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PERSISTENCE RESOURCES GROUP LTD
集海資源集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2489)

SUPPLEMENTARY ANNOUNCEMENT IN RELATION TO DISCLOSEABLE TRANSACTION ACQUISITION OF SHARES IN THE TARGET COMPANY

Reference is made to the announcement of Persistence Resources Group Ltd (the "**Company**", together with its subsidiaries collectively the "**Group**") dated 25 November 2024 in relation to the Acquisition (the "**Announcement**"). Unless otherwise defined herein, capitalised terms used in this announcement shall have the same meanings as defined in the Announcement.

The Board would like to provide shareholders and potential investors of the Company with further information.

BASIS OF THE CONSIDERATION

As set out in the Announcement, the amount of the Consideration was determined based on, among others, the Valuation of the Target Company. Below sets forth the further details relating to the Valuation, which should be read in conjunction with the relevant information as set out in the Announcement.

Scope of work

- Co-ordinated with the Company's representatives to obtain the required information and documents for the Valuation;

- Gathered the relevant information of the Target Company, including the legal documents, financial statements, etc. made available to the Valuer;

- Discussed with the Company and the Target Company to understand the history, business model, operations, business development plan, etc. of the Target Company for valuation purpose;

- Carried out research in the sector concerned and collected relevant market data from reliable sources for analysis;

- Studied the information of the Target Company made available to the Valuer and considered the bases and assumptions of the conclusion of value;

- Selected an appropriate valuation method to analyse the market data and derived the estimated fair value of the Target Company; and

- Compiled the Valuation Report on the valuation, which outlines the Valuer's findings, valuation methodologies and assumptions, and conclusion of value.

The Valuer relied on the data, records and documents in arriving at their opinion of values and had no reason to doubt the truth and accuracy of the information provided to the Valuer by the Company, the Target Company and their authorised representatives.

Sources of information

For the purpose of the Valuation, the Valuer were provided with the information in respect of the Target Company prepared by the Company, the Target Company and their authorised representatives. The Valuation required the consideration of all relevant factors including, but not limited to the following:

- Background information of the operation and relevant corporate information of the Target Company;

- Historical financial information of the Target Company;

- Financial projections of the Target Company;

- Competent Person's Report prepared by SRK;

- Registrations, legal documents, permits and licenses related to the mining assets;

- The economic outlook in general and the specific economic environment and market elements affecting the gold mining business, industry and market; and

- FactSet, Shanghai Gold Exchange and other reliable sources of market data.

The details in applying the DCF method

The DCF method begins with an estimation of the annual cash flows, which a market participant acquirer would expect the asset to generate over a discrete projection period. The expected cash flow or free cash flows for each year was determined as follows:

The term free cash flow ("**FCF**") can be represented by the following equation:

*FCF = NOPLAT + DEPR + Interest *(1-Tax rate) – Capex – InvNWC*

Where:

FCF	=	*free cash flow*
NOPLAT	=	*net operating profit and loss after tax*
DEPR	=	*depreciation and amortization expenses*
Capex	=	*capital expenditure*
InvNWC	=	*investment in net working capital*

The estimated cash flows for each of the years in the discrete projection period are then converted to their present value equivalent using a rate of return appropriate for the risk of achieving the asset's projected cash flows. The present value of the estimated cash flows are then added to the present value equivalent of the residual value of the asset (if any) at the end of the discrete projection period to arrive at an estimate of the value of the specific asset. The present value of the expected free cash flow is calculated as follows:

$$PVFCF = FCF1/(1 + r)^1 + FCF2/(1 + r)^2 + \ldots + FCFn/(1 + r)^n$$

Where:

PVFCF	=	*present value of free cash flows*
FCF	=	*free cash flow*
r	=	*discount rate*
n	=	*number of year of projections*

Key Inputs

1. Mineral Resources and Mineral Reserves

The Mineral Resources Statement and Mineral Reserves Statement as set out in the Announcement and the SRK Report were adopted.

2. Production capacity and schedule

The production capacity and schedule were adopted from SRK Report, being 48 kt of ore tonnage for second half of 2024, 96 kt of ore tonnage per annum from 2025 to 2027 and 165 kt of ore tonnage per annum from 2028 to 2033.

