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If you have sold or transferred all your shares in **China Nonferrous Mining Corporation Limited**, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or other transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.



China Nonferrous Mining Corporation Limited **中國有色礦業有限公司**

(Incorporated in Hong Kong with limited liability under the Companies Ordinance)

(Stock Code: 01258)

(1) RENEWAL OF CONTINUING CONNECTED TRANSACTIONS AND NEW CONTINUING CONNECTED TRANSACTIONS; (2) PROPOSED CHANGE OF AUDITOR; AND (3) NOTICE OF EXTRAORDINARY GENERAL MEETING

**INDEPENDENT FINANCIAL ADVISER TO THE INDEPENDENT BOARD COMMITTEE AND
THE INDEPENDENT SHAREHOLDERS**



A notice convening the EGM to be held at Room 911, North Tower, CNMC Building, No. 10 Anding Road, Chaoyang District, Beijing, the PRC on Tuesday, 26 December 2023 at 3:00 p.m. is set out on pages EGM-1 to EGM-4.

Whether or not you are able to attend the EGM, you are advised to read the notice of EGM to complete and return the enclosed proxy form in accordance with the instructions printed thereon to the Company's share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event no later than 48 hours (excluding any part of a day that is a public holiday in Hong Kong) before the time appointed for holding the EGM. Completion and return of the proxy form will not preclude you from attending and voting at the EGM or at any adjourned meeting if you so wish.

The English and Chinese versions of this circular and the accompanying proxy form are available on the Company's website at <http://www.cnmc.net> and the website of the Stock Exchange at <http://www.hkexnews.hk>.

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regards to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

4 December 2023

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DEFINITIONS

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

“2020 CNMC Copper Supply Framework Agreement”	the framework agreement dated 30 October 2020 between the Company and CNMC in relation to the sale of copper products to the CNMC Group
“2020 Mutual Supply Framework Agreement”	the framework agreement dated 30 October 2020 between the Company and CNMC in relation to the mutual provision of raw materials, products and services
“2023 CNMC Copper Supply Framework Agreement”	the framework agreement dated 24 November 2023 between the Company and CNMC in relation to the sale of copper products to the CNMC Group
“2023 Framework Agreements”	the 2023 CNMC Copper Supply Framework Agreement, the 2023 Mutual Supply Framework Agreement and the 2023 Treasury Management Services Framework Agreement
“2023 Mutual Supply Framework Agreement”	the framework agreement dated 24 November 2023 between the Company and CNMC in relation to the mutual provision of raw materials, products and services
“2023 Treasury Management Services Framework Agreement”	the framework agreement dated 24 November 2023 entered into between the Company and CNMC Treasury in relation to the provision of treasury management services
“Articles of Association”	the articles of association of the Company
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“CCS”	Chambishi Copper Smelter Limited (謙比希銅冶煉有限公司*), a company incorporated in Zambia and a subsidiary of the Company
“CNMC”	China Nonferrous Metal Mining (Group) Co., Ltd* (中國有色礦業集團有限公司), a state-owned enterprise established under the laws of the PRC and the ultimate controlling shareholder of the Company
“CNMC Group”	CNMC and its subsidiaries, excluding, for the purpose of this circular, the Group

DEFINITIONS

“CNMC Treasury”	CNMC Treasury Management (Hong Kong) Company Limited (中國有色集團財資管理(香港)有限公司), a state-owned enterprise incorporated in Hong Kong
“CNMD”	China Nonferrous Mining Development Limited (中色礦業發展有限公司*), a company incorporated in the British Virgin Islands, a wholly-owned subsidiary of CNMC and the controlling shareholder of the Company
“COMEX”	Commodity Exchange, Inc, a division of the New York Mercantile Exchange, an exchange for contracts in energy and precious metals
“Company”	China Nonferrous Mining Corporation Limited (中國有色礦業有限公司), a company incorporated in Hong Kong with limited liability, whose shares are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“continuing connected transaction(s)”	has the meaning ascribed thereto in the Listing Rules
“controlling shareholder”	has the meaning ascribed thereto in the Listing Rules
“Director(s)”	director(s) of the Company
“DRC”	the Democratic Republic of Congo
“EGM”	the extraordinary general meeting of the Company to be held on 26 December 2023 to approve, among other things, the Non-exempt Continuing Connection Transactions, or any adjournment thereof
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huachin Leach”	Huachin Metal Leach SA (中色華鑫濕法冶煉有限公司*), a company established under the law of the DRC and a subsidiary of the Company
“Independent Board Committee”	an independent committee of the Board comprising Mr. Dingfan QIU, Mr. Jingwei LIU and Mr. Huanfei GUAN

DEFINITIONS

“Independent Financial Adviser” or “South China Capital”	South China Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activities as set out under the SFO, and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Non-exempt Continuing Connection Transactions
“Independent Shareholders”	Shareholders other than CNMD and its associates
“Independent Third Party(ies)”	party(ies) independent of the Company and the connected persons of the Company
“Kambove Mining”	Kambove Mining SAS (剛波夫礦業簡易股份有限公司*), a subsidiary of the Company established in the DRC
“kt”	kilo tones
“Latest Practicable Date”	1 December 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“London Metal Exchange”	the London Metal Exchange, a futures exchange for options and futures contracts on base and other metals
“Lualaba Copper Smelter”	Lualaba Copper Smelter SAS (盧阿拉巴銅冶煉股份有限公司*), a company established in the DRC and a subsidiary of the Company
“Luxemburg”	the Grand Duchy of Luxemburg
“NFCA”	NFC Africa Mining PLC (中色非洲礦業有限公司*), a company incorporated under the laws of Zambia and a subsidiary of the Company
“Non-exempt Continuing Connected Transactions”	the transactions contemplated under the 2023 CNMC Copper Supply Framework Agreement, the 2023 Mutual Supply Framework Agreement and the 2023 Treasury Management Services Framework Agreement as set out in this circular
“PRC”	the People’s Republic of China, excluding, for the purpose of this circular, the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and the Taiwan Region of China
“SASAC”	State-owned Assets Supervision and Administration Commission of the State Council of the PRC

DEFINITIONS

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shanghai Futures Exchange”	the Shanghai Futures Exchange, an exchange for contracts in copper and other metals
“Shareholders”	holder(s) of the shares of the Company
“Singapore”	the Republic of Singapore
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto in the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed thereto in the Listing Rules
“Switzerland”	the Swiss Confederation
“Tianjin Precious Metals Exchange”	Tianjin Precious Metals Exchange, an exchange for contracts in precious metals, including copper
“US\$”	United States dollars, the current lawful currency of the United States of America
“Zambia”	the Republic of Zambia
“%”	per cent

* *Translation of English or Chinese terms for reference purpose only*

LETTER FROM THE BOARD



China Nonferrous Mining Corporation Limited
中國有色礦業有限公司

(Incorporated in Hong Kong with limited liability under the Companies Ordinance)

(Stock Code: 01258)

Executive Director:

Mr. He YANG (*Chairman*)

Non-executive Director:

Mr. Yaoyu TAN

Independent non-executive Directors:

Mr. Dingfan QIU

Mr. Jingwei LIU

Mr. Huanfei GUAN

Registered office:

Unit 1303, 13/F
Austin Tower,
22-26 Austin Avenue
Tsimshatsui,
Kowloon, Hong Kong

Principal place of business in Zambia:

32 Enos Chomba Road
Kitwe, Zambia

Principal place of business in the DRC:

Lubumbashi
Katanga Province
Congo (DRC)

4 December 2023

To the Shareholders

Dear Sir or Madam,

- (1) RENEWAL OF CONTINUING CONNECTED TRANSACTIONS AND
NEW CONTINUING CONNECTED TRANSACTIONS;
(2) PROPOSED CHANGE OF AUDITOR;
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

LETTER FROM THE BOARD

INTRODUCTION

The purpose of this circular is to provide you with information in connection with the proposals to be put forward at the EGM to consider (i) the proposed renewal of continuing connected transactions in respect of 2024 to 2026 contemplated under the 2023 CNMC Copper Supply Framework Agreement and the 2023 Mutual Supply Framework Agreement (including the respective proposed annual caps) and new continuing connected transactions in respect of 2024 to 2026 contemplated under the 2023 Treasury Management Services Framework Agreement (including the respective proposed annual caps); and (ii) the proposed change of auditor. This circular contains the explanatory statement in compliance with the Listing Rules and to give all the information reasonably necessary to enable Shareholders to make an informed decision on whether to vote for or against the resolutions.

A. NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

(I) Renewal of Continuing Connected Transactions in respect of 2024 to 2026

Background

Reference is made to (1) the announcement of the Company dated 30 October 2020, in relation to, among others, the continuing connected transactions contemplated under the 2020 CNMC Copper Supply Framework Agreement and the 2020 Mutual Supply Framework Agreement between the Company and CNMC in respect of (i) the sale of copper products; and (ii) the comprehensive mutual supply of raw materials, products and services, respectively.

Each of the 2020 CNMC Copper Supply Framework Agreement and the 2020 Mutual Supply Framework Agreement will expire on 31 December 2023. As the Company intends to continue to enter into transactions of similar nature after 31 December 2023, on 24 November 2023, the Company and CNMC entered into the 2023 CNMC Copper Supply Framework Agreement and the 2023 Mutual Supply Framework Agreement for a term of three years from 1 January 2024 to 31 December 2026.

Continuing Connected Transactions under the 2023 CNMC Copper Supply Framework Agreement and the 2023 Mutual Supply Framework Agreement

Key terms of each of the 2023 CNMC Copper Supply Framework Agreement and the 2023 Mutual Supply Framework Agreement are set forth below.

a) 2023 CNMC Copper Supply Framework Agreement

Parties

- (1) The Company
- (2) CNMC

LETTER FROM THE BOARD

Purpose and Scope

Pursuant to the 2023 CNMC Copper Supply Framework Agreement, the Company agreed to sell, or procure its subsidiaries to sell, copper products including blister copper and copper cathodes to the CNMC Group.

The quantity of each type of copper products to be sold to the CNMC Group is not fixed under the terms of the 2023 CNMC Copper Supply Framework Agreement but is to be determined and agreed between the relevant parties from time to time. Either party may terminate any specific underlying agreement entered into pursuant to the 2023 CNMC Copper Supply Framework Agreement by giving the other party no less than one month's prior written notice.

The Company is not required to sell a minimum amount or any particular type of copper products to the CNMC Group during the term of the 2023 CNMC Copper Supply Framework Agreement.

Term

Subject to the approval by the Independent Shareholders at the EGM, the term of the 2023 CNMC Copper Supply Framework Agreement shall commence from 1 January 2024 and expire on 31 December 2026.

Pricing basis

The consideration for sale of the copper products will be determined with reference to the prevailing market price of the copper products at the time of each specific agreement to be entered into pursuant to the 2023 CNMC Copper Supply Framework Agreement. Such market price refers to (in order of sequence) (i) the monthly moving average price or the monthly average settlement price of copper quoted on the London Metal Exchange; or (ii) the monthly moving average price or the monthly average settlement price of copper quoted on the Shanghai Futures Exchange; or (iii) when the market price of copper products could not be adequately reflected through (i) and (ii) at the place of sale or the receiving market, the price reasonably determined by both parties after making reference to the monthly average selling price of copper at the place of sale or the receiving market. Such price will be determined by making reference to the selling price charged by other renowned mining companies at the place of sale or receiving market, and a recognized copper stock index that is comparable to the London Metal Exchange or the Shanghai Futures Exchange, such as Tianjin Precious Metals Exchange or COMEX.

LETTER FROM THE BOARD

The Group has not encountered in the past the situation when the quoted price of London Metal Exchange and/or the Shanghai Futures Exchange cannot reflect the local market price.

Historical transaction amounts

The table below sets forth the historical transaction amounts of the transactions under the 2020 CNMC Copper Supply Framework Agreement for the three years ended 31 December 2022 and the nine months ended 30 September 2023:

	For the year ended 31 December 2020 (audited) (US\$)	For the year ended 31 December 2021 (audited) (US\$)	For the year ended 31 December 2022 (audited) (US\$)	For the nine months ended 30 September 2023 (unaudited) (US\$)
Historical transaction amounts	1,232,558,000	1,942,009,000	1,926,414,000	1,232,516,000
Historical annual caps	3,198,000,000	2,852,745,000	3,461,640,000	3,622,290,000

The low utilisation of the historical annual caps was due to the following reasons:

- (i) The actual copper price during the years 2021 to 2023 was lower than the Company's initial forecast;
- (ii) the actual demand from the CNMC Group for copper products was lower than the Company's initial projection; and
- (iii) the pricing of commodities (including copper products) followed the global commodity price which was subject to cyclical fluctuations beyond the control of the relevant contracting parties.

So far as the Directors are aware, the annual cap for the year ending 31 December 2023 has not been exceeded as at the Latest Practicable Date.

Currently, the copper products are charged in accordance with the monthly moving average price or the monthly average settlement price of copper quoted on the London Metal Exchange.

LETTER FROM THE BOARD

The table below sets forth the historical production volume of copper cathodes and blister copper of the Group and the actual sales volume to the CNMC Group:

	For the year ended 31 December 2020	For the year ended 31 December 2021	For the year ended 31 December 2022	For the nine months ended 30 September 2023
Production volume of copper cathodes	257,219 tonnes	124,327 tonnes	140,684 tonnes	110,517 tonnes
Production volume of blister copper and copper anodes	115,904 tonnes	324,501 tonnes	319,398 tonnes	279,016 tonnes
Total sales volume	405,948 tonnes	448,020 tonnes	471,857 tonnes	315,160 tonnes
Sales volume to the CNMC Group	203,001 tonnes	214,625 tonnes	230,890 tonnes	177,110 tonnes
Percentage of sales	50.0%	47.9%	48.9%	56.3%

Proposed annual caps and basis of determination

The proposed annual caps for the transactions contemplated under the 2023 CNMC Copper Supply Framework Agreement for the three years ending 31 December 2026 and the basis of determination of such annual caps are set out as follows:

For the year ending 31 December 2024 (US\$)	For the year ending 31 December 2025 (US\$)	For the year ending 31 December 2026 (US\$)
2,314,400,000	2,502,400,000	2,483,100,000

The above proposed annual caps were determined by reference to factors including, among which (i) historical transaction amounts and volumes; (ii) the Group's estimated copper production capacity and volume; (iii) estimated growth in the demand for copper products by the CNMC Group from the Group; and (iv) reasonable expected price range for the copper products provided by the Group for the three years ending 31 December 2026.

