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

If you have sold or transferred all your shares in **MMG Limited**, you should at once hand this circular together with the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee.



MMG Limited **五礦資源有限公司**

(Incorporated in Hong Kong with limited liability)

(Stock Code: 1208)

(1) VERY SUBSTANTIAL ACQUISITION IN RELATION TO THE ACQUISITION OF THE TARGET COMPANY HOLDING THE LAS BAMBAS PROJECT AND (2) CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE CMN FRAMEWORK OFFTAKE AGREEMENT

Joint Financial Advisors to the Company

BofA Merrill Lynch



Financial Advisor to CMN

Deutsche Bank 

Financing Advisors to the Company

ICBC International Capital Limited

BOCI Asia Limited

Financiers to the Company

China Development Bank

Industrial and Commercial Bank of China Limited

Bank of China Limited

Export-Import Bank of China Limited

A letter from the Board is set out on pages 16 to 57 of this circular. A letter from the Independent Board Committee is set out on page 58 of this circular. A letter from the Independent Financial Advisor containing their advice to the Independent Board Committee and the Independent Shareholders is set out on pages 59 to 80 of this circular.

A notice convening the EGM of the Company to be held at Studio 1, 7/F, W Hong Kong Hotel, 1 Austin Road West, Kowloon, Hong Kong on Monday, 21 July 2014 at 10:30 a.m. is set out on pages EGM-1 to EGM-2 of this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjourned meeting. Completion and delivery of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting if you so wish.

30 June 2014

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FORWARD LOOKING STATEMENTS

FORWARD LOOKING STATEMENTS

Certain information contained in this circular constitutes forward-looking statements. Investors and Shareholders are cautioned that forward-looking statements are inherently uncertain and involve risks and uncertainties that could cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These forward-looking statements include, without limitation, statements relating to the business strategies, future business development, financial conditions and results of operations. No assurance can be given that such forward-looking statements will prove to have been correct. In addition, specific reference is made to the section headed “Risk Factors” in this circular. No undue reliance should be placed on these forward-looking statements, which are based on the current view of the Company or the Board on future events. The Company does not undertake to revise or update any forward-looking statements as a result of new information or to reflect future events or circumstances.

DEFINITIONS

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

“Acquisition”	the proposed acquisition of the Sale Shares by the Purchasers from the Sellers under the Share Purchase Agreement;
“Acquisition Facility”	has the meaning ascribed thereto in the section headed “Letter from the Board — Acquisition — Principal terms of the Share Purchase Agreement — Funding of Share Consideration and repayment of Intragroup Loans” in this circular;
“Album Enterprises”	Album Enterprises Limited, a wholly owned subsidiary of CMN and a controlling shareholder of the Company holding approximately 43.04% of the total number of Shares in issue as at the Latest Practicable Date;
“associate(s)”	has the meaning ascribed thereto under the Listing Rules;
“Australia”	the Commonwealth of Australia;
“Bank Guarantee Facility”	has the meaning ascribed thereto in the section headed “Letter from the Board — Acquisition — Principal terms of the Share Purchase Agreement — Funding of Share Consideration and repayment of Intragroup Loans” in this circular;
“Bechtel”	Bechtel Chile Limitada and Overseas Bechtel, Incorporated, Sucursal Del Peru;
“Board”	the board of Directors;
“BOC”	Bank of China Limited;
“BOCI”	BOCI Asia Limited;
“Call Options”	the Contribution Default Call Option, the Non-participation Call Option and the Transfer Event Call Option;
“CDB”	China Development Bank;
“Citi”	Citigroup Global Markets Australia Pty Limited (ABN 64 003 114 832 and AFSL 240992);
“CITIC”	CITIC Metal Co., Ltd., a company incorporated in the PRC with limited liability;

DEFINITIONS

“CMC”	中國五礦集團公司 (China Minmetals Corporation), formerly known as 中國五金礦產進出口總公司 (China National Metals and Minerals Import and Export Corporation), a state-owned enterprise incorporated on 7 April 1950 under the laws of the PRC and the ultimate controlling shareholder of the Company;
“CMC Group”	CMC and its subsidiaries from time to time;
“CMCL”	中國五礦股份有限公司 (China Minmetals Corporation Limited), a joint stock limited company incorporated on 16 December 2010 under the laws of the PRC and owned as to approximately 87.538% by CMC and as to approximately 0.846% directly by 中國五金製品有限公司 (China National Metal Products Co., Ltd.), a wholly owned subsidiary of CMC. CMC has an attributable interest of approximately 88.384% directly in CMCL as at the Latest Practicable Date;
“CMN”	五礦有色金屬股份有限公司 (China Minmetals Non-ferrous Metals Company Limited), a joint stock limited company incorporated on 27 December 2001 under the laws of the PRC and owned as to approximately 99.999% directly by CMNH and approximately 0.001% directly by CMCL as at the Latest Practicable Date. CMN is a controlling shareholder of the Company, holding indirectly approximately 73.69% of the total number of Shares in issue as at the Latest Practicable Date;
“CMN Annual Caps”	the maximum aggregate annual amount of copper contained in copper concentrate from the Las Bambas Project to be sold by MMG SA to members of the CMN Group under the CMN Framework Offtake Agreement;
“CMN Framework Offtake Agreement”	the framework offtake agreement dated 27 June 2014 and entered into between CMN and MMG SA in relation to the sale by MMG SA to members of the CMN Group of copper concentrate from the Las Bambas Project to be purchased by MMG SA from the JV Company under the MMG Framework Offtake Agreement;
“CMN Group”	CMN and its subsidiaries and affiliates from time to time (excluding the Group);

DEFINITIONS

“CMNH”	五礦有色金屬控股有限公司 (China Minmetals Non-ferrous Metals Holding Company Limited), a joint stock limited company incorporated on 22 December 2009 under the laws of the PRC and a wholly owned subsidiary of CMCL. CMNH is a controlling shareholder of CMN, holding directly approximately 99.999% of CMN as at the Latest Practicable Date;
“Company”	MMG Limited, a company incorporated on 29 July 1988 in Hong Kong with limited liability, the shares of which are listed and traded on the Main Board of the Stock Exchange;
“Competent Person’s Report”	the competent person’s report on the Mineral Resources and Ore Reserves of the Target Group prepared by RPM in accordance with Chapter 18 of the Listing Rules;
“Completion”	completion of the sale and purchase of the Sale Shares under the Share Purchase Agreement;
“Completion Statement”	the completion statement to be prepared after Completion in accordance with the terms of the Share Purchase Agreement;
“Conditions”	the Purchasers Conditions, the MOFCOM Condition and the ProInversion Condition;
“connected person”	has the meaning ascribed thereto under the Listing Rules;
“Contribution Default Call Option”	has the meaning ascribed thereto in the section headed “Letter from the Board — The JV Company and Shareholders’ Agreement — Principal terms of the Shareholders’ Agreement — Obligations to fund the Acquisition” in this circular;
“Contribution Default Event(s)”	has the meaning ascribed thereto in the section headed “Letter from the Board — The JV Company and Shareholders’ Agreement — Principal terms of the Shareholders’ Agreement — Obligations to fund the Acquisition” in this circular;
“controlling shareholder”	has the meaning ascribed thereto under the Listing Rules;
“Deutsche Bank”	Deutsche Bank AG, Hong Kong Branch;
“DGAAM”	the General Bureau of Environment Mining Affairs of the Peruvian Ministry of Energy and Mines;
“Director(s)”	the director(s) of the Company;
“DRC”	Democratic Republic of Congo;

DEFINITIONS

“EGM”	the extraordinary general meeting of the Company to be held at Studio 1, 7/F, W Hong Kong Hotel, 1 Austin Road West, Kowloon, Hong Kong on Monday, 21 July 2014 at 10:30 a.m. convened for the purpose of considering, and if thought fit, approving, among other things, the Share Purchase Agreement and the Acquisition, the Formation of the Joint Venture pursuant to the Shareholders’ Agreement (including the Call Options and the Listing Put Option) and the CMN Framework Offtake Agreement (including the CMN Annual Caps);
“EIA”	Environmental Impact Assessment;
“Elion Holdings”	Elion Holdings Corporation Limited, a company incorporated in Hong Kong with limited ability and a wholly owned subsidiary of GXIIC;
“Enlarged Group”	the Group and the Target Group;
“EPCM”	has the meaning ascribed thereto in the section headed “Information on the Target Group — Description of the Las Bambas Project — Background Information — Development” in this circular;
“Estimated Intragroup Loan Amount”	the Sellers’ reasonable estimate of the aggregate amount outstanding under the Intragroup Loans, in each case as at the time immediately prior to Completion on the date of Completion and derived from the Completion Statement;
“Estimated Intragroup Receivables”	the Sellers’ reasonable estimate of the amount of the Intragroup Receivables;
“EXIM”	The Export-Import Bank of China;
“Facilities”	has the meaning ascribed thereto in the section headed “Letter from the Board — Acquisition — Principal terms of the Share Purchase Agreement — Funding of Share Consideration and repayment of Intragroup Loans” in this circular;
“Formation of the Joint Venture”	the formation of the joint venture between MMG SA, Elion Holdings and CITIC for the purpose of the Acquisition through the subscription of new shares in the JV Company in accordance with the terms of the Shareholders’ Agreement;
“Glencore”	Glencore plc. (previously known as Glencore Xstrata plc.), a company incorporated in Jersey with registered number 107710;

DEFINITIONS

“GQL”	Glencore Queensland Limited, a company incorporated in Brisbane, Queensland, Australia with registration number ACN 009 814 019;
“Group”	the Company and its subsidiaries from time to time;
“GXIC”	GUOXIN International Investment Corporation Limited, a company incorporated in Hong Kong with limited liability;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“ICBC”	Industrial and Commercial Bank of China Limited;
“ICBCI”	ICBC International Capital Limited;
“ICMM”	International Council on Mining and Metals;
“IFA Letter”	the letter of advice from the Independent Financial Advisor to the Independent Board Committee and the Independent Shareholders in respect of the CMN Framework Offtake Agreement;
“Independent Board Committee”	an independent committee of the Board comprising all of the independent non-executive Directors, namely, Dr Peter William Cassidy, Mr Anthony Charles Larkin and Mr Leung Cheuk Yan established to advise the Independent Shareholders in respect of the CMN Framework Offtake Agreement;
“Independent Financial Advisor”	Somerley Capital Limited, the independent financial advisor to the Independent Board Committee and the Independent Shareholders in respect of the CMN Framework Offtake Agreement;
“Independent Shareholders”	Shareholders other than CMN and its associates;
“Intragroup Loans”	loans from the Sellers’ Group to the Target Group and any trade payables or other accounts payable owing by the Target Group to the Sellers’ Group arising in the ordinary course of the conduct of the business of the Target Group;

DEFINITIONS

“Intragroup Receivables”	all outstanding loans or other financing liabilities or obligations owed by a member of the Sellers’ Group (other than the Target Company or the Project Company) to the Target Company or the Project Company, but excluding any cash balances, in each case as at the time immediately prior to Completion on the date of Completion and derived from the Completion Statement;
“Inversiones”	Inversiones Republica S.A., a company incorporated in Lima, Peru and registered under registry file number 00709778 of the registry of legal entities of Lima, Peru;
“Jones Lang Lasalle”	Jones Lang LaSalle Corporate Appraisal and Advisory Limited;
“JORC Code”	the 2012 edition of the <i>Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves</i> , prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia;
“JV Company”	MMG South America Management Company Limited, a company incorporated on 11 February 2014 in Hong Kong with limited liability, a wholly owned subsidiary of the Company as at the Latest Practicable Date;
“JV Board”	the board of directors of the JV Company;
“JV Group”	the JV Company and its subsidiaries from time to time;
“Laos”	the Lao People’s Democratic Republic;
“Las Bambas Project”	the development, construction and operation of the copper mines, processing facilities and associated infrastructure at the Las Bambas copper project located in the Apurimac region in Peru, together with all activities and infrastructure associated with the transportation and export of products from such mines;
“Latest Practicable Date”	27 June 2014, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein;
“Listing Put Option”	has the meaning ascribed thereto in the section headed “Letter from the Board — The JV Company and Shareholders’ Agreement — Principal terms of the Shareholders’ Agreement — Listing of a subsidiary of the Company” in this circular;

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Long Stop Date”	the date falling 150 days after the date of the Share Purchase Agreement, which is 10 September 2014, or such later date as may be determined in accordance with the terms of the Share Purchase Agreement or as may otherwise be consented to in writing between the Company and the Sellers’ Guarantor;
“MEM”	the Ministry of Energy and Mines of Peru;
“Merrill Lynch”	Merrill Lynch (Asia Pacific) Limited, a corporation licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong);
“MMG Framework Offtake Agreement”	the framework offtake agreement dated 27 June 2014 and entered into between MMG SA and the JV Company in relation to the sale of the Products from the Las Bambas Project;
“MMG SA”	MMG South America Company Limited, a company incorporated on 4 May 1990 in Hong Kong with limited liability, a wholly owned subsidiary of the Company;
“MOFCOM”	the Ministry of Commerce of the PRC;
“MOFCOM Condition”	the condition set out in paragraph (a) in the section headed “Letter from the Board — Acquisition — Principal terms of the Share Purchase Agreement — Conditions” in this circular;
“MOFCOM Termination Event”	the circumstances where the MOFCOM Condition has not been satisfied, and either (1) MOFCOM has notified either the Purchasers or the Sellers in writing or stated publicly that the Purchasers do not fulfil certain requirements imposed by MOFCOM or (2) the Purchasers do not fulfil or satisfy or are otherwise in breach of certain requirements imposed by MOFCOM;
“NDRC”	the National Development and Reform Commission of the PRC;
“Net Asset Value”	the aggregate of the assets less liabilities of, together, the Target Company and the Project Company as at the time immediately prior to Completion on the date of Completion and derived from the Completion Statement;

DEFINITIONS

“Non-participation Call Option”	has the meaning ascribed thereto in the section headed “Letter of the Board — The JV Company and Shareholders’ Agreement — Principal terms of the Shareholders’ Agreement — Cash Calls” in this circular;
“Offtake Entitlement”	has the meaning ascribed thereto in the section headed “Letter from the Board — Introduction — Offtake arrangements” in this circular;
“PRC” or “China”	the People’s Republic of China (which for the purpose of this circular excludes Hong Kong, Taiwan and the Macau Special Administrative Region of the People’s Republic of China, unless the context otherwise requires);
“Products”	the products (including copper concentrate and molybdenum concentrate) from the Las Bambas Project;
“ProInversion”	Agencia de Promoción de la Inversión Privada — ProInversión, a Peruvian state agency that was created to carry out the policies of promoting national and international investment in Peru, with the aim of creating jobs and modernizing and improving the standard of living for Peruvians;
“ProInversion Condition”	the condition set out in paragraph (b) in the section headed “Letter from the Board — Acquisition — Principal terms of the Share Purchase Agreement — Conditions” in this circular;
“ProInversion Termination Event”	the circumstances where the ProInversion Condition has not been satisfied, and either (1) ProInversion has notified either the Purchasers or the Sellers in writing or stated publicly that the Purchasers do not satisfy certain requirements imposed by ProInversion or (2) the Purchasers do not fulfil or satisfy certain requirements imposed by ProInversion;
“Project Company”	Xstrata Las Bambas S.A., a company incorporated in Lima, Peru with registration number 12587752;
“Project Facility”	has the meaning ascribed thereto in the section headed “Letter from the Board — Acquisition — Principal terms of the Share Purchase Agreement — Funding of Share Consideration and repayment of Intragroup Loans” in this circular;
“Project EIA”	the EIA in relation to the Las Bambas Project;

DEFINITIONS

“Purchasers”	Minera Las Bambas S.A.C., a company incorporated on or about 17 February 2014 in Lima, Peru with limited liability and MMG Swiss Finance AG, a company incorporated on 20 February 2014 in Switzerland, each of which is a wholly owned subsidiary of the Company;
“Purchasers Conditions”	the conditions set out in paragraphs (c) and (d) in the section headed “Letter from the Board — Acquisition — Principal terms of the Share Purchase Agreement — Conditions” in this circular;
“Relevant Ratios”	any of the five ratios set out in Rule 14.07 of the Listing Rules;
“Restricted Cash Call”	has the meaning ascribed thereto in the section headed “Letter from the Board — The JV Company and Shareholders’ Agreement — Principal terms of the Shareholders’ Agreement — Cash Calls” in this circular;
“RPM”	Runge Asia Limited (trading as RungePincockMinarco);
“S/.”	Peruvian Nuevo Soles, the lawful currency of Peru;
“SAFE Approval”	foreign exchange registration with the competent local branch of the State Administration of Foreign Exchange of the PRC for the payment of monies by a party to the Shareholders’ Agreement in accordance with the terms thereof;
“Sale Shares”	all the issued shares in the capital of the Target Company;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time;
“Sellers”	XSAL and GQL;
“Sellers’ Group”	the Sellers, their subsidiaries and holding companies and any subsidiary of any such holding companies from time to time, excluding the Target Group;
“Sellers’ Guarantor”	Glencore International AG, a company incorporated in Switzerland with registration number CH-170.3.012.788-3;
“Share Consideration”	the amount payable by the Purchasers to the Sellers for the Sale Shares under the Share Purchase Agreement as described in the section headed “Letter from the Board — Acquisition — Principal terms of the Share Purchase Agreement — Consideration and repayment of Intragroup Loans — Share Consideration” in this circular;

DEFINITIONS

“Share Purchase Agreement”	the share purchase agreement dated 13 April 2014 between the Sellers, the Sellers’ Guarantor, the Purchasers and the Company in relation to the Acquisition;
“Shareholders’ Agreement”	the subscription and shareholders’ agreement dated 13 April 2014 between the Company, MMG SA, Elion Holdings, GXIIC, CITIC and the JV Company in relation to the Formation of the Joint Venture;
“Shareholder(s)”	holder(s) of the Shares;
“Shares”	the fully paid shares of the Company;
“SPA Break Fee”	the fee payable by the Purchasers to the Sellers’ Guarantor under the Share Purchase Agreement in the event the Share Purchase Agreement is terminated as described in the section headed “Letter from the Board — Acquisition — Principal terms of the Share Purchase Agreement — Termination” in this circular;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary”	has the meaning ascribed thereto under the Listing Rules;
“substantial shareholder”	has the meaning ascribed thereto under the Listing Rules;
“Swap Agreement”	the swap agreement dated 23 November 2011 and entered into between the Project Company and the Fuerabamba Rural Community pursuant to which the Project Company agreed to, among other things, acquire all of the land owned by the Fuerabamba Rural Community;
“Target Company” or “XPERU”	Xstrata Peru S.A., a company incorporated in Lima, Peru and registered under registry file with registration number 11677748 of the registry of legal entities of Lima, Peru;
“Target Group”	the Target Company and the Project Company;
“TISUR”	Terminal Internacional del Sur S.A.;
“Top Create”	Top Create Resources Limited, a wholly owned subsidiary of CMN and a controlling shareholder of the Company holding approximately 30.65% of the total number of Shares in issue as at the Latest Practicable Date;
“Transfer Agreement”	has the meaning ascribed thereto in the section headed “Information on the Target Group — History of Las Bambas” in this circular;

DEFINITIONS

“Transfer Events”	has the meaning ascribed thereto in the section headed “Letter from the Board — The JV Company and Shareholders’ Agreement — Principal terms of the Shareholders’ Agreement — Transfer Events” in this circular;
“Transfer Event Call Option”	has the meaning ascribed thereto in the section headed “Letter from the Board — The JV Company and Shareholders’ Agreement — Principal terms of the Shareholders’ Agreement — Transfer Events” in this circular;
“UIT”	Peruvian Tax Unit or <i>Unidad Impositiva Tributaria</i> . As at the Latest Practicable Date, 1 UIT was equivalent to approximately US\$1,358 and it is updated at the beginning of each year;
“US\$” or “US Dollar”	United States dollars, the lawful currency of the United States of America;
“Valuation Report”	the valuation report on the mineral assets of the Target Group prepared by Jones Lang LaSalle in accordance with the Chapter 18 of the Listing Rules;
“XSAL”	Xstrata South America Limited, a company incorporated in the Cayman Islands with registration number 139719;
“XSchweiz”	Xstrata (Schweiz) A.G., a company incorporated in Switzerland;
“XTintaya”	Compañía Minera Antapaccay S.A. (formerly known as Xstrata Tintaya S.A.), a company incorporated in Peru; and
“%”	per cent.

Currency and exchange rates

In this circular, for the purpose of illustration only, unless otherwise specified, conversion of US\$ into HK\$ is based on the exchange rate of US\$1.00 = HK\$7.8. No representation is made and there is no assurance that US\$ or HK\$ can be purchased or sold at such rate.

GLOSSARY OF TECHNICAL TERMS

This glossary contains definitions of certain terms used in this circular in connection with the Target Group, the Enlarged Group and their businesses. Some of these terms may not correspond to standard industry definitions:

“Ag”	silver;
“Au”	gold;
“Cu”	copper;
“¢/lb”	US cents per pound;
“g/t”	grams per tonne;
“gpt”	grams per tonne;
“ha”	hectare(s);
“km”	kilometre(s);
“koz”	thousand ounces;
“kt”	thousand tonnes;
“ktpa”	thousand tonnes per annum;
“ktpd”	thousand tonnes per day;
“kV”	kilovolt;
“lb”	pound(s);
“m”	metre(s);
“Mo”	molybdenum;
“Mt”	million tonnes;
“Moz”	million ounces;
“oz”	ounce(s);
“t”	tonne(s);
“CFR”	Cost and Freight, as such term is defined in Incoterms® 2010 (ICC Publication No 715E) or later version of Incoterms® as published by International Chamber of Commerce;

GLOSSARY OF TECHNICAL TERMS

“CIF”	Cost, Insurance and Freight, as such term is defined in Incoterms® 2010 (ICC Publication No 715E) or later version of Incoterms® as published by International Chamber of Commerce;
“Indicated Mineral Resource(s)”	that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence. It is based on information from exploration, sampling and testing of material gathered from locations such as outcrops, trenches, pits, workings and drill holes. The locations are too widely or inappropriately spaced to confirm geological or grade continuity but are spaced closely enough for continuity to be assumed;
“Inferred Mineral Resource(s)”	that part of a Mineral Resource for which volume or tonnage, grade and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified geologically or through grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that may be limited, or of uncertain quality and reliability;
“Measured Mineral Resource(s)”	that part of a Mineral Resource for which the tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence. It is based on detailed and reliable information from exploration, sampling and testing of material from locations such as outcrops, trenches, pits, workings and drill holes. The locations are spaced closely enough to confirm geological and grade continuity;
“Mineral Resource(s)”	as defined under the JORC Code, a concentration or occurrence of solid material of economic interest in or on the Earth’s crust in such form, grade (or quality), and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade (or quality), continuity and other geological characteristics of Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge, including sampling. Mineral Resources are sub divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories;
“Ore Reserve(s)”	as defined under the JORC Code, the economically mineable part of a Measured and/or Indicated Mineral Resource;

GLOSSARY OF TECHNICAL TERMS

“Probable Ore Reserve(s)”

the economically mineable material derived from a Measured Mineral Resource or Indicated Mineral Resource or both. It is estimated with a lower level of confidence than a Proved Ore Reserve. It includes diluting and contaminating materials and allows for losses that are expected to occur when the material is mined. Appropriate assessments to a minimum of a pre-feasibility study for a project or a life of mine plan for an operation must have been completed, including consideration of, and modification by, realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors (the modifying factors). Such modifying factors must be disclosed;

“Proved Ore Reserve(s)”

the economically mineable material derived from a Measured Mineral Resource. It is estimated with a high level of confidence. It includes diluting and contaminating materials and allows for losses that are expected to occur when the material is mined. Appropriate assessments to a minimum of a prefeasibility study for a project or a life of mine plan for an operation must have been completed, including consideration of, and modification by, realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors (the modifying factors). Such modifying factors must be disclosed.

LETTER FROM THE BOARD



MMG Limited
五礦資源有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 1208)

Chairman:
WANG Lixin (*Non-executive Director*)

Executive Directors:
Andrew Gordon MICHELMORE
David Mark LAMONT
XU Jiqing

Non-executive Directors:
JIAO Jian
GAO Xiaoyu

Independent non-executive Directors:
Peter William CASSIDY
Anthony Charles LARKIN
LEUNG Cheuk Yan

Registered office and corporate office:
Units 8501-8503
Level 85
International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

*Corporate office and principal
place of business:*
Level 23, 28 Freshwater Place
Southbank, Victoria, 3006 Australia

30 June 2014

To the Shareholders

Dear Sir and Madam,

**(1) VERY SUBSTANTIAL ACQUISITION IN RELATION TO
THE ACQUISITION OF THE TARGET COMPANY HOLDING
THE LAS BAMBAS PROJECT
AND**

**(2) CONTINUING CONNECTED TRANSACTIONS IN RELATION TO
THE CMN FRAMEWORK OFFTAKE AGREEMENT**

INTRODUCTION

The Acquisition and the JV Company

As announced by the Company on 14 April 2014, the Purchasers, the Company, the Sellers and the Sellers' Guarantor entered into the Share Purchase Agreement on 13 April 2014, pursuant to which,

LETTER FROM THE BOARD

among other things, (a) the Sellers have conditionally agreed to sell and the Purchasers have conditionally agreed to purchase the Sale Shares in consideration of the payment of the Share Consideration by the Purchasers to the Sellers in accordance with the terms of the Share Purchase Agreement; (b) the Company has conditionally agreed to finance the repayment of the Intragroup Loans by the Project Company on Completion in accordance with the terms of the Share Purchase Agreement; (c) the Company has agreed to guarantee the due and punctual performance by the Purchasers of their obligations under the Share Purchase Agreement; and (d) the Sellers' Guarantor has agreed to guarantee the due and punctual performance by the Sellers of their obligations under the Share Purchase Agreement.

CMN has irrevocably undertaken to each Seller that it will procure Album Enterprises and Top Create to vote in favour of the resolution(s) to approve the Acquisition by the Purchasers and the entry into and performance of the Share Purchase Agreement by the Purchasers and the Company at the EGM.

Each of the Purchasers is a wholly owned subsidiary of the JV Company. The JV Company is a newly incorporated company established for the purpose of the Acquisition which is currently wholly owned by MMG SA, being itself a wholly owned subsidiary of the Company. Each of MMG SA, Elion Holdings and CITIC has agreed, pursuant to the Shareholders' Agreement entered into by them immediately before the execution of the Share Purchase Agreement on 13 April 2014, (a) to subscribe for new shares in the JV Company on or before Completion of the sale and purchase of the Sale Shares such that the JV Company will then become owned as to 62.5% by MMG SA, 22.5% by Elion Holdings and 15.0% by CITIC; (b) to provide further funding and financial support to the JV Company in proportion to their respective shareholdings so as to allow the JV Company to provide to the Purchasers sufficient funds, in addition to the amount from external financing, to settle the Share Consideration and to provide a loan to the Project Company to repay the Intragroup Loans under the Share Purchase Agreement and to complete the development of the Las Bambas Project; and (c) to grant the Call Options (which include the Contribution Default Call Option, the Non-participation Call Option and the Transfer Event Call Option) to each other and in the case of MMG SA and the Company, to grant the Listing Put Option to Elion Holdings and CITIC.

The Las Bambas Project

The Target Company, through the Project Company, owns the Las Bambas Project. The Las Bambas Project is a large, scalable, long-life copper development project located in Peru with prospective near-mine exploration opportunities. It has significant Mineral Resources and Ore Reserves of copper, gold, silver and molybdenum and the estimated mine life is in excess of 20 years.

Offtake arrangements

Pursuant to the terms of the Shareholders' Agreement:

- (a) subject to (i) the Company obtaining the approval by the requisite majority of relevant shareholders of the Company where required under the Listing Rules; and (ii) the JV Company and its shareholders entering into an offtake agreement in accordance with the terms of the Shareholders' Agreement, each shareholder of the JV Company will be entitled

LETTER FROM THE BOARD

to acquire a portion of the Products from the Las Bambas Project equivalent to its shareholding percentage in the JV Company from time to time (the “**Offtake Entitlement**”);

- (b) for so long as Elion Holdings is a shareholder of the JV Company and is controlled by GXIIC, Elion Holdings has agreed to assign its Offtake Entitlement under the Shareholders’ Agreement to each of MMG SA and CITIC on an equal basis, such that MMG SA and CITIC will, based on the agreed shareholding percentage of each shareholder in the JV Company at Completion, be entitled to a total of 73.75% and 26.25%, respectively, of the Products from the Las Bambas Project; and
- (c) as soon as reasonably practicable after the date of the Shareholders’ Agreement, each of MMG SA and CITIC will execute an offtake agreement with the JV Company (on behalf of the Project Company), under which MMG SA and CITIC will acquire their respective Offtake Entitlement (together with the respective portion of Elion Holdings’ Offtake Entitlement assigned to them) during the life of the Las Bambas Project. The offtake agreements entered into by MMG SA and CITIC shall be in form and content acceptable to the parties to such agreements, have the same terms and conditions as the other offtake agreement and include terms that reflect international terms for similar quality concentrates.

To give effect to the above arrangements:

- (1) MMG SA entered into the MMG Framework Offtake Agreement with the JV Company on 27 June 2014, pursuant to which MMG SA will purchase, and the JV Company will sell or procure other members of the JV Group to sell, MMG SA’s offtake entitlement under the Shareholders’ Agreement, subject to Completion having taken place;
- (2) MMG SA further entered into the CMN Framework Offtake Agreement with CMN on 27 June 2014, pursuant to which CMN will purchase or will procure other members of the CMN Group to purchase, and MMG SA will sell, a portion of the copper concentrate that MMG SA has purchased from the JV Company pursuant to the MMG Framework Offtake Agreement, subject to the Company having obtained the approval by the Independent Shareholders of the CMN Framework Offtake Agreement at the EGM (as further explained under the sub-section headed “Implications under the Listing Rules — CMN Framework Offtake Agreement” in this section) and Completion having taken place;
- (3) the portion of the copper concentrate to be sold by MMG SA to CMN under the CMN Framework Offtake Agreement will be (1) 73.69% (being an amount equivalent to CMN’s indirect shareholding interest in the Company) of MMG SA’s Offtake Entitlement under the Shareholders’ Agreement plus (2) the Offtake Entitlement of Elion Holding assigned to MMG SA under the Shareholders’ Agreement; and

LETTER FROM THE BOARD

- (4) it is the intention of CITIC and the JV Company that they will, as soon as practicable, enter into a framework offtake agreement with respect to the sale and purchase of CITIC's offtake entitlement under the Shareholders' Agreement. The terms of such framework agreement will be consistent with the terms of the MMG Framework Offtake Agreement.

Purpose of this circular

The purpose of this circular is to provide the Shareholders with, among other things, (i) further details on the Acquisition, the Share Purchase Agreement, the Shareholders' Agreement and the CMN Framework Offtake Agreement; (ii) the IFA Letter from the Independent Financial Advisor to the Independent Board Committee and the Independent Shareholders in respect of the CMN Framework Offtake Agreement; (iii) the recommendation of the Independent Board Committee in respect of the CMN Framework Offtake Agreement; (iv) financial information of the Target Group; (v) the unaudited pro forma financial information of the Enlarged Group; (vi) the Competent Person's Report on the Mineral Resources and Ore Reserves of the Target Group; (vii) the Valuation Report on the mineral assets of the Target Group; and (viii) the notice of the EGM.

ACQUISITION

Principal terms of the Share Purchase Agreement

Date

13 April 2014

Parties

- (a) Minera Las Bambas S.A.C. and MMG Swiss Finance AG (as Purchasers);
- (b) MMG Limited (as guarantor of the performance by the Purchasers of their obligations);
- (c) Xstrata South America Limited and Glencore Queensland Limited (as Sellers); and
- (d) Glencore International AG (as guarantor of the performance by the Sellers of their obligations).

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Sellers, the Sellers' Guarantor and their respective ultimate beneficial owners is independent of the Company and its connected persons.

Assets to be acquired

The Sale Shares, being the entire issued share capital of the Target Company which, through the Project Company, owns the Las Bambas Project.

LETTER FROM THE BOARD

Consideration and repayment of Intragroup Loans

The consideration is calculated by reference to a gross base amount of US\$5,850,000,000 (equivalent to approximately HK\$45,630,000,000) adjusted so that the Purchasers will bear the cost of:

- capital expenditure for the Las Bambas Project incurred from 1 January 2014 to Completion;
- Sellers' Intragroup Loans and other financing costs from 1 January 2014 to Completion; and
- other net asset adjustments (including working capital) at Completion.

The Purchasers shall pay the Share Consideration to the Sellers and lend an amount to the Project Company for its repayment of the Intragroup Loans.

(a) *Share Consideration*

The Share Consideration is equal to:

- (i) the base consideration of US\$5,850,000,000 (equivalent to approximately HK\$45,630,000,000); plus
- (ii) the Net Asset Value; less
- (iii) US\$4,187,650,000 (equivalent to approximately HK\$32,663,670,000) representing total capitalised cost of the Las Bambas Project at 1 January 2014.

Before Completion, the Sellers shall notify the Purchasers the amount of the Sellers' reasonable estimate of the Net Asset Value determined in accordance with the terms of the Share Purchase Agreement, based on which the Purchasers shall pay the estimated Share Consideration in cash to the Sellers on Completion (with 1% of the estimated Share Consideration being payable at the time when the post-Completion adjustments are made). Post-Completion adjustments for the difference between the Sellers' estimate of the Net Asset Value and the actual Net Asset Value will be made between the Sellers and the Purchasers. As of 31 December 2013, the Net Asset Value was estimated to be US\$1,323,300,000.

The Net Asset Value calculation includes a deduction of the aggregate amount outstanding under the Intragroup Loans as at the time immediately prior to Completion on the date of Completion.

(b) *Intragroup Loans*

The Purchasers shall lend an amount to the Project Company to enable the Project Company (as borrower) to immediately repay the amount outstanding under any Intragroup Loans immediately prior to Completion to any member of the Sellers' Group.

LETTER FROM THE BOARD

On Completion:

- (i) the Purchasers will lend an amount to the Project Company equal to the Estimated Intragroup Loan Amount owing by the Project Company to members of the Sellers' Group, which the Project Company will use to repay the Intragroup Loans to members of the Sellers' Group; and
- (ii) the Sellers will procure each relevant member of the Sellers' Group to repay any Estimated Intragroup Receivables to the Project Company.

Post-Completion adjustments will be made between the Sellers and the Purchasers if the amount of the Intragroup Loans and/or the Intragroup Receivables contained in the Completion Statement is greater or less than the amount of the Estimated Intragroup Loan Amount or the Estimated Intragroup Receivables (as the case may be), such that the difference will be paid by the Project Company to the relevant member of the Sellers' Group or by the relevant member of the Sellers' Group to the Project Company, as the case may be. As of 31 December 2013, the outstanding amount of the Intragroup Loans was estimated to be US\$2,949,800,000.

For illustrative purposes only, the unaudited pro forma financial information of the Enlarged Group in Appendix III to this circular sets out the estimated amount of Share Consideration that would have been funded by the Company, and the estimated outstanding amount of the Intragroup Loans that would have been provided by the Company to the Purchasers to lend to the Project Company, had Completion occurred on 31 December 2013.

Funding of Share Consideration and repayment of Intragroup Loans

The Purchasers will finance the Share Consideration and the amount to be lent to the Project Company to repay the Intragroup Loans by a combination of (i) internal resources from equity contributions to be made by MMG SA, Elion Holdings and CITIC (or its nominee) to the JV Company in proportion to their respective shareholdings in the JV Company in accordance with the terms of the Shareholders' Agreement; and (ii) external bank financing.

In relation to the external bank financing, the Purchasers have obtained a commitment letter from CDB (as the mandated lead arranger) to arrange two syndicated facilities to be provided jointly by CDB, ICBC (as the joint lead arranger), and BOC and EXIM (each as an arranger). A bank guarantee facility to provide bonding and security requirements for the benefit of the Las Bambas Project will also be provided by a combination of the financing banks.

LETTER FROM THE BOARD

Negotiations are ongoing, but the parties have agreed the key commercial terms including that the amount available under the two syndicated facilities will be up to US\$6,957,000,000 and these facilities and the bank guarantee facility will have the following features:

- Facility for part of the Share Consideration (“**Acquisition Facility**”)
 - o an amount of up to US\$969,000,000;
 - o an all-inclusive interest rate of LIBOR plus a margin not exceeding 350 basis points per annum; and
 - o a term of seven years;
- Facility for the funds required to finance the repayment of the Intragroup Loans and ongoing capital requirements of the Las Bambas Project (“**Project Facility**”)
 - o an amount of up to US\$5,988,000,000;
 - o an all-inclusive interest rate of LIBOR plus a margin not exceeding 390 basis points per annum; and
 - o a term of eighteen years; and
- Bank guarantee facility for bonding and security requirements for the benefit of the Las Bambas Project (“**Bank Guarantee Facility**”)
 - o an amount of up to US\$380,000,000;
 - o fees of up to 130 basis points per annum; and
 - o a term of 18 years.

(the Acquisition Facility, the Project Facility and the Bank Guarantee Facility being, together, referred to as the “**Facilities**”);

- repayments in respect of both the Acquisition Facility and Project Facility will not commence until a date which is three years after Completion;
- there will be commitment by CMNH, GXIIC and CITIC to support cost overruns, typical lender controls with reserve accounts, restrictions on equity distributions and mandatory debt service requirements which are consistent with market conventions;
- subject to applicable laws and regulations, the Facilities will be secured by charges over the assets of the Las Bambas Project and the Purchasers and by charges over the shares of, and guarantees given by, members of the JV Group; and

LETTER FROM THE BOARD

- subject to applicable laws and regulations, the Facilities will also be guaranteed on a several basis by CMNH and CMCL, GXIIC and CITIC Limited (the parent company of CITIC) in proportion to the respective shareholdings to be held by MMG SA, Elion Holdings and CITIC (or its nominee) in the JV Company and by members of the JV Group, which guarantees will apply, in respect of the Acquisition Facility, for the term of the Acquisition Facility and in respect of the Project Facility, until certain conditions are met following commencement of production at the Las Bambas Project.

The commitment to arrange and/or participate in the Facilities by CDB, ICBC, BOC and EXIM is subject to the approval of their respective credit committees and execution of definitive agreements on terms satisfactory to the Company, CDB, ICBC, BOC and EXIM. It is expected that the loan agreements will be executed before 31 July 2014.

The combined gearing ratio (debt divided by debt plus equity) of the Acquisition Facility and the Project Facility is expected to be approximately 66%.

The pro-rata share of equity contribution to be made by MMG SA to the JV Company under the Shareholders' Agreement will be financed by a four-year term loan of up to US\$2,262,000,000 from Top Create, a shareholder of MMG and a wholly owned subsidiary of CMN, on normal commercial terms (or better to the Company) where no security over the assets of the Group will be granted. Such loan will constitute a connected transaction for the Company which will be fully exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules pursuant to Rule 14A.65(4) thereof.

Basis of determining the consideration

The consideration was agreed between the Purchasers and the Sellers on an arm's length basis as part of a two-stage confidential competitive bidding process conducted by the Sellers' Guarantor whereby (a) interested purchasers were required to submit non-binding indicative bids at the end of the first stage; and (b) selected bidders negotiated the sale and purchase agreement with the Sellers in the second stage until submission of final offers capable of being executed at the end of the second stage and execution of the Share Purchase Agreement.

The Company took into consideration the following factors, among other things, in determining the final offer submitted to and agreeing the consideration with the Sellers:

- (a) results of the due diligence and financial analysis conducted by the Company and its professional advisors based on information provided by the Sellers, and the Company's view formed on the information provided;
- (b) negotiations with the management and professional advisors of the Sellers as part of the competitive bidding process;
- (c) the scale and quality of the Mineral Resources and Ore Reserves of the Las Bambas Project, and the project's forecast low-cost position on the industry cost curve;

LETTER FROM THE BOARD

- (d) the location of the Las Bambas Project in a well-established mining jurisdiction, the developing nature of its economy and the regulatory regime in that jurisdiction as set out in the sections headed “Risks Factors” and “Regulatory Review” in this circular;
- (e) the Company’s assessment of the prospects of the Las Bambas Project in particular, its substantial geological potential and exploration upside;
- (f) the unique opportunity to acquire a world-class copper asset;
- (g) strategic benefits from a major and permanent presence in South America, strong compatibility with the Company’s growth strategy, as well as the potential synergies as part of the Enlarged Group, as further explained in the sub-section headed “Reasons for and Benefits of the Acquisition” in this section and in the sub-sections headed “Strategies of the Enlarged Group” and “Competitive Strengths of the Enlarged Group” in the section headed “Information on the Enlarged Group”; and
- (h) the risks factors as set out in the section headed “Risks Factors” in this circular, and in particular, the risks associated with new mining construction projects, risks relating to the requirements for significant project and operational capital investment, risks associated with completion of the construction of the project, risks relating to commodities prices and risks relating to foreign currency exchange rate fluctuations.

In accordance with the requirements of Chapter 18 of the Listing Rules, the Company has engaged Jones Lang LaSalle to prepare the Valuation Report on the mineral assets of the Target Group as set out in Appendix V to this circular. According to the Valuation Report, the value of the mineral assets of the Target Group was, as at 31 December 2013, within the range of US\$4,550,000,000 to US\$6,590,000,000, with the preferred value being US\$5,510,000,000. The base consideration of US\$5,850,000,000 (based on which the Share Consideration is calculated) is within the range of values as shown in the Valuation Report but more than the preferred value, primarily because Jones Lang LaSalle has not, due to constraints imposed on valuations prepared pursuant to Chapter 18 of the Listing Rules, taken into account all the factors which the Company considered when it determined the consideration (as set out in (a) to (h) above). This included value accretive opportunities for the Las Bambas Project as noted by RPM in the Competent Person’s Report including the conversion of a substantial Inferred Mineral Resource into Ore Reserves, regional exploration potential, down dip extensions of the existing Mineral Resources, tailings dam capacity expansion, cut-off grade optimisation, plant capacity expansion and a concentrate pipeline for transportation of the products to the port.

In determining the consideration, the Board took a prudent view in allowing for unquantifiable contingencies based around some of the risks identified. This resulted in the Board considering a range of estimates from approximately US\$6,300,000,000 to approximately US\$7,100,000,000 for the capital cost to construct the Las Bambas Project. Shareholders and potential investors should note that the actual capital cost to construct the Las Bambas Project may differ from the above estimates. The Company will provide an update on the forecasts for the Las Bambas Project including project capital with the benefit of full access to information and personnel after management assumes control of the Las Bambas Project following Completion.

LETTER FROM THE BOARD

Conditions

Completion is conditional upon the satisfaction (or waiver in accordance with the terms of the Share Purchase Agreement as further described below) of the following Conditions:

- (a) the approval of the Acquisition by MOFCOM pursuant to the remedy commitments made in connection with the review by MOFCOM of the acquisition of all of the outstanding shares in Xstrata plc by Glencore International plc dated 12 April 2013 having been obtained;
- (b) the necessary confirmation and consent by ProInversion to replace XTintaya with the Company as guarantor of the Project Company under the Transfer Agreement;
- (c) the requisite majority of the relevant shareholders of the Company as required under the Listing Rules having approved the entry into and performance of the Share Purchase Agreement and the transactions contemplated thereby by the Purchasers and the Company; and
- (d) (i) the necessary approval by or registration with each of NDRC, MOFCOM and the competent local branch of the State Administration of Foreign Exchange of the PRC of the transactions contemplated under the Share Purchase Agreement having been obtained or completed (as the case may be); and (ii) the necessary approval by MOFCOM of the formation of the JV Company by the Company, Elion Holdings and CITIC (or their respective subsidiaries) having been obtained.

ProInversion is a party to the Transfer Agreement by which the Project Company acquired the mining concessions and other project assets relating to the Las Bambas Project. XTintaya is also a party to the Transfer Agreement to guarantee all the obligations of the Project Company therein. To replace XTintaya with the Company as guarantor under the Transfer Agreement, the Purchasers must demonstrate to ProInversion that the Company has (i) financial capacity, measured as a minimum net worth of US\$100,000,000; and (ii) technical capacity, measured as mining operations or processing capacity of not less than 10,000 tonnes per day (either directly or indirectly through a subsidiary). The Company is of the view that it fulfils the above requirements on financial capacity and technical capacity.

The Purchasers have agreed to use all reasonable endeavours to ensure the satisfaction of the Purchasers Conditions (as set out in paragraphs (c) and (d) above) as soon as possible after the date of the Share Purchase Agreement. The Sellers and the Purchasers have agreed to use all reasonable endeavours to satisfy the MOFCOM Condition and the ProInversion Condition (as set out, respectively, in paragraphs (a) and (b) above) as soon as possible after the date of the Share Purchase Agreement.

The Purchasers may waive in whole or in part the Purchasers Condition set out in paragraph (d) above. No party can waive the MOFCOM Condition set out in paragraph (a) above or the ProInversion Condition as set out in paragraph (b) above without the prior written approval of the Sellers' Guarantor, the Purchasers and the Company. The Purchaser Condition set out in paragraph (c) above may not be waived by any party.

LETTER FROM THE BOARD

The approval by NDRC of the transactions contemplated under the Share Purchase Agreement, being part of the Purchasers Condition set out in paragraph (d) above, has been obtained. As at the Latest Practicable Date, none of the Conditions has been satisfied or waived.

Termination

The Share Purchase Agreement may be terminated in the following circumstances:

- (a) if, on the Long Stop Date:
 - (i) any of the Purchasers Conditions have not been satisfied (or waived in accordance with the Share Purchase Agreement); and/or
 - (ii) a MOFCOM Termination Event or a ProInversion Termination Event has occurred, then the Sellers shall be entitled either to fix a new long stop date (which shall not be after 31 December 2014) or to terminate the Share Purchase Agreement without liability on their part;
- (b) if, at any time between the signing of the Share Purchase Agreement and Completion, it comes to the attention of the parties to the agreement that:
 - (i) there is no realistic prospect of any one (or more) of the Purchasers Conditions being satisfied before the then expected date of Completion (or, if there is at that time no scheduled date of Completion, before the Long Stop Date); or
 - (ii) an event that would on the Long Stop Date constitute a MOFCOM Termination Event or a ProInversion Termination Event has occurred in respect of which there is no realistic prospect of remedy before the then expected date of Completion (or, if there is at that time no scheduled date of Completion, before the Long Stop Date), other than as a result of a prospective breach of a fundamental warranty or the prospective occurrence of a material adverse change as at the then expected date of Completion (or, if there is at that time no scheduled date of Completion, as at the Long Stop Date), then the Sellers shall be entitled to terminate the Share Purchase Agreement without liability on their part;
- (c) if, on the Long Stop Date, the Purchasers Conditions have been satisfied (or waived in accordance with the Share Purchase Agreement) and no MOFCOM Termination Event or ProInversion Termination Event has occurred, but any other Condition has not been satisfied and an event has occurred, or facts or circumstances have arisen that, if not remedied before Completion, would at Completion constitute a breach of a fundamental warranty (other than certain fundamental warranties the breach of which is of a minor and immaterial nature or relating to valid and non-frivolous or vexatious claims) or a material adverse change, then the Purchasers shall be entitled to terminate the Share Purchase Agreement without liability on their part;

LETTER FROM THE BOARD

- (d) if, at any time between the signing of the Share Purchase Agreement and Completion, it comes to the attention of the parties to the agreement that an event has occurred, or facts or circumstances have arisen that, if not remedied before Completion, would at Completion constitute a breach of a fundamental warranty (with no realistic ability for such event, facts or circumstances to be remedied prior to the then expected date of Completion or, if there is at that time no scheduled date of Completion, prior to the Long Stop Date), then the Purchasers shall be entitled to terminate the Share Purchase Agreement without liability on their part;
- (e) if, at any time between the signing of the Share Purchase Agreement and Completion, it comes to the attention of the parties to the agreement that an event has occurred, or facts or circumstances have arisen that, if not remedied before Completion, would at Completion constitute a material adverse change (with no realistic ability for such prospective material adverse change to be remedied prior to the then expected date of Completion or, if there is no scheduled date of Completion, prior to the Long Stop Date), then the Purchasers shall be entitled to terminate the Share Purchase Agreement without liability on their part;
- (f) if, on the Long Stop Date:
 - (i) the Purchasers Conditions have all been satisfied; and
 - (ii) no MOFCOM Termination Event or ProInversion Termination Event has occurred; and
 - (iii) the MOFCOM Condition or the ProInversion Condition has not been satisfied,

then the Sellers or the Purchasers shall be entitled to give notice to the other to terminate the Share Purchase Agreement without liability on any party to the Share Purchase Agreement.

SPA Break Fee

If the Share Purchase Agreement is terminated by the Sellers pursuant to paragraph (a) or (b) in the sub-paragraph headed “Termination” above other than where all of the following circumstances persist:

- (a) the sole event, fact or circumstance giving rise to the Sellers’ right to terminate the Share Purchase Agreement is (i) the non-satisfaction of a Purchasers Condition or a Purchasers Condition having no realistic prospect of satisfaction; or (ii) the occurrence of an event that would on the Long Stop Date constitute a MOFCOM Termination Event or a ProInversion Termination Event which has no realistic prospect of remedy;
- (b) it could reasonably be concluded that the predominant cause of the matter referred to in (a) above is that an event has occurred, or facts or circumstances have arisen that, if not remedied before Completion, would at Completion constitute a breach of a fundamental warranty or a material adverse change and there is no realistic prospect of such event, fact or circumstance being remedied in sufficient time prior to the then expected date of

LETTER FROM THE BOARD

Completion (or if there is no scheduled date of Completion, prior to the Long Stop Date) such that it could not reasonably be concluded that the predominant cause of the matter referred to in (a) is the occurrence of such event or the arising of such facts or circumstances; and

- (c) in the case of events, facts or circumstances that, if not remedied before Completion, would at Completion constitute a breach of a fundamental warranty, if the relevant event or facts or circumstances have occurred or arisen (as the case may be), the Purchasers would have been entitled to terminate this Agreement,

then the Purchasers shall be liable to pay the Sellers' Guarantor on behalf of the Sellers the SPA Break Fee of US\$250,000,000 (equivalent to approximately HK\$1,950,000,000).

The SPA Break Fee was determined after arm's length negotiations between the Company and the Sellers as part of the competitive bidding process and in line with market precedents, by reference to, among others, the amount of the fee, the irrevocable undertaking given by CMN to each Seller to procure Album Enterprises and Top Create to vote in favour of the resolutions to approve the Acquisition by the Purchasers and the entry into the Share Purchase Agreement by the Purchasers and the Company (see below), the Company's confidence in obtaining the requisite regulatory approvals, confirmations and consents for the Acquisition and the Directors' view of the benefits of the Acquisition to the Company and the Shareholders as a whole.

Completion

Completion will take place on the last business day of the calendar month during which notification is given of the fulfilment of the last Condition (other than any condition that has been waived in accordance with the terms of the Share Purchase Agreement), provided that if such notification is given later than the 14th day of that month, then Completion will take place on the last business day of the following calendar month unless otherwise agreed.

The Company expects that Completion will take place in the third quarter of 2014.

Guarantee

The Company has unconditionally and irrevocably guaranteed to the Sellers the due and punctual performance by the Purchasers of all their obligations under the Share Purchase Agreement. Elion Holdings and CITIC, being shareholders of the JV Company, are obliged under the Shareholders' Agreement to reimburse and indemnify the JV Company for fees and losses the JV Company incurs as a result of Completion taking place under certain circumstances. Please refer to the sub-section headed "The JV Company and Shareholders' Agreement — Principal terms of the Shareholders' Agreement — Obligations with respect to the SPA Break Fee and losses resulting from Completion not taking place" in this section for further information.

The Sellers' Guarantor has unconditionally and irrevocably guaranteed to the Purchasers the due and punctual performance by the Sellers of all their obligations under the Share Purchase Agreement.

LETTER FROM THE BOARD

CMN irrevocable undertaking

CMN has irrevocably undertaken to each Seller that it will procure Album Enterprises and Top Create to vote in favour of the resolution(s) to approve the Acquisition by the Purchasers and the entry into and performance of the Share Purchase Agreement by the Purchasers and the Company at the EGM.

Transitional Services Agreement

At Completion, Inversiones (a subsidiary of the Sellers' Guarantor) and the Project Company will enter into a transitional services agreement, pursuant to which Inversiones will:

- (a) for the period of 120 days from the date of Completion or, in respect of services relating to intellectual properties, one year from the date of Completion (which may be extended subject to Inversiones' agreement), provide services to the Project Company on a transitional basis in respect of various corporate support services for a fee in order to facilitate the full handover of information technology systems and other corporate functions, procedures and processes associated with the Las Bambas Project to the Project Company; and
- (b) for a period ending on the earlier of the commissioning of the Las Bambas Project plant and 31 December 2015, provide training to the operational personnel of the Las Bambas Project to enable them to gain necessary skills to operate and maintain the Las Bambas Project plant. Inversiones's obligation to provide the foregoing training is subject to obtaining the mutual agreement of the parties in respect of the terms pursuant to which such training will be provided. The parties have agreed to negotiate in good faith to finalise such terms prior to the expiry of the original 120-day term of the transitional services agreement.

THE JV COMPANY AND SHAREHOLDERS' AGREEMENT

The JV Company is a newly incorporated company established for the purpose of the Acquisition which is currently wholly owned by MMG SA, being itself a wholly owned subsidiary of the Company. Pursuant to the Shareholders' Agreement, MMG SA, Elion Holdings and CITIC have conditionally agreed that on or prior to the date of Completion, each of them will subscribe for new shares in the JV Company such that the JV Company will then become owned as to 62.5% by MMG SA, 22.5% by Elion Holdings and 15.0% by CITIC. The JV Company will remain a subsidiary of the Company upon completion of such subscription.

Principal terms of the Shareholders' Agreement

Date

13 April 2014

LETTER FROM THE BOARD

Parties

- (a) the Company;
- (b) MMG SA;
- (c) Elion Holdings;
- (d) CITIC;
- (e) GXIIC; and
- (f) the JV Company.

GXIIC, through its wholly owned subsidiary, is interested in certain non-voting convertible redeemable preference shares in a subsidiary of the Company.

Pursuant to the Shareholders' Agreement, CITIC has the right, before the effective date of the Shareholders' Agreement, to elect for an entity incorporated in Hong Kong, being the special purpose vehicle company for CITIC and an entity which is ultimately controlled by CITIC Group Corporation, to assume all CITIC's rights and obligations under the Shareholders' Agreement in place of CITIC.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of Elion Holdings, GXIIC and CITIC and their respective ultimate beneficial owners is independent of the Company and its connected persons.

Effective date of formation of joint venture

The parties will not have any obligation to proceed with the Formation of the Joint Venture and, in particular, will not have any obligation to provide funding to the JV Company under the Shareholders' Agreement (except the SPA Break Fee) unless and until:

- (a) the outbound investment project approval by NDRC in relation to the transactions contemplated by the Shareholders' Agreement has been obtained;
- (b) the outbound investment approval by MOFCOM in relation to the transactions contemplated by the Shareholders' Agreement has been obtained;
- (c) the anti-trust approval of the Formation of the Joint Venture under the Shareholders' Agreement by MOFCOM has been obtained; and

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- (d) the approval by the requisite majority of the relevant shareholders of the Company as required under the Listing Rules of (i) the entry into and performance of the Share Purchase Agreement and the transactions contemplated thereunder by the Purchasers and the Company; (ii) the entry into and performance of the Shareholders' Agreement and the transactions contemplated thereunder by MMG SA and the Company.

Obligations to fund the Acquisition

All funding required by the JV Company for the Acquisition will be financed, on or prior to Completion, in the following manner:

- (a) to the maximum extent possible, by financing from third-party financial institutions to the JV Group; and
- (b) any portion of the funding not satisfied by third-party financing referred to in (a) above will be funded by MMG SA, Elion Holdings and CITIC in proportion to their respective shareholdings in the JV Company as shareholder equity, provided that the total aggregate amount of funding that MMG SA, Elion Holdings and CITIC are required to provide as shareholder equity for the Acquisition shall not exceed US\$3,560 million (equivalent to approximately HK\$27,768 million).

For further details of the funding arrangements, please refer to the sub-section headed "Acquisition — Principal terms of the Share Purchase Agreement — Funding of Share Consideration and repayment of Intragroup Loans" in this section.

If a Contribution Default Event occurs in respect of MMG SA, Elion Holdings or CITIC, each of the non-defaulting parties will have the right to acquire from the defaulting party all of its shares in and the shareholder's loan provided to the JV Company for an amount equal to the sum of all subscription funds contributed by the defaulting party as at the date of the Contribution Default Event (the "**Contribution Default Call Option**").

"**Contribution Default Events**" includes:

- (i) (in respect of MMG SA, Elion Holdings or CITIC) on or before a certain specified date, MMG SA, Elion Holdings or CITIC (as the case may be) (1) has notified the other parties that its application for SAFE Approval has been rejected or has not notified the JV Company and the other parties that it has obtained the SAFE Approval; and (2) has not provided satisfactory evidence to the other parties that it has sufficient funds to comply with its obligations under the Shareholders' Agreement without the need for further SAFE Approval;
- (ii) (in respect of MMG SA only) (1) the Company has not obtained the approval by the requisite majority of the relevant shareholders of the Company as required under the Listing Rules of (x) the entry into and performance of the Share Purchase Agreement and the transactions contemplated thereunder by the Purchasers and the Company; (y) the entry into and performance of the Shareholders' Agreement and the transactions contemplated

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thereunder by MMG SA and the Company; and (z) the entry by the relevant member of the JV Group into an offtake agreement with CITIC as contemplated under the Shareholders' Agreement prior to the Long Stop Date; (2) all the approvals set out in paragraph (a) to (c) under the sub-paragraph headed "Effective date of formation of joint venture" above have been obtained; and (3) a Contribution Default Event has not occurred in relation to Elion Holdings or CITIC; and

- (iii) (in respect of MMG SA, Elion Holdings or CITIC) MMG SA, Elion Holdings or CITIC (as the case may be) fails to comply with its obligations under any financing agreements in relation to any third party financing for the Acquisition, its obligations to provide financial support under such financing agreements or its obligations to make capital contribution to fund the Acquisition under the Shareholders' Agreement.

Obligations with respect to the SPA Break Fee and losses arising from Completion not taking place

If Completion does not occur as a result of the Purchasers or the Company being in breach of, or default under, its obligations under the Share Purchase Agreement after the occurrence of a Contribution Default Event, the defaulting party must reimburse the JV Company all of the SPA Break Fee and other losses incurred, and indemnify the other parties to the Shareholders' Agreement, the JV Company and its subsidiaries for any losses they incur, as a result of Completion not taking place.

If Completion does not occur for any reason (other than as a result of a Contribution Default Event), then each of MMG SA, Elion Holdings and CITIC will, in proportion to their respective shareholdings in the JV Company, reimburse the JV Company any SPA Break Fee and other losses incurred, and indemnify the JV Company and its subsidiaries for any losses they incur, as a result of Completion not taking place.

Business of the JV Group

The JV Group will principally be engaged in:

- (a) the performance of the obligations of the Purchasers under the Share Purchase Agreement;
- (b) after Completion, the development and operation of the Las Bambas Project; and
- (c) the conduct of any other business as determined by the JV Board or shareholders of the JV Company in connection with the Las Bambas Project.

Each shareholder of the JV Company has an unrestricted right to engage in any activities outside the scope of the Las Bambas Project or the business of the JV Company.

Arrangements during the period between signing of the Shareholders' Agreement and Completion under the Share Purchase Agreement

During the period between signing of the Shareholders' Agreement and Completion under the Share Purchase Agreement, all major decisions regarding the Acquisition must be approved by the

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unanimous decision of the management committee consisting of three members appointed by each of MMG SA, Elion Holdings and CITIC prior to any action or decision being taken by the parties to the Shareholders' Agreement or any member of the JV Group. The Company will lead and represent the parties to the Shareholders' Agreement and the Purchasers and members of the JV Group in relation to the Purchasers' obligations under the Share Purchase Agreement and the negotiation of any financing agreements. All costs and liabilities incurred by the Company in relation to any actions undertaken will be borne by each of MMG SA, Elion Holdings and CITIC in proportion to their respective shareholdings in the JV Company.

Board of Directors

The JV Company will have a maximum of six directors. Each shareholder of the JV Company is entitled to nominate one director in respect of every 15% of the shares in the JV Company held by it out of the total number of shares of the JV Company in issue from time to time. Accordingly, MMG SA will be entitled to nominate four directors of the JV Company, while each of Elion Holdings and CITIC will be entitled to appoint one director of the JV Company.

At each meeting of the JV Board, each director is entitled to the number of votes that the total number of shares in the JV Company held by the shareholder nominating such director bears to the number of directors appointed by such shareholder who attend the board meeting or sign the relevant written resolutions (as the case may be) and who are entitled to vote on the relevant resolution.

Resolutions of the directors of the JV Company will be decided by a simple majority of the votes cast, except for certain reserved matters set out in the Shareholders' Agreement, which will require the approval of such number of directors of the JV Company that together hold more than 85% of the total voting entitlement of all directors entitled to vote. Those reserved matters include but are not limited to: (i) amendment of the articles of association of the JV Company; (ii) approval, amendment or waiver of any right under, or termination of, any contract that requires expenditure by a member of the JV Group exceeding certain thresholds; (iii) appointment or removal of auditors; (iv) increase or decrease in (other than pursuant to a permitted cash call), or consolidation, sub-division, conversion or cancellation of, the share capital of any member of the JV Group; (v) activities that will increase the budgeted capital expenditure in the development plan, or increase the capital expenditure in an approved work program and budget by a certain percentage, for the Las Bambas Project; (vi) activities that will result in a material change to the specified scope of the Las Bambas Project; (vii) disposal of assets relating to the Las Bambas Project with a value exceeding a certain threshold; (viii) granting any encumbrance over the assets of any member of the JV Group (other than in the ordinary course of business); and (ix) borrowing and lending money exceeding certain thresholds.

Cash Calls

The JV Board may make a cash call for, and the shareholders of the JV Company must contribute on a pro rata basis, additional capital (whether by way of subscription for shares in the JV Company by the shareholders or by way of shareholder's loans, as determined by the JV Board) to the JV Company from time to time contemplated by the development plan and an approved work programme and budget for the Las Bambas Project.

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If the JV Board intends to make a cash call for additional capital after the commencement of commercial production of the Las Bambas Project, the amount of which, when aggregated with the amount of prior cash calls made in the same financial year, exceeds an amount equal to 50% of all distributions made by the JV Company to its shareholders in the previous financial year (a “**Restricted Cash Call**”), each shareholder of the JV Company will have the right to elect whether to participate in the Restricted Cash Call.

