequently used to refine and enhance the proposed mine plan. The input parameters used in the SO module are summarised in Table 8.18.

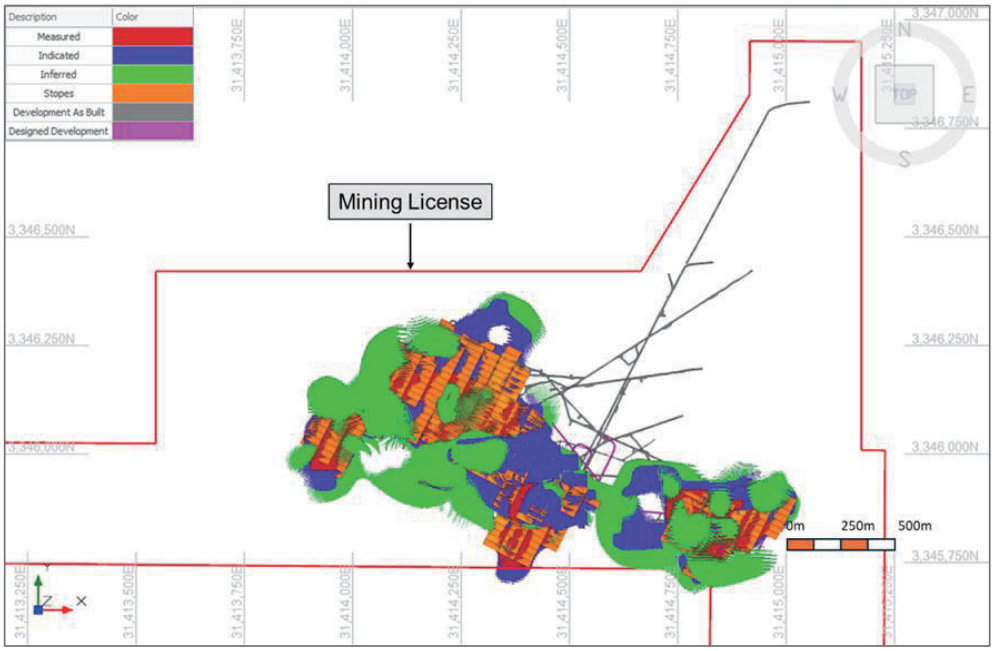
**Table 8.18: SO parameters for underground mining**

| Parameters | Unit | Inputs |
|---|---|---|
| Default Density | $t/m^3$ | 2.81 |
| Optimisation Field | | EqPb |
| Cut-off Grade | % | 2.9 for fresh and 4.6 for oxide |
| Head Grade | % | 3.7 for fresh and 6.0 for oxide |
| Block Size | m | 2×2×2 |
| Stope Orientation Plan | | XY |
| Rotate | ° | 27 on Z axis |
| Mining Width | m | 15 |
| Mining Length | m | 40 |
| Minimum Stope Height | m | 3 |
| Minimum Pillar Height | m | 5 |
| Roof Dilution | m | 0.5 |
| Floor Dilution | m | 0.2 |
| Default Strike | ° | 0 |
| Strike Range | ° | -10 to 10 |
| Maximum Strike Change | ° | 5 |
| Default Dip | ° | -22.5 |
| Maximum Dip Change | ° | 5 for Roof, 1 for Floor |
| Dip Range | ° | -45 to 0 for Roof, -1 to 1 for Floor |

Source: SRK

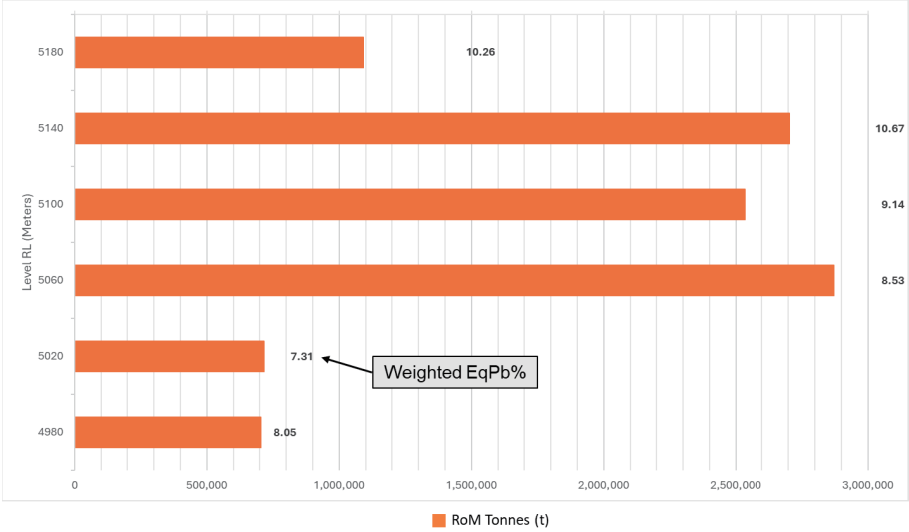
The mine design result generated is illustrated in Figure 8.15. Figure 8.16 presents the tonnes and average EqPb grade within the stopes at each vertical interval.

**Figure 8.15: Plan view of Ore Reserve estimate areas – Pb12 UG**




Source: SRK

**Figure 8.16: Tonnes and average EqPb grade within stopes per vertical interval**




Source: SRK, 2025

### 8.4.2 Mining method

The Pb12 deposit is planned to be mined as an underground operation, with work scheduled to occur over 200 days per year, comprising three shifts of 8 hours each. The annual production capacity is set at 200 kt.

The following section provides a discussion regarding the mining methods, development, and essential mine services required for underground mining exploitation.

#### Mining method selection

The selection of a mining method involves considering a variety of factors to ensure safety, efficiency, and environmental responsibility. In the 22 CINF Mining Design, four mining methods were nominated for the Mengya'a mine. Table 8.19 summarises the mining methods considered for the Pb12 UG.

**Table 8.19: Mining methods – Pb12 UG**

| Thickness | Dip (°) | Mining Method |
|---|---|---|
| <8 m | ≤30 | Room and Pillar with Delayed Backfill |
| ≥8 m | ≤30 | Sublevel Open Stope with Delayed Backfill (Gently Dip Orebody & Longitudinal) |
| <15 m | >30 | Sublevel Open Stope with Delayed Backfill (Steep Dip Orebody & Longitudinal) |
| ≥15 m | >30 | Sublevel Open Stope with Delayed Backfill (Steep Dip Orebody & Transverse) |

Source: 22 CINF Mining Design

#### Room and Pillar with Delayed Backfill (RPDB)

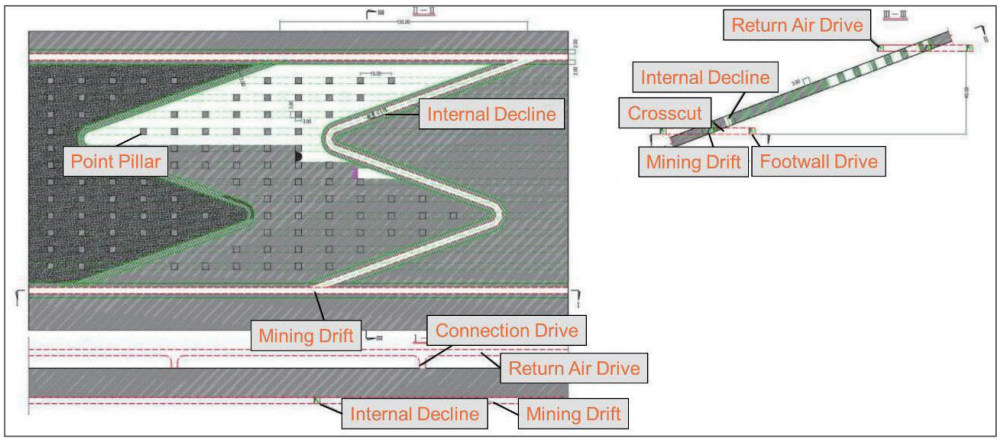
- **Stope Configuration**: The stope extends 120 m along the strike, with its width corresponding to the orebody thickness and a level spacing of 40 m. The rib pillar measures 3 m, and the crown and sill pillars are both 2 m. Along the dip, an internal decline, featuring a switchback height of 13–14 m, serves two adjacent stopes, with 2 m pillars left on either side of the internal decline. As mining progresses, 3 m × 3 m square point pillars are placed, spaced 15 m along the strike and 8–9 m along the dip.
- **Stope Preparation**: A crosscut is driven perpendicular to the orebody from the footwall drive. Upon reaching the orebody, a mining drift is developed along the strike. From the mining drift, an internal decline is constructed within the stope, maintaining a gradient below 15% to facilitate access for loaders and drilling jumbos. The internal decline uses switchbacks to manage the gradient and connects to the upper level.
- **Stoping**: Mining is initiated from the top downwards. A Sandvik DD2710 single-boom jumbo drill is used to drill blast holes with diameters ranging from 43 mm to 64 mm and lengths of 2.5–3.5 m. Mining commences from the primary drift, followed by the secondary drift, which are mined in intervals, ultimately leaving 3 m × 3 m square point pillars in the secondary drift. Blasted materials are extracted using an ACY 204 diesel-powered loader with a 4-tonne capacity. These materials are transported via the internal decline to the mining drive, then to the footwall drive, and loaded onto trucks. CINF assumed that the crown and sill pillars could be recovered. Regarding rib pillars, CINF considers that the resource loss is not significant (3 m against 120 m).
- **Ventilation**: Fresh air flows from the mining drift through the internal decline to the stope working

face. Exhaust air is channelled through the primary/secondary drift and connection drive into the return air drive, eventually exiting to the surface via a blind return air raise and return air adit.

- **Backfill**: Upon completion of mining, backfill barricades are erected, and backfill is introduced through pipelines from the upper level.

Figure 8.17 illustrates a schematic diagram of the mining method.

**Figure 8.17: Schematic of RPDB mining method**




Source: 22 CINF Mining Design and modified by SRK

**Sublevel Open Stope with Delayed Backfill (Gently Dip Orebody & Longitudinal) (SLOSG)**

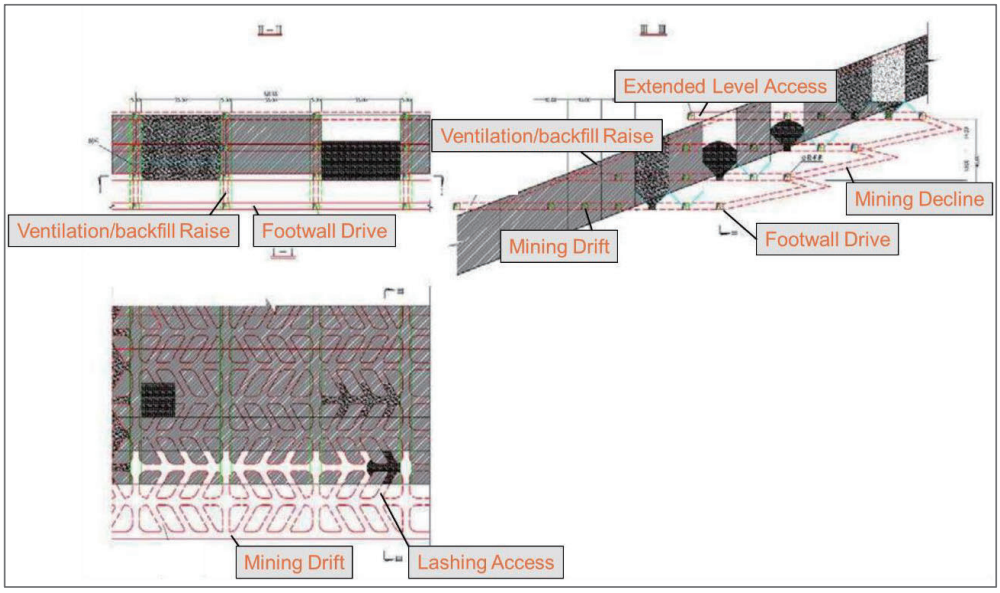
According to the 22 CINF Mining Design guidelines, SLOSG is typically applied to orebodies with a dip angle of less than 30° and an average thickness normally exceeding 8 m.

- **Stope Configuration:** The stope extends 40 m along the strike, with a rib pillar measuring 5 m, and no crown or sill pillars are left. Along the dip, the stopes are divided into primary and secondary stopes, both with a width of 15 m. The level spacing is 40 m, with sublevel spacing ranging from 13 m to 14 m.
- **Stope Preparation:** From the footwall drive, mining declines are drifted, and from the mining decline, level or sublevel access drifts are created to reach the stopes in a transverse direction. Mining drifts are arranged in the centre of the stopes. Along the strike, inclined loading accesses are drifted to reach the stopes. Wedge-shaped bottom structures will be recovered at a later stage. The level or sublevel accesses are extended to the hanging wall to connect with the ventilation/backfill raise.
- **Stoping:** Mining is initiated from the primary stopes first, then proceeds to the secondary stopes. A Sandvik DL2710 longhole drill is used to drill blast holes in a fan pattern (diameters range from 64 mm to 89 mm). Blasted materials are extracted using an ACY 204 diesel-powered loader with a 4-tonne capacity. For the bottom structures and rib pillars, drift mining is considered for recovery.
- **Ventilation:** Fresh air flows from the footwall drive, mining decline, and level/sublevel access to the mining drift and stope working face. Exhaust air is channelled through the ventilation/backfill raise and upper-level access, eventually exiting to the surface via a blind return air raise and return air adit.
- **Backfill:** Upon completion of mining the stopes, backfill barricades are erected, and backfill is introduced through pipelines from the ventilation/backfill raise. To reduce backfill dilution during mining of the secondary stopes, high-cement backfill should be considered for the primary stopes. For the secondary stopes, the bottom 5 m should be filled with high-cement backfill, while the

rest of the void can be filled with low-cement backfill.

Figure 8.18 illustrates a schematic diagram of the SLOSG mining method.

**Figure 8.18: Schematic of SLOSG mining method**




Source: 22 CINF Mining Design and modified by SRK

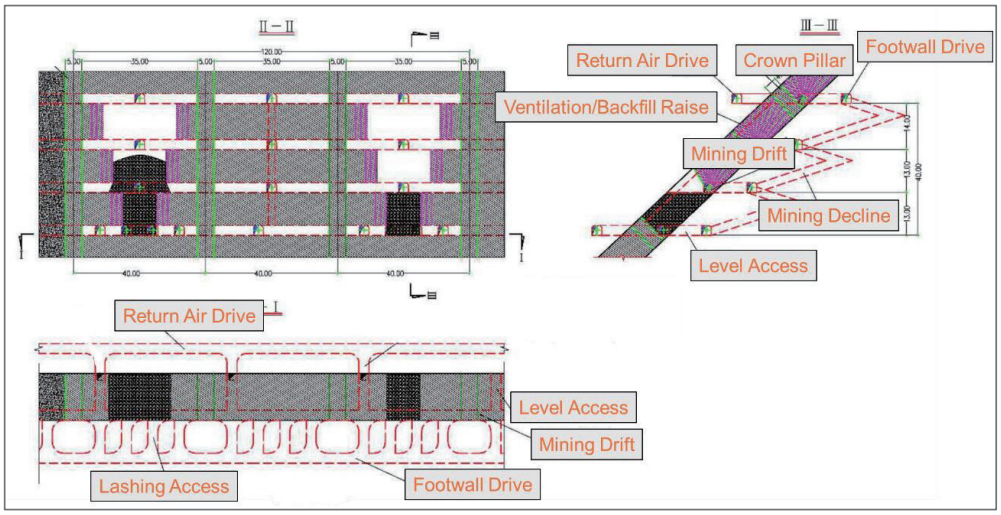
**Sublevel Open Stope with Delayed Backfill (Steep Dip Orebody & Longitudinal) (SLOSS)**

The fundamental philosophy of SLOSS is similar to that of SLOSG. The primary distinction between these two methods lies in the shape of the orebody, particularly the steeper dip angle associated with SLOSS compared to SLOSG.

- **Stope Configuration:** The stope extends 40 m along the strike, with a rib pillar measuring 5 m, and no sill pillars are left. However, a 4 m crown pillar is left between the levels. The level spacing is 40 m, with sublevel spacing ranging from 13 m to 14 m.
- **Stope Preparation:** Stope preparation is similar to that of SLOSG, with the only difference being that in SLOSS, only level access should be extended to form the ventilation system.
- **Stoping:** Mining is initiated by sublevels, proceeding from top to bottom. The drilling, blasting, and lashing processes are the same as those used in SLOSG. For the bottom structures and rib pillars, drift mining is considered for recovery.
- **Ventilation:** The ventilation philosophy is the same as that of SLOSG.
- **Backfill:** Upon completion of mining the stopes, backfill barricades are erected, and backfill is introduced through pipelines from the ventilation/backfill raise. The bottom 5 m should be filled with high-cement backfill, while the remainder of the void can be filled with low-cement backfill.

Figure 8.19 illustrates a schematic diagram of the SLOSS mining method.

**Figure 8.19: Schematic of SLOSS mining method**




Source: 22 CINF Mining Design and modified by SRK

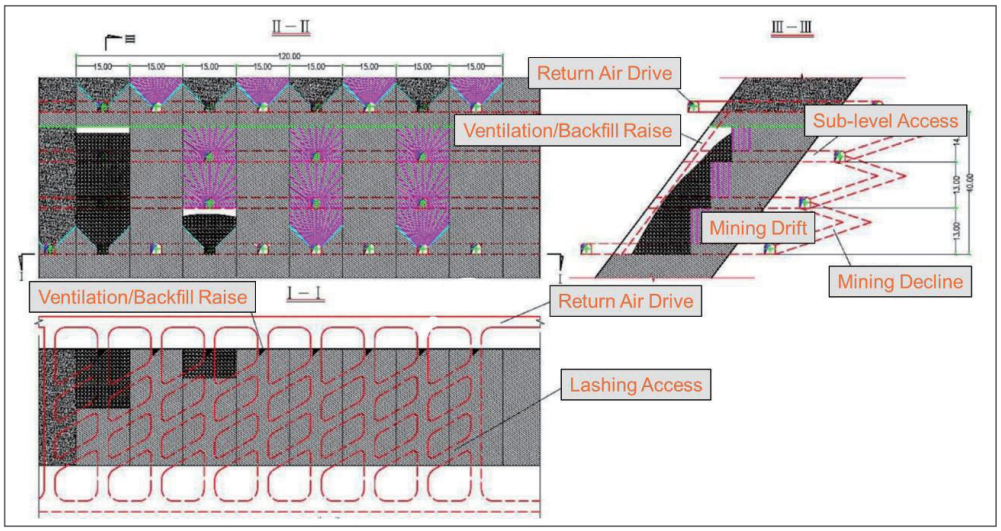
### Sublevel Open Stope with Delayed Backfill (Steep Dip Orebody & Transverse) (SLOST)

When applying SLOST, the shape of the orebody is similar to that of SLOSS. However, the horizontal thickness of the orebody is greater, typically exceeding 15 m, which allows mining to commence in a transverse direction towards the orebody.

- **Stope Configuration**: The stope width is 15 m, and the transverse length of the stope corresponds to the horizontal thickness of the orebody. No rib pillars or sill pillars are left; however, a 4 m crown pillar is left between the levels. The level spacing is 40 m, with sublevel spacing ranging from 13 m to 14 m.
- **Stope Preparation**: Stope preparation is similar to that of SLOSS. The main difference with SLOST is that once the level or sublevel access reaches the stope, the mining drift continues in a transverse direction towards the orebody.
- **Stoping**: Mining is initiated by sublevels, proceeding from top to bottom, with each sublevel following a retreat mining sequence. The drilling, blasting, and lashing processes are the same as those used in SLOSS. For the bottom structures and rib pillars, drift mining is considered for recovery.
- **Ventilation**: The ventilation philosophy is the same as that of SLOSS.
- **Backfill**: The backfill process is the same as that of SLOSS.

Figure 8.20 illustrates a schematic diagram of the SLOST mining method.

**Figure 8.20: Schematic of SLOST mining method**




Source: 22 CINF Mining Design and modified by SRK

## Mine design

### Level spacing

The main level spacing is set at 40 m, with sublevel spacing ranging from 13 m to 14 m. The main levels are established at elevations of 5,210 m RL, 5,180 m RL, 5,140 m RL, 5,100 m RL, 5,060 m RL, 5,020 m RL and 4,980 m RL.

As at 31 December 2024, the main development system at 5,210 m RL, 5,180 m RL, 5,140 m RL, 5,100 m RL and 5,020 m RL was completed during the previous geological exploration period. These levels are accessed through adits. The planned development at 5,060 m RL involves the construction of a decline from 5,020 m RL. The same approach applies to the 4,980 m RL, which is also connected to the 5,020 m RL by a decline.

### Development system

The 22 CINF Mining Design conducted trade-off studies for the development system, focusing on two primary options. The main difference between these options lies in the transportation method for materials above the 5,100 m RL.

Option I involved transporting materials through individual level adits, whereas Option II proposed constructing an ore pass to transfer materials to the 5,100 m RL, subsequently using the adit at this level to haul materials out from underground.

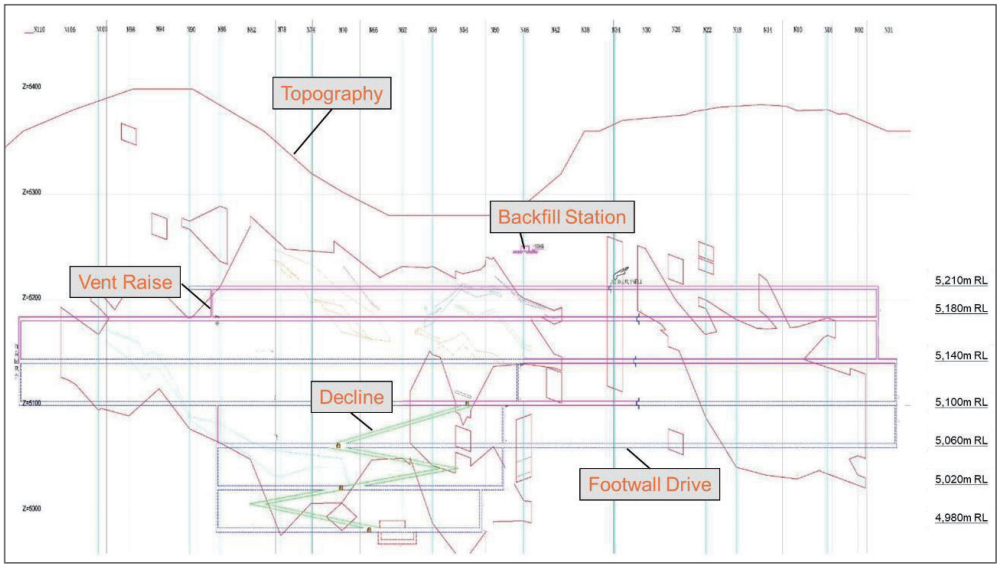
After evaluating capital expenditure, time consumption, and existing surface infrastructure, the 22 CINF Mining Design concluded that Option I was preferable due to its lower capital expenditure and shorter construction time.

Based on Option I, 22 CINF Mining Design proposed two stages for mine exploitation, each with a production capacity of 1,000 t/d.

Overall, the selection of the development strategy is considered reasonable from SRK's perspective.

Figure 8.21 illustrates the sectional view of the development system at the Mengya'a mine.

**Figure 8.21: Schematic of development system**




Source: 22 CINF Mining Design and modified by SRK

## Mine services

The mine service infrastructure is designed to ensure operational reliability, safety, and efficiency across all mining activities. Systems are tailored to high-altitude conditions (4,980–5,210 m RL) and phased production requirements, incorporating redundancy and modularity for long-term adaptability.

The mine services are primarily based on the 24 XERI Mining Design. The following is a discussion of the key aspects.

### Ventilation

The ventilation design employs a central intake with a two-wing return configuration.

During Stage I, fresh air is introduced through various adit entrances to the working face. The exhaust air is directed through ventilation/backfill raises within the stopes to the upper-level return air drive and then expelled to the surface via the eastern and western blind return air raises between levels, ultimately exiting through the 5,210 m RL return air adit.

In Stage II, fresh air enters through the 5,100 m RL adit and decline, as well as the 5,020 m RL adit, reaching each individual level and stope. The exhaust air follows the same path as in Stage I.

A K40-6-№21 counter-rotating axial flow fan is installed in the fan room at the 5,210 m RL adit entrance. This fan is equipped with a 200 kW electric motor operating at a voltage of 380 kV. It provides an air pressure range of 339–1,563 Pa and an airflow rate of 53.3–116.1 m³/s.

### Dewatering

The estimated underground water inflow is as follows:

- Stage I: At the 5,100 m RL, the normal inflow rate is estimated at 3,100 m³/d, with a maximum inflow rate of 4,700 m³/d, and production wastewater amounts to 747 m³/d.
- Stage II: At the 4,980 m level, the normal inflow rate is estimated at 4,700 m³/d, with a maximum inflow rate of 7,000 m³/d.

The philosophy of dewatering is as follows:

- **Stage I:** Dewatering is managed through gravity flow. The underground water inflow from various levels naturally flows through boreholes and cable raises to the 5,100 m RL adit. It then continues to flow to a sedimentation pond near the adit entrance, where it is treated for use in other facilities.
- **Stage II:** The 5,020 m RL serves as the boundary for drainage. Underground water inflows at and above this level, is directed through drainage holes and boreholes to the 5,020 m RL adit. From there, it flows naturally to a sedimentation pond near the adit. As for the levels below 5,020 m RL, a drainage pump station is located near the decline at the 4,980 m RL. Water is pumped to the 5,020 m adit and then flows to the adit entrance. The 4,980 m pump station is equipped with three D300-65×3 pumps, each with a flow rate of 300 m³/h and a head of 195 m, powered by 250 kW motors. Under normal inflow conditions, one pump operates, while another is on standby, and the third is reserved for maintenance. During maximum inflow conditions, two pumps operate simultaneously.

### Compressed air

Based on calculations, the mine's maximum compressed air requirement per shift is 48 m³/min. Considering relevant factors, the maximum air consumption is 90.6 m³/min. A compressor station is designed to be located near the 5,100 m RL adit entrance, equipped with three LGFD-315F-7bar screw compressors. These compressors are air cooled, with two in operation and one on standby. Each compressor has an air discharge capacity of 60 m³/min at a pressure of 0.8 MPa and is powered by a 315 kW motor with a supply voltage of 10 kV.

### Water supply

The underground production water requirement is 1,000 t/d. Water for production is sourced from adit and mine seepage. The collected water is first treated in a sedimentation pond before being pumped to a high-level surface reservoir. From the reservoir, water is redistributed through pipelines to the entrances of each adit level. It is then further distributed to the underground working faces via the level adits, supporting both mining production and fire suppression activities.

### Backfill

The backfill system employs a mineralised waste cemented backfill process, with mineralised waste sourced from the Pb14 OP. The mineralised waste is crushed to a particle size of less than 10 mm

and then transported by truck to the 5,180 m RL aggregate stockpile. The slurry is conveyed through boreholes and pipelines to the underground voids. The backfill station is designed to operate for 150 days per annum, with three shifts per day, each shift lasting 16 hours. Calculations indicate a design slurry flow rate of 28.59 m³/h, with a daily slurry consumption of 457.39 m³ at a concentration of 74%. The backfill system uses gravity flow where applicable.

Power supply

All power supply systems are designed to meet high-altitude requirements. The installed capacity of the equipment is 2,834.4 kW, with an operational capacity of 2,357.4 kW. The maximum annual electricity consumption is 6.55 million kWh.

Other infrastructure

The Mengya'a mine is equipped with existing facilities such as a fuelling station, explosives storage, and administration facilities. The mine is accessible via two main routes, one to the south and one to the north, providing generally convenient transportation conditions and adequate external support.

During mining operations, a workshop for the maintenance and repair as well as a materials warehouse, will be established at the 5,100 m RL.

### 8.4.3 Mining equipment

The primary equipment is mainly categorised into the following groups: development, production, lashing, and hauling.

Table 8.20 summarises the equipment selection results, including the type, model, and quantity requirements.

**Table 8.20: Mining equipment configuration**

| Category | Type | Model | Quantity |
|---|---|---|---|
| Development | Development Drill Rig | DD2710 | 2 |
| | Loader | ACY204 - 2 $m^3$ | 4 |
| | Mine Truck | 12t | 4 |
| Production | Jack Hammer | YT-28 | 4 |
| | Long Hole Drill Rig | DL2710 | 2 |
| Lashing | Loader | ACY204 - 2 $m^3$ | 4 |
| Hauling | Mine Truck | 12t | 4 |

Source: 22 CINF Mining Design and 24 XERI Mining Design

### 8.4.4 Mine logistics

In Stage I, which is above the 5,100 m RL, all equipment, materials, and personnel will enter and exit through each level adit. Mine trucks will transport the mineable materials to a surface stockpile located near the adit entrance. Subsequently, the materials will be transferred to larger trucks for transport to the processing plant, which is 11 km away. There will be no coarse crushing machinery underground, and waste materials will be transported to the surface during the construction period,

subsequently being used as backfill in mined-out stopes during the production period.

In Stage II, which spans from 4,980 m RL to 5,100 m RL, the mineable materials will be transported through each individual footwall drive, then to the decline, and finally through the 5,100 m RL to the surface stockpile. From there, they will be transferred to larger trucks for transport to the processing plant. As in Stage I, waste materials will be used as backfill in mined-out stopes.

### 8.4.5 Production schedule

SRK re-evaluated the production schedule. The productivity and scheduling philosophy applied to the mine schedule is summarised as follows:

- Mine area: The mine is divided into distinct areas based on the location of the veins.
- Mining unit: Along the strike direction, the mine is segmented into units every 40 m.
- Level RL: Stopes are defined at various level RLs according to the section of mine design.
- Material type: Stopes are classified as either oxide stopes or fresh stopes based on geological definitions.
- Operational stages: According to the 22 CINF Mining Design, mining operations are organised into two stages, and from upper levels to lower levels.
- Primary/secondary stopes: Primary stopes will be mined first, followed by secondary stopes after the backfill has cured. The plan is to mine the secondary stope until 2027, necessitating the commissioning of the backfill station after 2027.
- Mining capacity: The initial production capacity is set at 100 kt/a. Huaxia Mining planned to gradually ramp up the production capacity as the Pb14 OP mining is ceased. The planned operation hours of the mining fleet would be expanded and/or the backup equipment would be used, which is capable of achieving the mining capacity of 400 kt/a. From 2031 to 2033, the Pb12 UG will undergo a production ramp-up to achieve 400 kt/a, continuing until the end of the mine's life.

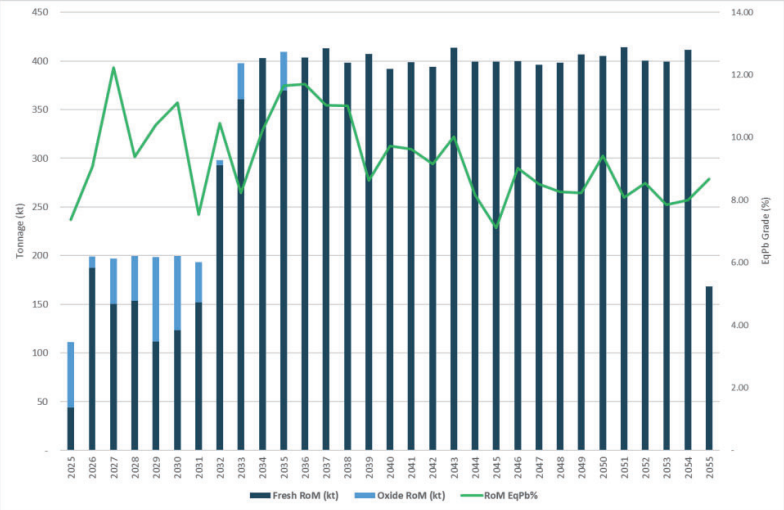
Table 8.21 and Figure 8.22 indicate the production schedule over the LOM for Pb12 UG.

**Table 8.21: Production schedule over the LOM – Pb12 UG**

| Year | ROM tonnes (t) | ROM Pb% | ROM Zn% | ROM Cu% | ROM Ag (g/t) | ROM EqPb% | ROM Pb+Zn% |
|---|---|---|---|---|---|---|---|
| **2025** | **110,840** | **3.26** | **2.72** | **0.16** | **18.92** | **7.38** | **5.98** |
| 2026 | 198,970 | 3.38 | 3.86 | 0.19 | 27.41 | 9.06 | 7.25 |
| 2027 | 197,116 | 5.46 | 4.56 | 0.24 | 32.19 | 12.23 | 10.02 |
| 2028 | 199,433 | 3.79 | 3.68 | 0.23 | 26.19 | 9.38 | 7.47 |
| 2029 | 198,271 | 4.56 | 3.90 | 0.22 | 28.71 | 10.40 | 8.46 |
| 2030 | 199,761 | 5.35 | 3.93 | 0.20 | 29.12 | 11.11 | 9.29 |
| 2031 | 193,288 | 3.52 | 2.70 | 0.14 | 21.83 | 7.54 | 6.23 |
| 2032 | 298,259 | 4.11 | 4.23 | 0.22 | 31.29 | 10.45 | 8.34 |
| 2033 | 397,531 | 2.97 | 3.32 | 0.20 | 32.32 | 8.22 | 6.29 |
| 2034 | 402,951 | 3.83 | 4.27 | 0.22 | 33.40 | 10.24 | 8.10 |
| 2035 | 409,435 | 4.49 | 4.69 | 0.25 | 38.70 | 11.65 | 9.18 |
| **2036** | **403,223** | **4.69** | **4.71** | **0.24** | **33.70** | **11.70** | **9.40** |
| 2037 | 413,232 | 4.29 | 4.33 | 0.24 | 39.90 | 11.04 | 8.62 |
| 2038 | 398,263 | 4.18 | 4.50 | 0.23 | 39.39 | 11.01 | 8.68 |
| 2039 | 407,049 | 2.53 | 4.13 | 0.18 | 33.39 | 8.62 | 6.66 |
| 2040 | 391,968 | 3.59 | 3.90 | 0.21 | 38.18 | 9.72 | 7.49 |
| 2041 | 398,783 | 2.81 | 4.52 | 0.21 | 37.80 | 9.63 | 7.33 |
| 2042 | 394,121 | 2.65 | 3.92 | 0.24 | 47.71 | 9.15 | 6.57 |
| 2043 | 413,536 | 3.08 | 4.47 | 0.23 | 43.04 | 10.02 | 7.55 |
| 2044 | 399,374 | 2.18 | 3.93 | 0.20 | 34.65 | 8.16 | 6.10 |
| 2045 | 398,960 | 1.74 | 3.72 | 0.16 | 24.67 | 7.10 | 5.46 |
| 2046 | 399,850 | 2.45 | 4.18 | 0.23 | 39.82 | 9.01 | 6.63 |
| 2047 | 395,993 | 2.30 | 4.17 | 0.20 | 31.23 | 8.50 | 6.47 |
| 2048 | 398,199 | 2.20 | 4.10 | 0.19 | 32.35 | 8.26 | 6.30 |
| 2049 | 406,708 | 2.03 | 4.48 | 0.17 | 25.89 | 8.23 | 6.51 |
| 2050 | 405,111 | 2.85 | 4.40 | 0.20 | 34.66 | 9.41 | 7.25 |
| 2051 | 414,000 | 2.46 | 3.69 | 0.19 | 32.68 | 8.08 | 6.14 |
| 2052 | 400,329 | 1.99 | 4.22 | 0.25 | 37.29 | 8.54 | 6.20 |
| 2053 | 399,013 | 1.44 | 4.27 | 0.21 | 33.26 | 7.84 | 5.71 |
| 2054 | 411,141 | 0.91 | 4.49 | 0.25 | 43.92 | 7.99 | 5.40 |
| 2055 | 168,196 | 0.94 | 4.51 | 0.30 | 61.10 | 8.67 | 5.45 |

Source: SRK

**Figure 8.22: Production schedule over the LOM – Pb12 UG**




Source: SRK, 2025

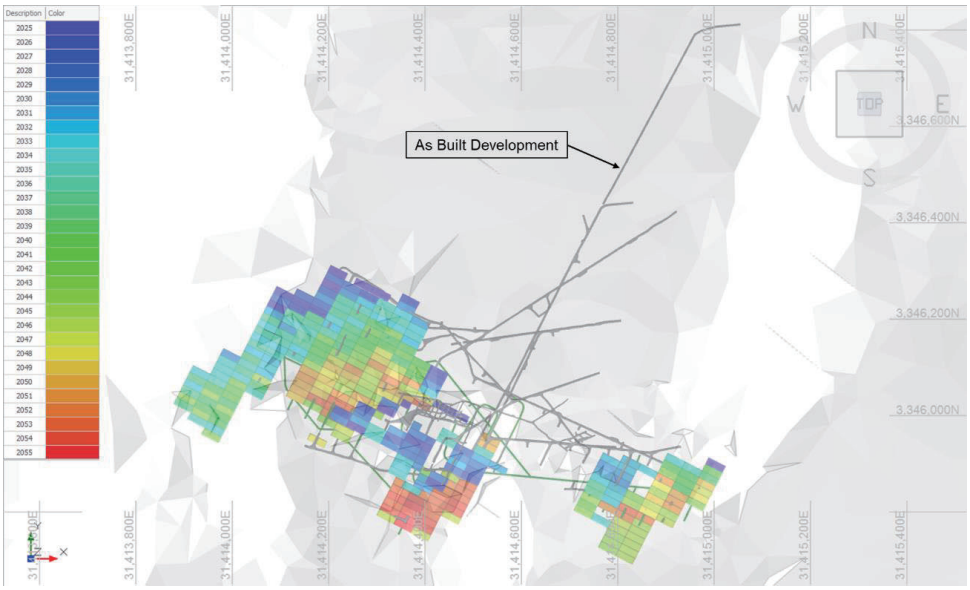
Notes:

[1] The line represents the average EqPb grade, corresponding to the right axis.

[2] The column represents the fresh and oxide ROM tonnes amount, corresponding to the left axis.

Figure 8.23 shows the stopes mined annually.

**Figure 8.23: Stopes mined annually over the LOM – Pb12 UG**




Source: SRK, 2025

## 8.5 Combined mine production plan

SRK combined the Pb14 OP and Pb12 UG production plans in Table 8.22 and Figure 8.24. The LOM is estimated at 31 years at a production rate of 400 kt/a, with an average EqPb grade of 9.00%.

## Table 8.22: Combined mine production schedule

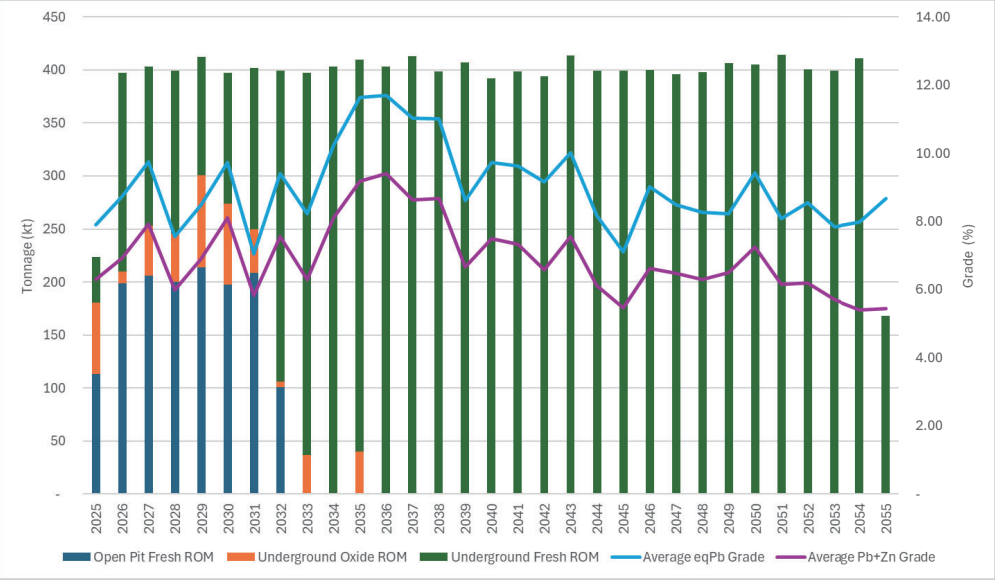
| | Unit | Year LOM | 1 2025 | 2 2026 | 3 2027 | 4 2028 | 5 2029 | 6 2030 | 7 2031 | 8 2032 | 9 2033 | 10 2034 | 11 2035 | 12 2036 | 13 2037 | 14 2038 | 15 2039 | 16 2040 | 17 2041 | 18 2042 | 19 2043 | 20 2044 | 21 2045 | 22 2046 | 23 2047 | 24 2048 | 25 2049 | 26 2050 | 27 2051 | 28 2052 | 29 2053 | 30 2054 | 31 2055 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Open Pit** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| **Fresh** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| ROM Tonnes | kt | 1,438 | 113 | 199 | 206 | 200 | 214 | 197 | 208 | 101 | | | | | | | | | | | | | | | | | | | | | | |
| Pb | % | 0.69 | 1.11 | 1.11 | 1.00 | 0.30 | 0.35 | 0.63 | 0.70 | 0.85 | | | | | | | | | | | | | | | | | | | | | | |
| Zn | % | 4.90 | 5.50 | 5.50 | 4.92 | 4.20 | 5.12 | 6.26 | 4.76 | 4.43 | | | | | | | | | | | | | | | | | | | | | | |
| Cu | % | 0.10 | 0.19 | 0.19 | 0.12 | 0.12 | 0.11 | 0.09 | 0.09 | 0.08 | | | | | | | | | | | | | | | | | | | | | | |
| Ag | g/t | 10.09 | 17.63 | 17.63 | 14.34 | 10.53 | 7.66 | 10.27 | 6.84 | 6.80 | | | | | | | | | | | | | | | | | | | | | | |
| EqPb | % | 6.87 | 8.41 | 8.41 | 7.36 | 5.73 | 5.71 | 8.33 | 6.58 | 6.31 | | | | | | | | | | | | | | | | | | | | | | |
| Pb+Zn | % | 5.59 | 6.61 | 6.61 | 5.92 | 4.51 | 5.46 | 6.89 | 5.47 | 5.27 | | | | | | | | | | | | | | | | | | | | | | |
| Waste | kt | 8,534 | 1,640 | 3,744 | 2,029 | 384 | 329 | 248 | 90 | 70 | | | | | | | | | | | | | | | | | | | | | | |
| Total Material Movement | kt | 9,972 | 1,753 | 3,942 | 2,235 | 584 | 543 | 445 | 299 | 170 | | | | | | | | | | | | | | | | | | | | | | |
| **Underground** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| **Oxide** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| ROM Tonnes | kt | 458 | 67 | 11 | 47 | 46 | 87 | 76 | 42 | 5 | 37 | - | 40 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Pb | % | 5.01 | 5.89 | 4.37 | 6.15 | 4.85 | 4.76 | 6.03 | 5.65 | 2.59 | 3.97 | - | 5.15 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Zn | % | 2.79 | 3.09 | 3.20 | 2.53 | 3.35 | 2.60 | 2.56 | 2.48 | 2.80 | 2.13 | - | 3.58 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Cu | % | 0.19 | 0.19 | 0.18 | 0.13 | 0.21 | 0.17 | 0.21 | 0.20 | 0.11 | 0.19 | - | 0.25 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Ag | g/t | 27.31 | 23.07 | 23.64 | 24.53 | 23.12 | 25.90 | 36.25 | 35.93 | 13.29 | 21.88 | - | 27.49 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| EqPb | % | 9.42 | 8.68 | 9.28 | 10.03 | 10.04 | 8.86 | 10.23 | 9.71 | 6.71 | 7.45 | - | 10.80 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Pb+Zn | % | 7.80 | 6.96 | 7.57 | 8.67 | 8.20 | 7.36 | 8.59 | 8.13 | 5.39 | 6.10 | - | 8.74 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **Fresh** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| ROM Tonnes | kt | 10,165 | 44 | 188 | 150 | 154 | 112 | 123 | 152 | 293 | 360 | 403 | 370 | 403 | 413 | 398 | 407 | 392 | 399 | 394 | 414 | 399 | 399 | 400 | 396 | 396 | 407 | 405 | 414 | 400 | 399 | 411 | 168 |
| Pb | % | 2.90 | 2.29 | 3.32 | 5.25 | 3.47 | 4.41 | 4.94 | 2.94 | 4.14 | 2.86 | 3.83 | 4.42 | 4.69 | 4.29 | 4.18 | 2.53 | 3.59 | 2.81 | 2.65 | 3.08 | 2.18 | 1.74 | 2.45 | 2.30 | 2.20 | 2.03 | 2.85 | 2.46 | 1.99 | 1.44 | 0.91 | 0.94 |
| Zn | % | 4.21 | 2.15 | 3.90 | 5.19 | 3.76 | 4.90 | 4.79 | 2.77 | 4.25 | 3.45 | 4.27 | 4.61 | 4.71 | 4.53 | 4.50 | 4.13 | 3.90 | 4.52 | 3.92 | 4.47 | 3.93 | 3.72 | 4.18 | 4.17 | 4.10 | 4.48 | 4.40 | 3.69 | 4.22 | 4.27 | 4.49 | 4.51 |
| Cu | % | 0.21 | 0.10 | 0.19 | 0.28 | 0.23 | 0.26 | 0.20 | 0.12 | 0.22 | 0.20 | 0.22 | 0.25 | 0.24 | 0.24 | 0.23 | 0.18 | 0.21 | 0.21 | 0.24 | 0.23 | 0.20 | 0.16 | 0.23 | 0.20 | 0.19 | 0.17 | 0.20 | 0.19 | 0.25 | 0.21 | 0.25 | 0.30 |
| Ag | g/t | 35.35 | 12.53 | 27.84 | 34.57 | 27.11 | 30.89 | 24.69 | 17.98 | 31.63 | 33.40 | 33.40 | 39.91 | 33.70 | 39.90 | 39.39 | 33.39 | 38.18 | 37.80 | 47.71 | 43.04 | 34.65 | 24.67 | 39.82 | 31.23 | 32.35 | 25.89 | 34.66 | 32.68 | 37.29 | 33.26 | 43.92 | 61.10 |
| EqPb | % | 9.28 | 5.37 | 9.05 | 12.92 | 9.18 | 11.59 | 11.66 | 6.94 | 10.52 | 8.30 | 10.24 | 11.74 | 11.70 | 11.04 | 11.01 | 8.62 | 9.72 | 9.63 | 9.15 | 10.02 | 8.16 | 7.10 | 9.01 | 8.50 | 8.26 | 8.23 | 9.41 | 8.08 | 8.54 | 7.84 | 7.99 | 8.67 |
| Pb+Zn | % | 7.10 | 4.44 | 7.23 | 10.44 | 7.25 | 9.31 | 9.72 | 5.70 | 8.39 | 6.31 | 8.10 | 9.23 | 9.40 | 8.62 | 8.68 | 6.86 | 7.49 | 7.33 | 6.57 | 7.55 | 6.10 | 5.46 | 6.63 | 6.47 | 6.30 | 6.51 | 7.25 | 6.14 | 6.20 | 5.71 | 5.40 | 5.45 |
| **Subtotal Underground** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| ROM Tonnes | kt | 10,623 | 111 | 199 | 197 | 199 | 198 | 200 | 193 | 298 | 398 | 403 | 409 | 403 | 413 | 398 | 407 | 392 | 399 | 394 | 414 | 399 | 399 | 400 | 396 | 396 | 407 | 405 | 414 | 400 | 399 | 411 | 168 |
| Pb | % | 2.99 | 3.26 | 3.38 | 5.46 | 3.79 | 4.56 | 5.35 | 3.52 | 4.11 | 2.97 | 3.83 | 4.49 | 4.69 | 4.29 | 4.18 | 2.53 | 3.59 | 2.81 | 2.65 | 3.08 | 2.18 | 1.74 | 2.45 | 2.30 | 2.20 | 2.03 | 2.85 | 2.46 | 1.99 | 1.44 | 0.91 | 0.94 |
| Zn | % | 4.14 | 2.72 | 3.86 | 4.56 | 3.68 | 3.90 | 3.93 | 2.70 | 4.23 | 3.32 | 4.27 | 4.69 | 4.71 | 4.53 | 4.50 | 4.13 | 3.90 | 4.52 | 3.92 | 4.47 | 3.93 | 3.72 | 4.18 | 4.17 | 4.10 | 4.48 | 4.40 | 3.69 | 4.22 | 4.27 | 4.49 | 4.51 |
| Cu | % | 0.21 | 0.16 | 0.19 | 0.24 | 0.23 | 0.22 | 0.20 | 0.14 | 0.22 | 0.20 | 0.22 | 0.25 | 0.24 | 0.24 | 0.23 | 0.18 | 0.21 | 0.21 | 0.24 | 0.23 | 0.20 | 0.16 | 0.23 | 0.20 | 0.19 | 0.17 | 0.20 | 0.19 | 0.25 | 0.21 | 0.25 | 0.30 |
| Ag | g/t | 35.00 | 18.92 | 27.41 | 32.19 | 26.19 | 28.71 | 29.12 | 21.83 | 31.29 | 32.32 | 33.40 | 38.70 | 33.70 | 39.90 | 39.39 | 33.39 | 38.18 | 37.80 | 47.71 | 43.04 | 34.65 | 24.67 | 39.82 | 31.23 | 32.35 | 25.89 | 34.66 | 32.68 | 37.29 | 33.26 | 43.92 | 61.10 |
| EqPb | % | 9.29 | 7.36 | 9.06 | 12.23 | 9.36 | 10.40 | 11.11 | 7.54 | 10.45 | 8.22 | 10.24 | 11.65 | 11.70 | 11.04 | 11.01 | 8.62 | 9.72 | 9.63 | 9.15 | 10.02 | 8.16 | 7.10 | 9.01 | 8.50 | 8.26 | 8.23 | 9.41 | 8.08 | 8.54 | 7.84 | 7.99 | 8.67 |
| Pb+Zn | % | 7.13 | 5.98 | 7.25 | 10.02 | 7.47 | 8.46 | 9.29 | 6.23 | 8.34 | 6.29 | 8.10 | 9.18 | 9.40 | 8.62 | 8.68 | 6.86 | 7.49 | 7.33 | 6.57 | 7.55 | 6.10 | 5.46 | 6.63 | 6.47 | 6.30 | 6.51 | 7.25 | 6.14 | 6.20 | 5.71 | 5.40 | 5.45 |
| **Total** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| **Oxide** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| ROM Tonnes | kt | 458 | 67 | 11 | 47 | 46 | 87 | 76 | 42 | 5 | 37 | - | 40 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Pb | % | 5.01 | 3.89 | 4.37 | 6.15 | 4.85 | 4.76 | 6.03 | 5.65 | 2.59 | 3.97 | - | 5.15 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Zn | % | 2.79 | 3.09 | 3.20 | 2.53 | 3.35 | 2.60 | 2.56 | 2.48 | 2.80 | 2.13 | - | 3.58 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Cu | % | 0.19 | 0.19 | 0.18 | 0.13 | 0.21 | 0.17 | 0.21 | 0.20 | 0.11 | 0.19 | - | 0.25 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Ag | g/t | 27.31 | 23.07 | 23.64 | 24.53 | 23.12 | 25.90 | 36.25 | 35.93 | 13.29 | 21.88 | - | 27.49 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| EqPb | % | 9.42 | 8.68 | 9.28 | 10.03 | 10.04 | 8.86 | 10.23 | 9.71 | 6.71 | 7.45 | - | 10.80 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Pb+Zn | % | 7.80 | 6.98 | 7.57 | 8.67 | 8.20 | 7.36 | 8.59 | 8.13 | 5.39 | 6.10 | - | 8.74 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **Fresh** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| ROM Tonnes | kt | 11,602 | 157 | 386 | 356 | 354 | 326 | 321 | 360 | 394 | 360 | 403 | 370 | 403 | 413 | 398 | 407 | 392 | 399 | 394 | 414 | 399 | 399 | 400 | 396 | 396 | 407 | 405 | 414 | 400 | 399 | 411 | 168 |
| Pb | % | 2.62 | 1.44 | 2.18 | 2.79 | 1.68 | 1.74 | 2.29 | 1.64 | 3.29 | 2.66 | 3.83 | 4.42 | 4.69 | 4.29 | 4.18 | 2.53 | 3.59 | 2.81 | 2.65 | 3.08 | 2.18 | 1.74 | 2.45 | 2.30 | 2.20 | 2.03 | 2.85 | 2.46 | 1.99 | 1.44 | 0.91 | 0.94 |
| Zn | % | 4.29 | 4.57 | 4.73 | 5.03 | 4.02 | 5.04 | 5.69 | 3.92 | 4.30 | 3.45 | 4.27 | 4.61 | 4.71 | 4.53 | 4.50 | 4.13 | 3.90 | 4.52 | 3.92 | 4.47 | 3.93 | 3.72 | 4.18 | 4.17 | 4.10 | 4.48 | 4.40 | 3.69 | 4.22 | 4.27 | 4.49 | 4.51 |
| Cu | % | 0.20 | 0.18 | 0.19 | 0.19 | 0.17 | 0.16 | 0.13 | 0.10 | 0.19 | 0.20 | 0.22 | 0.25 | 0.24 | 0.24 | 0.23 | 0.18 | 0.21 | 0.21 | 0.24 | 0.23 | 0.20 | 0.16 | 0.23 | 0.20 | 0.19 | 0.17 | 0.20 | 0.19 | 0.25 | 0.21 | 0.25 | 0.30 |
| Ag | g/t | 32.22 | 16.21 | 22.49 | 22.87 | 17.73 | 15.64 | 15.62 | 11.52 | 25.27 | 33.40 | 33.40 | 39.91 | 33.70 | 39.90 | 39.39 | 33.39 | 38.18 | 37.80 | 47.71 | 43.04 | 34.65 | 24.67 | 39.82 | 31.23 | 32.35 | 25.89 | 34.66 | 32.68 | 37.29 | 33.26 | 43.92 | 61.10 |
| EqPb | % | 8.98 | 7.58 | 8.72 | 9.71 | 7.23 | 8.38 | 9.61 | 6.73 | 9.44 | 8.30 | 10.24 | 11.74 | 11.70 | 11.04 | 11.01 | 8.62 | 9.72 | 9.63 | 9.15 | 10.02 | 8.16 | 7.10 | 9.01 | 8.50 | 8.26 | 8.23 | 9.41 | 8.08 | 8.54 | 7.84 | 7.99 | 8.67 |
| Pb+Zn | % | 6.92 | 6.01 | 6.91 | 7.82 | 5.70 | 6.78 | 7.98 | 5.57 | 7.59 | 6.31 | 8.10 | 9.23 | 9.40 | 8.62 | 8.68 | 6.86 | 7.49 | 7.33 | 6.57 | 7.55 | 6.10 | 5.46 | 6.63 | 6.47 | 6.30 | 6.51 | 7.25 | 6.14 | 6.20 | 5.71 | 5.40 | 5.45 |
| **Subtotal** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| ROM Tonnes | kt | 12,061 | 224 | 397 | 403 | 399 | 412 | 397 | 402 | 399 | 398 | 403 | 409 | 403 | 413 | 398 | 407 | 392 | 399 | 394 | 414 | 399 | 399 | 400 | 396 | 396 | 407 | 405 | 414 | 400 | 399 | 411 | 168 |
| Pb | % | 2.71 | 2.17 | 2.25 | 3.18 | 2.04 | 2.37 | 3.01 | 2.06 | 3.29 | 2.97 | 3.83 | 4.49 | 4.69 | 4.29 | 4.18 | 2.53 | 3.59 | 2.81 | 2.65 | 3.08 | 2.18 | 1.74 | 2.45 | 2.30 | 2.20 | 2.03 | 2.85 | 2.46 | 1.99 | 1.44 | 0.91 | 0.94 |
| Zn | % | 4.23 | 4.13 | 4.68 | 4.74 | 3.94 | 4.53 | 5.09 | 3.77 | 4.26 | 3.32 | 4.27 | 4.69 | 4.71 | 4.53 | 4.50 | 4.13 | 3.90 | 4.52 | 3.92 | 4.47 | 3.93 | 3.72 | 4.18 | 4.17 | 4.10 | 4.48 | 4.40 | 3.69 | 4.22 | 4.27 | 4.49 | 4.51 |
| Cu | % | 0.20 | 0.17 | 0.19 | 0.18 | 0.17 | 0.16 | 0.15 | 0.11 | 0.18 | 0.20 | 0.22 | 0.25 | 0.24 | 0.24 | 0.23 | 0.18 | 0.21 | 0.21 | 0.24 | 0.23 | 0.20 | 0.16 | 0.23 | 0.20 | 0.19 | 0.17 | 0.20 | 0.19 | 0.25 | 0.21 | 0.25 | 0.30 |
| Ag | g/t | 32.03 | 16.27 | 22.52 | 23.06 | 18.35 | 17.79 | 19.76 | 14.06 | 25.11 | 32.32 | 33.40 | 38.70 | 33.70 | 39.90 | 39.39 | 33.39 | 38.18 | 37.80 | 47.71 | 43.04 | 34.65 | 24.67 | 39.82 | 31.23 | 32.35 | 25.89 | 34.66 | 32.68 | 37.29 | 33.26 | 43.92 | 61.10 |
| EqPb | % | 9.00 | 7.90 | 8.73 | 9.75 | 7.55 | 8.48 | 9.73 | 7.04 | 9.40 | 8.22 | 10.24 | 11.65 | 11.70 | 11.04 | 11.01 | 8.62 | 9.72 | 9.63 | 9.15 | 10.02 | 8.16 | 7.10 | 9.01 | 8.50 | 8.26 | 8.23 | 9.41 | 8.08 | 8.54 | 7.84 | 7.99 | 8.67 |
| Pb+Zn | % | 6.95 | 6.30 | 6.93 | 7.92 | 5.98 | 6.90 | 8.09 | 5.83 | 7.56 | 6.29 | 8.10 | 9.18 | 9.40 | 8.62 | 8.68 | 6.86 | 7.49 | 7.33 | 6.57 | 7.55 | 6.10 | 5.46 | 6.63 | 6.47 | 6.30 | 6.51 | 7.25 | 6.14 | 6.20 | 5.71 | 5.40 | 5.45 |

Source: SRK



APPENDIX III INDEPENDENT TECHNICAL REPORT
THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE AND THAT THE INFORMATION MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED "WARNING" ON THE COVER OF THIS DOCUMENT.

