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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)

**(I) CONTINUING CONNECTED TRANSACTIONS
IN RESPECT OF
THE OCT COPPER SUPPLY FRAMEWORK AGREEMENT; AND
(II) REVISION OF THE ANNUAL CAP OF CERTAIN CONTINUING
CONNECTED TRANSACTIONS IN RESPECT OF THE 2017
MUTUAL SUPPLY FRAMEWORK AGREEMENT**

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**

RAINBOW.

RAINBOW CAPITAL (HK) LIMITED
泓博資本有限公司

**(I) CONTINUING CONNECTED TRANSACTIONS IN RESPECT OF THE
OCT COPPER SUPPLY FRAMEWORK AGREEMENT**

The OCT Copper Supply Framework Agreement

The Board is pleased to announce that, on 27 April 2020, the Company and Octagon Commodities entered into the OCT Copper Supply Framework Agreement, pursuant to which the Company agreed to sell, or procure its subsidiaries to sell, Copper Products to Octagon Commodities and its subsidiaries.

Listing Rules Implications

As at the date of this announcement, Octagon Commodities is owned as to 58% by Huachin International Trading Limited, which is wholly-owned by an associate of Mr. Siu Kam NG. As Mr. Siu Kam NG is a director of Huachin Leach and CNMC Huachin Mabende, each a subsidiary of the Company, and indirectly owns 32.5% and 35% equity interests in Huachin Leach and CNMC Huachin Mabende, Mr. Siu Kam NG is a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules. As at the date of this announcement, the remaining 42% equity interests in Octagon Commodities are held by several individuals who are, to the best of the Directors' knowledge and belief having made all reasonable enquiry, third parties independent of the Company and its connected persons.

Therefore, Octagon Commodities, being an associate of Mr. Siu Kam NG, is also a connected person of the Company at the subsidiary level under the Listing Rules. Accordingly, the transactions contemplated under the OCT Copper Supply Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios of the proposed cap in respect of the transactions contemplated under the OCT Copper Supply Framework Agreement exceed 5%, such transactions and the proposed cap are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. However, given that the Board has approved the transactions under the OCT Copper Supply Framework Agreement and the independent non-executive Directors have confirmed that the terms of the transactions are fair and reasonable, the transactions are on normal commercial terms or better and in the interests of the Company and its Shareholders as a whole, the transactions are exempt from the circular, independent financial advice and shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

(II) REVISION OF THE ANNUAL CAP OF CERTAIN CONTINUING CONNECTED TRANSACTIONS IN RESPECT OF THE 2017 MUTUAL SUPPLY FRAMEWORK AGREEMENT

Background

Reference is made to (i) the announcement of the Company dated 18 April 2017 and the circular of the Company dated 15 May 2017 in respect of the renewal of the continuing connected transactions under the 2017 Framework Agreements between the Company and CNMC; and (ii) the announcement of the Company dated 23 April 2018 in respect of the revision of annual caps of the continuing connected transactions under the 2017 Framework Agreements between the Company and CNMC and the 2018 Circular.

The annual caps for the procurement of raw materials, products and services from the CNMC Group for the three years ending 31 December 2020, first determined when the Company entered into the 2017 Mutual Supply Framework Agreement, were subsequently revised in June 2018 in order to satisfy the needs of various development and expansion projects, including, among others, Kambove Mining's infrastructure construction. Due to the postponement of commencement of Kambove Mining's infrastructure construction from 2018 to January 2020, the Company proposes to revise the Original Annual Cap in view of the need to increase procurement of raw materials, products and services from the CNMC Group in 2020.

Listing Rules Implications

Pursuant to Rule 14A.54 of the Listing Rules, if the Company proposes to revise the Original Annual Cap 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 74.52% of the issued share capital of the Company, 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 Cap exceed 5%, the transactions contemplated under the 2017 Mutual Supply Framework Agreement and the proposed Revised Annual Cap are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Approval by Independent Shareholders

As CNMC indirectly owns an aggregate of 74.52% of the issued share capital of the Company through CNMD, CNMD and its associates will abstain from voting on the resolutions approving the revision of the Original Annual Cap at the AGM.

