ALTUS CAPITAL LIMITED
21 Wing Wo Street, Central, Hong Kong

Tel : (852) 2522 6122
Fax : (852) 2522 6992
E-mail Address:
mail@altus.com.hk

6 May 2025

To the Independent Board Committee and the Independent Shareholders
Jinchuan Group International Resources Co. Ltd
15th Floor, Tower 2
Admiralty Centre
18 Harcourt Road
Admiralty, Hong Kong

Dear Sir/Madam,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the 2025 CCT Agreement and the Proposed Annual Caps. Details of which are set out in the "Letter from the Board" contained in the circular dated 6 May 2025 (the "**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless otherwise defined herein or required by the context.

On 30 April 2025 (after trading hours), the Company and JCG entered into the 2025 CCT Agreement, pursuant to which the Company has agreed to cause the Group to sell to JCG Group, and JCG has agreed to cause JCG Group (for the purpose of this letter, excluding the Group) to purchase from the Group, the Mineral and Metal Products that the Group may source from third parties or produce by the mines of the Group during the term of the 2025 CCT Agreement.

香港中環永和街21號

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, through its wholly-owned subsidiaries, JCG indirectly owns 7,593,009,857 Shares, representing approximately 57.82% of the issued share capital of the Company. Accordingly, JCG is a connected person of the Company under Chapter 14A of the Listing Rules and the Continuing Connected Transactions constitute continuing connected transactions of the Company.

Since one or more of the applicable percentage ratios of the Proposed Annual Caps as calculated in accordance with Rule 14.07 of the Listing Rules exceeds 5%, the 2025 CCT Agreement and the transactions contemplated thereunder including the Proposed Annual Caps are subject to reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Board will seek the approval of the Independent Shareholders, among other things, to approve the 2025 CCT Agreement and the transactions contemplated thereunder including the Proposed Annual Caps. JCG and its associates will abstain from voting on the relevant resolution to be passed at the EGM.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee consisting of Mr. Yen Yuen Ho, Tony, Mr. Poon Chiu Kwok, Mr. Yu Chi Kit and Ms. Han Ruixia, being all the independent non-executive Directors, has been established to advise the Independent Shareholders on (i) whether the terms of the 2025 CCT Agreement are on normal commercial terms and are fair and reasonable; (ii) whether the 2025 CCT Agreement and the transactions contemplated thereunder will be conducted in the ordinary and usual course of business of the Company and its subsidiaries and are in the interests of the Company and the Shareholders as a whole; (iii) whether the Proposed Annual Caps are fair and reasonable; and (iv) how the Independent Shareholders should vote in respect of the resolution relating thereto to be proposed at the EGM, taking into account the recommendation of the Independent Financial Adviser.

THE INDEPENDENT FINANCIAL ADVISER

As the Independent Financial Adviser to the Independent Board Committee, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to (i) whether the terms of the 2025 CCT Agreement are on normal commercial terms and are fair and reasonable; (ii) whether the 2025 CCT Agreement and the transactions contemplated thereunder will be conducted in the ordinary and usual course of business of the Company and its subsidiaries and are in the interests of the Company and the Shareholders as a whole; (iii) whether the Proposed Annual Caps are fair and reasonable; and (iv) how the Independent Shareholders should vote in respect of the resolution relating thereto to be proposed at the EGM.

We have not acted as the financial adviser in relation to any transactions of the Company in the last two years prior to the date of the Circular. Pursuant to Rule 13.84 of the Listing Rules, and given that remuneration for our engagement to opine on the 2025 CCT Agreement and the Proposed Annual Caps contemplated thereunder is at market level and not conditional upon successful passing of the resolution at the EGM, and that our engagement is on normal commercial terms, we are independent of the Company.

BASIS OF OUR ADVICE

In formulating our opinion, we have reviewed, among other things, (i) the 2025 CCT Agreement; (ii) the 2022 CCT Agreement; (iii) the interim report of the Company for the six months ended 30 June 2024 (the "**2024 Interim Report**"); (iv) the annual report of the Company for the year ended 31 December 2023 (the "**2023 Annual Report**"); and (v) other information as set out in the Circular.

We have also relied on the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us by the Company, the Directors and the management of the Group (the "**Management**"). We have assumed that all the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us were true, accurate and complete at the time they were made and will continue to be so up to the date of EGM. The Directors collectively and individually accept full responsibility, including particulars given in compliance with the Listing Rules for the purpose of giving information with regards to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other facts the omission of which would make any statement in the Circular misleading.

We have no reason to believe that any statements, information, opinions or representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the statements, information, opinions or representations provided to us untrue, inaccurate or misleading.

