

LR14.58
LR13.52
(note 5)

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中广核礦業有限公司*
CGN Mining Company Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 01164)

- LR13.51A
- (1) Very substantial acquisition and connected transaction in relation to the acquisition of 49% interest in Mining Company “ORTALYK” LLP;**
 - (2) Very substantial disposal and connected transaction in relation to the grant of Call Option and Buy-back Right; and**
 - (3) Continuing connected transaction in relation to the Off-take Arrangement**

**Independent Financial Adviser to the Independent Board Committee and
the Independent Shareholders**



Gram Capital Limited
嘉林資本有限公司

The Company is pleased to announce that CGNM UK (a wholly-owned subsidiary of the Company) entered into the Sale and Purchase Agreement with Kazatomprom on 22 April 2021 in relation to the acquisition of 49% interest in Ortalyk, a legal entity principally engaged in the operation of the Target Mines. In addition, the Company, CGNM UK and Beijing Sino-Kazakh (a wholly-owned subsidiary of the Company) also entered into a Further Cooperation Agreement with, among other parties, Kazatomprom, CGNPC (a controlling shareholder of the Company) and CGNPC-URC (a controlling shareholder of the Company) which changes and updates the provisions of the cooperation of the parties, including the Acquisition.

In connection with the Acquisition, it is expected that the Company, CGNM UK and Kazatomprom will enter into the Off-take Agreement prior to the Completion of the Acquisition for the off-take of the natural uranium concentrates products produced by Ortalyk in proportion to their respective equity interest in Ortalyk.

Listing Rules Implications

Chapter 14 of the Listing Rules

As one or more of the applicable percentage ratio(s) of the Acquisition is more than 100%, the Acquisition constitutes a very substantial acquisition of the Company and is subject to the notification, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As the exercise of the Buy-back Right and the Call Option are not at the discretion of the Group, and the exercise price, which is to be determined by an independent valuer, cannot be ascertained at this stage, the Company, after having taken into consideration of the transaction classification of the Acquisition, voluntarily classified each of the grant of the Buy-back Right and the Call Option as a very substantial disposal of the Company and is subject to the notification, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

Chapter 14A of the Listing Rules

As at the date of this announcement, CGNPC, the controlling shareholder of the Company is indirectly holding 67.36% of the issued Shares, among which 64.82% of the issued Shares is held by China Uranium Development, its wholly-owned indirect subsidiary. CGNPC-URC is the intermediate holding company, being a subsidiary of CGNPC and the sole shareholder of China Uranium Development. Accordingly, each of CGNPC and CGNPC-URC is a connected person of the Company.

Notwithstanding the Sale and Purchase Agreement was only entered into between CGNM UK (being a wholly-owned subsidiary of the Company) and Kazatomprom and the Off-take Agreement will only be entered into among the Company, CGNM UK and Kazatomprom, as the Acquisition is inter-conditional with the Fuel Project between CGNPC-URC and UMP (a subsidiary of Kazatomprom), Kazatomprom shall be deemed as a connected person of the Company and, accordingly, (i) the entering into of the Sale and Purchase Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement, circular (including the independent financial adviser) and Independent Shareholders' approval requirements; and (ii) the entering into of the Off-take Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement, circular (including the independent financial adviser), independent shareholders' approval, annual reporting and annual review requirements. In addition, as the term of the Off-take Agreement exceeds three years, the Company has appointed Gram Capital to explain, in the Circular, why the agreement requires a longer period and to confirm that it is normal business practice for agreements of this type to be of such duration.

In addition, as the Buy-back Right and the Call Option are granted to Kazatomprom by the Group, each of the grant of Buy-back Right and the Call Option constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement, circular (including the independent financial adviser) and independent shareholders' approval requirements.

EGM AND DESPATCH OF CIRCULAR

The Company will hold an EGM for the Independent Shareholders to consider and approve, if thought fit, the Sale and Purchase Agreement and the transactions contemplated thereunder (including the grant of the Buy-back Right and the Call Option and the Off-take Arrangement).

The Circular including, among other information, (i) a letter from the Board containing further details of the Sale and Purchase Agreement and the transactions contemplated thereunder; (ii) a letter from the Independent Board Committee containing the view of the Independent Board Committee on the Sale and Purchase Agreement and the transactions contemplated thereunder; (iii) a letter from Gram Capital advising the Independent Board Committee and the Independent Shareholders; and (iv) the notice of the EGM, is expected to be despatched to the Shareholders within 15 business days from the date of this announcement.

The Company is pleased to announce that CGNM UK (a wholly-owned subsidiary of the Company) entered into the Sale and Purchase Agreement with Kazatomprom on 22 April 2021 in relation to the acquisition of 49% interest in Ortalyk, a legal entity principally engaged in the operation of the Target Mines. In addition, the Company, CGNM UK and Beijing Sino-Kazakh (a wholly-owned subsidiary of the Company) also entered into a Further Cooperation Agreement with, among other parties, Kazatomprom, CGNPC (a controlling shareholder of the Company) and CGNPC-URC (a controlling shareholder of the Company) which changes and updates provisions of the cooperation of the parties, including the Acquisition.

In connection with the Acquisition, it is expected that the Company, CGNM UK and Kazatomprom will enter into the Off-take Agreement prior to the Completion of the Acquisition for the off-take of the natural uranium concentrates produced by Ortalyk in proportion to their respective equity interest in Ortalyk.

BACKGROUND OF THE ACQUISITION

The Cooperation Agreement

Reference is made to the announcement of the Company dated 14 December 2015 whereas it was announced that the Company entered into the Cooperation Agreement with CGNPC, CGNPC-URC, Kazatomprom and UMP to record their respective rights and obligations with respect to the incorporation and operation of (i) the Fuel Partnership, namely Ulba-FA, by CGNPC-URC and UMP to undertake the Fuel Project to build and operate a fuel assemblies fabrication plant in Kazakhstan; and (ii) a Mining Partnership to undertake the Mining Project by CGNPC Mining Participant and Kazatomprom Mining Participant to develop and operate one or more mining deposits in Kazakhstan. CGNPC Mining Participant has later been identified to be CGNM UK, a wholly-owned subsidiary of the Company, and the legal entity for carrying out the Mining Project has later been identified as Ortalyk.

The Fuel Assembly Purchase Obligation

The Cooperation Agreement provided that, CGNPC-URC or one of its affiliates shall enter into Long Term Fuel Assembly Contracts, being back-to-back off-take agreements, each with a term between three to five years, to purchase a total of 4,000 tonnes of product of the Fuel Partnership (i.e. fuel assemblies) over a period of 20 years.

Off-take arrangement of products of the Mining Partnership

The Cooperation Agreement also provided that Kazatomprom Mining Participant and CGNPC Mining Participant shall procure that the Mining Partnership enters into an off-take agreement with CGNPC Mining Participant to supply a total amount of 20,000 tonnes of uranium during the commitment period of the Fuel Assembly Purchase Obligation.

The Call Option

Pursuant to the Cooperation Agreement, Kazatomprom, Kazatomprom Mining Participant and UMP shall have the right exercisable any time during the 60 business days following the occurrence of any of following events to require both (but not one of) (i) CGNPC-URC to sell 100% of its participatory interest (if any) in the Fuel Partnership to UMP (or its nominee) at the Old Exercise Price; and (ii) CGNPC Mining Participant to sell 100% (in whole and not in part) of its participatory interest in the Mining Partnership (if any) to Kazatomprom Mining Participant at the Old Exercise Price:

- (i) all procedures and steps as stipulated in the constitutional documents of the Fuel Partnership or the Mining Partnership, as applicable, to solve a deadlock having been exhausted but failed and UMP (in the case of the Fuel Partnership) or the Kazatomprom Mining Participant (in the case of the Mining Partnership) reasonably believes that the deadlock will have a materially detrimental effect on the operation or profitability of the Fuel Partnership or the Mining Partnership, as applicable;
- (ii) CGNPC-URC ceasing to hold a participatory interest in the Fuel Partnership;
- (iii) a material breach to the Cooperation Agreement is committed by either of CGNPC, CGNPC-URC, CGNPC Mining Participant or their affiliates (other than the government of the PRC) which is not remedied within 60 business days;
- (iv) CGNPC and CGNPC-URC (acting together) issue a liquidation notice as a result of the first shipment under the first Long Term Fuel Assembly Contract has not been despatched on or before the Initial FA Purchase Obligation Due Date, being 28 February 2020, or CGNPC Mining Participant issues a liquidation notice pursuant to the constitutional documents of the Mining Partnership, or CGNPC-URC issues a liquidation notice pursuant to the constitutional documents of the Fuel Partnership;

- (v) subject to certain exceptions, any step for the Fuel Project and/or the Mining Project is not completed on or before the due date stipulated in the Cooperation Agreement provided such delay is not attributable to, or due to, Kazatomprom, UMP or Kazatomprom Mining Participant's default in performing its obligations, and such delay has not been remedied within 60 business days after the applicable due date; and
- (vi) on the date falling 24 months from the date when the first order is received by the Fuel Partnership under the first Long Term Fuel Assembly Contract, the Fuel Partnership has not delivered any shipment of its products under the Long Term Fuel Assembly Contract with respect to that order.

The Put Option

It was also stipulated in the Cooperation Agreement that, CGNPC, CGNPC-URC and CGNPC Mining Participant shall have the right exercisable any time during the 60 business days following the occurrence of any of the following events to require (i) UMP to acquire from CGNPC-URC 100% of its participatory interest in the Fuel Partnership (in whole and not in part) at the Old Exercise Price and (ii) Kazatomprom Mining Participant to acquire from CGNPC Mining Participant 100% of its participatory interest in the Mining Partnership (in whole and not in part) at the Old Exercise Price:

- (i) all procedures and steps as stipulated in the constitutional documents of the Fuel Partnership or the Mining Partnership, as applicable, to solve a deadlock having been exhausted and failed and CGNPC-URC (in the case of the Fuel Partnership) or CGNPC Mining Participant (in the case of the Mining Partnership) reasonably believes that the deadlock will have a materially detrimental effect on the operation or profitability of the Fuel Partnership or the Mining Partnership, as applicable;
- (ii) CGNPC Mining Participant ceasing to hold any participatory interest in the Mining Partnership;
- (iii) a material breach to the Cooperation Agreement is committed by Kazatomprom or UMP or their affiliates (other than the government of Kazakhstan) which is not remedied within 60 business days;
- (iv) Kazatomprom and UMP (acting together) issue a liquidation notice pursuant to the Cooperation Agreement as a result of the first shipment under the first Long Term Fuel Assembly Contract has not been despatched on or before the Initial FA Purchase Obligation Due Date, being 28 February 2020, or Kazatomprom Mining Participant issues a liquidation notice pursuant to the constitutional documents of the Mining Partnership, or UMP issues a liquidation notice pursuant to the constitutional documents of the Fuel Partnership;
- (v) subject to certain exceptions, any step for the Fuel Project and/or the Mining Project is not completed on or before the due date as stipulated in the Cooperation Agreement provided such delay is not attributable to, or due to, CGNPC, CGNPC-URC or CGNPC Mining Participant's default in performing its obligations, and such delay has not been remedied within 60 business days after the applicable due date;

- (vi) on the date falling 12 months from the date of execution of the mining purchase agreement, CGNPC Mining Participant's participatory interest in the Mining Partnership has not been vested to, and legally owned by, the CGNPC Mining Participant through state registration; and
- (vii) occurrence of any Call Option Triggering Event provided that such event is not caused by the default of CGNPC, CGNPC-URC or CGNPC Mining Participant in performing their obligations.