An Independent Board Committee has been formed to advise the Independent Shareholders in connection with the revision of the Original Annual Cap, and Rainbow Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the same.

(I) CONTINUING CONNECTED TRANSACTIONS IN RESPECT OF THE OCT COPPER SUPPLY FRAMEWORK AGREEMENT

The OCT Copper Supply Framework Agreement

The Board is pleased to announce that, on 27 April 2020, the Company and Octagon Commodities entered into the OCT Copper Supply Framework Agreement, pursuant to which the Company agreed to sell, or procure its subsidiaries to sell, Copper Products to Octagon Commodities and its subsidiaries. The principal terms of the OCT Copper Supply Framework Agreement are set forth below.

Parties

- (i) The Company
- (ii) Octagon Commodities

Nature

Pursuant to the OCT Copper Supply Framework Agreement, the Company agreed to sell, or procure its subsidiaries to sell, Copper Products to Octagon Commodities and its subsidiaries.

The quantity of each type of Copper Products to be sold to Octagon Commodities is not fixed under the terms of the OCT 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 OCT Copper Supply Framework Agreement (but excluding the OCT Copper Supply Framework Agreement itself) 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 Octagon Commodities during the Term.

Before entering into the OCT Copper Supply Framework Agreement, the Group had not sold any Copper Products to Octagon Commodities and its subsidiaries.

Term

The term of the OCT Copper Supply Framework Agreement commences on 27 April 2020, being the date of the OCT Copper Supply Framework Agreement, and remains valid until 31 December 2020. Subject to compliance with the applicable rules and regulations (including without limitation, the Listing Rules), the OCT Copper Supply Framework Agreement can be renewed for another three years upon mutual consent of the Company and Octagon Commodities.

During the Term, the Company and Octagon Commodities may enter into separate agreement(s) from time to time in respect of the sale and purchase of the Copper Products upon and subject to the terms and conditions in compliance with the OCT Copper Supply Framework Agreement.

Pricing basis

The consideration of the Copper Products to be sold under the OCT Copper Supply Framework Agreement 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 OCT 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 monthly average selling price charged by other renowned mining companies at the place of sale or receiving market, and a recognised 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.

Cap and Basis of Determination

The cap for the transactions contemplated under the OCT Copper Supply Framework Agreement during the Term is US\$36,300,000.

The above cap was determined with reference to the factors including: (i) the Group's estimated copper production capacity and volume for the year ending 31 December 2020; (ii) the estimated demand for Copper Products by Octagon Commodities, which is expected to be approximately 5.5kt of Copper Products; and (iii) a reasonably estimated price (US\$6,600 per tonne) of the Copper Products determined with reference to the average of international copper prices (on a per tonne basis) forecasted by the industry players for the year ending 31 December 2020, which are available on Bloomberg, plus an approximate 10% buffer to accommodate any probable upward price fluctuation of the Copper Products during the Term.

Reasons for and Benefit of Entering Into the OCT Copper Supply Framework Agreement

As a company engaged in, among others, trading of nonferrous metal products, Octagon Commodities has a large customer base for African copper products across the Middle East, Asia and Europe. Leveraging the global footprints of Octagon Commodities, the Directors believe that the entering into of the OCT Copper Supply Framework Agreement is conducive to the market expansion of the Group, and is in line with the business and commercial objectives of the Group. In addition, in order to streamline the procurement process of Copper Products, Octagon Commodities undertakes to delegate representatives to conduct site visits to production facilities of the Group from time to time. Such arrangement will enhance efficiency in terms of procurement execution between the Company and Octagon Commodities, which in turn will reduce transaction costs of the Group in its sale of Copper Products.

