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

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

(Stock Code: 01258)

DISCLOSEABLE TRANSACTION
ENTERING INTO SUPPLEMENTAL AGREEMENT
ON JOINT EXPLORATION AND DEVELOPMENT
OF KAMBOVE MINING PROJECT

BACKGROUND

References are made to the announcement of the Company dated 25 October 2019 and the 2019 Annual Report in relation to, among other things, information related to Kambove Mining. In 2016, the Company and GCM entered into the Original JV Agreement, pursuant to which the parties agreed to jointly establish Kambove Mining to explore and develop the Kambove Mine. Recently, in light of Project demands, in addition to the No. 1 Supplemental Agreement and the No. 2 Supplemental Agreement, CNMHKI, Kambove Mining and GCM have undertaken further negotiations regarding the overall development plan and subsequent cooperation of the Kambove Mining Project, and have entered into the No. 3 Supplemental Agreement on 20 June 2020 (DRC local time) to strengthen the cooperation.

NO. 3 SUPPLEMENTAL AGREEMENT

Kambove Mining agreed to pay a one-off entry fee of US\$75 million to GCM in 3 installments for obtaining the mineral resources in the Kambove Mine. To compensate for the inability of the EPC Contract in contributing to the local economy under the goal of local laws of the DRC, upon negotiation between the parties, Kambove Mining has agreed to pay a compensation of US\$5 million to GCM. In consideration for the ore consumption in the mineral deposit of the Kambove Mine, Kambove Mining agreed to pay GCM a Royalty Fee calculated on the basis of 2.5% of the gross turnover of Kambove Mining in each financial year.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio for the Entry Fee and the EPC Contract Compensation under the No. 3 Supplemental Agreement (on an aggregated basis) exceeds 5% but is less than 25%, the payment of the Entry Fee and the EPC Contract Compensation contemplated under the No. 3 Supplemental Agreement constitutes a discloseable transaction of the Company. The Company is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules but is exempted from shareholders' approval requirements. As the Royalty Fee is an expense incurred in the ordinary and usual course of business of the Group and is of revenue nature, the payment of the Royalty Fee by the Group does not constitute a transaction under Chapter 14 of the Listing Rules.

I. BACKGROUND

References are made to the announcement of the Company dated 25 October 2019 and the 2019 Annual Report in relation to, among other things, information related to Kambove Mining.

In 2016, the Company and GCM entered into the Original JV Agreement, pursuant to which the parties agreed to jointly establish Kambove Mining to explore and develop the Kambove Mine with a respective shareholding of 55% and 45%; and GCM shall transfer the relevant mining rights and rights certificates of Kambove Mine to Kambove Mining at nil consideration. The Original JV Agreement also provided that supplemental agreement(s) on specific cooperation arrangements, depending on the actual progress and demands, shall be entered into at different stages of the Project. After establishment of Kambove Mining, pursuant to the No. 1 Supplemental Agreement, the Company has transferred all its rights and obligations under the Original JV Agreement to CNMHKI. In 2019, CNMHKI, Kambove Mining and GCM entered into the No. 2 Supplemental Agreement, pursuant to which the parties have, based upon the exploration and feasibility studies results, agreed on subsequent investments and operations of the Integrated Exploration and Construction Project of Kambove Mining, and resolved preliminary implementation methods for each stage of the Project.

As disclosed in the 2019 Annual Report, Kambove Mining has completed preparatory works for the Integrated Exploration and Construction Project of Kambove Mining as at the end of 2019 and commenced full-scale construction this year. Recently, in light of Project demands, CNMHKI, Kambove Mining and GCM undertaken further negotiations regarding the overall development plan and subsequent cooperation of the Kambove Mining Project, and have entered into the No. 3 Supplemental Agreement on 20 June 2020 (DRC local time) to strengthen the cooperation.

