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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: 1164)

## INSIDE INFORMATION PARTICIPATION IN THE DEVELOPMENT OF THE MINING PROJECT

This announcement is made by the Company pursuant to the inside information provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and Rule 13.09(2)(a) of the Listing Rules.

The Board announces that on 14 December 2015, the Company entered into the Agreement with CGNPC, CGNPC-URC, Kazatomprom and UMP setting out the key principles and terms for the parties' cooperation in the Fuel Project and the Mining Project. The development of the Mining Project is inter-conditional on the development of the Fuel Project and *vice versa*. The Company, as the CGNPC Mining Participant, will only participate in the development of the Mining Project.

For the purpose of undertaking the Mining Project, the Mining Partnership will be formed by the CGNPC Mining Participant and the Kazatomprom Mining Participant pursuant to the Mining Purchase Agreement to be entered into between the parties.

Given that (i) CGNPC-URC is a connected person of the Company by virtue of it being the controlling shareholder indirectly holding approximately 64.15% equity interests in the Company; (ii) CGNPC, directly and indirectly through its wholly-owned subsidiary, holds 100% equity interest in CGNPC-URC, and is therefore a connected person of the Company; (iii) UMP is a subsidiary of Kazatomprom; (iv) UMP and CGNPC-URC will form the Fuel Partnership to undertake the Fuel Project; and (v) the development of the Mining Project is inter-conditional on the development of the Fuel Project and *vice versa*, each of Kazatomprom and UMP will be deemed as a connected person of the Company under Rule 14A.20 of the Listing Rules in respect of (i) the transactions contemplated under the Mining Purchase Agreement, (ii) the acceptance of the Put Option and (iii) the grant of the Call Option. As such, the development of the Mining Project by the Company (as the CGNPC Mining Participant) with the Kazatomprom Mining Participant, the entering into of the Mining Purchase Agreement, the acceptance of the Put Option and grant of the Call Option will constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As at the date of this announcement, no definitive agreement in relation to the development of the Mining Project has been entered into by the parties, in particular, the percentage of participatory interest of the CGNPC Mining Participant in the Mining Partnership and the amount of capital contribution by the CGNPC Mining Participant to the Mining Partnership have not been determined by the parties. The Company will comply with the relevant requirements of the Listing Rules (which may include Chapter 14, Chapter 14A and Chapter 18) with respect to the development of the Mining Project, the entering into of the Mining Purchase Agreement, the acceptance of the Put Option and grant of the Call Option in due course.

This announcement is made by the Company pursuant to the inside information provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and Rule 13.09(2)(a) of the Listing Rules.

## **BACKGROUND**

On 14 December 2014, CGNPC and Kazatomprom entered into the *Agreement for Expanding and Deepening Mutually Beneficial Cooperation in Nuclear Energy Field*, pursuant to which they agreed to develop an overall strategic cooperation in nuclear energy field on a long term and mutually beneficial basis, *inter alia*, to undertake the Fuel Project and the Mining Project. CGNPC and Kazatomprom acknowledge and accept that the development of the Mining Project is inter-conditional on the development of the Fuel Project and *vice versa*.

For the purpose of undertaking the Fuel Project, the parties are willing to incorporate in Kazakhstan and jointly manage the Fuel Partnership, with objectives to conduct feasibility studies, organize detailed design studies for and the construction and management of a facility for the fabrication of the fuel assemblies to be supplied to customers in the PRC, Kazakhstan and potentially other countries, which shall include the fuel fabrication services.

For the purpose of undertaking the Mining Project, the parties are willing to form the Mining Partnership by either incorporating a new joint venture entity or utilizing an existing entity wholly owned (either directly or indirectly) by Kazatomprom, in each case incorporated in Kazakhstan, to participate in the development of one or more uranium deposits located in Kazakhstan to be identified by CGNPC and Kazatomprom.

On the above basis, on 14 December 2015, the Company and CGNPC, CGNPC-URC, Kazatomprom and UMP entered into the Agreement to record their respective rights and obligations with respect to the incorporation and operation of the Fuel Partnership and the Mining Partnership. The Company, as the CGNPC Mining Participant, will only participate in the development of the Mining Project.

## PRINCIPAL TERMS OF THE AGREEMENT

### Fuel Project

The Fuel Partnership shall be established by UMP and CGNPC-URC by the end of 2015.

The purpose of the Fuel Partnership is to build and operate a fuel assemblies fabrication plant in Kazakhstan and to supply the fuel fabrication services and/or the fuel assemblies on economically competitive terms to customers in the PRC, Kazakhstan and other countries. CGNPC-URC shall, or shall procure that one of its affiliates, enters into the off-take agreements (each a “**Long-Term Contract**”) to purchase the Fuel Partnership’s products from the Fuel Partnership for supply to nuclear power plants in the PRC.

### Mining Project

Within 5 months after the execution of the Agreement and the incorporation of the Fuel Partnership, CGNPC and Kazatomprom shall enter into the Mining Principles Agreement setting out the key principles and terms for cooperation in connection with the Mining Project (including but not limited to the participatory interest of each of the CGNPC Mining Participant and Kazatomprom Mining Participant in the Mining Partnership).