Listing Rules Implications

As at the date of this announcement, Octagon Commodities is owned as to 58% by Huachin International Trading Limited, which is wholly-owned by an associate of Mr. Siu Kam NG. As Mr. Siu Kam NG is a director of Huachin Leach and CNMC Huachin Mabende, each a subsidiary of the Company, and indirectly owns 32.5% and 35% equity interests in Huachin Leach and CNMC Huachin Mabende, Mr. Siu Kam NG is a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules. As at the date of this announcement, the remaining 42% equity interests in Octagon Commodities are held by several individuals who are, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, third parties independent of the Company and its connected persons.

Therefore, Octagon Commodities, being an associate of Mr. Siu Kam NG, is also a connected person of the Company at the subsidiary level under the Listing Rules. Accordingly, the transactions contemplated under the OCT Copper Supply Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios of the proposed cap in respect of the transactions contemplated under the OCT Copper Supply Framework Agreement exceed 5%, such transactions and the proposed cap are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. However, given that the Board has approved the transactions under the OCT Copper Supply Framework Agreement and the independent non-executive Directors have confirmed that the terms of the transactions are fair and reasonable, the transactions are on normal commercial terms or better and in the interests of the Company and its Shareholders as a whole, the transactions are exempt from the circular, independent financial advice and shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

Directors' Confirmation

The Directors (including the independent non-executive Directors) have reviewed the OCT Copper Supply Framework Agreement and are of the view that the OCT Copper Supply Framework Agreement and the transactions contemplated thereunder have been and will be entered into in the ordinary and usual course of business of the Group, are on normal commercial terms or better, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

As none of the Directors is considered as having material interest in the continuing connected transactions contemplated under the OCT Copper Supply Framework Agreement, none of them is required to abstain from voting on the relevant resolution of the Board.

Information about the Group and Octagon Commodities

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

Octagon Commodities is a Swiss-based company principally engaged in operation, transportation, trading and financial services pertaining to ferrous and nonferrous metal products and other chemicals.

(II) REVISION OF THE ANNUAL CAP OF CERTAIN CONTINUING CONNECTED TRANSACTIONS IN RESPECT OF THE 2017 MUTUAL SUPPLY FRAMEWORK AGREEMENT

Background

References are made to (i) the announcement of the Company dated 18 April 2017 and the circular of the Company dated 15 May 2017 in respect of the renewal of the continuing connected transactions under the 2017 Framework Agreements between the Company and CNMC; and (ii) the announcement of the Company dated 23 April 2018 in respect of the revision of annual caps of the continuing connected transactions under the 2017 Framework Agreements between the Company and CNMC and the 2018 Circular.

On 18 April 2017, the Company (for itself and on behalf of its subsidiaries) entered into the 2017 Mutual Supply Framework Agreement with CNMC (for itself and on behalf of its subsidiaries). The 2017 Mutual Supply Framework Agreement is for a term of three years from 1 January 2018 to 31 December 2020. During the term of the 2017 Mutual Supply Framework Agreement, members of the Group and members of the CNMC Group may respectively enter into separate agreements from time to time in respect of the provision and sale/purchase of the relevant services and goods from the relevant party subject to the terms and conditions set out under the 2017 Mutual Supply Framework Agreement.

The annual caps for the procurement of raw materials, products and services from the CNMC Group for the three years ending 31 December 2020, first determined when the Company entered into the 2017 Mutual Supply Framework Agreement, were subsequently revised in June 2018 in order to satisfy the needs of various development and expansion projects, including, among others, Kambove Mining's infrastructure construction. Due to the postponement of commencement of Kambove Mining's infrastructure construction from 2018 to January 2020, the Company proposes to revise the Original Annual Cap in view of the need to increase procurement of raw materials, products and services from the CNMC Group in 2020.