We consider that we have been provided with, and have reviewed, sufficient information to reach an informed view and provide a reasonable basis for our opinion. We have not, however, conducted an independent investigation into the business, financial conditions and affairs or future prospects of the Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED

1. Background

1.1 Principal businesses of the Group and JCG Group

The Company is an investment holding company. The Group is principally engaged in the mining of metals, primarily copper and cobalt, in the DRC and in Zambia; and (ii) the trading of mineral and metal products in Hong Kong.

JCG is the ultimate holding company of the Company. JCG was founded in 1958 and is a state-owned enterprise with its majority interest held by the People's Government of Gansu Province. JCG Group is one of the world's largest mining enterprises and being the third largest producer of nickel in the world, fourth largest cobalt producer in the world and the third largest copper producer in the PRC. The principal business of JCG Group includes the production of nickel, copper, cobalt, platinum group metals, non-ferrous metal plates, chemical products and chemicals of non-ferrous metals.

1.2 Operating results of the Group

Set out below is a summary of the operating results of the Group for the six months ended 30 June 2023 and 2024 and the years ended 31 December 2022 and 2023 as extracted from the 2024 Interim Report and the 2023 Annual Report respectively.

	For the six months ended 30 June		For the year ended 31 December	
	2024	2023	2023	2022
	US$'000	*US$'000*	*US$'000*	*US$'000*
	(unaudited)	(unaudited)	(audited)	(audited)
Revenue				
– Sale of copper	261,981	320,973	575,842	696,224
– Sale of cobalt	17,252	17,513	76,932	296,485
	279,233	338,486	652,774	992,709
Provisional pricing adjustment, net	3,799	(11,374)	(13,917)	(111,111)
Revenue – reported measure	283,032	327,112	638,857	881,598
Gross profit	43,046	28,389	70,746	68,485
Profit/(Loss) for the year/period	12,784	(10,038)	(10,670)	6,864

Set out below is a table illustrating the volume sold and the average realised price of copper and cobalt from the Group's mining operations (and excluding the Group's trading operations) for the six months ended 30 June 2023 and 2024 and the years ended 31 December 2022 and 2023 as extracted from the 2024 Interim Report and the 2023 Annual Report respectively.

	For the six months ended 30 June		For the year ended 31 December	
	2024	**2023**	**2023**	**2022**
Volume of copper sold (tonnes)	26,222	29,324	59,516	64,739
Volume of cobalt sold (tonnes)	991	172	2,114	4,496
Average price realised per tonne of copper (US$)	7,973	7,538	7,315	7,537
Average price realised per tonne of cobalt (US$)	13,830	N/A	18,510	35,790

Year ended 31 December 2023 compared to year ended 31 December 2022

The Group principally derives its revenue from the sale of metals, primarily being copper and cobalt. As a result, the financial performance of the Group was impacted by fluctuations in commodity prices. The Group recorded revenue of approximately US$638.9 million in 2023, representing a decrease of approximately 27.5% from approximately US$881.6 million during the previous year. Such decrease was attributable to the decrease in revenue from the sale of both copper and cobalt. Copper revenue decreased by approximately 17.3% to approximately US$575.8 million in 2023 from approximately US$696.2 million in 2022, mainly due to the decrease in volume of copper sold, as well as the slightly lower average copper price realised in 2023 as compared to 2022. Cobalt revenue decreased significantly by approximately 74.1% to approximately US$76.9 million in 2023 from approximately US$296.5 million in 2022, mainly due to the substantial decrease in both volume sold and average cobalt price realised in 2023 as compared to 2022.

Despite lower revenue, the Group's gross profit increased slightly by approximately 3.3% from approximately US$68.5 million in 2022 to approximately US$70.7 million in 2023, mainly due to the reduction in foreign ore purchase expenses incurred in 2023 compared to 2022. The Group, however, recorded a loss for the year of approximately US$10.7 million in 2023 compared to a profit for the year of approximately US$6.9 million in 2022, primarily impacted by the impairment loss on value-added tax recoverable recognised in 2023 of approximately US$29 million (2022: nil).

*Six months ended 30 June 2024 ("**1H2024**") compared to six months ended 30 June 2023 ("**1H2023**")*

The Group recorded revenue of approximately US$283.0 million in 1H2024, representing a decrease of approximately 13.5% from approximately US$327.1 million in 1H2023. Copper revenue decreased by approximately 18.4% to approximately US$262.0 million in 1H2024 from approximately US$321.0 million in 1H2023, mainly due to the decrease in volume of copper sold, while partially offset by higher average copper price realised in 1H2024 as compared to 1H2023. Cobalt revenue amounted to approximately US$17.3 million in 1H2024 which is comparable to US$17.5 million in 1H2023.

