THIS SUPPLEMENTAL CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this supplemental 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 supplemental 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: 1258)

(1) PROPOSED REVISION OF ANNUAL CAPS OF CONTINUING CONNECTED TRANSACTIONS, (2) POSTPONEMENT AND RESCHEDULING OF ANNUAL GENERAL MEETING, (3) CHANGE OF DIVIDEND PAYMENT ARRANGEMENT, AND (4) REVISED NOTICE OF ANNUAL GENERAL MEETING

This supplemental circular should be read together with the circular of the Company dated 15 May 2018.

A revised notice convening the re-scheduled annual general meeting of the Company to be held at Conference Room 611, 6/F., South Tower, CNMC Building, No. 10 Anding Road, Chaoyang District, Beijing, PRC on Thursday, 28 June 2018 at 2:30 p.m. is set out on pages 105 to 111 of this supplemental circular.

Whether or not you are able to attend the Re-Scheduled AGM, you are advised to read the Revised AGM Notice to complete and return the enclosed Revised AGM 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 by no later than 48 hours (excluding any part of a day that is a public holiday) before the time for holding the Re-Scheduled AGM. Completion and return of the Revised AGM Proxy Form will not preclude you from attending and voting at the Re-Scheduled AGM or at any adjourned meeting if you so wish.

The English and Chinese versions of this supplemental circular and the accompanying revised form of proxy are available on the Company's website at **www.cnmcl.net** and the website of the Stock Exchange at **www.hkexnews.hk**.

This supplemental circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this supplemental circular and, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this supplemental 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 supplemental circular misleading.

13 June 2018

CONTENTS

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

"2014 CNMC Copper Supply Framework Agreement"	the framework agreement dated 18 November 2014 between the Company and CNMC in relation to the sale of copper products to the CNMC Group
"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 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
"AGM"	the annual general meeting of the Company originally scheduled to be held on Friday, 15 June 2018 at 2:30 p.m.
"AGM Circular"	the circular of the Company dated 15 May 2018
"AGM Notice"	the notice of AGM of the Company dated 15 May 2018
"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 on 19 July 2006 and a subsidiary of the Company

"CCT Circular"	has the meaning ascribed to it under the section headed "LETTER FROM THE BOARD" in this supplemental circular
"CNIT"	China Nonferrous International Trading Co., Ltd.* (中色國際貿易有限公司), a wholly-owned subsidiary of CNMC and is under the supervision of the State-owned Assets Supervision and Administration Commission of the State Council of the PRC
"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 supplemental circular, the Group
"CNMD"	China Nonferrous Mining Development Limited, 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(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(s)"	has the meaning ascribed thereto in the Listing Rules
"Director(s)"	director(s) of the Company
"DRC"	the Democratic Republic of Congo
"Final Dividend"	the proposed final dividend of US¢0.6124 per Share for the year ended 31 December 2017

"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 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
"Independent Financial Adviser"	First Shanghai Capital Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activities as set out under the SFO, and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Non-exempt Continuing Connected 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"	11 June 2018, being the latest practicable date prior to the printing of this supplemental 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 DRC and a subsidiary of the Company

"Luanshya"	CNMC Luanshya Copper Mines PLC (中色盧安夏銅業有限公司*), formerly Luanshya Copper Mines PLC, a company incorporated in Zambia on 10 July 2003 and a subsidiary of the Company
"NFC"	China Nonferrous Metal Industry's Foreign Engineering and Construction Co., Ltd* (中國有色金屬建設股份有限公司), a company incorporated in the PRC with limited liability, whose shares are listed on the Shenzhen Stock Exchange (stock code: 000758)
"NFCA"	NFC Africa Mining PLC (中色非洲礦業有限公司*), a company incorporated in Zambia on 5 March 1998, and a subsidiary of the Company
"NFC Metal"	NFC Metal Pte. Ltd.* (中色新加坡有限公司), a company incorporated in Singapore and a wholly-owned subsidiary of NFC
"Original AGM Proxy Form"	The proxy form for use at the AGM which have already been properly completed and deposited with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
"PRC"	the People's Republic of China, excluding for the purpose of this supplemental circular, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Re-Scheduled AGM"	the re-scheduled annual general meeting of the Company to be held on Thursday, 28 June 2018 at 2:30 p.m. or any adjournment thereof
"Revised AGM Notice"	the revised notice of the Re-Scheduled AGM
"Revised AGM Proxy Form"	the revised proxy form to be used in the Re-Scheduled AGM
"SASAC"	State Assets Supervision and Administration Commission of the PRC (中華人民共和國國務院國有資產監督管理委員會)
"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
"Shares"	shares in the issued share capital 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
"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: 1258)

Executive Directors:
Mr. Xinghu TAO *(Chairman)*
Mr. Lin ZHANG *(President)*
Mr. Chunlai WANG *(Vice President)*
Mr. Wei FAN *(Vice President)*
Mr. Kaishou XIE *(Vice President)*

Non-executive Director:
Mr. Diyong YAN *(Vice Chairman)*

Independent non-executive Directors:
Mr. Chuanyao SUN
Mr. Jingwei LIU
Mr. Huanfei GUAN

Registered office:
Room 1201, Allied Kajima Building
138 Gloucester Road
Wanchai, Hong Kong

Principal place of business in Zambia:
32 Enos Chomba Road Kitwe, Zambia

13 June 2018

To the Shareholders

Dear Sir or Madam,

(1) PROPOSED REVISION OF ANNUAL CAPS OF CONTINUING CONNECTED TRANSACTIONS, (2) POSTPONEMENT AND RESCHEDULING OF ANNUAL GENERAL MEETING, (3) CHANGE OF DIVIDEND PAYMENT ARRANGEMENT, AND (4) REVISED NOTICE OF ANNUAL GENERAL MEETING

INTRODUCTION

This supplemental circular should be read together with the AGM Circular.

The purpose of this supplemental circular is (a) to provide you with information in connection with the additional proposals to be put forward at the Re-Scheduled AGM to consider (i) the revision of annual caps under the 2017 CNMC Copper Supply Framework Agreement for the three years ending 31 December 2020, and (ii) the revision of annual caps under the 2017 Mutual Supply Framework Agreement for the three years ending 31 December 2020; (b) to provide you with additional information of the change of dividend payment arrangement; and (c) to provide you with the Revised AGM Notice. This supplemental circular is 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 Re-Scheduled AGM is set out on pages 105 to 111 of this supplemental circular.

(1) PROPOSED REVISION OF ANNUAL CAPS OF CONTINUING CONNECTED TRANSACTIONS

Background

The Group is a leading, fast growing and vertically integrated copper producer focusing on mining, ore processing, leaching, smelting and sales of copper, based in Zambia and DRC. The Group also produces cobalt and sulphuric acid.

References are made to (i) the announcement of the Company dated 18 April 2017, (ii) the circular of the Company dated 15 May 2017 (the "**CCT Circular**"), and (iii) the announcement of the Company dated 23 April 2018 on the revision of annual caps of the continuing connected transactions.

On 18 April 2017, the Company (for itself and on behalf of its subsidiaries) entered into the 2017 CNMC Copper Supply Framework Agreement and the 2017 Mutual Supply Framework Agreement with CNMC (for itself and on behalf of its subsidiaries) in respect of transactions, the nature of which is similar to that of the transactions under the 2014 CNMC Copper Supply Framework Agreement and the 2014 Mutual Supply Framework Agreement for a term of three years from 1 January 2018 to 31 December 2020. Subject to compliance with the applicable rules and regulations (including the Listing Rules), the term can be renewed for another three years upon mutual consent of the parties. During the term of each of the 2017 CNMC Copper Supply Framework Agreement and the 2017 Mutual Supply Framework Agreement, members of the Group and members of the CNMC Group may enter into separate agreements from time to time in respect of the provision and sale/purchase of the relevant services and goods to and/or from the relevant party subject to the terms and conditions set out under the 2017 CNMC Copper Supply Framework Agreement and the 2017 Mutual Supply Framework Agreement.

The Board was made aware of the change in circumstances giving rise to the proposed revision of the annual caps under the 2017 CNMC Copper Supply Framework Agreement and the 2017 Mutual Supply Framework Agreement at the end of March 2018.

The Company has anticipated increase in the Group's production output to be brought about by its development and expansion projects (including but not limited to, the possible expansion of production scales of Huachin Leach, the possible construction of Kambove Mining and other possible expansion of the Group's businesses). 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. The Directors reasonably anticipate that with the Group's increased production output, the sales volume to the CNMC Group is likely to increase. Therefore, having factored in the expected increase in the production volume of the Group combined with the effects of the expected increase in copper price, the Directors expect that the existing annual caps under the 2017 CNMC Copper Supply Framework Agreement for the three years ending 31 December 2020 will not be sufficient for the Group's needs. The Directors therefore propose to revise the existing annual caps thereunder.

Given that Kambove Mining may start the infrastructure construction from 2018, the Company anticipates to increase its procurement of raw materials, products and services from the CNMC Group in order to satisfy the needs of Kambove Mining and the possible expansion of the Group's businesses. In addition, the proposed expansion of Huachin Leach and other possible expansion of the Group's businesses will lead to an increase of the Group's needs in procurement of raw materials, products and services from the CNMC Group. The Directors expect that with such increase, the existing annual caps for the procurement of raw materials, products and services from the CNMC Group under the 2017 Mutual Supply Framework Agreement will not be sufficient for the Group's needs. The Directors therefore propose to revise the existing annual caps thereunder.

Blister copper and sulphuric acid are the two major products of CCS and Lualaba Copper Smelter. Due to its unique physical and chemical properties, sulphuric acid cannot be stored for a prolonged period of time, and therefore must be sold continuously. To ensure the continuous and stable sales of sulphuric acid produced by the Group, the Company expects to increase its sales volume of sulphuric acid to NFC Metal to 110,000 tonnes (representing approximately US$13 million) in 2018, 216,000 tonnes (representing approximately US$32 million) in 2019 and 470,000 tonnes (representing approximately US$75 million) in 2020.

NFC is a connected person of the Company which is controlled as to 33.75% by CNMC. It is also a consumer with large and stable consumption of sulphuric acid. NFC Metal is wholly-owned by NFC, thereby making NFC Metal a connected person of the Company. Cobalt is a by-product of NFCA, CCS, Lualaba Copper Smelter, Huachin Leach and Kambove Mining. Though the production volume of cobalt is relatively small, cobalt price has increased significantly in the recent six months to above US$90,000 per tonne. Together with the possible expansion of the Group's businesses, the Group expects that its cobalt production will increase to 800 tonnes in 2018, 7,050 tonnes in 2019 and 8,150 tonnes in 2020, respectively. The Directors expect that with such increase, the existing annual caps for the supply of raw materials, products and services to the CNMC Group under the 2017 Mutual Supply Framework Agreement for the three years ending 31 December 2020 will not be sufficient for the Group's needs. The Directors therefore propose to revise the existing annual caps thereunder.

The table below sets out (i) the respective proposed revised annual caps of the continuing connected transactions under the 2017 CNMC Copper Supply Framework Agreement and the 2017 Mutual Supply Framework Agreement for the three years ending 31 December 2020; (ii) aggregated proposed revised annual caps under the 2017 CNMC Copper Supply Framework Agreement and the 2017 Mutual Supply Framework Agreement; and (iii) the percentage of expected actual revenue generated from (a) the transactions under the 2017 CNMC Copper Supply Framework Agreement and (b) the supply of raw materials, products and services under the 2017 Mutual Supply Framework Agreement as compared to the Group's expected total revenue for the three years ending 31 December 2020.

	For the Three Years Ending 31 December		
	2018	**2019**	**2020**
Proposed revised annual caps under the 2017 CNMC Copper Supply Framework Agreement *(US$)*	2,115,600,000	2,550,200,000	3,198,000,000
Proposed revised annual caps for procurement of raw materials, products and services from the CNMC Group under the Mutual Supply Framework Agreement *(US$)*	608,560,000	621,550,000	371,913,000
Proposed revised annual caps for supply of raw materials, products and services to the CNMC Group under the Mutual Supply Framework Agreement *(US$)*	101,040,000	639,852,700	775,947,000
The aggregated proposed revised annual caps *(US$)*	2,825,200,000	3,811,602,700	4,345,860,000
The percentage of expected actual revenue generated from (i) the transactions under the 2017 CNMC Copper Supply Framework Agreement and (ii) the supply of raw materials, products and services under the 2017 Mutual Supply Framework Agreement as compared to the Group's expected total revenue	60%–65%	60%–65%	60%–65%

2017 CNMC Copper Supply Framework Agreement

Parties

(1) The Company

(2) CNMC

Nature

Pursuant to the 2017 CNMC Copper Supply Framework Agreement, the Company agreed to sell, or procure its subsidiaries to sell, copper products including blister copper and copper cathode 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 2017 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 2017 CNMC Copper Supply Framework Agreement (but excluding the 2017 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 2017 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 (that is, Zambia or DRC usually), 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 under the 2014 CNMC Copper Supply Framework Agreement for the three years ended 31 December 2017, the annual cap for the three years ended 31 December 2017, and the historical transaction amount of the transactions for the two months ended 28 February 2018 and the existing annual cap for the year ending 31 December 2018 under the 2017 CNMC Copper Supply Framework Agreement:

Historical transactions amount for the year ended 31 December 2015	Annual cap for the year ended 31 December 2015	Historical transactions amount for the year ended 31 December 2016	Annual cap for the year ended 31 December 2016	Historical transactions amount for the year ended 31 December 2017	Annual cap for the year ended 31 December 2017	Historical transactions amount for the two months ended 28 February 2018 (unaudited)	Annual cap for the year ending 31 December 2018
(US$)	*(US$)*	*(US$)*	*(US$)*	*(US$)*	*(US$)*	*(US$)*	*(US$)*
773,126,000 *(Note 1)*	1,433,610,610	927,507,000 *(Note 2)*	1,776,727,280	1,014,808,000 *(Note 3)*	11,957,428,580	132,650,324	1,467,203,000

Note 1: this represents 53.93% of the annual cap for the year ended 31 December 2015.
Note 2: this represents 52.20% of the annual cap for the year ended 31 December 2016.
Note 3: this represents 51.84% of the annual cap for the year ended 31 December 2017.

So far as the Directors are aware, the annual cap for the year ending 31 December 2018 has not been exceeded as at the Latest Practicable Date.

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

The table below sets forth (i) the historical production volume of copper cathode and blister copper of the Group, (ii) the historical actual sales volume of copper cathode and blister copper of the Group to the CNMC Group and (iii) the percentage of actual sales volume of copper cathode and blister copper of the Group to the CNMC Group in its total production volume of copper cathode and blister copper:

	For the year ended 31 December		
	2015	2016	2017
	(tonnes)	*(tonnes)*	*(tonnes)*
Production volume of copper cathode	68,464	75,903	89,068
Production volume of blister copper	185,698	206,217	224,920
Total production volume	254,162	282,120	313,067
Total sales volume to the CNMC Group	165,209	196,840	169,167
Percentage of sales to the CNMC Group	65.00%	69.77%	54.04%

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 2017 CNMC Copper Supply Framework Agreement for the three years ending 31 December 2020 and the basis of determination of such annual caps are set out as follows:

For the year ending 31 December 2018 *(US$)*		For the year ending 31 December 2019 *(US$)*		For the year ending 31 December 2020 *(US$)*	
Existing annual cap	**Revised annual cap**	**Existing annual cap**	**Revised annual cap**	**Existing annual cap**	**Revised annual cap**
1,467,203,000	2,115,600,000	1,740,618,000	2,550,200,000	2,177,118,000	3,198,000,000

The above proposed revised annual caps were determined by reference to factors such as (i) historical transaction amounts and volume; (ii) the Group's estimated increase in its 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 upward price range for the copper products provided by the Group for the three years ending 31 December 2020.

The Company is of the view that when proposing the revised annual caps of continuing connected transactions under the 2017 CNMC Copper Supply Framework Agreement, flexibility shall be taken into account to accommodate the maximum limits under various possibilities. However, same as the actual implementation of the continuing connected transactions previously, the Group and the CNMC Group will conduct continuing connected transactions in strict accordance with the actual demand for transaction volume and the actual transaction price. Even if the Company sets the annual caps for continuing connected transactions, it does not mean that the Group and the CNMC Group will transact such amounts, and the proposed annual caps are not indications for the actual transaction amounts. The Company will disclose the actual transaction amounts in each year's annual report, and the independent non-executive Directors and auditors of the Company will opine on the continuing connected transaction to receive supervision of the Independent Shareholders.

Expected increase in the Group's production capacity and volume of copper products to be sold to the CNMC Group

In setting up the revised annual caps, the Company has taken into consideration the increase in the Group's production output to be brought about by its development and expansion projects, including the possible expansion of production scales of Huadin Leach, the possible commencement of operation of Kambove Mining in the course of the next three years and other possible expansion of the Group's businesses. The Group expects its production volume for copper cathode to reach approximately 110kt, 165kt and 170kt in the three years ending 31 December 2020, respectively, and the production volume for blister copper to reach approximately 250kt, 285kt and 375kt in each of the three years ending 31 December 2020, 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. The Group expects that orders from the CNMC Group will increase since the CNMC Group relies on the Group for its copper products. The Company reasonably believes that such pattern of demand and supply will continue during the term of the 2017 CNMC Copper Supply Framework Agreement. The CNMC Group places order to procure copper products from the Group monthly at whatever amount the Group is willing to supply. For the three financial years ended 31 December 2017, the CNMC Group's purchase of copper products from the Group amounted to 165,209 tonnes, 196,840 tonnes and 169,167 tonnes, and accounted for approximately 63%, 55% and 45% of the CNMC Group's total purchase volume of copper products, respectively. The increasing absolute amount of such purchase and the decreasing percentage of the Group's products in its total purchase support that the CNMC Group has strong demand for the Group's products. Given that the CNMC Group has strong desires to purchase copper products from the Group to satisfy its need 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 cathode and blister copper increase. Based on the above reasons, the Group expects to sell approximately 108kt, 140kt and 165kt of copper cathode and 150kt, 171kt and 225kt of blister copper to the CNMC Group for the three years ending 31 December 2020, respectively.

In aggregate, for the three years ending 31 December 2020, the Group expects to increase the production volume of its copper products to 360kt, 450kt and 545kt, respectively, and the Group expects to sell approximately 258kt, 311kt and 390kt 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 2020 is expected to be 71.67%, 69.11% and 71.56%, respectively.

The table below sets forth the details of the Group's development and expansion projects disclosed in the CCT Circular, including their respective developments since 15 May 2017 (being the date of the publication of the CCT Circular):

Name of project	Details of the development or expansion	Expected timetable	Expected capital expenditure	Expected increase in the Group's production output	Developments since the publication of the CCT Circular, if applicable
1. Integrating Exploration and Construction Project of the Chambishi Southeast Mine of NFCA (中色非礦謙比希東南礦體探建結合項目)	The construction mainly includes mining engineering, ore processing and public auxiliary equipment.	Approximately 62.5% of the total investment had been completed. The project is expected to complete in the third quarter of 2018.	The aggregate investment amounts to US$830 million.	Increase ore processing capacity of 3,300,000 tonnes per annum and production capacity of copper contained in copper concentrates of approximately 63,000 tonnes per annum.	Increase the cobalt production capacity 1,000 tonnes per annum.
2. Mwambashi Strip Mine Project of SML (謙比希濕法冶煉穆旺巴希露天礦項目)	The project comprises a strip mine construction and a processing plant reconstruction.	The strip mine completed construction and commenced formal production at the end of June 2016. The processing plant reconstruction commenced in April 2016. As of 31 December 2017, an accumulative investment of US$4.8623 million had been completed, representing 55.0% of the total planned investment.	The aggregate investment amounts to US$71.57 million.	Increase ores production of 600,000 tonnes per annum and daily processing capacity of 2,000 tonnes.	N/A
3. High Grade Cobalt Matte Metallurgy Project of CCS (謙比希銅冶煉高鈷冰銅項目)	The project is to construct a new processing plant for high grade cobalt matte metallurgy.	The project completed construction and was put into formal production in September 2016.	The aggregate investment amounts to US$32.64 million.	Increase processing capacity of 50,000 tonnes of high grade cobalt matte per annum and an annual output of 35,000 tonnes of copper concentrate (which contains 39.1% copper).	Increase cobalt production capacity of approximately 1,000 tonnes per annum.

Name of project	Details of the development or expansion	Expected timetable	Expected capital expenditure	Expected increase in the Group's production output	Developments since the publication of the CCT Circular, if applicable
4. Liquid Sulphur Dioxide Project of CCS (謙比希銅冶煉液態二氧化硫項目)	The project produces liquid sulphur dioxide with smelting by-products and existing public facilities.	The project was approved by the Board of the Company in September 2016.	The aggregate investment amounted to US$9.58 million.	–	CSS conducted an economic feasibility study on this project. The Company called a halt to this project having taken into consideration the favorable sulphuric acid market in the country where the operation is located and the decrease in the market price of liquid sulphur dioxide.
5. DRC Blister Copper Firerefining Project (剛果(金)粗銅冶煉項目)(Lualaba Copper Smelter Project)	The project includes two projects under progress, namely the Blister Copper Smelting Project and the Cobalt Recycling System Project. The Blister Copper Smelting Project is a copper concentrate (dry) smelting project with an annual capacity of 400,000 tonnes. The Cobalt Recycling System Project is a sub-system of the copper concentrate (dry) and blister copper smelting project with an annual capacity of 400,000 tonnes.	The construction of the Blister Copper Smelting Project commenced on 28 March 2018 and is expected to be completed in the fourth quarter of 2019. The Cobalt Recycling System Project will be constructed along with the Blister Copper Smelting Project.	The aggregate investment amounts to US$470.7 million.	Increase an annual output of approximately 120,000 tonnes of blister copper.	N/A

The table below sets forth the details of the Group's development and expansion projects initiated after 15 May 2017 (being the date of the publication of the CCT Circular):

Name of project	Details of the development or expansion	Expected timetable	Expected increase in the Group's production output
(1) Kambove Mining Leach Plant Project	The Company is currently in contemplation of building a smelter in the Kambove region of the DRC with a target annual production volume of 30,000 tonnes of copper cathode.	Kambove Mining had completed the exploration activities concerning the bottom and walls of the open pit of the main orebody of Kambove as well as the field exploration by means of drilling holes.	1. Increase the production capacity of copper cathode by 30,000 tonnes per annum. 2. Increase the cobalt production capacity by 2,000 tonnes per annum.
(2) Expansion of Huachin Leach	The project includes expansion of the production capacity of Huachin Leach.	The project is expected to be put into operation in the fourth quarter of 2018.	1. Increase the copper cathode production to 20,000 tonnes in 2018 and approximately 22,000 tonnes per annum in 2019 and 2020. 2. Increase the cobalt production capacity by 2,000 tonnes per annum.
(3) Other expansion of the Group's projects and businesses	The project includes acquisition of certain assets to increase the Group production capacity.	The projects are expected to commence in the second half of 2018 and are expected to be completed in 2019.	The Company anticipates that the projects, upon completion, will result in an increase of the copper cathode production by 40,000 tonnes per annum and an increase of the cobalt production by 500 tonnes per annum.

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. Furthermore, the expansion of the production scales of Huachin Leach was only initiated in 2018. Therefore, at the time when the Company first entered into the 2017 CNMC Copper Supply Framework Agreement, the Company was not in a position to assess or take into consideration the effect brought by such development and expansion projects.

Forecasted upturn of copper price

The proposed revised annual caps under the 2017 CNMC Copper Supply Framework Agreement are determined on the basis that the forecasted copper price will be around US$8,200 per tonne for each of the three years ending 31 December 2020, representing an increase of 27.99%, 25.08% and 13.75% as compared to the previous forecast of around US$6,407 per tonne in 2018, US$6,556 per tonne in 2019 and US$7,209 per tonne in 2020.

After a two-year consecutive economic downturn, the copper price has edged up at the end of the year 2016. The open market and the Group itself have been optimistic about the upturn of copper prices for the next three years. Based on industry data, it is forecasted that the copper price (on a per tonne basis) will further rise to around US$6,800, US$6,812 and US$6,823 in each of the three years from 2018 to 2020. The average copper prices as forecasted by the Company for such period are based on the prices forecasted by a number of renowned international banks, research institutions and securities houses, etc., after allowing a reasonable buffer of around 20% for further upward price fluctuation.