LETTER FROM THE BOARD

The Company has taken into consideration the Group's production output brought about by its development and expansion projects. The Group expects its production volume for copper cathodes to reach approximately 158 kt, 158 kt and 158 kt in each of the three years ending 31 December 2026, respectively, and the production volume for blister copper and copper anodes to reach approximately 374 kt, 381 kt and 353 kt in each of the three years ending 31 December 2026, respectively. In view of the shortage of copper supply in the PRC and the expected orders from the CNMC Group, the Group expects to sell approximately 96 kt, 110 kt and 110 kt of copper cathodes and approximately 167 kt, 162 kt and 157 kt of blister copper and copper anodes to the CNMC Group for each of the three years ending 31 December 2026, respectively. Such data was consolidated from the reported data from each member of the Group determined according to its respective sales forecast and production capacity.

In aggregate, for each of the three years ending 31 December 2026, the Group expects to sell approximately 263 kt, 272 kt and 267 kt of such copper products to the CNMC Group, respectively. The percentage of the sales volume of copper products to the CNMC Group for each of the three years ending 31 December 2026 is expected to be 49.4%, 50.5% and 52.3%, respectively.

The above annual caps are determined on the basis that the forecasted copper price will be around US\$8,800 per tonne in 2024, US\$9,200 per tonne in 2025 and US\$9,300 per tonne in 2026. The annual caps for the sales of copper to the CNMC Group are broadly commensurate with the production volume of the Group following the completion of certain of the Group's expansion projects and investment in the future.

Due to the Group's affiliation with the CNMC Group, the CNMC Group is more willing to, at the Group's request, make advance payments which allows the Group to better manage its working capital. The advance payment made by the CNMC Group thus allows the Group to save on the interest on bank loans which the Group may otherwise have to pay. Further, due to the nature of commodity transactions, the settlement amount is usually relatively high. Consequently, settlement risk is an important consideration. While the independent customers of the Group are carefully selected and based on a number of factors including their creditworthiness, the Company believes that the risk of default by the CNMC Group is even lesser as CNMC is a state-owned enterprise in the PRC.

LETTER FROM THE BOARD

Even though the CNMC Group has been the largest customer of the Group, there are other major customers of the Group who are Independent Third Parties. The Group believes that each of the independent major customers, or a combination of a few of them, has the capacity to purchase at least a very significant portion of the Group's copper output as they are international trading companies and there have been instances in the past when the Group had to turn down part of their orders due to their demand being greater than the Group's supply capacity. Nevertheless, to minimize customer concentration risk, the Group has diversified its sales to a number of independent major customers as well as sales to customers in Luxemburg, Zambia, the DRC, Switzerland and Singapore. In addition, the Group maintains close commercial relationships with various copper refiners in the PRC, which are customers for blister copper, and downstream copper processing plants, which are customers of copper cathodes. The Company believes that it will be able to sell its products directly to these refiners and copper processing plants upon needs.

Payment terms

The payment terms will be agreed and detailed in the specific agreements.

In relation to sale of copper products to the CNMC Group, the payment terms are determined on a Free Carrier (FCA) basis (that is, the Group is required to deliver the copper products to the carrier at the Group's plants and the transportation cost and risks are transferred to the CNMC Group after delivery to the carrier). The CNMC Group will make advance payment for a portion of copper products and the remaining balance will be paid by wire transfer. The Directors are of the view that such payment terms are in line with market practice and the payment terms with the Company's customers which are Independent Third Parties.

Reasons for and benefit of entering into the 2023 CNMC Copper Supply Framework Agreement

The Group has been selling copper products to the CNMC Group and will continue to supply such products to the CNMC Group for its business needs. The Directors consider that the 2023 CNMC Copper Supply Framework Agreement is consistent with the business and commercial objectives of the Group as the sales of copper products to the CNMC Group can further enhance the business opportunities of the Group, broaden the revenue base of the Group and increase the capacity utilization level of the Group.

LETTER FROM THE BOARD

As CNMC has business developments in the PRC, Zambia, the DRC and other countries, the Group's business dealings with the CNMC Group will help the Group gather business information in those countries, continue expanding its business reach and channels, thus enhancing the business opportunities of the Group.

Listing Rules Implications

As CNMC indirectly owns an aggregate of 69.54% of the issued share capital of the Company through CNMD, CNMC is therefore a controlling shareholder of the Company, and a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the 2023 CNMC Copper Supply Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As all of the applicable percentage ratios (excluding the profits ratio) under the Listing Rules in respect of the highest proposed annual cap for the transactions contemplated under the 2023 CNMC Copper Supply Framework Agreement exceed 5%, the transactions contemplated under the 2023 CNMC Copper Supply Framework Agreement are subject to the reporting, annual review, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

b) 2023 Mutual Supply Framework Agreement

Parties

- (1) The Company
- (2) CNMC

Purpose and Scope

Pursuant to the 2023 Mutual Supply Framework Agreement,

- (a) both parties agreed to provide, or procure their respective subsidiaries to provide the following to each other:
 - (i) raw materials and product supplies, such as raw materials, construction materials, ancillary materials, spare parts, tools, equipment, fuels, water, electricity, gas and steam, and lease of equipment and vehicles;
 - (ii) social and support services, such as public security, employee training, sharing of service, other non-business services, schooling, medical and emergency service, telecommunication, property management and other similar services; and

LETTER FROM THE BOARD

- (iii) technical services, such as consultation, design, construction, technical and engineering services, testing and equipment repair, construction and engineering projects supervision; and
- (b) CNMC agreed to provide, or procure its subsidiaries to provide transportation and logistics services to the Group.

Pursuant to the 2023 Mutual Supply Framework Agreement, CNMC has undertaken that it will not, and will procure its subsidiaries not to, provide raw materials, products and services to the Group on terms which are less favourable than those offered to Independent Third Parties. Each party is entitled to obtain the relevant raw materials, products and services from the Independent Third Parties if the other party cannot satisfy its requirements for such raw materials, products and services or the terms offered by the Independent Third Parties are more favourable. Each party will provide to the other party on an annual basis an assessment of the raw materials, products and services that it requires in the coming year.

Either party may terminate any specific underlying agreement entered into pursuant to the 2023 Mutual Supply Framework Agreement by giving the other party no less than one month's prior written notice, provided that if the Company cannot conveniently obtain such raw materials, products and services from a third party, CNMC will not be allowed to terminate and will continue to provide such raw materials, products and services under any circumstances.

Term

Subject to the approval by the Independent Shareholders at the EGM, the term of the 2023 Mutual Supply Framework Agreement shall commence from 1 January 2024 and expire on 31 December 2026.

Pricing basis

For the sales and purchase of "raw materials and product supplies", the price shall be determined according to the market price of the raw materials and products being delivered. If such market price is unavailable, the amount payable will be determined with reference to actual costs plus applicable taxes.

For the provision of "social and support services", the price shall be determined either by reference to the price set by similar service providers in the market, or the price agreed between one party and an Independent Third Party for similar services. If such market price is unavailable, the amount payable will be determined with reference to actual costs plus applicable taxes.

LETTER FROM THE BOARD

For the provision of “technical services”, if there are PRC government prescribed prices, the amount payable will be determined with reference to the published PRC government prescribed prices which are updated by the relevant PRC central or provincial government departments from time to time. If there are no PRC government prescribed prices or when the PRC government prescribed prices is not reflective of the market price at the place of service, the amount will be determined by reference to the price agreed between one party and an Independent Third Party for similar services. In the event a market price is unavailable for similar services, nor were there any transaction price between Independent Third Parties, the amount payable will be determined with reference to actual costs plus applicable taxes. The Ministry of Finance and the Ministry of Land and Resources have jointly published a publication called the Standards for Budget of National Land Resources Survey (國土資源調查預算標準) in July 2007, which includes the Notice of Standards for Budget of National Land Resources Survey (the Section of National Land Resources Survey) (Cai Jian No. 52 of 2007) (國土資源調查預算標準(地質調查部分)的通知(財建[2007]52號)) (the “**Notice**”). Pursuant to Notice, the reference price (that is, standard of budget) for the technical services in relation to geological exploration, including design, construction, analysis and detection, reporting and other labor and equipment costs is stated. Such standard of budget consists of three parts, namely (a) budget for working methods, (b) budget for comprehensive research and scientific research and (c) regional adjustment coefficient, which are interpreted by the Ministry of Finance and the Ministry of Land and Resources. The Notice published in 2007 is the latest applicable standards, which may be revised in the future in accordance with the application of new methods, new techniques and other relevant circumstances. The Company has followed the Notice for its projects.

For the provision of “transportation and logistics services”, it shall be determined either by reference to the price charged by similar service providers in the local market, or the price agreed between a party and the Independent Third Party for similar services. If such market price is unavailable, the amount payable will be determined with reference to actual costs plus applicable taxes.

The market price for the abovementioned goods and services is determined by reference to the price at which the same or similar type of raw materials, products and services provided in the same or nearby area is charged by Independent Third Parties in the ordinary course of business at the relevant time; or failing which, the price at which the same or similar type of raw materials, products and services is charged by Independent Third Parties in the ordinary course of business at the relevant time.

LETTER FROM THE BOARD

Before a specific agreement is entered into, the procurement and sales departments of the Group will make public enquiry with similar good and/or service providers in the market, which are Independent Third Parties, as to the price or fees of the products and services and determine the pricing terms based on the quotations obtained. The procurement and sales departments will generally obtain around two to three quotations from different third party goods and/or service providers. The finance and legal departments will review the terms of the specific agreements, focusing on the pricing and payment terms.

The pricing basis of actual costs plus applicable taxes will not include any profit margin. The Directors consider that this pricing basis is beneficial to the Company because the transaction volume for the supply of raw materials, products and services from the CNMC Group to the Group substantially outweighs the transaction volume for the supply of raw materials, products and services from the Group to the CNMC Group. The Group will therefore be benefited from this pricing arrangement. In addition, the Group anticipates that substantially all of the supply of raw materials, products and services to the CNMC Group in the future will be charged in accordance with market price with only a few services to be charged on the actual costs plus applicable taxes, therefore on the whole, the transactions will be conducted on no less favourable terms than those available to the Group from Independent Third Parties. To the extent that they are available, the Group will check all the invoices provided by the CNMC Group to ensure that the Group is charged with actual costs plus applicable tax in the event that this pricing basis is adopted. The CNMC Group has given consent to provide all those invoices to the Group for inspection.

Based on the above, the Directors consider that the transactions will be conducted on normal commercial terms and not prejudicial to the interest of the Company and its Shareholders.

Historical transaction amounts

The tables below set forth the historical transaction amounts of the transactions under the 2020 Mutual Supply Framework Agreement for the three years ended 31 December 2022 and the nine months ended 30 September 2023:

LETTER FROM THE BOARD

Supply of raw materials, products and services from the CNMC Group

	For the year ended 31 December 2020 (audited) (US\$)	For the year ended 31 December 2021 (audited) (US\$)	For the year ended 31 December 2022 (audited) (US\$)	For the nine months ended 30 September 2023 (unaudited) (US\$)
Historical transaction amounts	233,896,000	386,226,000	459,248,000	235,031,000
Historical annual caps	491,913,000	496,731,351	656,017,952	643,796,538

Supply of raw materials, products and services to the CNMC Group

	For the year ended 31 December 2020 (audited) (US\$)	For the year ended 31 December 2021 (audited) (US\$)	For the year ended 31 December 2022 (audited) (US\$)	For the nine months ended 30 September 2023 (unaudited) (US\$)
Historical transaction amounts	47,196,000	67,907,000	94,715,000	51,499,000
Historical annual caps	775,947,000	145,514,800	213,158,800	292,346,200

The low utilisation of the historical annual caps was due to the following reasons:

- (i) The actual number of mining and stripping projects and the acquisition of high copper and low sulfur ore projects carried out by the Group was lower than the original forecast by the Group;
- (ii) the international cobalt price has been declining significantly since its peak in the year 2022, and the actual price was much lower than the Company's original forecast;
- (iii) the amount of purchasing epidemic prevention materials and services from the CNMC Group was significantly reduced due to the effective control of the Covid-19 pandemic; and
- (iv) the pricing of commodities (including copper products) followed the global commodity price which was subject to cyclical fluctuations beyond the control of the relevant contracting parties.

LETTER FROM THE BOARD

So far as the Directors are aware, the respective annual caps for the year ending 31 December 2023 have not been exceeded as at the Latest Practicable Date.

Currently, the supply of raw materials, products and services from the CNMC Group as well as the supply of raw materials, products and services to the CNMC Group are charged in accordance with market price. Such market price is determined by reference to the price at which the same or similar type of raw materials, products and services provided in the same or nearby area is charged by Independent Third Parties in the ordinary course of business at the relevant time, or failing which, the price at which the same or similar type of raw materials, products and services is charged by Independent Third Parties in the ordinary course of business at the relevant time.

Proposed annual caps and basis of determination

The proposed annual caps for the transactions contemplated under the 2023 Mutual Supply Framework Agreement for the three years ending 31 December 2026 and the basis of determination of such annual caps are set out as follows:

Supply of raw materials, products and services from the CNMC Group

For the year ending 31 December 2024 (US\$)	For the year ending 31 December 2025 (US\$)	For the year ending 31 December 2026 (US\$)
353,100,000	395,000,000	395,000,000

The above proposed annual caps were determined by reference to factors such as (i) historical transaction values and volume; (ii) estimated demand for raw materials, products and services by the Group from the CNMC Group; and (iii) reasonable expected price range for the raw materials, products and services provided by the CNMC Group for the three years ending 31 December 2026.

In particular, the Group has considered its various development and expansion projects for which it plans to procure raw materials, products and services from the CNMC Group. In this regard, the Group has taken into consideration factors such as progress, nature, products and services as well as types of service providers required for each project.

LETTER FROM THE BOARD

Supply of raw materials, products and services to the CNMC Group

For the year ending 31 December 2024 <i>(US\$)</i>	For the year ending 31 December 2025 <i>(US\$)</i>	For the year ending 31 December 2026 <i>(US\$)</i>
137,300,000	142,800,000	154,300,000

The above proposed annual caps were determined by reference to factors such as (i) historical transaction values and volume; (ii) estimated growth in the demand for raw materials, products and services by the CNMC Group from the Group; and (iii) reasonable expected price range for the raw materials, products and services provided by the Group for the three years ending 31 December 2026.

Payment terms

The payment terms will be agreed and detailed in the specific agreements.

In relation to supply of raw materials and products from the CNMC Group, the payment terms are determined on a Cost, Insurance and Freight (CIF) basis and payment will be settled by wire transfer upon delivery.

In relation to supply of raw materials and products to the CNMC Group, as supply will be made within Zambia or the DRC so that there will not be any cross-border transaction, payment will be settled upon delivery.