Exercise price of the Call Option and Put Option

Pursuant to the Cooperation Agreement, the exercise price of the Call Option and the Put Option shall be the Old Exercise Price, being the market value of the relevant interest as at the date of the exercise notice as agreed by Kazatomprom and CGNPC, or in the absence of agreement, determined by a chartered accountant or valuer appropriately licensed pursuant to the laws of Kazakhstan from any of the big four accounting firms.

Latest status of the Fuel Project

Ulba-FA, the Fuel Partnership, has been established between UMP and CGNPC-URC in December 2015 whereas a fuel assemblies fabrication plant is currently under construction in Kazakhstan and production is expected to commence in late 2021 with the first delivery of fuel assemblies to take place in 2022.

The Mining Principles Agreement

In relation to the Mining Project, reference is made to the announcement of the Company dated 4 October 2016 whereas the Company and Kazatomprom entered into the Mining Principles Agreement pursuant to which, among other matters:

- (i) the Company confirmed its selection of the mining deposits, subject to result of due diligence;
- (ii) Kazatomprom shall procure that its rights and obligations under the relevant subsoil use contracts and any other contracts identified by Kazatomprom as expressly relating to the mining deposits identified together with the relevant assets owned by Kazatomprom be transferred into the Mining Partnership;
- (iii) Kazatomprom will sell and CGNPC Mining Participant will buy 49% interests in the Mining Partnership by entering into a mining purchase agreement; and
- (iv) the parties shall off-take the share in the total uranium product of the Mining Partnership in proportion to their interests, provided that if the off-take is not sufficient to ensure the procurement of 20,000 tonnes of uranium by the Company or its affiliate during the life of the Fuel Partnership, Kazatomprom shall ensure that such further off-take is made available to the Company or its affiliate from its entitlement of the off-take from the Mining Partnership and the Company or its affiliate shall be required to accept such further uranium off-take unless CGNPC and CGNPC Mining Participant irrevocably waive in writing their right to claim non-compliance with the relevant clause of the Cooperation Agreement.

The amendment agreement to the Mining Principles Agreement

As disclosed in the announcement of the Company dated 6 December 2016, the Company and Kazatomprom entered into the amendment agreement to the Mining Principles Agreement to adjust the participatory interest of CGNPC Mining Participant to a percentage which will allow it to share on balance reserves of 19,600 tonnes of uranium.

Latest status of the Mining Project

The Company continued to negotiate with Kazatomprom and conduct due diligence on the Mining Partnership, the Target Interest and the Target Mines and now entered into the Sale and Purchase Agreement to materialize the Mining Project by acquiring the Target Interest. In addition, the Further Cooperation Agreement has also been entered to change and update provisions of cooperation of the parties under, among others, the Cooperation Agreement and the Mining Principles Agreement.

THE SALE AND PURCHASE AGREEMENT

Major terms

The major terms of the Sale and Purchase Agreement are as follows:

LR14.58(3) **Date** 22 April 2021

Parties

- Kazatomprom
- CGNM UK

LR14.58(4)
LR14.58(6) **Subject matter** Kazatomprom agreed to sell and CGNM UK agreed to acquire the Target Interest, being 49% interest in Ortalyk, at the Consideration of USD 435,071,181

Conditions precedent The Completion of the Acquisition shall be subject to the occurrence of:

- (a) the execution and entering into force of the Further Cooperation Agreement
- (b) the execution and entering into force of the Long Term Fuel Assembly Contract under the Fuel Assembly Purchase Obligation
- (c) the execution and entering into force of the contract in relation to the Fuel Pellets Manufacturing Services Purchase Obligation
- (d) the receipt by Kazatomprom of a record number assigned to the Sale and Purchase Agreement by the National Bank of Kazakhstan as required by the relevant currency control law of Kazakhstan

- (e) the receipt by Kazatomprom of decision of its board of directors in relation to the disposal of the Target Interest and approval of the draft Shareholders' Agreement, the draft Constitutional Document and the draft Off-Take Agreement
- (f) the receipt by Kazatomprom of the resolution of permission from the government of Kazakhstan regarding the transfer of the Target Interest
- (g) the receipt by CGNM UK of the approval of the Acquisition by each of its board of directors and the Company (as its sole shareholder)
- (h) the receipt by CGNM UK of the approval for entering into force of the Shareholders' Agreement and the Constitutional Document by its board of directors
- (i) the receipt by CGNM UK of the approval by the Independent Shareholders in accordance with the Listing Rules and such other competent authorities as required from time to time pursuant to the legislation of the United Kingdom, the PRC and Hong Kong
- (j) Kazatomprom having procured Ortalyk continue to conduct its business and to operate the Target Mines in the ordinary course and not to carry out other activities which will have a material adverse effect on the operations or assets of Ortalyk from the Valuation Date to the Completion Date
- (k) there having no encumbrances existing over any of the material properties or assets of Ortalyk which have material adverse effect on the operations or assets of Ortalyk

CGNM UK shall use all reasonable endeavors to satisfy Conditions (a) to (c) and (g) to (i) and use all reasonable endeavors to assist Kazatomprom in satisfying Conditions (d) to (f).

Kazatomprom shall use all reasonable endeavors to satisfy Conditions (a) to (f), (j) and (k) and use all reasonable endeavors to assist CGNM UK in satisfying Conditions (g) to (i).

The Conditions may only be waived by the written agreement of CGNM UK and Kazatomprom to the extent that such waiver will not result in breach of any applicable law.

Long Stop Date

CGNM UK and Kazatomprom shall use all reasonable endeavors to procure that the Conditions are satisfied as soon as possible, but in any event not later than the Long Stop Date of 30 June 2021.

If all of the Conditions are not satisfied or waived on or before the Long Stop Date, all the provisions of the Sale and Purchase Agreement shall lapse and cease to have effect except for the surviving provisions which mainly relate to termination, confidentiality, qualification of warranties, third party rights, governing law and other administrative matters.

Pre-completion obligation

Kazatomprom shall procure Ortalyk continue to conduct its business and to operate the Target Mines in the ordinary course and not to carry out other activities which will have a material adverse effect on the operations or assets of Ortalyk from the Valuation Date to the Completion Date.

Kazatomprom shall not announce or distribute any dividends from Ortalyk from the Valuation Date to the date of transfer of the Target Interest to CGNM UK; and if any dividends have been made during such period, the corresponding amount shall be deducted from the Consideration.

Completion

Completion shall take place within thirty calendar days from the date on which the last of the Conditions is satisfied or waived or such other date as CGNM UK and Kazatomprom may agree, but not later than the Long Stop Date, where the parties shall sign a completion certificate in an agreed form to confirm (i) fulfillment and/or waiver of all Conditions and (ii) effective from the date of re-registration, CGNM UK will be a participant of Ortalyk holding 49% participatory interest.

After Completion, Kazatomprom shall procure that Ortalyk shall file for re-registration of Ortalyk with the authorised state body in connection with change in the composition of the participants of Ortalyk and such re-registration shall be completed no later than the Long Stop Date.

If the re-registration fails to be completed on or before the Long Stop Date for any reason, Kazatomprom and CGNM UK should settle the matter through friendly negotiation. In case the agreement cannot be reached, CGNM UK shall have the right to request Kazatomprom to refund the Consideration paid, and Kazatomprom shall refund such amount within three days thereafter.

Payment

The Consideration shall be credited to an account of Kazatomprom not later than three business days before the Completion.

Zhalpak subsoil use right and Sell-back Right

Kazatomprom shall use best endeavors to obtain the New Zhalpak Subsoil Use Agreement¹ no later than 31 December 2021 and to transfer all rights and obligations under the New Zhalpak Subsoil Use Agreement to Ortalyk subject to reimbursement of actually incurred costs of Kazatomprom by Ortalyk of not more than US\$200,000.

If Ortalyk fails to obtain the New Zhalpak Subsoil Use Agreement by 31 December 2021, CGNM UK has the right to require Kazatomprom to buy-back the Target Interest in the same mechanism as the exercise of the Buy-back Right under the Further Cooperation Agreement.

Call Option, Put Option and Buy-back Right

The parties acknowledge and confirm that, subject to fulfillment or waiver of the Conditions, each of the Call Option, the Put Option and the Buy-back Right shall be granted and take effect upon Completion.

Warranties by Kazatomprom

If the liability of Ortalyk in respect of any accumulated amount of outstanding taxes and penalties, which were arising from any act or omission of Ortalyk before CGNM UK became the participant of Ortalyk, exceeds US\$2,000,000 and Kazatomprom shall become liable for 49% of the excess amount, Kazatomprom should reimburse to CGNM UK 49% of such excess amount within 30 business days after the tax authorities make a final decision on the tax liabilities and such a reimbursement amount should be considered as a reduction of the Consideration.

In addition, Kazatomprom represents and warrants to CGNM UK that the warranties set out in the Sale and Purchase Agreement are true, accurate and not misleading in all respects, among other warranties, that:

- (a) Ortalyk has no outstanding obligations under any loan or other financial arrangement, except those that are disclosed in financial statement.
- (b) Ortalyk has not received any notice or other communication indicating that its business has been conducted in violation of applicable laws, regulations and other requirements of the government entities having jurisdiction over Ortalyk and the Target Interest except for those that were disclosed to CGNM UK within the due diligence of Ortalyk.

- (c) Ortalyk has formed the liquidation fund required under the Central Mynkuduk Subsoil Use Agreement and the Expired Zhalpak Subsoil Use Agreement.
- (d) Ortalyk is not a party to any contract that will have a material adverse effect on its operations or assets, which is other than on an arm's length basis or in the ordinary course.

Limitation on liabilities of Kazatomprom

Kazatomprom shall not be liable for in respect of any individual claim pursuant to or in relation to the warranties of Kazatomprom where the liability in respect of any such claim does not exceed US\$200,000. Where the liability agreed or determined in respect of any such claim and related claims exceeds US\$200,000, Kazatomprom shall be liable for the full amount of the claim and not just the excess.

Kazatomprom shall not be liable in respect of any claim pursuant to or in relation to the warranties of Kazatomprom unless the aggregate amount of all such claims exceeds US\$400,000. Where the liability agreed or determined in respect of all such claims exceeds US\$400,000, Kazatomprom shall be liable for the full amount of the claim or series of claims as agreed or determined and not just the excess.