If:

- (a) a shareholder fails to obtain the PRC regulatory approval required for it to satisfy a cash call for additional capital within a specified period of time; or
- (b) a shareholder elects not to participate in a Restricted Cash Call,

then each of the other shareholders who are participating in the cash call will have the right to elect to contribute the portion of the cash call that was to be contributed by the non-contributing shareholder, in return for the transfer by the non-contributing shareholder to it of such number of shares in the JV Company and such portion of the shareholder’s loan provided by the non-contributing shareholder to the JV Company as is equivalent, based on an aggregate fair value to be determined by an independent expert to be appointed by the contributing shareholder(s), to the portion of the cash call that the contributing shareholder has funded in place of the non-contributing shareholder (the “**Non-participation Call Option**”).

If a shareholder fails to satisfy, in whole or in part, a cash call for additional capital made by the JV Board (other than a Restricted Cash Call in which it has elected not to participate in accordance with the Shareholders’ Agreement), then each of the other shareholders may elect to contribute the unpaid sum on behalf of the defaulting shareholder and the amount of such unpaid sum will be taken to constitute a debt owing by the defaulting shareholder to the shareholder contributing the unpaid sum on behalf of the defaulting shareholder.

Transfer Events

If a Transfer Event occurs in relation to a shareholder of the JV Company, each of the other shareholders will have the right to acquire from that shareholder a proportionate number of its shares in and a proportionate amount of its shareholder’s loan to the JV Company for an amount equal to (in the case of any Transfer Event set out in paragraphs (a) to (e) below) 95% or (in the case of any Transfer Event set out in paragraphs (f) to (h) below) 100% of the fair value of those shares and shareholder’s loan as determined by an independent expert to be appointed by the JV Company (the “**Transfer Event Call Option**”).

“**Transfer Events**”, in relation to a shareholder of the JV Company, includes:

- (a) disposal of any shares in or any shareholder’s loan provided to the JV Company in breach of the terms of the Shareholders’ Agreement;

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- (b) upon the occurrence of a change of control (as defined in the Shareholders' Agreement) of that shareholder;
- (c) where a prior shareholder of the JV Company has transferred its shares in and shareholder's loan to the JV Company to an affiliate (as defined in the Shareholders' Agreement), the transferee ceasing to be an affiliate of that prior shareholder without first transferring those shares and shareholder's loans back to that prior shareholder or another affiliate of that prior shareholder in accordance with the Shareholders' Agreement;
- (d) any material breach of the Shareholders' Agreement, which breach is not remedied within a specified period of time or is committed within six months of remedying the same breach;
- (e) failure to repay the debt owing to the other shareholder(s) arising as a result of its failure to satisfy a cash call for additional capital made by the JV Board in accordance with the Shareholders' Agreement;
- (f) non-participation in a Restricted Cash Call on three or more separate occasions and in relation to the first two occasions, one or more of the other shareholders have contributed in full the relevant amount of the Restricted Cash Calls;
- (g) that shareholder being prohibited from being a shareholder of the JV Company by a change in any law; and
- (h) winding up, appointment of receiver or insolvency in respect of that shareholder or any ultimate holding company or parent undertaking of that shareholder.

Listing of a subsidiary of the Company

If any subsidiary of the Company proposes to seek a listing of its shares on an internationally recognised stock exchange and such subsidiary directly or indirectly holds shares in the JV Company, each of Elion Holdings and CITIC will have the right to participate in such proposed listing.

If both of Elion Holdings and CITIC express an intention to participate in the proposed listing, then the Company and MMG SA shall procure the listing of the shares in the JV Company instead.

If only Elion Holdings or CITIC intends to participate in the proposed listing, then the relevant subsidiary may proceed with the proposed listing and Elion Holdings or CITIC (as the case may be) will have the right to participate in the proposed listing by transferring to the relevant subsidiary its shares in the JV Company and the shareholder's loan provided by it to the JV Company in exchange for the issue of new shares in the relevant subsidiary, the number of which will be determined by reference to a valuation, to be conducted by an independent expert agreed by the parties, of the fair value of the shares in the JV Company held by and the shareholder's loan to the JV Company provided by Elion Holdings or CITIC (as the case may be) and the fair value of the shares of the relevant subsidiary (the "**Listing Put Option**").

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Elion Holdings shall no longer be entitled to the rights and benefits under the Listing Put Option upon GXIIC ceasing to hold or control, directly or indirectly, a majority of the voting rights exercisable at shareholders' meetings of Elion Holdings or otherwise ceasing to Control (as defined in the Shareholders' Agreement) Elion Holdings.

CITIC shall no longer be entitled to the rights and benefits under the Listing Put Option upon CITIC Group Corporation ceasing to hold or control, directly or indirectly, a majority of the voting rights exercisable at shareholders' meetings of CITIC or otherwise ceasing to Control (as defined in the Shareholders' Agreement) CITIC.

Guarantee

The Company has agreed to guarantee to each of the other parties to the Shareholders' Agreement the prompt performance by MMG SA of all its obligations under the Shareholders' Agreement.

GXIIC has agreed to guarantee to each of the other parties to the Shareholders' Agreement the prompt performance by Elion Holdings of all its obligations under the Shareholders' Agreement.

CITIC has agreed, in the event it exercises its right under the Shareholders' Agreement to elect for its nominee to assume all its rights and obligations under the Shareholders' Agreement in its place, to guarantee to each of the other parties to the Shareholders' Agreement the prompt performance by such nominee of all its obligations under the Shareholders' Agreement.

FINANCIAL EFFECTS OF THE ACQUISITION ON THE COMPANY

The financial effects of the Acquisition on the Company (including its effect on the earnings, assets and liabilities of the Company) are illustrated by way of the unaudited pro forma financial information of the Enlarged Group set out in Appendix III to this circular. As illustrated in the unaudited pro forma financial information of the Enlarged Group, the financial effects of the Acquisition on the Company are limited as the funding for the Acquisition is largely quarantined from the Company.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Acquisition is consistent with the Group's vision, growth strategy and positive long-term view of copper. The Acquisition delivers on the Group's vision of strengthening the Group's business in the base metals sector and, in view of the scale and quality of the Mineral Resources and Ore Reserves of the Las Bambas Project, it represents a unique and valuable opportunity for the Group to acquire a world-class and high-quality copper asset with unexplored prospective ground holdings. The Acquisition is expected to significantly increase the Group's business scale and bring long-term and strategic benefits to the Group.

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The Acquisition is a unique opportunity to acquire a world-class copper asset

The Las Bambas Project is a large, scalable, long-life development project with prospective near-mine exploration opportunities. Located in Cotabambas, Apurimac region of Peru, the project was approved in June 2012 and is at an advanced stage of construction. The Las Bambas Project is a series of open pit mines which will use a conventional concentrator plant with processing capacity of 140 ktpd. In its first full year of operation it is expected to be one of the top three copper producing mines in the world and is currently one of the largest copper projects in construction on a copper resource basis. The Las Bambas Project is expected to produce in excess of 2 Mt of copper concentrates during the first five years of operation. The estimated mine life is in excess of 20 years. The Las Bambas Project is expected to be in the first quartile of the cost curve once nameplate capacity is achieved. The Board is of the view that the Las Bambas Project has significant upside exploration potential, as a significant proportion of the licensed tenement remains unexplored with no exploration and drilling undertaken since 2010.

World-class mining assets such as the Las Bambas Project are scarce and typically tightly held by the major mining companies. The sale of the asset was a primary condition MOFCOM placed on Glencore International plc for its approval of the merger between Glencore International plc and Xstrata plc. The Board is of the view that the opportunity to acquire such a world-class asset in an established mining jurisdiction is unique.

The Las Bambas Project has significant Mineral Resources and Ore Reserves containing copper, gold, silver and molybdenum. Based on the Competent Person's Report, as of 1 January 2014, the Las Bambas Project had total Reserves of 6.9 Mt of contained copper, 1.9 Moz of contained gold, 112 Moz of contained silver and 0.17 Mt of contained molybdenum, and total resources (inclusive of Reserves and Inferred Mineral Resources) of 10.9 Mt contained copper, 2.77 Moz of contained gold, 176 Moz of contained silver and 0.29 Mt of contained molybdenum.

The Acquisition is consistent with the Group's vision, growth strategy and positive long-term view of copper

The Acquisition will further advance the Group's objective to maximise shareholder returns by discovering, acquiring, developing and sustainably operating resources projects around the world. The Group's growth strategies primarily focus on identifying opportunities to extract potential from existing assets, pursuing organic growth opportunities through projects and exploration pipelines; and pursuing external growth such as targeting value-focused acquisitions. The Acquisition leverages on the Group's strength as an operator of large open-pit mines, and its commitment to world-class standards in safety, health and environment. The Board is of the view the Acquisition represents a significant step to achieving the Group's objective to be recognised among the world's top mid-tier base metals mining companies.

The Company takes a long-term positive view of copper market fundamentals. The Board is of the view that the Group can benefit from the favourable copper market fundamentals when the Las Bambas Project starts production, and to this end intends to conduct an extensive exploration drilling program which is expected to increase total revenue and mine life of the Las Bambas Project following completion of the Acquisition.

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The Acquisition is transformational to the Group

The Acquisition will reposition the Group in relation to the world's largest copper producers with exposure to other base metals. The scale of the copper Mineral Resource and planned production of the Las Bambas Project will be significantly larger than that of the Group. Coupled with the Company's positive view of the copper market, the Acquisition will significantly increase the copper production and Ore Reserves of the Group and is expected to create long-term value for the Shareholders.

The Acquisition will significantly enhance the Company's growth profile. The Company's share of the production of the Las Bambas Project is expected to be approximately 1.5 times of the Group's existing copper production once ramp up is complete. The copper Mineral Resources of the Las Bambas Project of 10.9 Mt represent more than double of the Group's existing copper Mineral Resources of 3.9 Mt.

The Acquisition creates long-term value for its stakeholders

The Board is confident that future opportunities can be created through (i) the Enlarged Group's new platform in Peru, a highly prospective mining region; (ii) the exploration upside potential of the Las Bambas Project; and (iii) the Group's enhanced sector positioning which will better position it to compete for assets and participate in future industry consolidation.

The Acquisition will enable the Enlarged Group to establish a strong platform in the highly prospective and well-established South American mining region

Upon completion of the Acquisition, which the Company expects to occur in the third quarter of 2014, the Enlarged Group will establish a major and permanent presence in Peru, one of the most prospective mining regions in the world. According to the MEM of Peru, Peru has the world's second-largest copper reserves and was the third largest copper producer in the world in 2012. There is a significant presence in the region of other major global mining companies with a projected US\$57 billion pipeline of new mining investment in Peru. The Enlarged Group will seek to maintain and attract local workforce to operate the Las Bambas Project. The Board understands the government of Peru and the leadership of the Apurimac region to be supportive of continued mining investment. The Enlarged Group will seek to build long-term partnerships in the region to create positive outcomes for local communities and the Enlarged Group.

The Directors, including the independent non-executive Directors, consider that each of the Share Purchase Agreement and the Shareholders' Agreement (including the Call Options and the Listing Put Option) are on normal commercial terms which are fair and reasonable and the entry into each of the Share Purchase Agreement and the Shareholders' Agreement (including the Call Options and the Listing Put Option) is in the interests of the Shareholders as a whole.

LETTER FROM THE BOARD

OFFTAKE ARRANGEMENTS

Offtake arrangements between the JV Company and its shareholders

Pursuant to the terms of the Shareholders' Agreement:

- (a) subject to (i) the Company obtaining the approval by the requisite majority of relevant shareholders of the Company where required under the Listing Rules; and (ii) the JV Company and its shareholders entering into an offtake agreement in accordance with the terms of the Shareholders' Agreement, each shareholder of the JV Company will be entitled to acquire its Offtake Entitlement;
- (b) for so long as Elion Holdings is a shareholder of the JV Company and is controlled by GXIIC, Elion Holdings has agreed to assign its Offtake Entitlement under the Shareholders' Agreement to each of MMG SA and CITIC on an equal basis, such that MMG SA and CITIC will, based on the agreed shareholding percentage of each shareholder in the JV Company at Completion, be entitled to a total of 73.75% and 26.25%, respectively, of the Products from the Las Bambas Project;
- (c) as soon as reasonably practicable after the date of the Shareholders' Agreement, each of MMG SA and CITIC will execute an offtake agreement with the JV Company (on behalf of the Project Company) under which MMG SA and CITIC will acquire their respective Offtake Entitlement (together with the respective portion of Elion Holdings' Offtake Entitlement assigned to them) during the life of the Las Bambas Project. Each of the offtake agreements shall:
 - (i) be in a form and content acceptable to the parties to such agreement;
 - (ii) have the same terms and conditions as the other offtake agreement; and
 - (iii) include terms that reflect international terms for similar quality Product addressing (without limitation) committed quantities for the life of the Las Bambas Project, quality/specifications, price, metal payments, treatment and refining charges, quality allowances, shipment schedules, CIF or CFR delivery terms, quotational period, payment terms and other usual conditions (including those dealing with weights and assays, title and risk, insurance requirements and termination and suspension rights).

To give effect to the above arrangements:

- (1) MMG SA entered into the MMG Framework Offtake Agreement with the JV Company on 27 June 2014, pursuant to which MMG SA will purchase, and the JV Company will sell or procure other members of the JV Group to sell, MMG SA's offtake entitlement under the Shareholders' Agreement, being initially 73.75% of the Products from the Las Bambas Project, subject to Completion having taken place; and

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- (2) it is the intention of CITIC and the JV Company that they will, as soon as practicable, enter into a framework offtake agreement with respect to the sale and purchase of CITIC's offtake entitlement under the Shareholders' Agreement. The terms of such framework offtake agreement will be consistent with the MMG Framework Offtake Agreement. The Company will comply with the requirements under Chapter 14A of the Listing Rules, where applicable, at the time when such framework offtake agreement is entered into.

The term of the MMG Framework Offtake Agreement is from the commencement of commercial production of the Las Bambas Project to the end of the mine life of the Las Bambas Project, subject to usual rights of termination that may apply, including (without limitation): (a) provisions for events leading to early closure of the Las Bambas mine; and (b) in the event any member of the Group ceases to be a shareholder of the JV Company. The MMG Framework Offtake Agreement provides that sale and purchase of Products shall be made pursuant to sale agreements to be entered into between the parties from time to time, which will be consistent with the terms of the MMG Framework Offtake Agreement and include international terms for similar quality Product as summarised in paragraph (c)(iii) above. The price at which Products will be sold will be consistent with the prevailing international market rates for similar quality Products. Such price shall be calculated using metal payments reflecting the grade and quality of the Products and based on the relevant metal prices quoted on the London Metal Exchange or other relevant London markets, and subject to treatment and refining charges which will be negotiated on an annual basis or as otherwise agreed and which will be consistent with those prevailing in the international market for comparable Products at the time of the negotiation of the relevant charges.

It is typical in the mining industry for partners in a joint venture formed to explore or exploit a mine to take a share of the offtake from the mine. It is also common practice for such offtake arrangements to be for the life of the mine and on the terms set out in paragraph (c)(iii) above.

Life-of-mine sales arrangements play an important role in the Group's business. The proposed offtake arrangements between the JV Company and its shareholders in respect of the Las Bambas Project production will assist in minimising the risk of the Project Company by securing a stable customer base and sales revenue.

The offtake arrangements contemplated under the Shareholders' Agreement will help the Project Company secure long-term sales revenue, thereby reducing its business risk given the volatility in global commodity demand. They also provide the shareholders in the JV Company with an assured right to the production output of the Las Bambas Project, in recognition of the significant capital commitments and investment risk borne by them.

Copper concentrate will make up the majority of the Products to be produced from the Las Bambas Project, while the remainder of the Products will include molybdenum concentrate.

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Offtake agreement between MMG SA and CMN

MMG SA entered into the CMN Framework Offtake Agreement with CMN on 27 June 2014, pursuant to which CMN will purchase or will procure other members of the CMN Group to purchase, and MMG SA will sell, a portion, being initially approximately 77.71%, of the copper concentrate that MMG SA has purchased from the JV Company pursuant to the MMG Framework Offtake Agreement as further described below, subject to the Company having obtained the approval of the Independent Shareholders of the CMN Framework Offtake Agreement at the EGM and Completion having taken place.

The CMN Framework Offtake Agreement allows the Company to secure long-term sales of the majority of the copper concentrate that the Company will be purchasing from the JV Company under the MMG Framework Offtake Agreement. The Company intends to sell the remainder of such copper concentrate through its own sales and distribution network to independent third party customers.

The principal terms of the CMN Framework Offtake Agreement are set out below:

Parties

- (a) MMG SA (as seller); and
- (b) CMN (as purchaser).

Product to be sold and total quantity

Based on MMG SA's agreed shareholding of 62.5% in the JV Company at Completion, the portion of the copper concentrate to be sold by MMG SA to CMN under the CMN Framework Offtake Agreement will be approximately 77.71% of the copper concentrate acquired by MMG SA under the MMG Framework Offtake Agreement, being the aggregate of:

- (a) 73.69% (being an amount equivalent to CMN's indirect shareholding interest in the Company) of MMG SA's Offtake Entitlement under the Shareholders' Agreement (being 62.5% on Completion); and
- (b) the Offtake Entitlement of Elion Holding assigned to MMG SA under the Shareholders' Agreement (being 11.25% on Completion).

Consequently, of the total copper concentrate produced from the Las Bambas Project, MMG SA will sell approximately 57.31% to CMN and approximately 16.44% to other parties.

If for any reason, the CMN Group is unable to purchase the total quantity of copper concentrate it has committed to purchase under the CMN Framework Offtake Agreement after consultation with the Group, the Group may elect to sell any unpurchased quantity to other parties on prevailing international terms. Any decrease in revenue or increase in costs of the Group as a result thereof shall be borne by the CMN Group.

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At any time during the term of the CMN Framework Offtake Agreement, either MMG SA or CMN may request a review of the total quantity to be sold and purchased under the agreement on the basis that the requesting party, acting reasonably, is commercially disadvantaged by that quantity. If a review is requested, the parties will mutually review the total quantity and if any adjustment is considered appropriate by both parties, a new quantity will be determined. If no adjustment is agreed, the quantity will remain unchanged. The Company will comply with all applicable requirements under the Listing Rules if there is any such adjustment.

Term

The term of the CMN Framework Offtake Agreement is from the commencement of commercial production of the Las Bambas Project to the expiry of the MMG Framework Offtake Agreement, being the end of the mine life of the Las Bambas Project, subject to usual rights of termination that may apply, including (without limitation): (a) provisions for events leading to early closure of the Las Bambas mine; and (b) in the event any member of the Group ceases to be a shareholder of the JV Company.

Rule 14A.35(1) of the Listing Rules provides that except in special circumstances, the term of any written agreement between an issuer and a connected person in respect of a non-exempt continuing connected transaction must not exceed three years. The Company believes that due to the large-scale and long-term nature of the Las Bambas Project, the life of which is currently expected to be in excess of 20 years with the possibility to be extended, special circumstances exist that justify the life-of-mine duration of the agreement. The Independent Financial Advisor has confirmed in the IFA Letter that it is normal business practice for contracts of this type to be of such duration.

The CMN Framework Offtake Agreement is conditional upon (a) the Company having obtained the approval of the CMN Framework Offtake Agreement and the transactions contemplated thereunder by the Independent Shareholders at the EGM; and (b) Completion having taken place, and will only come into effect after such conditions have been satisfied.

Sale agreements

Sale and purchase of the copper concentrate from the Las Bambas Project will be made pursuant to sale agreements to be entered into between the parties from time to time, which will be consistent with the terms of the CMN Framework Offtake Agreement and include international terms for similar quality concentrates addressing (without limitation) quality/specifications, price, metal payments, treatment and refining charges, quality allowances, shipment schedules, CIF or CFR delivery terms, quotational period, payment terms and other usual conditions (including those dealing with weights and assays, title and risk, insurance requirements and termination and suspension rights, provided always that such terms and conditions must always be on normal commercial terms). A long form sales agreement will be negotiated and agreed between MMG SA and CMN, which will be subject to review by an independent board committee of the Company comprising of the three independent non-executive Directors.

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Pricing

Copper concentrate from the Las Bambas Project will be sold at prices determined on an arm's length basis and consistent with the prevailing international market rates for similar quality copper concentrates which shall be calculated using metal payments reflecting the grade and quality of the copper concentrate from the Las Bambas Project and based on the copper price as quoted on the London Metal Exchange and silver and gold prices quoted on the London market, and subject to treatment and refining charges which will be negotiated on an annual basis or otherwise agreed and which will be consistent with those prevailing in the international market for comparable copper concentrates at the time of the negotiation of the relevant charges.

Specifically, the selling price of concentrates will be calculated as (a) the sum of payments for the contained valuable metals (essentially copper, silver and gold) in the concentrate to be determined based on (i) the content of copper, silver and gold in the concentrate; (ii) the percentage of copper, silver and gold contained in the concentrate to be paid for; and (iii) the metal price for each of copper, silver and gold to be used; less (b) deductions for treatment and refining charges applicable to the relevant metals.

The content of copper, silver and gold in the concentrate will be determined by the parties from assays performed on samples taken from each shipment in accordance with standard international practice.

The percentages of copper, silver and gold contained in the concentrate to be paid for, which will be less than 100% as smelters will not be able to recover 100% of the metals contained in the concentrate due to technical limitations, will be specified in the long form sales agreement to be agreed between MMG SA and CMN. Such percentages will not change once the long form sales agreement is agreed by the parties. The percentages of contained metals to be paid for are quite standardised within the industry, varying mainly in accordance with the assay of the relevant metal, that is, higher payment percentages may be agreed in the contract for higher assays of a particular element, especially copper and gold. Based on current international market conditions, it is expected that payments of at least 96.5% of the contained copper content and at least 90% of the contained gold and silver respectively will be received. The Company will use its market knowledge gained from transactions with independent third parties in the copper concentrate market to ensure that the metal payment percentages to be negotiated and agreed in the long form sales agreement are appropriate for the copper concentrate from the Las Bambas Project and reflect normal commercial terms (or better to the Group). Such metal payment percentages will require endorsement by the chief financial officer of the Company and approval by the chief executive officer of the Company, both of whom are independent of the CMN Group, and in addition, will require approval by the independent board committee of the Company as part of the long form sales agreement.

With respect to the metal price for each of copper, silver and gold to be used for calculating the selling price of the copper concentrate, the long form sales agreement will specify that for each shipment, the copper price quoted on the London Metal Exchange, and the silver and gold price quoted on the relevant London markets, averaged over a calendar month to be agreed in advance but which shall be no earlier than the month in which the shipment takes place, will be used.

LETTER FROM THE BOARD

Deductions for treatment and refining charges will be negotiated according to market conditions. These treatment and refining charges are imposed by buyers of concentrate to assist in covering the cost of processing the concentrate into refined metal. Treatment and refining charges applying under long term contracts are typically negotiated on an annual basis and the most representative charges for a calendar year become known as the “benchmark” for that period. In practice, this benchmark becomes widely known in the market place and is published in industry media. Small variations from this benchmark may be agreed between parties depending on individual circumstances. Under some contracts, treatment and refining charges may also be negotiated more frequently. MMG SA will negotiate the treatment and refining charges with CMN based on those prevailing in the market on an annual basis or as otherwise agreed by the parties on an arm’s length basis, which charges will reflect normal commercial terms (or better to the Group). The agreed value of the treatment and refining charges will be approved internally in accordance with the corporate governance structure of the Company, pursuant to which the agreed charges will require endorsement by the chief financial officer of the Company and approval by the chief executive officer of the Company, both of whom are independent of the CMN Group.

Aside from sales under the CMN Framework Offtake Agreement, MMG SA will also sell approximately 16.44% of the copper concentrate from the Las Bambas Project to independent third parties and the Company will also continue to market copper concentrate from the Golden Grove and Rosebery mines. Through these activities the Company will actively participate in the global copper concentrate market and be in a position to determine that detailed sales terms negotiated with CMN are in fact consistent with prevailing international market rates. The sales transactions under the CMN Framework Offtake Agreement will also be subject to review by the Company’s external auditors on an annual basis.

As at the Latest Practicable Date, MMG SA has not entered into any offtake agreement for the sale of the molybdenum concentrate comprised in the 73.75% of the Products that it will purchase from the JV Company under the MMG Framework Offtake Agreement.

Annual Caps

Pursuant to the requirements under Chapter 14A of the Listing Rules, the Company proposes the following annual caps with respect to the CMN Framework Offtake Agreement.

Year	2015	2016 to 2020	2021 to 2025	2026 to 2030	2031 to 2034
Annual caps (in '000 tonnes of copper contained in copper concentrate)	90	354	277	224	146

LETTER FROM THE BOARD

The CMN Annual Caps have been determined with reference to (a) the highest expected annual production volume of copper contained in copper concentrate of the Las Bambas Project within each five-year period over the expected life of mine of the Las Bambas Project, based on the Sellers' mining plan; (b) a 10% buffer in the event of over-production; and (c) the portion of the copper contained in copper concentrate to be sold to CMN by MMG SA under the CMN Framework Offtake Agreement, being approximately 57.31% (on Completion) of the total copper contained in copper concentrate produced from the Las Bambas Project.

It is expected that the content of copper in the copper concentrate will range from 30% to 40%, while the content of silver and gold in the copper concentrate is expected to range from 0.01% to 0.02% and 0.0001% to 0.0004%, respectively, of the total concentrate. Since copper content is expected to be the most significant element of value in the copper concentrate, the CMN Annual Caps are expressed solely in terms of the quantity of copper contained in the copper concentrate.

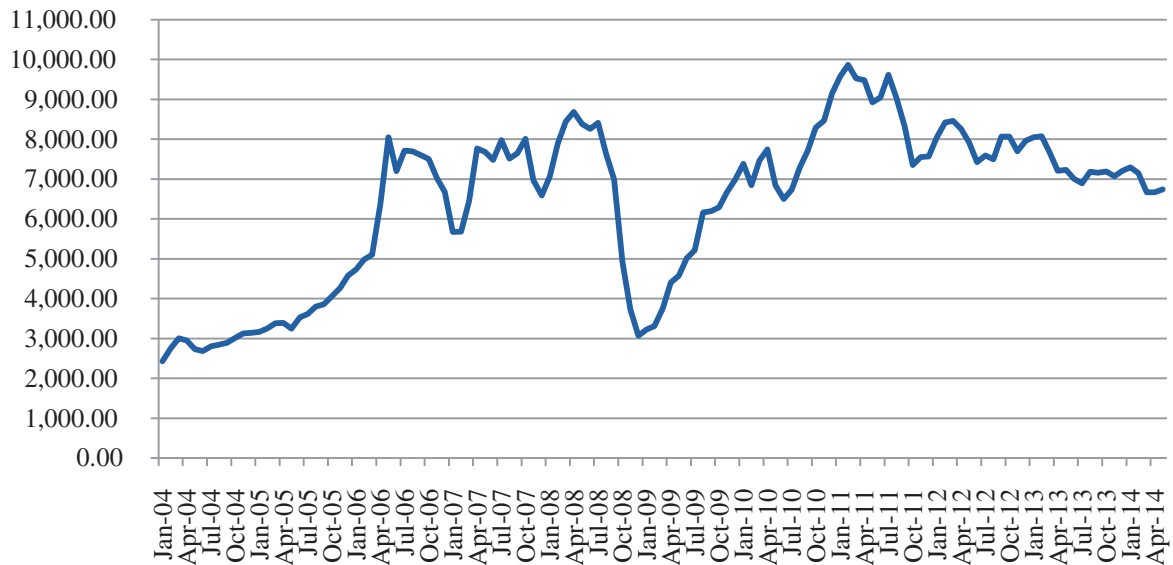
The Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 14A.35(2) of the Listing Rules such that the CMN Annual Caps can be expressed, instead of as a fixed monetary amount, as a fixed quantity of contained copper in the copper concentrate to be sold each year over the duration of the CMN Framework Offtake Agreement (being the life of mine of the Las Bambas Project of 20 years until 2034 based on the current defined resources in the mining plan for the Las Bambas Project), on condition that the following disclosure is included in this circular to illustrate how the change in assumptions outside the control of the Company will affect the monetary value of the transactions contemplated under the CMN Framework Offtake Agreement.

As mentioned above, the selling price of the copper concentrate from the Las Bambas Project will be calculated as the sum of payments for the contained valuable metals (essentially copper, silver and gold) in the concentrate less deductions for treatment and refining charges applicable for the relevant metals. The metals contained in the copper concentrate will be paid for at prices quoted on the London Metal Exchange or other relevant London markets averaged over a calendar month to be agreed in advance. These metal prices change on a daily basis and can vary significantly from month to month. Such variations are outside the control of the Company but will affect the monetary value of the transactions under the CMN Framework Offtake Agreement.

LETTER FROM THE BOARD

The following graph illustrates the movement of the monthly average of the copper prices (which is expected to be the most significant element of value in the copper concentrate) quoted on the London Metal Exchange during the period of January 2004 to April 2014:

Graph 1: Monthly average of copper prices quoted on the London Metals Exchange for January 2004 to April 2014 (US\$/t)



As shown in the graph above, the monthly average of the copper prices quoted on the London Metals Exchange has been as low as US\$2,423.57 per tonne and as high as US\$9,867.58 per tonne between January 2004 and April 2014. Given the volatility of the historical copper prices quoted on the London Metal Exchange, it would not be meaningful for the Company to choose and use one historical copper price as the baseline price to form the assumptions for annual monetary caps since the prices in the future used for calculating the selling prices of the copper concentrate to be sold to CMN under the CMN Framework Offtake Agreement (and the individual sale agreement to be further entered into by the parties) may differ significantly from such baseline price. It would also not be meaningful for the Company to use the highest historical price as the baseline price as there have been repeated instances of highest historical prices in recent years.

The following analysis is prepared to illustrate how different copper prices affect the monetary value of the transactions under the CMN Framework Offtake Agreement.

LETTER FROM THE BOARD

As mentioned above, the CMN Annual Caps have been determined with reference to, among other things, the highest expected annual production volume of copper contained in copper concentrate of the Las Bambas Project within each five-year period over the expected life of mine of the Las Bambas Project, based on the Sellers' mining plan. Table 1 below sets out the expected production volume of copper contained in copper concentrate of the Las Bambas Project over the life of mine of the project based on the Sellers' mining plan:

Table 1: Expected production volume of copper contained in copper concentrate of the Las Bambas Project over the life of mine of the project

	2015	2016	2017	2018	2019	2020	2021
Production*	143	561	459	369	395	369	271
	2022	2023	2024	2025	2026	2027	2028
Production*	324	412	439	298	229	209	148
	2029	2030	2031	2032	2033	2034	
Production*	356	235	224	154	232	163	

* (in thousands of tonnes of copper contained in copper concentrate)

Table 2 below sets out the monetary value of the CMN Annual Caps based on various copper prices at regular intervals between the range of US\$2,500/t and US\$20,000/t.

Table 2: Monetary value of the CMN Annual Caps based on different copper prices

CMN Annual Cap for	2015	2016-2020	2021-2025	2026-2030	2031-2034
CMN Annual Cap ('000t contained Cu)	90	354	277	224	146
Copper price^(note 1)	Value of Annual Caps (US\$ millions)^(note 2)				
US\$/t					
2,500	217.1	854.0	668.3	540.4	352.2
5,000	434.3	1,708.1	1,336.5	1,080.8	704.5
7,500	651.4	2,562.1	2,004.8	1,621.2	1,056.7
10,000	868.5	3,416.1	2,673.1	2,161.6	1,408.9
12,500	1,085.6	4,270.1	3,341.3	2,702.0	1,761.1
15,000	1,302.8	5,124.2	4,009.6	3,242.4	2,113.4
17,500	1,519.9	5,978.2	4,677.8	3,782.8	2,465.6
20,000	1,737.0	6,832.2	5,346.1	4,323.2	2,817.8

LETTER FROM THE BOARD

Notes:

- (1) The copper prices used in the table are solely for illustration purposes only. They do not represent the Company's forecast of the copper price at any point of time in the future.
- (2) The monetary value of the CMN Annual Caps is calculated as follows:

A x B

where:

A = the CMN Annual Cap for that year/period; and

B = copper price used x 96.5% (being the assumed percentage of copper contained in the copper concentrate to be paid for).

Neither the value of silver and gold contained in the copper concentrate nor the treatment and refining charges have been taken into account in the analysis as they are insignificant in the total monetary value of the CMN Annual Caps. Further, as the treatment and refining charges are deductions to be made to the selling price of the copper concentrate, they will offset the value of silver and gold to be paid for.

As can be seen from the above analysis, the monetary transaction values under the CMN Framework Offtake Agreement will vary significantly depending on the global copper prices, which are outside the control of the Company, irrespective of the quantity of copper concentrate to be sold to CMN. The Company therefore considers that it would not be appropriate for the CMN Annual Caps to be set based on the monetary value of the transactions contemplated under the CMN Framework Offtake Agreement, and the appropriate alternative basis for determining such annual caps would be the fixed amount of copper contained in copper concentrate to be sold to CMN each year over the life-of-mine duration of the CMN Framework Offtake Agreement which, in turn, is determined based on the expected annual production of copper contained in copper concentrate of the Las Bambas Project over the life of mine of the project.

Reasons for and benefits of the CMN Framework Offtake Agreement

Market demand for copper concentrate could be subject to significant cyclical fluctuations driven by changes in global economic and metal market conditions. Given that copper concentrate will make up the majority of the Products to be produced at the Las Bambas Project, the Directors consider that it is of fundamental importance to the Group to secure a long-term sales arrangement for the majority of the copper concentrate that it will be purchasing from the JV Company under the MMG Framework Offtake Agreement for the entire life of the Las Bambas Project. The CMN Framework Offtake Agreement will allow the Company to sell to CMN approximately 77.71% of such copper concentrate and will have the same life-of-mine duration as the MMG Framework Offtake Agreement. The CMN Framework Offtake Agreement will, therefore, enable the Group to reduce significantly its exposure to fluctuations in market demand for copper concentrate over the entire life of the Las Bambas Project.

LETTER FROM THE BOARD

China is a large and rapidly growing importer of copper concentrates and a significant part of the copper concentrate output of the Las Bambas Project is expected to be sold to customers in China. Whilst CMN is not restricted to sell copper concentrates outside China, given that CMN has a long history of importing copper concentrates into China and has well established relationships with both private and state-owned Chinese copper smelters (i.e. buyers of copper concentrates), it is the Directors' view that CMN will be better placed to procure on-sale of the copper concentrates of the Las Bambas Project in China.

The offtake arrangement with CMN will enable the Group to take advantage of CMN's experience in metal trading and well-established customer base in China to market its copper concentrates in China. The Group will also avoid additional marketing costs and performance and credit risks that would be borne by the Group if it were to sell copper concentrate directly to smelters in China.

The Directors, including the independent non-executive Directors, consider that the terms of the CMN Framework Offtake Agreement (including the CMN Annual Caps) constitute normal commercial terms which are fair and reasonable and the entry into by the Company of the CMN Framework Offtake Agreement is in the interests of the Shareholders as a whole. Mr. Xu Jiqing, Mr. Jiao Jian and Mr. Gao Xiaoyu, each holding position(s) at CMN and/or CMNH and therefore being deemed to have a material interest in the transactions contemplated under the CMN Framework Offtake Agreement, have abstained from voting on such resolution of the Board.

The Group undertaking direct sales by itself instead of through CMN under the CMN Framework Offtake Agreement

In considering the benefits of the CMN Framework Offtake Agreement and arriving at the conclusion that it would be more advantageous for the Group to enter into such agreement with CMN, the Directors also considered in detail the alternative of the Group undertaking the sales, by itself, of all of the copper concentrates from the Las Bambas Project that it will be purchasing from the JV Company under the MMG Framework Offtake Agreement over the life of the Las Bambas Project. The Directors consider it appropriate to set out below their deliberations in this respect in order to provide additional information to the Independent Shareholders to enable them to make an informed assessment in deciding whether to approve the CMN Framework Offtake Agreement at the EGM.

While the Directors are of the view that it would be more advantageous for the Group to enter into the CMN Framework Offtake Agreement, they do not consider that it is the only alternative for the Group to sell the copper concentrates it will be purchasing from the JV Company under the MMG Framework Offtake Agreement. The Directors believe that the Group is capable of selling, by itself, such copper concentrates without having to rely on CMN. Hence, they do not consider it necessary, and the Share Purchase Agreement does not provide that Completion is conditional upon, the approval of the CMN Framework Offtake Agreement by the Independent Shareholders at the EGM. If the situation should arise that the Acquisition is approved by the Shareholders but the CMN Framework

LETTER FROM THE BOARD

Offtake Agreement is, for any reason, not approved by the Independent Shareholders at the EGM notwithstanding the recommendation of the Board, the Independent Board Committee and the Independent Financial Advisor set out in this circular, the Group would then rely on its own capability to sell the entire amount of copper concentrates comprised in its Offtake Entitlement after Completion as further described below.

If the Group had to sell, by itself, all of the copper concentrates from the Las Bambas Project it will be purchasing from the JV Company, such sales would be handled by its experienced marketing team based in Melbourne, with relevant in-country support. That marketing team is currently responsible for the sales of the Group's existing copper cathode and copper, zinc and lead concentrate products to customers located around the world, and following Completion and approval of the CMN Framework Offtake Agreement, will be responsible for selling the Products from the Las Bambas Project in varying proportions. The marketing team is experienced in the sales and marketing of a wide range of metals and concentrates in different markets, such as China, Japan, Korea, Thailand, Vietnam, Australia and Europe. It is expected to be responsible for the sales of approximately 1.5 Mt of the Group's products in 2014.

It would also be possible, if necessary, for the Group to augment its marketing team with appropriately skilled staff in suitable locations such as Melbourne, Peru and China before the Las Bambas Project is expected to commence commercial production in late 2015 to ensure the efficient sales and marketing of Products from the Las Bambas Project to global markets. In addition, by the time the Las Bambas Project is scheduled to commence production, the Group's Century mine in Australia will be ceasing production and this will release resources within the marketing team to handle the marketing and sales of the Products from the Las Bambas Project.

With respect to the Group's experience in copper products sales, the Group has wide exposure to the global copper concentrates and metal markets. In 2014, it is expected that the Group will sell a combined total of approximately 300,000 t of copper metal and concentrates from its operations. In recent years, the Group has established copper concentrate sales contracts with a range of buyers and copper smelters in China, Korea, Japan and Europe and has a solid understanding of the key market players as well as the smelters and markets that consume copper concentrates globally. Additionally, through sales of copper metal from the Group's Sepon operations in Laos and Kinsevere operations in the Democratic Republic of Congo, the Group's marketing team is able to maintain close contact with most of the relevant players in the global copper metal market, and to keep abreast of relevant market news and intelligence.

Notwithstanding that the Group would have the capability to undertake sales, by itself, of all of the copper concentrates it will be purchasing from the JV Company under the MMG Framework Offtake Agreement, the Directors consider that the additional benefits for the Group in securing the sale of the majority of those copper concentrates to CMN under the CMN Framework Offtake Agreement as described in the paragraph headed "Reasons for and benefits of the CMN Framework Offtake Agreement" above do provide distinct advantages over the alternative of the Group undertaking its own sales of all of those products.

LETTER FROM THE BOARD

The Directors have also taken steps to prevent any risk of undue reliance by the Group on CMN by limiting the amount of the copper concentrates to be sold to CMN under the CMN Framework Offtake Agreement to approximately 77.71% of the quantity that MMG SA will be purchasing from the JV Company under the MMG Framework Offtake Agreement. In this way, the Group has the benefit of both the long-term commitment of CMN with respect to the majority of the copper concentrates from the Las Bambas Project that the Group will be purchasing from the JV Company over the entire life of the project and the flexibility to sell the remainder of those products to its own customers.

The Group plans to market the copper concentrates not sold to CMN to its network of customers around the world. Sales are expected to be made against a mixture of long term and shorter term or spot contracts in order to maximise the overall return to the Group and also to manage any fluctuations in monthly production. The marketing activities for this product will also keep the Group informed regarding market demand for copper concentrates from the Las Bambas Project and will provide a reference for negotiations with CMN over treatment and refining charges that should apply under the CMN sale agreements.

IMPLICATIONS UNDER THE LISTING RULES

The Acquisition and the Formation of the Joint Venture

As the Relevant Ratios in respect of the Acquisition and the Formation of the Joint Venture exceed 100%, the Acquisition and the Formation of the Joint Venture, together, constitutes a very substantial acquisition for the Company and the transaction is, therefore, subject to the notification, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

The SPA Break Fee

As the Relevant Ratios in respect of the obligation of the Purchasers to pay the SPA Break Fee under the Share Purchase Agreement are more than 5% but less than 25%, the obligation to pay the SPA Break Fee, on its own, constitutes a discloseable transaction for the Company and is therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

The Contribution Default Call Option, the Non-participation Call Option and the Transfer Event Call Option

The Call Options include the Contribution Default Call Option, the Non-participation Call Option and the Transfer Event Call Option, each of which may be exercisable by any of MMG SA, Elion Holdings or CITIC, depending on who commits any of the events that would trigger such option under the Shareholders' Agreement.

LETTER FROM THE BOARD

Where the Call Options are exercisable at the discretion of Elion Holdings or CITIC, pursuant to Rule 14.74(1) of the Listing Rules, each of the Call Options will be classified as if it had been exercised at the time of grant. As neither the actual amount nor the maximum amount of the consideration payable on the exercise of any of the Call Options can be ascertained at the time of grant, pursuant to Rule 14.76(1) of the Listing Rules, each of the Call Options will be classified as at least a major transaction (disposal) for the Company, which will be subject to the notification, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Where the Call Options are exercisable at the discretion of the Company, the grant (at no cost) of these options to the Company will, pursuant to Rule 14.75 of the Listing Rules, be exempt from the notification, announcement and shareholders' approval requirements of Chapter 14 of the Listing Rules. The exercise of any of the Call Options by the Company, however, will be subject to the requirements under Chapter 14 and also Chapter 14A of the Listing Rules given that at the time when any of the Call Options is exercised by the Company, each of Elion Holdings and CITIC will have become a substantial shareholder of the JV Company and hence, a connected person of the Company. The Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with the relevant requirements under Chapter 14 and 14A of the Listing Rules such that no approval by the Company's shareholders will be required at the time when the Company exercises any of the Call Options, on condition that (a) the Company seeks the prior approval by its shareholders of the exercise of the Call Options by the Company as a major transaction (acquisition) at the EGM and such approval is obtained; and (b) at the time when the Company exercises any of the Call Options, Elion Holdings or CITIC (as the case may be) would not be regarded as a connected person of the Company other than by virtue of its relationship with the JV Company.

The Listing Put Option

As the Listing Put Option is exercisable at the discretion of Elion Holdings or CITIC, pursuant to Rule 14.74(1) of the Listing Rules, the option will be classified as if it had been exercised at the time of grant.

As neither the actual value nor the maximum value of the shares of the relevant subsidiary of the Company proposing a listing of its shares can be ascertained at the time of grant, pursuant to Rule 14.76(1) of the Listing Rules, the Listing Put Option will be classified as at least a major transaction (acquisition) for the Company, which will be subject to the notification, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

MMG Framework Offtake Agreement

As the JV Company will be a subsidiary of the Company in which no connected person at the level of the Company will be a substantial shareholder within the meaning of the Listing Rules, the JV Company will not be a connected person of the Company. Hence, the transactions contemplated under the MMG Framework Offtake Agreement will not constitute a connected transaction under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

CMN Framework Offtake Agreement

As CMN, through its wholly owned subsidiaries Album Enterprises and Top Create, controls approximately 73.69% of the voting shares of the Company, CMN is the controlling shareholder of the Company and therefore a connected person of the Company. Hence, the CMN Framework Offtake Agreement will, when the CMN Framework Offtake Agreement takes effect, constitute a continuing connected transaction for the Company.

As the Relevant Ratios in respect of the CMN Annual Caps exceed 5%, the CMN Framework Offtake Agreement is subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. CMN and its associates are required to abstain from voting on the relevant resolutions proposed at the EGM to approve the CMN Framework Offtake Agreement and the transactions contemplated thereunder.

The Independent Board Committee has been established to advise the Independent Shareholders in respect of the CMN Framework Offtake Agreement and the transactions contemplated thereunder (together with the CMN Annual Caps).

Somerley Capital Limited has been appointed as the Independent Financial Advisor to advise the Independent Board Committee and the Independent Shareholders in respect of the CMN Framework Offtake Agreement and the transactions contemplated thereunder (together with the CMN Annual Caps).

INFORMATION ON THE GROUP

Formed in 2009, the Company employs more than 9,000 people and has operations across three continents.

The Company is one of the world's largest producers of zinc and produces significant amounts of copper, lead, gold and silver.

The Company owns and operates the Century, Golden Grove and Rosebery mines in Australia; the Kinsevere mine in the DRC; and is in joint venture with the government of Laos, owning and operating the LXML Sepon mine.

At Dugald River in Queensland, Australia, the Company is developing a high-grade zinc-lead-silver deposit and has significant exploration, prospects and partnerships in Australia, Africa and the Americas.

The controlling shareholder of the Company is CMN, which indirectly owned approximately 73.69% of the Shares in issue as at the Latest Practicable Date. The remaining Shares in issue are held by public shareholders including global institutions.

The Group serves as the overseas platform for non-ferrous mineral investments of the CMC Group and focuses on mineral resources located outside China.

LETTER FROM THE BOARD

INFORMATION ON CMN

CMN is wholly owned by CMCL, which in turn, is owned as to approximately 88.40% by CMC.

CMN is one of the largest state-owned enterprises in the mining sector in China. It is engaged in the exploration, development, mining, processing and sale of a wide range of non-ferrous metals, including tungsten, rare earth, copper, alumina, lead and zinc.

INFORMATION ON ELION HOLDINGS AND CITIC

Elion Holdings

Elion Holdings is a wholly owned subsidiary of GXIIC. GXIIC is a financial investment company registered in Hong Kong.

GXIIC, through its wholly owned subsidiary, is interested in certain non-voting convertible redeemable preference shares in a subsidiary of the Company issued in August 2013.

CITIC

CITIC is wholly owned by CITIC Group Corporation, one of China's largest transnational conglomerates engaged in financial services (including banking, securities, insurance and trust services), resources and energy, real estate and civil infrastructure, engineering contracting, manufacturing and other businesses. CITIC is principally engaged in the import and distribution of niobium products, iron ore, coal, and non-ferrous metals such as copper and concentrate, trading of steel products, and investment in diversified areas.

INFORMATION ON THE SELLERS AND THE SELLERS' GUARANTOR

The Sellers are subsidiaries of the Sellers' Guarantor, which in turn, is a subsidiary of Glencore, a company which has a primary listing on the London Stock Exchange and a secondary listing on the Stock Exchange and Johannesburg Stock Exchange.

Glencore is one of the world's largest global diversified natural resource companies. It is an integrated producer and marketer of commodities with a portfolio of diverse industrial assets. Its diversified operations comprise more than 150 mining and metallurgical sites, offshore oil production assets, farms and agricultural facilities.

INFORMATION ON THE TARGET GROUP

The Target Company

The Target Company is incorporated under the laws of Peru with the authorisation to engage in mining activities in Peru. As at the Latest Practicable Date, the Target Company was wholly owned by the Sellers.

LETTER FROM THE BOARD

Based on the due diligence materials reviewed by the Purchasers, the Target Company has, in addition to its shareholding in the Project Company, also held shareholdings in a number of other subsidiaries, all of which are engaged in business activities or hold investments unrelated to the Las Bambas Project. In preparation for the disposal of the Target Company, the Sellers have procured the Target Company to divest its shareholdings in those unrelated subsidiaries so that on Completion, the Target Company's sole asset will be its shareholding in the Project Company. The divestment has been completed and took effect in November 2013.

The Project Company

The Project Company is incorporated under the laws of Peru with the authorisation to engage in mining activities in Peru. As of the Latest Practicable Date, approximately 99.99% of the issued share capital of the Project Company was held by the Target Company, with the remaining issued share capital (being less than 0.01%) being held by certain minority shareholders including former employees. It is expected that these minority shareholders will remain as shareholders in the Project Company after Completion.

Based on the due diligence materials reviewed by the Purchasers, the Project Company has not, at any time, had any investment other than the Las Bambas Project, with the exception of a temporary investment in a company which was transferred out of the Target Group in July 2013.

The Las Bambas Project

The Las Bambas Project is a large, scalable, long-life copper development project with prospective near-mine exploration opportunities. Located in Cotabambas, Apurimac region of Peru, the Las Bambas Project is at the advanced stage of construction having been approved by the board of directors of Xstrata plc in August 2012. The Las Bambas Project has significant Mineral Resources and Ore Reserves of copper, gold, silver and molybdenum. Three primary deposits have been identified to date: Ferrobamba, Chalcobamba and Sulfobamba.

On Completion, the JV Group will assume responsibility for project capital expenditure from 1 January 2014. The estimated mine life is in excess of 20 years. The Las Bambas Project is a series of open pit mines that will use a conventional concentrator plant with processing capacity of 140 kt per day.

For further information on the Target Group, please refer to the section headed "Information on the Target Group" in this circular.

FINANCIAL ADVISORS, FINANCING ADVISORS AND FINANCIERS

Citi and Merrill Lynch have been appointed as the joint financial advisors, and ICBCI and BOCI have been appointed as the financing advisors, to the Company, Elion Holdings and CITIC in relation to the Acquisition. Deutsche Bank has been appointed as the financial advisor to CMN.

LETTER FROM THE BOARD

As disclosed above, CDB will act as the mandated lead arranger for the syndicated facilities to the Purchasers to finance the acquisition of the Sale Shares, the repayment of the Intragroup Loans and ongoing capital requirements of the Las Bambas Project. ICBC, BOC and EXIM will participate in the syndicated facilities.

EGM

Your attention is hereby drawn to pages EGM-1 to EGM-2 of this circular where you will find a notice of the EGM to be held at Studio 1, 7/F, W Hong Kong Hotel, 1 Austin Road West, Kowloon, Hong Kong on Monday, 21 July 2014, at 10:30 a.m.. At the EGM, resolutions will be proposed to approve, among other things: (1) the Share Purchase Agreement and the Acquisition, and the Formation of the Joint Venture pursuant to the Shareholders' Agreement (including the Call Options and the Listing Put Option); and (2) the CMN Framework Offtake Agreement (including the CMN Annual Caps).

CMN and its associates will abstain from voting on the resolution to approve the CMN Framework Offtake Agreement (including the CMN Annual Caps) to be proposed at the EGM.

Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjourned meeting. Completion and delivery of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting if you so wish.

RECOMMENDATIONS

The Independent Board Committee, having considered the terms of the CMN Framework Offtake Agreement (including the CMN Annual Caps) and the advice and recommendations of the Independent Financial Advisor set out in the section headed "Letter from the Independent Financial Advisor" in this circular, considers that (a) the terms of the CMN Framework Offtake Agreement (including the CMN Annual Caps) are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole; and (b) the transactions contemplated under the CMN Framework Offtake Agreement (including the CMN Annual Caps) will be on normal commercial terms and in the usual and ordinary course of business of the Enlarged Group. As such, the Independent Board Committee recommends that the Independent Shareholders vote in favour of the resolution in respect of the CMN Framework Offtake Agreement (including the CMN Annual Caps) to be proposed at the EGM. The "Letter from the Independent Board Committee" and the "Letter from the Independent Financial Advisor" are set out on page 58 and pages 59 to 80 of this circular, respectively.

LETTER FROM THE BOARD

On the basis of the information set out in this circular, the Directors (including members of the Independent Board Committee) consider that the terms of the Share Purchase Agreement, the Acquisition and the transactions contemplated thereunder, the Formation of the Joint Venture and the terms of the Shareholders' Agreement (including the Call Options and the Listing Put Option), the terms of the CMN Framework Offtake Agreement and the transactions contemplated (including the CMN Annual Caps) thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Directors, therefore, recommend that the Shareholders vote in favour of the resolutions set out in the notice of EGM at the end of this circular.

Yours faithfully,
For and on behalf of the Board of Directors of
MMG Limited
Wang Lixin
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



MMG Limited

五礦資源有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 1208)

To Independent Shareholders

Dear Sir and Madam,

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE CMN FRAMEWORK OFFTAKE AGREEMENT

We refer to the circular dated 30 June 2014 issued by the Company, of which this letter forms part (the “**Circular**”). Unless otherwise specified, capitalised terms defined in the Circular shall have the same meanings when used herein.

The Independent Board Committee has been formed to advise the Independent Shareholders in respect of the CMN Framework Offtake Agreement (including the CMN Annual Caps), details of which are set out in the Letter from the Board contained in the Circular.

Somerley Capital Limited has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard. The text of the letter of advice from the Independent Financial Advisor containing their recommendations is set out on pages 59 to 80 of the Circular.

Having considered the terms of the CMN Framework Offtake Agreement (including the CMN Annual Caps), together with the advice and recommendations of the Independent Financial Advisor to the Independent Board Committee and the Independent Shareholders set out in its letter of advice, we consider that (a) the terms of the CMN Framework Offtake Agreement (including the CMN Annual Caps) are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole; and (b) the transactions contemplated under the CMN Framework Offtake Agreement (including the CMN Annual Caps) will be on normal commercial terms and in the usual and ordinary course of business of the Enlarged Group. As such, we recommend that the Independent Shareholders vote in favour of the resolution in respect of the CMN Framework Offtake Agreement (including the CMN Annual Caps) to be proposed at the EGM.

Yours faithfully,
For and on behalf of
The Independent Board Committee
MMG Limited
Peter William Cassidy
Anthony Charles Larkin
Leung Cheuk Yan
Independent Non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

Set out below is the text of the letter of advice from Somerley Capital Limited to the Independent Board Committee and the Independent Shareholders in relation to the CMN Framework Offtake Agreement for inclusion in this circular.



SOMERLEY CAPITAL LIMITED

20th Floor
China Building
29 Queen's Road Central
Hong Kong

30 June 2014

To : *the Independent Board Committee and the Independent Shareholders of MMG Limited*

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS — CMN FRAMEWORK OFFTAKE AGREEMENT

INTRODUCTION

We refer to our appointment by the Company to advise the Independent Board Committee and the Independent Shareholders in connection with the CMN Framework Offtake Agreement entered into between MMG SA and CMN in relation to the sale and purchase of copper concentrates from the Las Bambas Project. Details of the transactions contemplated under the CMN Framework Offtake Agreement (the “**Offtake Arrangement**”) and the volume-based CMN Annual Caps for the Offtake Arrangement for each of the financial years from 2015 to 2034 are set out in the “Letter from the Board” contained in the circular of the Company to the Shareholders dated 30 June 2014 (the “**Circular**”) of which this letter forms a part. Unless otherwise defined, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

On 13 April 2014, the Company, the Purchasers, the Sellers and the Sellers’ Guarantor entered into the Share Purchase Agreement, pursuant to which, among others, the Sellers have conditionally agreed to sell and the Purchasers have conditionally agreed to purchase the entire issued share capital of the Target Company at the Share Consideration. The Target Company, through the Project Company, owns the Las Bambas Project which is a long-life copper development project with significant copper resources (with gold, silver and molybdenum as by-products) located in Cotabambas, Apurimac Region of Peru. The Las Bambas Project is in an advanced phase of construction and is expected to be completed in the second half of 2015. Based upon the Competent Person’s Report, production is expected to commence in late 2015. Each of the Purchasers is a wholly-owned subsidiary of the JV Company.

Pursuant to the Shareholders’ Agreement entered into on 13 April 2014, each of MMG SA, Elion Holdings and CITIC has agreed to, among others, (a) subscribe for new shares in the JV Company on or before Completion such that the JV Company will be owned as to 62.5% by MMG SA, 22.5% by Elion Holdings and 15.0% by CITIC; and (b) provide further funding and financial support to the JV

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

Company in proportion to their respective shareholdings so that the JV Company will provide to the Purchasers sufficient funds, in addition to the amount from external financing, to settle the Share Consideration and to provide a loan to the Project Company to repay the Intragroup Loans and to complete the development of the Las Bambas Project.

On 27 June 2014, MMG SA and the JV Company entered into the MMG Framework Offtake Agreement, under which MMG SA is entitled to take 62.5% of the Products from the Las Bambas Project during the life of the Las Bambas Project (the “**MMG Offtake Entitlement**”). Pursuant to the Shareholders’ Agreement, so long as Elion Holdings is a shareholder of the JV Company and is controlled by GXIIC, Elion Holdings has agreed to assign 50% of its entitlement, being 11.25% of the Products from the Las Bambas Project, to MMG SA (the “**Assigned Entitlement**”), such that MMG SA will be entitled to 73.75% of the Products from the Las Bambas Project. On the same date, MMG SA entered into the CMN Framework Offtake Agreement with CMN to sell to CMN copper concentrates of an aggregate amount of 73.69% of the MMG Offtake Entitlement and 100% of the Assigned Entitlement (together the “**Offtake Percentage**”), i.e. approximately 57.31% of copper concentrates from the Las Bambas Project, for a term equal to the life of the Las Bambas Project which is expected to be in excess of 20 years. MMG SA will market approximately 16.44% of copper concentrates from the Las Bambas Project to independent third parties in addition to the quantity being sold to CMN under the CMN Framework Offtake Agreement.

As CMN, through its wholly-owned subsidiaries, controls approximately 73.69% of the issued share capital of the Company, CMN is the controlling shareholder of the Company and is therefore a connected person of the Company under the Listing Rules. As a result, the transactions contemplated under the CMN Framework Offtake Agreement constitute continuing connected transactions of the Company under the Listing Rules, which are subject to the reporting, annual review, announcement and independent shareholders’ approval requirements under the Listing Rules.

The Independent Board Committee, comprising all three independent non-executive Directors, namely Dr. Peter William Cassidy, Mr. Anthony Charles Larkin and Mr. Leung Cheuk Yan, has been formed to advise the Independent Shareholders on whether (a) the CMN Framework Offtake Agreement is on normal commercial terms which are fair and reasonable so far as the Independent Shareholders are concerned; (b) the entering into of the CMN Framework Offtake Agreement is in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole; (c) the setting of the CMN Annual Caps based on expected maximum production volumes of copper contained in copper concentrates for the corresponding financial year, and the CMN Annual Caps themselves, are fair and reasonable so far as the Independent Shareholders are concerned; and (d) it is the normal business practice for contracts in the nature of the CMN Framework Offtake Agreement to be of such duration. We, Somerley Capital Limited, have been appointed to advise the Independent Board Committee and the Independent Shareholders in the same regard.

In formulating our opinion and recommendation, we have reviewed, among others, the Shareholders’ Agreement, the CMN Framework Offtake Agreement, the Competent Person’s Report contained in Appendix IV to the Circular and the 2013 annual report of the Company. We have also discussed with the management of the Group the basis for estimating the CMN Annual Caps. In

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

assessing the reasonableness of the estimated maximum production volumes of copper contained in copper concentrates from the Las Bambas Project, we have also discussed with RPM the bases and assumptions adopted in the production plan of the Las Bambas Project contained in the Competent Person's Report.

We have relied on the information and facts supplied, and the opinions expressed to us, by the management of the Group which have been assumed to be true, accurate, complete and not misleading in all material aspects at the time they were made. We have also sought and received confirmation from the Company 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 not, however, conducted any independent investigation into the business and affairs of the Group, nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation as regards the Offtake Arrangement, we have taken into account the principal factors and reasons set out below:

1. Background to and reasons for the Offtake Arrangement

The acquisition of the Las Bambas Project is consistent with the Group's mission and growth strategy. As disclosed in the 2013 annual report of the Company, the Group is committed to discovering, acquiring, developing and sustainably operating resources projects around the world in order to maximise shareholders' return, and has been achieving external growth through targeting value-focused acquisitions. Taking into account (i) that the Las Bambas Project is a long-life and high-quality copper asset with significant Mineral Resources and Ore Reserves; (ii) that the Las Bambas Project is located in Peru, one of the most prospective mining regions in the world with increasing investments from the mining sector; and (iii) the exploration upside potential of the Las Bambas Project, the Directors consider that the Acquisition will transform the Group into one of the world's largest copper producers and create long-term value for the Shareholders. The entering into of the CMN Framework Offtake Agreement is incidental to the Acquisition and allows the Group to secure a long-term sale arrangement which will assist the Group in marketing its copper concentrates to the PRC metals market. The support from CMN through the CMN Framework Offtake Agreement helps realise the full potential of the Las Bambas Project and unlock the value of such strategic investment.

Moreover, the long-term co-operation with CMN under the CMN Framework Offtake Agreement allows the Group to leverage on CMN's considerable experience in metal trading and extensive distribution network in China. CMN is one of the largest state-owned enterprises in the mining sector in China and as a metal trader, has extensive experience in importing copper concentrates into China and well-established relationships with domestic copper smelters (i.e. buyers of copper concentrates). The Group and CMN have a history of trading non-ferrous metals dating back to 2009. Currently, a major portion of the Group's sale is derived from markets other than China and sales to China are often

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made through CMN. As a significant part of copper concentrates from the Las Bambas Project is expected to be sold to customers in China, through entering into the CMN Framework Offtake Agreement, the Group can take advantage of CMN's marketing capacity in China to procure on-sale of copper concentrates to the PRC metals market while minimising the costs associated with the marketing of copper concentrates by the Group.

2. Principal terms of the CMN Framework Offtake Agreement

Pursuant to the CMN Framework Offtake Agreement, for each relevant financial year, CMN agrees to purchase or procure other members of the CMN Group to purchase, and MMG SA agrees to sell the Offtake Percentage of copper concentrates, which forms the majority of the Products from the Las Bambas Project.

The CMN Framework Offtake Agreement provides the mechanism for the operation of sale and purchase of copper concentrates from the Las Bambas Project. It is envisaged that from time to time as required, individual long form sale agreements will be entered into between the Group and the CMN Group in compliance with the terms and conditions set out in the CMN Framework Offtake Agreement. Each sale agreement for the sale and purchase of copper concentrates from the Las Bambas Project will set out, among others, the specifications, price, payment terms, treatment and refining charges, quality allowances, shipment schedules, delivery terms, quotational period and other usual conditions (including those dealing with weights and assays, title and risk, insurance requirements and termination and suspension rights) provided always that such terms and conditions must be on normal commercial terms.

The principal terms of the CMN Framework Offtake Agreement are set out below:

Duration

The term of the CMN Framework Offtake Agreement is the period from the commencement of commercial production of the Las Bambas Project and will span the life of the Las Bambas Project which is currently expected to be in excess of 20 years.

Committed quantity

The CMN Group shall purchase the Offtake Percentage of copper concentrates from the Las Bambas Project. If for any reason the CMN Group is unable to purchase the Offtake Percentage (or part thereof) of copper concentrates (the "**Surrendered Offtake Amount**") from the Group in accordance with the relevant sale agreement after consultation with the Group, the Group may elect to sell the Surrendered Offtake Amount on prevailing international terms. Any decrease in revenue or increase in costs of the Group as a result of selling the Surrendered Offtake Amount shall be borne by the CMN Group.

