THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

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) PROPOSED REVISION OF ANNUAL CAPS OF CONTINUING CONNECTED TRANSACTIONS AND (2) NOTICE OF EXTRAORDINARY GENERAL MEETING

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

RAINBOW.

RAINBOW CAPITAL (HK) LIMITED
浤博資本有限公司

A notice convening the EGM to be held at Conference Room 611, 6/F, South Tower, CNMC Building, No. 10 Anding Road, Chaoyang District, Beijing, the PRC on Thursday, 21 October 2021 at 2:30 p.m. is set out on pages 53 to 55.

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 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 **www.cnmcl.net** and the website of the Stock Exchange at **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.

30 September 2021

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

"2017 CNMC Copper Supply Framework Agreement"	the framework agreement dated 18 April 2017 between the Company and CNMC in relation to the sale of copper products to the CNMC Group
"2017 Mutual Supply Framework Agreement"	the framework agreement dated 18 April 2017 between the Company and CNMC in relation to the mutual provision of raw materials, products and services
"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 Framework Agreements"	the 2020 CNMC Copper Supply Framework Agreement and the 2020 Mutual Supply Framework Agreement
"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
"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
"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 21 October 2021 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 (中色華鑫濕法冶煉股份有限公司*), 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

"Independent Financial Adviser" or "Rainbow Capital"	Rainbow Capital (HK) Limited, a licensed corporation to carry out Type 1 (dealing in securities) and 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) not connected with any of the Directors, chief executive, substantial shareholders of the Company or any of its subsidiaries or any of their respective associates
"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 tonnes
"Latest Practicable Date"	27 September 2021, 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 (including the proposed revisions of annual caps) contemplated under the 2020 CNMC Copper Supply Framework Agreement and the 2020 Mutual Supply Framework Agreement as set out in this circular

"PRC"	the People's Republic of China, excluding, for the purpose of this circular, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"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*

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 Directors:
Mr. Jinjun ZHANG *(Chairman and President)*
Mr. Chunlai WANG

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)

30 September 2021

To the Shareholders

Dear Sir or Madam,

(1) PROPOSED REVISION OF ANNUAL CAPS OF CONTINUING CONNECTED TRANSACTIONS AND (2) NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

References are made to the circular of the Company dated 20 November 2020 in relation to the CNMC Copper Supply Framework Agreement and the 2020 Mutual Supply Framework Agreement where the annual caps for the transactions to be undertaken under the aforesaid agreements were determined for the three financial years ending 31 December 2023.

Due to various reasons including, among others, the estimated increase of copper and cobalt price and price for procurement and supply of relevant raw materials, products and services as well as the development and expansion of the Group's existing and new projects, the Directors expect that the existing annual caps for the 2020 CNMC Copper Supply Framework Agreement and the 2020 Mutual Supply Framework Agreement will not be sufficient for the Group's needs. The Directors, therefore, propose to revise the existing annual caps thereunder.

The following table shows the details of a new project of the Group since the renewal of the continuing connected transactions for the period of 2021 to 2023:

Project name	Details of developments and expansions	Expected timetable	Expected capacity growth of the Group
Technical Transformation of Anode Furnace Fire Refining system of CCS	The Company intends to transform the refinery system, new refinery flue gas dust collection facilities and acid production system of CCS	The transformation period is expected to be from 2021 to 2022	The annual production of copper anodes is expected to increase by 30,000 tons to 50,000 tons

In respect of the existing projects of the Group, some new developments have taken place since the renewal of the continuous connected transactions for the period of 2021 to 2023: (i) Kambove Mining expects to outsource the engineering and technical services (construction mining and stripping projects), therefore it is expected to increase the amount of relevant transactions under this project; (ii) CCS expects to increase the procurement of copper concentrated with high copper and low sulfur copper in order to meet the demand for the improvement of production process; (iii) the sulfuric acid market in the DRC is experiencing an increase in the number of transactions where CCS is responsible for the transportation and delivery of sulfuric acid to the plants, thus resulting in a corresponding increase in the sulfuric acid freight under the 2020 Mutual Supply Framework Agreement; (iv) Zambia's estimated increase in electricity prices is expected to lead to an increase in the procurement prices of power supply services under the 2020 Mutual Supply Framework Agreement; and (v) the Group also expects to increase the procurement amount of medical supplies due to the need for COVID-19 pandemic prevention and control.

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 the proposed revision of annual caps of continuing connected transactions in respect of 2021 to 2023 contemplated under the 2020 CNMC Copper Supply Framework Agreement and the 2020 Mutual Supply Framework Agreement. 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 notice convening the EGM is set out on pages 53 to 55 of this circular.

A. NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

(I) Proposed Revision of Annual Caps of Continuing Connected Transactions

2020 CNMC Copper Supply Framework Agreement

Parties

(1) The Company

(2) CNMC

Nature

Pursuant to the 2020 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 2020 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 agreement entered into pursuant to the 2020 CNMC Copper Supply Framework Agreement (but excluding the 2020 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 this agreement.

Pricing basis

The consideration of the copper products sold 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 2020 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.

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 amount of the transactions and the annual cap under the 2017 CNMC Copper Supply Framework Agreement for the year ended 31 December 2020, the historical transaction amount of the transactions for the six months ended 30 June 2021 and the existing annual cap for the year ending 31 December 2021 under the 2020 CNMC Copper Supply Framework Agreement:

For the year ended 31 December 2020	**Annual cap for the year ended 31 December 2020**	**For the six months ended 30 June 2021** (unaudited)	**Annual cap for the year ending 31 December 2021**
(US$)	*(US$)*	*(US$)*	*(US$)*
1,232,558,000 *(Note 1)*	3,198,000,000	838,098,239 *(Note 2)*	1,904,400,000

Note 1: This represents 38.54% of the annual cap for the year ended 31 December 2020.

Note 2: This represents 44.01% of the annual cap for the year ended 31 December 2021.

So far as the Directors are aware, the annual cap for the year ending 31 December 2021 has not been exceeded as at the date of this circular.

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.

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		
	2018	**2019**	**2020**
Production volume of copper cathodes	96,870 tonnes	104,404 tonnes	115,904 tonnes
Production volume of blister copper and copper anodes	220,479 tonnes	234,837 tonnes	257,219 tonnes
Total production volume	319,225 tonnes	339,443 tonnes	373,123 tonnes
Sales volume to CNMC Group	149,030 tonnes	166,531 tonnes	203,001 tonnes
Percentage of sales	46.68%	49.06%	54.41%

Proposed revision of annual caps and basis of determination

The existing annual caps and the proposed revised annual caps for the on-going transactions contemplated under the 2020 CNMC Copper Supply Framework Agreement for the three years ending 31 December 2023 and the basis of determination of such annual caps are set out as follows:

For the year ending 31 December					
2021 *(US$)*		**2022** *(US$)*		**2023** *(US$)*	
Existing annual cap	**Revised annual cap**	**Existing annual cap**	**Revised annual cap**	**Existing annual cap**	**Revised annual cap**
1,904,400,000	2,852,745,000	2,179,700,000	3,461,640,000	2,210,400,000	3,622,290,000

The proposed revised annual caps above were determined by reference to factors such as (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 2023.

In setting the revised annual caps, the Company has taken into consideration its potential development and expansion project, namely the technical transformation project of the anodes furnace fire refining system of CCS, which would increase the Group's production volume for copper anodes by 30,000 to 50,000 tonnes per annum. The Group expects its production volume for copper cathodes to reach approximately 123kt, 148kt and 148kt in the three years ending 31 December 2023, respectively, and the production volume for blister copper and copper anodes to reach approximately 386kt, 424kt and 439kt in the three years ending 31 December 2023, respectively.

In view of the shortage of copper supply in the PRC, the CNMC Group has been increasing its orders for the Group's products as the Group increased its production volume over the years, therefore the Group expects that orders from the CNMC Group will increase. The Company reasonably believes that such pattern of demand and supply will continue during the term of the 2020 CNMC Copper Supply Framework Agreement. The CNMC Group places order to procure copper products from the Group on a monthly basis at the amount the Group is willing to supply. For the three financial years ended 31 December 2020, the CNMC Group's purchase of copper products from the Group amounted to 149,030 tonnes, 166,531 tonnes and 203,001 tonnes, respectively, increased by 11.74% and 21.90% in 2019 and 2020, respectively, compared to the previous year. For the three financial years ended 31 December 2020, the CNMC Group's purchase of copper products from the Group accounted for approximately 46.68%, 49.06% and 54.41% of the Group's total production volume of copper products, respectively, increased by only 2.38% and 5.35% in 2019 and 2020, respectively, compared to the previous year, which is significantly lower than the percentage increase in the absolute volume of such purchases over the same period, indicating that there is strong demand for the Group's products from the CNMC Group, while with minor changes in the percentage of products sold to the CNMC Group as compared with the Group's total production volume. Given that the CNMC Group has strong desires to purchase copper products from the Group to satisfy its needs in trades and production, the Board foresees that it is unlikely that the CNMC Group will change its source of supply easily in a way that would affect the Group's sales to it. Hence, the Board anticipates that the orders from the CNMC Group will increase as long as the Group's production and sales volume of copper cathodes and blister copper increase.

Based on the above reasons, the Group expects to sell approximately 85kt, 102kt and 102kt of copper cathodes and 187kt, 228kt and 243kt of blister copper to the CNMC Group for the three years ending 31 December 2023, respectively.

Overall, for the three years ending 31 December 2023, the Group expects to increase the production volume of its copper products to 509kt, 572kt and 587kt, respectively, and the Group expects to sell approximately 272kt, 330kt and 345kt of such copper products to the CNMC Group, respectively. The percentage of the sales volume of copper products to the CNMC Group in the Group's total production volume for each of the three years ending 31 December 2023 is expected to be 53.37%, 57.69% and 58.82%, respectively.