In relation to mutual supply of services, payment will be made in accordance with the service progress.

The Directors are of the view that such payment terms are in line with market practice and the payment terms with the Company's customers which are Independent Third Parties.

Reasons for and benefit of entering into the 2023 Mutual Supply Framework Agreement

The Group has been procuring raw materials, products and services from the CNMC Group and will continue to acquire such raw materials, products and services from the CNMC Group for the business development of the Group. The Directors consider that 2023 Mutual Supply Framework Agreement is consistent with the business and commercial objectives of the Group as the raw materials and products supplied are in close proximity to the production facilities of the Group, leading to a reduction of the Group's production costs and further enhancement of the profitability of the Group's operations. The services provided by the CNMC Group can also supplement the Group's operation capacity and a better manpower arrangement of the Group can be maintained.

LETTER FROM THE BOARD

The Group has been supplying raw materials, products and services to the CNMC Group and will continue to supply such raw materials, products and services to the CNMC Group for its business needs. The Directors consider that this is consistent with the business and commercial objectives of the Group as the supply of raw materials, products and services to the CNMC Group can further enhance the business opportunities of the Group, broaden the revenue base of the Group and increase the capacity utilization level of the Group.

As CNMC has business developments in the PRC, Zambia, the DRC and other countries, the Group's business dealings with the CNMC Group will help the Group gather business information in those countries, continue expanding its business reach and channels, thus enhancing the business opportunities of the Group.

Listing Rules Implications

As CNMC indirectly owns an aggregate of 69.54% of the issued share capital of the Company through CNMD, CNMC is therefore a controlling shareholder of the Company, and a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the 2023 Mutual Supply Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As all of the applicable percentage ratios (excluding the profits ratio) under the Listing Rules in respect of the highest proposed annual cap for transactions in relation to the supply of raw materials, products and services from the CNMC Group to the Group contemplated under the 2023 Mutual Supply Framework Agreement exceed 5%, such relevant transactions contemplated under the 2023 Mutual Supply Framework Agreement are subject to the reporting, annual review, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As one of the applicable percentage ratios (excluding the profits ratio) under the Listing Rules in respect of the highest proposed annual cap for transactions in relation to the supply of raw materials, products and services from the Group to the CNMC Group contemplated under the 2023 Mutual Supply Framework Agreement exceeds 5%, such relevant transactions contemplated under the 2023 Mutual Supply Framework Agreement are subject to the reporting, annual review, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

(II) New Continuing Connected Transactions in respect of 2024 to 2026

Key terms of the 2023 Treasury Management Services Framework Agreement are set forth below.

2023 Treasury Management Services Framework Agreement

Parties

- (1) The Company
- (2) CNMC Treasury

Purpose and Scope

Pursuant to the 2023 Treasury Management Services Framework Agreement, CNMC Treasury agreed to provide the Group with treasury management services, including:

- (1) financial advisory services: to recommend appropriate financial products and financial institutions, provision of timely market information and research and development reports of investment agencies;
- (2) collective fund management services: to collect or transfer the Group's funds through the designated bank account, set up and supervise the fund pool, ensure the safety of funds of the Group, timely allocate funds according to the operation need of the Group, and meet the Group's fund use requirements in a timely manner;
- (3) loan services: to provide immediate loans to ensure the cash liquidity of the Group;
- (4) exchange rate risk management services: to help connect the Group with the relevant financial institutions for the provision of exchange rate risk management services such as the spot exchange rate settlement and sales services to the Group; and
- (5) other treasury management services: to provide other treasury management services upon requests or demands from the Group.

LETTER FROM THE BOARD

Term

Subject to the approval by the Independent Shareholders at the EGM, the term of the 2023 Treasury Management Services Framework Agreement shall commence from 1 January 2024 and expire on 31 December 2026.

Pricing basis

CNMC Treasury shall not charge any fees for the provision of financial advisory services and exchange risk management services to the Group.

The fees and charges payable by the Group to CNMC Treasury under the 2023 Treasury Management Services Framework Agreement are fair and reasonable under the Listing Rules, and are determined according to the market principle on an arm's length basis, subject to compliance with requirements for connected transactions of the Stock Exchange and relevant requirements for connected transactions that are applicable to the parties. CNMC Treasury will ensure that the prices charged to the Group shall be the same with or more favorable than prices charged to the CNMC Group for the same type and same period and the prices charged by other third party treasury management services providers for the same type and same period.

In respect of the collective fund management services, the interest rates shall not be lower than (i) the interest rates offered by CMNC Treasury to the CNMC Group from time to time for the same amount of funds; and (ii) the interest rates offered by other commercial banks in the PRC for the same amount of funds and same period.

In respect of the loan services, the interest rates shall not be higher than (i) the interest rates quoted by CMNC Treasury to the CNMC Group from time to time for the same amount of loan and loan term; and (ii) the interest rates quoted by other commercial banks in the PRC for the same amount of loan and loan term.

In respect of the other treasury management services, the service fees shall not be higher than (i) the service fees quoted by CMNC Treasury to the CNMC Group from time to time for the same type of service; and (ii) the service fees quoted by other comparable financial service providers in the PRC for the same type of service.

Historical transaction amounts

There were no historical transaction amounts for the similar services contemplated under the 2023 Treasury Management Services Framework Agreement for the past three years ended 31 December 2022 and the nine months ended 30 September 2023.

LETTER FROM THE BOARD

Proposed annual caps and basis of determination

The proposed annual caps for the transactions contemplated under the 2023 Treasury Management Services Framework Agreement for the three years ending 31 December 2026 and the basis of determination of such annual caps are set out as follows:

- (1) The financial advisory services

CNMC Treasury shall not charge any fees for the provision of financial advisory services to the Group. Therefore, there will not be any proposed annual caps for the relevant transactions contemplated under the 2023 Treasury Management Services Framework Agreement for the three years ending 31 December 2026.

- (2) The collective fund management services

In respect of the collective fund management services, the Company estimates that the maximum daily balance (including accrued interests) of the funds to be deposited and managed by CNMC Treasury under the 2023 Treasury Management Services Framework Agreement for the three years ending 31 December 2026 and the basis of determination of such annual caps are set out as follows:

For the year ending 31 December 2024	For the year ending 31 December 2025	For the year ending 31 December 2026
(US\$)	(US\$)	(US\$)
300,000,000	300,000,000	300,000,000

Note: The conversion of foreign currencies shall be made at the central parity rate published by the State Administration of Foreign Exchange on the relevant date of the deposit.

The above proposed annual caps were determined with reference to the expected fund requirement available for the Group's business expansion plan. The Group has to get ready the fund to be centralized for liquidity and payment of consideration for the projects.

LETTER FROM THE BOARD

(3) The loan services

In respect of the loan services, the Company estimates that the maximum daily balance (including accrued interests) of the loans under the 2023 Treasury Management Services Framework Agreement for the three years ending 31 December 2026 and the basis of determination of such annual caps are set out as follows:

For the year ending 31 December 2024 (US\$)	For the year ending 31 December 2025 (US\$)	For the year ending 31 December 2026 (US\$)
300,000,000	300,000,000	300,000,000

Note: The conversion of foreign currencies shall be made at the central parity rate published by the State Administration of Foreign Exchange on the relevant date of the loan.

The above proposed annual caps were determined with reference to various factors : (i) the expected amount of the Group's loans to be granted by CNMC Treasury; (ii) the accrued interests expected to arise from the outstanding loan balance between the years 2024 to 2026; and (iii) the Group's business expansion plan, which consists a series of projects that will result in an increase in the capital requirement and debt financing needs of the Group for its projects.

(4) The exchange rate risk management services

CNMC Treasury shall not charge any fees for the provision of the exchange rate risk management services to the Group. Therefore, there will not be any proposed annual caps for the relevant transactions contemplated under the 2023 Treasury Management Services Framework Agreement for the three years ending 31 December 2026.

(5) Miscellaneous treasury management services

In respect of the miscellaneous treasury management services, the annual caps for the relevant transactions contemplated under the 2023 Treasury Management Services Framework Agreement for the three years ending 31 December 2026 and the basis of determination of such annual caps are set out as follows:

For the year ending 31 December 2024 (US\$)	For the year ending 31 December 2025 (US\$)	For the year ending 31 December 2026 (US\$)
10,000,000	10,000,000	10,000,000

Note: The conversion of foreign currencies shall be made at the central parity rate published by the State Administration of Foreign Exchange on the relevant date of the provision of the miscellaneous financial services.

LETTER FROM THE BOARD

The above proposed annual caps were determined with reference to factors such as the Group's demand for general treasury management services to be provided by CNMC Treasury in its ordinary course of business in each year.

Payment terms

The payment terms under the 2023 Treasury Management Services Framework Agreement shall be agreed and detailed in the specific separate agreements to be entered into between members of the Group and CNMC Treasury.

Reasons for and benefit of entering into the 2023 Treasury Management Services Framework Agreement

The Company entered into the 2023 Treasury Management Services Framework Agreement with the CNMC Treasury for the following reasons:

The interest rates of the collective fund management services, the loan services and relevant handling fees of the miscellaneous financial services offered by CNMC Treasury to the Company will be the same as or more favorable than (as the case may be) those individually offered by any Independent Third Parties to the Company providing such services.

The Company may utilize CNMC Treasury as a medium to allocate the funds between members of the Company more effectively, thereby improving the level of liquidity of the Group and enhancing the overall solvency of the Group.

The Company will procure various services from CNMC Treasury, including the collective fund management services, the loan services, and miscellaneous financial services according to the 2023 Treasury Management Services Framework Agreement. Such arrangements will enhance the bargaining power of the Company when negotiating with third party commercial banks for the same or similar services, which may lower the financing costs of the Company.

CNMC Treasury is limited to serving the needs and requests of the member companies and is familiar with the Company's operation. Therefore, CNMC Treasury can provide services on a prioritized and more efficient manner than other commercial banks, from which the Company is expected to benefit.

Listing Rules Implications

As CNMC Treasury is a wholly-owned subsidiary of CNMC, a controlling shareholder of the Company, therefore, it is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the 2023 Treasury Management Services Framework Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

(1) The collective fund management services

As all of the applicable percentage ratios under the Listing Rules in respect of the highest proposed annual cap for transactions in relation to the collective fund management services contemplated under the 2023 Treasury Management Services Framework Agreement exceed 5% but all are less than 25%, the transactions in relation to the collective fund management services contemplated under the 2023 Treasury Management Services Framework Agreement constitute (i) a discloseable transaction of the Company subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules; and (ii) continuing connected transactions of the Company subject to the reporting, annual review, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

(2) The loan services

The loan services to be provided by CNMC Treasury to the Company are on normal commercial terms or better (i.e. terms that are similar to or more favorable than those offered by the commercial banks for the provision of comparable services) and are in the interest of the Company. No security over the assets of the Company is granted to CNMC Treasury in respect of the loan services. They will therefore be exempt from all reporting, announcement and the Independent Shareholders' approval requirements under Rule 14A.90 of the Listing Rules.

(3) Miscellaneous treasury management services

As all of the applicable percentage ratios (excluding the profits ratio) under the Listing Rules in respect of the proposed total fees payable by the Company to CNMC Treasury for transactions in relation to the miscellaneous treasury management services contemplated under the 2023 Treasury Management Services Framework Agreement exceed 0.1% but do not exceed 5%, the transactions contemplated under the 2023 Treasury Management Services Framework Agreement are subject to the reporting, annual review and announcement requirements but are exempt from the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

Directors' Confirmation

The 2023 Framework Agreements have been negotiated and agreed on an arm's length basis by and among the Company, CNMC and CNMC Treasury. Based on the reasons and benefits of entering into the relevant agreements for the Non-exempted Continuing Connected Transactions, the Directors believe the relevant agreements for the Non-exempted Continuing Connected Transactions are entered into in the ordinary and usual course of business, on normal commercial terms and that the terms of such agreements and the proposed caps for the three years ending 31 December 2026 are fair and reasonable and in the interest of the Group and the Shareholders as a whole.

Given Mr. He YANG and Mr. Yaoyu TAN hold management positions in CNMC, they had abstained from voting on the relevant board resolutions for approving the 2023 Framework Agreements pursuant to the articles of association of the Company. Save as disclosed above, none of the Directors had a material interest in the transactions under the 2023 Framework Agreements or was required to abstain from voting on the relevant resolutions of the Board.

Internal control measures for continuing connected transactions

The pricing policy will be supervised and monitored by the management of the Group in charge to ensure that the 2023 Framework Agreements are conducted on normal commercial terms and will not be prejudicial to the interests of the Company and its Shareholders as a whole. The management of the Group will also conduct regular checks to review and assess whether the transactions contemplated under each of the 2023 Framework Agreements are conducted in accordance with their respective terms and in accordance with the aforesaid pricing policy. The Company has implemented stringent measures to monitor the pricing standards for the continuing connected transactions of the Group. The department heads of the relevant business departments are responsible for the initial price determination of the proposed continuing connected transactions of the Group. Such initial price determination will be reported to and approved by the finance department of the Company. Then, these prices will be reported to the legal department of the Company, which is responsible for collating from the various business departments such information regarding the proposed continuing connected transactions of the Group, and ensuring that the terms of any such proposed continuing connected transactions are in compliance with applicable laws, rules and regulations. After all these review processes, the legal representative or authorized representative of the Company will execute such continuing connected transactions on behalf of the Company. The finance department and legal department of the Company are responsible for monitoring each of the continuing connected transactions of the Group to ensure that they are conducted in accordance with its terms, including the relevant pricing mechanism and the periodic reporting of the relevant transaction amounts.

LETTER FROM THE BOARD

The finance department of the Company will monitor the continuing connected transactions and summarize the transaction amounts incurred under each of the connected transaction framework agreements regularly on a monthly basis, and reports will be submitted to the Board for its quarterly review. In the event that the actual transaction amount reaches 80% of the relevant annual cap, a re-assessment will be conducted. If it is determined after such re-assessment that the annual cap may be exceeded, the finance department of the Company would initiate the procedures for a board meeting and/or shareholders' meeting (as and when required) to increase the annual cap as soon as practicable. Further, the independent non-executive Directors will review the transactions annually to assess whether such transactions are conducted in accordance with the terms (including the pricing mechanism) as set out in the 2023 Framework Agreements. The Company's auditor will also conduct an annual review on the pricing terms and annual caps thereof. The Directors consider that the internal control system of the Group is adequate to ensure that the actual transactions conducted under the 2023 Framework Agreements will be conducted on normal commercial terms or terms no less favourable to the Company than to the Independent Third Parties.