The Company has taken into account a potential upturn 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 (on a per tonne basis) by the industry players for setting the existing annual caps disclosed in the CCT Circular, and allowing a 10% buffer to accommodate any probable upward price fluctuation during the coming three years from 2018 and 2020. However, the average international copper price (on a per tonne basis) starting from 1 January 2018 up to the Latest Practicable Date had already exceeded or come close to the Group's previous estimates of US$6,407, US$6,556 and US$7,209 for each of three years from 2018 to 2020. In view of the unpredictability of the future copper prices and to allow more flexibility for operation, the Board has prudently factored in a larger buffer of 20% in terms of estimated future copper prices. The Board considers that the setting of a reference copper price of US$8,200, which is about 11.9% higher than the highest reference price of US$7,330.50 previously set in 2018 is fair and reasonable.

Further analysis of the basis of determination of the proposed annual caps

The table below sets forth details of the historical transaction amounts and the utilization rates of the historical annual caps:

	2015	Increase/ (decrease) from 2014	2016	Increase from 2015	2017	Increase/ (decrease) from 2016
	US$	*%*	*US$*	*%*	*US$*	*%*
Historical annual caps of copper products sold to the CNMC Group	1,433,610,610	1.4	1,776,727,280	23.9	1,957,428,580	10.17
Actual transaction amounts of copper products sold to the CNMC Group	773,126,000	(32.7)	927,507,000	20.0	1,014,808,000	9.41
Utilization rate of the historical annual caps	53.9%	–	52.2%	–	51.84%	–
Historical/estimated sales volume of copper products sold to the CNMC Group *(in tonnes)*	165,209	(8.8)	196,840	19.1	169,167	(14.1)

The table below sets forth details of the proposed annual caps:

	For the year ended/ending 31 December					
	2018	Increase from 2017	2019	Increase from 2018	2020	Increase from 2019
	US$	*%*	*US$*	*%*	*US$*	*%*
Proposed revised annual caps for copper products to be sold to the CNMC Group *(Note 1)*	2,115,600,000	8.08	2,550,200,000	20.54	3,198,000,000	25.40

	For the year ended/ending 31 December					
	2018	**Increase from 2017**	**2019**	**Increase from 2018**	**2020**	**Increase from 2019**
	US$	*%*	*US$*	*%*	*US$*	*%*
The existing annual caps for copper products to be sold to the CNMC Group	1,467,203,000	(25.04)	1,740,618,000	18.6	2,177,118,000	25.1
Forecasted average international copper price as disclosed in the CCT Circular	6,407	3.2	6,556	2.3	7,209	10.0
The adjusted forecasted average international copper price *(Note 2)*	8,200	(3.53)	8,200	0.0	8,200	0.0
Forecasted sales volume of copper products in aggregate to be sold to the CNMC Group *(in tonnes)* as disclosed in the CCT Circular	229,000	33.5	265,500	15.9	302,000	13.7
Revised forecasted volume of copper products in aggregate to be sold to the CNMC Group *(in tonnes) (Note 3)*	258,000	–	311,000	–	390,000	–
Estimated proportion of volume of copper products to be sold to the CNMC Group in the Group's production of such products	71.7%	–	69.1%	–	71.6%	–

Note 1: Represents an increase of 44.19%, 46.51%, and 46.89% as compared to the existing annual caps for copper products to be sold to the CNMC Group for each of the three years ending 31 December 2020.

Note 2: Represents an increase of 27.99%, 25.08%, and 13.75% as compared to the forecasted average international copper price as disclosed in the CCT Circular for each of the three years ending 31 December 2020.

Note 3: Represents an increase of 12.6%, 17.1% and 29% as compared to the forecasted volume of copper products in aggregate to be sold to the CNMC Group (in tonnes) as disclosed in the CCT Circular for each of the three years ending 31 December 2020.

It is noted that the Group had not fully utilized the annual caps under the 2014 CNMC Copper Supply Framework Agreement. This was primarily attributable to the decline in copper price and the suspension of production of two projects of Luanshya.

In 2014, the average copper price was US$6,829.6 per tonne and dropped to US$4,869.8 per tonne in 2016. Apart from the unforeseeable decline in copper price, production of Baluba Center Mine and Slag Copper Recovery Project of Luanshya had been suspended since 8 September 2015 as a result of the force majeure event that Zambia had reduced power supply by approximately 30% (please refer to the announcements of the Company dated 31 July 2015 and 8 September 2015). Power shortage also affected the production capacity of the smelter. As a consequence, the Group's production of copper products reduced by 25,000 tonnes and 30,000 tonnes for 2015 and 2016, respectively. The Directors would like to emphasize that the then drastic decline in international copper prices as well as the sudden suspension in the production of copper products in the Baluba Center Mine and Slag Copper Recovery Project of Luanshya, which in turn affected the Group's production capacity and sales of copper products to the CNMC Group, were unforeseeable when setting the proposed annual caps for the 2014 CNMC Copper Supply Framework Agreement in 2014.

The table below sets out the historical average copper price and actual sales volume as well as the forecasted average copper price and forecasted sales volume under the 2014 CNMC Copper Supply Framework Agreement:

	Forecasted copper price	**Actual copper price** *(Note 1)*	**Variance in copper price**	**Forecasted sales volume**	**Actual sales volume**	**Variance in sales volume**
	(per tonne)	*(per tonne)*	*(%)*	*(tonnes)*	*(tonnes)*	*(%)*
2015	US$7,250	US$5,493	24.2	197,739	165,209	16.4
2016	US$8,000	US$4,870	39.1	222,091	196,840	11.4
2017	US$8,500	US$6,162	27.5	230,286	169,167	26.5

Note 1: This represents the average of actual copper prices in 2015, 2016 and 2017, respectively as published by the London Metal Exchange.

It can be seen from the above historical sales information that the Group's actual sales volume of copper products to the CNMC Group did not deviate largely from the then proposed annual caps, with the variance being 16.4%, 11.4% and 26.5% for the three years ended 31 December 2017, respectively. The utilization rates of the then proposed annual caps for these three years ended 31 December 2017 were substantially affected by the then substantial decrease in international copper price and the suspension of production of two projects of Luanshya. Although the copper price rebounded significantly since the end of November 2016, the copper price in 2017 was still substantially lower than the forecasted copper price of US$8,500 per tonne. But for the decrease in international copper price and the suspension of production of the two projects of Luanshya, the Directors are of the view that the Group would be able to supply the forecasted amount of copper products to the CNMC Group under the 2014 CNMC Copper Supply Framework Agreement.

Given the copper price rebounded significantly since the end of November 2016 and the recovery of power supply, the company has resumed the production of Slag Copper Recovery Project of Luanshya in April 2017. The Baluba Center Mine will also enter into production in the next half of 2018 after conducting a feasibility study. Considering the significant increase of copper price and the Group's development and expansion projects as stated on pages 9 to 11 of this supplemental circular, the Directors are of the view that the proposed annual caps under the 2017 CNMC Copper Supply Framework Agreement are fair and reasonable. The Directors believe that the utilization rates of the proposed annual caps under the 2017 CNMC Copper Supply Framework Agreement will be higher than the utilization rates of the annual caps under the 2014 CNMC Copper Supply Framework Agreement.

On a different light, as demonstrated under Note 3 of the above table setting forth details of the proposed annual caps, the forecasted volume of copper products in aggregate to be sold to the CNMC Group (in tonnes) has been adjusted with an increment of 12.6%, 17.1% and 29% for each of the three years ending 31 December 2020, respectively. In determining the basis for such adjustments, the Company has taken into consideration the increase in the Group's production output to be brought about by its development and expansion projects (including but not limited to, the possible expansion of production scales of Huachin Leach, the possible construction of Kambove Mining and other possible expansion of the Group's businesses), the details of which are set out in pages 9 to 11 of this supplemental circular.

Given the reasons above, the Directors are of the view that the proposed revised annual caps for transactions under the 2017 CNMC Copper Supply Framework Agreement are fair and reasonable.

Sales to Independent Third Parties

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 major independent 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 generally international trading companies. These major independent customers include Company A, Company B, Company C and Company D.

The table below sets out the sales volume and sales transaction amount of copper products to these major independent customers (who are Independent Third Parties) as well as other independent customers for the three years ended 31 December 2017:

	2015		**2016**		**2017**	
	Sales Volume *(tonnes)*	**Sales Amount** *(US$'000)*	**Sales Volume** *(tonnes)*	**Sales Amount** *(US$'000)*	**Sales Volume** *(tonnes)*	**Sales Amount** *(US$'000)*
Company A	16,693	83,391	23,140	113,146	34,911	199,173
Company B	11,710	58,377	3,588	16,166	21,786	131,617
Company C	2,988	12,668	6,575	30,025	6,640	37,576
Company D	10,673	44,501	15,294	75,825	13,012	76,966
Company E	–	–	96	514	7,335	43,320

Save for Company B, the Group has increased sales to these major independent customers over the past three years. The reason for the decrease in sales to Company B was mainly because of the adverse change of terms of sales. Notwithstanding such change of terms, the Group continues to sell copper products to Company B for the purpose of maintaining business relationship. To the best knowledge and belief of the Directors, these major independent customers also procure copper products in substantial volume from other suppliers. 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. Coupled with the fact that the aforementioned customers have repeatedly expressed their intention to increase purchase volume of the Group's copper products at various occasions, on such basis, the Directors are of the view that these major independent customers can purchase at least a significant portion of the Group's copper output. 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, Congo, Switzerland and Singapore for the past three years ended 31 December 2017.

The Company has established concrete plans to sell copper products to Independent Third Parties for the year ending 31 December 2018. The Group has entered into contracts with seven different Independent Third Parties to sell approximately 101,100 tonnes to 118,700 tonnes of the copper products produced by the Group to such Independent Third Parties for the year ending 31 December 2018. In fact, the proposed total volume of copper products to be sold to the Independent Third Parties for the year ending 31 December 2018 represents an increase of 36% as compared to the actual sales volume of 87,113 tonnes of copper products to the Independent Third Parties for the year ended 31 December 2017.

Based on the unaudited management accounts of the Group, for the four months ended 30 April 2018, 55,000 tonnes of copper products produced by the Group were sold to Independent Third Parties, representing 49.6% of the Group's actual sales volume of copper products, while the volume of copper products sold to the CNMC Group only accounts for 36.5% of the Group's total sales volume of copper products for the same period. Given the fluctuations in terms of the market prices, demands and supplies for coper products, the independent customers are more prone to negotiate on a year-to-year basis agreements on its procurement of copper products. Accordingly, as at the Latest Practicable Date, although the Company is still in the process of locking in arrangements to sell copper products to Independent Third Parties for the two years ending 31 December 2020, the Company has reasonable belief that, in terms of actual transaction volume and amount, the percentage of sales to Independent Third Parties in the total sales of the Group for each of the three years ending 31 December 2020 is likely to be not lower than that for each of the three years ended 31 December 2017. In addition, the Company will use its best endeavors to explore possible plans to increase its percentage of sales to Independent Third Parties. Please also refer to the subsection headed "No Heavy Reliance" below for details of the Company's efforts to increase sales to Independent Third Parties.

Notwithstanding the above, the Group continues to maintain close commercial relationships with various copper refiners in the PRC, who are customers for blister copper, and downstream copper processing plants, who are customers of copper cathode as well as suppliers of those copper refiners and copper processing plants. The Company believes that it will be able to sell its products directly to these refiners and copper processing plants upon needs.

Apart from maintaining relationship with existing high quality customers, the Group has also selectively diversified its customer base. For example, Company F started to procure the Group's copper products in 2016. Such sales volume increased to 7,335 tonnes in 2017 from 96 tonnes in 2016.

On the other hand, the Group also spares effort to increase the liquidity of the Group's products in the market. Luanshya commenced procedures to register its copper cathode with the London Metal Exchange in 2014. At present, it is in the process of obtaining certification (ISO 9000) of its copper cathode as part of the registration procedures. Luanshya commenced discussion with LME

Metal Registration Limited about registration requirements and procedures during LME Annual Conference in the year of 2017. In 2013, Luanshya had less than 2,000 tonnes of the copper cathode reached Grade A Standard of London Metal Exchange, and the amount increased to almost 25,000 tonnes in 2016 and 40,902 tonnes in 2017. Since London Metal Exchange is the worldwide well-known futures exchange for options and futures contracts on metals, successful registration with it would mean that the copper products are of satisfactory quality, and so there will usually be an increase in sales price and recognition of the Group's copper products.

No Heavy Reliance

Notwithstanding approximately 70% of the Group's copper products are to be sold to the CNMC Group, the Directors are of the view that the Company does not have a heavy reliance on the CNMC Group that would render the Company unsuitable for listing. The Group is able to transact with Independent Third Parties and sell them substantially all of its copper products to be produced if it so needs or wishes. The Group's choosing of CNMC Group as a major customer of its copper products is a commercial decision, which, the Directors believe, is in the best interests of the Group and the Shareholders as a whole, after careful consideration and taking into account the following factors:

i. The Group does not have actual "reliance" on the CNMC Group.

Under the 2017 CNMC Copper Supply Framework Agreement, the Group mainly cooperates with the trading arm of CNMC Group, CNIT. CNIT is a wholly-owned subsidiary of CNMC and is under the supervision of the SASAC. After the extracted ores are processed and refined in the smelting facilities of the Group, the refined copper products are sold to CNIT whom will then on sell such products to other ultimate and multiple end users or customers in the market. The sales of copper products by the Group to CNIT are in fact the sales by the Group to various downstream customers. Only a very small portion of the copper products purchased by CNIT were subsequently sold to the CNMC Group. In fact, in the copper supply value chain, CNIT positions itself as an intermediary trader between the Group and its ultimate customers, facilitating the copper supply chain management and streamlining the copper supplies. CNIT sources its customers through a tender process conducted for its copper cathode products. CNIT has been a strategic business partner with the Group for a long period of time. The continuing cooperation between the parties in this aspect can bring steady revenue and sound economic return to the Group. In the global market of raw material extraction and refinery, the aforesaid strategy serves to manage the supply chain for copper products effectively, and is of normal market practice. The aforesaid strategy in engaging an intermediary trader between the copper producer and its ultimate downstream customer to facilitate the sales and distribution of its copper products have been commonly adopted by industry players for the following reasons:

a) The copper producer's exposure to overstocking risks is minimized given that the intermediary trading companies tend to own established sales channels for copper products in different regions. By comparison, the copper producers themselves own relatively limited sales channels. Through the already established customer channels, the trading companies can easily on sell the copper products produced by the copper producer to other copper products processing plants in different regions, minimizing the operational and managements costs incurred from the Group's development and expansion of its own sales channels in unfamiliar markets.

b) The copper producer's exposure to product delivery risks is minimized. Through engaging an intermediary trading company, the "free carrier" ("**FCA**") trade term can be adopted by the copper producers. With FCA, the Group as the vendor of the copper products is only responsible for the delivery of the products to a specific destination. This operational strategy allows the seller to assume the risk of loss until the carrier receives the products, at which point in time the customer shall assume all responsibility. In comparison, if the copper producers transacts directly with ultimate customers in the supply chain (most of which engages copper products processing), the "cost, insurance and freight" ("**CIF**") trade term will need to be adopted, instead of FCA. Under the CIF trade term, the seller will be obligated to pay costs, freight and insurance against the customer's risk of loss or damage in transit to destination, which is likely to increase the operational costs of the copper producer and delivery risks during the transaction. Hence, through cooperating with an intermediary trading company, the operational costs borne by the copper producer are minimized.

Furthermore, CNIT, being a strategic partner of the Group, is able to offer trade terms that are beneficial to the Group having regarded the long standing alliance.

a) Upfront payment as a payment guarantee – CNIT has been able to offer the Group advance payment as a payment guarantee, typically contributed at the beginning of the financial year. The advance payment is equivalent to the value 50% of the average copper products per month supplied by the Company in that specific year. CNIT has advanced approximately US$20 million in 2017 and US$34 million in 2018 to a subsidiary of the Company as a payment guarantee. In comparison, the Independent Third Parties offers other less beneficial trade terms, such as providing letters of credit and letters of guarantee to secure their respective payments to the Company. Therefore, the Directors consider that such a trade term offered by CNIT serves to support the liquidity and cash flow of the Group and further strengthened the Group's ability to manage its working capital and probable credit risk. Furthermore, the CNMC Group is reliable in terms of trade debt recovery. Based on the reasons stated above, the Directors consider that such trade term is beneficial to the Group and its Shareholders as a whole.

b) Flexible and favorable trade terms regarding the quality of the copper products produced by the Group. In the past, CNIT had demonstrated its willingness to purchase the copper products produced by the Company of all ranges of quality. CNIT has also endeavored to ensure the sales of the Group's copper products when international copper prices were low. In the past, the Company has encountered a number of independent customers whom have defaulted in its performance of contractual obligation when faced with the declining international copper prices. CNIT with its expertise within the international copper markets and its already established and secured stream of customer channels across different regions, has assisted the Company in mitigating against such potential default risks of other independent customers. The defaults of the independent customers have exposed the Group to greater uncertainty in its sales capacity and liquidity management.

ii. The Group is capable of reducing its level of sales of copper products to the CNMC Group.

a) The business model of the Group can be changed to reduce the level of reliance, if it so needs or wishes, as there is shortage of supply of copper in the PRC. As stated above, the Group believes that each of the independent major customers of the Group, or a combination of a few of them, has the capacity to purchase at least a significant portion of the Group's copper output. In order to reduce customer concentration risk, the Group has diversified its sale to a number of independent customers as well as customers in Luxemburg, Zambia, Congo, Switzerland and Singapore over the years. The Group also maintains close commercial relationships with various copper refiners in the PRC and downstream copper processing plants, who are customers for blister copper and copper cathode respectively. In addition, the Group has an experienced sales team which has sufficient knowledge in the distribution channels, coupled with the fact that the management of the Group has extensive experience in the mining industry and is capable of developing customer base due to their wide network. Thus the Group will be able to sell its products to other independent customers when needed.

b) In terms of the nature of products, as copper is a widely-used commodity product and essential raw material for different industries, it has a readily available market and may be traded on any of the relevant international trading platforms and/or commodity exchanges. All copper products have relatively transparent pricing mechanisms, with their prices determined with reference to the prices published by relevant international trading platforms such as the London Metal Exchange. They are fungible and easily marketable. Accordingly, the nature of the Group's products allows the Group to source customer easily. The Company is minded to further diversify its pool of independent customers and to reduce its reliance on the CNMC Group in the coming years. For over five years, the Company has been exploring cooperation opportunities with major players in the market, and the representatives of the Group have attended a number of the annual events held by the London Metal Exchange and the Shanghai Futures Exchange. The Group has, over the years, successfully established extensive contacts and commercial relationships with global nonferrous metal producers, traders and downstream copper processing plants, who are customers for blister copper and copper cathode respectively. It has been the intention of the Group to strengthen its trading operations with other customers and is actively looking for opportunities to increase the diversity of its income sources and business operations. The Group strives to extend its business cooperation with existing independent customers and at the same time source new customers and suppliers to expand the portfolio of its trading business and to strengthen its revenue-generating ability. It is the primary objective of the Group to look for opportunities to increase the diversity of its income sources and business operations. The Group has initiated plans to expand its customers with a long-term view to reduce the level of the proportion of revenue generated from the CNMC Group over time. As part of the internal corporate governance of the Group, the Company will continue monitor and take steps to maintain a certain percentage of sales to Independent Third Parties. The Company expects that the income stream to be generated from copper sales to Independent Third Parties will increase over time and will help to reduce the level of reliance on CNMC Group.

iii. *It is in the best interests of the Group and the Shareholders as a whole to maintain certain level of sale of copper products to the CNMC Group.*

(i) From a risk management and assessment perspective:

a) The Board after careful assessment has determined that it will be in the best interests of the Group and the Shareholders as a whole to maintain the current level of sale of copper products to the CNMC Group and not to overly diversify its customer base. The proportion of copper products sold to the CNMC Group had been relatively stable and there is no substantial change to such proportion in calculating the proposed annual caps for the three years ending 31 December 2020. As stated above, the CNMC Group is more willing to, at the Group's request, to make advance payments instead of issuing letters of credit. It also makes prepayment and final payments in time such that the Group can better manage its working capital and probable credit risk. The CNMC Group is reliable in terms of trade debt recovery. Further, due to the nature of commodity transactions, settlement risk is also a very important consideration. The Company believes that the risk of default of the CNMC Group is very remote as CNMC is a state-owned enterprise and has been listed as one of the "Fortune Global 500" enterprises published by the Fortune Magazine from 2013 to 2016. It also has a good credit standing in the copper industry and the Group has developed long-term cooperation relationship with the CNMC Group so far.

Moreover, it is crucial for the Group as a copper producer to maintain a solid customer base to secure stable sales volumes of copper products. Overly diversifying its customer base would increase the unnecessary fluctuation in the Group's sales volume.

b) The Board would like to emphasize that the Group acts in the best interests of the Group and the Shareholders as a whole in formulating sales policy. The Group decides the proportion of sales to different customers according to the terms of the sales and their settlement risk. As sales volume to the CNMC Group is not specified in the 2017 CNMC Copper Supply Framework Agreement, the Group can vary the sales volume should there be any adverse change of terms of sale to the CNMC Group. While the Group may selectively diversify its sales to other high quality customers, the Group does not see the commercial need to overly diversify its customer base at this stage since it would bring additional business and financial risks and administrative burdens to the Group. The Group considers that shifting substantial sales volume to other Independent Third Party customers might conversely bring in new business and/or financial uncertainties/risks to the Group, because it has to re-assess the credit-worthiness of such new Independent Third Party customers. As CNMC is the ultimate controlling Shareholder, it has maintained a more secured, reliable and trust-worthy relationship with the Group when compared to any other Independent Third Party customers.

c) Furthermore, the benefits arising from the fact that a substantial proportion of the Group's copper products are sold to the CNMC Group substantially outweighs the risks involved, if any at all. The Directors consider that it is beneficial for the Company and its Shareholders as a whole to continue the sales of the copper to CNMC Group, but not other copper processing producers in the PRC, on the following grounds:

- The Group has, in selecting which direct customer to cooperate with, considered a number of key players in the market. Amongst the other traders, CNIT has demonstrated its in-depth cross-border trading expertise in the PRC and Africa markets and is proven to have engaged in around 1,800 nonferrous metal trades between the PRC and Africa for five consecutive years. Being one of China's largest importer of blister copper, CNIT is able to offer the Group many advantages through its already established and secured stream of customer channels in the PRC, Africa, Europe, and Southeast Asia. It also has subsidiaries and branches in African countries such as South Africa and Zambia.

- In addition, as a connected person of the Group, CNIT is very familiar with the internal corporate governance protocols of the CNMC Group, making it relatively more convenient to communicate each others' business needs and bypassing the language barrier which would otherwise exists in any PRC-Africa cooperation during the stages of business development. The Directors consider that the cooperation between the Group and CNIT can offer many benefits to the Group, increasing its expediency and minimizing any potential costs related to miscommunication due to language barrier inherent in almost every cross-border transactions between the PRC and Africa. Furthermore, CNIT has proven track record of reliability in terms of trade debt recovery. CNIT has been able to make prepayment and final payments in a timely manner. As a result, the Group can better manage its working capital and probable credit risk.

- Founded in 1983, CNMC Group is a large-scale enterprise under the management of the SASAC. Its major businesses include the development of nonferrous metal mineral resources, construction engineering, and the trade and technological services relevant to its principal businesses. CNMC Group has been a pioneer amongst Chinese enterprises in the implementation of the "going abroad" strategy and the carrying out of international investment and cooperation in nonferrous metal mineral resources field.

  In recent years, CNMC Group has been developing nonferrous metal mineral resources in countries near the PRC and in central and southern Africa, and other countries. Currently, CNMC Group is the leading Chinese enterprise carrying out the most investment cooperations within the nonferrous metal mining industry outside of the PRC. CNMC Group together with its subsidiaries possess approximately ten million tonnes of nonferrous metal resources and over 300 million tonnes of bauxite resources.

The Group is CNMC Group's flagship for undertaking overseas extraction, refinery, mining and mineral resources operations. The Group will continue to focus on boosting its international trade business of the copper products by cementing relationships with the Group's existing network of overseas suppliers, as well as expanding customer portfolio by making strategic moves in the development and selection of suppliers and customers. Through cooperation, the CNMC Group (via CNIT) is able to assist the Company in building up its brand image in the international market which would in turn assist the Company in the registration procedures of the Group's copper products with the London Metal Exchange.