However, at any time during the term of the agreement, either party may request a review of the Offtake Percentage on the basis that such party, acting reasonably, is commercially disadvantaged by

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the Offtake Percentage. Upon a review request being made, the parties will mutually review the Offtake Percentage and if an adjustment is considered appropriate by both parties, a new Offtake Percentage will be determined. If no adjustment is mutually agreed, the Offtake Percentage will remain unchanged.

Pricing

The prices of copper concentrates from the Las Bambas Project to be sold by the Group to the CMN Group, subject to treatment and refining charges, shall be determined on an arm's length basis and consistent with the prevailing international market rates for similar quality copper concentrates, which shall be calculated using metal payments reflecting the grade and quality of copper concentrates from the Las Bambas Project and based on the relevant metal prices quoted on the London Metal Exchange or other relevant London markets.

Treatment and refining charges, which are imposed by buyers of concentrates to assist in covering the cost of processing the concentrates into refined metals, shall be negotiated on an annual basis or as otherwise agreed and shall be consistent with those prevailing in the international market for comparable copper concentrates at the time of negotiating the relevant charges.

Payment terms

Payment shall be made in accordance with the terms of individual long form sale agreements for the sale and purchase of copper concentrates from the Las Bambas Project, provided always that such payment terms are in compliance with the CMN Framework Offtake Agreement and international terms for similar quality copper concentrates and on normal commercial terms.

Conditions precedent

The CMN Framework Offtake Agreement is conditional upon, among others:

- (a) Completion; and
- (b) the Independent Shareholders having approved the CMN Framework Offtake Agreement and the CMN Annual Caps at the EGM.

Termination

The CMN Framework Offtake Agreement shall be subject to usual rights of termination that may apply, including, among others:

- (a) the occurrence of any event that leads to early closure of the Las Bambas mine; and
- (b) MMG SA ceasing to be a shareholder of the JV Company or the occurrence of any other termination events in accordance with the Shareholders' Agreement.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

3. Assessment of the terms of the CMN Framework Offtake Agreement

(a) *Offtake Percentage*

The commitment of the CMN Group to purchase the Offtake Percentage of copper concentrates from the Las Bambas Project at prevailing market rates, in our view, is beneficial to the Group, as it secures a stable demand for the majority of the Group's copper concentrates for the life of the Las Bambas Project and therefore reduces the Group's business risk given the volatility in the global commodity demand.

Any decrease in revenue or increase in costs as a result of selling the Surrendered Offtake Amount shall be borne by the CMN Group. As advised by the management of the Group, such decrease in revenue or increase in costs may be attributable to adverse sales terms as compared to those available from independent third parties including higher treatment and refining charges and/or increased freight costs resulting from alternative destination port(s). In such circumstances, MMG SA will be entitled, as a matter of law, to recover any reasonable losses incurred by MMG SA as a result of the CMN Group failing to purchase the total quantity it has committed to purchase under the CMN Framework Offtake Agreement. As such, we consider such term is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

(b) *Pricing terms*

According to the CMN Framework Offtake Agreement, each individual long form sale agreement for the sale and purchase of copper concentrates from the Las Bambas Project shall include international terms for similar quality concentrates addressing various aspects as mentioned above, provided always that such terms and conditions must be on normal commercial terms. The pricing of copper concentrates shall be determined by reference to the content of copper, silver and gold in the copper concentrates and the relevant metal prices quoted on the London Metal Exchange or other relevant London markets reflecting the grade and quality of the product, subject to treatment and refining charges being consistent with those prevailing in the international market for comparable products at the time of entering into the relevant sale agreement. The content of copper, silver and gold in the copper concentrates will be agreed by the parties based on the results of the assays performed on samples taken from each shipment in accordance with standard international practice.

As disclosed in the "Letter from the Board" of the Circular, the selling prices of copper concentrates will be calculated as the sum of payments for the contained valuable metals (essentially copper, silver and gold) in the concentrates less deductions for treatment and refining charges applicable to the relevant metals. Accordingly, copper concentrates from the Las Bambas Project will be priced based on copper, gold and silver contained in copper concentrates and it is expected that at least 96.5% of the contained copper content and at least 90% of each of the contained gold and silver content will be paid for (the "**Metal Payments**") based on current international market conditions. The prices of copper concentrates will be determined by reference to the copper price quoted on the London Metal Exchange and the silver and gold prices quoted on other relevant London markets (the "**Metal Prices**"), averaged over a calendar month (the "**Quotational Period**") to be agreed in advance but which shall be no earlier than the month in which the shipment takes place. Treatment and refining charges, on the other hand, will be negotiated between the parties on an annual basis or as otherwise agreed and shall be consistent with the relevant charges prevailing in the international market.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

Metal Payments and Quotational Period

We have reviewed a number of standard clauses (the “**Standard Clauses**”) in typical copper concentrate contractual arrangements in relation to metal payments and quotational periods during which payable metal contents are priced, as published by an international professional firm providing market analysis and management consultancy on certain industries including mining and metals.

Pursuant to the Standard Clauses, in most concentrate contracts, payments are made to reflect the copper, gold and silver contents of the concentrate and are usually made for less than 100% of the metal content of the concentrate in order to allow for handling and process losses. Typically, 96.5% to 96.75% of the copper content is paid for, subject to a certain amount of minimum deduction, while at least 90% of each of the gold and silver content is paid for in the Far East, unless the gold and silver contents in the concentrate are at minimal levels (e.g. less than 1 gram per tonne for gold and less than 30 grams per tonne for silver). As for quotational periods, they are usually related to a set of period of time following shipment from the mine or arrival at the smelter.

Taking into account that (i) the percentages of metal contents to be paid for in the Metal Payments are within the typical scales as mentioned above; and (ii) the Quotational Period, during which payable metal contents are priced, shall be a period after shipment, we consider that the Metal Payments and the Quotational Period are comparable to the Standard Clauses.

Treatment and refining charges

As advised by the management of the Group, treatment and refining charges under the CMN Framework Offtake Agreement shall be determined by reference to such terms established between independent buyers and sellers of copper concentrates in the international markets. Given that (i) such determination of treatment and refining charges is based on the market consensus and is not at the sole discretion of the CMN Group; (ii) treatment and refining charges will be settled by arms’ length negotiations between the Group and the CMN Group on normal commercial terms (or better to the Group); and (iii) treatment and refining charges will be approved internally in accordance with the corporate governance structure of the Company, pursuant to which the agreed charges will be endorsed by the chief financial officer of the Company and approved by the chief executive officer of the Company, both of them are independent of the CMN Group, we consider such basis fair and reasonable.

Review of sample historical sale agreements

Based on the Competent Person’s Report, the Las Bambas Project is not expected to commence production until late 2015 and therefore no individual long form sale agreements have been entered into between the Group and the CMN Group in respect of the copper concentrates from the Las Bambas Project. Alternatively, we have reviewed sample contracts (the “**Sample Contracts**”) between the Group and the CMN Group in respect of sales of copper concentrates from the Group’s existing mines and compared against contracts for similar sales between the Group and independent third party customers where applicable. We noted that the prices of copper concentrates charged by the Group to those independent third parties were determined based on the prices quoted on the London Metal Exchange averaged over a calendar month after the month of shipment which, together with the

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payments for different metals (e.g. copper, silver and gold) in copper concentrates received by the Group from independent third parties, are comparable to the Standard Clauses. The treatment and refining charges to be deducted from the prices charged to independent third parties were consistent with those agreed between major miners and smelters in the international markets as published in industry media. We consider that the transactions conducted between the Group and the CMN Group under the Sample Contracts are comparable to those between the Group and those independent third parties. Accordingly, it is expected that the pricing terms under individual long form sale agreements to be entered into between the Group and the CMN Group pursuant to the CMN Framework Offtake Agreement, including the Metal Payments, the Metal Prices and the Quotational Period, will be comparable with those under the Sample Contracts and those between the Group and independent third parties.

Review of historical sale arrangements between the Group and the CMN Group by the independent non-executive Directors and the auditors of the Company

Moreover, the independent non-executive Directors have reviewed the then continuing connected transactions (the “**Sales Transactions**”) in respect of sales of copper cathode, copper concentrate, zinc concentrate and lead concentrate by the Group to the CMN Group during the two years ended 31 December 2013, and confirmed, among others, that the Sales Transactions were either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties. The auditors of the Company have also confirmed that the Sales Transactions were in accordance with the pricing policies of the Group.

Internal control measures

Apart from the sales under the CMN Framework Offtake Agreement, the Group will sell a portion of copper concentrates from the Las Bambas Project to independent third parties and will continue to market copper concentrates from its existing mines, which will ensure that the Company is well informed of the global copper metal and concentrate market conditions and the treatment and refining charges prevailing in the market. As such, the Group is in a position to monitor the terms, especially the pricing, of the transactions contemplated under the CMN Framework Offtake Agreement, and ensure that the terms of individual long form sale agreements with the CMN Group will remain competitive with those that can be achieved from independent third parties. In particular, the Company will use its market knowledge gained from transactions with independent third parties in the copper concentrate market to ensure that the Metal Payments to be negotiated and agreed in the long form sale agreement are appropriate for the copper concentrates from the Las Bambas Project and reflect normal commercial terms (or better to the Group).

In addition, individual long form sale agreements will be subject to the review by an independent board committee comprising the three independent non-executive directors of the Company. In particular, the Metal Payments and the treatment and refining charges agreed by the parties will require endorsement by the chief financial officer of the Company and approval by the chief executive officer of the Company, both of them are independent of the CMN Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

Furthermore, the conduct of the transactions contemplated under the CMN Framework Offtake Agreement is subject to annual review by all independent non-executive Directors and the auditors of the Company to ensure the transactions are conducted in accordance with the terms including the pricing principles set out in the CMN Framework Offtake Agreement.

Overall

Taking into account that (i) the transactions contemplated under the CMN Framework Offtake Agreement shall be conducted in accordance with international terms and the pricing of copper concentrates from the Las Bambas Project shall be comparable to the prevailing market rates; and (ii) there are certain internal controls in place to review the transactions contemplated under the CMN Framework Offtake Agreement and ensure that individual transactions are conducted within the CMN Framework Offtake Agreement as mentioned above, we consider that the terms of the CMN Framework Offtake Agreement are on normal commercial terms which are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

4. Duration of the CMN Framework Offtake Agreement

The duration of the CMN Framework Offtake Agreement is the life of the Las Bambas Project which is expected to be in excess of 20 years. We have discussed with the management of the Group the rationale for the duration of the CMN Framework Offtake Agreement:

(a) *Guaranteed revenue flow for the Group*

For the two years ended 31 December 2012 and 2013, production of copper (contained metal in concentrate) of the Group amounted to approximately 29,993 tonnes and 35,632 tonnes respectively. While the Las Bambas Project is currently at an advanced phase of construction and is expected to commence commercial production in late 2015, it is anticipated that the average annual production of the Las Bambas Project will amount to approximately 316,000 tonnes of copper (contained metal in concentrate) over the life of mine (excluding the first and final year of production), representing approximately 8.9 times of the Group's current production level. The entering into of the CMN Framework Offtake Agreement, which will span the life of mine of the Las Bambas Project, allows the Group to secure a long-term demand for the Group's production of copper concentrates, without having to rely on the highly volatile market demand. To minimise the Group's risk of being unable to sell the products from the Las Bambas Project profitably in adverse market conditions after the commencement of production, it is beneficial for the Group to secure a stable and long-term revenue stream from the sales of copper concentrates to the CMN Group.

(b) *Long-term support from CMN for significant capital investment by the Group*

Upon Completion, the JV Company will be owned as to 62.5% by MMG SA, 22.5% by Elion Holdings and 15.0% by CITIC. Pursuant to the Shareholders' Agreement, MMG SA, Elion Holdings and CITIC have agreed to provide further funding and financial support to the JV Company in proportion to their respective shareholdings so as to allow the JV Company to provide to the Purchasers sufficient funds, in addition to the amount from external financing, to settle the Share Consideration and to provide a loan to the Project Company to repay the Intragroup Loans and to complete the development of the Las Bambas Project. Given the significant capital commitment of MMG SA to the JV Company, MMG SA is provided with an assured right to the MMG Offtake Entitlement. In addition, MMG SA is also entitled to the Assigned Entitlement.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

As disclosed in the “Letter from the Board” of the Circular, the pro-rata share of equity contribution to be made by MMG SA to the JV Company under the Shareholders’ Agreement will be financed by a loan of up to US\$2,262,000,000 from Top Create, a shareholder of the Company and a wholly-owned subsidiary of CMN. In addition, subject to applicable laws and regulations, CMNH and CMCL will guarantee the proportion of the external debt funding for the purpose of the Acquisition applicable to MMG SA.

It is also in the interest of the Group that a long-term contract is granted to CMN to take up the Offtake Percentage of copper concentrates from the Las Bambas Project, and to assist the Group in marketing the copper concentrates from the Las Bambas Project to the PRC metals market for the life of the mine.

As mentioned in the “Letter from the Board” of the Circular, the Las Bambas Project is a world-class and high-quality copper asset located in Peru with significant Mineral Resources and Ore Reserves and exploration upside potential. According to the Competent Person’s Report contained in Appendix IV to the Circular, as at 1 January 2014, the Las Bambas Project had total Mineral Resources (inclusive of Ore Reserves) of 1,780 Mt including 10.9 Mt contained copper, representing more than double of the Group’s existing copper resources. The acquisition of the Las Bambas Project is therefore expected to significantly increase the Group’s business scale and transform the Group into one of the world’s largest copper producers. Given the long-life nature of the Las Bambas Project and CMN’s well-established customer base (i.e. buyers of copper concentrates) in China, it would be beneficial for the Group to secure a long-term sale arrangement with CMN.

From the Company’s point of view, the long-term support from CMN under the CMN Framework Offtake Agreement would allow the Group sufficient time to realise the full potential of the Las Bambas Project and create long-term value for the Shareholders. The long-term nature of the CMN Framework Offtake Agreement will further consolidate the business relationship between the Group and CMN.

(c) *Minimise costs associated with the marketing of copper concentrates*

As advised by the management of the Group, a significant part of the production output from the Las Bambas Project is expected to be sold to customers in China. The Group’s existing major mines are located in Australia, Laos and the DRC, the production of which is mainly sold to overseas markets other than China. CMN, on the other hand, is a state-owned enterprise engaged in metal trading in China and has a long history of importing copper concentrates into China. The entering into of a long-term offtake agreement with CMN will enable the Group to take advantage of CMN’s extensive experience in metal trading and well-established customer base in China to market its copper concentrates to the PRC metals market given the Group’s limited avenues of direct sale of copper concentrates to the PRC metals market, without having to incur additional costs associated with the marketing of copper concentrates and bear the performance and credit risk associated with direct sale of the products to multiple customers in China. Given the significant Mineral Resources and Ore Reserves of the Las Bambas Project, if the copper concentrates are to be marketed by the Group itself in China, it is expected that significant marketing and distribution costs will be incurred by the Group over the life of the Las Bambas Project with uncertainty in terms of results that could be achieved.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

(d) *Existing offtake arrangements between the Group and its customers*

In assessing the duration of the CMN Framework Offtake Agreement, we have reviewed a number of sale agreements (the “**MMG Comparable Agreements**”) entered into by the Group as the seller in respect of the mineral resources produced from the Group’s existing mines, as follows:

The Group’s existing mines

Subject product	Duration
Golden Grove	<p>Copper concentrate</p> <p>The agreement shall remain in full force until:</p> <ul style="list-style-type: none"> (i) either party elects to terminate the agreement by giving not less than 12 months’ notice; (ii) termination by mutual agreement between the buyer and the seller; (iii) termination by the seller due to depletion of the ore reserves below a level which is economic; or (iv) termination due to force majeure
Kinsevere	<p>Copper cathode</p> <p>From commencement of operation until termination of production from the plant</p>
Century	<p>Zinc concentrate</p> <p>The agreement shall end on the earlier of:</p> <ul style="list-style-type: none"> (i) the end of life of mine; and (ii) the date on which the buyer ceases to produce zinc at its smelter
Century	<p>Lead concentrate</p> <p>The agreement shall end on the earlier of:</p> <ul style="list-style-type: none"> (i) the end of life of mine; and (ii) the date on which the buyer ceases to produce lead at its smelter
Rosebery	<p>Zinc concentrate</p> <p>The agreement shall end on the earlier of:</p> <ul style="list-style-type: none"> (i) the end of life of mine; and (ii) the date on which the buyer ceases to produce zinc at its smelter
Rosebery	<p>Lead concentrate</p> <p>The agreement shall end on the earlier of:</p> <ul style="list-style-type: none"> (i) the end of life of mine; and (ii) the date on which the buyer ceases to produce lead at its smelter
Avebury	<p>Nickel concentrate</p> <p>The agreement shall remain in force until the expiry of the life of the mine.</p>

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As shown above, it is a normal business practice of the Group to enter into long-term offtake agreements in distributing its metal products produced from its existing mines.

(e) *Comparable Transactions*

In considering the duration of the CMN Framework Offtake Agreement, we have reviewed a number of contractual agreements in relation to the supply of metal products by one party to another, involving companies (excluding the Company) listed on the Stock Exchange principally engaged in the mining, processing, production or trading of metal products, that we are able to identify from the website of the Stock Exchange during the period from 1 July 2013 to the Latest Practicable Date.

Based on the above criteria, we identified 32 companies (the “**Subject Company(ies)**”), among which 12 companies have entered into such kind of contractual agreements with durations over three years including 5 companies with life-of-mine durations. As a result, long-term offtake agreements are considered common in the metal industry.

Given the significant capital commitment of MMG SA to the JV Company for the Acquisition and the development of the Las Bambas Project, MMG SA is provided with an assured right to the production of the Las Bambas Project through the MMG Framework Offtake Agreement. In other words, the MMG Framework Offtake Agreement is conditional on Completion including the capital contribution by MMG SA to the JV Company for the part payment of the Share Consideration.

Given the large sample size of the Subject Companies, we further consider those contractual arrangements (the “**Comparable Transactions**”) associated with the Subject Companies, in which the subject offtake agreements were incidental to or conditional on (i) the financial support from the off-takers to the mine owners either through equity or loan financings (transaction no. 2 to 6, 8 and 9 below); or (ii) the investment by the off-taker in the mining operation (transaction no. 1 below); or (iii) the investment by the Subject Company in the off-taker’s business (transaction no. 7 below).

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The Comparable Transactions, as set out below, are offtake arrangements in which the off-takers were compensated by way of the offtake agreements for their financial support to or investment in the mine owners (i.e. criteria (i) and (ii) above) or for the investment made by the off-taker's holding company (i.e. criterion (iii) above), which we consider comparable to the offtake arrangement where MMG SA is provided with an entitlement to the production of the Las Bambas Project under the MMG Framework Offtake Agreement for its significant financial support to the JV Company pursuant to the Shareholders' Agreement. The CMN Framework Offtake Agreement is basically a back-to-back offtake arrangement between MMG SA and CMN and is comparable to the MMG Framework Offtake Agreement.

Parties	Term of agreement	Type of transaction and source
1. CGN Mining Company Limited (“CGN”) (stock code: 1164) and Semizbay-U Limited Liability Partnership (“Semizbay-U”) (Note 1)	Not available	Sale of natural uranium by Semizbay-U to CGN Date of announcement: 16 May 2014
2. Chinalco Mining Corporation International (“Chinalco”) (stock code: 3668) and four cornerstone investors (Note 2)	5 years (two out of the four agreements will automatically continue for another 5 years thereafter)	Sale of copper concentrates by Chinalco to the four cornerstone investors Date of 2013 annual report: 29 April 2014
3. China Polymetallic Mining Limited (“China Polymetallic”) (stock code: 2133) and Yunnan Xiangcaopo Mining Co., Ltd. (“Xiangcaopo Mining”) (Note 3)	At least 15 years	Sale of polymetallic tungsten-tin raw ore by Xiangcaopo Mining to China Polymetallic Date of 2013 annual report: 17 April 2014

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Parties	Term of agreement	Type of transaction and source
<p>4. Shougang Concord International Enterprises Company Limited (“Shougang”) (stock code: 697) and Mount Gibson Iron Limited (“Mount Gibson”) (Note 4)</p>	Life of mine	<p>Sale of iron ore by Mount Gibson to Shougang</p> <p>Date of 2013 annual report: 16 April 2014</p>
<p>5. IRC Limited (“IRC”) (stock code: 1029) and General Nice Development Limited (“General Nice”) and Minmetals Cheerglory Limited (“Minmetals Cheerglory”) (Note 5)</p>	15 years	<p>Sale of iron ore concentrate by IRC to General Nice and Minmetals Cheerglory</p> <p>Date of 2013 annual report: 9 April 2014</p>
<p>6. APAC Resources Limited (“APAC”) (stock code: 1104) and Mount Gibson (Note 6)</p>	Life of mine	<p>Sale of iron ore by Mount Gibson to APAC</p> <p>Date of 2013 interim report: 20 March 2014</p>
<p>7. Minera Catania Verde S.A. (“Verde”), a subsidiary of China Dynamics (Holdings) Limited (stock code: 476) (formerly known as “Sinocop Resources (Holdings) Limited” and “China Elegance (Holdings) Limited” (“Elegance”)), and CAH Reserve S.A. (“CAH”) (Note 7)</p>	Perpetual (unless terminated by Verde at its sole discretion)	<p>Sale of copper ores by CAH to Verde</p> <p>Date of 2013 interim report: 9 December 2013</p>

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Parties	Term of agreement	Type of transaction and source
8. Ruashi Mining Sprl (“ Ruashi ”) and Jinchuan Group Co., Ltd. (“ Jianchuan Group ”), the controlling shareholder of Jinchuan Group International Resources Co. Ltd. (stock code: 2362) (Note 8)	Life of mine (terms being reviewed and agreed by the parties every 3 years)	Sale of cobalt carbonate and/or cobalt hydroxide by Ruashi to Jinchuan Group Date of circular: 30 August 2013
9. Glencore Xstrata plc (“ Glencore ”) (stock code: 805) and Mutanda Mining Sprl (“ Mutanda ”) (Note 9)	Life of mine	Sale of copper and cobalt product by Mutanda to Glencore Date of announcement: 25 July 2013

Sources: The announcements, interim reports, annual reports or circulars of the respective companies

Notes:

1. On 16 May 2014, CGN agreed to acquire 49% interests in two uranium mines in the Republic of Kazakhstan from its connected person which undertook to designate CGN, from completion of the acquisition, to purchase from Semizbay-U 49% of its total annual uranium production that the connected person was entitled to purchase under the original offtake agreement.
2. If Chinalco was not listed at the time of the first shipment, the terms of three of the offtake agreements might be renegotiated by the parties and if no agreement was reached, the offtake agreements would terminate whereas the percentage of the annual production to be sold under the remaining offtake agreement would be reduced. In other words, the four offtake agreements were considered incidental to the investments by the cornerstone investors in Chinalco.
3. Pursuant to the exclusive ore supply agreement with Xiangcaopo Mining and its owner, China Polymetallic provided interest-free loans to the owner of Xiangcaopo Mining which were to be used solely for the exploration activities at the mine of Xiangcaopo Mining.
4. The long-term iron ore offtake agreements with Mount Gibson were conditional on the subscription of shares of Mount Gibson by Shougang.
5. The offtake agreements with General Nice and Minmetals Cheerglory were conditional on completion of the initial subscription (“**GN Initial Subscription**”) of shares of IRC by General Nice. Upon completion of GN Initial Subscription, General Nice had the right to subscribe further shares in IRC (“**GN Further Subscription**”). Subscription of shares of IRC by Minmetals Cheerglory was conditional on completion of GN Further Subscription.

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6. As disclosed in the 2013 interim report of APAC, Mount Gibson was one of the primary strategic investments of APAC. According to APAC's website, APAC's investment approach is to invest in cash flow producing assets in the natural resource sector which will provide it off-take opportunities to distribute to China through its commodity business.
7. In October 2007, a subsidiary of Elegance (the "**Subsidiary**") and two other joint venture partners entered into a joint venture agreement (the "**JV Agreement**") for the establishment of a joint venture company (the "**JV**") which would carry on business of processing copper ores in Chile, pursuant to which the Subsidiary would contribute a certain amount of capital, representing 60% of the equity interests of the JV. Verde would be wholly-owned by the JV upon completion of the JV Agreement. As part of the JV Agreement, an agreement was entered into between CAH (a connected person of Elegance) and Verde for the supply of copper ores.
8. The offtake agreement was entered into between Ruashi and Jinchuan Group in August 2007. Jinchuan Group had been the only off-taker from the mine since it commenced commercial production in 2009. To assist Ruashi with the production of contained cobalt metals, in 2008, Jinchuan Group provided a pre-offtake financing in the amount of US\$20 million to Ruashi at a fixed interest rate of 4.68%. The offtake agreement was subsequently novated to a subsidiary of Jinchuan Group in July 2011 with the duration agreed to be a period ending on 31 December 2015 (terms being reviewed and agreed for another three years upon expiry).
9. Glencore, as a joint venture partner, has been increasing its stake in Mutanda since 2012 and had a 69% indirect equity interest in Mutanda as at 31 December 2013. Under a put and call option arrangement, Glencore has the right to acquire and the seller has the ability to force Glencore to acquire the remaining 31% in Mutanda in two tranches in 2016 and 2018.

The Comparable Transactions above have durations ranging from approximately five years (transaction no. 2) to as long as the life of mine of the respective mines (transaction no. 4, 6, 7, 8 and 9). Among the 9 Comparable Transactions, 5 have a life-of-mine duration. As a result, we consider that life-of-mine offtake agreements are normal business practice within the metal industry for offtake arrangements of similar structure to the Comparable Transactions and therefore the Offtake Arrangement.

Moreover, we have noted that there are overseas-listed mining companies which have either (i) acted as partners to the joint venture entities formed to explore or exploit a mine to take shares of the offtake from the mine; or (ii) entered into contracts for the sale and purchase of minerals to or from third parties, and that life-of-mine offtake arrangements are not uncommon in those circumstances.

Furthermore, we have taken into account other relevant factors regarding the duration of the CMN Framework Offtake Agreement, as follows:

- (i) The duration of the CMN Framework Offtake Agreement is comparable to those of the MMG Comparable Agreements; and
- (ii) The acquisition of the Las Bambas Project is a strategic investment for the Group given the size of the transaction, the highly prospective location of the Las Bambas Project, the significant Mineral Resources and the exploration upside potential associated with the copper mines. The life-of-mine duration of the CMN Framework Offtake Agreement allows the Group to have sufficient time to realise the full potential of the Las Bambas Project through securing a long-term revenue stream from the CMN Group while minimising the costs associated with marketing copper concentrates to the PRC metals market.

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In light of the above, we consider that it is required and normal business practice for contracts in the nature of the CMN Framework Offtake Agreement to be of such duration (i.e. life of mine).

5. The CMN Annual Caps

(a) *Expression of the CMN Annual Caps as highest expected annual production volumes of copper contained in copper concentrates from the Las Bambas Project*

The CMN Annual Caps apply to the sales of the copper concentrates from the Las Bambas Project for each of the financial years commencing from 1 January 2015 and ending on 31 December 2034 and are determined by reference to the highest expected annual production volumes of the products over the term of the CMN Framework Offtake Agreement, with a 10% buffer in the event of over-production. In assessing whether the expression of the CMN Annual Caps as a fixed quantum (instead of a monetary amount) in each financial year over the term of the CMN Framework Offtake Agreement is fair and reasonable, we have considered the following factors:

(i) *Volatility of historical copper prices*

The CMN Annual Caps are determined by reference to the highest expected annual production volumes of copper contained in copper concentrates of the Las Bambas Project over the term of the CMN Framework Offtake Agreement. As advised by the management of the Group, the value of copper concentrate sales is determined by a number of factors, including the quantity of product, its grade (especially copper, silver and gold contents), metal prices and treatment and refining charges. If monetary caps are to be used by the Group for the transactions contemplated under the CMN Framework Offtake Agreement, one of the key parameters in determining such caps would be the expected copper prices over the term of the CMN Framework Offtake Agreement. Given the high volatility of historical copper prices (see the following paragraph), the amounts payable by the CMN Group under the CMN Framework Offtake Agreement may vary significantly depending on the then prevailing copper prices, which is outside the Group's control. As a result, the Directors consider it impracticable to establish a reasonable basis for future copper prices, and therefore the monetary annual caps for the CMN Framework Offtake Agreement, especially for such a long time horizon. Even if the actual production volumes of copper concentrates from the Las Bambas Project fall within the Group's production schedule, volatility in copper prices might give rise to concerns over insufficient provision of monetary caps for normal business use if monetary caps were used. As advised by the management of the Group, in addition to copper prices, treatment and refining charges for copper concentrate sales also fluctuate with changes in market conditions, making it more difficult in estimating the value of copper concentrate sales.

Given the long-term nature of the CMN Framework Offtake Agreement, we have observed the daily closing price movements of copper during the period from 1 January 2011 to 26 June 2014 (the "**Review Period**"), as tracked by the cash prices of copper on the London Metal Exchange. During the Review Period, copper closing prices fluctuated within a range of approximately US\$6,439.0 per metric tonne to approximately US\$10,179.5 per metric tonne with an average of approximately US\$7,875.9 per metric tonne. The highest copper closing price represented approximately 1.3 times the average copper closing price in the Review Period. If

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the baseline copper price used for determining the monetary annual caps is the average copper closing price during the Review Period, the monetary annual caps for the CMN Framework Offtake Agreement would be easily exceeded if copper prices soared above the baseline price.

We have also considered the decision made by the Stock Exchange in 2007, where the Stock Exchange agreed to waive the monetary annual cap requirement to those issuers engaged in the oil and gas business provided that the relationship between the monetary annual caps and respective commodity prices is properly disclosed. Such issuers cited that the volatility in the commodity prices of oil and gas had given rise to concerns over insufficient provision of caps for normal business use. Given copper prices have exhibited a higher volatility as compared with crude oil prices during the Review Period, we consider the same should apply to the CMN Annual Caps.

(ii) *Reasonable accuracy in estimating production volumes from the Las Bambas Project*

As advised by the management of the Group, compared with copper prices which are largely affected by the wider macro-economic environment, production volumes and grades can be estimated with reasonable accuracy with the assistance of technical experts. Given the stability of the estimated production volumes of the Las Bambas Project as compared to volatile copper prices as described above, we consider it more relevant and meaningful to express the CMN Annual Caps as the expected maximum transaction volumes of copper concentrates from the Las Bambas Project.

In view of the above, we consider the setting of the CMN Annual Caps as fixed quanta is fair and reasonable so far as the Independent Shareholders are concerned.

(b) *Assessment of the CMN Annual Caps*

As copper is the most significant element of value in copper concentrates, the CMN Annual Caps are expressed solely in terms of the quantity of copper contained in copper concentrates. Set out below is the highest expected annual production volume of copper contained in copper concentrates of the Las Bambas Project within each time interval over the expected life of mine of the Las Bambas Project, based on the estimated production plan prepared by RPM as included in the Competent Person's Report and the CMN Annual Caps for the period from 2015 to 2034:

(in thousand tonnes)		For each of the year ended 31 December				
		2015	2016 to 2020	2021 to 2025	2026 to 2030	2031 to 2034
Copper (contained metal in concentrate)						
Las Bambas Project	A	143	561	439	356	232
10% buffer	B = A x 1.1	157	617	483	392	255
CMN Annual Caps	B x 57.31%	90	354	277	224	146

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The CMN Annual Caps, which are subject to approval by the Independent Shareholders at the EGM, are determined principally based on (i) the highest expected annual production volumes of copper contained in copper concentrates from the Las Bambas Project within each time interval over the term of the CMN Framework Offtake Agreement; (ii) a 10% buffer in the event of over-production; and (iii) the percentage of copper concentrates from the Las Bambas Project that the CMN Group is committed to purchase under the CMN Framework Offtake Agreement.

(i) *The highest expected annual production*

The highest expected annual production volumes of copper contained in copper concentrates within each time interval are based on the estimated production plan of the Las Bambas Project prepared by RPM as included in the Competent Person's Report in Appendix IV to the Circular. The Las Bambas Project is currently at an advanced stage of exploration and is expected to commence production in late 2015 with an estimated life span of approximately 20 years, and potentially beyond 2034.

In assessing the reasonableness of the production plan of the Las Bambas Project in respect of copper concentrates, we have discussed with RPM, one of the world's largest publicly listed independent groups of mining technical experts, the basis and underlying assumptions in formulating the production plan. According to the Competent Person's Report, the production plan is determined based on a number of factors including (a) the estimated Measured and Indicated Mineral Resources of the Las Bambas Project; (b) the current mining equipment and designs; and (c) the timing of expected infrastructure constructions, which RPM considers reasonable.

(ii) *The 10% buffer in the event of over-production*

The CMN Annual Caps cover the term of the Offtake Arrangement which is approximately 20 years. We were advised by the Directors that, in view of such a long time span, information on a wide range of matters such as geology, mine design, metallurgy and logistics is expected to be continually updated and factored into the production plan of the Las Bambas Project. As a result, the Directors consider there will be a chance that future actual production and the current production estimate may deviate significantly.

The Directors further advised that, based on their extensive experience in the mineral commodity industry, fluctuations in production do occur month to month and year to year, depending on factors including level of the mining activity, variation in grades of the relevant products, operating variability of the processing plant and any unforeseeable operating and market circumstances, all of which are subject to revision or update over the normal course of business operation.

In addition, we were given the understanding that the Group is committed to making its best efforts to operate the Las Bambas Project at the best possible production rate with a view to exhausting the potential benefits that Las Bambas Project may bring to the Group.

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Furthermore, under the CMN Offtake Framework Agreement, the parties have agreed that at any time during the term of the agreement, either party may request a review of the Offtake Percentage on the basis that that party is commercially disadvantaged by the Offtake Percentage. If a review is requested by a party, then the parties will mutually review the Offtake Percentage and if they agree that an adjustment is appropriate, a new Offtake Percentage will be determined. If no adjustment is mutually agreed, the Offtake Percentage will remain unchanged. In the event that there is any adjustment in the Offtake Percentage resulting in the CMN Annual Cap in a financial year being exceeded, the Company will comply with all applicable requirements under the Listing Rules.

In view of the above, the Directors consider, and we concur, that a 10% buffer on top of the estimated production volumes in determining the CMN Annual Caps, especially for such a long time horizon, is appropriate and not excessive, so as to ensure that a certain degree of flexibility is allowed for the Group to capture additional revenue arising from potential sales to the CMN Group as business opportunities arise and such additional sales will not be constrained by the CMN Annual Caps at times when actual production exceeds the current production plan.

Generally speaking, in our opinion, it is in the interests of the Group and the Shareholders to determine the CMN Annual Caps in a way that can accommodate the potential growth of the Group's business. Provided that the conduct of the Offtake Arrangement will be implemented with adequate internal controls of the Group and is, in particular, subject to annual review by the independent non-executive Directors and the auditors of the Company (as discussed below) as required under the Listing Rules, the Group would have flexibility in conducting its businesses if the CMN Annual Caps are tailored to accommodate future business growth.

Based on the above analysis, we consider the CMN Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned.

If the life of the Las Bambas Project is extended beyond 2034, the Company will need to seek independent shareholders' approval of the annual caps in respect of the CMN Framework Offtake Agreement for the period beyond 2034.

Shareholders should note that the CMN Annual Caps should not be construed as an assurance or forecast by the Group of its future productions.

6. Annual review of the Offtake Arrangement

Pursuant to Rules 14A.55 to 14A.59 of the revised Rules Governing the Listing of Securities on the Stock Exchange (the "**Revised Listing Rules**") which will come into effect on 1 July 2014, the Offtake Arrangement will be subject to the following annual review requirements:

- (a) each year the independent non-executive Directors must review the Offtake Arrangement and confirm in the annual report that the Offtake Arrangement has been entered into:
 - (i) in the ordinary and usual course of business of the Group;

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- (ii) on normal commercial terms or better; and
 - (iii) in accordance with the CMN Framework Offtake Agreement on terms that are fair and reasonable and in the interests of the Shareholders as a whole;
- (b) each year the auditors of the Company must provide a letter to the Board (with a copy provided to the Stock Exchange at least 10 business days prior to the bulk printing of the Company's annual report), confirming whether anything has come to their attention that causes them to believe that the Offtake Arrangement:
- (i) has not been approved by the Board;
 - (ii) was not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve provision of goods or services by the Group;
 - (iii) was not entered into, in all material respects, in accordance with the CMN Framework Offtake Agreement; and
 - (iv) has exceeded the CMN Annual Caps;
- (c) the Company shall allow, and shall ensure the relevant counterparties to the Offtake Arrangement to allow, the Company's auditors to have sufficient access to their records for the purpose of reporting on the Offtake Arrangement; and
- (d) the Company shall promptly notify the Stock Exchange and publish an announcement if the independent non-executive Directors and/or the auditors of the Company will not be able to confirm the matters as required.

In light of the reporting requirements for the Offtake Arrangement, in particular, (a) the restriction of the transaction volumes of the Offtake Arrangement by way of the CMN Annual Caps; (b) the requirements under the Revised Listing Rules for ongoing review by the independent non-executive Directors and the auditors of the Company of the terms of the CMN Framework Offtake Agreement and the CMN Annual Caps; and (c) any revision of the CMN Annual Caps will be subject to independent shareholders' approval, we are of the view that there exist appropriate measures to govern the conduct of the Offtake Arrangement and to safeguard the interests of the Independent Shareholders.

OPINION AND RECOMMENDATION

Taking into account the principal factors and reasons above, we consider that:

- (a) the CMN Framework Offtake Agreement is on normal commercial terms which are fair and reasonable so far as the Independent Shareholders are concerned;
- (b) the entering into of the CMN Framework Offtake Agreement is in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole;

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- (c) the setting of the CMN Annual Caps based on a fixed quantum for the corresponding financial year, and the CMN Annual Caps themselves, are fair and reasonable so far as the Independent Shareholders are concerned; and
- (d) it is required and normal business practice for contracts in the nature of the CMN Framework Offtake Agreement to be of such duration.

Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the EGM to approve the Offtake Arrangement.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED
David Ching
Director

INFORMATION ON THE TARGET GROUP

THE TARGET GROUP

The Target Group is made up of the Target Company and the Project Company.

HISTORY OF LAS BAMBAS

In August 2004, XSchweiz was awarded the rights to explore and the option to develop Las Bambas through the privatisation process run by the government of Peru. The privatisation process was conducted through an international bid process run by ProInversion. XSchweiz was the successful bidder and was awarded certain rights in relation to the Las Bambas Project, including an option to develop the Las Bambas Project (the “**Option**”). XSchweiz subsequently appointed XPERU (as its local subsidiary) to be the holder of the Option on 1 October 2004 for a term of five years, with the ability to extend for an additional year. In 2007, XPERU assigned the Option to XTintaya and XTintaya exercised its Option right in August 2010 and entered into a transfer agreement, dated 2 September 2010, pursuant to which it acquired the Las Bambas Project for US\$45.5 million plus US\$0.5 million and US\$0.75 million for each six-month period in year five and year six of the Option, respectively (the “**Transfer Agreement**”).

XTintaya subsequently assigned the Las Bambas Project to the Project Company on 1 January 2011. The Peruvian authorities approved the Las Bambas Project’s EIA in March 2011.

DESCRIPTION OF THE LAS BAMBAS PROJECT

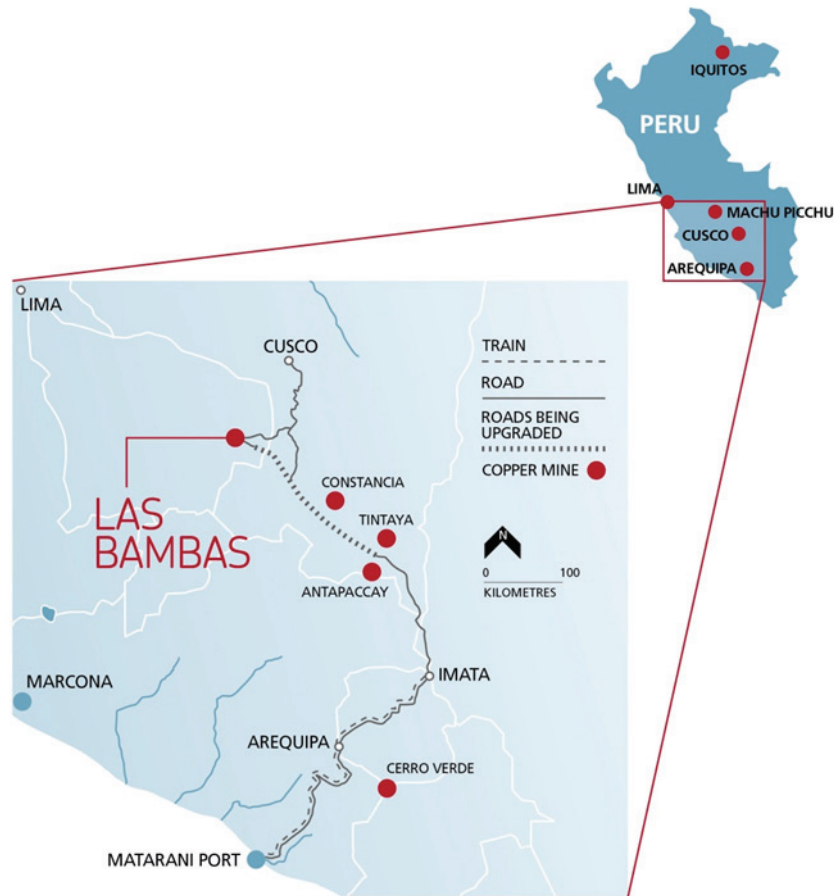
The contents of this section must be read in conjunction with and in the context of the Competent Person’s Report itself. Please refer to the Competent Person’s Report for a detailed discussion on all the technical aspects of the Las Bambas Project. RPM has confirmed that no material changes have occurred since the effective date of the Competent Person’s Report.

Background information

The Las Bambas Project is a world class copper development project located in Peru, in the provinces of Cotabambas and Grau in the districts of Challhuahuacho, Tambobamba and Coyllurqui, province of Cotabambas, and in the district of Progreso, province of Grau, region of Apurímac, 72 km from Cusco. The Las Bambas Project tenements include approximately 35,000 Ha of land, of which less than 10% has been explored for additional resources. The estimated mine life is over 20 years and further exploration could potentially increase this.

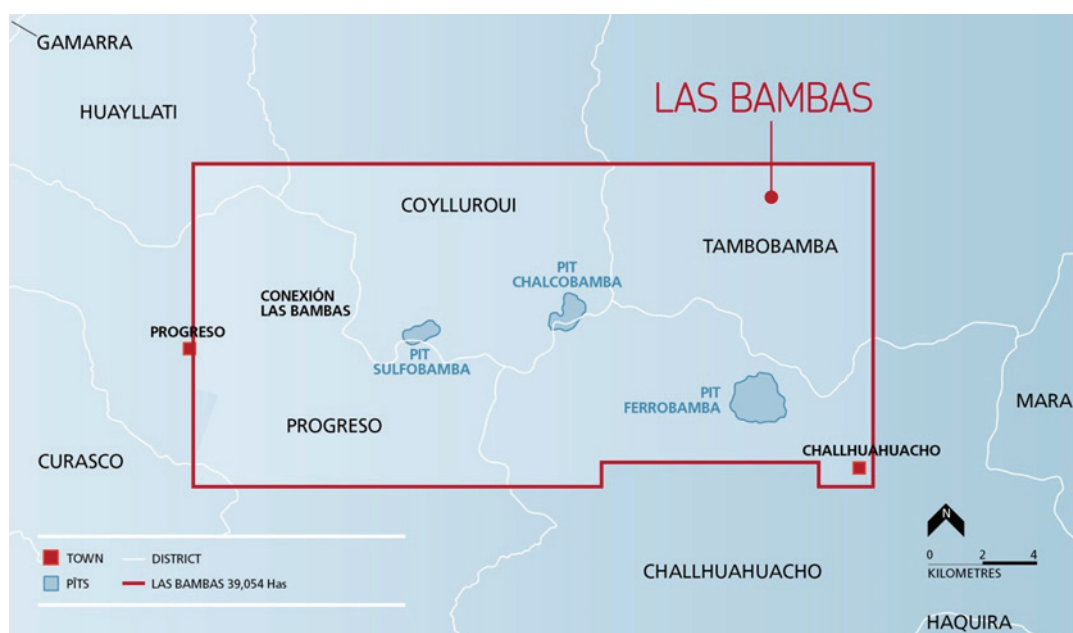
The Las Bambas Project is within the Andahuaylas-Yauri copper belt, which hosts the Antapaccay and Constancia copper mines.

INFORMATION ON THE TARGET GROUP



The Project Company is the registered holder of 41 mining concessions for the exploration and exploitation of metallic substances comprising the Project. Based on the design of the Las Bambas Project, no additional mining concessions will need to be obtained by the Project Company. Based on the due diligence materials reviewed by the Purchasers, the mining concessions held by the Project Company were valid as of December 2013. As part of the due diligence exercise undertaken by the Purchasers, all of the mining concessions were held to be in good standing and in full force and effect (subject to payment by the Project Company of all validity fees and compliance with minimum production levels).

INFORMATION ON THE TARGET GROUP



JORC Mineral Resources and JORC Ore Reserves as at 1 January 2014

The JORC Mineral Resources of the Las Bambas Project is shown in the table below.

Type	Class	Resources		Metal grade				Contained metal			
		Quantity (Mt)	Cu (%)	Au (g/t)	Ag (g/t)	Mo (%)	Cu (Kt)	Au (Moz)	Ag (Moz)	Mo (kt)	
Sulphide	Measured	490	0.64	0.06	3.0	0.02	3,094	0.91	46.6	84.8	
	Indicated	720	0.68	0.05	3.5	0.02	4,888	1.20	81.3	124.1	
	Measured + Indicated	1,210	0.66	0.05	3.3	0.02	7,981	2.11	128.0	208.9	
	Inferred	470	0.46	0.03	2.45	0.01	2,146	0.47	36.85	69.8	
	Sub Total	1,680	0.60	0.05	3.1	0.017	10,127	2.58	164.8	278.7	
Oxide	Indicated	90	0.75	0.06	3.5	0.01	673	0.16	10.2	6.4	
	Measured + Indicated	90	0.75	0.06	3.5	0.01	673	0.16	10.2	6.4	
	Inferred	10	0.81	0.07	4.3	0.01	81	0.02	1.4	1.0	
	Sub Total	100	0.75	0.06	3.6	0.007	753	0.19	11.6	7.4	
Total	Measured	490	0.64	0.06	3.0	0.02	3,094	0.91	46.6	84.8	
	Indicated	810	0.69	0.05	3.5	0.02	5,560	1.36	91.5	130.5	
	Inferred	480	0.47	0.03	2.5	0.01	2,227	0.49	38.2	70.8	
	All (M+I+Inf)	1,780	0.61	0.05	3.1	0.02	10,881	2.77	176.4	286.1	

Notes:

1. This statement of JORC Mineral Resources has been extracted from the Competent Person's Report, the full text of which is set out in Appendix IV to this circular.
2. Tonnages are metric tonnes.

INFORMATION ON THE TARGET GROUP

3. Cut off Grade of 0.2% Cu for all types.
4. All Mineral Resources figures reported in the table above represent estimates at 1st January, 2014. Mineral Resource estimates are not precise calculations, being dependent on the interpretation of limited information on the location, shape and continuity of the occurrence and on the available sampling results. The totals contained in the above table have been rounded to reflect the relative uncertainty of the estimate. Rounding may cause some computational discrepancies.
5. Mineral Resources are reported in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The Joint Ore Reserves Committee Code — JORC 2012 Edition).

The JORC Ore Reserves of the Las Bambas Project is shown in the table below.

Category	Reserves	Metal grade				Contained metal			
	Ore (Mt)	Cu (%)	Au (g/t)	Ag (g/t)	Mo (ppm)	Cu (Mt)	Au (Moz)	Ag (Moz)	Mo (kt)
Proved	450	0.65	0.06	3.10	176	2.93	0.89	44.8	78.9
Probable	503	0.79	0.06	4.15	176	3.96	0.99	67.2	88.6
Proved & Probable	952	0.72	0.06	3.66	176	6.89	1.87	112	168

Notes:

- (1) This statement of JORC Ore Reserves has been extracted from the Competent Person's Report, the full text of which is set out in Appendix IV to this circular.
- (2) Tonnage is in metric tonnes.
- (3) Cutoff Grade of 0.2% Cu applied to all ore types.
- (4) Copper price: US\$2.91/lb, Molybdenum price: US\$13.37/lb, Silver price: US\$19.83/oz, Gold price: US\$1,196/oz
- (5) Figures presented are rounded which may result in small tabulation errors. Ore Reserves have been estimated under the 2012 Edition of the JORC Code.

Development

The board of directors of Xstrata plc approved the Las Bambas Project in August 2010 and the project's EIA was approved in March 2011. In May 2012, the main construction permits were granted and plant construction commenced in October 2012.

The scope of the development project is divided between Bechtel and the Target Group. Bechtel has a significant Engineering Procurement Construction and Engineering Procurement Construction Management ("EPCM") contract.

INFORMATION ON THE TARGET GROUP

Bechtel's scope includes the construction of the 140ktpd concentrator, fresh water dam, primary crusher and overland conveyor. Bechtel's handover to the owner's operations team will be at the completion of the concentrator's hydraulic commissioning.

The Target Group's scope includes tailings storage, water management, concentrate logistics and handling including port facilities, high voltage power and the construction of Nueva Fuerabamba, the new town for resettlement of the residents of Fuerabamba. The Target Group's pre-operational focus involves pre-stripping the pit, training of staff and resettlement of the Fuerabamba community.

As at end of April 2014 the overall project was approximately 60% complete.

The Company has undertaken to provide an update on project completion estimation to Shareholders following Completion of the Acquisition.

Infrastructure

In November 2013, the Project Company signed an agreement for storage and ship loading of concentrate at Matarani Port with TISUR. TISUR is building a new berth and storage facility called Islay, from which the Las Bambas concentrate will be loaded and shipped. The facilities will cater for the delivery rate of concentrate to the port.

The owner's high voltage transmission line scope involves building a 130km 220kV transmission line from the Peruvian grid at Cotaruse substation to the site. Abengoa Peru, via the subsidiary ATN 2 S.A., is contracted to build, operate and own the transmission line under a BOO contract for 18 years from the commencement of operations.

Fresh water will be taken from the Challhuahuacho River for operational use. The water management scope is focussed on minimising the use of fresh water taken from the river. The amount of water contacting the operational footprint will also be minimised using diversion infrastructure. Water which contacts the operational footprint will be preferentially used for processing. Sediment dams are being constructed to manage run off water from waste dumps and stockpiles.

Community

The construction of Nueva Fuerabamba is largely complete and a plan for final acceptance of the town is being developed. Nueva Fuerabamba will be administered by a civil association, funded by the Project Company. The administration of the town will then pass to the regional municipality 18 months after first inhabitation. The national government will administer the medical centre and the education centres.

INFORMATION ON THE TARGET GROUP

Mining and processing operations

Pre-stripping operations commenced in April 2014 and are forecast to move approximately 75 Mt of overburden prior to commencing ore processing.

Mining will use conventional truck and shovel equipment.

Ore will be mined from three pits: Ferrobamba, Chalcobamba and Sulfobamba. Ferrobamba contains approximately 70% of the ore feed and is situated 10 km east of the concentrator. Chalcobamba and Sulfobamba contribute approximately 30% of the ore feed and lie north and west respectively from the concentrator.

The concentrator has been designed to treat 140 ktpd, equivalent to 51.1 Mtpa. The concentrator contains additional space within its footprint to increase grinding capacity. The mine will produce copper concentrates containing payable gold and silver and a separate molybdenum concentrate will be produced. Processing will be carried out using conventional crushing, grinding and flotation techniques.

Logistics

Day-to-day operational logistics will use truck haulage along a heavy haul road constructed and approved for such purposes. The Project Company is assessing options for sustainable concentrate handling and logistics. Concentrate will be delivered to the port of Matarani, 710 km from Las Bambas at an approximate rate of 4 ktpd. A new berthing facility is being developed by the port operators TISUR to handle Las Bambas concentrate and concentrate from other mine sites.

REGULATORY CONCESSIONS

Real property

The Project Company has purchased or otherwise obtained land use rights with respect to use of numerous pieces of land mainly located in the districts of Challhuahuacho, Coyllurqui and Tambobamba, province of Cotabambas, region of Apurímac. This land is required for conducting mining activities related to the Project, including those for constructing and operating the Project's components and infrastructure. Such property and rights have also been acquired to access the mining area, transport minerals, establish a buffer around the mining area, access water rights and construct the mining camp and residential properties for the housing of employees, among others.

INFORMATION ON THE TARGET GROUP

Mining concessions

The Project Company is the registered holder of 41 mining concessions for the exploration and exploitation of metallic substances and comprising the Project. Such mining concessions are generally irrevocable as long as the holder pays the annual validity fee and minimum production levels are met. Please refer to the section headed “Regulatory Overview — Requirements and Obligations for Mining Concessions’ Holders” for further details. Based on the design of the Las Bambas Project, no additional mining concessions will need to be obtained by the Project Company. Based on the due diligence materials reviewed by the Purchasers, the mining concessions held by the Project Company were valid as of December 2013.

The mining concessions relate to land located in the districts of Collurqui, Huaytalli, Challhuahuacho, Tambobamba, Progreso and Curasco, in the provinces of Cotabambas and Grau, and in the region of Apurímac, in Peru, and cover an aggregated area of approximately 34,328 ha.

In connection with the transfer of the mining concessions from the government of Peru to XTintaya in September 2010, XTintaya agreed to incur “qualified investments” (i.e. investments subject to verification) of at least US\$ 2,919,436,100 within four years following the date of execution of the Transfer Agreement (i.e. before 1 September, 2014). According to the last audit report prepared by PFK Vila Naranjo Asociados and submitted to Activos Mineros, as of September 2013 US\$2,923,598,446 had been invested in the Las Bambas Project.

Construction concessions

The Project Company is authorised to construct the copper and molybdenum processing plants and the filter plant, among other facilities, in the area of the Project. This construction is expected to be completed in the second half of 2015. Completion of construction of processing facilities and the grant of the water license are pre-requisites for the granting of title to Las Bambas processing concession, allowing operation of the processing plant.

Transportation concessions

Originally, the Project Company applied for and received approval for the construction of a mineral pipeline to transport the mineral products.

The Project Company is studying concentrate transport options. The permitted option for a pipeline between Las Bambas and Antapaccay is no longer applicable because of the separation of ownership. Although the Project Company will not need to obtain an additional transportation concession, the Project Company will possibly need to obtain additional authorisations from third parties to allow it to transport the minerals to the port, including seeking amendments to current easements or obtaining additional rights over real property.

INFORMATION ON THE TARGET GROUP

Environmental approvals

In May 2010, the Project Company filed the EIA for the Project, which was approved by the MEM in March 2011. Construction permits were granted in May 2012. The new location of the processing facilities originally located in the Tintaya area (the molybdenum and filter plants), has been included — among other minor changes related to ancillary components of the Project — in a Technical Report that was filed on 11 July 2013 before the DGAAM for approval. This Technical Report has been approved on 26 August 2013. A second Technical Report including the construction and operation of a sedimentation pond of 3.2 cubic meters for non-contact water was approved in December 2013. A first amendment of the Project EIA has been approved by means of Resolución Directoral No. 305 2013 MEM AAM. Such first modification implied the following: (i) the modification of the monitoring plan — applicable to surface waters — included in the Project EIA; and, (ii) the modification of the design of the Challhuahuacho and Chuspiri water dams, in order to optimise the water supply infrastructure. A second amendment of the Project EIA will include the use of a 250km roadway between Las Bambas and Antapaccay to transport concentrate during mine operation. Such second amendment has been submitted before the authority for its approval on 3 March 2014 and it is currently under review. The Project Company expects to receive approval of its revised EIA in July 2014.

Permits and registrations

In addition to the EIA, the Project Company must obtain various permits and registrations for the conduct of various activities at the Project site. The material permits relating to the construction and operation of the Project, including the authorisations for the sedimentation pond, the water use licence, the water discharge authorisation, among others, will be filed in 2014 and 2015 as required by applicable law.

Renewals

Based on the due diligence materials reviewed by the Purchasers, the Purchasers have no reason to believe that the concessions will not be maintained in the ordinary course. In addition, the legal advisor to the Purchasers as to Peruvian law, is not aware of any legal impediment for obtaining or maintaining any concessions.

Legal Stability Agreements

The Target Company has entered into a Legal Stability Agreement with the Peruvian Government, pursuant to which the latter agreed not to apply to the Target Company any change to the income tax, employment (only with regard to the modalities for hiring employees for a fixed term) and export promotion regimes in force at the time of execution of said agreement (29 September 2004), for a period of 10 years expiring on 29 September 2014.

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XSAL has entered into two separate Legal Stability Agreements with the Peruvian Government, pursuant to which the latter agreed not to apply XSAL any change to the income tax regime applicable to dividends and any other kind of profit distribution in force at the time of execution of said agreements (29 September 2004 and 29 August 2006), related to specific US\$22 million and US\$634 million investments, respectively, for a period of 10 years (expiring on 29 September 2014 and 29 August 2016, respectively).

The Company does not anticipate any material adverse impact of the expiry of any of the above Legal Stability Agreements on the results of the Target Company and/or the Project Company as no material changes to the income tax, employment or export promotion regimes in Peru are expected in the near term. The Enlarged Group will seek to re-negotiate such agreements with the Peruvian Government.

Mining Stability Agreement

In July 2011, the Project Company and the government of Peru entered into a mining stabilisation agreement pursuant to which the tax regime in effect at the time of such agreement is to remain unchanged for a period of 15 years after completion of construction. As a result, the operator of the mine will have the right to maintain its accounting books and records in a foreign currency, repatriate capital and profits, sale of product free from any impositions and have unrestricted access to foreign currency markets. Furthermore, the Project Company will be subject to a 32% corporate tax rate and up to 3% mining royalty on sales in connection with operations at Las Bambas, under the terms of stability.

IGV Recovery Agreement

On 28 December 2011, the Project Company and the government of Peru entered into an IGV recovery agreement pursuant to which the Project Company is eligible to recover certain amounts levied on it in the form of value-added taxes. Refunds have been received in accordance with the terms of the special regime of advance recovery.

Litigation

The Project Company is party to civil, tax and labour legal proceedings, as well as to certain other administrative proceedings. These legal and administrative proceedings arise from the conduct of business in the ordinary course. The Purchaser is not aware of any legal or administrative claims or proceedings which may affect the mining rights being acquired.

INFORMATION ON THE TARGET GROUP

Mine closure plans

In March 2012, the Project Company submitted the mine closure plan to the MEM. This closure plan was approved in June 2013 and provides for a total budget of US\$285.7 million for the closure of the mine beginning in 2028 and extending through at least 2042. In addition, pursuant to mining laws in Peru, the Project Company will have to submit each year to the Minister of Energy and Mines a bond, or other security permitted by mining laws in Peru, in the amount established in the mine closure plan approved by the Minister of Energy and Mines to cover mine closure costs. The security provided shall be maintained as provided in the mine closure plan and the mining laws in Peru. For the year 2014, the Project Company submitted a bond in the amount of approximately US\$12 million.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE TARGET COMPANY AND THE PROJECT COMPANY

The Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 4.06 of the Listing Rules such that an accountants' report on the stand-alone audited financial statements of the Target Company and the Project Company for each of the three financial years ended 31 December 2011, 2012 and 2013 will be included in this circular. Hence, the Company has prepared and set out below a management discussion and analysis on the results of each of the Target Company and the Project Company based on their respective stand-alone audited financial statements for the three financial years ended 31 December 2011, 2012 and 2013.

(a) MANAGEMENT DISCUSSION AND ANALYSIS OF THE TARGET COMPANY

The Target Company is an investment company and immediate holding company of the Project Company. The Target Company was also the immediate holding company of two other companies until it entered into a restructuring arrangement with Glencore in order to facilitate the sales process in respect of the Las Bambas Project whereby those investments held by the Target Company which did not relate to the Las Bambas Project were transferred out of the Target Group.

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The Target Company's total comprehensive income for the year ended 31 December 2013 was US\$97.3 million from dividends received from a subsidiary company. Total comprehensive losses for the years ended 31 December 2012 and 31 December 2011 was US\$0.3 million and US\$1.7 million respectively.

Cash flow analysis

The following table represents selected data from the Target Company's statement of cash flows:

	31/12/2013	Year ended 31/12/2012	31/12/2011
	<i>(US\$ million)</i>		
Net cash generated from/ (used in) operating activities	(0.4)	(1.2)	2.8
Net cash used in investing activities	—	(1,299.4)	—
Net cash generated from/ (used in) financing activities	<u>(0.3)</u>	<u>1,297.2</u>	<u>(2.9)</u>
Net (decrease) of cash and cash equivalent	<u><u>(0.7)</u></u>	<u><u>(3.4)</u></u>	<u><u>(0.1)</u></u>

Net cash used in investing activities in 2012 related to cash paid to the Project Company in return for shares.

Net cash generated by financing activities in 2012 related to a capital contribution from a related party at the time, XSAL.

Financial resources and liquidity

	31/12/2013	As at 31/12/2012	31/12/2011
	<i>(US\$ million)</i>		
Total Assets	1,320.2	2,062.2	764.1
Total Liabilities	<u>0.1</u>	<u>23.7</u>	<u>25.3</u>
Total Equity	<u><u>1,320.1</u></u>	<u><u>2,038.5</u></u>	<u><u>738.8</u></u>

Total assets reflect investments in subsidiaries.

The increase between 31 December 2011 and 31 December 2012 was due to the additional capital contribution made to the Project Company.

INFORMATION ON THE TARGET GROUP

The decrease in total assets as at 31 December 2013 compared to 31 December 2012 was due to a disposal of subsidiaries from a corporate restructure. To facilitate the disposal of the Las Bambas Project by Glencore, the ultimately holding company of the Target Company, it was determined that the disposal would be effected through the sale of the Target Company. In advance of the disposal, Glencore has undertaken a corporate restructuring by way of Peruvian law “Spin off” to transfer assets of the Target Company which did not relate to the Las Bambas Project to other group companies. As a consequence, the Target Company’s investments in Compania Minera Antapaccay S.A. and Xstrata Copper Servicios Corporativos Peru S.A. were transferred to another subsidiary of Glencore.

Commitments for expenditure

There were no material capital commitments for the years ended 31 December 2013, 31 December 2012 and 31 December 2011.

People

The Target Company did not have any full-time equivalent employees for the year ended 31 December 2013, 31 December 2012 and 31 December 2011.

Material Acquisitions and Disposals

No material acquisitions or disposal were made for the years ended 31 December 2013, 31 December 2012 and 31 December 2011 with the exception of the restructure in 2013.

Financial and capital risk management

The Target Company is a holding company and not subject to any material financial or capital risks.

Contingent Liabilities

There were no significant contingent liabilities for the years ended 31 December 2013, 31 December 2012 and 31 December 2011.

Charge on Assets

There were no charges over the assets of the Target Company for the years ended 31 December 2013, 31 December 2012 and 31 December 2011.