Notwithstanding the above, to secure the interests of the Shareholders, the Company will adopt the following additional internal control procedures and corporate governance measures for utilizing the treasury management services provided by CNMC Treasury:

- Before the Company or any of its subsidiaries places funds with CNMC Treasury or enter into any agreement in relation to the relevant services with CNMC Treasury, the Company will obtain quotations from independent financial institutions for comparable quotes with the same term or service of the same nature (as the case may be). The Company will compare such quotations with those offered by CNMC Treasury and decide whether to take up the offer of CNMC Treasury.
- For the collective fund management services, the finance department of the Company performs regular checks to ensure that the relevant interest rates offered by CNMC Treasury are in compliance with the pricing policy, and determine whether the Group will continue to use the same service provided by CNMC Treasury. For the loan services, the finance department of the Company performs regular checks on the prevailing interest rates quoted by the other commercial banks of the PRC and the interest rates promulgated by the PBOC on similar loan terms. For the miscellaneous treasury management services, CNMC Treasury will also seek at least two comparable quotes from the Independent Third Parties to ensure the reasonableness of quotes of the service fees from CNMC Treasury.

LETTER FROM THE BOARD

- The finance department of the Company will closely monitor the transactions under the 2023 Treasury Management Services Framework Agreement, and review the monthly financial statements provided by CNMC Treasury immediately after receiving the same. It will also review the Group's overall funds balance with CNMC Treasury at least once a month. Any issues identified such as any material non-compliance by CNMC Treasury with the regulatory requirements, irregularity of the financials and management of CNMC Treasury, or breach of the 2023 Treasury Management Services Framework Agreement, will be immediately reported to the management of the Company and the Board.
- The finance department of the Company will, on a quarterly basis, report the relevant transactions under the 2023 Treasury Management Services Framework Agreement of each quarter together with information on the comparable quotations obtained from the independent commercial banks in each quarter to the independent non-executive Directors.
- The Group will withdraw all of its funds placed with CNMC Treasury if CNMC Treasury fails to comply with any PRC regulatory requirement which may have material adverse impact on CNMC Treasury's financial and/or operational positions.

The Directors (including the independent non-executive Directors) are of the view that the above internal control measures are sufficient in ensuring that the actual transactions conducted under the 2023 Treasury Management Services Framework Agreement will be conducted on normal commercial terms or terms no less favourable to the Company than to independent third parties.

Approval by Independent Shareholders

As CNMC indirectly owns an aggregate of 69.54% of the issued share capital of the Company through CNMD, CNMD and its associates will abstain from voting the resolutions approving the 2023 Framework Agreements (including the relevant proposed annual caps) at the EGM.

An Independent Board Committee has been formed to advise the Independent Shareholders in connected with the 2023 Framework Agreements and the transactions contemplated thereunder (including the relevant proposed annual caps), and South China Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the same.

LETTER FROM THE BOARD

The Company will seek the Independent Shareholders' approval at the EGM for, among others, the 2023 Framework Agreements and the transactions contemplated thereunder (including the relevant proposed annual caps) on the condition that:

1. the annual amount of the transactions contemplated under each of the 2023 Framework Agreements shall not exceed the relevant proposed annual caps;
2. (i) the transactions contemplated under each of the 2023 Framework Agreements will be entered into in the ordinary and usual course of business of the Group and either (a) on normal commercial terms or better; or (b) if there is no available comparable transactions, on terms no less favourable than terms available to the Group from Independent Third Parties; and

(ii) the transactions contemplated under each of the 2023 Framework Agreements will be entered into in accordance with the 2023 Framework Agreements and on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Company will comply with relevant provisions of the Listing Rules in relation to each of the 2023 Framework Agreements.

Information about the Group, CNMC and CNMC Treasury

The principal activity of the Company is investment holding. The Company's subsidiaries are principally engaged in exploration of copper and cobalt, mining, ore processing, leaching smelting and sale of copper cathodes, blister copper and copper anodes, cobalt contained in cobalt hydroxide, sulfuric acid and liquid sulfur dioxide. CNMC, the controlling shareholder of the Company, is wholly-owned and administered by the SASAC.

CNMC is wholly-owned and administered by the SASAC and is principally engaged in the development of nonferrous metal resources, construction and engineering, as well as related trade and services.

CNMC Treasury is a company incorporated in Hong Kong with limited liability, and is principally engaged in providing treasury and financial management services to the CNMC Group. As at the Latest Practicable Date, CNMC Treasury is a wholly-owned subsidiary of CNMC, which is in turn wholly-owned and administered by the SASAC.

LETTER FROM THE BOARD

B. PROPOSED CHANGE OF AUDITOR

CNMC is the controlling shareholder of the Company (as defined under the Listing Rules) holding 69.54% of the total issued shares of the Company. As set out in the announcement of the Company dated 28 November 2023, CNMC has completed the open tender for the appointment of auditor of CNMC and the auditor of its certain subsidiaries in accordance with the requirements of the Measures for Administration of Selection and Engagement of Accounting Firms by State-Owned Enterprises and Listed Companies (No. 4 [2023] of the Ministry of Finance) issued by the Ministry of Finance of the People's Republic of China, the State-owned Assets Supervision and Administration Commission of the State Council and the China Securities Regulatory Commission. KPMG (“**KPMG**”) was the successful bidder of certain subsidiaries of CNMC.

The Audit Committee of the Company has performed its evaluation procedures and assessment in relation to the appointment of the new auditor of the Company by conducting an independent and objective evaluation on candidates based on (i) the audit recommendations; (ii) the relevant extensive experience, industry knowledge and technical qualifications in providing audit work to companies listed on the Stock Exchange; (iii) independence and objectivity in the Group; (iv) reputation in the market; (v) resources and competence; (vi) the Guidelines for Effective Audit Committees – Selection, Appointment and Reappointment of Auditors issued by the Accounting and Financial Reporting Council (“**AFRC**”); and (vii) the Guidance Note on Change of Auditors issued by the AFRC and considered that KPMG is eligible and suitable to act as the auditor of the Company.

Based on the above, the Audit Committee has assessed and considered that KPMG is eligible and suitable to act as the auditor of the Company for the year ending 31 December 2023 without incurring additional audit cost to the Company. Pursuant to the recommendation from the Audit Committee, the Board has resolved to propose the appointment of KPMG as the new auditor of the Company.

The Board and the Audit Committee are of the view that the change of auditor is in the interests of the Company and its shareholders as a whole. In light of the above, Ernst & Young (“**EY**”) will cease to be the auditor of the Group upon the appointment of KPMG as the new auditor of the Group. EY has confirmed that there is no matter in relation to its resignation that need to be brought to the attention of holders of the securities or creditors of the Company. The Board has confirmed that there is no disagreement or unresolved matters between the Company and EY, and there are no other matters in relation to the proposed change of auditor that need to be brought to the attention of the Shareholders.

The Board hereby announces that, with the recommendation from the Audit Committee of the Company, it proposes the appointment of KPMG as the new auditor of the Company to hold office until the conclusion of the upcoming annual general meeting of the Company, which is subject to the approval of the Shareholders at the EGM.

The Audit Committee is of the view that the change of auditor will not affect the audit quality as well as objectivity and fairness, which will be conducive to the coordination and consistency of the audit work of the Company with the audit arrangements of its controlling shareholder, and enhance the synergy and efficiency of the audit work. The Board would like to take this opportunity to express its gratitude and appreciation to EY for their professional and quality services rendered to the Company.

LETTER FROM THE BOARD

C. CLOSURE OF REGISTER OF MEMBERS

In order to ascertain the right to attend the EGM, the register of members of the Company will be closed from Tuesday, 19 December 2023 to Tuesday, 26 December 2023 (both dates inclusive), during which period no transfer of shares will be registered. In order to be entitled to attend the EGM, all transfer forms completed accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Monday, 18 December 2023.

D. EGM

A notice convening the EGM is set out on pages EGM-1 to EGM-4 of this circular at which the resolutions will be proposed to consider and, if thought fit, approve (i) the Non-exempt Continuing Connected Transactions (including the respective annual caps); and (ii) proposed change of auditor. The voting of the resolutions will be conducted by poll at the EGM as required under the Listing Rules.

A proxy form for use at the EGM is enclosed. Shareholders are requested to complete the proxy form and return it to the Company's share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event no later than 48 hours (excluding any part of a day that is a public holiday in Hong Kong) before the time designated for holding the EGM, if they do not intend to be present in person at the EGM.

Pursuant to Rule 13.39(4) of the Listing Rules and Article 66 of the Articles of Association, the resolutions will be put to the vote by poll. In the case of an equality of votes on a poll, the chairman shall, subject to the Articles of Association, be entitled to casting vote in addition to any other vote he may have. Results of the poll voting will be published on the Company's website at <http://www.cnmc.net> and the website of the Stock Exchange at <http://www.hkexnews.hk> after the EGM.

As CNMC indirectly owns an aggregate of 69.54% of the issued share capital of the Company through CNMD, CNMD and its associates will abstain from voting in relation to the resolutions approving the Non-exempt Continuing Connected Transactions (including the respective proposed annual caps) at the EGM. To the Directors' knowledge, information and belief after having made all reasonable enquiries, no Shareholder other than CNMD and its associates is required to abstain from voting at the EGM.

E. RECOMMENDATIONS OF THE BOARD

The Directors (including the independent non-executive Directors after considering the advice from the Independent Financial Adviser) are of the opinion that the Non-exempt Continuing Connected Transactions (including the respective proposed annual caps) are on normal commercial terms or better and are fair and reasonable. They are also of the opinion that the Non-exempt Continuing Connected Transactions are in the interests of the Company and its Shareholders as a whole. Accordingly, the Directors recommend that the Independent Shareholders should vote in favour of all the relevant ordinary resolutions to be proposed at the EGM.

LETTER FROM THE BOARD

Having considered the circumstances set out in the section headed “B. Proposed change of auditor” in this circular, the Directors also believe that the proposed change of auditor is in the best interests of the Company and the Shareholders as a whole. Thus, the Directors recommend the Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the proposed change of auditor.

F. RECOMMENDATIONS OF THE INDEPENDENT FINANCIAL ADVISER AND THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee has been formed to advise the Independent Shareholders in connection with the terms of the Non-exempt Continuing Connected Transactions (including the respective proposed annual caps), and South China Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders.

The Independent Financial Adviser considers the Non-exempt Continuing Connected Transactions (including the respective proposed annual caps) are in the ordinary and usual course of business of the Group, are on normal commercial terms and is in the interests of the Company and the Shareholders as a whole. The full text of the letter from the Independent Financial Adviser issued by South China Capital containing its recommendations in respect of the Non-exempt Continuing Connected Transactions (including the respective proposed annual caps) is set out on pages 30 to 55 of this circular.

The Independent Board Committee, having taken into account the advice of South China Capital, considers the Non-exempt Continuing Connected Transactions (including the respective proposed annual caps) are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the relevant ordinary resolutions to be proposed at the EGM to approve the Non-exempt Continuing Connected Transactions (including the respective proposed annual caps). The full text of the letter from the Independent Board Committee is set out on page 29 of this circular.

Yours faithfully,
By Order of the Board
China Nonferrous Mining Corporation Limited
Chaoran ZHU and Man Yi WONG
Joint Company Secretaries

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



China Nonferrous Mining Corporation Limited 中國有色礦業有限公司

(Incorporated in Hong Kong with limited liability under the Companies Ordinance)

(Stock Code: 01258)

4 December 2023

To the Independent Shareholders

Dear Sir or Madam,

We have been appointed as the Independent Board Committee to advise you in connection with the Non-exempt Continuing Connected Transactions (including the respective proposed annual caps), details of which are set out in the Letter from the Board contained in the circular issued by the Company to the Shareholders dated 4 December 2023, of which this letter forms part. We wish to draw your attention to the Letter from South China Capital as set out on pages 30 to 55 of this circular. Terms defined in the circular shall have the same meanings when used herein, unless the context otherwise requires.

Having considered the information set out in the letter from the Board, the terms of the Non-exempt Continuing Connected Transactions (including the respective proposed annual caps), and the advice of South China Capital in relation thereto as set out on pages 30 to 55 of the circular, we are of the view that the Non-exempt Continuing Connected Transactions (including the respective proposed annual caps) are on normal commercial terms and in the ordinary and usual course of the Company's business. We are also of the view that the terms of the Non-exempt Continuing Connected Transactions (including the respective proposed annual caps) are in the interests of the Company and its Shareholders a whole and is fair and reasonable so far as the Independent Shareholders are concerned.

Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant ordinary resolutions to be proposed at the EGM to approve the Non-exempt Continuing Connected Transactions (including the respective proposed annual caps).

Yours faithfully,

Independent Board Committee
China Nonferrous Mining Corporation Limited
Dingfan QIU Jingwei LIU Huanfei GUAN
Independent Non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of a letter of advice from South China Capital, the independent financial adviser, to the Independent Board Committee and the Independent Shareholders in respect of the Non-exempted Continuing Connected Transactions, which has been prepared for the purpose of incorporation in this circular.



28/F., Bank of China Tower
No. 1 Garden Road, Central
Hong Kong

4 December 2023

*To the Independent Board Committee and
the Independent Shareholders*

China Nonferrous Mining Corporation Limited

Unit 1303, 13/F, Austin Tower
22–26 Austin Avenue
Tsim Sha Tsui
Kowloon
Hong Kong

Dear Sirs,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS AND NEW CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to (i) the renewal of the continuing connected transactions contemplated under the 2023 CNMC Copper Supply Framework Agreement; (ii) the renewal of the continuing connected transactions contemplated under the 2023 Mutual Supply Framework Agreement; and (iii) entering into the 2023 Treasury Management Services Framework Agreement and the transactions contemplated thereunder (collectively, the “**2023 Framework Agreements**”), details of which are contained in the letter from the Board (the “**Letter from the Board**”) as set out in the circular dated 4 December 2023 (the “**Circular**”). Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as those ascribed in the Circular.