**Figure 8.24: Combined mine production schedule**




Source: SRK

Notes:

[1] The line represents the average EqPb grade, corresponding to the right axis.

[2] The column represents the fresh and oxide ROM tonnes amount in Pb14 OP and Pb12 UG, corresponding to the left axis.

## 8.6 Conclusions and recommendations

SRK has prepared the Ore Reserve estimates for the Mengya'a mine, encompassing both open-pit and underground operations in accordance with the JORC Code (2012). These estimates are supported by technical studies conducted in 2013, 2022, and 2024, as well as operational data. The selected mining methods are consistent with industry standards, technically sound, and have proven their viability through actual production performance.

For the Pb14 OP, SRK recommends revising the pit optimisation and mine plan prior to closure to account for evolving market conditions, such as changes in metal prices and plant efficiency. This review should include an assessment of potential pit expansion opportunities (pushbacks) using updated operational and economic data to extend mine life and maximise resource recovery.

For the Pb12 UG operations, SRK advises ongoing technical reviews during pilot and operational phases to optimise stope blasting designs for improved safety and efficiency, ventilation systems to address high-altitude challenges like reduced oxygen levels, and equipment performance to mitigate derating impacts and temperature extremes. Additionally, production capacity increases should be evaluated by analysing geological continuity, infrastructure scalability (haulage and power), and economic feasibility under current market dynamics. These measures will help mitigate high-altitude operational risks while enhancing efficiency and ensuring long-term resource utilisation.

# 9 Ore Reserve estimation

## 9.1 Introduction

The definition of Ore Reserves in accordance with the JORC Code (2012) is as follows:

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. Such studies demonstrate that, at the time of reporting, extraction could reasonably be justified.

## 9.2 Ore Reserve estimation procedures

SRK conducted a review of technical studies and operational records for the Mengya'a lead-zinc mine, which included mine planning input parameters and Modifying Factors provided by Huaxia Mining. Using the latest Mineral Resource estimate (Chapter 7) and the associated block model prepared by SRK, along with the verified mining Modifying Factors, SRK modelled the mine design and production schedule according to the strategy proposed by the technical studies. This was completed to report an Ore Reserve in compliance with the guidelines of the JORC Code (2012).

The Ore Reserve estimation involved the following steps:

- Process Mineral Resources Models (MRMs) to meet the requirements for Ore Reserve estimates.
- Conduct site inspections.
- Review the previous studies and designs for the project.
- Define the ore/ waste cut-off.
- Assess, modify and apply mining factors to the Mineral Resource estimate.
- Consider Modifying Factors from the other disciplines (relying on other experts).
- Review technical economic analysis for the project.
- Undertake an internal review of the estimation process/results.
- Prepare the Ore Reserve Statement.

## 9.3 Technical studies

SRK's mining review is primarily based on 13 GDMADI FS, 22 CINF Mining Design and 24 XERI Mining Design, as follows:

- The Mengya'a mine consists of two main deposits: Pb12 and Pb14.
- Pb14 is designed and operated as an open-pit mine with a ROM mining capacity of 400 kt/a.
- Pb12 is designed as an underground mine with a mining capacity of 200 kt/a.

For the Pb14 deposit, the level of accuracy of the Modifying Factors described in the 13 GDMADI FS and ongoing production, and for the Pb12 deposit, the level of accuracy of the Modifying Factors described in the 22 CINF Mining Design, the 24 XERI Mining Design, and the existing underground infrastructure, are considered by SRK to be equivalent to a pre-feasibility level study (PFS), prepared in accordance with the guidelines of the JORC Code (2012).

To summarise, Ore Reserve estimates for:

- The Pb14 deposit (Pb14 OP) evaluation would be conducted based on the 13 GDMADI FS and ongoing open-pit production.
- The Pb12 deposit (Pb12 UG) evaluation would be conducted primarily based on the 22 CINF Mining Design, with reference to the 24 XERI Mining Design and existing underground infrastructure.

Based on the reviewed results of the technical studies and production records, SRK conducted mine design and production schedule modelling against the updated MRM constructed by SRK.

## 9.4 Cut-off grade

The Mineral Resources contain lead, zinc, copper and silver elements. The lead equivalent (EqPb) grade was used as a cut-off grade to define 'ore'.

The following formula is applied to estimate the cut-off grade of EqPb for the feed ore from underground extraction:

$$A = \frac{Cm + Cp + Cg}{(P - C_r) * P_r * (1 - R_t)}$$

Parameters that are applied for estimates of the cut-off grade are presented in Table 9.1. The preferred cut-off grade is the estimated value which is round up to the nearest 0.1. SRK is of the view that material above the cut-off grade could be defined as economically extractable under those specific conditions.

**Table 9.1: Parameters applied to cut-off grade**

| Item | Unit | Pb14 OP | Pb12 UG | | Description |
|---|---|---|---|---|---|
| | | Fresh | Oxide | Fresh | |
| Preferred cut-off grade | % | 1.8 | 6.0 | 3.7 | Round up to nearest 0.1 |
| A | % | 1.83 | 5.98 | 3.74 | Estimated feed cut-off grade of PbEq |
| Cm | % | | 229.5 | 229.5 | Mining cash cost |
| Cp | RMB/t feed | 154.2 | 154.2 | 154.2 | Processing cash cost |
| Cg | RMB/t feed | 66.8 | 66.8 | 66.8 | Total General & Administration cash cost |
| P | RMB/t feed | 14,300 | 14,300 | 14,300 | Forecast 50% Pb concentrate price excluding VAT |
| Cr | RMB/t metal | 250.0 | 250.0 | 250.0 | Grade premium applied due to higher Pb concentrate (≥60% Pb) |
| Pr | RMB/t metal | 88.0 | 55.0 | 88.0 | Processing recovery for lead in concentrate |
| $R_t$ | % | 5.9 | 5.9 | 5.9 | Resource tax rate to revenue |

Sources: 22 CINF Mining Design, 24 XERI Mining Design, Huaxia Mining, SMM and SRK

The processing plant treats two types of ROM ore: oxide and fresh and yields three marketable

concentrates: lead concentrate, zinc concentrate and copper concentrate. Silver is primarily recovered in the lead concentrate, achieving payable grades in both lead and copper concentrates. However, silver grades in the zinc concentrate remain sub-economic and do not meet payable thresholds.

The payability of elements within each concentrate is determined by their grades and contractual terms between Huaxia Mining and its customers, supplemented by pricing benchmarks from SMM. Payability thresholds for silver, lead, and zinc are derived from these agreements, with specific criteria varying by element and concentrate type (Table 9.2).

**Table 9.2: Assumptions for payable factors**

| Item | Unit | Ag in lead concentrate | Pb in lead concentrate | Zn in zinc concentrate | Ag in copper concentrate | Cu in copper concentrate |
|---|---|---|---|---|---|---|
| Long-term forecast price [2], contained metal in concentrates. | RMB/g for Ag, RMB/t for Cu, Pb and Zn | 6.2 | 14,300 | 16,200 | 6.233 | 62,700 |
| Average element grade in concentrate from oxide ore feed | g/t for Ag, % for Cu, Pb and Zn | 276 | 49.1 | 44.7 | 593 | 15.8 |
| Processing recovery rates – oxide | % | 57% | 55% | 66% | 10% | 35% |
| Payable factors, net received against LTP | % Factor | 0% | NA | NA | 76% | NA |
| Equivalent factors against Pb – oxide | Factor | -[1] | 1.0000 | 1.3315 | 0.0062 | 2.7501 |
| Average element grade in concentrate from fresh ore feed | g/t for Ag, % for Cu, Pb and Zn | 821 | 60.0 | 45.0 | 701 | 19.9 |
| Processing recovery rates – fresh | % | 66% | 88% | 91% | 9% | 52% |
| Payable factors, net received against LTP | % Factor | 81% | 1.02 | NA | 76% | NA |
| Equivalent factors against Pb – fresh | Factor | 0.0262 | 1.0000 | 1.1457 | 0.0034 | 1.1457 |

Sources: Huaxia Mining; SMM; SRK

Notes:

[1] The Ag content is approximately 276 g/t according to production performance in 2024, which is below the threshold for payment (300 g/t). Consequently, the payable factor for silver when processing oxide ROM ore is zero.

[2] LTP – long-term price. The long-term price (real) is the metal in standard concentrate price, not the metal price.





APPENDIX III INDEPENDENT TECHNICAL REPORT
THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE AND THAT THE INFORMATION MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED "WARNING" ON THE COVER OF THIS DOCUMENT.

The equivalent factor of Zn, Cu and Ag against Pb is estimated is based on prices, recovery rates, and payable factors differences. The estimates are presented in Table 9.3.

**Table 9.3: Estimates for equivalent factors of Zn, Cu and Ag to Pb**

| Material | | Ag | Cu | Zn | Pb |
|---|---|---|---|---|---|
| Oxide | Equivalent factors against Pb | 0.0062 | 2.7501 | 1.3315 | 1.0000 |
| Fresh | Equivalent factors against Pb | 0.0296 | 2.5464 | 1.1457 | 1.0000 |

Sources: Huaxia Mining; SMM; SRK

## 9.5 Mining Modifying Factors

Typically, the in situ Mineral Resources of Measured and Indicated categories are converted to ROM by applying Modifying Factors. The principal factors applied include mining loss and dilution. Other considerations include the quality of the resource, as well as environmental, legal, or political constraints, and any other factors that could affect the proportion of the in situ resource that will eventually be sold.

### 9.5.1 Pb14 OP

The following Modifying Factors are used to determine the mining inventory:

- Optimisation: This includes the most economic pit shell relative to the vein domains; only Mineral Resources in the Measured and Indicated categories are used in the optimisation.
- Pit design: The conversion between the optimal pit shell and the practical mine design.
- Dilution: Mining dilution was estimated at 5% by 13 GDMADI FS and stated by operation data.
- Mining recovery: A 95% mining recovery rate was applied by 13 GDMADI FS, as well as the operation data.

### 9.5.2 Pb12 UG

The following mining factors are applied to the Ore Reserve estimates:

- Mining Design Scope:
  - Only Measured and Indicated Mineral Resources are considered for the estimation.
  - Deswik.SO was used to optimise the mineable shapes and the refinement of these shapes into stopes was conducted as part of the stoping scope.
- Design Loss:
  - Stopes with grades below the cut-off grade will be filtered out as design loss.
  - Resources that are isolated and located far from the main design are difficult to reach.
- Mining Dilution:
  - A dilution skin of 0.5 m on the hanging wall or back, and a dilution skin of 0.2 m on the footwall or floor, were considered to simulate the overbreak during mining. This contributes approximately 6%, which is less than the 22 CINF Mining Design at 12%.

- Mining Loss:
  - A loss rate of 8% is applied to account for the loss incurred during the transportation from the workface handover to the ROM bin, which is consistent with 22 CINF Mining Design. An additional 4% of the planned loss was considered for room and pillar mining, which includes the loss attributed by the pillars.

## 9.6 Ore Reserve Estimates

### 9.6.1 Pb14 OP

The estimation process details are provided in Table 9.4. The corresponding waterfall charts are shown in Figure 9.1 and Figure 9.2.

Approximately 76% of tonnes and 72% of metal have been converted from Mineral Resources to Ore Reserves. Key negative factors affecting this conversion include the exclusion of Inferred Mineral Resources.

**Table 9.4: Estimate process summary[1] – Pb14 OP**

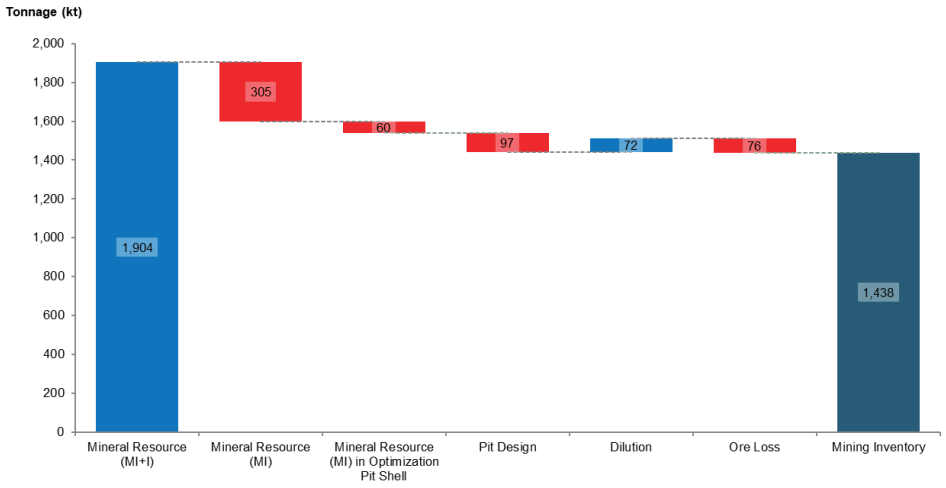
| Description | Material Tonnes (kt) | Contained EqPb Metal (kt) |
|---|---|---|
| Mineral Resource (Measured, Indicated and Inferred) | 1,904 | 138 |
| Mineral Resource (Measured and Indicated) | 305 | 24 |
| Mineral Resource (Measured and Indicated) in Optimisation Pit Shell | 60 | 2 |
| Pit Design | 97 | 13 |
| Dilution | 72 | 5 |
| Ore Loss | 76 | 5 |
| Mining Inventory as at 31 July 2025 | 1,438 | 99 |

Source: SRK

Notes:

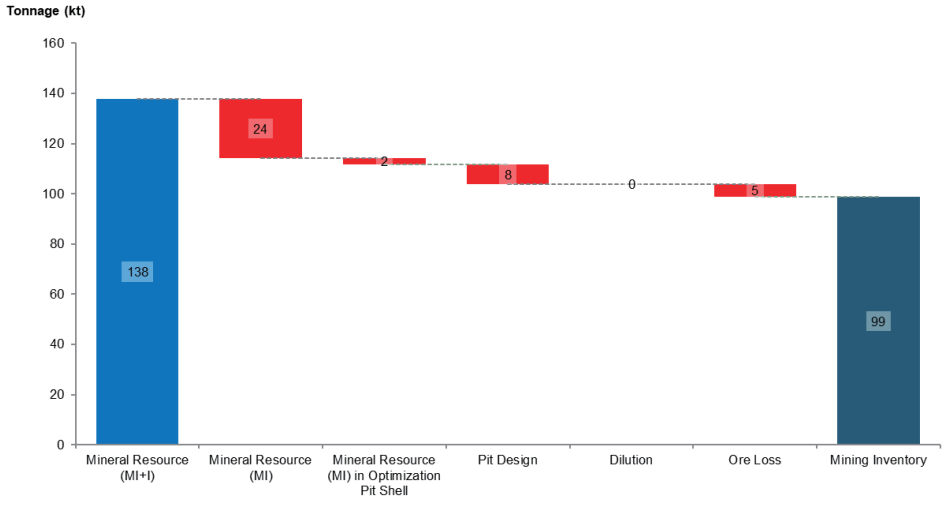
[1] Any differences between totals and sum of components are due to rounding.

**Figure 9.1: Estimation process – change in material tonnes – Pb14 OP**




Source: SRK

**Figure 9.2: Estimation process – change in contained EqPb metal – Pb14 OP**




Source: SRK
Note: MI+I = Measured. Indicated and Inferred Mineral Resources, MI = Measured and Indicated Mineral Resources

### 9.6.2 Pb12 UG

The estimated Mining Inventory based on Mineral Resource estimates and Modifying Factors applied to the material tonnes and contained EqPb metal is summarised in Table 9.5. The corresponding waterfall charts are shown in Figure 9.3 and Figure 9.4.

**Table 9.5: Estimation process summary[1] – Pb12 UG**

| Description | Material Tonnes (kt) | Contained Metal (kt) | EqPb |
|---|---|---|---|
| Mineral Resource (Measured, Indicated and Inferred) | 14,909 | 1,609 | |
| Mineral Resource (Measured and Indicated) in Design Scope | 12,326 | 1,371 | |
| Mineral Resource (Measured and Indicated) within the SO[1] Results | 8,943 | 1,072 | |
| Dilution | 2,644 | 12 | |
| Ore Loss | 964 | 98 | |
| Mining Inventory as at 31 July 2025 | 10,623 | 986 | |

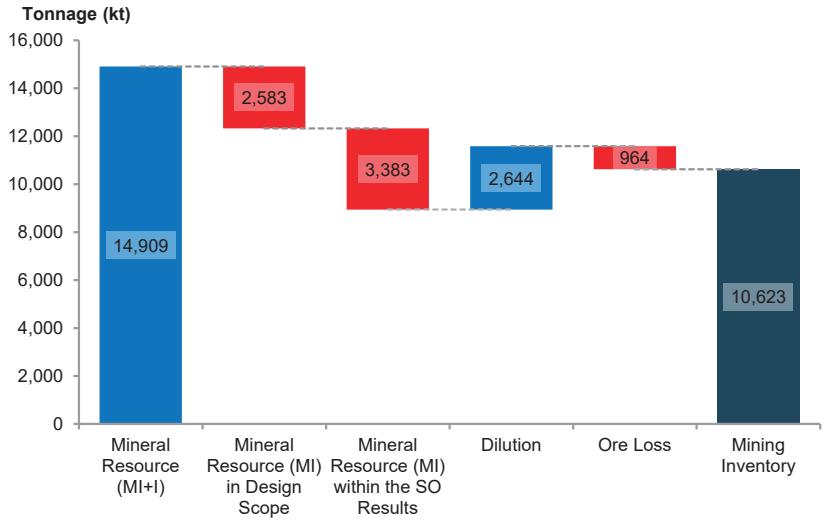
Source: SRK, 2025

Notes:

[1] Any differences between totals and sum of components are due to rounding.

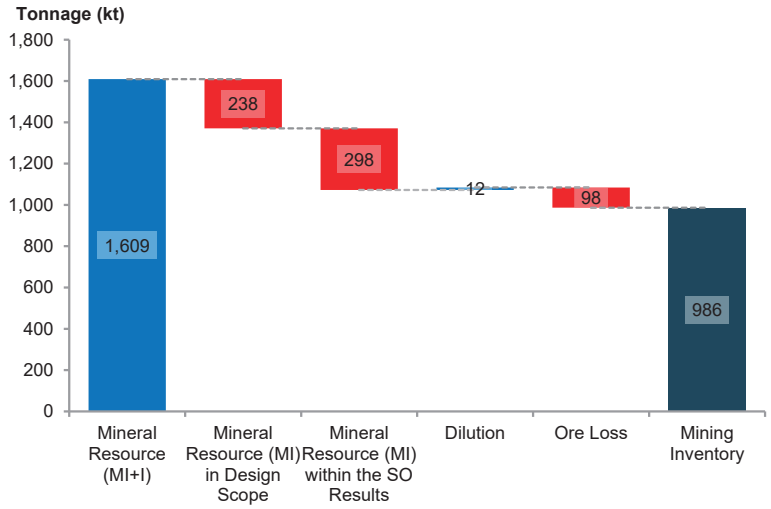
[2] SO: Stope Optimisation

**Figure 9.3: Estimation process – change in material tonnes – Pb12 UG**




Source: SRK, 2025

**Figure 9.4: Estimation process – change in contained EqPb metal – Pb12 UG**




Source: SRK, 2025

## 9.7 Ore Reserve Statement

SRK has estimated the Ore Reserves for the Mengya'a mine in accordance with the JORC Code (2012). These Ore Reserve estimates are based on the technical studies and ongoing operational records, which are considered to be equivalent to the level of a PFS.

The Mengya'a mine comprises two distinct mining operations: Pb14 OP and Pb12 UG. The economically mineable portions of the Measured and Indicated Mineral Resources within the designed stopes or the designed open-pit, inclusive of diluting materials and allowances for losses, have been classified as Proved and Probable Ore Reserves, respectively. The estimation of feed ore is determined with the reference point at the stockpile at the crusher feed.

As at 31 July 2025, Pb14 OP contains total Ore Reserves of 1,438 kt at grades of 0.69% Pb, 4.90% Zn, 0.10% Cu and 10.09 g/t Ag. (Table 9.6). As there are no oxide Mineral Resources left, all stated Ore Reserves are fresh material.

As at 31 July 2025, Pb12 UG contains total Ore Reserves of 10,623 kt at average grades of 2.99% Pb, 4.14% Zn, 0.21% Cu and 35.00 g/t Ag (Table 9.7).

**Table 9.6: Ore Reserves Statement for Pb14 OP at Mengya'a mine as at 31 July 2025**

| Category | Ore Reserve (kt) | Pb Grade (%) | Zn Grade (%) | Cu Grade (%) | Ag Grade (g/t) | Pb Metal (kt) | Zn Metal (kt) | Cu Metal (kt) | Ag Metal (t) |
|---|---|---|---|---|---|---|---|---|---|
| Proved | 400 | 1.14 | 4.54 | 0.10 | 14.51 | 4.57 | 18.16 | 0.41 | 5.80 |
| Probable | 1,038 | 0.52 | 5.04 | 0.10 | 8.39 | 5.41 | 52.27 | 1.07 | 8.71 |
| **Total** | **1,438** | **0.69** | **4.90** | **0.10** | **10.09** | **9.99** | **70.43** | **1.48** | **14.51** |

Source: SRK, 2025

Notes:

[1] The cut-off grades used to distinguish ore from waste are set at EqPb ≥1.8%.
[2] The mining dilution rate is 5% and the ore loss is 5%.
[3] The Ore Reserves are reported on a dry metric tonne basis.
[4] The reference point for reporting of Ore Reserves is the stockpile at the crusher feed.
[5] The Mineral Resources are effective as at 31 December 2024.

**Table 9.7: Ore Reserves Statement for Pb12 UG at Mengya'a mine as at 31 July 2025**

| Type | Category | Ore Reserve (kt) | Pb Grade (%) | Zn Grade (%) | Cu Grade (%) | Ag Grade (g/t) | Pb Metal (kt) | Zn Metal (kt) | Cu Metal (kt) | Ag Metal (t) |
|---|---|---|---|---|---|---|---|---|---|---|
| Oxide | Proved | 32 | 5.69 | 3.34 | 0.31 | 33.94 | 1.80 | 1.06 | 0.10 | 1.07 |
| | Probable | 427 | 4.96 | 2.74 | 0.18 | 26.82 | 21.17 | 11.71 | 0.78 | 11.45 |
| | Subtotal | 458 | 5.01 | 2.79 | 0.19 | 27.31 | 22.97 | 12.77 | 0.88 | 12.52 |
| Fresh | Proved | 4,728 | 2.91 | 5.12 | 0.26 | 44.30 | 137.65 | 241.90 | 12.34 | 209.47 |
| | Probable | 5,436 | 2.88 | 3.41 | 0.17 | 27.56 | 156.82 | 185.58 | 9.38 | 149.82 |
| | Subtotal | 10,165 | 2.90 | 4.21 | 0.21 | 35.35 | 294.47 | 427.48 | 21.72 | 359.29 |
| Total | Proved | 4,760 | 2.93 | 5.10 | 0.26 | 44.23 | 139.44 | 242.95 | 12.44 | 210.55 |
| | Probable | 5,863 | 3.04 | 3.37 | 0.17 | 27.51 | 177.99 | 197.30 | 10.16 | 161.27 |
| | **Total** | **10,623** | **2.99** | **4.14** | **0.21** | **35.00** | **317.43** | **440.25** | **22.60** | **371.81** |

Source: SRK, 2025

Notes:

[1] The cut-off grades used to distinguish ore from waste are set at EqPb ≥6.0% for oxide and ≥3.7% for fresh material.
[2] The Ore Reserves are reported on a dry metric tonne basis.
[3] The reference point for reporting of Ore Reserves is the stockpile at the crusher feed.
[4] The Mineral Resources are effective as at 31 December 2024.

**Competent Person's Statement:** The information in this Report that relates to Ore Reserve is based on information compiled by Mr Falong Hu who is a Fellow of the Australasian Institute of Mining and Metallurgy (AusIMM). Mr Hu is a full-time employee of SRK Consulting (China) Limited and has sufficient experience that is relevant to the style of mineralisation, type of deposit under consideration and to the activity which he undertakes 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).

# 10 Mineral processing

In March 2007, the Beijing General Research Institute of Mining and Metallurgy (BGRIMM) completed a process mineralogy study and processing testing on a composite sample of sulfide ore from the cores of 23 drill holes from Pb14. The results of this test served as the technical foundation for the feasibility study conducted by the Lanzhou Nonferrous Metallurgy Design Institute in March 2007 and the engineering design in March 2011.

The processing plant was established in October 2007 and put into operation in 2010, with a processing capacity of 2000 t/d. The plant uses a Cu-Pb mixed-separation flotation and Zn flotation process to produce Cu, Pb and Zn concentrates. During production, variations in ore oxidation levels and Cu-Pb grades, together with the impact of recycled water, led to instability in processing indicators, sometimes making it difficult to produce qualified Cu concentrates. Consequently, several specialised tests were conducted to optimise the process, reagent regimes, and operational conditions. Based on these test results, the concentrator underwent multiple process and operational optimisations to stabilise the processing indicators and lay the technical foundation for future upgrades and expansions.

Historical processing tests include:

- BGRIMM, Small-Scale Processing Test Report, March 2007
- Xinjiang Nonferrous Metals Research Institute (Xinjiang NMRI), Recycled Water Test Report, November 2015
- Guangdong Institute of Comprehensive Utilization of Resources (Guangdong RCUI), Flotation Process Test Report, May 2017
- Guangdong RCUI, Processing Test Report on Improving Recovery of High-Oxidation Lead-Zinc Ore, July 2018
- Kopper Chemical Industry Co., Ltd (Kopper Chem), Mineral Processing Test Report, November 2021
- Guangdong RCUI, Technological Processing Test Report, August 2019.

## 10.1 Processing test on sulfide ore – BGRIMM 2007

### 10.1.1 Test sample

The composite sample was derived from the cores of 23 drill holes from Pb14, with the combinations as shown in Table 10.1. The measured grades of the composite sample are 0.11% Cu, 0.95% Pb, 3.95% Zn, and 20.39 g/t Ag. Huaxia Mining considers this sample to be representative and, based on the spatial distribution of the core samples within the orebody, SRK concurs with Huaxia Mining's assessment.

**Table 10.1: Assembly of composite sample for BGRIMM 2007 test**

| Drill hole ID | Weight (kg) | Grade (%) | | |
|---|---|---|---|---|
| | | Cu | Pb | Zn |
| ZK005, ZK046 | 13 | 0.13 | 3.19 | 6.99 |
| ZK05K, ZK201, ZK102 | 30 | 0.09 | 0.79 | 3.00 |
| ZK203 | 40 | 0.14 | 0.05 | 6.86 |
| ZK284 | 20 | 0.023 | 0.081 | 1.54 |
| ZK046 | 37 | 0.11 | 0.73 | 3.36 |
| ZK103 | 30 | 0.08 | 0.19 | 6.52 |
| ZK361 | 31 | 0.096 | 0.043 | 1.20 |
| ZK005 | 26 | 0.096 | 2.38 | 2.88 |
| ZK003 | 17 | 0.027 | 3.29 | 2.15 |
| ZK285 | 11 | 0.02 | 0.043 | 8.78 |
| ZK047 | 24 | 0.14 | 0.031 | 10.76 |
| ZK006 | 11 | 0.15 | 0.074 | 3.21 |
| ZK043 | 10 | 0.34 | 6.94 | 5.26 |
| ZK051 | 21 | 0.10 | 0.54 | 2.40 |
| ZK032 | 4 | 0.082 | 1.58 | 2.33 |
| ZK102 | 27 | 0.07 | 1.45 | 1.96 |
| ZK045 | 26 | 0.042 | 0.83 | 1.18 |
| ZK105 | 11 | 0.058 | 0.069 | 7.77 |
| ZK281 | 30 | 0.10 | 0.062 | 5.74 |
| ZK072 | 16 | 0.16 | 2.63 | 2.00 |
| ZK104 | 10 | 0.16 | 0.088 | 4.12 |
| ZK071 | 10 | 0.074 | 2.38 | 1.39 |
| ZK202 | 16 | 0.17 | 0.049 | 5.79 |
| Calculated grade | 471 | 0.10 | 0.94 | 4.20 |
| Assay grade | | 0.11 | 0.95 | 3.95 |

Source: BGRIMM, Small-Scale Processing Test Report, March 2007

### 10.1.2 Process mineralogy

#### Chemical composition and mineral composition

The chemical composition and mineral composition of the composite sample are detailed in Table 10.2 and Table 10.3, respectively. The results of the mineral phase analysis for Zn and Pb are shown in Table 10.4.

Zinc, lead, copper, silver, and sulfur are the target economic elements. The contents of precious metal gold and the harmful element arsenic are both very low, which is not expected to result in a premium or discount for the final product.

The predominant mineral of zinc is sphalerite, with zinc in zinc sulfide accounting for 93.2% of the

total zinc content, indicating a low oxidation rate and classifying it as a sulfide ore. Sphalerite has an average zinc content of 53.48% and iron content of 12.19%. It is essentially christophite $Cu_5(PO_4)_2(OH)_4$.

The predominant mineral of lead is galena, with trace amounts of jamesonite and cerussite. Lead in lead sulfide accounts for 91.8% of the total lead content, also indicating a low oxidation rate and classifying it as a sulfide ore.

The primary mineral for copper is chalcopyrite, with occasional occurrences of chalcocite.

The main mineral of sulfur is pyrrhotite, which is the most abundant sulfide mineral in the ore, followed by pyrite, with minor amounts of marcasite and colloidal pyrite.

The target minerals for processing recovery are zinc minerals, lead minerals, and copper minerals, primarily including sphalerite, galena, chalcopyrite, and chalcocite.

**Table 10.2: Multi-element chemical analysis results**

| Component | Cu | Fb | Zn | S | Fe | Au[1] | Ag[1] | As |
|---|---|---|---|---|---|---|---|---|
| Content (%) | 0.11 | 0.95 | 3.95 | 8.11 | 15.31 | 0.04 | 20.39 | 0.0036 |
| Component | MgO | CaO | $SiO_2$ | $Al_2O_3$ | $K_2O$ | $Na_2O$ | P | |
| Content (%) | 1.92 | 12.79 | 32.68 | 12.66 | 0.10 | 0.026 | 0.043 | |

Source: BGRIMM, Small-Scale Processing Test Report, March 2007.
Note: [1] The unit of measurement for Au and Ag content is g/t.

**Table 10.3: Mineral composition analysis results**

| Metallic Minerals | Content (%) | Non-metallic Minerals | Content (%) |
|---|---|---|---|
| Sphalerite (ZnFe) | 6.97 | Quartz | 24.77 |
| Galena (PbS) | 1.04 | Calcite | 25.7 |
| Stibnite ($Sb_2S_3$) | Micro | Dolomite | |
| Cerussite ($PbCO_3$) | Micro | Diopside ($CaFe_2Si_2O_6$) | 25.96 |
| Chalcopyrite ($CuFeS_2$) | 0.32 | Manganocalcite ($MnCaSiO_3$) | |
| Chalcocite ($Cu_2S$) | Micro | Chlorite | |
| Pyrrhotite (Fe1-xS) | 11.06 | Sericite (Muscovite) | |
| Pyrite ($FeS_2$) | 2.21 | Mica (Muscovite) | |
| Marcasite ($FeS_2$) | | Clay Minerals | |
| Goethite (FeO(OH)) | | Fluorite | 0.78 |
| Tin Ore (Cassiterite) | Micro | Apatite | |
| Cassiterite ($SnO_2$) | Micro | Rutile ($TiO_2$) | |
| Magnetite ($Fe_3O_4$) | 1.19 | Zircon ($ZrSiO_4$) | |
| Hematite ($Fe_2O_3$) | | Ilmenite | |
| Limonite ($FeO(OH)\cdot nH_2O$) | | Other Minerals | |
| Limonite (FeO(OH)) | | | |
| Rhodochrosite ($MnCO_3$) | Micro | | |

Source: Beijing General Research Institute of Mining & Metallurgy (BGRIMM), Small-Scale Processing Test Report, March 2007.

**Table 10.4: Chemical phase analysis of lead and zinc**

| Zinc Phase | Zinc in Zinc Oxide | Zinc in Zinc Sulfide | Other Zinc | Total |
|---|---|---|---|---|
| Content (%) | 0.24 | 3.70 | 0.03 | 3.97 |
| Percentage (%) | 6.04 | 93.20 | 0.76 | 100.00 |
| Lead Phase | Lead in Lead Oxide | Lead in Lead Sulfide | Other Lead | Total |
| Content (%) | 0.07 | 0.90 | 0.01 | 0.98 |
| Percentage (%) | 7.14 | 91.84 | 1.02 | 100.00 |

Source: Beijing General Research Institute of Mining & Metallurgy (BGRIMM), Small-Scale Processing Test Report, March 2007.

### Ore texture and structure

Ore consists of various minerals, and its texture and structure describe the geometric characteristics and mutual relationships of these minerals within the orebody. Texture refers to the degree of crystallinity, crystal grain shape, size, and their interrelationships, while structure describes the shape, size, and spatial arrangement of mineral aggregates. The texture and structure of ore are critical factors influencing the ease of mineral liberation during grinding and provide an initial assessment of ore processing potential.

The primary ore structures observed in the sample are massive structure, disseminated structure, vein structure and banded structure.

Ore textures classified by genesis:

- **Textures formed by crystallisation and precipitation**: Euhedral, subhedral, inclusion, interstitial, and zonal textures are commonly observed in the ore and represent the dominant texture types. Sphalerite, galena, pyrrhotite, and chalcopyrite primarily exhibit inequigranular textures. Medium- to fine-grained pyrite commonly forms euhedral and subhedral crystal textures. Pyrrhotite inclusions are frequently observed in galena and sphalerite, forming a penetration texture.
- **Textures formed by metasomatism**: Symplectitic (fine-scale intergrowths of two or more mineral phases) texture, dissolution texture, and rim texture are typical replacement features. Sphalerite and galena exhibit close intergrowth, where replacement processes generate symplectitic and dissolution textures. Marcasite is embedded around pyrrhotite and sphalerite, forming a rim texture.
- **Textures formed by infilling processes**: Vein and network textures are formed by mineral infill processes. Chalcopyrite, galena, and sphalerite are found filling fractures within pyrrhotite, pyrite, or gangue mineral aggregates, forming vein and network structures.
- **Textures formed by stress effects**: Crush textures result from stress-related deformation. Coarse-grained pyrite commonly exhibits crush textures, and chalcopyrite often fills and cements fractured pyrite, forming complex intergrowth relationships.

The ore structure suggests that the useful mineral aggregates are relatively easy to liberate. However, the ore texture reveals complex intergrowth relationships among target minerals, making their separation more challenging.

### Embedding characteristics and liberation degree of important minerals

#### Sphalerite

Sphalerite is irregularly embedded in the ore. It is closely associated with chalcopyrite, where chalcopyrite often appears as droplet-like and worm-like structures within sphalerite due to exsolution, leading to the inclusion of copper in the zinc concentrate during flotation. Sphalerite also exhibits a complex intergrowth relationship with galena, commonly forming tightly associated aggregates where galena appears irregularly or in vein-like patterns within sphalerite. Additionally, sphalerite is closely associated with pyrrhotite and pyrite, often filling their intergranular spaces or acting as a cementing and metasomatic mineral, creating a complex embedding pattern. Fine-grained pyrrhotite and pyrite, for which it is difficult to achieve complete monomeric liberation, tend to enter the zinc concentrate during flotation, affecting its zinc grade. In coarse-grained pyrite, sphalerite inclusions can be observed, with inclusion sizes generally ranging from 0.005 mm to 0.015 mm.

The grain size distribution of sphalerite is relatively coarse (Figure 10.1), generally ranging from 0.15 mm to 1.17 mm, with 80% of grains larger than 0.15 mm and 92% larger than 0.074 mm. Sphalerite has a relatively high iron content, averaging 12.19%, indicating that it is an iron-rich sphalerite, where iron and zinc cannot be effectively separated, thereby affecting the zinc grade of the concentrate.

#### Galena

Galena primarily exhibits an irregular or star-like distribution in the ore. It is closely associated with sphalerite, forming interwoven textures where galena appears in irregular, star-like, or vein-like patterns within sphalerite. Galena also has a close relationship with pyrrhotite, pyrite and chalcopyrite, frequently filling fractures in pyrrhotite and pyrite, leading to dissolution and symplectitic textures. In coarse-grained pyrite, galena inclusions are commonly observed, with inclusion sizes generally ranging from 0.005 mm to 0.011 mm.

The grain size of galena is finer than that of sphalerite (Figure 10.1), generally ranging from 0.02 mm to 0.83 mm, with 83% of particles falling within this range. Particles larger than 0.074 mm account for 72.6%, while 9.5% are smaller than 0.01 mm. The lead and sulfur content in galena are stable, with an average lead content of 86.57% and sulfur content of 13.43%, close to their theoretical values.

#### Chalcopyrite

Chalcopyrite is mainly irregularly embedded in the ore. It is closely associated with sphalerite, pyrrhotite, pyrite, galena and stannite. Due to exsolution, chalcopyrite commonly occurs as droplet-like and worm-like structures within sphalerite, making it difficult to separate as a monomer, often entering the zinc concentrate. Chalcopyrite sometimes acts as a cementing mineral for pyrite, forming a complex intergrowth, and frequently coexists with galena, exhibiting dissolution and symplectitic textures. In some cases, cassiterite appears as a network-like embedding within chalcopyrite, forming a rare texture.

The grain size of chalcopyrite is relatively fine (Figure 10.1), generally ranging from 0.02 mm to 0.21 mm, with 73% of grains falling within this range. Particles larger than 0.074 mm account for 56.5%. The chemical composition of chalcopyrite is stable, with an average copper content of 34.52%, sulfur content of 34.94%, and iron content of 30.54%, all of which are close to theoretical values.

### Pyrrhotite

Pyrrhotite is the dominant metallic sulfide mineral in the ore, mainly exhibiting irregular embedding patterns. It is closely associated with pyrite, marcasite and sphalerite, often forming tight intergrowths with sphalerite and pyrite. Pyrrhotite sometimes exhibits lattice-like textures within sphalerite due to immiscibility effects. Coarse-grained pyrrhotite frequently displays crush textures, and sphalerite inclusions can be observed within pyrrhotite, with inclusion sizes ranging from 0.005 mm to 0.015 mm. A small portion of pyrrhotite is finely disseminated within gangue minerals, while marcasite, formed by alteration, often appears along the edges and fractures of pyrrhotite.

Pyrrhotite and pyrite often undergo mutual metasomatism, forming dissolution structures, and are mostly embedded within gangue minerals as aggregates. Some pyrrhotite is cemented and metasomatised by sphalerite and galena, forming complex intergrowth relationships. The grain size of pyrrhotite is coarser than that of pyrite, generally ranging from 0.02 mm to 0.59 mm. Single-mineral analysis shows that pyrrhotite contains 0.03% Pb and 0.11% Zn.

### Pyrite and marcasite

Pyrite and marcasite are also important minerals in the ore, mainly occurring irregularly. Coarse-grained pyrite often exhibits crush textures, while medium- to fine-grained pyrite sometimes appears as euhedral, subhedral, and zoned crystals. Marcasite commonly occurs along the edges of pyrrhotite, forming rim textures, likely resulting from the alteration of pyrrhotite.

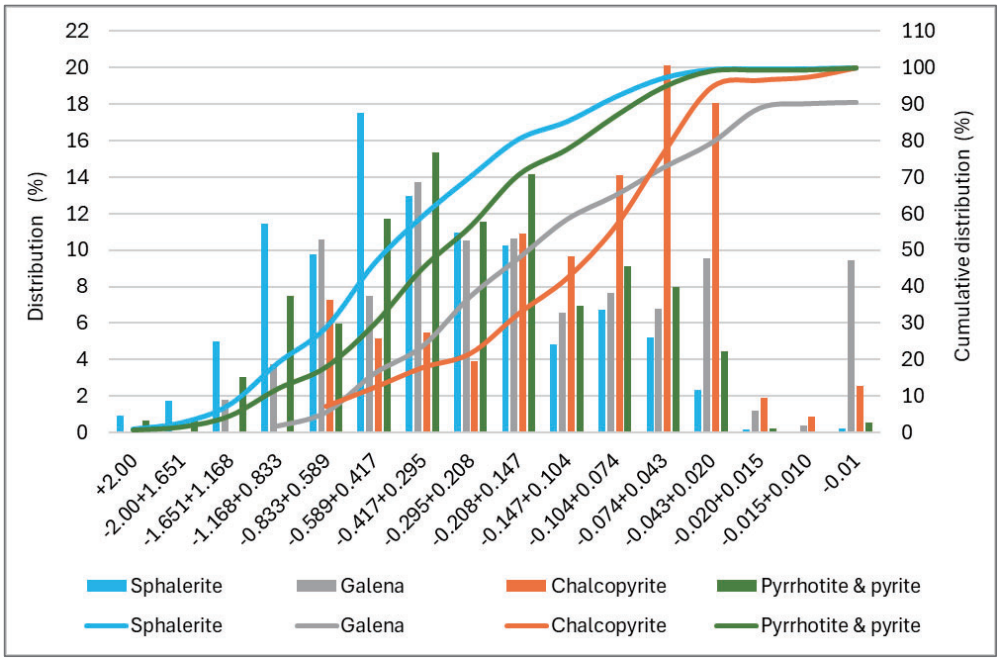
Pyrite is closely associated with sphalerite, galena and pyrrhotite, often irregularly embedded within these minerals or their aggregates. Meanwhile, sphalerite and galena frequently cement and metasomatised pyrite, forming complex intergrowth relationships. In coarse-grained pyrite, sphalerite and galena inclusions are commonly observed, with inclusion sizes ranging from 0.005 mm to 0.012 mm. These ultra-fine inclusions are difficult to achieve monomeric liberation and are often lost to the sulfur concentrate (pyrite concentrate) during Pb-Zn flotation. Pyrite and marcasite commonly coexist with pyrrhotite as aggregates within gangue minerals.

The grain size of pyrite and marcasite is smaller than that of sphalerite. Their chemical composition is very close to theoretical values. Single-mineral analysis shows that pyrite contains 0.085% Pb and 0.13% Zn.

The grain size distribution of pyrrhotite and pyrite is finer than sphalerite but coarser than galena, ranging from 0.043 mm to 1.17 mm, with 90% of particles falling within this range. Particles larger than 0.074 mm account for 86.7%.

Pyrrhotite, pyrite, and marcasite are non-recoverable iron sulfides, collectively referred to as pyritic sulfur minerals in this study.

**Figure 10.1: Embedding grain size distribution of key minerals**




Source: Based on process mineralogy data from the 2007 Small-Scale Processing Test conducted by BGRIMM, compiled by SRK.

The ore was ground to 70% passing 0.074 mm (70%, -74 μm), and the liberation degree of sphalerite and galena was determined. The results shown in Table 10.5 indicate that the liberation degree of sphalerite is 90.1%, while that of galena is 87.5%.

**Table 10.5: Liberation characteristics of sphalerite and galena (grinding fineness: 70%, -0.074 mm)**

| Liberation Characteristics | | Sphalerite (%) | Galena (%) |
|---|---|---|---|
| Monomeric Liberation | | 90.07 | 87.54 |
| Intergrowth with: | Galena/Sphalerite | 4.28 | 4.47 |
| | Chalcopyrite and Other Sulfides | 3.07 | 2.23 |
| | Gangue Minerals | 2.58 | 5.76 |

Source: Small-Scale Processing Test Research Report, BGRIMM, March 2007.

One of the key mineralogical factors influencing processing performance is the uneven grain size distribution of target minerals. Among them, sphalerite has the coarsest grain size, followed by pyrrhotite and pyrite, while galena and chalcopyrite have the finest grain size. To achieve both adequate monomeric liberation and avoid overgrinding, selecting an appropriate grinding process is considered important.

Another critical factor is the complex ore texture and mineral intergrowth relationships. Chalcopyrite occurs as droplet-like and worm-like textures within sphalerite, while some galena is finely disseminated in gangue minerals, and another portion exhibits highly irregular intergrowth with sphalerite.

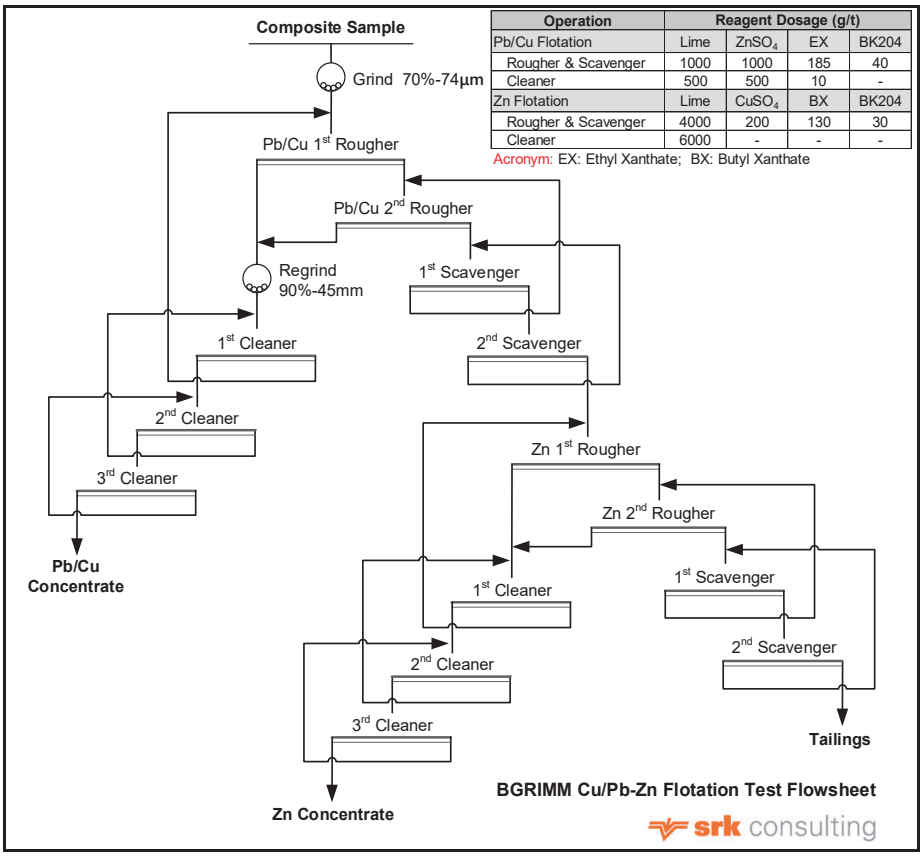
These characteristics directly affect the separation of lead from zinc, and copper from zinc, making the processing process more challenging.

### 10.1.3 Processing test

Based on mineralogical studies, a Cu-Pb bulk flotation followed by Zn flotation process was proposed.

Given the similar floatability of Cu and Pb, they were first collectively enriched into a Cu-Pb bulk concentrate, while the tailings was subjected to Zn flotation. Exploratory tests were first conducted to determine the process flow and reagent conditions. Based on these results, optimisation tests for Cu-Pb rougher flotation conditions were carried out, including reagent regime tests and grinding fineness tests. Further optimisation of Cu-Pb cleaner flotation conditions was conducted, including regrinding tests of the bulk rough concentrate and reagent dosage tests. The Zn flotation conditions were also optimised, including lime dosage tests and copper sulfate dosage tests. The most favourable conditions were then selected for open-circuit and closed-circuit flotation tests. The closed-circuit flotation process and test conditions are shown in Figure 10.2.

**Figure 10.2: Closed-circuit flotation test process – BGRIMM**




| Operation | Reagent Dosage (g/t) | | | |
|---|---|---|---|---|
| Pb/Cu Flotation | Lime | $ZnSO_4$ | EX | BK204 |
| Rougher & Scavenger | 1000 | 1000 | 185 | 40 |
| Cleaner | 500 | 500 | 10 | - |
| Zn Flotation | Lime | $CuSO_4$ | BX | BK204 |
| Rougher & Scavenger | 4000 | 200 | 130 | 30 |
| Cleaner | 6000 | - | - | - |

Acronym: EX: Ethyl Xanthate; BX: Butyl Xanthate

Source: Modified after BGRIMMM

The grinding fineness was set at 70%-74 μm. Lime and zinc sulfate were used as depressants for

sphalerite and pyrite, while potassium butyl xanthate (PBX) was used as the collector for Cu-Pb minerals in the bulk flotation stage. In the Zn flotation stage, lime was used to depress pyrite, copper sulfate was used to activate the previously depressed sphalerite, and butyl xanthate was used as the collector for sphalerite flotation. The test results are presented in Table 10.6.

**Table 10.6: Closed-circuit flotation test results – BGRIMM**

| Product | Yield (%) | Grade (%, Ag g/t) | | | | Recovery (%) | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Cu | Pb | Zn | Ag | Cu | Pb | Zn | Ag |
| Cu-Pb Concentrate | 1.32 | 3.73 | 61.65 | 1.77 | 949 | 44.74 | 85.44 | 0.59 | 62.38 |
| Zn Concentrate | 7.43 | 0.55 | 0.52 | 48.09 | 16.76 | 37.05 | 4.05 | 90.4 | 6.19 |
| Tailings | 91.25 | 0.022 | 0.11 | 0.39 | 6.93 | 18.21 | 10.51 | 9.01 | 31.43 |
| Raw Ore | 100.0 | 0.11 | 0.95 | 3.95 | 20.12 | 100.0 | 100.0 | 100.0 | 100.0 |

Source: Small-Scale Processing Test Research Report, BGRIMM, March 2007.

The flotation tests achieved favourable processing indices. The Cu-Pb concentrate was enriched with significant amounts of copper and silver, leading to further Cu-Pb separation tests. Due to the limited sample quantity, only open-circuit separation tests were conducted. The tests yielded marketable copper concentrate and high-grade lead concentrate. The results are shown in Table 10.7.

**Table 10.7: Cu-Pb separation flotation test results**

| Product | Yield (%) | Grade (%, Ag g/t) | | | Process Recovery (%) | | | Recovery to Raw Ore (%) | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Cu | Pb | Zn | Cu | Pb | Zn | Cu | Pb | Zn |
| Cu Concentrate | 5.34 | 26.67 | 1.21 | 1.16 | 49.23 | 0.10 | 5.00 | 22.03 | 0.09 | 0.03 |
| Middling 1 | 3.65 | 19.25 | 18.83 | 2.40 | 22.62 | 1.07 | 7.08 | 10.12 | 0.91 | 0.04 |
| Middling 2 | 7.58 | 9.34 | 38.08 | 2.92 | 22.79 | 4.51 | 17.88 | 10.20 | 3.85 | 0.11 |
| Pb Concentrate | 83.43 | 0.20 | 72.33 | 1.04 | 5.37 | 94.31 | 70.05 | 2.40 | 80.58 | 0.41 |
| Cu-Pb Bulk Concentrate | 100.0 | 3.11 | 63.98 | 1.24 | 100.0 | 100.0 | 100.0 | 44.74 | 85.44 | 0.59 |

Source: Small-Scale Processing Test Research Report, BGRIMM, March 2007.

The obtained flotation products were subjected to multi-element chemical analysis, with results summarised in Table 10.8. The copper concentrate from the Cu-Pb separation flotation was not analysed due to its small quantity. The zinc concentrate met commercial standards, and the levels of other beneficial and harmful elements were within acceptable limits, neither qualifying for premium pricing nor incurring penalties. However, the zinc grade was relatively low at only 48%, as the sphalerite contained iron and was classified as iron-rich sphalerite. The Cu-Pb bulk concentrate contained 3.73% Cu, which would exceed impurity limits if sold as lead concentrate. The lead concentrate obtained from the separation flotation of the Cu-Pb bulk concentrate had a high lead grade, with silver content increasing to 979 g/t, and no harmful elements exceeding acceptable limits, making it a high-quality lead concentrate.

Due to the low copper grade in the ore, the copper recovery rate was relatively low. The copper recovery rate in the Cu-Pb bulk concentrate was 44.7%, while the recovery rate in the final copper concentrate after separation was only 22%. However, the copper concentrate grade reached 26.7%,

demonstrating that even with low copper content in the ore, a marketable copper concentrate could still be obtained.

**Table 10.8: Flotation test product quality**

| Element | Content (%, g/t for Ag, Au) | | | |
|---|---|---|---|---|
| | Zn Concentrate | Cu/Pb Concentrate | Tailings | Pb Concentrate |
| Pb | 0.52 | 61.65 | 0.11 | 72.33 |
| Cu | 0.55 | 3.73 | 0.022 | 0.20 |
| Zn | 48.09 | 1.77 | 0.39 | 1.04 |
| Fe | 15.45 | 7.16 | 11.73 | 2.85 |
| S | 31.43 | 16.02 | 1.3 | 12.94 |
| Ag | 10.06 | 949 | 5.23 | 979 |
| Au | 0.10 | 0.18 | 0.09 | 0.22 |
| As | <0.001 | 0.013 | | 0.008 |
| MgO | | 0.13 | 2.48 | 0.10 |
| CaO | | | 19.27 | |
| $SiO_2$ | 0.84 | | 38.92 | |
| $Al_2O_3$ | | 0.19 | 4.95 | 0.11 |
| Bi | | 0.23 | | 0.20 |
| Sn | 0.017 | | | |
| Sb | 0.033 | | | |
| Cd | 0.27 | | | |

Source: Small-Scale Processing Test Research Report, BGRIMM, March 2007.
Note: The blue font indicates the beneficial elements in this concentrate, while the others are impurities.

### 10.1.4 Recycled water test – Xinjiang Nonferrous Institute, 2015

#### Test samples

In the 2007 BGRIMM test, PBX, a strong collector, was used as the collector for sphalerite, while a large amount of lime (11.5 kg/t) was applied to depress pyrite, following an aggressive reagent regime characterised as 'strong depression and strong activation'. The residual reagents and metal ions in the recycled water could have an adverse effect on processing performance. However, as no recycled water test was conducted, the impact of recycled water on flotation performance remains to be further studied.

To optimise the use of recycled water, assess its impact on flotation indices, and determine the most suitable reagent regime for its utilisation, the Xinjiang Nonferrous Metals Research Institute conducted a recycled water test on a sulfide ore sample.

The test samples were collected from Pb14 and Pb12, both sulfide ores. The samples were blended by weight according to Table 10.9, with an analysed grade of 0.3% Cu, 3.78% Pb, 6.14% Zn, and 59.11 g/t Ag. Although the sample had a relatively high grade, it was deemed suitable for the recycled water test.

The primary copper-, lead- and zinc-bearing minerals were chalcopyrite, galena and sphalerite, with sulfide phase contents of 99%, 89% and 94%, respectively. The oxidation rate was low, confirming

the sample as a typical sulfide ore.

**Table 10.9: Sample preparation for recycled water test – Xinjiang Nonferrous Institute**

| Sample | Grade (%) | | | Sample Weight | |
|---|---|---|---|---|---|
| | Cu | Pb | Zn | Weight (kg) | Proportion (%) |
| 14#High-Grade Ore | 0.34 | 1.72 | 9.44 | 30 | 9.68 |
| 14#Low-Grade Ore | 0.33 | 3.15 | 7.41 | 90 | 29.03 |
| 14#Primary Ore | 0.15 | 1.46 | 5.23 | 60 | 19.35 |
| 12#Primary Ore | 0.39 | 7.14 | 6.07 | 120 | 38.71 |
| 12#Country Rock | 0.0096 | 0.043 | 0.046 | 10 | 3.23 |
| Calculated Grade | 0.311 | 4.18 | 6.41 | 310 | 100.00 |
| Measured Grade | 0.303 | 3.78 | 6.14 | 310 | |

Source: Recycled Water Test Report, Xinjiang Nonferrous Institute, November 2015.

### Recycled water test

In actual concentrator operations, to achieve zero discharge of wastewater, all recycled water must be fully utilised. The recycled water originates from the overflow of the tailings thickener, return water from the tailings pond, concentrate dewatering, and floor washing water from the concentrator. Since different reagents are used in the separation of copper, lead and zinc, the recycled water contains various metal ions and residual reagents, which affect the separation of copper, lead and zinc, leading to a decline in concentrate grade or metal recovery rates. The water quality of tailings return water from laboratory tests is shown in Table 10.10. The laboratory tailings water contains low concentrations of metal ions, with a pH value of 9–10. After standing for a period, natural degradation can reduce the pH to 7.

**Table 10.10: Recycled water quality**

| Recycled water | Content (mg/L) | | | | pH |
|---|---|---|---|---|---|
| | $Cu^{2+}$ | $Pb^{2+}$ | $Zn^{2+}$ | $Ca^{2+}$ | |
| Fresh Tailings Water | 0.089 | <0.01 | 0.12 | 333 | 9.5 |
| After 3 hours | 0.089 | <0.01 | 0.06 | 298 | 9.0 |
| After 6 hours | 0.062 | 0.025 | 0.042 | 321 | 8.0 |
| After 24 hours | 0.044 | 0.01 | 0.011 | 276 | 7.0 |
| Secondary Circulated Water | 0.091 | 0.05 | 0.16 | 401 | 10.0 |
| After 3 hours | 0.081 | 0.04 | 0.10 | 376 | 9.5 |
| After 6 hours | 0.06 | 0.04 | 0.07 | 396 | 9.0 |
| After 24 hours | 0.02 | 0.01 | 0.04 | 399 | 7.0 |

Source: Recycled Water Test Report, Xinjiang Nonferrous Institute, November 2015.

