

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



Wanguo International Mining Group Limited

萬國國際礦業集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3939)

SUPPLEMENTARY ANNOUNCEMENT

DISCLOSABLE TRANSACTION - ACQUISITION OF THE MAJORITY SHAREHOLDING IN AXF GOLD RIDGE PTY LTD WHICH INDIRECTLY OWNS A GOLD MINE IN SOLOMON ISLANDS

Reference is made to the announcement of the Company dated 30 April 2020 relating to, amongst other things, the supplementary announcement for acquisition of the majority shareholding in AXF Gold Ridge Pty Ltd which indirectly owns a gold mine in Solomon Islands (the “**Announcement**”). Capitalised terms used herein shall have the same meanings as those defined in the Announcement unless stated otherwise.

IDENTITY OF THE ULTIMATE BENEFICIAL OWNER OF AXF RESOURCES

As disclosed in the Announcement, AXF Resources is a company incorporated in Australia and is engaged in mineral investment. Australian Xiang Fu International Trust, a family discretionary trust, is the ultimate beneficial owner of AXF Resources. Mr. Mingfeng Gu, a director of AXF Resources, and his family members are the beneficiaries.

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

Basis of the Consideration paid

As disclosed in the Announcement under the heading “Basis of the Consideration paid”, the Consideration was AUD 53.473 million which was determined after arm’s length negotiation between the Company and AXF Resources on the basis of the two parties’ agreed project valuation of AUD76.39 million at the time of entering into the Deed, with reference to a draft valuation of USD66.5 million (equivalent to AUD94.8 million @1.42 conversion rate,

assuming gold price of USD1,250 per ounce) for the asset acquired. The agreed project valuation was arrived provided that AXF Resources would undertake pre-commissioning work or project enhancements necessary to manage a number of project uncertainties.

No revenue or profit was derived during the period from 15 April 2016 (date of incorporation of AXF Gold Ridge) to 30 June 2016, years ended 30 June 2017 and 2018 and eleven months ended 31 May 2019 in AXF Gold Ridge as the Gold Ridge Mine has suspended operation since April 2014. The Board considered historical financial information was irrelevant for the Acquisition as the aforesaid valuation was based on the future projection of the operation of Gold Ridge Mine subsequent to the Completion.

The revised Consideration of AUD22.105 million is the amount of the Consideration paid by the Company as at 27 March 2020 pursuant to the Deed and subsequent Amendments. The parties negotiated and agreed upon waiving the remaining Consideration based on the following factors:

- Since the end of 2019, the Solomon Islands Government (“SIG”) and community stakeholders had expressed increasing concerns on the extended lapse of time for the Completion of the Acquisition and urged the parties to complete the transaction as soon as possible;
- According to the S&P Agreement, it is the responsibility of AXF Resources to maintain the mining lease in a good standing before the Completion. However, due to AXF Resources’ limited mining experience and resources, it had encountered difficulties in fulfilling the project development responsibilities in maintaining the mining lease, including to bring the Project through the permitting and pre-commissioning stages which formed the basis of the abovesaid agreed project valuation.
- To maintain the mining right and the project value, the Company reprioritized its available cashflow to undertake the necessary project care, maintenance and pre-recommissioning costs, including obtaining necessary project approvals. Over the past 2 years, the Company had built trust and confidence with SIG and the community and had become an integral part of the Project syndicate.

The independent valuation report gave a valuation range for the project from USD 21 million to USD 112 million depending on the degree of certainty. The valuation of mining project in its development stage is highly sensitive to macro and local factors associated with permitting, involving a wide range of cost and uncertainties. The previously project valuation of USD66.5 million disclosed by the Company assumes that AXF Resources is able to fulfil pre-commissioning responsibilities at the time of entering into the S&P Agreement. The above factors have effectively changed the project status at the time of the entering S&P Agreement from post-permitting phase to pre-permitting phase, and has resulted in project valuation being shifted to the lower end of the valuation range.

As disclosed in the Announcement, the Company had devoted substantial resources and undertaken the necessary project enhancement activities subsequent to the determined consideration of AUD53.473 million. The parties agreed to reduce Consideration to AUD22.105 million mainly in recognition of the Company taking up AXF Resources’ responsibilities since early 2018 and bringing the project through permitting and

pre-commissioning stages and to facilitate immediate completion of the Acquisition and accelerate the commencement of gold production.

The Board is of the view that the Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

By Order of the Board
Wanguo International Mining Group Limited
Gao Mingqing
Chairman

Hong Kong, 21 May 2020

As at the date of this announcement, the Board comprises Mr. Gao Mingqing (Chairman), Ms. Gao Jinzhu, Mr. Xie Yaolin and Mr. Liu Zhichun as executive Directors; Mr. Li Kwok Ping and Mr. Lee Hung Yuen as non-executive Directors; and Dr. Lu Jian Zhong, Mr. Qi Yang, Mr. Shen Peng and Mr. Wang Xin as independent non-executive Directors.