Reference is made to the announcement dated 24 November 2023 in relation to entering into the 2023 Framework Agreements by the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

IMPLICATIONS UNDER THE LISTING RULES

2023 CNMC Copper Supply Framework Agreement and 2023 Mutual Supply Framework Agreement

As CNMC indirectly owns an aggregate of 69.54% of the issued share capital of the Company through CNMD, CNMC is therefore a controlling shareholder of the Company, and a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the 2023 CNMC Copper Supply Framework Agreement and the transactions in relation to each of the supply of raw materials, products and services from the CNMC Group to the Group and the supply of raw materials, products and services from the Group to the CNMC Group contemplated under the 2023 Mutual Supply Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As all of the applicable percentage ratios (excluding the profits ratio) under the Listing Rules in respect of the highest proposed annual cap for transactions contemplated under the 2023 CNMC Copper Supply Framework Agreement exceed 5%, the transactions contemplated under the 2023 CNMC Copper Supply Framework Agreement are subject to the reporting, annual review, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As all of the applicable percentage ratios (excluding the profits ratio) under the Listing Rules in respect of the highest proposed annual cap for transactions in relation to the supply of raw materials, products and services from the CNMC Group to the Group contemplated under the 2023 Mutual Supply Framework Agreement exceed 5%, such relevant transactions contemplated under the 2023 Mutual Supply Framework Agreement are subject to the reporting, annual review, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As one of the applicable percentage ratios (excluding the profits ratio) under the Listing Rules in respect of the highest proposed annual cap for transactions in relation to the supply of raw materials, products and services from the Group to the CNMC Group contemplated under the 2023 Mutual Supply Framework Agreement exceeds 5%, such relevant transactions contemplated under the 2023 Mutual Supply Framework Agreement are subject to the reporting, annual review, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

2023 Treasury Management Services Framework Agreement

As CNMC Treasury is wholly-owned by CNMC, a controlling shareholder of the Company, therefore, it is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the 2023 Treasury Management Services Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(1) The collective fund management services

As all of the applicable percentage ratios under the Listing Rules in respect of the highest proposed annual cap for transactions in relation to the collective fund management services contemplated under the 2023 Treasury Management Services Framework Agreement exceed 5% but all are less than 25%, the transactions in relation to the collective fund management services contemplated under the 2023 Treasury Management Services Framework Agreement constitute (i) a discloseable transaction of the Company subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules; and (ii) continuing connected transactions of the Company subject to the reporting, annual review, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

(2) The loan services

The loan services to be provided by CNMC Treasury to the Company are on normal commercial terms or better (i.e. terms that are similar to or more favorable than those offered by the commercial banks for the provision of comparable services) and are in the interest of the Company. No security over the assets of the Company is granted to CNMC Treasury in respect of the loan services. They will therefore be exempted from all reporting, announcement and the Independent Shareholders' approval requirements under Rule 14A.90 of the Listing Rules.

(3) Miscellaneous treasury management services

As all of the applicable percentage ratios (excluding the profits ratio) under the Listing Rules in respect of the proposed total fees payable by the Company to CNMC Treasury for transactions in relation to the miscellaneous treasury management services contemplated under the 2023 Treasury Management Services Framework Agreement exceed 0.1% but do not exceed 5%, the transactions contemplated under the 2023 Treasury Management Services Framework Agreement are subject to the reporting, annual review and announcement requirements but are exempt from the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all the three independent non-executive Directors, namely Mr. Dingfan QIU, Mr. Jingwei LIU and Mr. Huanfei GUAN, has been established to make recommendation to the Independent Shareholders regarding the Non-exempted Continuing Connected Transactions (including the relevant proposed annual caps).

As the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to whether the Non-exempted Continuing Connected Transactions (including the relevant proposed annual caps) are (i) conducted in the ordinary and usual course of business of the Group; (ii) on normal commercial terms; (iii) fair and reasonable so far as the Independent Shareholders are concerned; and (iv) in the interests of the Company and the Shareholders as a whole, and to further give independent advice to the Independent Board Committee and the Independent Shareholders as to whether they should vote in favour of the Non-exempted Continuing Connected Transactions (including the relevant proposed annual caps).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationship or interests with the Company that could reasonably be regarded as relevant to our independence. Apart from normal professional fees payable to us in connection with this engagement, no arrangements exist whereby we had received any fees or benefits from the Company or any other party to the transaction that could reasonably be regarded as relevant to our independence. During the past two years, we did not have any engagement with the Company or the Directors, chief executives of the Company and substantial Shareholders or any of their associates. Therefore, we consider that we are independent of the Company pursuant to the Listing Rules.

BASIS OF OUR OPINION

In arriving at our recommendation, we have reviewed, among other things, each of the 2023 Framework Agreements, the Company's annual report for the financial year ended 31 December (the "FY(s)") 2021 (the "**2021 Annual Report**"), the Company's annual report for the FY 2022 (the "**2022 Annual Report**") and the Company's interim report for the six months ended 30 June 2023 (the "**2023 Interim Report**"). We have also discussed with the management of the Group (the "**Management**") regarding the commercial implications of the Non-exempted Continuing Connected Transactions (including the relevant proposed annual caps). In addition, we have relied on the information and facts provided by the Company and have assumed that any representations made to us are true, accurate and complete. We have also relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Directors and the Management. We have assumed that all information, representations and opinions contained or referred to in the Circular and all information, representations and opinions which have been provided by the Directors and the Management for which they are solely responsible, are true and accurate at the time they were made and will continue to be accurate at the date of the despatch of the Circular.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular the omission of which would make any such statement contained in the Circular misleading. We consider that we have been provided with sufficient information which forms a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations and opinions made to us untrue, inaccurate or misleading. Having made all reasonable enquiries, the Directors have further confirmed that, to the best of their knowledge, they believe there are no other facts or representations whose omission would make any statement in the Circular, including this letter, misleading. We have not, however, carried out any independent verification of the information provided by the Directors and the Management, nor have we conducted an independent investigation into the business and affairs of the Group, CNMC Group and CNMC Treasury.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation regarding the Non-exempted Continuing Connected Transactions (including the relevant proposed annual caps), we have taken into consideration the following principal factors and reasons:

1. Information of the parties

The Company

The principal activity of the Company is investment holding. The Company's subsidiaries are principally engaged in exploration of copper and cobalt, mining, ore processing, leaching smelting and sale of copper cathodes, blister copper and copper anodes, cobalt contained in cobalt hydroxide, sulfuric acid and liquid sulfur dioxide.

CNMC

CNMC is wholly-owned and administered by the SASAC and is principally engaged in the development of nonferrous metal resources, construction and engineering, as well as related trade and services.

As at the Latest Practicable Date, CNMC indirectly owns an aggregate of 69.54% of the issued share capital of the Company.

As disclosed in the 2021 Annual Report and the 2022 Annual Report, the CNMC Group was the Group's largest customer which accounted for 49.1% and 48.8% of the Group's total sales for the FY 2021 and FY 2022, respectively.

CNMC Treasury

CNMC Treasury is a company incorporated in Hong Kong with limited liability which is principally engaged in providing treasury and financial management services to the CNMC Group. As at the Latest Practicable Date, CNMC Treasury is a wholly-owned subsidiary of CNMC, which is in turn wholly-owned and administered by the SASAC.

2. 2023 CNMC Copper Supply Framework Agreement

2.1 Reasons for the entering into the 2023 CNMC Copper Supply Framework Agreement

The Group has been selling copper products to the CNMC Group and will continue to supply such products to the CNMC Group for its business needs. As disclosed in the Letter from the Board, the 2023 CNMC Copper Supply Framework Agreement is consistent with the business and commercial objectives of the Group as the sales of copper products to the CNMC Group can further enhance the business opportunities of the Group, broaden the revenue base of the Group and increase the capacity utilization level of the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As CNMC has business developments in the PRC, Zambia, the DRC and other countries, the Group's business dealings with the CNMC Group will help the Group gather business information in those countries, continue expanding its business reach and channels, thus enhancing the business opportunities of the Group.

2.2 Principal terms of the 2023 CNMC Copper Supply Framework Agreement

Purpose and Scope

Pursuant to the 2023 CNMC Copper Supply Framework Agreement, the Company agreed to sell, or procure its subsidiaries to sell, copper products including blister copper and copper cathodes to the CNMC Group.

The quantity of each type of copper products to be sold to the CNMC Group is not fixed under the terms of the 2023 CNMC Copper Supply Framework Agreement but is to be determined and agreed between the relevant parties from time to time. Either party may terminate any specific underlying agreement entered into pursuant to the 2023 CNMC Copper Supply Framework Agreement by giving the other party no less than one month's prior written notice.

The Company is not required to sell a minimum amount or any particular type of copper products to the CNMC Group during the term of the 2023 CNMC Copper Supply Framework Agreement.

Terms

Subject to the approval by the Independent Shareholders at the EGM, the term of the 2023 CNMC Copper Supply Framework Agreement shall commence from 1 January 2024 and expire on 31 December 2026.

Pricing basis

The consideration for sale of the copper products will be determined with reference to the prevailing market price of the copper products at the time of each specific agreement to be entered into pursuant to the 2023 CNMC Copper Supply Framework Agreement. Such market price refers to (in order of sequence) (i) the monthly moving average price or the monthly average settlement price of copper quoted on the London Metal Exchange; or (ii) the monthly moving average price or the monthly average settlement price of copper quoted on the Shanghai Futures Exchange; or (iii) when the market price of copper products could not be adequately reflected through (i) and (ii) at the place of sale or the receiving market, the price reasonably determined by both parties after making reference to the monthly average selling price of copper at the place of sale or the receiving market. Such price will be determined by making reference to the selling price charged by other renowned mining companies at the place of sale or receiving market, and a recognized copper stock index that is comparable to the London Metal Exchange or the Shanghai Futures Exchange, such as Tianjin Precious Metals Exchange or COMEX.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Group has not encountered in the past the situation when the quoted price of London Metal Exchange and/or the Shanghai Futures Exchange cannot reflect the local market price.

Payment terms

The payment terms will be agreed and detailed in the specific agreements.

In relation to sale of copper products to the CNMC Group, the payment terms are determined on a Free Carrier (FCA) basis (that is, the Group is required to deliver the copper products to the carrier at the Group's plants and the transportation cost and risks are transferred to the CNMC Group after delivery to the carrier). The CNMC Group will make advance payment for a portion of copper products and the remaining balance will be paid by wire transfer. The Directors are of the view that such payment terms are in line with market practice and the payment terms with the Company's customers which are Independent Third Parties.

Our view

We have obtained and reviewed five sample copper sale agreements entered into between the Group and each of (i) the CNMC Group (the "**CNMC Copper Sales Contracts**"); and (ii) other Independent Third Parties (the "**Independent Copper Sales Contracts**") for the years from 2021 to 2023, and noted that (a) the prices for sale of copper products were generally determined with reference to the prices of copper quoted on the London Metal Exchange; and (b) the terms of the CNMC Copper Sale Contracts (including payment terms) are generally not more favourable or comparable to those of the Independent Copper Sales Contracts. As such, we consider that the terms of the 2023 CNMC Copper Supply Framework Agreement are on normal commercial terms which are fair and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2.3 Proposed annual caps

Historical transaction amounts

Set out below is the historical transaction amounts of the transactions for the three years ended 31 December 2022 and the nine months ended 30 September 2023:

	For the FY		For the nine months ended 30 September	
	2020 (audited)	2021 (audited)	2022 (audited)	2023 (unaudited)
Sales of copper products by the Group to the				
CNMC Group (<i>in US\$'000</i>) (A)	1,232,558	1,942,009	1,926,414	1,232,516
– Sales volume (<i>in tonnes</i>) (B)	203,001	214,625	230,890	177,110
– Average selling price (<i>in US\$ per tonne</i>) (A/B)	6,072	9,048	8,343	6,959
Annual caps (<i>in US\$'000</i>)	3,198,000	2,852,745	3,461,640	3,622,900
Utilisation rate (%)	38.5%	68.1%	55.7%	34.0%

Note: As at the Latest Practicable Date, the actual transaction amount has not exceeded the annual cap for the year ending 31 December 2023.

Currently, the copper products are charged in accordance with the monthly moving average price or the monthly average settlement price of copper quoted on the London Metal Exchange.

As shown in the table above, sales of copper products by the Group to the CNMC Group increased from approximately US\$1,232.6 million for the FY 2020 to approximately US\$1,926.4 million for the FY 2022, representing a compound annual growth (the “CAGR”) of about 25.0%. Notwithstanding the decrease in average selling price, sales volume to the CNMC Group increased at a CAGR of about 6.7% from approximately 203,001 tonnes for the FY 2020 to 230,890 tonnes for the FY 2022.

As disclosed in the Letter from the Board, the low utilisation of the historical annual caps was due to the following reasons:

- (i) the actual copper price during the years 2021 to 2023 was lower than the Company’s initial forecast;
- (ii) the actual demand from the CNMC Group for copper products was lower than the Company’s initial projection; and
- (iii) the pricing of commodities (including copper products) followed the global commodity price which was subject to cyclical fluctuations beyond the control of the relevant contracting parties.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Proposed annual caps

Set out below is the proposed annual caps for the transactions contemplated under the 2023 CNMC Copper Supply Framework Agreement for each of the three years ending 31 December 2026:

	For the FY		
	2024	2025	2026
Sales of copper products by the Group to the CNMC Group <i>(in US\$'000) (A)</i>	2,314,400	2,502,400	2,483,100
– Sales volume <i>(in tonnes) (B)</i>	263,000	272,000	267,000
– Average selling price <i>(in US\$ per tonne) (A/B)</i>	8,800	9,200	9,300

As set out in the Letter from the Board, the proposed annual caps for each of the three years ending 31 December 2026 under the 2023 CNMC Copper Supply Framework Agreement were determined by reference to, among other things, (a) historical transaction amounts and volumes; (b) the Group's estimated copper production capacity and volume; (c) estimated growth in the demand for copper products by the CNMC Group from the Group; and (d) reasonable expected price range for the copper products provided by the Group for each of the three years ending 31 December 2026.

The Company has taken into consideration the Group's production output brought about by its development and expansion projects. The Group expects its production volume for copper cathodes to reach approximately 158 kt, 158 kt and 158 kt in each of the coming three years ending 31 December 2026, respectively, and the production volume for blister copper and copper anodes to reach approximately 374 kt, 381 kt and 353 kt in each of the coming three years ending 31 December 2026, respectively. In view of the shortage of copper supply in the PRC and the expected orders from the CNMC Group, the Group expects to sell approximately 96 kt, 110 kt and 110 kt of copper cathodes and approximately 167 kt, 162 kt and 157 kt of blister copper and copper anodes to the CNMC Group for each of the three years ending 31 December 2026, respectively. Such data was consolidated from the reported data from each member of the Group determined according to its respective sales forecast and production capacity.

In aggregate, for each of the three years ending 31 December 2026, the Group expects to sell approximately 263 kt, 272 kt and 267 kt of such copper products to the CNMC Group, respectively. The percentage of the sales volume of copper products to the CNMC Group for each of the three years ending 31 December 2026 is expected to be 49.4%, 50.5% and 52.3%, respectively.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The above annual caps are determined on the basis that the forecasted copper price will be around US\$8,800 per tonne in 2024, US\$9,200 per tonne in 2025 and US\$9,300 per tonne in 2026. The annual caps for the sales of copper to the CNMC Group are broadly commensurate with the production volume of the Group following the completion of certain of the Group's expansion projects and investment in the future.