Apart from the expected sales to the CNMC Group, the proposed revised annual caps under the 2020 CNMC Copper Supply Framework Agreement are also determined, among others, on the basis that the forecasted copper price will be around US$10,500 per tonne for each of the three years ending 31 December 2023, representing an increase of 52.17%, 47.89% and 45.83%, respectively, as compared to the previous forecast of around US$6,900 per tonne, US$7,100 per tonne and US$7,200 per tonne, respectively, for each year.

The copper price has been continually increasing since the end of the year 2020. The open market and the Group itself have been optimistic about the increasing of copper prices for the next three years. The average copper price of US$10,500 per tonne as forecasted by the Company for the three year ending 31 December 2023 are based on the prices forecasted by a number of renowned international banking groups and research companies, after allowing a reasonable buffer of around 5.6% for further upward price fluctuation. The highest copper price per tonne forecasted by these institutions is around US$9,945, US$11,500, and US$12,100 for the year ending 31 December 2021, 2022, and 2023, respectively.

The Company has taken into account a potential increase of copper prices in arriving at the proposed revised annual caps, which are basically consistent with the overall view of the major copper industry players and commodity futures dealers. The Board customarily made reference to the same sources of forecasted international copper prices by the industry players for setting the existing annual caps as disclosed in the circular of the Company dated 20 November 2020, and allowing 6.80%, 7.44% and 4.39% buffers to accommodate any probable upward price fluctuation during the coming three years from 2021 and 2023. In view of allowing more flexibility for operation and keeping the consistency of forecasting, the Board has prudently factored in a buffer of 5.6% in terms of estimated future copper prices. Therefore, the Board is of the view that the setting of a reference copper price of US$10,500 per tonne is fair and reasonable.

In view of the shortage of copper supply in the PRC, the CNMC Group has been increasing its orders for the Group's products as the Group increased its production volume over the years. 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.

Although the utilization rate for the existing annual caps for 2020 and 2021 under the 2020 CNMC Copper Supply Framework Agreement are 38.54% and 44.01% respectively, the Board considers that a further increase in the annual caps for the three years from 2021 to 2023 under the 2020 CNMC Copper Supply Framework Agreement is fair and reasonable for the following reasons:

(i) The aforementioned increases in the forecasted price of copper products as well as in the expected sales of the copper products to the CNMC Group serve as the intrinsic reasons and considerations underlying the proposed further increase of the annual caps for the three years from 2021 to 2023 under the 2020 CNMC Copper Supply Framework Agreement;

(ii) The table below sets forth details of the historical transaction amounts (in US dollar) and the utilization rates of the existing annual caps for the years 2020 and 2021 under the 2020 CNMC Copper Supply Framework Agreement:

	2020	**2021** (unaudited)	
Existing annual cap	3,198,000,000	1,904,400,000	
Actual transaction amount	1,232,558,000	838,098,239	*(Note 1)*
Utilization rate	38.54%	44.01%	*(Note 2)*

Note 1: This amount represents the actual transaction amount for the six months ended 30 June 2021.

Note 2: This percentage of rate represents the utilisation rate up to 30 June 2021.

As shown in the above table, the Board considers that the utilization rate of 44.01% is merely an interim rate for the first half of 2021 and therefore considers that, based on such interim rate, the utilization rate of the existing annual cap for the whole year of 2021 would be significantly increased and therefore exceed that of the year of 2020 by a substantial margin; and

(iii) Given the above, the Board considers that the proposed revisions of existing annual caps under the 2020 CNMC Copper Supply Framework Agreement should be, and have been, determined with more references to the estimated significant increase in copper price and expected sales to the CNMC Group as well as the estimated utilization rate for the whole year of 2021 (while the historical utilization rate for the year of 2020 may have a relatively lower level of referential value in determining the revised caps for the current year of 2021 and two subsequent financial years).

Payment terms

The payment terms will be agreed and detailed in the individual 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 Independent Third Party customers.

Reasons for and benefit of entering into the 2020 CNMC Copper Supply Framework Agreement

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 instead of issuing letters of credit to the Group. The advance payment made by the CNMC Group thus allows the Group to save on the interest of bank loans which the Group may otherwise have to pay. In the past business dealings with the CNMC Group, the CNMC Group makes prepayment and final payment in time which allows the Group to better manage its working capital.

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 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. CNMC has a good credit standing in copper industry and the Group has developed long term co-operation relationship with the CNMC Group. It has ample capital and strong business capability, which serves to reduce counterparty risks to the Group.

The Group continues to sell copper products to the CNMC Group and continues to supply such products to the CNMC Group for its business needs. The Directors consider that the 2020 CNMC Copper Supply Framework Agreement is consistent with the business and commercial objectives of the Group as the sales of copper products to 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, expand its business reach and channels, thus enhancing the business opportunities of the Group.

Listing Rules Implications

Pursuant to Rule 14A.54(2) of the Listing Rules, if the Company proposes to revise the existing annual caps for its continuing connected transactions, the Company will have to re-comply with the relevant provisions under Chapter 14A of the Listing Rules in relation to the relevant continuing connected transactions.

As CNMC indirectly owns an aggregate of 69.54% of the issued share capital of the Company, therefore CNMC is a connected person of the Company for the purpose of the Listing Rules. Accordingly, the transactions contemplated under the 2020 CNMC Copper Supply Framework Agreement constitute continuing connected transactions for the Company under the Listing Rules. As one or more of the applicable percentage ratios of the proposed revised annual caps in respect of the transactions contemplated under the 2020 CNMC Copper Supply Framework Agreement exceed 5%, such transactions and the proposed revised annual caps for such transactions for each of the three years ending 31 December 2023 are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

2020 Mutual Supply Framework Agreement

Parties

(1) The Company

(2) CNMC

Nature

Pursuant to the 2020 Mutual Supply Framework Agreement,

(a) both parties agreed to provide, or procure its respective subsidiaries to provide the following to each other:

- raw material and products supplies, including but not limited to raw materials, construction materials, ancillary materials, spare parts, tools, equipment, fuels, water, electricity, gas and steam, and lease of equipment and vehicles;

- social and support services, including but not limited to public security, employee training, sharing of service, other non-business services, schooling, medical and emergency service, telecommunication, property management and other similar services; and

- technical services, including but not limited to 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 2020 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 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 agreement entered into pursuant to the 2020 Mutual Supply Framework Agreement (but excluding the 2020 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 permitted to terminate and will continue to provide such raw materials, products and services under any circumstances.

Pricing basis

For the sales and purchase of "raw materials and product supplies", it 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", it 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 survey and 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. Such Notice published in 2007 is the latest applicable standards, which will be revised by the Ministry of Finance and Ministry of Land and Resources in the future in accordance with the development of social economy and geological survey, application of new technologies, 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 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 procurement of raw materials, products and services from the CNMC Group substantially outweighs the transaction volume for the supply of raw materials, products and services 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.

As aforementioned, the transaction volume for the procurement of raw materials, products and services from the CNMC Group substantially outweighs the transaction volume for the supply of raw materials, products and services to the CNMC Group. The following table sets forth comparative details of these two types of transactions for the years 2019 and 2020 and for the six months ended 30 June 2021 under the 2020 Mutual Supply Framework Agreement:

	For the year ended 31 December 2019	**For the year ended 31 December 2020**	**For the six months ended 30 June 2021** (unaudited)
	(US$)	*(US$)*	*(US$)*
Amounts of raw materials, products and services procured from the CNMC Group	321,376,314	233,896,419	163,467,755
Amounts of raw materials, products and services supplied to the CNMC Group	35,304,838	47,195,149	29,833,753
Percentage of supply transactions amount as compared with procurement transactions amount	10.99%	20.18%	18.25%

For the two years ended 31 December 2020 and for the six months ended 30 June 2021, all transactions under the 2020 Mutual Supply Framework Agreement (Supply) were conducted in accordance with market price. Having said that, in order to deal with possible and exceptional contingent situations (for example, transactions involving raw materials, products or services related to the COVID-19 pandemic prevention and control), the Group expects to adopt the pricing basis of actual cost plus applicable taxes to determine the transaction price in the absence of market price in such exceptional situations.

Even when applying the pricing basis of actual cost plus applicable taxes, the Group is still of the view that procurement of raw materials, products and services from the CNMC Group (instead of from other independent suppliers) is more beneficial for the Group and thus in the interest of the Group and Shareholders as a whole, for the following reasons: (a) in the open market, it would be more difficult to locate independent suppliers who are readily willing to enter into transactions on the pricing basis of actual cost plus applicable taxes which represents zero profit margin for such suppliers; (b) due to the Group's affiliation with the CNMC Group, the CNMC Group is more willing to, at the Group's request, make advance or prompt payments, which will enable the Group to better manage its working capital and to save on the interest for bank loans which the Group may otherwise have to pay and thus reduce operating costs; (c) with high amount for such transactions, settlement risk is normally an important consideration, while the Company believes that the risk of default by the CNMC Group is much lower as compared with other types of suppliers given its satisfactory credit record in the industry and capital sufficiency as well as its nature as a state-owned enterprise in the PRC; and (d) since CNMC has business operations in the PRC, Zambia, the DRC and other countries, the Group's business relationships with the CNMC Group will help the Group gather business and industrial information in these countries and markets, and therefore expand the Group's business reach and channels, thus enhancing the business opportunities of the Group.

The Board is of the view that entering into the 2020 Mutual Supply Framework Agreement is in the overall interest of the Company and its shareholders as a whole, for the following reasons: (a) as mentioned above, the previous transactions and anticipated future transactions of the Group supplying raw materials, products and services to the CNMC Group were, and will generally be, conducted in accordance with market price, therefore all such supply sales to the CNMC Group are profitable to the Group; and (b) given the various advantages and benefits (including prevention of potential losses or disadvantages) relating to the transactions to be conducted under the 2020 Mutual Supply Framework Agreement, as specified in more details in the preceding paragraph and in the section of "Reasons for and benefit of entering into the 2020 Mutual Supply Framework Agreement" of this circular, the Group's overall business interest will be safeguarded and promoted to a greater extent.