Termination

The Sale and Purchase Agreement shall terminate:

- (a) in the event of the termination of the Further Cooperation Agreement
- (b) upon mutual written agreement of Kazatomprom and CGNM UK
- (c) at any time prior to Completion, unilateral termination by Kazatomprom where any warranties given by CGNM UK are inaccurate or untrue, or have been breached, provided that written notification being served by Kazatomprom to CGNM UK and a cure period of thirty calendar days from the date of such notice has been given
- (d) at any time prior to Completion, unilateral termination by CGNM UK where any warranties given by Kazatomprom are inaccurate or untrue, or have been breached, provided that written notification being served by CGNM UK to Kazatomprom and a cure period of thirty calendar days from the date of such notice has been given

- (e) at any time prior to Completion, notice by CGNM UK upon supplemental disclosure being made by Kazatomprom against warranties given by Kazatomprom which in CGNM UK's reasonable opinion is material in the context of the Acquisition, provided that written notification being served by CGNM UK to Kazatomprom and a cure period of thirty calendar days from the date of such notice has been given

Tax gross-up

If CGNM UK is required by law (other than any taxes or fees which shall be borne by Kazatomprom according to the laws of Kazakhstan) to make a deduction or withholding in respect of any sum payable under the Sale and Purchase Agreement, CGNM UK shall make a payment of such additional amount as shall be required to ensure that the net amount received by Kazatomprom will equal to the full amount which would have been received by it had no such deduction or withholding been required to be made.

Note:

1. For background and details of the New Zhalpak Subsoil Use Agreement, please refer to the sub-section headed "The New Zhalpak Subsoil Use Agreement" below.

The New Zhalpak Subsoil Use Agreement

As the Expired Zhalpak Subsoil Use Agreement only provides the right for exploration on the Zhalpak Deposit and has expired, Ortalyk is required to obtain the subsoil extraction right for the Zhalpak Deposit by obtaining the New Zhalpak Subsoil Use Agreement in order to extract and sell the natural uranium content therein. It is expected that the New Zhalpak Subsoil Use Agreement will be in the usual format of subsoil use agreement adopted by the government of Kazakhstan in relation to grant of extraction right, which will stipulate that the agreement owner shall have the right to extract and export materials produced and set out the territory of the Zhalpak Deposit and other requirements and obligations of the agreement owner, such as technological parameters, ecological and radiation safety parameters, capital commitment, obligation to employ local labours, develop and maintain the social infrastructure in the region and provision of professional trainings to Kazakhstan specialists.

In accordance with the requirements of the Subsoil Code, subsoil extraction rights are only granted in the form of a subsoil use agreement to a national company in the field of uranium, i.e. Kazatomprom. Accordingly, the parties agreed that Kazatomprom shall first obtain the extraction right of the Zhalpak Deposit by entering into the New Zhalpak Subsoil Use Agreement with the relevant authority of the Kazakhstan government and transfer the New Zhalpak Subsoil Use Agreement to Ortalyk on or before 31 December 2021.

The State Commission on Mineral Reserves of Kazakhstan approved a feasibility study of the industrial conditions of the Zhalpak Deposit on 4 February 2020. Subsequently, application to the competent authority has been made by Kazatomprom on 21 September 2020 for participation in direct negotiations for the New Zhalpak Subsoil Use Agreement and the uranium reserves report as of 2 January 2020 for Zhalpak Deposit was considered and approved by the State Commission on Mineral Reserves of Kazakhstan on 30 September 2020. As at the date of this announcement, the procedure for Kazatomprom to obtain the New Zhalpak Subsoil Use Agreement is still on-going.

1st Letter
Q1(i)

To the best knowledge of the Directors after making reasonable enquires, no external approval is required for Kazatomprom to transfer the New Zhalpak Subsoil Use Agreement to Ortalyk. To protect the interest of the Group, should Ortalyk fails to obtain the New Zhalpak Subsoil Use Agreement by 31 December 2021, CGNM UK has the right to exercise the Sell-back Right to require Kazatomprom to buy-back the Target Interest.

1st Letter
Q1(ii)

Off-take Arrangement

In addition, to give effect to the off-take arrangement of products of Ortalyk stipulated under the Cooperation Agreement and allow the parties to share the output of the Target Mines in proportion to their interests, it is expected that Kazatomprom, the Company and CGNM UK will enter into the Off-take Agreement prior to the Completion pursuant to which, the parties will agree that they shall have the obligation to acquire the natural uranium concentrates produced by Ortalyk in proportion to their respective participation interests, as follows:

1st Letter
Q1(ii)

- (i) Kazatomprom shall acquire 51% of Ortalyk's total annual production; and
- (ii) the Company or CGNM UK shall acquire 49% of Ortalyk's total annual production,

subject to the Guaranteed Entitlement¹ of 20,000 tonnes of uranium² in aggregate stipulated under the Mining Principles Agreement.

Notes:

1. It is expected that CGNPC will provide the undertaking that should CGNM UK agree to waive the Guaranteed Entitlement, CGNPC shall execute all such necessary documents to give effect to the waiver.
2. Notwithstanding the Company and Kazatomprom entered into the amendment agreement to the Mining Principles Agreement to adjust the interest of the Company or its affiliate in the mining partnership to a percentage which will allow it to share on balance reserves of 19,600 tonnes of uranium as disclosed in the section headed "Background of the Acquisition" above, the parties agreed that the guaranteed entitlement of the Company and CGNM UK shall remain to be 20,000 tonnes of uranium after negotiation.

Term

The Off-take Agreement shall come into force from the date CGNM UK becomes a participant of Ortalyk until the earlier of (i) the date CGNM UK exits from participation in Ortalyk or (ii) the end of the commitment period of the Fuel Assembly Purchase Obligation under the Cooperation Agreement (according to the Cooperation Agreement, the commitment period of the Fuel Assembly Purchase Obligation shall be purchasing fuel assemblies for a continuous period of twenty years, and the first delivery is currently expected to take place in 2022), provided that, if by the end of the commitment period, Ortalyk continues to operate, the Company or CGNM UK shall continue to acquire the product of Ortalyk in proportion to its participation interests but the total off-take volume of the Company and/or CGNM UK shall not exceed 20,000 tonnes of uranium.

It is expected that Ortalyk will carry out liquidation procedure upon depletion of both of the Target Mines and CGNM UK will exit from participation in Ortalyk upon completion of such procedure, and, accordingly, the Off-take Agreement will then cease to have effect pursuant to the terms of the Off-take Agreement. ^{1st Letter}
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Gram Capital has been engaged to explain why the Off-take Arrangement requires a period longer than three years and to confirm that it is normal business practice for agreements of this type to be of such duration in accordance with Rule 14A.52 of the Listing Rules, whose view will be contained in the Circular to be despatched.

Pricing mechanism

The price of the natural uranium concentrates under the Off-take Arrangement shall be the average arithmetic value of spot price of natural uranium published and effective as of the date of delivery published by TradeTech and UxC (being leading providers of uranium prices and independent third parties), respectively, minus a 2% discount, and in the case of Kazatomprom only, less the transportation cost undertaken by Kazatomprom. Ortalyk engages Kazatomprom to deliver its products to its customers (such as the Group) and is required to pay the relevant delivery fees and, in respect of the sales to Kazatomprom, such delivery fees shall be deducted from the price of the purchase as transportation cost. The price of natural uranium concentrates to be paid by the Group and Kazatomprom, respectively, can be illustrated by the following formulas:

$$\begin{array}{l} \text{Price per pound of natural} \\ \text{uranium to be paid by the Group} \end{array} = \text{Spot price} \times 0.98$$

$$\begin{array}{l} \text{Price per pound of natural} \\ \text{uranium to be paid by Kazatomprom} \end{array} = \text{Spot price} \times 0.98 - \text{Transportation cost}$$

Key:

Spot price means the average arithmetic value of natural uranium spot price indicators published by TradeTech and UxC, which are published and effective as of the date of delivery

Transportation cost means transportation cost undertaken by Kazatomprom

Proposed Annual Caps

The Company proposes the following annual caps in relation to the Off-take Arrangement between 2021 and 2040:

Year	2021	2022	2023	2024	2025	2026	2027	2028
Annual cap (tonnes of natural uranium)	466	941	1,206	1,324	1,471	1,644	1,588	1,531
Year	2029	2030	2031	2032	2033	2034	2035	2036
Annual cap (tonnes of natural uranium)	1,469	2,111	2,298	1,908	849	579	487	79
Year	2037	2038	2039	2040	Total			
Annual cap (tonnes of natural uranium)	100	100	100	100	<u>20,351</u>			

The Proposed Annual Caps between 2021 and 2036 are determined based on the mining schedule of the Target Mines multiplied by the 49% proportionate share of the Group under the Off-take Arrangement, plus a 20% buffer to cater for any potential production fluctuation or year-end cut off adjustment, and adjusted as follows:

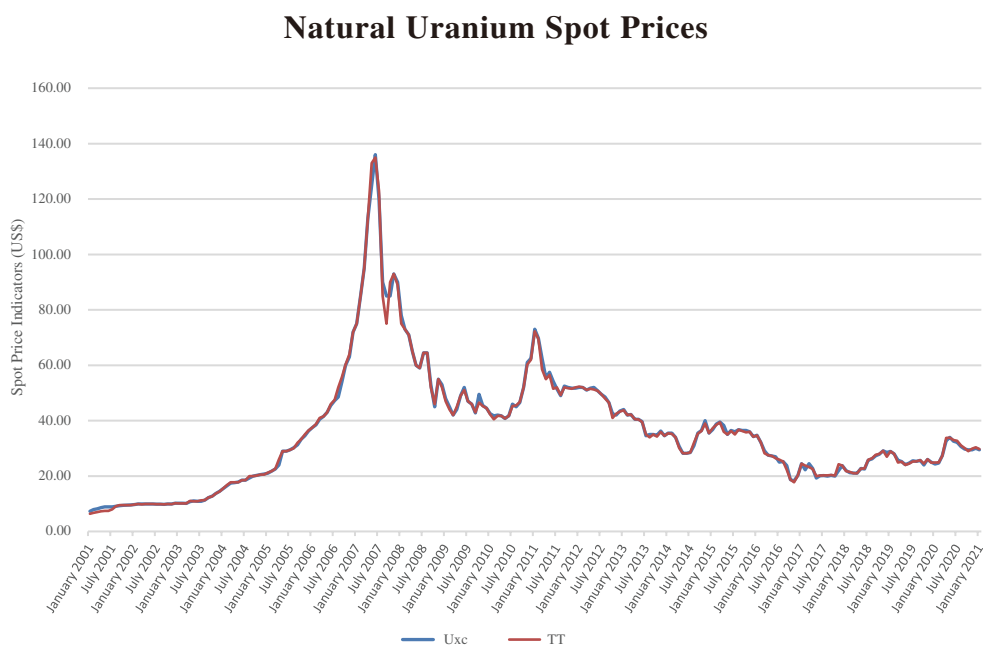
- (a) in respect of 2021, further multiplied by 0.5 to reflect the fact that the Completion of the Acquisition is expected to take place in or around June 2021;
- (b) in respect of 2030, addition of 700 tonnes to cover for potential additional off-take upon exercise of the Guaranteed Entitlement; and
- (c) in respect of 2031 to 2036, addition of such amount resulting the entire scheduled output of the Target Mines being off-taken by the Group to reflect the potential additional off-take upon exercise of the Guaranteed Entitlement.

