

CCXAP upgrades Zijin Mining Group Co., Ltd.'s long-term credit rating to BBB_g+, with stable outlook

Hong Kong, 2 November 2022 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has upgraded the long-term credit rating of Zijin Mining Group Co., Ltd. (“Zijin Mining” or the “Company”) to BBB_g+ to BBB_g, with stable outlook.

CCXAP upgrades Zijin Mining’s long-term credit rating to BBB_g+ from BBB_g based on the Company’s strengthening business position through endogenous and exogenous growth, and further product diversification into new energy minerals. We also opine that the Company will maintain good revenue growth, supported by the steady growth in gold and copper production, and competitive production cost.

The rating is underpinned by the Company’s (1) leading market position in gold and copper mining with sufficient resources reserves; (2) diversified product mix and increasing production scale; (3) improved profitability and credit metrics, driven by favorable metal prices; and (4) good access to diversified funding channels.

However, the rating is also 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) elevated debt leverage along with 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. As of 30 June 2022, 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, Fujian Province is the Company’s ultimate controller.

Rating Rationale

Credit Strengths

Leading market position in gold and copper mining with sufficient resources reserves.

Zijin Mining has maintained a leading 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, zinc, and lithium carbonate. As of 30 June 2022, the Company had over 2,300 tons of gold resources, over 62 million tons of copper resources, nearly 10 million tons of zinc resources, and over 10 million tons of lithium carbonate resources.

Diversified product mix and increasing production scale. Zijin Mining has a diversified product mix, mainly including gold, copper, lithium carbonate, and zinc, which could reduce the



impact of any single commodity and support its business strength. In addition, the production capacity of major minerals such as copper and gold increased substantially.

Improved profitability and credit metrics driven by favorable metal prices. Supported by the strong gold prices and copper prices, along with its good cost management, the Company demonstrated improving profitability and cash-generating ability. Additionally, due to the increase in earnings, Zijin Mining's credit metrics improved.

Good access to diversified funding channels. Zijin Mining maintains sufficient standby liquidity cushion and good access to capital markets as an A+H share listed company. Considering Zijin Mining's good liquidity buffer as well as stable access to fundings, we expect the Company's refinancing pressure will be manageable over the next 12-18 months.

Credit Challenges

Earnings vulnerable to global economic conditions and metal price volatility. Commodity metal prices have 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 metal prices, especially copper and gold.

Large capital expenditure pressure arising from extensive project pipeline. Zijin Mining's capital expenditure pressure is high given its extensive projects pipeline. The Company's acquisitions since 2018 include many domestic projects and overseas projects, some of which are still in the construction period, resulting in continuous capital spendings. We expect the Company will continue to rely on external financing to meet its large capital needs.

Elevated debt leverage along with expansion on overseas business. Zijin Mining conducted overseas expansion mainly through debt funding for acquisition prices and capital expenditures to ramp up the output of these newly acquired mining projects. Given that the Company has a relatively large expenditure pressure from the ongoing acquisition and construction over the next 12 to 18 months, we expect that its debt leverage will remain within a relatively high range.

Rating Outlook

The stable outlook on Zijin Mining's rating reflects our expectation that the Company will maintain its leading 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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