Based on the reasons 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 table below sets forth the historical transaction amount of the transactions under the 2017 Mutual Supply Framework Agreement for the year ended 31 December 2020, the annual cap for the year ended 31 December 2020, the historical transaction amount of the transactions for the six months ended 30 June 2021 and the existing annual cap for the year ending 31 December 2021 under the 2020 Mutual Supply Framework Agreement:

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

For the year ended 31 December 2020	**Annual cap for the year ended 31 December 2020**	**For the six months ended 30 June 2021** (unaudited)	**Annual cap for the year ending 31 December 2021**
(US$)	*(US$)*	*(US$)*	*(US$)*
233,896,000 *(Note 1)*	491,913,000	164,101,081 *(Note 2)*	357,921,851

Note 1: This represents 47.55% of the annual cap for the year ended 31 December 2020.

Note 2: This represents 45.85% of the annual cap for the year ended 31 December 2021.

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

For the year ended 31 December 2020	**Annual cap for the year ended 31 December 2020**	**For the six months ended 30 June 2021** (unaudited)	**Annual cap for the year ending 31 December 2021**
(US$)	*(US$)*	*(US$)*	*(US$)*
47,196,000 *(Note 1)*	775,947,000	30,832,436 *(Note 2)*	122,957,000

Note 1: This represents 6.08% of the annual cap for the year ended 31 December 2020.

Note 2: This represents 25.08% of the annual cap for the year ended 31 December 2021.

So far as the Directors are aware, the existing respective annual caps for the procurement of raw materials, products and services from the CNMC Group and the supply of raw materials, products and services to the CNMC Group for the year ended 31 December 2020 and the six months ended 30 June 2021, have not been exceeded as at the date of this circular.

Currently, the procurement 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 revision of annual caps and basis of determination

The Company proposes to increase its procurement of raw materials, products and services from the CNMC Group to satisfy the needs for production development and pandemic prevention and control of Kambove Mining and CCS. Therefore, the Directors expects that with such increase, the existing annual caps for the procurement of raw materials, products and services from the CNMC Group under the 2020 Mutual Supply Framework Agreement will not be sufficient for the Group's needs. The Directors therefore propose to revise the existing annual caps thereunder.

Cobalt is a by-product of NFCA, CCS, Lualaba Copper Smelter, Huachin Leach and Kambove Mining. According to the changes in the cobalt price as forecasted by the institutions, the Group expects that the annual cobalt price from 2021 to 2023 will be approximately US$64,000 per tonne, US$72,000 per tonne and US$78,000 per tonne, respectively, representing an increase of 82.86%, 71.43% and 56.00% as compared with the annual cobalt price of US$35,000 per tonne, US$42,000 per tonne and US$50,000 per tonne of the previous forecasts, respectively.

The existing annual caps for the supply of raw materials, products and services to the CNMC Group under the 2020 Mutual Supply Framework Agreement would not be sufficient due to the increase of cobalt price. The Directors therefore propose to revise the existing annual caps for the supply of raw materials, products and services to the CNMC Group under the 2020 Mutual Supply Framework Agreement.

The existing annual caps and the proposed revised annual caps for the on-going transactions under the 2020 Mutual Supply Framework Agreement for the three years ending 31 December 2023 and the basis of determination of such annual caps are set out as follows:

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

For the year ending 31 December					
2021 (US$)		2022 (US$)		2023 (US$)	
Existing annual cap	Revised annual cap	Existing annual cap	Revised annual cap	Existing annual cap	Revised annual cap
357,921,851	496,731,351	420,847,952	656,017,952	413,906,538	643,796,538

The proposed annual caps above were determined by reference to factors such as (i) historical transaction values and volume; (ii) estimated demands 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 2023.

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.

It is currently contemplated that Kambove Mining is expected to increase new construction mining and stripping projects, therefore, the Company will increase the procurement of raw materials, products and services from CNMC Group to meet the development needs of Kambove Mining. At the same time, in order to optimize the raw material structure of copper concentrates for CCS, balance the production dosage and improve the technical and economic indicators, the Company will increase the procurement of copper concentrates with high copper and low sulfur copper content in order to meet the demand for high copper and low sulfur ore for CCS.

In view of the sulfuric acid market conditions in the DRC in recent years, there has been an increase in the number of transactions requiring of selling sulfuric acid by way of transportation and delivery to the factory by CCS, and freight charges for sulfuric acid increased accordingly.

In addition, the increase in the purchase price of electricity supply services caused by the expected increase in electricity prices, and the increase in the purchase expenses of medicine supplies and services as result of the pandemic prevention and control will lead to an increase of the Group's expenses in procurement of raw materials, products and services from the CNMC Group.

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

For the year ending 31 December					
2021 *(US$)*		**2022** *(US$)*		**2023** *(US$)*	
Existing annual cap	**Revised annual cap**	**Existing annual cap**	**Revised annual cap**	**Existing annual cap**	**Revised annual cap**
122,957,000	145,514,800	165,521,800	213,158,800	233,285,000	292,346,200

The proposed revised annual caps above 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, especially the cobalt provided by the Group for the three years ending 31 December 2023.

The increase in the proposed revised annual caps for the supply of raw materials, products and services to the CNMC Group for the three years ending 31 December 2023 as compared to the existing annual caps is due to the increase in the cobalt price. According to the changes in the cobalt price as forecasted by the institutions, the Group expects that the annual cobalt price from 2021 to 2023 will be approximately US$64,000 per tonne, US$72,000 per tonne and US$78,000 per tonne, respectively, representing an increase of 82.86%, 71.43% and 56.00% as compared with the annual cobalt price of US$35,000 per tonne, US$42,000 per tonne and US$50,000 per tonne of the previous forecasts, respectively. The estimated average selling prices of cobalt under the 2020 Mutual Supply Framework Agreement are determined with reference to the cobalt prices forecasted by the following institutions in the year of 2021: (i) Capital Economics Limited, one of the leading independent economic research companies in the world whose team provides award-winning macroeconomic, financial market and sector analysis, forecasts and consultancy, from offices in London, New York, Toronto, and Singapore, while holding the membership of the European Association of Independent Research Providers and the Society of Professional Economists; and (ii) Royal Bank of Canada, one of Canada's largest banks and one of the largest banks in the world based on market capitalization, whose research team features over 250 professionals worldwide to help investors understand and assess the market opportunities available and its European subsidiary RBC Europe Limited holds the clearing membership of the London Metal Exchange.

The Directors expect that with such increase, the existing annual caps under 2020 Mutual Supply Framework Agreement for the three years ending 31 December 2023 will not be sufficient for the Group's needs due to the relevant increases. The Directors therefore propose to revise the existing annual caps thereunder.

Although the utilization rate for the existing annual caps for 2020 and 2021 under the 2020 Mutual Supply Framework Agreement (Procurement) are 47.55% and 45.85% respectively, the Board considers that a further increase in the annual caps for the three years from 2021 to 2023 under the 2020 Mutual Supply Framework Agreement (Procurement) is fair and reasonable for the following reasons:

(i) As aforementioned, a series of new developments are expected to result in the increase of transaction amount under the 2020 Mutual Supply Framework Agreement (Procurement), including but not limited to: (a) the expected new construction mining and stripping projects of Kambove Mining; (b) optimization of raw materials structure of copper concentrates for

CCS; (c) an increase in the number of transactions requiring selling sulfuric acid by way of transportation and delivery to the factory by CCS; (d) the increase in the purchase price of electricity supply services caused by the expected increase in electricity prices in Zambia; and (e) the increase in the purchase expenses of medical supplies and services for the COVID-19 pandemic prevention and control.

The Board considers that the above factors and developments serve as the intrinsic reasons and considerations underlying the proposed further increase of the annual caps for the three years from 2021 to 2023 under the 2020 Mutual Supply Framework Agreement (Procurement);

(ii) The table below sets forth sets forth details of the historical transaction amounts (in US dollar) and the utilization rates of the existing annual caps for the years 2020 and 2021 under the 2020 Mutual Supply Framework Agreement (Procurement):

	2020	**2021** (unaudited)	
Existing annual cap	491,913,000	357,921,851	
Actual transaction amount	233,896,000	164,101,081	*(Note 1)*
Utilization rate	47.55%	45.85%	*(Note 2)*

Note 1: This amount represents the actual transaction amount for the six months ended 30 June 2021.

Note 2: This percentage of rate represents the utilisation rate up to 30 June 2021.

As shown in the above table, the Board considers that the utilization rate of 45.85% is merely an interim rate for the first half of 2021 and therefore considers that, based on such interim rate, the utilization rate of the existing annual cap for the whole year of 2021 would be significantly increased and therefore exceed that of the year of 2020 by a substantial margin; and

(iii) Given the above, the Board considers that the proposed revisions of existing annual caps under the 2020 Mutual Supply Framework Agreement (Procurement) should be, and have been, determined with more references to the new developments of existing projects that result in the increase in the expected transaction amounts as well as the estimated utilization rate for the whole year of 2021 (while the historical utilization rate for the year of 2020 may have a relatively lower level of referential value in determining the revised caps for the current year of 2021 and two subsequent financial years).