Plans for material investments or capital assets

There are no plans for material investments or capital assets.

INFORMATION ON THE TARGET GROUP

(b) MANAGEMENT DISCUSSION AND ANALYSIS OF THE PROJECT COMPANY

The Project Company owns 100% of the Las Bambas Project. A description of the Las Bambas Project is provided in the sub-section headed “Description of the Las Bambas Project” in this section.

Update on the Las Bambas Project

Year ended 31 December 2013

The Las Bambas Project is on track to be commissioned in the second half of 2015. Key milestones in the development of the Las Bambas Project achieved during 2013 included the completion of the heavy haul road, completion of Stage 1 of the Chuspiri Fresh Water Dam, commencement of pre-stripping and completion of all procurement activities. The Las Bambas Project is currently in the development stage and therefore did not have any material balances within profit and loss for the years ended 31 December 2013, 2012 and 2011.

Year ended 31 December 2012

Following the receipt of the final site construction permit in May 2012, mass earthworks and general construction activities commenced in June 2012. During the year a number of concrete pours of the SAG and ball mill foundations were completed and the Pioneer 2 camp was occupied and brought into service. Construction of the Nueva Fuerabamba town which will house approximately 450 resettled families continued in 2012 and was 26% complete by 31 December 2012. The board of directors of Xstrata plc approved the total planned investment of US\$ 5,200 million for the Las Bambas Project. As at 31 December 2012, US\$ 2,235 million had been invested.

Year ended 31 December 2011

Following the approval of the EIA of the Las Bambas Project in March 2011, early works commenced on the construction of the new town to house the resettled Fuerabamba community and access routes to the site. Due to cost pressures, and incorporation of detailed engineering design, the original US\$4,230 million budget increased by 15%. The increase was primarily related to inflation in the cost of land acquisition and social infrastructure as well as delays to the permitting process resulting from the change in the civil service which followed the presidential election in July.

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Cash flow analysis

The following table represents selected data from the statements of cash flows of the Project Company:

	31/12/2013	Year ended 31/12/2012	31/12/2011
		<i>(US\$ million)</i>	
Net cash generated from/ (used in) operating activities	(16.4)	(21.2)	62.3
Net cash used in investing activities	(1,709.1)	(2,165.8)	(104.9)
Net cash generated from/ (used in) financing activities	<u>1,726.8</u>	<u>2,181.4</u>	<u>48.4</u>
Net increase/(decrease) of cash and cash equivalent	<u><u>1.3</u></u>	<u><u>(5.6)</u></u>	<u><u>5.8</u></u>

Net cash used in operating activities

The net cash flows used in operating activities in the year ended 31 December 2013 amounted to US\$16.4 million primarily due to an increase in other accounts receivables from key suppliers utilising fuel and other supplies purchased by the Project Company.

The net cash flows used in operating activities in the year ended 31 December 2012 amounted to US\$21.2 million primarily due to a decrease in trade and other payables and an increase in prepaid expenses made by the Project Company necessary to guarantee the supply of tyres.

The net cash flows generated from operating activities in the year ended 31 December 2011 amounted to US\$62.3 million primarily due to an increase in trade and other payables of US\$59.7 million following commencement of the Las Bambas Project.

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Net cash used in investing activities

The net cash flows used in investing activities for the years ended 31 December 2013, 31 December 2012 and 31 December 2011 relate to expenditures for the acquisition of mining rights, construction and development costs and acquisition of property, plant and equipment in connection with developing the Las Bambas Project.

	31/12/2013	As at 31/12/2012	31/12/2011
		<i>(US\$ million)</i>	
PP&E Additions			
Development costs	1,680.2	1,059.7	546.2
Property, Plant and Equipment	<u>142.9</u>	<u>58.5</u>	<u>331.6</u>
	1,823.1	1,118.2	877.8
Transfer from related party in return for equity			
Land and buildings	—	—	4.1
Mining Concessions	—	—	291.2
Development costs	—	—	96.7
Property plant and Equipment	<u>—</u>	<u>—</u>	<u>4.0</u>
	<u>—</u>	<u>—</u>	<u>396.0</u>
Total Additions	<u><u>1,823.1</u></u>	<u><u>1,118.2</u></u>	<u><u>1,273.8</u></u>

Capital expenditure on major projects

Year ended 31 December 2013

The largest additions to development costs include disbursements made for engineering procurement and construction services rendered mainly by Overseas Bechtel Inc. Sucursal Peru, CESEL S.A. and Obrascon Huarte Lain S.A., the lead contractors, for US\$430.0 million, construction costs of Nueva Fuerabamba for US\$270.4 million, and technical management, procurement and consulting services mainly rendered by related entities for US\$142.6 million.

The additions to property plant & equipment primarily relate to acquisition of lands for US\$90.5 million and the acquisitions of 42 Komatsu trucks and 22 pieces of auxiliary mobile equipment (light trucks and tow trucks) for US\$26.3 million.

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Year ended 31 December 2012

The largest additions include disbursements for construction of Nueva Fuerabamba for US\$216.6 million, technical management, procurement and consulting services mainly rendered by related entities for US\$104.9 million, engineering procurement and construction services mainly rendered by Overseas Bechtel Inc. Sucursal Peru, CESEL S.A. and Bechtel Chile Ltda. for US\$100.3 million.

The additions to property, plant & equipment primarily related to prepayments for the acquisition of 42 Komatsu 930ESE-4 trucks for US\$7.0 million, acquisition of auxiliary equipment (tow trucks and front loader) for US\$7.0 million all to be delivered in 2012 and land purchases for US\$13.0 million.

Year ended 31 December 2011

The largest additions include procurement and development expenditure of US\$720.6 million, disbursements for the construction of Nueva Fuerabamba for US\$99.8 million, technical management, procurement and consulting services mainly rendered by related entities for US\$39.5 million; consultant expenses of US\$16.4 million and engineering services mainly rendered by Overseas Bechtel Inc. Sucursal Peru, CESEL S.A. and Bechtel Chile Ltda. for US\$12.6 million.

The additions to property plant & equipment primarily related to prepayments for the acquisition of trucks and auxiliary equipment (tow trucks and front loader) for US\$7.0 million all to be delivered in 2012 and land purchases for US\$13.0 million.

The transfer from related party in return for equity related to a restructuring of the assets and liabilities of the Las Bambas Project into a new corporate entity. The restructure became effective 1 January 2011 whereby shares were issued equal to the value of the net assets of US\$ 19.5 million.

Net cash provided by financing activities

Financing cash inflows in 2013 included new borrowings of US\$1,096 million from Xstrata Chile Norte Inversiones S.A (a related party and subsidiary of Xstrata plc) and US\$78.3 million in capitalised interest. Additionally, a further US\$788 million was drawn down under the US\$1,300 million facility agreement with Noranda Antamina S.R.L (a related party and subsidiary of Xstrata plc) with capitalised interest costs of US\$25.6 million. All borrowings were used to fund the continued development of the Las Bambas Project.

Financing cash inflows in 2012 included US\$1,300 million raised via the issuance of 3,377,400,000 shares to the Target Company (a related party and subsidiary of Xstrata plc) in November 2012. Additionally, new borrowings of US\$941.0 million and US\$46.0 million were raised with related parties Xstrata Chile Norte Inversiones S.A and Noranda Antamina SRL respectively and capitalised interest of US\$25.5 million. All proceeds from the equity issuance and borrowings were used to fund the continued development of the Las Bambas Project.

INFORMATION ON THE TARGET GROUP

Financing cash inflows in 2011 included new borrowings of US\$40.8 million and US\$11.0 million which were raised from Noranda Antamina SRL and Xstrata Chile Norte Inversiones S.A respectively. All proceeds from the borrowings were used to fund the continued development of the Las Bambas Project.

In accordance with International Accounting Standard 23 — Borrowing Costs — all interest costs on the above borrowings have been capitalised and included in development costs on the statement of financial position.

Financial resources and liquidity

	31/12/2013	As at 31/12/2012	31/12/2011
		<i>(US\$ million)</i>	
Total Assets	4,420.4	2,571.2	1,371.7
Total Liabilities	<u>3,100.9</u>	<u>1,251.7</u>	<u>1,352.2</u>
Total Equity	<u><u>1,319.5</u></u>	<u><u>1,319.5</u></u>	<u><u>19.5</u></u>

The increase in total equity for the year ended 31 December 2012 is due to additional shares being issued.

Capital is monitored using a gearing ratio defined as net debt (total borrowings, less cash and cash equivalents) divided by the aggregate of net debt plus total equity.

	31/12/2013	As at 31/12/2012	31/12/2011
		<i>(US\$ million)</i>	
Total borrowings	2,939.8	1,104.1	94.8
Less: cash and cash equivalents	1.6	0.3	5.9
Net debt	2,938.2	1,103.8	88.9
Total equity	<u>1,319.5</u>	<u>1,319.5</u>	<u>19.5</u>
	<u>4,257.7</u>	<u>2,423.3</u>	<u>108.4</u>
Gearing Ratio	69%	46%	87%

Cash and cash equivalents consist of cash at bank, checking accounts and short-term deposits and is held in U.S. Dollars and Peruvian nuevos soles.

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For the years ended 31 December 2013, 31 December 2012 and 31 December 2011 the principal source of liquidity was cash provided by related parties in the form of debt and/or equity. Financial liabilities reflected in the table above as borrowings are with related parties, denominated in U.S. dollars and are interest-bearing. Interest rates are adjusted annually by an independent study based on market condition.

The table below presents maturities of financial liabilities as at 31 December 2013, 31 December 2012 and 31 December 2011.

	On demand	Maturing in less than 3 months	Maturing in 3 to 12 months	Maturing in 1 to 5 years	Total
	<i>(US\$ million)</i>				
As at 31 December 2013					
Trade and other payables	42.0	54.1	50.4	—	146.5
Loans and payables with related parties	<u>0.1</u>	<u>—</u>	<u>9.9</u>	<u>2,939.8</u>	<u>2,949.8</u>
	<u><u>42.1</u></u>	<u><u>54.1</u></u>	<u><u>60.3</u></u>	<u><u>2,939.8</u></u>	<u><u>3,096.3</u></u>
As at 31 December 2012					
Trade and other payables	82.5	17.5	18.4	—	118.3
Loans and payables with related parties	<u>3.6</u>	<u>0.7</u>	<u>7.1</u>	<u>1,104.1</u>	<u>1,115.5</u>
	<u><u>86.1</u></u>	<u><u>18.2</u></u>	<u><u>25.5</u></u>	<u><u>1,104.1</u></u>	<u><u>1,233.8</u></u>
As at 31 December 2011					
Trade and other payables	0.4	27.8	1.3	—	29.5
Loans and payables with related parties	<u>10.9</u>	<u>1,292.6</u>	<u>11.3</u>	<u>—</u>	<u>1,314.7</u>
	<u><u>11.3</u></u>	<u><u>1,320.3</u></u>	<u><u>12.6</u></u>	<u><u>—</u></u>	<u><u>1,344.2</u></u>

Commitments for expenditure

Capital commitments

On 28 December 2011, the Project Company signed an Investment Agreement with the MEM and ProInversion committing to a minimum investment into the Las Bambas Project of US\$4,112.3 million for the years ended 31 December 2013, 2012 and 2011. The Project Company must make the committed investment expenditure periodically over two years and four months in accordance with the Investment Agreement.

INFORMATION ON THE TARGET GROUP

People

As at 31 December 2013, 31 December 2012 and 31 December 2011, the Project Company employed a total of 560, 386 and 124 full-time equivalent employees respectively in its operations.

Remuneration to key management personnel of the Project Company for the year ended 31 December 2013, 31 December 2012 and 31 December 2011 amounted to US\$3.4 million, US\$1.2 million and US\$1.1 million respectively.

The Project Company has remuneration policies that align with market practice and remunerates its employees based on the responsibilities of their role, their performance, market requirements and the performance of the Project Company.

Material acquisitions and disposals

No material acquisitions or disposal were made for the years ended 31 December 2013, 31 December 2012 and 31 December 2011.

Financial and capital risk management

The Project Company is exposed to market, credit and liquidity risks originating from exchange rate, price and interest rate volatility. These risks are managed through specific policies and procedures established by the Finance Management. Finance Management is in charge of risk administration; which identifies, evaluates and hedges financial risks.

Exchange rate risk

The exchange rate risk arises mainly from balances of cash and cash equivalents, trade accounts payable, employees' benefits and other receivables and liability transactions originated in Peruvian nuevos soles. Management has accepted the risk derived from its net liability position in foreign currency, and has not contracted any derivative instruments for hedging for the years ended 31 December 2013, 31 December 2012 and 31 December 2011.

For the years ended 31 December 2013, 31 December 2012 and 31 December 2011, the Project Company generated gains from exchange differences of US\$5.8 million, US\$4.0 million and US\$0.2 million respectively which were capitalised as part of development costs. A 10% increase in the valuation of the Peruvian nuevos soles at 31 December 2013, 31 December 2012 and 31 December 2011, would have resulted in a gain of US\$4.6 million, US\$3.3 million and US \$0.2 million respectively.

INFORMATION ON THE TARGET GROUP

Interest rate risk

The Project Company is exposed to interest rate volatility on deposits and borrowings. Deposits and borrowings at variable rates expose the Project Company to cash flow interest rate risk. Deposits and borrowings at fixed rates expose the Project Company to fair value interest rate risk. Interest rate risk is managed through financing from related parties and capital contributions. Future fluctuations of interest rates are not expected to significantly affect results of future operations of the Project Company.

Credit risk

Credit risk refers to the risk that a counterparty defaults on its contractual obligations resulting in financial loss. The Project Company is exposed to credit risk on cash and cash equivalents, accounts receivable from related entities and other accounts receivable. The Project Company does not use derivative instruments to manage credit risk.

To manage credit risk on amounts deposited in banks and financial institutions, the Project Company has a defined treasury policy, which solely permits to deposit excess funds in high-quality institutions by establishing conservative credit policies and periodic assessment of the market conditions where it carries out its activities.

Liquidity risk

The Project Company manages liquidity risk by seeking to generate adequate reserves and related party facilities by continually monitoring forecast and actual cash flows and matching maturity profiles of financial assets and liabilities. As at 31 December 2013, 31 December 2012 and 31 December 2011, the Project Company had access to sufficient funding from its related entities to fulfil its capital commitments. The Project Company also has the option to obtain funds from financial institutions if required.

Contingent liabilities

Consorcio GL Ingenieros — SELEGSA filed a claim against Overseas Bechtel Inc. and the Project Company for an amount of US\$1.1 million for non-compliance with contractual terms. Management believes the claim to be without merit and no provision has been recorded.

Charge on assets

There are no charges over the Project Company's assets for the years ended 31 December 2013, 31 December 2012 and 31 December 2011.

INFORMATION ON THE TARGET GROUP

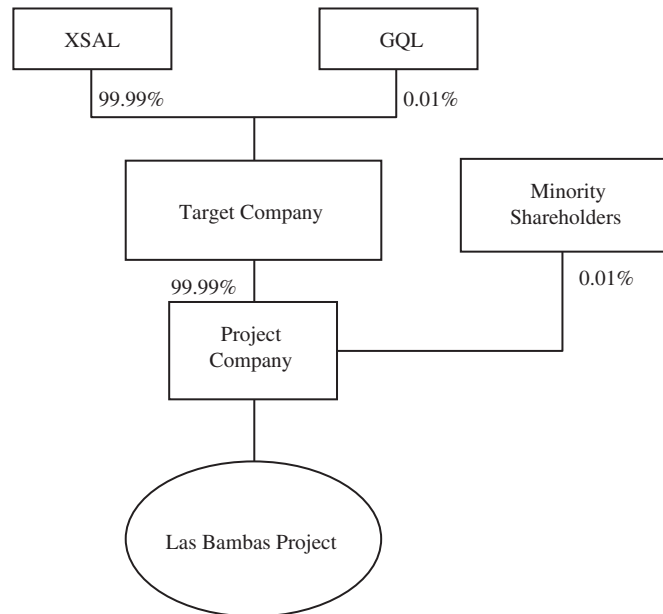
Plans for material investments or capital assets

From the commencement of the Las Bambas Project in 2011 to 31 December 2013, the Project Company had incurred total expenditures to date of US\$3,511.3 million against a total project budget of US\$5,941.0 million. A total of US\$1,820.0 million has been budgeted for the year ending 31 December 2014 and US\$610.0 million budgeted for the year ending 31 December 2015. The budgeted expenditure is primarily driven by the completion of the Nueva Fuerabamba, Owner Peru Operations, Owner PDD and Bechtel projects. The budgeted capital expenditures are expected to be funded by related parties. There are no other material investments or acquisition of capital assets budgeted for the year of 2014.

INFORMATION ON THE ENLARGED GROUP

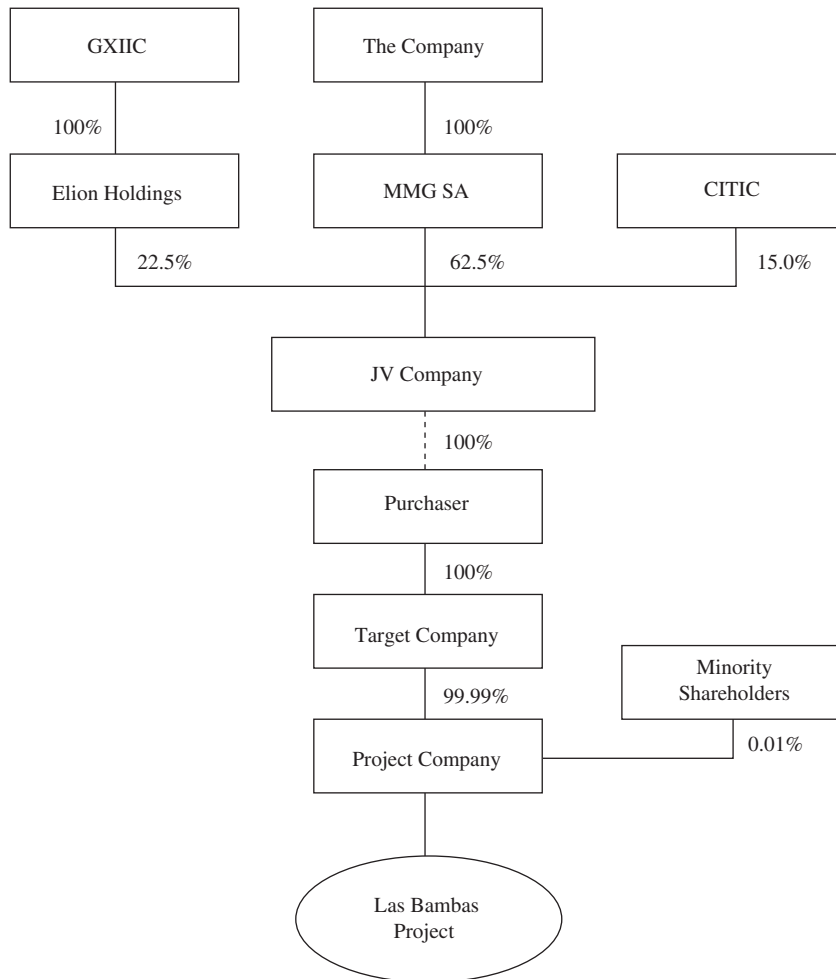
CORPORATE STRUCTURE

As at the Latest Practicable Date, the corporate structure of the Target Group is as below:



INFORMATION ON THE ENLARGED GROUP

Immediately upon Completion, the corporate structure of the part of the Enlarged Group which holds the Las Bambas Project is as below:



PRO FORMA FINANCIAL INFORMATION

The unaudited pro forma financial information of the Enlarged Group, which has been prepared in compliance with Rule 4.29 of the Listing Rules for the purpose of illustrating the financial effects of the Acquisition, is set out in Appendix III to this circular.

RISK FACTORS

Certain risks are involved in the operations of the Enlarged Group. These risks can be categorised as: (i) risks relating to the Acquisition; (ii) risks relating to the business of the Enlarged Group; and (iii) risks relating to the mining industry. Further details on those risks which may arise as a result of the Acquisition are set out in the section headed “Risk Factors — Risks Relating to the Acquisition” in this circular.

INFORMATION ON THE ENLARGED GROUP

WORKING CAPITAL

The Directors are of the opinion that, after taking into account the expected completion of the transactions as mentioned in this circular and the financial resources available to the Enlarged Group, including but not limited to its internally generated funds, cash and cash equivalents, other external facilities from banks and financial institutions including the two syndicated facilities to be arranged by CDB and a four-year term loan from Top Create, a shareholder of MMG and wholly owned subsidiary of CMN as described in the section headed “Letter from the Board — Acquisition — Principal terms of the Share Purchase Agreement — Funding of Share Consideration and repayment of Intragroup Loans” in this circular, and the settlement of the Share Consideration payable in cash, and the loan to be provided to the Project Company to repay the Intragroup Loans, and in the absence of unforeseen circumstances, the Enlarged Group has available sufficient working capital for its present requirements for the next 12 months from the date of this circular.

STRATEGIES OF THE ENLARGED GROUP

The strategy of the Enlarged Group is to generate shareholder value by becoming a global diversified minerals and metals company. The Enlarged Group will consider pursuing a number of strategic initiatives to achieve this long term objective, including the following,

1. Delivery of the current Las Bambas Project development plan while seeking opportunities to create additional value for shareholders from the project

The Enlarged Group will continue to deliver the current development plan of the Las Bambas Project in order to maximise efficiencies during the construction of the Project. The Enlarged Group will conduct thorough reviews of all aspects of the Las Bambas Project’s development plan to identify areas in which costs might be reduced so as to improve the financial performance of the mine without compromising on the quality of its development. The integration and operations team of the Enlarged Group will work closely with existing employees and contractors of the Las Bambas Project to implement the development plan.

The immediate priorities of the Enlarged Group in respect of the Las Bambas Project, include, but are not limited to:

- Delivering the Las Bambas Project into production in a timely and cost effective manner;
- Retaining project delivery capability including existing key employees to ensure a smooth and seamless ownership transition and ramp up to full production; and
- Integrating the Las Bambas Project into the Group’s operating model to create value for all stakeholders including the Shareholders, local regulators, communities and employees.

2. Further explore potential Mineral Resources in the Las Bambas Project tenements

The Enlarged Group intends to realise gradually the exploration potential of the Las Bambas Project by focusing on exploring for additional Mineral Resources in the current explored areas of the

INFORMATION ON THE ENLARGED GROUP

Las Bambas Project together with conducting exploration programs in the unexplored areas. The Board believes that the resource base of the Las Bambas Project has further potential to grow which could, if economic, support an extension to the Las Bambas Project beyond the currently estimated mine life in excess of 20 years. It is currently estimated that only 10% of the total land holding within the Las Bambas Project mining boundaries has been explored, with no exploration drilling activities conducted since 2010. The lease holdings have a number of other skarn-porphyry deposits that may convert to Mineral Resources and Ore Reserves through additional drilling and exploration activities.

3. Continue to operate its assets to world class standards in safety, health and environment

The Enlarged Group will continue to place the highest priority on developing and operating its assets in accordance with world-class safety and environmental standards, in line with its membership of the ICMM. The Enlarged Group is committed to the ICMM Sustainable Development Framework, and safety focus and performance is core to company values. The management team of the Enlarged Group will continue to review the safety, health, environment, and community policies of the Las Bambas Project with reference to current standards of the Group.

The Enlarged Group recognises that employees are an integral part of its operations and will continue to focus on ensuring that all employees and contractors accept as their shared responsibility that zero harm and loss is a priority when performing all work-related activities. The Board believes this can be achieved by executing continued stakeholder engagement and thoroughly thought out integration plans to establish strong local relationships with local regulators, communities and employees.

4. Extract maximum value from our existing assets and continue to target value-accretive growth

The Enlarged Group will continue to (i) identify opportunities to extract maximum potential from existing operating assets with a continued focus on productive performance, cost efficiency and a disciplined approach to discretionary capital expenditure; (ii) pursue organic growth opportunities through existing projects and exploration pipelines; and (iii) pursue external growth by targeting selected value-focused acquisitions.

5. Continue to create value for all shareholders through our relationship with China Minmetals Corporation

The Enlarged Group plans to continue to fully leverage its strong relationship with its ultimate controlling parent company, CMC, to create value for all shareholders. With extensive operational and trading activities and connections with downstream copper fabricating and consuming sectors in China, the largest copper consuming country in the world, CMC can provide insightful market intelligence to the Enlarged Group. The Enlarged Group also intends to enter into a long-term offtake agreement with CMN, a subsidiary of CMC, for a majority of the copper concentrate to be produced from the Las Bambas Project, which ensures security of product sale while maintaining exposure to commodity price fluctuations. CMC's experience in technology, strategic sourcing and technical

INFORMATION ON THE ENLARGED GROUP

capabilities will also help the Enlarged Group successfully develop and operate the large scale Las Bambas Project. Moreover, leveraging CMC's strong relationships with major Chinese banks, the Enlarged Group will have an advantage in maintaining access to long-term and highly competitive financing.

COMPETITIVE STRENGTHS OF ENLARGED GROUP

1. **The Enlarged group will become a major international diversified mining company**

The Las Bambas Project is expected to be one of the largest copper producing mines upon project completion and ramp-up. The Las Bambas Project also has significant resources and reserves of copper, gold, silver, and molybdenum. Based on the Competent Person's Report, as of 1 January 2014, the Las Bambas Project had total Ore Reserves of 6.9 Mt contained copper, 1.9 Moz of contained gold, 112 Moz of contained silver, and 0.17 Mt of contained molybdenum, and total resources (inclusive of Reserves and Inferred Mineral Resources) of 10.9 Mt contained copper, 2.77 Moz of contained gold, 176 Moz of contained silver, and 0.29 Mt of contained molybdenum. Following Completion, the Enlarged Group will become a major international diversified mining company with scalable, high quality resources and reserves.

2. **Our discipline for delivery on commitments**

The Enlarged Group will seek to continue to maintain the Group's discipline for delivering upon commitments. The Enlarged Group will seek to follow its guidance to the investor community and communicate with integrity and transparency, updating guidance as, and when, required.

The Enlarged Group is committed to operating its assets in a safe, efficient and cost-effective manner. It constantly seeks to improve those assets by identifying bottlenecks and opportunities for greater efficiency as illustrated by recent reported performance for Kinsevere and Sepon.

3. **Our disciplined approach to growth**

The Enlarged Group has a disciplined approach to the assessment of both organic and acquisition growth opportunities with the ultimate goal of creating long-term value for shareholders.

The Enlarged Group has successfully delivered growth by acquisition as demonstrated by the acquisition of the Kinsevere mine in the DRC. Kinsevere, which was acquired in 2012, achieved an annualised production rate (in excess of nameplate) of 63.5 ktpa copper in second quarter of 2013.

4. **Our focus on for sustainability**

The Enlarged Group will strive to demonstrate its corporate social responsibilities towards the communities and countries where it operates. We intend to work collaboratively with different stakeholders to bring them sustainable economic and social benefits. The Enlarged Group seeks to align with international best practice in sustainability and, as a member of ICMM, we benchmark our performance against the sustainability criteria of the ICMM Sustainable Development Framework.

INFORMATION ON THE ENLARGED GROUP

5. Experienced international mining operator with successful track record of overseas acquisitions

Experienced mining personnel with established industry experience are critical to the success of mining activities and operations. The Company is an experienced operator of complex and large scale mines in five diverse locations.

Upon Completion, the senior management team of the Group will be in charge of the day-to-day management and operational decisions of the Enlarged Group. The senior management team of the Enlarged Group will comprise of existing senior management members of the Group and core development team of the Las Bambas Project, who possess significant experience and expertise in the various aspects of the mining business and operations of the Enlarged Group, including exploration, mine design and construction, mining, processing and sales and marketing of minerals. Many of these senior management members have had extensive on-the-ground mining related experience in South America and possess the industry knowledge, skills and contact networks to engage successfully with local government bodies and other authorities.

The Enlarged Group will also benefit from the Las Bambas Project's strong local workforce. The workforce will provide the Enlarged Group with strong insights and an understanding of the local culture and provide the Enlarged Group with a competitive advantage over new entrants into the region. The Group regards its employees as its most important asset and is committed to enhancing the value contribution of its employees through various training initiatives covering technical and job specific expertise as well as knowledge of safety, health, environment, and communities issues.

INDEBTEDNESS STATEMENT OF THE ENLARGED GROUP

As at the close of business on 30 April 2014, being the last practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Enlarged Group had outstanding borrowings of approximately US\$5,150.8 million (equivalent to approximately HK\$40,176.1 million), which comprised loans of approximately US\$4,947.0 million (equivalent to approximately HK\$38,586.4 million), convertible redeemable preference shares of US\$203.6 million (equivalent to approximately HK\$1,588.0 million) issued by a subsidiary of the Company and finance lease liabilities of approximately US\$0.2 million (equivalent to approximately HK\$1.7 million).

Loans of the Enlarged Group of approximately US\$3,855.4 million (equivalent to approximately HK\$30,072.3 million) were unsecured, and loans of the Enlarged Group of approximately US\$1,091.6 million (equivalent to approximately HK\$8,514.1 million) were guaranteed or secured by first-ranking equitable mortgages and share charges over the share capital of certain subsidiaries of the Company, a real property mortgage over all of the interests in land of a subsidiary of the Company and other securities over the assets of certain subsidiaries of the Company.

As at the close of business on 30 April 2014, the Enlarged Group had bank guarantees with the operations of certain subsidiaries of the Enlarged Group of US\$280.3 million (equivalent to approximately HK\$2,186.6 million), one of which is secured by a second-ranking equitable mortgage and a share charge over the share capital of certain subsidiaries of the Company.

INFORMATION ON THE ENLARGED GROUP

Save as disclosed aforesaid, and apart from the intragroup liabilities and normal trade payables, the Enlarged Group did not have any outstanding mortgages, charges, debentures, loan capital or overdraft, or other similar indebtedness, finance lease or hire-purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities as at 30 April 2014.

FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

There are two main factors which will influence the financial and trading prospects of the Enlarged Group: the supply/demand balance for the metals produced and growth through continued progress on the Enlarged Group's development projects.

The overall outlook for the future demand for the main base metals produced by the Enlarged Group is reasonable. In general terms, the continued economic growth of China and other rapidly developing economies is expected to lead to ongoing demand for the metals produced while these metals are tending to become more difficult and more expensive to discover and produce.

Market volatility will continue to be present in commodity prices as macro issues such as concerns over European debt markets and the US economy weigh on the market offsetting strong demand from China and supply constraints.

The focus of the Enlarged Group in the near term will be to continue to operate its assets safely and efficiently while also looking for growth. The major tasks in terms of growth for the Enlarged Group for 2014 include progressing key projects in the development pipeline. The Enlarged Group has approved expenditure of A\$57 million to progress the trial stopping programme at its Dugald River zinc deposit in Queensland, Australia. This programme aims at providing practical mining experience and will enable optimisation of the underground mine design. Following completion of this stage of development the Enlarged Group will consider final approval of project development and construction. In addition, the Enlarged Group will continue its feasibility and permitting work on the High Lake and Izok Lake zinc projects located in Canada.

RISK FACTORS

Shareholders should carefully consider all of the information set out in this circular, including the risks and uncertainties described below before making a decision on how to vote on the resolution relating to the Acquisition at the EGM. The business, financial condition and results of operations of the Group and the Target Group could be materially and adversely affected by any of these risks.

The exploration for and development of metals and mineral resources is a speculative activity that involves a high degree of risk. Investors should note that the Enlarged Group's Mineral Resources and/or Reserves may not ultimately be extracted at a profit. Therefore, investors are cautioned not to assume that all or any part of these resources or revenues exist, or that they can be legally and commercially mined.

To the best of the Directors' knowledge, the Directors consider the following risks to be the most significant in respect of the Group and the Target Group for the Shareholders and potential investors of the Company. However, the risks listed do not purport to comprise all those risks associated with the business of the Group and the Target Group and are not set out in any particular order of priority. Additional risks and uncertainties not currently known to the Directors may also have an adverse effect on the business of the Group and the Target Group. If any of the following risks actually occur, the Group and the Target Group's business, financial condition, capital resources, results and/or future operations could be materially and adversely affected.

There are certain risks involved in relation to the Acquisition and the operations of the Enlarged Group. These risks can be categorised as (i) risks relating to the Acquisition, (ii) risks relating to the business of the Enlarged Group; (iii) risks relating to the Mining Industry and (iv) risks relating to the financing of the Acquisition and the development of the Las Bambas Project.

RISKS RELATING TO THE ACQUISITION

Risks relating to completion of the Acquisition

Completion of the Acquisition under the Share Purchase Agreement is subject to the satisfaction of the conditions set out in the Share Purchase Agreement, not all of which are within the control of the Group. Details of those conditions are set out in the section headed "Letter from the Board — Acquisition — Principal terms of the Share Purchase Agreement — Conditions" in this circular.

Some of the conditions set out in the Share Purchase Agreement are dependent on the decisions of government or regulatory authorities in the PRC and Peru, and the Company and other parties to the Share Purchase Agreement will not be able to exercise control over such matters.

If any of the conditions is not satisfied, there can be no assurance that the Acquisition will be completed as contemplated and in addition the Purchasers may be required (only in certain circumstances) to pay the SPA Break Fee. See the section headed "Letter from the Board — Acquisition — Principal terms of the Share Purchase Agreement — SPA Break Fee".

RISK FACTORS

Risks relating to the financing of the Acquisition

The Acquisition and future development of the Las Bambas Project will be funded through third party financing on terms discussed in the section headed “Letter from the Board — Acquisition — Principal terms of the Share Purchase Agreement — Funding of Share Consideration and repayment of Intragroup Loans”.

There is a risk that there will be increased costs for the development of the Project, above what has been budgeted and allowed for such circumstances. There is no assurance that future financing will be available to pay for such costs. This may impact on the ability of the Target Group to complete the development of the Project.

The financing documentation will contain customary and such other negotiated representations, undertakings and events of default. Where a representation is untrue or an obligor fails to comply with an undertaking (for instance, making payments when due or breaching a financial ratio), an event of default may occur and the lenders would then be entitled to cancel any undrawn commitments and accelerate all outstanding loans, thereby putting the Project at risk in the absence of alternative funding.

Any funding requirements of the Target Group that cannot be met (or is decided by the Board not to be met) by third party financing will be required to be contributed by the shareholders in the JV Company by way of additional equity contribution. The ability of the JV Company to raise additional funds will be subject to the limitations and restrictions set out in the Shareholders Agreement and the ability of the shareholders to contribute such funds which may have a material adverse effect on the Target Group.

Risks relating to potential future acquisitions

As part of its expansion plans following the Acquisition, the Enlarged Group may seek to increase its Mineral Resources through selected acquisitions of companies or mining assets with existing exploration rights and additional mining assets. The Enlarged Group does not, however, have any specific timetable for the implementation of any such expansion plans, and there is no assurance that it will be able to identify suitable companies or mining assets for acquisition. Due to the Acquisition the Enlarged Group may not be in a position to finance further acquisitions for a period of time. It may also encounter intense competition during the expansion process or fail to identify appropriate acquisition targets. In addition, any such acquisition may be subject to obtaining government or regulatory approval and/or permits, and there can be no assurance that any such approvals or permits will be obtained in a timely manner or at all. If the Enlarged Group does make future acquisitions, there can be no assurance that it will be able to obtain the necessary approvals and/or permits required to undertake the development of the Mineral Resources comprised in any such acquired mining assets.

RISK FACTORS

RISKS RELATING TO THE BUSINESS OF THE ENLARGED GROUP

Risks relating to integrating the business operations of the Group and Target Group

The Las Bambas Project, being the only mining asset owned and operated by the Target Group, is located in Peru. The Group currently has no other mining assets in South America. The Group's existing mining assets comprise, among others, the Sepon mine (located in Laos), Kinsevere mine (located in the DRC), and the Rosebery, Golden Grove and Century, mines (located in Australia).

Upon completion of the Acquisition, the business operations of the Group and Target Group will be integrated and a centralised management structure will be established. The Enlarged Group may face challenges in doing so, particularly taking into account the different geographical locations of the mining assets of the Group and the Target Group. Adjustments or changes required to be made to, among others, management personnel and financial and management information systems may not be successfully implemented. As such, there can be no assurance that the Enlarged Group will be able to achieve a successful integration of the business operations of the Group with those of the Target Group and any material delay or obstacle encountered during such integration process may adversely affect the business operations, results of operations, financial condition and growth prospects of the Enlarged Group.

Risk management and internal control systems of the Enlarged Group

The Directors, together with the senior management of the Enlarged Group, will be responsible for overseeing its internal control policies and procedures. After completion of the Acquisition, the Enlarged Group will establish such risk management and internal control systems consisting of relevant organisational framework policies, procedures and risk management methods that the Directors may consider appropriate for its business operations. However, there is no assurance that any such systems will be sufficiently effective in identifying and preventing all risks. As the effectiveness of any risk management and internal control systems so adopted will also depend on the implementation by the employees of the Enlarged Group, there is no assurance that such implementation will not involve any human errors or mistakes. If the Enlarged Group fails to implement its internal control policies and procedures in a timely manner or fails to adequately identify risks that may affect its business, its business, financial condition and results of operations could be materially and adversely affected.

Foreign operations

The Enlarged Group conducts all of its operations outside of Hong Kong, and, as such, it is exposed to various levels of political, economic and other risks and uncertainties. These risks and uncertainties vary from country to country and include, but are not limited to, terrorism, regime change, political repression, fluctuation in currency exchange rates; changes to licensing regimes and amendments to concessions, licences, permits and contracts, and changing political conditions and governmental regulations.

RISK FACTORS

Changes in any mining or investment policies or shifts in political attitudes in the jurisdictions in which the Enlarged Group operates may adversely affect the Enlarged Group's operations and profitability. Please refer to the sub-section headed "Risks relating to the political, economic, regulatory, legal and social aspects associated with conducting operations in Peru" below for more information about the risks related to conducting business in overseas jurisdictions.

Risks relating to investment in a new business in an overseas and developing economy

The Acquisition involves an investment in Peru, a country in which the Company has not previously carried out business. Please refer to the sub-section headed "Risks relating to the political, economic, regulatory, legal and social aspects associated with conducting operation in Peru" below for more information about the risks relating to conducting business in such developing or emerging economies. If the Enlarged Group is unable to function effectively within such a risk environment, its financial condition and operating results may be materially and adversely affected.

Risks relating to local communities

Various international and national laws, codes, resolutions, conventions, guidelines, and other materials relate to the rights of indigenous people. The Enlarged Group operates in some areas presently or previously inhabited by indigenous peoples. In particular, most of the main components of the Las Bambas Project are located in land owned by the Fuerabamba community. As a result of the development of the Project, approximately 441 families (amounting to approximately 1,600 people) belonging to the Fuerabamba community must be resettled. The Project Company has committed to relocate the Fuerabamba community pursuant to certain agreements, including the Swap Agreement and the formal resettlement agreements.

If the Project Company fails to fulfil any of its obligations to the Fuerabamba community, the Fuerabamba community or its members may file claims against the Project Company requesting the fulfilment of such obligations or the termination of the rights granted to the Project Company or may refuse to hand over or refuse access to the land necessary for the construction and development of the Project. Additionally, there is a risk that the various communities may seek additional compensation from the Project Company or seek to renegotiate the existing agreements between the Project Company and the Fuerabamba community following the signing of the Share Purchase Agreement.

If any indigenous group or local communities oppose the continued operation, further development or new development of any project of the Enlarged Group, the current and future operations of the Enlarged Group could be materially and adversely affected.

Risks associated with new mining construction projects

Exploration and development of new mines, such as the Las Bambas Project, involve a wide range of risks relating to (i) the location of ore bodies, (ii) development of appropriate mining processes, (iii) the availability of utilities, auxiliary materials and other supplies and the accessibility of transportation and other infrastructure, (iv) procurement of all necessary government approvals,

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changes in government policies or development plans, and (v) construction of mining facilities and processing plants and recruitment of technical and mining staff. As such, there are inherent risks in exploration and development undertakings and any such undertakings may not be successful. If such exploration and development activities or the resulting mining operations fail, the costs associated with such developments might not be fully recovered, and this could materially and adversely affect the Enlarged Group's business, financial conditions and operation results.

It is also common in new mining operations to experience unexpected costs, problems and delays during construction, development and mine start-up, often due to circumstances beyond the owner's control. This could lead to delays in the commencement of mineral production and consequently impact on the financial results. These risks include the availability and delivery of utilities, particularly power, equipment, the hiring of key personnel, budget overruns due to changes in costs of fuel, power, material supplies and currency fluctuations, and potential opposition from community or environmental groups. If these were to happen in relation to the Las Bambas Project, it could materially and adversely affect the enlarged Group's business, financial conditions and operation results.

Risks relating to the requirement for significant project and operational capital investment

Mining construction projects and operations require significant and continuous capital investment. Base metals production projects may not be completed as planned or scheduled, may exceed the original capital expenditure estimate and may not achieve the intended economic results or commercial viability. Thus, the actual capital investment for operation and development of the Enlarged Group may significantly exceed the anticipated capital expenditure because of factors beyond the Enlarged Group's control.

Risks relating to the completion of the construction of the Las Bambas Project

The Las Bambas Project is currently in the construction phase, which is normally the most critical phase of any mining project and the one that bears the most risk. As at the end of April 2014, the construction of the Las Bambas Project was approximately 60% complete.

The scope of the construction project is divided between the EPCM contractor Bechtel and the Target Group. Bechtel's scope includes the construction of the 140ktpd concentrator, fresh water dam, primary crusher and overland conveyor. The Target Group's scope includes tailings storage, water management, concentrate logistics and handling including port facilities, high voltage power and the construction of Nueva Fuerabamba, the new town for resettlement of the residents of Fuerabamba. The Target Group's pre-operational focus involves pre-stripping the pit, training of staff and resettlement of the Fuerabamba community.

The construction of the Las Bambas Project may be delayed or adversely affected by a variety of factors, including the failure to obtain the necessary regulatory approvals or sufficient funding, availability and delivery of critical utilities, equipment, construction difficulties, technical difficulties and manpower or other resource restraints; and potential opposition from non-governmental

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organisations, community and indigenous group, environmental group or local groups. Construction may also be delayed or adversely effected by Bechtel not complying with its engineering, procurement and construction arrangements with the Target Group due to any of the factors listed in the previous sentence or otherwise.

Even if the Target Group and Bechtel are able to complete the construction Las Bambas Project without any delay and within its budget, as a consequence of changes in market circumstance or other factors, the Target Group may not achieve the intended economic benefit of the Las Bambas Project. As a consequence of any delay in completing the Las Bambas Project, cost overruns, changes in market circumstances or other factors, the intended economic benefit from the Las Bambas Project may not materialise and the Target Group's business, financial conditions and results of operations may be materially and adversely affected.

Risks from transportation and infrastructure

Transportation and infrastructure failure will remain as a risk as the Las Bambas Project is located in a remote region. The mine also relies upon the heavy haul road being open and traversable for delivery of construction materials.

Further, the Enlarged Group will rely on water, road and possibly rail transport for the delivery of products to customers as well as the delivery of raw materials from its suppliers. There is no assurance that the Enlarged Group will have unlimited access to ports, waterway, roads and railway capacity to transport its supplies and products in a timely manner. For example, the Project Company has signed an agreement with TISUR in connection with the use of port facilities at the Matarani port in order to ship concentrate from the Las Bambas Project. Prior to the first shipment of concentrate from the Las Bambas Project, the Matarani port will be expanded. If the expansion of the Matarani port is not completed within the anticipated timeframe, the development of the Las Bambas Project and the delivery of concentrate could be adversely affected.

Any failure to transport supplies to the mining areas could curtail production and any failure to deliver products to warehouses or to customers could have a negative effect on customer relationships, both of which could have a material adverse impact on the business, results of operations, future development and prospects of the Enlarged Group.

Risks associated with litigation

As with any company, the Enlarged Group is and will be exposed to risks of litigation. To the extent such risks are not covered by insurance, an adverse outcome in litigation or the cost of responding to potential or actual litigation may have a material adverse impact on financial performance.

Risks relating to workplace safety, including personal injury, death and legal liability

The Enlarged Group's mining operations are subject to risks related to workplace safety, including damage to, or destruction of, mining equipment and processing facilities, and could also result in personal injury, death, performance delays, monetary losses and legal liability. The Enlarged

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Group will take steps to enhance workplace safety and implement a health and safety strategy based on a risk management framework and designed around five key elements: identifying hazards, establishing procedures, training employees, implementing procedures and monitoring compliance. However, it may be difficult to enforce compliance with the established standards and procedures and workplace accidents may occur from time to time. The Enlarged Group plans to implement a comprehensive health and safety plan in order to improve the compliance with health and safety standards at its projects. A number of procedures governing the behaviours of staff and contractors have been formalised and these will be implemented to improve the safety culture and to improve the management of contractors. The mechanical shortcomings identified as contributors to safety incidents have been prioritised and will be addressed.

Notwithstanding these measures, mine site construction, mining and mineral processing and transportation are inherently dangerous activities and there can be no assurance that serious accidents or fatalities will not occur in the future. If the Enlarged Group fails to prevent serious accidents or fatalities, it may be held liable for damages arising therefrom or in connection therewith and there may be lost time and disruptions to normal mining operations and schedules. In addition, such accidents or fatalities could have a negative effect on its reputation and its relationship with the local community. Any of the foregoing could have a material adverse effect on the Enlarged Group's results of operations, business, financial condition and prospects.

Risks relating to joint venture

To complete the Acquisition, the Company has entered into an incorporated joint venture (governed by the Shareholders' Agreement), with Elion Holdings (holding 22.5%) and CITIC (holding 15.0%). Joint ventures necessarily involve certain risks. Such risks include the possibility that the joint venture partners may have disputes in connection with the performance of each party's obligations and the scope of each party's responsibilities under the Shareholders' Agreement, have economic or business interests or goals that are inconsistent with or opposed to the Company, exercise veto rights, pre-emptive rights and block actions that the Company believes to be not in its or the joint venture's best interests, be unable or unwilling to fulfill their obligations under the Shareholders' Agreement or other agreements or require capital contributions to the joint venture or the funding of their portion of the joint venture.

In addition, although the Company is entitled to appoint a majority of the directors of the JV Company, certain members of the board of directors will be nominated by the minority co-owners. Certain decisions require, or will require, unanimous approval, such as: (i) amendments to constitutional documents; (ii) issuances of new securities; (iii) dissolution; (iv) mortgage of the assets (other than in the ordinary course of business); (v) merger or division of the form of organization and (vi) activities of the JV Company that will result in a material change to the scope of the Las Bambas Project. To the extent unanimous consent cannot be obtained, there is a risk that the JV Company will not be able to effect these matters despite its desire to do so.

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The realization of these risks could have a material adverse effect on the Las Bambas Project. In particular, there is the risk that Elion Holdings and CITIC do not comply with their obligation to contribute their initial equity to capitalise the JV Company in order to fund the Acquisition (see the section headed “Letter from the Board — The JV Company and Shareholders’ Agreement — Principal terms of the Shareholders’ Agreement — Obligations to fund the Acquisition” in this circular) or do not comply with their obligation to contribute additional funding post Completion if requested by the JV Board in accordance with the Shareholders Agreement (see the section headed “Letter from the Board — The JV Company and Shareholders’ Agreement — Principal terms of the Shareholders’ Agreement — Cash Calls” in this circular). In order to mitigate this risk, MMG (together with other non-defaulting shareholders) have various buy-out rights and contribution rights under the Shareholders Agreement that either provide for the exit of the defaulting shareholder and/or the contribution of the relevant funding amount by the non-defaulting shareholder(s).

There can be no assurance that disputes or disagreements will not arise in the future. If any dispute or disagreement does arise between the Company and the minority co-owners, it could be time-consuming, costly and distracting for the Company and disrupt the timely progress of development of the Las Bambas Project.

Risks relating to commodity prices

The prices of zinc, copper, lead, gold, silver and molybdenum are affected by numerous factors and events that are beyond the control of the Enlarged Group. These metal prices change on a daily basis and can vary significantly up and down over time. The factors impacting metal prices include both broader macro-economic developments and micro-economic considerations relating more specifically to the metal concerned. Examples of macro-economic factors that can impact metal prices include global economic activity and growth and related future expectations, changes in currency exchange rates, interest rates, inflationary expectations, the performance of investment markets such as equities and political developments including military and terrorist activity. Micro-economic factors that can impact the price of a specific metal include the current and expected supply and demand for the metal, production disruptions due to factors such as equipment failure, industrial activity and weather, changes to cost structures and forward selling activity.

The Group has no commodity price hedging in place at present and as disclosed in the Company’s 2013 Annual Report, the Group’s position is that commodity price hedging would not provide long-term benefit to its Shareholders. However, this position will remain subject to ongoing review in respect of the Enlarged Group.

Risks relating to the borrowings and interest rate

The Group and Target Group are exposed to interest rate risk primarily through interest bearing borrowings and investment of surplus cash holdings, and the Enlarged Group will continue to be exposed to such risks after the Acquisition is completed.

The Group and the Target Group have not used any derivative financial instruments to manage the interest rate risk, and there is currently no intention to procure such instruments in respect of the Enlarged Group, however this position may change and is subject to ongoing review.

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Risks relating to foreign currency exchange rate fluctuations

The Group generates the majority of its revenue in US dollars. A significant portion of the Group's operating costs are denominated in Australian dollars, and a significant portion of the Target Group's operating costs will be denominated in Peruvian soles. Hence, the cost competitiveness, profitability and financial position of the Enlarged Group will be affected by appreciation of the Australian dollar and Peruvian sol against the US dollar without the offsetting improvements in US dollar-denominated commodity prices. Further, mineral resource prices have historically fluctuated widely and have been affected by numerous factors over which the Group and Target Group do not have any control, including, but not limited to, currency exchange fluctuations. The effect of currency exchange fluctuations is impossible to predict with any degree of certainty and this may materially and adversely affect the Enlarged Group's operations and financial performance.

The Group has no currency hedging in place at present, however this position may change and is subject to ongoing review in respect of the Enlarged Group, especially in relation to the construction phase of the Las Bambas Project.

Risks relating to the ability to attract, retain and train key personnel

The future performance of the Enlarged Group depends, to a significant extent, upon its ability to attract, retain and motivate key qualified personnel, key senior management and other employees in the business. There is no assurance that these key qualified personnel will continue to provide services to the Enlarged Group or will honour the agreed terms and conditions of their employment or service contracts. Any loss of key qualified personnel or failure to recruit and retain personnel may have a material adverse effect on the Enlarged Group's mining business, financial condition, results of operations and future prospects.

In addition, the Enlarged Group's ability to train operating and maintenance personnel will be a key factor for the success of its mining business activities. If the Enlarged Group is not successful in recruiting, training and retaining such personnel, its business and results of operations could be materially and adversely affected.

Risks relating to changes in the estimates of the Mineral Resources and Ore Reserves of the Group and Target Group

The Mineral Resource and Ore Reserve estimates of the Group and Target Group set out in this circular and the Competent Person's Report comply with the JORC Code, but no assurance can be given that an identified Mineral Resource will continue to contain reasonable prospects for eventual economic extraction or that the particular level of metal recovery from the Ore Reserves will be realised.

The estimation of Mineral Resources involves interpretation of limited information on the location, shape and continuity of the occurrence and on the available sampling results. Mineral Resource estimations are not precise calculations and are only referred to as estimations. The estimation of Ore Reserves involves interpretation of limited information to determine the economic portion of the Mineral Resource.

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There can be differences between a Mineral Resource estimate or an Ore Reserve estimate and the actual extraction performance of the deposits encountered, leading to material changes in economic viability from the estimates set out in this circular and the Competent Person's Report. The exploration of mineral tenements can be speculative in nature and is frequently unsuccessful.

Estimated Mineral Resources and Ore Reserves may have to be re-estimated based on changes in metals prices, further exploration or development activity or actual production experience. This could have a material adverse effect on estimates of the volume or grade of mineralisation, estimated recovery rates or other important factors that influence Mineral Resource or Ore Reserve estimates. Market price fluctuations for metals, increased production costs, reduced recovery rates or other factors may render the present Proved Ore Reserves and Probable Ore Reserves of the Group and Target Group uneconomical or unprofitable to develop, hence removing their JORC classification as Ore Reserves.

Mining operations have a limited life and the Target Group is responsible for the eventual closure and rehabilitation of its mines

The Enlarged Group's mining operations have a limited life. The key costs and risks for mine closures are (i) long-term management of permanent engineered structures; (ii) achievement of environmental closure standards (such as rehabilitation requirements); (iii) orderly retrenchment of employees and third-party contractors; and (iv) relinquishment of the sites with associated permanent structures and community development infrastructure and programs to new owners.

The Enlarged Group may experience a difficult closure of any of its mines, the consequences of which range from increased closure costs, handover delays and conflicts with local communities in relation to ongoing monitoring and environmental rehabilitation costs and damage to the Target Group's reputation if desired outcomes cannot be achieved. In the event of a difficult closure, the Target Group's business, financial condition and results of operations could be materially and adversely affected.

Risks relating to changes in future plans

Whether the Enlarged Group ultimately implements the development plans of the Group and Target Group, as described in this circular, and whether such plans achieve the objectives described in respect of such plans, will depend on a number of factors including, but not limited to: (i) the availability and cost of capital; (ii) current and projected prices of metals; (iii) metal markets; (iv) costs and availability of drilling services, costs and availability of heavy equipment, supplies and personnel; (v) success or failure of activities in similar areas to those in which its projects are situated; and (vi) changes in estimates of project completion costs. The Enlarged Group will continue to gather information about its projects, and it is possible that additional information will cause the Enlarged Group to alter its schedule or determine that a project should not be pursued at all. Accordingly, the Enlarged Group's plans and objectives may change from those described in this circular.

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Risks relating to limited insurance coverage that may not be adequate to satisfy all potential claims

Exploration, development and production operations on mineral properties involve numerous risks and hazards, including rock bursts, slides, earthquakes or other adverse environmental occurrence, industrial accidents, labour disputes, political and social instability, technical difficulties due to unusual or unexpected geological formation, failure of pit walls, and flooding and periodic interruptions due to inclement or hazardous weather condition. These risks can result in, among others, damage to, and destruction of, mineral properties or production facilities, personal injuries, environmental damages, delays in mining, monetary losses and legal liability.

The Group currently maintains insurance to protect itself against certain risks and in such amounts as it considers appropriate. Its insurance, however, does not cover all potential risks associated with a mining company's operations. In particular, the Group and the Target Group have not taken out business interruption insurance during the construction phase of the Las Bambas Project, but are likely to put in place such policies of insurance once the Las Bambas Project is operational. The Group and the Target Group are therefore not fully insured against all risks to which they are subject in a development project.

Should any liabilities arise for which the Enlarged Group is not insured or insurance coverage is inadequate to cover the entire liability, the Enlarged Group may have to pay out of its funds for such liabilities which could result in a reduction or elimination of its actual or prospective profitability, increasing costs and a decline in the value of the Shares, and could materially and adversely affect the Enlarged Group's business and results of operations.

Risks relating to inclement weather and natural disasters

The operations of the Enlarged Group are at risk from inclement weather, earthquakes, floods and other natural disasters in the regions where it operates. Inclement weather and natural disasters may cause evacuation of personnel, curtailment of operations, and damage to mineral properties, transportation routes and loading facilities. This could in turn result in temporary suspension of operations, a general reduction in productivity or an increase in the budget for the projects. There is no assurance that inclement weather and natural disasters will not cause significant losses to the Enlarged Group in the future. Any damage to the Enlarged Group's projects or delays to its operations by prolonged periods of inclement weather or any kind of natural disaster could materially affect its business and results of its operations.

Risks relating to competition

The markets for the commodities mined or contemplated to be mined by the Enlarged Group, including copper, zinc, lead and molybdenum are intensely competitive and the Enlarged Group faces competition from other foreign miners. Competition in these markets is based on many factors, including, among others, price, production, capacity, quality, transportation capabilities and costs, blending capability and brand name. Some of the Enlarged Group's competitors may have greater production capacity as well as greater financial, marketing, distribution and other resources, and may benefit from more established brand names in the international market.

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The mineral commodities industry is also characterised by technological advancements and the introduction of new production process using new technologies. Some of the Enlarged Group's competitors may develop new technologies and processing methods that are more effective or less costly than those currently used by the Group or Target Group.

Competitive activities in the markets served by the Enlarged Group could have a significant impact on the prices realised for its products and can therefore have a material adverse effect on its results of operations and financial condition. The Enlarged Group's future success will depend on its ability to respond in an effective and timely manner to competitive pressure.

Risks relating to economic and market conditions

The operating and financial performance of the Group and the Target Group are influenced by a variety of general business cycles and economic conditions. Changes in business and economic factors, such as interest rates, exchange rates, inflation, national demographics, government fiscal and monetary policies, and accounting and financial reporting standards, can be expected to have an impact on business. Any future economic downturn that reduces the demand and/or prices for the commodities mined by the Enlarged Group could materially and adversely affect the Enlarged Group's business and results of operations.

RISKS RELATING TO THE MINING INDUSTRY

Risks relating to operation and exploration of mines

Mining operations generally involve a high degree of risk. The production phase by its nature involves significant risks and hazards, including environmental pollution, accidents or spills, industrial and transportation accidents, unexpected labour shortages and compensatory claims, disputes or strikes, cost increases for contracted and/or purchased goods and services, shortages of required materials and supplies, electrical power interruptions, mechanical and electrical equipment failure, changes in the regulatory environment, natural phenomena such as inclement weather conditions, floods and earthquakes, encountering unusual or unexpected climatic conditions which may or may not result from global warming, and encountering unusual or unexpected geological conditions. The occurrence of any of these hazards can delay or interrupt production, increase production costs and result in liability to the Enlarged Group. The Enlarged Group could become subject to liability for pollution or other hazards against which it has not insured or cannot insure, including those in respect of past activities for which it was not responsible.

Exploration drilling to establish Mineral Resources is inherently speculative. The techniques presently available to technical specialists to identify the existence and location of Mineral Resources are indirect and subject to a wide variety of variables that are subjective in nature. The exploration projects undertaken by the Group and Target Group involve many risks. Success in exploration is dependent upon a number of factors, including, but not limited to, quality of management, quality and availability of geological expertise and availability of exploration capital. The Group cannot give any assurance that the future exploration efforts of the Enlarged Group will result in the discovery of a Mineral Resource or Ore Reserve, or that any current and future exploration programmes will result

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in the expansion or replacement of current production with new Mineral Resources and Ore Reserves. The Group cannot give assurance that its exploration programmes will be able to extend the life of its existing mines or result in the discovery of new producing mines, whether through the Target Group or otherwise.

Risks relating to the environment

The Group's and the Target Group's mining and development operations are subject to the environmental risks inherent in the exploration and production industry and the environmental laws and regulations in connection with all of its operations.

Mining operations have inherent risks and liabilities associated with safety and damage to the environment and the disposal of waste products occurring as a result of mineral exploration and production. The occurrence of any such safety or environmental incident could delay production or increase production costs. Events such as unpredictable rainfall or bushfires may have an impact on the Enlarged Group's ongoing compliance with environmental legislation, regulations and licences. Significant liabilities could be imposed on the Enlarged Group for damages, clean-up costs or penalties in the event of certain discharges into the environment, environmental damage caused by previous operations or non-compliance with environmental laws or regulations.

Environmental regulations and health guideline standards for certain products and by-products produced by the Enlarged Group are generally becoming more onerous and will likely require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibilities for mining companies and officers. Any future changes in the environmental regulations, if any, could significantly increase the operating costs of the Enlarged Group and materially and adversely affect its financial conditions, business and results of operations.

Further, the Enlarged Group may require approval from the relevant authorities before it can undertake activities that are likely to have an impact on the environment. Failure to obtain such approvals will prevent the Enlarged Group from undertaking its desired activities. The Enlarged Group is unable to predict the effect of additional environmental laws and regulations that may be adopted in the future, including whether any such laws or regulations would materially increase the cost of carrying on business by the Enlarged Group or affect the Enlarged Group's operations in any aspect.

Risks relating to Environmental Impact Assessment

The Las Bambas Project has undergone a number of significant changes which required modification of the Project EIA. The principal cause of these changes is the decision to de-couple the Las Bambas Project from the Antapaccay Project, which has resulted in changes to the location of certain infrastructure and the method of concentrate transportation. Approval for any modification to the Project EIA may impose additional delays and adversely affect the development timeline for the Las Bambas Project.

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Risks relating to imposition of new taxes or cancellation of tax stability agreements

The Target Group currently enjoys a number of benefits under several stability agreements between the Target Group and the government of Peru. Agreements are subject to renewal and confirmation at prescribed intervals by tax authorities. The loss of the benefits granted under the stability agreements may have an adverse impact on the business and results of operations of the Enlarged Group. Any failure to renew or maintain these agreements or any change in the criteria adopted for determining eligibility for these treatments may impose additional burdens and costs on the Enlarged Group. Any change in government tax regulation or policies in a manner that is unfavourable to the Enlarged Group may materially and adversely affect its profitability.

Risks relating to government policies and regulations

Mining operations are subject to various applicable laws and regulations and require compliance with extensive governmental approvals, licences, regulations, policies and controls. There can be no assurance that the relevant government will not change such laws and regulations or impose additional or more stringent laws or regulations. Any failure to comply with the relevant laws and regulations and any failure or delay in obtaining the required approvals or licences for the Enlarged Group's business may make it difficult or even impossible for the Enlarged Group to complete its exploration and development work programs and to begin commercial production of the commodities, which may adversely affect the Enlarged Group. In addition, there can be no certainty that any approvals or licences once granted will not be withdrawn or will be renewed. Any changes to government policies may increase the operating costs of the Enlarged Group which may adversely affect the operating results of the Enlarged Group.

Political risk insurance

The Group does not have political risk insurance for any country in which it currently operates. It currently has no intention to take out such insurance in respect of the Las Bambas Project; however, this position is subject to ongoing review.

Risks relating to investments in a new business and country risks

There are risks beyond the control of the Group and the Target Group associated with investing in mineral exploration, mine development and mining in developing and foreign jurisdictions. These risks include, but not limited to: health and safety issues; unexploded ordnance; civil instability; terrorism; religious ethnic or tribal issues; standard of living and wealth distribution; crime; business and regulatory environment and changes to that environment; political stability; government policy changes; expropriation of assets; ability to repatriate funds; corruption; quality and comprehensiveness of the legal regimes in relation to mining or generally the effectiveness of the judiciary; and actions of non-government organisations and adverse changes in attitude by host governments or host communities. There are also significant risks associated with the developing country jurisdictions in which the Group operates, such as: transportation and infrastructure failure (e.g., road, transmission lines and air services) and associated safety and production impact; energy

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supply and availability; increased negative social issues in the local area including drug use, violence and criminal activity; safety issues from unexploded ordnance; social unrest and civil instability; regulatory changes with the evolution of the legal system and tension regarding the government's revenue share.