Despite lower revenue, the Group's gross profit increased by approximately 51.6% from approximately US$28.4 million in 1H2023 to approximately US$43.0 million in 1H2024, mainly due to (i) decrease in production cost as a result of temporary cessation of the production of cobalt hydroxide and the decline in the production volume of the copper cathode in Ruashi Mine; and (ii) absence of impairment loss on inventory for cobalt in 1H2024 as compared to impairment loss of approximately US$10 million recognised in 1H2023. The Group recorded profit for the period of approximately US$12.8 million in 1H2024 as compared to a loss for the period of approximately US$10.0 million in 1H2023.

1.3 Relationship between the Group and JCG Group

According to the Management, the Company serves as the flagship and listed international base metals platform of JCG Group for undertaking overseas operations in the exploration and exploitation of mining assets and related trading of raw materials and products of non-ferrous metal including, copper and cobalt, while it continues to leverage on the background and expertise of JCG Group to pursue mining investment opportunities.

Taking into account the principal activities of the Group and JCG Group and the relationship between them mentioned above, we consider that the 2025 CCT Agreement and the Continuing Connected Transactions contemplated thereunder adhere to the business strategy of the Company, which also represents a continuation of the long-term relationship between the Group and JCG Group and will be conducted in the ordinary and usual course of business of the Group.

1.4 Prospects of the Group

According to the 2024 Interim Report, the average LME copper price for 1H2024 was US$9,097 per tonne, representing a 5% increase compared to that for 1H2023 of US$8,704 per tonne. After reaching a record high of US$10,857 per tonne in late May 2024, the LME copper price decreased to US$9,477 per tonne as at 30 June 2024. The Management believes that copper fundamental factors remain strong, in particular, as a critical commodity used in construction and infrastructure, copper will benefit from economic recovery. Growth in long-term copper demand will also be driven by the growth in green technologies, where copper is used in energy storage, electric vehicles ("**EV**") and wind power generation etc. In respect of cobalt, the average MB cobalt price decreased by 21% from US$15.37 per pound in 1H2023 to US$12.22 per pound in 1H2024. The drop in cobalt price was due to growing supplies from the DRC and Indonesia and weak global demand. The Management expects that, meanwhile, in the short run, cobalt price recovery will likely be moderate as demand shows no significant uplifts amid an oversupplied market; in the long run, demand for cobalt remains strong, primarily driven by the EV industry and growth in aerospace.

The Management expects that both copper and cobalt markets will continue to be difficult to operate in the near future. The Group will continue to monitor all factors causing market fluctuation and will ensure the Group is able to respond to market changes in a timely manner. As advised by the Management, the Group's focus in the near future is the construction of the Musonoi copper-cobalt mine in Kolwezi city, the DRC, where construction work has progressed well in 2024 and the operation is expected to commence in second half of 2025.

In addition, the Group will continue to enhance quality and efficiency while reducing its production costs to achieve better profitability.

2. Reasons for and benefits of the 2025 CCT Agreement

As stated in the paragraph headed "1.1 Principal businesses of the Group and JCG Group" above, the principal business of the Group is in the mining operations, primarily copper and cobalt production and the trading of Mineral and Metal Products. Hence, it is the Group's ordinary and usual course of business to mine and trade the Mineral and Metal Products.

The 2025 CCT Agreement represents a continuation of the existing arrangement in respect of the trading of Mineral and Metal Products between the Group and JCG Group. As the most recent agreement, being the 2022 CCT Agreement, will expire on 31 May 2025, the Company entered into the 2025 CCT Agreement with JCG on 30 April 2025. Subject to approval by the Independent Shareholders at the EGM, the 2025 CCT Agreement would take effect from 1 June 2025 and be valid until 31 December 2027.

The Group has been entering into framework agreements relating to the sale of Mineral and Metal Products to JCG Group for over a decade with consecutive renewals. Taking into account the long-term harmonious relationship and proven track record in business transactions between the Group and JCG Group, as well as the price payable by JCG Group are fair and reasonable and on normal commercial terms or better as further elaborated below, the Directors consider that it is beneficial to the Company and the Shareholders as a whole to continue the sale of Mineral and Metal Products to JCG Group under the 2025 CCT Agreement, if the tendering outcome is in favour of JCG Group.

Setting the Proposed Annual Caps under the 2025 CCT Agreement also provides the tool for the Management and the independent non-executive Directors to monitor the amount of Continuing Connected Transactions to be carried out between the Group and JCG Group from time to time, which is a crucial element for proper corporate governance.

Having considered the above, we believe that the 2025 CCT Agreement will continue to be conducted in the ordinary and usual course of business of the Company and its subsidiaries and are in the interests of the Company and the Shareholders as a whole.