The 2017 Mutual Supply Framework Agreement

The principal terms of the 2017 Mutual Supply Framework Agreement are set forth below:

Parties

- (1) The Company
- (2) CNMC

Nature

Pursuant to the 2017 Mutual Supply Framework Agreement, both parties agreed to provide, or procure its subsidiaries to provide the following to each other: raw material and products supplies, such as raw materials, construction materials, ancillary materials, spare parts, tools, equipment, fuels, water, electricity, gas and steam, and lease of equipment and vehicles; social and support services, such as public security, employee training, sharing of service, other non-business services, schooling, medical and emergency service, telecommunication, property management and other similar services; and technical services, such as consultation, design, construction, technical and engineering services, testing and equipment repair, construction and engineering projects supervision; and CNMC agreed to provide, or procure its subsidiaries to provide transportation and logistics services to the Group.

Pursuant to the 2017 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 2017 Mutual Supply Framework Agreement (but excluding the 2017 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 policy and guidelines

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

For the provision of "social and support services", the amount payable shall be determined either by reference to the price set by similar service providers in the market, or the price agreed upon 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 the PRC government prescribed prices are not reflective of the market price at the place of service, the amount payable will be determined by reference to the price agreed upon between one party and an Independent Third Party for similar services. In the event that a market price is unavailable for similar services, nor are there any transaction prices between one party and any Independent Third Party, the amount payable will be determined with reference to actual costs plus applicable taxes.

The MOF and the Ministry of Land and Resources (currently known as the Ministry of Natural Resources of the PRC) have jointly published 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 labour 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 MOF and the Ministry of Land and Resources. Such Notice published in 2007 is the latest applicable standards, which may be revised by the MOF and the Ministry of Natural Resources of the PRC 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”, the amount payable shall be determined either with reference to the price charged by similar service providers in the local market, or the price agreed upon between a 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.

Methods and procedures for price determination

The market price for the abovementioned goods and services is determined with 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 at the place of sale or receiving market.

In order to ensure that the pricing terms are on normal commercial terms and no less favourable to the Group, before an individual agreement is entered into, the procurement and sales departments of the Group will make reasonable enquiry with similar goods and/or service providers in the market, which are Independent Third Parties, as to prices or fees of the relevant products and services. The pricing terms under each such individual agreement pursuant to the 2017 Mutual Supply Framework Agreement are then determined by reference to the quotations obtained. The procurement and sales departments of the Group will generally obtain around two to three quotations from different Independent Third Party goods and/or service providers. The finance and legal departments of the Group will review the terms of the individual agreements, focusing on the pricing and payment terms.

The pricing basis of actual costs plus applicable taxes will not include any profit margin. Historically, the Group's actual transaction amounts for the procurement of raw materials, products and services from the CNMC Group under the 2017 Mutual Supply Framework Agreement for each of the two years ended 31 December 2018 and 2019 were approximately US\$347.0 million, and US\$321.4 million, respectively, representing approximately 22 times and 9 times of the actual transaction amounts for the supply of raw materials, products and services to the CNMC Group under the 2017 Mutual Supply Framework Agreement of approximately US\$15.9 million and US\$35.3 million for the same periods, respectively. The Directors consider that this pricing basis is beneficial to the Company since 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 anticipates that substantially all of the transactions for the supply of raw materials, products and services to the CNMC Group in the future will be charged in accordance with market price with only a few services to be charged on the actual costs plus applicable taxes, therefore on the whole, the transactions will be conducted on no less favourable terms than those available to the Group from Independent Third Parties. To the extent that they are available, the Group will check all the invoices provided by the CNMC Group to ensure that the Group is charged with actual costs plus applicable tax in the event that this pricing basis is adopted. The CNMC Group has given consent to provide all those invoices to the Group for inspection.

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

Payment terms

The payment terms will be agreed and set out in detail 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, supply will be made within Zambia or the DRC, and 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.