Within 20 months after the execution of the Mining Principles Agreement and the completion of the additional contributions to the charter capital of the Fuel Partnership, the Kazatomprom Mining Participant and the CGNPC Mining Participant shall, in accordance with the Mining Principles Agreement, enter into the Mining Purchase Agreement, pursuant to which the CGNPC Mining Participant shall acquire certain participatory interest in the Mining Partnership from the Kazatomprom Mining Participant at the market value determined in a valuation process, provided that following the acquisition of such participatory interest by the CGNPC Mining Participant, the percentage of the participatory interest held by the Kazatomprom Mining Participant shall not be less than 51%.

The purpose of the Mining Partnership is to develop and operate one or more mining deposits so as to satisfy the natural uranium demand of the Fuel Partnership at the fuel assemblies fabrication plant in line with the principles of material balance and logistic optimization. Each of the Kazatomprom Mining Participant and the CGNPC Mining Participant will enter into an off-take arrangement with the Mining Partnership, under which it shall have the right to acquire part of natural uranium output in proportion to its participatory interest in the Mining Partnership and supply its portion of natural uranium to other customers.

### Put Option

Each of Kazatomprom and UMP shall grant to CGNPC, CGNPC-URC and the CGNPC Mining Participant the right (the “**Put Option**”) to require (i) UMP to acquire from CGNPC-URC 100% of the participatory interest of CGNPC-URC in the Fuel Partnership (in whole and not in part) and (ii) the Kazatomprom Mining Participant to acquire from the CGNPC Mining Participant 100% of the participatory interest of the CGNPC Mining Participant in the Mining Partnership (in whole and not in part).

The Put Option shall be exercisable at any time during the period of 60 business days following the occurrence of any of the following events:

- (a) 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 the 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; or
- (b) CGNPC Mining Participant ceasing to hold any participatory interest in the Mining Partnership; or
- (c) a material breach of the Agreement is committed by Kazatomprom or UMP or their affiliates (other than the government of Kazakhstan) and is not remedied within 60 business days; or
- (d) Kazatomprom and UMP (acting together) issues a liquidation notice pursuant to the Agreement, 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; or
- (e) 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 Agreement provided such delay is not attributable to, or due to, CGNPC, CGNPC-URC or the 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; or
- (f) on the date falling 12 months from the date of execution of the Mining Purchase Agreement, the 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.

### **Call Option**

Each of CGNPC, CGNPC-URC and the CGNPC Mining Participant shall grant to Kazatomprom, the Kazatomprom Mining Participant and UMP the right (the "**Call Option**") to require (i) CGNPC-URC to sell 100% of the participatory interest it holds (if any) in the Fuel Partnership to UMP (or its nominee); and (ii) the CGNPC Mining Participant to sell 100% of the participatory interest it holds (if any) in the Mining Partnership to the Kazatomprom Mining Participant (or its nominee) (in whole and not in part).

The Call Option shall be exercisable at any time during the period of 60 business days following the occurrence of any of the following events:

- (a) 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; or
- (b) CGNPC-URC ceasing to hold a participatory interest in the Fuel Partnership; or
- (c) a material breach of the Agreement is committed by either of CGNPC, CGNPC-URC, the CGNPC Mining Participant or their affiliates (other than the government of the PRC) and is not remedied within 60 business days; or
- (d) CGNPC and CGNPC-URC (acting together) issues a liquidation notice pursuant to the Agreement, or the 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; or
- (e) 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 Agreement provided such delay is not attributable to, or due to, Kazatomprom, UMP or the 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; or
- (f) on the date falling 24 months from the date when the first order is received by the Fuel Partnership under the initial Long-Term Contract, the Fuel Partnership has not delivered any shipment of its products under the Long-Term Contract with respect to that order.

The exercise price of the Put Option and the Call Option shall be equal to the market value of the participatory interest to be transferred in the Fuel Partnership or the Mining Partnership, as applicable, as at the date on which written notice is served by CGNPC (in respect of the exercise of the Put Option) or Kazatomprom (in respect of the exercise of the Call Option) on each of the other parties. The Put Option or the Call Option is only capable of being exercised over both of CGNPC-URC's participatory interest (if any) in the Fuel Partnership and the CGNPC Mining Participant's participatory interest (if any) in the Mining Partnership at the same time and cannot be exercised with respect to only one participatory interest, except where CGNPC-URC or the CGNPC Mining Participant does not hold a participatory interest in the other partnership at the time of the exercise of the Put Option or the Call Option.