To mitigate the impact of recycled water, adjustments were made by adding reagents in the mill and modifying the flotation reagent regime. Based on experimental exploration and reagent system analysis, sodium sulfide was added in the mill to reduce the effects of metal ions and residual reagents. Additionally, the pyrite depressant FSD was introduced to decrease lime consumption and lower pulp alkalinity. Zinc sulfate and sodium sulfite were used as sphalerite depressants. A selective

reagent combination of SN-9# (ethyl thiocarbamate) and ADD (ammonium dibutyl dithiophosphate) replaced PBX as the collector for Cu-Pb flotation. For Zn flotation, a combination of SN-9# and Z-200 (ethyl thiocarbamate ester) was employed as a selective collector to reduce pyrite flotation during zinc recovery.

Following extensive exploratory and parameter optimisation tests, both freshwater closed-circuit flotation tests and recycled water closed-circuit flotation tests were conducted. The process flow and reagent scheme for the recycled water closed-circuit test are shown in Figure 10.3. The freshwater closed-circuit test followed the same process flow as the recycled water test but omitted the use of sodium sulfide and FSD, while all other reagent conditions remained the same. The test results are presented in Table 10.11. The results indicate that adopting a 'mild reagent regime' while using recycled water led to a slight decrease in copper and zinc recovery rates. This demonstrates that by adjusting the reagent system, recycled water can be used effectively without the need for expensive water treatment processes.

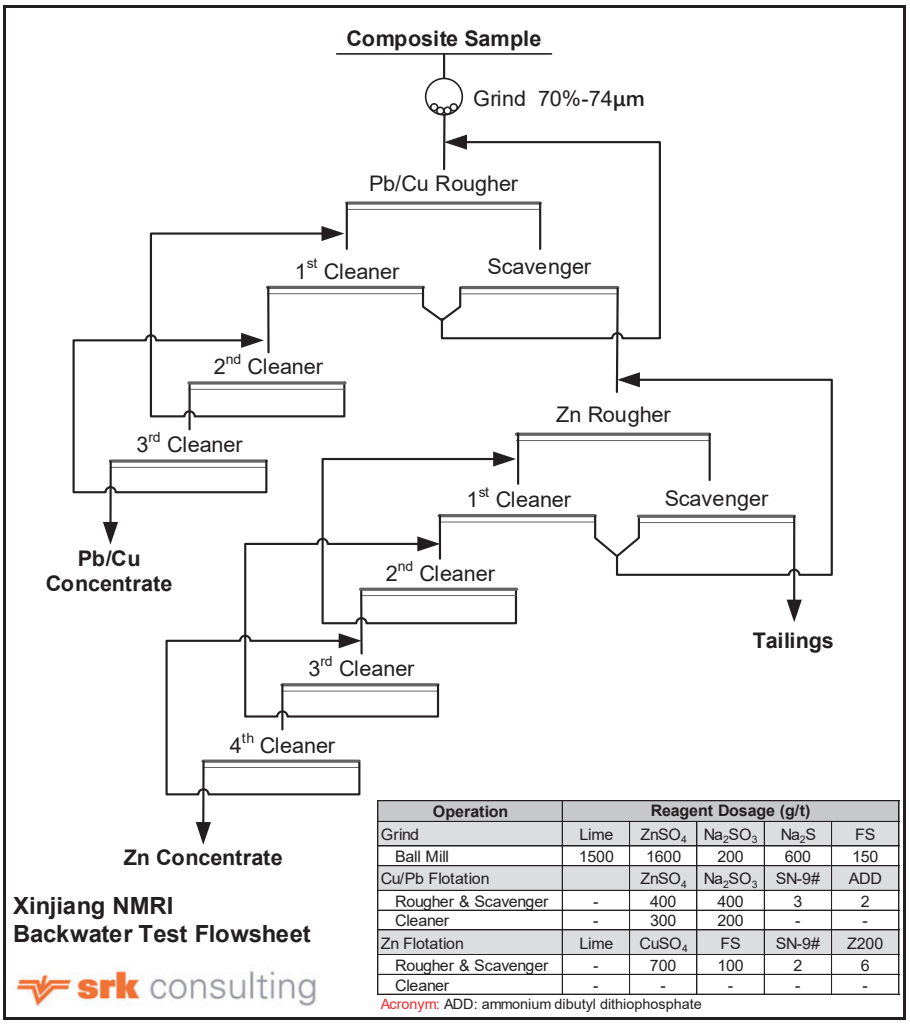
FSD is an organic pyrite depressant that can replace lime. However, its dosage must be carefully controlled, as excessive amounts not only depress pyrite but can also inhibit sphalerite, galena and chalcopyrite, resulting in the loss of valuable metals.

**Table 10.11: Recycled water test results**

| Product | Yield (%) | Grade (%) | | | Recovery (%) | | | Water Quality |
|---|---|---|---|---|---|---|---|---|
| | | Cu | Pb | Zn | Cu | Pb | Zn | |
| Cu-Pb Bulk Concentrate | 7.36 | 2.73 | 46.98 | 6.66 | 65.33 | 92.45 | 8.09 | Recycled Water |
| Zn Concentrate | 11.22 | 0.66 | 0.92 | 45.38 | 24.08 | 2.76 | 83.99 | |
| Tailings | 81.42 | 0.04 | 0.22 | 0.59 | 10.59 | 4.79 | 7.92 | |
| Raw Ore | 100.0 | 0.31 | 3.74 | 6.06 | 100.0 | 100.0 | 100.0 | |
| Cu-Pb Bulk Concentrate | 7.10 | 3.01 | 47.65 | 5.89 | 70.39 | 92.82 | 6.87 | Freshwater |
| Zn Concentrate | 11.24 | 0.56 | 1.02 | 46.23 | 20.73 | 3.15 | 85.35 | |
| Tailings | 81.66 | 0.03 | 0.18 | 0.58 | 8.88 | 4.03 | 7.78 | |
| Raw Ore | 100.0 | 0.30 | 3.65 | 6.09 | 100.0 | 100.0 | 100.0 | |

Source: Recycled Water Test Report, Xinjiang Nonferrous Institute, November 2015.

**Figure 10.3: Recycled water test process and conditions**




| Operation | Reagent Dosage (g/t) | | | | |
|---|---|---|---|---|---|
| Grind | Lime | $ZnSO_4$ | $Na_2SO_3$ | $Na_2S$ | FS |
| Ball Mill | 1500 | 1600 | 200 | 600 | 150 |
| Cu/Pb Flotation | | $ZnSO_4$ | $Na_2SO_3$ | SN-9# | ADD |
| Rougher & Scavenger | - | 400 | 400 | 3 | 2 |
| Cleaner | - | 300 | 200 | - | - |
| Zn Flotation | Lime | $CuSO_4$ | FS | SN-9# | Z200 |
| Rougher & Scavenger | - | 700 | 100 | 2 | 6 |
| Cleaner | - | - | - | - | - |

Acronym: ADD: ammonium dibutyl dithiophosphate

Source: Recycled Water Test Report, Xinjiang Nonferrous Institute, November 2015.

### 10.1.5 Process optimisation test – Guangdong Institute of Comprehensive Utilization, 2017

To further optimise the process flow and reagent regime, as well as to refine the reagent scheme for recycled water use, the Guangdong Institute of Comprehensive Utilization of Resources conducted a flotation test in 2017 on a sulfide ore sample. The study compared two process flows: Cu-Pb bulk flotation followed by separation and zinc flotation, and sequential preferential flotation of copper, lead, and zinc. Additionally, both process flows were tested using freshwater and recycled water to evaluate their impact.

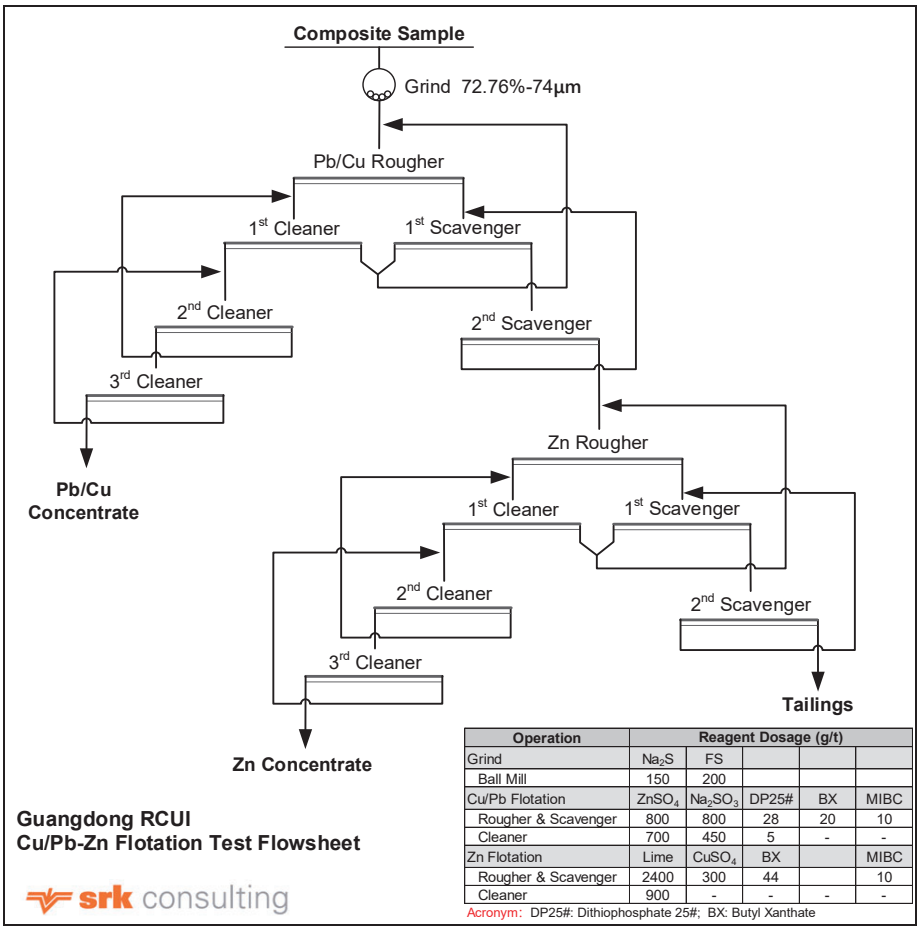
The assay results of the test sample were 0.21% Cu, 2.74% Pb, 4.90% Zn, 30.0 g/t Ag and 10.48% S.

### 10.1.6 Copper-lead bulk flotation – zinc flotation process test

A series of optimisation tests were conducted for the selected process, followed by a closed-circuit flotation test. The test flowsheets for both freshwater and recycled water were identical, with only slight differences in the reagent regime. In the recycled water test, sodium sulfide and FSD (pyrite depressant) were added in the grinding mill to mitigate the effects of metal ions and residual reagents in the recycled water, whereas in the freshwater test, these reagents were not used. The closed-circuit flowsheet and reagent regime for the recycled water test are shown in Figure 10.4, and the test results are presented in Table 10.12.

When using recycled water, the recovery rates of copper and lead were slightly lower compared to freshwater, while the impact on zinc recovery was minimal. This result is consistent with the conclusions from the tests conducted by the Xinjiang Nonferrous Institute, confirming that adding sodium sulfide and FS in the grinding stage can effectively mitigate the negative effects of using recycled water.

**Figure 10.4: Cu-Pb bulk flotation – Zn flotation test process and conditions**




| Operation | Reagent Dosage (g/t) | | | | |
|---|---|---|---|---|---|
| Grind | $Na_2S$ | FS | | | |
| Ball Mill | 150 | 200 | | | |
| Cu/Pb Flotation | $ZnSO_4$ | $Na_2SO_3$ | DP25# | BX | MIBC |
| Rougher & Scavenger | 800 | 800 | 28 | 20 | 10 |
| Cleaner | 700 | 450 | 5 | - | - |
| Zn Flotation | Lime | $CuSO_4$ | BX | | MIBC |
| Rougher & Scavenger | 2400 | 300 | 44 | | 10 |
| Cleaner | 900 | - | - | - | - |

Acronym: DP25#: Dithiophosphate 25#; BX: Butyl Xanthate

Source: Process Optimization Test, Guangdong Institute of Comprehensive Utilization, May 2017.

**Table 10.12: Cu-Pb bulk flotation – Zn flotation process test results**

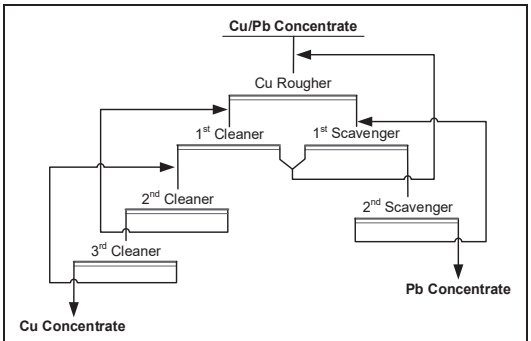
| Product | Yield (%) | Grade (%) | | | Recovery (%) | | | Water Quality |
|---|---|---|---|---|---|---|---|---|
| | | Cu | Pb | Zn | Cu | Pb | Zn | |
| Cu/Pb Concentrate | 4.58 | 2.91 | 54.95 | 4.71 | 66.09 | 89.63 | 4.42 | Freshwater |
| Zn Concentrate | 9.19 | 0.48 | 0.45 | 48.36 | 21.64 | 1.47 | 90.83 | |
| Tailings | 86.23 | 0.03 | 0.29 | 0.27 | 12.27 | 8.90 | 4.76 | |
| Total | 100.0 | 0.20 | 2.81 | 4.89 | 100.0 | 100.0 | 100.0 | |
| Cu/Pb Concentrate | 4.48 | 2.87 | 53.80 | 4.41 | 64.34 | 88.45 | 4.02 | Recycled Water |
| Zn Concentrate | 9.25 | 0.49 | 0.51 | 48.12 | 22.70 | 1.73 | 90.54 | |
| Tailings | 86.27 | 0.03 | 0.31 | 0.31 | 12.96 | 9.81 | 5.44 | |
| Total | 100.0 | 0.20 | 2.72 | 4.92 | 100.0 | 100.0 | 100.0 | |

Source: Process Optimization Test, Guangdong Institute of Comprehensive Utilization, May 2017.

### 10.1.7 Copper-lead separation test

The Cu-Pb bulk concentrates obtained from the freshwater closed-circuit test and recycled water closed-circuit test were subjected to a closed-circuit Cu-Pb separation flotation test using a lead depression and copper flotation process. The test flowsheet is shown in Figure 10.5. The same reagent regime and flotation time were applied to both concentrates, and the results are presented in Table 10.14. Regardless of whether the bulk concentrate was obtained using freshwater or recycled water, the Cu-Pb separation performed effectively, yielding marketable copper, lead and zinc concentrates. Using recycled water, the results were copper concentrate with 21.9% Cu and 55.0% recovery, lead concentrate with 60.1% Pb and 87.8% recovery, and zinc concentrate with 48.1% Zn and 90.5% recovery. The flotation indices for recycled water were slightly lower than those for freshwater, but considering the full utilisation of recycled water, the trade-off was deemed acceptable.

**Figure 10.5: Cu-Pb separation flotation process for bulk concentrate**




| Operation | Reagent Dosage (g/t) | | | | | | Time |
|---|---|---|---|---|---|---|---|
| | $Na_2S$ | Active C | FC | $ZnSO_4$ | $Na_2SO_3$ | Z200 | min |
| Cu Rougher | 100 | 100 | 600 | 200 | 400 | 10 | 2.0 |
| 1st Scavenger | | | | | | 5 | 2.0 |
| 2nd Scavenger | | | | | | 5 | 2.0 |
| 1st Cleaner | | | 300 | | 200 | 5 | 1.5 |
| 2nd Cleaner | | | 225 | | | | 1.2 |
| 3rd Cleaner | | | 150 | | 100 | | 1.0 |

Source: Process Optimization Test, Guangdong Institute of Comprehensive Utilization, May 2017.

**Table 10.13: Cu-Pb separation flotation closed-circuit test results**

| Selection Index | | Unit | Test[1] | Historical Production | | | Forecast | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | 2022 | 2023 | 2024 | Average | Downside | Upside |
| Copper Concentrate Grade | Cu | % | 21.95 | 18.67 | 19.62 | 19.78 | 20.0 | 19.0 | 20.0 |
| | Ag | g/t | 355.0 | 559.0 | 641.6 | 650.0 | 700.0 | 650.0 | 620.0 |
| Copper Concentrate Recovery Rate | Cu | % | 54.97 | 43.16 | 53.26 | 49.89 | 51.0 | 50.0 | 52.0 |
| | Ag | % | 6.48 | 7.53 | 10.77 | 9.8 | 10.2 | 10.3 | 10.1 |
| Lead Concentrate Grade | Pb | % | 60.11 | 57.44 | 62.76 | 60.12 | 60.0 | 60.0 | 62.0 |
| | Ag | g/t | 401.0 | 594.1 | 784.5 | 747.3 | 720.0 | 750.0 | 630.0 |
| Lead Concentrate Recovery Rate | Pb | % | 87.80 | 85.71 | 89.54 | 88.14 | 88.0 | 87.0 | 88.0 |
| | Ag | % | 58.22 | 64.68 | 66.63 | 65.8 | 66.4 | 65.3 | 67.1 |
| Zinc Concentrate Grade | Zn | % | 48.12 | 47.75 | 46.08 | 45.76 | 46.0 | 46.0 | 46.0 |
| Zinc Concentrate Recovery Rate | Zn | % | 90.54 | 90.03 | 91.91 | 91.89 | 91.0 | 90.0 | 92.0 |
| Copper concentrate yield | | % | 0.50 | 0.41 | 0.68 | 0.44 | 0.51 | 0.47 | 0.65 |
| Lead Concentrate yield | | % | 3.98 | 3.35 | 3.45 | 2.58 | 3.23 | 2.61 | 4.26 |
| Zinc Concentrate production | | % | 9.25 | 7.77 | 8.64 | 7.04 | 7.91 | 6.85 | 10.00 |
| Copper concentrate production | | t | | 2,315 | 4,028 | 586 | 3,060 | 2,842 | 3,900 |
| Lead Concentrate production | | t | | 18,707 | 20,375 | 3,433 | 19,360 | 15,660 | 25,548 |
| Zinc Concentrate production | | t | | 43,405 | 51,097 | 9,358 | 47,478 | 41,087 | 60,000 |
| Ore Feed Amount | | kt | | 558.76 | 591.06 | 133.01 | 600.00 | 600.00 | 600.00 |
| Ore Feed Grade | Cu | % | 0.20 | 0.18 | 0.25 | 0.1746 | 0.20 | 0.18 | 0.25 |
| | Pb | % | 2.72 | 2.24 | 2.42 | 1.76 | 2.20 | 1.80 | 3.00 |
| | Zn | % | 4.92 | 3.95 | 4.33 | 3.50 | 4.00 | 3.50 | 5.00 |
| | Ag | % | 27.41 | 30.75 | 40.59 | 29.33 | 35.0 | 30.0 | 40.0 |

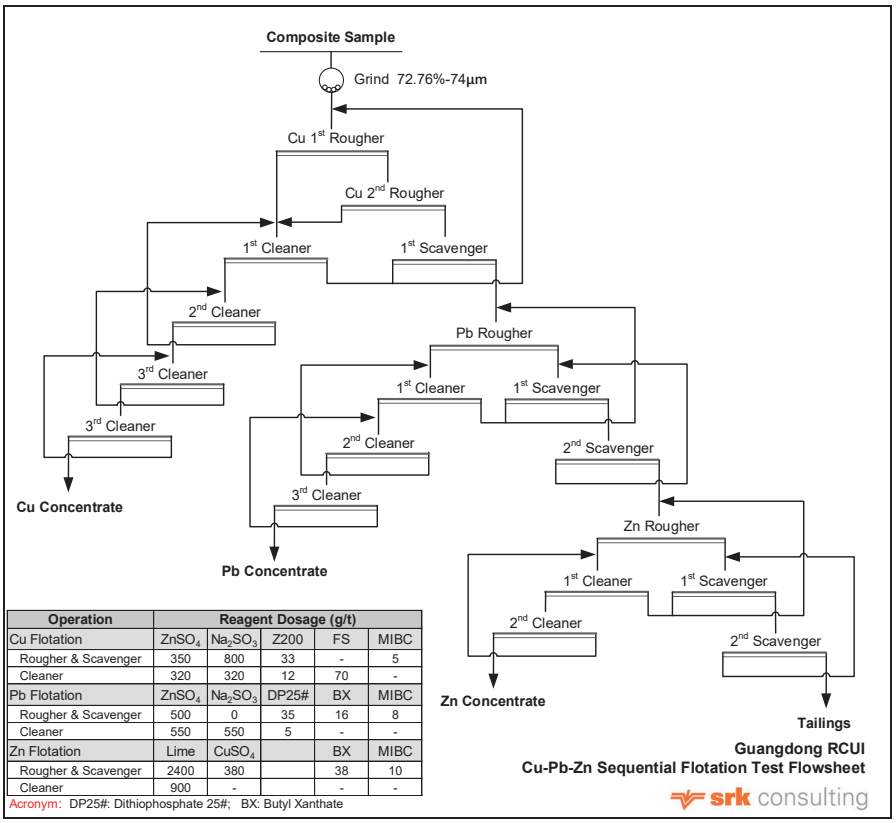
Source: Process Optimization Test, Guangdong Institute of Comprehensive Utilization, May 2017.

### 10.1.8 Sequential preferential flotation process for copper, lead and zinc

For polymetallic Cu-Pb-Zn ores with high Cu-Pb grades or complex processing characteristics, the sequential preferential flotation process can be used to obtain high-quality concentrates. However, this process is generally considered longer and more costly compared to the Cu-Pb bulk flotation followed by separation and Zn flotation process.

Based on a series of optimisation tests and open-circuit flotation tests, closed-circuit flotation tests were conducted. The test flowsheets for both freshwater and recycled water were identical, and the reagent regimes were also largely consistent, achieving satisfactory results. The test process is illustrated in Figure 10.6, which also shows the reagent scheme. The test results are presented in Table 10.14. Compared to using only freshwater, using recycled water resulted in a slight decrease in lead and zinc concentrate grades and recovery rates.

**Figure 10.6: Sequential preferential flotation process and conditions for Cu-Pb-Zn**




| Operation | Reagent Dosage (g/t) | | | | |
|---|---|---|---|---|---|
| Cu Flotation | $ZnSO_4$ | $Na_2SO_3$ | Z200 | FS | MIBC |
| Rougher & Scavenger | 350 | 800 | 33 | - | 5 |
| Cleaner | 320 | 320 | 12 | 70 | - |
| Pb Flotation | $ZnSO_4$ | $Na_2SO_3$ | DP25# | BX | MIBC |
| Rougher & Scavenger | 500 | 0 | 35 | 16 | 8 |
| Cleaner | 550 | 550 | 5 | - | - |
| Zn Flotation | Lime | $CuSO_4$ | | BX | MIBC |
| Rougher & Scavenger | 2400 | 380 | | 38 | 10 |
| Cleaner | 900 | - | | - | - |

Acronym: DP25#: Dithiophosphate 25#; BX: Butyl Xanthate

Source: Process Optimization Test, Guangdong Institute of Comprehensive Utilization, May 2017.

**Table 10.14: Closed-circuit test results of sequential preferential flotation for Cu-Pb-Zn**

| Product | Yield (%) | Grade (%) | | | Recovery (%) | | | Water Quality |
|---|---|---|---|---|---|---|---|---|
| | | Cu | Pb | Zn | Cu | Pb | Zn | |
| Copper Concentrate | 0.62 | 20.37 | 3.46 | 4.04 | 61.20 | 0.76 | 0.51 | Freshwater |
| Lead Concentrate | 3.89 | 0.28 | 64.39 | 3.01 | 5.28 | 88.43 | 2.39 | |
| Zinc Concentrate | 9.20 | 0.48 | 0.42 | 48.75 | 21.40 | 1.36 | 91.47 | |
| Tailings | 86.29 | 0.03 | 0.31 | 0.32 | 12.13 | 9.44 | 5.63 | |
| Total | 100.0 | 0.21 | 2.83 | 4.90 | 100.0 | 100.0 | 100.0 | |
| Copper Concentrate | 0.64 | 20.08 | 3.86 | 3.92 | 61.88 | 0.91 | 0.51 | Recycled water |
| Lead Concentrate | 3.77 | 0.29 | 63.08 | 4.50 | 5.26 | 87.46 | 3.44 | |
| Zinc Concentrate | 9.42 | 0.45 | 0.43 | 47.61 | 20.41 | 1.49 | 90.98 | |
| Tailings | 86.17 | 0.03 | 0.32 | 0.29 | 12.45 | 10.14 | 5.07 | |
| Total | 100.0 | 0.21 | 2.72 | 4.93 | 100.0 | 100.0 | 100.0 | |

Source: Process Optimization Test, Guangdong Institute of Comprehensive Utilization, May 2017.

## 10.2 Processing test on oxidised ores

The Guangdong Institute of Comprehensive Utilization completed processing tests on three oxidised ore samples in July 2018 and August 2019. Since oxidised ores are classified as refractory ores, the so-called 'oxidised ore samples' were blended ore samples with a controlled Pb-Zn oxidation rate not exceeding 20%. The mine classifies ores based on the oxidation rate of lead minerals: oxidation rate <10% as sulfide ore; oxidation rate 10–30% as mixed ore; oxidation rate >30% as oxidised ore.

### 10.2.1 Test samples

The 2018 test sample (Composite Sample 1) was prepared by blending one low-oxidation sample and one high-oxidation sample in a 2:1 weight ratio. The resulting composite test sample had a lead oxidation rate of 17.3%, as detailed in Table 10.15.

**Table 10.15: 2018 composite test sample (Composite 1)**

| Sample | Grade (%) | | | | Oxidation Rate (%) | |
|---|---|---|---|---|---|---|
| | Cu | Pb | Zn | Ag | Pb | Zn |
| Low-Oxidation Sample | | 4.34 | 5.97 | | 12.4 | 7.4 |
| High-Oxidation Sample | | 6.17 | 6.73 | | 27.1 | 13.8 |
| Composite 1 | 0.33 | 4.90 | 6.20 | 42.42 | 17.3 | 9.5 |

Source: Processing Test Report on Improving Recovery of High-Oxidation Lead-Zinc Ore, Guangdong Institute of Comprehensive Utilization, July 2018.

Two test samples were used in the 2019 experiments. Composite Sample 2 was prepared by combining one oxidised ore composite sample with one primary ore sample. The oxidised ore composite sample consisted of five subsamples, and their Pb-Zn phase analysis results are shown in Table 10.16.

**Table 10.16: Pb-Zn phase composition of five subsamples**

| Phase | Content (%) | | | | | Distribution Rate (%) | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1# | 2# | 3# | 4# | 5# | 1# | 2# | 3# | 4# | 5# |
| Sulfide Lead (PbS) | 2.2 | 3.86 | 1.3 | 1.24 | 1.9 | 38.87 | 55.62 | 32.02 | 40.13 | 30.45 |
| Cerussite ($PbCO_3$) | 0.36 | 0.79 | 0.19 | 0.5 | 1.47 | 6.36 | 11.38 | 4.68 | 16.18 | 23.56 |
| Anglesite ($PbSO_4$) | 2.51 | 1.93 | 2.09 | 1 | 2.31 | 44.35 | 27.81 | 51.48 | 32.36 | 37.02 |
| Plumbojarosite | 0.59 | 0.36 | 0.48 | 0.35 | 0.56 | 10.42 | 5.19 | 11.82 | 11.33 | 8.97 |
| Total Lead (Pb) | 5.66 | 6.94 | 4.06 | 3.09 | 6.24 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Sulfide Zinc (ZnS) | 3.04 | 4.96 | 2.09 | 2.24 | 2.15 | 64.68 | 64.75 | 62.39 | 59.42 | 61.78 |
| Oxidised Zinc (ZnO) | 1.51 | 2.57 | 1.11 | 1.38 | 1.23 | 32.13 | 33.55 | 33.13 | 36.60 | 35.34 |
| Zinc Ferrite ($ZnFe_2O_4$) | 0.15 | 0.13 | 0.15 | 0.15 | 0.1 | 3.19 | 1.70 | 4.48 | 3.98 | 2.87 |
| Total Zinc (Zn) | 4.7 | 7.66 | 3.35 | 3.77 | 3.48 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

Source: Processing Test Report on Oxidised Lead-Zinc Ore, Guangdong Institute of Comprehensive Utilization, August 2019.

The combination details are provided in Table 10.17.

**Table 10.17: Composition of oxidised ore samples**

| Subsample | Weight (kg) | Proportion (%) | Grade (%) | | | | Oxidation Rate (%) | |
|---|---|---|---|---|---|---|---|---|
| | | | Cu | Pb | Zn | Ag[1] | Pb | Zn |
| 1# | 172.2 | 25.7 | | 5.66 | 4.70 | | 61.1 | 35.3 |
| 2# | 149.0 | 22.2 | | 6.94 | 7.66 | | 44.4 | 35.2 |
| 3# | 117.4 | 17.5 | | 4.06 | 3.35 | | 68.0 | 37.6 |
| 4# | 70.0 | 10.4 | | 3.09 | 3.77 | | 59.9 | 40.6 |
| 5# | 161.4 | 24.1 | | 6.24 | 3.48 | | 69.6 | 38.2 |
| Calculated | 670.0 | 100.0 | | 5.54 | 4.73 | | 60.5 | 37.0 |
| Measured Oxidised Ore Composite Sample | | | 0.32 | 5.40 | 4.72 | 35 | 59.6 | 36.5 |

Source: Processing Test Report on Oxidised Lead-Zinc Ore, Guangdong Institute of Comprehensive Utilization, August 2019.

Composite Sample 2 was composed of 85% primary ore and 15% oxidised ore, as shown in Table 10.18.

**Table 10.18: Sample composition of 2019 composite sample (Composite 2)**

| Sample | Proportion (%) | Grade (%) | | Oxidation Rate (%) | |
|---|---|---|---|---|---|
| | | Pb | Zn | Pb | Zn |
| Oxidised Ore Composite Sample | 15 | 5.40 | 4.72 | 59.6 | 36.5 |
| Sulfide Ore Sample 1 | 85 | 3.35 | 5.21 | 7.26 | 4.43 |
| Composite Sample 2 (Calculated) | | 3.66 | 5.14 | 15.10 | 9.24 |
| Composite Sample 2 (Measured) | | 3.64 | 5.14 | 18.84 | 8.86 |

Source: Processing Test Report on Oxidised Lead-Zinc Ore, Guangdong Institute of Comprehensive Utilization, August 2019.

Composite Sample 3 was prepared by blending one oxidised ore composite sample with one sulfide ore sample in a ratio of 4% to 96%, as detailed in Table 10.19.

**Table 10.19: Sample composition of 2019 verification test (Composite 3)**

| Sample | Proportion (%) | Grade (%) | | Oxidation Rate (%) | |
|---|---|---|---|---|---|
| | | Pb | Zn | Pb | Zn |
| Oxidised Ore Composite Sample | 4 | 5.40 | 4.72 | 59.6 | 36.5 |
| Sulfide Ore Sample 2 | 96 | 2.51 | 4.72 | 14.56 | 8.19 |
| Composite Sample 3 (Calculated) | | 2.63 | 4.72 | 16.40 | 9.34 |
| Composite Sample 3 (Measured) | | 2.74 | 4.72 | 19.93 | 8.89 |

Source: Processing Test Report on Oxidised Lead-Zinc Ore, Guangdong Institute of Comprehensive Utilization, August 2019.

### 10.2.2 Processing test

Based on a series of optimisation tests, closed-circuit flotation tests were conducted under optimal conditions. The test process followed a Cu-Pb bulk flotation – Zn flotation scheme. The Cu-Pb bulk flotation process was configured as '1 rougher, 3 scavengers, 3 cleaners', while the Zn flotation process followed a '1 rougher, 2 scavengers, 2 cleaners' configuration. For Composite 1 and Composite 2, comparative tests using freshwater and recycled water were conducted, while Composite 3 adopted the reagent regime and conditions from the recycled water test of Composite 2.

Sodium sulfide ($Na_2S$) was used as an activator for oxidised copper and lead minerals. Zinc sulfate ($ZnSO_4$) and sodium sulfite ($Na_2SO_3$) were applied as zinc mineral depressants. 25# black reagent and another reagent were used as collectors for Cu-Pb minerals. Lime (CaO) acted as a pyrite depressant, and copper sulfate ($CuSO_4$) was used as a zinc activator. MA was also employed as the collector for Zn flotation. In the recycled water test, FS was used as the recycled water treatment reagent. The reagent schemes for freshwater and recycled water tests of the three composite samples are summarised in Table 10.20. The grinding fineness for Composite 1 was 71.47%, -74 μm, with lead nitrate ($Pb(NO_3)_2$) added as a lead activator. The grinding fineness for Composite 2 and Composite 3 was 72.96%, -74 μm.

**Table 10.20: Flotation reagent scheme for oxidised ores**

| Operation | Reagent Dosage (g/t) | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Lime | $Na_2S$ | FS | $Pb(NO_3)_2$ | $ZnSO_4$ | $Na_2SO_3$ | $CuSO_4$ | MA | DP25# | MIBC | 2# Oil |
| **Composite 1 in fresh water** | | | | | | | | | | | |
| Ball mill | | 300 | | 200 | | | | | | | |
| Cu/Pb flotation | 1150 | 500 | | | 1800 | 400 | | 78 | 30 | 10 | |
| Zn flotation | 3100 | | | | | | 410 | 95 | | 15 | |
| **Composite 1 in returned water** | | | | | | | | | | | |
| Ball mill | | 300 | 150 | 150 | | | | | | | |
| Cu/Pb flotation | 1000 | 500 | | | 1860 | 400 | | 83 | 30 | 10 | |
| Zn flotation | 3600 | | | | | | 380 | 90 | | 20 | |
| **Composite 2 in fresh water** | | | | | | | | | | | |
| Ball mill | 400 | 700 | | | | | | | | | |
| Cu/Pb flotation | 700 | | | | 1450 | 600 | | 30 | 40 | 10 | |
| Zn flotation | 2900 | | | | | | 350 | 32 | | | 10 |
| **Composite 2 and Composite 3 in returned water** | | | | | | | | | | | |
| Ball mill | | 700 | 150 | | | | | | | | |
| Cu/Pb flotation | 850 | | | | 1550 | 600 | | 30 | 35 | 10 | |
| Zn flotation | 3200 | | | | | | 350 | 32 | | | 10 |

Source: Processing Test Report on Improving Recovery of High-Oxidation Lead-Zinc Ore (Guangdong Institute of Comprehensive Utilization, July 2018), Processing Test Report on Oxidised Lead-Zinc Ore (Guangdong Institute of Comprehensive Utilization, August 2019).

The closed-circuit flotation test results are summarised in Table 10.22. Copper and lead recovery rates were slightly lower with recycled water, but the impact on zinc recovery was minimal. Compared with the results from sulfide ore tests (Table 10.12), the degree of oxidation significantly affected the recovery rates of target metals.

**Table 10.21: Flotation test results of oxidised ores**

| Product | Yield (%) | Grade (%) | | | | | Recovery (%) | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Cu | Pb | Zn | Ag[1] | S | Cu | Pb | Zn | Ag | S |
| **Composite 1 in fresh water** | | | | | | | | | | | |
| Cu/Pb Concentrate | 7.48 | 3.14 | 57.11 | 3.67 | | | 71.68 | 83.54 | 4.29 | | |
| Zn Concentrate | 11.31 | 0.49 | 1.41 | 50.87 | | | 16.91 | 3.12 | 89.88 | | |
| Tailings | 81.21 | 0.05 | 0.84 | 0.46 | | | 11.40 | 13.34 | 5.84 | | |
| Feed | 100.0 | 0.33 | 5.11 | 6.40 | | | 100.0 | 100.0 | 100.0 | | |
| **Composite 1 in recycled water** | | | | | | | | | | | |
| Cu/Pb Concentrate | 7.59 | 2.94 | 55.85 | 3.89 | 336 | 18.65 | 67.34 | 83.72 | 4.72 | 62.73 | 13.22 |
| Zn Concentrate | 11.13 | 0.60 | 1.49 | 50.09 | 48.5 | 30.12 | 20.15 | 3.28 | 89.05 | 13.28 | 31.30 |
| Tailings | 81.28 | 0.05 | 0.81 | 0.48 | 12.0 | 7.31 | 12.51 | 13.00 | 6.23 | 23.99 | 55.48 |
| Feed | 100.0 | 0.33 | 5.06 | 6.26 | 40.65 | 10.71 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| **Composite 2 in fresh water** | | | | | | | | | | | |
| Cu/Pb Concentrate | 5.49 | 2.85 | 57.55 | 4.46 | 380 | 19.14 | 65.42 | 82.54 | 4.84 | 62.24 | 10.25 |
| Zn Concentrate | 9.16 | 0.53 | 0.96 | 48.89 | 45 | 31.13 | 20.30 | 2.30 | 88.42 | 12.30 | 27.81 |
| Tailings | 85.35 | 0.04 | 0.68 | 0.40 | 10 | 7.44 | 14.28 | 15.16 | 6.74 | 25.46 | 61.94 |
| Feed | 100.0 | 0.24 | 3.83 | 5.06 | 33.52 | 10.25 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| **Composite 2 in recycled water** | | | | | | | | | | | |
| Cu/Pb Concentrate | 5.44 | | 57.09 | 4.46 | | | | 82.69 | 4.71 | | |
| Zn Concentrate | 9.35 | | 1.03 | 48.71 | | | | 2.56 | 88.34 | | |
| Tailings | 85.21 | | 0.65 | 0.42 | | | | 14.75 | 6.95 | | |
| Feed | 100.0 | | 3.76 | 5.15 | | | | 100.0 | 100.0 | | |
| **Composite 3 in recycled water** | | | | | | | | | | | |
| Cu/Pb Concentrate | 4.00 | | 56.84 | 4.17 | | | | 81.49 | 3.52 | | |
| Zn Concentrate | 8.56 | | 1.13 | 48.52 | | | | 3.47 | 87.63 | | |
| Tailings | 87.44 | | 0.48 | 0.48 | | | | 15.04 | 8.85 | | |
| Feed | 100.0 | | 2.79 | 4.74 | | | | 100.0 | 100.0 | | |

Note: The grade unit of Ag is g/t

Source: Processing Test Report on Improving Recovery of High-Oxidation Lead-Zinc Ore (Guangdong Institute of Comprehensive Utilization, July 2018), Processing Test Report on Oxidised Lead-Zinc Ore (Guangdong Institute of Comprehensive Utilization, August 2019).

## 10.3 Pre-concentration

### 10.3.1 Pre-concentration test

X-ray ore sorting is an advanced pre-concentration technology that enables the separation of lump ore, achieving waste rejection and pre-enrichment before grinding. This process improves the feed grade, reduces milling costs, and enhances processing efficiency. Huaxia Mining commissioned Beijing Horus Technology Co., Ltd. (Horus) to conduct pre-concentration tests on mineralised waste samples using its intelligent sorting machine. The objective was to discard mineralised waste before processing the ore further.

Two test samples were prepared, each crushed to 100% passing 60 mm, with fines (<10 mm) screened out. The -60+10 mm fraction was processed using the Horus intelligent sorting machine. The test was conducted at different discard rates, evaluating the grade of discarded mineralised waste (tailings) and metal loss rates. The results are summarised in Table 10.22.

For Sample #1, the -60+10 mm fraction yield was 81.6%. At a discard rate of 41%, the metal loss rates were 3.4% Pb and 6.2% Zn, with tailings grades of 0.04% Pb and 0.20% Zn. For Sample #2, the -60+10 mm fraction yield was 87.1%. At a discard rate of 39.4%, the metal loss rates were 3.6% Pb and 5.0% Zn, with tailings grades of 0.10% Pb and 0.34% Zn.

The results demonstrate that pre-concentration using an intelligent sorting machine is feasible. Horus estimates that its intelligent sorter has a processing capacity of 60–80 t/h for the -60+10 mm ore fraction.

**Table 10.22: Results of discard test using intelligent sorting machine**

| Discard Control | Product | Grade (%) | | Against raw ore | | | Against 10~60 mm | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Yield (%) | Recovery (%) | | Yield (%) | Recovery (%) | |
| | | Pb | Zn | | Pb | Zn | | Pb | Zn |
| **Sample #1** | | | | | | | | | |
| Scheme 1 | Concentrate | 0.72 | 1.82 | 56.2 | 78.6 | 67.1 | 68.9 | 97.4 | 95.0 |
| | Tailings | 0.04 | 0.20 | 25.4 | 2.1 | 3.3 | 31.1 | 2.6 | 4.7 |
| | -60+10 mm | 0.51 | 1.32 | 81.6 | 80.7 | 70.6 | 100.0 | 100.0 | 99.7 |
| | -10 mm | 0.54 | 2.44 | 18.4 | 19.3 | 29.4 | | | |
| | Raw ore | 0.51 | 1.53 | 100.0 | 100.0 | 100.0 | | | |
| Scheme 2 | Concentrate | 0.83 | 2.10 | 48.1 | 78.0 | 66.2 | 59.0 | 96.7 | 93.9 |
| | Tailings | 0.04 | 0.20 | 33.5 | 2.7 | 4.4 | 41.0 | 3.4 | 6.2 |
| | -60+10 mm | 0.51 | 1.32 | 81.6 | 80.7 | 70.6 | 100.0 | 100.1 | 100.1 |
| | -10 mm | 0.54 | 2.44 | 18.4 | 19.3 | 29.4 | | | |
| | Raw ore | 0.51 | 1.53 | 100.0 | 100.0 | 100.0 | | | |
| Scheme 3 | Concentrate | 0.97 | 2.40 | 41.0 | 77.3 | 64.5 | 50.3 | 95.8 | 91.4 |
| | Tailings | 0.04 | 0.22 | 40.6 | 3.4 | 5.8 | 49.7 | 4.2 | 8.3 |
| | -60+10 mm | 0.51 | 1.32 | 81.6 | 80.7 | 70.6 | 100.0 | 100.0 | 99.7 |
| | -10 mm | 0.54 | 2.44 | 18.4 | 19.3 | 29.4 | | | |
| | Raw ore | 0.51 | 1.53 | 100.0 | 100.0 | 100.0 | | | |

| Discard Control | Product | Grade (%) | | Against raw ore | | | Against 10~60 mm | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Yield (%) | Recovery (%) | | Yield (%) | Recovery (%) | |
| | | Pb | Zn | | Pb | Zn | | Pb | Zn |
| **Sample #2** | | | | | | | | | |
| Scheme 1 | Concentrate | 1.66 | 4.17 | 52.8 | 82.3 | 80.1 | 60.7 | 96.4 | 95.1 |
| | Tailings | 0.10 | 0.34 | 34.3 | 3.1 | 4.2 | 39.4 | 3.6 | 5.0 |
| | -60+10 mm | 1.04 | 2.66 | 87.1 | 85.3 | 84.2 | 100.0 | 100.1 | 100.1 |
| | -10 mm | 1.21 | 3.37 | 12.9 | 14.7 | 15.8 | | | |
| | Raw ore | 1.06 | 2.75 | 100.0 | 100.0 | 100.0 | | | |
| Scheme 2 | Concentrate | 1.96 | 4.79 | 44.0 | 81.0 | 76.7 | 50.6 | 95.0 | 91.1 |
| | Tailings | 0.11 | 0.49 | 43.1 | 4.3 | 7.7 | 49.4 | 5.1 | 9.1 |
| | -60+10 mm | 1.04 | 2.66 | 87.1 | 85.3 | 84.2 | 100.0 | 100.1 | 100.2 |
| | -10 mm | 1.21 | 3.37 | 12.9 | 14.7 | 15.8 | | | |
| | Raw ore | 1.06 | 2.75 | 100.0 | 100.0 | 100.0 | | | |
| Scheme 3 | Concentrate | 2.26 | 5.14 | 37.8 | 80.4 | 70.6 | 43.4 | 94.2 | 83.8 |
| | Tailings | 0.11 | 0.76 | 49.3 | 5.0 | 13.6 | 56.6 | 5.8 | 16.2 |
| | -60+10 mm | 1.04 | 2.66 | 87.1 | 85.3 | 84.2 | 100.0 | 100.0 | 100.0 |
| | -10 mm | 1.21 | 3.37 | 12.9 | 14.7 | 15.8 | | | |
| | Raw ore | 1.06 | 2.75 | 100.0 | 100.0 | 100.0 | | | |

Source: Horus Technology, Intelligent Sorting Test Report for Xizang Huaxia Lead-Zinc Mine, May 2024.

### 10.3.2 Pre-concentration production

In 2024, Huaxia Mining established a pre-concentration plant at the open-pit mining site that incorporated crushing, screening and intelligent ore sorting. The trial production results from September to December 2024 are summarised in Table 10.23. A total of 72.36 kt of pre-concentration feed was processed, achieving a discard rate of 15.55% (relative to the ROM ore), with a metal loss rate of 1.3% Zn, indicating that intelligent ore sorting is feasible for pre-concentration of mineralised waste.

Since the ore contains low grades of copper, lead and silver, potential measurement errors may be significant. Therefore, zinc grade and recovery rate were primarily used to evaluate the sorting performance. SRK recommends that future pre-concentration operations focus on enhanced sampling, monitoring, and process control. Conducting tests on ores with different grades to obtain comprehensive technical parameters and cost data is recommended, which will guide future pre-concentration production.

**Table 10.23: Results of trial production using intelligent sorting machine**

| Product | Production (t) | Yield (%) | Grade (%) | | | Metal Recovery (%) | | |
|---|---|---|---|---|---|---|---|---|
| | | | Cu | Pb | Zn | Cu | Pb | Zn |
| Concentrate | 42,676 | 58.98 | 0.07 | 0.05 | 3.60 | 52.3 | 62.5 | 73.8 |
| Tailings | 11,253 | 15.55 | 0.04 | 0.03 | 0.24 | 8.3 | 10.7 | 1.3 |
| Fines | 18,431 | 25.47 | 0.13 | 0.05 | 2.82 | 39.4 | 26.9 | 24.9 |
| Raw ore | 72,360 | 100.00 | 0.08 | 0.05 | 2.88 | 100.0 | 100.0 | 100.0 |

Source: Estimated by SRK based on data provided by Huaxia Mining.

## 10.4 Test conclusions

- Sphalerite is the primary zinc-bearing mineral, with a relatively coarse grain size. Galena is the main lead-bearing mineral, with a finer dissemination size, while chalcopyrite, the primary copper-bearing mineral, has an even finer grain size. The dominant iron sulfide is pyrrhotite, followed by pyrite and marcasite. Due to the complex intergrowth relationships between minerals, at a grinding fineness of 70%, -74 μm, the liberation degree of sphalerite reaches 90%, while galena achieves 87.5%.
- The reagent scheme is the primary factor affecting processing performance, particularly when using recycled water. A 'strong reagent regime' (strong depressants and collectors are used), leads to higher impurity ion concentrations, elevated pH values, and residual reagent accumulation in recycled water, negatively impacting flotation efficiency. A 'mild reagent regime' (using selective pyrite depressants and highly selective lead (copper) collectors with reduced lime dosage) results in lower impurity ion concentrations, pH, and residual reagent levels in recycled water. The addition of sodium sulfide and FS in the grinding stage helps mitigate the adverse effects of recycled water, achieving better processing results.
- Both the Cu-Pb bulk flotation – Cu-Pb separation – Zn flotation process and the sequential preferential flotation process (Cu-Pb-Zn) achieved satisfactory processing performance. However, the latter process is longer and more costly. Given the low copper grade in Mengya'a ore, the Cu-Pb bulk flotation – separation – Zn flotation process is recommended.
- Ore oxidation significantly impacts flotation performance. Since no flotation tests were conducted on ores with oxidation rates exceeding 20%, a direct correlation between ore oxidation and recovery rate has not yet been established. However, the quantity of oxidised ore is minimal, and its economic impact is insignificant.
- Pre-concentration using an intelligent sorting machine for mineralised waste is feasible. The laboratory tests and trial production both yielded positive results. SRK recommends enhancing process sampling and monitoring to obtain comprehensive trial production and cost data, providing technical and economic support for expanding the pre-concentration operation.

# 11 Processing plant

## 11.1 Overview

The Processing Plant was established in October 2007 and commenced production in December 2010. Designed by Lanzhou Nonferrous Metallurgical Design and Research Institute Co., Ltd., the plant initially had a designed processing capacity of 2,000 t/d, operating 200 days per year, with an annual ore throughput of 400 kt/a. The final products include copper concentrate, lead concentrate and zinc concentrate.

In December 2016, the Guangdong Institute of Metallurgical and Architectural Design completed a feasibility study for an expansion project to increase the processing nameplate capacity to 3,000 t/d. Based on the feasibility study, modifications in the crushing, grinding, flotation, and concentrate dewatering systems were gradually implemented from 2017 onwards. By 2022, the plant's processing nameplate capacity had successfully increased to 3,000 t/d.

The current production process is well structured, including traditional three-stage closed-circuit crushing, two-stage closed-circuit grinding, Cu-Pb bulk flotation followed by separation flotation, Zn flotation, and two-stage concentrate dewatering through thickening and pressure filtration.

The reagent scheme has been optimised by adding sodium sulfide in the grinding mill and using Y2 (an organic pyrite depressant similar to FS), zinc sulfate, and sodium sulfite as pyrite depressants. The benefits of doing so include reducing lime consumption, mitigating the impact of tailings return water on processing performance, improving water recycling efficiency, and achieving a closed-loop water circulation system with zero wastewater discharge.

In 2024, a pre-concentration plant for mineralised waste was constructed at the open-pit mining site, using an intelligent sorting machine to process -60+10 mm ore fraction and pre-discard mineralised waste, with promising trial production results.

Figure 11.1 is an aerial photograph taken by drone of the processing plant. From top to bottom, the key facilities include the freshwater high-level reservoir, recycled water high-level reservoir, ROM stockpile, crushing workshop, grinding workshop, flotation workshop, concentrate thickening workshop, concentrate pressure filtration workshop, concentrate warehouse, tailings pump station, and tailings thickening workshop. On the left side are the 35/10 kV substation and the Langgezhanlong River, the plant's key water source. The lower-left buildings house the laboratory and processing plant office, while the lower-right buildings contain the materials and reagent storage facility.

**Figure 11.1: Drone photograph of the Mengya'a processing plant**



Source：SRK site visit

## 11.2 Processing process

The processing flowsheet shown in Figure 11.2 includes crushing, grinding, flotation, and product dewatering. The flotation process consists of Cu-Pb mixed flotation, Zn flotation, and Cu-Pb concentrate separation flotation. All intermediate ores are sequentially returned to the previous operation.

### Crushing

The ore transported from the both the open-pit and underground portions of the mine is unloaded into a 120 m³ raw ore bin or stockpiled in the raw ore yard. It is then fed into the primary jaw crusher by a heavy-duty plate feeder at the bottom of the bin. A traditional three-stage closed-circuit crushing process is adopted. The feed size is ≤500 mm, and the product size is less than 12 mm. The crushed product is transported by belt conveyors to two 1,500 t fine ore bins, each corresponding to a grinding-flotation series.

### Grinding

The crushed ore in the fine ore bin is fed into the ball mills by multiple vibrating feeders and belt conveyors. The grinding process uses a two-stage closed-circuit system, with the crushed ore ground to a fineness of 70–75% passing -200 mesh (74 μm). Stage 1 consists of a grid-type ball mill and a double-screw classifier forming a closed circuit, while Stage 2 consists of a cyclone group and an overflow ball mill forming a closed circuit. There are two identical grinding circuits, and the subsequent flotation is also divided into two corresponding series.

### Flotation

The 'Cu-Pb mixed – separation flotation – Zn flotation' process is used, where sulfur and zinc minerals are first depressed, and the Cu-Pb mixed concentrate is selected preferentially. The Cu-Pb tailings is then subjected to Zn flotation. In the Cu-Pb mixed flotation, flotation columns and flotation machines are employed. The flotation column is used to preferentially recover easily floatable minerals, and then the flotation machine follows a '1 roughing, 3 cleaning, 3 scavenging' process to recover Cu-Pb minerals that are more difficult to float. The concentrates from the flotation column and flotation machine are combined to form the Cu-Pb mixed concentrate. The Cu-Pb mixed concentrates from the two-flotation series are merged for Cu-Pb separation flotation, following a '1 roughing, 3 cleaning, 3 scavenging' process, where lead is depressed to produce both copper concentrate and lead concentrate.

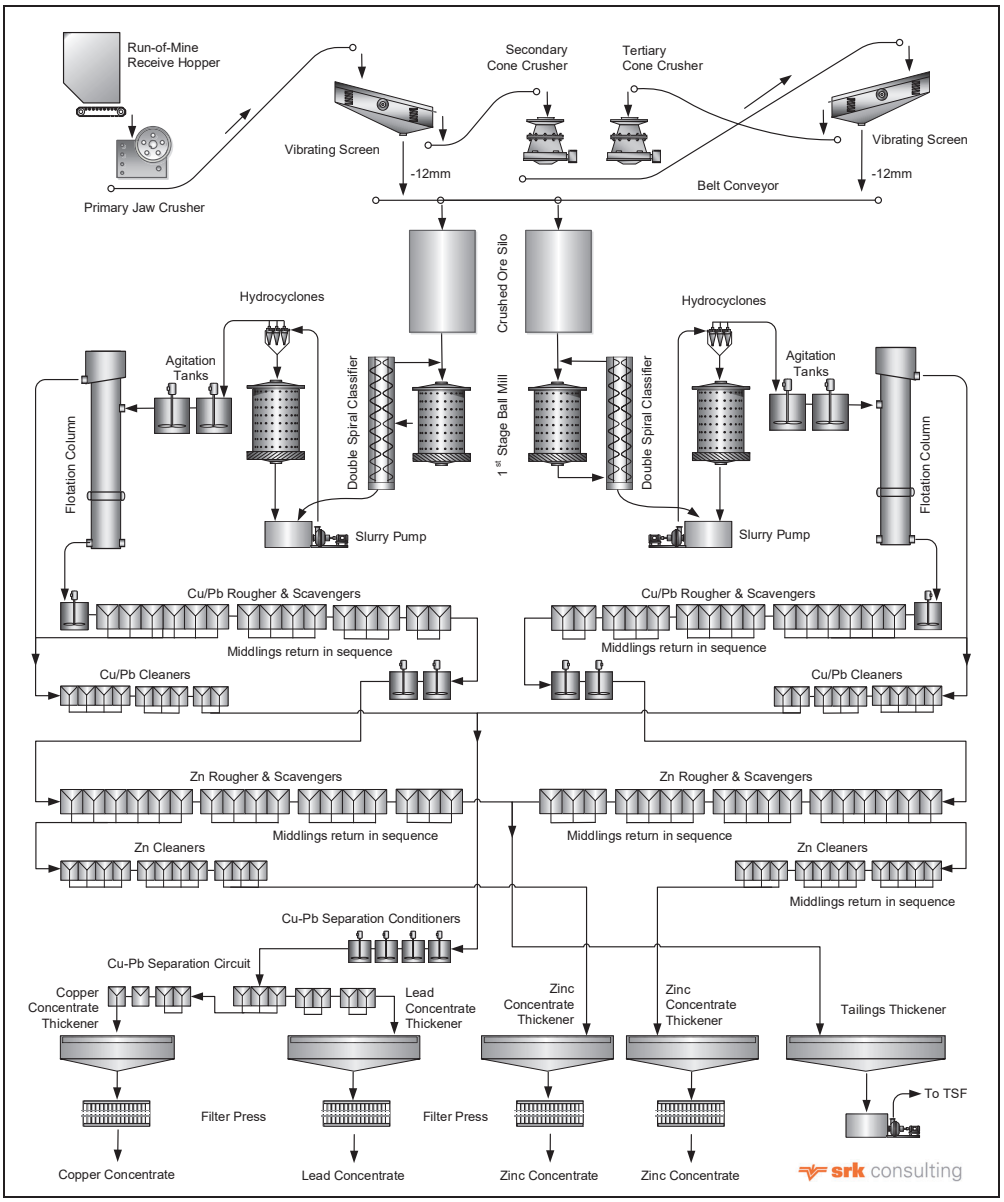
The Cu-Pb flotation tailings undergo the '1 roughing, 3 cleaning, 3 scavenging' process for Zn flotation. All intermediate concentrates from flotation are sequentially returned to the previous process.

### Dewatering

Copper concentrate, lead concentrate, and zinc concentrate all undergo a two-stage dewatering process, consisting of thickening and filter pressing, to control the final moisture content of the concentrate to no more than 9%, which is the transportable level. If the moisture content exceeds 9%, further drying is carried out in the concentrate storage. All water extracted from the concentrates is pumped into the processing plant's high-level water recovery tank.

The tailings reports a concentration of 20–25%, which is thickened to 38% in the tailings thickener. The overflow is pumped into the high-level water recovery tank, where it is returned to the production process as process water. The underflow is pumped to the tailings storage facility (TSF). The return water from the TSF is also conveyed through pipelines into the high-level water recovery tank in the processing plant.

**Figure 11.2: Processing production process for Mengya'a ore**




Source: SRK, 2025, prepared based on site visit and client-supplied data.