Although the utilization rate for the existing annual caps for 2020 and 2021 under the 2020 Mutual Supply Framework Agreement (Supply) are 6.08% and 25.08% respectively, the Board considers that a further increase in the annual caps for the three years from 2021 to 2023 under the 2020 Mutual Supply Framework Agreement (Supply) is fair and reasonable for the following reasons:

(i) The utilization rate of the existing annual cap for the year of 2020 is the utilization level before the significant increase in cobalt price. In addition, the Group expects that the cobalt price from 2021 to 2023 will increase by 82.86%, 71.43% and 56.00% respectively compared with the previous forecasts, and estimated increases in cobalt price of such a scale are set to have a significant impact on the actual transaction amounts under the 2020 Mutual Supply Framework Agreement (Supply) for 2021 to 2023. Therefore, the Board considers that the estimated significant increase in cobalt price serves as the intrinsic reason and consideration underlying the proposed further increase of the annual caps for the three years from 2021 to 2023 under the 2020 Mutual Supply Framework Agreement (Supply);

(ii) The table below sets forth sets forth details of the historical transaction amounts (in US dollar) and the utilization rates of the existing annual caps for the years 2020 and 2021 under the 2020 Mutual Supply Framework Agreement (Supply):

	2020	**2021** (unaudited)	
Existing annual cap	775,947,000	122,957,000	
Actual transaction amount	47,196,000	30,832,436	*(Note 1)*
Utilization rate	6.08%	25.08%	*(Note 2)*

Note 1：This amount represents the actual transaction amount for the six months ended 30 June 2021.

Note 2：This percentage of rate represents the utilisation rate up to 30 June 2021.

As shown in the above table, the Board considers that: (a) the utilization rate in 2021 is undergoing a very rapid increase, considering the actual transaction amount in 2021 thus far and the decrease of existing annual cap of 2021 (both as compared with that of 2020); and (b) the utilization rate of 25.08% is merely an interim rate for the first half of 2021 and therefore considers that, based on such interim rate, the utilization rate of the existing annual cap for the whole year of 2021 would be significantly increased and therefore exceed that of the year of 2020 by a substantial margin; and

(iii) Given the above, the Board considers that the proposed revisions of existing annual caps under the 2020 Mutual Supply Framework Agreement (Supply) should be, and have been, determined with more references to the estimated significant increase in cobalt price for the next three years as well as the rapidly increasing utilization rate in the year of 2021 (while the historical utilization rate for the year of 2020, which took place before the significant increase of cobalt price, may have a relatively lower level of referential value in determining the revised caps for the current year of 2021 and two subsequent financial years).

Payment terms

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

In relation to procurement 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 Independent Third Party customers.

Reasons for and benefit of entering into the 2020 Mutual Supply Framework Agreement

The Group continues to procure raw materials, products and services from the CNMC Group and continues to require such raw materials, products and services from the CNMC Group for the business development of the Group. The Directors consider that the 2020 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 and therefore can reduce the Group's production costs and further enhance 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.

The Group continues to supply raw materials, products and services to the CNMC Group and continues 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 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, expand its business reach and channels, thus enhancing the business opportunities of the Group.

Listing Rules Implications

Pursuant to Rule 14A.54(2) of the Listing Rules, if the Company proposes to revise the existing annual caps for its continuing connected transactions, the Company will have to re-comply with the relevant provisions under Chapter 14A of the Listing Rules in relation to the relevant continuing connected transactions.

As CNMC indirectly owns an aggregate of 69.54% of the issued share capital of the Company, therefore CNMC is a connected person of the Company for the purpose of the Listing Rules. As one or more of the applicable percentage ratios of the proposed revised annual caps in respect of the transactions contemplated under the 2020 Mutual Supply Framework Agreement exceed 5%, such transactions and the proposed revised annual caps for such transactions for each of the three years ending 31 December 2023 are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Directors' Confirmation

The 2020 Framework Agreements have been negotiated and agreed on an arm's length basis by and among the Company and CNMC. The Directors (including the independent non-executive Directors), are of the view that the 2020 Framework Agreements are entered into in the ordinary and usual course of business, on normal commercial terms and that the terms of the 2020 Framework Agreements and the revision of proposed annual caps for such transactions for each of the three years ending 31 December 2023 are fair and reasonable and in the interest of the Group and the Shareholders as a whole.

Mr. Jinjun ZHANG (executive Director) and Mr. Yaoyu TAN (non-executive Director) are Directors of CNMC, and have abstained from voting on the relevant resolutions in respect of amending the annual caps for each of the three years ending 31 December 2023 for the transactions contemplated under the 2020 Framework Agreements pursuant to the Articles of Association of the Company and the Listing Rules. Save as disclosed above, none of the Directors has a material interest in the transactions under the 2020 Framework Agreements or is required to abstain from voting on the relevant resolutions of the Board.

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[1] will abstain from voting the resolutions approving the revision of the respective annual caps for transactions contemplated under the 2020 CNMC Copper Supply Framework Agreement and the 2020 Mutual Supply Framework Agreement for each of the three years ending 31 December 2023 at the EGM.

The Company will comply with relevant provisions of the Listing Rules in relation to the revision of respective annual caps for transactions contemplated under the 2020 CNMC Copper Supply Framework Agreement and the 2020 Mutual Supply Framework Agreement for each of the three years ending 31 December 2023.

An Independent Board Committee has been formed to advise the Independent Shareholders in connected with the revision of the respective annual caps for transactions contemplated under the 2020 CNMC Copper Supply Framework Agreement and the 2020 Mutual Supply Framework Agreement for each of the three years ending 31 December 2023, and Rainbow Capital (HK) Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the same.

The Company will seek the Independent Shareholders' approval at the EGM for, among others, the 2020 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 2020 Framework Agreements shall not exceed the relevant proposed annual caps;

2. (i) the transactions contemplated under each of the 2020 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 comparison, on terms no less favourable than terms available to the Group from Independent Third Parties; and

(ii) the transactions contemplated under each of the 2020 Framework Agreements will be entered into in accordance with the 2020 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 2020 Framework Agreements.

Note: *To the best of the Directors' knowledge and information, none of the associates of CNMD holds any shares of the Company as at the Latest Practicable Date.*

Information about the Group and CNMC

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 cobaltous hydroxide, sulfuric acid and liquid sulfur dioxide.

CNMC is wholly-owned and administered by the State Assets Supervision and Administration Commission of the State Council of the PRC and is principally engaged in the development of nonferrous metal resources, construction and engineering, as well as related trade and services.

(II) INTERNAL CONTROL MEASURES

The Company has a comprehensive internal control system to ensure that the terms of the Non-exempt Continuing Connected Transactions are fair and reasonable, and the Non-exempt Continuing Connected Transactions are conducted on normal commercial terms or better and in the ordinary course of business of the Group, and in the interests of the Company and the Shareholders as a whole. Relevant internal control measures include:

(i) The Company has designated the compliance committee of the Company (the "**Compliance Committee**") to continuously monitor the continuing connected transactions. The Compliance Committee continuously traces and regularly monitors the progress of the continuing connected transactions and reports to the management of the Company.

(ii) The Compliance Committee together with the finance department of the Company regularly monitors the actual amounts incurred for each type of continuing connected transactions for the purpose of ensuring the relevant annual caps are not exceeded.

(iii) The internal control team of the Company and the Compliance Committee organize and run internal control tests regularly to evaluate the completeness and effectiveness of the internal control measures in relation to continuing connected transactions.

(iv) The Board conducts annual review on the implementation of the continuing connected transactions and conducts review of financial statements which contain the disclosure of the continuing connected transactions every six months. The review mainly includes a review on whether the Company and the connected parties have fulfilled the terms of the agreements in relation to continuing connected transactions during the relevant year or six months and whether the actual transaction amounts incurred between the Company and the connected persons are within the annual caps approved by the Shareholders.

(v) The internal control team of the Company collects and reviews the continuing connected transactions every month in order to guarantee (a) the connected parties have fulfilled the terms of the agreements in relation to continuing connected transactions during the relevant month; and (b) the actual transaction amounts incurred and estimated to be incurred between the Company and the connected parties are within the annual caps approved by the Shareholders.

(vi) The independent non-executive Directors conduct annual review of the continuing connected transactions and provide annual confirmations in the Company's annual report on whether the continuing connected transactions are conducted (a) in the Company's ordinary course of business; (b) in accordance with normal commercial terms or better and on terms that are fair and reasonable; (c) in accordance with the terms of the relevant agreements; and (d) in the interests of the Company and the Shareholders as a whole.

(vii) The audit committee of the Company conducts review of the annual financial statements, annual report, interim financial statements and interim report which contain the disclosure and analysis of the implementation of the continuing connected transactions and opine on the continuing connected transactions in such financial statements and reports, including whether the terms of the continuing connected transactions are fair and reasonable and whether the transaction amounts are within the relevant annual caps.

(viii) To assist the Company in complying with the applicable rules listed in Chapter 14A of the Listing Rules, the external auditor of the Company performs work in accordance with the regulations in the Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to the Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants, on the Company's continuing connected transactions and issues a letter in respect of the continuing connected transactions disclosed in the Company's annual report in accordance with the applicable accounting standards and the Listing Rules.

B. 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 Monday, 18 October 2021 to Thursday, 21 October 2021 (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 Friday, 15 October 2021.

C. EGM

A notice convening the EGM is set out on pages 53 to 55 of this circular at which the resolutions will be proposed to consider and, if thought fit, approve the proposed revisions of annual caps of the Non-exempt Continuing Connected Transactions. 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 **www.cnmcl.net** and the website of the Stock Exchange at **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 proposed revisions of annual caps of the Non-exempt Continuing Connected Transactions 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.

RECOMMENDATIONS OF THE BOARD

The Directors are of the opinion that the proposed revisions of annual caps of the Non-exempt Continuing Connected Transactions are on normal commercial terms or better and are fair and reasonable. They are also of the opinion that the proposed revisions of annual caps of 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.