(ii) The reliance in terms of supply of the copper products by the Group to the CNMC Group is mutual and complementary.

Since there is shortage of copper supply in the PRC, the CNMC Group also relies on the Group. For the three financial years ended 31 December 2017, purchase of copper products from the Group accounted for approximately 63%, 55% and 45% of the CNMC Group's total purchase of copper products, respectively. The CNMC Group will not change its source of supply easily in a way that would affect the Group's sales. Therefore, the Company considers that the reliance between the Group and the CNMC Group is mutual and complimentary.

(iii) The Group is capable of maintaining its revenue in light of reliance on the CNMC Group.

The Group is capable of maintaining its revenue in the future in view of the following: (a) copper is a widely-used commodity and essential raw material for different industries, so it can be sold on public markets at a transparent market price; (b) the Group can sell the copper products to other Independent Third Party customers given the demand of copper exceeds its supply in the PRC; and (c) the loss of the CNMC Group as a customer will not materially affect the financial performance of the Group as other independent major customers have the capacity to purchase a very significant of the Group's production output on similar terms. Further, the Group will always take extreme caution to manage its business operation by balancing the risk management, liquidity requirement and profitability from time to time in the future.

With that said, as demonstrated in the section headed "INTERNAL CONTROL MEASURES" in page 50 of this supplemental circular, the Company continues to implement its comprehensive internal control system to ensure that its 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. Therefore, despite the fact that the CNMC Group is the controlling shareholder of the Group, the overall pricing basis under the 2017 CNMC Copper Supply Framework Agreement and the 2017 Mutual Supply Framework Agreement are fair and reasonable, and the transactions thereunder are conducted on normal commercial terms or better and in the ordinary course of business of the Group. Accordingly, each such transaction is in the interests of the Company and the Shareholders as a whole.

Notwithstanding the above, the exploration of copper continues to form part of the profitable supply value chain in the global raw material extraction and refinery industry. The Group will continue to increase its investments in the acquisition and control of resources, and continue to source reliable and experienced traders who are able to form synergies with the Group through cooperation and thereby facilitating the Group in implementing its development strategies in the forthcoming years.

In consideration of the contracts and/or orders secured with Independent Third Parties and the Company's desire and efforts to increase sales to Independent Third Parties, the Directors confirm that the Group's proportion of revenue generated from sales to the CNMC Group will be between 60% to 65% for the three years ending 31 December 2020, in terms of the aggregated amount of (i) the sales of copper products to the CNMC Group under the 2017 CNMC Copper Supply Framework Agreement and (ii) the sales of raw materials, products and services to the CNMC Group under the 2017 Mutual Supply Framework Agreement. In order to achieve such lower level of reliance, the Company will closely monitor the specific transactions with both the CNMC Group and the Independent Third Parties and take pre-emptive measures to maintain such lower level of reliance while protecting the commercial interest of the Group. The Group targets to deliberately lessen, or even temporarily cease, sales activities with the CNMC Group once the reliance level would be approaching the said range of 60% to 65%, until such reliance level would be diluted to a lower level by increasing sales revenue from independent customers. Since the demand for copper products has used to be greater than its supply, the Group can easily opt to sell them to either the CNMC Group or the independent customers in the foreseeable future.

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 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.

The CNMC Group is more willing to, at the Group's request, to make advance payments instead of issuing letters of credit. Generally, the CNMC Group would make payment of 95% after the products are shipped with the bill of lading issued, and the remaining 5% will be settled by wire transfer after the metal content is examined. As an additional security of the Group, in January of each year, the CNMC Group will make advance payment of 50% of the sales volume, and such amount will be used to partly settle the sales in December of that particular year.

As at the Latest Practicable Date, the CNMC Group made payment in time and had never defaulted in payment; and all the trade receivables for the sale of copper products to the CNMC Group were settled in accordance with the terms of sales (that is, usually around three months after the copper products are shipped to the CNMC Group).

Therefore, the Directors are of the view that it is in the best interests of the Group and the Shareholders as a whole to sell the copper products to the CNMC Group, as the Group can better manage its working capital and probable credit risk.

Reasons for and benefit of entering into the 2017 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 on bank loans which the Group may otherwise have to pay. In the past business dealings with the CNMC Group, the CNMC Group made prepayment and final payment in time which allowed 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 less 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 cooperation 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 2017 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.

CNMC has been listed as one of the "Fortune Global 500" enterprises published by the Fortune Magazine from 2013 to 2016. As CNMC has business developments in the PRC, Zambia, 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 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. Accordingly, the transactions contemplated under the 2017 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 2017 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 2020 are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

2017 Mutual Supply Framework Agreement

Parties

(1) The Company

(2) CNMC

Nature

Pursuant to the 2017 Mutual Supply Framework Agreement, both parties agreed to provide, or procure its respective 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 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 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 one party and any Independent Third Party, 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 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.

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.

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 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 individual agreements, focusing on the pricing and payment terms. In addition, 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.

Accordingly, the Board believes that the reliability and stability of supply of raw materials, products and services is crucial to the safe, steady, long-term and optimized operations of the Group's business, and therefore, it is in the interest of the Company and its Shareholders as a whole to continue the procurement and supply of raw materials, products and services from and with CNMC and its associates.

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 2014 Mutual Supply Framework Agreement for the three years ended 31 December 2017 were approximately US$121.1 million, US$188.8 million and US$259.8 million, respectively, accounting for approximately 107 times, 112 times and 77 times of the actual transaction amounts for the supply of raw materials, products and services to the CNMC Group under the 2014 Mutual Supply Framework Agreement for the same period of approximately US$1.1 million, US$1.7 million and US$3.4 million for the same periods, respectively. Thus, 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.

For the two years ending 31 December 2020, in light of the substantial increasing sales of sulphuric acid and cobalt, the Company proposes to substantially increase the annual caps for supply of raw materials, products and services to the CNMC Group, causing such annual caps to be greater than that of the procurement of the same from the CNMC Group during the same periods; excluding which, there would be no change in the existing annual caps for supply of raw materials, products and services to the CNMC Group at approximately US$26.5 million and US$26.2 million, respectively. As with the Group's assessment of future copper prices, the Group will customarily make references to the then prevailing international market price for determining the unit selling price of sulphuric acid and cobalt at that time, so the above cost-plus pricing basis will only be applicable for, other than sulphuric acid and cobalt, those supply of products and services in limited nature and amount without directly comparable pricing information. Thus, despite the fact that the proposed annual caps of the supply of materials, products and services to the CNMC Group increased substantially and are even larger than the proposed annual caps of the procurement of raw materials, products and services from the CNMC Group for the two years ending 31 December 2020, the overall pricing basis is still fair and reasonable and in the interests of the Group and the Shareholders as a whole.

In addition, 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.

Historical transaction amounts

The table below sets forth the historical transaction amounts of the transactions under the 2014 Mutual Supply Framework Agreement for the three years ended 31 December 2017, the annual caps for the three years ended 31 December 2017, the historical transaction amount of the transactions for the two months ended 28 February 2018 and the annual cap for the year ending 31 December 2018 under the 2017 Mutual Supply Framework Agreement:

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

Historical transactions amount for the year ended 31 December 2015	**Annual cap for the year ended 31 December 2015**	**Historical transactions amount for the year ended 31 December 2016**	**Annual cap for the year ended 31 December 2016**	**Historical transactions amount for the year ended 31 December 2017**	**Annual cap for the year ended 31 December 2017**	**Historical transactions amount for the two months ended 28 February 2018** (unaudited)	**Annual cap for the year ending 31 December 2018**
(US$)	*(US$)*	*(US$)*	*(US$)*	*(US$)*	*(US$)*	*(US$)*	*(US$)*
121,132,000 *(Note 1)*	367,447,790	188,824,000 *(Note 2)*	311,045,640	259,783,000 *(Note 3)*	294,453,662	15,367,024	387,560,000

Note 1: this represents 32.97% of the annual cap for the year ended 31 December 2015.
Note 2: this represents 60.71% of the annual cap for the year ended 31 December 2016.
Note 3: this represents 88.23% of the annual cap for the year ended 31 December 2017.

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

Historical transactions amount for the year ended 31 December 2015	Annual cap for the year ended 31 December 2015	Historical transactions amount for the year ended 31 December 2016	Annual cap for the year ended 31 December 2016	Historical transactions amount for the year ended 31 December 2017	Annual cap for the year ended 31 December 2017	Historical transactions amount for the two months ended 28 February 2018 (unaudited)	Annual cap for the year ending 31 December 2018
(US$)	*(US$)*	*(US$)*	*(US$)*	*(US$)*	*(US$)*	*(US$)*	*(US$)*
1,132,000 *(Note 1)*	5,365,080	1,677,000 *(Note 2)*	8,028,310	3,372,000 *(Note 3)*	8,017,030	4,071,627	27,240,000

Note 1: this represents 21.10% of the annual cap for the year ended 31 December 2015.
Note 2: this represents 20.89% of the annual cap for the year ended 31 December 2016.
Note 3: this represents 42.06% of the annual cap for the year ended 31 December 2017.

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 2017 have not been exceeded as at the Latest Practicable Date.

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 under the 2017 Mutual Supply Framework Agreement and basis of determination

The Group's business expansion and operation requires higher annual caps to be set

Kambove Mining may start the infrastructure construction from 2018. The Company proposes to increase its procurement of raw materials, products and services from the CNMC Group to satisfy the needs of Kambove Mining. In addition, the proposed expansion of Huachin Leach and the possible expansion of the Group's businesses will lead to an increase of the Group's needs in procurement of raw materials, products and services from the CNMC Group. 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 2017 Mutual Supply Framework Agreement will not be sufficient for the Group's needs. The Directors therefore propose to revise the existing annual caps thereunder.

Blister copper and sulphuric acid are the two major products of CCS and Lualaba Copper Smelter, subsidiaries of the Company. Due to its unique physical and chemical properties, sulphuric acid mandates specific storing specifications and cannot be stored for a prolonged period of time. If the sales of sulphuric acid are interrupted, its production will be halted due to limited storage space. Therefore, to maintain a smooth supply chain management, the raw material must be sold continuously.

From the perspectives of global copper smelters, ensuring a stable and continuous sale of sulphuric acid is of upmost importance in maintaining the operational stability in global copper smelters, and is particularly important for the Zambian smelter in the hinterland of the African continent. Due to the limitations imposed by the unique physical and chemical properties of sulphuric acid as to its transportation and storage, in addition to the relatively small local market in Zambia, the pyrometallurgical copper smelters that produce sulphuric acid and the wet copper smelters that consume sulphuric acid form a relatively isolated market. Any slight fluctuation in the consumption or production of a particular manufacturer may result in a shortage or surplus of sulphuric acid in the regional market. In order to stabilize the production and operation of the Company, it is beneficial to the Company to reach a long-term supply and sales agreement with its consumers with large-scale and stable consumption.

NFC is a connected person of the Company which is controlled as to 33.75% by CNMC. It is also a consumer with large and stable consumption of sulphuric acid. NFC Metal is wholly-owned by NFC and thus a connected person of the Company. It has a stable stream of customers purchasing sulphuric acid. Therefore, selling sulphuric acid to NFC Metal can ensure the continuous and stable sales of sulphuric acid in the next three years and also the stable production and operation of the Company's smelters. It is also in the overall interests of the Company in terms of its production and operation and economic efficiency to sell sulphuric acid to NFC Metal.

Cobalt is a by-product of NFCA, CCS, Lualaba Copper Smelter, Huachin Leach and Kambove Mining. Though the production volume of cobalt is relatively small, cobalt price has increased significantly in the recent six months to more than US$90,000 per tonne. Together with the possible expansion of the Group's business, the Group expects that its cobalt production will increase to 800 tonnes in 2018, 7,050 tonnes in 2019 and 8,150 tonnes in 2020, respectively.

The existing annual caps for the supply of raw materials, products and services to the CNMC Group under the 2017 Mutual Supply Framework Agreement would not be sufficient due to the expected increase of sales volume of sulphuric acid to the CNMC Group, the increase of cobalt price and the expected increase in the Group's cobalt production attributable to the operation and expansion of NFCA, CCS, Lualaba Copper Smelter, Huachin Leach, Kambove Mining and possible expansion of the Group's business. 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 2017 Mutual Supply Framework Agreement.

Proposed revised annual caps

The existing annual caps and the proposed revised annual caps for the on-going transactions contemplated under the 2017 Mutual Supply Framework Agreement for the three years ending 31 December 2020 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 2018 *(US$)*		**For the year ending 31 December 2019** *(US$)*		**For the year ending 31 December 2020** *(US$)*	
	Existing annual cap	**Revised annual cap**	**Existing annual cap**	**Revised annual cap**	**Existing annual cap**	**Revised annual cap**
Annual cap	387,560,000	608,560,000	365,050,000	621,550,000	304,413,000	371,913,000

The above proposed annual caps were determined by reference to factors such as (i) historical transaction values and volume; (ii) estimated demand for raw materials, products and services by the Group from the CNMC Group; and (iii) reasonable expected price range for the raw materials, products and services provided by the CNMC Group for the three years ending 31 December 2020. 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. Kambove Mining may start the infrastructure construction from 2018. It is currently contemplated that the Company shall increase its procurement of raw materials, products and services from the CNMC Group to satisfy the needs of Kambove Mining. In addition, the proposed expansion of Huachin Leach and other possible expansion of the Group's businesses will lead to an increase of the Group's need in procurement of raw materials, products and services from the CNMC Group. The details of the aforementioned projects are set out in pages 9 to 11 of this supplemental 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. Furthermore, the expansion of the production scales of Huachin Leach was only initiated in 2018. Therefore, at the time when the Company first entered into the 2017 Mutual Supply Framework Agreement, the Company was not in a position to assess or take into consideration the effect brought by such development and expansion projects.

The Company is of the view that when proposing the revised annual caps of continuing connected transactions of procurement of raw materials, products and services from the CNMC Group under the 2017 Mutual Supply Framework Agreement, flexibility shall be taken into account to accommodate the maximum limits under various possibilities. However, same as the actual implementation of the continuing connected transactions previously, the Group and the CNMC Group will conduct continuing connected transactions in strict accordance with the actual demand for transaction volume and the actual transaction price. Even if the Company sets the annual caps for continuing connected transactions, it does not mean that the Group and the CNMC Group will transact such amounts, and the proposed annual caps are not indications for the actual transaction amounts. The Company will disclose the actual transaction amounts in each year's annual report, and the independent non-executive Directors and auditors of the Company will opine on the continuing connected transaction to receive supervision of the Independent Shareholders.

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

	For the year ending 31 December 2018 *(US$)*		**For the year ending 31 December 2019** *(US$)*		**For the year ending 31 December 2020** *(US$)*	
	Existing annual cap	**Revised annual cap**	**Existing annual cap**	**Revised annual cap**	**Existing annual cap**	**Revised annual cap**
Annual cap	27,240,000	101,040,000	26,452,700	639,852,700	26,247,000	775,947,000

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 2020.

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 2020 as compared to the existing annual caps is due to the estimated increase in sulphuric acid sales, the increase in the cobalt price and the Group's cobalt production.

The extraction and smelting costs for cobalt (which is by-product of mining copper and nickel) have been traditionally high. Prior to April 2017, the development of cobalt metal extraction, smelting and sales was not considered as a focus in the development strategies of the Company. Notwithstanding the completion of the smelting facilities under the High Grade Cobalt Matte Project of CCS (謙比希銅冶煉的高鈷冰銅項目) in 2015, as the production costs and technical requirements for cobalt metal production are relatively higher and more complicated as compared to that for other raw materials, the project production facility did not produce its first batch of quality cobalt products (approximately 123 tonnes of cobalt metal) until 2017.

Cobalt metal is one of the indispensable metals in the manufacture of electric batteries for new energy vehicles. Coupled with the recent rapid development of new energy vehicles in recent years, cobalt metal is in high demand, leading a surge in cobalt metal prices in early 2018. Having observed this trend and considered the cobalt metal production capacity of the Group, the Group has affirmed its incentives to develop its cobalt production and operation arm in early 2018. In addition, the Group has received feasibility study reports in respect of the production and recycling of cobalt metal under the Chambishi Southeast Mine project (謙比希東南礦體專案), the Kambove Mining leach plant project and the Huachin Leach expansion project, which then allowed the Group to be in a position to assess the size of construction and potential production output of various projects. Therefore, at the time when the Company first entered into the 2017 Mutual Supply Framework Agreement in April 2017, the Company was not yet in a position to assess or take into consideration the effect brought by such development and expansion project owing to a change in the industry development landscape.

Neither did the Company consider the effect on annual cap for supply of raw materials, products and services under the 2017 Mutual Supply Framework Agreement brought about by the expected sales of sulphuric acid to NFC Metal when the Company first entered into the 2017 Mutual Supply Framework Agreement. Previously, the pool of customers purchasing the sulphuric acids produced by the Group are fragmented. As demonstrated from the historical transaction amounts detailed in page 43 of this supplemental circular, for the two years ended 31 December 2017, the largest sulphuric acid customer purchased only an amount of sulphuric acid in approximately 40,000 tonnes and 65,000 tonnes, respectively. Such circumstance is attributed to the fact that sulphuric acid, being as a secondary product of the Company, is not easy to store and transport, and the market fluctuations for its demand and supply are relatively large. Therefore, at the time when the Company first entered into the 2017 Mutual Supply Framework Agreement in April 2017, the Board did not contemplate that the Company would cooperate with NFC Metal to sell sulphuric acid for the longer term. However, having considered that the stability of sulphuric acid sales is one of the important factors underpinning the stability of the production and operation of crude copper products, in early 2018 the Group has affirmed its intention to focus on improving the sales of its sulphuric acid products.

At the beginning of 2018, NFC Metal, a connected person of the Group but not an existing customer of sulphuric acid produced by the Group, begun to engage the Group in discussions regarding the potential sale and purchase of sulphuric acids produced by the Group. NFC Metal, with its expertise in mining engineering, is able to offer extensive sales channels for sulphuric acid so as to facilitate the Group's continuous sales of the raw material. As of the Latest Practicable Date, the Group has (i) procured the guaranteed purchase of sulphuric acid by NFC Metal in the long-term; (ii) locked in an ideal selling price. Such cooperation is able to guarantee the stability in the sales of the sulphuric acid produced by the Group. It is anticipated that NFC Metal will purchase an amount of approximately 210,000 tonnes of sulphuric acid from the Group for the year ending 31 December 2019. In comparison to the previous fragmented customers profile of the Group in its sales of sulphuric acid, locking in cooperation with NFC Metal can promote stability in the sales of sulphuric acid and thereby improving the production and operations of the Group's sulphuric acid and copper products and benefiting the Company and its Shareholders as a whole.

The Company is of the view that when proposing the revised annual caps of continuing connected transactions of supply of raw materials, products and services to the CNMC Group under the 2017 Mutual Supply Framework Agreement, flexibility shall be taken into account to accommodate the maximum limits under various possibilities. However, same as the actual implementation of the continuing connected transactions previously, the Group and the CNMC Group will conduct continuing connected transactions in strict accordance with the actual demand for transaction volume and the actual transaction price. Even if the Company sets the annual caps for continuing connected transactions, it does not mean that the Group and the CNMC Group will transact such amounts, and the proposed annual caps are not indications for the actual transaction amounts. The Company will disclose the actual transaction amounts in each year's annual report, and the independent non-executive Directors and auditors of the Company will opine on the continuing connected transaction to receive supervision of the Independent Shareholders.

Further Analysis of the proposed revision of annual caps

The table sets for the details of the proposed revised annual caps.

	For the year ending 31 December					
	2018	Increase from 2017	2019	Increase from 2018	2020	Increase from 2019
	US$	*%*	*US$*	*%*	*US$*	*%*
Procurement of raw materials, products and services from the CNMC Group						
Existing Annual Caps	387,560,000	31.6	365,050,000	(5.8)	304,413,000	(16.6)
Revised Annual Caps	608,560,000	106.7	621,550,000	2.1	371,913,000	(40.2)
Increase in annual caps	221,000,000		256,500,000		67,500,000	
Increase in proportion of annual caps *(%)*	57.0%		70.3%		22.2%	
Procurement of raw materials, products and services for						
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	22,500,000	–	48,000,000	113.33	14,000,000	(70.83)
Supply of raw materials, products and services to the CNMC Group						
Existing Annual Caps	27,240,000	707.8	26,452,700	(2.9)	26,247,000	(0.8)
Revised Annual Caps	101,040,000	2,896.4	639,852,700	533.3	775,947,000	21.3
Increase in annual caps	73,800,000		613,400,000		749,700,000	
Increase in proportion of annual caps	270.9%		2,318.9%		2,856.3%	
Percentage of total volume of raw materials, products and services to be sold to the CNMC Group	16.8%	N/A	30.9%	N/A	52%	N/A

	For the year ending 31 December					
	2018	**Increase from 2017**	**2019**	**Increase from 2018**	**2020**	**Increase from 2019**
	US$	*%*	*US$*	*%*	*US$*	*%*
Sale of sulphuric acid to CNMC Group						
CCS *(in tonnes)*	110,000	N/A	216,000	96.4	200,000	0.0
Lualaba Copper Smelter *(in tonnes)*	–	–	–	–	270,000	N/A
Aggregate volume of sulphuric acid to be sold to CNMC Group *(in tonnes)*	110,000		216,000	96.4	470,000	117.6
Average unit selling price *(US$)*	118	N/A	148	25.4	160	8.1
Sales revenue *(in US$)*	13,000,000	N/A	32,000,000	146.2	75,200,000	135.0
Percentage of total sulphuric acid produced and to be sold to the CNMC Group	16%	N/A	30.8%		51%	
Sale of cobalt to CNMC Group						
CCS *(in tonnes)*	240	N/A	420	75.0	600	42.9
Lualaba Copper Smelter *(in tonnes)*		N/A	1,200	N/A	1,200	0.0
Huachin Leach *(in tonnes)*	400	–	2,000	400.0	2,000	0.0
Kambove Mining *(in tonnes)*	–	–	1,000	N/A	1,800	80.0
NFCA and other possible acquisition target(s) *(in tonnes)*	–	–	1,500	N/A	1,500	0.0
Aggregate volume of cobalt to be sold to CNMC Group *(in tonnes)*	640	N/A	6,120	856.3	7,100	16.0
Forecasted cobalt production of the Group *(in tonnes)*	800	N/A	7,050	781%	8,150	16%

	For the year ending 31 December					
	2018	Increase from 2017	2019	Increase from 2018	2020	Increase from 2019
	US$	*%*	*US$*	*%*	*US$*	*%*
Average unit selling price *(US$)*	95,000	N/A	95,000	0.0	95,000	0.0
Sales revenue *(in US$)*	60,800,000	N/A	581,400,000	856.3	674,500,000	16.0
Others	27,240,000	N/A	26,452,700	(2.9)	26,247,000	(0.8)
Percentage of total cobalt produced and to be sold to the CNMC Group *(Note 1)*	80%		87%		87%	

Note 1:

The respective percentage of total cobalt produced and to be sold to the CNMC Group is arrived at by dividing the forecasted cobalt production of the Group for each of the three years ending 31 December 2020 with the aggregate volume of cobalt to be sold to the CNMC Group for each of the three years ending 31 December 2020.

Since most of its expanded cobalt production projects are still in the process of construction and will not be put into production until 2019, it is impracticable for the Company to enter into concrete arrangements to sell cobalt produced by the Group to Independent Third Parties for the two years ending 31 December 2020 at the current stage. Given the fluctuations in terms of the market prices, demands and supplies for cobalt, the independent customers are more prone to negotiate on a year-to-year basis agreements on its procurement of cobalt. Accordingly, as at the Latest Practical Date, the Company is still in the process of locking in arrangements to sell cobalt products to Independent Third Parties for the two years ending 31 December 2020. The Company will use its best endeavors to explore possible plans to increase its percentage of sales to Independent Third Parties based on the then prevailing market conditions and thereby reducing the percentage of sales of cobalt to CNMC Group for the three years ending 31 December 2020. The Directors consider that the percentage of total cobalt produced and to be sold to the CNMC Group presented in the above table will be lowered should the Company succeed in locking in arrangements to sell cobalt products to Independent Third Parties for the two years ending 31 December 2020.