Note: Prior to crushing, mineralised waste may be mixed with high-grade ore to optimise the feed ore grade, allowing the mineralised waste to be effectively utilised for concentrate production.

## 11.3 Expansion and technological renovation of processing equipment

The expansion and renovation of the processing plant commenced in 2017, and by 2022, the processing nameplate capacity had reached 3,000 t/d.

The key milestones in the specific renovation process were as follows:

- **2017**: The crushing system was upgraded by replacing the secondary and tertiary cone crushers and adding a vibrating screen before secondary crushing, which reduced the particle size of the crushed product.
- **2018**: A flotation column was added before the Cu-Pb mixed flotation to extend the flotation time and improve Cu-Pb recovery. Additionally, one more filter press was added for dewatering the lead and zinc concentrates.
- **2020**: The number of flotation cells for Cu-Pb rough flotation and zinc rough flotation was increased from 4 to 6. The scavenger flotation cells were also adjusted to extend the flotation time.
- **2021**: The reagent system underwent a significant adjustment, drastically reducing lime consumption. The pH of the process water was reduced from 13–14 to 7–8, leading to a gradual improvement in processing performance.
- **2022**: The secondary grinding cyclone classifier was replaced from FX500 to FX400, and the grinding fineness increased from 65–70% passing 74 μm to 70–75% passing 74 μm. The Cu-Pb separation process added a rough flotation cell, along with an additional scavenger and cleaner flotation stage, which improved the Cu-Pb separation efficiency.

Following completion of the above technological renovations, the processing nameplate capacity of the processing plant has reached 3,000 t/d. Although these renovations lack detailed engineering design, they have optimised the production process and operational parameters, improving the processing technical indicators.

Table 11.1 lists the current main processing equipment at the Mengya'a processing plant. Equipment for conveying ore via belt conveyors, pumps for transporting slurry and water, various slurry mixing tanks, reagent preparation and dosing equipment, maintenance equipment, and other auxiliary devices is not listed.

**Table 11.1: Main processing equipment**

| No. | Equipment name | Model/specification | Power (kW) | Quantity |
|---|---|---|---|---|
| 1 | Raw Ore Bin | 120 m³ | - | 1 |
| 2 | Plate Feeder | BZ1200-6 | 22 | 1 |
| 3 | Jaw Crusher | C100 | 110 | 1 |
| 4 | Cone Crusher | NH400C | 220 | 1 |
| 5 | Cone Crusher | CH440MF | 315 | 1 |
| 6 | Vibrating Screen | YSC2148 | 22 | 1 |
| 7 | Vibrating Screen | YA2160 | 22 | 1 |
| 8 | Fine Ore Bin | 1500t | - | 2 |
| 9 | Electric Vibrating Feeder | GZ1006 | 1.1 | 8 |

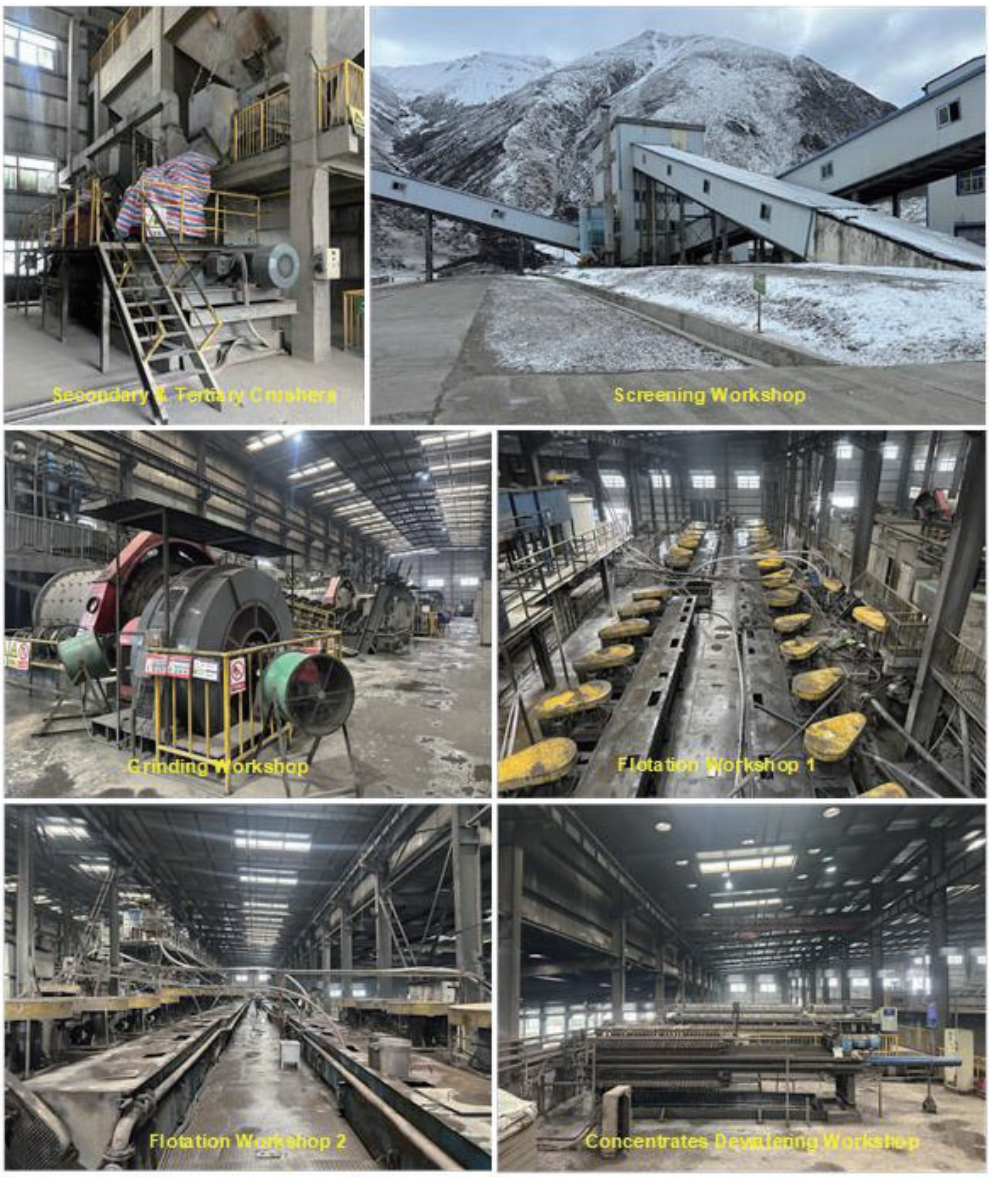
| No. | Equipment name | Model/specification | Power (kW) | Quantity |
|---|---|---|---|---|
| 10 | Grid Type Ball Mill | MQG2736 | 400 | 2 |
| 11 | Overflow Ball Mill | MQY2736 | 400 | 2 |
| 12 | Double Spiral Classifier | 2FG-20 | 15×2 | 2 |
| 13 | Cyclone Group | FX400×4 | - | 2 |
| 14 | Cyclone Feed Slurry Pump | 150/100E-AH | 90 | 4 |
| 15 | Stirring Tank | Φ2.5×2.5 m | 30 | 2 |
| 16 | Stirring Tank | Φ2.5×2.5 m | 22 | 8 |
| 17 | Stirring Tank | Φ2.5×2.5 m | 18.5 | 1 |
| 18 | Stirring Tank | Φ2.5×2.5 m | 11 | 3 |
| 19 | Flotation Column | - | 37+75 | 2 |
| 20 | Flotation Machine | XCF-8 | 22 | 18 |
| 21 | Flotation Machine | KYF-8 | 15 | 46 |
| 22 | Flotation Machine | XCF-4 | 15 | 16 |
| 23 | Flotation Machine | KYF-4 | 11 | 35 |
| 24 | Thickener | NZS-9 | 7.5 | 1 |
| 25 | Thickener | NT-18 | 11 | 3 |
| 26 | Filter Press | CJZJ-10 m² | 11 | 1 |
| 27 | Filter Press | CJZJ-30 m² | 22 | 3 |
| 28 | Filter Press | XMZGF220/1250 | 5.5+15 | 2 |
| 29 | Thickener | NZY-30 | 15 | 1 |

Source: Equipment ledger of Mengya'a beneficiation plant

Note: including flotation column installed in 2024.

Figure 11.3 presents a series of photographs from the main workshops at the processing plant.

**Figure 11.3: Main workshops at the Mengya'a processing plant**




Source: SRK site visit

## 11.4 Reagent system

For Mengya'a, a mildly oxidised polymetallic ore, to achieve ideal processing indicators and use all recycled water, the reagent system is a key factor.

Two types of reagent systems have been tested. One is the 'strong reagent system', which uses large amounts of lime supplemented with zinc sulfate as depressants for pyrite and sphalerite.

A strong collector, ethyl xanthate, is used for Cu-Pb flotation, and butyl xanthate is used as the collector for zinc. This process can achieve satisfactory processing indicators, but the excessive use of lime results in a high pH of the recycled water, which greatly affects the processing indicators and is detrimental to water recycling.

The second is the 'mild reagent system' such as experiments conducted by the Xinjiang Nonferrous Metal Research Institute and the Guangdong Province Comprehensive Resource Utilization Research Institute. This system uses sodium sulfide, zinc sulfate, sodium bisulfite, and a small amount of lime as depressants for pyrite and sphalerite, with collectors like 25# black reagent, ethyl thiocarbamate, butyl ammonium black reagent, and MA for Cu-Pb and Zn flotation. These collectors are characterised by weak collection ability but good selectivity. This process significantly reduces the amount of lime used, lowers the pH of the recycled water, and by adding sodium sulfide and FS in the mill, the recycled water utilisation problem is easily solved.

The processing plant continuously optimised the reagent system during production. The current reagent system, as shown in Table 11.2, is the 'mild reagent system' and has achieved good technical indicators. Sodium sulfide is added at a dosage of 800 g/t in the mill to mitigate the impact of recycled water on the process. No lime is used in Cu-Pb mixed flotation, and a small amount of pyrite organic depressant Y2 is added during Zn flotation, significantly reducing lime consumption, and achieving 100% utilisation of the recycled water. SRK considers it may be possible to further optimise the current reagent system, which will require ongoing exploration and improvement in future production.

**Table 11.2: Current rWeagent system**

| Operation | Reagent Dosage (g/t) | | | | | |
|---|---|---|---|---|---|---|
| Cu-Pb Flotation | $Na_2S$ | $ZnSO_4$ | $Na_2SO_3$ | DP25#[1] | MX[1] | 2# Oil |
| | 800 | 1000 | 350 | 40 | 40 | |
| Zn Flotation | Lime | $CuSO_4$ | Y2 | / | MX[1] | 2# Oil |
| | 1700 | 550 | 60 | / | 40 | |
| Cu-Pb Separation | Carbon[1] | CMC | Silicate[1] | $ZnSO_4$ | $Na_2SO_3$ | Z200 |
| | 100 | 40 | 200 | 100 | 200 | 25 |

Source: Provided by Mengya'a Processing Plant.

Note : [1]DP25#: Dithiophosphate 25#; MX: Mixed Xanthate; Carbon: Active Carbon; Silicate: Soluble Silicate

## 11.5 Processing production performance

Table 11.3 shows the production performance of the Mengya'a processing plant from 2022 to July 2025. In 2023, the Feed processing volume reached nearly 600 kt. The copper concentrate grade was 19.62% Cu with 641.6 g/t Ag, the copper recovery rate was 53.26%, and the silver recovery rate was 10.77%. The lead concentrate grade was 62.76% Pb with 784.5 g/t Ag, the lead recovery rate was 89.54%, and the silver recovery rate was 66.63%. The zinc concentrate grade was 46.08% Zn, with a zinc recovery rate of 91.91%. In 2024 and 2025, 4,251 t and 58,510 t of externally purchased ores were processed respectively.

In the copper concentrate, the impurity contents were zinc 9–11%, lead 3.5–4.5%, and arsenic less than 0.2%. The higher zinc content affects the copper concentrate quality and leads to zinc loss. In the lead concentrate, the impurity contents were zinc 3.0–4.5%, copper 0.6–1.2%, and arsenic

less than 0.3%, all of which were within standard limits. In the zinc concentrate, the impurity contents were copper 0.5–0.75%, lead 0.5–0.75%, which were also within standard limits. No data for arsenic or other impurities in the zinc concentrate are available but, based on the arsenic content and distribution in the ore, it is considered that arsenic in the gold concentrate will not exceed the limits. Gold is not concentrated in any of the concentrates to a payable level. Silver is mainly concentrated in the lead concentrate, reaching payable levels in both the lead and copper concentrates, but its content in the zinc concentrate only reaches 25–40 g/t, which is below the payable threshold.

**Table 11.3: Historical operation performance**

| Indicator Items | | Unit | 2022 | 2023 | 2024 | | Jan-July 2025 |
|---|---|---|---|---|---|---|---|
| | | | | | Oxidised Ore | Sulfide Ore | |
| Feed Processed | | t | 558,762 | 591,188 | 74,904 | 258,271 | 204,603 |
| Average Head Grades | Cu | % | 0.18 | 0.25 | 0.19 | 0.10 | 0.30 |
| | Pb | % | 2.24 | 2.41 | 4.03 | 0.96 | 2.13 |
| | Zn | % | 3.95 | 4.33 | 3.82 | 4.31 | 4.84 |
| | Ag | g/t | 30.75 | 40.58 | 24.62 | 16.59 | 52.00 |
| Contained Metal Quantity | Cu | t | 1,002 | 1,484 | 145 | 246 | 610 |
| | Pb | t | 12,538 | 14,276 | 3,021 | 2,469 | 4,352 |
| | Zn | t | 22,055 | 25,617 | 2,862 | 11,136 | 9,911 |
| | Ag | kg | 17,182 | 23,988 | 1,844 | 4,285 | 10,639 |
| Product Output | Copper concentrate | t | 2,315 | 4,028 | 322 | 737 | 1,732 |
| | Lead concentrate | t | 18,707 | 20,375 | 3,135 | 3,656 | 6,576 |
| | Zinc concentrate | t | 43,405 | 51,097 | 4,515 | 23,085 | 20,797 |
| Product Grades | Copper concentrate | Cu % | 18.67 | 19.56 | 15.81 | 18.21 | 21.20 |
| | | Ag g/t | 559.0 | 641.5 | 633.4 | 616.6 | 448.0 |
| | Lead concentrate | Pb % | 57.44 | 62.75 | 47.37 | 59.77 | 59.93 |
| | | Ag g/t | 594.1 | 784.5 | 189.2 | 814.8 | 1265.9 |
| | Zinc concentrate | Zn % | 45.75 | 45.90 | 44.60 | 44.68 | 44.63 |
| Contained Metal Quantity in Products | Copper concentrate | Cu t | 432 | 788 | 51 | 134 | 367 |
| | | Ag kg | 1,294 | 2,584 | 204 | 454 | 776 |
| | Lead concentrate | Pb t | 10,746 | 12,785 | 1,485 | 2,185 | 3,941 |
| | | Ag kg | 11,113 | 15,984 | 593 | 2,979 | 8,324 |
| | Zinc concentrate | Zn t | 19,857 | 23,453 | 2,014 | 10,315 | 9,282 |
| Metal Recovery Rate | Copper concentrate | % (Cu) | 43.16 | 53.10 | 35.13 | 54.45 | 60.19 |
| | | % (Ag) | 7.53 | 10.77 | 11.07 | 10.60 | 7.29 |
| | Lead concentrate | % (Pb) | 85.71 | 89.56 | 49.17 | 88.50 | 90.57 |
| | | % (Ag) | 64.68 | 66.63 | 32.16 | 69.51 | 78.25 |
| | Zinc concentrate | % (Zn) | 90.03 | 91.55 | 70.36 | 92.63 | 93.65 |
| Product Moisture Content | Copper concentrate | % | 7.17 | 9.46 | | 9.50 | 9.27 |
| | Lead concentrate | % | 8.12 | 8.27 | | 10.25 | 8.55 |
| | Zinc concentrate | % | 6.69 | 6.90 | | 6.90 | 7.38 |

Source: Huaxia

Note: [1] In 2024 and 2025, 4,251t and 58,510t of externally purchased ores were processed respectively.[2] Feed materials included direct processing plant feed and low grade materials.

Based on test results and historical production performance, SRK forecasts the technical indicators for sulfide ores shown in Table 11.4. Using the predicted concentrate grades, copper, lead and zinc recovery rates, and the head ore grades, it is possible to calculate the concentrate yield and output. For example, lead concentrate yield = lead recovery rate × head ore lead grade ÷ lead concentrate lead grade, and lead concentrate output = head ore quantity × lead concentrate yield.

In 2024, a pre-selection workshop for mineralised wastes was established, employing a crushing-sieving-intelligent sorting process to treat ores with a particle size of -60+10 mm. The pilot production results, shown in Table 10.23, indicated a discard rate of 15.55% (relative to ROM ore) and a zinc metal loss rate of only 1.3%, demonstrating that pre-selection is feasible.

In 2024, due to a decrease in ore supply, the plant processed 75 kt of stockpiled oxidised ore and 4,251 t of externally purchased sulfide ore (included in the 258.27 kt of sulfide ore). The oxidation degree of the oxidised ore is unknown. Due to limited test data on oxidised ores, it is challenging to establish a response relationship between oxidation rate and processing indicators, making it difficult to forecast the processing indicators for oxidised ores. SRK does not recommend mixing oxidised ores with sulfide ores for processing production. Conducting processing tests on ores with different oxidation rates, determining suitable processing conditions for each, and carrying out separate, focused processing of oxidised ores is recommended.

**Table 11.4: Test results, historical and forecast performance parameters**

| Performance parameters | | Unit | [1]Test | 2022 | 2023 | 2024[2] | Jan-Jul 2025[2] | Forecast[3] |
|---|---|---|---|---|---|---|---|---|
| Copper Concentrate Grade | Cu | % | 21.95 | 18.67 | 19.56 | 19.78 | 20.67 | 20.0 |
| | Ag | g/t | 355.0 | 559.0 | 641.6 | 725.3 | 463.8 | 600 |
| Copper Concentrate Recovery | Cu | % | 54.97 | 43.16 | 53.10 | 49.89 | 58.60 | 52.0 |
| | Ag | % | 6.48 | 7.53 | 10.77 | 10.89 | 7.59 | 9.2 |
| Lead Concentrate Grade | Pb | % | 60.11 | 57.44 | 62.76 | 60.12 | 60.43 | 60.0 |
| | Ag | g/t | 401.0 | 594.1 | 784.5 | 815.7 | 1,202.8 | 700 |
| Lead Concentrate Recovery | Pb | % | 87.80 | 85.71 | 89.56 | 88.14 | 90.49 | 88.0 |
| | Ag | % | 58.22 | 64.68 | 66.63 | 75.53 | 75.99 | 66.4 |
| Zinc Concentrate Grade | Zn | % | 48.12 | 45.75 | 45.90 | 44.64 | 44.51 | 46.0 |
| Zinc Concentrate Recovery | Zn | % | 90.54 | 90.03 | 91.55 | 94.81 | 94.45 | 91.0 |
| Raw Feed Grade | Cu | % | 0.20 | 0.18 | 0.25 | 0.09 | 0.24 | 0.20 |
| | Pb | % | 2.72 | 2.24 | 2.41 | 0.92 | 1.77 | 2.20 |
| | Zn | % | 4.92 | 3.95 | 4.33 | 4.29 | 4.76 | 4.00 |
| | Ag | g/t | 27.41 | 30.75 | 40.58 | 15.36 | 41.94 | 34.0 |

Note : [1] Test results from Guangdong Province Comprehensive Resource Utilization Research Institute ; [2] Third parties ores exclusive, [3] Forecast is based on historical performance

## 11.6 Conclusion and suggestions

- The Mengya'a flotation plant has a designed production capacity of 2,000 t/d, and after multiple technological upgrades, the processing nameplate capacity has reached 3,000 t/d. The flotation plant uses a traditional three-stage closed-circuit crushing process to crush ore from the mining site to less than 12 mm. To prevent clogging of the secondary cone crushers and improve crushing capacity, a vibrating screen for pre-screening has been added before the secondary crushing stage, which can be activated or bypassed as needed. The plant employs a conventional two-stage closed-circuit grinding process with a grinding fineness control of 70-75% passing through a 200-mesh sieve.
- The plant adopts a 'Cu-Pb mixed flotation – Cu-Pb Separation flotation process' to recover copper and lead, producing copper concentrate and lead concentrate. The Cu-Pb mixed flotation uses a '2-stage roughing, 3-stage scavenging, and 3-stage cleaning process'. The first roughing stage uses a flotation column, which extends the flotation time and nominally improves the Cu-Pb recovery rate. However, it also increases electricity consumption. SRK considers that the configuration of the existing flotation machine is sufficient to meet the flotation time requirements. Its contribution to the flotation performance warrants further investigation.
- The process and equipment configuration for the separation flotation of Cu-Pb mixed concentrate, zinc recovery from the Cu-Pb mixed flotation tailings, and subsequent product dewatering are reasonable.
- The use of a 'gentle reagent regime' has reduced the pH value of the recycled water, enabling 100% utilisation of the recycled water, with continuous improvements in flotation performance. SRK considers it may be possible to further optimise the reagent regime, which should be explored and refined continuously during production.
- From September to December 2024, 72,360 t of pre-concentration feed were processed with a discard rate of 15.55% (relative to ROM ore), and the zinc metal loss rate was only 1.3%, indicating that pre-selection using the intelligent sorting machine is feasible. SRK recommends improving the process monitoring and gathering more pilot production and cost data before researching the feasibility of expanding the pre-selection scale.
- In 2024, 75,000 t of oxidised ore were processed. Compared with sulfide ore, flotation performance (concentrate grade and recovery rate) showed a significant decrease, indicating that oxidised ore is more difficult to process. Due to the lack of data on the oxidation rate of the ore, it is difficult to quantify the effect of oxidation on flotation performance. SRK suggests that the oxidised ore mined be separately processed for flotation.

# 12 Tailings storage facilities

## 12.1 Introduction

The project includes one existing TSF and a new TSF. Deposition into the existing TSF began in 2011 and the TSF is expected to reach full capacity by 2026, after which the new TSF will be put into use. The construction of the new Tailings Storage Facility is planned for completion in 2026.

### 12.1.1 Site conditions

The elevation of the TSFs ranges from 4,600 m to 5,600 m asl, exhibiting the typical characteristics of a plateau climate: thin air, low atmospheric pressure, and low oxygen content; strong solar radiation, long daylight hours, low temperatures, a small annual temperature difference, and large daily temperature fluctuations; a distinct dry season and rainy season, with low precipitation and high evaporation rates; frequent strong winds and a long frost period.

The average annual temperature at the proposed site is -2.2°C, with the lowest temperature occurring in January at an average of -12.5°C, and the highest temperature occurring in July with an average of 9.8°C. The site's average annual rainfall is 429 mm (Table 12.1), with the maximum rainfall occurring in August, reaching 67.7 mm, and the minimum rainfall occurring in December, at 15.9 mm. The average annual evaporation can reach 1,664.5 mm. The locations of the TSFs are characterised by the development of seasonal frozen soil, with a typical depth of 1.20–1.50 m, and a very short freezing and thawing period.

**Table 12.1: Monthly average temperature and precipitation – Rongdoi township, Jiali County**

| Item | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | Year (avg.) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Temperature (°C)** | -12.5 | -8.5 | -5.8 | -4.0 | -1.1 | -0.6 | 6.5 | 9.8 | 1.5 | -1.2 | -3.0 | -6.8 | -2.2 |
| **Precipitation (mm)** | 23.5 | 23.8 | 24.9 | 26.0 | 27.2 | 33.9 | 47.9 | 67.7 | 61.9 | 50.4 | 25.9 | 15.9 | 429 |

Source: Jiali County Meteorological Bureau

The basic seismic intensity of the proposed site is 8 Degrees, with a peak ground acceleration value of 0.20g. The soil type at the proposed site is medium-hard soil to hard soil, and the design seismic classification is Group II. The site is classified as Category II for building purposes, with a spectral response characteristic period of 0.45 seconds. For the new TSF site, the design peak ground acceleration for a 50-year exceedance probability at the surface with a 5% damping ratio is 185 cm/s².

### 12.1.2 Tailings characteristics

The flotation plant produces lead concentrate, copper concentrate and zinc concentrate. The process flow adopts Cu-Pb preferential flotation, Cu-Pb separation, and Cu-Pb flotation tailings for zinc recovery. The tailings generated from the zinc flotation process constitutes the final tailings of the flotation plant. The plant operates for 200 days each year, with an annual production capacity of 400 kt (2,000 t/d). The tailings yield is 86.0%, with a daily tailings output of 1,720 t. The tailings has a specific gravity of 2.9–3.18 g/cm$^3$. The particle size distribution is shown in Table 12.2, where -0.074

mm particles account for 65.27% of the tailings mass. Toxic leaching tests indicate that the tailings is classified as Category I general industrial solid waste.

**Table 12.2: Particle size analysis test results (new TSF data)**

| Particle Size (mm) | Content (%) |
|---|---|
| +0.15(+100mesh） | 17.14 |
| +0.097~0.15(+160mesh-100mesh） | 9.81 |
| +0.074 mm~0.097 mm (+200mesh-160mesh） | 7.79 |
| +0.045 mm~0.074 mm (+325mesh-200mesh） | 19.79 |
| -0.045 mm（-325mesh） | 45.48 |
| **Total** | **100.0** |

The main components of the tailings are non-metallic minerals rich in $SiO_2$, $Al_2O_3$, CaO, $MgCO_3$, and other resources. The elemental composition is shown in Table 12.3.

**Table 12.3: Composition analysis of the Mengya'a tailings**

| Element | Pb (%) | Zn (%) | S (%) | Fe (%) | Au (g/t) | Ag (g/t) | $CaF_2$ (%) | Cu (%) | CaO (%) | MgO (%) | Cd (%) | $Na_2O$ (%) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Content | 0.42 | 0.31 | 8.25 | 13.52 | 0.06 | 7.61 | 0.54 | 0.03 | 13.63 | 3.87 | <0.001 | 0.235 |
| **Element** | **$SiO_2$** | **$TiO_2$** | **Mo** | **Sn** | **Ge** | **Ga** | **$Al_2O_3$** | **Sr** | **P** | **C** | **Cr** | **$K_2O$** |
| Content | 46.66 | 0.85 | <0.001 | 0.025 | 0.0006 | 0.001 | 8.87 | 0.0013 | 0.028 | 0.56 | <0.001 | 0.65 |
| **Element** | **Ni** | **Rb** | **Li** | **In** | **Ta** | **Nb** | **$W_20_3$** | **Sb** | **Bi** | **$MnO_2$** | **Hg** | **As** |
| Content | <0.001 | <0.001 | <0.0001 | <0.001 | <0.001 | <0.001 | <0.001 | <0.002 | <0.001 | 1.32 | <0.0001 | 0.013 |

### 12.1.3 Tailings disposal plan

The tailings from the flotation plant is first thickened in a thickener to a weight concentration of 38%, then transported via pipeline to the tailings storage area. The tailings particles settle and are stacked in the tailings storage area. After the tailings water in the decant pond undergoes clarification, evaporation, and biological degradation, all of it, excluding evaporation losses and void retention in the tailings, is returned to the flotation plant for recycling. During the winter shutdown period, seepage from the tailings storage area is returned to the decant pond. The TSF includes a clean water diversion system and the tailings dam is constructed using the upstream method.

## 12.2 Existing TSF

The existing TSF is located in the downstream left bank of the Xiong Jun Jiong Yong Qu's first-level tributary, Anong Qu, upstream of the valley, 5.1 km southwest of the flotation plant. It is a valley-type TSF with a design final stacking elevation of 5,036 m and a final dam height of 76 m. The initial dam height is 40 m (the difference is a tailings stacking dam height of 36 m). The total storage capacity is 2.97 million $m^3$. A trial operation commenced in June 2011 together with the flotation plant, and tailings discharge was commenced. In 2014, a seepage control modification was carried out, with geotextile membranes installed at the bottom of the tailings storage area.

The initial dam is a rock-fill dam with average upstream and downstream slopes of 1:2.0. Every 10 m of dam height on the downstream slope has a 2 m-wide access road. The dam crest is 12.5 m wide, and the dam axis length is 261 m. The subsequent rise is constructed by the upstream method using tailings. The external slope has an average slope of 1:5, and the outer slope is covered with weathered sand soil to a thickness of no less than 0.5 m.

As a seepage control measure, a 1.5 mm-thick high density polyethelyene (HDPE) geomembrane is laid below the 5,050.0 m elevation in the tailings storage area, with a drainage layer placed above the membrane. A seepage interception dam is installed approximately 50 m downstream of the initial (starter) dam, with a return water pool placed in front of the interception dam. The seepage water from the geomembrane in the tailings storage area is guided into the downstream return water pool via drainage channels.

The catchment area of the existing tailings storage area is 4.83 km², and the land area covers 12.6 ha. The surrounding area of the tailings storage area is equipped with flood diversion ditches, which direct the diverted rainwater to the downstream valley. The tailings storage area also has sloped channels and culverts that direct clarified tailings water and rainwater to the return water pool downstream of the initial dam. The TSF is designed to withstand a 1 in 200-year rainfall event.

The tailings from the flotation plant is concentrated and dewatered using a φ30 tailings thickener in the plant. The slurry is then pumped by three plunger pumps through two D194x(8+8) high-pressure steel-plastic composite tailings pipelines, which transport it to the top of the tailings storage area. The tailings pipelines are approximately 5.4 km in length, with discharge points at the top of the dam. The clarified water and seepage from the tailings storage area are directed via sloped channels and culverts to the return water pool downstream of the initial dam. The water is then returned to the flotation plant through a D325x12.5 welded steel pipe return water pipeline by gravity for recycling, with a pipeline length of 5.3 km. The return water pipeline runs parallel to the tailings transport pipeline along the same route.

The TSF is equipped with online and manual monitoring and detection facilities for production, safety, and environmental protection. These include rainfall, dam surface displacement, internal horizontal and vertical dam displacement, water level monitoring, high-definition video surveillance, online monitoring centre equipment, and groundwater environmental monitoring wells.

The TSF is also equipped with access, communication, lighting, duty, safety protection and signage facilities.

Since its construction and after the seepage control modification in the pond area, the tailings pond has been in conventional use, with all safety indicators meeting design requirements and environmental protection standards meeting national regulations. The remaining storage capacity is expected to last for another 2 years.

**Figure 12.1: Existing TSF**




Source: SRK site visit, September 2024

**Figure 12.2: Site video surveillance equipment**



Source: SRK site visit, November 2024

**Figure 12.3: Tailings discharge pipe at the dam crest**



**Figure 12.4: Downstream dam slope**



Source: SRK site visit, November 2024

### 12.2.1 New TSF

At the current production capacity, the existing TSF will be full in 2 years' time. To maintain normal mine production and ensure sustainable development, a new TSF was proposed to be constructed in another tributary upstream of the Anong Qu, located northeast of the existing TSF. The construction of the new TSF is planned for completion in 2026 and is expected to commence operations in 2027.

The new TSF is administratively located within the jurisdiction of Rongdoi township, Jiali County, and is adjacent to the existing TSF. The straight-line distance between the initial dams of the two TSFs is approximately 1.05 km, and the distance from the flotation plant is approximately 5.6 km. The new TSF is a valley-type TSF with a design final stacking elevation of 5,210 m. The total dam height is 153 m, with an initial dam height of 53 m and final tailings stacking dam height of 100 m. The total storage capacity is 21.2 million m³, and the effective storage capacity is 13.78 million m³. The total storage capacity of the tailings pond represents the full geometric volume of the impoundment. However, the effective storage capacity reflects the actual usable space available for tailings deposition after considering essential safety and operational requirements. The difference between these capacities is due to design provisions such as flood retention capacity for extreme rainfall events, freeboard requirements to prevent overtopping, space occupied by tailings beach slopes during deposition and the void ratio between tailings particles. At the current flotation plant capacity of 400,000 t/a, the estimated service life is approximately 64 years, which is sufficient to cover the entire LoM of Mengya'a Mine.

The geological conditions of the new TSF site are relatively simple. The overall strata are stable, with no fault zones or other geological hazards such as large landslides, debris flows, subsidence, karst, soil caves, expansive soil, or liquefaction that could affect site stability. The foundation of the proposed dam and the upper part of the TSF comprise Quaternary residual slope debris and weathered material. The lower part consists of the Carboniferous Laigu Formation carbonaceous slate. The geology is simple and the site is stable, making it suitable for TSF construction.

The initial dam is constructed from permeable rock-fill mixed with weathered material, with upstream and downstream average slopes of 1:95 and 1:2.2, respectively. The dam crest width is 4 m, and the dam axis length is 342.6 m. The crest elevation is 5,110 m.

The new TSF dam has been constructed in stages using the upstream method, with external slopes at 1:5. Every 5 m of dam height has a 5.0 m-wide platform, and the slope between platforms is 1:4. The sub-dams are constructed by cyclone classification and bottom flow stacking. The final dam crest is expected to have an axis length of approximately 493.0 m and a crest elevation of 5,210 m. The external slope is covered with 0.3–0.5 m of soil, and cold-resistant grass or low shrubs are planted on the surface. Longitudinal and transverse drainage channel networks were constructed on the external slopes and shoulders of the dam. The dam includes a multi-layer drainage network.

Below the 5,210.0 m elevation in the tailings storage area, a 2.0 mm-thick HDPE geomembrane has been laid for seepage control, with drainage facilities placed above and below the membrane. A seepage interception dam was set approximately 300 m downstream of the initial dam, with a return water pool in front of the dam and a row of pumping wells installed behind the dam. The drainage and seepage water from the geomembrane is directed through the drainage facilities to the return water pool before the interception dam. The water is then directed downstream of the interception dam through the drainage facilities.

The catchment area above the toe of the tailings dam is 3.64 km², and the tailings storage area covers 0.58 km². A flood interception dam is set at the 5,210 m elevation upstream of the tailings storage area, with a flood diversion ditch on the west side and a vertical overflow spillway in front of the dam. The diverted rainwater is drained to the downstream valley through the main drainage tunnel. Four drainage channels are laid at different elevations in the tailings storage area, and they are connected to upstream drainage tunnels via four supporting sub-tunnels. The main tunnel is equipped with a clean water separation wall, and the clarified tailings water and rainwater are directed to the return water pool downstream of the initial dam. The TSF is designed to withstand a 1 in 500-year to 1 in 1,000-year rainfall event.

Seepage water from the tailings storage area membrane, as well as other external wastewater, is all directed into the return water pool. During production, the water is returned to the flotation plant via the return water system by gravity for recycling. During the shutdown period, it is pumped back into the tailings storage area for storage, with no external discharge allowed. Groundwater below the tailings storage area membrane is directly led to the tailings storage area's seepage interception dam through the drainage system. Groundwater quality is monitored via a group of pumping wells, and the groundwater can normally be discharged. If groundwater contamination is detected, the contaminated groundwater will be pumped back to the tailings pond.

Since the new and existing TSFs are adjacent to each other, the tailings transportation and return water pipelines still use the original pipelines. Only 780 m of new pipeline will be used to connect with the existing pipeline, and the plunger pumps will be replaced with diaphragm pumps.

The new TSF is equipped with online and manual monitoring and detection facilities for production, safety, and environmental protection. These include rainfall, dam surface displacement, internal horizontal and vertical displacement of the dam, pond water level monitoring, high-definition video surveillance, online monitoring centre equipment, and groundwater environmental monitoring wells.

Facilities for access, communication, lighting, duty, safety protection, and safety signage have been designed for the new TSF.

Seepage and stability analyses of the new tailings dam have been carried out under normal working conditions, flood conditions, and seismic conditions (8 Degree earthquake). Structural safety calculations have been made for the drainage facilities. The calculation results meet the relevant standards. Flood safety analysis has been performed for the TSF at different operational stages under a 1 in 500-year to 1 in 1,000-year rainfall event, and the results show sufficient safety margins.

The environmental impact assessment department has conducted a monthly and annual water balance analysis for the early operational period of the new TSF (at the stacking elevation of 5,110 m) under average water year conditions.

**Figure 12.5: Downstream slope and return water pool – new TSF**



**Figure 12.6: Ongoing construction – new TSF**



Source: SRK site visit, September 2024

### 12.2.2 Safety supervision

Design organisations have established clear monitoring indicators and countermeasures for the tailings dam, including water level, sedimentation beach length, slope, depth of the infiltration line, dam deformation, and groundwater quality. Government agencies and enterprises at various levels are equipped with safety and environmental protection supervisory bodies and personnel for tailings dam management. They have formulated specific supervisory requirements and systems, as well as emergency response plans and drill requirements for safety incidents.

## 12.3 Conclusion and suggestions

- The existing TSF is expected to be closed after 2 more years of operation. All current facilities are intact, and safety operational indicators are normal. Appropriate measures should be taken to ensure appropriate closure of the TSF.
- The construction of the new TSF are nearing completion with these facilities appropriately configured. The design standards, flood and hydrological calculations, structural safety and stability analysis, monitoring indicators, and safety supervision requirements all align with relevant Chinese standards and regulations, and the analysis results are credible.
- The design organisation has carefully considered all potential risks of the new tailings dam and has developed corresponding countermeasures. After implementing these measures in accordance with design specifications, the possible risk levels can be kept at a relatively low level. However, to ensure long-term safety and reliability throughout the entire lifecycle of the tailings facilities, it is essential to maintain construction quality for the initial infrastructure and to place a stronger focus on accident risks that could result in moderate consequences. Such potential incidents include heavy rain, earthquakes, tailings dam collapse, blockage of drainage facilities, changes in tailings characteristics, and changes in disposal methods. The sampling points for tailings characteristics should be representative.
- There is uncertainty regarding the quantity of discharge water from the TSF in various rainfall years. It is recommended the water balance estimation for the tailings dam be supplemented or contingency plans for non-compliant discharge water quality be established.

# 13 Environmental studies, permitting, and social or community impact

## 13.1 Objective

The objective of this chapter is to identify and or verify the existing and potential environmental, permitting, and social or community liabilities and risks, and assess any associated proposed remediation measures for the project. The project comprises an open-pit and underground project which is currently under development, processing plant and TSFs.

## 13.2 Process, scope and standards

The process for verifying the environmental permitting and licensing compliance and operational conformance for the project comprised a review and inspection of the project's environmental management performance against:

- Chinese national environmental regulatory requirements
- World Bank/International Finance Corporation (IFC) environmental standards and guidelines, and internationally recognised environmental management practices.

The methodology applied for this environmental review of the project consisted of a combination of documentation review, site visit and interviews with technical representatives of the Company. The site visit was undertaken on 4–7 November 2024.

## 13.3 Permitting

According to relevant Chinese laws and regulations, additional environmental-related operating permits are required for project construction and production. These include a Safety Production Permit, Water Extraction Permit, and Pollutant Discharge Permit.

### 13.3.1 Safety Production Permit

According to the Safety Production Law of the People's Republic of China and the Regulations on Safety Production Permits, the state implements a safety production permit system for mining enterprises. Before a mine can commence production or usage after construction is completed, the construction unit is responsible for organising an acceptance check of the safety facilities. Production and use can only commence after passing the acceptance check. Before starting production, the enterprise must apply to the competent authority for a Safety Production Permit.

The Safety Production Permits for the project are presented in Table 13.1.

**Table 13.1: Details of Safety Production Permits**

| **Area** | **Mengya'a Lead-Zinc Mine Pb14 Orebody** |
|---|---|
| Safety Production Permit No. | [2024] 022 |
| Issued To | Xizang Huaxia Mining Co., Ltd. |
| Issued By | Xizang Autonomous Region Emergency Management Bureau |
| Licensed Activity | Open-Pit Mining |
| Issue Date | 15 August 2024 |
| Expiry Date | 16 August 2027 |
| **Area** | **Mengya'a Lead-Zinc Mine Pb14 Orebody** |
| Safety Production Permit No. | [2025] 016 |
| Issued To | Xizang Huaxia Mining Co., Ltd. |
| Issued By | Xizang Autonomous Region Emergency Management Bureau |
| Licensed Activity | Underground Mining |
| Issue Date | 10 June 2025 |
| Expiry Date | 9 June 2028 |
| **Area** | **Tanggongma TSF** |
| Safety Production Permit No. | [2024] 023 |
| Issued To | Xizang Huaxia Mining Co., Ltd. |
| Issued By | Xizang Autonomous Region Emergency Management Bureau |
| Licensed Activity | TSF Operation |
| Issue Date | 15 August 2024 |
| Expiry Date | 16 August 2027 |

### 13.3.2 Water Extraction Permit

As per the Water Law of the People's Republic of China and the Regulations on Water Extraction Permits, any unit directly drawing water resources from rivers, lakes, or underground must apply to the water administration department or the relevant river basin management agency for a Water Extraction Permit and pay water resource fees to obtain the water extraction rights. For construction projects requiring water extraction, the applicant should commission a qualified agency to prepare a Water Resource Assessment Report.

The Water Extraction Permit for the project is presented in Table 13.2.

**Table 13.2: Details of Water Extraction Permit**

| | |
|---|---|
| Water Extraction Permit No. | B540621S2022-0034 |
| Issued To | Xizang Huaxia Mining Co., Ltd. |
| Issued By | Xizang Autonomous Region Water Resources Bureau |
| Issue Date | 6 August 2024 |
| Expiry Date | 8 August 2029 |
| Water Supply Source | Surface Water and Groundwater |
| Water Use Allocation | 360,600 $m^3$/year |

### 13.3.3 Pollutant Discharge Permit

According to the Regulations on the Administration of Pollutant Discharge Permits and the Measures for the Administration of Pollutant Discharge Permits, pollutant discharge units must apply for a Pollutant Discharge Permit from the approval authority before starting production facilities or

engaging in actual pollutant discharge activities. Applications for the Pollutant Discharge Permit can be submitted through the National Pollutant Discharge Permit Management Information Platform or by mail. The Pollutant Discharge Permit is valid for 5 years.

The project has applied for a fixed pollution source emission registration with registration number 91542400741912920K001X, valid from 26 November 2023 to 25 November 2028. The permitted emissions include exhaust gases, noise and industrial solid waste.

## 13.4 Status of Environmental Approvals

The basis of environmental policy in China is contained in the *2018 Constitution of the People's Republic of China*. Pursuant to Article 26 of the Constitution, the state protects and improves the environment in which people live and the ecological environment. It prevents and controls pollution and other public hazards. The state organises and encourages afforestation and the protection of forests.

The following are other Chinese laws that provide environmental legislative support to the *Minerals Resources Law of the People's Republic of China* and the *Environmental Protection Law of the People's Republic of China (2014)*:

- *Environmental Impact Assessment (EIA) Law (2018)*
- *Law on Prevention & Control of Atmospheric Pollution (2018)*
- *Law on Prevention & Control of Noise Pollution (2021)*
- *Law on Prevention & Control of Water Pollution (2017)*
- *Law on Prevention & Control Environmental Pollution by Solid Waste (2020)*
- *Forestry Law (2021)*
- *Water Law (2016)*
- *Land Administration Law (2019)*
- *Protection of Wildlife Law (2023)*
- *Regulations on the Administration of Construction Project Environmental Protection (2017)*.

The Environmental Impact Assessment Law of the People's Republic of China and the Regulations on the Administration of Environmental Protection for Construction Projects require that projects with potentially significant environmental impacts prepare an Environmental Impact Report, which must comprehensively evaluate the pollution generated by that project and its impact on the environment.

Before construction begins, the construction unit must submit the Environmental Impact Report or Environmental Impact Statement to the relevant environmental protection authority for approval. The Company provided SRK with the Environmental Impact Assessment (EIA) reports and approvals for the project, with specific details outlined in Table 13.3.

**Table 13.3: Details of EIA reports and approvals**

| Project | Produced by | Production date | Approved by | Approval date |
|---|---|---|---|---|
| Mengyaa Lead-Zinc Mine Mining (Renovation and Expansion) Project (0.6Mt/a) | Sichuan Guohuan Environmental Engineering Consulting Co., Ltd. | May 2022 | Xizang Autonomous Region Ecology and Environment Bureau | 2 September 2022 |
| Mengyaa Lead-Zinc Mine Mining and Processing (Renovation and Expansion) Project - Processing Plant (0.6Mt/a) | Zhongsheng Environmental Technology Development Co., Ltd. | March 2023 | Xizang Autonomous Region Ecology and Environment Bureau | 24 July 2023 |
| Mengyaa Lead-Zinc Mine Mining and Processing Project - Phase II Tailings Storage Facility | Zhongsheng Environmental Technology Development Co., Ltd. | February 2021 | Xizang Autonomous Region Ecology and Environment Bureau | 23 February 2021 |

Under the Soil and Water Conservation Law of the People's Republic of China, construction projects in mountainous areas, hilly areas, desertified areas, and other regions prone to soil erosion, as identified in soil and water conservation planning, must prepare a Water and Soil Conservation Plan (WSCP). The Company provided SRK with the WSCP reports and approvals for the project, with specific details outlined in Table 13.4.

**Table 13.4: Details of WSCP reports and approvals**

| Project | Produced By | Production date | Approved By | Approval date |
|---|---|---|---|---|
| Mengya'a Lead-Zinc Mine Mining and Processing (Renovation and Expansion) Project - Processing Plant (0.6Mt/a) | Beijing Linfengyuan Ecological and Environmental Planning & Design Institute Co., Ltd. | May 2017 | Xizang Autonomous Region Water Bureau | 29 June 2017 |
| Mengya'a Lead-Zinc Mine Mining and Processing Project - Phase II Tailings Storage Facility | Xizang Hengfeng Information Engineering Co., Ltd. | April 2021 | Nagqu City Water Bureau | 16 September 2021 |

SRK also reviewed a WSCP Report for the Mengya'a Lead-Zinc Mine Mining (Renovation and Expansion) Project (0.6Mt/a) prepared by the Chongqing Water Resources and Electric Power Architectural Survey and Design Institute in October 2014, which had been approved by the relevant government authorities. However, the validity period of this report has expired. The Company informed SRK that a new WSCP is currently being prepared.

SRK reviewed above EIA reports and WSCP reports and concluded that the EIA and WSCP reports basically cover the main production facilities including mine sites, processing plants and TSFs. SRK considers that the EIA reports and WSCP reports have been prepared in accordance with relevant Chinese legal requirements and corresponding government approvals have been obtained.

## 13.5 Environmental and social aspects

### 13.5.1 Flora and fauna

The mining area is located on the southern side of the Nyenchen Tanglha Mountains in the upper reaches of the Lhasa River basin. It sits on the left bank of the Yulonglang River, a first-order tributary of the Rezheng Zangbo River. The terrain generally slopes from south to north, with elevations ranging from 4,800 m to 5,570 m. Geomorphologically, the region is predominantly shaped by alpine erosion, with relatively well-developed riverine depositional landforms.

The area is characterised by two main vegetation zones: the alpine desert zone and the alpine meadow zone. The alpine desert zone is found above 5,300 m in elevation and is devoid of soil. The surface is typically covered with weathered gravel and rock boulders, with some areas being snow-covered year-round. Vegetation is scarce in this zone and is limited to sparse grasslands in foothill areas.

By contrast, the alpine meadow zone is located below 5,300 m, primarily in the mountain valleys, where vegetation is more abundant and is estimated to cover around 50% of the region. Field surveys indicate that the vegetation coverage within the project area is approximately 30%. Dominant shrub species in the alpine meadow zone include *Rhododendron nivale* and *Rosa sericea*. In the river valleys, where moisture and soil are abundant, various herbaceous plant species such as *Artemisia* are commonly found.

The fauna in the project area is diverse, and include species such as wolves, Xizang foxes, corsac foxes, hog badgers, Xizang gazelles, bharals, black-lipped pikas, plateau hares, and Himalayan marmots. Notably, the wolf, Xizang gazelle, and bharal are classified as national second-class protected species, although these species are rarely sighted within the evaluation area. The project does not include any scenic spots, nature reserves, forest parks, or other ecologically sensitive areas.

The EIA report for the project suggests that while the construction may cause localised loss of the native vegetation, the disruption to the species composition of the plant communities in the evaluation area was deemed insignificant, and will not lead to the extinction of any plant species. The types of surface vegetation will remain largely unchanged, except the primary impact on *Artemisia*. However, most of the affected vegetation can be restored through human intervention.

The project will also cause disturbances to wildlife in certain areas, leading to changes in the composition, displacement and redistribution of wildlife communities. However, due to the low population of wildlife and the fact that the species are widespread in the region, the overall impact on animals is expected to be minimal.

To mitigate the possible effects, the EIA report also outlines several biodiversity conservation measures, such as selection of native plant species that are well-suited for disturbed soils with strong vitality, and implementation of an ecological environmental monitoring system to aid in vegetation restoration and minimise temporary land occupation during construction.

### 13.5.2 Water management

The project is located in a plateau with cold-temperate, monsoon-influenced climate. Summers are mild and humid, while winters are cold and dry. The region receives an average annual precipitation of 591.76 mm, with most of the rainfall occurring between June and October. Surface water in the area is replenished primarily by atmospheric precipitation and snowmelt. Most of the precipitation

flows as surface runoff, with a small portion infiltrating through soil and bedrock fractures that eventually discharge at the outflow reference points. The hydrological system in the mining area includes the Yunongqu River, Xiongjunjiongyongqu River, Rezhengzangbu River, and the Lhasa River, flowing from upstream to the main stream.

The water used for production in the mining site is sourced from surface water on the eastern side of the mining area. Domestic water is sourced from a hillside spring near the living quarters. For the processing plant, freshwater is drawn from a river to the east of the plant by a fixed pump station. Drinking water is supplied by a spring near the mining headquarters. Other domestic and fire suppression water needs at the processing plant are met using surface water from the nearby river. The project is permitted by the government to withdraw up to 360,600 $m^3$ of water annually.

The wastewater generated by the project includes mine dewatering water, leachate from mineralised waste dumps, leachate from raw ore stockpiles, processing wastewater, and domestic wastewater. A sedimentation pond has been established downstream of the Pb14 open-pit mining site to collect dewatering water. After sedimentation, the water is re-used for production, industrial site dust suppression, and landscaping irrigation. No wastewater is discharged outside the site.

Similarly, a leachate collection pond was constructed downstream of the Pb14 mineralised waste dump, where the wastewater is re-used for dust suppression at the Pb14 mineralised waste dump. A leachate sedimentation pond, walls lined with impermeable membranes, has been constructed on the north side of the raw ore stockpile to collect and recycle processed leachate for dust suppression.

Processing wastewater mainly includes tailings overflow and reclaimed water from the TSFs, and all of which are recycled within the processing process and not discharged externally.

Domestic sewage is treated in the septic tank and then reused for landscaping or as fertiliser for grasslands within the processing plant area. The EIA report requires that during the mining phase, mine dewatering water from the Pb12 mine and leachate from the mineralised waste dump are strictly prohibited from entering the Mongyaa River and its tributaries.

The Company provided SRK with two environmental monitoring reports for the third quarter of 2024, issued in October 2024 by Xizang Jingbo Environmental Monitoring Technology Co., Ltd. The reports cover the surface water and groundwater monitoring plans of the mining site and the processing plant.

Water samples were collected on 9 September 2024 for environmental monitoring of the mining site and on 7 September 2024 for the processing plant. Sampling locations included areas upstream and downstream of the mining site, raw ore stockpile, and TSFs, as well as rivers near villages downstream. According to the analysis in the monitoring reports, all evaluation indicators for the water samples complied with the Class III standard limits specified in the Environmental Quality Standards for Surface Water (GB 3838-2002) and the Quality Standards for Groundwater (GB/T 14848-2017, Table 1).

The EIA approvals for the project require the establishment of a groundwater pollution monitoring system to monitor regional groundwater quality. If any signs of pollution are detected, the cause must be promptly investigated, and effective measures must be implemented to prevent and control the pollution. The approval specifies the installation of three groundwater monitoring wells in the Pb12 mining area and five groundwater monitoring wells around the new TSF.

Additionally, SRK recommends that anti-seepage measures be implemented in key areas such as the mine dewatering water collection pond, leachate collection pond at the mineralised waste dump, hazardous waste temporary storage facility, and maintenance workshop to reduce the risk of groundwater contamination.

### 13.5.3 Waste and tailings management

The waste from the initial stripping of the Pb14 orebody has been fully deposited in the construction waste dump within the mining area, with the surface compacted and levelled. During subsequent mining operations, the waste is deposited in the production mineralised waste dump. During the exploration phase of the Pb12 orebody, it is noted that several waste dumps created from adits development did not have accompanying leachate collection ponds. Some of the adit waste dumps at Pb12 will be expanded and converted into the Pb12 waste dump for the mining phase. This will include the construction of diversion ditches, sediment retention dams, and leachate collection ponds.

The waste generated by the existing processing plant primarily consists of tailings discharged from the processing process. These tailings is transported under pressure through pipelines and deposited in the TSF, where the supernatant is recycled for production use. The existing TSF is located to the southwest of the processing plant, with a total capacity of 2.97 million $m^3$ and is equipped with anti-seepage measures. The new TSF is located in a valley to the northeast of the existing facility, with a total capacity of 21.2 million $m^3$. The new TSF will feature full-scale anti-seepage treatment. HDPE geomembranes will be installed at the base and side slopes of the facility for seepage prevention. Safety monitoring measures for the new TSF include manual inspections, monitoring of dam body displacement, TSF water levels, dry beach conditions, and precipitation levels.

In September and November 2015, the Sichuan Nuclear Industry Radiation Testing and Protection Institute conducted a solid waste toxicity leaching test on the mineralised waste from the Pb14 orebody and tailings from the processing plant. According to the test results, all indicators from the acid leaching tests were below the limits specified in the Identification Standards for Hazardous Waste—Leaching Toxicity Identification (GB 5085.3-2007), classifying the mineralised waste as general industrial solid waste. Additionally, all indicators from the water leaching tests were below the maximum allowable discharge concentrations specified in the Integrated Wastewater Discharge Standard (GB 8978-1996). Therefore, the mineralised waste and tailings generated by the project are categorised as Type I general industrial solid waste.

### 13.5.4 Air and noise emissions

The main air pollutant generated by the project is dust produced during processes such as drilling, blasting, excavation, rock crushing, and mining operations, as well as dust from the raw ore stockpile and mineralised waste dump, dust from the crushing and screening processes, dust from the dry beach area of the TSF, and dust from transportation roads. Dust management measures for the mine site, processing plant and TSF proposed in the EIA reports mainly comprise wet drilling, water sprinkling of haul roads and raw ore stockpile, road maintenance, and using dust collectors in the processing plant. In addition, dust control nets will be used to cover the dry beach area of the TSF. Currently, dust collectors are in operation for dust control in the crushing and screening processes. Information regarding greenhouse gas emissions or a reduction plan for the project has not been sighted as part of this review.

The main sources of noise for the project are blasting noise and noise from large machinery and equipment in the open-pit mining area, such as drills, electric shovels, bulldozers, transport vehicles, fans, and other mobile equipment. Additionally, key noise sources include the feeder, vibrating screens, cone crushers, belt conveyors, flotation machines, and concentrate filter presses at the processing plant. The noise mitigation measures proposed in the project's EIA include reasonably scheduling blasting times, enhancing maintenance and upkeep of vehicles and equipment, selecting low-noise equipment, and arranging indoor placement of equipment.

The project uses wet underground operations, including water spraying and other dust suppression measures to control underground dust. Surface dust control measures include enclosing the conveyor belt corridors for ore transport, fully enclosing transfer and discharge points with spray systems, and regularly spraying water on storage yards and roads in the plant area to suppress dust. According to the noise monitoring for the third quarter of 2024 conducted by Xizang Jingbo Environmental Monitoring Technology Co., Ltd., the boundary and ambient noise levels of the project meet the Class 2 standard limits of the Emission Standards for Industrial Enterprises Noise at Boundary (GB 12348-2008) and Environmental Quality Standards for Noise (GB 3096-2008).

### 13.5.5 Hazardous substances 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 hydrocarbons (i.e. fuels, waste oils, and lubricants) and oil containers, batteries, reagents, explosives, etc. The leaks, spills or other types of accidental releases of hazardous materials may have negative impact on soils, surface water, and groundwater resources.

The existing explosives magazine is located in the eastern part of the mining area. It consists of the explosives storage, detonator storage, a guard tower, a firewater pool, and surrounding walls, with a total capacity of 40 t. The explosives magazine lies approximately 2 km away from the mining headquarters, and the nearest residential area is approximately 6 km to the northwest, in Village 6, Rongdoi township. The external distance between the explosives magazine and external protection targets meets the requirements of the Blasting Safety Regulations.

The main hazardous wastes generated by the project include waste oil, and waste oil drums. These hazardous wastes should be temporarily stored in the hazardous waste storage facility and be regularly disposed of by qualified organisations. The anti-seepage measures for the hazardous waste temporary storage area should comply with the requirements of the Pollution Control Standards for the Storage of Hazardous Wastes (GB 18597-2001). SRK recommends the collected waste oil and diesel tank be stored with secondary containment, which is in line with recognised international industry management practices.

### 13.5.6 Occupational health and safety

SRK has reviewed the safety assessment reports, safety production procedures and environmental emergency response plan as provided by the Company, and considers the reports cover items that are generally in line with recognised Chinese industry practices and Chinese safety regulations. These documents cover the basic safety production managements for blasting, drilling, transportation, mineralised waste dumping, vehicle maintenance, crushing, screening, grinding, flotation, and TSF maintenance. SRK notes that these proposed safety management measures are the basis for the operational OHS (Occupational Health and Safety) management system/procedures.