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 proposed revisions of annual caps of the Non-exempt Continuing Connected Transactions, and Rainbow 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 proposed revisions of annual caps of the Non-exempt Continuing Connected Transactions 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 Rainbow Capital containing its recommendations in respect of the proposed revisions of annual caps of the Non-exempt Continuing Connected Transactions is set out on pages 29 to 48 of this circular.

The Independent Board Committee, having taken into account the advice of Rainbow Capital, considers the proposed revisions of annual caps of the Non-exempt Continuing Connected Transactions 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 proposed revisions of annual caps of the Non-exempt Continuing Connected Transactions. The full text of the letter from the Independent Board Committee is set out on page 28 of this circular.

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

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)

30 September 2021

To the Independent Shareholders

Dear Sir or Madam,

We have been appointed as the Independent Board Committee to advise you in connection with the proposed revisions of annual caps of the Non- exempt Continuing Connected Transactions, details of which are set out in the letter from the Board contained in this circular issued by the Company to the Shareholders dated 30 September 2021, of which this letter forms part. We wish to draw your attention to the letter from Rainbow Capital as set out on pages 29 to 48 of this circular. Terms defined in this 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 proposed revisions of annual caps of the Non-exempt Continuing Connected Transactions, and the advice of Rainbow Capital in relation thereto as set out on pages 29 to 48 of this circular, we are of the view that the proposed revisions of annual caps of the Non-exempt Continuing Connected Transactions 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 proposed revisions of annual caps of the Non-exempt Continuing Connected Transactions 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 proposed revisions of annual caps of the Non-exempt Continuing Connected Transactions.

Yours faithfully,
China Nonferrous Mining Corporation Limited
Dingfan QIU   Jingwei LIU   Huanfei GUAN
Independent Non-executive Directors

The following is the full text of a letter of advice from Rainbow Capital (HK) Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the proposed revision of the existing annual caps, which has been prepared for the purpose of incorporation of this circular.

Rainbow Capital (HK) Limited

30 September 2021

To: the Independent Board Committee and
the Independent Shareholders

Dear Sirs,

PROPOSED REVISION OF ANNUAL CAPS UNDER THE 2020 CNMC COPPER SUPPLY FRAMEWORK AGREEMENT AND THE 2020 MUTUAL SUPPLY FRAMEWORK AGREEMENT

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the proposed revision of annual caps of the transactions contemplated under the 2020 CNMC Copper Supply Framework Agreement and the 2020 Mutual Supply Framework Agreement, details of which are set out in the "Letter from the Board" (the "**Letter from the Board**") of this circular to the Shareholders dated 30 September 2021 (the "**Circular**"), of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

On 30 October 2020, the Company (for itself and on behalf of its subsidiaries) entered into the 2020 CNMC Copper Supply Framework Agreement and the 2020 Mutual Supply Framework Agreement with CNMC (for itself and on behalf of its subsidiaries) for a term of three years from 1 January 2021 to 31 December 2023. For the 2020 CNMC Copper Supply Framework Agreement, the Directors proposed to revise the existing annual caps after taking into account, among others, the expected increase in copper price. For the 2020 Mutual Supply Framework Agreement, the Directors proposed to revise the existing annual caps for the procurement of raw materials, products and services from the CNMC Group due to, among others, (i) the increase in demands on construction, mining and stripping services; (ii) the increase in procurement of copper concentrates; and (iii) the increase in the transportation service fee of sulfuric acid. The Directors also proposed to revise the existing annual caps for the sales to CNMC Group after taking into account the increase in cobalt price.

As CNMC indirectly owns approximately 69.54% of the issued share capital of the Company as at the Latest Practicable Date, CNMC is a connected person of the Company under Chapter 14A of the Listing Rules. The transactions contemplated under the 2020 CNMC Copper Supply Framework Agreement and the 2020 Mutual Supply Framework Agreement therefore constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios of the proposed revised annual caps in respect of the transactions contemplated under the 2020 CNMC Copper Supply Framework Agreement and the 2020 Mutual Supply Framework Agreement exceed 5%, such transactions and the proposed revised annual caps for such transactions for each of the three years ending 31 December 2023 are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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 formed to advise the Independent Shareholders in respect of the proposed revision of the existing annual caps and how they should vote at the EGM. We, Rainbow Capital, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

As at the Latest Practicable Date, we did not have any relationships or interests with the Group and CNMC that could reasonably be regarded as relevant to our independence. We have acted as the independent financial adviser to the independent board committee and the independent shareholders of the Company in relation to (i) the proposed revision of the annual cap of certain continuing connected transactions, details of which are set out in the circular of the Company dated 26 May 2020; and (ii) the renewal of continuing connected transactions in respect of 2021 to 2023, details of which are set out in the circular of the Company dated 20 November 2020. Other than these, there was no engagement or connection between the Group or CNMC and us in the last two years. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements exist whereby we had received any fees or benefits from the Group or CNMC. Given none of the circumstances as set out in Rule 13.84 of the Listing Rules exists, we are independent from the Company. Accordingly, we are qualified to give independent advice in respect of the proposed revision of the existing annual caps.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in this Circular; (ii) the information supplied by the Group; (iii) the opinions expressed by and the representations of the Directors and the management of the Group; and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in this Circular were true, accurate and complete in all respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in this Circular are true at the time they were made and continue to be true as at the Latest Practicable Date and all such statements of belief, opinions and intentions of the Directors and the management of the Group and those as set out or referred to in this Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the management of the Group. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in this Circular and that all information or representations provided to us by the Directors and the management of the Group are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the date of this Circular.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in this Circular so as to provide a reasonable basis for our recommendations. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Directors and the management of the Group, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Group, CNMC or their respective substantial shareholders, subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendations, we have taken into account the following principal factors and reasons:

1. Information on the Group

The Group is one of the leading, fast-growing and vertically integrated copper producers 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 cobaltous hydroxide, sulfuric acid and liquid sulfur dioxide, based in Zambia and the DRC. The businesses of the Group are principally carried out through (i) four subsidiaries located in Zambia, namely NFCA, CNMC Luanshya Copper Mines PLC, Chambishi Copper Smelter Limited ("**CCS**") and Sino-Metals Leach Zambia Limited; and (ii) four subsidiaries located in the DRC, namely Huachin Metal Leach SA, CNMC Huachin Mabende Mining SA, Lualaba Copper Smelter SAS and Kambove Mining SAS ("**Kambove Mining**").

As disclosed in the interim report of the Company for the six months ended 30 June 2021 (the "**2021 Interim Report**"), the profit attributable to owners of the Company for the six months ended 30 June 2021 amounted to approximately US$238.5 million, representing an increase of approximately 914.9% as compared to that for the six months ended 30 June 2020, which was primarily attributable to (i) a significant increase in copper price; and (ii) a significant increase in production volume of copper products. From January to June 2021, the Group accumulatively produced 172,515 tonnes of blister copper and copper anodes, representing an increase of 79.7% from the same period last year; and copper cathodes of 58,570 tonnes, representing an increase of 7.7% from the same period last year. As stated in the Letter from the Board, the production volume of copper products is expected to keep increasing in the following three years ending 31 December 2023, amounting to approximately 509kt, 572kt and 587kt, respectively.

In the first half of 2021, CCS accumulatively produced 131,653 tonnes of blister copper and copper anodes, representing an increase of 35.9% from the same period last year, which included copper products of 46,902 tonnes manufactured through outsourced processing; and 383,864 tonnes of sulfuric acid, representing an increase of 32.1% from the same period last year.

As disclosed in the announcement of the Company dated 19 August 2021, the integrated exploration and construction project implemented by Kambove Mining commenced full-process load commissioning tests on 18 August 2021. With this project, Kambove Mining has a planned annual processing capacity of 990,000 tonnes of oxidized ore.

2. Background to and reasons for the revision of the existing annual caps

(i) 2020 CNMC Copper Supply Framework Agreement

Pursuant to the 2020 CNMC Copper Supply Framework Agreement, the Company agreed to sell, or procure its subsidiaries to sell, copper products including copper cathodes, blister copper and copper anodes to the CNMC Group. After taking into account the expected increase in the copper price, the Directors were of the view that the existing annual caps will not be sufficient for the Group's need and proposed to revise the existing annual caps.

As disclosed in the Letter from the Board, the revision of the existing annual caps for the on-going transactions contemplated under the 2020 CNMC Copper Supply Framework Agreement for the three years ending 31 December 2023 were determined with reference to (1) historical transaction amounts and volumes; (2) the Group's estimated copper production capacity and volume; (3) estimated growth in the demand for copper products by the CNMC Group from the Group; and (4) reasonable expected price range for the copper products provided by the Group for the three years ending 31 December 2023. Details of the revision are stated as below:

	For the year ending 31 December		
	2021	**2022**	**2023**
	(US$)	*(US$)*	*(US$)*
Existing annual cap *(A)*	1,904,400,000	2,179,700,000	2,210,400,000
Revised annual cap *(B)*	2,852,745,000	3,461,640,000	3,622,290,000
Additional cap *(B-A)*	948,345,000	1,281,940,000	1,411,890,000

(ii) 2020 Mutual Supply Framework Agreement

Pursuant to the 2020 Mutual Supply Framework Agreement, both the Company and CNMC agreed to provide or procure its respective subsidiaries to provide raw material and products supplies, social and support services and technical services to each other. CNMC also agreed to provide, or procure its subsidiaries to provide transportation and logistics services to the Group.

For the supply of raw materials, products and services to the CNMC Group for the three years ending 31 December 2023, the Directors proposed to revise the existing annual caps after taking into account the significant increase in the cobalt price.