Risks relating to mining contractors

The Enlarged Group contract with third parties to provide mining operation services in respect of certain sites. If such contractors are unable to provide the service to the required standard for a sustained period, to the extent that the Enlarged Group does not have stockpiles of products, the ability to perform the services itself or access to alternative providers, this may adversely affect the production and financial performance of the Enlarged Group.

Risks relating to suppliers

The Enlarged Group will have exposure to movements in prices charged by external suppliers, including those that provide inputs to production such as electricity and other energy providers, explosives suppliers, sea freight and transport service providers. A significant increase in one or more of these cost items for a sustained period could have an adverse impact on the financial performance of the Enlarged Group, especially in circumstances where alternative suppliers are not available. In addition, unforeseen adverse changes in quality or reductions in the quantity of supplies provided may also have an adverse impact on operations.

Risks relating to the political, economic, regulatory, legal and social aspects associated with conducting operations in Peru

Historically, Peru has endured substantial political instability, including military coups administrations that have frequently intervened in the nation's economy and social structure, including imposing controls on or otherwise regulated prices, exchange rates, repatriation of funds, local and foreign investment and imports. Further, past administrations have restricted the ability of companies to dismiss employees, have expropriated private sector assets and have prohibited the remittance of profits to foreign investors.

Any such changes to the political or economic environment in Peru, if they were to occur again in the future, would have a negative economic impact on the Target Group.

The Peruvian economy could be adversely affected by economic developments in Latin American or global markets

Financial and securities markets in Peru are influenced, to varying degrees, by economic and market conditions in Latin American and global markets. Although economic conditions vary from country to country, investors' perceptions of the events occurring in one country may substantially affect capital flows into and securities from issuers in other countries, including Peru. The Peruvian economy was adversely affected by the political and economic events that occurred in several emerging economies in the 1990s, including in Mexico in 1994, which impacted the market value of securities in many markets throughout Latin America. The crisis in the Asian markets beginning in

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1997 also negatively affected markets throughout Latin America. Similar adverse consequences resulted from the economic crisis in Russia in 1998, the Brazilian devaluation in 1999 and the Argentine crisis in 2001. In addition, Peru's economy continues to be affected by events in the economies of its major regional partners. Furthermore, the Peruvian economy may be affected by events in developed economies that are trading partners or that affect the global economy. In particular, the Peruvian economy suffered the effects of lower commodity prices in the international markets, a decrease in export volumes and a decrease in foreign direct investment inflows resulting in a decline in foreign reserves.

Such adverse developments in regional or global markets in the future could adversely affect the Peruvian economy and, as a result, adversely affect the business, financial condition and results of operations of the Target Group.

Peruvian inflation

Peru experienced periods of hyperinflation in the 1980s and high inflation in the early 1990s, which materially undermined the Peruvian economy and the Government's ability to create conditions to support economic growth. A return to a high inflation environment would undermine Peru's foreign competitiveness and increase the operating costs of the Target Group.

Re-implementation of certain policies and promulgation of certain regulations by the Government, most notably restrictive foreign exchange policies, could materially and adversely affect the Enlarged Group

Currently, foreign exchange rates in Peru are determined by market conditions, with regular operations by the Central Bank in the foreign exchange market in order to reduce volatility in the value of Peru's currency against the US dollar.

The government may re-institute restrictive foreign exchange policies in the future. Any such restrictive exchange rate policy could affect the Target Group's ability to engage in foreign exchange activities by requiring us to seek government authorization to make payments.

REGULATORY OVERVIEW

LAWS AND REGULATIONS RELATED TO THE MINING INDUSTRY

General regulatory framework in Peru

The Uniform Text of the General Mining Law, approved by Supreme Decree N° 014-92-EM dated 4 June, 1992 (the “**Mining Law**”), and its amending and complementary provisions, comprise the primary and general legislation governing all mining activities in Peru. Several sections, matters and aspects provided under the Mining Law have specific and individual regulations.

The regulations provide specific rules applicable to many of the general provisions of the Mining Law, such as, mining activities and the ways in which they can be conducted, mining concessions, rights and obligations for holders of mining activity, early works construction, development, and exploitation activities, land-use rights over the surface land where the mining activity is to be conducted, rules for validity fees and penalties (for not complying with minimum investment requirements, mining agreements (mining lease, option and transfer agreements, among others), processing and transport concessions, rules applicable to small-scale miners, administrative jurisdiction over mining matters, as well as provisions on health and safety.

There are also several guidelines and protocols issued by the MEM on different matters related to mining operations reflecting acceptable national standards in mining activity on sustainable development (i.e. protocols for monitoring air and water quality and emissions, specific environmental guidelines on mine water management, mine tailings and residue management, cyanide management, guides on community relations, guidelines for preparing mine closure plans, technical guidelines on heap leaching, among others).

Depending on the type of project, the following laws and regulations can also apply to the mining industry:

- The Health and Safety at Work Act, Law No. 29783 and its regulations.
- The regulations on safety and occupational health and other complementary measures applicable to the mining activities.
- The regulations on environmental protection for mining-metallurgical activities.
- The Environmental Regulations for Mining Exploration Activities.
- The Regulations of title nine of the Mining Law related to the guarantees and measures for promoting investment in the mining activity.
- The Regulations on the OSINERGMIN’s supervision of mining and energy activities.

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- The Law regulating mining concessions in urban and urban expansion areas (Law N° 27015) and its regulations.
- The Mining Royalty Law (Law N° 28258) and its regulations.
- The Mine Closure Law (Law N° 28090) and its regulations.
- The regulations on citizen participation proceedings applicable to the mining sector.
- The Special Mining Tax Law (Law N° 29789) and its regulations.
- The Special Mining Contribution Law (Law N° 29790) and its regulations.

The Concession System

Peruvian mineral resources are the property of the Peruvian State and the private sector may only exploit such resources in accordance with the Peruvian concession system. Under Peruvian law, investors are only allowed to carry out mining activities in Peru after obtaining the necessary concessions.

Under the Mining Law, prospecting and trading activities are free within the national territory and do not require a concession from the Government whereas exploration, exploitation, mineral processing operations, ancillary services to mining concessions (ventilation, draining, among others) and mining transportation, are activities that necessarily have to be conducted through a system of concessions. In general terms, a concession provides its titleholder with the exclusive right to undertake a specific mining activity within a determined area.

Mining concessions are granted for indefinite periods, subject only to termination (as explained later in this section). They are irrevocable as long as their holders pay the annual validity fee and reach minimum production levels within the terms set forth by law or otherwise pay penalties, as explained below and comply with the provisions and rules governing the administrative proceeding for obtaining title to mining concessions. Further, a concession can be cancelled in the case of overlapping with priority mining rights or when the right cannot be located.

Types of Concession

The Mining Law provides four types of concessions:

- Mining concession: grants the right to explore and exploit mineral resources (either metallic or non-metallic).
- Processing concession (or “**beneficiation concession**”): grants the right to process the extracted minerals and concentrate their valuable parts and/or to purify, smelt or refine metals by using physical, chemical and/or physicochemical processes. This is the concession required for operating processing plants.

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- General works concession (or “**service concession**”): grants the right to provide auxiliary/ancillary services to two or more mining concessions.
- Mining transportation concession: grants the right to set up and operate a minerals massive transportation system by non-conventional methods, such as pipelines and conveyor belts.

Mining concessions are granted by the Geological, Mining and Metallurgical Institute (“**INGEMMET**” for its acronym in Spanish), while the other three types of concessions listed above (processing, general works and mining transportation concessions) are granted by the General Mining Office of the MEM (“**DGM**” for its acronym in Spanish). Any acts and/or agreements related to these concessions must be registered with the Mining Rights Registry, which is part of the National Public Registry System, to be effective against both the Peruvian government and third parties.

Mining concessions are granted with respect to areas consisting of a minimum of 100 Ha and a maximum of 1,000 Ha. Holders of mining concessions are able to obtain more than one mining concession, as well as to obtain different types of concessions over the same area.

A mining concession allows its holder to conduct exploration and exploitation activities within the area established in the relevant concession title, provided that mining activities may be conducted as long as the holder previously obtains all other applicable administrative authorizations, licenses and permits required for doing so, including:

- (i) Environmental certifications/instruments and all other applicable environmental permits,
- (ii) Water rights,
- (iii) Land-use rights,
- (iv) Use of explosives,
- (v) Authorization for starting and/or restarting exploration, construction and exploitation activities (including the approval of the mine plan and waste dumps),
- (vi) Solid waste management and disposal,
- (vii) Cultural heritage (e.g., obtaining from the Ministry of Culture a certification proving that there are no archeological remains on the surface of the area of interest — “**CIRA**” for its acronym in Spanish),
- (viii) Air and soil protection, and
- (ix) Closure and post-closure activities.

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In Peru, a mining concession is a different and separate property from the surface land where it is located. Consequently, holding a mining concession does not grant the titleholder any right to the surface land above the mining concession. Therefore, for purposes of conducting mining activities, the holder of a mining concession must also obtain or acquire from the corresponding landowners the relevant land-use rights or title to the surface land.

Requirements and Obligations for Mining Concessions' Holders

Requirements

Mining concessions may only be granted to individuals domiciled in Peru, companies incorporated in Peru whose principal business is to carry out mining activities (although such companies may be wholly owned by foreign investors, with the exception set out in the following section), or branches of foreign companies that are established in Peru for purposes of carrying out mining activities. The latter two categories are required by law to be registered in the Peruvian Public Registry.

An applicant for a mining concession is required to file a request with INGEMMET, pay the requisite fee and the mining annual validity fee (as detailed in the paragraph below headed "Obligations for holders of mining concessions") for the first year (that is, for the year in which the concession is requested), set out the Universal Transversal Mercator ("UTM") coordinates of the concession, taking into consideration any preexisting rights, publish notices provided by INGEMMET (within 30 business days upon such notification) in the official newspaper (El Peruano) and in a newspaper of the capital of the province in which the area of the requested concession is located.

Once favorable legal and technical reports (to be prepared within 30 business days of delivery of all documentation) have been issued, the INGEMMET grants the mining concession.

Finally, the applicant must file the resolution that grants the mining concession for its registration with the Public Registry.

Obligations for holders of mining concessions

Holders of mining concessions must comply with certain obligations provided by Peruvian law. There are 2 main obligations under the Mining Law that shall be fulfilled by all mining concessions' holders for purposes of keeping mining concession titles valid and in good standing, as detailed below: (i) payment of validity fees (*derechos de vigencia*); and, (ii) meeting minimum production levels. Failure to comply with such obligations may cause the cancellation and/or forfeiture of the corresponding mining concession.

- ***Payment of validity fees (good standing fee):***

- (a) The validity fee (*derecho de vigencia*) consists in a payment of US\$ 3.00 per hectare, per year; which is due and payable on, or prior to, June 30th of each year.

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- (b) Non-compliance with this obligation for 2 consecutive years results in the forfeiture and/or cancellation of the respective mining concession.
- (c) In the case of processing concessions, article 46 of the Mining Law provides that, as from the year in which the processing (beneficiation) concession is requested, its holder is obliged to pay an annual validity fee (good standing fee) in the amount based on the installed capacity, as follows:
- Up to 350 t/day¹, 0.0014 of 1 UIT for each t/day.
 - More than 350 and up to 1,000 t/day, 1 UIT for each t/day.
 - More than 1,000 and up to 5,000 t/day, 1.5 UIT for each t/day.
 - For each 5,000 t/day in excess, 2.00 UIT for each t/day.
- (d) In the case of mining transportation concessions, article 47 of the Mining Law provides that, when requesting a service concession or transportation concession, the petitioner will pay a validity fee of 0.003% of 1 UIT applicable per lineal meter of planned work.

- ***Minimum annual production levels:***

There are 2 different regimes applicable to this obligation depending on the date in which the concession is granted:

- (a) For mining concessions granted up to 10 October 2008:

Holders of mining concessions granted up to 10 October 2008 are obliged to achieve a minimum production of US\$ 100.00 per hectare, per year (in the case of metallic concessions), within 6 years following the year in which the respective mining concession title was granted. If this minimum production is not reached, as of the first semester of the 7th year, the holder of the concession shall pay a US\$ 6.00 penalty per hectare, per year, until such minimum production is reached (note that production penalties increase to US\$ 20.00 as from the 12th year).

It is possible, however, to obtain an exemption on the penalty's payment if there is evidence that an amount equivalent to at least 10 times the applicable penalty has been invested in the mining concession.

Non-compliance with this obligation for 2 consecutive years results in the forfeiture and/or cancellation of the respective mining concession.

¹ t/day (metric tonnes per day) refers to the installed processing capacity.

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(b) For mining concessions granted as from 11 October 2008:

Mining concessions granted after 10 October 2008, are subject to the new minimum production regime provided by Legislative Decrees No. 1010 and 1054 and their regulations approved by Supreme Decree No. 054-2008-EM. Under this regime, mining concession holders should achieve a minimum production equivalent to at least 1 UIT per hectare, per year (in the case of metallic mining concessions), within a 10-year term from the year in which the relevant mining concession title was granted. If such minimum production is not reached within the referred term, the concession holders shall pay penalties equivalent to 10% of the payment, per year. Regardless of the investments that are made in the concession, there are no exemption events from paying these penalties.

The mining concession shall be cancelled if minimum production is not achieved and the applicable penalties are not paid for 2 consecutive years. Moreover, if the minimum production is not achieved within a 15-year term upon the year in which the concession title was granted, the mining concession shall be cancelled by the mining authority. However, holders of mining concessions may be exempted from the cancellation event upon the expiration of the 15-year term (and up to a maximum non-extendable 5-year term) if non-compliance with the minimum production is caused by a qualified force majeure event or by facts not attributable to holders of mining activity. In both cases, these events shall be duly proved to, and approved by, the mining authority. Likewise, holders may be exempted from the cancellation within such term by paying the applicable penalty and, besides, by proving investments on the concession equivalent to at least 10 times the amount of the applicable penalty. If minimum production is not achieved within a 20-year term upon the year in which the concession title was granted, the concession shall inevitably be cancelled.

- ***Consolidated Annual Statement (Declaración Anual Consolidada — “DAC” for its acronym in Spanish):***

Any person undertaking mining activity is required to file a DAC with the MEM every year, containing information on the activities conducted during the previous year including information on the holder of mining activity and its mining concessions, production and/or minimum investments, sustainable development activities conducted on the relevant areas and other information requested by the MEM. This information is used for preparing statistics on the mining activities in Peru.

- ***Mining statistics report:***

Holders of mining activity are required to file a mining statistics report (“ESTAMIN”) on advances in production and safety within the 10 calendar days of the end of every month. This information is used by the MEM for preparing mining statistics surveys.

Obligations regarding DAC and ESTAMIN do not affect title to the mining concessions itself, but they may affect the holder of mining activity, since non-compliance with such obligations may give rise to an administrative sanction.

REGULATORY OVERVIEW

Limitations on foreign investors

There are no restrictions or special requirements applicable to foreign individuals or companies to hold mining concessions in Peru (however, they should incorporate a local company to be the formal holder of the concession), except for those cases in which the mining concessions are located within 50 km of Peru’s borders. In the latter case, as provided under article 71 of the Peruvian Constitution, there should be an express authorization from the government for acquiring the mining concession through the issuance of a Supreme Decree in this regard.

Limitations on obtaining mining concessions in Natural Protected Areas

Under the law, certain continental and/or marine spaces are declared to be Natural Protected Areas (“**NPA**s”) given their importance for conserving biological diversity, ecosystems and other associated cultural, scientific and landscape related values. These NPAs are required to be maintained in perpetuity in their natural condition. NPAs can be used by individuals or companies under certain rules and conditions expressly provided by the competent authority. The latter can also approve the use of resources located within a NPA under certain conditions or provide some restrictions to their direct use. The competent authority in this matter is the *Servicio Nacional de Áreas Naturales Protegidas por el Estado* or “**SERNANP**” (formerly, the *Instituto Nacional de Recursos Naturales — “INRENA”*).

Except for Private Conservation Areas, NPAs are established on a permanent basis. The physical reduction or legal modification of the areas comprising the NPAs National System or “**SINANPE**” may only be approved by Law. NPAs may be of: (i) national administration, which are part of the SINANPE, (ii) regional administration, which are called Regional Conservation Areas; and, (iii) private conservation. Categories for areas comprising the SINANPE are: National Parks, National Sanctuaries, Historical Sanctuaries, Wildlife Refuges, National Reserves, Communal Reserves, Hunting Areas, among others.

NPAs can be classified in areas of indirect use and areas of direct use:

Areas of Indirect Use	Areas of Direct Use
<ul style="list-style-type: none"> • National parks, national sanctuaries and historical sanctuaries. • Scientific research, recreation and tourism are allowed in these areas. • The extraction of natural resources (i.e. mining activities) is not allowed in these areas nor modifications or transformations of the natural environment. 	<ul style="list-style-type: none"> • National reserves, landscape reserves, wildlife refuges, communal reserves, protection forests, hunting areas and regional conservation areas. • Extractive activities and use of resources are allowed in areas of direct use (primarily by local populations) in those areas and places and for those resources that are defined in the Management Plan of the specific area. Other uses and activities that are developed within the area shall be in line with the objectives of the relevant area.

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The development of mining activities in a natural protected area of indirect use is strictly prohibited, unless mining rights have been granted before the creation of such area. Likewise, activities conducted within the boundaries of a natural protected area of indirect use shall match the objectives for which the natural protected area was established.

Each NPA will have a Master Plan, which is the highest level planning document with respect to the relevant NPA. It defines the zoning, strategies and general policies for managing the area, as well as the organization, objectives, specific plans required and driving programs along with the cooperation, coordination and participation aspects related to the area and its buffer zones.

In order to conduct any activity within the boundaries of a natural protected area or its buffer zone, a favorable previous technical opinion has to be granted by SERNANP. In addition, prior to obtaining any mining concession in an area that overlaps with a NPA, SERNANP has also to issue an opinion declaring that, on a conceptual basis, mining activities are compatible with the objectives of the NPA. Consequently, the sole overlapping of a natural protected area with a mining concession does not necessarily impede the execution of mining activities in such area.

Limitations on the development of mining concessions in archaeological sites

Mining projects cannot be developed in areas where archaeological sites are located. In general terms, if the design and development of mining projects involve the removal of topsoil, mining companies need to obtain from the Ministry of Culture a CIRA with respect to the relevant surface area within 20 business days upon the filing of the application. The CIRA is an official document issued by the Ministry of Culture, by means of which such authority provides the inexistence of archaeological remains or goods that qualify as national cultural heritage in specific surface areas. The CIRA is valid for an unlimited period, but will become void should any archaeological artifacts are accidentally discovered during the construction works or due to any natural cause. In those cases, the company must stop the construction work immediately and notify the Ministry of Culture. Failure to stop the construction work will generate applicable administrative, civil and criminal liabilities. Under certain exceptional circumstances, Peruvian legislation allows the removal of archaeological sites or features when the area is required for the development of projects that are of national interest.

Regarding the CIRA, there is no express legal obligation for holders of mining activity to obtain a CIRA for conducting mining activities. However, the applicable legal regulations establish the obligation of every person who performs any economic activity to confirm that its activities have caused no damage to any item that qualifies as national cultural heritage or any archaeological remain. Thus, a mining titleholder is not legally obliged to obtain a CIRA in order to begin construction works, but is duly obliged to verify, at any moment, that its works have caused no damage to goods that qualify as national cultural heritage or archaeological remains.

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Recent amendments to the law optimize the administrative proceeding for obtaining the CIRA. These amendments provide exceptions for obtaining the CIRA in the cases of projects that are executed over preexisting infrastructure (instead of obtaining a CIRA, holders of these projects shall submit with the competent authority an Archaeological Monitoring Plan for its approval within 10 business days upon submission). Moreover, in the case of areas having a preexisting CIRA (that is, areas having a CIRA previously issued), it is not necessary to obtain a new CIRA, but to submit an Archaeological Monitoring Plan.

Mining Royalties Law

Holders of mining concessions are obligated to pay to the Peruvian government an annual royalty based on a percentage over the “mineral concentrated value”, determined in accordance with its international quotation, as follows:

- 1% of the mineral concentrated value up to US\$60 million;
- 2% of the mineral concentrated value exceeding US\$60 million and up to US\$120 million; and
- 3% of the mineral concentrated value exceeding US\$120 million.

Amendments to the law in 2011 changed several provisions of the Mining Royalties Law, foreseeing, among other aspects, that mining royalties will now be calculated on a company’s quarterly operating profit applying an effective rate that ranges between 1% and 12%. The effective rate (between 1% and 7.14%) is determined in accordance with the operating profit margin². Pursuant to the new provisions mining royalties will be calculated and paid on a quarterly basis.

If a holder of mining concessions has signed a stability agreement (as explained further below) before the amendments took effect, the regime in effect before those amendments will apply for the term of the stability agreement, regardless of whether such regime was modified thereafter.

The Project Company entered into a MSA with the Peruvian government prior to the new laws coming into effect. Therefore, it will be obliged to pay the mining royalty in accordance to original rules (calculated on the sale of concentrates). However, the stability regime is not applicable yet as the requirements established for this purpose by the Mining Law have not been met at this point. Until the terms of the MSA are met, the Project Company has to comply with the new rules (paying royalties on the operating profit, if any).

² Operating profit margin is determined by dividing quarterly operating profit between quarterly sales.

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As part of the 2011 modification of the mining royalties regime, the Special Mining Contribution was created under which concession holders that exploit metallic minerals are obligated to pay a special contribution only with respect to projects that are subject to a stability agreement in force, and provided that they enter into an agreement with the Peruvian government in which they agree to voluntarily pay the special contribution. The Special Mining Contribution will be paid applying an effective rate between 4% and 13.12% of a company's quarterly operating profits. The effective rate is determined in accordance with the operating profit margin.

As mentioned above, since the Peruvian government is obligated to comply with the provisions of stability agreements entered into with concession holders, concession holders would only be obligated to pay the Special Mining Contribution if they voluntarily enter into an agreement with the Peruvian State in which they agree to pay the contribution. The Project Company has entered this agreement with the government.

The effective amount paid for mining royalties established by the Mining Royalties Law will be considered as a credit to apply against the Special Mining Contribution. If the amount of royalties paid is higher than the special mining contribution, the difference will be carried forward to the next quarterly period.

Use of superficial land

Pursuant to article 9 of the Mining Law, a mining concession is a property right different and independent from the ownership of the surface land on which it is located. The principle is that title to a mining concession does not ensure permission to use the surface land on which the mining concession is located. Therefore, for purposes of conducting mining activities on the mining concessions' surface areas, holders of mining activity need to obtain the relevant land-use rights from the corresponding landowners. There are different options for acquiring land-use rights and decision depends on many factors, including information on the legal identification of the owner (private individuals, companies, the Government, peasant communities, among others), legal status of the relevant land and official records of who owns the land (land title), the project's phase, scope, profitability (e.g., if there is a bankable feasibility study on the project), mine expansion project, technical information and capacity, community relations and social issues, among others. In addition to other options provided by law, please note the following:

- Depending on a case-by-case assessment and the factors mentioned above (among others), to the extent there is legal certainty on who owns the relevant land, as well as information on their legal status (including land title), usually, the best option is to acquire title to the surface land required for implementing the project's infrastructure and components (including ancillary components). This option is usually assessed by investors once the project turns into an operation (that is, before beginning the construction phase) and, in some specific cases, even before implementing exploration programs.
- Another option is to execute land-use agreements for obtaining temporary land-use rights over the relevant surface areas (lease, surface rights, easement, among others).

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- When the above options (for any reason) cannot be executed, there is the possibility of obtaining a legal easement from the Ministry of Energy and Mines (which is rarely granted) under the applicable administrative proceeding.
- In the case of state-owned surface lands, there are special proceedings and mechanisms under the applicable Peruvian laws for obtaining ownership (through direct sale or public auction) or formal and temporary land-use rights (surface rights, usufruct, lease, among others) over those state-owned surface lands.

Peasant communities' lands

According to the Peasant Communities Act (Law No. 24656) and its regulations and unless otherwise provided in the Peasant Community's by-law, the lands owned by Peasant Communities may be exceptionally transferred to third parties provided that there is a prior agreement in this regard of at least 2/3 of all the qualified Community's members. The relevant resolution has to be approved by means of the General Assembly, which has to be expressly and solely summoned for this purpose. Extensively, transfer or act of disposal of these Community's lands may include purchase, lease, and easement, among others.

In general terms, regardless of those resolutions related to the Community's lands, the legal framework on Peasant Communities provides that the General Assembly's resolutions will be approved by a simple majority of votes (50% plus one vote), except those cases expressly provided in the Law and the Community's by-law.

Prior Consultation Proceeding

In 1993, Peru ratified the ILO Convention No. 169 on Indigenous and Tribal People in Independent Countries. This Convention provides Indigenous and Tribal People with a right of consultation and regulates the People's prior consultation right with regards to "administrative measures" (e.g. administrative resolutions authorizing a particular activity or development project) or "legislative measures" that may directly affect their collective rights, on their physical existence, cultural identity, quality of live or development. The Law on the People's prior consultation right defines, among other aspects, the content, principles and general terms, steps and requirements applicable to the prior consultation procedure (*procedimiento de consulta previa*), as well as the objective criteria (cultural aspects, lifestyle, direct descendant from native population of the national territory, own customs) and subjective criteria (the group's collective sense of having indigenous or native identity) in order to identify and determine the People as holders of the prior consultation right.

In this sense, this legal framework regulates the prior consultation procedure that has to be conducted by the government before issuing the "administrative or legislative measures" which are subject to consultation provided that such measures directly affect the People's collective rights. Thus, the obligation of conducting the prior consultation proceeding falls on the Government, through the public and/or administrative entities in charge of promoting, adopting, approving and/or issuing such measures. Under this context, in order to initiate the prior consultation procedure, the government has to identify: (i) the "administrative or legislative measures" which will be subject to consultation; and, (ii) that such measures directly affect the People's collective rights by identifying the latter.

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It should be noted that Indigenous and Tribal Peoples do not have the right of veto over the Government's decisions or policies or the right to stop a mining project. Upon completion of this prior consultation procedure, the Peruvian government can discretionarily approve or reject the applicable legislative or administrative measures.

In the case of the proceeding for obtaining title to mining concessions (administrative measure), note that the competent authority (INGEMMET) has resolved and established in several resolutions that, under the context of the prior consultation procedure, the fact of obtaining a mining concession does not affect neither the People's collective rights nor those of the national population due to the following arguments: (i) title to a mining concession does not grant or entail its holder any property or possession rights over the surface land, since a mining concession is a different and separate property from the surface land where it is located, (ii) a mining concession is only granting exclusive "rights" to a private party over mineral resources, (iii) a mining concession does not grant land-use rights over surface lands for conducting mining activities, (iv) a mining concession does not authorize the search for, or the extraction of, mineral resources on surface lands; and (v) a mining concession does not contain itself information on mining projects or approve exploration or exploitation projects. Due to these reasons, the administrative measure for obtaining a mining concession has no direct relation with the People's collective rights nor creates any type of direct affectation to the People's collective rights, so that, according to INGEMMET, the prior consultation procedure would not be applicable for this specific administrative measure.

Based on the obligation provided in Law No. 29785, on 25 October 2013, the Ministry of Culture has published the first official list of 52 indigenous peoples/groups within the national territory, including information such as names, geographic location, among others. According to the information provided by such Ministry, this list will be updated every 15 days. However, there is not yet information on the exact and/or specific areas where those indigenous groups are located. Note that this list can be only taken as a reference and, therefore, competent authorities may conduct a prior consultation procedure on a case-by-case basis (that is, even with respect to indigenous groups that have not been expressly identified in such official list), as long as they determine that the administrative or legal measure to be issued could directly affect the collective rights of a particular indigenous group.

Regulatory matters regarding environmental matters

General Aspects

As a general rule, Peruvian law provides that holders of mining activities are obliged to preserve the environment in a sustainable way in the time that such activities are conducted. In this sense, holders of mining activities are responsible for the control of its emissions, effluent discharges and disposal of all by-products resulting from their operations, and for the control of substances that may impose any hazard, either due to excessive concentrations or prolonged exposure. They must ensure that those elements and/or substances that may harm the environment do not exceed the maximum levels allowed by the corresponding regulations. In case any damage is caused while conducting mining activities, the respective holders will be liable.

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According to the applicable mining and environmental regulations, the competent authority in environmental matters arising from mining activities is the MEM through the DGAAM. On the other hand, the faculties for supervising and controlling environmental obligations are exercised by the Environmental Evaluation and Control Agency (OEFA — for its acronym in Spanish) an entity dependent from the Ministry of Environment.

The environmental aspects of mining activities are mainly governed by the General Environmental Law, the General Mining Law, their regulations and other miscellaneous mining environmental laws and regulations, as well as regulations governing corporate social responsibility. The maximum fine for a breach of the environmental laws is 30,000 Tax Units.

National Environmental Impact Assessment System

The Law on the National Environmental Impact Assessment System and its regulations, set out that all human activity involved in constructions, works, services and other activities that may eventually cause environmental damages are subject to the National Environmental Impact Assessment System. Accordingly, these activities must be carried out under an adequate environmental certification, which should describe the most relevant environmental aspects of the activity, the expected environmental impacts that might arise from such activity and the implementation of the necessary measures to avoid or reduce the possible damages to acceptable standards.

Each stage of development of mining activities (*i.e.* exploration, exploitation) requires the prior approval of a specific environmental management instrument.

In the case of mining exploration activities, the Environmental Regulations on Mining Exploration Activities states that the execution of exploration activities is subject to obtaining the corresponding environmental certification. Under such regulations, the latter are classified in two categories:

- **“Category I” projects:** Mining exploration activities that comprise any of the following: (i) a maximum of 20 drilling platforms; (ii) a disturbed area of less than 10 Ha considering drilling platforms, trenches, auxiliary facilities and access means; and, (iii) the construction of tunnels with a total maximum length of 50m. Holders of these projects must submit an Environmental Impact Statement (DIA) before the MEM, which in principle, is subject to automatic approval upon its filing, and subject to subsequent (*ex post*) review by the latter.

However, in any of the following cases, the project shall not be subject to automatic approval and shall necessarily obtain an express prior approval by the MEM, which should be granted, in principle, within a term of two months since filing the DIA: (i) the project is located in a protected natural area or its buffer zone; (ii) the project is oriented to determining the existence of radioactive minerals; (iii) the platforms, drill holes, trenches, tunnels or other components would be located within certain specially environmental sensitive areas specified in the applicable regulations (e.g., glaciers, springs, water wells, groundwater wells, protection lands, primary woods, etc.); (iv) the project covers areas where mining environmental contingencies or non-environmental rehabilitated previous mining works already exist.

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- “Category II” projects: Mining exploration activities that comprise any of the following: (i) more than 20 drilling platforms; (ii) a disturbed area of more than 10 Ha considering drilling plants, trenches, auxiliary facilities and access means; and (iii) the construction of tunnels over a total length of 50 m. These projects are subject to the approval of a Semi-Detailed Environmental Impact Study (EIA-SD) by the DGAAM.

Holders of mining concessions that have completed the exploration stage, or envisage mining development and exploitation activities (including the processing of minerals), are required to prepare and obtain the approval of a detailed Environmental Impact Study (EIA) before the DGAAM, which involves a process of public hearings in the locations where the project will be developed. This obligation is also applicable to those projects that seek to expand their ongoing operations by 50% or more which result in the modification of its EIA.

Additional environmental obligations are imposed on concession holders that carry out exploitation activities including monitoring, reporting and appointing a suitably qualified person within their operations to monitor their environmental standards.

During the preparation of the EIA subject to evaluation, EIA-SD or EIA, holders of mining concessions must analyze the social and economic concerns and issues of the population that lives or works in the areas surrounding the mining project. This public participation procedure is separate from the procedure regulated by the Law of the Prior Consultation Right of the Indigenous Population.

Recent changes to the law have been made to speed up and simplify some rules and proceedings relating to approved projects. Project owners may modify auxiliary and ancillary components or execute extensions over projects having an approved environmental certification without conducting an environmental instrument’s modification proceeding, as long as those minor modifications have non-significant environmental impact or the changes are to implement technological improvements on the operations. In such events, before implementing such modifications, holders of mining projects shall prepare a technical report proving such conditions and aspects before the competent authority with approval of the technical report within 15 business days of submission.

In case the proposed activity involves a considerable modification on the project (including aspects such as magnitude or duration of the project’s environmental impacts or the approved mitigation or recovery measures), those modifications shall be assessed under the regular modification proceeding.

Mine Closure Plan

Mining titleholders are required to file a Mine Closure Plan (MCP) before the DGAAM for its approval.

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The MCP includes environmental rehabilitation and remediation measures that the holder of mining concessions must carry out during the operation of the mine and until its closure, in order to remediate the area used or disrupted as consequence of the execution of mining activities. The MCP contains the following information: (i) a description of the steps and measures that will be taken to restore/remediate the areas and facilities of each mining unit; (ii) the costs associated with the execution of the closure, final closure and post-closure measures; (iii) the timing for implementing such measures; (iv) the control and verification methods; and (v) information regarding the environmental guarantee that shall be granted in favor of the MEM for securing completion and execution of the MCP. Such guarantees may be banking guarantee or credit insurance, cash guarantees, trusts, among others.

On a feasibility level, the MCP must be submitted within one (1) year as from the date of approval of the EIA. Content of the MCP on a feasibility level shall be consistent with the typical characteristics of the mining unit, with the application of practices, methods and approved technologies, and take into account relevant factors including, but not limited to, the geographic location of the mining unit, the closeness to human settlements, and the features of the area of influence. The approved EIA shall also include closure measures, but only on a conceptual level.

According to the Mine Closure Law, the holders of mining concessions in operation are obligated to:

- implement a MCP since the commencement of its mining activities;
- report to the MEM, on a six month basis, the progress of the rehabilitation works included in the MCP; and
- grant an environmental guarantee, in favor of the MEM, covering the estimated costs associated with its MCP.

The Environmental Guarantee is granted by means of annual contributions. The amount of each annual contribution is the result of dividing the total amount of the Environmental Guarantee by the number of expected remaining years in lifespan of the mine. Regarding that matter, the Environmental Guarantee shall be granted as from the year immediately following the approval or amendment of the MCP, within the first twelve (12) working days of each year. The holder of mining concessions shall not be able to develop exploitation and/or beneficiation mining activities before the granting of the Environmental Guarantee.

Mining Environmental Liabilities

Any person who causes environmental damage or degradation is responsible to adopt the corresponding measures to repair, compensate or rehabilitate such damages, without prejudice of the civil and/or criminal responsibilities that might arise thereof.

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Mining environmental liabilities are defined by law as: “*facilities, effluents, emissions, dust or deposits of waste generated by mining operations, now abandoned or inactive, that may constitute a potential and permanent risk to the health or to the property of the population or to the ecosystem*”.

The general rule is that the producer of mining liabilities is obliged to: (i) remediate mining environmental liabilities and (ii) submit an environmental liabilities closure plan before the MEM. An exception to this latter obligation may apply if the activities for the remediation of mining environmental liabilities were previously covered by another closure plan in process of being approved or if such closure plan has been approved as a result of inspection activities, private initiatives or an agreement with the local people.

Mining titleholders which generated mining environmental liabilities or those who voluntarily choose to remediate mining environmental liabilities need to comply with the preparation of any of the following alternatives:

- Environmental Liabilities Closure Plan.
- Re-exploitation of environmental liabilities.
- Reuse of environmental liabilities.
- Inclusion of liabilities in the Mining Closure Plan.

and should execute a voluntary remediation agreement with the MEM in the special format previously approved by a ministerial resolution.

Water Resources and Wastewaters

Water resources are an inalienable and non-prescriptive property of the Peruvian state. However, water use rights may be granted to third parties — based on an efficiency criterion — as licenses, permits and/or authorizations for the development of specific activities (*i.e.* mining):

- Water Use Permits: granted exclusively over excess water resources, subject to the eventual availability of waters.
- Water Use Authorizations: granted to conduct studies or perform temporary and special works.
- Water Use Licenses: are granted for the permanent use of water for a determined purpose.

To use water resources in a mining project, it is necessary to obtain a water right granted by the Water Management National Authority (Autoridad Nacional del Agua or “**ANA**” for its acronym in Spanish) prior to the use of underground or fresh water sources.

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Water rights, including licenses, may be terminated by governmental authorities or courts under certain circumstances, including: (i) titleholder's resignation; (ii) nullification of the resolution approving the corresponding permit, authorization and/or license, declared by the ANA based on certain infringements to the Water Resources Law and its regulations; or (iii) revocation of water rights because of failure to pay applicable water rights fees, employment of water resources for non-approved uses, shortages of water resources formally declared by ANA or quality problems that prevent their use, among others.

Peruvian law establishes that water rights must be used efficiently without adversely affecting its quality or the environment, and taking into account primary use (such as water for food preparation, human direct consumption, agricultural activities and personal hygiene) and rights for the use of water previously granted.

Additionally, if the proposed activity generates domestic or industrial wastewaters that will be discharged into natural water sources or soil, it would be necessary to obtain an authorization granted by the ANA, with the favorable opinion of the General Bureau of Environmental Health (Dirección General de Salud Ambiental or "DIGESA").

Mining Stability Agreements

Holders of mining concessions may enter into Mining Stability Agreements ("MSAs") with the MEM. These agreements grant the holder of a mining concession certain benefits such as limited tax and administrative stability, which implies that certain laws on tax and administrative matters in force at the time in which the agreement is executed will be applicable to the holder of the mining concession and the relevant mining project (as described in the agreement) for a term of 10 or 15 years starting in the fiscal year in which evidence of the compliance of the investment commitment arising thereof has been provided and approved.

The term of the stability will be (i) 10 years, for those mines with an output between 350 and 5,000 tonnes per day and with a committed investment of US\$2 million, or (ii) 15 years, for those mines with an output greater than 5,000t per day and with a committed investment greater than US\$20 million if commencing operations or US\$50 million if expanding operations.

In order to enter into an MSA, holders of mining concession must submit either a Mining Investment Program (applying for 10-year stability agreements, as referred above) or a Feasibility Study (applying for 15-year stability agreements, as referred above) to the MEM for approval.

Specifically, MSAs grant stability of the laws on, among others, the following rights and regimes, during the applicable stability term (10 or 15 years, as explained above):

- The Income Tax regime (except Income Tax rate, which is stabilized at the then-current rate plus 2%). Thus, any new tax on income or any amendment to the stabilized Income Tax regime entering into force after the execution of the MSA will not be applicable.

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- The mining royalty regime.
- Free commercialization of the holders' mineral products.
- Free disposal in Peru and abroad of foreign currency generated by exports covered by the MSA.
- Free convertibility into foreign currency of local currency generated by the sale in Peru of the mining products covered by the MSA.
- In respect of 15-year stability agreements only, extension of the annual depreciation rate on machinery, equipment and capital assets, up to a maximum annual rate of 20%, except for buildings, which will be depreciated at a maximum annual rate of 5%.

Legal Stability Agreements

Legal Stability Agreements (“LSAs”) are law-contracts that can be entered into by investors (whether foreign or Peruvian) and/or Peruvian companies receiving investment, whenever an investor commits to make an investment of more than US\$5 million to a Peruvian company (US\$10 million in the case of mining and/or hydrocarbons companies). When an investor enters into an LSA, the Peruvian government grants such investor the right to stability of the laws governing the following matters:

- (a) Income Tax regime, which implies that the dividends and any other form of profit distribution will be subject to Income Tax with the rate in force at the time of entering into the relevant agreement (currently 4.1% for foreign investors; dividends distributed to Peruvian investors are not levied with Income Tax).
- (b) Free availability of foreign currency (only for foreign investors).
- (c) Right to remit abroad capital, profits, dividends and royalties, with no limitation or restriction whatsoever (only for foreign investors).
- (d) Right to use the most favorable exchange rate available in the market (for both foreign and Peruvian investors).
- (e) Right to non-discrimination (for both foreign and Peruvian investors).

Peruvian companies receiving investments are granted with the right to stability of the laws governing these matters:

- (a) Income Tax regime, which implies that (i) any amendment to the stabilized regime regarding rates, deductions or calculation of the local company's taxable income will not apply thereto and (ii) the Peruvian company will be subject to Income Tax with the rate in force at the time of entering into the relevant agreement (currently 30%).

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- (b) Employment regime, which implies that the company may employ its workers under any of the fixed-term modalities set forth in the current regulations governing private labor.
- (c) Promotion of exports regime (if the company exports).

The laws stabilized are those in force at the time of execution of the LSA. This stabilization will last as long as the relevant LSA is in effect. For an investor, the stability is granted solely with respect to the investment committed in the LSA. Stability for a Peruvian company receiving investment is granted for the company as a whole, it being irrelevant if the investment commitment in such company's LSA is the minimum amount required by law or a greater amount.

Summary of Peruvian laws and regulations regarding taxation

The following is a non-exhaustive summary of certain material Peruvian tax consequences for shareholders holding and disposing of shares.

Income Tax

Subject to certain exceptions, Peruvian residents (companies and individuals) are subject to Peruvian income tax on their worldwide income. Non-Peruvian companies and individuals are subject to Peruvian income tax on only their Peruvian source income.

An individual is generally regarded as resident in Peru if in any 12-month period he has ordinarily resided in Peru or if he has been physically present in Peru for 183 days or more.

The corporate tax rate for Peruvian companies is generally 30%. Subject to certain exceptions, this tax rate of 30% also applies to non-Peruvian companies for income generated in Peru. In most cases, the Peruvian company counterparty is obligated to withhold and pay the applicable income tax.

Non-Peruvian resident individuals are generally subject to a tax rate (on only their Peruvian source income) equivalent to the prevailing corporate tax rate, which is equal to 30%.

A preferential 5% tax rate also applies to gains derived by foreign residents (both individuals and companies) from the sale or disposition of shares provided that they are executed through the Lima Stock Exchange.

In the case of capital gains derived from indirect transfers of shares of Peruvian companies please refer to the specific treatment explained below under the heading "Income Tax on Capital Gains on Transfer of Peruvian Shares."

Dividend Distributions

Dividends paid by a company incorporated in Peru to another company incorporated in Peru are exempted from income tax.

REGULATORY OVERVIEW

Dividends paid by a company incorporated in Peru to a non-Peruvian company or to an individual (both resident and non-resident) are subject to a withholding tax of 4.1%. The Peruvian company that pays the dividend is obligated to withhold and pay the applicable tax.

Income Tax on Capital Gains on Transfer of Peruvian shares

30% Income Tax applies in Peru in the case of gains made by “non-resident” legal entities deriving from (direct or indirect) transfers of shares issued by Peruvian resident companies.

If both seller and purchaser were not resident in Peru, the seller must pay directly the corresponding Income Tax to the Peruvian tax authorities (“SUNAT”). If the purchaser were a resident entity it will have the obligation to withhold the corresponding tax.

It is worth noting that in this particular case, considering that the seller and the Peruvian company are related parties, the latter will be joint and severally liable (as shares’ issuer) for the payment of any Income Tax arising therefrom.

The tax is calculated considering the capital gain obtained i.e. difference between the “fair market” value of the shares being transferred and their cost basis (acquisition cost) previously certified by SUNAT. For such purposes, prior to the payment of any consideration is paid in connection thereto, the seller must obtain from SUNAT a certification of the shares acquisition cost (i.e. cost basis). This procedure takes approximately two (2) months to finalize (the seller must file a power of attorney and certificate of good standing, both legalized before a Peruvian Consulate or apostilled; as well as supportive documentation evidencing the price originally paid for the shares subject matter of the transfer).

A “fair market” value rule always applies to this type of transactions. In the specific case of transfers between independent parties, the “fair market” value is equivalent to the consideration agreed by the parties to the transaction provided that it is not lower than the shares’ equity value. In turn, in the case of transfers between related parties, the corresponding fair market value will have to be supported with “transfer-pricing” supportive documentation.

International Tax Transparency Standards Applicable to Peruvian Residents

International standards on tax transparency apply in Peru. Internationally, these standards are known as “CFC Rules” or “Controlled Foreign Corporation Rules.”

The CFC Rules are applicable to any Peruvian resident individual or company holding a direct or indirect interest, including a beneficial interest, greater than 50% in a foreign low-taxed company.

REGULATORY OVERVIEW

Under the CFC Rules, a Peruvian resident will be taxed for foreign passive income earned by such an offshore entity in which it has such a holding. Passive income includes mainly income earned by the offshore entity from dividends, capital gains and interest on loans. If liable under the CFC Rules a shareholder of the offshore entity would pay any tax incurred as part of that shareholders' annual income tax filing and payment in Peru. If it were to fail to pay tax due, a shareholder would be subject to a penalty and interest on the amount not paid.

Value Added Tax

The sale of goods in Peru, the render or utilization of services in Peru, construction contracts and the first sale of real property by its constructors are all subject to Peruvian value added tax of 18%.

The sale of shares of common stock of Peruvian companies is not subject to value added tax.

Special Mining Tax Law

Concession holders that exploit metallic minerals are obligated to pay a special mining tax ("SMT"), determined applying an effective rate between 2% and 8.40% to a company's quarterly operating profits. The effective rate is determined by reference to the operating profit margin (operating profit margin is determined by dividing quarterly operating profit between quarterly sales.

In principle, Project Company will not be subject to SMT, as the company stabilized the tax regime applicable on 20 July 2011. However, as previously mentioned, the MSA is not in force yet and therefore any operating profit obtained before the beginning of the stability will be subject to SMT.

Regulatory matters regarding employment and labor legislation

Individual labor matters in Peru are primarily governed by the Labor Productivity and Competitiveness Law.

Peruvian law establishes that foreign employees must not exceed 20% of the total personnel of a company and that wages paid to foreign employees must not exceed 30% of a company's total payroll. However, an employer may apply exceptions to those limits, among others, in the following cases: (a) for hiring high level professionals or high level specialized technicians, or (b) for hiring high level executives in a new company or corporate reorganization.

In all cases, companies are obligated to register the employment contracts entered into with foreign individuals with the labor authority. In addition, for migratory purposes, all foreign individuals are obligated to obtain a special non-immigrant resident visa before starting work.

REGULATORY OVERVIEW

Notwithstanding the requirements referred in the previous paragraph, the law establishes a list of cases in which companies are not bound by the aforementioned limits nor required to obtain approval for the relevant employment agreement. These cases include the following: (a) individuals having a Peruvian spouse, ancestors, descendants or siblings, (b) individuals with an immigrant visa, (c) citizens of a country with which Peru has negotiated a dual nationality agreement or other reciprocation agreement.

Employment Contracts, Remuneration, Working Hours and Labor Benefits

As a general rule, employment contracts are entered into for an indefinite term with all employees. Peruvian labor legislation imposes express restrictions on employment contracts with a fixed term.

However, an employment contract may be entered into for a fixed term in the situations listed below:

- The development of a new line of business, with a maximum period of 3 years.
- The temporary increase in a company's output caused by material variations of demand, with a maximum period of 5 years.
- The substitution, increase or amendment of a company's activities due to technological, output or administrative causes, for a maximum period of 2 years.
- To attend temporary needs different to the activities involved in the core business of an employer, for a maximum period of 6 months during a year.
- To replace an employee during his or her absence due to a legal or conventional cause.
- To attend an emergency situation derived from force majeure causes.
- To attend specific service or work, for the period needed to fulfill such service or work.
- To attend activities which an employer carries on permanently but not continuously, for a maximum period of 5 years.
- To attend activities related to the corporate purpose of an employer which are cyclic and arise only at determined periods during a year, for a maximum period of 5 years.

Fixed term employment contracts must be executed and registered with the Peruvian Labor Authority.

Peruvian labor legislation currently requires a minimum wage of S/750.00 (approximately US\$278) per month.

REGULATORY OVERVIEW

In addition, labor law establishes a maximum 8-hour work day or 48 hours per week for employees older than 18 years. However, companies may implement different work schedules if needed, provided that the maximum number of hours is not surpassed for any given period and at least three rest days are granted during any three-week period.

For overtime, employers must pay at least an additional 25% and an additional 35% over the regular hourly wage for the first two hours and for any additional hours, respectively. Employees are entitled to a minimum rest of 24 consecutive hours per week.

Regardless of the type of employment contract, full-time employees are entitled to receive: (i) an additional 10% of the minimum wage, provided that they are responsible for (a) one or more children under the age of 18, or (b) persons who are up to 24 years of age if they are pursuing higher education, (ii) two additional monthly salaries per year, one in July and one in December, (iii) thirty calendar days of annual paid vacation per year, (iv) life insurance, provided they have been employed for at least four years, (v) compensation for time of service that amounts to 1.16 times a monthly salary and is deposited semiannually in May and November, provided they work the complete semester, (vi) benefits from the Peruvian Social Security in Health to which employers must contribute a rate equivalent to 9% of their employees' remuneration, (vii) profit sharing, if applicable, and (viii) a risky work insurance policy.

Participation in company profits

Companies which have more than 20 employees are obligated by law to distribute a percentage of the profits generated during a year among them. Such percentage depends on the economic activity undertaken by the company. In the case of mining companies, the rate is 8%. The terms and conditions for distributing this benefit are determined by law, and employers are not able to vary such terms and conditions.

Profits must be distributed among all employees, 50% proportionally to their annual wage and another 50% proportionally to the number of days worked during the corresponding period, with a limit of 18 monthly wages per employee. The excess must be paid to the National Fund for Labor Training (*Fondo Nacional de Capacitación Laboral y de Promoción del Empleo*).

Profits must be distributed within the 30 days following the filing of the Income Tax Statement before the tax authority.

Safety and Occupational Health on Mining Activities

In connection to health and safety dispositions, the Law regulating the Health and Safety at Work and its regulations apply to all employers in the country, notwithstanding the economic sector to which they belong or the activities they develop. In addition, there is specific regulation on Mining Safety and Occupational Health and its regulations, the “**Regulations on Mining Safety**” which is the key legislation in respect to safety and occupation health on mining activities.

REGULATORY OVERVIEW

The Regulations on Mining Safety are aimed at preventing accidents and occupational diseases related to mining activities, by means of the promotion of a culture of labor risks prevention.

The MEM is in charge of establishing the policies and regulations on safety and occupational health on mining activities, while the SUNAFIL is in charge of supervising and monitoring compliance with the Regulations on Mining Safety by all individuals involved in mining activities.

The following main obligations are imposed on concession holders by the Regulations on Mining Safety:

- to implement a Health and Safety Management System;
- to appoint a Health and Safety Committee, with equal numbers of members representing the employer and the employees;
- to train all personnel in to health and safety matters, especially in connection to risks and dangers linked to their duties;
- to assume all costs related to safety and occupational health;
- to appoint a Safety and Occupational Health Manager;
- to assign to all its employees, free of charge, the proper personal safety equipment needed for executing his or her activities;
- to suspend operations in those areas in which the safety of the employees is at risk; and
- to facilitate on-site access to all supervisors and duly authorized persons in charge of supervising and monitoring the compliance with the Regulations on Mining Safety.

Unions and collective bargaining

Companies are obligated to acknowledge unions and companies older than a year are obligated to bargain collectively with them.

Collective bargaining proceedings can be solved by any of the following measures:

- Direct negotiation;
- Conciliation or mediation;
- Strike (as a way to unlock the negotiation); and
- Arbitration.

REGULATORY OVERVIEW

Only when strikes affect the public order can the Ministry of Labor put end to the collective bargaining proceeding by issuing a resolution to that effect.

Labor intermediation and outsourcing

Companies in Peru are allowed to directly use the workforce of a third party through a labor intermediation scheme.

The characteristic of labor intermediation is the supply of personnel in a triangular relationship involving the main company, the service company and the employee, where the activity of the employee of the service company is partially directed and controlled by the main company.

Labor intermediation is admissible only for temporary services, complementary services and specialized services. Labor intermediation regulations do not allow employees of the service company to permanently provide services involving the core activity (corporate purpose) of the user company.

Besides, employees can be seconded to a company's premises when said company outsources part of its productive process. This is valid provided that the following requirements are met: (i) the contractor takes on the contracted tasks for its sole account and risk; (ii) the contractor has its own financial, technical or material resources; (iii) the contractor is liable for the results of its activities; and (iv) employees of the contractor are subordinated solely to the contractor.

The law establishes certain "features" that can help when determining if an outsourcing scheme is valid, which are basically the following: (i) the contractor has a multiplicity of customers (clients); (ii) the contractor has its own equipment; (iii) the method of retribution of the contractor; and (iv) the contract has invested capital in the endeavor.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

The Company has applied for, and the Stock Exchange has granted, the following waivers from strict compliance with the requirements of the Listing Rules.

WAIVER IN RELATION TO THE CALL OPTIONS EXERCISABLE BY THE COMPANY

Under the Shareholders' Agreement, shareholders of the JV Company have granted the Call Options, including the Contribution Default Call Option, the Non-participation Call Option and the Transfer Event Call Option, to each other. Where the Call Options are exercisable at the discretion of the Company (through MMG SA as a shareholder of the JV Company), the grant (at no cost) of these options to the Company will, pursuant to Rule 14.75 of the Listing Rules, be exempt from the notification, announcement and shareholders' approval requirements of Chapter 14 of the Listing Rules. The exercise of any of the Call Options by the Company, however, will be subject to the requirements under Chapter 14 and also Chapter 14A of the Listing Rules given that at the time when any of the Call Options is exercised by the Company, each of Elion Holdings and CITIC will have become a substantial shareholder of the JV Company and hence, a connected person of the Company.

The Company considers that the Call Options exercisable by the Company are for the protection of the Group's interest in the JV Company. It is essential for the Company to be able to act promptly upon the occurrence of any event which would result in any of the Call Options becoming exercisable by the Company against the other shareholders of the JV Company, when the other shareholders of the JV Company would be able to do so where any of those options becomes exercisable by them. The Company considers that it should be put on an equal footing with the other shareholders of the Company.

On the basis of the above, the Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with the relevant requirements under Chapter 14 and 14A of the Listing Rules such that no approval by the Company's shareholders will be required at the time when the Company exercises any of the Call Options, on condition that (a) the Company seeks the prior approval by its shareholders of the exercise of the Call Options by the Company as a major transaction (acquisition) at the EGM and such approval is obtained; and (b) at the time when the Company exercises any of the Call Options, Elion Holdings or CITIC (as the case may be) would not be regarded as a connected person of the Company other than by virtue of its relationship with the JV Company. On the basis that prior approval by the Company's shareholders of the exercise of the Call Options by the Company is obtained, if the exercise of any of the Call Options would otherwise be subject to shareholders' approval based on the class of notifiable transaction it would fall under at the time, the Company will make an announcement at the time of the exercise and to include in such announcement all the information which would be required to be included in the circular to shareholders for such class of notifiable transaction.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

WAIVER IN RELATION TO THE ACCOUNTANTS' REPORT ON THE TARGET GROUP AND THE REPORTING ACCOUNTANTS

Waiver in relation to the accountants' report on the Target Group

The Company is required under Rule 14.69(4)(a)(i) of the Listing Rules to include an accountants' report on the Target Company, the shares of which are being acquired by the Company under the Acquisition, in this circular in accordance with Chapter 4 of the Listing Rules. Rule 4.06 of the Listing Rules provides that the accountants' report on any company being acquired must include, among other things, the results, the consolidated balance sheet, the cash flow statement and a statement of changes in equity of the company being acquired and its subsidiaries for or as at the three financial years of the company immediately preceding the issue of the circular.

According to the Sellers, no audited consolidated financial statements of the Target Company and its subsidiaries have been prepared for any of the three financial years ended 31 December 2011, 2012 and 2013 as it was not required under applicable laws, rules or regulations. As disclosed in this circular, the Target Company has, in addition to its shareholding in the Project Company, also held shareholdings in a number of other subsidiaries, all of which are engaged in business activities or hold investments unrelated to the Las Bambas Project and in preparation for the disposal of the Target Company, the Target Company has completed the divestment of its shareholdings in those unrelated subsidiaries in November 2013. If the Company were to prepare the accountants' report on the Target Company and its subsidiaries for the three financial years ended 31 December 2011, 2012 and 2013 in strict compliance with Rule 4.06 of the Listing Rules, it would have to obtain the accounts and records of the entities which the Target Company had divested during those three financial years. The Company would not be able to obtain access of them as they are not part of or otherwise relevant to the Acquisition.

The Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 4.06 of the Listing Rules such that (a) an accountants' report on the stand-alone audited financial statements of the Target Company and (b) an accountants' report on the stand-alone audited financial statements of the Project Company, in each case for each of the three financial years ended 31 December 2011, 2012 and 2013 will be included in this circular.

Waiver in relation to the reporting accountants

Pursuant to Rule 4.03 of the Listing Rules, an accountants' report on any company being acquired must be prepared by certified public accountants who are qualified under the Professional Accountants Ordinance (Cap. 50, Laws of Hong Kong). Rule 4.03 also provides that in the case of a circular issued by a listed issuer in connection with the acquisition of an overseas company, the Stock Exchange may be prepared to permit the accountants' report to be prepared by a firm of practicing accountants which is not so qualified but which is acceptable to the Stock Exchange. Such firm must normally have an international name and reputation and be a member of a recognised body of accountants.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

The Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 4.03 of the Listing Rules such that Deloitte LLP, which is not registered under the Professional Accountants Ordinance, will prepare the accountants' report on the Target Company and the accountants' report on the Project Company, in each case for the three financial years ended 31 December 2011, 2012 and 2013.

Deloitte LLP is registered under the applicable laws of England and Wales and is a member of the Institute of Chartered Accountants in England and Wales, an internationally recognised professional association for accountants. Deloitte LLP is the member firm of the reputable international accounting practice of Deloitte Touche Tohmatsu.

The financial statements of the Target Company and the Project Company for the year ended 31 December 2013 were audited by the member firm of Deloitte Touche Tohmatsu in Peru. The consolidated financial statements of the Sellers' holding company and its subsidiaries (including the Target Company and the Project Company) for each of the three financial years ended 31 December 2011, 2012 and 2013 were audited by Deloitte LLP. Given that Deloitte LLP has acquired detailed knowledge of the Target Company and the Project Company in the course of auditing the consolidated financial statements of the Sellers' holding company and its subsidiaries, and it has a close working relationship with the auditors of the Target Company and the Project Company in Peru as both of them are member firms of Deloitte Touche Tohmatsu, the Directors consider that it would be more cost and time effective to engage Deloitte LLP rather than a firm of professional accountants who are qualified under the Professional Accountants Ordinance but who are not familiar with the Target Company and the Project Company to prepare the accountants' report on the Target Company and the Project Company for inclusion in this circular.

WAIVER IN RELATION TO THE CMN ANNUAL CAPS

Pursuant to Rule 14A.35(2) of the Listing Rules, an annual cap must be set in respect of the transactions contemplated under the CMN Framework Offtake Agreement and such annual cap must be expressed in terms of monetary value rather than a percentage of the Company's annual revenue.

The monetary value of the sales of copper concentrate contemplated under the CMN Framework Offtake Agreement will be determined based on, among other things, the copper price quoted on the London Metal Exchange and the silver and gold price quoted on the relevant London markets over a certain quotational period. These metal prices change on a daily basis and can vary significantly from month to month. Such variations are outside the control of the Company but will affect the monetary value of the transactions under the CMN Framework Offtake Agreement.

The Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 14A.35(2) of the Listing Rules such that the CMN Annual Caps can be expressed, instead of as a fixed monetary amount, as a fixed quantity of contained copper in the copper concentrate to be sold each year over the duration of the CMN Framework Offtake Agreement, on condition that disclosure is included in this circular to illustrate how the change in assumptions outside the control of the Company will affect the monetary value of the transactions contemplated under the CMN Framework Offtake Agreement. Please refer to the section headed "Letter from the Board — Offtake arrangements — Annual Caps" for further details.

APPENDIX IA ACCOUNTANTS' REPORT ON THE TARGET COMPANY

The following is the text of a report in respect of the Target Company, prepared for the purpose of incorporation in this circular, received from the reporting accountant, Deloitte LLP.

30 June 2014

The Directors

MMG Limited

Dear Sirs,

We set out below our report on the financial information of Xstrata Peru S.A. (the "Target Company") for the financial years ended 31 December 2013, 31 December 2012 and 31 December 2011 (the "Relevant Years") for inclusion in a circular ("The Circular") issued by MMG Limited ("MMG") dated 30 June 2014 in connection with, among others, the proposed acquisition of the entire issued share capital of the Target Company being the holding company of Las Bambas S.A.

The Target Company is a Peruvian corporation incorporated in the city of Lima, Peru on August 20, 2004. The Target Company's shareholders are Xstrata South America Limited, domiciled in the Cayman Islands and Xstrata Queensland Limited, domiciled in Australia, which own 99.99% and 0.01% of its share capital, respectively. Those entities are subsidiaries of Glencore plc. ("Glencore") (a company incorporated in Jersey).

The Target Company is an investment holding company. The principal activities of the Target Company and its subsidiaries are the exploration, development, exploitation, prospecting, rendering of services and all mining-related activities, in accordance with the General Mining and General Corporations laws, effective in Peru and in particular the development of the Las Bambas Project being a copper mine in Peru.

To facilitate the disposal of the Las Bambas Project by Glencore, the ultimately holding company of the Target Company, it was determined that the disposal will be effected through the sale of the Target Company. In advance of the disposal, Glencore has undertaken a corporate restructuring by way of Peruvian law "Spin off" to transfer assets of the Target Company which do not relate to the Las Bambas Project to other group companies.

As a consequence, the Target Company's investments in Compania Minera Antapaccay S.A. and Xstrata Copper Servicios Corporativos Peru S.A. (collectively the "Transferred Assets") were transferred to another subsidiary of Glencore.

The financial statements of the Target Company for the financial year end 31 December 2013 were audited by Beltran, Gris y Asociados S. Civil de R.L., a member firm of Deloitte Touche Tohmatsu Limited. The financial statements for the financial year's ended 31 December 2012 and 31 December 2011 were audited by Medina, Zaldívar y Asociados S. Civil de R. Ltda., a member firm

APPENDIX IA ACCOUNTANTS' REPORT ON THE TARGET COMPANY

of Ernst & Young. The financial statements for the Relevant Years are collectively referred to as the “Underlying Financial Statements”. These Underlying Financial Statements are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB) (“IFRS”) with the exception of the year ended 31 December 2011 which were prepared under Peruvian Generally Accepted Accounting Principles.

The “Financial Information” of the Target Company for the Relevant Years presented in this report has been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRS).

For the purposes of this report, we have examined the Underlying Financial Statements and carried out procedures in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” as recommended by the Hong Kong Institute of Certified Public Accountants.

The Financial Information of the Target Company for the Relevant Years as set out in this report has been prepared on a going concern basis from the Underlying Financial Statements with adjustments made for presentation of the financial information in a manner consistent with the accounting policies and disclosures of MMG.

The Underlying Financial Statements are the responsibility of the directors of the Target Company who approved their issue. The directors of MMG are responsible for the contents of the Circular in which this report is included. It is our responsibility to form an independent opinion on the financial information of the Target Company and to report our opinion to you.