Kambove Mining's infrastructure construction and other possible expansion of the Group's businesses are expected to be completed by the end of 2019, thus the Group's needs for raw materials, products and services will decrease in 2020, leading to a decrease in the annual cap for the procurement of raw materials, products and services from the CNMC Group under the 2017 Mutual Supply Framework Agreement for the year ending 31 December 2020.

Procurement from Independent Third Parties

The Group procured materials or services from independent suppliers or service providers through bidding procedures. For instance, in the year of 2017, NFC Africa, one of the Group's subsidiaries, procured mining services, equipment installing services, delivery services and other engineering services from independent suppliers and service providers, which amounted to around US$45.5 million. In the year of 2015 and 2016, the procurement of NFC Africa from independent suppliers amounted to US$115.6 million and US$76.6 million, respectively. The major independent suppliers and service providers include but are not limited to JCHX Mining Construction Zambia Limited., Sinomine Geological Engineering Co., Ltd., Tongguan Mine Construction(Zambia) Ltd., and China Civil Engineering Construction Corporation (Zambia) Ltd.

The table below sets out the total amount (in US$) of the Group's procurement of raw materials, products and services from Independent Third Parties for each of the three years ended 31 December 2017:

	2015	**2016**	**2017**
	('000)	*('000)*	*('000)*
Total amount of the Group's procurement of raw materials, products and services from Independent Third Parties	1,085,312	1,340,938	1,480,692

Sales to Independent Third Parties

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 sulphuric acid and cobalt output and other raw materials, products and services as they are generally international trading companies. These major independent customers include Company A, Company B, Company C and Company D.

The table below sets out the total amount (in US$) of the Group's supply of raw materials, products and services to Independent Third Parties for each of the three years ended 31 December 2017:

	2015	**2016**	**2017**
	('000)	*('000)*	*('000)*
Total amount of the Group's supply of raw materials, products and services to Independent Third Parties	31,848	34,261	57,558

The table below sets out (i) the breakdown sales volume and (ii) the sales transaction amount of sulphuric acid to each of those major independent customers as well as other independent customers for the three financial years ended 31 December 2017:

	2015		**2016**		**2017**	
	Sales Volume (tonnes)	*Sales Amount in US$ ('000)*	*Sales Volume (tonnes)*	*Sales Amount in US$ ('000)*	*Sales Volume (tonnes)*	*Sales Amount in US$ ('000)*
Company A	–	–	40,405	7,277	65,378	9,001
Company B	–	–	21,489	1,752	48,401	2,696
Company C	–	–	1,498	274	47,497	8,918
Company D	995	322	18,461	2,847	43,637	8,937
Company E	34,029	4,084	26,259	1,570	42,802	2,213
Company F	16,462	3,489	27,301	4,584	24,638	4,011

The Company has established concrete plans to sell sulphuric acid products to Independent Third Parties for the year ending 31 December 2018. The Group has entered into contracts with 16 different Independent Third Parties to sell approximated 320,000 tonnes of sulphuric acid produced by the Group for the year ending 31 December 2018, representing 72% of the Group's forecasted total sales volume of sulphuric acid for the year ending 31 December 2018.

Based on the unaudited management accounts of the Group, for the four months ended 30 April 2018, 60% of the actual production of sulphuric products of the Group was sold to Independent Third Parties. Given the fluctuations in terms of the market prices, demands and supplies for sulphuric acid, the independent customers are more prone to negotiate on a year-to-year basis agreements on its procurement of sulphuric acid. Accordingly, as at the Latest Practicable Date, although the Company is still in the process of locking in arrangements to sell sulphuric acid products to Independent Third Parties for the two years ending 31 December 2020, the Company has reasonable belief that, in terms of actual transaction volume and amount, the percentage of sales to Independent Third Parties in the total sales of the Group for each of the three years ending 31 December 2020 is likely to be not lower than that for each of the three years ended 31 December 2017. In addition, the Company will use its best endeavors to explore possible plans to increase its percentage of sales to Independent Third Parties. Please also refer to the subsection headed "No Heavy Reliance" below for details of the Company's efforts to increase sales to Independent Third Parties.

Prior to 2017, the Group had no cobalt sales in 2015 and 2016. The Group had only started selling cobalt as its products for the first time in 2017. In 2017, all of the Group's cobalt (in the form of 778 tonnes of copper-cobalt alloy) were sold to an independent customer.

The Company has established concrete plans to sell cobalt products to Independent Third Parties for the year ending 31 December 2018. The Group has entered into a contract with an Independent Third Party customer to sell approximately 300 tonnes of cobalt produced by the Company for the year ending 31 December 2018. Meanwhile, the Group is in the process of negotiating with another Independent Third Party customer to sell approximately 150 tonnes of cobalt produced by the Group for the year ending 31 December 2018. Based on the unaudited management accounts of the Group, for the four months ended 30 April 2018, 100% of the actual production of cobalt products produced by the Group was sold to Independent Third Parties.

Since most of its expanded cobalt production projects are still in the process of construction and will not be put into production until 2019, it is impracticable for the Company to enter into concrete arrangements to sell cobalt produced by the Group to Independent Third Parties for the two years ending 31 December 2020 at the current stage. Given the fluctuations in terms of the market prices, demands and supplies for cobalt, the independent customers are more prone to negotiate on a year-to-year basis agreements on its procurement of cobalt. Accordingly, as at the Latest Practical Date, the Company is still in the process of locking in arrangements to sell cobalt products to Independent Third Parties for the two years ending 31 December 2020. The Company will use its best endeavors to explore possible plans to increase its percentage of sales to Independent Third Parties based on the then prevailing market conditions. Please also refer to the subsection headed "No Heavy Reliance" below for details of the Company's efforts to increase sales to Independent Third Parties.

To the best knowledge and belief of the Directors, these major independent customers also procure sulphuric acid, cobalt and other raw materials, products and services in substantial volume from other suppliers. 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. Coupled with the fact that the aforementioned customers have repeatedly expressed their intention to increase purchase volume of the Group's copper products at various occasions, on such basis, the Directors are of the view that these major independent customers can purchase at least a significant portion of the Group's copper output. 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, Congo, Switzerland and Singapore.

No Heavy Reliance

Notwithstanding approximately 17% to 52% of the volume of the Group's raw materials, products, services output for the three years ending 31 December 2020 are to be sold to the CNMC Group, the Directors are of the view that the Company does not have a heavy reliance on the CNMC Group that would render the Company unsuitable for listing. The Group is able to transact with Independent Third Parties if it so needs or wishes. The Group's choosing of CNMC Group as a major customer of its raw materials, products and services output is a commercial decision, which, the Directors believe, is in the best interests of the Group and the Shareholders as a whole, after careful consideration and taking into account the following factors:

i. The business model of the Group can be changed to reduce the level of reliance, if it so needs or wishes. In terms of cobalt, the Group sells cobalt to the PRC market and there is shortage of supply of cobalt in the PRC. The Group believes that each of the independent major customers of the Group, or a combination of a few of them, has the capacity to purchase at least a significant portion of the Group's cobalt production. In terms of sulphuric acid, the Group is able to sell a substantial portion of sulphuric acid to independent customers, as demonstrated by its sales track records in the past years. The Group proposes to sell the CNMC Group significant portion of sulphuric acid mainly considering that the CNMC Group could offer extensive sales channels for sulphuric acid so as to facilitate the Group's continuous sales of the raw material, which is favorable to the Group given the limitations imposed by the unique physical and chemical properties of sulphuric acid as to its transportation and storage and the increase in its production capacity of sulphuric acid brought about by the development and expansion projects. Thus the Group will be able to sell its raw materials, products and services to other independent customers when needed.

ii. From risk management perspective, the Board after careful assessment has determined that it will be in the best interests of the Group and the Shareholders as a whole to maintain the current level of sale of raw materials, products and services to the CNMC Group and not to overly diversify its customer base. The CNMC Group is more willing to, at the Group's request, make advance payments instead of issuing letters of credit. It also makes prepayment and final payments in time such that the Group can better manage its working capital and probable credit risk. The CNMC Group is reliable in terms of trade debt recovery.

    Further, due to the nature of commodity transactions, settlement risk is also a very important consideration. The Company believes that the risk of default of the CNMC Group is very remote as CNMC is a state-owned enterprise and has been listed as one of the "Fortune Global 500" enterprises published by the Fortune Magazine from 2013 to 2016. It also has a good credit standing in the copper industry and the Group has developed long-term cooperation relationship with the CNMC Group so far.

    Moreover, it is crucial for the Group to maintain a solid customer base to secure stable sales volumes of its significant amount of by-products. Overly diversifying its customer base would increase the unnecessary fluctuation in the Group's sales volume.

iii. The Board would like to emphasize that the Group acts in the best interests of the Group and the Shareholders as a whole in formulating sales policy. The Group decides the proportion of sales to different customers according to the terms of the sales and their settlement risk. As sales volume to the CNMC Group is not specified in the 2017 Mutual Supply Framework Agreement, the Group can vary the sales volume should there be any adverse change of terms of sale to the CNMC Group. While the Group may selectively diversify its sales to other high quality customers, the Group does not see the commercial need to overly diversify its customer base at this stage since it would bring additional business and financial risks and administrative burdens to the Group. The Group considers that shifting substantial sales volume to other Independent Third Party customers might conversely bring in new business and/or financial uncertainties/risks to the Group, because it has to re-assess the credit-worthiness of such new Independent Third Party customers. As CNMC is the ultimate controlling Shareholder, it has maintained a more secured, reliable and trust-worthy relationship with the Group when compared to any other Independent Third Party customers.

iv. Since there is shortage of cobalt in the PRC, the CNMC Group also relies on the Group. The Group has also procured the guaranteed purchase of sulphuric acid by NFC Metal in the long-term. The CNMC Group will not change its source of supply easily in a way that would affect the Group's sales. Therefore, the Company considers that the reliance between the Group and the CNMC Group is mutual and complimentary.

v. The Group is capable of maintaining its revenue in the future in view of the following: (a) raw materials like sulphuric acid and cobalt are essential raw materials for different industries, so they can be sold on public markets at a transparent market price; (b) the Group can sell the raw materials, products and services to other Independent Third Party customers given the considerable demand of raw materials, products and services in the PRC and abroad; and (c) the loss of the CNMC Group as a customer will not materially affect the financial performance of the Group as other independent major customers have the capacity to purchase a very significant portion of the Group's production output on similar terms. Further, the Group will always take extreme caution to manage its business operation by balancing the risk management, liquidity requirement and profitability from time to time in the future.

The Directors anticipate that the production of raw materials such as cobalt and sulphuric acid will form part of the profitable supply value chain in the global mineral extraction and refinery industry. Notwithstanding the above, the Group will continue to increase its investments in the acquisition and control of resources, and continue to source reliable and experienced traders and/or customers who are able to form synergies with the Group through cooperation and thereby facilitating the Group in implementing its development strategies in the forthcoming years.

In consideration of the contracts and/or orders secured with Independent Third Parties and the Company's desire and efforts to increase sales to Independent Third Parties, the Directors confirm that the Group's proportion of revenue generated from sales to the CNMC Group will be between 60% to 65% for the three years ending 31 December 2020, in terms of the aggregated amount of (i) the sales of copper products to the CNMC Group under the 2017 CNMC Copper Supply Framework Agreement and (ii) the sales of raw materials, products and services to the CNMC Group under the 2017 Mutual Supply Framework Agreement. In order to achieve such lower level of reliance, the Company will closely monitor the specific transactions with both the CNMC Group and the Independent Third Parties and take pre-emptive measures to maintain such lower level of reliance while protecting the commercial interest of the Group. The Group targets to deliberately lessen, or even temporarily cease, sales activities with the CNMC Group once the reliance level would be approaching the said range of 60% to 65%, until such reliance level would be diluted to a lower level by increasing sales revenue from independent customers.

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 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 2017 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 2017 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.

CNMC has been listed as one of the "Fortune Global 500" enterprises published by the Fortune Magazine from 2013 to 2016. As CNMC has business developments in the PRC, Zambia, 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 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 in respect of the transactions contemplated under the 2017 Mutual Supply Framework Agreement exceed 5%, such transactions and the proposed revised annual cap for such transactions for each of the three years ending 31 December 2020 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 caps under the 2017 CNMC Copper Supply Framework Agreement and the 2017 Mutual Supply Framework Agreement have been negotiated and agreed on an arm's length basis by the Company and CNMC. The Directors (including the independent non-executive Directors) are of the view that the respective proposed revised annual caps for transactions contemplated under the 2017 CNMC Copper Supply Framework Agreement and the 2017 Mutual Supply Framework Agreement for each of the three years ending 31 December 2020 are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

Mr. Xinghu Tao (executive Director) and Mr. Diyong Yan (non-executive Director) are senior executives of CNMC and have abstained from voting on the relevant resolutions approving the proposed revision of annual caps under the 2017 CNMC Copper Supply Framework Agreement and the 2017 Mutual Supply Framework Agreement and the transactions contemplated thereunder pursuant to the Articles of Association and the Listing Rules. Except for Mr. Xinghu Tao and Mr. Diyong Yan, no other Director is a director or employee of the Company's substantial shareholders. Save as disclosed above, none of the Directors has a material interest in the proposed revision of annual caps under the 2017 CNMC Copper Supply Framework Agreement and the 2017 Mutual Supply Framework Agreement and the transactions thereunder or is required to abstain from voting from the relevant resolutions 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 in relation to the resolutions approving the proposed revision of the respective annual caps for transactions contemplated under the 2017 CNMC Copper Supply Framework Agreement and the 2017 Mutual Supply Framework Agreement for each of the three years ending 31 December 2020 at the Re-Scheduled AGM. For details of the respective shareholding in the Company, please refer to Appendix General Information of this supplemental circular.

The Company will comply with relevant provisions of the Listing Rules in relation to the proposed revision of the respective annual caps for transactions contemplated under the 2017 CNMC Copper Supply Framework Agreement and the 2017 Mutual Supply Framework Agreement for each of the three years ending 31 December 2020.

An Independent Board Committee has been formed to advise the Independent Shareholders in connected with the proposed revision of the respective annual caps for transactions contemplated under the 2017 CNMC Copper Supply Framework Agreement and the 2017 Mutual Supply Framework Agreement for each of the three years ending 31 December 2020, and First Shanghai Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the same issue.

General Information

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 and sulphuric acid.

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

Internal Control Measures

The Company has a comprehensive internal control system to ensure that the proposed revised annual caps under the 2017 CNMC Copper Supply Framework Agreement and the 2017 Mutual Supply Framework Agreement are fair and reasonable, and the transactions under the 2017 CNMC Copper Supply Framework Agreement and the 2017 Mutual Supply Framework Agreement 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:

(a) 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 report to management of the Company.

(b) 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.

(c) 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.

(d) The Board conducts annual review on the implementation of the continuing connected transactions and conducts review of financial statements which include the disclosure of the continuing connected transactions every six months. The review mainly includes a review on whether the Company and the connected persons 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.

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

(f) 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 (i) in the Company's ordinary course of business; (ii) in accordance with normal commercial terms or better and on terms that are fair and reasonable; (iii) in accordance with the terms of the relevant agreements; and (iv) in the interests of the Company and the Shareholders as a whole.

(g) The audit committee of the Company conducts review of the annual financial statements, annual report, interim financial statements and interim report which include the disclosure and analysis of the implementation of the continuing connected transactions and opine on the continuing connected transactions as disclosed 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.

(h) 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 – "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 issue 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.

(2) POSTPONEMENT AND RESCHEDULING OF ANNUAL GENERAL MEETING

Reference is made to the announcement of the Company dated 25 May 2018 in relation to, among other things, the postponement of forthcoming annual general meeting of the Company (the "**AGM**"). Reference is also made to the announcement of the Company dated 23 April 2018 in relation to the revision of annual caps of continuing connected transactions (the "**Proposed Revision of CCT Annual Caps**").

The Board proposed to submit the Proposed Revision of CCT Annual Caps to the AGM for consideration by the Shareholders. As at 25 May 2018, details of the Proposed Revision of CCT Annual Caps had not been finalized yet. Due to the above addition of resolution(s) to be considered at the AGM, the AGM originally scheduled to be held on Friday, 15 June 2018 at 2:30 p.m. was postponed and Re-Scheduled to be held on Thursday, 28 June 2018 at 2:30 p.m.

The venue of the AGM will remain unchanged at the Conference Room 611, 6/F., South Tower, CNMC Building, No. 10 Anding Road, Chaoyang District, Beijing, the People's Republic of China as set out in the AGM Notice.

(3) CHANGE OF BOOK CLOSURE PERIOD

Due to the postponement and re-scheduling of AGM, the book closure period for the determination of Shareholders' entitlement (1) to attend the Re-Scheduled AGM; and (2) to receive payment of the Final Dividend will be changed accordingly.

In order to ascertain the right to attend the Re-Scheduled AGM, the register of members of the Company will be closed from Monday, 25 June 2018 to Thursday, 28 June 2018 (both dates inclusive), during which period no transfer of Shares will be registered. In order to be entitled to attend the Re-Scheduled AGM, all properly completed 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, 22 June 2018 for registration.

The distribution of the Final Dividend recommended by the Board is subject to approval by Shareholders at the Re-Scheduled AGM. The Register of Members of the Company will be closed on Friday, 6 July 2018. To be qualified to receive the Final Dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Thursday, 5 July 2018.

(4) CHANGE OF DIVIDEND PAYMENT ARRANGEMENT

The proposed Final Dividend is denominated in US$ and payable in Hong Kong dollars. Due to the postponement and re-scheduling of AGM, the market exchange rate on the date of the Re-Scheduled AGM (i.e. 28 June 2018) shall be used to calculate the actual payment in Hong Kong dollar.

Due to the postponement and re-scheduling of AGM, the expected payment date of Final Dividend will be changed to 17 July 2018.

(5) REVISED AGM NOTICE

Given the AGM Notice and the Original AGM Proxy Form do not contain the proposed additional resolutions in relation to the Proposed Revision of CCT Annual Caps, a Revised AGM Notice containing such information is set out on pages 105 to 111 of this supplemental circular.

(6) REVISED AGM PROXY FORM

A Revised AGM Proxy Form for use at the Re-Scheduled AGM is enclosed. Shareholders are requested to complete the Revised AGM 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 by no later than 48 hours before the time for holding the Re-Scheduled AGM, if they do not intend to be present in person at the AGM.

The Original AGM Proxy Form which have already been properly completed and deposited with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong will be deemed valid for the purpose of the Re-Scheduled AGM if the Revised AGM Proxy Form is not completed and duly returned, or if the Revised AGM Proxy Form is returned later than 48 hours before the time stipulated for convening the Re-Scheduled AGM. The representatives appointed by the Shareholders in the Original AGM Proxy Form will be entitled to vote at their discretion or abstain from voting on the additional resolutions duly submitted to the Re-Scheduled AGM.

If the Revised AGM Proxy Form is properly completed and deposited with the Company's share registrar not less than 48 hours before the time stipulated for convening the Re-Scheduled AGM, the Revised AGM Proxy Form will supersede and replace the Original AGM Proxy Form for the purpose of the Re-Scheduled AGM.

RECOMMENDATIONS OF THE BOARD

In addition to the recommendations contained in the AGM Circular, the Directors are of the opinion that the proposed revision of annual caps of continuing connected transactions are on normal commercial terms or better, are fair and reasonable, and are in the interests of the Company and its Shareholders as a whole. Accordingly, the Directors recommend all Shareholders to vote in favour of all the relevant ordinary resolutions to be proposed at the Re-Scheduled AGM.

RECOMMENDATIONS OF THE INDEPENDENT FINANCIAL ADVISER AND THE INDEPENDENT BOARD COMMITTEE

An Independent Board Committee has been formed to advise the Independent Shareholders in connection with the proposed revision of annual caps of continuing connected transactions, and First Shanghai Capital Limited 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 revision of annual caps of continuing connected transactions is in the ordinary and usual course of business of the Group and is on normal commercial terms. First Shanghai Capital Limited also considers that the proposed revised annual caps are fair and reasonable so far as the Independent Shareholders are concerned and the proposed revision of annual caps of continuing connected transactions 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 First Shanghai Capital Limited containing its recommendations in respect of the proposed revision of annual caps of continuing connected transactions is set out on pages 56 to 100 of this supplemental circular.

The Independent Board Committee, having taken into account the advice of First Shanghai Capital Limited, considers the proposed revision of annual caps of continuing connected transactions is fair and reasonable so far as the Independent Shareholders are concerned and is 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 Re-Scheduled AGM to approve the proposed revision of annual caps of continuing connected transactions. The full text of the letter from the Independent Board Committee is set out on page 55 of this supplemental circular.

Yours faithfully,
By Order of the Board
China Nonferrous Mining Corporation Limited
Xinghu TAO
Chairman

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: 1258)

13 June 2018

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 revision of annual caps of continuing connected transactions, details of which are set out in the letter from the Board contained in this supplemental circular issued by the Company to the Shareholders dated 13 June 2018, of which this letter forms part. We wish to draw your attention to the letter from First Shanghai Capital Limited as set out on pages 56 to 100 of this supplemental circular. Terms defined in this supplemental 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 revised annual caps of continuing connected transactions and the advice of First Shanghai Capital Limited in relation thereto as set out on pages 56 to 100 of this supplemental circular, we are of the view that the proposed revision of annual caps of continuing connected transactions is 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 revision of annual caps of continuing connected transactions is in the interests of the Company and its Shareholders as 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 Re-Scheduled AGM to approve the proposed revision of annual caps of continuing connected transactions.

Yours faithfully,
China Nonferrous Mining Corporation Limited
Chuanyao SUN **Jingwei LIU** **Huanfei GUAN**
Independent Non-executive Directors

*The following is the full text of the letter to the Independent Board Committee and the Independent Shareholders received from First Shanghai Capital Limited setting out its opinion regarding the revision of the annual caps of the non-exempt continuing connected transactions (the "**Revised Annual Caps**") contemplated under each of (i) the 2017 CNMC Copper Supply Framework Agreement; and (ii) the 2017 Mutual Supply Framework Agreement (the "**Non-exempt Continuing Connected Transactions**"), for the purpose of inclusion in this supplemental circular.*

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FIRST SHANGHAI GROUP
FIRST SHANGHAI CAPITAL LIMITED
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Hong Kong

13 June 2018

To the Independent Board Committee and
the Independent Shareholders

China Nonferrous Mining Corporation Limited
Room 1201, Allied Kajima Building
138 Gloucester Road
Wanchai
Hong Kong

Dear Sirs,

PROPOSED REVISION OF ANNUAL CAPS OF CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders regarding the Revised Annual Caps and the Non-exempt Continuing Connected Transactions contemplated under each of (i) the 2017 CNMC Copper Supply Framework Agreement; and (ii) the 2017 Mutual Supply Framework Agreement, details of which are contained in the supplemental circular to the Shareholders dated 13 June 2018 (the "**Circular**"), of which this letter forms part. Further details of the Non-exempt Continuing Connected Transactions and the relevant existing annual caps for each of the three years ending 31 December 2018 to 2020 (the "**Existing Annual Caps**") are set out in the previous CCT Circular dated 15 May 2017. Unless otherwise defined, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

On 18 April 2017, the Company (for itself and on behalf of its subsidiaries) entered into, among others, the 2017 CNMC Copper Supply Framework Agreement and the 2017 Mutual Supply Framework Agreement with CNMC (for itself and on behalf of its subsidiaries) respectively, in respect of transactions, the nature of which is similar to that of the transactions under the respective 2014 CNMC Copper Supply Framework Agreement and 2014 Mutual Supply Framework Agreement, each of which is for a term of three years from 1 January 2018 to 31 December 2020 (the "**Year(s)**").

During the current term of each of the 2017 CNMC Copper Supply Framework Agreement and the 2017 Mutual Supply Framework Agreement, members of the Group and members of CNMC Group (and its subsidiaries) 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 thereunder.

The Company has taken into consideration the anticipated increase in the Group's production output brought about by its development and expansion projects (including but not limited to, the possible expansion of production scales of CNMC Huachin Mabende and Huachin Leach, the possible construction with respect of Kambove Mining and other possible expansion of the Group's business). 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. The Directors anticipate that with the Group's increased production output, the sales volume to the CNMC Group is likely to increase. Therefore, having factored in the expected increase in the production volume of the Group combined with the effects of the increase in copper price, the Directors expect that the Existing Annual Caps under the 2017 CNMC Copper Supply Framework Agreement for the three Years from 2018 to 2020 will not be sufficient for the Group's needs. The Directors therefore propose to revise the Existing Annual Caps thereunder.