Historical Transactions Amounts Relating to Procurement of Raw Materials, Products and Services from the CNMC Group

The table below sets forth (i) the historical transactions amount and annual cap of the transactions relating to procurement of raw materials, products and services from the CNMC Group under the 2014 Mutual Supply Framework Agreement for the year ended 31 December 2017; (ii) the historical transactions amounts of the procurement of raw materials, products and services from the CNMC Group under the 2017 Mutual Supply Framework Agreement for the two years ended 31 December 2018 and 2019, and the two months ended 29 February 2020; and (iii) the annual caps of transactions relating to procurement of raw materials, products and services from the CNMC Group under the 2017 Mutual Supply Framework Agreement for the two years ended 31 December 2018 and 2019, and the year ending 31 December 2020:

Historical transactions amount for the year ended 31 December 2017 (US\$)	Annual cap for the year ended 31 December 2017 (US\$)	Historical transactions amount for the year ended 31 December 2018 (US\$)	Annual cap for the year ended 31 December 2018 (US\$)	Historical transactions amount for the year ended 31 December 2019 (US\$)	Annual cap for the year ended 31 December 2019 (US\$)
259,783,000 (Note 1)	294,454,000	346,995,000 (Note 2)	608,560,000	321,378,000 (Note 3)	621,550,000

Historical transactions amount for the two months ended 29 February 2020 (unaudited) (US\$)	Annual cap for the year ending 31 December 2020 (US\$)
26,007,528	371,913,000

Note 1: this represents 88.23% of the annual cap for the year ended 31 December 2017.

Note 2: this represents 57.02% of the annual cap for the year ended 31 December 2018.

Note 3: this represents 51.71% of the annual cap for the year ended 31 December 2019.

Currently, the procurement of raw materials, products and services from the CNMC Group is charged in accordance with market prices. Such market prices are determined with reference to the prices 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 prices 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 the Original Annual Cap and Basis of Determination

It was previously disclosed in the 2018 Circular that Kambove Mining's infrastructure construction and other possible expansion of the Group's businesses were expected to be completed by the end of 2019, and the Group, based on the aforesaid expectation, projected that its needs for raw materials, products and services from the CNMC Group would decrease in 2020, leading to a decrease in the annual cap for the procurement of raw materials from the CNMC Group under the 2017 Mutual Supply Framework Agreement, from US\$621,550,000 for the year ended 31 December 2019 to US\$371,913,000 for the year ending 31 December 2020. However, due to the postponement of commencement of Kambove Mining's infrastructure construction to January 2020, the Company now proposes to revise the Original Annual Cap in view of the need to increase procurement of raw materials, products and services from the CNMC Group in 2020.

The table below sets forth certain information relating to the proposed revision of the Original Annual Cap:

	For the year ending 31 December 2020 <i>(US\$)</i>
Original Annual Cap	371,913,000
Revised Annual Cap	491,913,000
Increase in annual cap	120,000,000
Increase in proportion of annual cap (%)	<u>32.3%</u>

Determination of the Original Annual Cap and Proposed Revision Thereof

The annual caps for the procurement of raw materials, products and services from the CNMC Group for the three years ending 31 December 2020, first determined when the Company entered into the 2017 Mutual Supply Framework Agreement, were subsequently revised in June 2018 as the Company estimated that these annual caps were not sufficient to satisfy the needs of various development and expansion projects which only arose in 2018, including, among others, Kambove Mining's infrastructure construction and the expansion of Huachin Leach. As disclosed in the 2018 Circular, Kambove Mining was only established in June 2017 and the Group (through Kambove Mining) was only in a position to initiate the exploration activities concerning the field of Kambove mine in November 2017 to assess the size of construction and potential production output of the mine, while the expansion of the production scales of Huachin Leach was only initiated in 2018.