3. Principal terms of the 2025 CCT Agreement

3.1 The 2025 CCT Agreement

The products to be sold under the 2025 CCT Agreement are Mineral and Metal Products, which are the same as those prescribed in the 2022 CCT Agreement. For details of the 2025 CCT Agreement, please refer to the "Letter from the Board" of the Circular. To assess the fairness and reasonableness of the 2025 CCT Agreement, we have considered the following.

3.1.1 Term

The 2025 CCT Agreement shall represent a continuation of the 2022 CCT Agreement and commence from 1 June 2025 to 31 December 2027.

3.1.2 Subject matter

Pursuant to the 2025 CCT Agreement:

(i) the Company has agreed to cause the Group to sell to JCG Group, and JCG has agreed to cause JCG Group to purchase from the Group, the Mineral and Metal Products that the Group may source from third parties or produced by the mines of the Group; and

(ii) the quantity of each type of Mineral and Metal Products to be sold to JCG Group is not fixed but is to be determined and agreed between the relevant parties from time to time.

3.1.3 Pricing mechanism – basis of determining the selling prices of the Mineral and Metal Products

The consideration of the Mineral and Metal Products sold will be determined with reference to the prevailing market price of the Mineral and Metal Products at the time of each specific agreement to be entered pursuant to the 2025 CCT Agreement, subject to certain adjustments mainly involve the basis coefficient pricing, the moisture content, the percentage of metal content and the impurity element content in the metals. Market prices of copper, cobalt, nickel and other relevant metals refer to (i) the price of copper quoted on the LME; or (ii) the price of cobalt quoted on the MB; or (iii) the price of nickel quoted on the LME; or (iv) when the market price of other Mineral and Metal Products could not be adequately reflected through (i), (ii) and (iii) at the place of sale or the receiving market, the price shall be reasonably determined by both parties after making reference to the selling price of Mineral and Metal Products 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 recognised stock index that is comparable to the LME or the MB, such as SMM Information & Technology Co., Ltd., Shanghai Futures Exchange or Chicago Mercantile Exchange. This mechanism is intended to ensure that the selling prices for the Mineral and Metal Products provided by the Group to JCG Group will be determined on normal commercial terms.

In respect of copper

We have obtained and reviewed a full list of 18 contracts entered into by the Group in respect of the sale of copper products during the term of the 2022 CCT Agreement. Amongst which, (i) one contract was related to transaction conducted between the Group and JCG Group; and (ii) 17 contracts, were related to transactions conducted between the Group and Independent Third Parties. It is noted that all of the contracts reviewed by us are mineral offtake agreements which, by its nature, can be few for each year. As such, we believe that it is an exhaustive list of contracts in relation to the trading of copper products entered into during the term of the 2022 CCT Agreement. We noted that:

(i) it is a common practice for metal traders to adopt pricing mechanism that make reference to the prices of the relevant metal as announced by the LME after making certain adjustments according to the metal content and quality; and

(ii) the terms and pricing mechanisms of the reviewed contract entered into between the Group and JCG Group were in line with the terms and pricing mechanisms of the transactions between the Group and Independent Third Parties.

In respect of cobalt

We have obtained and reviewed a full list of 12 contracts entered into by the Group in respect of the sale of cobalt products during the term of the 2022 CCT Agreement. All of which, being 12 contracts in total, were related to transactions conducted between the Group and Independent Third Parties. According to the Management, the Group did not enter into any contract with JCG Group in respect of the trading of cobalt products during the term of the 2022 CCT Agreement. It is noted that all of the contracts reviewed by us are mineral offtake agreements which, by its nature, can be few for each year. As such, we believe that it is an exhaustive list of contracts in relation to the trading of cobalt products entered into during the term of the 2022 CCT Agreement. We noted that:

(i) it is a common practice for metal traders to adopt pricing mechanism that make reference to the prices of the relevant metal as announced by the MB after making certain adjustments according to the metal content and quality; and

(ii) the terms and pricing mechanisms of the reviewed contracts entered into between the Group and Independent Third Parties were in line with the terms and pricing mechanisms under the 2025 CCT Agreement.

Taking into account the above, we are of the view that the basis to determine the selling prices of the Mineral and Metal Products is fair and reasonable.

