

## CCXAP assigns first-time long-term credit rating of BBB<sub>g</sub> to Zijin Mining Group Co., Ltd., with stable outlook

Hong Kong, 28 December 2021 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned a first-time BBB<sub>g</sub> long-term credit rating to Zijin Mining Group Co., Ltd. (“Zijin Mining” or the “Company”), with stable outlook.

The BBB<sub>g</sub> long-term credit rating of Zijin Mining is underpinned by the Company’s (1) leading market position in the mining industry with sufficient resources reserves; (2) large operating scale and diversified product mix, with steady production growth; (3) improving profitability and credit metrics, driven by strong metal prices; and (4) good access to funding with diversified funding channels.

However, the rating is constrained by the Company’s (1) earnings vulnerable to global economic conditions and metal price volatility; (2) large capital expenditure pressure arising from extensive project pipeline; and (3) high debt leverage along with its expansion on overseas business.

### Corporate Profile

Founded in 2000, Zijin Mining (Stock Code: 2899.HK & 601899.SH) is a leading mining company of gold and base metals in China. The Company principally engages in the exploration, mining, smelting, refining, trading and sale of gold, copper, and zinc, as well as other mineral resources globally. The Company’s A-share is listed on the Shanghai Stock Exchange with its H-share on the Stock Exchange of Hong Kong. As of 30 September 2021, Minxi Xinghang State-owned Assets Investment Company Limited (“Minxi Xinghang”) directly held 23.11% of the equity interest in Zijin Mining, and the Finance Bureau of Shanghang County in Fujian Province is the Company’s ultimate controller.

### Rating Rationale

#### Credit Strengths

**Strong market position in mining industry with sufficient resource reserves.** Zijin Mining has established a strong position in China’s mining industry, ranking as one of the top Chinese mining companies in terms of the mineral reserves and production volume of gold, copper, and zinc. As of 30 September 2021, the Company had over 2,300 tons of gold resource reserves, about 62 million tons of copper resource reserves, over 10 million tons of zinc resource reserves, and over 2,900 tons of silver resource reserves.

**Large operating scale and diversified product mix, with steady production growth.** Zijin Mining has a moderately diversified product mix, mainly including gold, copper, and zinc, which could reduce the impact of any single commodity. The production of mine-produced gold, copper and zinc demonstrated steady growth.

**Improving profitability and credit metrics, driven by strong metal prices.** Zijin Mining's earnings maintained steady growth along with the rising commodity prices and growing production volumes. The Company recorded total revenue of RMB171.5 billion in 2020, with a CAGR of 21.4% over the past five years and 26.0% YoY increase.

**Good access to funding with diversified funding channels.** Zijin Mining has sufficient standby liquidity cushion and good access to capital markets as an A+H share listed company.

### Credit Challenges

**Earnings vulnerable to global economic conditions and metal price volatility.** Commodity metal prices has experienced large volatility during the economic downturn and recovery period in recent years. Zijin Mining's revenue and earnings are vulnerable to the fluctuations of base metal prices, especially copper and zinc.

**Large capital expenditure pressure arising from extensive project pipeline.** The Company's capital expenditure pressure is high given its extensive projects pipeline. As of 30 September 2021, the Company's total estimate investment in major construction in progress was RMB71.0 billion, while the invested amount was RMB33.5 billion.

**High debt leverage along with expansion on overseas business.** Zijin Mining has high debt leverage owing to its debt-driven business expansion. The Company's adjusted total debt (including perpetual securities) amounted to RMB81.4 billion at end-2020, increasing by RMB28.8 billion as compared to that of end-2019. The Company's debt leverage remained at a relatively high level of around 50%-55% in the past three years.

### Rating Outlook

The stable outlook on Zijin Mining's rating reflects our expectation that the Company will maintain its strong market position in the mining industry, with steady growth in its production volumes over the next 12-18 months.

#### What could upgrade the rating?

The rating could be upgraded if (1) commodity prices rise substantially, further boosting the Company's profits; (2) the Company's market position strengthens with material increase in products production; and (3) the Company demonstrates lower debt leverage and improved credit metrics.

#### What could downgrade the rating?

The rating could be downgraded if (1) commodity prices decline sharply, adversely affecting the Company's earnings; (2) the Company's overseas operations encounter operating, geopolitical or environmental issues; or (3) the Company indicates deteriorated credit metrics and weakened liquidity profile.



## Rating Methodology

The methodology used in this rating is the Rating Methodology for [Mining Industry \(December 2017\)](#).

## Regulatory Disclosures

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