In our opinion, the Financial Information, for the purpose of this report and on the basis of presentation set out below, fairly presents the state of affairs of the Target Company as at 31 December 2013, 31 December 2012 and 31 December 2011 and of the results and cash flows of the Target Company for the Relevant Years.

APPENDIX IA ACCOUNTANTS' REPORT ON THE TARGET COMPANY

BALANCE SHEET

AS AT 31 DECEMBER 2013, 2012 AND 2011

	<i>Notes</i>	31/12/2013 <i>US\$000</i>	31/12/2012 <i>US\$000</i>	31/12/2011 <i>US\$000</i>
Assets				
Non-current assets				
Property, plant and equipment		—	—	631
Investment in subsidiaries	8	<u>1,319,299</u>	<u>2,060,494</u>	<u>756,494</u>
		1,319,299	2,060,494	757,125
Current assets				
Other receivables		—	527	824
Amounts due from subsidiaries	7	—	—	1,864
Current income tax assets	6	811	386	—
Cash and cash equivalents	5	<u>108</u>	<u>823</u>	<u>4,234</u>
		919	1,736	6,922
Total assets		<u><u>1,320,218</u></u>	<u><u>2,062,230</u></u>	<u><u>764,047</u></u>
Equity				
Capital and reserves				
Share capital	10	1,320,110	1,594,041	294,041
Reserves and retained profits	10	<u>(1)</u>	<u>444,439</u>	<u>444,702</u>
Total equity		1,320,109	2,038,480	738,743
Liabilities				
Non-current liabilities				
Non-current other accounts payable	11	—	—	23,148
Current liabilities				
Trade and other payables		—	—	384
Current income tax liabilities		—	—	646
Provisions		109	—	1,126
Other accounts payable	11	<u>—</u>	<u>23,750</u>	<u>—</u>
		109	23,750	2,156
Total liabilities		<u>109</u>	<u>23,750</u>	<u>25,304</u>
Total equity and liabilities		<u><u>1,320,218</u></u>	<u><u>2,062,230</u></u>	<u><u>764,047</u></u>
Net current assets/(liabilities)		<u>810</u>	<u>(22,014)</u>	<u>4,766</u>
Total assets less current liabilities		<u>1,320,109</u>	<u>2,038,480</u>	<u>761,891</u>

APPENDIX IA ACCOUNTANTS' REPORT ON THE TARGET COMPANY

**INCOME STATEMENT AND STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEARS ENDED 31 DECEMBER 2013,2012 AND 2011**

	31/12/2013	31/12/2012	31/12/2011
	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>
Revenue	—	602	17,900
Dividend income	99,063	—	—
Expenses (excluding depreciation, amortisation and impairment expenses)	(527)	(333)	(18,185)
EBITDA	98,536	269	(285)
Depreciation, amortisation and impairment expenses	—	(159)	(224)
EBIT	98,536	110	(509)
Finance income	6	174	461
Finance costs	<u>(1,259)</u>	<u>(738)</u>	<u>(27)</u>
Profit (loss) before income tax	97,283	(454)	(75)
Income tax (expense) income	<u>(3)</u>	<u>191</u>	<u>(1,586)</u>
Profit (loss) for the year	<u>97,280</u>	<u>(263)</u>	<u>(1,661)</u>
Other comprehensive income	<u>—</u>	<u>—</u>	<u>—</u>
Total comprehensive income (loss) for the year	<u><u>97,280</u></u>	<u><u>(263)</u></u>	<u><u>(1,661)</u></u>

APPENDIX IA ACCOUNTANTS' REPORT ON THE TARGET COMPANY

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2013, 2012 AND 2011**

	Issued capital <i>US\$000</i>	Legal reserve <i>US\$000</i> Note 10	Retained earnings <i>US\$000</i>	Total <i>US\$000</i>
At 1 January 2011	294,041	44,636	401,727	740,404
Loss and total comprehensive loss for the year	<u>—</u>	<u>—</u>	<u>(1,661)</u>	<u>(1,661)</u>
At 31 December 2011	<u>294,041</u>	<u>44,636</u>	<u>400,066</u>	<u>738,743</u>
Issue of shares	1,300,000	—	—	1,300,000
Loss and total comprehensive loss for the year	<u>—</u>	<u>—</u>	<u>(263)</u>	<u>(263)</u>
At 31 December 2012	<u>1,594,041</u>	<u>44,636</u>	<u>399,803</u>	<u>2,038,480</u>
Dividends distribution (Note 10c)	—	—	(99,062)	(99,062)
Capitalisation of retained earnings (Note 10a)	399,803	—	(399,803)	—
Capitalisation of legal reserve (Note 10b)	44,636	(44,636)	—	—
Capital reduction (Note 9)	(718,370)	—	—	(718,370)
Gain on transfer of assets to shareholder (Note 9)	—	—	1,781	1,781
Profit and total comprehensive income for the year	<u>—</u>	<u>—</u>	<u>97,280</u>	<u>97,280</u>
At 31 December 2013	<u><u>1,320,110</u></u>	<u><u>—</u></u>	<u><u>(1)</u></u>	<u><u>1,320,109</u></u>

APPENDIX IA ACCOUNTANTS' REPORT ON THE TARGET COMPANY

**STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2013, 2012 AND 2011**

	<i>Notes</i>	31/12/2013	31/12/2012	31/12/2011
		<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>
Cash flows from operating activities				
Cash flows from operations		94	(781)	(473)
(Payment) receipt of taxes		<u>(515)</u>	<u>(386)</u>	<u>3,225</u>
Net cash (used in) generated from operating activities		(421)	(1,167)	2,752
Cash flows from investing activities				
Purchase of property, plant and equipment		—	—	(48)
Capital contributions to subsidiaries	8	—	(1,300,000)	—
Proceeds from disposal of property, plant and equipment		<u>—</u>	<u>592</u>	<u>92</u>
Net cash (used in) generated from investing activities		—	(1,299,408)	44
Cash flows from financing activities				
Loan to related party	7	—	(7,400)	(5,300)
Proceeds from issue of shares	10a	—	1,300,000	—
Proceeds from repayments of loan to a related party		—	4,400	4,300
Repayments of related party borrowings		—	—	(1,523)
Dividends received		99,063	—	—
Dividends paid	10c	(99,062)	—	—
Interest received		—	164	(362)
Cash transfer during corporate restructure	9	<u>(295)</u>	<u>—</u>	<u>—</u>
Net cash (used in) generated from financing activities		(294)	1,297,164	(2,885)
Net decrease in cash and cash equivalents		<u>(715)</u>	<u>(3,411)</u>	<u>(89)</u>
Cash and cash equivalents at 1 January		<u>823</u>	<u>4,234</u>	<u>4,323</u>
Cash and cash equivalents at 31 December	5	<u><u>108</u></u>	<u><u>823</u></u>	<u><u>4,234</u></u>

**NOTES TO THE FINANCIAL INFORMATION
FOR THE YEARS ENDED 31 DECEMBER 2013, 2012 AND 2011**

1. INCORPORATION, ECONOMIC ACTIVITY OF THE TARGET COMPANY

(a) Incorporation

The Target Company is a Peruvian corporation incorporated in the city of Lima on 20 August 2004. The Target Company's shareholders are Xstrata South America Limited, domiciled in the Cayman Islands and Xstrata Queensland Limited, domiciled in Australia, which have 99.99% and 0.01% of its share capital, respectively. Those entities are subsidiaries of Glencore (a company incorporated in Jersey). The legal address of the Target Company is Pasaje Los Delfines 159, Santiago de Surco, Lima, Peru.

(b) Economic activity

The Target Company is an investment holding company. The principal activities of the Target Company and its subsidiaries are the exploration, development, exploitation, prospecting, rendering of services and all mining-related activities, in accordance with the General Mining and General Corporations laws, effective in Peru and in particular the development of the Las Bambas Project in Peru.

APPENDIX IA ACCOUNTANTS' REPORT ON THE TARGET COMPANY

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (HKFRS)**New HKFRS and interpretations issued applicable after the date of presentation of the financial information**

The following standards and interpretations have been published for periods beginning after the date of presentation of this financial information. The Target Company has not early adopted these standards and amendments and is in the process of assessing their impact on the Target Company's results and financial position:

Standard	Effective for annual periods beginning on or after
Amendments to HKFRS 10, HKFRS 12 and HKAS 27: Investment Entities	1 January 2014
Amendments to HKFRS 11: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to HKAS 16 and HKAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to HKAS 19: Defined Benefit Plans: Employee Contributions	1 July 2014
Amendments to HKFRS 9 and HKFRS 7: Mandatory Effective Date of HKFRS 9 and Transition Disclosures	Available for application - the mandatory effective date to be determined once HKFRS 9 finalised
Amendments to HKAS 32: Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to HKAS 36: Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
Amendments to HKAS 39: Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
Annual Improvements to HKFRSs 2010-2012 Cycle	1 July 2014
Annual Improvements to HKFRSs 2011-2013 Cycle	1 July 2014
HKFRS 9: Financial Instruments	Available for application - the mandatory effective date to be determined once HKFRS 9 is finalised
HKFRS 14: Regulatory Deferral Accounts	1 January 2016
HK (IFRIC) — Int IFRIC 21: Levies	1 January 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principle accounting policies applied in the preparation of this financial information is set out below. These accounting policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Statement of compliance and basis of preparation and presentation

The financial information of the Target Company has been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRS), effective at 31 December 2013, which comprise Hong Kong Financial Reporting Standards (HKFRS), Hong Kong Accounting Standards (HKAS), and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA). This financial information has been prepared on a going concern basis under the historical cost convention. It is generally based on fair value of compensation given for asset exchange.

(b) Judgments in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial information requires the use of judgement in applying accounting policies and in making critical accounting estimates. These judgements and estimates are based on management's best knowledge of the relevant facts and circumstances, having regard to previous experience, but actual results may differ from the amounts included in the financial information.

These estimates are reviewed on an ongoing basis. Changes in accounting estimates are prospectively recognised by recording the effects of changes in the corresponding income or loss accounts for the period in which the corresponding reviews are conducted.

The most important estimates and its uncertain sources related with the preparation of the Target Company's financial information refer to:

- **Determination of functional currency (note 3c)**

The Target Company prepares and presents its financial information in US Dollars, which is the functional currency of the Target Company. The functional currency is the currency of the main economic environment in which an entity operates. Certain of the Target Company's costs are incurred in Peruvian nuevos soles.

- **Impairment of investments in subsidiaries (note 3f and note 8)**

The Target Company reviews the carrying amounts of its investment in subsidiaries to determine whether there is any indication that those investments are impaired. In making the assessment for impairment, the recoverable amount of the investment, or cash generating unit (CGU), is measured as the higher of fair value less costs to sell and value in use.

(c) Functional and presentation currency

The Target Company prepares and presents its financial information in US Dollars, which is the functional currency of the Target Company. The functional currency is the currency of the main economic environment in which an entity operates.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(d) Financial instruments

Financial instruments are defined as contracts that give rise simultaneously to a financial asset in a company and a financial liability or equity instrument in another company.

Financial assets and liabilities are recognised initially at fair value plus transaction costs directly attributable to the acquisition or issue of financial assets and liabilities, except for those classified at fair value through profit or loss, which are initially recognised at fair value and whose transaction costs directly attributable to the acquisition or issue, are recognised immediately in profit or loss for the year.

Financial assets

Financial assets held by the Target Company are classified as loans and receivables. The Target Company does not hold financial assets at fair value through profit or loss, or investments held to maturity or financial assets available for sale.

Other receivables with fixed or determinable payments, not negotiated in an active market, are classified as loans and receivables items. These items are initially recorded at the fair value and subsequently at amortised cost less any impairment loss. Interest income is recognised by using the effective interest rate, with the exception of those short-term receivables in which the recognition is not considered significant.

Financial liabilities

Financial liabilities within the scope of HKAS 39 are classified, as it may correspond, as: financial liabilities at fair value through profit and loss and other financial liabilities.

All financial liabilities are initially recognised at fair value plus directly attributable financial costs, except loans where they are initially recognised at fair value of cash received, less costs directly attributable to the transaction.

APPENDIX IA ACCOUNTANTS' REPORT ON THE TARGET COMPANY

Financial liabilities of the Target Company include trade accounts payable, accounts payable to related entities and other accounts payable which are initially recognised at their fair value and subsequently valued at their amortised cost. Amortised cost incorporates costs directly attributable to the transaction.

(e) Cash and cash equivalents

Cash and cash equivalents includes cash-in-hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

(f) Investments in subsidiaries

Subsidiaries are all entities (including structured entities) over which the Target Company has control. The Target Company controls an entity when the Target Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Target Company on the basis of dividend received or declared.

In the preparation of this Financial Information, the Target Company has taken advantage of the exemption available under paragraph 4 (a) of Hong Kong Financial Reporting Standard No. 10 "Consolidated Financial Statements" and has elected not to present consolidated financial statements as:

- The ultimate Parent Company of the Group, Glencore incorporates the financial statements of the Target Company and its subsidiaries in its consolidated financial statements, which are available for public use on the London Stock Exchange;
- There are no non-controlling shareholders relating to the Target Company outside Glencore;
- Liability or net equity instruments of the Target Company are not traded in a public market; and,
- The Target Company does not record, nor is in progress of recording, its financial statements in a securities commission or other regulating agency, with the purpose of issuing any kind of instrument in a public market.

(g) Provisions and contingent liabilities

Provisions are recognised when the Target Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

APPENDIX IA ACCOUNTANTS' REPORT ON THE TARGET COMPANY

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and risks of the specific obligation. The increase in the provision due to the passage of time is recognised as interest expense.

Contingent liabilities are possible obligations that arise for past events and whose existence will only be confirmed by the occurrence of one or more future events not wholly within the control of the Target Company. Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote.

(h) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Target Company's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The Target Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Target Company's activities as described below. The Target Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue from sales of services is recognised when the related services are rendered.

(i) Income tax

Current income tax

The tax expense recognised for the year comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantially enacted at the balance sheet date in the places where the Target Company's subsidiaries, joint arrangements and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition

APPENDIX IA ACCOUNTANTS' REPORT ON THE TARGET COMPANY

of an asset or a liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, joint arrangements and associates, except where the timing of the reversal of the temporary difference is controlled by the Target Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities, and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

4. FINANCIAL RISKS AND INSTRUMENTS

Categories of financial instruments

Financial assets and liabilities of the Target Company consist of the following:

	31/12/2013	31/12/2012	31/12/2011
	US\$000	US\$000	US\$000
Assets:			
Other receivables	—	527	824
Amounts due from subsidiaries (Note 7)	—	—	1,864
Cash and cash equivalents	108	823	4,234
Loans and receivables	108	1,350	6,922
Liabilities:			
Trade and other payables	—	—	384
Other accounts payable (Note 11)	—	23,750	—
At amortised cost	—	23,750	384

Financial risks

The Target Company is constantly exposed to market, credit and liquidity risks originated from exchange rate, price and interest rate variation. These risks are managed through specific policies and procedures established by the Finance Management. Finance Management is in charge of risk administration; which identifies, evaluates and hedges financial risks.

APPENDIX IA ACCOUNTANTS' REPORT ON THE TARGET COMPANY

(a) **Market risks**

(i) **Exchange rate risk**

The exchange rate risk arises mainly from the balances of cash and cash equivalent, other accounts payable and other receivables, originated in Peruvian nuevos soles. Management has accepted the risk derived from its net asset position in foreign currency, and has not contracted any derivative instruments for hedging as of 31 December 2013, 2012 or 2011.

During the year 2013, the Target Company generated income from exchange difference of US\$145 thousand (2012: US\$89 thousand and 2011: US\$204 thousand) which was recorded under expenses in the income statement.

Balances of financial assets and liabilities as at the end of the reporting periods, denominated in foreign currency correspond to balances in Peruvian nuevos soles, are expressed in U.S. dollars at supply and demand exchange rate published by the Superintendencia De Banca Seguros (SBS) effective at the balance sheet dates, which were 2013: US\$0.268 for sale and purchase (2012: US\$0.392 and 2011: US\$0.358) for currency (Peruvian nuevos soles) S/.1.00.

As of 31 December 2013, the Target Company had cash and cash equivalent in foreign currency for S/.279 (2012: S/.1,472 and 2011: S/.2648).

Management of the Target Company considers a 10% and 5% sensitivity rate in exchange risk assessment as reasonable. Presented below is a sensitivity analysis of monetary assets and liabilities balances assuming a revaluation/devaluation of the Peruvian nuevos soles (S/.) equivalents to the aforementioned rate:

Sensitivity analysis	Variation in exchange rates	Effect on profit and loss of exchange difference		
		31/12/2013	31/12/2012	31/12/2011
	%	US\$000	US\$000	US\$000
Devaluation				
Nuevos soles	(5)	—	(28)	(77)
Nuevos soles	(10)	(1)	(53)	(146)
Revaluation				
Nuevos soles	5	—	28	77
Nuevos soles	10	1	53	146

(ii) **Interest rate risk**

Interest rate risk arises from the possibility that the fair value or future cash flows of a financial instrument vary due to changes in market interest rates. The Target Company does not hold interest bearing financial liabilities or interest bearing financial assets at 31 December 2013, 2012 or 2011 and therefore has no interest rate risk.

(b) Credit risk

Credit risk comprises the risk of a counterparty being unable to pay total amounts at their maturity, and not being able to settle third parties in transactions of cash and cash equivalent, which is limited to balances deposited in banks and financial institutions as of the reporting date. In order to manage this risk, the Target Company has a defined treasury policy, which solely permits to deposit excess funds in high credit rated institutions by establishing conservative credit policies and through periodic assessments of the market conditions where it carries out its activities. As a result, the Target Company does not expect to incur potential losses regarding balances that involve credit risk.

Credit risk is limited to financial assets as of the reporting dates, which mainly consists of cash and cash equivalent, accounts receivable from related entities and other accounts receivable. The Target Company does not use derivative instruments to manage these credit risks.

(c) Liquidity risk

Liquidity risk arises from the possibility that cash may not be available to pay obligations at their maturity at a fair value. The Target Company manages liquidity risk by monitoring cash flows and maturities of their financial assets and liabilities that are short-term.

(d) Capital risk

The objective is to safeguard the ability of the Target Company to continue as a going concern in order to provide returns for shareholders and benefits to interest groups and maintain an optimum structure that allows reducing capital cost.

The Target Company manages its capital structure and performs adjustments to face changes in economic conditions of the market. In order to maintain or adjust the capital structure, the Target Company may adjust the payment of dividends to shareholders, return capital to them or issue new shares.

As of 31 December 2013, 2012 and 2011, the Target Company has no liabilities with financial institutions.

(e) Fair value of financial instruments

Management considers that the carrying amounts of financial instruments of the Target Company (current assets and liabilities), as of 31 December 2013, 2012 and 2011, are not different significantly from their fair value due to their short-term maturity.

Fair values of financial assets and liabilities held by the Target Company were determined as follows:

- Fair values of assets and liabilities with standard terms and conditions, and those traded in an active market such as investments in equity instruments available for sale, have been determined by reference to quoted market prices (Level 1).

APPENDIX IA ACCOUNTANTS' REPORT ON THE TARGET COMPANY

- Fair value of derivative instruments have been calculated using current market transactions observable for the same instrument, or based in a valuation technique which variables only include data from observable markets (Level 2).
- Fair value of other financial assets and liabilities (excluding the previous) has been determined in conformity with widely accepted price models upon the analysis basis of discounted cash flows (Level 3).
- Management believes that the carrying value of financial assets and liabilities are similar to its fair value, because of its short-term maturity.

5. CASH AND CASH EQUIVALENT

	31/12/2013	31/12/2012	31/12/2011
	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>
Checking accounts (a)	108	391	379
Time deposits (b)	—	432	3,855
Total	<u>108</u>	<u>823</u>	<u>4,234</u>

- (a) Checking accounts are denominated in Peruvian nuevos soles and US dollars, are held in local banks, are freely available and generate interests at market rates.
- (b) As of 31 December 2012 and 2011, time deposits corresponded to deposits held in local banks, in Peruvian nuevos soles, with original maturities lower than three months and accruing interests at market rates.

6. INCOME TAX CREDIT

The income tax credit as at 31 December 2013 and 2012, corresponds to advance payments on income tax, generated by the payments of the temporary tax on net assets (ITAN for its Spanish acronym) made during 2013 and 2012.

7. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

The Target Company has the following asset with the “Glencore Group”, being Glencore plc and its subsidiaries:

	31/12/2013	31/12/2012	31/12/2011
	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>
Amounts owed to the Target Company from the Glencore Group	<u>—</u>	<u>—</u>	<u>1,864</u>

APPENDIX IA ACCOUNTANTS' REPORT ON THE TARGET COMPANY

Amounts owing as at 31 December 2011 relates to working capital funding provided.

The following transactions occurred between the Target Company and the Glencore Group:

	31/12/2013	31/12/2012	31/12/2011
	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>
Loans granted	—	(7,400)	(3,300)
Loans collected	—	4,400	2,778
Other collections (payments)	—	684	—
Other income and expense transactions	(7)	545	17,630
Dividend income	99,056	—	—

For other related party transactions, please see note 9.

8. INVESTMENT IN SUBSIDIARIES

Investments in subsidiaries comprise:

	Number of shares			Participation in nominal capital			Amount of investments		
	31/12/2013	31/12/2012	31/12/2011	31/12/2013	31/12/2012	31/12/2011	31/12/2013	31/12/2012	31/12/2011
				%	%	%			
Project Company (a)	3,432,123,007	3,432,123,007	54,723,007	99.99	99.99	99.99	1,319,299	1,319,299	19,299
Subsidiaries transferred (Note 9)	<u>—</u>	<u>11,140,873,134</u>	<u>11,130,593,134</u>	—	99.99	99.99	<u>—</u>	<u>741,195</u>	<u>737,195</u>
Total	<u>3,432,123,007</u>	<u>14,572,996,141</u>	<u>11,185,316,141</u>				<u>1,319,299</u>	<u>2,060,494</u>	<u>756,494</u>

The investment movement was as follows:

	Beginning balances 01/01/2011	Transfer	Beginning balances 31/12/2011	Additions	Ending balances 31/12/2012	Transfer	Ending balances 31/12/2013
	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>
Project Company	—	19,299	19,299	1,300,000	1,319,299	—	1,319,299
Subsidiaries transferred (Note 9)	<u>756,494</u>	<u>(19,299)</u>	<u>737,195</u>	<u>4,000</u>	<u>741,195</u>	<u>(741,195)</u>	<u>—</u>
Total	<u>756,494</u>	<u>—</u>	<u>756,494</u>	<u>1,304,000</u>	<u>2,060,494</u>	<u>(741,195)</u>	<u>1,319,299</u>

APPENDIX IA ACCOUNTANTS' REPORT ON THE TARGET COMPANY

(a) Project Company

The economic activity of Project Company consists of exploration, development, exploitation, prospecting, rendering of services and all mining-related activities, in accordance with the General Mining and General Corporations laws, effective in Peru. Currently, Project Company is developing Las Bambas copper mine. The Target Company holds 99.99% of the share capital at 31 December 2013, 2012, and 2011.

On 21 November 2012, the Target Company subscribed for additional capital in cash, of US\$1,300,000 thousand (equivalent to S/.3,377,400 thousand) in the Project Company.

The summary of the statement of financial position of Project Company is as follow:

	31/12/2013	31/12/2012	31/12/2011
	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>
Total current assets	155,324	188,604	96,354
Total non-current assets	4,265,125	2,382,574	1,275,363
Total current liabilities	(158,136)	(140,332)	(1,352,235)
Total non-current liabilities	(2,942,849)	(1,111,364)	—
Shareholders' equity	1,319,464	1,319,482	19,482

9. RESTRUCTURING

To facilitate the disposal of the Las Bambas Project by Glencore, the ultimately holding company of the Target Company, it was determined that the disposal will be effected through the sale of the Target Company. In advance of the disposal, Glencore has undertaken a corporate restructuring by way of Peruvian law "Spin off" to transfer assets of the Target Company which do not relate to the Las Bambas Project to other Glencore group companies.

As a consequence, the Target Company's investments in Compania Minera Antapaccay S.A. and Xstrata Copper Servicios Corporativos Peru S.A. (collectively the "Subsidiaries Transferred") were transferred to another subsidiary of Glencore.

As part of the "Spin off" the Subsidiaries Transferred initially issued a further \$1,200,000 share capital to the Target Company. This non-cash dividend was not recognised within the financial information of the Target Company as it already had a 99.99% interest in the Subsidiaries Transferred.

The Subsidiaries Transferred were subsequently transferred at a par value of US\$1,916,589 thousand (including the amount of the non-cash dividend — refer Note 10(d)) through a reduction in their share capital of US\$1,918,370 thousand (5,453,054,805 shares) with a resultant gain of US\$1,781 thousand being credited directly to retained earnings.

APPENDIX IA ACCOUNTANTS' REPORT ON THE TARGET COMPANY

10. SHARE CAPITAL AND RESERVES**(a) Issued capital**

As of 31 December 2013, the capital is represented by 3,487,059,926 (2012: 4,426,128,938 and 2011: 1,048,728,938) common shares issued and paid, with a face value of S/1.00 (one Nuevo Sol) each.

The number of outstanding shares at year end is as follows:

	31/12/2013	31/12/2012	31/12/2011
Beginning of the year	4,426,128,938	1,048,728,938	1,048,728,938
Issue of shares	—	3,377,400,000	—
Capitalisation of retained earnings and legal reserves	4,513,985,793	—	—
Reduction in capital for disposal of subsidiaries from the corporate restructure	(5,453,054,805)	—	—
Balance at year end	<u><u>3,487,059,926</u></u>	<u><u>4,426,128,938</u></u>	<u><u>1,048,728,938</u></u>

(i) Increase in issued capital

At a general Shareholders' Meeting held on 24 September 2013, shareholders agreed and approved the capitalisation of retained earnings, based on unaudited financial statements, for an amount of US\$1,599,803 thousand, (equivalent to S/4,391,459 thousand) issuing 4,391,459,953 new common shares of S/1.00 each (equivalent to US\$0.36). Shareholders also approved the capitalisation of legal reserve (see note 10b) for an amount of US\$44,636 thousand (equivalent to S/122,526 thousand) issuing 122,525,840 new common shares of S/1.00 each (equivalent to US\$0.36). These shares are fully subscribed and paid.

On 21 November 2012, the Target Company received a capital contribution from its former shareholder Xstrata South America Limited, for US\$1,300,000 thousand (equivalent to S/3,377,400 thousand) and issued 3,377,400,000 shares of S/1.00 each (equivalent to US\$0.36). These shares are fully subscribed and paid.

(b) Legal reserves

According to General Corporation Law, the legal reserve is increased by transferring 10%, as a minimum, of the net income for each period, after deducting accumulated losses, until reaching an amount equivalent to a fifth of the share capital. In the absence of undistributed earnings or freely available reserve, the legal reserve shall be used to offset losses, but must be replaced. The legal reserve may be capitalized, in which case, it shall also be subsequently replaced.

(c) Payment of dividends

At a General Shareholders' Meeting held on 10 May 2013, shareholders agreed and approved the distribution of dividends for US\$99,062 thousand equivalent to US\$0.022 per share.

(d) Dividends in the form of equity instruments

The Target Company received a dividend of US\$99,063 thousand in cash and an additional non-cash dividend by way of shares in a Subsidiary Transferred of US\$1,200,000 thousand. The non-cash dividend and associated increase in the carrying amount of Subsidiaries Transferred of US\$1,200,000 thousand has not been recognised in the financial information as the transaction did not change the economic value of the Target Company.

11. OTHER ACCOUNTS PAYABLE

At 31 December 2012, the amount of US\$23,750 thousand (2011: US\$23,148 thousand) corresponded to the present value of an obligation owing to related to BHP Peru Holdins Inc. and Global BHOP Copper Ltd. The net present value of the obligation was transferred to a Glencore subsidiary as part of the restructuring. Refer note 9.

The Target Company recorded a finance expense of US\$1,250 thousand (US\$602 thousand in 2012) in the income statement from the unwinding of this liability.

12. INCOME TAX**(a) Tax rate**

The income tax rate for domiciled legal entities in Peru for the financial years ended 31 December 2013, 2012 and 2011 was 30%. Companies domiciled in Peru are subjected to an additional rate of 4.1% on any amount that may be considered as indirect income distribution, including, among others, amounts charged to expenses and unreported income, expenses which may have benefited the shareholders outside business expenses, assumed by the companies.

(b) Tax losses carried forward

As of 31 December 2013, 2012 and 2011, the Target Company's tax loss carried forward was of US\$1,111 thousand, US\$1,566 thousand and US\$nil respectively. The Target Company has chosen the method under which tax losses are offset against taxable income to be obtained in four immediately subsequent periods, counted as from the year following to its generation. Any balance not compensated once this period has passed will not be carried forward to following years. Additionally, the Target Company has not recorded the related deferred income tax asset as it is uncertain when the Target Company will generate taxable income.

APPENDIX IA ACCOUNTANTS' REPORT ON THE TARGET COMPANY

13. NON MONETARY TRANSACTIONS

Investment activities that did not generate cash disbursements, and that affected assets and liabilities for the year ended 31 December 2013, 2012 and 2011, are summarised as follows:

	2013	2012	2011
	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>
Transfer of investments for restructuring investments (Note 9)	741,195	—	—
Capitalisation of loans granted to subsidiary (Note 8)	—	4,000	—

14. CONTINGENCIES

As at 31 December 2013, the Target Company has a labour claim with a former employee, the outcome of which was considered by Management and its legal advisors as probable that an outflow of resources will be necessary; and consequently, the Target Company recorded a provision of S/.295 (equivalent to US\$109 thousand) which was considered sufficient to cover any liability that may result from the resolution of this case.

In the opinion of management of the Target Company as well as its legal counsel, there are no significant outstanding judgments or claims or other contingencies against the Target Company at 31 December 2013, 2012 or 2011.

15. SUBSEQUENT EVENTS

No audited financial statements have been prepared by the Target Company in respect of any period subsequent to 31 December 2013.

16. SEGMENTAL INFORMATION

The Target Company is an investment holding company and is made up of one reporting segment. All of the results of the Target Company's only segment are disclosed above.

Deloitte LLP

APPENDIX IB ACCOUNTANTS' REPORT ON THE PROJECT COMPANY

The following is the text of a report in respect of the Project Company, prepared for the purpose of incorporation in this circular, received from the reporting accountant, Deloitte LLP.

30 June 2014

The Directors

MMG Limited

Dear Sirs,

We set out below our report on the financial information of Xstrata Las Bambas S.A. (the "Project Company") for the financial years ended 31 December 2013, 31 December 2012 and 31 December 2011 (the "Relevant Years") for inclusion in a circular ("The Circular") issued by MMG Limited ("MMG") dated 30 June 2014 in connection with, among others, the proposed acquisition of the entire issued share capital of Xstrata Peru S.A. (the "Target Company"), being the holding company of the Project Company.

On 13 April 2014, MMG and two of its subsidiaries (the "Purchasers") entered into a share purchase agreement with subsidiaries of Glencore (the "Sellers"), pursuant to which, among other things, the Sellers have conditionally agreed to sell and the Purchasers have conditionally agreed to purchase the entire issued share capital of the Target Company.

The Project Company is a limited liability company and was incorporated in the city of Lima, Peru on 2 December 2010. The Project Company's economic activity consists of the exploration, development, exploitation, prospecting, rendering of services and all mining-related activities, in accordance with the General Mining and General Corporations laws, effective in Peru. The Project Company owns the Las Bambas Project which is currently in the development stage.

The financial statements of the Project Company for the financial year end 31 December 2013 were audited by Beltran, Gris y Asociados S. Civil de R.L., a member firm of Deloitte Touche Tohmatsu Limited. The financial statements for the financial years ended 31 December 2012 and 31 December 2011 were audited by Medina, Zaldívar y Asociados S. Civil de R. Ltda., a member firm of Ernst & Young. The financial statements for the Relevant Years are collectively referred to as the "Underlying Financial Statements". These Underlying Financial Statements are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB) ("IFRS") with the exception of the year ended 31 December 2011 which were prepared under Peruvian Generally Accepted Accounting Principles.

The "Financial Information" of the Project Company for the Relevant Years presented in this report has been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRS).

For the purposes of this report, we have examined the Underlying Financial Statements and carried out procedures in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the Hong Kong Institute of Certified Public Accountants.

APPENDIX IB ACCOUNTANTS' REPORT ON THE PROJECT COMPANY

The financial information of the Project Company for the Relevant Periods as set out in this report has been prepared on a going concern basis from the Underlying Financial Statements with adjustments made for presentation of the financial information with consistent accounting policies and disclosures of MMG.

The Underlying Financial Statements are the responsibility of the directors of the Project Company who approved their issue. The directors of MMG are responsible for the contents of the Circular in which this report is included. It is our responsibility to form an independent opinion on the financial information of the Project Company and to report our opinion to you.

In our opinion, the financial information, for the purpose of this report and on the basis of presentation set out below, fairly presents the state of affairs of the Project Company as at 31 December 2013, 31 December 2012 and 31 December 2011 and of the results and cash flows of the Project Company for the Relevant Years.

APPENDIX IB ACCOUNTANTS' REPORT ON THE PROJECT COMPANY

BALANCE SHEET

AS AT 31 DECEMBER 2013, 2012 AND 2011

	<i>Notes</i>	31/12/2013 <i>US\$000</i>	31/12/2012 <i>US\$000</i>	31/12/2011 <i>US\$000</i>
Assets				
Non-current assets				
Property, plant and equipment	10	4,187,650	2,372,884	1,271,666
Deferred income tax asset		8	—	—
Other receivables	5	<u>77,467</u>	<u>9,690</u>	<u>3,697</u>
Total non- current assets		<u>4,265,125</u>	<u>2,382,574</u>	<u>1,275,363</u>
Current assets				
Inventories	8	1,941	2,304	136
Trade and other receivables	7	135,377	154,932	90,335
Receivables from related parties	6	—	25,537	—
Current income tax asset	9	16,377	5,538	—
Cash and cash equivalent	4	<u>1,629</u>	<u>293</u>	<u>5,883</u>
Total current assets		<u>155,324</u>	<u>188,604</u>	<u>96,354</u>
Total assets		<u>4,420,449</u>	<u>2,571,178</u>	<u>1,371,717</u>
Shareholder's equity				
Share capital	13	1,319,299	1,319,299	19,299
Retained earnings	13	<u>165</u>	<u>183</u>	<u>183</u>
Total shareholder's equity		<u>1,319,464</u>	<u>1,319,482</u>	<u>19,482</u>
Liabilities				
Non-current liabilities				
Loans with related parties	6	2,939,778	1,104,114	—
Provisions	12	<u>3,071</u>	<u>7,250</u>	<u>—</u>
Total non- current liabilities		<u>2,942,849</u>	<u>1,111,364</u>	<u>—</u>
Current liabilities				
Trade and other payables	11	146,546	118,334	29,471
Loans with related parties	6	—	—	94,833
Trade payables to related parties	6	10,005	11,354	1,219,882
Provisions	12	<u>1,585</u>	<u>10,644</u>	<u>8,049</u>
Total current liabilities		<u>158,136</u>	<u>140,332</u>	<u>1,352,235</u>
Total liabilities		<u>3,100,985</u>	<u>1,251,696</u>	<u>1,352,235</u>
Total shareholder's equity and liabilities		<u>4,420,449</u>	<u>2,571,178</u>	<u>1,371,717</u>

APPENDIX IB ACCOUNTANTS' REPORT ON THE PROJECT COMPANY

**INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED 31 DECEMBER 2013, 2012 and 2011**

	31/12/2013	31/12/2012	31/12/2011
	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>
Other income	<u>—</u>	<u>—</u>	<u>183</u>
Finance costs	<u>(26)</u>	<u>—</u>	<u>—</u>
(Loss) profit before income tax	<u>(26)</u>	<u>—</u>	<u>183</u>
Deferred tax benefit	<u>8</u>	<u>—</u>	<u>—</u>
(Loss) profit for the year	<u>(18)</u>	<u>—</u>	<u>183</u>
 Total comprehensive (loss) income for the year	 <u><u>(18)</u></u>	 <u><u>—</u></u>	 <u><u>183</u></u>

APPENDIX IB ACCOUNTANTS' REPORT ON THE PROJECT COMPANY

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2013, 2012 AND 2011**

	Share capital	Retained earnings	Total equity
	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>
Balances at 1 January 2011	—	—	—
Issue of shares	19,299	—	19,299
Profit and total comprehensive income for the year	<u>—</u>	<u>183</u>	<u>183</u>
Balances at 31 December 2011	19,299	183	19,482
Issue of shares	<u>1,300,000</u>	<u>—</u>	<u>1,300,000</u>
Balances at 31 December 2012	1,319,299	183	1,319,482
Loss and total comprehensive loss for the year	<u>—</u>	<u>(18)</u>	<u>(18)</u>
Balances at 31 December 2013	<u><u>1,319,299</u></u>	<u><u>165</u></u>	<u><u>1,319,464</u></u>

APPENDIX IB ACCOUNTANTS' REPORT ON THE PROJECT COMPANY

CASH FLOW STATEMENT

FOR THE YEARS ENDED 31 DECEMBER 2013, 2012 AND 2011

	31/12/2013	31/12/2012	31/12/2011
	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>
Cash flows from operating activities			
Increase in amounts owing by customers	(9,703)	(1,485)	(777)
Increase in advanced expenses	(1,955)	(5,900)	(58)
(Payments to) advances from suppliers	(11,460)	38,652	24,560
Advances from (payments to) related party suppliers	24,189	(37,662)	39,799
Decrease in provisions	(9,115)	(7,097)	(1,294)
Decrease (increase) in inventories	363	(2,168)	101
Payment of taxes	<u>(8,676)</u>	<u>(5,538)</u>	<u>—</u>
Net cash (used in) generated from operating activities	(16,357)	(21,198)	62,331
Cash flows from investing activities			
Purchase of property, plant and equipment	(1,709,214)	(2,165,662)	(104,872)
Proceeds from (purchases of) other financial assets	<u>100</u>	<u>(100)</u>	<u>—</u>
Net cash used in investing activities	(1,709,114)	(2,165,762)	(104,872)
Cash flows from financing activities			
Proceeds from share issue	—	1,300,000	—
Proceeds from related party borrowings	1,955,000	987,000	56,078
Repayments of related party borrowings	(190,700)	—	(4,278)
Interest and financing costs paid to related parties	<u>(37,493)</u>	<u>(105,630)</u>	<u>(3,377)</u>
Net cash generated from financing activities	<u>1,726,807</u>	<u>2,181,370</u>	<u>48,423</u>
Net increase (decrease) in cash and cash equivalents	1,336	(5,590)	5,882
Cash and cash equivalents at 1 January	<u>293</u>	<u>5,883</u>	<u>1</u>
Cash and cash equivalents at 31 December	<u><u>1,629</u></u>	<u><u>293</u></u>	<u><u>5,883</u></u>

APPENDIX IB ACCOUNTANTS' REPORT ON THE PROJECT COMPANY

**NOTES TO THE FINANCIAL INFORMATION
FOR THE YEARS ENDED 31 DECEMBER 2013, 2012 AND 2011****INCORPORATION AND ECONOMIC ACTIVITY OF THE PROJECT COMPANY****(a) Incorporation**

The Project Company, a mining company in pre-operational stage, is a public limited company incorporated in the city of Lima, Peru on 2 December 2010. The Project Company's main shareholder is Xstrata Peru S.A., (a Peruvian company and subsidiary of Glencore (a company incorporated in Jersey)), owner of 99.99% of its issued capital. The legal address of the Project Company is Pasaje Los Delfines 159, Santiago de Surco, Lima, Peru.

(b) Economic activity

The Project Company's economic activity consists of exploration, development, exploitation, prospecting, rendering of services and all mining-related activities, in accordance with the General Mining and General Corporations laws, effective in Peru. The Project Company owns the "Las Bambas Project" which is currently in the development stage.

APPENDIX IB ACCOUNTANTS' REPORT ON THE PROJECT COMPANY

1. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (HKFRS)

The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2013 and have not been early adopted.

The following standards and interpretations have been published for periods beginning after the date of presentation of this financial information. The Project Company has not early adopted these new standards and amendments to the standards and is in the process of assessing their impact on the Project Company's results and financial position:

Standard	Effective for annual periods beginning on or after
Amendments to HKFRS 10, HKFRS 12 and HKAS 27: Investment Entities	1 January 2014
Amendments to HKFRS 11: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to HKAS 16 and HKAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to HKAS 19: Defined Benefit Plans: Employee Contributions	1 July 2014
Amendments to HKFRS 9 and HKFRS 7: Mandatory Effective Date of HKFRS 9 and Transition Disclosures	Available for application - the mandatory effective date to be determined once HKFRS 9 finalised
Amendments to HKAS 32: Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to HKAS 36: Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
Amendments to HKAS 39: Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
Annual Improvements to HKFRSs 2010-2012 Cycle	1 July 2014
Annual Improvements to HKFRSs 2011-2013 Cycle	1 July 2014
HKFRS 9: Financial Instruments	Available for application - the mandatory effective date to be determined once HKFRS 9 is finalised
HKFRS 14: Regulatory Deferral Accounts	1 January 2016
HK(IFRIC) — Int 21: Levies	1 January 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principle accounting policies applied in the preparation of this financial information is set out below. These accounting policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The financial information of the Project Company have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRS), effective at 31 December 2013, which comprise Hong Kong Financial Reporting Standards (HKFRS), Hong Kong Accounting Standards (HKAS), and the Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA). This financial information has been prepared on a going concern basis and under the historical cost convention. It is generally based on fair value of compensation given for asset exchange.

(b) Judgments in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial information requires the use of judgment in applying accounting policies and in making critical accounting estimates. These judgments and estimates are based on management's best knowledge of the relevant facts and circumstances, having regard to previous experience, but actual results may differ from the amounts included in the financial information.

These estimates are reviewed on an ongoing basis. Changes in accounting estimates are prospectively recognised by recording the effects of changes in the corresponding income or loss accounts for the period in which the corresponding reviews are conducted.

The most important estimates and its uncertain sources related with the preparation of the Project Company's financial information refer to:

— Exploration and development costs (note 2(i) and note 12)

The application of the Project Company's accounting policy for exploration and evaluation expenditure requires judgement to determine whether future economic benefits are likely, from either future exploitation or sale, or whether activities have not reached a stage that permits a reasonable assessment of the existence of reserves.

— Recovery of non-financial assets (note 2(o) and note 10)

The recoverable amount of each cash-generating unit is determined as the higher of the asset's fair value less costs to sell and its value in use. These calculations require the use of estimates and assumptions including discount rates, exchange rates, commodity prices, future capital requirements and future operating performance.

APPENDIX IB ACCOUNTANTS' REPORT ON THE PROJECT COMPANY

— Determination of ore reserves and resources (note 2(h) and note 10)

Factors which could impact useful economic lives of assets and ore reserve estimates include:

- changes to proven and probable mineral reserves;
- the grade of mineral reserves varying significantly from time to time;
- differences between actual commodity prices and commodity price assumptions used in the estimation of mineral reserves;
- unforeseen operational issues at mine sites; and
- adverse changes in capital, operating, mining, processing and reclamation costs, discount rates and foreign exchange rates used to determine mineral reserves.

— Provisions and contingencies (including asset retirement obligation) (note 2(j), 2(l) and note 12)

Provision is made for the anticipated costs of future restoration, rehabilitation and dismantling of mining areas from which natural resources have been extracted. These provisions include future cost estimates associated with reclamation, plant closures, waste site closures, monitoring, demolition, decontamination, water purification and permanent storage of historical residues. These future cost estimates are discounted to their present value. The calculation of these provision estimates requires assumptions such as application of environmental legislation, plant closure dates, available technologies, engineering cost estimates and discount rates. A change in any of the assumptions used may have a material impact on the carrying value of mine rehabilitation, restoration and dismantling provisions.

The amount recognised as a provision, including tax, legal, contractual and other exposures or obligations, is the best estimate of the consideration required to settle the related liability, including any related interest charges, taking into account the risks and uncertainties surrounding the obligation. The Project Company assesses its liabilities and contingencies based upon the best information available, relevant tax laws and other appropriate requirements. These provisions may require settlement in future periods and as such may be materially impacted by the time value of money, the determination of the appropriate risk adjusted discount rate to reflect time value of money is a source of estimation uncertainty which could impact the carrying value of these provisions at the balance sheet date.

(c) Functional and presentation currency

The Project Company prepares and presents its financial information in US Dollars, which is the functional currency of the Project Company. The functional currency is the currency of the main economic environment in which an entity operates.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are capitalised as part of the development cost.

(d) Financial instruments

Financial instruments are defined as contracts that give rise simultaneously to a financial asset in a company and a financial liability or equity instrument in another company.

Financial assets and liabilities are recognised initially at fair value plus transaction costs directly attributable to the acquisition or issue of financial assets and liabilities, except for those classified at fair value through profit or loss, which are initially recognised at fair value and whose transaction costs directly attributable to the acquisition or issue, are recognised immediately in profit or loss for the year.

Financial assets

Financial assets held by the Project Company are classified as loans and receivables. The Project Company does not hold financial assets at fair value through profit or loss, or investments held to maturity or financial assets available for sale.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), trade and other receivables are classified as current assets. If not, they are presented as non-current assets.

Other receivables with fixed or determinable payments, not negotiated in an active market, are classified as loans and receivables items. These items are initially recorded at the fair value and subsequently, at amortised cost less any impairment loss. Interest income is recognised by using the effective interest rate, with the exception of those short-term receivables in which the recognition is not considered significant.

Financial liabilities

Financial liabilities within the scope of HKAS 39: Financial Instruments Recognition and Measurement are classified, as it may correspond, as: financial liabilities at fair value through profit and loss and other financial liabilities.

All financial liabilities are initially recognised at fair value, except loans where they are initially recognised at fair value of cash received, less costs directly attributable to the transaction.

APPENDIX IB ACCOUNTANTS' REPORT ON THE PROJECT COMPANY

Financial liabilities of the Project Company include trade accounts payable, accounts payable to related entities and other accounts payable, which are initially recognised at their fair value and subsequently valued at their amortised cost. Amortised cost incorporates costs directly attributable to the transaction.

(e) Cash and cash equivalents

Cash and cash equivalents includes cash-in-hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

(f) Inventories

Inventories comprise stores and consumables stated at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and applicable variable selling expenses.

Costs are assigned to individual items of inventory on the basis of weighted average costs.

(g) Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items and costs incurred in bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts are carried as property, plant and equipment when the Project Company expects to use them during more than one period or when they can be used only in connection with an item of property, plant and equipment.

Mine property and development assets include the costs transferred from exploration and evaluation assets once technical feasibility and commercial viability of an area of interest are demonstrable, and also include the subsequent costs to develop the mine to the production phase.

Depreciation and amortisation

Amortisation of mine property and development assets and depreciation of assets within the mining and processing streams of property, plant and equipment are calculated on the basis of units of production unless their useful life is less than that of the mine. Amortisation of mine, property and development assets is based on assessments of developed proven and probable ore reserves and a proportion of mineral resources available to be mined by the current production equipment to the extent that such resources are considered to be economically recoverable. Mineral Resources and Ore Reserves estimates are reviewed annually. The amortisation of mine, property and development assets commences when the mine commences commercial production. The depreciation of plant and equipment are capitalised in development costs prior to the mine commencing commercial production.

APPENDIX IB ACCOUNTANTS' REPORT ON THE PROJECT COMPANY

Depreciation is calculated on a straight-line based on the following estimated useful lives:

	Years
Buildings and other constructions	20
Machinery and equipment	5
Vehicles	4
Furniture and fixtures and sundry equipment	10
Mineral assets	Life Of Mine

(h) Overburden and waste removal

Overburden and other waste removal costs incurred in the development of a mine before production commences are capitalised as part of the construction of the mine as mine property and development assets. These costs include the direct costs and an allocation of relevant overhead expenditure. These costs are subsequently amortised over the life of mine on a units of production basis upon commencement of commercial production.

(i) Mine rehabilitation, restoration and dismantling obligations

Provisions are made for the estimated cost of rehabilitation, restoration and dismantling relating to areas disturbed during the construction of the mine and related property, plant and equipment up to reporting date but not yet rehabilitated. Provision has been made in full for all the disturbed areas at the reporting date based on current estimates of costs to rehabilitate such areas, discounted to their present value on expected future cash flows. Changes in estimates are dealt with on a prospective basis.

Uncertainty exists as to the amount of rehabilitation obligations that will be incurred due to the impact of changes in legislation, and many other factors, including future developments, changes in technology, price increases and changes in interest rates. The amount of the provision relating to mine rehabilitation, restoration and dismantling obligations is recognised at the commencement of the mining project and/or construction of the assets where legal or constructive obligation exists at that time.

The provision is recognised as a liability, separated into current (estimated costs arising with 12 months) and non-current components, based on expected timing of these cash flows. A corresponding asset is included in mine property and development assets, only to the extent that it is probable that future economic benefits associated with the restoration expenditure will flow to the entity. The capitalised cost of this asset is recognised in property, plant and equipment and is amortised over the life of the mine.

APPENDIX IB ACCOUNTANTS' REPORT ON THE PROJECT COMPANY

At each reporting date, the rehabilitation liability is re-measured in line with changes in discount rates, and timing or amounts of the costs to be incurred. Rehabilitation, restoration and dismantling provisions are adjusted for changes in estimates. Adjustments to the estimated amount and timing of future rehabilitation, restoration cash flows are a normal occurrence in light of the significant judgments and estimates involved. Changes in the liability relating to mine rehabilitation, restoration and dismantling obligations are added to or deducted from the related asset (where it is probable that future economic benefits will flow to the Project Company), other than the unwinding of the discount, which is recognised as a finance cost in the income statement, except when the related mining assets is being constructed whereby the finance costs are capitalised in the mine property and development assets.

(j) Financing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(k) Provisions and contingent liabilities

Provisions are recognised when the Project Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and risks of the specific obligation. The increase in the provision due to the passage of time is recognised as interest expense.

Contingent liabilities are possible obligations that arise for past events and whose existence will only be confirmed by the occurrence of one or more future events not wholly within the control of the Project Company. Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote.

(l) Employee's benefits

Employee entitlements to annual leave and profit sharing and bonuses paid within twelve months after the balance sheet date are recognised when they are accrued by the employees. A provision is made for the estimated liability for annual leave, profit sharing and bonuses as a result of the services rendered by the employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(m) Income tax***Current income tax***

The tax expense recognised for the year comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In such case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantially enacted at the balance sheet date in the places where the Project Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or a liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities, and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority and where there is an intention to settle the balances on a net basis.

(n) Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non—financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

APPENDIX IB ACCOUNTANTS' REPORT ON THE PROJECT COMPANY

3. FINANCIAL RISKS AND INSTRUMENTS**Categories of financial instruments**

	31/12/2013	31/12/2012	31/12/2011
	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>
Assets:			
Trade and other receivables (note 7)	133,350	154,860	90,271
Other receivables (note 5)	67,877	100	—
Receivables from related parties	—	25,537	—
Cash and cash equivalent	1,629	293	5,883
	<u>202,856</u>	<u>180,790</u>	<u>96,154</u>
Liabilities:			
Trade and other payables	(146,546)	(118,334)	(29,471)
Loans and payables with related parties	(2,949,783)	(1,115,468)	(1,314,715)
	<u>(3,096,329)</u>	<u>(1,233,802)</u>	<u>(1,344,186)</u>

Financial risks

The Project Company is constantly exposed to market, credit and liquidity risks originated from exchange rate, price and interest rate variation. These risks are managed through specific policies and procedures established by the Finance Management. Finance Management is in charge of risk administration; which identifies, evaluates and hedges financial risks.

(a) Market risks**(i) Exchange rate risk**

The exchange rate risk arises mainly from the balances of cash and cash equivalent, trade accounts payable, employees' benefits and other receivables and liability transactions originated in Peruvian nuevos soles. Management has accepted the risk derived from its net liability position in foreign currency, and has not contracted any derivative instruments for hedging as of 31 December 2013, 2012 or 2011.

During the year ended 31 December 2013, the Project Company generated income from exchange difference of US\$5,759 thousand (2012: US\$4,047 thousand and 2011: US\$173 thousand) which was capitalised in property, plant and equipment.

APPENDIX IB ACCOUNTANTS' REPORT ON THE PROJECT COMPANY

Balances of financial assets and liabilities at the end of each reporting period, denominated in foreign currency correspond to balances in Peruvian nuevos soles, are expressed in US dollars at supply and demand exchange rate published by the Superintendencia De Banca Seguros (SBS) effective at that dates, which were 2013: US\$0.268 for sale and purchase (2012: US\$0.392 and 2011: US\$0.358) for S/.1.00.

The Project Company had the following assets and liabilities in foreign currency (Peruvian nuevos soles (S/.)):

	31/12/2013	31/12/2012	31/12/2011
	<i>S/.000</i>	<i>S/.000</i>	<i>S/.000</i>
Assets:			
Cash and cash equivalent	3,882	267	3,110
Trade and other receivables	34,263	732	336
Total	<u>38,145</u>	<u>999</u>	<u>3,446</u>
	31/12/2013	31/12/2012	31/12/2011
	<i>S/.000</i>	<i>S/.000</i>	<i>S/.000</i>
Liabilities:			
Trade and other payables	(176,035)	(67,023)	(5,401)
Trade payables to related parties	(32)	(9,063)	(3,473)
Provisions	(3,559)	(505)	(107)
Total	<u>(179,626)</u>	<u>(76,591)</u>	<u>(8,981)</u>
Net liability position	<u>(141,481)</u>	<u>(75,592)</u>	<u>(5,535)</u>

Management of the Project Company considers 10% and 5% sensitivity rate in exchange risk assessment as reasonable. Presented below, sensitivity analysis assuming a revaluation/devaluation of the Peruvian nuevos soles equivalents to the aforementioned rate, exclusively on monetary assets and liabilities balances reflected before.

Sensitivity analysis	Variation in exchange rates	Effect on capitalization of Exchange difference		
	%	31/12/2013	31/12/2012	31/12/2011
		<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>
Devaluation				
Nuevos Soles	(5)	(2,663)	(1,411)	(94)
Nuevos Soles	(10)	(5,621)	(2,694)	(220)
Revaluation				
Nuevos Soles	5	2,663	1,411	94
Nuevos Soles	10	5,621	2,694	220

APPENDIX IB ACCOUNTANTS' REPORT ON THE PROJECT COMPANY

(ii) Interest rate risk

Interest rate risk arises from the possibility that the fair value of future cash flows of a financial instrument vary due to changes in market interest rates. The Project Company manages its interest rate risk through financing from related parties and capital contributions.

Management considers that future fluctuations in interest rates shall not significantly affect results of future operations of the Project Company.

Presented below, is a sensitivity analysis of capitalised interests due to possible effect of changes in interest rates in financial expenses of the periods, assuming that financial liabilities as of 31 December 2013, 2012 and 2011 will be renewed at their period-end and be maintained:

Changes in basic points	Effect on capitalization of interest		
	31/12/2013	31/12/2012	31/12/2011
	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>
+(-) 100	+(-) 28,457	+(-) 10,814	+(-) 13,028
+(-) 200	+(-) 56,915	+(-) 21,629	+(-) 26,057

(b) Credit risk

Credit risk comprises the risk of a counterparty being unable to pay total amounts at their maturity, and not being able to settle third parties in transactions of cash and cash equivalent, which is limited to balances deposited in banks and financial institution as of the reporting date. In order to manage this risk, the Project Company has a defined treasury policy, which solely permits to deposit excess funds in high credit rated institutions by establishing conservative credit policies and through periodic assessments of the market conditions where it carries out its activities. As a result, the Project Company does not expect to incur in potential losses regarding balances that involve credit risk.

Credit risk is limited to financial assets as of the reporting dates, which mainly consists in cash and cash equivalent, accounts receivable from related entities and other accounts receivable. The Project Company does not use derivative instruments to manage these credit risks.

(c) Liquidity risk

Liquidity risk arises from the possibility that cash may not be available to pay obligations at their maturity date. The Project Company manages liquidity risk by monitoring cash flows and maturities of their financial assets and liabilities.

The Project Company is developing the Las Bambas Project and obtains funds through financing from its related parties. Additionally, the Project Company currently has the option to obtain funds from financial institutions if required to comply with contractual obligations.

APPENDIX IB ACCOUNTANTS' REPORT ON THE PROJECT COMPANY

The table below presents maturities of financial liabilities as of 31 December 2013, 2012 and 2011:

	On demand	Maturing in less than 3 months	Maturing in 3 to 12 months	Maturing in 1 to 5 years	Total
	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>
As at 31 December 2013					
Trade and other payables	41,997	54,124	50,425	—	146,546
Loans and payables with related parties	104	—	9,901	2,939,778	2,949,783
	<u>42,101</u>	<u>54,124</u>	<u>60,326</u>	<u>2,939,778</u>	<u>3,096,329</u>
As at 31 December 2012					
Trade and other payables	82,484	17,499	18,351	—	118,334
Loans and payables with related parties	3,553	661	7,140	1,104,114	1,115,468
	<u>86,037</u>	<u>18,160</u>	<u>25,491</u>	<u>1,104,114</u>	<u>1,233,802</u>
As at 31 December 2011					
Trade and other payables	390	27,769	1,312	—	29,471
Loans and payables with related parties	10,883	1,292,565	11,267	—	1,314,715
	<u>11,273</u>	<u>1,320,334</u>	<u>12,579</u>	<u>—</u>	<u>1,344,186</u>

(d) Capital risk

The objective is to safeguard the ability of the Project Company to continue as a going concern in order to provide returns for shareholders and benefits to interest groups and maintain an optimum structure that allows reducing capital cost.

The Project Company manages its capital structure and performs adjustments to face changes in economic conditions of the market. In order to maintain or adjust the capital structure, the Project Company may adjust the payment of dividends to shareholders, return capital to them or issue new shares.

The Project Company has no liabilities with financial institutions.

(e) Fair value of financial instruments

Management considers that the carrying amounts of financial instruments of the Project Company (current assets and liabilities) as of 31 December 2013, 2012 and 2011 do not differ significantly from their fair value due to their short-term maturity.

APPENDIX IB ACCOUNTANTS' REPORT ON THE PROJECT COMPANY

Fair values of financial assets and liabilities held by the Project Company have been determined as follows:

Fair values of assets and liabilities with standard terms and conditions, and those traded in an active market such as the investments in equity instruments available for sale, have been determined by reference to quoted market prices (Level 1).

Fair value of derivative instruments have been calculated using current market transactions observable for the same instrument, or based in a valuation technique which variables only include data from observable markets (Level 2).

Fair value of other financial assets and liabilities are determined in conformity with widely accepted price models upon the analysis basis of discounted cash flows (Level 3).

Management believes that the carrying value of debt is similar to its fair value, because the debt accrues interest to rate similar to the market rate.

	31/12/2013		31/12/2012		31/12/2011	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>
Financial assets:						
Cash and cash equivalent	1,629	1,629	293	293	5,883	5,883
Receivables from related parties	—	—	25,537	25,537	—	—
Trade and other receivables	133,350	133,350	154,860	154,860	90,271	90,271
Other receivables	67,877	67,877	100	100	—	—
Financial liabilities:						
Trade and other payables	146,546	146,546	118,334	118,334	29,471	29,471
Loans and payables with related parties	2,949,783	2,949,783	1,115,468	1,115,468	1,314,715	1,314,715

4. CASH AND CASH EQUIVALENT

	31/12/2013	31/12/2012	31/12/2011
	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>
Cash (a)	556	293	974
Time deposits (b)	1,073	—	4,909
Total	<u>1,629</u>	<u>293</u>	<u>5,883</u>

APPENDIX IB ACCOUNTANTS' REPORT ON THE PROJECT COMPANY

- (a) Cash accounts are denominated in Peruvian nuevos soles and U.S. dollars, are held in local and foreign banks, are freely available and generate interest at market rates.
- (b) Time deposits are held in a local bank in Peruvian nuevos soles, with original maturities less than three months and bears interests at market rates.

5. OTHER RECEIVABLES

	31/12/2013	31/12/2012	31/12/2011
	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>
Value added tax credit	67,877	—	—
Other	—	100	—
Other receivables classified as financial assets (note 3)	67,877	100	—
Advanced deposits (a)	9,590	9,590	3,697
Total other receivables	<u>77,467</u>	<u>9,690</u>	<u>3,697</u>

- (a) Advanced deposits of US\$9,590 thousand (2012: US\$9,590 thousand and 2011: US\$3,697 thousand) are in respect of deposits made to guarantee the supply of tyres at the commencement of mining operations.

6. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

The Project Company has the following asset and liabilities with the Glencore Group, being Glencore plc and its subsidiaries:

	31/12/2013	31/12/2012	31/12/2011
	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>
Amounts owed to the Project Company from the Glencore Group	<u>—</u>	<u>25,537</u>	<u>—</u>
Amounts owed by the Project Company to the Glencore Group			
Trade payables to related parties	10,005	11,354	1,219,882
Loans with related parties consisting of:			
Facility agreement	803,480	130,401	83,784
Treasury Letters	2,136,298	973,713	11,049
	<u>2,949,783</u>	<u>1,115,468</u>	<u>1,314,715</u>

APPENDIX IB ACCOUNTANTS' REPORT ON THE PROJECT COMPANY

Amounts owed to the Project Company from the Glencore Group

Amounts owing as at 31 December 2012 relates to the sale of equipment.

Amounts owed by the Project Company to the Glencore Group

Trade Payables

Amounts owing as at 31 December 2013 and 2012 relate to administrative and management services and reimbursement of costs made on behalf of the Project Company.

Amounts owing as at 31 December 2011 relate to liabilities assumed by the Project Company on acquisition of the Las Bambas Project from a related party within the Glencore Group amounting to US\$351,093 thousand; and an amount payable to a related party within the Glencore Group of US\$857,300 thousand relating to the purchase of goods and services under the management services agreement. All amounts were paid in 2012.

Financing Facility

On 1 January 2011, the Project Company signed an agreement for a financing facility with a related party within the Glencore Group amounting to US\$1,300,000 thousand to finance the development of the Las Bambas Project. Interest rates are adjusted annually by an independent study based on prevailing market rates.

During the year ended 31 December 2013, the Project Company received loans of US\$788,000 thousand (2012: US\$46,000 thousand and 2011: US\$40,800 thousand) from a related party within the Glencore Group which accrued interest at an average rate of 7.52% (2012: 7.32% and 2011: 4.0%), amounting to US\$25,662 thousand (2012: US\$9,107 thousand and 2011: US\$15,840 thousand).

Interest expenses on the above loans have been capitalised as part of the Development costs.

Treasury Letters

During 2013 and 2012, the Project Company signed a "Debt Recognition" document with a related party within the Glencore Group whereby the Project Company acknowledges to have obtained financing from the related party received during 2013 and 2012, through "Treasury Letters". Interest rates are adjusted annually by an independent study based on prevailing market conditions.