3. Basis of revenue

The Target Company has signed a sale contract on 1 January 2024. The gold price for year 2024 and 2025 were mentioned in the sale contract. The long-term forecast trend of gold price sourced from Factset and historical gold price from Shanghai Gold Exchange was used for revenue estimate after 2026.

	2024/ Jul–Dec 2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Gold Price ***(RMB/g)***	485	496	459	450	452	417	417	417	417	417
Revenue ***(RMB '000)***	29,256	74,493	68,850	67,578	195,663	180,280	278,078	303,765	351,931	244,136

4. Basis of capital expenditure

Capital expenditure ("**CAPEX**") generally comprises of development and expansion CAPEX and sustaining CAPEX. The Company prepared a projection of development and expansion CAPEX and sustaining CAPEX for further mine development and mining equipment, support facilities based on the proposed production schedule.

5. Basis of operating expenditure

Operating expenditure generally includes mining costs, processing costs, refining costs, general and administrative costs, selling costs, depreciation/amortization costs and other cash cost items. These items were estimated primarily based on the historical data of the Target Campany.

6. Basis of working capital requirement

The working capital requirement for the projection period, projected by the management, was made reference to the historical data.

7. Discount rate

The discount rate for the Target Company was determined with reference to the business nature and financial information of publicly listed companies that are considered to be comparable to the Target Company ("**Comparable Companies**"). The following principles were adopted during the selection process:

- The companies are principally engaged in the business of production and sales of gold in the PRC (over 40% of revenue); and
- Sufficiency of information (such as listing and operating histories over 3 years, and availability of the financial information to the public).

Based on the abovementioned selection criteria, the Valuer considered the set of the Comparable Companies adopted in the Valuation is exhaustive. Details of the Comparable Companies are listed as follows:

Company name	**Ticker**
Grand T G Gold Holdings Ltd	8299-HK
Zhaojin Mining Industry Co., Ltd.	1818-HK
Hunan Gold Corp. Ltd.	002155-CN
Shandong Gold Mining Co., Ltd.	1787-HK
Western Region Gold Co Ltd	601069-CN
Tongguan Gold Group Ltd.	340-HK
Zijin Mining Group Co., Ltd.	2899-HK
Zhongjin Gold Corp., Ltd.	600489-CN

The Valuation adopted the weighted average cost of capital ("**WACC**") as a basic discount rate for the Target Company. WACC represents the weighted average return attributable to all of the operating assets of the Target Company.

Under the WACC, the cost of equity of the business was developed through the application of the Capital Asset Pricing Model ("**CAPM**"), which is the most commonly adopted method of estimating the required rate of return for equity. CAPM states that the cost of equity is the risk-free rate plus a linear function of a measure of systematic risk times equity market premium in general.

The yield rates of the 10-year government bond of the PRC and Hong Kong of 2.21% and 3.55%, respectively as of the Valuation Date, as extracted from FactSet, were adopted as the risk-free rate. The market risk premium of the PRC and Hong Kong as of the Valuation Date of 5.63% and 5.48%, respectively were determined from a study published by Aswath Damodaran.

The beta coefficient for the Target Company was determined by the median of the betas of the Comparable Companies, with adjustment for differences in corporate tax rates and leverage compositions.

Considering the above-mentioned parameters, the cost of equity before any other risk premium was determined to be 6.81%. By adding a size premium of 2.91%, which was determined with reference to "Valuation Handbook – Guide to Cost of Capital", published by Kroll, which is a global valuation and corporate finance advisor and a company-specific risk premium of 2.0% for unsystematic risks including 1) competition; 2) financial strength; 3) management ability and depth; 4) illiquidity; 5) national economic effects; and 6) local economic effects, the Valuation suggested a cost of equity of 11.72%.

The cost of debt under the WACC is determined by making reference to the prime rate in the PRC of 3.95% before tax. The after tax cost of debt adopted was 2.96%.

The weight of debt and weight of equity were determined by making reference to the median of the weight of debt and weight of equity of the Comparable Companies respectively. The weight of debt and weight of equity were adopted as 29.0% and 71.0%, respectively.