Due to the Group's affiliation with the CNMC Group, the CNMC Group is more willing to, at the Group's request, make advance payments which allows the Group to better manage its working capital. The advance payment made by the CNMC Group thus allows the Group to save on the interest on bank loans which the Group may otherwise have to pay. Further, due to the nature of commodity transactions, the settlement amount is usually relatively high. Consequently, settlement risk is an important consideration. While the independent customers of the Group are carefully selected and based on a number of factors including their creditworthiness, the Company believes that the risk of default by the CNMC Group is even lesser as CNMC is a state-owned enterprise in the PRC.

Even though the CNMC Group has been the largest customer of the Group, there are other major customers of the Group who are Independent Third Parties. The Group believes that each of the independent major customers, or a combination of a few of them, has the capacity to purchase at least a very significant portion of the Group's copper output as they are international trading companies and there have been instances in the past when the Group had to turn down part of their orders due to their demand being greater than the Group's supply capacity. Nevertheless, to minimize customer concentration risk, the Group has diversified its sales to a number of independent major customers as well as sales to customers in Luxemburg, Zambia, the DRC, Switzerland and Singapore. In addition, the Group maintains close commercial relationships with various copper refiners in the PRC, which are customers for blister copper, and downstream copper processing plants, which are customers of copper cathodes. The Company believes that it will be able to sell its products directly to these refiners and copper processing plants upon needs.

In assessing the fairness and reasonableness of the proposed annual caps above, we have considered (a) the Group's current development projects; (b) the Group's historical sales volume of copper products with the CNMC Group; and (c) the forecasted copper prices in each of the coming three years ending 31 December 2026 made by a number of firms in the last six months prior to the date of the 2023 CNMC Copper Supply Framework Agreement as disclosed in the Bloomberg.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As part of our independent due diligence, (1) we note that, as disclosed in the 2023 Interim Report, some of the Group's existing projects will bring new growth points for its development (the "Projects"); (2) we compute (i) the CAGR of the actual sales volume of copper products to the CNMC Group from 2020 to 2022, such CAGR accounted for about 6.7%; (ii) the CAGR of the actual sales volume of copper products to the CNMC Group for 2022 (i.e. approximately 230,890 tonnes, which was the latest sales volume of the same to the CNMC Group in full-year basis) and the expected sales volume of such products to the CNMC Group for 2024 (i.e. approximately 263,000 tonnes), such projected CAGR would account for about 6.7%; (iii) the CAGR of the actual sales volume of copper products to the CNMC Group for 2022 and the expected sales volume of the same to the CNMC Group for 2026 (i.e. approximately 230,890 tonnes and 267,000 tonnes, respectively), such projected CAGR would account for merely about 3.7%; and (iv) the CAGR of the Group's total sales volume of blister copper, copper anodes and copper cathodes from 2020 to 2022 (i.e. approximately 405,949 tonnes and 471,857 tonnes, respectively), such CAGR accounted for about 7.8%, as such, we consider that the determination of the expected sales volume growth of copper products to the CNMC Group for 2024 to 2026 is prudent.

Taking into account (i) the growth in production volume of the Group following completion of the Projects; (ii) the Group's sales volume to the CNMC Group had increased at a CAGR of about 6.7% from approximately 203,001 tonnes for the year ended 31 December 2020 to 230,890 tonnes for the year ending 31 December 2022 as mentioned above; (iii) the CAGR of the Group's expected sales volume to the CNMC Group from 2022 to 2026 would be about 3.7%; and (iv) the CAGR of the Group's sales volume of copper products from 2020 to 2022 as mentioned above of about 7.8%, we consider that the Group's sales volume of the same to the CNMC Group of approximately 263,000 tonnes, 272,000 tonnes and 267,000 tonnes per annum for the each of the coming three years ending 31 December 2026 is prudent, fair and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In estimating the proposed annual caps for the transactions contemplated under the 2023 CNMC Copper Supply Framework Agreement for each of the three years ending 31 December 2026, the copper price is forecasted to be approximately US\$8,800 per tonne, US\$9,200 per tonne and US\$9,300 per tonne, respectively. In assessing the fairness and reasonableness of the aforesaid forecasted copper prices, we have considered the forecasts (the “**Forecasts**”) made by thirty-four firms including international banking groups and research companies in the last six months prior to the date of the 2023 CNMC Copper Supply Framework Agreement as obtained from Bloomberg using the commodity price forecast function, details of which are set out as follows:

Name of Company	As of	2024	2025	2026
		<i>US\$ per tonne</i>		
Morgan Stanley	16/11/2023	8,907	8,995	9,304
BMI, a Fitch Solutions company	16/11/2023	8,800	9,300	9,600
Australia & New Zealand Banking Group Ltd	14/11/2023	9,124	9,449	9,290
BMO Capital Markets Corp/Toronto	9/11/2023	8,047	8,003	8,752
Barclays PLC	6/11/2023	7,672	7,937	7,496
JPMorgan Chase & Co	6/11/2023	9,475	9,149	8,818
Deutsche Bank AG	6/11/2023	8,800	10,000	10,000
Bank of America Merrill Lynch	1/11/2023	9,250	10,500	9,703
Rabobank	31/10/2023	8,173	8,334	8,502
Standard Chartered Bank	30/10/2023	8,256	8,600	8,900
Market Risk Advisory Co Ltd	25/10/2023	8,400	10,000	10,000
Panmure Gordon & Co PLC	17/10/2023	8,500	8,500	8,000
Berenberg	10/10/2023	8,400	8,500	9,000
Intesa Sanpaolo SpA	1/9/2023	8,750	9,500	10,000
National Australia Bank Ltd	3/8/2023	8,625	8,370	8,588
CIBC	26/6/2023	8,267	8,488	8,598
Stifel Nicolaus & Co Inc/Denver CO	23/6/2023	9,370	9,921	9,259
Macquarie Group Ltd	22/6/2023	7,474	8,333	8,995
RBC	21/6/2023	8,818	9,921	9,921
Cormark Securities Inc	21/6/2023	8,267	8,267	8,267
Canaccord Genuity	21/6/2023	9,370	9,921	9,921
Jefferies LLC	20/6/2023	9,105	11,023	12,125
National Bank of Canada	19/6/2023	8,378	8,047	8,047
Credit Suisse Group AG	19/6/2023	8,378	8,818	9,259
Desjardins Securities Inc	19/6/2023	8,818	9,149	9,370
Bank of Nova Scotia/The	16/6/2023	8,818	9,921	11,023
TD Securities	2/6/2023	9,039	9,370	9,921
Bradescobank SA	2/6/2023	8,000	7,500	7,150
UBS Group AG	31/5/2023	8,818	8,818	8,818
Haywood Securities Inc	30/5/2023	9,149	9,370	9,370
Eight Capital	24/5/2023	9,370	9,921	9,370
Paradigm Capital Inc	22/5/2023	9,370	8,818	8,267

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Name of Company	As of	2024	2025	2026
			<i>US\$ per tonne</i>	
Bell Potter Investments Pty Ltd	9/5/2023	8,995	9,105	9,149
PI Financial	1/5/2023	8,488	8,488	8,488
	Maximum	9,475	11,023	12,125
	Minimum	7,474	7,500	7,150
	Average	8,690	9,069	9,155
Forecasted copper prices in the proposed annual caps		8,800	9,200	9,300

As shown in the above, the range of the forecasted copper prices in the Forecasts are approximately US\$7,474 to US\$9,475, US\$7,500 to US\$11,023 and US\$7,150 to US\$12,125 per tonne with the averages of approximately US\$8,690, US\$9,069 and US\$9,155 per tonne in each of 2024, 2025 and 2026, respectively. The forecasted copper prices used in the annual caps are within the ranges as mentioned above. The Directors are of the view that, in estimating the copper prices for setting the foregoing annual caps, a certain degree of flexibility is required to cater for any possible unexpected fluctuations in international copper price in the coming three years ending 31 December 2026. As such, we consider the projected copper prices in estimating the proposed annual caps to be prudent, justifiable, fair and reasonable.

Based on the above analysis, we are of the view that the proposed annual caps for the transactions contemplated under the 2023 CNMC Copper Supply Framework Agreement for the three years ending 31 December 2026 are fair and reasonable.

3. 2023 CNMC Mutual Supply Agreement

3.1 Background of and reasons for the 2023 CNMC Mutual Supply Agreement

The Group has been procuring raw materials, products and services from the CNMC Group and will continue to obtain such raw materials, products and services from the CNMC Group for the business development of the Group. As disclosed in the Letter from Board, the 2023 Mutual Supply Framework Agreement is consistent with the business and commercial objectives of the Group as the raw materials and products supplied by the CNMC Group are in close proximity to the production facilities of the Group, reducing the Group's production costs and further enhancing the profitability of the Group's operations and the services provided by the CNMC Group can supplement the Group's operation capacity, resulting in a better manpower management.

The Group has been supplying raw materials, products and services to the CNMC Group and will continue to supply such raw materials, products and services to the CNMC Group for its business needs. As disclosed in the Letter from Board, this is consistent with the business and commercial objectives of the Group as the supply of raw materials, products and services to the CNMC Group can further enhance the Group's business opportunities, broaden its revenue base and increase its capacity utilization level.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As CNMC has business developments in the PRC, Zambia, the DRC and other countries, the Group's business dealings with the CNMC Group will help the Group gather business information in those countries, continue expanding its business reach and channels, thus enhancing the business opportunities of the Group.

3.2 Principal terms of the 2023 Mutual Supply Framework Agreement

Purpose and Scope

Pursuant to the 2023 Mutual Supply Framework Agreement,

- (a) both parties agreed to provide, or procure their respective subsidiaries to provide the following to each other:
 - (i) raw material and products supplies, such as raw materials, construction materials, ancillary materials, spare parts, tools, equipment, fuels, water, electricity, gas and steam, and lease of equipment and vehicles;
 - (ii) social and support services, such as public security, employee training, sharing of service, other non-business services, schooling, medical and emergency service, telecommunication, property management and other similar services; and
 - (iii) technical services, such as consultation, design, construction, technical and engineering services, testing and equipment repair, construction and engineering projects supervision; and
- (b) CNMC agreed to provide, or procure its subsidiaries to provide transportation and logistics services to the Group.

Pursuant to the 2023 Mutual Supply Framework Agreement, CNMC has undertaken that it will not, and will procure its subsidiaries not to, provide raw materials, products and services to the Group on terms which are less favourable than those offered to Independent Third Parties. Each party is entitled to obtain the relevant raw materials, products and services from Independent Third Parties if the other party cannot satisfy its requirements for such raw materials, products and services or the terms offered by Independent Third Parties are more favourable. Each party will provide to the other party on an annual basis an assessment of the raw materials, products and services that it requires in the coming year.

Either party may terminate any specific underlying agreement entered into pursuant to the 2023 Mutual Supply Framework Agreement by giving the other party no less than one month's prior written notice, provided that if the Company cannot conveniently obtain such raw materials, products and services from a third party, CNMC will not be allowed to terminate and will continue to provide such raw materials, products and services under any circumstances.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Terms

Subject to the approval by the Independent Shareholders at the EGM, the term of the 2023 Mutual Supply Framework Agreement shall commence from 1 January 2024 and expire on 31 December 2026.

Pricing basis

For the sales and purchase of “raw materials and product supplies”, the price shall be determined according to the market price of the raw materials and products being delivered. If such market price is unavailable, the amount payable will be determined with reference to actual costs plus applicable taxes.

For the provision of “social and support services”, the price shall be determined either by reference to the price set by similar service providers in the market, or the price agreed between one party and an Independent Third Party for similar services. If such market price is unavailable, the amount payable will be determined with reference to actual costs plus applicable taxes.

For the provision of “technical services”, if there are PRC government prescribed prices, the amount payable will be determined with reference to the published PRC government prescribed prices which are updated by the relevant PRC central or provincial government departments from time to time. If there are no PRC government prescribed prices or when the PRC government prescribed prices is not reflective of the market price at the place of service, the amount will be determined by reference to the price agreed between one party and an Independent Third Party for similar services. In the event a market price is unavailable for similar services, nor were there any transaction price between Independent Third Parties, the amount payable will be determined with reference to actual costs plus applicable taxes. The Ministry of Finance and the Ministry of Land and Resources have jointly published a publication called the Standards for Budget of National Land Resources Survey (國土資源調查預算標準) in July 2007, which includes the Notice of Standards for Budget of National Land Resources Survey (the Section of National Land Resources Survey (Cai Jian No. 52 of 2007) (國土資源調查預算標準(地質調查部分)的通知(財建[2007]52號)) (the “**Notice**”). Pursuant to Notice, the reference price (that is, standard of budget) for the technical services in relation to geological exploration, including design, construction, analysis and detection, reporting and other labor and equipment costs is stated. Such standard of budget consists of three parts, namely (a) budget for working methods, (b) budget for comprehensive research and scientific research and (c) regional adjustment coefficient, which are interpreted by the Ministry of Finance and Ministry of Land and Resources. The Notice published in 2007 is the latest applicable standards, which may be revised in the future in accordance with the application of new methods, new techniques and other relevant circumstances. The Company has followed the Notice for its projects.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For the provision of “transportation and logistics services”, it shall be determined either by reference to the price charged by similar service providers in the local market, or the price agreed between a party and Independent Third Party for similar services. If such market price is unavailable, the amount payable will be determined with reference to actual costs plus applicable taxes.

The market price for the abovementioned goods and services is determined by reference to the price at which the same or similar type of raw materials, products and services provided in the same or nearby area is charged by Independent Third Parties in the ordinary course of business at the relevant time; or failing which, the price at which the same or similar type of raw materials, products and services is charged by Independent Third Parties in the ordinary course of business at the relevant time.

Before a specific agreement is entered into, the procurement and sales departments of the Group will make public enquiry with similar good and/or service providers in the market, which are Independent Third Parties, as to the price or fees of the products and services and determine the pricing terms based on the quotations obtained. The procurement and sales departments will generally obtain around two to three quotations from different Independent Third Party goods and/or service providers. The finance and legal departments will review the terms of the specific agreements, focusing on the pricing and payment terms.