The Company reported to SRK that no safety accidents had occurred on site in the last 3 years. SRK recommends safety records be compiled and incident analysis reports developed for possible injuries in future. The proposed reports analyse the cause of injuries and identified measures to prevent a recurrence, which are in line with international recognised occupational health and safety (OHS) accident monitoring practice.

### 13.5.7 Mine closure and rehabilitation

The Chinese national requirements for mine closure are covered under Article 21 of the M*ineral Resources Law of People's Republic of China (2023)*, the Rules for Implementation of the Mineral Resources Law of the People's Republic of China, the *Mine Site Geological Environment Protection Regulations (2019)*, 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 geological environmental protection and reclamation plan, and to submit it for assessment and approval. In addition, the Company should establish a mine geological environment treatment and restoration fund account.

SRK has sighted the geological environmental protection and land reclamation plan for the Mengya'a mine produced in August 2023. The plan includes the management of mine geological disasters, land reclamation in the mining area, aquifer damage restoration, soil and water environmental pollution remediation, mining geological environment monitoring, and land reclamation monitoring in the mining area. The construction cost for the mine geological environment protection proposed in the plan is 904,700 RMB, while the construction cost for the land reclamation project is 1,631,300 RMB. In addition, the Company prepared land reclamation reports for both the existing TSF and the new TSF, both of which were completed in December 2020.

According to the land reclamation reports, the estimated static total investment for land reclamation of the existing TSF is RMB 6.3788 million, while that for the new TSF RMB 25.1313 million.

### 13.5.8 Social considerations

The Mengya'a mine is located approximately 120 km southwest of Jiali County in Nagqu Prefecture, Xizang, and is within the jurisdiction of Rongdoi township. The mine is approximately 25 km from Rongdoi township and is easily accessible by road. Rongdoi township is connected to Lhasa by a road that extends approximately 220 km southwest through Linzhou County.

The mining area is situated in a pastoral region with several scattered pastures. The population is sparse, with most residents being Xizang. The local economy is underdeveloped, and the main sources of income for residents include animal husbandry and the collection of wild medicinal plants such as cordyceps and fritillaria.

The mining area does not intersect with any registered nature reserves, historical and cultural sites, or major scenic areas. The nearest residents to the project live in scattered households in Village 6 of Rongdoi township, with a total population of approximately 100 people. These households are located 3.75 km north of the mining headquarters and 3.95 km northeast of the Pb12 orebody industrial site. Domestic water is supplied through a centralised water supply system by the government, with the water drawn from a spring on the right bank downstream of the Mengya'a mining area.

Public consultation activities were included during the EIA process for the project. No objections were received during the announcement period. Stakeholder engagement plans should be ongoing throughout the mining development process. Effective and continuous engagement with stakeholders ensures transparency, builds trust, and helps address concerns that may arise during the various phases of the project.

# 14 Capital and operating costs

## 14.1 Capital cost

The project's historical and forecast capital cost is summarised in Table 14.1. Between 2022 and July 2025, a total capital cost of RMB 446.4 million was incurred.

In 2022, capital cost amounted to RMB 82.1 million, primarily allocated to the construction of the new TSF (RMB 51.3 million) and the Pb12 underground development (RMB 14.9 million). In 2023, capital costs were increased to RMB 219.5 million, driven by continued investment in the new TSF (RMB 140.2 million) and land use rights (RMB 53.3 million). In 2024, capital cost decreased to RMB 89.1 million, with spending focused on the continued construction of the new TSF (RMB 67.5 million).

The forecast capital cost for the period August 2025–2035 shows phased investments in underground development, infrastructure and sustaining capital.

Peak investment is expected to occur in the period of August-December 2025, with total capital cost expected to reach RMB 68.6 million, driven by the Pb12 underground development (RMB 13.4 million) and continued expenditure on the new TSF (RMB 52.6 million). Capital cost are projected to decline after 2025. Between 2026 and 2030, annual costs are expected to range between RMB 22.2 million and RMB 56.2 million, with this expenditure focused on processing equipment upgrades (RMB 10.5-25.2 million in 2027), underground development (RMB 9.8-31.5 million). Between 2031 and 2035, capital cost is forecast to stabilise at RMB 18.9-38.0 million per year, primarily allocated to sustainable capital (RMB 2.7-3.6 million annually) and the Pb12 underground development. The forecast capital cost includes a 15% contingency.

This historical and forecast capital cost profile reflects the project's upfront infrastructure costs, followed by a gradual reduction in capital spend as operations shift to sustaining investments. SRK considers the forecast capital cost to be reasonable and achievable.

THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE AND THAT THE INFORMATION MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED "WARNING" ON THE COVER OF THIS DOCUMENT.



**Table 14.1: Historical (2022-July 2025) and forecast (August 2025-35) capital cost (RMB million)**

| Cost Centre | 2022 | 2023 | 2024 | Jan-Jul 2025 | Aug-Dec 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 | 2035 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Pb12 UG development | 14.9 | 14.7 | 21.1 | 49.1 | 13.4 | 9.8 | 26.6 | 31.0 | 31.5 | 26.1 | 16.2 | 25.0 | 33.4 | 33.8 | 34.4 |
| Power infrastructure and access roads | 0.9 | - | - | - | 0.3 | - | - | - | - | - | - | - | - | - | - |
| Auxiliary facilities | 2.6 | 3.5 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Processing equipment upgrade | - | - | - | - | - | 10.5 | 14.7 | 25.2 | 15.1 | 14.5 | - | - | - | - | - |
| Workforce facilities upgrade | 2.2 | 5.1 | 0.0 | - | - | - | - | - | - | - | - | - | - | - | - |
| Retaining wall construction | - | - | - | - | 1.0 | 0.4 | - | - | - | - | - | - | - | - | - |
| Existing TSF | 0.8 | 0.0 | 0.0 | - | 1.2 | - | - | - | - | - | - | - | - | - | - |
| New TSF | 51.3 | 140.2 | 67.5 | 5.8 | 52.6 | - | - | - | - | - | - | - | - | - | - |
| Land use rights and other rights of use | 9.2 | 53.3 | 0.2 | 0.5 | - | - | - | - | - | - | - | - | - | - | - |
| Sustaining capital | - | - | - | - | - | - | - | - | - | - | 2.6 | 3.0 | 3.3 | 3.5 | 3.6 |
| Other | 0.3 | 2.7 | 0.3 | 0.3 | - | - | - | - | - | - | - | - | - | - | - |
| **Total** | 82.1 | 219.5 | 89.1 | 55.7 | 68.6 | 22.2 | 41.2 | 56.2 | 46.7 | 40.6 | 18.9 | 28.1 | 36.7 | 37.3 | 38.0 |

Source: Zhihui, 2025

Note: The capital cost is directly associated with the Project and includes expenditures related to the development, construction and operation of the open-pit mine and underground project. Capital costs related to headquarters and other non-project-specific expenditures are excluded.

## 14.2 Operating cost

The project's historical operating cash costs (2022–July 2025) are summarised in Table 14.2.

Total operating expenditure increased from RMB 224.5 million in 2022 to RMB 249.9 million in 2023, primarily driven by higher mining costs during that year. In 2024, expenditures declined significantly to RMB 130.9 million, reflecting a reduced volume of ore mined from the open-pit operations.

Processing operating cash costs remained stable at around RMB 78.5–78.9 million between 2022 and 2023 but decreased in 2024, when the processing of stockpiled oxide ores contributed to lower processing costs of RMB 53.5 million. During the period from January to July 2025, the total operating cash cost amounted to RMB 98.9 million, which excluded the cost of externally purchased ore.

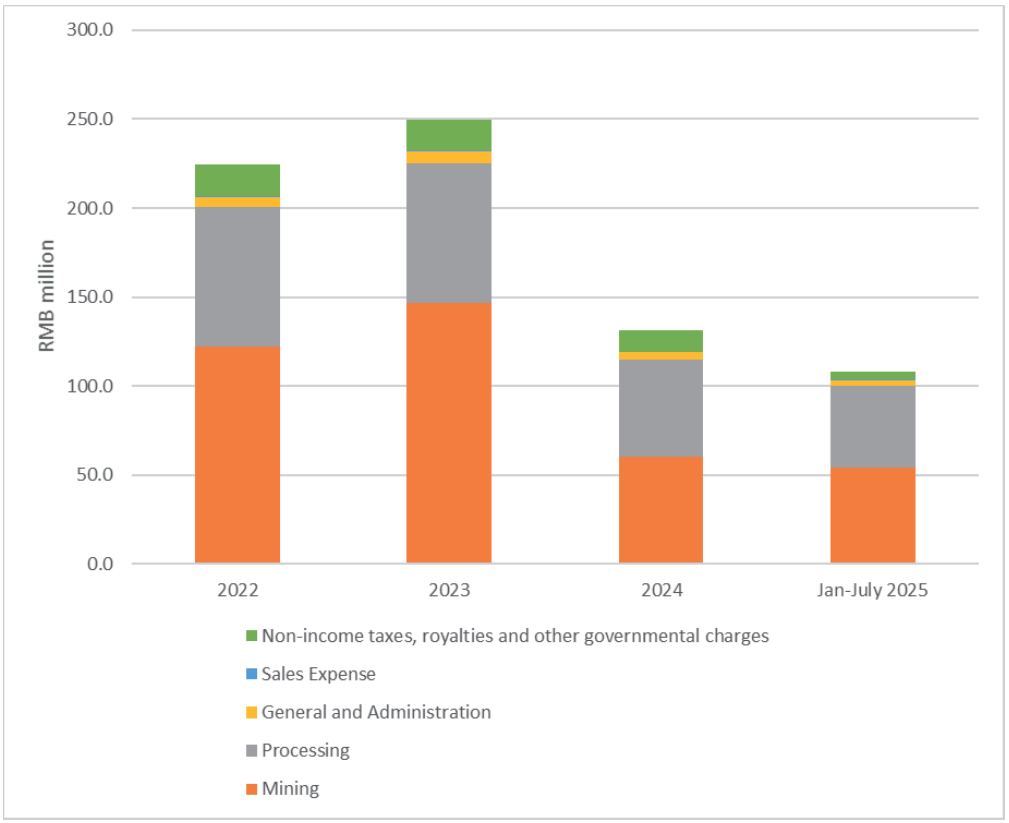
**Table 14.2: Historical operating cash cost (2022–July 2025) (RMB million)**

| Operating cash cost by types | 2022 | 2023 | 2024 | Jan-Jul 2025 |
|---|---|---|---|---|
| Mining | 121.9 | 146.3 | 60.5 | 54.0 |
| Processing | 78.5 | 78.9 | 53.5 | 37.2 |
| General and Administration | 5.7 | 6.8 | 4.6 | 3.1 |
| Sales expense | 1.0 | 0.4 | 0.2 | 0.3 |
| Non-income taxes, royalties and other governmental charges | 17.3 | 17.4 | 12.1 | 4.3 |
| **Total** | 224.5 | 249.9 | 130.9 | 98.9 |
| **Operating cash cost by activity** | | | | |
| Contract mining | 96.3 | 116.0 | 41.6 | 40.3 |
| Workforce employment | 23.7 | 27.0 | 24.0 | 17.4 |
| Consumables | 28.1 | 29.0 | 21.0 | 17.1 |
| Fuel, electricity, water and other services | 38.4 | 36.7 | 18.6 | 6.3 |
| On-site and off-site administration | 5.7 | 6.8 | 4.6 | 3.1 |
| Environmental protection and monitoring | 0.0 | 0.9 | 0.6 | 0.6 |
| Transport of workforce | - | - | - | - |
| Product marketing and transport | 15.0 | 16.0 | 8.3 | 9.7 |
| Non-income taxes, royalties and other governmental charges | 17.3 | 17.4 | 12.1 | 4.3 |
| **Total** | **224.5** | **249.9** | **130.9** | **98.9** |

Source: Zhihui, 2025

Note: A negligible amount of workforce transportation cost has been incurred and has been accounted for within the on-site and off-site administration costs. Cost of externally purchased ore is excluded. Figures may not add up to the total due to rounding.

**Figure 14.1: Historical cash operating cost (2022–July 2025)**




Source: Zhihui, 2025

Note: Cost of externally purchased ore is not included

The forecast operating costs for the project (August 2025–2035) are summarised in Table 14.3. The forecast, as prepared by Zhihui, is based on historical operating costs, contractual agreements with mining contractors, and government-prescribed resource tax rates and other applicable tax rates. Inflation has also been factored. Operating costs exclude expenses related to the purchase and processing of third-party ores, as well as the processing of ores from the ore sorter, which SRK considers to be at the trial stage.

Mining activities dominate the operating cost profile, influenced by the stripping ratio (open pit) and development costs (underground). Processing operating costs are driven primarily by energy consumption and consumables, while resource taxes and other applicable taxes consistently account for 10–16% of total operating costs.

Between August 2025 and 2035, total operating cash costs are forecast to range from RMB 140.3 million to RMB 285.4 million. Operating cash unit costs are expected to range from RMB/t 473 ore to RMB/t 798 ore. The operating cash unit cost for copper concentrates is forecast to range from RMB/t 6,865 concentrate to RMB/t 11,483 concentrate, while lead concentrate unit costs range from RMB/t 4,669 concentrate to RMB/t 7,761 concentrate. Zinc concentrate unit costs are planned to vary between RMB/t 3,311 concentrate and RMB/t 5,324 concentrate, with fluctuations largely driven by variability of grades over time.

**Table 14.3: Physicals and forecast operating cost (August 2025–2035)**

| Production profile | Unit | Total LOM | Aug-Dec 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 | 2035 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Open Pit** | | | | | | | | | | | | | |
| Ore | kt | 1438 | 113 | 199 | 206 | 200 | 214 | 197 | 208 | 101 | - | - | - |
| Waste | kt | 8534 | 1640 | 3744 | 2029 | 384 | 329 | 248 | 90 | 70 | - | - | - |
| **Underground** | | | | | | | | | | | | | |
| Ore | t | 10623 | 111 | 199 | 197 | 199 | 198 | 200 | 193 | 298 | 398 | 403 | 409 |
| **Processing** | t | | | | | | | | | | | | |
| Feed ore | t | 12061 | 224 | 397 | 403 | 399 | 412 | 397 | 402 | 399 | 398 | 403 | 409 |
| Pb | % | 2.71 | 2.17 | 2.25 | 3.18 | 2.04 | 2.37 | 3.01 | 2.06 | 3.29 | 2.97 | 3.83 | 4.49 |
| Zn | % | 4.23 | 4.13 | 4.68 | 4.74 | 3.94 | 4.53 | 5.09 | 3.77 | 4.28 | 3.32 | 4.27 | 4.69 |
| Cu | % | 0.20 | 0.17 | 0.19 | 0.18 | 0.17 | 0.16 | 0.15 | 0.11 | 0.18 | 0.20 | 0.22 | 0.25 |
| Ag | g/t | 32.03 | 18.27 | 22.52 | 23.06 | 18.35 | 17.79 | 19.76 | 14.06 | 25.11 | 32.32 | 33.40 | 38.70 |
| **Products** | | | | | | | | | | | | | |
| Copper concentrate | WMT | 67,852 | 962 | 2,069 | 1,986 | 1,843 | 1,739 | 1,500 | 1,172 | 2,076 | 2,129 | 2,526 | 2,752 |
| Lead concentrate | WMT | 510,026 | 6,203 | 13,968 | 18,771 | 11,691 | 13,165 | 16,307 | 11,807 | 20,859 | 17,966 | 24,645 | 28,161 |
| Zinc concentrate | WMT | 1,539,805 | 23,721 | 51,352 | 56,243 | 42,751 | 49,404 | 55,248 | 41,323 | 54,742 | 44,171 | 58,982 | 65,592 |
| **Total** | WMT | 2,117,684 | 30,886 | 67,389 | 77,001 | 56,285 | 64,308 | 73,054 | 54,301 | 77,677 | 64,266 | 86,154 | 96,505 |
| **Operating cash cost by types** | | | | | | | | | | | | | |
| Mining | RMB million | 4747.1 | 75.1 | 141.4 | 113.6 | 86.2 | 89.0 | 88.7 | 87.8 | 106.5 | 124.4 | 129.7 | 135.5 |
| Processing | RMB million | 3343.0 | 46.4 | 72.4 | 75.1 | 72.9 | 78.2 | 80.1 | 79.6 | 85.1 | 84.6 | 92.0 | 97.5 |





APPENDIX III INDEPENDENT TECHNICAL REPORT
THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE AND THAT THE INFORMATION MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED "WARNING" ON THE COVER OF THIS DOCUMENT.

| Production profile | Unit | Total LOM | Aug-Dec 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 | 2035 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| General and Administration | RMB million | 254.5 | 5.1 | 5.4 | 5.5 | 5.6 | 5.7 | 5.9 | 6.1 | 6.3 | 6.4 | 6.6 | 6.8 |
| Sales Expense | RMB million | 10.1 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.3 | 0.3 | 0.3 |
| Non-income taxes, royalties and other governmental charges | RMB million | 1268.7 | 13.4 | 29.0 | 31.7 | 24.0 | 28.8 | 33.3 | 25.6 | 34.6 | 28.7 | 39.4 | 45.2 |
| **Total** | RMB million | 9623.3 | 140.3 | 248.4 | 226.2 | 189.0 | 201.9 | 208.2 | 199.3 | 232.7 | 244.4 | 268.0 | 285.4 |
| **Operating cash cost by activity** | | | | | | | | | | | | | |
| Contract mining | RMB million | 3392.9 | 55.0 | 112.2 | 83.8 | 56.1 | 57.3 | 56.9 | 54.8 | 72.6 | 89.6 | 93.5 | 97.9 |
| Workforce employment | RMB million | 1246.1 | 25.1 | 26.4 | 26.7 | 27.2 | 28.0 | 28.9 | 29.7 | 30.6 | 31.5 | 32.5 | 33.5 |
| Consumables | RMB million | 1096.8 | 13.4 | 23.8 | 24.5 | 24.7 | 26.2 | 26.0 | 27.1 | 27.7 | 28.5 | 29.7 | 31.1 |
| Fuel, electricity, water and other services | RMB million | 1797.3 | 21.4 | 38.8 | 40.1 | 40.5 | 43.1 | 42.7 | 44.5 | 45.5 | 46.6 | 48.7 | 50.9 |
| On and off-site administration | RMB million | 254.5 | 5.1 | 5.4 | 5.5 | 5.6 | 5.7 | 5.9 | 6.1 | 6.3 | 6.4 | 6.6 | 6.8 |
| Environmental protection and monitoring | RMB million | 44.7 | 0.9 | 1.2 | 1.0 | 0.9 | 0.9 | 1.0 | 1.0 | 1.1 | 1.2 | 1.2 | 1.3 |
| Transport of workforce | RMB million | - | - | - | - | - | - | - | - | - | - | - | - |
| Product marketing and transport | RMB million | 522.4 | 5.9 | 11.6 | 12.8 | 10.0 | 11.8 | 13.6 | 10.5 | 14.3 | 12.0 | 16.4 | 18.7 |
| Non-income taxes, royalties and other governmental charges | RMB million | 1268.7 | 13.4 | 29.0 | 31.7 | 24.0 | 28.8 | 33.3 | 25.6 | 34.6 | 28.7 | 39.4 | 45.2 |
| Contingency allowances | RMB million | - | - | - | - | - | - | - | - | - | - | - | - |
| **Total** | RMB million | 9623.3 | 140.3 | 248.4 | 226.2 | 189.0 | 201.9 | 208.2 | 199.3 | 232.7 | 244.4 | 268.0 | 285.4 |
| **Operating cash unit cost** | | | | | | | | | | | | | |
| Mining | RMB/t ore | 394 | 336 | 356 | 282 | 216 | 216 | 223 | 219 | 267 | 313 | 322 | 331 |
| Processing | RMB/t ore | 277 | 207 | 182 | 186 | 182 | 190 | 202 | 198 | 213 | 213 | 228 | 238 |







THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE AND THAT THE INFORMATION MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED "WARNING" ON THE COVER OF THIS DOCUMENT.

| Production profile | Unit | Total LOM | Aug-Dec 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 | 2035 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| General and Administration | RMB/t ore | 21 | 23 | 14 | 14 | 14 | 14 | 15 | 15 | 16 | 16 | 16 | 17 |
| Sales expense | RMB/t ore | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Non-income taxes, royalties and other governmental charges | RMB/t ore | 105 | 60 | 73 | 79 | 60 | 70 | 84 | 64 | 87 | 72 | 98 | 110 |
| **Total** | RMB/t ore | 798 | 627 | 625 | 561 | 473 | 490 | 524 | 496 | 583 | 615 | 665 | 697 |
| **Co-product operating cash cost** | | | | | | | | | | | | | |
| Copper concentrate | RMB million | 717.6 | 9.1 | 15.9 | 12.9 | 12.8 | 11.5 | 9.5 | 9.4 | 14.0 | 18.6 | 18.1 | 19.2 |
| Lead concentrate | RMB million | 3533.1 | 44.2 | 80.8 | 85.3 | 61.5 | 62.9 | 69.9 | 64.8 | 97.2 | 111.2 | 121.6 | 132.3 |
| Zinc concentrate | RMB million | 5372.7 | 86.9 | 151.7 | 128.0 | 114.7 | 127.5 | 128.8 | 125.2 | 121.5 | 114.6 | 128.3 | 133.9 |
| **Co-product operating cash unit cost** | | | | | | | | | | | | | |
| Copper concentrate | RMB/t concentrate | 11,483 | 10,314 | 8,348 | 7,035 | 7,548 | 7,171 | 6,865 | 8,691 | 7,339 | 9,469 | 7,801 | 7,559 |
| Lead concentrate | RMB/t concentrate | 7,546 | 7,761 | 6,305 | 4,952 | 5,728 | 5,208 | 4,669 | 5,978 | 5,076 | 6,744 | 5,373 | 5,119 |
| Zinc concentrate | RMB/t concentrate | 5,324 | 5,073 | 4,142 | 3,442 | 3,782 | 3,569 | 3,311 | 4,257 | 3,606 | 4,457 | 3,770 | 3,598 |

Source: Zhihui and SRK analysis, 2025

Note: operating cost in nominal terms, WMT: wet metric tonne. Operating costs exclude expenses related to the purchase and processing of third-party ores, as well as the processing of ores from the ore sorter.





THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE AND THAT THE INFORMATION MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED "WARNING" ON THE COVER OF THIS DOCUMENT.

## 14.3 Economic viability analysis

The project's economic viability was assessed, incorporating capital and operating costs, the production schedule, and the processing of fresh and oxide ores from both open pit and underground operations and the processing recoveries based on the historical performance (Table 11.4). This assessment considered the production of copper, lead and zinc concentrates from 1 August 2025 to the end of LOM (2055 for a total of 31 years).

A 10% nominal discount rate is derived from a 1.65% risk-free rate (10-year PRC Government Bond) , 2–4% mining project risk and 2–4% country risk, which is considered by SRK as appropriate.

Using a base case scenario with forecast metal prices from SMM[1] and the after-tax net present value (NPV) at a 25% corporate tax rate and a 10% nominal discount rate yielded a positive result as at 1 August 2025.

It is important to note that this economic viability analysis is limited to evaluating the technical and operational feasibility of the Project. It does not consider financial metrics such as debt, interest or IPO expenses. Additionally, it does not evaluate the project's profitability, market value, investor returns, or overall financial viability.

Additionally, a post-tax sensitivity analysis was conducted to evaluate the impact of changes to the sale prices (copper, lead and zinc), operating and capital costs.

The analysis shows:

- 1% increase in copper sale price results in a 0.09% increase in NPV.
- 1% increase in lead sale price results in a 0.47% increase in NPV.
- 1% increase in zinc sale price results in a 0.84% increase in NPV.
- 1% increase in operating cost leads to a 0.46% decrease in NPV.
- 1% increase in capital cost causes a 0.09% decrease in NPV.

**Table 14.4: Post-tax sensitivity analysis**

| Variance | Cu Sale Price | Pb Sale Price | Zn Sale Price | Opex | Capex |
|---|---|---|---|---|---|
| **25%** | 4,147 | 4,530 | 4,906 | 3,594 | 3,966 |
| **20%** | 4,129 | 4,435 | 4,736 | 3,686 | 3,984 |
| **15%** | 4,111 | 4,340 | 4,566 | 3,779 | 4,002 |
| **10%** | 4,092 | 4,245 | 4,396 | 3,871 | 4,020 |
| **5%** | 4,074 | 4,151 | 4,226 | 3,963 | 4,038 |
| **0%** | 4,056 | 4,056 | 4,056 | 4,056 | 4,056 |
| **-5%** | 4,037 | 3,961 | 3,886 | 4,148 | 4,074 |
| **-10%** | 4,019 | 3,866 | 3,716 | 4,241 | 4,092 |
| **-15%** | 4,001 | 3,771 | 3,546 | 4,333 | 4,110 |
| **-20%** | 3,982 | 3,677 | 3,376 | 4,425 | 4,128 |
| **-25%** | 3,964 | 3,582 | 3,206 | 4,518 | 4,146 |

Source: SRK

Note: The commodity price forecast is based on data from SMM presented in the industry view of this [REDACTED].

**Figure 14.2: Post-tax sensitivity analysis**




Source: SRK

Table 14.5 presents the NPVs of the project's post-tax cash flows at different discount rates, expressed in RMB. The derived NPVs evident across all discount rates confirm that the project is economically viable and support the declaration of the Ore Reserve as outlined in Section 9 of this Report.

**Table 14.5: Post-tax NPVs at different discount nominal rates (RMB million)**

| 6% | 8% | 10% | 12% | 14% |
|---|---|---|---|---|
| 3,975 | 5,264 | 4,056 | 3,204 | 2,590 |

Source: SRK

# 15 Conclusion

Zhihui's Mengya'a Lead and Zinc Project is located approximately 120 km northeast of Lhasa, the capital of the Xizang Autonomous Region, China. The project has been operating successfully via open-pit mining means since 2007. The project is covered by a granted mining licence, spanning an area of 4.4544 $km^2$ with a permitted annual production capacity of 400 kt. The mining licence is surrounded by a granted exploration licence covering 58.45 $km^2$.

The project lies within the Northern Gangdese Metallogenic Belt (NGMB) which is characterised by Late Carboniferous to Jurassic carbonate and clastic sedimentary rocks intruded by granite porphyry. Base metal mineralisation primarily consists of layered or lenticular skarn deposits containing vein-hosted to massive sphalerite and galena.

The discovery of mineralisation during reconnaissance exploration in 2002 led to comprehensive exploration efforts from 2004 to 2021, which identified a number of base metal mineralised prospects and two key deposits (Pb14 and Pb12 deposits).

As at 31 July 2025, the project was estimated to host a Measured Mineral Resource of 6,726 kt at 2.70% Pb, 4.73% Zn, in addition to an Indicated Mineral Resource of 7,198 kt at 3.98% Pb, 5.00% Zn, and an Inferred Mineral Resource of 2,888 at 2.97% Pb, 3.87% Zn, which have collectively been estimated and reported in accordance with the JORC Code (2012).

Mining operations are currently focused on open-pit extraction at the Pb14 deposit, with future underground mining planned for the Pb12 deposit. Collectively, these two mining operations are planned to supply 400 kt of ore annually to the processing plant.

As at 31 July 2025, the Pb14 deposit was estimated to host Proved and Probable Ore Reserves of 1,438 kt at 0.69% Pb and 4.90% Zn, while the Pb12 deposit contains Proved and Probable Ore Reserves of 10.623 kt at 2.99% Pb and 4.14% Zn, which have been reported in accordance with the JORC Code (2012). At the current designed production capacity, the Pb14 OP is estimated to have an LOM of 8 years and the Pb12 UG is estimated to have an LOM of 31 years.

The processing plant, with a current processing nameplate capacity of 3,000 t/d, uses a Cu-Pb mixed-separation flotation and Zn flotation process to produce Cu, Pb and Zn concentrates with an average concentrate grade of 20%, 60% and 46%, respectively.

Key infrastructure includes access to National Highway 349 for concentrate transportation, water sourced from a nearby river and mountain springs, a base camp complex, and two TSFs. The existing TSF will be supplemented by a new TSF once the existing TSF reaches full capacity in 2 years' time. Together, these facilities ensure sufficient tailings storage for the entirety of the project's expected lifespan. No significant environmental or social risks have been identified that have the potential to disrupt ongoing mining and processing operations.

SRK conducted a detailed technical review of the project, evaluating historical process designs, technical studies, production performance and cost forecasts. SRK's assessment confirmed the processing plant designs and infrastructure plans as being technically sound, with open-pit operations well established and underground mining plans progressing. The exploration potential of various prospects within the exploration licence provides a solid foundation for the project's future growth. SRK concluded the project is economically viable, reflecting a balanced and well-executed approach to resource extraction, processing, and environmental management. The integration of phased infrastructure development, including the planned commissioning of the new TSF, underscores the project's strategic planning for long-term sustainability.

# 16 Risk assessment

This section presents risks that were identified and described in sections above. Risks have been classified from major to minor, defined as follows:

- **Major risk**: The factor poses an immediate danger of a failure which, if uncorrected, will have a material effect (>15% to 20%) on the project cash flow and performance and could potentially lead to project failure.
- **Moderate risk:** The factor, if uncorrected, could have a significant effect (10% to 15–20%) on the project cash flow and performance unless mitigated by some corrective action.
- **Minor risk:** The factor, if uncorrected, will have little or no effect (<10%) on project cash flow and performance.

In addition to the risk factor, the likelihood of risk must also be considered. Likelihood of occurrence within a 7-year timeframe can be considered as:

- likely: will probably occur.
- possible: may occur.
- unlikely: unlikely to occur.

**Table 16.1: Risk assessment matrix**

| Likelihood | Consequence | | |
|---|---|---|---|
| | **Minor** | **Moderate** | **Major** |
| Likely | Medium | High | High |
| Possible | Low | Medium | High |
| Unlikely | Low | Low | Medium |

The results of the risk assessment rating are presented in Table 16.2. The rating of the risks is presented before implementation of control recommendations.

**Table 16.2: Project risk assessment**

| Section | Risk | Description | Control Recommendations | Likelihood | Consequence | Rating |
|---|---|---|---|---|---|---|
| Mineral Resource and Ore Reserve | Relationship between density and combined Pb+Zn grade | Analysis of 316 samples from Pb12 and Pb14 deposits showed no significant correlation in Pb12 oxide ore, but a marginal correlation in fresh ore. | Conduct a detailed study to evaluate correlations, focusing on the Pb12 deposit. | Possible | Minor | Low |
| Mining | Poor production plan | Failure to meet targets due to mine access delays or equipment shutdown. | Implement short-term planning to identify/resolve delays and meet ore targets. | Unlikely | Moderate | Low |
| | High altitude challenges | Operational difficulties (e.g. health risks, equipment inefficiency) due to altitude. | Implement acclimatisation programs, emergency medical facilities, and equipment modifications. | Possible | Moderate | Medium |
| | Poor project implementation | Construction delays due to resource shortages or poor planning. | Monitor project plans, establish contingency budgets, and standby resources. | Unlikely | Moderate | Low |
| | Unfavourable mine design | Existing infrastructure (designed for exploration) may not support mining. | Conduct infrastructure assessments, upgrade ventilation and safety systems and ensure regulatory compliance is achieved. | Possible | Moderate | Medium |
| | Equipment shortage or shutdown | Insufficient equipment due to unstable ROM production. | Implement maintenance schedules and inventory management. | Unlikely | Moderate | Low |
| | Lack of skilled labour | Labour shortages leading to operational failures. | Train local workers, retain skilled labour, and hire domestic experts. | Possible | Moderate | Medium |
| | Adverse micro-geological conditions | Faults/disturbances causing disruption to mine plans. | Implement real-time geological mapping and update underground working plans. | Unlikely | Moderate | Low |
| | Bad weather interruptions | Operational shutdowns due to extreme weather. | Use weather-resistant facilities, maintain ROM stockpiles, and plan for delays. | Possible | Minor | Low |
| Processing | Low metal recoveries for oxidised ore | Concentrator optimised for sulfide ore struggles with oxidised ore. | Adjust reagent regimes to improve oxidised ore beneficiation. | Possible | Minor | Low |
| | Recycled water impacts | Recycled water reduces Cu-Pb-Zn recovery rates. | Optimise reagent regimes to minimise water quality impacts. | Unlikely | Moderate | Low |
| Tailings storage facilities | Earthquakes | Seismic events exceeding design resistance capacity. | Monitor warnings, establish emergency plans, and prevent secondary disasters. | Unlikely | Moderate | Low |
| | High altitude and cold weather | Winter conditions cause tailings discharge issues. | Halt production in extreme cold, control discharge speed, and follow protocols. | Unlikely | Minor | Low |
| | Flood or seepage accidents | Damage to facilities due to the use of substandard materials, poor structural integrity, inadequate construction quality, or insufficient chute sealing in flood discharge and seepage prevention systems. | Improve inspections, maintenance, and quality control. | Possible | Moderate | Medium |





THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE AND THAT THE INFORMATION MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED "WARNING" ON THE COVER OF THIS DOCUMENT.

| Section | Risk | Description | Control Recommendations | Likelihood | Consequence | Rating |
|---|---|---|---|---|---|---|
| | Damaged impermeable layer | Membrane damage during phased installation. | Improve supervision and maintenance during construction. | Possible | Minor | Low |
| | Changes in tailings discharge volume or tailings characteristics. | Changes in mining, mineral processing, or tailings treatment processes can result in an increased annual volume of tailings storage or a decline in tailings quality. Substantial variations may lead to a reduction in dam strength. | Improve supervision and implement countermeasures promptly. | Unlikely | Moderate | Low |
| Environment and social | Absence of key licences and permits | New permits required for refurbishment and expansion project. | Proactively identify and apply for all required permits/licences before project commencement and maintain compliance monitoring. | Unlikely | Moderate | Low |
| | Habitat damage (flora/fauna) | Land disturbance from infrastructure development/production, leading to biodiversity loss. | Minimise land footprint, implement phased land reclamation and restore habitats with native vegetation post-disturbance. | Possible | Moderate | Medium |
| | Water pollution (surface/ground) | Untreated mine dewatering, leachate from mineralised waste or stockpiles or beneficiation wastewater leaks. | Treat and re-use dewatering water, install leachate collection systems, prevent leaks via containment and monitor water quality quarterly. | Possible | Moderate | Medium |
| | Air pollution | Dust emissions from mining, transportation, and beneficiation activities. | Spray water on roads/sites, install dust suppression systems (e.g. mist cannons) and enclose processing facilities. | Possible | Minor | Low |
| | Hazardous substance pollution | Materials that are corrosive, reactive, explosive, toxic and flammable may pose a potential risk to environmental health. | Store hazardous materials in secure, dedicated facilities; register and track waste, and engage licensed contractors to carry out disposal. | Unlikely | Moderate | Low |
| | Community opposition | Complaints/resistance from local population due to project impacts (noise, dust, land use). | Establish a grievance redress mechanism, fund community infrastructure (e.g. water supply, schools), and engage in transparent stakeholder dialogue. | Unlikely | Moderate | Low |
| Capital and operating costs | High operating costs | Costs exceed forecasts, reducing profits. | Secure long-term contracts with suppliers/contractors. | Unlikely | Moderate | Low |
| | Product price volatility | Declining demand reduces prices. | Optimise processes, reduce costs, or scale down unprofitable operations. | Possible | Moderate | Medium |

Source: SRK



APPENDIX III INDEPENDENT TECHNICAL REPORT
THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE AND THAT THE INFORMATION MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED "WARNING" ON THE COVER OF THIS DOCUMENT.

# Closure

This report, Independent Technical Report on the Mengya'a Lead and Zinc Project, was prepared by

Gavin Chan
Principal Consultant

and reviewed by

Jeames McKibben
Principal Consultant

All data used as source material plus the text, tables, figures, and attachments of this document have been reviewed and prepared in accordance with generally accepted professional engineering and environmental practices.

# References

Chan, G. H.N., Aitchison, J.C., Crowley, Q.G., Horstwood, M.S.A., Searle, M.P., Parrish, R.R., and Chan, J.S-L., 2015. U-Pb zircon ages for Yarlung Tsango suture zone ophiolites, southwestern Xizang and their tectonic implications, Gondwana Research, 27, 719-732.

CINF Engineering Corporation Limited, 2022. Preliminary Design for Underground Mining of the PB-12 Deposit at the Mengya'a Lead-Zinc Mine, Jiali County, Nagqu, Xizang, April 2022.

Fu, Q., Xu, B., Zheng, Y., Yang, Z., Hou, Z., Huang, K., Liu, Y., Zhang, C. and Zhao, L., 2017. Two episodes of mineralization in the Mengya'a deposit and implications for the evolution and intensity of Pb–Zn–(Ag) mineralization in the Lhasa terrane, Xizang. Ore Geology Reviews, 90, 877-896.

Guangdong Metallurgical & Architectural Design Institute, 2013. Feasibility Study of the Mengya'a Lead-Zinc Mine in Jiali County, Nagqu, Xizang, May 2013.

Lin, B., Chen, Y., Tang, J., Wang, Q., Song, Y., Yang, C., Wang, W., He, W. and Zhang, L., 2017. $^{40}Ar/^{39}Ar$ and Rb-Sr ages of the Tiegelongnan porphyry Cu-(Au) deposit in the Bangong Co-Nujiang Metallogenic Belt of Xizang, China: implication for generation of super-large deposit. Acta Geologica Sinica-English Edition, 91(2), 602-616.

Mine Survey map dated 24 October 2024, Mengya'a Lead and Zinc Mine

Xinjiang Engineering & Research Institute of Nonferrous Metals Co., Ltd, 2024. Preliminary Design for Underground Mining of the PB-12 Deposit at the Mengya'a Lead-Zinc Mine, Jiali County, Nagqu, Xizang, August 2024.

Zhang, A., Zheng, Y., Fu, Q., Yang, Z., and Shen, Y., 2023. Ore-forming material sources of the Pb–Zn–(Ag–Fe–Cu) deposits in the northern Gangdese belt, Lhasa terrane: constraints from geology, geochronology and S–Pb isotopes. Ore Geology Reviews, 159, 105491.

Zhang, H., Xie, M., Dan, S., Li, M., Li, Y., Yang, D., and Wang, Y., 2024. Optimization of Feature Selection in Mineral Prospectivity Using Ensemble Learning. Minerals, 14(10), 970.

## Table 1 - JORC Code 2012

Table 1 – JORC Code 2012

## Section 1 Sampling Techniques and Data

(Criteria in this section apply to all succeeding sections.)

| Criteria | JORC Code explanation | Commentary |
|---|---|---|
| Sampling techniques | ■ Nature and quality of sampling (e.g. cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as downhole gamma sondes, or handheld XRF instruments, etc.). These examples should not be taken as limiting the broad meaning of sampling.<br>■ Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.<br>■ Aspects of the determination of mineralisation that are Material to the Public Report.<br>■ In cases where 'industry standard' work has been done, this would be relatively simple (e.g. 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases, more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (e.g. submarine nodules) may warrant disclosure of detailed information. | The analytical results used to derive the Mineral Resource estimate at the Mengya'a Project were collected from two exploration periods: the historical 2004–2021 exploration (2004 and 2006–2021exploration), and the 2024 exploration.<br>■ In the 2004–2021 exploration: All drill holes were completed using XY-2 and XY-4 drill rigs. All drill holes collars begin with PQ size to penetrate the topsoil, followed by HQ size for deeper drilling. Sample intervals were generally 1.5 m.<br>■ In 2024 exploration: Twinned holes were drilled using XY-4 drill rigs on pit bench floor. Core samples were extracted at PQ and HQ size. Diamond core samples were collected by sawing in half, lengthwise, and were considered representative. Sample intervals were generally 1.5 m. Trench samples collected from the pit bench face and underground channel samples collected in drives were all continuous channel intervals of consistent width, depth and length of approximately 10 cm × 5 cm × 1.5 m, channelled either by chisels or saws. |
| Drilling techniques | ■ Drill type (e.g. core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc.) and details (e.g. core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc.). | ■ In the 2004–2010 exploration period, drilling was conducted by PQ and HQ standard tube diamond core. Core was not oriented. The core samples collected from holes drilled prior to 2010 (70 holes) were not retained/preserved.<br>■ In the 2011–2021 exploration period, drilling was conducted by PQ and HQ standard tube diamond core. Core was not oriented. All core samples are meticulously boxed in accordance with established regulations. Each core box is clearly labelled in red paint with the drill hole number, box number, and the start and end depths.<br>■ In the 2024 exploration, drilling was conducted by PQ and HQ standard tube diamond core. Core was not oriented. All core samples are meticulously boxed in accordance with established regulations. Each core box is clearly labelled in red paint with the drill hole number, box number, and the start and end depths. Once boxed at the drill site, the core samples are transported to the core storage facility. |
| Drill sample recovery | ■ Method of recording and assessing core and chip sample recoveries and results assessed.<br>■ Measures taken to maximise sample recovery and ensure representative nature of the samples.<br>■ Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain | ■ In the 2004 period, core recovery ranged from 71% to 100%, with an average recovery of 78%.<br>■ In the 2006–2010 period, core recovery ranged from 69.1% to 98.4%, with an average recovery of 85%.<br>■ In the 2011–2018 period, core recovery ranged from 80.8% to 94.8%, with an average of |

Table 1 – JORC Code 2012

| Criteria | JORC Code explanation | Commentary |
|---|---|---|
| | of fine/coarse material. | recovery 90%.<br>■ In the 2019–2021 period, core recovery ranged from 73.8% to 98.7%, with an average recovery of 91%.<br>■ In the 2024 exploration, core recovery ranged from 95% to 100%, with an average recovery of 98%.<br>■ No significant correlation between recovery and grade was evident. |
| Logging | ■ Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies.<br>■ Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc.) photography.<br>■ The total length and percentage of the relevant intersections logged. | ■ For the 2004–2021 and 2024 exploration, the drill hole core was logged by onsite geologists, with detailed documentation covering lithology, mineral composition, structural features, texture, vein type, oxidation levels, alteration minerals, and rock quality designation (RQD) prepared. Intervals do not cross lithological or mineralisation boundaries.<br>■ All hole cores were logged to an adequate level of detail to support Mineral Resource estimation. |
| Sub-sampling techniques and sample preparation | ■ If core, whether cut or sawn and whether quarter, half or all core taken.<br>■ If non-core, whether riffled, tube sampled, rotary split, etc. and whether sampled wet or dry.<br>■ For all sample types, the nature, quality and appropriateness of the sample preparation technique.<br>■ Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.<br>■ Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling.<br>■ Whether sample sizes are appropriate to the grain size of the material being sampled. | In the 2004–2021 and 2024 exploration program:<br>■ Diamond core samples were collected by sawing in half, lengthwise, and were considered representative.<br>In the 2004–2021 exploration program:<br>■ The 2004–2010 samples were analysed by the Xizang Autonomous Region Geological and Mineral Exploration and Development Bureau Central Laboratory (Xizang Centra Laboratory); the 2011–2012 and 2017–2021 samples were analysed by the Lhasa Jinzang Rock and Mineral Analysis and Testing Co., Ltd. (Jinzang Laboratory), also known as Lhasa Rock and Mineral Analysis and Testing Co., Ltd., and the 2014–2015 samples were analysed by the Yanjiao Central Laboratory of the North China Nonferrous Geological Exploration Bureau (Yanjiao Central Laboratory).<br>■ Sample preparation at the various laboratories adhered to the prevailing Chinese standard protocols. Initially, the samples were crushed to a size of 2 mm using a jaw crusher. They were then pulverised to a fine particle size of 140 mesh (106 μm). Following this, the powdered samples were thoroughly blended and divided into two 500 g aliquots: a primary sample and a duplicate sample. The primary samples were further pulverised to a finer particle size of 200 mesh (74 μm). Finally, pulp samples weighing 20 g each were analysed using atomic absorption spectroscopy (AAS) to determine the concentrations of Pb, Zn, Cu and Ag.<br>■ To ensure the accuracy for samples with a Pb+Zn grade greater than 20%, the titration method was also used.<br>■ In 2014–2015 exploration period, approximately 10.54% of pulp duplicates were inserted as internal quality control measures and |

Table 1 – JORC Code 2012

| Criteria | JORC Code explanation | Commentary |
|---|---|---|
| | | approximately 4.85% duplicates were sent for inter-laboratory checks.<br>■ In the 2017–2018 exploration period, approximately 11.46% of pulp duplicates were inserted as internal quality control measures and approximately 8.09% duplicates were sent for inter-laboratory checks.<br>In the 2024 exploration program:<br>■ The primary drill samples were half-core cut by diamond saw, along the longitudinal axis.<br>■ Samples were labelled, securely bagged and shipped to SGS Tianjin Laboratory for sample preparation and assaying.<br>■ Pulp duplicates were inserted at a rate of 1 in 7 samples, blanks, and certified reference material (CRM) standard samples were inserted at a rate of 1 in 15 samples.<br>■ Initially, samples were dried and crushed to a size of 3 mm, then homogenised. A 1.0 kg portion was extracted and further ground to a 200-mesh size (74 μm).<br>■ For analysis, pulp samples weighing 0.20 g each were placed in a 50 mL PTFE (polytetrafluoroethylene) container. Then 2 mL of nitric acid ($HNO_3$), hydrochloric acid (HCl), hydrofluoric acid (HF), and perchloric acid ($HClO_4$) were added to each sample. The solution was evaporated to dryness, and the remaining residue was cooled. Subsequently, 2 mL of HCl, 1 mL of nitric acid ($HNO_3$), and 10 mL of water were added, and the mixture was heated to dissolve any precipitate. The resulting solution was then diluted with 12 mL of water, making it ready for ICP-OES testing. The SGS code for this testing method is ICP40Q.<br>■ Sample sizes in the 2004–2024 exploration programs are appropriate for the grain size of the material being sampled. |
| Quality of assay data and laboratory tests | ■ The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.<br>■ For geophysical tools, spectrometers, handheld XRF instruments, etc., the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc.<br>■ Nature of quality control procedures adopted (e.g. standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (i.e. lack of bias) and precision have been established. | In the 2004–2021 exploration programs:<br>■ Samples were analysed for Pb, Zn, Cu and Ag contents in the laboratories of Xizang Centra Laboratory, Jinzang Laboratory and Yanjiao Central Laboratory. Inter-laboratory duplicates checks were sent to the Hebei Provincial Geological and Mineral Centre Laboratory (Hebei Laboratory).<br>■ Results from internal duplicates and inter-laboratory checks showed good correlation.<br>In the 2024 exploration:<br>■ All samples were analysed for Pb, Zn, Cu and Ag at the SGS Tianjin Laboratory.<br>■ Overall, quality control data collected do not indicate there are any significant problems with accuracy or precision.<br>■ The assaying and laboratory procedures were considered appropriate. |

Table 1 – JORC Code 2012

| Criteria | JORC Code explanation | Commentary |
|---|---|---|
| Verification of sampling and assaying | ▪ The verification of significant intersections by either independent or alternative company personnel.<br>▪ The use of twinned holes.<br>▪ Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.<br>▪ Discuss any adjustment to assay data. | ▪ For the 2004–2010 period, no core or pulp sample were retained. For verification of the results from these campaigns, SRK relied on information from twinned hole drilling and channel sampling.<br>▪ For 2011–2021 period, 52 pulp samples and 107 core samples were collected and sent to SGS Tianjin Laboratory for validation. Results from these duplicates showed a good correlation.<br>▪ In the 2024 exploration, samples were assayed under the QA/QC protocol in place at SGS Tianjin Laboratory. The quality control data collected from this verification campaign do not indicate there are any significant problems with accuracy or precision. |
| Location of data points | ▪ Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation.<br>▪ Specification of the grid system used.<br>▪ Quality and adequacy of topographic control. | ▪ Unless otherwise specified, all coordinates in this report were in CGCS 2000/3-degree Gauss-Kruger zone 31 datum. Topographic control was considered adequate.<br>In the 2004–2010 exploration period:<br>▪ All drill holes and channel samples were surveyed using traditional optical surveying instruments or a total station.<br>▪ Downhole surveys to measure dip and azimuth were conducted at 100 m intervals using KXP-2A type digital compass inclinometer.<br>In the 2011–2021 exploration period:<br>▪ All drill holes and channel samples were surveyed using OTS－632 type total stations.<br>▪ Downhole surveys to measure dip and azimuth were conducted at 50 m intervals using KXP-2A type digital compass inclinometer.<br>In 2024 exploration:<br>▪ Collar positions were established using real-time kinematic (RTK) technology.<br>▪ Downhole surveys to measure dip and azimuth were conducted at 50 m intervals. |
| Data spacing and distribution | ▪ Data spacing for reporting of Exploration Results.<br>▪ Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied.<br>▪ Whether sample compositing has been applied. | ▪ In 2004–2010, exploration focused on the Pb14 deposit, with a general drill spacing of approximately 50–100 m × 50–100 m.<br>▪ In 2011–2021, exploration focused on the Pb12 deposit, with a general drill spacing of approximately 50 m × 50–100 m.<br>▪ The twinned drill holes and channel sampling completed in 2024 did not significantly affect the sampling spacing.<br>▪ The combined spacing of the historical and 2024 programs is deemed adequate for estimation of the Mineral Resource. |
| Orientation of data in relation to geological structure | ▪ Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.<br>▪ If the relationship between the drilling orientation | ▪ Drill core was not oriented. Orientation of core was deemed unnecessary on account of the low angle of orientation.<br>▪ Drilling is at a sufficiently high angle to the mineralised structures to minimise the risk of |

Table 1 – JORC Code 2012

| Criteria | JORC Code explanation | Commentary |
|---|---|---|
| | and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material. | such bias.<br>■ Core structural measurements were not performed.<br>■ Folds and faults pattern have not been established from current observations. |
| Sample security | ■ The measures taken to ensure sample security. | ■ None of the 2004–2010 historical exploration samples were preserved.<br>■ The halved drill cores of 2011–2024 exploration period were stored in a well-maintained core shed at base camp. |
| Audits or reviews | ■ The results of any audits or reviews of sampling techniques and data. | ■ SRK undertook an audit of the assays, including standards, blanks and QA/QC of laboratory reporting.<br>■ No other audits of sampling techniques and data have been undertaken. |

Table 1 – JORC Code 2012

## Section 2 Reporting of Exploration Results

(Criteria listed in section 1 also apply to this section.)

| Criteria | JORC Code explanation | Commentary |
|---|---|---|
| Mineral tenement and land tenure status | ▪ Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings.<br>▪ The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area. | ▪ The current mining licence (C5400002011043210111466) is valid until 15 December 2025. The mining licence covers an area of 4.4544 $km^2$ and allows exploitation between 4,964 m and 5,400 m asl. The permitted production capacity is 0.4 Mt/a.<br>▪ The project is currently in operation. There are no known impediments to operation in the area at the time of reporting. |
| Exploration done by other parties | ▪ Acknowledgment and appraisal of exploration by other parties. | ▪ All resource exploration from 2002 to 2024 were carried out by the Second Brigade of the Xizang Autonomous Region Geological and Mineral Exploration and Development Bureau (Second Brigade). |
| Geology | ▪ Deposit type, geological setting and style of mineralisation. | ▪ A total of 37 prospects or deposits have been identified in the project area to date, most of which are layered or lenticular, occurring in skarns within the Laigu and Luobadui formations and along the contacts between limestones and siltstones. The ore textures are predominantly euhedral granular, with structures mainly of veinlet and massive types. The ore minerals include sphalerite, galena and minor amounts of pyrrhotite, pyrite and chalcopyrite, while the gangue minerals are primarily skarn minerals and calcite.<br>▪ The Pb12 deposit is buried at depths ranging from -5 m to -350 m, with a thickness ranging from 0.6 m to 43.5 m. The entire deposit exhibits a steep dip angle, ranging from approximately 9° to 42°.<br>▪ The Pb14 deposit is buried at depths ranging from 0 m to -130 m, with a thickness ranging from 7 m to 32 m. The entire layer exhibits a gentle dip angle, ranging from approximately 8° to 19°. |
| Drill hole Information | ▪ A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes:<br>– easting and northing of the drill hole collar<br>– elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar<br>– dip and azimuth of the hole<br>– downhole length and interception depth<br>– hole length.<br>▪ If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case. | ▪ All 255 drill holes were drilled from surface. Among them, 221 holes were drilled vertically, and the remaining 34 drill holes were drilled with a dipping angle ranging from 67.4° to 87.5°. Drill hole depths range from 43.58 m to 800.14 m.<br>▪ Channel samples were collected horizontally on the drives wall with 1 m height from the floor.<br>▪ All intervals were used in the interpretation of mineralised domains, variogram modelling and grade estimation. |

Table 1 – JORC Code 2012

| Criteria | JORC Code explanation | Commentary |
|---|---|---|
| Data aggregation methods | ▪ In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (e.g. cutting of high grades) and cut-off grades are usually Material and should be stated.<br>▪ Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail.<br>▪ The assumptions used for any reporting of metal equivalent values should be clearly stated. | ▪ To define the extension of mineralised domains in the Pb12 deposit, a nominal cut-off of either Pb ≥0.5% or Zn ≥1.0% was applied. A lower nominal cut-off of either Pb ≥0.3% or Zn ≥0.5% was used to delineate the mineralised intervals in Pb14 deposit.<br>▪ A grade capping level of 39% Pb was used, and no capping was applied to Zn, Cu and Ag. |
| Relationship between mineralisation widths and intercept lengths | ▪ These relationships are particularly important in the reporting of Exploration Results.<br>▪ If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported.<br>▪ If it is not known and only the downhole lengths are reported, there should be a clear statement to this effect (e.g. 'down hole length, true width not known'). | ▪ The mineralised domains exhibit a tabular or lenticular shape, with dips ranging from approximately 9° to 42° in the Pb12 deposit and 8° to 19° in the Pb14 deposit. As a result, the intersections from drill holes correspond to the true width of the mineralisation in the Pb14 deposit, while in the Pb12 deposit, the intersections have an apparent thickness greater than the true width of the mineralisation. |
| Diagrams | ▪ Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported. These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views. | ▪ Appropriate maps and sections were reported in this Report. |
| Balanced reporting | ▪ Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results. | ▪ Details of individual drill holes are not considered Material to the overall Mineral Resource estimate presented in this Report and are omitted. |
| Other substantive exploration data | ▪ Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances. | ▪ Metallurgical tests have been carried out for Pb14 and Pb12 deposits since 2007 in various institutions. Details are described in chapters 10 and 11. |
| Further work | ▪ The nature and scale of planned further work (e.g. tests for lateral extensions or depth extensions or large-scale step-out drilling).<br>▪ Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive. | ▪ No further exploration programs of infill or extension drilling are planned. |

Table 1 – JORC Code 2012

## Section 3 Estimation and Reporting of Mineral Resources

(Criteria listed in section 1, and where relevant in section 2, also apply to this section.)

| Criteria | JORC Code explanation | Commentary |
|---|---|---|
| Database integrity | ▪ Measures taken to ensure that data has not been corrupted by, for example, transcription or keying errors, between its initial collection and its use for Mineral Resource estimation purposes.<br>▪ Data validation procedures used. | ▪ SRK conducted spot checks of the database against historical exploration program tables and maps, as well as the 2024 program assay certificates, and found no flaws in the data.<br>▪ During the process of uploading the database into Leapfrog software, various checks for internal inconsistencies (such as overlapping intervals and missing collars) are automatically performed. Visual checks of the different generations and types of sampling data against each other also ensure database integrity. |
| Site visits | ▪ Comment on any site visits undertaken by the Competent Person and the outcome of those visits.<br>▪ If no site visits have been undertaken, indicate why this is the case. | ▪ Site visits were undertaken on 2–5 September and 4–7 November 2024 (in two groups, respectively). |
| Geological interpretation | ▪ Confidence in (or conversely, the uncertainty of) the geological interpretation of the mineral deposit.<br>▪ Nature of the data used and of any assumptions made.<br>▪ The effect, if any, of alternative interpretations on Mineral Resource estimation.<br>▪ The use of geology in guiding and controlling Mineral Resource estimation.<br>▪ The factors affecting continuity both of grade and geology. | ▪ A total of 270 drill holes and underground channels were completed, resulting in the collection of 4,891 samples. This dataset provides a good definition of the dimensions for resource estimation.<br>▪ SRK has adequate confidence in the geological interpretation. The overall interpretation of the continuity, extent, and orientation of the mineralised domains, based on the various phases of exploration, has been confirmed by operation in Pb14 deposit since 2006, and underground drives in the Pb12 deposit.<br>▪ For the interpolation of attributes into the Mineral Resource block model, the anisotropies of the variogram models and search neighbourhoods were aligned to follow the approximately flat-lying geology. |
| Dimensions | ▪ The extent and variability of the Mineral Resource expressed as length (along strike or otherwise), plan width, and depth below surface to the upper and lower limits of the Mineral Resource. | ▪ The dimensions of the mineralised domains are presented in Table 7.3. |
| Estimation and modelling techniques | ▪ The nature and appropriateness of the estimation technique(s) applied and key assumptions, including treatment of extreme grade values, domaining, interpolation parameters and maximum distance of extrapolation from data points. If a computer assisted estimation method was chosen, include a description of computer software and parameters used.<br>▪ The availability of check estimates, previous estimates and/or mine production records and whether the Mineral Resource estimate takes appropriate account of such data.<br>▪ The assumptions made regarding recovery of by- | ▪ Between 2004 and 2021, the Second Brigade in collaboration with Huaxia Mining, undertook several exploration activities and seven resource estimations. However, these estimates were not prepared under the reporting standards and definitions of the JORC Code.<br>▪ SRK's 3D block modelling and estimation was undertaken in Leapfrog Edge software (version 2024.1). The elements estimated were Pb, Zn, Cu and Ag.<br>▪ The estimation domains were built using Pb and Zn intervals in Leapfrog Edge software. A nominal cut-off of either Pb ≥0.5% or Zn ≥1.0% was applied to define the mineralised domains in |

