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JINCHUAN 金川

JINCHUAN GROUP INTERNATIONAL RESOURCES CO. LTD

金川集團國際資源有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2362)

**OPERATIONAL UPDATE
FOR THE SIX MONTHS ENDED 30 JUNE 2022;
AND PROFIT WARNING**

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

OPERATIONAL UPDATE FOR THE SIX MONTHS ENDED 30 JUNE 2022

The board of directors (the “**Board**”) of the Company announces the unaudited operational update for the six months ended 30 June 2022 (“**2022 1H**”).

Operational Data

The Group’s operational data of mining operations and the revenue generated from trading of mineral and metal products summarised and shown in the table below are derived from the management account and internal records currently available to the Group. Such operational data are intended to give investors an overview of the Group’s operations in a timely manner which may differ from the actual data to be disclosed in the announcement regarding the interim results of the Group for the six months ended 30 June 2022, which is expected to be published before the end of August 2022.

	For the six months ended 30 June 2022	For the six months ended 30 June 2021
Mining operations		
Production:		
Copper (<i>tonne</i>)	28,789	28,503
Cobalt (<i>tonne</i>)	2,603	1,447
Product sold:		
Copper (<i>tonne</i>)	27,148	29,385
Cobalt (<i>tonne</i>)	2,210	1,187
Revenue (including provisional pricing adjustment) – approximate figures:		
Copper (<i>US\$'000</i>)	234,510	272,716
Cobalt (<i>US\$'000</i>)	130,830	50,958
Mining operations revenue (<i>US\$'000</i>)	365,340	323,674
Trading of mineral and metal products		
Revenue – trading of externally sourced mineral and metal products – approximate figures (<i>US\$'000</i>)	174,083	36,770
Total revenue (<i>US\$'000</i>)	539,423	360,444

Note: Pricing coefficients were considered in actual sales revenue

Analysis and Prospect

In 2022 1H, the Group's mining operations produced 28,789 tonnes of copper content included in copper cathode and copper concentrate (six months ended 30 June 2021 ("2021 1H"): 28,503 tonnes) and 2,603 tonnes of cobalt content included in cobalt hydroxide (2021 1H: 1,447 tonnes).

In 2022 1H, Ruashi Mining SAS, a non wholly-owned subsidiary of the Company, successfully purchased more ore from independent suppliers which offset the impact caused by the decrease in self-mined ore's feed grade. This resulted in a stable copper production in 2022 1H as compared to 2021 1H. The cobalt production volume has increased by approximately 80% to 2,603 tonnes in 2022 1H as compared to 2021 1H of 1,447 tonnes as the ore purchased were of higher cobalt grade as compared to self-mined ore.

In 2022 1H, the Group's mining operations sold 27,148 tonnes of copper (2021 1H: 29,385 tonnes), representing a decrease of approximately 8% year-on-year compared to 2021 1H, and 2,210 tonnes of cobalt (2021 1H: 1,187 tonnes), representing an increase of approximately 86% year-on-year compared to 2021 1H.

Due to the disruption to international logistics arrangement caused by additional quarantine measures under COVID-19 and the flooding at the Port of Durban in April 2022, the Group's average delivery time from the Democratic Republic of Congo ("**DRC**") to the eastern part of the world was longer than normal. The unavailability of trucks and vessels had led to a low copper and cobalt sales volume compared to the production volume in 2022 1H, and hence resulted in the increase in the Group's finished goods inventory volume. The Group aims to sell the inventory on hand when global logistics resume normal in the second half of the year.

Out of the sales of copper and cobalt, the Group's mining operations generated revenue of approximately US\$234.5 million and US\$130.8 million in 2022 1H, respectively (2021 1H: approximately US\$272.7 million and US\$51.0 million, respectively), representing approximately 14% year-on-year decrease and 157% year-on-year increase respectively compared to 2021 1H.

The average copper price realised in 2022 1H was US\$8,638 per tonne, representing a decrease of approximately 7% as compared to US\$9,281 per tonne in 2021 1H. The benchmark London Metal Exchange ("**LME**") copper price decreased by approximately 15% from the end of 2021 and reached US\$8,245 per tonne by the end of June 2022 and due to the drop in ending LME price, a downward revision of provisional price previously recognised was made in June 2022. In addition, the decrease in sales volume had also led to the decrease in the Group's revenue from copper sales in 2022 1H.

The average benchmark Metal Bulletin ("**MB**") cobalt price in 2022 1H was US\$36.7 per pound, representing a 75% increase as compared to the average benchmark cobalt price in 2021 1H of US\$21.0 per pound. The higher market cobalt price in 2022 1H as compared to 2021 1H, together with the increase in volume of cobalt sold in 2022 1H, have led to a significant increase in revenue generated from cobalt sales.

However, the increase in revenue was offset by the increase in volume of ore purchased as mentioned above, and also the increases of mining costs and processing costs in 2022 1H as compared to 2021 1H. Ore purchase expenses have increased to approximately US\$65.2 million in 2022 1H as compared to approximately US\$1.8 million in 2021 1H. Increase in mining costs was a result of the increase in volume of ore and waste mined as compared to 2021 1H. Processing costs also increased due to the increase in reagent costs and electricity expenses due to power outages replaced by diesel driver generators in processing ores. Provision of approximately US\$1.6 million was made for DRC Super Profits Tax in 2022 1H (2021 1H: Nil).

In addition to the sales of copper and cobalt under mining operations as mentioned above, since 2021, the Group's Chibuluma mining assets were leased out to an independent third party under a finance lease agreement. The Group is entitled to receive fixed rental fee plus a flexible royalty fee payable calculated based on volume of copper sold and the underlying copper market price. In 2022 1H, the lessee produced and sold 1,843 tonnes (2021 1H: 1,069 tonnes) of copper and the Group has recorded a royalty income (under other income) of approximately US\$1.7 million (2021 1H: approximately US\$0.9 million) under the finance lease agreement. For details of the finance lease agreement, please refer to the Company's announcement dated 28 December 2020.

The trading of mineral and metal products segment recorded a significant increase in revenue on trading of externally sourced commodities of 373% from US\$36.8 million in 2021 1H to US\$174.1 million in 2022 1H. The increase was due to the gradual increase in trading volume of the new trading business line in Hong Kong which commenced operation in 2020.

PROFIT WARNING

As a result of the reasons set out above, the Board would like to inform the shareholders of the Company and potential investors that, based on the preliminary review of the latest unaudited consolidated management accounts of the Group and the current information available to the Board, the Group expects to record a decrease in profit attributable to shareholders of the Company for the six months ended 30 June 2022 to approximately US\$49.5 million, as compared to the profit attributable to shareholders of the Company of approximately US\$61.1 million for the same period in 2021.

The information contained in this announcement is based only on the preliminary assessment by the Board upon its review of the unaudited consolidated management accounts of the Group and the current information available to the Board which have not been audited nor reviewed by the Company's independent auditor.

The overall financial results of the Group for the six months ended 30 June 2022 will only be ascertained when all the relevant results and accounting treatments are finalised. Since the Group's financial performance will also be affected by other factors, such as final confirmation of commodities volume delivered, final assay outcome available upon laboratory confirmation, final valuation on the Group's assets and liabilities which possibly may result in additional impairment loss (or gain) and/or provision to be recorded, the Company will make further announcement as and when required if there is further information in relation to the finalisation of financial results of which are material is available. Shareholders of the Company and potential investors are also advised to refer to the details of the interim results announcement of the Group for the six months ended 30 June 2022 which will be announced before the end of August 2022.

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

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

Hong Kong, 5 August 2022

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