As disclosed in the Letter from the Board, the revision of the existing annual caps for the supply of raw materials, products and services to the CNMC Group were determined with reference to (1) historical transaction values and volume; (2) estimated growth in the demand for raw materials, products and services by the CNMC Group from the Group; and (3) reasonable expected price range for the raw materials, products and services, especially the cobalt provided by the Group for the three years ending 31 December 2023. Details of the revision are stated as below:

	For the year ending 31 December		
	2021	**2022**	**2023**
	(US$)	*(US$)*	*(US$)*
Existing annual cap *(A)*	122,957,000	165,521,800	233,285,000
Revised annual cap *(B)*	145,514,800	213,158,800	292,346,200
Additional cap *(B-A)*	22,557,800	47,637,000	59,061,200

For the procurement from the CNMC Group, the Directors were of the view that the existing annual caps will also not be sufficient for the Group's need after taking into factors such as (1) the increase in demands on construction, mining and stripping services; (2) the increase in procurement of copper concentrates; and (3) the increase in the transportation service fee of sulfuric acid.

As disclosed in the Letter from the Board, the revision of the existing annual caps for the procurement of raw materials, products and services from the CNMC Group were determined with reference to (1) historical transaction values and volume; (2) estimated demands 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 2023. Details of the revision are stated as below:

	For the year ending 31 December		
	2021	**2022**	**2023**
	(US$)	*(US$)*	*(US$)*
Existing annual cap *(A)*	357,921,851	420,847,952	413,906,538
Revised annual cap *(B)*	496,731,351	656,017,952	643,796,538
Additional cap *(B-A)*	138,809,500	235,170,000	229,890,000

3. Assessment of the revised annual caps

(i) 2020 CNMC Copper Supply Framework Agreement

In assessing the fairness and reasonableness of the revised annual caps for the transactions contemplated under the 2020 CNMC Copper Supply Framework Agreement, we have reviewed (1) the historical production volume of copper products and the historical sales volume of copper products to the CNMC Group for the three years ended 31 December 2020; (2) the estimated production volume of copper products and the estimated sales volume to the CNMC Group for the three years ending 31 December 2023; (3) the estimated selling price of the copper products for the three years ending 31 December 2023; and (4) the basis of determination of the existing annual caps disclosed in the circular of the Company dated 20 November 2020 (the "**Previous Circular**").

	For the year ending 31 December		
	2021	**2022**	**2023**
Existing annual cap *(US$'000)* *(A=B*C)*	1,904,400	2,179,700	2,210,400
– Sales volume *(in tonnes) (B)*	276,000	307,000	307,000
– Average selling price *(in US$ per tonne) (C)*	6,900	7,100	7,200
Revised annual cap *(US$'000)* *(D=E*F)*	2,852,745	3,461,640	3,622,290
– Sales volume *(in tonnes) (E)*	271,690	329,680	344,980
– Average selling price *(in US$ per tonne) (F)*	10,500	10,500	10,500
Additional cap *(US$'000) (D-A)*	948,345	1,281,940	1,411,890

As stated in the table above, the revision of the existing annual caps mainly reflects the revised sales volume to the CNMC Group and the increase in the average selling price of the copper products.

In respect of the sales volume

The sales volume of copper products to the CNMC Group are determined with reference to the estimated production volume for the three years ending 31 December 2023. As stated in the table below, the production volume of copper products amounts to approximately 509,100 tonnes, 571,500 tonnes and 586,500 tonnes for the year ending 31 December 2021, 2022 and 2023, respectively.

	For the year ending 31 December		
	2021	**2022**	**2023**
Production volume *(in tonnes) (A)*	509,100	571,500	586,500
Sales volume to CNMC Group *(in tonnes) (B)*	271,690	329,680	344,980
Percentage of sales *(B/A)*	53.37%	57.69%	58.82%

Based on the latest production volume above, the management of the Company estimated that the sales volume to CNMC Group amounts to approximately 271,690 tonnes, 329,680 tonnes and 344,980 tonnes for the year ending 31 December 2021, 2022 and 2023, respectively, representing approximately 53.37%, 57.69% and 58.82% of the total production volume. Such percentages are determined with reference to the historical sales proportion for the three years ended 31 December 2020 and have taken into account strong demand for the Group's products from the CNMC Group. As stated in the Letter from the Board, the sales of copper products to the CNMC Group account for approximately 46.68%, 49.06% and 54.41% of the production volume for the year ended 31 December 2018, 2019 and 2020, respectively.

Given the sales volumes to the CNMC Group are determined with reference to (1) the latest production volume for the three years ending 31 December 2023; and (2) the estimated proportion sold to the CNMC Group which are generally consistent with the historical sales proportion and in line with the increasing trend, we are of the view that the estimated sales volumes to the CNMC Group for the year ending 31 December 2021, 2022 and 2023 are fair and reasonable.

In respect of the average selling price

The average selling price per tonne amounts to approximately US$10,500 for the three years ending 31 December 2023 which is determined with reference to the copper prices forecasted by international banking groups and research companies in the last six months prior to the fixing of the revised annual caps as obtained from Bloomberg using the commodity price forecast function (the "**Forecasted Copper Price(s)**"), details of which are set out as follows:

Name of firm	**As of**	**2021**	**2022**	**2023**
			US$ per tonne	
Citigroup Inc	20 August 2021	9,665.00	–	–
Australia & New Zealand Banking Group Ltd	16 August 2021	9,200.00	10,090.00	10,575.01
Capital Economics Ltd	12 August 2021	8,950.00	7,750.00	7,350.00
Fitch Solutions	12 August 2021	8,700.00	8,370.00	8,537.40
Westpac Banking Corp	09 August 2021	–	6,190.23	9,341.64
Commerzbank AG	03 August 2021	9,200.00	9,350.00	–
Market Risk Advisory Co Ltd	01 July 2021	9,232.50	9,275.00	9,500.00
Laurentian Bank Securities	29 June 2021	9,722.39	8,818.50	8,267.34
Emirates NBD PJSC	23 June 2021	8,373.00	8,687.50	–
Intesa Sanpaolo SpA	14 June 2021	9,945.16	11,500.00	12,100.00
Toronto-Dominion Bank/Toronto	30 March 2021	8,571.00	7,868.76	–
RBC	22 March 2021	8,818.49	8,267.34	7,165.02
	Maximum	9,945.16	11,500.00	12,100.00
	Minimum	8,373.00	6,190.23	7,165.02
	Average *(A)*	9,125.23	8,742.48	9,104.55
	Average selling price	10,500	10,500	10,500
Average of the forecasted copper prices in the Previous Circular *(B)*		6,460.38	6,608.13	6,897.16
	Price change *(A/B-1)*	41.25%	32.30%	32.00%

As stated in the table above, the average selling price of US$10,500 for the year of 2022 and 2023 is within the range of the Forecasted Copper Prices. The average selling price of US$10,500 for the year of 2021 is slightly higher than the highest Forecasted Copper Price of approximately US$9,945.16, which is primarily due to a buffer of approximately 5.6% built in to tailor for any unexpected increase in the copper price. As stated in the Previous Circular, the previous forecasted copper prices per tonne were approximately US$6,460.38, US$6,608.13 and US$6,897.16 for the year ending 31 December 2021, 2022 and 2023, respectively (the "**Previous Forecasted Copper Prices**"). The Previous Forecasted Copper Prices are the average of the forecasts made by ten firms including international banking groups and research companies in the last six months prior to 16 November 2020 (i.e. the latest practicable date of the Previous Circular) as obtained from Bloomberg using the commodity price forecast function, details of which are set out in the Previous Circular. Given the Previous Forecasted Copper Prices were significantly lower than the current forecasts which are also obtained from Bloomberg using commodity price forecast function, indicating that the copper price has increased significantly in the past one year. As such, we consider the buffer to be reasonable.

Given the average selling prices of US$10,500 for the year of 2021, 2022 and 2023 are determined with reference to the Forecasted Copper Prices, which reflect the latest market condition, with certain buffer built in to tailor for any unexpected increase in the copper price, we are of the view that the average selling price of US$10,500 per tonne is fair and reasonable.

As such, we consider the revised annual caps for the transactions contemplated under the 2020 CNMC Copper Supply Framework Agreement to be fair and reasonable.

(ii) 2020 Mutual Supply Framework Agreement

In assessing the fairness and reasonableness of the revised annual caps for the transactions contemplated under the 2020 Mutual Supply Framework Agreement, we have reviewed (1) the working schedule for setting the revised annual caps; (2) the previous working schedule for setting the existing annual caps; and (3) the basis of determination of the existing annual caps disclosed in the Previous Circular.

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

We have compared the basis of the revised annual caps with the basis of the existing annual caps and noted that the revision is mainly due to the increase in the sales of cobalt as a result of the increase in the selling price of cobalt, details of which are set out below:

	For the year ending 31 December		
	2021	**2022**	**2023**
Existing annual cap *(in US$) (A)*	122,957,000	165,521,800	233,285,000
Revised annual cap *(in US$) (B)*	145,514,800	213,158,800	292,346,200
Revision *(in US$) (B-A)*	22,557,800	47,637,000	59,061,200
Revision due to sales of cobalt *(in US$) (D-C)*	22,857,800	46,137,000	57,061,200
Revision due to others *(in US$)*	(300,000)	1,500,000	2,000,000
Total revision *(in US$)*	22,557,800	47,637,000	59,061,200
Previous estimation:			
Sales of cobalt to the CNMC Group *(in US$) (C)*	27,587,000	64,591,800	101,895,000
– Sales volume *(in tonnes)*	788.2	1,537.9	2,037.9
– Average selling price *(in US$)*	35,000	42,000	50,000
Latest estimation:			
Sales of cobalt to the CNMC Group *(in US$) (D)*	50,444,800	110,728,800	158,956,200
– Sales volume *(in tonnes)*	788.2	1,537.9	2,037.9
– Average selling price *(in US$)*	64,000	72,000	78,000

As illustrated in the table above, the Company proposed to increase the annual caps to approximately US$145.5 million, US$213.2 million and US$292.3 million for the year ending 31 December 2021, 2022, and 2023, respectively, representing an increase of approximately US$22.6 million, US$47.6 million and US$59.1 million, respectively. Based on our comparison between the basis of revised annual caps and the basis of existing annual caps, such increases are mainly attributable to (a) the increase in the sales of cobalt which is caused by the increase in the estimated average selling prices; and (b) others.