Table 1 – JORC Code 2012

| Criteria | JORC Code explanation | Commentary |
|---|---|---|
| | products.<br>■ Estimation of deleterious elements or other non-grade variables of economic significance (e.g. sulphur for acid mine drainage characterisation).<br>■ In the case of block model interpolation, the block size in relation to the average sample spacing and the search employed.<br>■ Any assumptions behind modelling of selective mining units.<br>■ Any assumptions about correlation between variables.<br>■ Description of how the geological interpretation was used to control the resource estimates.<br>■ Discussion of basis for using or not using grade cutting or capping.<br>■ The process of validation, the checking process used, the comparison of model data to drill hole data, and use of reconciliation data if available. | the Pb12 deposit. A lower nominal cut-off of either Pb ≥0.3% or Zn ≥0.5% was used to delineate the mineralised domains in Pb14 deposit.<br>■ Three-dimensional (3D) block grade estimation approach was applied for the Mineral Resource estimation.<br>■ A grade capping level of 39% Pb was used, and no capping was applied to Zn, Cu and Ag.<br>■ No assumptions regarding correlation between variables were made.<br>■ The samples within domains were composited at intervals of 1.5 m.<br>■ The block models for all domains with dimensions of 20 m × 20 m × 4 m (East × North × Elevation) and sub-blocking with dimensions of 2 m × 2 m × 2 m (East × North × Elevation) were employed, and no rotation has been allowed.<br>■ Block grade values were interpolated using the Ordinary Kriging (OK) method or squared Inverse Distance Weighted (IDW) method.<br>■ SRK conducted visual validation of the longitudinal views and cross section view of the drill holes or channel grades and block model grades, which demonstrated good correlation between local block estimations and nearby samples, without excessive smoothing in the block model.<br>■ SRK compared recent (2024) production records and historical depletion against the model for reconciliation. |
| Moisture | ■ Whether the tonnages are estimated on a dry basis or with natural moisture, and the method of determination of the moisture content. | ■ Tonnages are estimated on a dry basis. |
| Cut-off parameters | ■ The basis of the adopted cut-off grade(s) or quality parameters applied. | ■ A domain modelling threshold of either Pb ≥0.5% or Zn ≥1.0% was applied to define the mineralised domains in the Pb12 deposit. A lower nominal threshold of either Pb ≥0.3% or Zn ≥0.5% was used to delineate the mineralised domains in Pb14 deposit. These thresholds are suggested by the Chinese standard and have been applied on site for two decades. |
| Mining factors or assumptions | ■ Assumptions made regarding possible mining methods, minimum mining dimensions and internal (or, if applicable, external) mining dilution. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider potential mining methods, but the assumptions made regarding mining methods and parameters when estimating Mineral Resources may not always be rigorous. Where this is the case, this should be reported with an explanation of the basis of the mining assumptions made. | ■ Open-pit mining operations have been ongoing at the Pb14 deposit since 2007, using the conventional truck-and-shovel method. Material is blasted and then loaded into trucks.<br>■ The Pb12 deposit will be mined using underground methods, specifically room-and-pillar with delated backfill and sublevel open stoping. |
| Metallurgical factors | ■ The basis for assumptions or predictions | ■ The processing plant has been operating for |

Table 1 – JORC Code 2012

| Criteria | JORC Code explanation | Commentary |
|---|---|---|
| or assumptions | regarding metallurgical amenability. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider potential metallurgical methods, but the assumptions regarding metallurgical treatment processes and parameters made when reporting Mineral Resources may not always be rigorous. Where this is the case, this should be reported with an explanation of the basis of the metallurgical assumptions made. | more than 10 years. It uses a traditional three-stage, closed-circuit crushing process followed by a two-stage, closed grinding circuit. The mill feed ore is crushed and ground to the particle size of 70–75% passing approximately 74 µm. The Cu-Pb mixed flotation, separation flotation and Zn flotation process produces saleable Cu, Pb and Zn concentrates, with Ag being concentrated in the Cu and Pb concentrates.<br>■ Based on historical performance, the forecast recoveries of Cu in copper concentrate is 51%, Pb in lead concentrate is 88% and Zn in zinc concentrate is 91%. |
| Environmental factors or assumptions | ■ Assumptions made regarding possible waste and process residue disposal options. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider the potential environmental impacts of the mining and processing operation. While at this stage the determination of potential environmental impacts, particularly for a greenfields project, may not always be well advanced, the status of early consideration of these potential environmental impacts should be reported. Where these aspects have not been considered this should be reported with an explanation of the environmental assumptions made. | ■ Mineralised waste is disposed of in designated mineralised waste dumps within the mining area, while tailings is deposited in the tailings storage facility (TSF). The new TSF is lined with HDPE (high density polyethylene) geomembranes and equipped with various safety features. Based on the solid waste toxicity leaching test, the low-grade ore and tailings generated by this project are classified as Type I general industrial solid waste. |
| Bulk density | ■ Whether assumed or determined. If assumed, the basis for the assumptions. If determined, the method used, whether wet or dry, the frequency of the measurements, the nature, size and representativeness of the samples.<br>■ The bulk density for bulk material must have been measured by methods that adequately account for void spaces (vugs, porosity, etc.), moisture and differences between rock and alteration zones within the deposit.<br>■ Discuss assumptions for bulk density estimates used in the evaluation process of the different materials. | ■ Bulk density and specific gravity measurements were conducted in historical programs and the density of ore rock was determined based on squared IDW method and supplemented by a fitted correlation between combined Pb+ Zn grade and density. |
| Classification | ■ The basis for the classification of the Mineral Resources into varying confidence categories.<br>■ Whether appropriate account has been taken of all relevant factors (i.e. relative confidence in tonnage/grade estimations, reliability of input data, confidence in continuity of geology and metal values, quality, quantity and distribution of the data).<br>■ Whether the result appropriately reflects the Competent Person's view of the deposit. | ■ SRK considered the following factors in Mineral Resource classification:<br>– Geological continuity and reliability of interpretation<br>– Sample support and exploration workings density<br>– OK attributes (kriging variance, slope of regression, kriging efficiency).<br>■ Measured Mineral Resource is classified in the dimension area defined by sampling spacing within 50 m, or slope of regression greater than 0.85.<br>■ Indicated Mineral Resource is classified in the dimension area defined by sampling spacing within 100 m, or slope of regression greater than |

Table 1 – JORC Code 2012

| Criteria | JORC Code explanation | Commentary |
|---|---|---|
| | | 0.6.<br>■ Inferred Mineral Resource is classified in areas defined only by sampling spacing more than 100 m, or the domains estimated using IDW method. |
| Audits or reviews | ■ The results of any audits or reviews of Mineral Resource estimates. | ■ No external audits or reviews of the Mineral Resource estimate have been taken place.<br>■ SRK carried out an internal peer review on the Mineral Resource estimate. |
| Discussion of relative accuracy/confidence | ■ Where appropriate, a statement of the relative accuracy and confidence level in the Mineral Resource estimate using an approach or procedure deemed appropriate by the Competent Person. For example, the application of statistical or geostatistical procedures to quantify the relative accuracy of the resource within stated confidence limits, or, if such an approach is not deemed appropriate, a qualitative discussion of the factors that could affect the relative accuracy and confidence of the estimate.<br>■ The statement should specify whether it relates to global or local estimates, and, if local, state the relevant tonnages, which should be relevant to technical and economic evaluation. Documentation should include assumptions made and the procedures used.<br>■ These statements of relative accuracy and confidence of the estimate should be compared with production data, where available. | ■ The relative accuracy of the Mineral Resource estimate is reflected in the Mineral Resource classification categories applied.<br>■ The Mineral Resource Statement reflects the global estimates of in situ tonnes and grade. |

Table 1 – JORC Code 2012

## Section 4 Estimation and Reporting of Ore Reserves

(Criteria listed in section 1, and where relevant in sections 2 and 3, also apply to this section.)

| Criteria | JORC Code explanation | Commentary |
|---|---|---|
| Mineral Resource estimate for conversion to Ore Reserves | ▪ Description of the Mineral Resource estimate used as a basis for the conversion to an Ore Reserve.<br>▪ Clear statement as to whether the Mineral Resources are reported additional to, or inclusive of, the Ore Reserves. | ▪ A Mineral Resource estimate for the Mengya'a mine was completed by SRK Consulting (Hong Kong) Limited. The estimate is dated 31 December 2024.<br>▪ The reported Mineral Resource is inclusive of potential Or Reserve material. |
| Site visits | ▪ Comment on any site visits undertaken by the Competent Person and the outcome of those visits.<br>▪ If no site visits have been undertaken, indicate why this is the case. | ▪ Mr Falong Hu, the Competent Person for the Ore Reserve Statement, is a full-time employee of SRK Consulting (China) Ltd.<br>▪ Mr Falong Hu participated in the 4–7 November 2024 site visit. |
| Study status | ▪ The type and level of study undertaken to enable Mineral Resources to be converted to Ore Reserves.<br>▪ The Code requires that a study to at least Pre-Feasibility Study level has been undertaken to convert Mineral Resources to Ore Reserves. Such studies will have been carried out and will have determined a mine plan that is technically achievable and economically viable, and that material Modifying Factors have been considered. | ▪ Three technical studies are available to review:<br>– Feasibility Study of the Mengya'a Lead-Zinc Mine in Jiali County, Nagqu, Xizang, May 2013, Guangdong Metallurgical & Architectural Design Institute<br>– Preliminary Design for Underground Mining of the Pb12 Deposit at the Mengya'a Lead-Zinc Mine, Jiali County, Nagqu, Xizang., April 2022, CINF Engineering Corporation Limited<br>– Preliminary Design for Underground Mining of the Pb12 Deposit at the Mengya'a Lead-Zinc Mine, Jiali County, Nagqu, Xizang, August 2024, Xinjiang Engineering & Research Institute of Nonferrous Metals Co., Ltd.<br>▪ For the Pb12 UG, the level of accuracy of the Modifying Factors described in the 22 CINF Mining Design, the 24 XERI Mining Design, and the existing underground infrastructure, and for the Pb14 OP, the level of accuracy of the Modifying Factors described in the 13 GDMADI FS and ongoing production, are considered by SRK to be akin to a pre-feasibility level study (PFS), prepared in accordance with the JORC Code (2012). |
| Cut-off parameters | ▪ The basis of the cut-off grade(s) or quality parameters applied. | ▪ The Mineral Resources of Mengya'a Mine contain lead, zinc, copper and silver elements. The lead equivalent (EqPb) grade was used for the cut-off grade to define the 'ore'. |

| Optimisation parameter | Unit | Inputs | Notes |
|---|---|---|---|
| **Revenue and selling costs** | | | |
| Lead price | RMB/t metal | 14,300 | 50% Pb concentrate, SMM price excluding VAT |
| Treatment charge | RMB/t metal | -250 | Grade premium applied due to higher Pb concentrate grade (≥ 60% Pb) |
| Royalties | % | 5.9 | 22 CINF Mining Design |
| **Mining parameters and costs** | | | |
| Mining recovery | % | 5 | 13 GDMADI FS, Huaxia Mining |
| Dilution | % | 5 | 13 GDMADI FS, Huaxia Mining |
| Mining and stripping cost | RMB/t TMM | 21 | 24 XERI Mining Design |

Table 1 – JORC Code 2012

<table>
<tr><th>Criteria</th><th>JORC Code explanation</th><th>Commentary</th></tr>
<tr><td></td><td></td><td>
<table>
<tr><td>Overall slope angle</td><td>°</td><td>42</td><td>13 GDMADI FS, Huaxia Mining</td></tr>
<tr><td colspan="4">Processing parameters and costs</td></tr>
<tr><td>Design throughput capacity</td><td>kt/a</td><td>200</td><td>Huaxia Mining</td></tr>
<tr><td>Process plant recovery</td><td>%</td><td>88.0</td><td>Huaxia Mining</td></tr>
<tr><td>Processing cost</td><td>RMB/t ROM</td><td>154</td><td>Huaxia Mining</td></tr>
<tr><td>General and Administration cost</td><td>RMB/t ROM</td><td>66.8</td><td>24 XERI Mining Design</td></tr>
</table>
<ul><li>SRK is of the opinion that the cut-off grades used to distinguish ore from waste, set at EqPb 1.8% for material in the Pb14 OP, 6.0% for oxide and 3.7% for fresh material in the Pb12 UG, can be defined as economically extractable under these specific conditions.</li></ul>
</td></tr>
<tr><td>Mining factors or assumptions</td><td><ul><li>The method and assumptions used as reported in the Pre-Feasibility or Feasibility Study to convert the Mineral Resource to an Ore Reserve (i.e. either by application of appropriate factors by optimisation or by preliminary or detailed design).</li><li>The choice, nature and appropriateness of the selected mining method(s) and other mining parameters including associated design issues such as pre-strip, access, etc.</li><li>The assumptions made regarding geotechnical parameters (eg pit slopes, stope sizes, etc), grade control and pre-production drilling.</li><li>The major assumptions made and Mineral Resource model used for pit and stope optimisation (if appropriate).</li><li>The mining dilution factors used.</li><li>The mining recovery factors used.</li><li>Any minimum mining widths used.</li><li>The manner in which Inferred Mineral Resources are utilised in mining studies and the sensitivity of the outcome to their inclusion.</li><li>The infrastructure requirements of the selected mining methods.</li></ul></td><td>Pb14 OP:<ul><li>To develop an optimal open-pit design, an optimised open-pit shell was prepared using the Pseudoflow algorithm. The pit design was under the guide of optimisation and the design inputs, then manual modified by engineer. A EqPb cut-off grade and lead price of RMB14,300/t were used.</li><li>Dilution: Mining dilution is estimated at 5%.</li><li>Mining recovery: A 95% mining recovery rate was applied.</li><li>An OSA of 42% was applied.</li><li>The mine design treats Inferred Mineral Resources and sterilised material as waste materials.</li></ul>Pb12 UG:<ul><li>Based on the geological conditions, the following mining methods are proposed:</li></ul>
<table>
<tr><th>Thickness</th><th>Dip (°)</th><th>Mining Method</th></tr>
<tr><td><8 m</td><td><=30</td><td>Room and Pillar with Delayed Backfill</td></tr>
<tr><td>>=8 m</td><td><=30</td><td>Sublevel Open Stope with Delayed Backfill (Gently Dip Orebody& Longitudinal)</td></tr>
<tr><td><15 m</td><td>>30</td><td>Sublevel Open Stope with Delayed Backfill (Steep Dip Orebody& Longitudinal)</td></tr>
<tr><td>>=15 m</td><td>>30</td><td>Sublevel Open Stope with Delayed Backfill (Steep Dip Orebody& Transverse)</td></tr>
</table>
<ul><li>The stope is arranged along the strike, with a length of 40 m and a width of 15 m. The level spacing is 40 m/30 m.</li><li>For Pb12 UG, the mining factors applied to the Ore Reserve estimates are:<ul><li>Mining Design Scope:<ul><li>Only Measured and Indicated Mineral Resources are considered for the estimation.</li><li>Deswik. was used to optimise the mineable shapes and refinement of these shapes was conducted as part of the stoping scope.</li></ul></li><li>Design loss:<ul><li>Stopes with grades below the cut-off grade will be filtered out as design loss.</li><li>Resources that are isolated and located far from the main design are difficult to reach.</li></ul></li><li>Mining dilution:<ul><li>A dilution skin of 0.5 m on the hanging wall or back, and a dilution skin of 0.2 m on the footwall or floor, were considered to simulate</li></ul></li></ul></li></ul></td></tr>
</table>

Table 1 – JORC Code 2012

| Criteria | JORC Code explanation | Commentary |
|---|---|---|
| | | the overbreak during mining. This contributes approximately 6%, which is less than the 22 CINF Mining Design at 12%.<br>– Mining loss:<br>– A loss rate of 8% is applied to account for the loss incurred during the transportation from the workface handover to the ROM bin, which is consistent with 22 CINF Mining Design. An additional 4% of the planned loss was considered for room and pillar mining, which includes the loss attributed by the pillars.<br>■ The development system for the Pb12 UG will use existing exploration adits. A decline system will be constructed to connect levels where a level adit is not available and the level spacing is 40 m/30 m.<br>■ The mine design treats the Inferred Mineral Resources as waste materials.<br>■ The mine design takes mine service infrastructure, including backfill, ventilation, power supply, water supply, air compression and dewatering systems, into account. |
| **Metallurgical factors or assumptions** | ■ The metallurgical process proposed and the appropriateness of that process to the style of mineralisation.<br>■ Whether the metallurgical process is well-tested technology or novel in nature.<br>■ The nature, amount and representativeness of metallurgical test work undertaken, the nature of the metallurgical domaining applied and the corresponding metallurgical recovery factors applied.<br>■ Any assumptions or allowances made for deleterious elements.<br>■ The existence of any bulk sample or pilot scale test work and the degree to which such samples are considered representative of the orebody as a whole.<br>■ For minerals that are defined by a specification, has the ore reserve estimation been based on the appropriate mineralogy to meet the specifications? | ■ The ore is a Cu-Pb-Zn polymetallic sulfide ore, with the primary target minerals being chalcopyrite, galena and sphalerite. The process involves Cu-Pb bulk flotation followed by separation and Zn flotation, to produce Cu, Pb and Zn concentrates. The beneficiation process and operational parameters have been determined through multiple beneficiation tests. This process is mature and widely adopted for deposits with similar mineralisation.<br>■ Arsenic is a harmful element in the ore, but its content is very low and does not affect the quality of the concentrates. Cu, Pb and Zn are separated from each other. This separation process enhances the quality of each concentrate and increases the recovery rate of each element.<br>■ Gold and silver are beneficial elements. The silver content in the Cu and Pb concentrates is high enough to be considered payable, but silver does not reach a payable level in the Zn concentrate. The gold grade is low and does not reach a payable level in any of the concentrates.<br>■ Although ore oxidation can affect the processing recovery of target elements, it is difficult to establish a clear relationship between the degree of oxidation and the recoveries. The proportion of oxidised ore is very small, and it has a minimal impact on the project's overall economics. Huaxia Mining is conducting beneficiation tests on oxidised ore and plans to process the mined oxidised ore in the future. |
| **Environmental** | ■ The status of studies of potential environmental impacts of the mining and processing operation. Details of low-grade ore characterisation and the consideration of potential sites, status of design options considered and, where applicable, the status of approvals for process residue storage and waste dumps should be reported. | ■ The EIA reports comply with relevant Chinese legal requirements and the project has obtained the necessary government approvals. The environmental studies primarily cover the main production facilities (mine sites, processing plant and TSFs).<br>■ Solid waste toxicity leaching tests were conducted on the mineralised waste from the Pb14 orebody and the tailings from the processing plant. The mineralised waste and tailings generated by this project are classified as Type I general industrial solid waste. |

Table 1 – JORC Code 2012

| Criteria | JORC Code explanation | Commentary |
|---|---|---|
| **Infrastructure** | ▪ The existence of appropriate infrastructure: availability of land for plant development, power, water, transportation (particularly for bulk commodities), labour, accommodation; or the ease with which the infrastructure can be provided, or accessed. | ▪ Primary power supply: The Tangjia 110 kV substation, located 80 km from the site, provides primary power via two self-constructed 35 kV double-circuit transmission lines.<br>▪ Domestic power supply: Power for the processing plant, living areas, and base camp is independently sourced from the Rongdoi township 10 kV rural distribution grid, ensuring separate residential and operational power networks.<br>▪ Mining area water supply: Water is drawn from the nearby Qizu River using a riverside sump and pump system, which delivers water to an elevated tank for production and fire suppression needs.<br>▪ Processing plant water supply: Water for the processing plant is sourced from the Langgezhanlong River.<br>▪ Site access: The project site is approximately 165 km from Lhasa, accessible via the well-paved G4218 Ya'an–Yecheng Expressway to Mozhugongka County, followed by National Highway 349.<br>▪ Land availability: No significant issues were identified regarding the availability of land for development.<br>▪ Labour supply: Adequate labour is sourced locally and from other regions of China. |
| **Costs** | ▪ The derivation of, or assumptions made, regarding projected capital costs in the study.<br>▪ The methodology used to estimate operating costs.<br>▪ Allowances made for the content of deleterious elements.<br>▪ The source of exchange rates used in the study.<br>▪ Derivation of transportation charges.<br>▪ The basis for forecasting or source of treatment and refining charges, penalties for failure to meet specification, etc.<br>▪ The allowances made for royalties payable, both Government and private. | ▪ The project has been underway for some time, and the construction of the underground infrastructure is largely complete. The projected capital costs primarily involve the refurbishment and replacement of equipment at the processing plant, as well as the construction of underground development infrastructure at the Pb12 deposit. The forecast was prepared by the Company's technical and financial team.<br>▪ The operating costs are based on the Company's historical performance.<br>▪ The treatment charges are based on forecasts provided by SMM, an independent market research company.<br>▪ Resource tax is set at 5.90% of revenue. |
| **Revenue factors** | ▪ The derivation of, or assumptions made regarding revenue factors including head grade, metal or commodity price(s) exchange rates, transportation and treatment charges, penalties, net smelter returns, etc.<br>▪ The derivation of assumptions made of metal or commodity price(s), for the principal metals, minerals and co-products. | ▪ The commodity price forecast is provided by SMM, an independent market research company.<br>▪ The treatment charges are based on forecasts provided by SMM, an independent market research company.<br>▪ The payable metals are based on the terms set out in offtake agreements with various clients. |
| **Market assessment** | ▪ The demand, supply and stock situation for the particular commodity, consumption trends and factors likely to affect supply and demand into the future. | ▪ A market study has been conducted by SMM, an independent market research company.<br>▪ The forecast prices for copper, lead and zinc are based on SMM's market study, while the silver forecast price is derived from Consensus Economics Inc. |

Table 1 – JORC Code 2012

| Criteria | JORC Code explanation | Commentary |
|---|---|---|
| | ▪ A customer and competitor analysis along with the identification of likely market windows for the product.<br>▪ Price and volume forecasts and the basis for these forecasts.<br>▪ For industrial minerals the customer specification, testing and acceptance requirements prior to a supply contract. | |
| **Economic** | ▪ The inputs to the economic analysis to produce the net present value (NPV) in the study, the source and confidence of these economic inputs including estimated inflation, discount rate, etc.<br>▪ NPV ranges and sensitivity to variations in the significant assumptions and inputs. | ▪ The inputs included the mining schedule, processing production schedule, operating and capital costs and the forecast prices by SMM.<br>▪ A base case economic analysis was undertaken at a 10% discount rate.<br>▪ A range of positive NPVs was derived at various discount rates, with key sensitive parameters being sale price and processing recovery. |
| **Social** | ▪ The status of agreements with key stakeholders and matters leading to social licence to operate. | ▪ Public participation was carried out during the EIA process for the project, and no objections were raised by the public during the announcement period. |
| **Other** | ▪ To the extent relevant, the impact of the following on the project and/or on the estimation and classification of the Ore Reserves:<br>▪ Any identified material naturally occurring risks.<br>▪ The status of material legal agreements and marketing arrangements.<br>▪ The status of governmental agreements and approvals critical to the viability of the project, such as mineral tenement status, and government and statutory approvals. There must be reasonable grounds to expect that all necessary Government approvals will be received within the timeframes anticipated in the Pre-Feasibility or Feasibility study. Highlight and discuss the materiality of any unresolved matter that is dependent on a third party on which extraction of the reserve is contingent. | ▪ The identified risks are tabulated in Chapter 16.<br>▪ No material issues in relation to the status of the mining and exploration licences are stated in the legal due diligence report. |
| **Classification** | ▪ The basis for the classification of the Ore Reserves into varying confidence categories.<br>▪ Whether the result appropriately | ▪ Measured Mineral Resource in the pit design or stopes are classified as Proved Ore Reserves. Indicated Mineral Resources in the pit design or stopes are classified as Probable Ore Reserves.<br>▪ The classification of Ore Reserves appropriately reflects the Competent |

Table 1 – JORC Code 2012

| Criteria | JORC Code explanation | Commentary |
|---|---|---|
| | reflects the Competent Person's view of the deposit.<br>■ The proportion of Probable Ore Reserves that have been derived from Measured Mineral Resources (if any). | Person's view of the deposits.<br>■ There is no Measured Mineral Resource classified as Probable Ore Reserves. |
| **Audits or reviews** | ■ The results of any audits or reviews of Ore Reserve estimates. | ■ An internal review of the Ore Reserve has been conducted. |
| **Discussion of relative accuracy/ confidence** | ■ Where appropriate a statement of the relative accuracy and confidence level in the Ore Reserve estimate using an approach or procedure deemed appropriate by the Competent Person. For example, the application of statistical or geostatistical procedures to quantify the relative accuracy of the reserve within stated confidence limits, or, if such an approach is not deemed appropriate, a qualitative discussion of the factors which could affect the relative accuracy and confidence of the estimate.<br>■ The statement should specify whether it relates to global or local estimates, and, if local, state the relevant tonnages, which should be relevant to technical and economic evaluation. Documentation should include assumptions made and the procedures used.<br>■ Accuracy and confidence discussions should extend to specific discussions of any applied Modifying Factors that may have a material impact on Ore Reserve viability, or for which there are remaining areas of uncertainty at the current study stage.<br>■ It is recognised that this may not be possible or appropriate in all circumstances. These statements of relative accuracy and confidence of the estimate should be compared with production data, where available. | ■ The Ore Reserves estimates are based on the technical studies carried out in 2013, 2022 and 2024 as well as the ongoing open-pit operation. The Ore Reserves estimates are at a PFS level.<br>■ All Modifying Factors have been applied for Ore Reserves estimates on a pit or stopes basis, on a global estimate.<br>■ As is the case for most mining projects, the extent to which the estimate of Ore Reserves may be affected by mining, metallurgical, infrastructure, permitting, market and other factors could vary from major gains to total losses of Ore Reserves.<br>■ There are no issues known to the Competent Person of this section that are expected to have a material impact on the Ore Reserve estimates. |

## 1. TAXATION ON HOLDERS OF SECURITIES

The following is a summary of certain PRC taxation consequences of the ownership of H Shares by an investor who purchases such H Shares in connection with the [REDACTED] and holds the H Shares as capital assets. This summary does not purport to address all potential taxation consequences of investment in the H Shares, and does not take into account the specific circumstances of any particular investor, some of which may be subject to special rules. This summary is based on the tax laws of the PRC in effect as at the date of this document, all of which are subject to change (or changes in interpretation) and may have retroactive effect.

This section does not address any aspect of PRC or Hong Kong taxation other than income tax, capital gains tax, business tax/appreciation tax, stamp duty and estate duty. Prospective investors are urged to consult their respective tax advisers regarding the PRC, Hong Kong and other taxation consequences arising from the ownership and disposal of H Shares.

### A. The PRC Taxation

#### Dividend tax

*Individual investors*

Pursuant to the Individual Income Tax Law of the PRC (《中華人民共和國個人所得税法》) ("**IIT Law**"), which was latest amended on 31 August 2018 and the Implementation Provisions of the Individual Income Tax Law of the PRC (《中華人民共和國個人所得税法實施條例》), which was latest amended on 18 December 2018, dividends distributed by PRC enterprises are subject to a PRC withholding tax levied at a flat rate of 20%.

For a foreign individual who is not a resident of the PRC, the receipt of dividends from an enterprise in the PRC is normally subject to a withholding tax of 20% unless specifically exempted by the tax authority of the State Council or reduced by relevant tax treaty.

According to the Notice on Issues Concerning the Administration of Individual Income Tax Collection Following the Annulment of Document Guo Shui Fa [1993] No. 045 (Guo Shui Han [2011] No. 348) (《關於國税發[1993]045號文件廢止後有關個人所得税徵管問題的通知》(國税函[2011]348號)) issued on 28 June 2011 by the STA, as for the income from dividends and bonuses obtained by foreign resident individual shareholders from the shares issued in Hong Kong by domestic non-foreign invested enterprises, the individual income tax shall be withheld by withholding agents according to the item of "income from interest, dividends and bonuses". Where a domestic non-foreign invested enterprise issues shares in Hong Kong, its foreign resident individual shareholders can enjoy relevant tax incentives in accordance with tax treaties signed between their countries of residence and China as well as the provisions of tax arrangements between Mainland China and Hong Kong (Macau). A domestic non-foreign invested enterprise that issues shares in Hong Kong may, for the purpose of distributing dividends and bonuses, withhold individual income tax at the rate of 10% in general, and the application procedure is not required. For situations where the tax rate for dividend is not 10%, the following regulations shall apply: where an individual who has earned the dividends is the resident of a country with which the conventional tax rate is lower than 10%, such individual can apply for refund according to the Announcement of the STA on Issuing the

Measures for Non-resident Taxpayers' Enjoyment of Treaty Benefits (Announcement No. 35, 2019 of the STA) (國家税務總局關於發佈《非居民納税人享受協定待遇管理辦法》的公告); where an individual who has earned the dividends is the resident of a country with which the conventional tax rate is higher than 10% and lower than 20%, the withholding agent shall withhold the individual income tax in accordance with the actual conventional tax rate when distributing dividends and bonuses, and the application procedure is not required; where an individual who has earned the dividends is the resident of a country which has not signed a tax treaty with China or is under other situations, the withholding agent shall withhold the individual income tax at the rate of 20% when distributing dividends and bonuses.

According to the Arrangement between the Mainland and the Hong Kong on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排》), which was signed on 21 August 2006, the Chinese government may levy taxes on the dividends paid by a Chinese company to Hong Kong residents (including natural persons and legal entities) in an amount not exceeding 10% of the total dividends payable by the Chinese company. If a Hong Kong resident directly holds 25% or more of the equity interest in a Chinese company, then such tax shall not exceed 5% of the total dividends payable by the Chinese company if the Hong Kong resident is the beneficial owner of the equity and certain other conditions are met.

*Enterprise investors*

In accordance with the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得税法》) ("**EIT Law**") effective on 29 December 2018 and the Implementation Provisions for the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得税法實施條例》) amended and came into effect on 23 April 2019, a non-resident enterprise is generally subject to a 10% enterprise income tax on PRC-sourced income (including dividends received from a PRC resident enterprise that issues shares in Hong Kong), if such non-resident enterprise does not have an establishment or place in the PRC or has an establishment or place in the PRC but the PRC-sourced income is not connected with such establishment or place in the PRC. The withholding tax may be reduced pursuant to applicable treaties for the avoidance of double taxation. Such income tax for non-resident enterprises are deducted at source, where the payer of the income are required to withhold the income tax from the amount to be paid to the non-resident enterprise when such payment is made or due.

According to the Circular of the State Taxation Administration on the Withholding and Remitting of Enterprise Income Tax on the Dividend Distributed by Chinese Resident Enterprise to Overseas H-Share Non-resident Enterprise (Guo Shui Han [2008] No. 897) (《國家税務總局關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得税有關問題的通知》(國税函[2008]897號)) issued by the STA and taking effect on 6 November 2008, where a Chinese resident enterprise distributes dividends for the year of 2008 or any year thereafter to its H-share holders which are overseas non-resident enterprises, it shall withhold the enterprise income tax thereon at the uniform rate of 10%. After receiving the dividends, a non-resident enterprise shareholder may, by itself or through an authorised agent or withholding agent, submit an application to the competent tax authority for enjoying any treatment under a relevant tax agreement (arrangement), and provide proof

that it is an actual beneficial owner satisfying the requirements of the tax agreement (arrangement). If the application is justified upon verification, the competent tax authority shall refund the difference between the tax paid and the tax payable calculated at the tax rate under the tax agreement (arrangement).

According to the Arrangement between the Mainland and the Hong Kong on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》), the Chinese government may levy taxes on the dividends paid by a Chinese company to Hong Kong residents (including natural persons and legal entities) in an amount not exceeding 10% of the total dividends payable by the Chinese company. If a Hong Kong resident directly holds 25% or more of the equity interest in a Chinese company, then such tax shall not exceed 5% of the total dividends payable by the Chinese company if the Hong Kong resident is the beneficial owner of the equity and certain other conditions are met.

*Taxation treaty*

Non-resident investors residing in jurisdictions which have entered into treaties or arrangements for the avoidance of double taxation with the PRC are entitled to a reduction of the Chinese enterprise income tax imposed on the dividends received from PRC companies. The PRC currently has entered into Avoidance of Double Taxation Treaties or Arrangements with a number of countries and regions including Hong Kong, Macau Special Administrative Region, Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the United States.

**Taxation on share transfer**

*VAT and local additional tax*

Pursuant to the Notice on Fully Implementing the Pilot Reform for the Transition from Business Tax to Value-added Tax (Cai Shui [2016] No. 36) (《關於全面推開營業税改徵增值税試點的通知》(財税[2016]36號)) (hereinafter referred to as the "Notice 36"), which was implemented on 1 May 2016, entities and individuals engaged in the services sale in the PRC are subject to VAT and "engaged in the services sale in the PRC" means that the seller or buyer of the taxable services is located in the PRC. The Notice 36 also provides that transfer of financial products, including transfer of the ownership of marketable securities, shall be subject to VAT at 6% on the taxable revenue (which is the balance of selling price upon deduction of purchase price), for a general or a foreign VAT taxpayer. However, individuals who transfer financial products are exempt from VAT.

According to these regulations, if the holder is a non-resident individual, the PRC VAT is exempted from the sale or disposal of H shares; if the holder is a non-resident enterprise and the H-share buyer is an individual or entity located outside China, the holder is not necessarily required to pay the PRC VAT, but if the H-share buyer is an individual or entity located in China, the holder may be required to pay the PRC VAT. However, in view of no clear regulations, whether the non-Chinese resident enterprises are required to pay the PRC VAT for the disposal of H shares, there is still uncertainty in the interpretation and application of the above provisions.

At the same time, VAT payers are also required to pay urban maintenance and construction tax, education surtax and local education surcharge, which shall usually equal to 12% of the VAT payable (if any).

**Income tax**

*Individual investors*

According to the IIT Law, gains from the transfer of personal property are subject to the income tax at a rate of 20%. Pursuant to the Circular on Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from the Transfer of Shares (Cai Shui Zi [1998] No. 61) (《關於個人轉讓股票所得繼續暫免徵收個人所得税的通知》財税字[1998]61號) jointly issued by the MOF and the STA on 30 March 1998, from 1 January 1997, income of individuals from transfer of the shares of listed enterprises continues to be exempted from individual income tax. The STA has not expressly stated whether it will continue to exempt tax on income of individuals from transfer of the shares of listed enterprises in the IIT Law, which latest amended and implemented on 1 January 2019 and its implementation provisions.

However, according to the Circular on Related Issues on Levying Individual Income Tax over the Income Received by Individuals from the Transfer of Listed Shares Subject to Sales Limitation (Cai Shui [2009] No. 167) (《關於個人轉讓上市公司限售股所得徵收個人所得税有 關問題的通知》財税[2009]167號) jointly issued by the MOF, the STA and CSRC on 31 December 2009, and taking effect on 1 January 2010, individuals' income from the transfer of listed shares obtained from the public offering of listed companies and transfer market on the Shanghai Stock Exchange and the Shenzhen Stock Exchange shall continue to be exempted from individual income tax, except for the relevant shares which are subject to sales restriction as defined in the Supplementary Notice on Issues Concerning the Levy of Individual Income Tax on Individuals' Income from the Transfer of Restricted Stocks of Listed Companies (Cai Shui [2010] No. 70) (《關於個人轉讓上市公司限售股所得徵收個人所得税有關問題的補充通知》財税[2010]70號) jointly issued and implemented by such departments on 10 November 2010.

As at the Latest Practicable Date, no provisions have expressly provided that individual income tax shall be levied from non-Chinese resident individuals on the transfer of shares in PRC resident enterprises listed on overseas stock exchanges.

*Enterprise investors*

In accordance with the EIT Law and its implementation provisions, a non-resident enterprise is generally subject to a 10% corporate income tax on PRC-sourced income, including gains derived from the disposal of equity interests in a PRC resident enterprise, if it does not have an establishment or place in the PRC or has an establishment or premises in the PRC but the PRC-sourced income is not connected with such establishment or premise. Such income tax for non-resident enterprises is deducted at source, where the payer of the income is required to withhold the income tax from the amount to be paid to the non-resident enterprise when such payment is made or due. The withholding tax may be reduced pursuant to special arrangements or relevant agreements signed between the PRC and the jurisdictions where the non-resident enterprises are located.

***Stamp duty***

Pursuant to the Stamp Duty Law of the PRC (《中華人民共和國印花税法》), which was issued by the SCNPC on 10 June 2021 and implemented on 1 July 2022, PRC stamp duty applies to taxable document executed or used within the PRC, thus the requirements of the stamp duty imposed on the transfer of shares of PRC listed companies shall not apply to the acquisition and disposal of H Shares by non-PRC investors outside of the PRC.

***Estate duty***

As at the date of this document, no estate duty has been levied in the PRC under the PRC laws.

**B. Hong Kong Taxation**

**Tax on dividends**

Under the current practice of the Inland Revenue Department of Hong Kong, no tax is payable in Hong Kong in respect of dividends paid by the Company.

***Capital gains and profit tax***

No tax is imposed in Hong Kong in respect of capital gains from the sale of H Shares. However, trading gains from the sale of the H Shares by persons carrying on a trade, profession or business in Hong Kong, where such gains are derived from or arise in Hong Kong from such trade, profession or business will be subject to Hong Kong profits tax, which is currently imposed at the maximum rate of 16.5% on corporations and at the maximum rate of 15% on unincorporated businesses. Certain categories of taxpayers (for example, financial institutions, insurance companies and securities dealers) are likely to be regarded as deriving trading gains rather than capital gains unless these taxpayers can prove that the investment securities are held for long-term investment purposes.

Trading gains from sales of the H Shares effected on the Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of H Shares effected on the Stock Exchange realised by persons carrying on a business of trading or dealing in securities in Hong Kong.

***Stamp duty***

Hong Kong stamp duty, currently charged at the ad valorem rate of 0.1% on the higher of the consideration for or the market value of the H Shares, will be payable by the purchaser on every purchase and by the seller on every sale of any Hong Kong securities, including H Shares (in other words, a total of 0.2% is currently payable on a typical sale and purchase transaction involving H Shares). In addition, a fixed stamp duty of HK$5.00 is currently payable on any instrument of transfer of H Shares. Where one of the parties is a resident outside Hong Kong and does not pay the ad valorem duty due by it, the duty not paid will be assessed on the instrument of transfer (if any) and will be payable by the transferee. If no stamp duty is paid on or before the due date, a penalty of up to 10 times the duty payable may be imposed.

*Estate duty*

The Revenue (Abolition of Estate Duty) Ordinance 2005 abolished estate duty in respect of deaths occurring on or after 11 February 2006.

## 2. MAIN PRC TAXES OF THE COMPANY

See "Regulatory Overview" in this document for details.

## 3. FOREIGN EXCHANGE

The Foreign Currency Administration Rules of the PRC (《中華人民共和國外匯管理條例》) ("**Foreign Currency Administration Rules**"), which was issued by the State Council on 29 January 1996 and implemented on 1 April 1996, classifies all international payments and transfers into current items and capital items. Most of the current items are not subject to the approval of foreign exchange administration agencies, while capital items are subject to such approval. Pursuant to the Foreign Currency Administration Rules amended on 14 January 1997 and 1 August 2008, the PRC will not impose restriction on international current payments and transfers.

According to the Regulations on the Administration of Foreign Exchange Settlement, Sale and Payment (《結匯、售匯及付匯管理規定》), which was promulgated by the PBOC on 20 June 1996, it removes other restrictions on convertibility of foreign exchange under current items, while retaining existing restrictions on foreign exchange transactions under capital account items.

According to the Announcement on Improving the Reform of the Renminbi Exchange Rate Formation Mechanism (《關於完善人民幣匯率形成機制改革的公告》), which was issued by the PBOC and implemented on 21 July 2005, the PRC has started to implement a managed floating exchange rate system in which the exchange rate would be determined based on market supply and demand and adjusted with reference to a basket of currencies since 21 July 2005. Therefore, the Renminbi exchange rate was no longer pegged to the U.S. dollar. PBOC would publish the closing price of the exchange rate of the Renminbi against trading currencies such as the U.S. dollar in the interbank foreign exchange market after the closing of the market on each working day, as the central parity of the currency against Renminbi transactions on the following working day.

Starting from 4 January 2006, PBOC introduced over-the-counter transactions into the interbank spot foreign exchange market for the purpose of improving the formation mechanism of the central parity of Renminbi exchange rates, and the practice of matching was kept at the same time. In addition to the above, PBOC introduced the market-maker rule to provide liquidity to the foreign exchange market. On 1 July 2014, PBOC further improved the formation mechanism of the RMB exchange rate by authorising the China Foreign Exchange Trade System to make inquiries with the market makers before the interbank foreign exchange market opens every day for their offered quotations which are used as samples to calculate the central parity of the RMB against the USD of the current day, which shall be finally decided on the weighted average of the prices of all market makers after excluding the highest and lowest quotations, and announce it at 9:15 a.m. on each working day. On 11 August 2015, PBOC announced to improve the central parity quotations of RMB against the U.S. dollar by

authorising market-makers to provide central parity quotations to the China Foreign Exchange Trading Centre with reference to the interbank foreign exchange market closing rate of the previous day, the supply and demand for foreign exchange as well as changes in major international currency exchange rates.

On 5 August 2008, the State Council promulgated the revised Foreign Currency Administration Rules, which have made substantial changes to the foreign exchange supervision system of the PRC. First, it has adopted an approach of balancing the inflow and outflow of foreign exchange. Foreign exchange income received overseas can be repatriated or deposited overseas, and foreign exchange and foreign exchange settlement funds under the capital account are required to be used only for purposes as approved by the competent authorities and foreign exchange administrative authorities; second, it has improved the RMB exchange rate formation mechanism based on market supply and demand; third, in the event that international revenues and expenditure occur or may occur a material imbalance, or the national economy encounters or may encounter a severe crisis, the State may adopt necessary safeguard and administrative measures on international revenues and expenditure; fourth, it has enhanced the supervision and administration of foreign exchange transactions and grant extensive authorities to the SAFE to enhance its supervisory and administrative powers.

PRC enterprises (including foreign investment enterprises) which need foreign exchange for current item transactions may, without the approval of the foreign exchange administrative authorities, effect payment through foreign exchange accounts opened at the designated foreign exchange bank, on the strength of valid transaction receipts and proof. Foreign investment enterprises which need foreign exchange for the distribution of profits to their shareholders and PRC enterprises which, in accordance with regulations, are required to pay dividends to their shareholders in foreign exchange may, on the strength of resolutions of the board of directors or the shareholders' general meeting on the distribution of profits, effect payment from foreign exchange accounts at the designated foreign exchange bank, or effect exchange and payment at the designated foreign exchange bank.

According to the Decisions on Matters including Cancelling and Adjusting a Batch of Administrative Approval Items (《國務院關於取消和調整一批行政審批項目等事項的決定》) which was promulgated by the State Council on 23 October 2014, it decided to cancel the approval requirement of the SAFE and its branches for the remittance and settlement of the proceeds raised from the overseas listing of the foreign shares into RMB domestic accounts.

According to the Notice of the SAFE on Issues Concerning the Foreign Exchange Administration of Overseas Listing (國家外匯管理局關於境外上市外匯管理有關問題的通知) issued by the SAFE and implemented on 26 December 2014, a domestic company shall, within 15 business days from the date of the end of its overseas listing issuance, register the overseas listing with the local branch office of SAFE at the place of its establishment; the proceeds from an overseas listing of a domestic company may be remitted to the domestic account or deposited in an overseas account, but the use of the proceeds shall be consistent with the content of the document and other disclosure documents.

Pursuant to the Notice of the SAFE on Further Simplifying and Improving the Foreign Exchange Management Policies for Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》), which was promulgated by the SAFE on 13 February 2015 and partially abolished on 30 December 2019, banks shall directly approve and handle the verification of foreign exchange registration under domestic direct investment and foreign exchange registration under overseas direct investment. The SAFE and its branches will indirectly regulate the foreign exchange registration of direct investment through banks.

Pursuant to the Notice of the SAFE on Reforming the Administration of Foreign Exchange Settlement of Capital of Foreign-Invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》), which was promulgated on 30 March 2015, effective on 1 June 2015 and partially abolished on 30 December 2019, foreign-invested enterprises may settle foreign exchange capital according to their actual business needs. However, a foreign-invested enterprise is not allowed to use the foreign exchange capital settled in RMB for (a) expenses outside the business scope of the foreign-invested enterprise or prohibited by laws and regulations; (b) securities investment directly or indirectly (except as otherwise provided by laws and regulations); (c) issuing RMB entrusted loans (except those permitted by the business scope), repaying inter-enterprise loans (including third-party advances) or repaying RMB bank loans that have been re-lent to a third party; and (d) purchase of real estate not for owner-use (other than real estate enterprises).

Pursuant to the Circular of the SAFE on Further Deepening Reforms to Facilitate Cross-Border Trade and Investment (《國家外匯管理局關於進一步深化改革促進跨境貿易投 資便利化的通知》), which was promulgated and came into effect on 4 December 2023 by the SAFE, the competent authority has relaxed the restrictions on the scale of the upfront expenses of overseas direct investment, and removed the restriction that the cumulative amount of upfront expenses of overseas direct investment by domestic enterprises shall not exceed the equivalent of US$3 million, however, the cumulative amount of remittance shall not exceed 15% of the total amount of the proposed investment by the PRC party. In addition, the equity transfer consideration paid in foreign currency by domestic entities owe to domestic equity transferors (including institutions and individuals), as well as the foreign exchange funds raised by domestic enterprises listed overseas, can be remitted to the capital item settlement account directly. The funds in the capital item settlement account can be used for foreign exchange settlement independently. The RMB funds as equity transfer consideration received by a domestic equity transferor from the foreign-invested enterprise obtained from foreign exchange settlement (derived from direct foreign exchange settlement or RMB funds in the account to be paid for foreign exchange settlement) may be directly transferred to the RMB account of the domestic equity transferor.

This Appendix contains a summary of the Company's Articles of Association, the objective of which is to provide potential investors with an overview of our Articles of Association. As the information contained below is in summary form, it does not contain all the information that may be important to potential investors.

The Articles of Association and relevant amendments thereto were adopted or ratified by the Shareholders in Shareholders' meetings in accordance with applicable laws and regulations, including the PRC Company Law, the Securities Law of the PRC, the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies, the Guidance on Articles of Association of Listed Company, the Hong Kong Listing Rules and other relevant regulations, and will become effective on the date that the Company's H Shares are [REDACTED] on the Hong Kong Stock Exchange.

## GENERAL PROVISIONS

The Company is a joint stock limited company that will exist in perpetuity.

Each Shareholder shall be liable to the Company to the extent of his/hers/its subscribed shareholding, and the Company shall be liable to its debts to the extent of all its assets.

The Articles of Association shall, as from the date when they come into effect, become a legally binding document regulating the organisation and activities of the Company, as well as the relationship of rights and obligations between the Company and its shareholders and among the shareholders themselves, and shall have legally binding effect upon the Company and its shareholders, directors, and senior management. According to the Articles of Association, Shareholders may sue Shareholders; Shareholders may sue the Directors, General Manager and other senior management; Shareholders may sue our Company, and our Company may sue Shareholders, Directors, General Manager or other senior management.

## SHARES

### Issuance of Shares

The Shares of the Company take the form of registered stocks.

The Shares of the Company shall be issued following the principles of open, fairness and justice, and each share in the same class shall have the same rights. For the same class of shares issued at the same time, each share shall be issued on the same conditions and at the same price. All entities or individuals subscribing for the shares shall pay the same price for each share.

**Increase, Reduction and Repurchase of Shares**

***Increase of Shares***

According to the operation and development needs of the Company, subject to the applicable laws, regulations and securities regulatory rules of the place where the Company's Shares are listed, the Company may increase the registered capital by the following ways upon approval by separate resolution of the Shareholders' meeting:

(i) public issuance of shares;

(ii) non-public issuance of shares;

(iii) issuing of bonus shares to existing shareholders;

(iv) capitalisation of common reserve fund;

(v) other means stipulated by laws and administrative regulations or approved by relevant regulatory authorities.

Subject to the applicable laws, regulations and securities regulatory rules of the place where the Company's Shares are listed, the Board of Directors may, by authorisation of the Shareholders' meeting, decide to issue not more than 50% of the shares that have been issued within three years. However, if the capital contributions are to be made using non-monetary property, they shall be subject to a resolution made by the Shareholders' meeting.

Where the Board of Directors decides to issue shares pursuant to the preceding paragraph, and thus results in a change in the registered capital or the number of issued shares of the Company, the voting at the Shareholders' meeting may not be needed to revise such item set out in the Articles of Association. Where the Shareholders' meeting authorises the Board of Directors to decide on issuing new shares, a resolution of the Board of Directors shall be adopted by two thirds of all the Directors.

***Reduction of Shares***

The Company may reduce its registered capital. The reduction in registered capital shall be made in accordance with the procedures set out in the PRC Company Law, the Hong Kong Listing Rules and other relevant regulations and the Articles of Association.

***Repurchase of Shares***

The Company shall not repurchase its issued Shares except under any of the following circumstances:

(i) reducing the Company's registered capital;

(ii) merging with other companies holding our Shares;

(iii) using the Shares as employee stock plans or share incentives;

(iv) requiring the Company for acquiring their Shares from Shareholders who have voted against the resolutions passed at a Shareholders' meeting on the merger or division of the Company;

(v) use of shares for conversion of convertible corporate bonds issued by the Company;

(vi) necessary if the Company wishes to maintain the value of the company and the interests of the shareholders; or

(vii) other circumstances stipulated by laws, administrative regulations, departmental rules and the securities regulatory rules of place where the Company's Shares are listed.

The Company may repurchase its Shares through public centralised trading or other ways recognised by laws, regulations, the Hong Kong Listing Rules and relevant regulatory authorities under the premise of complying with the securities regulatory rules of the place where the Company's Shares are listed.

Approval shall be obtained from the Shareholders' meeting when the Company is to repurchase its own Shares under the circumstances (i) and (ii) set out above. If the share repurchase is made under any of the circumstances stipulated in (iii), (v) or (vi) aforementioned, centralised trading shall be adopted publicly, and a resolution of the Company's Board of Directors shall be made by a two-thirds majority of directors attending the meeting under the premise of complying with the applicable securities regulatory rules of the place where the Company's Shares are listed.

After the Company has repurchased its own shares in accordance with the preceding provision, the shares so repurchased shall be deregistered within ten days from the date of purchase (under the circumstances set out in (i)), or shall be transferred or deregistered within six months (under the circumstances set out in (ii), (iv)), and the shares of the Company repurchased by the Company under the circumstances set out in (iii), (v) and (vi) above shall not exceed ten percent of the total issued shares of the Company, and shall be transferred or deregistered within three years.

***Transfer of Shares***

Unless otherwise specified by laws, administrative regulations, departmental regulations, and securities regulatory rules of the place where the Company's Shares are listed, the Shares of the Company may be transferred in accordance with the law. The transfer of H Shares shall be registered in the shares registration in Hong Kong entrusted by the Company.

The Shares issued before the Company's public issuance of Shares shall not be transferred within one year from the date when the Company's Shares are listed and traded on a securities exchange.

The Directors and senior management of the Company shall notify the Company of their holding of Shares in the Company and changes of their holdings. The Shares transferable by them during each year of their tenures as determined when they assume the posts shall not exceed 25% of their total holdings of Shares of the Company. The Shares in the Company held by them are not transferable

within 1 year from the date on which the Company's Shares are listed and traded. The Shares in the Company held by them shall not be transferred within half year of their departure from the Company. If the listing rules of the place where the Company's Shares are listed have other provisions on the restrictions on the transfer of the Company's Shares, such provisions shall prevail.

Where the Directors, senior management of the Company and Shareholders (excluding Hong Kong Securities Clearing Company Limited and Hong Kong Securities Clearing Company Nominees Limited) holding five percent or more of the Company sell shares or any other securities of the nature of stock rights within a period of six months after the acquisition of them or repurchase them within six months after sales of them, any proceed arising therefrom shall belong to the Company, and the Board of the Company shall withdraw such gains for the benefit of the Company. Exception applies where a securities company holds more than 5% of the shares due to purchase of any remaining shares in a best efforts underwriting, or where there are any other circumstances stipulated by the China Securities Regulatory Commission.

***Pledge of Shares***

The Company shall not accept shares of its own as the subject matter of a pledge.

**Financial Assistance for Acquisition of the Company's shares**

The Company shall not provide any financial assistance by means of donation, loan, guarantee or other means for others to obtain the shares of the Company or the parent company thereof unless it carries out an employee stock ownership plan.

Subject to the provisions of laws, regulations, and securities regulatory rules of the place where the company's shares are listed, for the benefits of the Company, the Company may, upon a resolution by the Shareholders' Meeting or by the Board of Directors under the Articles of Association or the authorisation of the Shareholders' Meeting, provide financial assistances for others to obtain the shares of the Company or the parent company thereof, provided that the total accumulative amount of the financial assistances shall not exceed 10% of the total issued share capital. A resolution by the Board of Directors shall be adopted by two thirds of all the directors.

**SHAREHOLDERS AND SHAREHOLDERS' MEETINGS**

**Register of Shareholders**

The Company shall set up a register of Shareholders based on the certificates provided by the securities registration agency. The register of Shareholders shall be sufficient evidence to the holding of the Shares of the Company by a Shareholder. The storage site of the original copy of the register of Shareholders of the shares listed on the Hong Kong Stock Exchange is Hong Kong.

If a Shareholder of overseas listed H shares loses share certificates and applies for a replacement issue, it may be handled in accordance with the laws, the rules of the stock exchanges or other relevant provisions of the storage site of the original copy of the register of Shareholders of the overseas listed H shares.

Where the Company holds a Shareholders' meeting, distributes dividends, undergoes liquidation or engages in other activities requiring the identification of the Shareholders, the date of registration of shares shall be determined by the Board of Directors or the convener of the Shareholders' meeting. The Shareholders who appear on the register of Shareholders after the close of trading on the date of registration of shares are entitled to the corresponding rights and interests as Shareholders.

**Shareholders' Rights and Obligations**

A shareholder shall enjoy rights and assume obligations according to the class of shares held by that shareholder. Shareholders holding the same class of shares shall enjoy the same rights and assume the same obligations.

Holders of the Shares of the Company shall be entitled to the following rights:

- to receive dividends and other distributions in proportion to the shares they hold;
- to file a petition, convene, hold, attend or send proxies to attend the Shareholders' meetings and exercise their corresponding right to speak and vote according to laws (unless individual Shareholders are required to waive their voting rights on specific matters in accordance with the relevant requirements of the place where the Company's Shares are listed);
- to supervise, present suggestions on or make inquiries about the operations of the Company;
- to transfer, donate, pledge their shares in accordance with laws, administrative regulations and the Articles of Association;
- to consult and copy the Articles of Association, the register of Shareholders, minutes of Shareholders' meetings, resolutions of the Board meetings, the financial and accounting reports of the Company and its wholly-owned subsidiaries; Additionally, eligible shareholders may also inspect the company's accounting books and accounting vouchers;
- to participate in the distribution of the remaining properties of the Company in proportion to their shareholdings in the event of the termination or liquidation of the Company;
- to consult the Hong Kong branch register of members of the Company, provided that the Company may suspend the registration of members in accordance with relevant provisions; and
- to enjoy other rights stipulated by laws, administrative regulations, departmental regulations, securities regulatory rules of the place where the Company's Shares are listed and the Articles of Association.

In the event that any resolution of the Shareholders' meetings or resolution of the Board of Directors violates laws or administrative regulations, it shall be invalid.

In the event that the convening procedure or voting formula of the Shareholders' meetings or meetings of the Board of Directors violates any of laws, administrative regulations or the Articles of Association, or the resolution of which violates the Articles of Association, any shareholder is entitled to ask the court to overturn within 60 days after the resolution was adopted, except where the procedures for convening a meeting of the Shareholders or the Board of Directors or the voting formula only has some minor defects, which produces no substantial effect on the resolution.

Any Shareholder who fails to be notified to attend the Shareholders' meeting may, within 60 days as of the day when it knows or ought to know that the resolution of the shareholders' meeting is made, request the people's court to cancel the resolution. If the right of cancellation is not exercised within one year as at the date when the resolution is made, it shall be extinguished.

Under any of the following circumstances, a resolution of the Shareholders' meeting or the board of directors shall be invalid:

(i) the resolution fails to be made at any Shareholders' meeting or meeting of the Board of Directors;

(ii) the Shareholders' meeting or meeting of the Board of Directors fails to vote on the resolution;

(iii) the number of persons attending the meeting or the number of the voting rights held by them fails to reach the number as prescribed by the PRC Company Law or the Articles of Association; or

(iv) the number of persons consenting to the resolution or the number of the voting rights held by them fails to reach the number as prescribed by the PRC Company Law or the Articles of Association.

Where the Company incurs loss as a result of violation of the laws, administrative regulations or the Articles of Association by directors other than members of the Audit Committee and senior management in the course of performing their duties, they shall be liable for compensation. Where any director or senior management is under the preceding circumstance, the Shareholders individually or jointly holding 1% or more of the Shares of the Company for over 180 consecutive days shall have the rights to request in writing to the Audit Committee to initiate legal proceedings in the People's Court. Where the Company incurs loss as a result of violation of the laws, administrative regulations or the Articles of Association by the Audit Committee in the course of performing its duties, the aforesaid Shareholders shall have the rights to request in writing to the Audit Committee to initiate legal proceedings in the People's Court.

In the event that the Audit Committee or the Board of Directors refuse to file an action upon receipt of the Shareholders' written request specified in the preceding paragraph, or fail to file an action within 30 days upon receipt thereof, or in the event that the failure to immediately file an action in an emergency case will cause irreparable damage to the interests of our Company, the Shareholder(s) specified in the preceding paragraph may, in their own name, directly file an action to the court for the interest of our Company.