APPENDIX IB ACCOUNTANTS' REPORT ON THE PROJECT COMPANY

During the year ended 31 December 2013, the Project Company received loans for financing the Project Company of US\$1,096,000 thousand (2012: US\$941,000 thousand and 2011: US\$11,000 thousand) from a related party within the Glencore Group accruing interest at an average rate of 5.26% (2012: 4.73% and 2011: 6.93%) amounting to US\$78,335 thousand in 2013 (2012: US\$25,487 thousand and 2011: US\$1,361 thousand). Interest has been capitalised as part of the Development costs.

Remuneration to key personnel of the Project Company

Remuneration to key personnel of the Project Company for the year ended December 31, 2013, 2012 and 2011 amounted to US\$3,441 thousand, US\$1,168 thousand, and US\$1,136 thousand respectively. For the year to 31 December 2013, the top 5 paid employees received a total salary of US\$1,564 thousand (2012: US\$2,361 thousand and 2011: US\$939 thousand).

7. TRADE AND OTHER RECEIVABLES

	31/12/2013	31/12/2012	31/12/2011
	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>
Trade accounts receivable (a)	12,238	103	140
Value added tax credit (b)	116,542	152,598	89,493
Funds granted to communities	3,539	1,820	631
Sundry accounts receivable	<u>1,031</u>	<u>339</u>	<u>7</u>
Trade and other receivables classified as financial assets (note 3)	133,350	154,860	90,271
Advanced deposits	2,027	72	64
Trade and other receivables	<u>135,377</u>	<u>154,932</u>	<u>90,335</u>

(a) Amounts owed by contractors for fuel usage and are on 14 day credit terms. There are no past due but not impaired amounts.

(b) Value added tax credits generated mainly in the development of the Las Bambas Project. The Project Company expects to recover in the short term the amount of the available credit of US\$116,542 thousand (2012: US\$152,598 thousand and 2011: US\$89,493 thousand) by applying for a refund from the Tax Authorities in accordance with special regime of advance recovery of value added taxes (refer below) in accordance with the investment agreement entered into with the Government of Peru.

APPENDIX IB ACCOUNTANTS' REPORT ON THE PROJECT COMPANY

Capital Commitments arising from the special regime of early recovery of value added tax

By means of Law Decree N°973, published on March 9, 2007, special regime of early recovery of value added tax is established, which consists in the return of value added tax related to imports and/or local acquisitions of capital goods, new intermediate goods and services and construction agreements, made at pre-operating stage, to be used by beneficiaries of the regime.

On 28 December 2011, in accordance with subsection 7.3 of Section 7° of Law Decree N°973, the Project Company signed an Investment Agreement with the Mining and Energy Department and PROINVERSION (Investment Promotion Agency), committing to future investment expenditure relating to the Las Bambas Project for a total of US\$4,112,300 thousand over the course of two years, four months and two days. As at 31 December 2013, the Project Company had US\$549,535 thousand (2012: US\$2,258,162 thousand and 2011: US\$3,286,534 thousand) capital committed under this Investment Agreement of which US\$549,535 thousand (2012: US\$1,804,064 thousand and 2011: US\$1,783,862 thousand) was payable within 12 months from 31 December of the respective years.

8. INVENTORIES

Inventories consist of spare parts and consumables.

9. CURRENT INCOME TAX ASSETS

	31/12/2013	31/12/2012	31/12/2011
	US\$000	US\$000	US\$000
Income tax asset	<u>16,377</u>	<u>5,538</u>	<u>—</u>

Income tax asset corresponds to advanced payments on income tax, generated by the payments of the temporary tax on net assets (ITAN for its Spanish acronym) made during 2013 and 2012. The Project Company expects to file the request for the recovery of ITAN in the short-term.

(i) Tax rate

The income tax rate for domiciled legal entities in Peru is 30%. Companies domiciled in Peru are subjected to an additional rate of 4.1% on any amount that may be considered as indirect income distribution, including, among others, amounts charged to expenses or expenses which may have benefited the shareholders outside business expenses, assumed by the companies.

APPENDIX IB ACCOUNTANTS' REPORT ON THE PROJECT COMPANY

10. PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings	Mining concessions	Development costs	Plant and Machinery	Total
	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>
Cost:					
Balances at 1 January 2011	—	—	—	—	—
Acquisition of the Las Bambas Project	4,087	291,225	96,698	3,997	396,007
Additions	—	—	546,220	331,586	877,806
Balances at 31 December 2011	<u>4,087</u>	<u>291,225</u>	<u>642,918</u>	<u>335,583</u>	<u>1,273,813</u>
Additions	—	—	1,059,738	58,463	1,118,201
Sales and/or disposals/adjustments	—	—	—	(16,427)	(16,427)
Balances at 31 December 2012	4,087	291,225	1,702,656	377,619	2,375,587
Additions	34	—	1,680,181	142,851	1,823,066
Sales and/or disposals/adjustments	—	—	—	(8,367)	(8,367)
Balances at 31 December 2013	<u>4,121</u>	<u>291,225</u>	<u>3,382,837</u>	<u>512,103</u>	<u>4,190,286</u>
Accumulated depreciation and amortization					
Balances at 1 January 2011	—	—	—	—	—
Additions	1,411	—	—	736	2,147
Sales and/or disposals/adjustments	—	—	—	—	—
Balances at 31 December 2011	<u>1,411</u>	<u>—</u>	<u>—</u>	<u>736</u>	<u>2,147</u>
Additions	101	—	—	457	558
Sales and/or disposals/adjustments	—	—	—	(2)	(2)
Balances at 31 December 2012	1,512	—	—	1,191	2,703
Additions	69	—	—	572	641
Sales and/or disposals/adjustments	—	—	—	(708)	(708)
Balances at 31 December 2013	<u>1,581</u>	<u>—</u>	<u>—</u>	<u>1,055</u>	<u>2,636</u>
Net Balance at 31 December 2013	<u><u>2,540</u></u>	<u><u>291,225</u></u>	<u><u>3,382,837</u></u>	<u><u>511,048</u></u>	<u><u>4,187,650</u></u>
Net Balance at 31 December 2012	<u><u>2,575</u></u>	<u><u>291,225</u></u>	<u><u>1,702,656</u></u>	<u><u>376,428</u></u>	<u><u>2,372,884</u></u>
Net Balance at 31 December 2011	<u><u>2,676</u></u>	<u><u>291,225</u></u>	<u><u>642,918</u></u>	<u><u>334,847</u></u>	<u><u>1,271,666</u></u>

APPENDIX IB ACCOUNTANTS' REPORT ON THE PROJECT COMPANY

11. TRADE AND OTHER PAYABLES

	31/12/2013	31/12/2012	31/12/2011
	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>
Trade payables (a)	87,214	94,247	27,737
Deposits received (b)	50,425	17,383	1,312
Non-domiciled VAT	2,697	3,423	15
Non-domiciled income tax	1,550	608	17
Sundry accounts payable	<u>4,660</u>	<u>2,673</u>	<u>390</u>
Total	<u>146,546</u>	<u>118,334</u>	<u>29,471</u>

(a) Trade payables correspond to balances with local and foreign suppliers, generated in the development of the Las Bambas Project. These liabilities are expressed in Peruvian nuevos soles and US dollars, they have current maturities (note 3), do not bear interest and do not have specific guarantees granted.

(b) Deposits received from suppliers to guarantee rendering of services according to the agreements.

12. PROVISIONS

	31/12/2013	31/12/2012	31/12/2011
	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>
Current			
Provision for communitarian programs (a)	312	9,427	7,097
Employee benefits (c)	<u>1,273</u>	<u>1,217</u>	<u>952</u>
	<u>1,585</u>	<u>10,644</u>	<u>8,049</u>
Non-current:			
Provision for rehabilitation and restoration (b)	<u>3,071</u>	<u>7,250</u>	<u>—</u>

APPENDIX IB ACCOUNTANTS' REPORT ON THE PROJECT COMPANY

- (a) Correspond to commitments in connection with social programs referred to communitarian and business development, education and health programs that will be executed during 2014 and 2013 in areas near the Las Bambas Project. The movement of this provision is shown below:

	<i>US\$000</i>
Balances as at 1 January 2011	—
Acquisition of Las Bambas.	7,844
Provision for the year	547
Payments	<u>(1,294)</u>
Balances as at 31 December 2011	7,097
Provision for the year	9,427
Payments	<u>(7,097)</u>
Balances as at 31 December 2012	9,427
Payments	<u>(9,115)</u>
Balances as of 31 December 2013	<u><u>312</u></u>

- (b) The movement in the rehabilitation and restoration provision in 2013, 2012 and 2011 was as follows:

	Balance at 01/01/2013	Increases	Change on estimates effect	Finance cost - unwinding of discount	Balance at 31/12/2013
	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>
Provision for rehabilitation and restoration	<u>7,250</u>	<u>—</u>	<u>(4,205)</u>	<u>26</u>	<u>3,071</u>

	Balance at 01/01/2012	Increases	Change on estimates effect	Finance cost - unwinding of discount	Balance at 31/12/2012
	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>
Provision for rehabilitation and restoration	<u>—</u>	<u>7,250</u>	<u>—</u>	<u>—</u>	<u>7,250</u>

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	Balance at 01/01/2011 <i>US\$000</i>	Increases <i>US\$000</i>	Change on estimates effect <i>US\$000</i>	Finance cost - unwinding of discount <i>US\$000</i>	Balance at 31/12/2011 <i>US\$000</i>
Provision for rehabilitation and restoration	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

Mining closure provision represents the net present value of costs expected to be incurred during future operation and at final closure of the mine. Estimated costs are based on the study prepared by Golder Associates Peru S.A, considering current environmental regulations.

As of 31 December 2013 the mining closure provision amounting to US\$27,501 thousand, has been discounted using an annual risk adjusted rate of 11.32% (provision amounting to US\$7,790 thousand as of 31 December 2012 was discounted using an annual risk-free rate of 0.39%).

13. SHAREHOLDERS' EQUITY

(a) Share capital

As of 31 December 2013 and 2012, issued capital is represented by 3,432,125,935 shares of S/.1 par value each (2011: 54,726,000 shares of S/.1 par value each) duly authorized, signed and paid; principally held by Xstrata Peru S.A.

On 21 November 2012, the Project Company received a capital contribution in cash from its shareholder Xstrata Peru S.A. for US\$1,300,000 thousand (S/.3,377,400 thousand), and issued 3,377,400,000 shares of S/1 each. As of the date of this report, such shares are fully paid and recorded in Public Registry on 19 February 2013.

On 1 January 2011 Xstrata Tintaya S.A, a related party within the Glencore Group, transferred the Las Bambas Project to the Project Company as an equity contribution by Xstrata Peru S.A.. Assets and liabilities with a net book value of US\$19,482 thousand were transferred. In exchange for contribution of the Las Bambas Project, shares were issued to Xstrata Peru S.A. (majority shareholder of Xstrata Tintaya S.A.).

The number of outstanding shares as at 31 December 2013, 2012 and 2011 are as follows:

	2013 <i>'000</i>	2012 <i>'000</i>	2011 <i>'000</i>
Outstanding at beginning of the year	3,432,126	54,726	—
Issued	<u>—</u>	<u>3,377,400</u>	<u>54,726</u>
Outstanding at end of the year	<u>3,432,126</u>	<u>3,432,126</u>	<u>54,726</u>

APPENDIX IB ACCOUNTANTS' REPORT ON THE PROJECT COMPANY

(b) Other capital reserves

According to General Corporation Law, the legal reserve is increased by transferring 10%, as a minimum, of the net income for each period, after deducting accumulated losses, until reaching an amount equivalent to a fifth of the issued capital. In the absence of undistributed earnings or freely available reserve, the legal reserve shall be used to offset losses, but must be replaced. The legal reserve may be capitalised, in which case, it shall also be subsequently replaced.

(c) Retained earnings

Pursuant to Legislative Decree N° 945, dated 23 December 2003, domiciled legal entities that agree to allocate dividends or any other type of profit sharing shall withhold 4.1% on the amount to be allocated, except if any such dividends or profit sharing will be allocated to domiciled legal entities. There are no restrictions for dividends remittances or for the capital repatriation to foreign investors.

14. NON-MONETARY TRANSACTIONS AND STATEMENTS OF CASH FLOWS

Investment and financing activities that did not generate cash disbursements and that affected assets and liabilities for the years ended 31 December 2013, 2012 and 2011 are summarized as follows:

	2013	2012
	<i>US\$000</i>	<i>US\$000</i>
Capitalised interest for loans received from related parties	104,201	91,185
Offsetting of related party accounts receivable with		
Accounts payables	25,537	—
Account receivable for sale of machinery to related party	—	(24,930)
Change in estimate	4,205	—

The transactions that do not generate cash flows in 2011 are described below:

	Total
	<i>US\$000</i>
Inventories	118
Mining rights, development costs, property, plant and equipment	396,064
Total assets	396,182
Other payables	7,844
Trade payables with related parties	368,856
Total liabilities	376,700
Net assets	19,482
Settled via	
Issue of shares to Xstrata Peru S.A.	19,482

15. CONTINGENCIES

Consortio GL Ingenieros - SELEGSA filed a claim against Overseas BECHTEL Inc. and the Project Company for an amount of US\$1,096 thousand for non-compliance with contract terms. Management and its legal advisors expect a beneficial result for the Project Company and therefore no provision is required to be disclosed in the financial information.

16. SUBSEQUENT EVENTS

No audited financial statements have been prepared by the Project Company in respect of any period subsequent to 31 December 2013.

17. SEGMENTAL INFORMATION

The Project Company is a mining company in pre-operational stage and is made up of one reporting segment. All of the results of the Project Company's only segment are disclosed above.

Deloitte LLP

FINANCIAL INFORMATION OF THE GROUP FOR THE THREE YEARS ENDED 31 DECEMBER 2011, 2012 AND 2013

The financial information of the Group for each of the three years ended 31 December 2011, 2012 and 2013 can be referred to in the respective annual reports of the Company, which have been published on both the website of the Stock Exchange (<http://www.hkexnews.hk>) and the website of the Company (<http://www.mmg.com>).

- annual report of the Company for the year ended 31 December 2011 (pages I-68 to II-76);
- annual report of the Company for the year ended 31 December 2012 (pages 83 to 149);
- annual report of the Company for the year ended 31 December 2013 (pages 95 to 162).

MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date and to the best of the knowledge and belief of the Directors, there is no material adverse change in the financial or trading position of the Group since 31 December 2013, being the date to which the latest published audited financial statements of the Group were made up.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

Set out below is the management discussion and analysis of the results of the Group for each of the years ended 31 December 2011, 2012 and 2013. The information is extracted from the annual reports of the Company and the announcements on the Group's annual results for the relevant years published on both the website of the Stock Exchange (<http://www.hkexnews.hk>) and the website of the Company (<http://www.mmg.com>).

The management, discussion and analysis for each period should be read in conjunction with the financial information of the Group included in the respective annual reports of the Company.

The presentation of the consolidated income statement and related notes to the financial statements of the Group was amended in 2012 to primarily present expenses by nature to align with the Group's internal reporting of operations.

A. MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2011

Overview

The Group's continuing operations recorded solid operating performance in 2011 with all mines within revised annual guidance for production and cost.

The Group benefited from higher sustained base and precious metal prices and sales volumes of copper cathode, zinc and lead however input cost pressures, most notably the stronger Australian dollar, continued to impact upon the operating sites' margins.

The Group's continuing operations' underlying EBITDA (excluding the following one-off items) was 2.1% below 2010 reflecting a higher level of expenditure on process and system standardisation necessary to support the Company's growth strategy.

US\$ million	2011	2010
EBITDA — continuing operations	1,063.8	820.9
Adjust for one-off items:		
Gain from the sale of Equinox shares	152.1	—
Business acquisition credit/(expenses)	63.8	(86.4)
Asset/investment write-downs	<u>(39.9)</u>	<u>—</u>
Underlying EBITDA — continuing ops.	<u><u>887.8</u></u>	<u><u>907.3</u></u>

The Group's underlying net cash flow (excluding the following one-off items) was 31.1% below 2010 mainly due to higher capital expenditure and the timing of tax payments.

US\$ million	2011	2010
Net cash flow	694.1	(79.3)
Adjust for one-off items:		
Acquisition of subsidiaries (MMG)	—	(100.0)
Placement of additional MMR shares	494.3	—
Net sale/(purchase) of Equinox shares	252.3	(100.2)
Net cash flow from trading, fabrication and other operations	(46.5)	54.1
Net proceeds from sale of the trading, fabrication and other operations	503.0	—
Loan payments made to Album Enterprises	(789.2)	—
Dividend paid to Album Enterprises	<u>—</u>	<u>(340.0)</u>
Underlying net cash flow	<u><u>280.2</u></u>	<u><u>406.8</u></u>

For the purpose of the management discussion and analysis, the Group's results for 2011 were compared to 2010 with the emphasis of commentary aligned with the disclosures within the financial statements, that is, focusing on the continuing operations.

The Group's management determined the operating segments based on reports reviewed by its Executive Committee. The Group's continuing operations are managed on a site-by-site basis. The Group's mining operations comprise the Century zinc/lead mine in Queensland, the Rosebery lead/zinc mine in Tasmania, the Golden Grove copper/zinc mine in Western Australia and the Sepon copper/gold project in Laos.

"Other" includes the Group's exploration and development projects, including Dugald River and the Izok Corridor Project.

The Group's discontinued operations during 2011 included the trading, fabrication and other operations mainly operating in China. As at 31 December 2011, there remained some minor holding entities which are expected to be wound up/disposed of during 2012.

Anvil Mining Limited

The following management discussion and analysis excludes Anvil as the Group's acquisition of Anvil occurred in 2012. The Group's results for 2011 include approximately US\$14.4 million of pre-tax costs incurred in relation to the acquisition of Anvil.

Change in accounting policy

There have been no material changes in accounting policies or critical accounting estimates in relation to the Group as adopted for the 31 December 2010 accounts.

Year ended 31 December 2011 compared to the year ended 31 December 2010

Profit analysis for the Group's continuing operations

The following table shows the revenue and EBITDA results for its continuing operations by operating site.

US\$ million	Century	Sepon	Golden Grove	Rosebery
Revenue				
2011	750.4	816.9	388.5	272.5
2010	711.4	596.7	391.3	220.5
EBITDA				
2011	293.0	529.4	101.6	108.6
2010	356.2	358.6	192.4	104.5

Revenue

The Group's continuing operations generated revenue of US\$2,228.3 million in 2011, which was an increase of 16.1% on 2010 driven by higher base and precious metal prices and higher sales volumes of zinc and lead, as well as copper following Sepon's expansion works. This was partly offset by lower sales volumes of copper in copper concentrate and gold as compared to 2010.

Profit on sale of investment

The sale of the Group's investment in Equinox to Barrick Gold Corporation was completed in June 2011 (approximately 37.3 million shares at C\$8.15 per share), realising a profit before tax of US\$152.1 million, associated income tax payable of US\$36.4 million and resultant profit after tax of US\$115.7 million.

Volume

The following table summarises the Group's production results:

	2011	2010	Var %
Production data ('000 t)			
Ore mined*	11,075	11,783	(6.0)
Ore milled*	11,274	11,108	1.5
Zinc in zinc conc**	648.6	665.9	(2.6)
Copper in copper conc	21.7	33.5	(35.2)
Copper cathode	78.9	64.2	22.9
Lead in lead conc**	59.4	56.2	5.7
Production data ('000 oz)			
Gold***	86.6	114.1	(24.1)

* All sites

** Century, Rosebery and Golden Grove

*** Sepon and Rosebery

Ore mined was lower than 2010 due to the impacts of Tropical Storm Nock-Ten on Sepon partly offset by higher volume from Golden Grove.

Ore milled exceeded 2010 levels at Century, Rosebery and Sepon.

Zinc in zinc concentrate production was below 2010 production driven by lower zinc feed grades partly offset by higher throughput.

Copper cathode production reflected the first half year of full production from Sepon's expanded copper plant in 2011. Copper in copper concentrate at Golden Grove was 35.2% below 2010 production when the mine plan favoured copper-rich ore over the zinc ore.

Lead in lead concentrate production reflected higher throughput and recovery.

Gold production was below 2010 levels mainly due to ore availability from Sepon's Houay Yeng gold pit and lower grades.

Prices

The Group benefited considerably from sustained higher base and precious metal prices during 2011 as compared to 2010.

Average prices		2011	2010	Var %
LME Zinc	US\$/t	2,190	2,160	1.4
LME Copper	US\$/t	8,806	7,543	16.7
LME Lead	US\$/t	2,396	2,149	11.5
Silver	US\$/oz	35.15	20.20	74.0
Gold	US\$/oz	1,568	1,221	28.4

Costs

The Group's cost of sales were US\$1,301.9 million for 2011, which represented an increase of 25.0% compared to 2010. Operating costs were adversely impacted by:

- the stronger Australian dollar (A\$) against the US dollar (US\$). The A\$:US\$ rate averaged 1.033 for 2011 and 0.9192 for 2010. This increase of 12.4%, contributed to a material increase in the A\$ denominated portion of operating sites' costs of US\$73.6 million.
- price increases of key inputs into the Group's mining, processing and support activities as seen across the mining industry due to the current resources boom. These input cost pressures particularly impacted the costs associated with employees, contractors, energy and reagents.
- volume-related cost increases in 2011:
 - o Golden Grove's Scuddles mine restart;
 - o Sepon's copper expansion;
 - o Century's higher zinc and lead sales volumes; and
 - o increased throughput at Rosebery.

Government royalty expenses of US\$94.4 million were 23.0% higher than 2010 mainly due to stronger financial performance by Sepon and Century.

Depreciation and amortisation expenses of US\$308.5 million were 3.0% above 2010 numbers driven by increased charges at Sepon flowing from the copper plant expansion.

Selling expenses of US\$80.3 million were \$6.4 million above 2010 figures driven by higher sales volumes from Century and Sepon.

Administrative expenses of US\$135.9 million were US\$77.3 million above 2010. Business expenditure increased largely to support the Company's future growth strategy.

There has been a significant step up in investment in IT of approximately US\$17 million relating to the transformation of key management systems to provide a foundation for the company's simplification and growth including essential infrastructure. Work has commenced on a standardised and simplified business management system, underpinned by common global processes and a standard SAP mining platform.

Business development activity has resulted in an increase of US\$18 million which has focused on the advancement and development of projects such as Dugald River, the Izok Corridor Project, Century Phosphate and other growth projects in the pipeline. This also included additional merger and acquisition outlay reflecting a larger internal team and external advisors in support of potential acquisitions.

Business support costs included a further spend of US\$17 million for operational excellence, in particular improved asset utilisation, establishment of a shared business services team and strategic sourcing which delivered sustainable business benefits in 2011 and will continue to do so in later years.

The 2010 result included a one-off benefit of US\$6 million derived from the sub-lease of one floor of the Company's Melbourne Office.

The Company has also established a stronger presence at the registered office in Hong Kong by investing in the rollout of standardised processes and systems to align with the rest of the Company.

A **business acquisition expense** credit of US\$63.8 million related to the reversal of assumed business acquisition costs provided for in 2010 (which totalled US\$86.4 million) in relation to the acquisition of MMG. It was confirmed during the first half 2011 that these costs will not be payable by the Group.

Exploration expenses of US\$64.0 million were 15.3% above 2010 mainly due to higher spend in Canada and at Rosebery. The weak US\$ had an adverse impact on the Group's exploration costs of approximately US\$4.4 million.

Other expenses included the impairment write-downs of the following items:

- Avebury mine's net fixed assets of US\$24.3 million.
- Century trucks of US\$9.2 million.
- Exploration listed investments — mark to market of US\$6.4 million.

Net financing costs of US\$46.2 million exceeded 2010 by US\$7.7 million mainly due to higher interest expense on loans for the MMG acquisition.

The **tax expense** of the Group was \$225.5 million in 2011. This represents an increase of \$98.9 million compared to the tax expense in 2010 due to increased profit before tax and net tax benefits of \$51.1 million credited in 2010 from recognition of deferred tax assets previously unrecognised. The Group's effective tax rate in 2011 was 31.8% and is consistent with the applicable taxation rates for Australia (30%) and Laos (33.3%) which are the major operating jurisdictions.

Profit after tax: The Group's Net Profit After Tax from continuing operations of US\$483.6 million was 35.8% above 2010.

Segmental analysis

Century

Century's ore mined represented a strong result in view of the significant rainfall events in Queensland early in 2011. Higher throughput assisted production although zinc production fell below 2010 due to lower feed grades while lead benefited from higher recovery. Century's EBITDA margin decreased from 2010 due to unfavourable effects from the stronger A\$ (US\$14.7 million) and higher costs for employees, contractors and reagents.

Century	2011	2010	Var %
Production ('000 t)			
Ore mined	5,217.5	5,287.7	(1.3)
Ore milled	5,297.7	5,210.6	1.7
Zinc in zinc concentrate	497.3	510.6	(2.6)
Lead in concentrate	26.5	25.2	5.2
Financial			
EBITDA (US\$ million)	293.0	356.2	(17.7)
EBITDA margin %	39.0	50.1	(22.0)

Sepon

Sepon's ore mined was lower than 2010 due to the impacts of Tropical Storm Nock-Ten. Ore milled and copper production exceeded 2010 which reflected the first half year of full production from the expanded copper plant. The second half 2011 exceeded pro rata nameplate capacity. Gold production was lower due to ore availability from the Houay Yeng gold pit and lower grades.

Sepon's EBITDA margin improved on 2010 due to the higher gold and copper prices partly offset by higher reagent costs.

Sepon	2011	2010	Var %
Production			
Ore mined ('000 t)	3,372.1	4,453.9	(24.3)
Ore milled ('000 t)	3,621.7	3,575.3	1.3
Copper cathode ('000 t)	78.9	64.2	22.9
Gold ('000 oz)	74.5	104.6	(28.8)
Financial			
EBITDA (US\$ million)	529.4	358.6	47.6
EBITDA margin %	64.8	60.1	7.8

Golden Grove

Golden Grove's ore mined exceeded 2010 due to new development in copper ore zones and volume from the Scuddles mine which was restarted in the second quarter 2011. Copper ore milled and copper production were well below 2010 when the mine plan favoured copper-rich ore over the zinc ore.

Zinc ore mined and milled exceeded 2010 however zinc production was lower than the previous year driven by lower grades partly offset by higher throughput.

Golden Grove's EBITDA margin was significantly lower than in 2010 driven by the impact of the stronger A\$ to costs (US\$31.7 million), the Scuddles mine restart (US\$21.2 million) as well as higher costs for employees and contractors.

Golden Grove	2011	2010	Var %
Production ('000 t)			
Ore mined	1,705.6	1,354.0	26.0
Ore milled	1,566.5	1,597.0	(1.9)
Zinc in zinc concentrate	70.7	73.3	(3.5)
Copper in copper concentrate	21.7	33.5	(35.2)
Financial			
EBITDA (US\$ million)	101.6	192.4	(47.2)
EBITDA margin %	26.2	49.2	(46.8)

Rosebery

Rosebery recorded a strong performance in 2011 with higher ore mined driven by improved planning and coordination as well as mobile fleet and ventilation upgrades. Higher ore milled was driven by higher throughput partly offset by lower feed grades. Zinc production was lower as the increased throughput did not fully offset the declining zinc head feed grades. Higher throughput and recovery resulted in more lead.

Rosebery's EBITDA margin was below 2010 due to higher costs flowing from the unfavourable foreign exchange effects (US\$17.6 million) and increased costs for employees and contractors.

Rosebery	2011	2010	Var %
Production ('000 t)			
Ore mined	779.4	687.2	13.4
Ore milled	788.4	724.8	8.8
Zinc in zinc concentrate	80.7	82.0	(1.6)
Lead in lead concentrate	25.4	23.2	9.5
Financial			
EBITDA (US\$ million)	108.6	104.5	3.9
EBITDA margin %	39.9	47.4	(15.9)

Trading, fabrication and other

Trading, fabrication and other operations were classified as discontinued operations held for sale in 2011. Amortisation and depreciation and equity accounting for jointly-controlled entities and associates ceased from 1 January 2011.

Discontinued Operations	2011	2010	Var %
Profit (US\$ million)			
Profit after income tax	37.5	74.2	(49.5)
Gain on disposal of subsidiaries and investment accounted for using the equity method	53.4	—	n/a
Total Net Profit After Tax	90.9	74.2	22.5

The 2011 post-tax profit of US\$37.5 million was 49.5% below the 2010 figure mainly due to the exclusion of the Group's share of profits of jointly-controlled companies and associates of US\$23.2 million.

The trading, fabrication and other operations generated lower profit in 2011 compared to 2010 mainly attributable to lower margins. The trading, fabrication and other operations recorded a loss as a result of cost increases.

The gain on the disposal of the trading, fabrication and other operations of US\$53.4 million mainly related to Minmetals Aluminium after allowing for tax expense of US\$32.6 million and transaction costs of US\$1.5 million.

Development Projects

Dugald River, Australia

The Group is continuing to progress the development of the Dugald River project in north-west Queensland.

In the fourth quarter 2011, the Board approved a further expenditure of A\$157 million for the next stage of the project, for spend up until the third quarter 2012.

In November 2011, The Queensland Department of Environment and Resource Management provided an assessment report on Dugald River's Environmental Impact Statement, advising that the project was suitable to proceed to the next stage of the approval process.

The Company is currently undertaking extensive pre-commitment activities including advancing engineering design, refining capital and operating cost estimates and advancing power, access and infrastructure negotiations.

Early works commenced on site in October 2011 and include the development of two exploration declines which will intersect the main part of the ore body in late 2012.

The final decision to develop the Dugald River project is expected to be made by the Board in 2012 and subject to other required approvals, the Company aims to have the mine in operation during 2014.

Dugald River project capitalised expenditure increased to US\$58.1 million in 2011 (2010: US\$5.7 million).

Izok Corridor Project, Canada

A pre-feasibility study identified the preferred development option for the Izok and High Lake ore bodies.

This includes the installation of a two-million tonne per annum concentrator at the Izok Lake deposit and developing the capacity to ship 650,000 tonnes of concentrate from Gray's Bay.

Initial work has now started on a definitive feasibility study for the integrated development of Izok Lake and High Lake which is expected to take 18 to 24 months.

Exploration costs in Canada/Americas totalled US\$19.9 million in 2011 compared to US\$11.4 million in 2010.

Golden Grove Copper Open Pit, Western Australia

During the first quarter 2011, the Board approved US\$22 million for the development of an open copper pit at Gossan Hill as part of the Golden Grove operation. The copper open pit is expected to produce approximately 235,000 tonnes of copper concentrate containing 59,600 tonnes of copper metal in concentrate at 25% copper.

The project includes the development of an open pit mine, waste rock dump and supporting infrastructure including haul and access roads.

The first drill hole took place in November 2011 and full scale production commenced in January 2012.

Sepon Primary Gold Study

A scoping study, completed in late 2011, confirmed the potential to mine and process primary, refractory gold ores at Sepon. The Mineral Resource is 45Mt at 2.2g/t gold and will be mostly mined by open pit methods. A pre-feasibility study has commenced to evaluate the most suitable processing option and production rate, to carry out detailed metallurgical testing and to commence baseline field work to support the permitting process.

Commissioned Projects

Sepon copper output increased from 65,000 to 80,000 tonnes copper cathode per annum following the successful commissioning of the copper expansion project and ramp-up during the first half 2011. Total handover occurred for the transmission lines of the high voltage powerline and substations.

The Golden Grove Tailings Storage Facility 3 was handed over to site operations to commission during the first quarter 2011.

Cash flow analysis*Operating activities*

The Group's continuing operations generated net cash from operations in 2011 of US\$909.3 million which represented an increase of 7.5% on 2010. The increased cash flows were predominantly due to higher receipts from customers.

The Group paid income taxes totalling US\$209.6 million in 2011 comprising:

- US\$122.3 million payment from LXML:
 - US\$92.3 million which settled Sepon's 2010 tax liability (2010: US\$57.5 million)

- US\$30 million toward Sepon's 2011 tax liability which was a prepayment at the request of the Government of Laos to aid in the country's flood relief efforts.
- US\$87.3 million from the MMG Australia group — which included US\$50.4 million instalments toward the 2011 income tax liability.

The Group's discontinued operations generated net cash from operations of US\$100.8 million which included a significant increase in bills payable.

Investing activities

The Group's continuing operations generated net cash from investing activities of US\$285.3 million in 2011 which mainly reflected:

- Consideration received from the disposal of the trading, fabrication and other operations (net of cash held by these businesses, transaction costs, taxes paid and outstanding receivables) totalling US\$503.0 million. The remaining funds were invested partly in cash deposits and a loan of US\$95.0 million to Album Enterprises.
- Payments for property, plant and equipment of US\$380.3 million which were 23.6% above 2010 driven by:
 - Higher mine development at Century
 - Dugald River project pre-commitment spend of US\$58.1 million (2010: US\$5.7 million).
- The Group's purchase of an additional US\$58.9 million of Equinox shares during 2011 (2010: US\$100.2 million) and subsequent proceeds of US\$311.2 million from the disposal of its entire Equinox shareholding in the first half 2011.

The Group's discontinued operations drew down net cash of US\$99.1 million mainly by placing more funds in time deposits.

Financing activities

The Group's continuing operations had a net cash outflow from financing activities of US\$244.4 million in 2011.

- Proceeds of US\$494.3 million were received from the issuance of 762,612,000 shares by the Company which were used toward full repayment of the loan from Album Enterprises (US\$694.2 million) during the first half 2011.
- Principal repayments of US\$17.2 million were made in 2011 in accordance with external debt agreements.

- Interest paid of US\$26.3 million was US\$1.2 million above 2010 due to the higher debt levels during 2011.

The Group's discontinued operations used net cash of US\$48.2 million in financing activities, mainly the repayment of bank loans used to provide working capital for trading during 2011.

Financial resources and liquidity for the Group

The Group strengthened its liquidity and financial position during 2011. During the period:

- total liabilities decreased by 33.2% to US\$1,959.1 million while total assets only decreased by 0.4% to US\$3,453.5 million; and
- shareholders' equity increased by 200.9% to US\$1,435.4 million primarily driven by the share placing and results for the period.

The gearing ratio calculation in relation to the Group's continuing operations is shown in the following table. As at 31 December 2011, the Group held more cash than it had borrowings given the recent receipt of consideration from the sale of the interests in Minmetals Aluminium and NCA. A substantial part of the cash has been used in funding the acquisition of Anvil in 2012.

US\$ million	2011	2010
Cash and cash equivalents	1,096.5	398.2
Time deposits	—	12.8
Pledged bank deposits	—	6.4
Less: Total borrowings	1,081.7	1,965.3
Net (cash)/debt	(14.8)	1,547.9
Total equity	<u>1,494.4</u>	<u>533.4</u>
Gearing ratio	<u><u>N/A</u></u>	<u><u>2.9</u></u>

The current ratio in relation to the Group decreased from 1.7 at 31 December 2010 to 1.4 at 31 December 2011. The net increase in current assets driven by the sale of the trading, fabrication and other operations was less than the corresponding increase on current liabilities due to the classification of external debt which is due to be repaid during 2012. This includes US\$751.0 million of facilities that expire in June 2012.

The Group's cash and bank deposits of US\$1,096.5 million at 31 December 2011 were mainly denominated in US\$.

As at 31 December 2011, the profile of the Group's borrowings was as follows:

- 0.4% were in A\$ and 99.6% were in US\$;
- 0.4% were in fixed rates and 99.6% were in floating rates; and

- 72.8% were repayable within 1 year, 3.3% were repayable between 1 and 2 years, 23.9% were repayable between 2 and 5 years.

Material Acquisitions and Disposals

Equinox shareholding

The Group disposed of its entire shareholding (equal to approximately 4.2% of the issued capital) in Equinox to Barrick Gold Corporation during June 2011.

Trading, fabrication and other

On 28 March 2011, the Board of the Company approved the program of strategic divestments, of assets that were assessed as not being core to the company's future and these assets included the trading, fabrication and other operations (the Disposal Group).

On 15 September 2011, the Company announced that the Company had agreed to sell its entire 100% equity interest in Minmetals Aluminium, Riseup Dragon Limited's (Riseup Dragon) entire 72.80% equity interest in NCA, Orienmet Industry Co. Ltd's (Orienmet Industry) entire 51% equity interest in Yingkou Orienmet and Lontic (H.K.) Limited's entire 36.2913% equity interest in Changzhou Jinyuan (together, the Disposal Group) for an aggregate consideration of US\$726.8 million (the Disposal). The Disposal was approved by the independent shareholders of the Company on 28 October 2011 and materially completed in December 2011.

Save as disclosed above and the acquisition of Anvil, the Group did not make any other material acquisitions or disposals during 2011. The Group adopts a 5% threshold on assets, profit, revenue, market capitalisation ratios as guidance in determining materiality of the acquisitions and disposals.

Contingent liabilities

The Company and its subsidiaries are defendants from time to time in legal proceedings arising from the conduct of their businesses. The Group does not consider that the outcome of any of these proceedings ongoing at balance date, either individually or in aggregate, is likely to have a material effect on its financial position. Where appropriate, provisions have been made.

Certain bank guarantees have been provided in connection with the operations of certain of the subsidiaries of the Company. These are primarily associated with the terms of mining leases or been made under these guarantees. The amount of these guarantees may vary from time to time depending upon the requirements of the relevant regulatory authority. These guarantees amount to US\$91.5 million (2010: US\$112.8 million). Provision is made in the financial statements for the anticipated costs of the mine rehabilitation obligations under the mining leases and exploration licences.

Charges on assets

As at 31 December 2011, the following assets of the Group were pledged to certain banks for the banking facilities granted to the Group.

- an external borrowing of US\$190.0 million was secured by a share charge to the lender of 100% of the shares held in Album Resources' wholly owned subsidiary, Album Investment, a mortgage over 70% of the shares in certain subsidiaries of Album Investment and a mortgage over 70% of shares of MMG Laos Holdings Limited.

Risk management

The Group's activities expose it to a variety of financial risks, including commodity price risk, equities price risk, interest rate risk, foreign exchange risk, credit risk, liquidity risk, operational risk and sovereign risk. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The use of financial derivative instruments strictly follows the yearly plans approved by the Board of directors of the Company and its subsidiaries. The Group does not and is prohibited from entering into derivative contracts for speculative purposes.

Commodity price risk

The principal activities of the Group are the mining and sale of zinc, copper, lead, gold and silver. As commodity markets are influenced by global as well as regional supply and demand conditions, any unexpected price changes in the market exchanges might affect the Group's earnings and performance. To mitigate this risk, the Group closely monitors any significant exposures. The Group generally believes commodity price hedging in relation to the mining operations would not provide long-term benefits to its shareholders.

Equities price risk

The Group is no longer materially exposed to equity securities price risk. This previously arose from investments held by the Group in Equinox.

Interest rate risk

The Group is exposed to interest rate volatility on deposits and borrowings. Deposits and borrowings at variable rates expose the Group to cash flow interest rate risk. Deposits and borrowings at fixed rates expose the Group to fair value interest rate risk.

The Group regularly monitors its interest rate risk to ensure there are no undue exposures to significant interest rate movements.

Foreign exchange risk

The Group operates internationally and is exposed to foreign currency exchange risk. The Group's reporting currency and functional currency of the majority of subsidiaries with the Group is US\$. The majority of revenue received by the Group is US\$. The Group's foreign currency exchange risk arises predominantly from the currency in which the Group's operations are located.

The Group is exposed to foreign exchange risk primarily with respect to the A\$, the Hong Kong dollars (HK\$) and the Canadian dollars (C\$) in relation to the Group's continuing operations. Given the exchange rate peg between HK\$ and US\$, it is not foreseen that the Group will be exposed to significant exchange rate risk for the transactions conducted in HK\$ or US\$. However, exchange rate fluctuations of A\$ or C\$ against US\$ could affect the Group's performance and asset values.

Under normal market conditions, the Group does not believe that the active currency hedging of transactions would provide long-term benefit to shareholders. The Group tries to minimise these exposures through natural hedges wherever possible. For instance, the majority of external debt and surplus cash is denominated in US\$. A portion of cash may be held in A\$ to meet operating costs.

The long-term relationship between commodity prices and the currencies of the countries where the Group operates provides a degree of natural protection. However, the Group may choose to hedge large foreign currency exposures such as capital expenditure, dividends or tax payments.

Credit risk

Credit risk in relation to the Group's continuing operations arises primarily from: trade receivables and bank deposits. The Group's maximum exposure to this risk, without taking account of any collateral held, is represented by the carrying amounts of these financial assets in the consolidated balance sheet after deducting any provision for impairment.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities.

Management utilises both short and long-term cash flow forecasts and other consolidated information to ensure appropriate liquidity buffers are maintained to support the Group's activities.

Operational Risk

The Group's operational risks include secure supply of key inputs such as electricity and fuel.

Sovereign Risk

The Group has operations in developing countries which may carry higher levels of sovereign risks. In general, however, mining companies are increasingly willing to develop or acquire projects in locations that would traditionally have been viewed as having higher sovereign risks.

Capital risk management

The Group's objectives on managing capital are to safeguard the Group's ability to continue as a going concern, support the Group's sustainable growth, enhance shareholder value and provide capital for potential acquisitions and investment.

The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions and business strategies. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payments to shareholders, issue new shares or raise/repay debts.

The Group monitors capital by using the gearing ratio defined as total borrowings less cash and bank deposits divided by shareholders' equity.

Capital expenditure and commitments

The Group's capital expenditure of US\$380.3 million for 2011 (2010: US\$307.7 million) included US\$235.6 million of growth-related capital expenditure (2010: US\$191.6 million). The growth-related capital expenditure mainly reflected:

Growth capital (US\$ million)	2011	2010
Mine development — Century	127.1	106.0
Mine development — Sepon	42.5	15.0
Dugald River total spend	58.1	5.7
Copper expansion — Sepon	5.9	43.1
Ventilation upgrade — Rosebery	1.0	4.4
Open Pit — Golden Grove	0.6	—
Tailings Storage Facility #3 — Golden Grove	0.4	17.4

Century's mine development related to Stage 8 (bulk waste) and Stage 9 and the expansion cut-back.

The Group's capital and non-capital commitments as at 31 December 2011 amounted to US\$224.1 million (2010: US\$63.9 million).

Human resources

As at 31 December 2011, the Group employed a total of 3,677 full-time employees in its continuing operations (not including contractors of the Group) of which 16 were based in Hong Kong, 1,740 in Australia, 1,832 in Laos, 21 in Canada and 68 in Group Exploration. Total staff costs for the Group's continuing operations for 2011, including director's emoluments amounted to US\$331.5 million (2010: US\$262.6 million).

The Group has adopted remuneration policies in line with market practice and remunerated its employees based on the responsibilities of their role, their performance and the performance of the Company. Other employee benefits include performance-related incentives and, in specific cases, insurance and medical coverage and a limited share option scheme. An extensive training program is offered to employees across the Company which is designed to improve individual and group performance.

B. MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2012

Overview

The Group recorded a solid operating performance in 2012 with the financial result of Kinsevere consolidated from 17 February 2012.

For the purpose of the management discussion and analysis, the Group's results for the year ended 31 December 2012 are compared to results for the year ended 31 December 2011.

Year ended 31 December (continuing operations)	2012 <i>US\$ million</i>	2011 <i>US\$ million</i>	Change %
Revenue	2,499.4	2,228.3	12
Operating expenses	(1,446.4)	(1,158.1)	25
Administrative expenses	(125.3)	(125.3)	0
Exploration expenses	(77.3)	(64.0)	21
Other income and expenses	2.8	(33.0)	
Significant non-recurring items	—	215.9	
EBITDA	853.2	1,063.8	(20)
Depreciation and amortisation	(447.6)	(308.5)	45
EBIT	405.6	755.3	(46)
Net finance costs	(87.7)	(46.2)	90
Profit before tax	317.9	709.1	(55)
Income tax expense	(100.4)	(225.5)	(55)
Profit	217.5	483.6	(55)

The Group's management determined the operating segments based on reports reviewed by its Executive Committee. The Group's continuing operations are managed on an operating site-by-site basis, with exploration, development and corporate activities being classified as 'other'. The Group's mining operations comprise Sepon, Kinsevere, Century, Rosebery and Golden Grove.

Year ended 31 December (continuing operations)	Revenue			Underlying EBITDA		
	2012	2011	Change	2012	2011	Change
	US\$	US\$		US\$	US\$	
	million	million	%	million	million	%
Sepon	806.2	816.9	(1)	491.4	529.4	(7)
Kinsevere⁽ⁱ⁾	279.9	—	N/A	131.1	—	N/A
Century	752.9	750.4	0	283.6	293.0	(3)
Rosebery	267.5	272.5	(2)	85.7	108.6	(21)
Golden Grove	392.9	388.5	1	67.9	101.6	(33)
Other	—	—	—	(206.5)	(184.7)	(12)
Total	<u>2,499.4</u>	<u>2,228.3</u>	<u>12</u>	<u>853.2</u>	<u>847.9</u>	<u>1</u>

(i) MMG acquired Kinsevere following the acquisition of Anvil. The financial result of Kinsevere has been consolidated from 17 February 2012.

The following discussion and analysis of the financial information and results should be read in conjunction with the financial statements.

Revenue

The Group's continuing operations generated revenue of US\$2,499.4 million in the year ended 31 December 2012, which was US\$271.1 million (12%) higher than in the year ended 31 December 2011. Kinsevere was consolidated from 17 February 2012 and contributed US\$279.9 million to the Group's revenue.

Increased revenue from higher total sales volumes for the Group was offset by the impact of lower average realised prices in 2012 compared to 2011.

Price

Lower average LME base metals prices during 2012 compared to 2011 had an unfavourable impact on revenue.

Average LME cash price	2012	2011	Change %
Copper (US\$/tonne)	7,950	8,806	(10)
Zinc (US\$/tonne)	1,946	2,190	(11)
Lead (US\$/tonne)	2,061	2,396	(14)
Gold (US\$/ounce)	1,668	1,568	6
Silver (US\$/ounce)	31.15	35.15	(11)

Sales volumes

The strong and consistent performance at Sepon and successful integration and ramp-up of Kinsevere resulted in a 39% increase in copper sales in 2012.

Following the completion of the acquisition of Anvil, copper cathode produced at Kinsevere increased sales volumes by 35,698 tonnes. Efficiency improvements increased copper cathode production at Sepon leading to an additional 5,642 tonnes of copper sold in 2012.

Higher zinc sales from Century following record annual production, were more than offset by reduced zinc sales volumes from Rosebery and Golden Grove. Mining activity at Rosebery was temporarily restricted in the third quarter 2012 due to a seismic event in the mine, which also impacted concentrate available to ship to customers. The mine plan at Golden Grove favoured copper production in 2012 resulting in lower zinc concentrate production and sales.

Payable metal in product sold Year ended 31 December	2012	2011	Change %
Copper (tonnes)	148,850	106,794	39
Zinc (tonnes)	543,420	550,117	(1)
Lead (tonnes)	51,979	51,560	1
Gold (ounces)	129,577	113,419	14
Silver (ounces)	4,247,586	2,888,576	47

Payable metal in product sold					
Year ended 31 December 2012	Copper	Zinc	Lead	Gold	Silver
	<i>tonnes</i>	<i>tonnes</i>	<i>tonnes</i>	<i>ounces</i>	<i>ounces</i>
Sepon	85,150	—	—	67,400	33,441
Kinsevere⁽ⁱ⁾	35,698	—	—	—	—
Century	—	443,562	21,850	—	48,392
Rosebery	2,129	62,283	22,282	31,136	2,356,691
Golden Grove	<u>25,873</u>	<u>37,575</u>	<u>7,847</u>	<u>31,041</u>	<u>1,809,062</u>
Total	<u>148,850</u>	<u>543,420</u>	<u>51,979</u>	<u>129,577</u>	<u>4,247,586</u>

Payable metal in product sold					
Year ended 31 December 2011	Copper	Zinc	Lead	Gold	Silver
	<i>tonnes</i>	<i>tonnes</i>	<i>tonnes</i>	<i>ounces</i>	<i>ounces</i>
Sepon	79,508	—	—	71,128	37,993
Kinsevere⁽ⁱ⁾	—	—	—	—	—
Century	—	419,250	25,112	—	123,895
Rosebery	983	70,906	23,068	24,857	1,720,599
Golden Grove	<u>26,303</u>	<u>59,961</u>	<u>3,380</u>	<u>17,434</u>	<u>1,006,089</u>
Total	<u>106,794</u>	<u>550,117</u>	<u>51,560</u>	<u>113,419</u>	<u>2,888,576</u>

(i) MMG acquired Kinsevere following the acquisition of Anvil. Production and sales data is shown from 1 March 2012.

Operating expenses increased by US\$288.3 million (25%) in 2012 to US\$1,446.4 million. Kinsevere contributed US\$149.2 million of this increase and US\$139.1 million was attributable to other sites. Operating expenses represent the expenses of operating assets, excluding depreciation and amortisation and other income and expense items.

Operating expenses were well managed in 2012 amid industry-wide cost pressures, particularly in Australia. The period saw an increased focus on asset utilisation and productivity improvements aimed at maximising the efficiency of operating assets. A strategic review was completed at Golden Grove in 2012 to ensure that the operation is positioned to achieve sustainable long-term profitability. As a result, Golden Grove restructured its operation to focus on the mining of the new Copper Oxide Open Pit and the need for less ore from underground operations.

The US\$139.1 million increase in operating expenses at other sites was driven by increased ore movement, production and sales volumes. Total operating expenses were also impacted unfavourably by non-recurring costs associated with the strategic review of Golden Grove, the commissioning of the Copper Oxide Open Pit, the replacement upgrade of some sections of the Century concentrate pipeline, and risk-mitigating actions implemented following seismic activity at Rosebery. These items are further discussed under Segment Analysis.

Exchange rates did not significantly impact operating costs for the current period compared to 2011.

Administrative expenses of US\$125.3 million in 2012 were unchanged from the previous year as a result of tight cost control, and despite upward pressure on wages (2011: US\$125.3 million).

The Group continued to invest in foundation and growth activities expected to deliver future value to the Group and focused on implementing a long-term sustainable business model. Approximately 24% of administrative expenses related to foundation and growth activities in 2012.

Foundation activities undertaken in 2012 included rebranding and repositioning MMG following the change of the Company's name and further investment in the standardisation and simplification of business management systems and processes. Growth activities included the integration of Kinsevere, increased investment in the Company's graduate program, and continued expenditure focused on the upgrade and scalability of IT infrastructure.

A further 14% of expenditure targeted operational efficiency in 2012 including initiatives in business improvement, procurement and asset utilisation that resulted in immediate benefits during the year. Asset utilisation across the Group improved 5% on average compared to the baseline established at the beginning of 2012. These improvements reflect higher throughputs leading to increased production, positively impacting the Group's financial performance. The focus on asset utilisation will continue in 2013 with particular emphasis on Kinsevere.

Other administrative expenditure related to the provision of business support services and the delivery of corporate activities (net of corporate recharges).

Exploration expenses increased US\$13.3 million (21%) to US\$77.3 million in 2012. Mine district exploration at Kinsevere contributed US\$8.7 million to this increase.

The Group invested US\$53.6 million in mine district exploration (2011: US\$45.5 million) aimed at sustaining and expanding current Ore Reserves and increasing the mine life of existing assets.

US\$23.7 million was invested in new discovery and project generation programs (2011: US\$18.5 million) in Australia, the Americas and Africa.

Following the acquisition of Kinsevere, a Southern African exploration hub was established.

Other income and expenses had an aggregate favourable US\$2.8 million impact on EBIT in 2012 and an unfavourable US\$33.0 million impact on EBIT in 2011. This category includes sundry income, gains/(losses) on disposal of property plant and equipment and investments, unrealised gains/(losses) on financial assets recognised at fair value through profit or loss, exchange gains/(losses), and other corporate and sundry expense items.

Significant non-recurring items recognised during 2011 were as follows:

- The Group realised a gain of US\$152.1 million (US\$114.8 million after tax) from the disposal of shares held in Equinox Minerals Limited (Equinox); and

- The Group wrote back business acquisition costs of US\$63.8 million (US\$63.8 million after tax), which were accrued in 2010 in respect of the acquisition of Minerals and Metals Group.

To assist with the comparability of results, adjustments have been made below to exclude significant non-recurring items from underlying measures of financial performance. A reconciliation of EBITDA to underlying EBITDA and profit to underlying profit is presented below:

Year ended 31 December (continuing operations)	2012 US\$ million	2011 US\$ million
EBITDA	853.2	1,063.8
<i>Adjustments for significant non-recurring items:</i>		
Gain on disposal of available-for-sale financial assets	—	(152.1)
Write-back of business acquisition expenses	—	(63.8)
Underlying EBITDA	<u>853.2</u>	<u>847.9</u>
Year ended 31 December (continuing operations)	2012 US\$ million	2011 US\$ million
Profit	217.5	483.6
<i>Adjustments for significant non-recurring items:</i>		
Gain on disposal of available-for-sale financial assets (after tax)	—	(114.8)
Write-back of business acquisition expenses (after tax)	—	(63.8)
Underlying profit	<u>217.5</u>	<u>305.0</u>

Depreciation and amortisation expenses increased by US\$139.1 million to US\$447.6 million in 2012. Kinsevere contributed US\$70.7 million of the increase. The remaining increase was primarily driven by significant increases in rehabilitation and restoration assets in December 2011 (resulting in a higher amortisation expense in 2012) and increased mining activity, offset by the extension in mine life and upward revision in Ore Reserves at Golden Grove in late 2011.

Net finance costs increased US\$41.5 million to US\$87.7 million in 2012. The increase is attributable to an increase of US\$25.4 million in interest expense and finance charges due to higher levels of external borrowings and an increase of US\$18.2 million in interest unwind due to significantly higher environmental provisions, offset by a US\$2.1 million increase in interest income earned in relation to cash and short-term deposits.

Income tax expense decreased US\$125.1 million to US\$100.4 million during 2012 reflecting the decrease in profit before income tax for the Group. The 2012 effective tax rate of 31.6% (2011: 31.8%) is consistent with the applicable taxation rates in Australia (30.0%), Laos (33.3%) and the Democratic Republic of Congo (DRC) (30.0%), the major jurisdictions in which the Group operates.

Segment analysis

Sepon

Year ended 31 December	2012	2011	Change %
<i>Production:</i>			
Ore mined (tonnes)	3,778,465	3,372,065	12
Ore milled (tonnes)	4,270,548	3,621,665	18
Copper cathode (tonnes)	86,295	78,860	9
Gold (ounces)	70,275	74,485	(6)
Silver (ounces)	33,311	39,817	(16)
<i>Payable metal in product sold:</i>			
Copper (tonnes)	85,150	79,508	7
Gold (ounces)	67,400	71,128	(5)
Silver (ounces)	33,441	37,993	(12)
Year ended 31 December	2012	2011	Change
	US\$ million	US\$ million	%
Revenue	806.2	816.9	(1)
Operating expenses	(313.9)	(285.8)	10
EBITDA ⁽ⁱ⁾	491.4	529.4	(7)
Depreciation and amortisation	(80.5)	(58.1)	39
Operating profit (EBIT)	410.9	471.3	(13)
EBITDA margin	61%	65%	

(i) EBITDA includes revenue, operating expenses and other income and expense items.

Sepon delivered a strong, consistent operating performance in 2012, with annual copper cathode production of 86,295 tonnes exceeding original design nameplate capacity by 8%. Annual records were achieved in copper production and sales.

The 7% increase in copper cathode sales in 2012 was offset by a decrease in the average realised copper price, resulting in a 1% decrease in revenue. In addition, higher average realised gold prices were offset by lower sales volumes.

Operating expenses increased by US\$28.1 million (10%) compared to 2011 mainly due to increased production.

Depreciation and amortisation increased by US\$22.4 million (39%) due to increased mining activity.

Kinsevere

Year ended 31 December⁽ⁱ⁾	2012	2011	Change %
<i>Production:</i>			
Ore mined (tonnes)	797,164	—	N/A
Ore milled (tonnes)	923,849	—	N/A
Copper cathode (tonnes)	36,048	—	N/A
<i>Payable metal in product sold:</i>			
Copper (tonnes)	35,698	—	N/A
Year ended 31 December⁽ⁱ⁾	2012	2011	Change %
	<i>US\$ million</i>	<i>US\$ million</i>	
Revenue	279.9	—	N/A
Operating expenses	(149.2)	—	N/A
EBITDA⁽ⁱⁱ⁾	131.1	—	N/A
Depreciation and amortisation	(70.7)	—	N/A
Operating profit (EBIT)	60.4	—	N/A
EBITDA margin	47%	—	

(i) MMG acquired Kinsevere following the acquisition of Anvil. Production and sales data is shown from 1 March 2012. The financial result of Kinsevere has been consolidated from 17 February 2012.

(ii) EBITDA includes revenue, operating expenses and other income and expense items.

Kinsevere made an important contribution of US\$279.9 million (11%) to total Group revenue in the year ended December 2012 with an EBITDA margin of 47%.

Production in 2012 was impacted by sudden and unexpected network-wide power supply disruptions which impacted mine ramp-up. These disruptions resulted in the rescheduling of mining operations and a reduction in ore mining as there was inadequate power to ramp up production to the designed nameplate capacity. Temporary diesel generators were installed at the end of June to provide a stable back-up power source, aimed at improving plant reliability and performance.

Kinsevere successfully attained nameplate capacity on an annualised basis during December, the result of continuous ramp-up.

Total operating expenses in 2012 of US\$149.2 million include US\$16.3 million relating to the use of back-up generators and the associated use of diesel.

Century

Year ended 31 December	2012	2011	Change %
Production:			
Ore mined (tonnes)	5,204,013	5,217,470	0
Ore milled (tonnes)	5,413,520	5,297,721	2
Zinc in zinc concentrate (tonnes)	514,707	497,250	4
Lead in lead concentrate (tonnes)	21,390	26,536	(19)
Payable metal in product sold:			
Zinc (tonnes)	443,562	419,250	6
Lead (tonnes)	21,850	25,112	(13)
Silver (ounces)	48,392	123,895	(61)
Year ended 31 December	2012	2011	Change
	<i>US\$ million</i>	<i>US\$ million</i>	%
Revenue	752.9	750.4	0
Operating expenses	(476.1)	(443.0)	7
EBITDA ⁽ⁱ⁾	283.6	293.0	(3)
Depreciation and amortisation	(235.3)	(176.8)	33
Operating profit (EBIT)	48.3	116.2	(58)
EBITDA margin	38%	39%	

(i) EBITDA includes revenue, operating expenses and other income and expense items.

Century demonstrated a solid operating and financial performance in 2012 with costs well managed and controlled. An increased focus on productivity and efficiency improvements contributed to increased throughputs and asset utilisation during the period with Century achieving an annual MMG production record of 514,707 tonnes of zinc in zinc concentrate in 2012. This production performance was achieved despite a major scheduled outage occurring in the third quarter of 2012.

The major scheduled outage involved the replacement upgrade of some sections of the 304-kilometre underground slurry pipeline which transports concentrate from the mine to ship-loading facilities at the Karumba Port.

Zinc sales increased by 6% compared to 2011; however, higher sales volumes were offset by a decrease in average realised prices. As a result, revenue for 2012 was flat when compared with 2011.

Total operating expenses increased by US\$33.1 million (7%) compared to 2011. The increase was primarily driven by increased volumes, although US\$5.2 million of the increase was attributable to the major pipeline works.

Depreciation and amortisation increased by US\$58.5 million compared to 2011. The increase was driven by the recognition of an additional US\$127.1 million in rehabilitation and restoration assets in December 2011 (resulting in a higher amortisation expense in 2012) and was also impacted by higher production measures during the year.

Rosebery

Year ended 31 December	2012	2011	Change %
<i>Production:</i>			
Ore mined (tonnes)	856,957	779,447	10
Ore milled (tonnes)	812,595	788,411	3
Copper in copper concentrate (tonnes)	1,587	1,826	(13)
Zinc in zinc concentrate (tonnes)	70,410	80,670	(13)
Lead in lead concentrate (HPM, tonnes)	20,146	25,352	(21)
<i>Payable metal in product sold:</i>			
Copper (tonnes)	2,129	983	117
Zinc (tonnes)	62,283	70,906	(12)
Lead (tonnes)	22,282	23,068	(3)
Gold (ounces)	31,136	24,857	25
Silver (ounces)	2,356,691	1,720,599	37
Year ended 31 December	2012	2011	Change
	<i>US\$ million</i>	<i>US\$ million</i>	<i>%</i>
Revenue	267.5	272.5	(2)
Operating expenses	(182.8)	(153.1)	19
EBITDA⁽ⁱ⁾	85.7	108.6	(21)
Depreciation and amortisation	(26.5)	(21.8)	21
Operating profit (EBIT)	59.2	86.8	(32)
EBITDA margin	32%	40%	

(i) EBITDA includes revenue, operating expenses and other income and expense items.

Rosebery reported a solid operating performance in 2012 with a 10% increase in ore mined following upgrades to the mobile fleet and ventilation system in 2011.

Revenue was 2% lower in 2012 due to lower zinc and lead sales at lower average realised prices compared to 2011. Lower revenue received for zinc and lead was largely offset by higher copper, gold and silver shipments.

Zinc sales were 12% lower than in 2011 and consistent with the 13% decrease in production. Mining activity was temporarily restricted in the third quarter 2012 due to a seismic event in the mine. Normal production resumed at the end of the third quarter 2012 following rehabilitation work and an upgrade of the previous ground support regime at the underground mine.

Operating expenses were US\$29.7 million (19%) higher than in 2011 mainly due to increased mining activity and risk-mitigating actions following the seismic event. Higher costs associated with contractors and consumables increased operating expenses in 2012 by US\$8.4 million and US\$9.5 million respectively.

Depreciation and amortisation was US\$4.7 million (21%) higher than in 2011 due to increased mining activity.

Golden Grove

Year ended 31 December	2012	2011	Change %
<i>Production:</i>			
Ore mined (tonnes)	1,918,341	1,705,622	12
Ore milled (tonnes)	1,668,080	1,566,510	6
Copper in copper concentrate (tonnes)	28,406	21,661	31
Zinc in zinc concentrate (tonnes)	37,419	70,687	(47)
Lead in lead concentrate (HPM, tonnes)	5,344	7,482	(29)
<i>Payable metal in product sold:</i>			
Copper (tonnes)	25,873	26,303	(2)
Zinc (tonnes)	37,575	59,961	(37)
Lead (tonnes)	7,847	3,380	132
Gold (ounces)	31,041	17,434	78
Silver (ounces)	1,809,062	1,006,089	80
Year ended 31 December	2012	2011	Change
	<i>US\$ million</i>	<i>US\$ million</i>	<i>%</i>
Revenue	392.9	388.5	1
Operating expenses	(324.3)	(276.2)	17
EBITDA ⁽ⁱ⁾	67.9	101.6	(33)
Depreciation and amortisation	(32.1)	(48.3)	(33)
Operating profit (EBIT)	35.8	53.3	(33)
EBITDA margin	17%	26%	

(i) EBITDA includes revenue, operating expenses and other income and expense items.