Given that Kambove Mining is currently at the exploration stage and may start the infrastructure construction from the Year 2018, the Company anticipates to increase its procurement of raw materials, products and services from the CNMC Group in order to satisfy the needs of Kambove Mining and the possible expansion of the Group's businesses. In addition, the proposed expansion of CNMC Huachin Mabende and Huachin Leach will lead to an increase of the Group's needs in procurement of raw materials, products and services from the CNMC Group. The Directors expect that with such increase, the Existing Annual Caps for the procurement of raw materials, products and services from the CNMC Group under the 2017 Mutual Supply Framework Agreement will not be sufficient for the Group's needs. The Directors therefore propose to revise the Existing Annual Caps thereunder.

Blister copper and sulphuric acid are the two major products of CCS and Lualaba Copper Smelter. Due to its unique physical and chemical properties, sulphuric acid cannot be stored for a prolonged period of time, and therefore must be sold continuously. To ensure the continuous and stable sales of sulphuric acid produced by the Group, it expects to increase its sales volume of sulphuric acid to NFC Metal to 110,000 tonnes (representing approximately US$13 million) in the Year 2018; 216,000 tonnes (representing approximately US$32 million) in the Year 2019; and 470,000 tonnes (representing approximately US$75 million) in the Year 2020.

NFC is a connected person of the Company which is controlled as to 33.75% by CNMC. It is also a consumer with large and stable consumption of sulphuric acid. NFC Metal is wholly-owned by NFC, thereby making NFC Metal a connected person of the Company. Cobalt is a by-product of NFCA, CCS, Lualaba Copper Smelter, Huachin Leach and Kambove Mining, though the production volume of cobalt is relatively small, cobalt price has increased significantly in the recent six months to more than US$90,000 per tonne. Together with the possible expansion of the Group's business, the Group expects that its cobalt production will increase to 800 tonnes in the Year 2018, 7,050 tonnes in the Year 2019 and 8,150 tonnes in the Year 2020, respectively. The Directors expect that with such increase, the Existing Annual Caps for the supply of raw materials, products and services to the CNMC Group under the 2017 Mutual Supply Framework Agreement for the three Years from 2018 to 2020 will not be sufficient for the Group's needs. The Directors therefore propose to revise the Existing Annual Caps thereunder.

IMPLICATIONS UNDER THE LISTING RULES

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. Accordingly, the transactions contemplated under the 2017 CNMC Copper Supply Framework Agreement and the 2017 Mutual 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 each of (i) the 2017 CNMC Copper Supply Framework Agreement; and (ii) the 2017 Mutual Supply Framework Agreement exceed 5%, such transactions and the proposed Revised Annual Caps for such transactions for each of the three Years from 2018 to 2020 are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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 in relation to the resolutions approving the proposed Revised Annual Caps and the Non-exempt Continuing Transactions under each of the (i) 2017 CNMC Copper Supply Framework Agreement; and (ii) 2017 Mutual Supply Framework Agreement at the Re-Scheduled AGM.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising Mr. Chuanyao SUN, Mr. Jingwei LIU and Mr. Huanfei GUAN, being all the three independent non-executive Directors, has been formed to advise the Independent Shareholders in relation to the Revised Annual Caps and the Non-exempt Continuing Connected Transactions contemplated thereunder.

As the independent financial adviser, we have been appointed to advise the Independent Board Committee and the Independent Shareholders as to (i) whether or not the Revised Annual Caps and the Non-exempt Continuing Connected Transactions contemplated thereunder are conducted in the ordinary and usual course of business of the Group and on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (ii) how the Independent Shareholders should vote in relation to the ordinary resolutions to be proposed for approving the Revised Annual Caps and the Non-exempt Continuing Connected Transactions contemplated thereunder at the forthcoming Re-Scheduled AGM.

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have relied on the information and facts supplied, and the opinions expressed, by the Directors and management of the Group (the "**Management**") and have assumed that they are true, accurate and complete and will remain so up to the time of the Re-Scheduled AGM. We have also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed to us. We have no reason to believe that any material information has been withheld from us, or to doubt the truth, accuracy or completeness of the information provided. We have relied on such information and consider that the information we have received is sufficient for us to reach an informed view. We have, however, not conducted any independent investigation into the business and affairs of the Group and the CNMC Group, nor have we carried out any independent verification of the information supplied.

Independent Shareholders should note that, within the past two years from the Latest Practicable Date, we were engaged as the independent financial adviser by the Company for one occasion (i.e. mainly in relation to the provision of independent financial advice to the then Independent Board Committee and Independent Shareholders for the (i) new continuing connected transactions of the Company in respect of the NFC Copper Purchase Framework Agreement; and (ii) renewal of continuing connected transactions in respect of 2018 to 2020) as detailed in the CCT Circular dated 15 May 2017. Given (i) our independent role in that previous engagement; (ii) none of the members of our parent group is a direct party to the 2017 CNMC Copper Supply Framework Agreement and the 2017 Mutual Supply Framework Agreement; and (iii) our independent financial advisory fees for this present engagement in addition to that previous engagement represented an insignificant percentage of revenue of our parent group, we consider that the previous engagement would not affect our independence to form our opinion in respect of the Revised Annual Caps for the Non-exempt Continuing Connected Transactions.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation regarding the Revised Annual Caps and the Non-exempt Continuing Connected Transactions pursuant to each of (i) the 2017 CNMC Copper Supply Framework Agreement; and (ii) the 2017 Mutual Supply Framework Agreement, we have taken the following principal factors and reasons into consideration:

1. Background of the Group

The Group is a leading, fast growing and vertically integrated copper producer focusing on mining, ore processing, leaching, smelting and sales of copper, based in Zambia and DRC. To a lesser extent, the Group also produces cobalt and sulphuric acid.

Since the Company's listing on the Main Board of the Stock Exchange on 29 June 2012, the Group's production and sale of blister copper and copper cathode (collectively, the "**copper products**") have been forming its two key business segments, which in aggregate had accounted for approximately 97% of its total revenue in the recent three Years from 2015 and 2017. The Group's customers include members of the CNMC Group, who purchases the Group's copper products for onward sale to refineries in the PRC. In each of the three Years from 2015 to 2017, the Group's sales of copper products to members of the CNMC Group had constituted approximately 65.0%, 69.8% and 55.2%, respectively, of the overall revenue of the Group. This scenario has demonstrated that the Group's sale of copper products to the CNMC Group has been providing significant contribution to its revenue, profit and operating cash inflow so far.

2. Background of the CNMC Group

CNMC is the controlling shareholder of the Company, and is an enterprise wholly-owned and administered by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC. It was one of the enterprises awarded as "Fortune Global 500" enterprises in 2013 to 2016. The CNMC Group is principally engaged in the development of nonferrous metal resources, construction and engineering, as well as related trade and services.

As CNMC has business developments in the PRC, Zambia, 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.

As at the Latest Practicable Date, CNMC holds 2,600,000,000 Shares, representing approximately 74.52% of the entire issued share capital of the Company.

3. Background of and reasons for the Non-exempt Continuing Connected Transactions

(i) The 2017 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 2017 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.

(ii) The 2017 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 2017 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.

CNMC has been listed as one of the "Fortune Global 500" enterprises published by the Fortune Magazine from 2013 to 2016. As CNMC has business developments in the PRC, Zambia, 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.

4. Principal terms of the Non-exempt Continuing Connected Transactions

Set out below is the principal terms of each of the (i) the 2017 CNMC Copper Supply Framework Agreement and (ii) the 2017 Mutual Supply Framework Agreement. Further details are disclosed in the "Letter from the Board" of the Circular.

(i) the 2017 CNMC Copper Supply Framework Agreement

Nature

Pursuant to the 2017 CNMC Copper Supply Framework Agreement, the Company agreed to sell, or procure its subsidiaries to sell, copper products including blister copper and copper cathode 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 2017 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 2017 CNMC Copper Supply Framework Agreement (but excluding the 2017 CNMC 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 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 2017 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.

Based on our clarification with the Management, if the market price cannot be adequately reflected through the quoted prices on the London Metal Exchange or the Shanghai Futures Exchange as referred to in point (iii) above, the selling price of the relevant copper products will be determined by making reference to the selling price charged by other renowned mining companies at the place of sale or receiving market (that is, Zambia or DRC usually), 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. We note that the historical transactions are priced mainly with reference to the price quotes on the London Metal Exchange. On such basis, we consider that the basis for determination of the selling price of copper products pursuant to 2014 CNMC Copper Supply Framework Agreement and 2017 CNMC Copper Supply Framework Agreement has been and will be fair and reasonable.

Based on our understanding from the Management, 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.

Based on our independent research from the relevant public websites, we understand that the London Metal Exchange and the Shanghai Futures Exchange are well-established and recognised commodity futures exchanges in England and the PRC, respectively. The London Metal Exchange is the world centre for the trading of industrial metals. The majority of non-ferrous on-exchange business is conducted on this market, which is the de facto price formation venue for industrial metals. The prices discovered at the platforms of the London Metal Exchange are widely used as the global reference and basis for physical trading as well as in valuation of portfolios, in commodity indices and metal exchange transfer funds. Shanghai Futures Exchange is a self-regulated entity that is under the uniform regulation by the China Regulatory Commission, which organizes trading activities strictly according to the laws and rules, and earnestly fulfills its functions as a front-line regulator, in a bid to create safe, orderly and high efficient market mechanism as well as a market environment featuring openness, fairness, justice, integrity and transparency. On such basis, we consider that selling prices of copper products to be sold by the Group to the CNMC Group during the term of the 2017 CNMC Copper Supply Framework Agreement in the coming three Years from 2018 to 2020 by making reference to average settlement copper price quotes on the London Metal Exchange or Shanghai Futures Exchange shall be a reliable and fair price determination mechanism between the Group and the CNMC Group, and therefore regarded as fair and reasonable so far as the Independent Shareholders are concerned.

We have also analysed the pricing terms under the 2014 CNMC Copper Supply Framework Agreement on an aggregated basis. For the Year 2015, the Group sold 117.583 kt (or approximately US$564.8 million) and 47.626 kt (or approximately US$208.3 million) of blister copper and copper cathode, respectively, to the CNMC Group pursuant to the 2014 CNMC Copper Supply Framework Agreement, which translates to average selling prices of such copper products per tonne of approximately US$4,804 and US$4,374 respectively, which were approximately 5.8% and 6.3% higher than those offered by the Group to other Independent Third Party customers (the "**Independent Customers**") during the Year.

Similarly, for the Year 2016, the Group sold 145.394 kt (or approximately US$689.3 million) and 51.4 kt (or approximately US$238.2 million) of blister copper and copper cathode, respectively, to the CNMC Group pursuant to the 2014 CNMC Copper Supply Framework Agreement, which translates to average selling prices of such copper products per tonne of approximately US$4,741 and US$4,630 respectively, which were also higher than those offered to other Independent Customers during the same Year.

For the Year 2017, the Group sold 115.995 kt (or approximately US$661.8 million) and 53.172 kt (or approximately US$297.4 million) of blister copper and copper cathode, respectively, to the CNMC Group pursuant to the 2014 CNMC Copper Supply Framework Agreement, which translates to average selling prices of such copper products per tonne of approximately US$5,706 and US$5,594 respectively, which were very closely comparable to those of approximately US$5,686 and US$5,676, respectively, offered by the Group to other Independent Customers during the same Year. The slightly higher and lower deviations by merely 0.3% and 1.4%, respectively, between the CNMC Group and other Independent Customers were normal and tolerable, because the international copper price during the whole Year of 2017 had been fluctuating very largely between US$5,461.75 per tonne to US$7,253.75 per tonne while delivery of such copper products to each party was conducted at the different time of orders and batches.

Based on the above analysis, we consider that the actual selling prices of copper products sold to the CNMC Group pursuant to the 2014 CNMC Copper Supply Framework Agreement has been fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole.

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 Independent Customers.

The CNMC Group is more willing to, at the Group's request, to make advance payments instead of issuing letters of credit. Generally, the CNMC Group would make payment of 95% after the products are shipped with the bill of lading issued, and the remaining 5% will be settled by wire transfer after the metal content is examined. As an additional security of the Group, in January each year, the CNMC Group will make advance payment of 50% of the sales volume in January, and such amount will be used to partly settle the sales in December of that particular year.

For the three Years from 2015 to 2017, the CNMC Group made payment in time and had never defaulted in payment; and all the trade receivables for the sale of copper products to the CNMC Group were settled in accordance with the terms of sales (that is, usually around three months after the copper products are shipped to the CNMC Group).

Therefore, the Directors are of the view that it is in the best interests of the Group and the Shareholders as a whole to sell the copper products to the CNMC Group, as the Group can better manage its working capital and probable credit risk. We concur with the Directors' view in this regard.

Termination of underlying agreements

Either party may terminate any specific agreement entered into pursuant to the 2017 CNMC Copper Supply Framework Agreement (but excluding the 2017 CNMC Copper Supply Framework Agreement itself) by giving the other party no less than one month's prior written notice.

(ii) 2017 Mutual Supply Framework Agreement

General

Pursuant to the 2017 Mutual Supply Framework Agreement, the Group and CNMC Group are to provide 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.

CNMC Group 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.

Pricing

Details of the different pricing basis for different types of raw materials, product and services are set out in full in the "Letter from the Board" of the Circular. We have discussed with the Management, and understand that the general pricing bases that are applicable in practice are as follows:

- raw materials and product supplies: pricing shall be principally based on the market price at which the same or comparable types of raw materials and products can be procured from Independent Third Parties in the same area, or if such market price is unavailable, it will be determined with reference to actual costs incurred without any mark-up, plus applicable taxes.

- social and support services: pricing shall be based on actual costs incurred in providing such services without any mark-up, plus applicable taxes.

- technical services: pricing shall be principally based on the relevant PRC government prescribed prices as required by the following relevant PRC regulations, or if such prescribed price is unavailable, it will be determined with reference to actual costs incurred in providing such services without any mark-up, plus applicable taxes. Such technical services are generally in relation to geological survey and exploration, including consultation, design, construction, technical and engineering services, testing and equipment repair, construction and engineering project supervision etc..

- transportation and logistics services: pricing shall be principally based on the price set by similar independent service providers in the local market, or if such market price is unavailable, it will be determined with reference to actual costs incurred in providing such services without any mark-up, 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.

Based on our discussion with the Management, pricing of raw materials, product and services are determined in general either through (i) the prevailing market price of similar products or services to be provided by Independent Third Parties or (ii) the PRC government prescribed prices, which are guidance prices set out by the relevant authorities of the PRC. In this respect, based on our review, we noted that particular reference is made to the Standards for Budget of National Land Resources Survey (國土資源調查預算標準) in July 2007 jointly published by the Ministry of Finance and Ministry of Land and Resources, which is the latest relevant standard applicable. For specialized services to be provided by CNMC, such as the social and support service, pricing shall be based on actual costs without any mark-up, such that CNMC does not earn any profit out of the services provided to the Group. In this respect, considering (i) the procurement from the CNMC Group will be lesser than the supply to the CNMC Group, whilst the majority of such supplies are raw materials and products, such as sulphuric acid and cobalt, which are principally based on the market price comparable to that of the Independent Third Parties); and (ii) the Company's estimation that the future revenue from supply to the CNMC Group will comprise limited services to be charged on actual costs without any mark-up, we concur with the Directors' view that the Group will be beneficial from this pricing basis on an overall basis.

In relation to those products or services charged with reference to prevailing market prices, based on our review of sample documents and discussion with Management, before an individual agreement is entered into, the procurement and sales departments of the Company 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 of the Company will generally obtain around two to three quotations from different Independent Third Parties with similar good and/or service providers. The finance and legal departments will review the terms of the individual agreements, focusing on the pricing and payment terms. Based on such understanding, we consider that a sound price determination mechanism shall be in force to ensure the products or services charged by the CNMC Group to be reflecting the fair market price at that time, and therefore are fair and reasonable.

Termination of underlying agreements

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 itself) 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.

Comparison on terms with Independent Third Parties

We have discussed with the Management and reviewed six sample contracts and 12 sample invoices (i.e. in total of 18 sample contracts and 36 sample invoices) in relation to each of (i) the sale of copper products to the CNMC Group and (ii) the mutual provision of raw materials, products and services between the Group and the CNMC Group, and compared them with contracts for similar (i) sales to Independent Customers and (ii) purchase or sale of raw materials, products and services from/to independent suppliers and customers. We note that the terms for transactions contemplated under the 2014 Framework Agreements are no less favourable to the Group than the terms for similar transactions between the Group and independent third parties.

5. Revised Annual Caps of the Non-exempt Continuing Connected Transactions

Set out below are the historical transaction amounts and the relevant Existing Annual Caps under the Non-exempt Continuing Connected Transactions for the three Years from 2015 to 2017, and the Revised Annual Caps for the coming three Years from 2018 to 2020.

(i) 2017 CNMC Copper Supply Framework Agreement

Historical transaction amounts

	For the year ended 31 December					
	2015	Increase/ (decrease) from 2014	2016	Increase/ (decrease) from 2015	2017	Increase/ (decrease) from 2016
	US$	*%*	*US$*	*%*	*US$*	*%*
Historical annual caps of copper products to be sold to the CNMC Group	1,433,610,610	1.4	1,776,727,280	23.9	1,957,428,580	10.2

	For the year ended 31 December					
	2015	**Increase/ (decrease) from 2014**	**2016**	**Increase/ (decrease) from 2015**	**2017**	**Increase/ (decrease) from 2016**
	US$	*%*	*US$*	*%*	*US$*	*%*
Actual transaction amounts of copper products sold to the CNMC Group	773,126,000	(32.7)	927,507,000	20.0	959,249,204	3.4
Utilisation rate of the historical annual caps	53.9%		52.2%		49.0%	
Historical sales volume of copper products sold to the CNMC Group *(in tonnes)*	165,209	(8.8)	196,840	19.1	169,167	(14.1)
Proportion of sales volume of copper products sold to the CNMC Group to total production volume of copper products	65.0%		69.8%		54.0%	

We note that sale of copper products by the Group to the CNMC Group increased by approximately 20.0% from approximately US$773.2 million in Year 2015, to US$927.5 million in Year 2016, and further slightly increased by approximately 3.4% to US$959.2 million in Year 2017. However, the Group's overall sales volume of copper products to the CNMC Group had been fluctuating with 165,209 tonnes, 196,840 tonnes and 169,167 tonnes for each of the three Years 2015 to 2017, respectively. The Group had spared its production capacity and shifted its sales of 56,786 tonnes blister copper to Yunnan Copper Group and some other Independent Customers in the Year 2017, which led to a one-off obvious drop in sales volume to the CNMC Group when compared to that in the Year 2016, but which was still slightly more than that in the Year 2015. The Group had deliberately reduced its sales volume to CNMC Group in the Year 2017 for the purpose of addressing the regulatory concern about the Group's heavy reliance on the CNMC Group in the past few years. Based on the Directors' current estimation, the Group's sales volume of copper products to the CNMC Group will resume to normal level for each of the three Years from 2018 to 2020.

The Group's total sales volume of copper products had been increasing from 251,518 tonnes, to 284,052 tonnes and 313,068 tonnes over the three Years from 2015 to 2017, respectively. We are advised by the Management that such increase was mainly attributable to the increase in sales volume and international selling price of copper products. The exceptional low historical sales amount and volume in Year 2015 was mainly as a consequence of the substantial drop in the average international copper price by approximately 20% as compared to that of Year 2014 due to the slower growth of the global economy and lower market demand for copper products by the refineries in the PRC.

As set out in the above table, the Existing Annual Caps for the three Years from 2015 to 2017 have not been fully utilised. Utilisation of the Existing Annual Cap in Year 2017 accounted for approximately 49.0%, because part of the Group's original sales volume of blister copper (i.e. 56,786 tonnes) was shifted to the Yunnan Copper Group and some other Independent Customers in the Year 2017, which led to an obvious drop in sales volume to the CNMC Group. The Group is able to sell its copper products to any customer(s), other than the CNMC Group, if it so wishes mainly due to a very wide variety of industrial usages leading to strong demand for copper products all over the world. The Group's copper products can be sellable through sales agents and/or directly to its own end-customers. The Directors currently anticipated that the sales volume of copper products to the CNMC Group for the three Years from 2018 to 2020 will be far more than that of the Year 2017 due to the recovery in the copper product market.

The Company has established concrete plans to sell copper products to Independent Customers for the Year 2018. The Group has entered into contracts with seven different Independent Customers to sell approximately 101,100 tonnes to 118,700 tonnes of the copper products produced by the Group to such Independent Customers for the Year 2018. In fact, the proposed total volume of copper products to be sold to the Independent Customers for the Year 2018 represents an increase of approximately 36.3% as compared to the actual sales volume of 87,113 tonnes of copper products to the Independent Customers for the Year 2017.

Based on the unaudited management accounts of the Group for the four months ended 30 April 2018, 55,000 tonnes of copper products produced by the Group were sold to Independent Customers, representing approximately 49.6% of the Group's actual sales volume of copper products; while the volume of copper products sold to the CNMC Group only accounted for approximately 36.5% of the Group's total sales volume of copper products for the same period. Given the fluctuations in terms of the market prices, demands and supplies for copper products, the Independent Customers are more prone to negotiate on a year-to-year basis agreements on its procurement of copper products. Accordingly, as at the Latest Practicable Date, although the Company is still in the process of locking in arrangements to sell copper products to Independent Customers for the two Years of 2019 and 2020, the Company has reasonable belief and will ensure that, in terms of actual transaction volume and amount, the percentage of sales to Independent Customers in the total sales of the Group for each of the three Years from 2018 to 2020 will not be lower than that for each of the past three Years from 2015 to 2017. In addition, the Company will use its best endeavors to explore possible plans to increase its percentage of sales to Independent Customers. Please also refer to the subsection headed "No Heavy Reliance" in the "Letter from the Board" of the Circular for more details of the Company's efforts to increase sales to Independent Customers. Having reviewed the Group's sales plans for selling copper products, cobalt, sulphuric acid and any other mineral products to Independent Customers in force for the coming Years, we are of the view that the Group shall be able to effectively mitigate its reliance on the CNMC Group in the coming three Years from 2018 to 2020. In any event, Directors confirmed that the Group's aggregate actual transaction amount of (i) the sales of copper products to the CNMC Group under the 2017 CNMC Copper Supply Framework Agreement; and (ii) the sales of raw materials, products and services to the CNMC Group under the 2017 Mutual Supply Framework Agreement in each Year not exceeding 65% (i.e. between 60% and 65%) of the Group's total revenue in the near future. In order to achieve such lower level of reliance, the Company will closely monitor the specific transactions with both the CNMC Group and the Independent Customers and take pre-emptive measures to maintain such lower level of reliance while protecting the commercial interests of the Group. Based on our understanding from the Management, the Group could deliberately lessen, or even temporarily cease, sales activities with the CNMC Group once the reliance level would be approaching the said range of 60% to 65%, until such reliance level would be diluted to a lower level by increasing sales revenue from Independent Customers. Since the demand for copper products has used to be greater than its supply, the Group can easily opt to sell them to either the CNMC Group or the Independent Customers in the foreseeable future. On such basis, we are of the view that the Group's expected reliance on the CNMC Group in terms of revenue within the range of 60% to 65% in the coming three Years can be achievable.

It is noted that the Group had not fully utilised the annual caps under the 2014 CNMC Copper Supply Framework Agreement. This was primarily attributable to the decline in copper price and the suspension of production of two projects of Lunanshya.