The pricing basis of actual costs plus applicable taxes will not include any profit margin. The Directors consider that this pricing basis is beneficial to the Company because the transaction volume for the supply of raw materials, products and services from the CNMC Group to the Group substantially outweighs the transaction volume for the supply of raw materials, products and services from the Group to the CNMC Group. The Group will therefore be benefited from this pricing arrangement. In addition, the Group anticipates that substantially all of the supply of raw materials, products and services to the CNMC Group in the future will be charged in accordance with market price with only a few services to be charged on the actual costs plus applicable taxes, therefore on the whole, the transactions will be conducted on no less favourable terms than those available to the Group from Independent Third Parties. To the extent that they are available, the Group will check all the invoices provided by the CNMC Group to ensure that the Group is charged with actual costs plus applicable tax in the event that this pricing basis is adopted. The CNMC Group has given consent to provide all those invoices to the Group for inspection.

Based on the above, the Directors consider that the transactions will be conducted on normal commercial terms and not prejudicial to the interest of the Company and its Shareholders.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Our view

We have obtained and reviewed ten sample contracts or invoices in relation to the mutual supply of raw materials, products and services between the Group and the CNMC Group, and compared them with sample contracts for similar goods and services between the Group and other Independent Third Parties, for the years from 2021 to 2023. We noted that (1) the pricing basis of the sample contracts with the CNMC Group were generally in line with the pricing basis as mentioned above; (2) the terms of the sample contracts with the CNMC Group and other Independent Third Parties are generally comparable to each other.

As disclosed in the Letter from the Board, before a specific agreement is entered into, the Group's procurement and sales departments will make public enquiry with similar goods and/or service providers in the market, which are Independent Third Parties, as to the price or fees of the products and services and determine the pricing terms based on the quotations obtained. The Group's procurement and sales departments will generally obtain around two to three quotations from different independent goods and/or service providers. The Group's finance and legal departments will review the terms of the specific agreements, focusing on the pricing and payment terms.

In assessing whether the above internal control procedures are put in place and effectively implemented, we have obtained and reviewed the relevant documentation regarding comparison of price or fee quotations from independent goods and/or service providers, and noted that the Group will make public enquiry with similar good and/or service providers in the market which are Independent Third Parties, as to the prices or fees of the products and services and determine the pricing and payment terms of each specific agreement. As such, we concur with the Directors' view that appropriate internal control procedures are in place to ensure the terms of each specific agreement are on normal commercial terms and in compliance with the 2023 Mutual Supply Framework Agreement.

As for the pricing basis of actual costs plus applicable taxes, in assessing whether this pricing basis is beneficial to the Group as a whole, we have reviewed the actual transaction amounts of the mutual supply of raw materials, products and services between the Group and the CNMC Group for the two years ended 31 December 2022 as disclosed in the 2022 Annual Report and noted that the transaction amounts for the procurement of raw materials, products and services from the CNMC Group were substantially larger than those for the supply of raw materials, products and services to the CNMC Group. On this basis, we concur with the Directors that the Group will benefit from this pricing arrangement.

On the above bases, we consider that the terms of the 2023 Mutual Supply Framework Agreement are on normal commercial terms which are fair and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3.3 Proposed annual caps

Historical transaction amounts

Set out below is the historical transaction amounts of the transactions for the three years ended 31 December 2022 and the nine months ended 30 September 2023:

	For the FY		For the nine months ended 30 September	
	2020	2021	2022	2023
	(audited)	(audited)	(audited)	(unaudited)
Supply of raw materials, products and services from the CNMC Group <i>(in US\$'000)</i>	233,896	386,226	459,248	235,031
Supply of raw materials, products and services to the CNMC Group <i>(in US\$'000)</i>	47,196	67,907	94,715	51,499
Annual caps				
Supply of raw materials, products and services from the CNMC Group <i>(in US\$'000)</i>	491,913	496,731	656,018	643,797
Supply of raw materials, products and services to the CNMC Group <i>(in US\$'000)</i>	775,947	145,515	213,159	292,346
Utilisation rate				
Supply of raw materials, products and services from the CNMC Group	47.5%	77.8%	70.0%	36.5%
Supply of raw materials, products and services to the CNMC Group	6.1%	46.7%	44.4%	17.6%

Note: As at the Latest Practicable Date, the actual transaction amount has not exceeded the annual cap for the year ending 31 December 2023.

As shown in the table above, for each of the three years ended 31 December 2022 and the nine months ended 30 September 2023, the Group procured raw materials, products and services from the CNMC Group in the amounts of approximately US\$233.9 million, US\$386.2 million, US\$459.2 million and US\$235.0 million, respectively; whereas the Group supplied raw materials, products and services to the CNMC Group in the amounts of approximately US\$47.2 million, US\$67.9 million, US\$94.7 million and US\$51.5 million, respectively.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As disclosed in the Letter from the Board, the low utilisation of the historical annual caps was due to the following reasons:

- (i) the actual number of mining and stripping projects and the acquisition of high copper and low sulfur ore projects carried out by the Group was lower than the original forecast by the Group;
- (ii) the international cobalt price has been declining significantly since its peak in the year 2022, and the actual price was much lower than the Company's original forecast;
- (iii) the amount of purchasing epidemic prevention materials and services from the CNMC Group was significantly reduced due to the effective control of the Covid-19 pandemic; and
- (iv) the pricing of commodities (including copper products) followed the global commodity price which was subject to cyclical fluctuations beyond the control of the relevant contracting parties.

Proposed annual caps

Set out below is the proposed annual caps for the transactions contemplated under the 2023 Mutual Supply Framework Agreement for each of the three years ending 31 December 2026:

	For the FY		
	2024	2025	2026
Supply of raw materials, products and services from the CNMC Group <i>(in US\$'000)</i>	353,100	395,000	395,000
Supply of raw materials, products and services to the CNMC Group <i>(in US\$'000)</i>	137,300	142,800	154,300

- (a) Supply of raw materials, products and services from the CNMC Group

As set out in the Letter from the Board, the proposed annual caps for the supply of raw materials, products and services from the CNMC Group under the 2023 Mutual Supply Framework Agreement were determined by reference to, among other things, (1) historical transaction values and volume; (2) estimated demand for raw materials, products and services by the Group from the CNMC Group; and (3) reasonable expected price range for the raw materials, products and services provided by the CNMC Group for the three years ending 31 December 2026.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In particular, the Group has considered its various development and expansion projects for which it plans to procure raw materials, products and services from the CNMC Group. In this regard, the Group has taken into consideration factors such as progress, nature, products and services as well as types of service providers required for each project.

As disclosed in the Letter from the Board, the raw materials and products to be procured from the CNMC Group are in close proximity to the production facilities of the Group and as a result, the Group's production costs can be reduced and the profitability of the Group's operation can be further enhanced. On the other hand, the services to be provided by the CNMC Group can supplement the Group's operation capacity and allow the Group to maintain a better manpower arrangement. Moreover, procurement from the CNMC Group can allow the Group to reduce costs through bulk purchase. On the above bases, we consider it is reasonable for the Group to procure a majority of the required raw materials, products and services from the CNMC Group for its operation and development.

In assessing the fairness and reasonableness of the above proposed annual caps, we have reviewed (1) the development progress of the Group's existing projects as disclosed in the 2023 Interim Report; (2) the Group's development plan as advised by the Management; (3) the working schedule for setting the proposed annual caps with reference to the development needs of the Group's projects; and (4) the historical transaction amounts for the procurement of raw materials, products and services by the Group from the CNMC Group for the two years ended 31 December 2022 and the nine months ended 30 September 2023, and discussed with the Management regarding the bases of the calculation and the factors contributing to the fixing of the proposed annual caps.

Given that the proposed annual caps are arrived at based on the Group's development plan, its expected demand from the CNMC Group and the expected price range for the raw materials, products and services provided by the CNMC Group, we consider the bases and factors in determining the proposed annual caps to be fair and reasonable.

Based on the aforesaid review and discussion with the Management, we noted that (1) the proposed annual caps have taken into account the demand from all the Company's operating subsidiaries, comprising the subsidiaries located in Zambia and the DRC, in the ordinary and usual course of business; (2) the demand for raw materials, products and services from the CNMC Group would be further driven by completion of certain of the Group's projects, in particular, the Projects; and (3) the Group plans to procure a majority of the required raw materials, products and services from the CNMC Group for its operation and development, reasons for and benefit of which are mentioned above. As such, we consider the setting of the proposed annual caps with the highest transaction amounts of US\$395 million, which is less than the actual transaction amounts of approximately US\$459 million in 2022, to be prudent, fair and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(b) Supply of raw materials, products and services to the CNMC Group

As set out in the Letter from the Board, the proposed annual caps for the supply of raw materials, products and services by the Group to the CNMC Group under the 2023 Mutual Supply Framework Agreement were determined by reference to, among other things, (1) historical transaction values and volume; (2) estimated growth in the demand for raw materials, products and services by the CNMC Group mainly consisting of cobalt products; and (3) reasonable expected price range for the raw materials, products and services provided by the Group for the three years ending 31 December 2026.

In assessing the fairness and reasonableness of the above proposed annual caps, we have reviewed the working schedule prepared by the Management for each of the coming three years ending 31 December 2026, which set out the estimated transaction amounts for each year (about 45.0% growth for 2024 on the actual transaction amounts of 2022 (i.e. approximately US\$94.7 million), 4.0% growth for 2025 on the preceding year and 8.1% growth for 2026 on the preceding year).

We have computed (i) the CAGR of the transaction amounts for the supply of raw materials, products and services by the Group to the CNMC Group of about 41.7% for the FY 2020 to 2022; and (ii) the projected CAGR of the transaction amounts for the supply of raw materials, products and services by the Group to the CNMC Group of about 13.0% for the FY 2022 to 2026, as such, we are of the view that the growth rate used in the abovementioned schedule shall be relatively prudent, fair and reasonable.

Having considered that the abovementioned annual caps are determined primarily based on (i) the development progress of the Group's existing projects as disclosed in the 2023 Interim Report; (ii) the Group's development plan; (iii) the demand for raw materials, products and services from the CNMC Group; and (iv) the historical transaction amounts conducted between the Group and the CNMC Group, we consider the bases and factors in determining the relevant proposed annual caps under the 2023 Mutual Supply Agreement to be fair and reasonable.

4. 2023 Treasury Management Services Framework Agreement

4.1 Information of CNMC Treasury

CNMC Treasury is a company incorporated in Hong Kong with limited liability, and is principally engaged in providing treasury and financial management services to the CNMC Group. As at the Latest Practicable Date, CNMC Treasury is a wholly-owned subsidiary of CNMC Group, which is in turn wholly-owned and administered by the SASAC.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

4.2 Reasons for entering into the 2023 Treasury Management Services Framework Agreement

As disclosed in the Letter from the Board, the Company entered into the 2023 Treasury Management Services Framework Agreement with the CNMC Treasury for the following reasons:

The interest rates of the collective fund management services, the loan services and relevant handling fees of the miscellaneous financial services offered by CNMC Treasury to the Company will be the same as or more favorable than (as the case may be) those individually offered by any Independent Third Parties to the Company providing such services.

The Company may utilize CNMC Treasury as a medium to allocate the funds between members of the Company more effectively, thereby improving the level of liquidity of the Group and enhancing the overall solvency of the Group.

The Company will procure various services from CNMC Treasury, including the collective fund management services, the loan services, and miscellaneous financial services according to the 2023 Treasury Management Services Framework Agreement. Such arrangements will enhance the bargaining power of the Company when negotiating with third party commercial banks for the same or similar services, which may lower the financing costs of the Company.

CNMC Treasury is limited to serving the needs and requests of the member companies and is familiar with the Company's operation. Therefore, CNMC Treasury can provide services on a prioritized and more efficient manner than other commercial banks, from which the Company is expected to benefit.

4.3 Principal terms of the 2023 Treasury Management Services Framework Agreement

Purpose and scope

Pursuant to the 2023 Treasury Management Services Framework Agreement, CNMC Treasury agreed to provide the Company with treasury management services, including (1) the financial advisory services; (2) the collective fund management services; (3) loan services; (4) exchange rate risk management services; and (5) other treasury management services.

Details of the collective fund management services are set out below:

The collective fund management services: to collect or transfer the Group's funds through the designated banks account, set up and supervise the fund pool, ensure the safety of funds of the Group, timely allocate funds according to the operation need of the Group, and meet the Group's fund use requirements in a timely manner.

Terms

Subject to the approval by the Independent Shareholders at the EGM, the term of the 2023 Treasury Management Services Framework Agreement shall commence from 1 January 2024 and expire on 31 December 2026.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Pricing basis

The fees and charges payable by the Group to CNMC Treasury under the 2023 Treasury Management Services Framework Agreement will be fair and reasonable under the Listing Rules, determined according to the market principle on arm's length basis, subject to compliance with requirements for connected transactions of the Stock Exchange and relevant requirements for connected transactions that are applicable to the parties. CNMC Treasury will ensure that the prices charged to the Group will be the same with or favorable than prices charged to CNMC Group and other member companies under CNMC for the same type and same period and the prices charged by other third party treasury management services providers for the same type and same period.

In respect of the collective fund management services, the interest rates shall not be lower than (i) the interest rates offered by CMNC Treasury to the CNMC Group from time to time for the same amount of funds; and (ii) the interest rates offered by other commercial banks in the PRC for the same amount of funds and same period.

Assessment on the pricing basis

In assessing the fairness and reasonableness of the pricing basis, we have discussed with the Management and noted that in order to ensure that the pricing basis is on normal commercial terms and not less favourable than those of the same (or similar) services provided by Independent Third Parties at the relevant times, the Company will obtain at least one quotation from Independent Third Parties for comparison purposes when determining the respective terms and prices to be entered into with CNMC Treasury.

Given that the cooperation between the Company and the CNMC Treasury under the 2023 Treasury Management Services Framework Agreement is on non-exclusive basis with no obligation on the Company's options to accept or provide any terms and conditions (including pricing terms) for the respective services which are less favourable than those agreed between the Group and other Independent Third Party, we are of the view that the above pricing basis is on normal commercial terms, fair and reasonable.

4.4 Proposed annual caps

Historical transaction amounts

There were no historical transaction amounts for the similar transactions contemplated under the 2023 Treasury Management Services Framework Agreement for the past three years ended 31 December 2022 and the nine months ended 30 September 2023.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Proposed annual caps and basis of determination

As set out in the Letter from the Board, the proposed annual caps for the collective fund management services contemplated under the 2023 Treasury Management Services Framework Agreement for each of the three years ending 31 December 2026 and the basis of determination of such annual caps are set out as follows:

The Company estimates that the maximum daily balance (including accrued interests) of the funds to be deposited and managed by CNMC Treasury under the 2023 Treasury Management Services Framework Agreement for each of the three years ending 31 December 2026 and the basis of determination of such annual caps are set out as follows:

	For FY		
	2024	2025	2026
	(US\$)	(US\$)	(US\$)
Maximum daily deposit balance (including accrued interests)	300,000,000	300,000,000	300,000,000

Note: The conversion of foreign currencies shall be made at the central parity rate published by the State Administration of Foreign Exchange on the relevant date of the deposit.