## LISTING RULES IMPLICATIONS

Given that (i) CGNPC-URC is a connected person of the Company by virtue of it being the controlling shareholder indirectly holding approximately 64.15% equity interests in the Company; (ii) CGNPC, directly and indirectly through its wholly-owned subsidiary, holds 100% equity interest in CGNPC-URC, and is therefore a connected person of the Company; (iii) UMP is a subsidiary of Kazatomprom; (iv) UMP and CGNPC-URC will form the Fuel Partnership to undertake the Fuel Project; and (v) the development of the Mining Project is inter-conditional on the development of the Fuel Project and *vice versa*, each of Kazatomprom and UMP will be deemed as a connected person of the Company under Rule 14A.20 of the Listing Rules in respect of (i) the transactions contemplated under the Mining Purchase Agreement, (ii) the acceptance of the Put Option and (iii) the grant of the Call Option. As such, the development of the Mining Project by the Company (as the CGNPC Mining Participant) with the Kazatomprom Mining Participant, the entering into of the Mining Purchase Agreement, the acceptance of the Put Option and grant of the Call Option will constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As at the date of this announcement, no definitive agreement in relation to the development of the Mining Project has been entered into by the parties, in particular, the percentage of participatory interest of the CGNPC Mining Participant in the Mining Partnership and the amount of capital contribution by the CGNPC Mining Participant to the Mining Partnership have not been determined by the parties. The Company will comply with the relevant requirements of the Listing Rules (which may include Chapter 14, Chapter 14A and Chapter 18) with respect to the development of the Mining Project, the entering into of the Mining Purchase Agreement, the acceptance of the Put Option and grant of the Call Option in due course.

## REASONS FOR AND BENEFITS OF THE TRANSACTION

The Company believes that its cooperation with Kazatomprom will enable the Company to establish an important overseas base for its natural uranium supply business in Kazakhstan, and help the Company to build up its reserve in the uranium resource-related segment in the long run and an competitive supply protection mechanism with an operational model in line with the international market. It will also promote the development of uranium resource and nuclear energy-related industrial chain significantly, gradually forming stronger internationally competitive power.

The uranium mine in Kazakhstan is a rare large scale, low-cost quality producing in-situ leaching mine, with abundant output in good quality and commands obvious advantage in production cost. Through the Mining Project, Kazatomprom will cooperate with the Company in the development of one to two uranium mining projects, which will supply the Company with reliable high quality natural uranium products in a cost effective manner in the longer term in future, so as to continuously enhance the Company's operating results as well as its market competitiveness.

**The development of the Mining Project is inter-conditional on the development of the Fuel Project and *vice versa*, and the Mining Purchase Agreement in relation to the formation of the Mining Partnership has not been entered into as at the date of this announcement. As such, the Mining Project may or may not proceed. Shareholders of the Company and potential investors are therefore advised to exercise caution in dealing in the securities of the Company.**



## DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

“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
“Board”	the board of Directors of the Company
“CGNPC”	中國廣核集團有限公司 China General Nuclear Power Corporation* (formerly known as 中國廣東核電集團有限公司 China Guangdong Nuclear Power Holding Corporation, Ltd.*), a state-owned enterprise established in the PRC and the ultimate controlling shareholder of the Company
“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
“CGNPC-URC”	中廣核鈾業發展有限公司 CGNPC Uranium Resources Co., Ltd.*, 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 中國鈾業發展有限公司, a company incorporated in Hong Kong with limited liability and the controlling shareholder of the Company holding approximately 64.15% equity interest in the Company
“Company”	CGN Mining Company Limited 中廣核礦業有限公司*, a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the main board of the Stock Exchange (stock code: 1164)
“connected person(s)”	has the same meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the same meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Fuel Partnership”	a limited liability partnership to be incorporated in Kazakhstan to undertake the Fuel Project
“Fuel Project”	the development of a fuel assemblies fabrication plant in Kazakhstan

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Kazakhstan”	The Republic of Kazakhstan
“Kazatomprom”	National Atomic Company Kazatomprom, a joint stock company established according to the laws of Kazakhstan
“Kazatomprom Mining Participant”	Kazatomprom or an affiliate of Kazatomprom
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mining Partnership”	an entity to be incorporated in Kazakhstan to undertake the Mining Project
“Mining Principles Agreement”	a binding framework agreement to be entered into between CGNPC and Kazatomprom, setting out the key principles and terms for cooperation in connection with the Mining Project
“Mining Project”	the development of a uranium producing mine in Kazakhstan
“Mining Purchase Agreement”	a binding purchase agreement to be entered into between the Kazatomprom Mining Participant and the CGNPC Mining Participant in relation to the acquisition by the CGNPC Mining Participant of certain participatory interest in the Mining Partnership from the Kazatomprom Mining Participant
“PRC”	The People’s Republic of China
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“UMP”	Ulba Metallurgical Plant, a joint stock company established according to the laws of Kazakhstan and a subsidiary of Kazatomprom

By Order of the Board  
**CGN Mining Company Limited**  
**Zhou Zhenxing**  
*Chairman*

Hong Kong, 14 December 2015

*As at the date of this announcement, the board of Directors of the Company comprises two executive Directors: Mr. Yu Zhiping (chief executive officer) and Mr. Xing Jianhua, three non-executive Directors: Mr. Zhou Zhenxing (chairman), Mr. Chen Qiming and Mr. Yin Engang and three independent non-executive Directors: Mr. Qiu Xianhong, Mr. Gao Pei Ji and Mr. Lee Kwok Tung Louis.*

\* For identification purpose only