In 2014, the average copper price was US$6,829.6 per tonne and was dropped to US$4,869.8 per tonne in 2016. Apart from the unforeseeable decline in copper price, production of Baluba Center Mine and Slag Copper Recovery Project of Luanshya had been suspended since 8 September 2015 as a result of the force majeure event that Zambia had reduced power supply by approximately 30% (please refer to the announcements of the Company dated 31 July 2015 and 8 September 2015). Power shortage also affected the production capacity of the smelter. As a consequence, the Group's production of copper products reduced by 25,000 tonnes and 30,000 tonnes for the Years 2015 and 2016, respectively. Production of Slag Copper Recovery Project of Luanshya resumed in April 2017. The Board has conducted a feasibility study to review the recovery project of Baluba Center Mine. The Directors would like to emphasize that the then drastic decline in international copper products as well as the sudden suspension in the production of copper products in the Baluba Center Mine and Slag Copper Recovery Project of Luanshya, which in turn affected the Group's production capacity for selling copper products to the CNMC Group, were unforeseeable when setting the proposed annual caps for the 2014 CNMC Copper Supply Framework Agreement in 2014.

Based on our review of the annual reports of the Company (the "**Annual Reports**") for the three Years from 2015 to 2017, the unit selling price, and hence gross profit margin, of copper products sold to the CNMC Group had been slightly higher than, or very closely comparable to, those sold to other Independent Customers, which would therefore be beneficial to the Group and the Shareholders as a whole. The global demand for copper is recovering since the Year 2016, and the Directors expect that such demand would grow stronger and stronger in the coming few years. Depending on the Group's own production capacity, it would not be difficult for the Group itself to opt for selling more copper products to other Independent Customers instead of the CNMC Group, so as to alleviate the Group's heavy reliance on the CNMC Group as its single largest customer (i.e. customer concentration risk thereon) in the coming future, where appropriate and necessary. However, in view of the CNMC Group's particular relationship as a controlling Shareholder with promising purchasing volume, strong business and financial background as well as trust-worthy payment history, the Group would rather try to increase its sales volume to other existing or new Independent Customers for the purpose of gradually mitigating the existing customer concentration risk on the CNMC Group, but would not be reducing its actual sales volume to the CNMC Group in the near future. Further, the Group will always take extreme caution to manage its business operation by balancing the risk management, liquidity requirement and profitability from time to time in the future. The Directors believe that there would be a decreasing trend in the Group's reliance on CNMC Group as its single largest customer.

Comparison between the Existing Annual Caps and the Revised Annual Caps

The proposed Revised Annual Caps below 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 from 2018 to 2020.

The table below summaries the Existing Annual Caps and the Revised Annual Caps for each of the three Years from 2018 to 2020 under the 2017 CNMC Copper Supply Framework Agreement.

	For the year ending 31 December				
	2018	**2019**	**Increase from 2018**	**2020**	**Increase from 2019**
	US$	*US$*	*%*	*US$*	*%*
Existing Annual Caps	1,467,203,000	1,740,618,000	18.6	2,177,118,000	25.1
Sales volume of copper products to be sold to CNMC Group *(tonnes)*	229,000	265,500	15.9	302,000	13.7
Unit selling price per tonne *(US$)*	6,407	6,556	2.3	7,209	10.0
Revised Annual Caps	**2,115,600,000**	**2,550,200,000**	20.5	**3,198,000,000**	25.4
Sales volume of copper products to be sold to CNMC Group *(tonnes)*	258,000	311,000	20.5	390,000	25.4
Unit selling price per tonne *(US$)*	8,200	8,200	0.0	8,200	0.0
Increase in annual caps	648,397,000	809,582,000		1,020,882,000	
Increase in proportion of annual caps	44.2%	46.5%		46.9%	
Increase in sales volume of copper products to be sold to CNMC Group	29,000	45,500		88,000	
Increase in unit selling price *(US$ per tonne)*	1,793	1,644		991	
Increase in unit selling price in percentage	28.0%	25.1%		13.7%	
Expected total sales volume of copper products of the Group *(in tonnes)*	360,000	450,000	25.0%	545,000	21.1%
Proportion of sales volume of copper volume sold to the CNMC Group	71.7%	69.1%		71.6%	

Based on (i) the historical transaction amounts; and (ii) the assumption that the average market price (net of VAT) of copper per tonne will increase to approximately US$8,200 for each of the three Years from 2018 to 2020, the Board has proposed to revise the above annual caps in respect of the transactions contemplated under the 2017 CNMC Copper Supply Framework Agreement for each of the three Years from 2018 to 2020.

Analysis of the basis for determining the Revised Annual Caps

As indicated in the above table, the Existing Annual Caps of approximately US$1,467.2 million (i.e. 229kt x US$6,407 per tonne), US$1,740.6 million (i.e. 265.5kt x US$6,556 per tonne) and US$2,177.1 million (i.e. 302kt x US$7,209 per tonne) for each of the three Years from 2018 to 2020, respectively, will be revised to approximately US$2,115.6 million (i.e. 258kt x US$8,200 per tonne), US$2,550.2 million (i.e. 311kt x US$8,200 per tonne) and US$3,198.0 million (i.e. 390kt x US$8,200 per tonne) for the same periods respectively, representing considerable increases of approximately 44.2%, 46.5% and 46.9% for each of the three Years from 2018 to 2020, respectively. In assessing the fairness and reasonableness of the Revised Annual Caps, we shall analyse the rationale behind for the above considerable increases resulting from expected changes in the quantity of copper products to be sold and unit selling price of copper products in the following two directions.

- <u>Sales volume of copper products to be sold</u>

  As mentioned in the "Letter from the Board" of the Circular, the Company has taken into consideration the increase in the Group's production output brought about by its development and expansion projects.

  Kambove Mining is currently at the exploration stage. Together with the possible expansion of production scales of CNMC Huachin Mabende and Huachin Leach and the possible commencement of operation of Kambove Mining in the future three years, the Group expects its production volume for copper cathode to reach approximately 110kt, 165kt and 170kt in the three Years from 2018 to 2020, respectively, and the production volume for blister copper to reach approximately 250kt, 285kt and 375kt in each of the three Years from 2018 to 2020, respectively.

In view of the shortage of copper supply in the PRC, the CNMC Group has been increasing its orders for the Group's copper products as the Group increased its production volume over the years. The Group expects that purchasing orders from the CNMC Group will increase correspondingly based on the Group's expected increase in copper output available from its several development and/or expansion projects to be completed in each of the coming three Years from 2018 to 2020, but the expected purchasing orders from the CNMC Group are not firmly committed so early in view of (i) the strong demand for copper products in the international market; and (ii) the particularly well-established business and shareholding relationship between the Group and the CNMC Group so far. Accordingly, the Group expects to sell approximately 108kt, 140kt and 165kt of copper cathode, and 150kt, 171kt and 225kt of blister copper to the CNMC Group for the three Years from 2018 to 2020, respectively. The Board would like to emphasize that the Group always acts in the best interests of the Group and the Shareholders as a whole in formulating sales policy. The Group decides the proportion of sales to different customers according to the terms of the sales and their settlement risks. As sales volume to the CNMC Group is not specified in the 2017 CNMC Copper Supply Framework Agreement, the Group can vary the sales volume should there be any adverse change of terms of sale to the CNMC Group. While the Group may selectively diversify its sales to other high quality customers, the Group does not see the commercial need to overly diversify its customer base at this stage since it would bring additional business and financial risks and administrative burdens to the Group. The Group considers that shifting substantial sales volume to other Independent Customers might conversely bring in new business and/or financial uncertainties/risks to the Group, because it has to re-assess the credit-worthiness of such new Independent Customers. As CNMC is the ultimate controlling Shareholder, it has maintained a more secured, reliable and trust-worthy relationship with the Group when compared to any other Independent Customers.

The Directors believe that the Group's sale of copper products to the CNMC Group so far and in the near future would not constitute a heavy reliance issue and/or concentration risk on the following grounds that: (a) copper is a widely-used commodity and essential raw material for different industries, so which can be sold on international public markets at a transparent market price; (b) the Group can sell the copper products to other Independent Customers given the demand for copper always exceeds its supply in the PRC; and (c) the loss of the CNMC Group as a major customer would not materially affect the Group's financial performance as other existing and/or new Independent Customers have the capacity to purchase a very significant volume of the Group's production output of copper products on similar terms. In fact, the Group has established concrete plan to increase its sales volume of copper products to Independent Customers as mentioned in the "Letter from the Board" of the Circular, but the Directors further confirmed that the Group's aggregate actual transaction amount of (i) the sales of copper products to the CNMC Group under the 2017 CNMC Copper Supply Framework Agreement; and (ii) the sales of raw materials, products and services to the CNMC Group under the 2017 Mutual Supply Framework Agreement in each Year not exceeding 65% (i.e. between 60% and 65%) of the Group's total revenue in the near future. Further, the Group will always take extreme caution to manage its business operation by balancing the risk management, liquidity requirement and profitability from time to time in the future. The Board was aware of the change in circumstances which would lead to the proposed revision of the Existing Annual Caps for the sale of copper products pursuant to the 2017 CNMC Copper Supply Framework Agreement at the end of March 2018. In aggregate, for each of the three Years from 2018 to 2020, the Group expects to increase the production volume of its copper products to 360kt, 450kt and 545kt, respectively, and the Group expects to sell approximately 258kt, 311kt and 390kt of such copper products to the CNMC Group, respectively. The percentage of the sales volume of copper products to the CNMC Group for each of the three Years from 2018 to 2020 is expected to be approximately 71.7%, 69.1% and 71.6%, respectively. Based on the Directors' best estimates, the percentage ratios of the Revised Annual Caps in relation to the sale of copper products to the CNMC Group when compared to the Group's currently expected revenue for the three Years from 2018 to 2020 would fall below 60%. Please refer to the "Letter from the Board" of the Circular for more details of the Group's development and expansion projects and the detailed basis for estimating the Group's increased production volume of copper products in the coming three Years from 2018 to 2020.

Based on our independent review of (i) the relevant investment project proposal, feasibility study reports issued by industry consulting firm and/or research institution dated in January and March 2018 which consistently depict the estimated quantity of copper and other mineral products that can be produced from those mines; (ii) the Group's strategic business plan for the coming Years dated in December 2017; and (iii) the detailed working schedule for setting the Revised Annual Caps with reference to the above project proposal and/or feasibility study reports together with its bases and assumptions, and further discussed with the Management regarding the calculation and rationale behind for anticipating the sales volume of copper products to the CNMC Group in the coming three Years from 2018 to 2020, we consider them for supporting the proposed increase in annual caps for sale of copper products to be realistic and comprehensible, and therefore are fair and reasonable.

- Unit selling price of copper products

The Revised Annual Caps above are determined on the basis that the forecasted copper price will be around US$8,200 per tonne for each of the three Years from 2018 to 2020, representing an increase of approximately 28.0%, 25.1% and 13.7% as compared to the previous forecast of around US$6,407 per tonne in the Year 2018, US$6,556 per tonne in the Year 2019 and US$7,209 per tonne in the Year 2020 respectively. The increase in the proposed Revised Annual Caps for the three Years from 2018 to 2020 as compared to the Existing Annual Caps is due to the increase in copper price, the expected increase in the Company's production attributable to the possible expansion of production scales of CNMC Huachin Mabende and Huachin Leach and the possible construction and operation of Kambove Mining.

By comparing the Revised Annual Caps with the Existing Annual Caps in terms of unit selling price of copper products alone for the three Years from 2018 to 2020, which is anticipated to be increased from an average of US$6,734 per tonne during the two months ended 28 February 2018 to the maximum of US$8,200 per tonne during the remaining 34 months up to 31 December 2020, representing an increase of about 21.7% there between during the period. Based on our independent review of the prospectus of the Company dated 20 June 2012 (the "**Prospectus**") and the Annual Reports, the Group had actually incurred average selling prices of copper products (on per tonne basis) of approximately US$4,601, US$4,502 and US$5,684 for each of the three Years from 2015 to 2017 respectively, representing an increase of approximately 26.3% between the two Years of 2016 and 2017. When comparing the more recent average unit selling prices of copper products (on per ton basis) actually incurred by the Group between the full Year 2017 and the three months ended 31 March 2018, which increased from approximately US$5,684 per tonne to US$6,709 per tonne respectively, representing a drastic upsurge of approximately 18.0% during the past 15 months.

After a two-year consecutive economic downturn, the copper price has edged up at the end of the Year 2016. The open market and the Group itself have been optimistic about the upturn of copper prices for the next three Years. Based on industry data, it is forecasted that the copper price (on per tonne basis) will further rise to around US$6,800, US$6,812 and US$6,823 in each of the three Years from 2018 to 2020, respectively. Based on our independent research from Bloomberg's data portal, we have noted that the average copper prices as forecasted by a number of renowned international banks, research institutions and securities houses etc. are basically consistent with that forecasted by the Group, after allowing a reasonable buffer of around 20% catering for further upward price fluctuation in each of the coming three Years from 2018 to 2020, resulting the copper price (on per tonne basis) for setting the Revised Annual Caps at an integral figure of US$8,200 throughout the same periods. We understand that the Management has taken into account a potential price recovery of copper prices in arriving at the proposed Revised Annual Caps for the Non-exempt Continuing Connected Transactions, which are basically consistent with the overall opinion of the copper industry players and commodity futures dealers. The Board customarily made reference to the same sources of forecasted international copper prices (on per tonne basis) by the industry players for setting the Existing Annual Caps in the previous Year, and allowing a 10% buffer to accommodate any probable upward price fluctuation during the coming three Years from 2018 to 2020. However, the average international copper price (on per tonne basis) starting from 1 January 2018 up to the Latest Practicable Date had reached approximately US$7,324 with a maximum of US$7,330.50 recorded on 7 June 2018, and accordingly had exceeded or is close to the Group's previous estimates of US$6,407, US$6,556 and US$7,209 for each of three Years from 2018 to 2020, respectively. In view of this experience of under-estimating the future copper prices, the Board has prudently made a larger buffer of 20% this time for avoiding under-estimation thereof again. Given the international copper price (on per tonne basis) has been fluctuating significantly over the past seven Years with a maximum of US$10,179.50, we consider that by allowing 20% buffer and a constant copper price of US$8,200, which is about 11.9% higher than the said maximum of US$7,330.50 during the Year 2018, shall not be unjustifiable, and therefore is fair and reasonable.

Furthermore, based on our independent research from the Bloomberg's data portal, we have noted that international copper price (on per tonne basis) hit its record high on 14 February 2011 at US$10,179.50; and then had gradually been decreasing to its recent record low level at US$4,327.50 on 15 January 2016, representing a drastic decrease by 57.5% during the almost six year period since 1 January 2011. Starting from Year 2018, the international copper price has risen to US$7,330.50, representing (i) a drastic upsurge by approximately 69.4% during the almost 29 months since the recent record low of US$4,327.50 made in January 2016; or (ii) 2.4% during the past few months since the commencement of Year 2018 at US$7,160.75. We have also made cross reference with other sources of data and/or information about the international copper price over the same period, all of which had been showing a consistent price trend with that of Bloomberg, so we consider that Bloomberg is a reliable and representative data portal providing meaningful international copper price information for our analysis. On such basis, we concur with the Directors' forecasts that there may be possibility of international copper price (on per tonne basis) further increasing by approximately 11.9% to US$8,200 during the coming three Years from 2018 to 2020, on the basis that the historical international copper price had been fluctuating very largely between US$4,327.50 to US$10,179.50 during the past almost six years since 1 January 2011 up to the Latest Practicable Date with a mid-point of around US$7,253.50, and hence, an anticipation for a stronger rebound in international copper price up to US$8,200 in the coming three Years shall be realistic and comprehensible, and not be unjustifiable.

Based on the above analysis and consideration, we are of the view that the basis adopted by the Management in determining the Revised Annual Caps is prudent, justifiable, fair and reasonable, which are subsequent alterations ancillary to the 2017 CNMC Copper Supply Framework Agreement, for adapting the ever-changing business environment is therefore conducted in the ordinary and usual course of business of the Group and on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as whole.

However, the Independent Shareholders should note that the Revised Annual Caps relate to future events and do not represent a forecast of transaction amounts to be incurred as a result of the Non-exempt Continuing Connected Transactions contemplated under the 2017 CNMC Copper Supply Framework Agreement.

(ii) 2017 Mutual Supply Framework Agreement

Review of historical figures

	For the year ended 31 December					
	2015	Increase/ (decrease) from 2014	2016	Increase/ (decrease) from 2015	2017	Increase/ (decrease) from 2016
	US$	*%*	*US$*	*%*	*US$*	*%*
Historical annual caps						
Procurement of raw materials, products and services from the CNMC Group	367,447,790	42.1	311,045,640	(15.3)	294,453,670	(5.3)
Supply of raw materials, products and services to the CNMC Group	5,365,080	9.4	8,028,310	49.6	8,017,030	(0.1)
Actual transaction amounts						
Procurement of raw materials, products and services from the CNMC Group	121,132,000	(9.8)	188,824,000	55.9	259,783,000	37.6
Supply of raw materials, products and services to the CNMC Group	1,132,000	(34.8)	1,677,000	48.1	3,372,000	101.1
Utilisation rate of the historical annual caps						
Procurement of raw materials, products and services from the CNMC Group	33.0%		60.7%		88.2%	
Supply of raw materials, products and services to the CNMC Group	21.1%		20.9%		42.1%	

Historical procurement of raw materials, products and services from the CNMC Group

As disclosed in the "Letter from the Board" of the Circular, there were considerable increases in the procurement of raw materials, products and services from the CNMC Group in each of the two Years 2016 and 2017 because (i) the Group increased scale of production; and (ii) an Independent Third Party supplier reduced the sales of raw materials to the Group due to the need of its own smelter, and the Group therefore increased procurement of raw materials from the CNMC Group.

Historical supply of raw materials, products and services to the CNMC Group

As disclosed in the "Letter from the Board" of the Circular, there was a drastic increase in the supply of raw materials, products and services to the CNMC Group in the Years 2016 and 2017, because of a change in the basis for the transportation of sulphuric acid from EXW (that is, the sulphuric acid will be picked up by the CNMC Group at the Group's premises) to DAP (that is, the sulphuric acid will be delivered to the CNMC Group), and therefore resulting an increase in transportation costs.

So far as the Directors are aware, the respective annual caps for the year ending 31 December 2017 have not been exceeded as at the Latest Practicable Date.

Historically, the Group's actual transaction amounts for procurement of raw materials, products and services from the CNMC Group pursuant to the 2014 Mutual Supply Framework Agreement were approximately US$121.1 million, US$188.8 million and US$259.8 million, respectively, for each of the three Years from 2015 to 2017, and accounting for approximately 107 times, 112 times and 77 times of the actual transaction amounts for supply of raw materials, products and services of approximately US$1.1 million, US$1.7 million and US$3.4 million for the same periods, respectively. In view of such immaterial amounts involved, the Directors have considered that the pricing basis of actual costs plus applicable taxes not including any profit margin is actually 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 material, products and services to the CNMC Group. On such basis, we share with the Directors' view in this regard.

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.

For the two Years of 2019 and 2020, owing to the substantial increasing amounts in the sale of sulphuric acid and cobalt which are also the primary reasons for the Revised Annual Caps, so causing the Revised Annual Caps for supply of raw materials, products and services to the CNMC Group to be greater than that of procurement of the same from the CNMC Group for the same periods; excluding which, there would be no change in the Existing Annual Caps for supply of raw materials, products and services to the CNMC Group at approximately

US$26.5 million and US$26.2 million, respectively. As confirmed by the Management, similar for sale of copper products, the Group will customarily refer to the then prevailing international market price for determining the unit selling price of sulphuric acid and cobalt at that time, so the above cost-plus pricing basis will only applicable for, other than sulphuric acid and cobalt, those supply of products and services in limited nature and amount without directly comparable pricing information. According, we consider the overall pricing basis to be fair and reasonable, and in the interests of the Group and the Shareholders as a whole.

Basis for determination of the Revised Annual Caps

The Existing Annual Caps and the proposed Revised Annual Caps for the on-going Non-exempt Continuing Connected Transactions contemplated under the 2017 Mutual Supply Framework Agreement for the three Years from 2018 to 2020 and the basis for determination of such annual caps are set out as follows:

	For the year ending 31 December					
	2018	**Increase/ (decrease) from 2017**	**2019**	**Increase/ (decrease) from 2018**	**2020**	**Increase/ (decrease) from 2019**
	US$	*%*	*US$*	*%*	*US$*	*%*
Procurement of raw materials, products and services from the CNMC Group						
Existing Annual Caps	387,560,000	31.6	365,050,000	(5.8)	304,413,000	(16.6)
Revised Annual Caps	**608,560,000**	106.7	**621,550,000**	2.1	**371,913,000**	(40.2)
Expansion of CNMC Huachin Mabende	22,500,000	N/A	43,000,000	91.1	9,000,000	79.1
Expansion of Huachin Leach	53,500,000	N/A	3,500,000	(93.5)	3,500,000	0.0
Development of Kambove Mining	120,000,000	N/A	180,000,000	50.0	50,000,000	(72.2)
Development of Lualaba Copper Smelter	25,000,000	N/A	25,000,000	0.0	–	(100.0)
Others	–	N/A	5,000,000	N/A	5,000,000	0.0
Increase in annual caps	221,000,000		256,500,000		67,500,000	
Increase in proportion of annual caps *(%)*	57.0%		70.3%		22.2%	

	For the year ending 31 December					
	2018	**Increase/ (decrease) from 2017**	**2019**	**Increase/ (decrease) from 2018**	**2020**	**Increase/ (decrease) from 2019**
	US$	*%*	*US$*	*%*	*US$*	*%*
Supply of raw materials, products and services to the CNMC Group						
Existing Annual Caps	27,240,000	707.8	26,452,700	(2.9)	26,247,000	(0.8)
Revised Annual Caps	**101,040,000**	2,896.4	**639,852,700**	533.3	**775,947,000**	21.3
Increase in annual caps	73,800,000		613,400,000		749,700,000	
Increase in proportion of annual caps *(%)*	270.9%		2,318.9%		2,856.3%	
Sale of sulphuric acid to CNMC Group						
CCS *(in tonnes)*	110,000	N/A	216,000	96.4	200,000	0.0
Lualaba Copper Smelter *(in tonnes)*	–	–	–	–	270,000	N/A
	110,000		216,000	96.4	470,000	117.6
Average unit selling price *(US$)*	118	N/A	148	25.4	160	8.1
Sales revenue *(in US$)*	***13,000,000***	N/A	***32,000,000***	146.2	***75,200,000***	135.0
Sale of cobalt to CNMC Group						
CCS *(in tonnes)*	240	N/A	420	75.0	600	42.9
Lualaba Copper Smelter *(in tonnes)*	–	–	1,200	200.0	1,200	0.0
Huachin Leach *(in tonnes)*	400	N/A	2,000	N/A	2,000	0.0
Kambove Mining *(in tonnes)*	–	–	1,000	N/A	1,800	80.0
NFCA and other possible acquisition target(s) *(in tonnes)*	–	–	1,500	N/A	1,500	0.0
	640	N/A	6,120	856.3	7,100	16.0
Average unit selling price *(US$)*	95,000	N/A	95,000	0.0	95,000	0.0
Sales revenue *(in US$)*	***60,800,000***	N/A	***581,400,000***	856.3	***674,500,000***	16.0
Others	***27,240,000***	N/A	***26,452,700***	(2.9)	***26,247,000***	(0.8)

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

The proposed Revised Annual Caps above are 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 from 2018 to 2020.

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. Kambove Mining is currently at the exploration stage and may start infrastructure construction work from the Year 2018 with total construction/investment sum of US$350 million based on the relevant investment project proposal and/or feasibility study reports. It is currently contemplated that the Company shall increase its procurement of a variety of construction materials, products and infrastructure construction services from the CNMC Group to satisfy the needs of Kambove Mining during the coming two Years from 2018 to 2019. As the expected infrastructure construction work for Kambove Mining would be completed by the end of Year 2019, the procurement amount for raw materials, products and services from CNMC Group would go back to a relatively normal level in the Year 2020.

In addition, the proposed expansion of CNMC Huachin Mabende and Huachin Leach will need to procure a wide variety of construction materials and infrastructure construction services in amounts of US$74.5 million and US$60.5 million, respectively; and the possible expansion of Lualaba Copper Smelter and the Group's other business will lead to an increase in the Group's need in procurement of raw materials, products and services from the CNMC Group for their infrastructure construction work by approximately US$60 million to be incurred during the coming three Years from 2018 to 2020.