II. NO. 3 SUPPLEMENTAL AGREEMENT

Date

20 June 2020

Parties

- (1) GCM
- (2) Kambove Mining
- (3) CNMHKI

Entry Fee

Kambove Mining agreed to pay a one-off entry fee of US\$75 million to GCM for obtaining the mineral resources in the Kambove Mine. Such fee is payable by Kambove Mining to GCM utilising the Shareholder's Loan from CNMHKI (or its affiliate(s)) in 3 installments: US\$25 million to be paid no later than 30 June 2020, US\$30 million to be paid no later than 31 July 2020 and the remaining US\$20 million to be paid no later than 31 August 2020.

EPC Contract Compensation

The parties have agreed for CNMHKI (or its affiliate(s)) to administer the EPC Contract on the Integrated Exploration and Construction Project of Kambove Mining. In order to compensate for the inability of the EPC Contract in contributing to the local economy under the goal of local laws of the DRC, upon negotiation between the parties, Kambove Mining has agreed to pay a compensation of US\$5 million to GCM. Such fee, payable no later than 30 June 2020, shall be paid by Kambove Mining to GCM utilising the Shareholder's Loan from CNMHKI (or its affiliate(s)).

Royalty Fee

In consideration for the ore consumption in the mineral deposit of the Kambove Mine, Kambove Mining has agreed to pay GCM a Royalty Fee calculated on the basis of 2.5% of the gross turnover of Kambove Mining in each financial year.

III. BASIS FOR THE DETERMINATION OF THE TOTAL FEES

The amount of the Total Fees is arrived upon arm's length negotiation among CNMHKI, Kambove Mining and GCM on normal commercial terms after taking into account (i) the overall estimated resources of the mine(s) involved in the Kambove Mining Project, (ii) the Company's expectation of the prospects of Kambove Mining and the Project, and (iii) the business practice on the joint exploration and development of mining projects in the DRC mining market, and is fair and reasonable.

IV. REASONS FOR AND BENEFIT OF ENTERING INTO NO. 3 SUPPLEMENTAL AGREEMENT

As disclosed in the 2019 Annual Report, Kambove Mining has completed the preparatory works for the Integrated Exploration and Construction Project of Kambove Mining as at the end of 2019 and commenced full-scale construction this year, which will provide new growth points for the development of the Group. Based on the estimated mine resources of the Kambove Mining Project, the prospects of Kambove Mining as well as the Project, the overall revenue from the Kambove Mining Project will be significant. Strengthening the Group's partnership with GCM under the JV Agreement is in line with the development strategies of the Group and will serve to facilitate the continuous expansion and development of the Group in the DRC mining market. The terms of the No. 3 Supplemental Agreement are arrived upon arm's length negotiations among CNMHKI, Kambove Mining and GCM. The Directors are of the opinion that the No. 3 Supplemental Agreement was entered into in the ordinary and usual course of business of the Group on normal commercial terms and the terms are fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

V. LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio for the Entry Fee and the EPC Contract Compensation under the No. 3 Supplemental Agreement (on an aggregated basis) exceeds 5% but is less than 25%, the payment of the Entry Fee and the EPC Contract Compensation contemplated under the No. 3 Supplemental Agreement constitutes a discloseable transaction of the Company. The Company is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules but is exempted from shareholders' approval requirement. As the Royalty Fee is an expense incurred in the ordinary and usual course of business of the Group and is of revenue nature, the payment of the Royalty Fee by the Group does not constitute a transaction under Chapter 14 of the Listing Rules.

VI. 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, copper anodes, copper-cobalt alloy, cobalt hydroxide and sulfuric acid.

CNMHKI is a company incorporated in Hong Kong. As at the date of this announcement, it is a wholly-owned subsidiary of the Company and its principal activity is investment holding.

Kambove Mining is a Société par Actions Simplifiée incorporated in the DRC in accordance with the DRC laws. As at the date of this announcement, it is a subsidiary owned as to 55% by the Company and is owned as to 45% by GCM. Its principal activity is exploration and mining of copper and cobalt and production of cathode copper and cobaltous hydroxide.