It is expected that the Guaranteed Entitlement, if exercised, will only be exercised in later years since the parties will then have a more certain estimate on the remaining output of the Target Mines.

The Proposed Annual Caps between 2037 and 2040 are determined to be 100 tonnes per year with reference to the estimated production of the final years based on the mining schedule of the Target Mines to cater for any additional production of the Target Mines or adjustment of or delay in production schedule of the Target Mines.

Pursuant to Rule 14A.53(1) of the Listing Rules, an annual cap must be set in respect of the a continuing connected transaction and such annual cap must be expressed in monetary terms. However, (i) as the price of natural uranium under the Off-take Arrangement will be based on the natural uranium price indicators published by TradeTech and UxC published and effective as of the date of delivery, such price may varies from month to month and is out of control of the Group and Kazatomprom; and (ii) since the term of the Off-take Agreement is expected to be more than 15 years save for occurrence of any unforeseen event, it would be more difficult to estimate future natural uranium prices for such a long period.

As illustrated in the chart below, the natural uranium spot price has reached a price of over US\$130 per pound in 2007 from below US\$10 per pound in 2001 and subsequently decreased to a price of below US\$20 per pound in 2016 and 2017, representing a difference of over ten times between the lowest and highest price during the past twenty years:



Accordingly, the Company has applied and the Stock Exchange has granted a waiver from strict compliance with Rule 14A.53(1) of the Listing Rules such that annual caps expressed in monetary terms for the Off-take Arrangement is not required, on the conditions that:

- (i) an annual cap expressed in fixed quantum will be proposed in this announcement and the Circular for the Independent Shareholders’ approval;

- (ii) the Circular will disclose a sensitivity analysis illustrating how changes in the natural uranium prices affect the value of the Off-take Arrangement;
- (iii) the Company will, during the term of the Off-take Agreement, disclose in its annual report the transaction amount under the Off-take Agreement during the relevant financial year and comply with the annual review by independent non-executive Directors and auditor requirement as required under Chapter 14A of the Listing Rules; and
- (iv) Gram Capital will explain and confirm in the Circular that it is normal business practice for contracts of this type to be of such duration.

Implementation

To give effect to the Off-take Arrangement and to set out details of the Off-take Arrangement for each particular year, Kazatomprom and the Company or CGNM UK will sign contracts with Ortalyk annually for off-take of its products, setting out details of the off-take, such as quantity, product specification, delivery arrangement and schedule of delivery.

Legal effect

Although the consequences of breach of the Off-take Agreement will not be stipulated in the Off-take Agreement, in the event that the Group or Kazatomprom does not perform their respective off-take obligation, the other party shall have the legal right to commence legal action and seek for damages or specific performance on the Off-take Agreement. Furthermore, as the board of directors of Ortalyk will be controlled by Kazatomprom, being holder of its 51% participatory interests, should Ortalyk unreasonably refuses to sign the annual contract for implementing the Off-take Arrangement and Kazatomprom fails to procure Ortalyk to sign such contract, the Group may commence legal action against Kazatomprom to enforce the Off-take Agreement and/or have the right to exercise the Put Option by virtue of Kazatomprom not performing the Off-take Arrangement stipulated in the Cooperation Agreement.

Basis of determination of the Consideration

The Consideration was determined based on the valuation of the market value as at the Valuation Date of the Target Interest of US\$435,071,181 by an independent third party valuer engaged by Kazatomprom.

The Company expects to settle the Consideration in one lump sum three days before the Completion.

The Directors consider that (i) the Consideration is fair and reasonable after taking into consideration of the valuation of the Target Interest of US\$367 million to US\$504 million as of 31 December 2020 by the Valuer, an independent third party valuer engaged by the Company, and the prevailing and forecasted natural uranium prices; and (ii) the interest of the Company can be safeguarded notwithstanding payment is made in one lump sum three days prior to Completion as Kazatomprom is a company listed on, among others, the London Stock Exchange and is obliged to return the payment if Completion does not take place.

The Valuer derived the valuation utilising the discounted cash flows method and the comparable transactions method and based on the following key assumptions:

- There would be no material change in the existing political, legal, fiscal, foreign trade and economic conditions in Kazakhstan.
- There would be no significant deviation in the industry trends and market conditions from the current market expectation.
- There would be no material change in interest rates or foreign currency exchange rates from those currently prevailing.
- There would be no major change in the current taxation law in Kazakhstan and in the origin of the comparable companies.
- All relevant legal approvals, business certificates or licenses for the normal course of operation are formally obtained, in good standing and that no additional costs or fees were needed to procure such during the application.
- Future revenue growth for the mineral asset would conform to those forecasted based on production schedule and uranium price projections.
- The amount of capital expenditure would conform to those forecasted by the competent person.
- The amount of operating costs would conform to those forecasted by the competent person.
- The production schedule and reserve movement over the projection period would conform to those forecasted by the competent person.
- Ortalyk would retain competent management, key personnel, and technical staff to support the ongoing business operations.
- As per Chapter 18 Listing Rules 18.33 (6), the valuation of the mineral asset must be limited to measured and indicated resources only; therefore, the valuation will not include any inferred resources.
- Exploration licenses can be renewed when expired without any legal or operational barriers at an immaterial, minimal cost.
- No material legal risks related to sub-soil use license for Zhalpak Deposit.
- Subsoil use agreements can be renewed under similar terms and conditions in time.
- As exports are not subject to VAT, the valuation is on ex-VAT basis. Uranium price forecast is not subject to VAT and capital expenditure estimation are on pre-VAT basis.

- As exports are not subject to VAT, the valuation is on an ex VAT basis. Uranium price forecast is not subject to VAT and capital expenditure estimation are on pre-VAT basis.
- While the competent person report covers the economic benefits of the entire mineral assets, the valuation also attempts to establish the value of the 49% equity interest of the Target Company that the Company intended to acquire.
- No material changes of the operations since last site inspection in November 2019.

The comparable transaction method under the market approach was utilised because sufficient amount of comparable transactions with adequate information can be found and such method adequately reflects the market opinion of the mineral assets. The discounted cash flows method of the income approach was utilised because (a) the market value of the mineral asset is determined by the ability to generate a stream of benefits in future; (b) economic benefit streams of the mineral asset could be identified based on historical and projected cash flows prepared by the management of the Company; (c) important parameters for the discounted cashflow analysis can be reasonably estimated or relied on with acceptable accuracy; and (d) income approach is suitable for valuing producing projects according to the Australasian Code for Public Reporting of Technical Assessments and Valuations of Mineral Assets.

The Directors consider that the valuation methods and key assumptions adopted by the Valuer are fair and reasonable based on their collective experience, judgements and due diligence on the financial information and operation of Ortalyk and the reserve and mining schedule of the Target Mines.

Fulfillment status of Conditions

As at the date of this announcement, none of the Conditions have been waived and, to the best knowledge of the Directors, none of the Conditions have been fulfilled other than Condition (a).

Reasons for and benefits of entering into of the Sale and Purchase Agreement and the Off-take Agreement

The Directors consider that the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder (including the grant of Buy-back Right and the Call Option and the Off-take Arrangement) are on normal commercial term or better to the Group, fair and reasonable and in the interests of the Shareholders as a whole, after taking into consideration of the factors set out below.

Enlarging the scale of high-quality uranium assets held by the Group at favourable price

The Acquisition is one of the key steps in implementing the Company's strategy of exploring and acquiring high-quality resources as disclosed in the periodic reports of the Company. Based on the mining schedule of the Target Mines and the 49% entitlement of the Group under the Off-take Arrangement, the estimated attributable resources of the Group after Completion will increase by 85% from approximately 23ktU to 43ktU. In addition, the per unit production cost of Ortalyk is lower than Semizbay-U, another legal entity held by the Company as to 49% which operates the Semizbay Mine and Irkol Mine in Kazakhstan, based on their respective financial information.

The uranium price is in the historical low range since 2007. With low-cost uranium resources gradually depleted in the next five to ten years and projected demand exceeding the current level of supply, the Directors believe that marginal uranium production cost would increase over time and the international natural uranium price will raise in the foreseeable future.

Accordingly, the Directors consider that the Acquisition is a good opportunity for the Group to acquire interest in natural uranium deposits based on a valuation determined with reference to the prevailing natural uranium price.

Secure stable supply of uranium and improving the financial performance of the Group

As a result of the Acquisition together with the Off-take Arrangement, the Group will not only acquire a 49% interest in Ortalyk but also secure the products of the Target Mine in proportion to its interest subject to the Guaranteed Entitlement of 20,000 tonnes of uranium. Based on the mining schedule of the Target Mines, it is estimated that the Group will be able to purchase over 1,000 tonnes of natural uranium per annum from Ortalyk between 2022 and 2031. Such reliable source of natural uranium from Ortalyk at two percent discount over the international natural uranium spot price will be able to provide a reliable source of revenue and profit to the natural uranium trading business of the Group.

Based on such “participation interest plus off-take” model and given Kazatomprom is also obliged to purchase natural uranium from Ortalyk at comparable price in proportion to its interest, the Group can further benefit from any increase in international natural uranium spot prices as the Group, as the participant of Ortalyk, is able to share the profit of Ortalyk in proportion to its interest.

As a result, the Group will be able to continue expand its natural uranium trading business through the off-take arrangement and enjoy positive cash flow from the share of profit of Ortalyk with a view to create long-term value for the Shareholders.

Deepening the Cooperation with Kazatomprom

According to World Nuclear Association, Kazatomprom is the world’s largest uranium producer in 2019, with production representing 22% of world’s total uranium production. The competitive edge of Kazatomprom lies with uranium mining technology, underpinned by use of the in-situ recovery mining method, which offers structural cost advantage and production flexibility. According to UxC, Kazatomprom average production costs are consistently in the first tier of the global uranium production cost curve which benefited from unique advantage of geological conditions, experienced management team, characteristic mining method and depreciation of Tenge.

In addition, Kazatomprom is the national operator for import and export of uranium of Kazakhstan, and Kazakhstan, being the largest producer of uranium in the world in 2019, has a geological advantage over Canada and Australia, being the second and third largest uranium producers in the world in 2019, as it locates between Asia and Europe which are the continents that the Company's subsidiaries locate.

The Directors believe that the Acquisition and the Off-take Arrangement would deepen the cooperation between Kazatomprom and the Company, which can create opportunities for further cooperation with Kazatomprom.