In the event of any other person infringes upon the legitimate rights and interests of our Company and causes losses thereto, the Shareholder(s) specified in this Articles of Association may file an action with the court pursuant to the provisions of the preceding two paragraphs.

If a Director, members of the Audit Committee or senior management of a wholly-owned subsidiary of the Company is under the circumstance specified in the preceding paragraph, or if the legitimate rights and interests of a wholly-owned subsidiary of the Company are impaired by any other person, thus causing any losses, the Shareholders separately or aggregately holding 1% or more of the total shares of the Company for 180 consecutive days or more may request the Audit Committee or the Board of Directors of the wholly-owned subsidiary in written form to initiate a lawsuit in the people's court or directly files a lawsuit with the people's court in their ow n name.

In the event of a director or senior management person violates laws, administrative regulations or the Articles of Association, thereby damaging the interests of the Shareholder(s), the Shareholder(s) may file an action with the court.

Where any Director or senior management causes any damage to any other person in the performance of duties, the Company shall be liable for compensation. If any Director or senior management is intentional or gross negligent, he/she shall also be liable for compensation.

Where any Controlling Shareholder or Actual Controller of the Company instructs any Director or senior management to carry out any act damaging the interests of the Company or the Shareholders, it shall bear joint liability with the Director or senior management.

Holders of the shares of the Company shall assume the following obligations:

- to abide by the laws, administrative regulations, departmental regulations, securities regulatory rules of the place where the Company's Shares are listed and the Articles of Association;

- to pay subscription monies according to the number of shares subscribed and the method of subscription;

- not to withdraw the shares unless required by the laws and administrative regulations;

- not to abuse their shareholders' rights to jeopardise the interests of the Company or other shareholders, and not to abuse the status of the Company as an independent legal entity and the limited liability of shareholders to jeopardise the interests of any creditors of the Company;

- other obligations imposed by the laws, administrative regulations, departmental regulations, securities regulatory rules of the place where the Company's Shares are listed and the Articles of Association.

Where any Shareholder of the Company abuses the Shareholders' rights and incur losses to the Company or other Shareholders, such Shareholder shall be liable for compensation. Where Shareholders of the Company abuse the Company's status as an independent legal entity and the limited liability of Shareholders for the purposes of evading debts, thereby materially impairing the interests of the creditors of the Company, such Shareholders shall be jointly and severally liable for the debts owed by the Company.

**Restrictions on Rights of Controlling Shareholders and Actual Controllers**

When a controlling shareholder or actual controller pledges the company's shares they hold or effectively control, they shall maintain the stability of the company's control rights and production operations.

The controlling shareholder and actual controller of the company shall exercise their rights and fulfil their obligations in accordance with laws, administrative regulations, the rules of the China Securities Regulatory Commission (CSRC), and the securities regulatory authorities of the stock exchange where the company's shares are listed, and shall safeguard the interests of the listed company.

The controlling shareholder and actual controller of the company shall comply with the following provisions:

- to exercise shareholder's rights in accordance with laws, and shall not abuse their controlling rights or use associated relationships to harm the rights and interests of the company or other shareholders;

- to strictly fulfil all public statements and commitments that have been made, and shall not arbitrarily modify or waive them;

- to strictly comply with relevant regulations on information disclosure, actively cooperate with the company in fulfilling their obligations of information disclosure, and promptly inform the company of any significant events that have occurred or have been planned;

- shall not misappropriate any funds of the company in any form;

- shall not compel, direct, or demand the company or its personnel to provide illegal guarantees;

- shall not exploit undisclosed material information of the company for personal gain, disclose any undisclosed material information related to the company in any form, or engage in illegal activities such as insider trading, short-swing trading, or market manipulation;

- shall not harm the rights and interests of the company and other shareholders through unfair associated transactions, profit distribution, asset restructuring, external investments, or any other means;

- to ensure the company's asset integrity, personnel independence, financial independence, organisational independence, and business independence, and shall not affect the company's independence in any way;

- to comply with other provisions stipulated by laws, administrative regulations, CSRC rules, the securities regulatory authorities of the stock exchange where the company's shares are listed, and the Articles of Association.

If the company's controlling shareholder or actual controller does not serve as a director but manages the company's affairs actually, the provisions of the Articles of Association regarding directors' fiduciary duties and duty of diligence shall apply.

A "controlling shareholder" refers to any Shareholder holding shares accounting for more than 50% of the total shares of the Company or any Shareholder who holds less than 50% of the total shares of the Company but enjoys voting rights that are sufficient to impose a significant impact on the resolutions of the Shareholders' meeting; or a Shareholder as defined by the securities regulatory rules of the place where the Company's Shares are listed.

**Power of the Shareholders' meeting and Matters to be Resolved**

The Shareholders' meeting is the authority of the Company and shall exercise the following powers according to the laws:

(i) to elect and replace Directors and to determine matters relating to the remuneration of the directors;

(ii) to consider and approve the reports of the Board of Directors;

(iii) to consider and approve the Company's profit distribution plans and loss recovery plans;

(iv) to make resolutions on increase or reduction of the Company's registered capital;

(v) to make resolutions on the issuance of corporate bonds;

(vi) to make resolutions on the merger, division, dissolution, liquidation or change of corporate form of the Company;

(vii) to amend the Articles of Association;

(viii) to resolve on the engagement or dismissal of accounting firms by the Company;

(ix) to consider and approve the guarantees required to be approved by the Shareholders' meeting as prescribed in the Articles of Association;

(x) to consider the issues that the Company purchases or sales within one year exceeding 30% of its latest audited total assets of the Company;

(xi) to authorise the Board of Directors to make resolutions on the issuance of shares or bonds convertible into shares on the premise of complying with the relevant laws, regulations and securities regulatory rules of the place where the Company's Shares are listed;

(xii) to consider and approve matters relating to the modification of the purpose of raised fund;

(xiii) to consider the share incentive plans and employee stock ownership plans;

(xiv) to consider transactions (including one-off transactions and a series of transactions that require the aggregation of percentage ratios, but excluding any transactions that are exempt from shareholder approval under the Hong Kong Listing Rules or as approved by the Hong Kong Stock Exchange) where any of the applicable percentage ratios calculated in accordance with the provisions of Rule 14.07 of the Hong Kong Listing Rules reaches 25% or more, or any related transactions (including one-off transactions and a series of transactions that require the aggregation of percentage ratios, but excluding any related transactions that are exempt from disclosure or announcement under the Hong Kong Listing Rules or as approved by the Hong Kong Stock Exchange) where any of the applicable percentage ratios reaches 5% or more.

(xv) to consider other issues which should be decided by the Shareholders' meeting as stipulated by the laws, administrative regulations, departmental regulations, securities regulatory rules of the place where the Company's Shares are listed or the Articles of Association.

The Company's provision of any of the following external guarantees is subject to the approval of the Shareholders' meeting:

(i) any external guarantee to be provided by the Company or any subsidiary it controls, whose total amount exceeds 50% of the Company's audited net assets in the latest period;

(ii) any guarantee to be provided after the Company's total amount of external guarantees exceeds 30% of the Company's total assets audited in the latest period;

(iii) the amount guaranteed by the Company within one year exceeds 30% of the Company's total assets audited in the latest period;

(iv) any guarantee to be provided for an entity whose ratio of liabilities to assets exceeds 70%;

(v) the amount of any single guarantee exceeds 10% of the Company's net assets audited in the latest period;

(vi) any guarantee to be provided for any shareholder, actual controller or related party; and

(vii) other external guarantee matters that shall be decided by the Shareholders' meeting in accordance with the relevant laws and regulations or the securities regulatory rules of the place where the Company's Shares are listed.

**Convening, Proposal and Notice of the Shareholders' Meeting**

A Shareholders' meeting shall either be an annual meeting or an extraordinary meeting. The annual Shareholders' meeting shall be convened once a year and be held within six months of the end of the previous fiscal year.

The Company shall convene an extraordinary meeting within two months from the occurrence of any of the following circumstances:

(i) when the number of Directors is less than the statutory minimum number stipulated in the Company Law or two-thirds of the number specified in the Articles of Association;

(ii) when the unrecovered losses of the Company amount to one-third of the total paid-in share capital;

(iii) when the Shareholders with 10% (including preferred shares with voting rights resumed)or more shares of our Company separately or jointly request to convene such a meeting;

(iv) when the Board of Directors considers it necessary;

(v) when proposed to hold by the Audit Committee;

(vi) When agreed to propose the convening of a meeting by more than half of the company's independent non-executive directors;

(vii) any other circumstances stipulated in the laws, administrative regulations, departmental regulations, securities regulatory rules of the place where the Company's Shares are listed and the Articles of Association.

The shareholding ratio mentioned in (iii) is calculated based on the Company's Shares held by the Shareholders on the day when the Shareholders submit the written request.

If the extraordinary Shareholders' meeting is convened in accordance with the provisions of the securities regulatory rules of the place where the Company's Shares are listed, the actual date of the extraordinary Shareholders' meeting may be adjusted in accordance with the relevant rules of the stock exchange where the Company's Shares are listed (if applicable).

The Shareholders that separately or jointly hold 10% (including preferred shares with voting rights resumed) or more of the Shares of the Company may make a request to the Board of Directors for an extraordinary meeting and shall put forward such request to the Board of Directors in written form. Where the Board of Directors does not agree to hold an extraordinary meeting or fails to give feedback in writing within 10 days after it receives the request, the Shareholders who separately or jointly hold 10% or more of the Shares of the Company may propose to the Audit Committee to hold an extraordinary meeting, and shall put forward the request to the Audit Committee in writing. Where

the Audit Committee fails to send out a notice within the prescribed time limit, it shall be deeded that the Audit Committee will not convene or preside over an extraordinary meeting, and Shareholders who separately or jointly hold 10% or more of the Shares of the Company for consecutive 90 days or more may convene and preside over the meeting themselves.

In the event that the Shareholders' meeting is convened, the Board of Directors, the Audit Committee and Shareholders who separately or jointly hold 1% (including preferred shares with voting rights resumed) or more of the shares of our Company may submit a proposal to the Company.

The Shareholders' meeting shall not vote and make a resolution for any proposal not specified in the notice of the Shareholders' meeting or not in conformity with the Articles of Association.

At least 21 days before convening an annual Shareholders' meeting, and 15 days before convening an extraordinary Shareholders' meeting, the convener shall inform all Shareholders in writing (including announcement), unless all Shareholders agree that the notice of the meeting may not be restricted by the notice period or notification regulations. When calculating the starting of the aforesaid "21 Days" and "15 days" periods, the Company shall not include the date convening the meeting shall be excluded, but the date of notice shall be included.

The notice of a Shareholders' meeting shall include the following details:

(i) the time, venue and duration of the meeting;

(ii) the matters and proposals submitted to be deliberated at the meeting;

(iii) a prominent written statement stating that all shareholders entitled to attend the meeting and appoint a proxy by written to attend and vote, and such proxy need not be a shareholder of the Company;

(iv) the date of registration of shareholdings of shareholders who are entitled to attend the Shareholders' meeting;

(v) the name and phone number of the standing contact person of the meeting;

(vi) the time and procedures of voting online or through other means.

The interval between the date of registration of shareholdings and the meeting shall not be more than 7 business days. The date of registration of shareholdings cannot be changed once determined.

**Shareholder Proxies**

All shareholders registered on the date of registration of shareholdings or their proxies are entitled to attend the Shareholders' meetings, speak and exercise their voting rights at such meetings in accordance with relevant laws, administrative regulations, departmental regulations, the securities regulatory rules of the place where the Company's Shares are listed and the Articles of Association (unless individual shareholders are required to abstain from voting rights on specific matters in accordance with the securities regulatory rules of the place where the Company's Shares are listed).

Shareholders may attend the Shareholders' meeting in person or appoint proxies to attend, speak and vote in his or her place. The proxies may not necessarily be the shareholders of the Company. If a shareholder is a recognised clearing house (or its nominee) as defined by the relevant regulations of Hong Kong from time to time, such shareholder may authorise its corporate representative or one or more persons it deems appropriate to act as its proxy at any general meeting.

The power of attorney issued by a Shareholder for appointing proxies to attend the Shareholders' meeting shall contain instructions separately on affirmative, negative or abstention voting for matters to be put to vote on each item on the meeting agenda. The power of attorney shall specify whether the shareholder proxy could vote at his or her own discretion if the shareholder does not provide specific instructions. Any shareholder entitled to attend and vote at a general meeting is entitled to appoint one or more persons (who need not be shareholders) as his or her proxy to attend and vote on his or her behalf.

The proxy appointment shall be signed by the appointer or a person duly authorised in writing. Where the appointer is a legal person, such appointment shall affix the stamp of the legal person, or be signed by its Director or a duly authorised agent.

If the power of attorney is signed by another person authorised by the appointer, the power of attorney or other authorisation documents authorised to be signed must be verified by a notary. On the premise of not violating the relevant laws, regulations and regulatory rules of the place where the Company's Shares are listed, the power of attorney or other authorisation documents verified by the notary must be kept together with the power of attorney at our residential address or other location designated at the notice convening the meeting.

**Voting and Resolutions of Shareholders' meetings**

Resolutions of a Shareholders' meeting shall be divided into ordinary resolutions and special resolutions.

Ordinary resolutions shall be passed by votes representing more than half of the voting rights held by Shareholders attending the Shareholders' meeting. Special resolutions shall be passed by votes representing more than two-thirds of the voting rights held by Shareholders attending the Shareholders' meeting.

The following issues shall be approved by ordinary resolutions at a Shareholders' meeting:

(i) work reports of the Board of Directors ;

(ii) plans drafted by the Board of Directors of earnings distribution and loss make-up schemes;

(iii) appointment or dismissal of the members of the Board of Directors, and their remunerations and payment methods;

(iv) annual reports of the Company;

(v) appointment or dismissal of accounting firms by the Company, and the determination of their payment;

(vi) associated transaction exceeding RMB 30 million and accounting for more than 5% of the absolute value of the Company's latest audited net assets;

(vii) amendment to the investment projects of raised funds;

(viii) other matters other than those to be approved by special resolutions stipulated in the laws, administrative regulations, securities regulatory rules of the place where the Company's Shares are listed or the Articles of Association.

The following issues shall be approved by special resolutions at a Shareholders' meeting:

(i) increase or reduction in the share capital of the Company;

(ii) division, split, merger, dissolution or liquidation of the Company;

(iii) amendment to the Articles of Association;

(iv) significant assets purchased or disposed or the guarantee amount by the Company within one year exceeds 30% of the Company's latest audited total assets;

(v) share equity incentive plans or employee stock ownership plans;

(vi) other matters stipulated by the laws, administrative regulations, securities regulatory rules of the place where the Company's Shares are listed or the Articles of Association and those, according to an ordinary resolution of the Shareholders' meeting, may have a significant impact on the Company and require adoption by means of a special resolution.

Shareholders exercise voting power with the number of voting shares represented by them, and each share has one vote, except as otherwise provided by laws, administrative regulations, departmental rules, normative documents and securities regulatory rules of the place where the Company's Shares are listed. On a poll, shareholders (including their proxies) with two or more votes are not required to cast all their votes as affirmative, negative or abstention votes.

The shares held by the Company itself have no voting rights, and such shares shall not be counted in the total number of voting shares upon attendance at a Shareholders' meeting.

Where any Shareholder is, under applicable laws and regulation and the Hong Kong Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such Shareholder in contravention of such requirement or restriction shall not be counted.

When a related transaction is considered at a Shareholders' meeting, the related shareholders may make appropriate statements on the transaction, but shall not participate in the voting of the transaction, and the voting shares represented by them shall not be counted in the total number of valid voting shares. The related transaction shall be voted on by the non-related shareholders present at the meeting, and the approval shall be passed by a majority of the valid voting rights in favour of the related transaction, or if the transaction falls within the scope of a special resolution, by more than two-thirds of the valid voting rights. The announcement of any resolution made at the Shareholders' meeting shall adequately disclose information relating to voting by non-related shareholders.

Other than the proposals to be considered by the cumulative voting system, the Shareholders' meeting shall vote on all proposals one by one. For different proposals on the same matter, voting shall be proceeded according to the time order of these proposals. Other than special reasons such as force majeure which results in the interruption of the meeting or makes it impossible to come to resolution, the Shareholders' meeting shall not put aside the proposals or withhold from voting.

**DIRECTORS, GENERAL MANAGER AND OTHER SENIOR MANAGEMENT**

**Qualifications**

None of the following natural persons shall serve as our Director:

- persons without civil capacity or with limited civil capacity;
- persons who have committed offences relating to corruption, bribery, embezzlement, misappropriation of property or disruption of social economic order and have been sentenced to criminal punishment, or who have been deprived of their political rights due to the commission of a criminal offense, where a five-year period has not elapsed since the expiration of execution period; If he/she is pronounced for suspension of sentence, a two-year period has not elapsed since the expiration of the suspension of sentence;
- persons who were former directors, factory directors or managers of a company or enterprise bankrupt and liquidated and were personally liable for the bankruptcy of such company or enterprise, where less than three years have elapsed since the date of completion of the bankruptcy and liquidation of the company or enterprise;
- persons who were legal representatives of a company or enterprise which had its business licence revoked and operation ordered to close due to violation of the laws and were personally liable, where less than three years have elapsed since the date of the revocation of business licence or the order for closure;
- persons who are listed as a dishonest person subject to enforcement by the people's court due to his/her failure to pay off a relatively large amount of due debts;
- persons who are prohibited from entering into the securities market by the CSRC for a period which has not yet expired;
- persons who has been publicly identified by the stock exchange as unfit to serve as a director or senior executive of a listed company, and the designated period has not yet expired; or
- other persons specified by the laws, administrative regulations, departmental regulations or listing rules of the place where the Company's Shares are listed.

Any election or appointment of the Directors in contravention of the above-mentioned paragraph shall be invalid. If the Directors fall into the above-mentioned situations during their term of office, they would be dismissed by our Company.

The circumstances which prohibit a person from serving as a Director under the Articles of Association shall also apply to senior management.

**Duties**

A director shall comply with the laws, administrative regulations and the Articles of Association and has the following fiduciary obligations to the Company:

(i) not to expropriate the Company's property or misappropriate the Company's funds;

(ii) not to deposit the assets or funds of the Company into an account opened in his/her own name or the name of another individual;

(iii) not to exploit his position to accept bribes or to obtain other illegal income;

(iv) not to enter into any contract or transaction with the company directly or indirectly unless it has been reported to the Board of Directors or the shareholders' meeting and duly approved by a resolution of the Board or the shareholders' meeting in accordance with the provisions of these Articles of Association;

(v) not to take advantage of his/her position to seek for himself/herself or others any business opportunity that belongs to the Company, unless such opportunity has been reported to the Board of Directors or the shareholders' meeting and approved by a resolution of the shareholders' meeting, or the Company is legally or contractually unable to pursue such business opportunity under applicable laws, administrative regulations or these Articles of Association;

(vi) Not to engage in any business competing with the Company, whether on his/her own behalf or on behalf of others without prior disclosure to and approval by resolution of the Board of Directors or the shareholders' meeting;

(vii) not to accept commissions in connection with the Company's transactions as his/her own;

(viii) not to disclose the secrets of the Company without consent, not to disclose material information that has not yet been disclosed, or not to use inside information to obtain illegal benefits, and to perform the non-compete obligations agreed with the Company after leaving the Company;

(ix) not to make use of their associated relationship to harm the interests of the Company;

(x) to safeguard the interests of the Company and all Shareholders, and not to harm the interests of the Company for the interests of the actual controllers, Shareholders, employees, himself/herself or other third parties;

(xi) to be bound by other fiduciary obligations stipulated by the laws, administrative regulations, departmental regulations, securities regulatory rules of the place where the Company's Shares are listed and the Articles of Association.

Where any of the near relatives of the Directors or any of the enterprises directly or indirectly controlled by the Directors or any of their near relatives, or any of the related parties who has any other associated relationship with the Directors concludes a contract or conducts a transaction with the Company, the provisions of the preceding paragraph shall apply.

A director shall comply with the laws, administrative regulations and the Articles of Association and shall perform the following duties of diligence to the Company:

(i) to exercise prudently, conscientiously and diligently the rights granted by the Company to ensure the Company's commercial acts in compliance with laws, administrative regulations and the requirements of economic policies of China and that its commercial activities are within the scope stipulated in the business licence;

(ii) to treat all Shareholders equally;

(iii) to understand the business operation and management of the Company in a timely manner and report relevant issues and risks to the Board of Directors in a timely manner, and not to claim exemption from liability on the grounds that he/she is not familiar with the company's business or do not understand relevant matters;

(iv) to sign written confirmation on regular reports of the Company and to ensure the integrity, accuracy and completeness of the information disclosed by the Company; If a director is unable to guarantee the authenticity, accuracy, or completeness of the securities issuance documents or periodic reports, or has any objections, the director shall express his opinion and state the reasons in the written confirmation, and the Company shall disclose such information. If the Company fails to disclose it, the director may directly apply for disclosure;

(v) to provide relevant information and materials to the Audit Committee truthfully and not to intervene the performance of the Audit Committee of their duties and powers;

(vi) to ensure that there is sufficient time and energy to participate in the affairs of the Company, and prudently judge the risks and benefits that may arise from the matters under consideration; to attend the meetings of the Board of Directors in person in principle, and if other directors are authorised to attend on his/her behalf for any reason, the trustee shall be carefully selected, and the authorisation matters and decision-making intentions shall be specific and clear, and shall not be fully delegated;

(vii) to actively promote the standardised operation of the Company, to urge the Company to fulfil its information disclosure obligations, to correct and report the Company's violations in a timely manner, and to support the Company to fulfil its social responsibilities;

(viii) to perform their duties prudently in accordance with the principle of business judgment, and fully safeguard the interests of the Company and all shareholders in business activities;

(ix) to perform other duties of diligence stipulated by the laws, administrative regulations, departmental regulations, securities regulatory rules of the place where the Company's Shares are listed and the Articles of Association.

The fiduciary obligations of Directors under the Articles of Association and the duty of diligence in items (iv), (v) (vi) and (viii) of the Articles of Association shall also apply to senior management.

In case of the resignation or the expiration of term of office of the Directors, all handover procedures shall be handled with the Board of Directors. The fiduciary obligations of the Directors to the Company and the Shareholders will not necessarily be removed after the end of the term, and shall remain in force for a reasonable period of time specified in the Articles of Association. The obligations to keep the Company's commercial secrets remains at the end of term of office until the secrets become public. The specific period for Directors to assume the fiduciary obligations after the resignation takes effect or the term of office expires is one year from the date thereof. Other duties may continue for such period determined according to the principle of fairness, depending on the time lapse between the event concerned and the departure, and the circumstances and conditions under which the relationships between them and the Company are terminated.

Any Director or senior management who violates laws, administrative regulations, departmental regulations, securities regulatory rules of the place where the Company's Shares are listed, or the Articles of Association in performing his/her duties and thereby causes losses to the Company shall be liable for compensation.

**Directors**

Directors shall be elected or replaced by the Shareholders' meetings, and shall be dismissed by the Shareholders' meetings before the expiration of the term of office. The term of office of a Director shall be three years. Upon the expiration of the term of office, a Director shall be eligible to for re-election and reappointment in accordance with the provisions of the securities regulatory rules of the place where the Company's Shares are listed, provided that the consecutive term for an independent non-executive director shall not exceed nine years.

The term of office of a Director shall commence from the date on which the said director assumes office to the expiry of the current session of the Board. If the term of office of a Director expires but re-election is not made correspondingly on a timely basis, the original Director shall continue to perform his/her duties as a Director in accordance with the laws, administrative regulations, departmental regulations and the Articles of Association until the incoming director assumes his/her position.

Any person appointed by the Board of Directors to fill a casual vacancy on or as an addition to the Board shall hold office only until the first annual meeting of the issuer after his appointment, and shall then be eligible for re-election.

General manager or senior management officers may concurrently serve as a director, provided that the aggregate number of directors who concurrently serve as general manager or senior management and directors who are staff representatives shall not exceed one-half of the total number of directors of the Company.

If any director fails to attend in person or appoint other directors as his/her representative to attend meetings of the Board for two consecutive times, such director shall be deemed as unable to perform his duties, and the Board shall propose to replace such director at the Shareholders' meeting.

The directors may resign before the expiration of their term of office. Where the number of directors on the Board is lower than the quorum due to the resignation of directors, or the resignation of directors results in the absence of an accounting professional among the independent non-executive directors, the original directors shall, before the re-elected directors assume positions, still perform their duties in accordance with the laws, administrative regulations, departmental regulations and the Articles of Association. Otherwise, the resignation of directors shall come into effect upon the service of resignation reports to the Board.

No director shall act for the Company or the Board of Directors in his/her own name unless stipulated in the Articles of Association or legally authorised by the Board of Directors. Where a director acts in his/her own name in a situation where a third party may reasonably believe that such director is acting for the Company or the Board, such director shall declare in advance his/her stance and identity.

**The Board of Directors**

The Company shall have a board accountable to the Shareholders' meeting. The Board shall consist of nine directors, including three Independent Non-Executive Directors, and have a chairman.

The Board shall perform the following duties:

(i) to convene Shareholders' meetings and report to Shareholders' meetings;

(ii) to implement the resolutions of the Shareholders' meetings;

(iii) to determine business operation plans and investment plans of the Company;

(iv) to formulate the profit distribution plans and loss recovery plans of the Company;

(v) to formulate plans of the Company regarding increase or reduction of the registered capital, issuance of bonds or other securities and listing;

(vi) to draft proposals for the Company's major acquisitions, the repurchase of Shares of the Company, merger, division, dissolution and change in corporate form of the Company

(vii) to determine such matters as our Company's external investment, acquisition or sale of assets, mortgage of assets, external guarantee, entrusting wealth management, related-party transaction and external donation within the scope authorised by the Shareholders' meeting;

(viii) to decide on the setup of the Company's internal management organisations;

(ix) to appoint or dismiss the Company's General Manager and secretary of the Board of Directors, and to determine their emoluments, rewards and penalties; based on the nominations of General Manager, to appoint or dismiss Deputy General Manager, chief financial officer and other senior management and to determine their emoluments, rewards and penalties;

(x) to formulate the basic management systems of the Company;

(xi) to formulate plans for any amendments to the Articles of Association;

(xii) to manage the disclosure of information of the Company;

(xiii) to propose the appointment or replacement of the accounting firm that provides auditing services for our Company at the Shareholders' meeting;

(xiv) to listen to the work report of the General Manager of the Company and examine the General Manager's work;

(xv) to review and approve transactions (including single transactions and a series of transactions that require the aggregation of percentage ratios) where (1) all percentage ratios are below five percent (5%) and the consideration includes shares to be issued and listed, (2) any applicable percentage ratio reaches five percent (5%) or more but all are below twenty-five percent (25%) for transactions that must be disclosed (including single transactions and a series of transactions that require the aggregation of percentage ratios), or (3) any percentage ratio (excluding the profit ratio) calculated according to the percentage ratio provisions of Rule 14.07 of the Hong Kong Listing Rules reaches zero point one percent (0.1%) or more but is below five percent (5%) for partially exempt related-party transactions and non-exempt related-party transactions (including single transactions and a series of transactions that require the aggregation of percentage ratios, but excluding any related transactions that are exempt from disclosure or announcement under the Hong Kong Listing Rules or with the approval of the Hong Kong Stock Exchange);

(xvi) to review the matters that shall be decided by the Board of Directors as stipulated in laws, administrative regulations, departmental regulations, securities regulatory rules of the place where the Company's Shares are listed or the Articles of Association; and

(xvii) other duties and powers stipulated by the laws, administrative regulations, departmental regulations, securities regulatory rules of the place where the Company's Shares are listed or the Articles of Association.

Any events beyond the authorisation scope of the Shareholders' meeting shall be submitted to the Shareholders' meeting for approval.

The Board shall make explanation at the Shareholders' meeting for the non-standard audit opinions on the financial report of the Company issued by the certified public accountant.

The Board shall formulate the rules of procedures of the Board to ensure the implementation of resolutions of the Shareholders' meeting, enhance the working efficiency and ensure the scientific decision making.

Meetings of the Board shall be held regularly at least four times each year, approximately once a quarter. The meetings shall be convened by the chairman of the Board with Written notices delivered to all directors at least 14 days before the meetings. The method of notification for an extraordinary meeting of the Board of Directors shall be in writing, and the time limit for notification shall be 3 days in advance. However, if the directors attending the meeting have no objection or the matter is urgent, the above time limit may not be observed and the meeting may be noticed at any time by phone or other verbal means.

Meetings of the Board shall be held only if more than one-half of the directors are present. When the Board makes a resolution, it shall require the affirmative votes of more than half of all the directors. When voting on a board resolution, each director shall have one vote.

The following matters shall be approved by a majority of all members of the Audit Committee before the Board of Directors making a resolution:

(i) hiring or dismissing the accounting firm that undertakes the company's audit business;

(ii) appointing or dismissing the chief financial officer;

(iii) disclosure of financial and accounting reports;

(iv) other matters stipulated by the securities regulatory authority of the State Council.

Where a director who is related to the enterprises or individual involved in a resolution of the meeting of the Board, such director shall submit a written report to the Board of Directors in a timely manner. Any Director with any associated relationship shall neither exercise his/her voting rights nor exercise another director's voting rights as a proxy. Such meeting of the Board shall be held only when attended by more than half of the directors unconnected, and the resolution of the meeting of the Board shall be approved by more than half of such unconnected directors. In case of less than three unconnected directors present at the meeting, such matter shall be submitted to the Shareholders' meeting for deliberation. If there are any additional restrictions on directors' participation in meetings of the Board and voting in the laws and regulations and the securities regulatory rules of the place where the Company's Shares are listed, such provisions shall prevail.

A director shall attend the meeting of the Board in person. If a director is unable to attend a meeting of the Board, he/she may appoint another director by a written power of attorney to attend on his/her behalf. Such a power of attorney shall specify the name of the proxy, the matters to be represented, the scope of authorisation and the expiration date, and shall be signed or sealed by the principal.

**Secretary of the Board of Directors**

Our Company shall have secretary of the Board of Directors, who shall be responsible for preparation and retention of documentation for the Shareholders' meetings and meetings of the Board, management of Shareholders' information, and matters relating to the disclosure of information.

The Secretary of the Board of Directors shall abide by laws, administrative regulations, departmental regulations, the provisions of the place where the Company's Shares are listed and the Articles of Association.

**General Manager**

The Company shall have one General Manager who shall be appointed or dismissed by the Board of Directors.

The General Manager of the Company shall be responsible to the Board of Directors and exercise the following functions and powers:

(i) to be in charge of the Company's production, operation and management, to organise the implementation of the resolutions of the Board of Directors, and to report the work to the Board of Directors;

(ii) to organise the implementation of the Company's annual operation plans and investment schemes;

(iii) to draft the plan for establishing the internal management bodies of our Company;

(iv) to draft the Company's fundamental management system;

(v) to formulate the Company's specific regulations;

(vi) to propose the appointment or dismissal of the Company's deputy general manager and the chief financial officer;

(vii) to appoint or dismiss officers except those who shall be appointed or dismissed by the Board of Directors;

(viii) other functions and powers granted by the Articles of Association or the Board of Directors.

General Manager shall attend meetings of the Board of Directors.

## FINANCIAL AND ACCOUNTING SYSTEMS, PROFIT DISTRIBUTION AND AUDIT

### Financial and Accounting Systems

The Company shall establish its financial and accounting systems in accordance with the laws and administrative regulations and the requirements of the relevant governmental authorities.

The annual report shall be submitted and published in accordance with relevant regulatory requirements within 4 months from the end of the financial year. The interim financial report shall be submitted and published in accordance with relevant regulatory requirements within 2 months from the end of the first six months of the financial year.

The annual report and interim report shall be prepared in accordance with relevant laws, administrative regulations, departmental regulations and the provisions of the place where the Company's Shares are listed.

Except for the legally prescribed accounting books, the Company shall not set up other accounting books. The funds of the Company shall not be kept under the name of any individual.

### Reserves

In the distribution of the profit after tax of the year, 10% of the profit shall be contributed to statutory reserve of the Company. When the aggregate statutory reserve of the Company has reached 50% or more of the registered capital, the Company may cease to make further contribution.

Where the statutory reserve is insufficient to recover the losses for the previous year, the losses shall be made up by the profits of that year before contributing to the statutory reserves as stipulated above.

Subject to the resolution of Shareholders' meeting, the Company may also appropriate fund to discretionary surplus reserve from profit after tax upon the appropriate of fund to statutory reserve.

The Company may distribute profits after tax in accordance with the proportion of shareholdings after making up for losses and making allocations to reserves, except as otherwise provided in the Articles of Association.

If the Shareholders' meeting violates the above provisions and profits are distributed to the Shareholders before the Company making up for losses and making allocations to the statutory reserve, the profits distributed in violation of the provisions shall be returned to our Company by such Shareholders; and the Shareholders and the liable Directors and senior management shall be liable for compensation if any loss is caused to the Company.

The shares held by our Company itself shall not be subject to profit distribution.

Our Company's reserves shall be used for offsetting losses of our Company, expanding the production and operation or for conversion into capital to increase our capital. Where the reserve of the Company is used for making up losses, the discretionary reserve and statutory reserve shall be firstly used. If losses still cannot be made up, the capital reserve can be used according to the relevant provisions. Where the statutory reserve is converted to increase registered capital, the remaining statutory reserve shall not be less than 25% of the registered capital of our Company before such conversion.

**Dividends and Other Methods of Profit Distribution**

Upon approval of the profit distribution plan through the Company's shareholders' meeting, or after the Board of Directors have formulated a specific profit distribution plan based on the interim dividend conditions and limits approved by the annual shareholders' meeting for the next fiscal year, the distribution must be completed within 2 months.

**Internal Audit**

The Company shall adopt an internal audit system, specifying the governance structure, scope of authority, staffing requirements, funding safeguards, utilisation of audit findings, and accountability mechanism for internal audit activities.

The internal audit system of the Company shall be implemented and disclosed upon the approval of the Board of Directors.

**Appointment and Dismissal of Accounting Firm**

The Company shall appoint an independent accounting firm which conforms to the provisions of the PRC Securities Law to audit the financial statements, verify the net assets and provide other relevant consultancy services. The term of appointment is one year, from the end of each Shareholders' annual meeting to the end of next Shareholders' annual meeting, and may be extended.

The accounting firm employed or dismissed by the Company must be determined by the Shareholders' meeting. The Board of Directors shall not appoint an accounting firm before the decision of the Shareholders' meeting, except as provided in the Articles of Association.

A 30-day prior notice shall be given to the accounting firm if the Company decides to remove such accounting firm or not to renew the appointment. The accounting firm shall be entitled to make representations when the resolution regarding the removal of the accounting firm is voted at the Shareholders' meeting.

## DISSOLUTION AND LIQUIDATION

The Company shall be dissolved for the following reasons:

- the business period expires or any other circumstance of dissolution specified in the Articles of Association occurs;
- a resolution on dissolution is passed by the Shareholders' meeting;
- dissolution is required due to the merger or division of the Company;
- the business licence of the Company is revoked or the Company is ordered to close down or deregistered according to applicable laws;
- where there is any serious difficulty in the Company's operation and management and the Company's continuation may cause substantial loss in Shareholders' interests, and the difficulty cannot be solved by other means, Shareholders holding 10% or more of the total voting rights of the Company may request the People's Court to dissolve the Company.

Where the Company falls under the first and second situation described above, and has not distributed the assets to the Shareholders yet, the Company may continue to exist by amending the Articles of Association or upon a resolution of the Shareholders' meeting.

If the Company is being dissolved under the first, second, fourth or fifth circumstance described above, it shall be liquidated.

The Directors, who are the liquidation obligors of the Company, shall form a liquidation group within 15 days from the date of the cause of dissolution occurred to carry out the liquidation. The liquidation group shall be composed of the Directors, unless it is otherwise provided for in the Articles of Association or it is otherwise elected by the Shareholders' meeting. The liquidation obligors shall be liable for compensation if they fail to fulfil their obligations of liquidation in a timely manner, and thus any loss is caused to the Company or the creditors.

The liquidation group may exercise the following functions during the period of liquidation:

- to sort out the assets of the Company and prepare a balance sheet and an inventory of assets respectively;
- to notify the creditors by notice or announcement;
- to deal with the outstanding affairs of the Company connected with the liquidation;
- to pay off the outstanding taxes as well as the taxes arising in the course of liquidation;
- to sort out the creditors' rights and debts;

- to distribute the remaining properties of the Company after the settlement of debts;

- to represent the Company in any civil proceedings.

The liquidation group shall notify the creditors within 10 days from the date of its establishment and make public announcement on eligible medias, the National Enterprise Credit Information Publicity System(https:www.gsxt.gov.cn) and the HKEXnews website (www.hkexnews.hk) within 60 days of its establishment. Creditors shall report their claims to the liquidation group within 30 days after receipt of the notice, or within 45 days from the date of the announcement if they do not receive the notice.

Creditors shall provide explanation for the relevant particulars and supporting materials upon declaration of such claims. The liquidation group shall register the creditors' claims.

During the period for declaration of claims the liquidation group shall not make any repayment to creditors.

After sorting out the properties of the Company and preparing a balance sheet and an inventory of assets, the liquidation group shall formulate a liquidation plan for the confirmation of the Shareholders' meeting or the People's Court.

The remaining properties of the Company, after payment of liquidation expenses, employees' wages, social insurance contribution and statutory compensation, and outstanding taxes and debts of the Company, shall be distributed to Shareholders in proportion to their shareholdings.

During the liquidation period, the Company shall continue to exist but shall not carry out any business activities not relating to liquidation. The properties of the Company shall not be distributed to Shareholders before the payments have been made in accordance with the preceding paragraph.

If the liquidation group, after sorting out the properties of the Company and preparing a balance sheet and an inventory of assets, finds that its properties are insufficient to settle its debts, it shall apply to the People's Court for bankruptcy liquidation.

After the people's court accepts the application for bankruptcy, the liquidation group shall hand over the liquidation matters to the bankruptcy administrator designated by the People's Court.

Upon completion of liquidation, the liquidation group shall prepare a liquidation report for the confirmation of the Shareholders' meeting or the People's Court, and shall submit the aforesaid documents to the company registration authority, and apply for deregistration of the Company.

## AMENDMENTS OF THE ARTICLES OF ASSOCIATION

In any of the following circumstances, our Company shall amend the Articles of Association:

(i) where, upon amendments to the PRC Company Law, relevant laws, administrative regulations or securities regulatory rules of the place where the Company's Shares are listed, any terms contained in the Articles become inconsistent with the provisions of the amended laws, administrative regulations or securities regulatory rules of the place where the Company's Shares are listed;

(ii) where a change in our Company's circumstances causes inconsistency with those contained in the Articles; or

(iii) where a resolution is passed by the Shareholders' meeting to amend the Articles.

Where the amendments to the Articles of Association passed by the Shareholders' meetings need the examination and approval of the competent authorities, these amendments shall be submitted hereto for approval. Where the amendments to the Articles of Association involves registration, the registration change shall be carried out in accordance with the law.

## THE PRC LEGAL SYSTEM

The PRC legal system is based on the Constitution of the PRC (《中華人民共和國憲法》) ("**Constitution**") and is made up of written laws, administrative regulations, local regulations, autonomous regulations, separate regulations, rules and regulations of State Council departments, rules and regulations of local governments, and international treaties of which the PRC government is a signatory, and other regulatory documents. Court verdicts do not constitute binding precedents. However, they may be used as judicial reference and guidance.

According to the Constitution and the Legislation Law of the PRC (revised in 2023) (《中華人民共和國立法法(2023年修訂)》) ("**Legislation Law**"), the National People's Congress ("**NPC**") and the Standing Committee of the NPC ("**SCNPC**") are empowered to exercise the legislative power of the State. The NPC has the power to formulate and amend basic laws governing civil and criminal matters, state organs and other matters. The SCNPC is empowered to formulate and amend laws other than those required to be enacted by the NPC and to supplement and amend any parts of laws enacted by the NPC during the adjournment of the NPC, provided that such supplements and amendments are not in conflict with the basic principles of such laws.

The State Council is the highest organ of the PRC administration and has the power to formulate administrative regulations based on the Constitution and laws.

The people's congresses of the provinces, autonomous regions and municipalities and their respective standing committees may formulate local regulations based on the specific circumstances and actual needs of their respective administrative areas, provided that such local regulations shall comply with provisions of the Constitution, laws or administrative regulations.

The people's congresses of cities divided into districts and their respective standing committees may formulate local regulations on aspects such as urban and rural construction and management, environmental protection and historical and cultural protection based on the specific circumstances and actual needs of such cities, provided that such local regulations do not contravene any provision of the Constitution, laws, administrative regulations and local regulations of their respective provinces or autonomous regions. Such local regulations of cities divided into districts will become enforceable after being reported to and approved by the standing committees of the People's congresses of the relevant provinces or autonomous regions. People's congresses of national autonomous areas have the power to enact autonomous regulations and separate regulations in light of the political, economic and cultural characteristics of the ethnic groups in the areas concerned.

The ministries and commissions of the State Council, the People's Bank of China, the State Audit Administration as well as the other organs endowed with administrative functions directly under the State Council may, in accordance with the laws as well as the administrative regulation, decisions and orders of the State Council and within the limits of their power, formulate rules.

The people's governments of the provinces, autonomous regions, and municipalities directly under the central government and the cities divided into districts or autonomous prefectures may enact rules, in accordance with laws, administrative regulations and the local regulations of their respective provinces, autonomous regions or municipalities.

The Constitution has supreme legal authority and no laws, administrative regulations, local regulations, autonomous regulations and separate regulations and rules may contravene the Constitution. The authority of laws is greater than that of administrative regulations, local regulations and rules. The authority of administrative regulations is greater than that of local regulations and rules. The authority of local regulations is greater than that of the rules of the local governments at or below the corresponding level. The authority of the rules enacted by the people's governments of the provinces or autonomous regions is greater than that of the rules enacted by the people's governments of the cities or autonomous prefectures divided into districts within the administrative areas of the provinces and the autonomous regions.

The NPC has the power to alter or annul any inappropriate laws enacted by its Standing Committee, and to annul any autonomous regulations or separate regulations which have been approved by its Standing Committee but which contravene the Constitution or the Legislation Law. The SCNPC has the power to annul any administrative regulations that contravene the Constitution and laws, to annul any local regulations that contravene the Constitution, laws or administrative regulations, and to annul any autonomous regulations or local regulations which have been approved by the standing committees of the people's congresses of the relevant provinces, autonomous regions or municipalities directly under the central government, but which contravene the Constitution and the Legislation Law. The State Council has the power to alter or annul any inappropriate ministerial rules and rules of local governments. The people's congresses of provinces, autonomous regions or municipalities directly under the central government have the power to alter or annul any inappropriate local regulations enacted or approved by their respective standing committees. The people's governments of provinces and autonomous regions have the power to alter or annul any inappropriate rules enacted by the people's governments at a lower level.

According to the Constitution and the Legislation Law, the power to interpret laws is vested in the SCNPC. Pursuant to the Resolution of the Standing Committee of the NPC Providing an Improved Interpretation of the Law (《全國人民代表大會常務委員會於加強法律解釋工作的決議》) implemented on 10 June 1981, issues related to further clarification or supplement of laws should be interpreted or provided by the SCNPC, issues related to the application of laws in a court trial should be interpreted by the Supreme People's Court (最高人民法院), issues related to the application of laws in a prosecution process of a procuratorate should be interpreted by the Supreme People's Procuratorate (最高人民檢察院). If there is any principled differences in principle between Supreme People's Court's interpretations & Supreme People's Procuratorate's interpretations, such issues shall be reported to the Standing Committee of the NPC for interpretation or judgment. The other issues related to laws other than the abovementioned should be interpreted by the State Council and the competent authorities. The State Council and its ministries and commissions are also vested with the power to give interpretations of the administrative regulations and departmental rules which they have promulgated. At the regional level, the power to interpret regional laws is vested in the regional legislative and administrative authorities which promulgate such laws.

## THE PRC JUDICIAL SYSTEM

Under the Constitution and the PRC Law on the Organisation of the People's Courts (revised in 2018) (《中華人民共和國人民法院組織法(2018年修訂)》), the PRC judicial system is made up of the Supreme People's Court, the local people's courts at all levels and special people's courts.

The local people's courts at all levels are comprised of three levels, namely the primary people's courts, the intermediate people's courts and the higher people's courts. The primary people's courts are organised into civil, criminal, administrative, supervision and enforcement divisions. The intermediate people's courts are organised into divisions similar to those of the primary people's courts, and are entitled to organise other courts as needed such as the intellectual property division. The higher level people's courts supervise the primary and intermediate people's courts. The people's procuratorates also have the right to exercise legal supervision over the civil proceedings of people's courts of the same level and lower levels. The Supreme People's Court is the highest judicial body in the PRC. It supervises the judicial work of local people's courts at all levels and special people's courts.

The people's courts apply a two-tier appellate system, i.e., judgments or rulings of the second instance at a people's court are final. A party may appeal against the judgment or ruling of the first instance of a local people's court. The people's procuratorate may present a protest to the people's court at the next higher level in accordance with the procedures stipulated by the laws. In the absence of any appeal by the parties and any protest by the people's procuratorate within the stipulated period, the judgments or rulings of the people's court are final. Judgments or rulings of the second instance of the intermediate people's courts, the higher people's courts and the Supreme People's Court and those of the first instance of the Supreme People's Court are final. However, if the Supreme People's Court finds some definite errors in a legally effective judgment, ruling or conciliation statement of the people's court at any level, or if the people's court at a higher level finds such errors in a legally effective judgment, ruling or conciliation statement of the people's court at a lower level, it has the authority to review the case itself or to direct the lower-level people's court to conduct a retrial. If the chief judge of all levels of people's courts finds some definite errors in a legally effective judgment, ruling or conciliation statement, and considers a retrial is preferred, such case shall be submitted to the judicial committee of the people's court at the same level for discussion and decision.

The Civil Procedure Law of the PRC (amended in 2023) (《中華人民共和國民事訴訟法(2023年修正)》) ("**PRC Civil Procedure Law**"), which was adopted in 1991 and latest amended on 1 September 2023 and came into effect on 1 January 2024, sets out the criteria for instituting a civil action, the jurisdiction of the people's courts, the procedures to be followed for conducting a civil action, and the procedures for enforcement of a civil judgment or ruling. All parties to a civil action conducted within the PRC must abide by the PRC Civil Procedure Law. A civil case is generally heard by the court located in the defendant's place of domicile. The court of jurisdiction in respect of a civil action may also be chosen by explicit agreement among the parties to a contract, provided that the people's court having jurisdiction should be located at places directly connected with the disputes, such as the plaintiff's or the defendant's place of domicile, the place where the contract is executed or signed or the place where the object of the action is located. However, such choice may not in any circumstances contravene the regulations of grade jurisdiction and exclusive jurisdiction.

A foreign national or enterprise generally has the same litigation rights and obligations as a citizen or legal person of the PRC. If a foreign country's judicial system limits the litigation rights of PRC citizens and enterprises, the PRC courts may apply the same limitations to the citizens and enterprises of that foreign country within the PRC.

All parties to a civil action shall perform the legally effective judgments and rulings. If any party to a civil action refuses to abide by a judgment or ruling made by a people's court or an award made by an arbitration tribunal in the PRC. There are time limits of two years imposed on the right to apply for such enforcement. If a party fails to satisfy within the stipulated period a judgment which the court has granted an enforcement approval, the court may, upon the application of the other party, mandatorily enforce the judgment.

A party seeking to enforce a judgment or ruling of a people's court against another party who is not or whose property is not within the PRC may apply to a foreign court with jurisdiction over the case for recognition and enforcement of such judgment or ruling. A foreign judgment or ruling may also be recognised and enforced by the people's court in accordance with the PRC enforcement procedures if the PRC has entered into or acceded to international treaties with the relevant foreign country, which provided for such recognition and enforcement, or if the judgment or ruling satisfies the court's examination according to the principle of reciprocity, unless the people's court considers that the recognition or enforcement of such judgment or ruling will result in a violation of the basic legal principles of the PRC, its sovereignty or national security, or against the social and public interest.

According to the Arrangement on Mutual Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland China and of the Hong Kong Special Administrative Region Pursuant to Agreed Jurisdiction by Parties Concerned (《最高人民法院關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) promulgated by the Supreme People's Court on 3 July 2008 and implemented on 1 August 2008, in the case of final judgment, defined with payment amount and enforcement power, made between the court of China and the court of the Hong Kong Special Administrative Region in a civil and commercial case with written jurisdiction agreement, any party concerned may apply to the People's Court of China or the court of the Hong Kong Special Administrative Region for recognition and enforcement based on this arrangement. "Choice of court agreement in written" refers to a written agreement defining the exclusive jurisdiction of either the People's Court of China or the court of the Hong Kong Special Administrative Region in order to resolve dispute with particular legal relation occurred or likely to occur by the party concerned. Therefore, the party concerned may apply to the Court of China or the court of the Hong Kong Special Administrative Region to recognise and enforce the final judgment made in China or Hong Kong that meet certain conditions of the aforementioned regulations.

On 18 January 2019, a further arrangement was reached between Hong Kong Special Administrative Region and the Supreme People's Court, Arrangements for Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Cases between Courts of the Mainland and Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》), which became effective and replaced the Arrangement on 29 January 2024, privileged that "Written Agreement on Jurisdiction" reached under the Arrangement before 29 January 2024 will still apply. This new arrangement further stipulates the scope and content of judgments applicable to the reciprocal recognition and enforcement and corresponding procedures and methods

for applying, the circumstances concerning review, non-recognition and enforcement upon the jurisdiction of the court of first instance and the means of remedy. Non-monetary judgments and judgments on some intellectual property cases are included in the reciprocal recognition and enforcement of in accordance with this new arrangement.

## THE PRC COMPANY LAW, THE OVERSEAS LISTING TRIAL MEASURES AND THE GUIDELINES

A joint stock limited company which was incorporated in the PRC and seeking a listing on the HKSE is mainly subject to the following three laws and regulations in the PRC:

The Company Law of the PRC (《中華人民共和國公司法》) ("**Company Law**") which was promulgated by the SCNPC on 29 December 1993, came into effect on 1 July 1994, revised on 25 December 1999, 28 August 2004, 27 October 2005, 28 December 2013, 26 October 2018 and 29 December 2023 respectively and the latest revision of which came into effect on 1 July 2024.

The Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) ("**Overseas Listing Trial Measures**") which were promulgated by the CSRC on 17 February 2023 and came into effect on 31 March 2023, are applicable to the overseas offering and listing of PRC domestic companies' securities.

The Guidelines for Articles of Association of Listed Companies (《上市公司章程指引》) ("**Guidelines**") which were issued by the CSRC on 28 March 2025 and came into effect on the same date, provide the guidelines for the Articles of Association. As such, the contents provided in the Guidelines are set out in the Articles of Association of the Company, the summary of which is set out in Appendix V — Summary of the Articles of Association in this document.

Set out below is a summary of the major provisions of the Company Law, the Overseas Listing Trial Measures and the Guidelines applicable to the Company.

### General

A joint stock limited company refers to a corporate legal person incorporated in China under the Company Law. Shareholders of the Company shall be liable for the Company based on the shares held by them and the Company shall assume its liability based on the value of all assets it owns.

A joint stock limited company shall conduct its business in accordance with laws and administrative regulations. It may invest in other limited liability companies and joint stock limited companies and its liabilities with respect to such invested companies are limited to the amount invested. If it is prescribed by any law that a company shall not become a capital contributor that shall bear the joint and several liability for the debts of the enterprises it invests in, such provisions shall prevail.

### Incorporation

A joint stock limited company may be incorporated by promotion or public subscription.

A company may be incorporated by a minimum of one but no more than 200 promoters, and at least half of the promoters must have residence within the PRC.

Promoters of a joint stock limited company established by means of public subscription shall, within 30 days after full payment has been made for the shares to be issued at the time of establishment, hold an inaugural meeting of the company. The promoters shall notify each subscriber of the date of the meeting or make a public announcement 15 days before the meeting is held. The inaugural meeting may not be held unless the subscribers who hold more than half of the voting rights attend the meeting. At the inaugural meeting, matters including the adoption of articles of association and the election of members of the board of directors will be dealt with. All resolutions of the meeting require the approval of subscribers with more than half of the voting rights present at the meeting.

The board of directors shall, within 30 days after the end of the inaugural meeting of a company, authorise a representative to file an application for registration of establishment with the company registration authority. A company is formally established, and has the status of a legal person, after the business licence has been issued by the relevant registration authority.

A company's promoter shall be liable for: (i) the debts and expenses incurred in the incorporation process jointly and severally if the company cannot be incorporated; (ii) the refund of subscription monies to subscribers together with interest at bank rate of deposit for the same period jointly and severally if the company cannot be incorporated; and (iii) the compensation of any damages suffered by the company as a result of the promoters' default in the course of its incorporation. According to the Interim Provisional Regulations on the Administration of Share Issuance and Trading (《股票發行與交易管理暫行條例》) promulgated by the State Council on 22 April 1993 (which is only applicable to the issuance and trading of shares in the PRC and their related activities), if a company is established by means of public subscription, the promoters of such company are required to sign on the document to ensure that the document does not contain any misrepresentation, serious misleading statements or material omissions, and assume joint and several responsibility for it.

**Share Capital**

The promoters may make a capital contribution in currencies, or non-monetary assets such as in kind or intellectual property rights or land use rights which can be appraised with monetary value and transferred lawfully, except for assets which are prohibited from being contributed as capital by the laws or administrative regulations. If a capital contribution is made in non-monetary assets, a valuation of the assets contributed must be carried out pursuant to the provisions of the laws or administrative regulations on valuation without any over-valuation or under-valuation.

Shares in a company take the form of share certificates. Share certificates are certificates issued by the company evidencing the shares held by the shareholders. The shares issued by a company shall be registered shares.

There is no restriction under the Company Law as to the percentage of shareholding a single shareholder may hold in a company.

**Increase in Share Capital and Issue of Shares**

According to the Company Law, in the event a company proposes to issue new shares, resolutions shall be passed at shareholders' meeting in accordance with the articles of association to determine the class, amount and issue price of the new shares. All issue of shares of a joint stock limited company shall be based on the principles of equality and fairness. The same class of shares must carry equal rights. Shares issued at the same time and within the same class must be issued on the same conditions and at the same price. It may issue par value stock at par value or at a premium, but it may not issue shares below the par value.

After the new share issuance has been paid up, the change shall be registered with the company registration authorities.

A joint stock limited company shall make a register of shareholders and keep it in the company. The register of shareholders shall contain the following items:

(i) name and domicile of each shareholder;

(ii) class and number of shares subscribed for by each shareholder;

(iii) serial number of shares if the shares are issued in paper form; and

(iv) date for each shareholder to obtain shares.

**Reduction of Share Capital**

A company may reduce its registered capital in accordance with the following procedures prescribed by the Company Law:

(i) the company shall prepare a balance sheet and an inventory of assets;

(ii) the reduction of registered capital must be approved by shareholders' meeting;

(iii) the company shall notify its creditors of the reduction in share capital within 10 days and publish an announcement of the reduction in newspapers within 30 days of the resolution approving the reduction being passed;

(iv) the creditors of the company may demand the company to repay its debts or provide guarantees for the debts in 30 days after the receipt of the notice or in 45 days after the publication of the announcement; and

(v) the company must apply to the relevant administration bureau for industry and commerce for registration of the change and reduction in registered capital.

**Repurchase of Shares**

According to the PRC Company Law, a joint stock limited company may not repurchase its own shares other than for one of the following purposes:

(i) to reduce its registered capital;

(ii) to merge with another company which holds its shares;

(iii) to grant its shares for carrying out an employee stock ownership plan or equity incentive plan;

(iv) to purchase its shares from shareholders who vote against the resolution regarding the merger or division with other companies at a shareholders' meeting;

(v) to apply shares for conversion of convertible corporate bonds issued by a listed company; and

(vi) to maintain the company value and protect the shareholders' interests of a listed company as necessary.

Repurchase of its own shares on the grounds set out in (i) and (ii) above shall require approval by way of a resolution passed by the shareholders' meeting. For a company's share buyback under any of the circumstances stipulated in (iii), (v) or (vi) above, a resolution of the company's board of directors shall be made by a two-third majority of directors attending the meeting according to the provisions of the company's articles of association or as authorised by the shareholders' meeting.

Following the purchase of shares in accordance with (i), such shares shall be cancelled within 10 days from the date of purchase. The shares shall be assigned or deregistered within six months if the share buyback is made under the circumstances stipulated in either (ii) or (iv). The shares held in total by a company after a share buyback under any of the circumstances stipulated in (iii), (v) or (vi) shall not exceed 10% of the company's total outstanding shares, and shall be assigned or deregistered within three years.

Listed companies making a share buyback shall perform their obligation of information disclosure according to the provisions of the Securities Law of the PRC (《中華人民共和國證券法》) ("**Securities Law**"). If the share buyback is made under any of the circumstances stipulated in (iii), (v) or (vi) hereof, centralised trading shall be adopted publicly.

A company shall not accept its own shares as the subject matter of a mortgage.

**Transfer of Shares**

Shares held by shareholders may be transferred in accordance with the relevant laws and regulations. Pursuant to the PRC Company Law, transfer of shares by shareholders shall be carried out at a legally established securities exchange or in other ways stipulated by the State Council. Shares

may be transferred after the shareholders endorse the back of the share certificates or in other manner specified by laws and administrative regulations. Following the transfer, the joint stock limited company shall enter the names and addresses of the transferees into its share register. No modifications of registration in the share register caused by transfer of registered shares shall be carried out within 20 days prior to the convening of shareholder's meeting or five days prior to the base date for determination of dividend distributions. However, where there are separate provisions by law on alternation of registration in the share register of listed companies, those provisions shall prevail. The transfer of bearer share certificates shall become effective upon the delivery of the certificates to the transferee by the shareholder.