3.2 General transaction principles

As described in the "Letter from the Board" of the Circular, the 2025 CCT Agreement should be conducted in accordance with the following general principles:

(i) the Mineral and Metal Products provided by the Group should be of good quality and at fair and reasonable prices;

(ii) the Group and JCG Group shall be entitled to enter into separate contracts for trading/sale and purchase of the Mineral and Metal Products contemplated under the 2025 CCT Agreement from time to time. Such contracts should comply with the relevant regulatory requirements in Hong Kong (including but not limited to the Listing Rules) and other applicable laws and regulations in the respective jurisdiction, and should set out, among other things, the parties of the transaction(s), the terms and conditions of the transaction(s), the relevant product(s) and the trading price(s) (as determined in accordance with the pricing mechanism under the 2025 CCT Agreement), the delivery time and the payment terms. The terms of such trading contracts should be on normal commercial terms and should be no less favourable than those available to Independent Third Parties; and

(iii) the terms offered by the Group should be competitive in terms of the quality and trading price of the Mineral and Metal Products. Priority should only be given to the Group by JCG Group if the quality and trading price of the Mineral and Metal Products provided by the Group to JCG Group are no less favourable than those available from Independent Third Parties.

We note that such general transaction principles are the same as those under the 2022 CCT Agreement.

3.3 Section summary

Taking into account the above and the arrangement between the Group and JCG Group under the 2025 CCT Agreement is non-exclusive and there should be no bias or preference for the Group to deal with JCG Group, we are of the view that the terms of the 2025 CCT Agreement are fair and reasonable.

4. Proposed Annual Caps

4.1 Historical annual caps and trading amounts

The following table sets out (i) the historical annual caps approved for the 2022 CCT Agreement; and (ii) the historical trading amounts of Mineral and Metal Products between the Group and JCG Group for the periods indicated below respectively.

	Year ended 31 December 2022 *(US$)*	Year ended 31 December 2023 *(US$)*	Year ended 31 December 2024 *(US$)*	One month ended 31 January 2025 *(US$)*
Historical annual caps under the 2022 CCT Agreement	464 million	450 million	450 million	187 million (for the five months ending 31 May 2025)
Historical trading amounts under the 2022 CCT Agreement	34.88 million	Nil	Nil	Nil
Utilisation rate	7.5%	N/A	N/A	N/A

As shown in the above table, the utilisation rate of historical annual cap was approximately 7.5% for the year ended 31 December 2022. There were no transactions recorded between the Group and the JCG Group under the 2022 CCT Agreement for the years ended 31 December 2023 and 2024 and the one month ended 31 January 2025 respectively.

According to our discussions with the Management, the low utilisation rate of historical annual cap for the year ended 31 December 2022, and the absence of any transactions with the JCG Group thereafter during the remaining term of the 2022 CCT Agreement (up to date), was due to the fact that the production capacity of the Group's existing mines were being sold to Independent Third Party buyers under various contracts. In respect of Ruashi Mine, the Management advised that its production capacity had been sold to Independent Third Party buyers since September 2022; while for Kinsenda Mine, its production capacity had been sold to Independent Third Party buyers since July 2022. Given the above, the Group was unable to allocate any of its copper and cobalt products to JCG Group, resulting in the low utilisation of historical annual caps during the term of the 2022 CCT Agreement.

Going forward, as the Musonoi Mine is expected to commence operations in second half of 2025, its products are expected to be available for sale to, amongst others, the JCG Group during the term of the 2025 CCT Agreement. The Proposed Annual Caps have therefore considered this aspect, as elaborated further below.

4.2 Proposed Annual Caps

The following table sets out the Proposed Annual Caps.

	Seven months ending 31 December 2025 *(US$)*	Year ending 31 December 2026 *(US$)*	Year ending 31 December 2027 *(US$)*
Proposed Annual Caps	149 million	496 million	616 million

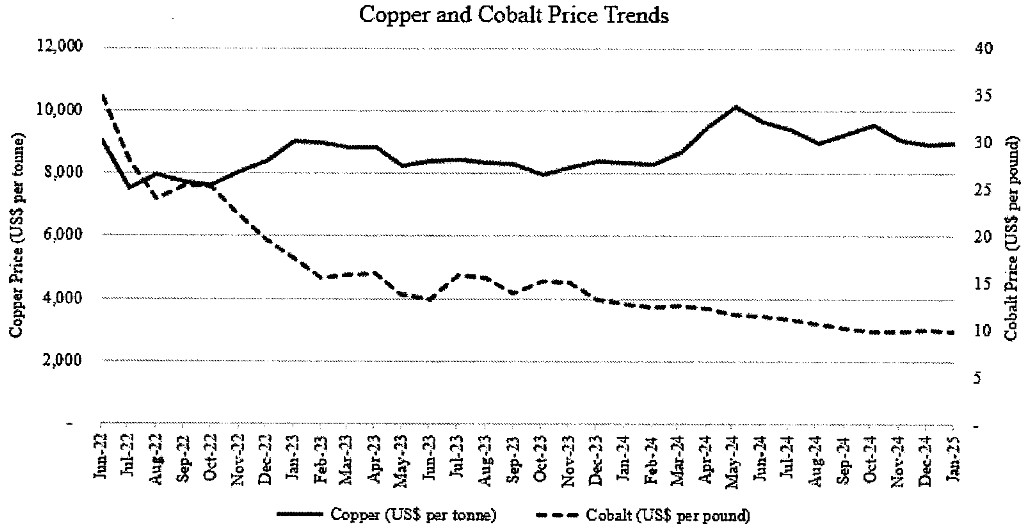
In determining the above Proposed Annual Caps, we understand from the Management that the Company has taken into consideration (i) the acute fluctuation of the price and demand for copper and cobalt; (ii) the possible sale of up to 50% of copper and cobalt produced by each of the Group's mines in the DRC (as further elaborated below), subject to tendering and bidding exercise outcome; and (iii) the inclusion of 25% of the buffer representing approximately 3 months of the sales value of the Mineral and Metal Products for the Proposed Annual Caps.