Expertise in investing in natural uranium deposits

1st Letter
Q5(i)

The Cooperation Agreement serves as the framework agreement for the overall strategic cooperation in nuclear energy field between CGNPC and Kazatomprom on a long term and mutually beneficial basis, which includes the development of the Fuel Project and the Mining Project, being different stages of production of nuclear fuel for use in nuclear power plant for electricity generation.

With its experience in investing in different natural uranium resources and managing its investment, such as the 49% interest in Semizbay-U which operates the Semizbay Mine and Irkol Mine and the approximately 16.49% interest in Fission, a Canadian-based resource company, the Group has the expertise to participate in the Mining Project and to evaluate and assess the Target Mines and to manage the investment in Ortalyk.

Financial effect of the Acquisition

Approximately 30% of the Consideration will be settled by internal resources of the Group and the remaining 70% of the Consideration will be settled by borrowings, which may include utilisation of the unutilised facilities of approximately US\$784 million as of 28 February 2021 and potential acquisition financing or other loans to be obtained by the Group.

1st Letter
Q6

Upon Completion, Ortalyk will not become a subsidiary of the Company and shall be accounted for using the equity method in the consolidated financial statements of the Group. As a result, Ortalyk will initially be recognized in the statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of Ortalyk.

Information on Ortalyk

Ortalyk is a legal entity wholly owned by Kazatomprom immediately prior to the Acquisition, established in the form of a limited liability partnership in Kazakhstan and is principally engaged in the exploration of the Target Mines, mining and processing of uranium-containing ores and production of natural uranium. As of the Latest Practicable Date, Ortalyk held the Central Mynkuduk Subsoil Use Agreement and was in the course of obtaining the New Zhalpak Subsoil Use Agreement through Kazatomprom.

Information on the Target Mines

The Target Mines are located in the Shu-Saryshu Uranium Province in southern Kazakhstan. Set out below is the statement of mineral resources of the Target Mines as at 31 December 2020:

Area	Class	Quantity <i>Mt</i>	Uranium grade <i>%</i>	Contained Uranium metal <i>'000t</i>
Central Mynkuduk	Measured	21.3	0.025	5.3
	Indicated	81.8	0.027	22.1
	Inferred	1.5	0.036	0.5
	Total	104.6	0.027	28.0
Zhalpak	Measured	–	–	–
	Indicated	31.0	0.032	9.8
	Inferred	15.7	0.029	4.5
	Total	46.7	0.031	14.3
Total	Measured	21.3	0.025	5.3
	Indicated	112.8	0.028	31.9
	Inferred	17.3	0.029	5.0
	Total	151.4	0.028	42.3

The Central Mynkuduk Deposit

Location: The Central Mynkuduk Deposit is located in South Kazakhstan Province of Kazakhstan in the Shu-Sarysu basin 520km north of the city of Shymkent.

Products: Natural uranium oxide

Historic production: The Central Mynkuduk Deposit commenced production in 2007 and produced approximately 19,800 tonnes of uranium as of 31 December 2020.

The table below sets forth the production on the Central Mynkuduk Deposit between 2015 and 2020:

	Year					
	2015	2016	2017	2018	2019	2020
Mining production						
<i>(tonnes of uranium)</i>	1,808	2,010	1,802	1,600 ¹	1,617 ¹	1,305 ²

Notes:

1. Production has been limited to 1,600 tonnes of uranium due to falling uranium prices.
2. Production has been reduced due to COVID-19.

Current production capacity: The annual production capacity of the Central Mynkuduk Deposit is 2,000 tonnes of natural uranium while production for the year ended 31 December 2019 has been limited to 1,600 tonnes of natural uranium due to falling uranium prices.

Mining life: Based on the current production schedule, the operation of the Central Mynkuduk Deposit is scheduled to run until 2033.

Mining permit: The Central Mynkuduk Deposit is contained within a single mining permit (i.e. the Central Mynkuduk Subsoil Use Agreement) with an expiration period to 8 July 2033 and current mining allotment is 46.976 sq. km with maximal depth 370m.

Mineral Resources: The table below sets forth Mineral Resource at geological cut off grade of 0.01% uranium as at 31 December 2020:

Class	Quantity <i>M t</i>	Uranium grade <i>%</i>	Contained uranium <i>'000 t</i>
Measured	21.3	0.025	5.3
Indicated	81.8	0.027	22.1
Inferred	1.5	0.036	0.5
Total	104.6	0.027	28.0

Ore Reserves: The table below sets forth the Ore Reserves as at 31 December 2020 (which are included and not additional to the Mineral Resources stated above):

Class	Quantity <i>M t</i>	Uranium grade <i>%</i>	Contained uranium <i>'000 t</i>
Proven	–	–	–
Probable	92.3	0.026	23.6
Total	92.3	0.026	23.6

Notes:

1. Undiluted for effective thickness
2. Metal content is post leach recovery (90%) extracted into pregnant leaching solution.
3. Ore Reserves do not account for in pipe or within the plant uranium content.

The Zhalpak Deposit

Location: The Zhalpak Deposit is located in South Kazakhstan Province of Kazakhstan in the Shu-Sarysu basin 500km north of the city of Shymkent.

Product: Natural uranium oxide

Historic production: The Zhalpak Deposit conducted test production between 2017 and April 2020 and produced approximately 200 tonnes of uranium. The table below sets forth the production on the Zhalpak Deposit between 2017 and 2020:

	Year			
	2017	2018	2019	2020
Mining production				
<i>(tonnes of uranium)</i>	6	110	77	17

Current production: The Zhalpak Deposit completed trial mining operations and is in the course of applying the New Zhalpak Subsoil Use Agreement for extraction.

Mining permit: The exploration permit of the Zhalpak Deposit (i.e. the Expired Zhalpak Subsoil Use Agreement) expired on 31 May 2018, with an allotment of 145.8 sq. km. Ortalyk is in the course of obtaining the New Zhalpak Subsoil Use Agreement via Kazatomprom.

Mineral Resources: The table below sets forth Mineral Resource at geological cut off grade of 0.01% uranium as at 31 December 2020:

Class	Quantity <i>M t</i>	Uranium	Contained
		grade <i>%</i>	uranium <i>'000 t</i>
Measured	–	–	–
Indicated	31.0	0.032	9.8
Inferred	15.7	0.029	4.5
Total	46.7	0.031	14.3

Mineable quantity estimate: Further studies are necessary to reach sufficient confidence in modifying factors from which Ore Reserves can be calculated.

Based on estimate, which is not an Ore Reserve as per the definition of the JORC Code as it is supported only by scoping study level of confidence technical inputs, the table below sets forth the mineable quantity estimate for the indicated portion of the Mineral Resource of the Zhalpak Deposit as at 31 December 2020:

Quantity	Uranium grade	Contained uranium
<i>M t</i>	<i>%</i>	<i>'000 t</i>
30.4	0.032	9.7

Notes:

1. Undiluted for effective thickness

Mineral Resources that are not Ore Reserves do not have demonstrated economic viability, and as such there is no certainty that the scoping study and economics will be realised at the Zhalpak Deposit as the studies progress. Nevertheless, a high-level economic assessment completed shows that based on the currently assumed modifying factors and long term consensus forecast of US\$30 per pound of natural uranium, the Zhalpak Deposit scoping study presents positive cashflow, as such the production schedule is considered to be suitable for presentation.

Mining life: Based on the current production schedule, the operation of the Zhalpak Deposit is scheduled to run until 2036 on the basis of commencing well field establishment in 2022 and ramp up to full production from 2023 to 2025.

Mining Method and Production

Natural uranium is extracted via in-situ leaching in both of the Target Mines.

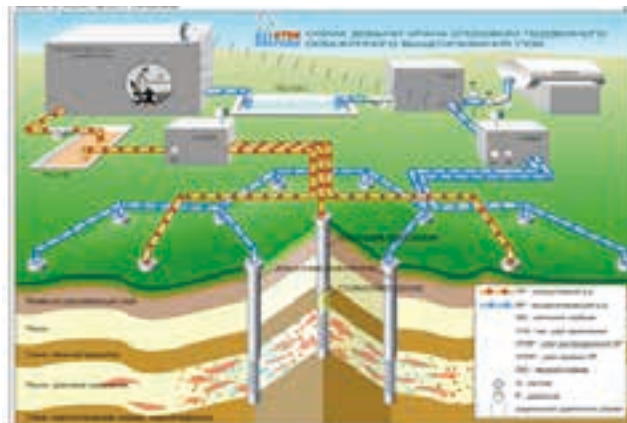
The in-situ leaching mining method is a well-known and commonly utilised mineral extraction method in Kazakhstan and the greater uranium industry. The in-situ leaching involves leaving the ore in situ and recovering the uranium through dissolution and pumping of the pregnant solution to the surface where uranium can be recovered through standard ion exchange methods to produce a final yellow cake product which mainly consists of natural uranium.

In-situ leaching is a mining process used to recover minerals such as uranium through boreholes drilled into a deposit. The process involves pumping of lixiviant into the ore body via a set of boreholes, which circulates through the porous rock dissolving the ore and is extracted via another set of boreholes. The solution bearing the dissolved ore content is then pumped to the surface and processed. This process allows the extraction of uranium from an ore body without the need for conventional mining involving drill-and-blast, open-cut or underground mining.

The advantages of in-situ leaching uranium are:

- Reduced hazards for the employees from accidents, dust, and radiation
- Less pollution to the surface environment
- Low capital expenditure, low cost, short period of mine construction
- No need for large uranium mill tailings deposits
- Making full use of low grade resources

The figure below shows the cross-section of in-situ leaching operation:



In Central Mynkuduk Deposit, the pregnant solution is processed via onsite processing plant into yellow cake (a type of uranium concentrate powder). In Zhalspak Deposit during its trial exploration, pregnant solution was first processed via on-site sorption plant into uranium-enriched resin which was subsequently transported to the processing plant in Central Mynkuduk Deposit for processing into yellow cake.

The yellow cake is subsequently transported to third party off-site metallurgical plant for further processing.

Financial information of Ortalyk

The table below sets forth certain key financial information of Ortalyk for the years ended 31 December 2019 and 2020:

	As at/For the year ended	
	31 December	
	2019	2020
	(US\$'000)	(US\$'000)
Revenue	96,277	94,904
Profit before income tax	39,700	48,414
Profit after income tax	31,137	38,542
Total assets	123,794	120,250
Total liabilities	21,380	16,275
Net assets	102,414	103,975

THE FURTHER COOPERATION AGREEMENT

Major terms

The major terms of the Further Cooperation Agreement are as follows:

2nd Letter
Q3

Date	22 April 2021
Parties	<ul style="list-style-type: none">• Kazatomprom• UMP• CGNPC• CGNPC-URC• the Company• Ulba-FA• CGNM UK• Beijing Sino-Kazakh
Purpose	Change and update provisions of cooperation of the parties under, among others, the Cooperation Agreement and the Mining Principles Agreement

The Mining Project

The Parties agreed that CGNM UK shall be a participant of Ortalyk and has obligations with respect to Ortalyk, as further detailed in the Sale and Purchase Agreement and the Further Cooperation Agreement, and take obligations to perform all obligations as a participant of Ortalyk. CGNM UK agreed and took obligations to perform the obligation as a participant of Ortalyk as provided for in each of the Cooperation Agreement, Mining Principles Agreement and other relevant agreements.