Set forth below are the details of the then proposed increases in annual caps for the three years ending 31 December 2020 as disclosed in the 2018 Circular:

	For the year ended/ending 31 December					
	2018		2019		2020	
	Amount <i>US\$</i>	Increase from 2017 <i>%</i>	Amount <i>US\$</i>	Increase from 2018 <i>%</i>	Amount <i>US\$</i>	Increase from 2019 <i>%</i>
The expansion of						
Huachin Leach	53,500,000	-	3,500,000	(93.46)	3,500,000	0
Kambove Mining	120,000,000	-	180,000,000	50.00	50,000,000	(72.22)
Lualaba Copper						
Smelter	25,000,000	-	25,000,000	0	-	-
Others	<u>22,500,000</u>	-	<u>48,000,000</u>	113.33	<u>14,000,000</u>	<u>(70.83)</u>
Increase in annual caps (total)	<u>221,000,000</u>	-	<u>256,500,000</u>	-	<u>67,500,000</u>	-

In considering the revision of the Original Annual Cap, the Company has taken into consideration, primarily, the anticipated increase in the Group's procurement of raw materials, products and services from the CNMC Group for the purpose of satisfying the needs of the Kambove Mining. For the avoidance of doubt, the progress of expansion of Huachin Leach and other projects taken into account when determining the Original Annual Cap is within expectation and the Company currently does not foresee an imminent need to increase the procurement of raw materials, products and services for these projects.

The table below sets forth details of the proposed revision of the Original Annual Cap:

Procurement of raw materials, products and services for

	For the year ending 31 December 2020		
	Original annual cap for 2020	Revised annual cap for 2020	Increase from original annual cap for 2020
		<i>US\$</i>	
The expansion of Huachin Leach	3,500,000	N/A	N/A
Kambove Mining	50,000,000	170,000,000	120,000,000
Lualaba Copper Smelter	0	N/A	N/A
Others	14,000,000	N/A	N/A

Determination of the Revised Annual Cap

Commencement of construction of Kambove Mining was originally scheduled in 2018, with the expectation that the construction could be completed by the end of 2019. The project has been delayed and its construction work commenced in January 2020 for the following reasons: (i) the Company had only reached a consensus with the minority shareholder of Kambove Mining on the details relating to the construction of the project in September 2019 after prolonged negotiations; and (ii) it was not until December 2019 did Kambove Mining obtain all regulatory approvals required for the commencement of construction.

Set forth below is a breakdown of the original annual caps for procurement of raw materials, products and services from the CNMC Group designated for Kambove Mining as disclosed in the 2018 Circular and the percentage ratios of total unutilised annual caps for procurement of raw materials, products and services from the CNMC Group represented by these original annual caps:

For the year ended 31 December 2018		For the year ended 31 December 2019		For the year ending 31 December 2020	
Original annual cap for Kambove Mining (US\$)		Original annual cap for Kambove Mining (US\$)		Original annual cap for Kambove Mining (US\$)	
% of total unutilised annual cap	% of total unutilised annual cap	% of total unutilised annual cap	% of total unutilised annual cap	% of total unutilised annual cap	% of total unutilised annual cap
120,000,000	45.9	180,000,000	60.0	50,000,000	N/A

As illustrated in the section headed “Historical Transaction Amounts relating to Procurement of Raw Materials, Products and Services from the CNMC Group” in this announcement and the table above, the fact that only 57.02% and 51.71% of the respective annual caps relating to the procurement of raw materials, products and services from the CNMC Group for the years ended 31 December 2018 and 2019 were utilised is primarily attributable to Kambove Mining not being able to commence construction as scheduled. In view of the delay of the overall project timetable, in particular the postponement of construction commencement date, the Directors anticipate that the amount estimated to be incurred from the procurement of raw materials, products and services from the CNMC Group only at the later stage(s) of the project, being a portion of the Original Annual Cap, will not be sufficient to meet the actual needs of procurement in 2020, as the project only entered into the initial stage of construction early this year, during which the demand for raw materials, products and services is expected to be higher. The Directors therefore propose to revise the Original Annual Cap.