We understand from the Management that (i) for Kinsenda Mine in the DRC, its copper concentrate to be produced in 2025 and 2026 has already been sold to Independent Third Party buyers pursuant to existing contracts; (ii) for Ruashi Mine in the DRC, its copper cathode, cobalt hydroxide and copper sulphide concentrate to be produced in 2025 have already been sold to Independent Third Party buyers pursuant to existing contracts; and (iii) for Musonoi Mine in the DRC, the operation is expected to commence in second half of 2025, making its copper and cobalt production available for sale to, amongst others, the JCG Group during the term of the 2025 CCT Agreement. As a result, (i) the Proposed Annual Cap for the seven months ending 31 December 2025 has only taken into account the estimated production from Musonoi Mine; (ii) the Proposed Annual Cap for the year ending 31 December 2026 has taken into account the estimated production from Ruashi Mine and Musonoi Mine; and (iii) the Proposed Annual Cap for the year ending 31 December 2027 has taken into account the estimated production from Ruashi Mine, Kinsenda Mine and Musonoi Mine.

To consider whether the Proposed Annual Caps for the 2025 CCT Agreement are fair and reasonable, we have taken into account the following factors. In particular, as the Group mainly derives its revenue from the sale of copper and cobalt as shown in the paragraph headed "1.2 Operating results of the Group" above, we have principally considered copper and cobalt and their historical prices as well as production output in analysing the components constituting the Proposed Annual Caps for the 2025 CCT Agreement.

4.2.1 The historical copper and cobalt prices

Set out below is the chart showing the monthly average copper and cobalt prices between June 2022 (the beginning period of the 2022 CCT Agreement) to January 2025 for the purpose of illustrating copper and cobalt historical price trends.



Source: LME and MB

As shown in the above chart, copper price remained generally stable with a moderate upward trend being observed. In 2024, the average benchmark LME copper price was approximately US$9,145 per tonne, representing an increase of approximately 7.8% from approximately US$8,483 per tonne in 2023. In contrast, cobalt price decreased drastically from a high of US$35 per pound in June 2022 to US$10 per pound by the end of 2024 and early 2025. The average benchmark MB cobalt prices in 2023 and 2024 were approximately US$15 per pound and US$11 per pound respectively. We understand that in deriving the Proposed Annual Caps, the Management has referenced the average monthly prices of copper and cobalt between January 2024 and December 2024, and adopted US$9,000 per tonne and US$11 per pound for copper and cobalt respectively.

Given the observed trend above, we consider it fair and reasonable to derive the Proposed Annual Caps by referencing the average market prices of copper and cobalt from the latest year.

4.2.2 The historical and estimated output from Ruashi Mine, Kinsenda Mine and Musonoi Mine

Set out below is the table of (i) copper and cobalt output from Ruashi Mine and Kinsenda Mine over the past three years ended 31 December 2024; and (ii) the estimated output levels of Ruashi Mine, Kinsenda Mine and Musonoi Mine in deriving the Proposed Annual Caps.

	For the year ended 31 December			For the seven months ending 31 December	For the year ending 31 December	For the year ending 31 December
	2022	**2023**	**2024**	**2025**	**2026**	**2027**
	tonnes (Actual)	*tonnes* (Actual)	*tonnes* (Actual)	*tonnes* (Estimate)	*tonnes* (Estimate)	*tonnes* (Estimate)
Ruashi Mine						
Copper output	30,353	31,787	33,289	N/A *(note)*	30,000	30,000
Cobalt output	3,961	2,207	855	N/A *(note)*	1,200	1,000
Kinsenda Mine						
Copper output	29,087	30,219	30,498	N/A *(note)*	N/A *(note)*	29,000
Musonoi Mine						
Copper output	–	–	–	20,000	40,000	40,000
Cobalt output	–	–	–	4,400	10,000	10,000

Note: The output level will not be available for sale to the JCG Group as discussed in the paragraph headed "4.2 Proposed Annual Caps" above.