In respect of the revision due to sales of cobalt

The estimated sales volume used for setting the revised annual caps amounts to approximately 788.2 tonnes, 1,537.9 tonnes and 2,037.9 tonnes for the year ending 31 December 2021, 2022 and 2023, respectively, which are consistent with those in the existing annual caps.

As discussed with the management of the Company, the cobalt price has increased significantly since 2021. As such, the Company considers that the existing annual caps shall be revised to reflect the increase in cobalt price. The estimated average selling price used for setting the revised annual caps amounts to approximately US$64,000 per tonne, US$72,000 per tonne and US$78,000 per tonne for the year ending 31 December 2021, 2022 and 2023, respectively, which represent significant increases as compared to those in the existing annual caps.

The estimated average selling prices are determined with reference to the cobalt prices forecasted by international banking groups and research companies since 2021 as obtained from Bloomberg using the commodity price forecast function (the "**Forecasted Cobalt Price(s)**"), details of which are set out as follows:

Name of firm	As of	2021	2022	2023
			US$ per tonne	
Capital Economics Ltd	20 July 2021	48,000	53,500	57,500
RBC	20 March 2021	63,383	71,650	77,162
	Maximum	63,383	71,650	77,162
	Minimum	48,000	53,500	57,500
	Average	55,692	62,575	67,331
	Average selling price *(A)*	64,000	72,000	78,000
	Maximum *(B)*	63,383	71,650	77,162
	Buffer *(A/B-1)*	1%	0.5%	1%

There are two institutions providing their forecasts on the cobalt price for the three years ending 31 December 2023. Although there are only two forecasts each year, but we still think they are sufficient and representative, after taking into (a) the Forecasted Cobalt Prices above have included all forecasts made available to Bloomberg in 2021 which are provided by professional institutions and could not be controlled by the Company; (b) all forecasts are made in 2021 which are reflecting the latest market condition; (c) Bloomberg is one of the most reliable and commonly-used sources; and (d) on a best effort basis, no other available forecast on the future cobalt prices for the year ending 31 December 2022 and 2023 could be found from other reliable and public sources like Investing.com and Trading Economics.

As stated in the table above, the highest Forecasted Cobalt Prices are approximately US$63,383 per tonne, US$71,650 per tonne and US$77,162 per tonne for the year ending 31 December 2021, 2022 and 2023, respectively. The average selling prices are decided with reference to the highest Forecasted Cobalt Price with certain buffer of approximately 1% built in to tailor for any further increase in the cobalt price.

As stated in the Letter from the Board, the previous forecasts of cobalt price were approximately US$35,000 per tonne, US$42,000 per tonne and US$50,000 per tonne for the year ending 31 December 2021, 2022 and 2023, respectively (the "**Previous Forecasted Cobalt Prices**"). As discussed with the management of the Company, the previous forecast price of approximately US$35,000 per tonne for the year ending 31 December 2021 was obtained from the Bloomberg using the commodity price forecast function, the same source of the current Forecasted Cobalt Price(s). Based on this price and an annual growth rate of approximately 20%, the Company estimated the prices for the year ending 31 December 2022 and 2023 were approximately US$42,000 per ton and US$50,000 per tonne. There was no available forecast for the year ending 31 December 2023 from Bloomberg as at 16 November 2020 (i.e. the latest practicable date of the Previous Circular).

Given (a) the Previous Forecasted Cobalt Prices are estimated in 2020 which have been outdated; (b) the Forecasted Cobalt Prices are made in 2021 which reflect the latest market condition; and (c) the cobalt price has increased significantly since 2021 as compared to that in 2020, we are of the view that deciding the average selling price with reference to the highest Forecasted Cobalt Price with certain buffer built in is reasonable.

Based on above, we are of the view that the revision due to sales of cobalt is fair and reasonable.

In respect of the revision due to others

The revision due to others mainly includes (a) the increase in sales of sulfuric acid to the CNMC Group, which is in line with the increase in the production volume of sulfuric acid. As stated in the 2021 Interim Report, the production volume of sulfuric acid amounted to approximately 525,500 tonnes for the six months ended 30 June 2021, representing an increase of approximately 59.0% as compared to that for the six months ended 30 June 2020; and (b) the decrease in demand of raw materials from the CNMC Group. Given (a) the revision due to others reflects the latest production plan of the Group and the latest demands from CNMC Group; and (b) the revision due to others only accounts for less than 4% of the total revision and less than 1% of the revised annual caps, we are of the view that the revision due to others is fair and reasonable.

After taking into account (a) the revision of the annual caps for supply of raw materials, products and services to the CNMC Group is mainly due to the increase in sales of cobalt; (b) the increase in sales of cobalt is caused by the increase in the selling price of cobalt; (c) the selling prices for setting the revised annual caps are decided with reference to the Forecasted Cobalt Prices; and (d) the revision due to others reflects the latest production plan of the Group and the latest demands from the CNMC Group, we are of the view that the revised annual caps for supply of raw materials, products and services to the CNMC Group under the 2020 Mutual Supply Framework Agreement to be fair and reasonable.

(2) Procurement of raw materials, products and services from the CNMC Group

We have compared the basis of the revised annual caps with the basis of the existing annual caps and noted that the revision is mainly due to the increase in the procurement of (a) copper concentrates by the CCS; (b) transportation services for sulfuric acid by the CCS; and (c) construction, mining and stripping services by the Kambove Mining, details of which are set out below:

	For the year ending 31 December		
	2021	**2022**	**2023**
Existing annual cap *(in US$) (A)*	357,921,851	420,847,952	413,906,538
Revised annual cap *(in US$) (B)*	496,731,351	656,017,952	643,796,538
Revision *(in US$) (B-A)*	138,809,500	235,170,000	229,890,000
Revision due to procurement of copper concentrates *(in US$)*	100,000,000	180,000,000	180,000,000
Revision due to procurement of transportation services *(in US$)*	16,000,000	24,000,000	24,000,000
Revision due to procurement of construction, mining and stripping services *(in US$)*	26,000,000	25,000,000	25,000,000
Revision due to others *(in US$)*	(3,190,500)	6,170,000	890,000
Total revision *(in US$)*	138,809,500	235,170,000	229,890,000

In respect of procurement of copper concentrates by the CCS

As stated in the Letter from the Board, the increase in procurement of copper concentrates is primarily attributable to the demand of the CCS on high copper and low sulfur ore. In order to assess such increasement, we have compared the previous estimated production capacity of the CCS which is used to set the existing annual cap with the latest estimated production capacity of the CCS which is used to set the revised annual cap. Based on the comparison, we noted that the latest estimated production capacity of copper products by the CCS amounted to approximately 160kt, 160kt and 175kt for the year ending 31 December 2021, 2022 and 2023, respectively, representing an increase of approximately 16kt, 22kt and 36kt as compared to the previous estimated production capacity for the year ending 31 December 2021, 2022 and 2023, respectively (the "**Additional Capacity**"). As advised by the Directors, the increase in production capacity is mainly due to the technology improving project conducted by the CCS.

The revision due to the procurement of copper concentrates amounts to approximately US$100 million, US$180 million and US$180 million for the year ending 31 December 2021, 2022 and 2023. As stated in the table below, the revision amounts are decided by (a) the estimated procurement amounts of copper contained in the copper concentrates of approximately 10kt, 18kt and 18kt; and (b) the estimated purchase prices of copper of approximately US$10,000.

	For the year ending 31 December		
	2021	**2022**	**2023**
Estimated purchase amounts *(in tonnes) (A)*	10,000	18,000	18,000
Estimated purchase prices *(in US$) (B)*	10,000	10,000	10,000
Revision due to copper concentrates *(in US$) (A*B)*	100,000,000	180,000,000	180,000,000

On one hand, we consider the procurement amounts of copper are reasonable, after taking into account the Additional Capacity. On the other hand, we consider the purchase prices of copper are reasonable given (a) they are determined with reference to the Forecasted Copper Prices; and (b) they represent a slight discount to the estimated average selling price of approximately US$10,500 per tonne which is used in determining the revised annual caps under the 2020 CNMC Copper Supply Framework Agreement. Such discount is due to the fact that there would be natural loss during the processing of copper concentrates and therefore the Company would ask for a slight discount from suppliers, as advised by the Directors.

Based on above, we are of the view that the revision due to copper concentrates is fair and reasonable.

In respect of procurement of transportation services by the CCS

As stated in the Letter from the Board, in view of the sulfuric acid market conditions in the DRC in recent years, CCS is often required to be responsible for delivering the sulfuric acid to factory. As such, CCS would normally engage CNMC Group for such transportation services.

The revision due to the procurement of transportation services amounts to approximately US$16 million, US$24 million and US$24 million for the year ending 31 December 2021, 2022 and 2023. As stated in the table below, the revision amounts are decided by (a) the estimated amounts of sulfuric acid which would be delivered by the CNMC Group; and (b) the estimated transportation fee.

	For the year ending 31 December		
	2021	**2022**	**2023**
Estimated delivery amounts *(in tonnes) (A)*	160,000	240,000	240,000
Estimated transportation fee *(in US$ per tonne) (B)*	100	100	100
Revision due to transportation services *(in US$) (A*B)*	16,000,000	24,000,000	24,000,000

The estimated delivery amounts are determined with reference to the production volume of the sulfuric acid of the Group, which amount to approximately 1.06 million tonnes for the year ending 31 December 2021, 2022 and 2023, respectively. The estimated delivery amounts are, in our opinion, reasonable, given they only account for less than 25% of the total production volume. We also consider the estimated transportation fee is reasonable, given it is determined with reference to the historical transportation fee of approximately US$92 per tonne for the year ended 31 December 2020 with certain buffer built in to tailor for any unexpected increase in the relevant cost. As such, we are of the view that the revision due to transportation services for sulfuric acid are fair and reasonable.