The Board was aware of the change in circumstances which would lead to the proposed revision of the Existing Annual Caps for the procurement of raw materials, products and services pursuant to the 2017 Mutual Supply Framework Agreement at the end of March 2018. The increase in the proposed Revised Annual Caps for the procurement of raw materials, products and services from the CNMC Group for the three Years 2018 to 2020 as compared to the Existing Annual Caps is due to the expected increase in procurement of raw materials, products and services from the CNMC Group in relation to the possible infrastructure construction and operation of Kambove Mining and the proposed expansion of CNMC Huachin Mabende and Huachin Leach. Please refer to the "Letter from the Board" of the Circular for more details of the Group's development and expansion projects and their estimated production output in the coming three Years from 2018 to 2020. All such expansion and development projects typically require a variety of construction materials, machineries, equipment and spare parts and those associated infrastructure construction services etc..

Based on our independent review of (i) the relevant investment project proposal, feasibility study reports issued by industry consulting firm and/or research institution dated in January and March 2018 which consistently depict the estimated quantity of sulphuric acid, cobalt and other mineral products that can be produced from those mines; (ii) the Group's strategic business plan for the coming Years dated in December 2017; and (iii) the detailed working schedule for setting the Revised Annual Caps with reference to the above project proposal and/or feasibility study reports together with its bases and assumptions, and further discussed with the Management regarding the calculation and rationale behind for anticipating the procurement amounts of raw materials, products and services from the CNMC Group in relation to the possible infrastructure construction and operation of Kambove Mining and the proposed expansion of CNMC Huachin Mabende and Huachin Leach in the coming three Years from 2018 to 2020, we consider them to be realistic and comprehensible, and therefore are fair and reasonable.

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

The proposed Revised Annual Caps above are 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 from 2018 to 2020.

The Board was aware of the change in circumstances which would lead to the proposed revision of the Existing Annual Caps for the supply of raw materials, products and services pursuant to the 2017 Mutual Supply Framework Agreement at end of March 2018. 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 from 2018 to 2020 as compared to the Existing Annual Caps is due to the estimated increase in sales of sulphuric acid, the increase in the cobalt price and the Group's cobalt production.

In addition to the benefits of selling copper products to the CNMC Group, the Group is willing to supply by-products, such as sulphuric acid and cobalt, to the CNMC Group due to its strong business and financial background as well as trust-worthy payment history. Given that there is a relatively limited market for cobalt because of its narrower scope of industrial usages (i.e. substantially used by new energy vehicle and lithium battery markets), it would be commercially-convenient to sell most of the cobalt to the CNMC Group for ensuring a more stable sales channel and lessening frequent market price fluctuation. According to an industry report issued by Global Information, Inc in April 2017, the global refined cobalt output and consumption were relatively limited with merely 107,600 tonnes and 103,800 tonnes, respectively, in 2016. However, the cobalt metal demand will soar quickly as the demand for new energy vehicles continues to grow. It was expected that the global cobalt market will face a tight supply situation in the coming few years. As mentioned in the above, as there has been well-established business and shareholding relationship between the Group and the CNMC Group coupled with the relatively limited market for sulphuric acid and cobalt when compared with other common metals such as gold, silver and copper, the Group has established concrete plan for increasing sales of sulphuric acid and cobalt to other Independent Customers as mentioned in the "Letter from the Board" of the Circular. The Directors further confirmed that the Group's aggregate actual transaction amount of (i) the sales of copper products to the CNMC Group under the 2017 CNMC Copper Supply Framework Agreement; and (ii) the sales of raw materials, products and services to the CNMC Group under the 2017 Mutual Supply Framework Agreement in each Year not exceeding 65% (i.e. between 60% and 65%) of the Group's total revenue in the near future. If the Group's cobalt production can be more certain at a later stage, it will be seeking opportunities for selling its cobalt metal to more Independent Customers at that time, so as to better monitor and/or mitigate the reliance level on the CNMC Group. In order to achieve such lower level of reliance, the Company will closely monitor the specific transactions with both the CNMC Group and the Independent Customers and take pre-emptive measures to maintain such lower level of reliance while protecting the commercial interests of the Group. Based on our understanding from the Management, the Group could deliberately lessen, or even temporarily cease, sales activities with the CNMC Group once the reliance level would be approaching to the said range of 60% to 65%, until such reliance level would be diluted to a lower level by increasing sales revenue from Independent Customers. Since the demand for cobalt products is expected to be greater than its supply, the Group can easily opt to sell them to either the CNMC Group or Independent Customers in the foreseeable future. On such basis, we are of the view that the Group's expected reliance on the CNMC Group in terms of revenue within the range of 60% to 65% in the coming three Years can be achievable.

Based on the above Revised Annual Caps' setting summary for the coming three Years from 2018 to 2020, it shows that Revised Annual Caps for supply of raw materials, products and services to the CNMC Group are principally adjusted for the two new by-products, namely sulphuric acid and cobalt to be sold to the CNMC Group, we will assess the fairness and reasonableness of setting the Revised Annual Caps in the following two aspects:

- Sale of sulphuric acid

  The Group has been producing sulphuric acid as a by-product generated during the blister copper smelting process at its Chambishi Copper Smelter (i.e. also known as CCS), which has usually been sold to Independent Customers in the past, and has never sold the same to any client(s) with connected relationship so far.

  Based on our independent review of the Prospectus and Annual Reports for the past few Years, the Group's sale of sulphuric acid to Independent Customers could be providing a stable, though not material, income stream and operating cash inflow to the Group so far. The Group's sale of sulphuric acid in terms of (i) sales volume amounted to approximately 359,678 tonnes, 400,827 tonnes, 421,106 tonnes, 283,727 tonnes, 297,476 tonnes and 399,859 tonnes; and (ii) sales revenue amounted to approximately US$63.3 million, US$63.8 million, US$65.9 million, US$32.1 million, US$34.4 million and US$55.4 million, respectively, for each of the six Years from 2012 to 2017, which had been accounted for approximately 2.6% to 4.1% of its total revenue during the periods.

  NFC is a connected person of the Company which is controlled as to 33.75% by CNMC. It is also a consumer with large and stable consumption of sulphuric acid. NFC Metal is wholly-owned by NFC, thereby making NFC Metal a connected person of the Company. The Group's currently expected production volume of sulphuric acid amount to 660,000 tonnes, 715,000 tonnes and 910,000 tonnes for each of the three Years from 2018 to 2020, respectively. The Company expects to increase its sales volume of sulphuric acid to NFC Metal to 110,000 tonnes, 216,000 tonnes and 470,000 tonnes, representing approximately 16.7%, 30.2% and 51.6% of its total production volume respectively, with anticipated sales revenue of approximately US$13.0 million, US$32.0 million and US$75.2 million for each of the three Years from 2018 to 2020, respectively. Given Lualaba Copper Smelter, the Company's new project in DRC with a sulphuric acid production capacity of 270,000 tonnes per annum, is expected to be put into operation in the fourth quarter of 2019 and its production may be sold to related parties, the Company expects that the sales volume of sulphuric acid in the Year 2020 will experience a sharp increase of 470,000 tonnes or of approximately US$75.2 million in sales revenue. The Directors expect that with such increase in sales volume, the Existing Annual Caps for the three Years from 2018 to 2020 will not be sufficient for the Group's needs. The Directors therefore propose to revise the Existing Annual Caps thereunder.

Blister copper and sulphuric acid are the two major products of CCS and Lualaba Copper Smelter, being subsidiaries of the Company. Due to its unique physical and chemical properties, sulphuric acid mandates specific storing specifications and cannot be stored for a prolonged period of time. If the sales of sulphuric acid are interrupted, its production will be halted due to limited storage space. Therefore, to maintain a smooth supply chain management, the raw materials must be sold continuously.

From the perspectives of global copper smelters, ensuring a stable and continuous sale of sulphuric acid is of upmost importance in maintaining the operational stability in global copper smelters, and is particularly important for the Zambian smelter in the hinterland of the African continent. Due to the limitations imposed by the unique physical and chemical properties of sulphuric acid as to its transportation and storage, in addition to the relatively small local market in Zambia, the pyrometallurgical copper smelters that produce sulphuric acid and the wet copper smelters that consume sulphuric acid form a relatively isolated market in the territory. Based on our independent research from relevant industry websites, trading of sulphuric acid has been limited to around 15 million tonnes each year because sulphuric acid is usually consumed at the site where it is produced, in addition to domestic demand for it within key markets being strong. The global sulphuric acid market size was worth around US$10.10 billion in the Year 2016, and is expected to reach approximately US$11.96 billion by the Year 2023 with a CAGR of about 3.22% during the forecast period. The Group has made its own forecasts on the consumption and production of sulphuric acid of around 4,536,000 tonnes and 4,718,000 tonnes, respectively, in Zambia and DRC in the Year 2018, indicating an excess supply of 182,000 tonnes in the territory, assuming there is stable production of copper smelters in Zambia and the DRC due to the rising copper price recently. Any slight fluctuation in the consumption or production of a particular manufacturer may result in a shortage or surplus of sulphuric acid in the regional market. In order to stabilize the production and operation of the Company, it is beneficial to the Company to reach a long-term supply and sales agreement with its consumers with large-scale and stable consumption. NFC Metal has a stable stream of customers purchasing sulfuric acid. Therefore, selling sulphuric acid to NFC Metal can ensure the continuous and stable sales of sulphuric acid in the next three Years from 2018 to 2020, and also the stable production and operation of the Company's smelters. It is also in the overall interests of the Company in terms of its production and operation and economic efficiency to sell sulphuric acid to NFC Metal.

Based on our independent review of the world map, we noted that Zambia is a landlocked country locating in the Southern Africa without coastline and circled by a few neighbouring countries, namely the DRC, Angola, Botswana, Zimbabwe and Mozambique, so Zambia is being isolated from seas and it would be relatively incapable to arrange sea transportation, and hence may be cost-inefficient for CCS to arrange air transportation instead. In view of this practical storage and delivery difficulty and/or constraint, by supplying sulphuric acid to NFC Metal can help the Group ensure a stable and continuous production process of blister copper, disseminate sulphuric acid at comparable market price so as to generate additional income stream and operating cash inflow to the Group, and also resolve the storage issue of dangerous chemicals at the Group's own blister production plants. Based on our understanding from the Management, if failing to sell the sulphuric acid to NFC Metal, the Group would alternatively have to sell the same to the international market by incurring higher air-freight charges for getting across Zambian neighbouring countries and then delivering the sulphuric acid to Independent Customers' overseas destinations, which would be very uncompetitive for the Group itself and might not be cost-justifiable to do such acts for generating such immaterial revenue. According to the Management, NFC Metal has a larger client base to absorb the excessive sulphuric acid purchased from CCS and Lualaba Copper Smelter, so such a continuing sales arrangement is a mutual beneficial arrangement on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Group and the Shareholders as a whole.

Based on our independent review of the Prospectus and the Annual Reports for the past few Years, the Group's actual historical unit selling prices for sale of sulphuric acid (on per tonne basis) to the Independent Customers ranging from approximately US$113.0 to US$176.0 during the past six Years from 2012 to 2017 with an average unit selling price of approximately US$143.2 during the periods. When comparing the more recent average unit selling prices of sulphuric acid (on per tonne basis) actually incurred by the Group of approximately US$138.6 for the Year 2018, the Directors' estimation of an unit selling price of up to US$160 for setting the proposed annual caps for sale of sulphuric acid to NFC Metal for each of the two Years 2019 and 2020 is not unrealistic, and therefore is prudent, fair and reasonable.

Based on our independent review of the Annual Report for the Year 2017, we noted that the Group's (i) production volume of sulphuric acid amounted to 523,906 tonnes and 594,553 tonnes; and (ii) actual sales volume amounted to 297,476 tonnes and 399,859 tonnes, this scenario may infer that CCS shall have spare sellable quantities of 226,430 tonnes and 194,694 tonnes of sulphuric acid for each of the two Years 2016 and 2017, respectively. As disclosed in the above, CCS has to safely deal with its excess quantities of sulphuric acid in a timely and cost-efficient manner. The Group's preliminarily proposed annual caps for sale of sulphuric acid from CCS to NFC Metal at 110,000 tonnes (note: there will be only six full months left in Year 2018 after the Revised Annual Caps to be approved at the forthcoming Re-Scheduled AGM in June 2018), 216,000 tonnes and 200,000 tonnes are to absorb the remaining production capacity of around 210,000 tonnes of sulphuric acid in each of the two Years 2018 and 2019. NFC Metal became a connected person of the Company since its establishment in Singapore in April 2016, and the Group did not sell any sulphuric acid to NFC Metal during the Years 2016 and 2017. With the blister copper production of Lualaba Copper Smelter to be commenced in the Year 2019, Lualaba Copper Smelter will have additional spare sulphuric acid of around 270,000 tonnes, so the proposed annual cap for the Year 2020 will be increased to 470,000 tonnes. We have reviewed the feasibility study report issued by an industry consulting institution dated in January 2018, it estimated that there would be production volume of around 270,000 tonnes of sulphuric acid to be generated therefrom. On such basis, we are of the view that the basis for determination of the proposed annual caps for sale of sulphuric acid at approximately US$13.0 million, US$32.0 million and US$75.2 million for each the three Years from 2018 to 2020, respectively, shall be realistic and comprehensible.

The Company has established concrete plans to sell sulphuric acid products to Independent Customers for the Year 2018. The Group has entered into contracts with 16 different Independent Customers to sell approximated 320,000 tonnes of sulphuric acid produced by the Group for the Year 2018, representing 72% of the Group's forecasted total sales volume of sulphuric acid for the Year 2018.

Based on our independent review of five sample contracts for the sale of sulphuric acid between CCS and those Independent Customers, the transportation costs by road (on per tonne basis) incurred by CCS for delivering the sulphuric acid to Independent Customers' designated destinations had been higher than the material cost of sulphuric acid itself, so we consider which may be regarded as an after-production treatment process being ancillary to the core copper production business of the Group, rather than its usual sales activities. On such basis, such a proposed sales arrangement between CCS and NFC Metal shall be more economical, cost-justifiable and environmental-friendly treatment method to safely deal with the by-products of blister copper production smelting process, while the estimated unit selling price will be comparable to that offered to the Independent Customers, and therefore fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Group and the Shareholders as a whole.

- Sale of cobalt

The Group will produce cobalt as a by-product generated during the blister copper smelting process at the CCS, Lualaba Copper Smelter, Huachin Leach, Kambove Mining and other possible acquisition targets that may be conducted in the coming three Years from 2018 to 2020.

Cobalt is a hard, lustrous, grey metal with a high melting point (1,493 ℃). Cobalt is used mainly in production of chemicals, super alloys for gas turbine blades and jet aircraft engines, special steel, carbides, diamond tools and magnets. By far, the largest producer of cobalt in the world is DRC, followed by Canada, China, Russia and Zambia.

Starting from the Year 2017, the Group has commenced to produce and sell copper-cobalt alloy with minimal sales volume and revenue amounted to 778 tonnes and approximately US$3.9 million, respectively. The purity of such copper-cobalt alloy is very much lower than that of the original cobalt itself. Given the Group has never sold cobalt as its usual business in the past, the Management has made reference of the international cobalt price quoted on the metal exchanges for setting the proposed annual caps in respect of selling cobalt to the CNMC Group for the coming three Years from 2018 to 2020.

Cobalt is a by-product of NFCA, CCS, Lualaba Copper Smelter, Huachin Leach and Kambove Mining, though the production volume of cobalt is relatively small, cobalt price has increased significantly in the recent six months to more than US$90,000 per tonne. Together with the possible expansion of the Group's business, the Group expects that its cobalt production will increase to 800 tonnes, 7,050 tonnes and 8,150 tonnes for each of three Years from 2018 to 2020 respectively, of which, the Group currently anticipates to sell approximately 640 tonnes, 6,120 tonnes and 7,100 tonnes to the CNMC Group during the same periods respectively. Accordingly, the Group's sale of cobalt products to the CNMC Group would account for approximately 80.0%, 86.8% and 87.1% for each of the three Years from 2018 to 2020, respectively. The Company has established concrete plans to sell cobalt products to Independent Customers for the Year 2018. The Group has entered into a contract with an Independent Customer to sell approximately 300 tonnes of cobalt produced by the Group for the Year 2018. Meanwhile, the Group is in the process of negotiating with another Independent Customer to sell approximately 150 tonnes of cobalt produced by the Group for the Year 2018. Based on the unaudited management accounts of the Group for the four months ended 30 April 2018, 100% of the actual production of cobalt products produced by the Group was sold to Independent Customers. Since most of the Group's expanded cobalt production projects are still in the process of construction and will not be put into production until the Year 2019, it is impracticable for the Company to enter into concrete arrangements to sell cobalt produced by the Group to Independent Customers for the two Years 2019 and 2020 at this current stage. Given the fluctuations in terms of the market prices, demands and supplies for cobalt, the Independent Customers are more prone to negotiate on a year-to-year basis agreements on its procurement of cobalt. Accordingly, as at the Latest Practicable Date, the Company is still in the process of locking in arrangements to sell cobalt products to Independent Customers for the two Years of 2019 and 2020. The Company will use its best endeavors to explore possible plans to increase its percentage of sales to Independent Customers based on the then prevailing market conditions. Based on this understanding, we are of the view that the Revised Annual Caps, in particular for the sale of cobalt, are to facilitate an effective, efficient and smooth sales arrangement when such cobalt output are readily available for sale to the international market, and therefore is in the interests of the Group and the Shareholders as a whole; whilst such an apparent heavy reliance could be rectified at a later stage once the cobalt production output can be more certain for negotiation with Independent Customers.

The Existing Annual Caps for the supply of raw materials, products and services to the CNMC Group under the 2017 Mutual Supply Framework Agreement would not be sufficient due to the expected increase in cobalt price and the expected increase in the Group's cobalt production attributable to the operation and expansion of NFCA, CCS, Lualaba Copper Smelter, Huachin Leach, Kambove Mining and possible expansion of the Group's business. Please refer to the "Letter from the Board" of the Circular for further details of the Group's expansion and development projects (including possible acquisition targets) that may be conducted in the coming three Years from 2018 to 2020. 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 2017 Mutual Supply Framework Agreement.

Based on our independent review of (i) the relevant investment project proposal, feasibility study reports issued by industry consulting firm and/or research institution dated in January and March 2018; (ii) the Group's strategic business plan for the coming Years dated in December 2017; and (iii) the detailed working schedule for setting the Revised Annual Caps together with its bases and assumptions, and further discussed with the Management regarding the calculation and rationale behind for anticipating the supply amounts of raw materials, products and services to the CNMC Group in relation to the possible increased production capacity of cobalt by Kambove Mining and the proposed expansion of CNMC Huachin Mabende and Huachin Leach in the coming three Years from 2018 to 2020, we consider them for supporting the proposed increase in annual caps, in particular for sale of sulphuric acid and cobalt, to be realistic and comprehensible, and therefore also fair and reasonable.

Based on our independent research from the Bloomberg's data portal for reviewing the international cobalt price (on per tonne basis) transacted at the metal trading platform of the London Metal Exchange for the period from 1 January 2017 up to the Latest Practicable Date, we noted that international cobalt price had been rising from US$37,500 on 1 January 2017 and hit its record high on 21 March 2018 at US$95,250, representing a drastic upsurge by approximately 153.5% during the almost 17 month period since 1 January 2017; and then gradually decreasing to its recent lower level at US$82,000 on 7 June 2018. On such basis, we concur with the Directors' forecasts that there may be possibility of international cobalt price rising by approximately 15.9% up to US$95,000 per tonne again during the coming three Years from 2018 to 2020, and hence, an anticipation for a rebound in international cobalt price up to US$95,000 per tonne in the coming three Years shall be realistic, prudent, fair and reasonable.

- Others

The Revised Annual Caps relating to supply to CNMC Group in coming three Years have been arrived at after taking into account the fact that CNMC Group is expected to purchase additional raw materials and products from the Group. Such expected sales of the Group, however, are not expected to be significant and relatively stable over the coming three Years from 2018 to 2020 when compared to the procurement from the CNMC Group mainly because of the Group's several expansion and development projects to be conducted. We have reviewed the Group's annual cap setting schedule and the reasoning behind, and were not aware of any anomaly in this regard.

General comments

As mentioned in the above, the Group estimates that there will be an increase in revenue from selling copper products to the CNMC Group in the future, a number of infrastructure construction and expansion projects which result in supply of raw materials, products and services to and from the CNMC Group. Against this backdrop, we have discussed with the Management in relation to the Group's future development plans and reviewed the details of the Group's existing production capabilities and the expansion of capabilities following the expected completion of such copper processing projects, and we noted that the Company has taken into account of these factors in estimating the relevant proposed Revised Annual Caps.

Generally speaking, in our view, it is in the interests of the Group and the Shareholders as a whole to revise the Existing Annual Caps in a way that can facilitate the Group to conduct sales and/or procurement activities with the CNMC Group, and accommodate the potential growth of the Group's business in the coming three Years from 2018 to 2020 for adapting the ever-changing business environment. Accordingly, the Revised Annual Caps are conducted in the ordinary and usual course of business of the Group and on normal commercial terms, commercially justifiable, fair and equitable between the Group and the CNMC Group, and fair and reasonable so far as Independent Shareholders are concerned. Provided that the Non-exempt Continuing Connected 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 desirable flexibility in conducting its businesses if the Revised Annual Caps are tailored to future business growth. In fact, according to the Annual Report for the Year 2017, the Company had confirmed that an annual review of the Non-exempt Continuing Connected Transactions for the Year 2017 had been conducted by the independent non-executive Directors and the auditors of the Company, in compliance with the requirements as set out in Rules 14A.37 to 14A.41 of the Listing Rules. In assessing the fairness and reasonableness of the Revised Annual Caps, we have discussed with the Management the factors taken into account as stated earlier in this letter. We consider it fair and reasonable for the Company to use the above factors in determining the Revised Annual Caps.

6. Assessment of the Group's reliance on the CNMC Group

As indicated in the above, the Existing Annual Caps of approximately US$1,467.2 million (i.e. 229kt x US$6,407 per tonne), US$1,740.6 million (i.e. 265.5kt x US$6,556 per tonne) and US$2,177.1 million (i.e. 302kt x US$7,209 per tonne) for each of the three Years from 2018 to 2020, respectively, will be revised to approximately US$2,115.6 million (i.e. 258kt x US$8,200 per tonne), US$2,550.2 million (i.e. 311kt x US$8,200 per tonne) and US$3,198.0 million (i.e. 390kt x US$8,200 per tonne) for the same periods respectively, representing considerable increases of approximately 44.2%, 46.5% and 46.9% for each of the three Years from 2018 to 2020, respectively.

In aggregate, for each of the three Years from 2018 to 2020, the Group expects to increase the production volume of its copper products to 360kt, 450kt and 545kt, respectively, and the Group expects to sell approximately 258kt, 311kt and 390kt of such copper products to the CNMC Group, respectively. The percentage of the sales volume of copper products to the CNMC Group for each of the three Years from 2018 to 2020 is expected to be accounted for approximately 71.7%, 69.1% and 71.6%, respectively, of the Group's total sales volume. It is further noted that the aggregate revenue ratio of the procurement/supply of raw materials, products and services from/to the CNMC Group under the 2017 Mutual Supply Framework Agreement would be higher than 71%. The Board considers that there is no notable concern in terms of the Group's reliance on the CNMC Group, as the Directors believe the possibility of the CNMC Group replacing the Group with alternative supplier(s) in the same territory which can supply similar quality and quantity of copper and other products remains low, because there exists a mutual reliance relationship there between on the basis that the CNMC Group's purchase of copper products from the Group had accounted for approximately 63%, 55% and 45% of CNMC Group's total purchase of copper products for the past three Years from 2015 to 2017, respectively, mainly because there has been shortage of copper supply in the PRC. On such basis, we are of the view that the reliance between the Group and the

CNMC Group is mutual and complimentary, and accordingly, the Group's risk of losing CNMC Group as its single largest customer so as leading to material adverse financial impact on the Group's business operation would be remote.