GCM is a one-person joint-stock company incorporated in the DRC in accordance with the DRC laws. It is a state-owned enterprise of the DRC and its principal activity is mining investment and development.

As at the date of this announcement, Kambove Mining is an insignificant subsidiary of the Company under Rule 14A.09 of the Listing Rules, and therefore GCM does not constitute a connected person of the Company under Chapter 14A of the Listing Rules. Except the shareholding in Kambove Mining, GCM is not otherwise interested in or connected with the Group.

VII. DEFINITIONS

“2019 Annual Report”	the annual report of the Group for the year ended 31 December 2019 published by the Company on 27 April 2019
“Board”	the board of Directors of the Company
“CNMHKI”	China Nonferrous Mining Hong Kong Investment Limited
“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

“Director(s)”	director(s) of the Company
“DRC”	the Democratic Republic of Congo
“Entry Fee”	has the meaning ascribed thereto in the section headed “No. 3 Supplemental Agreement” in this announcement
“EPC Contract”	the contract on the types of the EPC (engineering, procurement and construction) contract entered into by Kambove Mining to subcontract the implementation of factories and any expansion projects of the Project
“EPC Contract Compensation”	has the meaning ascribed thereto in the section headed “No. 3 Supplemental Agreement” in this announcement
“EPC Project”	the implementation of factories and any expansion projects of the Project in accordance with the EPC Contract
“GCM”	La Generale des Carrieres et des Mines SA
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Integrated Exploration and Construction Project of Kambove Mining”	the exploration and construction project of the Kambove Main Mine which is the initial stage of the Kambove Mining Project
“JV Agreement”	the Original JV Agreement amended and supplemented by the No. 1 Supplementary Agreement, the No. 2 Supplemental Agreement and the No. 3 Supplemental Agreement
“Kambove Mine”	the mine to be jointly explored and developed by the Group and GCM as provided in the JV Agreement and is expected to include the Kambove Main Mine, the Kambove West Mine, the Msesa Mine and the Kibindji Mine as at the date of this announcement
“Kambove Mining”	Kambove Mining SAS

“Kambove Mining Project” or “Project”	the project on the exploration and development of the mineral deposit in the Kambove area by the Group and GCM in accordance with the JV Agreement with the purpose of constructing and operating the processing factory for the ore resources mined in the mine
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
“No. 1 Supplemental Agreement”	the No. 1 Supplemental Agreement to the Original JV Agreement entered into by the Company, CNMHKI and GCM on 13 March 2017
“No. 2 Supplemental Agreement”	the No. 2 Supplemental Agreement to the Original JV Agreement entered into by the CNMHKI, Kambove Mining and GCM on 13 September 2019
“No. 3 Supplemental Agreement”	the No. 3 Supplemental Agreement to the Original JV Agreement entered into by the Kambove Mining, CNMHKI and GCM on 20 June 2020
“Original JV Agreement”	the JV Agreement entered into by the Company and GCM on 25 August 2016 in relation to the establishment of Kambove Mining
“Royalty Fee”	has the meaning ascribed thereto in the section headed “No. 3 Supplemental Agreement” in this announcement
“Share(s)”	ordinary share(s) in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares of the Company
“Shareholder’s Loan”	the shareholder’s loan provided to Kambove Mining by CNMHKI (or its affiliate(s)) to enable Kambove Mining to make the relevant payments under the JV Agreement, the terms of which are set out in the shareholder’s loan agreement entered into between CNMHKI (or its affiliate(s)) and Kambove Mining

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto in the Listing Rules
“Total Fees”	collectively, the Entry Fee, the EPC Contract Compensation and the Royalty Fee
“US\$”	United States dollars, the lawful currency of the United States
“%”	per cent

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

Beijing, 21 June 2020

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