In respect of procurement of construction, mining and stripping services

As stated in the Letter from the Board, the increase in procurement of construction, mining and stripping services is primarily due to the development needs of Kambove Mining. As stated in the table below, the procurement amounts of construction services are estimated to be approximately US$18 million, US$5 million and US$5 million for the year ending 31 December 2021, 2022 and 2023, respectively. As advised by the Directors, the procurement amounts are determined with reference to (a) signed construction contract; (b) construction contracts under negotiation; and (c) potential construction projects in the future for the development needs. Given (a) the procurement amounts of construction services of approximately US$18 million for the year ending 31 December 2021 is determined with reference to the signed construction contract with contract amount of approximately US$7 million and two construction contracts under negotiation with contract amount of approximately US$11 million; and (b) the procurement amounts of construction projects for the year ending 31 December 2022 and 2023 are determined with reference to the future needs and the transaction amount of approximately US$5 million per year is lower than the signed contract amount of approximately US$7 million for the year ending 31 December 2021, which we consider to be prudent, we are of the view that the revision due to procurement of construction services is fair and reasonable.

	For the year ending 31 December		
	2021	**2022**	**2023**
Procurement of construction services *(in US$) (A)*	18,000,000	5,000,000	5,000,000
Procurement of mining and stripping services *(in US$) (B)*	8,000,000	20,000,000	20,000,000
Revision due to construction, mining and stripping services *(in US$) (A+B)*	26,000,000	25,000,000	25,000,000

As for the mining and stripping services, the procurement amounts are decided with reference to the production capacity of Kambove Mining. As stated in the annual report of the Company for the year ended 31 December 2020, the integrated exploration and construction Project of Kambove Mining has a planned production capacity of 28,000 tonnes of copper cathodes per annum. The construction of the project is progressing according to schedule and is expected to be completed and put into operation in the third quarter of 2021. In order to realise such production capacity, the total excavation amount is estimated to be approximately 9 million tonnes. As advised by the Directors, CNMC Group shall be responsible for approximately 50% of the total excavation amount and the fee quotation is approximately US$4.4 per tonne. Given the procurement amounts of mining and stripping services are determined with reference to (a) the production capacity of Kambove Mining; (b) the estimated total excavation amount; and (c) the proportion to be conducted by CNMC Group and the fee to be charge by the CNMC Group, we are of the view that the revision due to procurement of mining and stripping services is fair and reasonable.

In respect of the revision due to others

As stated in the Letter from the Board, the revision due to others mainly includes the (a) the increase in the procurement of electricity supply services caused by the expected increase in electricity prices; and (b) the increase in the procurement of medicine supplies and services as result of the pandemic prevention and control. Given (a) the revision due to others reflects the latest demands of the Group; and (b) the revision due to others only accounts for less than 3% of the total revision and less than 1% of the revised annual caps, we are of the view that the revision due to others is fair and reasonable.

Based on the above, we are of the view that the revised annual caps for procurement of raw materials, products and services from the CNMC Group under the 2020 Mutual Supply Framework Agreement to be fair and reasonable.

Generally speaking, in our opinion, it is in the interests of the Group for the revised annual caps to be as accommodating to the Group as possible. Provided that the terms of the transactions contemplated under the 2020 CNMC Copper Supply Framework Agreement and 2020 Mutual Supply Framework Agreement are fair and reasonable and the conduct of these transactions are subject to annual review by the independent non-executive Directors and auditors of the Company as required under the Listing Rules, the Group would have flexibility in conducting and expanding its businesses if the revised annual caps are tailored to future business growth. In assessing the fairness and reasonableness of the revised annual caps, we have discussed with the management of the Group the bases of the calculation and the factors contributing to the fixing of the revised annual caps.

Regarding the internal control measures implemented by the Company, we have conducted our review and due diligence before the 2020 CNMC Copper Supply Framework Agreement and 2020 Mutual Supply Framework Agreement were approved in the extraordinary general meeting in 16 December 2020. Based on our review, we considered the terms of the 2020 CNMC Copper Supply Framework Agreement and the 2020 Mutual Supply Framework Agreement are on normal commercial terms which are fair and reasonable and appropriate internal control procedures are in place, details of which are set our in the Previous Circular.

Based on the analysis above, we are of the view that the revision from existing annual caps to the revised annual caps is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

OPINION AND RECOMMENDATIONS

Taking into account the above principal factors and reasons, we consider that the proposed revision of the existing annual caps is on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. We also consider that the revised annual caps are fair and reasonable. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the relevant ordinary resolution to be proposed at the EGM to approve the proposed revision of the existing annual caps.

Yours faithfully,
For and on behalf of
Rainbow Capital (HK) Limited
Larry CHOI
Managing Director

Mr. Larry CHOI is a licensed person and a responsible officer of Rainbow Capital (HK) Limited registered with the Securities and Futures Commission to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO. He has over ten years of experience in the 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; 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 *(Note)*	Registered owner	Long position	2,600,000,000	69.54%
CNMC	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. PROFESSIONAL QUALIFICATIONS AND CONSENTS

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

Name	Qualifications
Rainbow Capital (HK) Limited	A licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

(a) As at the Latest Practicable Date, Rainbow 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 2020, 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) Rainbow 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.

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 2020, 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 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) No Director 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 2020, 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 of 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 AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours on Monday to Friday (other than public holidays in Hong Kong) at Unit 1303, 13/F, Austin Tower, 22–26 Austin Avenue, Tsimshatsui, Kowloon, Hong Kong, from the date of this circular up to and including 21 October 2021:

(a) the 2020 Framework Agreements entered into between the Company and CNMC;

(b) the letter of recommendations from the Independent Board Committee, the text of which is set out on page 28 of this circular;

(c) the letter of advice issued by Rainbow Capital, the text of which is set out on pages 29 to 48 of this circular; and

(d) the written consent referred to in paragraph 4 of this appendix.

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 Conference Room 611, 6/F, South Tower, CNMC Building, No. 10 Anding Road, Chaoyang District, Beijing, The People's Republic of China on Thursday, 21 October 2021 at 2:30 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 maximum limit of the amount involved under the 2020 CNMC Copper Supply Framework Agreement for the financial years ending 31 December 2021, 31 December 2022 and 31 December 2023 be revised from US$1,904,400,000, US$2,179,700,000 and US$2,210,400,000 to US$2,852,745,000, US$3,461,640,000 and US$3,622,290,000, respectively; and

(ii) 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 proposed revision of the maximum limit of the amount involved under the 2020 CNMC Copper Supply Framework Agreement and to make and agree such variations of a non-material nature in or to the terms of the 2020 CNMC Copper Supply Framework Agreement as he may in his discretion consider to be desirable and in the interests of the Company."

2. "THAT

(i) the maximum limit of the amounts of procurement of raw materials, products and services from the CNMC Group under the 2020 Mutual Supply Framework Agreement for the financial years ending 31 December 2021, 31 December 2022 and 31 December 2023 be revised from US$357,921,851, US$420,847,952 and US$413,906,538 to US$496,731,351, US$656,017,952 and US$643,796,538, respectively;

(ii) the maximum limit of the amounts of supply of raw materials, products and services to the CNMC Group under the 2020 Mutual Supply Framework Agreement for the financial years ending 31 December 2021, 31 December 2022 and 31 December 2023 be revised from US$122,957,000, US$165,521,800 and US$233,285,000 to US$145,514,800, US$213,158,800 and US$292,346,200, 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 proposed revision of the maximum limit of the amount involved under the 2020 Mutual Supply Framework Agreement and to make and agree such variations of a non-material nature in or to the terms of the 2020 Mutual Supply Framework Agreement as he may in his discretion consider to be desirable and in the interests of the Company."

By order of the Board of Directors
China Nonferrous Mining Corporation Limited
Dayong YANG and Man Yi WONG
Joint Company Secretaries

30 September 2021

Notes:

1. Persons who hold shares of the Company and whose names appear on the register of members as at close of business on Monday, 18 October 2021 shall be entitled to attend the EGM.

2. A 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. Shareholders who attend the meeting on-site must pay attention in advance and abide by the regulations and requirements of health status declaration, quarantine and observation as required by relevant government department of the venue where the meeting is held during the epidemic containment period. The Company will strictly follow the epidemic containment requirements of relevant government departments and take epidemic containment measures such as body temperature monitoring for the Shareholders who attend the meeting on-site under the guidance and supervision of relevant government departments. Shareholders who have fever and other symptoms or are not wearing masks as required or do not comply with the relevant epidemic containment regulations and requirements may not be admitted to the venue of the meeting. If the number of Shareholders who attend the meeting on-site reached the upper limit stipulated under the epidemic containment requirements of the relevant government departments on the date of the meeting, Shareholders present at the venue will have to enter into the venue on a "first sign in, first enter" basis, and Shareholders who sign in later may not be able to enter into the venue of the meeting. Shareholders who may not enter the site will participate in the meeting through the remote conference system provided by the Company.

6. The register of members of the Company will be closed from Monday, 18 October 2021 to Thursday, 21 October 2021, 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, 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 Friday, 15 October 2021.

7. 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.

8. The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English version shall prevail.

9. As at the date of this notice, the Board comprises Mr. Jinjun ZHANG and Mr. Chunlai WANG, as executive Directors; Mr. Yaoyu TAN as a non-executive Director; and Mr. Dingfan QIU, Mr. Jingwei LIU and Mr. Huanfei GUAN as independent non-executive Directors.