In respect of Ruashi Mine, we note that the production output of copper remained relatively stable between 2022 and 2024, ranging from around 30,000 tonnes to 33,000 tonnes. In this regard, we have cross-checked the output levels in 2022 and 2023 with those disclosed in the 2023 Annual Report and found them to be consistent. For the output level in 2024, we note that the Company has published an operational update for the year ended 31 December 2024 on 28 February 2025 (the "**2024 Operational Update Announcement**"), which has disclosed, among other things, the Group's total production volume of copper and cobalt in 2024 respectively. We note that the aggregate production output of copper from Ruashi Mine and Kinsenda Mine is consistent with that as disclosed in the 2024 Operational Update Announcement. The estimated output levels of 30,000 tonnes in 2026 and 2027 respectively approximate the actual output levels. For cobalt output, we note that it is on a decreasing trend from approximately 3,961 tonnes in 2022 to approximately 2,207 tonnes and 855 tones in 2023 and 2024 respectively, mainly due to no foreign ore with high cobalt content were purchased for ore blending purpose, resulted in a decline in ore grade and cobalt recovery rates. In addition, in view of the continuous decline in cobalt market prices, Ruashi Mine had adjusted its production plan to reduce the cobalt output accordingly. In this regard, we have cross-checked the output levels in 2022 and 2023 with those disclosed in the 2023 Annual Report and found them to be consistent. For the output level in 2024, we have also cross-checked with the 2024 Operational Update Announcement and found them to be consistent. Having considered the above, the Management prudently assumes cobalt output levels of 1,200 tonnes and 1,000 tonnes in 2026 and 2027 respectively, which approximate the low end of the aforementioned actual output levels.

In respect of Kinsenda Mine, the production output of copper had remained steady between 2022 and 2024, ranging from around 29,000 tonnes to 30,000 tonnes. In this regard, we have cross-checked the output levels in 2022 and 2023 with those disclosed in the 2023 Annual Report and found them to be consistent. For the output level in 2024, we note that the aggregate production output of copper from Ruashi Mine and Kinsenda Mine is consistent with that as disclosed in the 2024 Operational Update Announcement as abovementioned. The estimated output level of 29,000 tonnes in 2027 approximates the actual output levels.

In respect of Musonoi Mine, it is estimated that the annual output levels of copper and cobalt will be around 40,000 tonnes and 10,000 tonnes respectively. We understand from the Management that such estimated levels are based on the feasibility study conducted by an external expert regarding, amongst others, the available resources and reserves at Musonoi Mine. In this respect, we have obtained the aforementioned feasibility study from the Management and noted that the estimated annual output levels are consistent with those in the feasibility study. We further understand that the estimated output levels for the seven months ending 31 December 2025 are derived on a pro-rata basis, assuming Musonoi Mine will commence production in second half of 2025.

Having considered the above, we are of the view that the estimated output levels from Ruashi Mine, Kinsenda Mine and Musonoi Mine in deriving the Proposed Annual Caps, which have taken into account the historical trends of actual output levels (in the case of Ruashi Mine and Kinsenda Mine) or in accordance to the feasibility study (in the case of Musonoi Mine), is fair and reasonable.

4.2.3 Possible sale of up to 50% of estimated output level

In arriving at the Proposed Annual Caps, the Management has taken into account a possible sale of up to 50% of the estimated output level of copper and cobalt. As advised by the Management, it is the Group's practice, during the tender invitation stage, to allocate a maximum of 50% of the copper and cobalt output level to a single customer (where the final quantity to be awarded will be subject to tendering and negotiation process), as part of the Group's efforts in avoiding customer concentration risk. In this regard, we have obtained and reviewed a full list of tender invitation documents issued by the Group during the term of the 2022 CCT Agreement and noted the same. Considering the possible allocation of up to 50% of estimated output level is in line with the Group's practice, we consider that it is fair and reasonable for the Group to take into account such factor in deriving the Proposed Annual Caps.

4.2.4 Buffer

According to the Management, the reasons for inclusion of the 25% buffer are as follows:

(1) the Company would need approximately three months to finalise the process of obtaining the Independent Shareholders' approval to revise the annual caps for the Continuing Connected Transaction; and

(2) normally it would need one to one and a half month to arrange transportation before making actual delivery of products and realising sales value, also it needs approximately 20-25 days for management team to access actual sales value after delivery of products and realising of sales revenue.