Implementation schedule of the Mining Project

Kazatomprom and the Company agreed to update the implementation schedule for the Mining Project, including, among others:

- (i) use reasonable endeavors to sign the Sale and Purchase Agreement before 1 April 2021
- (ii) use reasonable endeavors to agree on the draft of the Shareholders' Agreement, the Constitutional Document and the Off-take Agreement in principle before 1 April 2021
- (iii) use reasonable endeavors to send the Sale and Purchase Agreement and any other documents contemplated thereunder to all involved competent authorities of Kazakhstan and PRC for approval before 1 April 2021
- (iv) use reasonable endeavors to obtain resolution of the government of Kazakhstan permitting the transfer of the Target Interest no later than three months after obtaining the necessary corporate decisions for entering into the Sale and Purchase Agreement and the Acquisition
- (v) complete the transfer of the Target Interest to CGNM UK within one month after fulfillment of all conditions below:
 - a. execution and entry into force of the Further Cooperation Agreement
 - b. execution and entry into force of the Long Term Fuel Assembly Contract
 - c. execution and entry into force of contracts for the Fuel Pellets Manufacturing Services Purchase Obligation

- d. obtaining the necessary decisions of the board of directors of Kazatomprom
- e. obtaining resolution of the government of Kazakhstan on permission to the transfer of the Target Interest

(vi) Kazatomprom shall use best endeavours to obtain the New Zhalpak Subsoil Use Agreement by 30 June 2021 and under no circumstance later than 31 December 2021

Implementation schedule of the Fuel Project

The parties shall use reasonable endeavours to sign the first Long Term Fuel Assembly Contract before 31 December 2020 and make it effective within three months and agree on the timeline for delivery of the fuel assemblies thereunder. ^{2nd Letter Q3}

The parties agreed that the Initial FA Purchase Obligation Due Date as referred in the Put Option Triggering Events and the Call Option Triggering Events shall be changed to 31 December 2022.

The parties further agreed to ensure the economic efficiency of the Fuel Project as detailed in the Further Cooperation Agreement.

Certification for the Fuel Partnership

CGNPC-URC shall use best endeavors to obtain and maintain in full force all permits require for the smooth transfer of fuel assemblies and their acceptance and transportation of the fuel assemblies across the PRC territory and shall provide or procured to be provided to the Fuel Partnership sufficient containers licensed in PRC required for timely delivery of fuel assemblies to the PRC.

CGNPC-URC guaranteed to recognize Ulba-FA as the certified supplier of fuel assemblies, after completion of its qualification process on the precondition that Ulba-FA meets the certification requirements of CGNPC-URC, based on design estimates and plant design approved by participants of Ulba-FA prior to the start of construction of the fuel assemblies fabrication plant. CGNPC-URC and Ulba-FA are obliged to agree on certification requirements in the form of a program for the recognition of Ulba-FA as a certified supplier no later than 31 May 2021.

Early termination of the Fuel Project

In the event that the Fuel Project is terminated before CGNPC-URC finishes the Fuel Assembly Purchase Obligation, CGNPC-URC shall be obliged, until the termination of the activities of Semizbay-U or the resumption of the Fuel Project or otherwise agreed by the parties, to order pellets manufacturing services from UMP for the amount corresponding to the Off-take of Semizbay-U's natural uranium based on participatory interest in Semizbay-U of Beijing Sino-Kazakh.

Uranium purchase obligation

CGNPC-URC or one of its affiliates shall purchase a total of 2,000 tonnes of natural uranium from Kazatomprom based on a prescribed schedule between 2021 to 2023 at the price of the arithmetical average of the month-end spot price indicators published by UxC and TradeTech for the three consecutive months prior to a reference point of time minus a 2.5% discount.

If Kazatomprom fails to complete the Acquisition on or before the Long Stop Date, Kazatomprom shall, upon CGNPC-URC or one of its affiliate's request, have the obligation to buy back the natural uranium purchased at the same price and cancel the delivery of the remaining natural uranium.

Fuel Pellets Manufacturing Services Purchase Obligation

CGNPC-URC shall engage UMP to provide fuel pellets manufacturing services of 608.5 tonnes of uranium based on a prescribed schedule from 2021 to 2030.

Buy-back of the Target Interest

Upon occurrence of any of the following events, CGNM UK shall, at the request at Kazatomprom, sell the Target Interest to Kazatomprom no later than six months from the date of such request at the New Exercise Price:

- (a) delivery of the first batch of fuel assemblies under the first Long Term Fuel Assembly Contract has not taken place by 31 December 2022
- (b) production and/or dispatch and/or delivery of fuel assemblies to PRC, under any Long Term Fuel Assembly Contract has not been performed within any twelve consecutive months;
- (c) any Long Term Fuel Assembly Contract being terminated or not executed before the expiry date of the previous Long Term Fuel Assembly Contract, or there is a dispute regarding the termination of Long Term Fuel Assembly Contract

- (d) the Fuel Project is terminated before CGNPC-URC finishes the Fuel Assembly Purchase Obligation
- (e) failure by CGNPC-URC to perform the Fuel Pellets Manufacturing Services Purchase Obligation save for cases when such failure is occurred due to fault of UMP
- (f) upon CGNM UK or any of its affiliates that perform one or more obligations under the Further Cooperation Agreement conduct a merger event and the resulting legal entity unable, fail or refuse to assume the obligations of the Company, CGNM UK or its affiliates in relation to the Buy-back Right
- (g) when CGNM UK is no longer an affiliate of CGNPC or CGNPC losing control over CGNM UK

Exercise price of the Buy-back Right

The exercise price of the Buy-back Right shall be the fair market value of the Target Interest as of the last day of the month of the exercise notice as determined by a valuer appropriately licenced pursuant to the laws of Kazakhstan from any of the big four accounting firms with expertise in valuing assets of the nature concerned and agreed by Kazatomprom and CGNPC, less any dividend received by CGNM UK from Ortalyk between the valuation date to the date of transfer of the Target Interest.

Adjustment to the exercise price of the Put Option and the Call Option

The parties agreed that the exercise price of the Put Option and the Call Option shall be the same as the exercise price of the Buy-back Right, being the New Exercise Price and the timing for the transfer of the interest in Ortalyk shall be same as the Buy-back Right

New cooperation opportunities

The parties agreed to work jointly to study the possibility of cooperation on uranium resources exploration, mining, radioactive waste disposal and other potential areas.

Termination

The Further Cooperation Agreement shall remain effective until the earliest of:

- (a) the parties unanimously agree in writing to terminate the Further Cooperation Agreement
- (b) the Fuel Partnership or the Mining Partnership has been liquidated

- (c) all rights and obligations in the Further Cooperation Agreement have been fully exercised and performed
- (d) transfer of the Target Interest has not been completed on or before 30 June 2021 unless CGNPC-URC agrees to extend such date

Guarantee

Each of CGNPC and Kazatomprom guarantees the due and punctual performance of their respective relevant subsidiaries of the relevant present and future obligations under the Further Cooperation Agreement, the Sale and Purchase Agreement and other relevant agreements.

Undertakings by CGNPC and CGNPC-URC

To protect the interest of the Company and its Shareholders as a whole, CGNPC and CGNPC-URC will provide the undertaking that:

- (i) so long as the Company or its subsidiaries is holding an interest in Ortalyk, the Put Option may not be exercised by CGNPC and/or CGNPC-URC without the consent of the Company;
- (ii) so long as the Company or its subsidiaries is holding an interest in Ortalyk, CGNPC will not agree on the selection of valuer for determining the New Exercise Price without the consent of the Company;
- (iii) CGNPC-URC will not agree on extension of the completion deadline of the Acquisition in relation to the termination of the Further Cooperation Agreement without the consent of the Company; and
- (iv) should the Company agree to extend the completion deadline of the Acquisition in relation to the termination of the Further Cooperation Agreement, CGNPC-URC will do all such acts to give effect to the extension of the completion deadline.

The Call Option, the Put Option and the Buy-back Right

The Directors consider that the Call Option, the Put Option and the Buy-back Right serve as exit arrangement for the parties in relation to the cooperation of the Fuel Project and the Mining Project as they can only be exercised upon occurrence of certain triggering events, such as occurrence of deadlock event, failure or delay of the Fuel Project or breach of the Further Cooperation Agreement.

In addition, in the event that Kazatomprom decides to exercise the Call Option or the Buy-back Right upon the occurrence of any Call Option Triggering Event or Buy-back Event, the New Exercise Price in respect of the Target Interest shall be the then market price of the Target Interest determined by an independent valuer and, accordingly, the interest of the Group can be protected and CGNM UK shall be able to benefit from any increase in value of the Target Interest.

INFORMATION OF THE PARTIES

LR14.58(2) LR14.68(1A) **The Group**

The Group is principally engaged in investment and development of natural uranium resources and trading of natural uranium products with the Company principally engaged in trading of natural uranium products.

CGNM UK is a wholly-owned subsidiary of the Company incorporated in the United Kingdom and is principally engaged in uranium trading and investment in uranium resources.

Beijing Sino-Kazakh is a wholly-owned subsidiary of the Company incorporated in the PRC and is principally engaged in property investment and is also holding 49% interest in Semizbay-U, which in turn is interested in two natural uranium mines in Kazakhstan.

CGNPC and CGNPC-URC

CGNPC-URC is a company established in the PRC with limited liability and the sole shareholder of China Uranium Development, the controlling shareholder of the Company, holding approximately 64.82% of the issued Shares as at the date of this announcement.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, CGNPC-URC is one of the few enterprises in the PRC which is authorised to manage nuclear fuels and deal with the import and export of natural uranium. The core businesses of CGNPC-URC are to: (i) manage the supply of nuclear fuels for CGNPC; and (ii) deal with the import and export trade of the PRC and overseas natural uranium and related products.

Founded on 29 September 1994, CGNPC is a large clean energy enterprise under the supervision of the State-owned Assets Supervision and Administration Commission of the State Council of the PRC. CGNPC together with its subsidiaries are principally engaged in the generation and sale of electricity, construction, operation and management of nuclear power projects and non-nuclear clean energy projects.

Kazatomprom

Kazatomprom is the largest global producer of natural uranium with priority access to one of the world's largest high-quality resource bases in the industry. Kazatomprom produced approximately 22% of the world's total uranium production in 2019 according to World Nuclear Association. Kazatomprom is the national operator of Kazakhstan for import and export of uranium and its compounds, rare metals, nuclear fuel for nuclear power plants, special purpose equipment and technologies.

The securities of Kazatomprom are listed on the London Stock Exchange and Astana International Exchange and is owned as to 75% by sovereign wealth fund of Kazakhstan. As the national atomic company in Kazakhstan, its primary customers are operators of nuclear generation capacity, and principal export markets for its products are China, South and Eastern Asia, Europe and North America.