For the avoidance of doubt, the Directors do not intend to revise the annual cap of transactions relating to the supply of raw materials, products and services to the CNMC Group for the year ending 31 December 2020 contemplated under the 2017 Mutual Supply Framework Agreement.

The proposed Revised Annual Cap above was determined by reference to such factors as (i) historical transactions values and volume; (ii) estimated demand for raw materials, products and services by the Group from the CNMC Group; and (iii) reasonably expected price range for the raw materials, products and services provided by the CNMC Group for the year ending 31 December 2020.

In particular, the Group has considered the progress, nature, as well as products and services required for Kambove Mining. The Company, after conducting the feasibility study, currently plans to invest approximately USD238 million in Kambove Mining, among which USD170 million will be used to fund the procurement of raw materials, products and services from the CNMC Group in 2020 to satisfy the needs that will arise during the course of construction, representing an increase of USD120 million from the original annual cap intended for the project use in 2020. As disclosed in the annual results announcement of the Company dated 24 March 2020, preparatory work for this project had been completed as at the end of 2019. Infrastructure construction of the project commenced in January 2020, with a tentative construction period of 21 months.

Reasons for and Benefit of Entering into the 2017 Mutual Supply Framework Agreement

The Group continues to procure raw materials, products and services from the CNMC Group as required during the course of the business development of the Group. The Directors consider that the 2017 Mutual Supply Framework Agreement is consistent with the business and commercial objectives of the Group as the raw materials and products procured are in close proximity to the production facilities of the Group, such that the Group's production costs can be reduced and the profitability of the Group's operations can be further enhanced. 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. The Directors consider the supply of raw materials, products and services to the CNMC Group to be in alignment with the business and commercial objectives of the Group given that it represents new business opportunities of the Group, which may broaden the revenue base of the Group and increase the capacity utilisation 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 of the Listing Rules, if the Company proposes to revise the Original Annual Cap 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 74.52% of the issued share capital of the Company, 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 Cap exceed 5%, the transactions contemplated under the 2017 Mutual Supply Framework Agreement and the proposed Revised Annual Cap are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Directors' Confirmation

The proposed Revised Annual Cap has been negotiated and agreed on an arm's length basis by and among the Company and CNMC. The Directors (excluding the independent non-executive Directors who will give their opinion after considering the advice from the Independent Financial Adviser) are of the view that the proposed Revised Annual Cap is fair and reasonable and in the interest of the Group and the Shareholders as a whole.

None of the Directors has a material interest in the revision of the Original Annual Cap or is required to abstain from voting on the relevant resolution of the Board.

Approval by Independent Shareholders

As CNMC indirectly owns an aggregate of 74.52% of the issued share capital of the Company through CNMD, CNMD and its associates will abstain from voting on the resolutions approving the revision of the Original Annual Cap at the AGM.

The Company will comply with the relevant provisions of the Listing Rules in relation to the revision of the Original Annual Cap.

An Independent Board Committee has been formed to advise the Independent Shareholders in connection with the revision of the Original Annual Cap, and Rainbow Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the same.

A circular containing, amongst other things, further information on the revision of the Original Annual Cap, a letter from the Independent Board Committee, an opinion of Rainbow Capital, the Independent Financial Adviser, together with a notice to convene the AGM to approve, among others, the proposed revision of the Original Annual Cap, is expected to be issued to the Shareholders on or around 26 May 2020. If there is expected to be a delay in despatch of the circular, a further announcement will be published in accordance with the Listing Rules stating the reason for the delay and the new expected date of despatch of the circular. An announcement on the results of the AGM will be made in accordance with the Listing Rules.

Information about the Group and CNMC

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

CNMC is administered by the State Assets Supervision and Administration Commission of the State Council of the PRC and, together with its subsidiaries, is principally engaged in the development of nonferrous metal mineral resources, construction and engineering, as well as related trade and services.