Under the PRC Company law, shares issued prior to the public issuance of shares shall not be transferred within one year from the date of the joint stock limited company's listing on a stock exchange. Directors and the senior management shall declare to the company their shareholdings in the company and any changes of such shareholdings. They shall not transfer more than 25% of all the shares they hold in the company annually during their tenure. They shall not transfer the shares they hold within one year from the date on which the company's shares are listed and commenced trading on a stock exchange, nor within six months after their resignation from their positions with the company.

**Shareholders**

According to the Company Law and the Guidelines, the rights of holders of ordinary shares of a joint stock limited company include:

- the right to attend or appoint a proxy to attend shareholders' meetings and to vote thereat;
- the right to transfer shares in accordance with laws, administrative regulations and provisions of the articles of association;
- the right to consult and copy the articles of association, the register of shareholders, minutes of shareholders' meetings, resolutions of the board meetings, the financial and accounting reports of the company and its wholly-owned subsidiaries; Additionally, eligible shareholders may also inspect the company's accounting books and accounting vouchers;
- the right to bring an action in the people's court to rescind resolutions passed by shareholders' meetings and board of directors where the articles of association is violated by the above resolutions;
- the right to receive dividends and other types of interest distributed in proportion to the number of shares held;
- in the event of the termination or liquidation of the company, the right to participate in the distribution of residual properties of the company in proportion to the number of shares held; and

- other rights granted by laws, administrative regulations, other regulatory documents and the company's articles of association.

The obligations of shareholders include the obligation to abide by the company's articles of association, to pay the subscription monies in respect of the shares subscribed for and in accordance with the form of making capital contributions, to be liable for the company's debts and liabilities to the extent of the amount of his/her subscribed shares and any other shareholders' obligation specified in the company's articles of association.

**Shareholders' Meetings**

The shareholders' meeting is the organ of authority of the company, which exercises its powers in accordance with the PRC Company Law. Under the PRC Company Law, the shareholders' meeting exercises the following principal powers:

(i) to elect and remove the directors and to decide on the matters relating to the remuneration of directors;

(ii) to review and approve the reports of the board of directors;

(iii) to review and approve the company's proposals for profit distribution plans and loss recovery plans;

(iv) to decide on any increase or reduction of the company's registered capital;

(v) to decide on the issue of corporate bonds;

(vi) to decide on merger, division, dissolution and liquidation of the company or change of its corporate form;

(vii) to amend the company's articles of association; and

(viii) to exercise any other authority stipulated in the articles of association.

Shareholders' annual meetings are required to be held once every year. Under the PRC Company Law, an extraordinary shareholders' meeting is required to be held within two months after the occurrence of any of the following:

(i) the number of directors is less than the number stipulated by the law or less than two-thirds of the number specified in the articles of association;

(ii) the aggregate unrecovered losses of the company which are not recovered reach one-third of the company's total paid-in share capital;

(iii) when shareholders alone or in aggregate holding 10% (including preferred shares with voting rights resumed) or more of the company's shares request the convening of an extraordinary meeting;

(iv) whenever the board of directors deems necessary;

(v) when proposed to hold by the audit committee; or

(vi) other circumstances as provided for in the articles of associations.

Under the PRC Company Law and the Guidelines, shareholders' meetings shall be convened by the board of directors, and presided over by the chairman of the board of directors. In the event that the chairman is incapable of performing or does not perform his/her duties, the meeting shall be presided over by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his/her duties, a director nominated by more than half of directors shall preside over the meeting.

The shareholders that separately or jointly hold 10% (including preferred shares with voting rights resumed) or more of the shares of the company may make a request to the board of directors for an extraordinary meeting and shall put forward such request to the board of directors in written form. Where the board of directors does not agree to hold an extraordinary meeting or fails to give feedback in writing within 10 days after it receives the request, the shareholders who separately or jointly hold 10% or more of the shares of the company may propose to the audit committee to hold an extraordinary meeting, and shall put forward the request to the audit committee in writing. Where the audit committee fails to send out a notice within the prescribed time limit, it shall be deeded that the audit committee will not convene or preside over an extraordinary meeting, and shareholders who separately or jointly hold 10% or more of the shares of the company for consecutive 90 days or more may convene and preside over the meeting themselves.

In the event that the shareholders' meeting is convened, the board of directors, the audit committee and shareholders who separately or jointly hold 1% (including preferred shares with voting rights resumed) or more of the shares of the company may submit a proposal to the company.

Under the Company Law, notice of shareholders' meeting shall state the time and venue of and matters to be considered at the meeting and shall be given to all shareholders 20 days before the meeting. Notice of our interim shareholder's meetings shall be given to all shareholders 15 days prior to the meeting.

There is no specific provision in the PRC Company Law regarding the number of shareholders constituting a quorum in a shareholders' meeting.

Under the Company Law, shareholders present at shareholders' meeting have one vote for each share they hold, save that shares held by the company are not entitled to any voting rights.

Pursuant to the provisions of the articles of association or a resolution of the shareholders' meeting, the accumulative voting system may be adopted for the election of directors at the shareholders' meeting. Under the accumulative voting system, each share shall be entitled to vote equivalent to the number of directors to be elected at the shareholders' meeting and shareholders may consolidate their voting rights when casting a vote.

Pursuant to the Company Law, resolutions of the shareholders' meeting shall be adopted by more than half of the voting rights held by the shareholders present at the meeting. However, resolutions of the shareholders' meeting regarding the following matters shall be adopted by more than two-thirds of the voting rights held by the shareholders present at the meeting: (i) amendments to the articles of association; (ii) the increase or decrease of registered capital; (iii) the merger, division, dissolution, liquidation or change in the form of the company.

Under the Company Law, meeting minutes shall be prepared in respect of decisions on matters discussed at the shareholders' meeting. The chairman of the meeting and directors attending the meeting shall sign to endorse such minutes. The minutes shall be kept together with the shareholders' attendance register and the proxy forms.

**Board**

Under the Company Law, a joint stock limited company shall have a board, which shall consist of 3 or more members. Members of the board may include staff representatives of the employees of the company, who shall be democratically elected by the company's staff at a staff representative assembly, general staff meeting or otherwise. The term of a director shall be stipulated in the articles of association, provided that no term of office shall last for more than three years. A director may serve consecutive terms if re-elected. A director shall continue to perform his/her duties as a director in accordance with the laws, administrative regulations and the articles of association until a duly re-elected director takes office, if re-election is not conducted in a timely manner upon the expiry of his/her term of office or if the resignation of director results in the number of directors being less than the quorum.

Under the Company Law, the board of directors mainly exercises the following functions and powers:

(i) to convene shareholders' meetings and report on its work to the shareholders' meetings;

(ii) to implement the resolutions passed by the shareholders at the shareholders' meetings;

(iii) to decide on the company's operational plans and investment proposals;

(iv) to formulate the company's profit distribution proposals and loss recovery proposals;

(v) to formulate proposals for the increase or reduction of the company's registered capital and the issuance of corporate bonds;

(vi) to formulate proposals for the merger, division or dissolution of the company or change of corporate form;

(vii) to decide on the setup of the company's internal management organs;

(viii) to appoint or dismiss the company's manager and decide on his/her remuneration and, based on the manager's recommendation, to appoint or dismiss any deputy general manager and financial officer of the company and to decide on their remunerations;

(ix) formulating the basic management rules of the company; and

(x) to exercise any other functions and powers specified in the articles of association or granted by the shareholders' meeting.

Under the Company Law, A joint stock limited company may, under the articles of association, set up an audit committee composed of directors in the board of directors. It may not have a board of supervisors or supervisors. The audit committee shall be composed of at least 3 members, and more than half of the members shall not assume any position other than the director in the company and shall not have any relationship with the company that may affect their independent and objective judgments. Among the members of the board of directors of the company, an employees' representative may become a member of the audit committee. A resolution made by the audit committee shall be adopted by more than half of the members thereof. For voting on a resolution of the audit committee, each member shall have one vote.

Under the Company Law, the audit committee shall exercise the following functions and powers of the board of supervisors as provided in the Company Law:

(i) to review the company's financial position;

(ii) to supervise the directors and senior management in their performance of their duties and to propose the removal of directors and senior management who have violated laws, regulations, the articles of association or the resolutions of shareholders' meeting;

(iii) when the acts of directors and senior management are harmful to the company, to require them to rectify their acts;

(iv) to propose the convening of extraordinary shareholders' meetings and to convene and preside over shareholders' meetings when the board of directors fails to perform the duty of convening and presiding over shareholders' meetings under the Company Law;

(v) to initiate proposals for resolutions to shareholders' meetings;

(vi) to initiate proceedings against directors and senior management; and

(vii) other powers specified in the articles of association.

Under the Company Law, Where a listed company sets up an audit committee under the board of directors, any of the following matters shall be subject to the affirmative votes of more than half of all the members of the audit committee before the board of directors makes a resolution:

(I) hiring or removing the accounting firm that undertakes the audit engagements of the company;

(II) appointing or removing the financial director;

(III) disclosing the financial and accounting reports; and

(IV) any other matter as prescribed by the securities regulatory authority of the State Council.

**Board Meetings**

Under the Company Law, meetings of the board of directors of a joint stock limited company shall be convened at least twice a year. Notice of meeting shall be given to all directors 10 days before the meeting. Interim board meetings may be proposed to be convened by shareholders representing more than 10% of voting rights, more than one-third of the directors or the audit committee. The chairman shall convene meeting within 10 days of receiving such proposal and preside over the meeting. Meetings of the board of directors shall be held only if half or more of the directors are present. Resolutions of the board of directors shall be passed by more than half of all directors. Each director shall have one vote for resolutions to be approved by the board of directors. Directors shall attend board meetings in person. If a director is unable to attend a board meeting, he/she may appoint another director by a written power of attorney specifying the scope of the authorisation to attend the meeting on his/her behalf.

If a resolution of the board of directors violates the laws, administrative regulations or the articles of association, and as a result of which the company sustains serious losses, the directors participating in the resolution are liable to compensate the company. However, if it can be proved that a director expressly objected to the resolution when the resolution was voted on, and that such objection was recorded in the minutes of the meeting, such director may be released from that liability.

**Chairman of the Board**

Under the Company Law, the board of directors shall appoint a chairman and may appoint one or more vice chairman.

The chairman and the vice chairman are elected with approval of more than half of all the directors. The chairman shall convene and preside over board meetings and examine the implementation of board resolutions. The vice chairman shall assist the work of the chairman. In the event that the chairman is incapable of performing or not performing his/her duties, the duties shall be performed by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his/her duties, a director nominated by more than half of the directors shall perform his/her duties.

**Qualification of Directors**

The Company Law provides that the following persons may not serve as a director:

(i) a person who is unable or has limited ability to undertake any civil liabilities;

(ii) a person who has been convicted of an offense of bribery, corruption, embezzlement, misappropriation of property, or the destruction of socialist market economy order; or who has been deprived of his political rights due to his/her crimes, in each case where less than five years have elapsed since the date of completion of the sentence. If he/she is pronounced for suspension of sentence, a two-year period has not elapsed since the expiration of the suspension of sentence;

(iii) a person who has been a former director, factory manager or manager of a company or an enterprise that has entered into insolvent liquidation and who was personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise;

(iv) a person who has been a legal representative of a company or an enterprise that has had its business licence revoked due to violations of the law and has been ordered to close down by law and the person was personally responsible, where less than three years have elapsed since the date of the revocation of business licence or the order for closure; or

(v) a person who is listed as a dishonest person subject to enforcement by the people's court due to his/her failure to pay off a relatively large amount of due debts.

Where a company elects or appoints a director to which any of the above circumstances applies, such election or appointment shall be null and void. A director to which any of the above circumstances applies during his/her term of office shall be released of his/her duties by the company.

**Manager and Senior Management**

According to the company law, a company shall have a manager who shall be appointed or removed by the board of directors. The manager shall be responsible to the board of directors and exercise his/her functions and powers according to the articles of association or the authorisation of the board of directors. The manager shall attend the meetings of the board of directors as a non-voting member.

According to the Company Law, senior management refers to the manager, deputy manager, financial officer, secretary to the board of a listed company and other personnel as stipulated in the articles of association.

**Duties of Directors and Senior Management**

Directors and senior management are required under the Company Law to comply with the relevant laws, regulations and the articles of association, and have fiduciary and diligent duties to the company. Directors and senior management are prohibited from:

(i) embezzling the property or misappropriating the company's funds;

(ii) depositing company funds into accounts under their own names or the names of other individuals;

(iii) giving bribes or accepting any other illegal proceeds by taking advantage of his/her power;

(iv) taking commissions from the transactions between the company and any other person into his/her own pocket;

(v) unlawfully disclosing the confidential information of the company; or

(vi) other acts in violation of the obligation of loyalty to the company.

A director other than the member of the audit committee or senior management who contravenes any law, administrative regulation or the company's articles of association in the performance of his/her duties resulting in any loss to the company shall be liable to the company for compensation.

**Finance and Accounting**

Under the Company Law, a company shall establish its own financial and accounting systems according to the laws, administrative regulations and the regulations of the competent financial departments of the State Council. At the end of each financial year, a company shall prepare a financial and accounting report which shall be audited by an accounting firm in accordance with the laws. The company's financial and accounting reports shall be prepared in accordance with the laws, administrative regulations and the regulations of the financial departments of the State Council.

Pursuant to the Company Law, the company shall deliver its financial and accounting reports to all shareholders within the time limit stipulated in the articles of association and make its financial and accounting reports available at the company for inspection by the shareholders at least 20 days before the convening of an annual meeting of shareholders. A company that makes public stock offerings shall publish its financial and accounting reports.

When distributing each year's after-tax profits, it shall set aside 10% of its after-tax profits into a statutory common reserve fund (except where the fund has reached 50% of its registered capital). When the company's statutory common reserve fund is not sufficient to make up for the company's losses for the previous years, the current year's profits shall first be used to make good the losses before any allocation is set aside for the statutory common reserve fund. After the company has made allocations to the statutory common reserve fund from its profits after taxation, it may, upon passing a resolution at a shareholders' meeting, make further allocations from its profits after taxation to the

discretionary common reserve fund. After the company has made good its losses and made allocations to its discretionary common reserve fund, the remaining profits after taxation shall be distributed in proportion to the number of shares held by the shareholders, except for those which are not distributed in a proportionate manner as provided by the articles of association. The company shall not be entitled to any distribution of profits in respect of shares held by it.

The proceeds received through issuance of shares at prices above par value and other incomes required by the financial department of the State Council to be allocated to the capital reserve fund shall be allocated to the company's capital reserve fund.

The Company's reserve fund shall be applied to make up losses of the company, expand its business operations or be converted to increase the registered capital of the company. Where the reserve of a company is used for making up losses, the discretionary reserve and statutory reserve shall be firstly used. If losses still cannot be made up, the capital reserve can be used according to the relevant provisions. Upon the conversion of statutory common reserve fund into capital, the balance of the statutory common reserve fund shall not be less than 25% of the registered capital of the company before such conversion.

The company shall have no accounting books other than the statutory books. The company's assets shall not be deposited in any account opened under the name of any individual.

**Appointment and Retirement of Auditors**

Pursuant to the Company Law, the appointment or dismissal of an accounting firm responsible for the company's auditing shall be determined by the shareholders' meeting. When a company's shareholders' meeting votes on the dismissal of an accounting firm, the accounting firm shall be allowed to state its own opinions. The company should provide true and complete accounting evidence, accounting books, financial and accounting reports and other accounting information to the engaged accounting firm without any refusal or withholding or falsification of information.

**Profit Distribution**

According to the Company Law, a company shall not distribute profits before losses are covered and the statutory common reserve is drawn.

**Amendments to the Articles of Association**

Any amendments to the company's articles of association must be made in accordance with the procedures set out in the company's articles of association. In relation to matters involving the company's registration, the amendment to articles of association shall be registered with the relevant authority in accordance with the applicable laws.

**Dissolution and Liquidation**

Pursuant to the Company Law, a company shall be dissolved for any of the following reasons:

(i) the term of its operation set out in the articles of association has expired or other events of dissolution specified in the articles of association have occurred;

(ii) the shareholders have resolved at a shareholders' meeting to dissolve the company;

(iii) the company is dissolved by reason of its merger or division;

(iv) the business licence of the company is revoked or the company is ordered to close down or to be dissolved in accordance with the laws; or

(v) the company is dissolved by a people's court in response to the request of shareholders holding shares that represent more than 10% of the voting rights of all shareholders of the company, on the grounds that the operation and management of the company has suffered serious difficulties that cannot be resolved through other means, rendering ongoing existence of the company a cause for significant losses to the shareholders.

Where a company falls under the circumstance as mentioned in Items (i) or (ii) of the preceding paragraph, and it has not distributed the assets to its shareholders yet, it may survive by modifying its articles of association or upon a resolution of the shareholders' meeting. To modify its articles of association or make a resolution of the shareholders' meeting according to the provisions of the preceding paragraph shall require the approval of more than two-thirds of voting rights of shareholders attending a shareholders' meeting.

Where the company is dissolved under the circumstances set out in paragraph (i), (ii), (iv) or (v) above, it should establish a liquidation committee within 15 days of the date on which the dissolution matter occurs. The liquidation committee shall be composed of directors, unless it is otherwise provided for in the company's articles of association or it is otherwise elected by the shareholders' meeting. The liquidation obligors shall be liable for compensation if they fail to fulfil their obligations of liquidation in a timely manner, and thus any loss is caused to the Company or the creditors.

The liquidation committee may exercise following powers during the liquidation:

(i) to dispose of the company's assets and to prepare a balance sheet and an inventory of assets;

(ii) to notify the company's creditors through notice or public announcements;

(iii) to deal with any outstanding business related to the liquidation;

(iv) to pay any overdue tax together with any tax arising during the liquidation process;

(v) to claim credits and pay off debts;

(vi) to distribute the company's remaining assets after its debts have been paid off; and

(vii) to represent the company in any civil procedures.

The liquidation committee shall notify the company's creditors within 10 days after its establishment, and publish an announcement in newspapers or on the National Enterprise Credit Information Publicity System within 60 days. A creditor shall lodge his claim with the liquidation committee within 30 days of receipt of the notification or within 45 days of the date of the announcement if he has not received any notification. A creditor shall report all matters relevant to the creditors rights he has claimed and furnish relevant evidence. The liquidation committee shall register such creditor's rights. The liquidation committee shall not make any settlement to creditors during the period of the claim.

Upon liquidation of the company's properties and preparation of the required balance sheet and inventory of assets, the liquidation committee shall draw up a liquidation plan and submit this plan to a shareholders' meeting or a people's court for endorsement.

The remaining assets of the company, after payment of liquidation expenses, employee wages, social insurance expenses and statutory compensation, outstanding taxes and the company's debts, shall be distributed to shareholders in proportion to shares held by them. The company shall continue to exist during the liquidation period, although it cannot engage in operating activities that are not related to the liquidation. The company's property shall not be distributed to shareholders before repayments are made in accordance with the requirements described above.

Upon liquidation of the company's properties and preparation of the required balance sheet and inventory of assets, if the liquidation committee becomes aware that the company does not have sufficient assets to meet its liabilities, it must apply to a people's court for a declaration of bankruptcy in accordance with the laws. Following such declaration by the people's court, the liquidation committee shall hand over the liquidation matters to the bankruptcy administrator designated by the people's court.

Upon completion of the liquidation, the liquidation committee shall submit a liquidation report to the shareholders' meeting or a people's court for confirmation of its completion. Following such confirmation, the report shall be submitted to the company registration authority to cancel the company's registration. Members of the liquidation committee are required to discharge their duties in good faith and in compliance with relevant laws. Any member of the liquidation committee who neglects to fulfil his/her liquidation duties, thus causing any loss to the company shall be liable for compensation, and any member of the liquidation committee who cause any loss to any creditor due to his/her intentional or gross negligence shall be liable for compensation.

**Merger and Division**

A merger agreement shall be signed by merging companies and the involved companies shall prepare respective balance sheets and inventory of assets. The companies shall within 10 days of the date of passing the resolution approving the merger notify their respective creditors and publicly announce the merger within 30 days. A creditor may, within 30 days of receipt of the notification, or within 45 days of the date of the announcement if he has not received the notification, request the company to settle any outstanding debts or provide relevant guarantees.

In case of a merger, the credits and debts of the merging parties shall be assumed by the surviving or the new company. In case of a division, the company's assets shall be divided and balance sheets and inventory of assets shall be prepared. When a resolution regarding the company's division is approved, the company should notify all its creditors within 10 days of the date of passing such resolution and publicly announce the division in newspapers within 30 days. Unless an agreement in writing is reached with creditors in respect of the settlement of debts, the liabilities of the company which have accrued prior to the separation shall be jointly borne by the separated companies.

Changes in the registration of the companies as a result of the merger or division shall, if so required, be registered with the relevant administration authority for industry and commerce.

**Overseas Listing**

According to the Overseas Listing Trial Measures, a Chinese domestic company that seeks overseas listing shall file the application with the CSRC according to the administrative filing procedures necessary for the Overseas Listing Trial Measures.

**Loss of Share Certificates**

A shareholder may, in accordance with the public notice procedures set out in the PRC Civil Procedure Law, apply to a people's court if his share certificate(s) in registered form is either stolen, lost or destroyed, for a declaration that such certificate(s) will no longer be valid. After the people's court declared that such certificate(s) will no longer be valid, the shareholder may apply to the company for the issue of a replacement certificate(s).

**Suspension and Termination of Listing**

The Company Law has deleted provisions governing suspension and termination of listing. The PRC Securities Law (2019 revision) (《中華人民共和國證券法(2019年修訂)》) has also deleted provisions regarding suspension of listing. Where listed securities fall under the delisting circumstances stipulated by the stock exchange, the stock exchange shall terminate its listing and trading in accordance with the business rules.

According to the Overseas Listing Trial Measures, in case of active or compulsory termination of listing, the issuer shall report the specific situation to the CSRC within 3 working days from the date of occurrence and announcement of the relevant matters.

## THE PRC SECURITIES LAWS, REGULATIONS AND REGULATORY REGIMES

The PRC has promulgated a series of regulations that relate to the issue and trading of the Shares and disclosure of information. In October 1992, the State Council established the Securities Committee and CSRC. The Securities Committee is responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities-related institutions in the PRC and administering CSRC. CSRC is the regulatory arm of the Securities Committee and is responsible for the drafting of regulatory provisions governing securities markets, supervising securities companies, regulating public offerings of securities by PRC companies in the PRC or overseas, regulating the trading of securities, compiling securities-related statistics and undertaking relevant research and analysis. In April 1998, the State Council consolidated the Securities Committee and CSRC and reformed CSRC.

The Interim Provisional Regulations on the Administration of Share Issuance and Trading govern the application and approval procedures for public offerings of equity securities, trading in equity securities, the acquisition of listed companies, deposit, clearing and transfer of listed equity securities, the disclosure of information, investigation, penalties and dispute resolutions with respect to a listed company.

On 25 December 1995, the State Council promulgated the Regulations of the State Council Concerning Domestic Listed Foreign Shares of Joint Stock Limited Companies (《國務院關於股份有限公司境內上市外資股的特別規定》). These regulations principally govern the issue, subscription, trading and declaration of dividends and other distributions of domestic listed foreign shares and disclosure of information of joint stock limited companies having domestic listed foreign shares.

The Securities Law took effect on 1 July 1999 and was revised on 28 August 2004, 27 October 2005, 29 June 2013, 31 August 2014 and 28 December 2019, respectively. The latest revised Securities Law came into effect on 1 March 2020. This is the first national securities law in the PRC, which is divided into 14 chapters and 226 articles regulating, among other things, the issuance and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of the State Council's securities regulatory authorities. The Securities Law comprehensively regulates activities in the PRC securities market. Article 224 of the Securities Law provides that the domestic enterprises which, directly or indirectly, issue securities or list and trade their securities outside the PRC shall comply with the relevant regulations of the State Council. Currently, the issue and trading of securities (including H shares) are principally governed by the regulations and rules promulgated by the State Council and the CSRC.

## ARBITRATION AND ENFORCEMENT OF ARBITRAL AWARDS

Under the Arbitration Law of the PRC (《中華人民共和國仲裁法》) amended by the SCNPC on 1 September 2017 and effective on 1 January 2018, the Arbitration Law is applicable to economic disputes involving foreign parties, and all parties have entered into a written agreement to refer the matter to an arbitration committee constituted in accordance with the Arbitration Law. An arbitration committee may, before the promulgation by the PRC Arbitration Association of arbitration

regulations, formulate interim arbitration rules in accordance with relevant regulations under the Arbitration Law and the PRC Civil Procedure Law. Where both parties have agreed to settle disputes by means of arbitration, the people's court will refuse to take legal action brought by a party in the people's court.

Under the Arbitration Law, an arbitral award is final and binding on the parties. If a party fails to comply with an award, the other party to the award may apply to the people's court for enforcement according to the PRC Civil Procedure Law. A people's court may refuse to enforce an arbitral award made by an arbitration commission if there is any procedural irregularity (including irregularity in the composition of the arbitration committee or the making of an award on matters beyond the scope of the arbitration agreement or the jurisdiction of the arbitration commission). A party seeking to enforce an arbitral award of foreign arbitration commission against a party who or whose property is not within the PRC shall apply to a foreign court with jurisdiction over the case for recognition and enforcement. Similarly, an arbitral award made by a foreign arbitration body may be recognised and enforced by the people's court in accordance with the principles of reciprocity or any international treaty concluded or acceded to by the PRC.

According to the Arrangement of the Supreme People's Court on Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region (《最高人民法院關於內地與香港特別行政區相互執行仲裁裁決的安排》) promulgated by the Supreme People's Court on 24 January 2000 and effective on 1 February 2000, and the Supplementary Arrangement of the Supreme People's Court on Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region (《最高人民法院關於內地與香港特別行政區相互執行仲裁裁決的補充安排》) promulgated by the Supreme People's Court on 26 November 2020 and effective on 27 November 2020, awards made by PRC arbitral authorities can be enforced in Hong Kong, and Hong Kong arbitration awards are also enforceable in the PRC.

## SUMMARY OF MATERIAL DIFFERENCES BETWEEN HONG KONG AND THE PRC COMPANY LAW

The Hong Kong law applicable to a company incorporated in Hong Kong is based on the Companies Ordinance and the Companies (Winding Up and Miscellaneous Provisions) Ordinance, supplemented by common law and the rules of equity that apply to Hong Kong. As a joint stock limited company established in the PRC that is seeking an [REDACTED] of shares on the Stock Exchange, we are subject to the Company Law and all other rules and regulations promulgated pursuant to the Company Law.

Set out below is a summary of certain material differences between Hong Kong company law applicable to a company incorporated in Hong Kong and the Company Law applicable to a joint stock limited company incorporated and existing under the Company Law. This summary is, however, not intended to be an exhaustive comparison.

**Corporate Existence**

Under Hong Kong company law, a company with share capital must be incorporated by the Registrar of Companies in Hong Kong, which issues a certificate of incorporation to the company upon its incorporation, and the company will acquire an independent corporate existence. A company may be incorporated as a public company or a private company. Pursuant to the Companies Ordinance, the articles of association of a private company incorporated in Hong Kong shall contain certain pre-emptive provisions. A public company's articles of association do not contain such pre-emptive provisions.

Under the Company Law, a joint stock limited company may be incorporated by promotion or public subscription. The minimum registered capital of a joint stock limited company is not required, unless otherwise provided by laws, administrative regulations and the decisions of the State Council, for the minimum registered capital of a joint stock limited company.

**Share Capital**

Under the Companies Ordinance, the concept of the nominal value (also known as par value) of shares of a Hong Kong company has been abolished, and the companies have increased flexibility to alter its share capital by (1) increasing its share capital; (2) capitalising its profits; (3) allotting and issuing bonus shares with or without increasing its share capital; (4) converting its shares into larger or smaller number of shares; and (5) cancelling its shares. The concept of authorised capital no longer applies to a Hong Kong company formed on or after 3 March 2014 as well. Hence, the directors of a Hong Kong company may, with the prior approval of the shareholders, if required, cause the company to issue new shares. The Company Law does not provide for authorised share capital. The share capital of a company incorporated in Hong Kong would be its issued share capital. The full proceeds of a share issue will be credited to share capital and become the company's share capital.

Under the PRC Securities Law, an application for listing shall comply with the listing rules of the stock exchange. Hong Kong law does not prescribe any minimum capital requirements for companies incorporated in Hong Kong.

Under the Company Law, shareholders may provide capital contribution in the form of money or non-monetary assets (other than assets not entitled to be used as capital contributions under relevant laws and administrative regulations). For non-monetary assets to be used as capital contributions, appraisals and assets verification must be carried out to ensure no overvaluation or under-valuation of the assets. There is no such restriction on a Hong Kong company under Hong Kong law.

**Restrictions on Shareholding and Transfer of Shares**

Under PRC law, the Domestic Shares, which are denominated and subscribed for in Renminbi, can only be subscribed for and traded by PRC investors, designated qualified overseas institutional investors or qualified overseas strategic investors. Overseas listed shares, which are denominated in Renminbi and subscribed for in a foreign currency, may only be subscribed for, and traded by,

investors from countries and regions outside the PRC or other qualified PRC institutional investors. If the H Shares are eligible securities under the Southbound Trading Link, they are also available for subscription and trading by domestic investors in the PRC pursuant to the rules and restrictions of Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect.

Under the Company Law, a promoter of a joint stock limited company is not allowed to transfer the shares it holds for a period of one year after the date of establishment of the company. Shares in a joint stock limited company held by its directors, supervisors and senior management transferred each year during their term of office shall not exceed 25% of the total shares they held in the company, and the shares they held in the company cannot be transferred within one year from the listing date of the shares, and also cannot be transferred within half a year after the said personnel has left office.

There are no such restrictions on shareholdings and transfers of shares under Hong Kong law apart from the six-month lockup on the company's issue of shares and the 12-month lockup for the controlling shareholders (as defined under Listing Rules) disposal of shares, after [REDACTED].

**Notice of Shareholders' Meeting**

Under the Company Law, notice of a shareholders' meeting must be given not less than 20 days before the meeting, while notice of an extraordinary meeting must be given not less than 15 days before the meeting.

For a limited company incorporated in Hong Kong, the notice period for an annual meeting is at least 21 days and in any other case, at least 14 days for a limited company and at least 7 days for an unlimited company or a private company. Further, where a meeting involves consideration of a resolution requiring special notice, the company must also give its shareholders notice of the resolution at least 14 days before the meeting.

**Quorum for Shareholders' Meetings**

The Company Law does not specify any quorum requirement for a shareholders' meeting. Under Hong Kong law, the quorum for a shareholders' meeting is two members unless the articles of association of the company otherwise provide. For a single member company, one member is a quorum.

**Voting at Shareholders' Meetings**

Under the Company Law, the passing of any resolution requires more than half of the votes held by the shareholders present in person or by proxy. Amendments to the articles of association, change of corporate form, increase or decrease of registered capital and merger, division or dissolution must be approved by shareholders or proxies representing more than two-thirds of the voting rights being present in shareholders' meeting.

Under Hong Kong law, (i) an ordinary resolution is passed by a simple majority of votes cast by members present in person or by proxy at a shareholders' meeting and (ii) a special resolution is passed by a majority of not less than three-fourths of votes cast by members present in person or by proxy at a shareholders' meeting.

**Variation of Class Rights**

Under the Company law, a company may, according to the articles of association, issue the classified shares, which have different rights from those of the common shares.

Under the Companies Ordinance, no rights attached to any class of shares can be varied except:

(i) with the approval of a special resolution of the holders of the relevant class of shares at a separate meeting;

(ii) with the consent in writing of the holders of at least three-fourths of the total voting rights of holders of shares in the class in question;

(iii) by agreement of all the members of a Hong Kong company; or

(iv) if there are provisions in the articles of association relating to the variation of those rights, then in accordance with those provisions.

**Directors**

The Company Law, unlike the Companies Ordinance, does not contain any requirements relating to the declaration of directors' interests in material contracts, restrictions on directors' authority in making major dispositions, restrictions on companies providing certain benefits to directors and guarantees in respect of directors' liability and prohibitions against compensation for loss of office without shareholders' approval.

**Derivative Action by Minority Shareholders**

Hong Kong law permits minority shareholders to initiate a derivative action on behalf of all shareholders against directors who have committed a breach of their fiduciary duties to the company if the directors control a majority of votes at a shareholders' meeting, thereby effectively preventing a company from suing the directors in breach of their duties in its own name.

Under the Company Law, if the directors and senior management of a joint stock limited company violate laws, administrative regulations or its articles of association, resulting in losses to the company, shareholders individually or jointly holding over 1% of the shares in the company for more than 180 consecutive days may request in writing the supervisory committee to initiate proceedings in the people's court. If the supervisors violate the relevant provisions of the Company Law, the above shareholders may request in writing the board of directors to initiate litigation at the people's court. Upon receipt of such written request from the shareholders, if the supervisory committee or the board of directors refuses to initiate such proceedings, or has not initiated

proceedings within 30 days upon receipt of the request, or if under urgent situations, failure of initiating immediate proceeding may cause irremediable damages to the company, the above said shareholders shall, for the benefit of the company's interests, have the right to initiate proceedings directly to the people's court in their own name.

**Protection of Minorities**

Under Hong Kong law, a shareholder who complains that the affairs of a company incorporated in Hong Kong are conducted in a manner unfairly prejudicial to his interests may petition to court to either wind up the company or make an appropriate order regulating the affairs of the company. In addition, on the application of a specified number of members, the Financial Secretary of Hong Kong may appoint inspectors who are given extensive statutory powers to investigate the affairs of a company incorporated in Hong Kong.

The Company Law provides that any shareholders holding 10% or more of the voting rights of all issued shares of a company may request a People's Court to dissolve the company to the extent that the operation or management of the company experiences any serious difficulties and the company continues to suffer serious losses and no other alternatives can resolve.

**Financial Disclosure**

Under the Company Law, a joint stock limited company is required to make available at the company for inspection by shareholders its financial report 20 days before its shareholders' meeting. In addition, a joint stock limited company of which the [REDACTED] Shares are offered must publish its financial report. The Hong Kong law requires a company incorporated in Hong Kong to send to every shareholder a copy of its financial report, auditors' report and directors' report, which are to be presented before the company in its annual meeting, not less than 21 days before such meeting.

Under the Company Law, a company shall at the end of each accounting year prepare a financial report which shall be audited by the accounting firm in accordance with the laws.

**Information on Directors and Shareholders**

The Company Law gives shareholders the right to inspect the articles of association, minutes of the shareholders' meetings and financial and accounting reports. Under the articles of association, shareholders have the right to inspect and copy (at reasonable fee) certain information on shareholders and on directors similar to that available to shareholders of Hong Kong companies under the Companies Ordinance.

**Receiving Agents**

Under the Company Law and Hong Kong law, dividends once declared are debts payable to shareholders. Under Hong Kong law, the limitation period for an action to demand repayment of a debt is six years, whereas the PRC Civil Code (《中華人民共和國民法典》) provides that the limitation period for an action to be taken is three years.

**Corporate Reorganisation**

Corporate reorganisation involving a company incorporated in Hong Kong may be effected in a number of ways, such as a transfer of the whole or part of the business or property of the company in the course of voluntary winding up to another company pursuant to Section 237 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance or a compromise or arrangement between the company and its creditors or between the company and its members pursuant to Division 2 of Part 13 of the Companies Ordinance, which requires the sanction of the court. In addition, subject to the shareholders' approval, an intra-group wholly-owned subsidiary company may also be amalgamated horizontally or vertically under the Companies Ordinance.

Under the Company Law, the merger, demerger, dissolution or change to the forms of a joint stock limited company has to be approved by shareholders in shareholders' meeting.

**Statutory Deductions**

Under the Company Law, a company shall draw 10% of the profits as its statutory reserve fund before it distributes any profits after taxation. When the aggregate amount of the company's statutory reserve fund reaches 50% of the company's registered capital, the company may no longer make allocations from the statutory reserve fund. After a company has made an allocation to its statutory reserve fund from its after-tax profit, it may make an allocation to its discretionary reserve fund from its after-tax profit upon a resolution approved at the shareholders' meeting. There are no such requirements under Hong Kong law.

**Remedies of Company**

Under the Company Law, if a Director, Supervisor or senior management in carrying out his duties infringes any law, administrative regulation or the articles of association of a company, which results in damage to the company, that director, supervisor or senior management should be responsible to the company for such damages.

The Listing Rules require listed companies' articles of association to provide for remedies of the company (including rescission of the relevant contract and recovery of profits from a director, supervisor or senior management) similar to those available under Hong Kong law.

**Dividend**

The company has the power in certain circumstances to withhold, and pay to the relevant tax authorities, any tax payable under PRC law on any dividends or other distributions payable to a shareholder.

Under Hong Kong law, the limitation period for an action to recover a debt (including the recovery of dividends) is six years, whereas under PRC laws, the relevant limitation period is three years. The company shall not exercise its powers to forfeit any unclaimed dividend in respect of shares until after the expiry of the applicable limitation period.

**Fiduciary Duties**

In Hong Kong, there is the common law concept of the fiduciary duty of directors, including the duty not to act in conflict with the company's interests. Furthermore, the Companies Ordinance has codified the directors' statutory duty of care.

Under the Company Law, directors, supervisors, managers and other senior management personnel of a company have the duty of loyalty and diligence to the company. Such persons shall abide by the articles of association of the company, perform their duties faithfully, safeguard the interests of the company, and shall not use their position and authority in the company for their personal gain.

**Closure of Register of Members**

The Companies Ordinance requires that the register of shareholders of a company must not generally be closed for the registration of transfers of shares for more than 30 days (extendable to 60 days in certain circumstances) in a year, whereas, as required by the Company Law, share transfers shall not be registered within 30 days before the date of a shareholders' meeting or within five days before the base date set for the purpose of distribution of dividends.

## A. FURTHER INFORMATION ABOUT THE COMPANY AND OUR SUBSIDIARIES

### 1. Establishment of the Company

The Company was established as a limited liability company in the PRC on 28 November 2013 and was converted into a joint stock company with limited liability on 27 November 2020 under the laws of the PRC. As at the Latest Practicable Date, the registered share capital of the Company was RMB365,853,659.

The Company has established a principal place of business in Hong Kong at Unites 903A-905, 9F, 8 Observatory Road, Tsim Sha Tsui, Kowloon, Hong Kong and has been registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) on 15 April 2025. Dai Tin Yau (戴天佑) has been appointed as the authorised representative of the Company for acceptance of service of process in Hong Kong.

As the Company was established in the PRC, its operations are subject to the relevant laws and regulations of mainland China. A summary of the relevant aspects of laws and regulations of the PRC and the Articles of Association is set out in Appendices V and VI to this document, respectively.

### 2. Changes in Share Capital

The Company was established as a limited liability company in the PRC on 28 November 2013 and was converted into a joint stock company with limited liability on 27 November 2020 under the laws of the PRC. On 6 August 2024, the registered capital of the Company was increased from RMB360,000,000 to RMB365,853,659 and the newly issued registered capital was subscribed by Zhihui Partnership at a consideration of RMB20,575,278. As at the Latest Practicable Date, the registered share capital of the Company was RMB365,853,659 divided into 365,853,659 Shares with a nominal value of RMB1.00 each.

For further details, see "History and Corporate Structure" in this document.

Save as disclosed above, there has been no alteration in the share capital of the Company during the two years immediately preceding the date of this document.

### 3. Resolutions of the Shareholders of The Company

Pursuant to a general meeting of our Shareholders held on 10 April 2025, the following resolutions, among others, were passed by our Shareholders:

(i) the H Shares of the Company of nominal value of RMB1.00 each be issued and such H Shares be [REDACTED] on the Hong Kong Stock Exchange;

(ii) the number of H Shares to be issued shall not be less than [REDACTED], representing [REDACTED]% of the total issued share capital of the Company as enlarged by the [REDACTED];

(iii) subject to the completion of the [REDACTED], the adoption of the Articles of Association which shall become effective on the [REDACTED], and the authorisation to the Board to amend the Articles of Association in accordance with the requirements of the relevant laws and regulations and the Listing Rules; and

(iv) authorisation of our Board to handle all relevant matters relating to, among other things, the issue and [REDACTED] of the H Shares.

### 4. Changes in Share Capital of Our Subsidiaries

A summary of the corporate information and the particulars of our subsidiaries are set out in note 1 to the Accountants' Report as set out in Appendix I to this document.

On 6 January 2025, Zhihui Mining (Hong Kong) was incorporated as a limited company in Hong Kong with the issued share capital of HK$24,000,000.

Save as disclosed above, there has been no alteration in the share capital or registered capital of any of the subsidiaries of the Company within the two years immediately preceding the date of this document.

Save for the subsidiaries mentioned in the Accountants' Report set out in Appendix I to this document, the Company has no other subsidiaries.

## B. FURTHER INFORMATION ABOUT OUR BUSINESS

### 1. Summary of Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this document and are or may be material:

*(a)* the capital increase agreement entered into on 12 August 2024 between our Company and Zhihui Partnership, pursuant to which Zhihui Partnership agreed to subscribe for additional registered capital of RMB5,853,659 at a consideration of RMB20,575,278, with a premium of RMB14,721,619 included in the capital reserve of the Company;

*(b)* the Deed of Non-competition; and

*(c)* The [REDACTED].

## 2. Intellectual Property Rights

### *(1) Registered Trademark*

As at the Latest Practicable Date, our Group had the following registered trademark which we consider to be or may be material to our business:

| Trademark | Registered Owner | Application No. | Class | Place of Registration | Date of Registration | Date of Expiration |
|---|---|---|---|---|---|---|
|  | Our Company | 306769577 | 6 | Hong Kong | 27 December 2024 | 26 December 2034 |

### *(2) Registered Patents*

As at the Latest Practicable Date, we had been granted the following patents which we consider to be or may be material to our business:

| No. | Patent | Patent Owner(s) | Type | Patent No. | Date of Application | Patent Term |
|---|---|---|---|---|---|---|
| 1. | Method for Identifying Deposit Types Based on Chlorite Characteristic Elements (基於綠泥石指示元素變化判別找礦類型的新方法) | Huaxia Mining, China University of Geosciences (Beijing) (中國地質大學(北京)) | Invention | In PRC: ZL2022108026019<br>In the Netherlands: 2032643 | In PRC: 7 July 2022<br>In the Netherlands: 12 December 2023 | In the PRC: 20 years<br>In the Netherlands: 12 December 2023 - 29 July 2042 |
| 2. | Air Purification Device for Underground Mines (一種用於礦山礦下空氣淨化裝置) | Huaxia Mining | Utility model | ZL2022228580879 | 28 October 2022 | 10 years |
| 3. | Sulphide Flotation Equipment for Lead-Zinc Oxide Ores (一種氧化鉛鋅礦的硫化浮選設備) | Huaxia Mining | Utility model | ZL202222777386X | 21 October 2022 | 10 years |

| No. | Patent | Patent Owner(s) | Type | Patent No. | Date of Application | Patent Term |
|---|---|---|---|---|---|---|
| 4. | Green Mine Environmental Dust Absorption Device (一種綠色礦山環保用揚塵吸收裝置) | Huaxia Mining | Utility model | ZL2022225611767 | 27 September 2022 | 10 years |
| 5. | Sample Storage Device for Mineral Geological Exploration (一種礦物地質勘查用樣品存放裝置) | Huaxia Mining | Utility model | ZL2022223827146 | 8 September 2022 | 10 years |
| 6. | Portable Mineral Composition Identification Device for Special Use in Mineral Exploration (一種礦產勘探專用的便攜式礦物成分辨識裝置) | Huaxia Mining | Utility model | ZL2022223016837 | 30 August 2022 | 10 years |
| 7. | Dust Treatment Device for Ore Crushing (一種礦石破碎用粉塵處理裝置) | Huaxia Mining | Utility model | ZL2022222124285 | 23 August 2022 | 10 years |
| 8. | Screening Device for Crushed Ore (一種礦石破碎後篩選裝置) | Huaxia Mining | Utility model | ZL2022221190947 | 12 August 2022 | 10 years |
| 9. | Mine Ventilation System for High Altitude Use (一種基於高海拔用礦井送風系統) | Huaxia Mining | Utility model | ZL2022218548222 | 19 July 2022 | 10 years |
| 10. | Multi-Stage Crushing Ore Crusher (一種具有多級粉碎能力的礦石粉碎設備) | Huaxia Mining | Utility model | ZL2022217390936 | 7 July 2022 | 10 years |

| No. | Patent | Patent Owner(s) | Type | Patent No. | Date of Application | Patent Term |
|---|---|---|---|---|---|---|
| 11. | Multi-Stage Sorting Mineral Processing Equipment (一種具有多級分選能力的選礦設備) | Huaxia Mining | Utility model | ZL2022216382082 | 29 June 2022 | 10 years |
| 12. | Wastewater Treatment Device for Mineral Processing Equipment (選礦設備用廢水處理裝置) | Huaxia Mining | Utility model | ZL2022215949762 | 24 June 2022 | 10 years |

***(3) Patent pending registration***

As at the Latest Practicable Date, our Group had the following patent which is pending registration.

| No. | Patent | Patent Owner(s) | Type | Application No. | Date of Application |
|---|---|---|---|---|---|
| 1. | Vegetation Planting Methods for Land Reclamation in High Altitude Areas (高海拔地區土地複墾植被種植方法) | Huaxia Mining | Invention | 2023113815546 | 24 October 2023 |

***(4) Copyrights***

As at the Latest Practicable Date, our Group had no registered copyrights which we consider to be or may be material to our business.

### 3. Domain names

As at the Latest Practicable Date, our Group had registered the following domain names:

| Domain Name | Registered Owner | Date of Registration | Expiration Date |
|---|---|---|---|
| xzzhky.cn | The Company | 15 August 2024 | 15 August 2034 |
| xzzhky.com | The Company | 15 August 2024 | 15 August 2034 |
| xzzhky.com.cn | The Company | 15 August 2024 | 15 August 2034 |
| zhihuimining.com | The Company | 22 June 2022 | 22 June 2026 |
| zhihuimining.com.cn | The Company | 22 June 2022 | 22 June 2026 |

## C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

### 1. Disclosure of Interest

***(1) Interests and short positions of our Directors and the chief executive of the Company in the share capital of the Company and its associated corporations following completion of the [REDACTED]***

The interests or short positions of our Directors and the chief executives of the Company in the Shares, underlying shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO) which (i) will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions (as applicable) which they are taken or deemed to have under such provisions of the SFO), (ii) will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or (iii) will be required, pursuant to the Model Code for Securities Transactions by Directors

of [REDACTED] as set out in Appendix C3 to the Listing Rules, to be notified to the Company and the Stock Exchange, in each case once the Shares are [REDACTED] on the Stock Exchange, are as follows:

*(a) Interest in Shares*

| Name of Director/ Chief Executive | Position | Nature of interest | Number and class of Shares [(1)] | Approximate percentage of interest in the Company immediately after the [REDACTED] assuming the [REDACTED] have not been exercised | Approximate percentage of interest in the Company immediately after the [REDACTED] assuming the [REDACTED] have been exercised in full |
|---|---|---|---|---|---|
| Ms. Fan | Non-executive Director | Interest of controlled corporation | 203,853,659[(3)&(4)] Domestic Shares (L)[(2)] | [[REDACTED]%] | [[REDACTED]%] |
| Mr. Lv | Non-executive Director | Interest of controlled corporation | 203,853,659[(3)&(4)] Domestic Shares (L)[(2)] | [[REDACTED]%] | [[REDACTED]%] |
| Ms. He | Executive Director and chairwoman of the Board | Interest of controlled corporation | 203,853,659[(3)&(4)] Domestic Shares (L)[(2)] | [[REDACTED]%] | [[REDACTED]%] |

*Notes:*

(1) As at the Latest Practicable Date, the issued Shares of our Company were 365,853,659.

(2) The letter "L" represents such person's long positions in our Shares.

(3) As at the Latest Practicable Date, Zhihui Partnership was a limited partnership established under the laws of the PRC with Ms. He being its executive partner. The partnership agreement of Zhihui Partnership provides, among other things, that the executive partner shall be responsible for the management and execution of the affairs of Zhihui Partnership. As such, Ms. He was deemed to be interested in the 5,853,659 Shares held by Zhihui Partnership under the SFO as at the Latest Practicable Date.

(4) Pursuant to the AIC Confirmation, each of Ms. Fan, Mr. Lv and Ms. He was deemed to be interested in 198,000,000 Shares held by Xizang Zhifeng and also 5,853,659 Shares held by Zhihui Partnership as at the Latest Practicable Date.

*(2) Interests and short positions disclosable under Divisions 2 and 3 of Part XV of the SFO*

For information on the persons who will, immediately following the completion of the [REDACTED] and assuming that the [REDACTED] is not exercised, having or be deemed or taken to have beneficial interests or short position in our Shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or directly or indirectly be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group, see "Substantial Shareholders" in this document for further details.

Save as set out above, as at the Latest Practicable Date, our Directors were not aware of any persons who would, immediately following the completion of the [REDACTED] and assuming that the [REDACTED] is not exercised, be interested, directly or indirectly, in 10% or more of the nominal of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group or had option in respect of such share capital.

**2. Service Contracts**

Save for Ms. He, the Executive Director, who has entered into an employment contract with our Company, each of our Directors has entered into a service contract with our Company for a period commencing on the date of appointment for a term of three years subject to the provision of retirement and rotation of our Directors under the Articles of Association and the provision under the service contract. Our Directors may be re-appointed subject to our Shareholders' approval.

Each of the independent non-executive Directors has entered into a letter of appointment with our Company for a period commencing on the date of his appointment for a term of three years subject to the provision of retirement and rotation of our Directors under the Articles of Association and the provision under the letter of appointment.

Save as disclosed above, none of our Directors has entered into any service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

**3. Directors' Remuneration**

See "Directors and Senior Management — Compensation of Directors and Five Highest Paid Individuals" in this document for further details of our Directors' remuneration.

There is no arrangement under which any Director has waived or agreed to waive any remuneration of benefits in kind during the Track Record Period.

### 4. Disclaimers

Save as disclosed in this document:

*(a)* None of our Directors, General Manager nor any of the experts referred to in "— Other Information — Qualifications and Consents of Experts" below has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this document, acquired or disposed of by, or leased to, any member of our Group, or are proposed to be acquired or disposed of by, or leased to, any member of our Group.

*(b)* Save in connection with the [REDACTED], none of our Directors, General Manager nor any of the experts referred to in "— Other Information — Qualifications and Consents of Experts" below, is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of our Group.

*(c)* None of our Directors or General Manager has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

*(d)* Save as disclosed in "Relationship with Our Controlling Shareholder" in this document, neither our Controlling Shareholders nor our Directors are interested in any business apart from our business which competes or is likely to compete, directly or indirectly, with the business of our Group.

*(e)* None of our Directors or their respective associates or any Shareholders of our Company (who to the knowledge of our Directors owns more than 5% of our issued share capital) has any interest in our five largest suppliers in each year/period or our five largest customers in each year/period.

## D. OTHER INFORMATION

### 1. Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Group in Hong Kong and the PRC.

### 2. Litigation

Save as disclosed in this document and so far as our Directors are aware, no litigation, arbitration or claim of material importance was pending or threatened against any member of our Group as at the Latest Practicable Date.

## 3. The Joint Sponsors

The Joint Sponsors have made an application on our behalf to the Listing Committee for a listing of, and permission to deal in, the Shares in issue, the Shares to be issued pursuant to the [REDACTED].

Maxa Capital Limited satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

Sinolink Securities (Hong Kong) Company Limited does not satisfy the independence criteria applicable to sponsors under Rule 3A.07 of the Listing Rules as its sponsor group has business relationship with Ms. Fan falling under Rule 3A.07(9) of the Listing Rules.

The Joint Sponsors will receive an aggregate fee of HK$5.3 million for acting as the sponsors for the [REDACTED].

## 4. Taxation of Holder of H Shares

### *(1) Hong Kong*

The sale, purchase and transfer of H Shares are subject to Hong Kong stamp duty if such sale, purchase and transfer are affected on the H Share register of members of the Company, including in circumstances where such transactions are effected on the Stock Exchange. The current rate of Hong Kong stamp duty for such sale, purchase and transfer is 0.1% of the consideration or, if higher, the fair value of the H Shares being sold or transferred.

### *(2) Consultation with professional advisers*

Potential investors in the [REDACTED] should consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding and disposing of, or dealing in Shares. It is emphasised that none of us, The Joint Sponsors, the [REDACTED], the [REDACTED] and the [REDACTED] and their respective directors or any other parties involved in the [REDACTED] accepts responsibility for any tax effects on, or liabilities of, persons resulting from the application for, or purchasing, holding and disposal of, or dealing in Shares.

## 5. No material adverse change

Our Directors believe that there has been no material adverse change in the financial or trading position since 31 December 2024 (being the date on which the latest audited combined financial statements of the Group were made up).

## 6. Restrictions on Repurchase

For details, see "Appendix VI — Summary of Principal Legal and Regulatory Provisions" and "Appendix V — Summary of Articles of Association" to this document.

## 7. Preliminary Expenses

As at the Latest Practicable Date, our Company had not incurred any material preliminary expenses.

## 8. Promoter

The promoters of our Company are our Controlling Shareholders as at 18 December 2020 before our conversion into a joint stock limited company.

Save as disclosed in this document, within the two years immediately preceding the date of this document, no cash, securities or other benefits have been paid, allotted or given to the promoters in connection with the [REDACTED] or the related transactions described in this document.

## 9. Qualifications and Consents of Experts

The qualifications of the experts which have given opinions or advice which are contained in, or referred to in, this document are as follows:

| Name of Expert | Qualification |
|---|---|
| Sinolink Securities (Hong Kong) Company Limited | Licensed corporation under the SFO to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities as defined under the SFO |
| Maxa Capital Limited | Licensed corporation under the SFO to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO |
| Deheng Law Offices | Legal Adviser to the Company as to PRC law |
| Deloitte Touche Tohmatsu | Certified public accountants and Registered Public Interest Entity Auditor |
| SMM Information & Technology Co., Ltd. | Independent industry consultant |
| SRK Consulting (Hong Kong) Limited | Competent person (with the meaning of Chapter 18 of the Listing Rules) |

Each of the experts above has given and has not withdrawn its written consent to the issue of this document with the inclusion of its report and/or letter and/or opinion and/or references to its name included herein in the form and context in which they respectively appear.

Save as disclosed in this document, none of the experts named above has any shareholding interest in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

**10. Binding Effect**

This document shall have the effect, if an application is made in pursuance of it, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

**11. Bilingual Document**

The English language and Chinese language versions of this document are being published separately in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

**12. Miscellaneous**

*(a)* Save as disclosed in this document:

(i) within the two years preceding the date of this document, no share or loan capital of our Company or any of its subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;

(ii) no share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option; and

(iii) our Company has no outstanding convertible debt securities or debentures.

*(b)* Our Company has no founder shares, management shares or deferred shares in the capital of our Company.

*(c)* All necessary arrangements have been made to enable the Shares to be admitted into [REDACTED] for clearing and settlement.

*(d)* None of the equity and debt securities of our Company is listed or dealt in on any other stock exchange nor is any listing or permission to deal being or proposed to be sought.

*(e)* Our Company has no outstanding convertible debt securities or debentures.

*(f)* None of the experts set out in the paragraph headed "— Qualifications and Consents of Experts" above:

(i) is interested beneficially or non-beneficially in any shares in any member of our Group; or

(ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group save in connection with the [REDACTED].

*(g)* No company within our Group is presently listed on or dealt in any other stock exchange and no such listing or permission to list is being or is proposal to be sought.

*(h)* The English text of this document shall prevail over its respective Chinese text.

*(i)* There has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this document.

## DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this document delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

*(a)* the written consents referred to in "Appendix VII — Statutory and General Information — Other Information — Qualifications and Consents of Experts" to this document; and

*(b)* copies of the material contracts referred to in "Appendix VII — Statutory and General Information — Further Information about our Business — Summary of Material Contracts" to this document.

## DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available on display on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at zhihuimining.com up to and including the date which is 14 days from the date of this document:

*(a)* the Articles of Association;

*(b)* the Accountants' Reports for the three years ended 31 December 2022, 2023, 2024 and seven months ended 31 July 2025 prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this document;

*(c)* the report from Deloitte Touche Tohmatsu on the unaudited [REDACTED] financial information of the Company and its subsidiaries as at 31 July 2025, the text of which is set out in Appendix II to this document;

*(d)* the audited consolidated financial statement of the Group for the years ended 31 December 2022, 2023, 2024 and seven months ended 31 July 2025;

*(e)* a copy of the following PRC laws, together with unofficial English translations:

(i) the PRC Company Law;

(ii) the PRC Securities Law; and

(iii) the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies

*(f)* the PRC legal opinions issued by Deheng Law Offices, the Company's legal adviser on PRC law, in respect of certain general corporate matters and property interest of our Group;

*(g)* the industry report prepared by SMM;

*(g)* the service contracts and letters of appointment referred to in "Appendix VII — Statutory and General Information — Further Information About our Directors and Substantial Shareholders — Service Contracts";

*(h)* the material contracts referred to in "Appendix VII — Statutory and General Information — Further Information about our Business — Summary of Material Contracts";

*(i)* the written consents referred to in "Appendix VII — Statutory and General Information — Other Information — Qualifications and Consents of Experts".