UMP

UMP is a wholly owned subsidiary of Kazatomprom. It is one of the world leaders in terms of production of beryllium, tantalum, and niobium, as well as uranium-based fuel bricks for nuclear power stations.

Ulba-FA

Ulba-FA is owned as to 51% by UMP and 49% by CGNPC-URC, which mainly engages in fabrication of fuel assemblies and their components.

GENERAL

1st Letter
Q5(ii)

Save for exploration of opportunities to acquire competitive overseas uranium resource projects with low cost as part of the Group's development strategy as disclosed in the periodic reports of the Company, the Board has no current plan to conduct acquisition of new business or disposal of existing business in the next 12 months and the Company has not entered into any agreement, arrangement, understanding or negotiation, whether formal or informal, to acquire new businesses or dispose of any of its existing businesses.

LISTING RULES IMPLICATIONS

Chapter 14 of the Listing Rules

As one or more of the applicable percentage ratio(s) of the Acquisition is more than 100%, the Acquisition constitutes a very substantial acquisition of the Company and is subject to the notification, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

Furthermore, each of the Sell-back Right, the Buy-back Right, the Call Option and the Put Option constitutes an option under Rule 14.72 of the Listing Rules.

As the exercise of the Buy-back Right and the Call Option are not at the discretion of the Group, and the exercise price, which is to be determined by an independent valuer, cannot be ascertained at this stage, the Company, after having taken into consideration of the transaction classification of the Acquisition, voluntarily classified each of the grant of the Buy-back Right and the Call Option as a very substantial disposal of the Company and is subject to the notification, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

Notwithstanding being stipulated in the Cooperation Agreement and the Further Cooperation Agreement, respectively, instead of being stipulated in the Sale and Purchase Agreement, each of the grant of the Buy-back Right and the Call Option would be subject to the Shareholders' approval as (i) the Sale and Purchase Agreement, which is subject to Shareholders' approval, stipulated that, among other matters, each of the Buy-back Right and the Call Option shall be granted and take effect upon Completion of the Acquisition; and (ii) the Buy-back Right and the Call Option would not have any effect without the transfer of the Target Interest under the Sale and Purchase Agreement.

In relation to the acceptance of the Sell-back Right and the Put Option, as the exercise of which is at the discretion of the Group and no premium has been paid by the Group in relation to obtaining the Sell-back Right and the Put Option, the acceptance of the Sell-back Right and the Put Option do not constitute notifiable transactions of the Company under Chapter 14 of the Listing Rule.

Chapter 14A of the Listing Rules

As at the date of this announcement, CGNPC, the controlling shareholder of the Company is indirectly holding 67.36% of the issued Shares, among which 64.82% of the issued Shares is held by China Uranium Development, its wholly-owned indirect subsidiary. CGNPC-URC is the intermediate holding company, being a subsidiary of CGNPC and the sole shareholder of China Uranium Development. Accordingly, each of CGNPC and CGNPC-URC is a connected person of the Company.

Notwithstanding the Sale and Purchase Agreement was only entered into between CGNM UK (being a wholly-owned subsidiary of the Company) and Kazatomprom and the Off-take Agreement will only be entered into between the Company, CGNM UK and Kazatomprom, as the Acquisition is inter-conditional with the Fuel Project, Kazatomprom shall be deemed as a connected person of the Company and, accordingly, (i) the entering into of the Sale and Purchase Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement, circular (including the independent financial adviser) and Independent Shareholders' approval requirements; and (ii) the entering into of the Off-take Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement, circular (including the independent financial adviser), independent shareholders' approval, annual reporting and annual review requirements. In addition, as the term of the Off-take Agreement exceeds three years, the Company has appointed Gram Capital to explain in the Circular, why the agreement requires a longer period and to confirm that it is normal business practice for agreements of this type to be of such duration.

In addition, as the Buy-back Right and the Call Option are to be granted to Kazatomprom by the Group and the Sell-back Right and the Put Option are to be granted by Kazatomprom to the Group, each of the grant of Buy-back Right, Call Option and acceptance of the Sell-back Right and the Put Option constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Accordingly, the grant of the Buy-back Right and the Call Option are subject to the reporting, announcement, circular (including the independent financial adviser) and independent shareholders' approval requirements.

Notwithstanding being stipulated in the Cooperation Agreement and the Further Cooperation Agreement,^{2nd Letter} respectively, instead of being stipulated in the Sale and Purchase Agreement, each of the grant of the Buy-back Right and the Call Option would be subject to the Independent Shareholders' approval as (i) the Sale and Purchase Agreement, which is subject to Independent Shareholders' approval, stipulated that, among other matters, each of the Buy-back Right and the Call Option shall be granted and take effect upon Completion of the Acquisition; and (ii) the Buy-back Right and the Call Option would not have any effect without the transfer of the Target Interest under the Sale and Purchase Agreement.

On the other hand, each of the acceptance of the Sell-back Right and the Put Option constitutes fully-exempted connected transaction of the Company pursuant to Rule 14.76 of the Listing Rules as (i) the exercise of each of the Sell-back Right and the Put Option is at the discretion of the Group and (ii) no premium have been paid by the Group in relation to obtaining the Sell-back Right and the Put Option, and is exempted from the reporting, announcement, circular (including the independent financial adviser) and Independent Shareholders' approval requirements.

The Company will comply with the relevant requirements of the Listing Rules as and when appropriate in relation to the exercise (or non-exercise) of the Sell-back Right and the Put Option, including Independent Shareholders' approval if applicable.

ABSTAIN FROM VOTING

Mr. Yu Zhiping, Mr. An Junjing, Mr. Chen Deshao, Mr. Yin Xiong and Mr. Sun Xu have abstained from voting on the relevant board resolutions approving the Sale and Purchase Agreement and the transactions contemplated thereunder as each of Mr. Yu, Mr. An, Mr. Chen, Mr. Yin and Mr. Sun is considered to have a material interest in the resolutions by virtue of their directorial and/or managerial positions in CGNPC-URC.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee consisting Mr. Qiu Xianhong, Mr. Gao Pei Ji and Mr. Lee Kwok Tung Louis, being independent non-executive Directors, has been established to advise the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder (including the grant of Call Option and Buy-back Right and the Off-take Arrangement).

INDEPENDENT FINANCIAL ADVISER

Gram Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder (including the grant of Call Option and Buy-back Right and the Off-take Arrangement) and to explain why the Off-take Arrangement requires a period longer than three years and to confirm that it is normal business practice for agreements of this type to be of such duration in accordance with Rule 14A.52 of the Listing Rules.

EGM

The Company will hold the EGM for the Independent Shareholders to consider and approve, if thought fit, the Sale and Purchase Agreement and the transactions contemplated thereunder (including the grant of the Buy-back Right and the Call Option and the Off-take Arrangement).

The Circular including, among other information, (i) a letter from the Board containing further details of the Sale and Purchase Agreement and the transactions contemplated thereunder; (ii) a letter from the Independent Board Committee containing the view of the Independent Board Committee on the Sale and Purchase Agreement and the transactions contemplated thereunder; (iii) a letter from Gram Capital advising the Independent Board Committee and the Independent Shareholders; and (iv) the notice of the EGM, is expected to be despatched to the Shareholders within 15 business days from the date of this announcement.

DEFINITIONS

“Acquisition”	the acquisition of the Target Interest under the Sale and Purchase Agreement
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Beijing Sino-Kazakh”	Beijing Sino-Kazakh Uranium Resources Investment Company Limited* (北京中哈鈾資源投資有限公司), a limited liability company incorporated in the PRC and a wholly-owned subsidiary of the Company
“Board”	the board of Directors
“Buy-back Event(s)”	the event(s) set out in the row “Buy-back of the Target Interest” under the section headed “The Further Cooperation Agreement – Major terms” in this announcement
“Buy-back Right”	the right of Kazatomprom to request CGNM UK to sell the Target Interest to Kazatomprom set out in the row “Buy-back of the Target Interest” under the section headed “The Further Cooperation Agreement – Major terms” in this announcement
“Call Option”	the option granted to Kazatomprom, its affiliate and UMP for the acquisition of all the interest of CGNPC-URC in the Fuel Partnership and all the interest of CGNM UK in Ortalyk set out in the Cooperation Agreement as further described in the section headed “Background of the Acquisition – The Cooperation Agreement – The Call Option” in this announcement
“Call Option Triggering Event(s)”	the event(s) that would trigger the Call Option set out under the section headed “Background of the Acquisition – The Cooperation Agreement – The Call Option” in this announcement

“Central Mynkuduk Subsoil Use Agreement”	the contract for exploration and extraction of uranium on Central Mynkuduk Deposit between the Ministry of Energy and Mineral Resources and Kazatomprom dated 8 July 2005, as amended, which has subsequently been transferred to Ortalyk
“Central Mynkuduk Deposit”	the central plot of Mynkuduk deposit in South-Kazakhstan region Kazakhstan operated by Ortalyk
“CGN Group”	CGNPC and its subsidiaries
“CGNM UK”	CGNM UK Limited, a company incorporated in the United Kingdom, with limited liability and a wholly-owned subsidiary of the Company
“CGNPC”	China General Nuclear Power Corporation* (中國廣核集團有限公司), a company incorporated in the PRC with limited liability and the sole shareholder of CGNPC-URC
“CGNPC Mining Participant”	the Company or an affiliate of the Company as nominated by the Company or an affiliate of CGNPC as nominated by CGNPC for participation in the Mining Project under the Cooperation Agreement, later identified as CGNM UK
“CGNPC-URC”	CGNPC Uranium Resources Co., Ltd* (中廣核鈾業發展有限公司), a company established in the PRC with limited liability and the sole shareholder of China Uranium Development
“China Uranium Development”	China Uranium Development Company Limited, a company incorporated in Hong Kong and a controlling shareholder of the Company, holding approximately 64.82% of the issued Shares as at the date of this announcement
“Circular”	the circular to be despatched by the Company to the Shareholders in relation to, among other matters, the Acquisition and the Off-take Arrangement
“Company”	CGN Mining Company Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Completion”	the completion of the Acquisition in accordance with the Sale and Purchase Agreement
“Completion Date”	the date of completion of the Acquisition in accordance with the Sale and Purchase Agreement