The above proposed annual caps were determined by reference to factors the expected fund requirement available for the Group's business expansion plan. The Group has to get ready the fund to be centralized for liquidity and payment of consideration for the projects

In assessing the fairness and reasonableness of the above proposed annual caps, we have reviewed the Group's bank balances and cash (including the time deposit but excluding the restricted bank balances) as at 31 December 2020, 2021 and 2022 and 30 June 2023 which amounted to approximately US\$497.8 million, US\$606.7 million, US\$762.9 million and US\$1,022.7 million, respectively. The Group's bank balances and cash as at 30 June 2023 (i.e. approximately US\$1,022.7 million) represented approximately 3.4 times to the proposed annual caps for the three FYs from 2024 to 2026 Based on the above observation, we are of the view that the above proposed annual caps are reasonably determined.

5. Internal control procedures of the Group

As mentioned in the Letter from the Board, the pricing policy will be supervised and monitored by the Management in charge to ensure that the 2023 Framework Agreements are conducted on normal commercial terms and will not be prejudicial to the interests of the Company and its Shareholders as a whole. The Management will also conduct regular checks to review and assess whether the transactions contemplated under each of the 2023 Framework Agreements are conducted in accordance with their respective terms and the aforesaid pricing policy. For details of the internal control measures for continuing connected transactions, please refer to the Letter from the Board.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As disclosed in each of the 2021 Annual Report and 2022 Annual Report, (a) the independent non-executive Directors have reviewed the continuing connected transactions contemplated under the 2020 CNMC Copper Supply Framework Agreement and the 2020 Mutual Supply Framework Agreement and confirmed that each of the above continuing connected transactions thereunder has been entered into: (i) in the ordinary course of business of the Group; (ii) on normal commercial terms; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole; (b) the Company has designated the compliance committee to continuously monitor the continuing connected transactions with its connected persons. The compliance committee continuously traces and regularly monitors the progress of the continuing connected transactions and reports to the Management. The compliance committee reviews the continuing connected transactions with the finance department to ensure that annual caps are not exceeded. The heads of different departments of the Company will also be informed on a periodic basis in relation to the terms and pricing policies of the continuing connected transactions. The compliance committee will communicate with the audit committee of the Company, the Management and the Board of Directors, monthly or as needed, to report the progress of the continuing connected transactions, and request for approval of new changes of existing transaction terms. The audit committee of the Company and the compliance committee have also assigned the independent internal audit team the task to ensure that the Company's internal control measures in respect of the continuing connected transactions remain effective and complete; and (c) the auditors of the Company have provided a letter to the Board confirming that, for the FY 2022, (1) nothing has come to their attention that causes them to believe that the above continuing connected transactions have not been approved by the Board; (2) for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group; (3) nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; or (4) with respect to the aggregate amount of each of the above continuing connected transactions, nothing has come to their attention that causes them to believe that the above continuing connected transactions have exceeded the respective annual cap.

Based on the above, we are of the view that the Group has effective internal control policies in place to monitor the Non-exempted Continuing Connected Transactions (including the relevant proposed annual caps), and hence the interests of the Independent Shareholders would be safeguarded.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

Having taken into account the principal factors and reasons as referred to the above, we are of the view that the Non-exempted Continuing Connected Transactions (including the relevant proposed annual caps) are conducted in the ordinary and usual course of business of the Group and on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Shareholders, as well as the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the resolutions to be proposed at the EGM to approve the Non-exempted Continuing Connected Transactions (including the relevant proposed annual caps).

Yours faithfully,
For and on behalf of
South China Capital Limited

Nicholas Cheng
Managing Director

Felix Leung
Associate Director

Note:

Mr. Nicholas Cheng and Mr. Felix Leung are licensed persons registered with the Securities and Futures Commission to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. Mr. Nicholas Cheng has extensive experience in corporate finance industry and has participated in, and completed, the provision of independent financial advisory services for numerous connected transactions involving listed companies in Hong Kong. Mr. Felix Leung has over ten years of experience in corporate finance industry.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, none of the Directors or chief executives had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest and/or short positions which they were taken or deemed to have under such provisions of the SFO); or interests or short positions required to be recorded in the register kept by the Company pursuant to Section 352 of the SFO; or interests or short positions which fall to be disclosed to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as stipulated in the Listing Rules.

3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as was known to the Directors and chief executives of the Company, the persons, other than the Directors and chief executives of the Company, who had an interest or a short position in the shares and underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO were as follows:

Substantial Shareholder	Capacity/ Nature of Interest	Long/Short Position	Number of Shares	Approximate Percentage of Shareholdings
CNMD (<i>Note</i>)	Registered owner	Long position	2,600,000,000	69.54%
CNMC Group	Interest in a controlled corporation	Long position	2,600,000,000	69.54%

Note: CNMD is a wholly-owned subsidiary of CNMC and therefore, by virtue of the SFO, CNMC is deemed or taken to be interested in all the shares which are owned by CNMD.

All the interests stated above represent long positions. As at the Latest Practicable Date, no short positions were recorded in the Register of Interests in shares and short positions required to be kept under section 336 of the SFO.

Save as disclosed above, as at the Latest Practicable Date, the Directors and chief executives of the Company are not aware of any other person (other than the Directors and chief executives of the Company) having interests or short positions in the shares and underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

4. QUALIFICATION AND CONSENT OF EXPERT

The following are the qualifications of the experts who have given their opinions or advice which are contained in this circular:

Name	Qualifications
South China Capital Limited	A licensed corporation to carry out Type 6 (advising on corporate finance) regulated activities under the SFO
(a)	As at the Latest Practicable Date, South China Capital had not had any beneficial interest in the share capital of any member of the Group, did not have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group and did not have any interest, either directly or indirectly, in any assets which had been, since 31 December 2022, being the date of the latest published audited accounts of the Company, acquired by, disposed of or leased to or are proposed to be acquired by, disposed of or leased to any member of the Group.
(b)	South China Capital has given and has not withdrawn its written consent to the issue of this circular with inclusion of its opinion and letter, as the case may be, and the references to its name included herein in the form and context in which they respectively appear.
(c)	The letter and recommendation given by South China Capital are given as of the date of this circular for incorporation herein.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirmed that there had been no material adverse change in the financial or trading positions of the Company since 31 December 2022, being the date to which the latest published audited financial statements of the Company have been made up.

6. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration proceedings of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

7. SERVICE CONTRACTS OF THE DIRECTORS

As at the Latest Practicable Date, none of the Directors had entered into any service contract with the Company or any member of the Group referred to in Rule 13.68 of the Listing Rules (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

8. INTERESTS OF THE DIRECTORS

- (a) The Directors are not aware of any Director or his respective close associates having, as at the Latest Practicable Date, any interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group which would be required to be disclosed under the Listing Rules.
- (b) None of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which was significant to the business of the Group taken as a whole.
- (c) Since 31 December 2022, being the date of the latest published audited consolidated accounts of the Company, none of the Directors has, or has had, any direct or indirect interest in any assets which have been acquired by, disposed of or leased to or which are proposed to be acquired by, disposed of or leased to, any member of the Group.

9. GENERAL

- (a) The registered office of the Company is situated at Unit 1303, 13/F, Austin Tower, 22–26 Austin Avenue, Tsimshatsui, Kowloon, Hong Kong.
- (b) The Company's share registrar is Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong.
- (c) The English text of this circular and the accompanying form of proxy shall prevail over the Chinese text in the case of any inconsistency.

10. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the Company's website at <http://www.cnmcl.net> and the website of the Stock Exchange at <http://www.hkexnews.hk> from the date of this circular up to and including the date of the EGM:

- (a) the 2023 CNMC Copper Supply Framework Agreement;
- (b) the 2023 Mutual Supply Framework Agreement;
- (c) the 2023 Treasury Management Services Framework Agreement;
- (d) the letter of recommendations from the Independent Board Committee, the text of which is set out on page 29 of this circular;
- (e) the letter of advice issued by South China Capital, the text of which is set out on pages 30 to 55 of this circular; and
- (f) the written consent referred to in paragraph 4 of this appendix.

NOTICE OF EGM



China Nonferrous Mining Corporation Limited 中國有色礦業有限公司

(Incorporated in Hong Kong with limited liability under the Companies Ordinance)

(Stock Code: 01258)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the “EGM”) of China Nonferrous Mining Corporation Limited (the “Company”) will be held at Room 911, North Tower, CNMC Building, No. 10 Anding Road, Chaoyang District, Beijing, the PRC on Tuesday, 26 December 2023 at 3:00 p.m. for the following purposes:

AS ORDINARY RESOLUTIONS

To consider and, if thought fit, pass with or without amendments, the following resolutions as ordinary resolutions of the Company:

1. **“THAT**

- (i) the framework agreement dated 24 November 2023 between the Company and China Nonferrous Metal Mining (Group) Co., Ltd (“CNMC”) in relation to the sale of copper products to CNMC Group (the “**2023 CNMC Copper Supply Framework Agreement**”) and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed;
- (ii) the proposed annual cap under the 2023 CNMC Copper Supply Framework Agreement for each of the financial years ending 31 December 2024, 31 December 2025 and 31 December 2026 shall not exceed US\$2,314,400,000, US\$2,502,400,000 and US\$2,483,100,000, respectively; and
- (iii) any director of the Company be and is hereby authorized for and on behalf of the Company to sign, seal, execute, perfect, deliver and do all such documents, deeds, acts, matters and things as he may in his discretion consider necessary or desirable or expedient for the purpose of or in connection with the 2023 CNMC Copper Supply Framework Agreement and to make and agree such variations of a non-material nature in or to the terms of the 2023 CNMC Copper Supply Framework Agreement as he may in his discretion consider to be desirable and in the interests of the Company.”

NOTICE OF EGM

2. **“THAT**

- (i) the framework agreement dated 24 November 2023 between the Company and CNMC in relation to the mutual provision of raw materials, products and services (the “**2023 Mutual Supply Framework Agreement**”) and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed;
- (ii) the proposed annual cap under the 2023 Mutual Supply Framework Agreement in connection with the supply of raw materials, products and services from the CNMC Group to the Group for each of the financial years ending 31 December 2024, 31 December 2025 and 31 December 2026 shall not exceed US\$353,100,000, US\$395,000,000 and US\$395,000,000, respectively;
- (iii) the proposed annual cap under the 2023 Mutual Supply Framework Agreement in connection with the supply of raw materials, products and services from the Group to the CNMC Group for the financial years ending 31 December 2024, 31 December 2025 and 31 December 2026 shall not exceed US\$137,300,000, US\$142,800,000 and US\$154,300,000, respectively; and
- (iv) any director of the Company be and is hereby authorized for and on behalf of the Company to sign, seal, execute, perfect, deliver and do all such documents, deeds, acts, matters and things as he may in his discretion consider necessary or desirable or expedient for the purpose of or in connection with the 2023 Mutual Supply Framework Agreement and to make and agree such variations of a non-material nature in or to the terms of the 2023 Mutual Supply Framework Agreement as he may in his discretion consider to be desirable and in the interests of the Company.”

3. **“THAT**

- (i) the framework agreement dated 24 November 2023 between the Company and CNMC Treasury Management (Hong Kong) Company Limited (中國有色集團財資管理(香港)有限公司) (“**CNMC Treasury**”) in relation to the provision of financial advisory services, collective fund management services, loan services, exchange rate risk management services and other treasury management services (the “**2023 Treasury Management Services Framework Agreement**”) and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed;
- (ii) the maximum daily balance of the funds (including accrued interests) under the 2023 Treasury Management Services Framework Agreement in connection with collective fund management services from CNMC Treasury for each of the financial years ending 31 December 2024, 31 December 2025 and 31 December 2026 shall not exceed US\$300,000,000, US\$300,000,000 and US\$300,000,000, respectively;

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- (iii) the maximum daily balance (including accrued interests) of the loans under the 2023 Treasury Management Services Framework Agreement for each of the financial years ending 31 December 2024, 31 December 2025 and 31 December 2026 shall not exceed US\$300,000,000, US\$300,000,000 and US\$300,000,000, respectively; and
 - (iv) any director of the Company be and is hereby authorized for and on behalf of the Company to sign, seal, execute, perfect, deliver and do all such documents, deeds, acts, matters and things as he may in his discretion consider necessary or desirable or expedient for the purpose of or in connection with the 2023 Treasury Management Services Framework Agreement and to make and agree such variations of a non-material nature in or to the terms of the 2023 Treasury Management Services Framework Agreement as he may in his discretion consider to be desirable and in the interests of the Company.”
4. “**THAT** KPMG be and is hereby appointed as the auditor of the Company following the resignation of Ernst & Young, and to hold office until the conclusion of the next annual general meeting of the Company and that the board of directors of the Company be authorised to fix their remuneration.”

By order of the board of directors
China Nonferrous Mining Corporation Limited
Chaoran ZHU and Man Yi WONG
Joint Company Secretaries

4 December 2023

Notes:

1. Any person who hold shares of the Company and whose names appear on the register of members as at close of business on Monday, 18 December 2023 shall be entitled to attend the EGM.
2. Any member of the Company entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company.
3. In order to be valid, the proxy form for use at the EGM, together with the power of attorney or other authority, if any, under which it is signed, or a certified copy thereof, must be returned to the Company’s share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong as soon as possible but in any event by no later than 48 hours (excluding any part of a day that is a public holiday in Hong Kong) before the time for the holding of the EGM.
4. Completion and delivery of the form of proxy should not preclude a member from attending and voting in person at the EGM and in such event, the instrument appointing a proxy shall be deemed to be revoked.
5. The register of members of the Company will be closed from Tuesday, 19 December 2023 to Tuesday, 26 December 2023, both days inclusive, during which period no transfer of shares will be effected. In order to determine the entitlement to attend the EGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company’s share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Monday, 18 December 2023.

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6. Members who have any queries concerning the meeting arrangements, please call the Company at +852 2797 2777 or +86 10 8442 6373 during business hours from 9:00 a.m. to 5:00 p.m. on Mondays to Fridays, excluding public holidays.
7. The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English version shall prevail.
8. As at the date of this notice, the board of directors comprises Mr. He YANG as an executive Director; Mr. Yaoyu TAN as a non-executive Director; and Mr. Dingfan QIU, Mr. Jingwei LIU and Mr. Huanfei GUAN as independent non-executive Directors.