We have discussed the operation flow chart with the Management, and understand that it requires four to six weeks to arrange transportation before making actual delivery of products and realising sales value, and another 20-25 days for the management team to access actual sales value after delivery of products and realising of sales revenue. In summary, there is about six to ten weeks of time gap before the Management could have access to reliable information on the actual sales value after delivery of products and the amount to be recognised as sales revenue. In view of the above, we are of the view that it is reasonable for the Management to include a buffer to cater for the time required to gather the necessary information and, in the event necessary, to seek the Independent Shareholders' approval to revise the annual caps for the Continuing Connected Transaction.

As such, we are of the view that the inclusion of a 25% buffer to the Proposed Annual Caps is fair and reasonable.

4.2.5 Section summary

Taking into account the above, we are of the view that the Proposed Annual Caps, which is derived by multiplying the forecasted cobalt and copper prices (with reference to historical trend) with 50% of estimated copper and cobalt output levels (with reference to actual output levels or feasibility study, where applicable) and the additional 25% buffer, as fair and reasonable.

5. Internal control measures

The abovementioned basis of determining the trading/selling prices of the Mineral and Metal Products under the 2025 CCT Agreement and the Proposed Annual Caps is intended to ensure that the selling prices for the Mineral and Metal Products to be provided by the Group to JCG Group will be determined on normal commercial terms.

It is noted that the Company has established internal control measures to standardise and stipulate the pricing policies and mechanism, the assignment of responsibility and decision making authority to ensure the Continuing Connected Transactions will be conducted in accordance with the terms of the 2025 CCT Agreement, and that the pricing policies will be strictly complied with. Details of which are set out in the paragraph headed "9. Internal controls" in the "Letter from the Board" of the Circular.

According to the Management, the implementation of the 2025 CCT Agreement and the relevant pricing terms in accordance with the general transaction principles therein, including the relevant adjustments to metal product prices, the relevant costs and expenses as well as the actual quantity and the amount of the Mineral and Metal Products, will be monitored and reviewed by the Board and the senior management on a regular basis, with reference to terms of similar transactions which apply the relevant pricing principles.

The pricing terms will also be reviewed by the senior management prior to the execution of any transaction document(s) under the 2025 CCT Agreement to ensure the relevant general transaction principles are being complied with on arm's length basis and the trading terms are no less favourable than those with independent third parties. Furthermore, according to the Management, the Company will evaluate the Continuing Connected Transactions on a yearly basis.

We have reviewed the internal control manual adopted by the Management, detailing the guidance and policies for conducting the transactions contemplated under the 2025 CCT Agreement going forward. As discussed in the paragraph headed "3. Principal terms of the 2025 CCT Agreement" above, we have also obtained and reviewed all contracts entered into by the Group in respect of the sale of copper and cobalt products during the term of the 2022 CCT Agreement. From our review, we note that the terms and pricing mechanisms of the contract entered into between the Group and JCG Group were in line with the terms and pricing mechanisms of the transactions between the Group and Independent Third Parties; we also note that the contracts entered into by the Group were conducted in accordance with the general transaction principles. With reference to the above, we note that the internal control procedures of the Group are in place and the Management believes, and we concur that the internal control measures of the Group are sufficient for the purpose of monitoring the transactions contemplated under the 2025 CCT Agreement and the Proposed Annual Caps going forward.

Given the above, we consider that there exist appropriate procedures and arrangements to ensure that the transactions contemplated under the 2025 CCT Agreement will continue to be conducted on terms that are fair and reasonable and are in the interests of the Company and the Shareholders as a whole; and on normal commercial terms and in the ordinary and usual course of business of the Group.

RECOMMENDATION

In view of the above principal factors and reasons, we are of the view that (i) the terms of the 2025 CCT Agreement are on normal commercial terms and are fair and reasonable; (ii) the 2025 CCT Agreement and the transactions contemplated thereunder will be conducted in the ordinary and usual course of business of the Company and its subsidiaries and are in the interests of the Company and the Shareholders as a whole; and (iii) the Proposed Annual Caps are fair and reasonable.

Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favor of the resolution to be proposed at the EGM to approve the 2025 CCT Agreement and the transactions contemplated thereunder (including the Proposed Annual Caps).

Yours faithfully,
For and on behalf of
Altus Capital Limited

Jeanny Leung
Responsible Officer

*Ms. Jeanny Leung ("**Ms. Leung**") is a Responsible Officer of Altus Capital Limited licensed to carry on Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**") and permitted to undertake work as a sponsor. She is also a Responsible Officer of Altus Investments Limited licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO. Ms. Leung has over 30 years of experience in corporate finance advisory and commercial field in Greater China, in particular, she has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance transactions.*