“Condition(s)”	the condition(s) precedent of the Acquisition as set out in the row “Conditions precedent” under the section headed “The Sale and Purchase Agreement – Major terms” in this announcement
“connected person”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration for the acquisition of the Target Interest under the Sale and Purchase Agreement
“Constitutional Document”	the charter of Ortalyk to be approved by the general meetings of Ortalyk, being the constitutional document of Ortalyk
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Cooperation Agreement”	the <i>Agreement on Commercial Terms in relation to the Design and Construction of a Fuel Assembly Fabrication Plant in Kazakhstan and the Joint Development of Kazakhstan Uranium Deposits</i> dated 14 December 2015 entered into among the Company, CGNPC, CGNPC-URC, Kazatomprom and UMP, as announced in the announcement of the Company dated 14 December 2015
“COVID-19”	coronavirus disease 2019
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for, among other matters, for the Independent Shareholders to consider and approve, if thought fit, the Sale and Purchase Agreement and the transactions contemplated thereunder (including the grant of the Buy-back Right, the Call Option and the Off-take Arrangement)
“Expired Zhalpak Subsoil Use Agreement”	contract for exploration of uranium on the Zhalpak Deposit between Ministry of Industry and New Technologies of the Kazakhstan and Kazatomprom dated 31 May 2010, as amended, which has subsequently been transferred to Ortalyk
“Fission”	Fission Uranium Corp., a Canadian-based resource company whose ordinary shares are listed on the Toronto Stock Exchange under the symbol “FCU”, the OTCQX market place in the U.S. under the symbol “FCUUF” and on the Frankfurt Stock Exchange under the symbol “2FU”, and is owned as to approximately 16.49% by the Company as of 31 March 2021

“Fuel Assembly Purchase Obligation”	the obligation to purchase an agreed quantity of fuel assemblies over a period of 20 years from the Fuel Partnership by CGNPC-URC or one of its affiliates as described under the paragraph headed “Background of the Acquisition – The Fuel Assembly Purchase Obligation” in this announcement
“Fuel Partnership”	the legal entity for carrying out the Fuel Project, being Ulba-FA
“Fuel Pellets Manufacturing Services Purchase Obligation”	the obligation for CGNPC-URC to engage UMP to provide fuel pellets manufacturing services under the Further Cooperation Agreement as further described in the row “Fuel Pellets Manufacturing Services Purchase Obligation” under the section headed “The Further Cooperation Agreement – Major terms” in this announcement
“Fuel Project”	the project to construct and manage a facility for the fabrication of fuel assemblies to be supplied to customers, which shall include fuel fabrication services, contemplated under the Cooperation Agreement
“Further Cooperation Agreement”	the <i>Agreement for Further Expanding and Deepening Mutually Beneficial Cooperation in Nuclear Energy Field</i> dated 22 April 2021 entered into between, among other parties, Kazatomprom, the Company and CGNM UK as further described in the section headed “Further Cooperation Agreement” in this announcement
“Group”	the Company and its subsidiaries
“Guaranteed Entitlement”	the guaranteed entitlement to procure 20,000 tonnes of uranium by the Company or its affiliate during the life of the Fuel Partnership stipulated in the Mining Principles Agreement as described in point (iv) under the section headed “Background of the Acquisition – The Mining Principles Agreement” in this announcement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board, consisting of all the independent non-executive Directors, established to advise the Independent Shareholders on the Sale and Purchase Agreement and the transactions contemplated thereunder (including the grant of the Buy-back Right, the Call Option and the Off-take Arrangement)

“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a corporation licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the Sale and Purchase Agreement and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders other than the CGN Group
“Independent Third Party(ies)”	party(ies) which is independent of and not connected with the Company and its connected persons and not otherwise a connected person of the Company
“Initial FA Purchase Obligation Due Date”	28 February 2020, being the date stipulated in the Cooperation Agreement that either Kazatomprom and UMP (acting together) or CGNPC and CGNPC-URC (acting together) may issue a liquidation notice for the liquidation of the Fuel Partnership if the first shipment under the initial Long Term Fuel Assembly Contract has not been despatched by such date
“Irkol Mine”	the Irkol mine located in the Kyzylorzhinsk area, 20 kilometres from the town of Chiili, Kazakhstan, which is owned and operated by Semizbay-U.
“JORC Code”	the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves
“Kazakhstan”	the Republic of Kazakhstan
“Kazatomprom”	Joint Stock Company “National Atomic Company “Kazatomprom”, a joint stock company established according to the laws of Kazakhstan
“Kazatomprom Mining Participant”	Kazatomprom or its affiliate for participation in the Mining Project under the Cooperation Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	the long stop date in relation to the Completion as set out in the row “Long Stop Date” under the section headed “Sale and Purchase Agreement – Major terms” in this announcement
“Long Term Fuel Assembly Contract(s)”	the back-to-back off-take agreement(s), each with a term between three to five years, to purchase the product of the Fuel Partnership (i.e. fuel assemblies) under the Fuel Assembly Purchase Obligation

“Mineral Resource”	as defined in the JORC Code, means a concentration or occurrence of solid material of economic interest in or on the Earth’s crust in such form, grade (or quality) that there are reasonable prospects of eventual economic extraction
“Mining Partnership”	the legal entity for carrying out the Mining Project, which is later identified as Ortalyk
“Mining Principles Agreement”	the <i>Mining Principles Agreement on the joint development of Kazakhstan Uranium Deposit</i> dated 4 October 2016 entered into between the Company and Kazatomprom, as announced in the announcement of the Company dated 4 October 2016
“Mining Project”	the project of development of one or more uranium deposits in Kazakhstan contemplated under the Cooperation Agreement
“natural uranium”	uranium concentrates in the form of U ₃ O ₈
“New Exercise Price”	the exercise price of the Call Option, the Put Option and the Buy-back Right determined by the mechanism stipulated in the Further Cooperation Agreement as set out in the row “Exercise price of the Buy-back Right” under the section headed “The Further Cooperation Agreement – Major terms” in this announcement
“New Zhalspak Subsoil Use Agreement”	the new subsoil use agreement for the Zhalspak Deposit
“Off-take Agreement”	the <i>Agreement on the basic principles of marketing (sale) policy with respect to the products of Mining Company “ORTALYK” LLP</i> expected to be entered into between Kazatomprom, the Company and CGNM UK as further described in the section headed “The Sale and Purchase Agreement – Off-take Arrangement” in this announcement
“Off-take Arrangement”	the arrangement for off-take of the product of Ortalyk as initially described in the section headed “Off-take arrangement of products of the Mining Partnership” and further particularised in the Offer-take Agreement
“Old Exercise Price”	the exercise price of the Call Option and the Put Option determined by the mechanism stipulated in the Cooperation Agreement as set out in the section headed “Background of the Acquisition – The Cooperation Agreement – Exercise price of the Call Option and Put Option” in the letter from the Board in this announcement, which has subsequently been superseded by the New Exercise Price

“Ore Reserves”	as defined in the JORC Code, means the economically mineable part of a measured and/or indicated Mineral Resource
“Ortalyk”	Mining Company “ORTALYK” LLP, a legal entity established in the form of a limited liability partnership in Kazakhstan and is owned as to 100% by Kazatomprom as of the date of this announcement
“percentage ratios”	has the same meaning ascribed to it under the Listing Rules
“PRC”	the People’s Republic of China, and for the purpose of this announcement only, excluding Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Proposed Annual Cap(s)”	the proposed annual maximum amount of natural uranium to be off-taken by the Group under the Off-take Arrangement to be approved by the Independent Shareholders
“Put Option”	the option granted to CGNPC, CGNPC-URC, CGNPC Mining Participant for the disposal of all the interest of CGNPC-URC in the Fuel Partnership to UMP and all the interest of CGNM UK in Ortalyk to Kazatomprom Mining Participant under the Cooperation Agreement as further described under the paragraph headed “Background of the Acquisition – The Cooperation Agreement – The Put Option” in this announcement
“Put Option Triggering Event(s)”	the event(s) that would trigger the Put Option set out under the paragraph headed “Background of the Acquisition – The Cooperation Agreement – The Put Option” in this announcement
“Sale and Purchase Agreement”	the <i>Sale and Purchase Agreement in relation to the Participatory Interest in the charter capital of Mining Company “ORTALYK” LLP</i> dated 22 April 2021 entered into between Kazatomprom and CGNM UK as further described in the section headed “The Sale and Purchase Agreement” in this announcement
“Sell-back Right”	the right to require Kazatomprom to buy-back the Target Interest if Ortalyk fails to obtain the New Zhalpak Subsoil Use Agreement set out in the row “Zhalpak subsoil use right” under the section headed “The Sale and Purchase Agreement – Major terms” in this announcement
“Semizbay Mine”	the Semizbay mine located in the Valihanov District of Akmoltnsk Oblast, Kazakhstan which is owned and operated by Semizbay-U.

“Semizbay-U”	Semizbay-U Limited Liability Partnership, a limited liability partnership established in Kazakhstan with the Company holding 49% of its equity interest through its wholly-owned subsidiary
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) in the Company with nominal value of HK\$0.01 each
“Shareholder(s)”	holder(s) of the Share(s)
“Shareholders’ Agreement”	<i>The Foundation Agreement of Mining Company “Ortalyk” Limited Liability Partnership</i> to be entered between Kazatomprom and CGNM UK, specifying mutual rights and obligations in relation to the participation in the charter capital of Ortalyk and management thereof
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning ascribed to it under the Listing Rules
“Subsoil Code”	Code of the Republic of Kazakhstan “On Subsoil and Subsoil Use” dated 27 December 2017 No. 125-VI, as amended
“Subsoil Law”	Law of the Republic of Kazakhstan “On Subsoil and Subsoil Use” dated 24 June 2010 No. 291-IV, as amended, which has been superseded by the Subsoil Code
“Target Interest”	49% interest in Ortalyk
“Target Mines”	the Central Mynkuduk Deposit and the Zhalpak Deposit
“TradeTech”	TradeTech of Denver Tech Centre, 7887 E. Belleview Avenue, Suite 888, Englewood, CO 80111, USA, one of the leading providers of uranium prices and an independent third party
“Tenge”	Kazakhstan Tenge, the lawful currency of Kazakhstan
“Ulba-FA”	“Ulba-FA” Limited Liability Partnership, a limited liability partnership established in Kazakhstan and owned as to 51% and 49% by UMP and CGNPC-URC, respectively
“UMP”	Joint Stock Company “Ulba Metallurgical Plant”, a joint stock company established according to the laws of Kazakhstan and a subsidiary of Kazatomprom

“United Kingdom”	The United Kingdom of Great Britain and Northern Ireland
“US\$” or “USD”	United States dollars, the lawful currency of the United States of America
“UxC”	UxC, LLC, one of the leading providers of uranium prices and an independent third party
“Valuation Date”	the valuation date of the Target Interest for the purpose of determination of the Consideration, being 30 June 2020
“Valuer”	China Enterprise Appraisals Company Limited
“Zhalpak Deposit”	the uranium deposit located in Sozak district, Kazakhstan operated by Ortalyk
“%”	per cent

* *for identification purpose only*

By Order of the Board
CGN Mining Company Limited
An Junjing
Chief Executive Officer

Hong Kong, 22 April 2021

As at the date of this announcement, the board of directors of the Company comprises two executive directors: Mr. An Junjing (chief executive officer) and Mr. Chen Deshao; three non-executive directors: Mr. Yu Zhiping (chairman), Mr. Sun Xu and Mr. Yin Xiong; and three independent non-executive directors: Mr. Qiu Xianhong, Mr. Gao Pei Ji and Mr. Lee Kwok Tung Louis.

* *For identification purpose only*