DEFINITIONS

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

“2014 Mutual Supply Framework Agreement”	the framework agreement dated 18 November 2014 as supplemented by a supplemental agreement dated 4 December 2014 between the Company and CNMC in relation to the mutual provision of raw materials, products and services
“2017 Framework Agreements”	collectively, the 2017 Yunnan Copper Supply Framework Agreement, the 2017 CNMC Copper Supply Framework Agreement, the 2017 Huachin Ore Supply Framework Agreement and the 2017 Mutual Supply Framework Agreement
“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
“2018 Circular”	the circular of the Company dated 13 June 2018 in respect of the revision of annual caps of the continuing connected transactions under the 2017 Framework Agreements between the Company and CNMC
“AGM”	the annual general meeting of the Company to be held on or before 30 June 2020 to approve, among others, the proposed revision of the Original Annual Cap
“associate”	has the meaning ascribed thereto under the Listing Rules

“Board”	the board of Directors
“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 a controlling shareholder of the Company
“CNMC Group”	CNMC and its subsidiaries, excluding, for the purpose of this announcement only, the Group
“CNMC Huachin Mabende”	CNMC Huachin Mabende Mining SA (中色華鑫馬本德礦業股份有限公司*), a company incorporated under the laws of the DRC and a subsidiary of the Company
“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 a 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”	has the meaning ascribed thereto in the Listing Rules
“continuing connected transactions(s)”	has the meaning ascribed thereto in the Listing Rules
“controlling shareholder”	has the meaning ascribed thereto in the Listing Rules
“Copper Products”	the copper products including blister copper and copper cathodes
“Director(s)”	director(s) of the Company
“DRC”	the Democratic Republic of Congo
“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 incorporated under the laws of the DRC and a subsidiary of the Company
“Independent Board Committee”	an independent committee of the Board comprising Mr. Chuanyao SUN, Mr. Jingwei LIU and Mr. Huanfei GUAN, the independent non-executive Directors, which is established to advise the Independent Shareholders in respect of the revision of the Original Annual Cap
“Independent Financial Adviser” or “Rainbow Capital”	Rainbow Capital (HK) Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity as set out under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the revision of the Original Annual Cap
“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
“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

“Ministry of Land and Resources”	the former Ministry of Land and Resources of the PRC, which was restructured as the Ministry of Natural Resources of the PRC in 2018
“MOF”	Ministry of Finance of the PRC
“Octagon Commodities”	Octagon Commodities SA, a Société Anonyme (equivalent to a public company limited by shares) incorporated in Swiss Confederation
“OCT Copper Supply Framework Agreement”	the framework agreement dated 27 April 2020 between the Company of and Octagon Commodities in relation to the sale and purchase of the Copper Products
“Original Annual Cap”	the annual cap for the year ending 31 December 2020, being US\$371,913,000, for the transactions relating to the procurement of raw materials, products and services from the CNMC Group contemplated under the 2017 Mutual Supply Framework Agreement, which was considered and approved by the Shareholders at the annual general meeting of the Company held on 28 June 2018
“PRC”	the People’s Republic of China, excluding, for the purpose of this announcement only, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Revised Annual Cap”	the revised annual cap for the year ending 31 December 2020, being US\$491,913,000, for the transactions relating to the procurement of raw materials, products and services from the CNMC Group contemplated under the 2017 Mutual Supply Framework Agreement
“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
“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
"Term"	the term of the OCT Copper Supply Framework Agreement, being the period from 27 April 2020 to 31 December 2020
“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

By Order of the Board
China Nonferrous Mining Corporation Limited
Tongzhou WANG
Chairman

Beijing, 27 April 2020

As at the date of this announcement, the Board comprises Mr. Tongzhou WANG, Mr. Xiaowei WANG, Mr. Wei FAN, Mr. Lin ZHANG, Mr. Chunlai WANG, as executive Directors; Mr. Jinjun ZHANG as non-executive Director; and Mr. Chuanyao SUN, Mr. Jingwei LIU and Mr. Huanfei GUAN as independent non-executive Directors.

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