Accounting for the above items, the nominal WACC as of the Valuation Date is derived as 9.0%.

Valuation conclusion

Based on the above analysis, the enterprise value resulting from the income approach, as adjusted by the liquid assets and liabilities (e.g. cash, debts, other receivable and other payables) of the Target Company, is adopted as the valuation conclusion of the Valuation Report, i.e., the valuation results of the fair value of the 100.000% equity interest in the Target Company being RMB105,000,000.

Sensitivity analysis

The following sensitivity analysis was applied to determine the impact of change of the discount rate and the gold price on the fair value of the Target Company.

Sensitivity analysis of the change in discount rate for the Valuation as of 30 June 2024 are as follows:

Change	**Discount rate**	**Fair value of 100% interest in the Target Company** *(RMB'000)*	**Change** *(%)*
-2%	7.0%	167,000	59%
-1%	8.0%	135,000	29%
0%	9.0%	105,000	0%
1%	10.0%	78,000	-26%
2%	11.0%	53,000	-50%

Sensitivity analysis of the change in gold prices as of 30 June 2024 are as follows:

Gold price change	**Fair value of 100% interest in the Target Company** *(RMB'000)*	**Change** *(%)*
10%	176,000	68%
5%	141,000	34%
0%	105,000	0%
-5%	70,000	-33%
-10%	35,000	-67%

Effective Date

The valuation date is 30 June 2024.

Identity, qualification and independence of the Valuer

Mr. Oswald W Y Au is a member of Hong Kong Institute of Surveyors (General Practice), Associate Member of Australian Property Institute and a Registered Professional Surveyor (General Practice) registered with Surveyors Registration Board. He has over 10 years' experience in financial valuation and property valuation in Hong Kong, the PRC, the U.S. and Asia Pacific region.

Mr. Ken Feng is a member of China Appraisal Society. He has over 10 years for business valuation, asset valuation (intangible asset, fixed asset etc.), and serves for statutory asset appraisal required by external regulators in the PRC.

Dr. CS. Kong, earned a Bachelor of Science Degree in Geology from National Taiwan University, a Master of Science Degree in Applied Geosciences from University of Hong Kong and a Doctor of Science Degree in Mineralogy, Petrology and Mineral Deposit Geology from China University of Geosciences. He is a registered Geologist and Geotechnical Engineer, a member of the Australasian Institute of Mining and Metallurgy and is serving on the Geological Society of Hong Kong. He has over 30 years geological experience in Hong Kong and overseas, especially in mining and materials handling industries with a broad background in engineering and project management. He has abundant experience and knowledge in technical valuation project by applying the VALMIN code and Cost Based Methods.

Mr. Wenhua Liu is a member of China Association of Mineral Resources Appraisers. He has over 6 years professional experience in mining valuation in the PRC.

The Valuer confirms that the professional staff assigned to this engagement acting independently and objectively. The Valuer has no conflicts of interest. The Valuer further confirms that it is independent of and not connected with the Company and have neither present nor prospective interests in the Company.

SOURCE OF FUND

The breakdown between the sources of fund intended to be used by the Group to satisfy the Consideration is as follows:

Source of fund	Amount *(RMB)*	Percentage
Net proceeds from the listing of the Company's shares on the main board of the Stock Exchange on 22 December 2023	64,655,474.62	78.9%
Internal resources	17,244,525.38	21.1%
Total	81,900,000.00	100%

Save as stated above, all other information in the Announcement remains unchanged. This supplemental announcement is supplemental to and should be read in conjunction with the Announcement.

By order of the Board
Persistence Resources Group Ltd
Shao Xuxin
Chairman, Chief Executive Officer and Executive Director

Hong Kong, 3 December 2024

As at the date of this announcement, the Board comprises Dr. Shao Xuxin, Mr. Mackie James Thomas, Mr. Lo Cheuk Kwong Raymond and Mr. Chen Shaohui as executive Directors; Mr. Chen Li Bei as non-executive Director; and Dr. Malaihollo Jeffrey Francis A, Mr. Chan Ngai Fan, Dr. Zeng Ming and Ms. Liu Li as independent non-executive Directors.