We have noted the above arithmetical scenario of probable heavier reliance on the CNMC Group as if the Revised Annual Caps for sale of copper products pursuant to the 2017 CNMC Copper Supply Framework Agreement are to be aggregated with the supply of sulphuric acid and cobalt pursuant to the 2017 Mutual Supply Framework Agreement. Nonetheless, the Board would like to clarify that this arithmetical assumption would unlikely come true in the near future, because the production of cobalt is still yet to be developed, exploited and/or expanded in the Group's different mines in Zambia and DRC in the coming one to two Years; while the forecasted cobalt outputs in the coming two Years of 2019 and 2020 are currently inferred based to the relevant feasibility study reports. At this preliminary stage of development, it is commercially unusual and impracticable for the Group to arrange with Independent Customers for committing any concrete sales/purchasing orders/quantities of cobalt. As a usual industry practice, the Group has to take time to negotiate with Independent Customers to fix a certain quantity of mineral products at an agreed unit selling price within an agreed period of time. In order to effectively ensure the sale of cobalt to be implemented once the relevant production output can be certain for sale to the international market, it shall be expedient for the Group to request for an attainable annual cap amounts for sale of cobalt in the coming three Years from 2018 to 2020, so that the CNMC Group can efficiently help the Group to sell such cobalt output to its much wider customer base at that time immediately rather than Independent Customers of the Group itself. If the Group's cobalt production can be more certain, it will be seeking opportunities for selling its cobalt output to more Independent Customers at that time. Based on this understanding, we are of the view that the Revised Annual Caps, in particular for the sale of cobalt, are to facilitate an effective, efficient and smooth sales arrangement when such cobalt output are readily available for sale to the international market, and therefore is in the interests of the Group and the Shareholders as a whole. With regard to the probable heavier reliance on the CNMC Group inferred by arithmetical assumption may not be realistic and would never detrimental to the interests of the Group and the Shareholders as a whole. In order to address the concern of probable increasing reliance on the CNMC Group, the Directors confirmed that the Group's aggregate actual transaction amount of (i) the sales of copper products to the CNMC Group under the 2017 CNMC Copper Supply Framework Agreement; and (ii) the sales of raw materials, products and services to the CNMC Group under the 2017 Mutual Supply Framework Agreement in each Year not exceeding 65% (i.e. between 60% and 65%) of the Group's total revenue in the near future. In order to achieve such lower level of reliance, the Company will closely monitor the specific transactions with both the CNMC Group and the Independent Customers and take pre-emptive measures to maintain such lower level of reliance while protecting the commercial interests of the Group. Based on our understanding from the Management, the Group could deliberately lessen, or even temporarily cease, sales activities with the CNMC Group once the reliance level would be approaching to the said range of 60% to 65%, until such reliance level would be diluted to a lower level by increasing sales revenue from Independent Customers. Since the demand for copper and cobalt products is expected be greater than its supply, the Group can easily opt to sell them to either the CNMC Group or Independent Customers in the foreseeable future. On such basis, we are of the view that the Group's expected reliance on the CNMC Group in terms of revenue within the range of 60% to 65% in the coming three Years can be achievable.

The Company is of the view that when proposing the Revised Annual Caps of Non-exempt Continuing Connected Transactions in respect of (i) the supply of copper products to the CNMC Group under the 2017 CNMC Copper Supply Framework Agreement; and (ii) procurement/supply of raw materials, products and services from/to the CNMC Group under the 2017 Mutual Supply Framework Agreement, flexibility shall be taken into account to accommodate the maximum limits under various possibilities. However, same as the actual implementation of the Non-exempt Continuing Connected Transactions previously, the Group and the CNMC Group will conduct continuing connected transactions in strict accordance with the actual demand for transaction volume and the actual transaction price. Even if the Company sets the annual caps for continuing connected transactions, it does not mean that the Group and the CNMC Group will transact such amounts, and the Proposed Annual Caps are not indications for the actual transaction amounts.

Based on our independent review of the Annual Reports for the past seven Years from 2011 to 2017, we noted that the Group's sales of copper products to the CNMC Group amounted to approximately US$797.8 million, US$1,215.5 million, US$1,460.3 million, US$1,148.7 million, US$773.1 million, US$927.5 million and US$959.3 million respectively, representing approximately 51.0%, 54.1%, 60.2%, 59.2%, 65.0%, 70.6% and 52.2% of its total revenue for the same periods respectively; and noted that, historically, the aggregate sales of the Group attributed to the CNMC Group ranged from approximately 51.0% (in Year 2011) to 70.6% (in Year 2016) during the seven-year period.

After taking into account the enlarged sales to the CNMC Group due to the proposed increase of sales volume of up to 258kt, 311kt and 390kt of copper products as mentioned above, the aggregate enlarged sales attributable to the CNMC Group and for the three Years 2018 to 2020 would contribute to approximately 71.7%, 69.1% and 71.6% of the Group's total sales volume of copper products, which would be closely comparable to, and slightly higher than, that of approximately 70.6% recorded in the Year 2016. Hence, the Board considers that the Group has no undue reliance on the CNMC Group. In addition, taking into consideration the commencement of the operation of the Group's cobalt production facilities in the last quarter of the Year 2018, which the Group is expecting to generate additional revenue therefrom so as leading to reduction in the proportion of sales attributable to the CNMC Group in the near future. If the Group's cobalt production can be more certain at a later stage, it will be seeking opportunities for selling its cobalt metal to more Independent Customers at that time, so as to better monitor and/or mitigate the reliance level on the CNMC Group. Based on the Directors' best estimates, the percentage ratios of the Revised Annual Caps in relation to the sale of copper products to the CNMC Group when compared to the Group's expected revenue for the three Years from 2018 to 2020 would fall below 60%. On such basis, we consider that the Revised Annual Caps would have no material and obvious deterioration on the reliance level on the CNMC Group, and accordingly, would not be leading to any undue business and financial risks to the Group.

Further looking in-depth in the historical and current operation flow between the Group and the CNMC Group for the sale of copper products whilst this similar operation mode will also be extended for supply of sulphuric acid and cobalt to the CNMC Group in the coming three Years from 2018 to 2020 and the foreseeable future, the Group has been substantially selling copper products to two member companies of the CNMC Group, namely New Spread Trading Limited (新揚貿易有限公司) and CNMC International Trade Limited (中色國際貿易有限公司), both of them are the trading arms of the CNMC Group for sales and distribution of mineral and other products from various supplying sources and then selling the same to Independent Customers all over the world. Global demand for copper products has been very active over the recent years, this can be provable by the reason why the international copper price has been rising rapidly (i.e. the demand has been greater than its supply) over the period. The CNMC Group, in substance, plays a role as a sales and distribution agent for and on behalf of the Group, while there has been numerous Independent Customers behind demanding for the Group's copper products over the years. Based on this fact, we may see that the CNMC Group shall substantially be regarded as a sales agent and therefore not a major end-customer/user of the Group's copper products, so the CNMC Group's role in the sale of copper products is not irreplaceable by any other alternative sales agent(s). On such basis, the Directors consider that there in fact is no concentration risk on the CNMC Group as the single largest customer of the Group because there are numerous ultimate end-customers behind, and accordingly, the reliance issue of the CNMC Group shall not be a serious concern about the business operation and risk management of the Group as a whole. We concur with the Directors' assessment in this regard.

By maintaining the well-established business and co-operation relationship with the CNMC Group has been bringing, and will bring, in additional commercial and financial benefits to the Group, while the reliance relationship between the Group and the CNMC Group would not be detrimental to the Group and the Shareholders as a whole. However, from risk management perspective, the Board after careful assessment has determined that it will be in the best interests of the Group and the Shareholders as a whole to maintain or even increase the current level of sale of copper products to the CNMC Group and not to overly diversify its customer base. It has been the fact there has been stable and reliable record in trade debt recoverability with the CNMC Group, so that the Group has been developing long-term co-operation relationship with the CNMC Group so far.

The Board would like to emphasize that the Group always acts in the best interests of the Group and the Shareholders as a whole in formulating sales/procurement/supply policies irrespective of whether the counter-parties are Independent Customers or connected persons of the Group, so as without offering any preferential treatment to connected persons. The Group decides the proportion of sales to different customers according to the sales terms and their settlement risk. While the Group may selectively diversify its sales to other high quality customers, the Group does not see the commercial need to overly diversify its customer base at this stage since it would bring in additional business and financial risks and administrative burdens to the Group. It has been the fact that the Group has considered that shifting substantial sales volume to other Independent Customers might conversely bring in new business and/or financial uncertainties/risks to the Group, because it has to re-assess the credit-worthiness of such new Independent Customers, instead of the CNMC Group which has well-established co-operation relationship with the Group and proven credit-worthiness so far. As the CNMC Group is a controlling Shareholder, there shall be a more secured, reliable and trust-worthy relationship with the Group when compared to any other Independent Customers as the CNMC Group's business interests in the Group has been and will be in alignment of its 74.52% shareholding interests in the Company, and therefore would never do such acts detrimental to the interests of the Group and in turn to the CNMC Group itself ultimately. As such, the possibility that the Group would suffer material and adverse financial impact as if it loses the CNMC Group as the Group's single largest customer, or there would be an adverse change in the business relationship there between, would be very remote. We concur with the Board's assessment in these regards.

Based on our independent review of the Annual Reports for the seven Years from 2012 to 2017, we noted that the Group has been relying on the sales of copper products to the CNMC Group so far, whilst the Group's business operation and financial position had never been deteriorating by the only reason of reliance on the CNMC Group since its listing on the Main Board of the Stock Exchange in the Year 2012 on the following bases that, in respect of the Group's operating performance, (i) the Group's revenue had generally been increasing from approximately US$1,283.9 million in the Year 2011 to US$1,838.7 million in the Year 2017, representing a compound annual growth rate (the "**CAGR**") of approximately 6.2% during the seven-year period; (ii) the Group's gross profit margins had been relatively stable and increasing from approximately 14.7% in the Year 2011 to the record high of about 23.5% in the Year 2017 with an average gross profit margin of approximately 16.2% during the seven-year period; and (iii) except for the exceptional events occurred in the Year 2015, the Group's profit before income tax had also generally been increasing with a CAGR of approximately 18.0% during the seven-year period, whilst its net profit margins had grown from approximately 8.0% in the Year 2011 to 12.7% in the Year 2017, the latter was the record high since the Company's listing on the Main Board of the Stock Exchange. In respect of the Group's financial position, (a) the Group's current ratios had been sound ranging from approximately 1.5 times to 3.5 times with an average of about 2.3 times over the seven-year period and about 2.0 times for the Year 2017; (b) its inventory turnover days and trade receivable turnover days had also been healthy with an average of approximately 88.8 days and 37.8 days, respectively, over the seven-year period; and (iii) the Group had been capable of generating meaningful operating cash inflow before movements in working capital in each Year, from approximately US$175.9 million in the Year 2011 to the record high of about US$427.2 million in the Year 2017, with an average of about US$256.5 million each Year during the seven-year period.

Based on the above scenario, we are of the view that the Group's reliance level on the CNMC Group had gradually been increasing up to the Year 2016, but was improved in the Year 2017, when taking into account the seven-year period as a whole for review and consideration. Having a well-established business relationship with the CNMC Group, notwithstanding there may be certain degree of reliance (i.e. but not heavy), had never adversely affected the Group's operating performance and financial position and had not been detrimental to the interests of the Group and the Shareholders as a whole. On such basis, we consider that while the Group's continuous reliance (i.e. but not heavy) on sale of copper and other mineral products to the CNMC Group has been and will be a fact in the near future, but the Group has established concrete plans to mitigate such reliance level in the coming three Years from 2018 to 2020, which we consider to be achievable. Having further considered that the identity of the CNMC Group being a controlling Shareholder is absolutely different from an external Independent Customer, and accordingly, would very unlikely bring in additional business and financial risks to the Group; and we therefore are of the view that such reliance issue would not render the Group unsuitable for listing on the Main Board of the Stock Exchange. On the other way round, if the CNMC Group were an external Independent Customer instead of the controlling Shareholder, we would hold a totally different view that there would be comparatively more serious concern about the Group's reliance on the CNMC Group.

RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that the Non-exempt Continuing Connected Transactions (including the Revised Annual Caps) are conducted in the ordinary and usual course of business of the Group, on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Shareholders, as well as the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the ordinary resolutions to be proposed at the Re-Scheduled AGM to approve the Revised Annual Caps attributable to the Non-exempt Continuing Connected Transactions contemplated under each of (i) the 2017 CNMC Copper Supply Framework Agreement; and (ii) the 2017 Mutual Supply Framework Agreement.

Yours faithfully,
For and on behalf of
First Shanghai Capital Limited
Nicholas Cheng
Director

Note:

Mr. Nicholas Cheng has been the Responsible Officer of Type 6 (advising on corporate finance) regulated activity under the SFO and has over 16 years of experience in corporate finance industry. He has participated in the provision of independent financial advisory services for numerous connected transactions involving companies listed in Hong Kong.

RESPONSIBILITY STATEMENT

This supplemental 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 supplemental 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 supplemental circular misleading.

DISCLOSURE OF INTERESTS

As of 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 Division 2, Division 7 and 8 of Part XV of the SFO; or interest 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.

SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as was known to the Directors and chief executive of the Company, the persons, other than a Director or chief executive 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	74.52%
CNMC	Interest in a controlled corporation	Long Position	2,600,000,000	74.52%

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 executive of the Company are not aware of any other person having interests or short positions (other than the Directors and chief executives of the Company) 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.

PROFESSIONAL QUALIFICATIONS AND CONSENTS

The following are the qualifications of the expert who have given their opinions or advices which are contained in this supplemental circular:

Name	Qualifications
First Shanghai Capital Limited	A licensed corporation to carry out type 6 (advising on corporate finance) regulated activities under the SFO

(a) As at the Latest Practicable Date, First Shanghai Capital Limited 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 2017, being the date of the latest published audited accounts of the Company, acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

(b) First Shanghai Capital Limited has given and has not withdrawn its written consent to the issue of this supplemental 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.

MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading positions of the Company since 31 December 2017, being the date to which the latest published audited financial statements of the Company have been made up.

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.

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)).

INTERESTS OF THE DIRECTORS

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.

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.

Since 31 December 2017, 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 or disposed of by or leased to or which are proposed to be acquired, disposed of by or leased to, any member of the Group.

GENERAL

The registered office of the Company is situated at Room 1201, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong. 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.

The English text of this supplemental circular and the accompanying form of proxy shall prevail over the Chinese text in the case of any inconsistency.

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, Austin Tower, 22–26 Austin Avenue, Tsimshatsui, Kowloon, Hong Kong, from the date of this supplemental circular up to and including 28 June 2018:

1) the 2017 CNMC Copper Supply Framework Agreement and the 2017 Mutual Supply Framework Agreement entered into between the Company and CNMC;

2) the letter of recommendation from the Independent Board Committee, the text of which is set out on page 55 of this supplemental circular;

3) the letter of advice issued by First Shanghai Capital Limited, the text of which is set out on pages 56 to 100 of this supplemental circular; and

4) 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: 1258)

REVISED NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the re-scheduled annual general meeting (the "**Re-Scheduled AGM**") 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, 28 June 2018 at 2:30 p.m. for the following purposes:

AS ORDINARY RESOLUTIONS

1. To receive and consider the audited consolidated financial statements and the reports of the directors of the Company and independent auditor for the year ended 31 December 2017.

2. To declare a final dividend of US¢0.6124 per share of the Company for the year ended 31 December 2017.

3. (a) To re-elect the directors of the Company (the "**Directors**"):

   (i) to re-elect Mr. Lin ZHANG as an executive Director;

   (ii) to re-elect Mr. Chunlai WANG as an executive Director;

   (iii) to re-elect Mr. Wei FAN as an executive Director; and

   (iv) to re-elect Mr. Diyong YAN as a non-executive Director; and

   (b) to authorise the board of Directors (the "**Board**") to fix the remuneration of each Director.

4. To re-appoint Deloitte Touche Tohmatsu as the auditor of the Company and to authorise the Board to fix its remuneration.

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

5. **"THAT**

(a) subject to paragraph (c) of this resolution, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares of the Company (the "**Shares**") and to make or grant offers, agreements and options (including warrants, bonds, notes, and other securities which carry rights to subscribe for or are convertible into shares) which would or might require the exercise of such power be and is hereby generally and unconditionally approved;

(b) the approval in paragraph (a) of this resolution shall authorise the Directors during the Relevant Period (as hereinafter defined) to allot, issue and deal with additional Shares and to make or grant offers, agreements and options (including bonds, warrants, debentures, notes and any securities which carry rights to subscribe for or are convertible into Shares) which would or might require the exercise of such powers after the end of the Relevant Period;

(c) the aggregate number of Shares allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to options or otherwise) by the Directors pursuant to the approval in paragraph (a) of this resolution, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); or (ii) any scrip dividend scheme or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the articles of association of the Company ("**Articles of Association**") in force from time to time; or (iii) an issue of Shares upon the exercise of rights of subscription or conversion under the terms of any existing warrants of the Company or any existing securities of the Company which carry rights to subscribe for or are convertible into Shares, shall not exceed 20% of the number of shares of the Company in issue as at the date of the passing of this resolution (subject to adjustment in the case of any conversion of or any or all of the Shares into a larger or smaller number of shares in accordance with section 170(2)(e) of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) after the passing of this resolution), and the said approval shall be limited accordingly; and

(d) for the purpose of this resolution, "Relevant Period" means the period from the date of the passing of this resolution until whichever is the earlier of:

    (i) the conclusion of the next annual general meeting of the Company unless by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions;

(ii) the expiration of the period within the next annual general meeting of the Company is required by the Articles of Association or any applicable laws to be held; and

(iii) the passing of an ordinary resolution by the shareholders of the Company (the "**Shareholders**") in general meeting revoking or varying the authority given to the Directors by this resolution.

"Rights Issue" means an offer of Shares or securities of the Company or issue of option, warrants or other securities giving the right to subscribe for Shares open for a period fixed by the Directors, to holders of Shares, or any class thereof whose name appear on the register of members of the Company on a fixed record date (and, where appropriate, to holders of other securities of the Company entitled to the offer, if any) in proportion to their holdings of such shares (or, where appropriate, such other securities) (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong applicable to the Company)."

6. **"THAT**

(a) subject to paragraph (b) of this resolution, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all powers of the Company to buy-back or otherwise acquire Shares on the Stock Exchange or on any other stock exchange on which the Shares may be listed and which is recognised by The Securities and Futures Commission of Hong Kong (the "**Securities and Futures Commission**") and the Stock Exchange for such purpose, subject to and in accordance with the rules and regulations of the Securities and Futures Commission, the Stock Exchange or any other stock exchange as amended from time to time and all applicable laws in this regard, be and is hereby generally and unconditionally approved;

(b) the aggregate number of shares of the Company authorised to be bought-back by the Company pursuant to the approval in paragraph (a) of this resolution during the Relevant Period shall not exceed 10% of the number of shares of the Company in issue as at the date of the passing of this resolution (subject to adjustment in the case of any conversion of or any or all of the Shares into a larger or smaller number of shares in accordance with section 170(2)(e) of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) after the passing of this resolution), and the said approval shall be limited accordingly; and;

(c) for the purpose of this resolution, "Relevant Period" means the period from the date of the passing of this resolution until whichever is the earlier of:

(i) the conclusion of the next annual general meeting of the Company unless by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally subject to conditions;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association or any applicable laws to be held; and

(iii) the passing of an ordinary resolution by the Shareholders in general meeting revoking or varying the authority given to the Directors by this resolution."

7. "**THAT** subject to the passing of resolution number 6 set out in this notice convening this meeting, the general mandate granted to the Directors to allot, issue and deal with additional Shares pursuant to resolution number 5 set out in the notice convening this meeting be and is hereby extended by the addition thereto of an amount representing the aggregate number of Shares bought-back by the Company under the authority granted pursuant to resolution number 6 set out in this notice convening this meeting, provided that such amount of Shares so bought-back shall not exceed 10% of the number of shares of the Company in issue as at the date of passing this resolution (subject to adjustment in the case of any conversion of or any or all of the Shares into a larger or smaller number of shares in accordance with section 170(2)(e) of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) after the passing of this resolution)."

8. "**THAT**

the maximum limit of the amounts involved under the 2017 CNMC Copper Supply Framework Agreement for the financial years ending 31 December 2018, 31 December 2019 and 31 December 2020 be revised from US$1,467,203,000, US$1,740,618,000 and US$2,177,118,000 to US$2,115,600,000, US$2,550,200,000 and US$3,198,000,000 respectively; and

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 2017 CNMC Copper Supply Framework Agreement and to make and agree such variations of a non-material nature in or to the terms of the 2017 CNMC Copper Supply Framework Agreement as he may in his discretion consider to be desirable and in the interests of the Company."

9. “**THAT**

the maximum limit of the amounts of procurement of raw materials, products and services from the CNMC Group under the 2017 Mutual Supply Framework Agreement for the financial years ending 31 December 2018, 31 December 2019 and 31 December 2020 be revised from US$387,560,000, US$365,050,000 and US$304,413,000 to US$608,560,000, US$621,550,000 and US$371,913,000 respectively; and

the maximum limit of the amounts of supply of raw materials, products and services to the CNMC Group under the 2017 Mutual Supply Framework Agreement for the financial years ending 31 December 2018, 31 December 2019 and 31 December 2020 be revised from US$27,240,000, US$26,452,700 and US$26,247,000 to US$101,040,000, US$639,852,700 and US$775,947,000 respectively; and

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 2017 Mutual Supply Framework Agreement and to make and agree such variations of a non-material nature in or to the terms of the 2017 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
Xinghu TAO
Chairman

13 June 2018

Notes:

1. Persons who hold shares of the Company and whose names appear on the register of members as at close of business on Friday, 22 June 2018 shall be entitled to attend the Re-Scheduled AGM.

2. A member of the Company entitled to attend and vote at the Re-Scheduled AGM 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 AGM or the proxy from for use at the Re-scheduled AGM (the "**Revised AGM Proxy Form**"), 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) before the time for the holding of the Re-Scheduled AGM.

4. The proxy form for use at the AGM which have already been properly completed and deposited with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (the "**Original AGM Proxy Form**") will be deemed valid for the purpose of the Re-Scheduled AGM if the Revised AGM Proxy Form is not completed and duly returned, or if the Revised AGM Proxy Form is returned later than 48 hours before the time stipulated for convening the Re-Scheduled AGM. The representatives appointed by the Shareholders in the Original AGM Proxy Form will be entitled to vote at their discretion or abstain from voting on the additional resolutions duly submitted to the Re-Scheduled AGM.

5. If the Revised AGM Proxy Form is properly completed and deposited with the Company's share registrar not less than 48 hours before the time stipulated for convening the Re-Scheduled AGM, the Revised AGM Proxy Form will supersede and replace the Original AGM Proxy Form for the purpose of the Re-Scheduled AGM.

6. Completion and delivery of the Original AGM Proxy Form or the Revised AGM Proxy Form should not preclude a member from attending and voting in person at the Re-Scheduled AGM and in such event, the instrument appointing a proxy shall be deemed to be revoked.

7. The register of members of the Company will be closed from Monday, 25 June 2018 to Thursday, 28 June 2018, both days inclusive, during which period no transfer of shares will be effected. In order to determine the entitlement to attend the Re-Scheduled AGM, all transfer forms and 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, Hong Kong, not later than 4:30 p.m. on Friday, 22 June 2018.

8. In relation to resolution number 3(a) above, Mr. Lin ZHANG, Mr. Chunlai WANG, Mr. Wei FAN and Mr. Diyong YAN will retire from their offices of Directors at the Re-Scheduled AGM and, being eligible, offer themselves for re-election. The details of the Directors to be offered for re-election are set out in Appendix II to the AGM Circular.

9. In relation to resolutions number 5 and 7 above, approval is being sought from the Shareholders for the granting to the Directors of a general mandate to authorise the allotment and issue of Shares under the Listing Rules.

10. In relation to resolution number 6 above, the Directors wish to state that they will exercise the powers conferred thereby to buy-back Shares in circumstances which they deem appropriate for the benefit of the Shareholders. The Explanatory Statement containing the information necessary as required by the Listing Rules, is set out in Appendix I to the AGM Circular.

11. Members who have any queries concerning the meeting arrangements, please call the Company at +852 2797 2777 or +86 10 8442 6886 during business hours from 9:00 a.m. to 5:00 p.m. on Mondays to Fridays, excluding public holidays.

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

13. As at the date of this notice, the Board comprises Mr. Xinghu TAO, Mr. Lin ZHANG, Mr. Chunlai WANG, Mr. Wei FAN and Mr. Kaishou XIE, as executive Directors; Mr. Diyong YAN as non-executive Director; and Mr. Chuanyao SUN, Mr. Jingwei LIU and Mr. Huanfei GUAN as independent non-executive Directors.