

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

Hong Kong, 31 May 2023 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has affirmed Zijin Mining Group Co., Ltd.’s (“Zijin Mining” or the “Company”) long-term credit rating at BBB_g+, with stable outlook.

The rating is underpinned by the Company’s (1) leading market position in gold and copper mining with sufficient reserves; (2) increasing scale of production and sales; (3) good business mix and product diversification; (4) ongoing revenue growth and good profitability; and (5) good liquidity profile.

However, the rating is also constrained by the Company’s (1) earnings vulnerable to global economic conditions and metal price volatility; (2) increasing overseas business risks and large capital expenditure pressure; and (3) elevated debt leverage and moderate credit metrics.

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 31 December 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 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 31 December 2022, the Company had over 3,100 tons of gold resources, over 73 million tons of copper resources, and over 11 million tons of zinc and lead resources, with more than 46% of gold and copper resources and more than 80% of its zinc and lead resources obtained by self-initiated exploration.

Good business mix and product diversification. Zijin Mining has a wide product mix, mainly including gold, copper, zinc, and lithium carbonate, which could reduce the impact of any single commodity and support its business strength. Since 2018, the Company has acquired several high-quality overseas mining projects when metal prices were relatively low, geographically diversifying the location of its mines and expanding its overseas mining operations.



Increasing scale of production and sales. As the technological upgrade and expansion projects were constructed and progressed in an orderly manner, the production capacity of major minerals such as copper and gold has continued to increase.

Ongoing revenue growth and good profitability. Zijin Mining's revenue continued to grow in 2022 mainly driven by the growing volumes of production and sale. Supported by the high metal prices, along with its good cost management, the Company maintains a good profitability.

Good liquidity profile. Zijin Mining maintains a good liquidity profile. The Company has sufficient standby liquidity. Meanwhile, as an A+H share listed company and a frequent bond issuer, Zijin Mining has a diversified and smooth access to funding. Considering Zijin Mining's sufficient operating cash inflow and cash reserves, good liquidity buffer, and diversified financing channels, we believe that the Company can generate sufficient funds to fulfil the capital needs from daily operation, debt repayments, construction projects, and acquisitions.

Credit Challenges

Earnings vulnerable to global economic conditions and metal price volatility. Considering that non-ferrous metal mining is a cyclical industry, metal prices have shown a strong correlation with global economic cycles, resulting in large price volatility during the economic downturn and recovery period in recent years. Both gold and copper prices showed fluctuation in high price level in 2022. Zijin Mining's revenue and earnings are vulnerable to fluctuations of metal prices, especially copper and gold.

Increasing overseas business risks and large capital expenditure pressure. Since 2018, Zijin Mining has continued to expand its global footprint through mergers and acquisitions with self-raised funds. In addition, Zijin Mining's capital expenditure pressure is high driven by the acquisitions since 2018 and the consequent extensive projects under construction.

Elevated debt leverage and moderate credit metrics. Due to the large expenditure pressure from the acquisitions and the ongoing investment in projects under construction, Zijin Mining's total debt increased to RMB129.7 billion at end-2022 from RMB80.6 billion at end-2021, while its total capitalization ratio increased to 51.0% from 46.4% over the same period. Given the Company's large expenditure pressure from the construction projects in the pipelines, we expect that its debt leverage will remain at a relatively high level in the next 12 to 18 months.

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 scale 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 a 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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