The focus at Golden Grove in 2012 was to strategically review and position the operation to ensure sustainable long-term profitability. The strategic review included analysis of forecast production, grade and metal prices against current and projected costs across the operation. As a result, Golden Grove restructured its operation to focus on the mining of the new Copper Oxide Open Pit and the need for less ore from underground operations.

Revenue in 2012 was 1% higher than in 2011 due to increased high precious metals (HPM) sales, which include revenue in lead, gold and silver. Zinc sales volumes were 37% lower than in 2011, in line with lower production. Average realised zinc prices declined compared to 2011, also negatively impacting revenue. Copper sales volumes were 2% lower in 2012 in comparison to a 31% increase in copper in copper concentrate production. The first shipment of copper concentrate from the recently commissioned Copper Oxide Open Pit is expected to occur in 2013.

Despite lower zinc and lead concentrate production, development of the Copper Oxide Open Pit resulted in a 12% increase in ore mined and a 6% increase in ore milled compared to 2011.

Operating expenses were US\$48.1 million (17%) higher compared to 2011 due to the strategic review, commissioning costs associated with the Copper Oxide Open Pit and increased production. The Golden Grove strategic review and commissioning costs of the Copper Oxide Open Pit resulted in a non-recurring impact to operating expenses of US\$19.9 million. Productivity and efficiency improvements led to improved cost performance towards the end of 2012.

Depreciation and amortisation was US\$16.2 million (33%) lower than in 2011 primarily due to the extension in the mine life, and an upward revision in Ore Reserves in late 2011 to incorporate the Copper Oxide Open Pit.

Cash flow analysis

Net cash flow

Net cash flow for 2012 reflected increased investments to support the long-term growth strategy of the Company.

Year ended 31 December	2012	2011
	<i>US\$ million</i>	<i>US\$ million</i>
<i>Continuing operations:</i>		
Operating cash flows	655.3	699.7
Investing cash flows	(2,158.1)	379.3
Financing cash flows	434.5	(338.4)
	(1,068.3)	740.6
Discontinued operations cash flows	—	(46.5)
Net cash flow — (decrease)/increase	<u>(1,068.3)</u>	<u>694.1</u>

Net operating cash flows decreased by 6% to US\$655.3 million in 2012 consistent with flat underlying EBITDA and adverse working capital movements, offset by lower tax paid.

Net investing cash outflows were US\$2,158.1 million in 2012, compared to a net cash inflow of US\$379.3 million in 2011.

Investment expenditure in 2012 included US\$1,310.5 million to acquire Anvil. During 2011, the Group received a US\$252.3 million net cash inflow from the purchase (US\$58.9 million) and sale (US\$311.2 million) of Equinox shares and US\$503.0 million consideration from the disposal of the trading, fabrication and other operations.

During 2012, the Group invested US\$752.4 million in the purchase of property, plant and equipment and the development of software. This included US\$284.6 million expenditure on major development and capital projects. Investment in mine development was US\$262.2 million (2011: US\$226.4 million).

Capital expenditure on major projects

Year ended 31 December	2012	2011	Total to date
	<i>US\$ million</i>	<i>US\$ million</i>	<i>US\$ million</i>
Dugald River	223.6	58.1	288.4
Izok Corridor	36.6	—	36.6
Copper Oxide Copper Pit — Golden Grove	24.4	0.6	25.0
Total	<u>284.6</u>	<u>58.7</u>	<u>350.0</u>

Net financing cash inflows were US\$434.5 million in 2012 compared to net cash outflows of US\$338.4 million in 2011.

The acquisition of Anvil was financed through cash reserves of US\$1,010.5 million and a loan from Shareholder, Album Enterprises Limited (Album Enterprises), in February 2012 for US\$300.0 million. In June 2012, the Group successfully refinanced borrowings of US\$751.0 million for a term of five years and in August 2012 announced the drawdown of a further US\$300.0 million pursuant to two 12-month working capital facilities for US\$150.0 million each entered with each of Industrial and Commercial Bank of China Limited, Sydney Branch (ICBC), and Australia and New Zealand Banking Group Limited (ANZ).

Financial resources and liquidity

Year ended 31 December	2012	2011	Change
	<i>US\$ million</i>	<i>US\$ million</i>	<i>US\$ million</i>
Total assets	4,659.2	3,453.5	1,205.7
Total liabilities	2,973.4	1,959.1	1,014.3
Total equity	<u>1,685.8</u>	<u>1,494.4</u>	<u>191.4</u>

Total equity increased by US\$191.4 million to US\$1,685.8 million as at 31 December 2012, mainly reflecting profit for the period net of dividends paid to non-controlling interests. The increase in Group assets and liabilities in 2012 was driven by the consolidation of Anvil assets and liabilities from 17 February 2012, the US\$300.0 million loan from Album Enterprises to partially fund the Anvil acquisition and the further US\$300.0 million drawdown in Group borrowings in August 2012.

The Group monitors capital using a gearing ratio defined as total borrowings (excluding finance charge prepayments) less cash and bank deposits divided by the aggregate of total borrowings plus total equity. The change in the gearing ratio to 0.46 is mainly attributable to the acquisition of Anvil in 2012.

Year ended 31 December	2012 <i>US\$ million</i>	2011 <i>US\$ million</i>
Total borrowings	1,645.5	1,081.1
Less: Cash and cash equivalents	<u>102.1</u>	<u>1,096.5</u>
Net debt/(cash)	<u>1,543.4</u>	<u>(15.4)</u>
Total borrowings	1,645.5	1,081.1
Total equity	1,685.8	1,494.4
	<u>3,331.3</u>	<u>2,575.5</u>
Gearing ratio	<u>0.46</u>	<u>N/A</u>

The Group's cash and cash equivalents amounting to US\$102.1 million (2011: US\$1,096.5 million) were mainly denominated in US\$.

As at 31 December 2012, the Group's borrowings (excluding finance charge prepayments) were as follows:

- 81.7% were bank borrowings, 18.2% were loans from related parties and 0.1% finance lease liabilities.
- 99.9% were denominated in US\$ and 0.1% in A\$.
- 99.9% were at floating rates and 0.1% at fixed rates.
- 22.7% were repayable within one year, 24.9% were repayable between one and two years and 52.4% were repayable between two and five years.

The Group's capital and non-capital commitments as at 31 December 2012 amounted to US\$376.5 million (2011: US\$67.9 million). The Group's gearing ratio was 0.46 as at 31 December 2012.

Development projects

An update of the Company's major development projects is below:

Dugald River, Australia

The development and construction of the Dugald River project was endorsed by the Board on 17 December 2012 with a final investment decision subject to the finalisation of financing.

Dugald River will process an average 2.0 million tonnes of ore to initially produce 200,000 to 220,000 tonnes of zinc in concentrate, 27,000 to 30,000 tonnes of lead in concentrate and 0.9 million ounces of silver in concentrate per year.

In 2012, agreements for gas supply and rail haulage were finalised and the two exploration declines continued to advance ahead of schedule, now in excess of 4,500 metres.

Pre-commitment activities progressed including engineering design and early construction associated with earthworks, roads and accommodation.

Expenditure incurred during 2012 totalled US\$223.6 million, taking the expenditure to date on the Dugald River project to US\$288.4 million.

Additional expenditure was approved by the Board enabling development and construction to progress leading up to the finalisation of financing arrangements with independent financiers which are expected to be completed in early 2013.

Total project cost is expected to be approximately A\$1,488 million excluding financing costs.

Izok Corridor, Canada

The Company continued to progress a feasibility study for the integrated development of the Izok and High Lake copper-zinc deposits.

The proposed project includes open-pit and underground mines at Izok and High Lake and a two-million tonne per annum concentrator at Izok.

The proposed transportation route is likely to be a 325-kilometre all-weather road that enables High Lake ore to be hauled for processing and connects to a new port at Grays Bay. The port would have the capacity to ship 650,000 tonnes of concentrate per annum.

Conclusion of the feasibility study is expected in the second half of 2013.

Total expenditure for the Izok Corridor project during 2012 totalled US\$36.6 million.

People

As at 31 December 2012, the Group employed a total of 4,979 full-time equivalent employees (2011: 3,677) in its continuing operations (excluding contractors and casual employees) with the majority of employees based in Australia, Laos and the DRC.

The additional 1,302 full-time equivalent employees include:

- The additional 630 employees at the Kinsevere mine.

- An increase of approximately 700 employees at Sepon, includes the conversion of casual staff to direct employees and the transition to an owner-operated mine.
- A decrease of approximately 100 employees at Golden Grove, following the strategic review and rationalisation of the operation.

Total staff costs for the Group's continuing operations for 2012, including directors' emoluments, totalled US\$392.8 million (2011: US\$331.5 million).

The Group has developed remuneration policies that align with market practice and remunerates its employees based on the responsibilities of their role, their performance, market requirements and the performance of the Company. Employee benefits include market-competitive fixed remuneration, performance-related incentives, a limited share option scheme and, in specific cases, insurance and medical coverage. A range of targeted training and development programs are provided to employees across the Company that are designed to improve individual capability, and enhance employee and Group performance.

Material acquisitions and disposals

Acquisition of Anvil

The Group acquired Anvil in February 2012, a company incorporated in Canada with its common shares listed on the Toronto Stock Exchange, for aggregate consideration of US\$1,310.5 million. The key asset of Anvil was the Kinsevere mine, an open-cut copper mine located in the Katanga Province of the DRC.

The Group did not make any other material acquisitions or disposals in 2012.

Divestment of the trading, fabrication and other operations of the Company

In December 2011, the Group completed the sale of its interest in the trading, fabrication and other downstream operations to a controlling Shareholder of the Group, China Minmetals Non-ferrous Metals Co. Ltd. (CMN), for aggregate consideration of US\$726.8 million.

Financial and capital risk management

The Group's activities expose it to a variety of financial risks including commodity price risk, interest rate risk, foreign exchange risk, credit risk, liquidity risk, equities price risk and sovereign risk.

Financial risk management (including the use of financial instruments for hedging purposes) is carried out by the Group Treasury function under policies approved by the Board. Group Treasury identifies, evaluates and manages financial risks in close cooperation with the Group's operating units.

Contingent liabilities

The Company and its subsidiaries are defendants from time to time in legal proceedings arising from the conduct of their businesses. The Group does not consider that the outcome of any of these proceedings ongoing at balance date, either individually or in aggregate, is likely to have a material effect on its financial position.

Additionally, certain bank guarantees have been provided in connection with the operations of certain of the subsidiaries of the Company. These are primarily associated with the terms of mining leases or exploration licences. As at 31 December 2012 no claims had been made under these guarantees.

Charges on assets

As at 31 December 2012, the following banking facilities granted to the Group required certain assets to be charged:

- the US\$751.0 million facility granted by CDB and BOC Sydney to Album Resources and MMG Management dated 12 June 2012 (US\$751.0 million Facility), with respect to a borrowing of US\$751.0 million;
- the US\$200.0 million facility granted by CDB to Album Resources dated 12 June 2009 (US\$200.0 million Facility), with respect to a borrowing of US\$170.0 million; and
- the A\$350.0 million bank guarantee facility between MMG Management and BOC Sydney (A\$350.0 million Facility).

The charges in respect of the US\$751.0 million and US\$200.0 million Facilities are:

- a first ranking equitable mortgage over 100% of the shares held in Album Resources' wholly owned subsidiary, Album Investment;
- a first ranking equitable mortgage over 100% of the shares in certain wholly owned subsidiaries of Album Investment including MMG Laos Holdings Limited; and
- a share charge over 70% of the shares in certain other subsidiaries of Album Investment including MMG Laos Holdings Limited.

The security in respect of the A\$350.0 million Facility is a second ranking equitable mortgage over the assets described above.

Capital expenditure and commitments

The capital expenditure of the Group during 2012 is described in the Cash Flow Analysis section above and the Group's capital and non-capital commitments as at 31 December 2012 are outlined in the Financial Resources and Liquidity section.

C. MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2013

Overview

For the purpose of the management discussion and analysis, the Group's results for the 12 months ended 31 December 2013 are compared with results for the 12 months ended 31 December 2012.

Year ended 31 December	2013	2012	Change
	<i>US\$ million</i>	<i>US\$ million</i> <i>(Restated)</i>	<i>%</i>
Revenue	2,469.8	2,499.4	(1)
Operating expenses	(1,544.0)	(1,537.4)	(0)
Administration expenses	(84.1)	(125.3)	33
Exploration expenses	(71.9)	(77.3)	7
Other income and expenses	(18.9)	(21.5)	12
EBITDA	750.9	737.9	2
Depreciation, amortisation and impairment expenses	(472.6)	(308.7)	(53)
EBIT	278.3	429.2	(35)
Net finance costs	(77.2)	(87.7)	12
Profit before income tax	201.1	341.5	(41)
Income tax expense	(78.6)	(107.4)	27
Profit for the year	122.5	234.1	(48)

The Group's management determined the operating segments based on reports reviewed by its Executive Committee. The Group's operations are managed on an operating site-by-site basis, with exploration, development projects and corporate activities being classified as 'other'. The Group's mining operations comprise Sepon, Kinsevere, Century, Rosebery and Golden Grove.

Year ended 31 December	Revenue			EBITDA		
	2013 <i>US\$ million</i>	2012 <i>US\$ million</i>	Change %	2012 <i>US\$ million</i>	2013 <i>US\$ million</i> <i>(Restated)</i>	Change %
Sepon	746.2	806.2	(7)	396.5	491.4	(19)
Kinsevere ⁽ⁱ⁾	455.3	279.9	63	198.0	131.1	51
Century	721.0	752.9	(4)	176.5	192.6	(8)
Rosebery	253.3	267.5	(5)	84.3	85.7	(2)
Golden Grove	294.0	392.9	(25)	73.0	67.9	8
Other	—	—	N/A	(177.4)	(230.8)	(23)
Total	2,469.8	2,499.4	(1)	750.9	737.9	2

(i) MMG acquired Kinsevere as part of the acquisition of Anvil Mining Limited in February 2012. The financial results of Kinsevere have been consolidated from 17 February 2012.

The following discussion and analysis of the financial information and results should be read in conjunction with the financial information.

Revenue

The Group's operations generated revenue of US\$2,469.8 million for the year ended 31 December 2013, US\$29.6 million (1%) lower than the year ended 31 December 2012.

Kinsevere operated for a full 12 months under MMG ownership in 2013 following the acquisition of Anvil Mining Limited in February 2012, and contributed an additional US\$175.4 million in the full year 2013 when compared with the full year 2012.

Revenue by commodity	2013	2012	Change %
Copper (US\$million)	1,364.9	1,179.8	16
Zinc (US\$million)	739.1	873.8	(15)
Lead (US\$million)	136.9	89.0	54
Gold US\$million)	122.0	225.9	(46)
Silver (US\$million)	106.9	130.9	(18)
Total	2,469.8	2,499.4	(1)

Price

Lower average LME base metals prices in 2013 compared with 2012 had an unfavourable impact on revenue.

Average LME cash price	2013	2012	Change %
Copper (US\$/tonne)	7,322	7,950	(8)
Zinc (US\$/tonne)	1,909	1,946	(2)
Lead (US\$/tonne)	2,141	2,061	4
Gold (US\$/ounce)	1,410	1,668	(16)
Silver (US\$/ounce)	23.79	31.15	(24)

Sales Volumes

Payable metal in product sold Year ended 31 December	2013	2012	Change %
Copper (tonnes)	187,449	148,850	26
Zinc (tonnes)	493,339	543,420	(9)
Lead (tonnes)	77,685	48,837	59
Gold (ounces)	89,996	123,214	(27)
Silver (ounces)	4,713,267	3,632,629	30

Payable metal in product sold Year ended 31 December 2013	Copper tonnes	Zinc tonnes	Lead tonnes	Gold ounces	Silver ounces
Sepon	92,687	—	—	38,843	83,663
Kinsevere ⁽ⁱ⁾	62,074	—	—	—	—
Century	—	402,421	49,751	—	1,144,351
Rosebery	1,576	75,611	23,786	29,161	2,392,054
Golden Grove	31,112	15,307	4,148	21,992	1,093,199
Total	187,449	493,339	77,685	89,996	4,713,267

Payable metal in product sold Year ended 31 December 2012	Copper	Zinc	Lead	Gold	Silver
	tonnes	tonnes	tonnes	ounces	ounces
Sepon	85,150	—	—	71,701	37,279
Kinsevere ⁽ⁱ⁾	35,698	—	—	—	—
Century	—	443,562	21,850	—	48,392
Rosebery	2,129	62,283	22,282	31,136	2,356,691
Golden Grove	25,873	37,575	4,705	20,377	1,190,267
Total	148,850	543,420	48,837	123,214	3,632,629

(i) MMG acquired Kinsevere as part of the acquisition of Anvil in February 2012.

A strong and consistent performance at Sepon and ramp-up of Kinsevere resulted in a 26% increase in copper sales volumes, compared with the year ended 31 December 2012.

Following the completion of the acquisition of Anvil Mining Limited (Anvil) in February 2012 and subsequent ramp-up to nameplate capacity, Kinsevere contributed an additional 26,376 tonnes of copper cathode sales. Higher level of equipment availability and improvements in efficiency at Sepon led to an additional 7,537 tonnes of copper cathode sold in the full year 2013.

Zinc sales volumes were 9% lower for the year due to reducing grades at Century, marginally offset by increased sales volumes at Rosebery. The mine plan at Golden Grove favoured copper production in 2013 resulting in lower zinc concentrate production and sales.

Gold sales volumes decreased 27% primarily due to lower gold production at Sepon.

Lead sales volumes increased by 59% compared with the year ended 2012 due to Century reclaiming additional lead from storage dams and trucking to the Karumba Port.

Operating expenses include operating site expenses excluding depreciation and amortisation. Site expenses include mining and processing expenses, changes in inventories, royalty expenses, selling expenses, corporate recharge expenses and other operating expenses. Operating expenses have increased by US\$6.6 million compared to 2012.

Kinsevere incurred an additional US\$108.1 million of operating expenses in 2013 reflecting the inclusion of 12 months of expenses in 2013 (2012: 10 months). The use of diesel and high-cost grid-sourced power adversely impacted Kinsevere production expenses by US\$44.8 million, however it contributed to an additional 26,376 tonnes of copper and \$175.4 million of revenue in 2013.

Excluding Kinsevere, operating expenses decreased by US\$101.5 million compared to 2012.

Golden Grove operating expenses decreased by US\$98.4 million compared to the comparative period, influenced by lower production and sales volumes as well as favourable unit cost performance following the strategic review and operational restructure in 2012.

Higher operating expenses as a result of higher sales volumes at Rosebery, Century and Sepon were mitigated by favourable unit cost performance driven by a focus on asset utilisation and business improvement initiatives. In addition to normal operating activities, Sepon operating expenses were also impacted by US\$10.3 million one-off expenses related to the suspension of Gold operations.

The weaker Australian dollar is estimated to have resulted in a favourable US\$58.3 million impact on operating expenses.

Administrative expenses of US\$84.1 million for the full year 2013 decreased by US\$41.2 million (33%) compared with 2012.

The Group continued to invest in growth activities expected to deliver future value to the Company and focused on implementing a long-term sustainable business model.

Administrative expenses decreased compared to 2012 mainly due to a US\$19.0 million decrease in incentive costs and a US\$19.3 million increase in expenses recharged direct to operating sites. Long-term incentives (LTI) reduced compared with 2012 due to the reversal of provisions held in relation to prior years. Administrative expense recharges to sites increased as sites continue to embrace the centralised operating model including the provision of business improvement and operational excellence expertise from Group office.

Exploration expenses decreased by US\$5.4 million (7%) to US\$71.9 million in 2013 due mainly to reduced spending on mine district exploration.

The Group invested US\$35.2 million in mine district exploration, a decrease of US\$18.3 million compared with 2012. Exploration in 2013 focused on sustaining and expanding current Ore Reserves and increasing the mine life of existing assets with particular focus at Sepon and Golden Grove.

MMG invested US\$36.7 million in new discovery and project generation programs in Australia, the Americas and Africa.

Other income and expenses had an aggregate unfavourable US\$18.9 million and US\$21.5 million impact on EBIT in 2013 and 2012 respectively.

Items in 2013 included foreign exchange gains on translation of monetary items of US\$12.6 million (2012: US\$3.3 million), offset by US\$6.6 million losses on financial assets recognised at fair value through profit or loss (2012: US\$14.1 million), and other sundry income and expense items.

Depreciation, amortisation and impairment expenses increased by US\$163.9 million to US\$472.6 million in 2013.

The increase primarily related to the Kinsevere (US\$55.4 million), Century (US\$52.0 million) and Golden Grove (US\$30.7 million) operations.

The variance was driven by higher ore mined and ore milled volumes, the inclusion of an additional two months of expense for Kinsevere in 2013, the commencement of the Golden Grove open pit in 2012 and higher amortisation of deferred waste balances at Century related to Stage 9 mining.

The variance was also impacted by the recognition of a US\$11.3 million impairment expense related to Sepon gold assets in 2013 and the 2012 US\$24.3 million reversal of impairment of Avebury fixed assets previously recognised in 2011.

Net finance costs decreased by US\$10.5 million to US\$77.2 million in 2013. The decrease was driven by a US\$13.2 million reduction in the interest unwind of long-term provisions and the capitalisation of US\$13.9 million interest expense related to the funding of the Dugald River project. This was partially offset by higher interest expense due to an increase in the effective interest rate on borrowings to 3.1% (2012: 2.6%).

The reduction in the interest unwind of long-term provisions followed the alignment of discount rates to the currency and expected maturity profile of obligations.

Income tax expenses decreased by US\$28.8 million to US\$78.6 million in 2013 reflecting the decrease in profit before income tax for the Group. The effective tax rate for the year ending 31 December 2013 was 39.1%. This is higher than the statutory tax rates applicable in MMG's operating jurisdictions (Laos 33.3%, Australia 30.0% and DRC 30.0%) due to the impact of tax credits not recognised for the purposes of HKFRS 12 Income Taxes relating to exploration and corporate costs, and adjustments relating to prior years for the DRC including expiry of carry forward tax losses (5 year time limit in DRC) and non-deductible charges.

Segmental analysis

Sepon

Year ended 31 December	2013	2012	Change %
Production			
Ore mined (tonnes)	3,589,858	3,778,465	(5)
Ore milled (tonnes)	4,141,945	4,270,548	(3)
Copper cathode (tonnes)	90,030	86,295	4
Gold (ounces)	36,075	70,275	(49)
Silver (ounces)	81,899	35,703	129
Payable metal in product sold			
Copper (tonnes)	92,687	85,150	9
Gold (ounces)	38,843	71,701	(46)
Silver (ounces)	83,663	37,279	124

Year ended 31 December	2013	2012	Change
	<i>US\$ million</i>	<i>US\$ million</i>	%
Revenue	746.2	806.2	(7)
Operating expenses			
Production expenses			
Mining	(38.9)	(48.6)	20
Processing	(112.3)	(103.5)	(8)
Other	(111.7)	(114.5)	2
Total production expenses	(262.9)	(266.6)	1
Freight (transportation)	(8.7)	(9.0)	3
Royalties	(33.1)	(35.9)	8
Other ⁽ⁱ⁾	(30.9)	(2.4)	(1,173)
Total operating expenses	(335.6)	(313.9)	(7)
EBITDA⁽ⁱⁱ⁾	396.5	491.4	(19)
Depreciation, amortisation and impairment expenses	(77.8)	(80.5)	3
EBIT	318.7	410.9	(22)
EBITDA margin	53%	61%	

(i) Other operating expenses include changes in inventories, corporate recharges and other costs of operations.

(ii) EBITDA includes revenue, operating expenses and other income and expense items.

Sepon achieved outstanding annual copper production results with 90,030 tonnes of copper cathode produced in 2013. Improvements in efficiencies, productivity and the high level of equipment availability were critical to optimising the capability of the copper mining operation.

Despite a 9% increase in copper sales, revenue decreased by US\$60.0 million (7%) compared to 2012 as increased copper sales were offset by a lower average realised copper price. Gold revenue, which represented 7% of total revenue in 2013, was impacted by lower sales volumes at a lower average realised price.

Total production expenses decreased by US\$3.7 million (1%) in 2013 despite the one-off costs associated with the cessation of gold. The transition of Sepon to an owner-operator mine contributed to a reduction in contractor costs (primarily related to mining costs) of US\$15.1 million compared to 2012. All mining activity is now undertaken by MMG employees enabling the Company to focus on safety, volume and costs.

MMG announced in November 2013 that it would cease gold production at Sepon in December due to depleting ore reserves and lower margins. The decision to place the gold plant on care and maintenance and the corresponding restructure have resulted in a one-off unfavourable impact to EBIT of US\$21.6 million, including the recognition of US\$11.3 million of impairment expense.

Depreciation and amortisation (excluding impairment) reduced by US\$14.0 million (17%) due to lower mining and milling volumes and lower amortisation of deferred waste balances related to gold production.

Kinsevere

Year ended 31 December	2013	2012	Change %
Production			
Ore mined (tonnes)	2,592,960	797,164	225
Ore milled (tonnes)	1,588,563	923,849	72
Copper cathode (tonnes)	62,076	36,048	72
Payable metal in product sold			
Copper (tonnes)	62,074	35,698	74

Year ended 31 December	2013 <i>US\$ million</i>	2012 <i>US\$ million</i>	Change %
Revenue	455.3	279.9	63
Operating expenses			
Production expenses			
Mining	(19.4)	(18.3)	(6)
Processing	(41.2)	(32.5)	(27)
Other	(132.6)	(83.1)	(60)
Total production expenses	(193.2)	(133.9)	(44)
Freight (transportation)	(37.2)	(6.8)	(447)
Royalties	(19.0)	(12.0)	(58)
Other ⁽ⁱ⁾	(7.9)	3.5	N/A
Total operating expenses	(257.3)	(149.2)	(72)
EBITDA ⁽ⁱⁱ⁾	198.0	131.1	51
Depreciation, amortisation and impairment expenses	(126.1)	(70.7)	(78)
EBIT	71.9	60.4	19
EBITDA margin	43%	47%	

(i) Other operating expenses include changes in inventories, corporate recharges and other costs of operations.

(ii) EBITDA includes revenue, operating expenses and other income and expense items.

In its first full year under MMG ownership, Kinsevere achieved an annual production record of 62,076 tonnes of copper cathode, exceeding nameplate capacity of 60,000 tonnes. This was due to sustainable levels of high throughput, improved efficiencies and a stable electricity supply enabled by the use of diesel generators.

Revenue increased by US\$175.4 million (63%) compared to 2012 reflecting a 74% increase in copper sales, albeit at a lower average realised price. Comparative figures in 2012 are consolidated from 17 February 2012 following the acquisition of Anvil in February 2012.

Kinsevere mined 225% more ore compared to 2012, however mining costs were well controlled and only increased by US\$1.1 million (6%). Ore processed also increased significantly by 72% with a corresponding 27% increase in processing costs. Total production expenses increased by US\$59.3 million (44%) compared to 2012, reflecting the full year production of Kinsevere and higher energy costs.

The use of diesel and high-cost grid-sourced power resulted in a US\$44.8 million increase in energy costs compared to 2012 (energy costs are reported as part of other production expenses). Kinsevere power requirements continue to be sourced via the electricity grid and from diesel generators. In 2013 approximately 57% of power requirements were met from electricity sourced via diesel generation.

Depreciation, amortisation and impairment expenses increased US\$55.4 million (78%) corresponding to the increase in mining and processing volumes.

Century

Year ended 31 December	2013	2012	Change %
Production			
Ore mined (tonnes)	6,947,259	5,204,013	33
Ore milled (tonnes)	7,096,282	5,413,520	31
Zinc in zinc concentrate (tonnes)	488,233	514,707	(5)
Lead in lead concentrate (tonnes)	54,163	21,390	153
Payable metal in product sold			
Zinc (tonnes)	402,421	443,562	(9)
Lead (tonnes)	49,751	21,850	128
Silver (ounces)	1,144,351	48,392	2,265

Year ended 31 December	2013 <i>US\$ million</i>	2012 <i>US\$ million</i> <i>(Restated)</i>	Change %
Revenue	721.0	752.9	(4)
Operating expenses			
Production expenses			
Mining	(112.2)	(128.9)	13
Processing	(259.5)	(249.9)	(4)
Other	(74.0)	(84.0)	12
Total production expenses	(445.7)	(462.8)	4
Freight (transportation)	(46.2)	(48.4)	5
Royalties	(23.2)	(20.5)	(13)
Other ⁽ⁱ⁾	(36.7)	(35.4)	(4)
Total operating expenses	(551.8)	(567.1)	3
EBITDA ⁽ⁱⁱ⁾	176.5	192.6	(8)
Depreciation, amortisation and impairment expenses	(172.7)	(120.7)	(43)
EBIT	3.8	71.9	(95)
EBITDA margin	24%	26%	

(i) Other operating expenses include changes in inventories, corporate recharges and other costs of operations.

(ii) EBITDA includes revenue, operating expenses and other income and expense items.

Century continues to demonstrate strong operating performance, achieving annual records in mining and processing in 2013. This was a direct result of asset utilisation and productivity improvement programs that commenced in 2012, aimed at maximising throughput, maintaining production volumes and reducing mining and processing input costs.

As mining progresses through the final stages of the open-pit mine, the average zinc grade of ore mined decreased from 11.9% in 2012 to 8.9% in 2013. Ore mined and milled was 33% and 31% higher respectively, substantially offsetting the lower grade, resulting in only a 5% decrease in total zinc production.

An increase in lead concentrate production of 153% was the result of reclaiming from storage dams. This in combination with increased lead mined grades of 1.0% to 1.4% resulted in a 128% increase in annual lead sales volumes compared to the previous year.

On a zinc equivalent basis, Century produced and sold more product in 2013 than in 2012.

Revenue decreased by US\$31.9 million (4%) due to lower zinc sales volumes at a lower average realised price, partially offset by the increase in lead sales at a higher average realised price.

Production expenses decreased by US\$17.1 million (4%) compared to 2012 despite the increase in mining and milling volumes. This decrease was the result of the successful execution of cost saving initiatives, as well as improved reliability and availability of both mobile and fixed plant equipment.

Century also processed 95,000 tonnes of Dugald River ore to produce 6,050 tonnes of zinc concentrate in 2013. The US\$11.0 million cost associated with transporting and processing Dugald River ore into saleable concentrate is included in Century's processing cost.

Depreciation, amortisation and impairment expenses increased by US\$52.0 million due to the record mining and milling activity and increased amortisation of deferred waste balances following the completion of Stage 9. The mining of Stage 9 commenced in 2010, however more than half of the ore was extracted in the first half of 2013.

Rosebery

Year ended 31 December	2013	2012	Change %
Production			
Ore mined (tonnes)	893,181	856,957	4
Ore milled (tonnes)	897,277	812,595	10
Copper in copper concentrate (tonnes)	1,852	1,587	17
Zinc in zinc concentrate (tonnes)	88,369	70,410	26
Lead in lead concentrate (tonnes)	24,865	20,146	23
Gold (ounces)	6,058	8,695	(30)
Silver (ounces)	3,623	5,152	(30)
Payable metal in product sold			
Copper (tonnes)	1,576	2,129	(26)
Zinc (tonnes)	75,611	62,283	21
Lead (tonnes)	23,786	22,282	7
Gold (ounces)	29,161	31,136	(6)
Silver (ounces)	2,392,054	2,356,691	2

Year ended 31 December	2013 <i>US\$ million</i>	2012 <i>US\$ million</i>	Change %
Revenue	253.3	267.5	(5)
Operating expenses			
Production expenses			
Mining	(93.8)	(92.6)	(1)
Processing	(31.6)	(32.1)	2
Other	(18.9)	(25.3)	25
Total production expenses	(144.3)	(150.0)	4
Freight (transportation)	(8.7)	(7.1)	(23)
Royalties	(11.2)	(9.3)	(20)
Other ⁽ⁱ⁾	(9.2)	(16.4)	44
Total operating expenses	(173.4)	(182.8)	5
EBITDA⁽ⁱⁱ⁾	84.3	85.7	(2)
Depreciation, amortisation and impairment expenses	(25.9)	(26.5)	2
EBIT	58.4	59.2	(1)
EBITDA margin	33%	32%	

(i) Other operating expenses include changes in inventories, corporate recharges and other costs of operations.

(ii) EBITDA includes revenue, operating expenses and other income and expense items.

Rosebery reported a robust result in 2013, achieving annual production records, reducing costs and improving margins. Rosebery produced 88,369 tonnes of zinc in zinc concentrate in 2013, a 26% increase compared to 2012. This was achieved through consistent throughput and the benefits of optionality created from multiple ore sources.

Mining and milling volumes were 4% and 10% higher respectively than the previous year and the average grade of ore milled increased from 9.7% in 2012 to 11.1% in 2013.

Revenue decreased US\$14.2 million (5%) compared to 2012. Higher zinc, lead and silver sales were offset by reduced copper and gold sales combined with lower average realised prices for all commodities with the exception of lead. The sale of zinc contributed 44% of Rosebery revenue in 2013.

Solid operational and financial discipline contributed to the year's positive results, with production expenses decreasing by US\$5.6 million (4%) compared to 2012. The review of underground operations in 2012 led to a reduction in work performed by contractors at Rosebery, reducing costs by US\$13.5 million in 2013. Mining costs relating to the use of consumables were US\$7.2 million higher than 2012 due to improvements in ground support following the seismic event in 2012.

Golden Grove

Year ended 31 December	2013	2012	Change %
Production			
Ore mined (tonnes)	2,443,716	1,703,886	43
Ore milled (tonnes)	1,766,157	1,668,080	6
Copper in copper concentrate (tonnes)	33,780	28,406	19
Zinc in zinc concentrate (tonnes)	23,619	37,419	(37)
Lead in lead concentrate (HPM, tonnes)	2,382	5,344	(55)
Payable metal in product sold			
Copper (tonnes)	31,112	25,873	20
Zinc (tonnes)	15,307	37,575	(59)
Lead (tonnes)	4,148	4,705	(12)
Gold (ounces)	21,992	20,377	8
Silver (ounces)	1,093,199	1,190,267	(8)
Year ended 31 December	2013	2012	Change
	<i>US\$ million</i>	<i>US\$ million</i>	%
Revenue	294.0	392.9	(25)
Operating expenses			
Production expenses			
Mining	(105.7)	(149.4)	29
Processing	(56.5)	(69.7)	19
Other	(61.0)	(47.8)	(28)
Total production expenses	(223.2)	(266.9)	16
Freight (transportation)	(9.9)	(10.3)	5
Royalties	(12.3)	(16.8)	27
Other ⁽ⁱ⁾	19.5	(30.3)	N/A
Total operating expenses	(225.9)	(324.3)	30
EBITDA⁽ⁱⁱ⁾	73.0	67.9	8
Depreciation, amortisation and impairment expenses	(62.8)	(32.1)	(96)
EBIT	10.2	35.8	(72)
EBITDA margin	25%	17%	

(i) Other operating expenses include changes in inventories, corporate recharges and other costs of operations.

(ii) EBITDA includes revenue, operating expenses and other income and expense items.

Golden Grove continued to focus on copper in 2013 with ore sourced from both the copper oxide open pit and from lower grade underground mining. Total copper production increased by 19% and zinc production decreased by 37% compared to 2012.

Total revenue decreased by US\$98.9 million (25%) compared to 2012 despite a 20% increase in copper sales. Lower zinc, lead and silver sales volumes and lower average realised prices more than offset the higher copper sales volumes. The sale of copper contributed to 72% of Golden Grove revenue in 2013.

Golden Grove continues to focus on strategic cost reductions and optimising mine plan design to sustain long-term profitability. This focus was demonstrated through the US\$43.7 million (16%) reduction in production expenses in 2013. Mining costs were US\$43.7 million lower than 2012 despite a 43% increase in the quantity of ore mined due to lower costs of open pit mining compared to underground. In addition, cost savings in excess of US\$20.0 million were realised following the strategic review of Golden Grove in 2012. The strategic review resulted in cost savings in relation to employee benefits, contractor costs and general administration costs.

Depreciation, amortisation and impairment expenses were US\$30.7 million (96%) higher than in 2012 mainly due to higher volumes of ore mined and ore milled and the commissioning of the copper oxide open pit in 2012.

Cash flow analysis

Net cash flow

Net cash flow reflects stable operating cash flows and reduced investments in 2013 following the acquisition of Anvil in 2012.

Year ended 31 December	2013	2012 <i>(Restated)</i>
Operating cash flows	554.5	557.9
Investing cash flows	(660.6)	(2,067.1)
Financing cash flows	147.0	434.5
Net cash flow — increase/(decrease)	40.9	(1,074.7)

Net operating cash flows decreased by 1% to US\$554.5 million in 2013 due to unfavourable working capital movements, partially offset by higher EBITDA and lower tax paid.

Net investing cash outflows were US\$660.6 million in 2013 compared to US\$2,067.1 million in 2012.

During 2013, the Group invested US\$616.3 million in the purchase of property, plant and equipment and the development of software compared to US\$661.4 million in 2012. This included US\$257.0 million expenditure on major development projects (2012: US\$260.2 million) and US\$129.6 million (2012: US\$171.2 million) investment in mine property and development.

Investment cash flows in 2012 also included US\$1,360.5 million to acquire Anvil and US\$28.5 million consideration received from the disposal of the trading, fabrication and other operations.

Capital expenditure on major projects

As at 31 December	2013	2012	Total to date
	<i>US\$ million</i>	<i>US\$ million</i>	<i>US\$ million</i>
Dugald River	240.3	223.6	528.7
Izok Corridor	16.7	36.6	53.3
Total	257.0	260.2	582.0

Net financing cash flows were an inflow of US\$147.0 million in 2013 compared to an inflow of US\$434.5 million in 2012.

Financing cash inflows in 2013 included the June 2013 drawdown of US\$250.0 million under the US\$1,000 million Dugald River facility agreed with Bank of China and China Development Bank, and US\$338.0 million raised in August 2013 via the issuance of Convertible Redeemable Preference Shares. This was partially offset by repayments of borrowings and payment of interest and financing costs in line with contractual terms.

Financing cash inflows in 2012 included the successful refinancing of US\$751.0 million borrowings for a term of five years and the drawdown of a further US\$300.0 million pursuant to two 12-month working capital facilities (US\$150.0 million each) agreed with each of Industrial and Commercial Bank of China Limited, Sydney Branch (ICBC), and Australia and New Zealand Banking Group Limited (ANZ).

Financial resources and liquidity

As at 31 December	2013	2012	Change
	<i>US\$ million</i>	<i>US\$ million</i> <i>(Restated)</i>	<i>US\$ million</i>
Total assets	4,683.5	4,561.7	121.8
Total liabilities	2,866.7	2,973.4	(106.7)
Total equity	1,816.8	1,588.3	228.5

Total equity increased by US\$228.5 million (post restatement) to US\$1,816.8 million as at 31 December 2013 mainly reflecting the issuance of the Convertible Redeemable Preference Shares during 2013 and recognised profits for the year.

The Group monitors capital using a gearing ratio defined as net debt (total borrowings excluding finance charge prepayments, less cash and bank deposits) divided by the aggregate of net debt plus total equity. The Group's gearing ratio was 0.45 as at 31 December 2013.

As at 31 December	31 December	31 December
	2013	2012
	<i>US\$ million</i>	<i>US\$ million</i> <i>(Restated)</i>
Total borrowings (excluding prepayments)	1,644.2	1,645.5
Less: cash and cash equivalents	137.4	95.7
Net debt	1,506.8	1,549.8
Total equity	1,816.8	1,588.3
	3,323.6	3,138.1
Gearing ratio	0.45	0.49

The Group's cash and cash equivalents at 31 December 2013 of US\$137.4 million (2012: US\$95.7 million) were mainly denominated in US\$.

As at 31 December 2013, the Group's borrowings (excluding finance charge prepayments) were as follows:

- 83.4% were bank borrowings, 4.6% were loans from related parties and 12.0% related to balances associated with convertible redeemable preference shares.
- 100% were denominated in US\$.
- 88% were priced based on floating interest rates and 12% based on fixed interest rates.
- 21.4% were repayable within one year, 7.7% were repayable between one and two years, 50.8% were repayable between two and five years and 20.1% were repayable over five years.

The Group's capital commitments for purchases of property, plant and equipment and intangible assets as at 31 December 2013 were US\$37.3 million (2012: US\$69.3 million).

2013 Dividends

Given the Company performance in 2013 and in consideration of alternative uses of capital, the Board of MMG has recommended a dividend of 1.0 US cent per share for the year ended 31 December 2013. The record date for determining entitlement for the dividend is 29 May 2014. The dividend will be paid to shareholders on 6 June 2014.

2013 Annual Results and Dividend

Full Year Results Announcement	11 March 2014	and Dividend Recommended	11 March 2014
Last day to trade cum dividend on HKSE and currency conversion into Hong Kong Dollar			22 May 2014
Ex-Dividend Date (the stock exchange of Hong Kong)			23 May 2014
Record Date (including currency conversion and currency election dates)			29 May 2014
Payment Date			6 June 2014

Development projects

An update of the Company's major development projects is below:

Dugald River, Australia

The Dugald River project is one of the largest and highest-grade known undeveloped deposits of zinc, lead and silver in the world. Located in north-west Queensland, approximately 65 kilometres north-west of Cloncurry, the deposit is a Mineral Resource of 63 million tonnes at 12% zinc, 1.8% lead and 31g/t silver.

The deposit is being developed as an underground mine accessed by two declines (north and south). The underground mine development continued to advance ahead of schedule, with the two exploration declines in excess of 12,900 metres at the end of December 2013. All-weather access to the Dugald River site is in place, with construction village access and main access road infrastructure works substantially complete.

In 2013, MMG completed financing arrangements with the Bank of China and China Development Bank Corporation in relation to the project. During the year, MMG undertook additional geotechnical and geological test work to better understand the Dugald River ore body. The findings of this work prompted a review of the planned mining method, optimum production volumes and surface infrastructure requirements. The Board approved an additional A\$57.0 million for a trial stoping program during 2014. The program will provide practical mining experience, enabling optimisation of the underground mine design. A change in project parameters arising from the 2014 work program could impact the future direction of the project.

A five-day metallurgical test of 95,000 tonnes of Dugald River ore on the Century processing circuit was conducted in early October 2013. The campaign produced 6,050 tonnes of zinc in concentrate, containing an average of 50.8% zinc, 1.6% lead and 1.6% manganese. Processing Dugald River ore using existing infrastructure at Century remains a future option for the project.

MMG will not achieve the previously announced schedule of first concentrate shipment in late 2015. The trial stoping program will provide greater certainty on the future direction of the project including project schedule, mining and processing methods, and capital and operating costs.

Izok Corridor, Canada

The Izok Corridor project includes the Izok and High Lake deposits located in the Slave Geological Province in Nunavut, northern Canada. Izok is a large deposit with a Mineral Resource of 15 million tonnes at 13% zinc and 2.3% copper. The High Lake deposit, located north of Izok, has a Mineral Resource of 14 million tonnes at 3.8% zinc and 2.5% copper. MMG also holds other base metal deposits in the region and exploration tenements totalling 5,000 square kilometres.

During 2013, the evaluations of the Izok and High Lake base metal deposits continued. The geological resource models for Izok and High Lake were updated and metallurgical testing was completed during the first half of 2013. A number of value engineering opportunities were identified during the year, including the bulk modularisation of process plant and infrastructure. These evaluations are indicating potential capital savings compared with previous scenarios.

Along with engineering effort, the exploration program will continue to focus on identifying additional mineral resources in the Izok Corridor. New mineral resource targets have been identified along the project development corridor with an exploration program planned for 2014.

Total capital expenditure for the Izok Corridor project in 2013 totalled US\$16.7 million, taking the capital expenditure to date on the Izok Corridor project to US\$53.3 million.

Contracts and commitments***Sepon***

As part of its transition to an owner-miner operation, agreements were entered into for the supply of equipment, including tyres, lighting towers and drill rigs, some of which were purchased under the Global Sourcing program. An agreement was entered into for the upgrade of the current Sepon Airstrip which is a key milestone in the progression of Sepon's broader aviation strategy aimed at reducing cost, reducing flight times and minimising Sepon's aviation risk. The project was completed in the fourth quarter of 2013 and is now undergoing certification from the Lao Department of Civil Aviation.

Kinsevere

An agreement was entered into for the provision of temporary power generation services to ensure security of power supply due to significant issues with availability and reliability of grid power supply in the DRC.

Century

MMG Century Limited entered into agreements for the supply of key commodities, sodium isopropyl xanthate and copper sulphate to the Century, Rosebery and Golden Grove mine sites. An agreement was also entered into for the provision of inbound logistics services for both Dugald River and Century to enhance synergies.

Rosebery

MMG Australia Limited, a subsidiary of the Company, entered into agreements in relation to underground mine development services, rising mains and levels rehabilitation works at the Rosebery mine site. The provision of drilling services was transitioned to a new supplier who was also awarded drilling services at Golden Grove, under a competitive tender in 2013.

Golden Grove

MMG Golden Grove Pty Ltd, a subsidiary of the Company, entered into an agreement for the transport of concentrate from the Golden Grove mine site to the Port of Geraldton, the management of the port warehouse and ship-loading services. The agreement for fly-in fly-out services to the Golden Grove mine site was also extended following a competitive process.

Dugald River

Contracts were awarded for the design and construction of the construction camp, permanent village accommodation as well as the construction of the main site access road and permanent water supply pipeline. Gas and electricity supply agreements were also finalised. Pre-commitment activities continued including engineering design and the tendering of infrastructure-related contracts.

Other

A Group-wide agreement was entered into for the provision of laboratory testing services for all MMG's exploration, projects and operational sites to provide a consistency of testing services to determine the grade of drilled and mined material in support of current and future mine definition and progress.

People

As at 31 December 2013, the Group employed a total of 4,897 full-time equivalent employees (2012: 4,979) in its operations (excluding contractors, casual employees, apprentices and trainees) with the majority of employees based in Australia, Laos and the DRC.

Total employee benefits expenses for the Group's operations for the 12 months ended 31 December 2013, including directors' emoluments, totalled US\$430.8 million, an increase of 3% (2012: US\$418.8 million).

The Group has remuneration policies that align with market practice and remunerates its employees based on the responsibilities of their role, their performance, market requirements and the performance of the Group. Employee benefits include market-competitive fixed remuneration, performance-related incentives, a limited share option scheme and, in specific cases, insurance and medical coverage. A range of targeted training and development programs are provided to employees across the Group that are designed to improve individual capability, and enhance employee and Group performance.

Material acquisitions and disposals***Acquisition of Anvil***

The Group acquired Anvil in February 2012, a company incorporated in Canada with its common shares listed on the Toronto Stock Exchange, for an aggregate consideration of US\$1,360.5 million. The key asset of Anvil was the Kinsevere mine, an open-pit copper mine located in the Katanga Province of the DRC.

The Group did not make any material acquisitions or disposals in the year ended 31 December 2013.

Events after the reporting date

Other than the matters outlined elsewhere in this announcement, there have been no matters that have occurred subsequent to the reporting date which have significantly affected, or may significantly affect the Group's operations, results or state of affairs in future years.

Financial and capital risk management*Financial risk factors*

The Group's activities expose it to a variety of financial risks, including commodity price risk, interest rate risk, foreign exchange risk, credit risk, liquidity risk, equities price risk and sovereign risk. The Group's overall risk management approach focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group does not and is prohibited to enter into derivative contracts for speculative purposes.

Financial risk management (including the use of financial instruments for hedging purposes) is carried out by the Group Treasury function under policies approved by the Board. Group Treasury identifies, evaluates and manages financial risks in close cooperation with the Group's operating units. The Board approves written principles for overall risk management, as well as policies covering specific areas, such as those identified above.

The Group currently holds no hedging instruments.

(a) Commodity price risk

The Group is exposed to commodity price volatility on commodity sales made by its operations. This arises from the sale of metal and metal in concentrate products such as zinc, copper, lead, gold and silver, which are priced on, or benchmarked to, open market exchanges. The Group generally believes commodity price hedging would not provide long-term benefit to its Shareholders. There are no commodity hedges in place as at 31 December 2013.

(b) Interest rate risk

The Group is exposed to interest rate volatility on deposits and borrowings. Deposits and borrowings at variable rates expose the Group to cash flow interest rate risk. Deposits and borrowings at fixed rates expose the Group to fair value interest rate risk.

The Group regularly monitors its interest rate risk to ensure there are no undue exposures to significant interest rate movements. Any decision to hedge interest rate risk is assessed at the inception of each floating rate debt facility in light of the overall Group's exposure, the prevailing interest rate market and any funding counterparty requirements. Monthly reporting is provided to the Executive Committee, which summarises the Group's debt and interest rates.

(c) Foreign exchange risk

The Group operates internationally and is exposed to foreign currency exchange risk. The Group's reporting currency and functional currency of the majority of subsidiaries within the Group is the United States dollars (US\$). The majority of revenue received by the Group is in US\$. The Group's foreign currency exchange risk arises predominantly from the currency in which the Group's operations are located.

The Group is exposed to foreign exchange risk primarily with respect to Australian dollars (A\$), Hong Kong dollars (HK\$) and Canadian dollars (C\$). Given the exchange rate peg between HK\$ and US\$, it is not foreseen that the Group will be exposed to significant exchange rate risk for the transactions conducted in HK\$ or US\$. However, exchange rate fluctuations of C\$ or A\$ against US\$ could affect the Group's performance and asset value. The A\$ is the most important currency influencing costs.

Under normal market conditions, the Group does not believe that active currency hedging of transactions would provide long-term benefit to Shareholders. The Group tries to minimise these exposures through natural hedges wherever possible. For instance, the majority of external debt and surplus cash is denominated in US\$. A portion of cash may be held in A\$ to meet operating costs.

The long-term relationship between commodity prices and the currencies of the countries where the Group operates provides a degree of natural protection. The Group may, however, choose to hedge large foreign currency exposures such as capital expenditure, dividends or tax payments.

(d) *Credit risk*

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group is exposed to counterparty credit risk through sales of metal products on normal terms of trade, through deposits of cash and settlement risk on foreign exchange transactions. At the reporting date, the carrying amount of the Group's financial assets, including cash and cash equivalents, trade and other receivables and other bank deposits, represents the maximum credit exposure.

The credit risk on investments in cash, short-term deposits and similar assets is with approved counterparty banks and the intermediate holding company. Counterparties are assessed prior to, during and after the conclusion of transactions to ensure exposure to credit risk is limited to acceptable levels. The limits are set to minimise the concentration of risks and therefore mitigate the potential for financial loss through counterparty failure.

(e) *Liquidity risk*

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities.

Management utilises short and long-term cash flow forecasts and other consolidated information to ensure appropriate liquidity buffers are maintained to support the Group's activities.

(f) *Equities price risk*

Equity securities price risk arising from investments held by the Group are classified in the balance sheet as available-for-sale and other financial assets. The majority of the Group's equity investments are publicly traded. The Group did not have significant equity securities exposed to price risk as at 31 December 2013.

(g) *Sovereign risk*

The Group has operations in developing countries that may carry higher levels of sovereign risk. In general, however, mining companies are increasingly willing to develop or acquire projects in locations that would traditionally have been viewed as having higher sovereign risk.

Contingent liabilities

The Company and its subsidiaries are defendants from time to time in legal proceedings arising from the conduct of their businesses. The Group does not consider that the outcome of any of these proceedings ongoing at the balance sheet date, either individually or in aggregate, is likely to have a material effect on its financial position.

Additionally, certain bank guarantees have been provided in connection with the operations of certain of the subsidiaries of the Company. These are primarily associated with the terms of mining leases or exploration licences. As at 31 December 2013 no claims had been made under these guarantees.

Charges on assets

As at 31 December 2013 the following banking facilities granted to the Group required certain assets to be charged:

- the US\$751.0 million facility granted by China Development Bank Corporation (CDB) and Bank of China Sydney Branch (BOC Sydney) to Album Resources Private Limited (Album Resources) and MMG Management Pty Ltd (MMG Management) dated 12 June 2012 (US\$751.0 million Facility), with respect to a borrowing of US\$713.4 million;
- the US\$200.0 million facility granted by CDB to Album Resources dated 12 June 2009 (US\$200.0 million Facility), with respect to a borrowing of US\$150.0 million;
- the A\$350.0 million bank guarantee facility between MMG Management and BOC Sydney (A\$350.0 million Facility); and
- the US\$1,000 million facility granted by CDB and BOC Sydney to MMG Dugald River Pty Ltd (MMG Dugald River) dated 27 June 2013 (US\$1.0 billion Facility), with respect to a borrowing of US\$250.0 million.

The charges in respect of the US\$751.0 million and US\$200.0 million Facilities are:

- a first-ranking equitable mortgage over 100% of the shares held in Album Resources' wholly owned subsidiary, Album Investment Private Limited (Album Investment);
- a first-ranking equitable mortgage over 100% of the shares in certain wholly owned subsidiaries of Album Investment including MMG Laos Holdings Limited; and

- a share charge over 70% of the shares in certain other subsidiaries of Album Investment including MMG Laos Holdings Limited.

The security in respect of the A\$350.0 million Facility is a second-ranking equitable mortgage over the assets described above.

The charges in place for the US\$1,000 million Facility are the same as those existing in respect of the US\$751.0 million Facility. In addition, certain subsidiaries of the Company that relate to the Dugald River project have provided asset security in respect of their assets. Following successful commissioning of the Dugald River project, and subject to meeting certain agreed conditions, the financing will be limited recourse to the assets and shares of MMG Dugald River.

Future prospects

MMG expects to produce 173,000-186,000 tonnes of copper and 600,000-625,000 tonnes of zinc in 2014.

Introduction

The following is the illustrative and unaudited pro forma financial information of the Enlarged Group (“unaudited pro forma financial information”), including the unaudited pro forma consolidated balance sheet, the unaudited pro forma consolidated income statement and the unaudited pro forma consolidated cash flow statement of the Enlarged Group. The unaudited pro forma financial information has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Acquisition, as if it had taken place on 31 December 2013 for the unaudited pro forma consolidated balance sheet and on 1 January 2013 for the unaudited pro forma consolidated income statement and the unaudited pro forma consolidated cash flow statement.

The unaudited pro forma financial information has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position, results of operations and cash flows of the Enlarged Group had the Acquisition been completed as at 31 December 2013 or 1 January 2013, where applicable, or at any future dates.

The unaudited pro forma financial information should be read in conjunction with other financial information included elsewhere in this circular.

APPENDIX III
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE ENLARGED GROUP**
A. UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET

	Pro forma adjustments							Pro forma Enlarged Group as at 31 December 2013 (Unaudited)	
	Group as at 31 December 2013 (Audited)	Target Company as at 31 December 2013	Project Company as at 31 December 2013	Pro forma adjustment	Target Group as at 31 December 2013	Other pro forma adjustments			
	US\$ million	US\$ million	US\$ million	US\$ million	US\$ million	US\$ million	US\$ million	US\$ million	
	Note 1	Note 2	Note 2	Note 3	Note 4	Note 5	Note 6		
ASSETS									
Non-current assets									
Property, plant and equipment	3,323.1	—	4,187.7	—	4,187.7	—	1,665.4	—	9,176.2
Intangible assets	284.0	—	—	—	—	—	532.9	—	816.9
Inventories	53.9	—	—	—	—	—	—	—	53.9
Deferred income tax assets	136.5	—	—	—	—	—	—	—	136.5
Other receivables	40.6	—	77.5	—	77.5	—	—	—	118.1
Other financial assets	4.3	—	—	—	—	—	—	—	4.3
Other assets	7.5	—	—	—	—	—	—	—	7.5
Investments in subsidiaries	—	1,319.3	—	(1,319.3)	—	2,985.6	(2,985.6)	—	—
	<u>3,849.9</u>	<u>1,319.3</u>	<u>4,265.2</u>	<u>(1,319.3)</u>	<u>4,265.2</u>	<u>2,985.6</u>	<u>(787.3)</u>	<u>—</u>	<u>10,313.4</u>
Current assets									
Inventories	298.0	—	1.9	—	1.9	—	—	—	299.9
Trade and other receivables	263.3	—	135.4	—	135.4	—	—	—	398.7
Current income tax assets	—	0.8	16.4	—	17.2	—	—	—	17.2
Other financial assets	110.5	—	—	—	—	—	—	—	110.5
Cash and cash equivalents	137.4	0.1	1.6	—	1.7	—	—	—	139.1
	<u>809.2</u>	<u>0.9</u>	<u>155.3</u>	<u>—</u>	<u>156.2</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>965.4</u>
Assets of disposal group classified as held for sale	24.4	—	—	—	—	—	—	—	24.4
	<u>833.6</u>	<u>0.9</u>	<u>155.3</u>	<u>—</u>	<u>156.2</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>989.8</u>
Total assets	<u><u>4,683.5</u></u>	<u><u>1,320.2</u></u>	<u><u>4,420.5</u></u>	<u><u>(1,319.3)</u></u>	<u><u>4,421.4</u></u>	<u><u>2,985.6</u></u>	<u><u>(787.3)</u></u>	<u><u>—</u></u>	<u><u>11,303.2</u></u>

APPENDIX III
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE ENLARGED GROUP**

	Pro forma adjustments								Pro forma Enlarged Group as at 31 December 2013 (Unaudited) US\$ million
	Group as at 31 December 2013 (Audited) US\$ million Note 1	Target Company as at 31 December 2013 US\$ million Note 2	Project Company as at 31 December 2013 US\$ million Note 2	Pro forma adjustment US\$ million Note 3	Target Group as at 31 December 2013 US\$ million	Other pro forma adjustments US\$ million			
						Note 4	Note 5	Note 6	
EQUITY									
Capital and reserves attributable to equity holders of the Company									
Share capital	33.9	1,320.1	1,319.3	(1,319.3)	1,320.1	—	(1,320.1)	—	33.9
Reserves and retained profits	1,586.2	—	0.1	—	0.1	—	(0.1)	(12.5)	1,573.7
	1,620.1	1,320.1	1,319.4	(1,319.3)	1,320.2	—	(1,320.2)	(12.5)	1,607.6
Non-controlling interests	196.7	—	—	—	—	759.3	—	(7.5)	948.5
Total equity	1,816.8	1,320.1	1,319.4	(1,319.3)	1,320.2	759.3	(1,320.2)	(20.0)	2,556.1
LIABILITIES									
Non-current liabilities									
Deferred income tax liabilities	239.3	—	—	—	—	—	532.9	—	772.2
Borrowings	1,270.6	—	2,939.8	—	2,939.8	2,236.3	—	20.0	6,466.7
Provisions	636.0	—	3.1	—	3.1	—	—	—	639.1
	2,145.9	—	2,942.9	—	2,942.9	2,236.3	532.9	20.0	7,878.0
Current liabilities									
Trade and other payables	235.6	—	156.6	—	156.6	(10.0)	—	—	382.2
Current income tax liabilities	76.6	—	—	—	—	—	—	—	76.6
Borrowings	350.8	—	—	—	—	—	—	—	350.8
Provisions	51.9	0.1	1.6	—	1.7	—	—	—	53.6
	714.9	0.1	158.2	—	158.3	(10.0)	—	—	863.2
Liabilities of disposal group classified as held for sale	5.9	—	—	—	—	—	—	—	5.9
	720.8	0.1	158.2	—	158.3	(10.0)	—	—	869.1
Total liabilities	2,866.7	0.1	3,101.1	—	3,101.2	2,226.3	532.9	20.0	8,747.1
Total equity and liabilities	4,683.5	1,320.2	4,420.5	(1,319.3)	4,421.4	2,985.6	(787.3)	—	11,303.2

B. UNAUDITED PRO FORMA CONSOLIDATED INCOME STATEMENT

	Pro forma adjustments						Pro forma Enlarged Group for year ended 31 December 2013 (Unaudited) US\$ million
	Group for year ended 31 December 2013 (Audited) US\$ million Note 1	Target Company for year ended 31 December 2013 US\$ million Note 2	Project Company for year ended 31 December 2013 US\$ million Note 2	Target Group for year ended 31 December 2013 US\$ million	Other pro forma adjustments US\$ million Note 6 Note 8		
Revenue	2,469.8	—	—	—	—	—	2,469.8
Other income	0.6	99.1	—	99.1	—	(99.1)	0.6
Expenses (excluding depreciation, amortisation and impairment expenses)	(1,719.5)	(0.5)	—	(0.5)	(20.0)	—	(1,740.0)
Earnings/(loss) before interest, income tax, depreciation, amortisation and impairment expenses — EBITDA	750.9	98.6	—	98.6	(20.0)	(99.1)	730.4
Depreciation, amortisation and impairment expenses	(472.6)	—	—	—	—	—	(472.6)
Earnings/(loss) before interest and income tax — EBIT	278.3	98.6	—	98.6	(20.0)	(99.1)	257.8
Finance income	2.8	—	—	—	—	—	2.8
Finance costs	(80.0)	(1.3)	—	(1.3)	—	—	(81.3)
Profit/(loss) before income tax	201.1	97.3	—	97.3	(20.0)	(99.1)	179.3
Income tax expense	(78.6)	—	—	—	—	—	(78.6)
Profit/(loss) for the year	<u>122.5</u>	<u>97.3</u>	<u>—</u>	<u>97.3</u>	<u>(20.0)</u>	<u>(99.1)</u>	<u>100.7</u>
Profit/(loss) for the year attributable to:							
Equity holders of the Company	103.3	97.3	—	97.3	(12.5)	(99.1)	89.0
Non-controlling interests	19.2	—	—	—	(7.5)	—	11.7
	<u>122.5</u>	<u>97.3</u>	<u>—</u>	<u>97.3</u>	<u>(20.0)</u>	<u>(99.1)</u>	<u>100.7</u>

APPENDIX III
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE ENLARGED GROUP**
C. UNAUDITED PRO FORMA CONSOLIDATED CASH FLOW STATEMENT

	Pro forma adjustments							Pro forma Enlarged Group for year ended 31 December 2013 (Unaudited)
	Group for year ended 31 December 2013 (Audited)	Target Company for year ended 31 December 2013	Project Company for year ended 31 December 2013	Target Group for year ended 31 December 2013	Other pro forma adjustments			
	US\$ million	US\$ million	US\$ million	US\$ million	US\$ million	US\$ million	US\$ million	US\$ million
	Note 1	Note 2	Note 2	Note 4	Note 6	Note 7	Note 8	
Cash flows from operating activities								
Receipts from customers	2,523.5	0.1	—	0.1	—	—	—	2,523.6
Payments to suppliers	(1,786.2)	—	(7.7)	(7.7)	(10.0)	(20.0)	—	(1,823.9)
Payments for exploration expenditure	(71.9)	—	—	—	—	—	—	(71.9)
Income tax paid	(110.9)	(0.5)	(8.7)	(9.2)	—	—	—	(120.1)
Net cash generated/(used in) from operating activities	554.5	(0.4)	(16.4)	(16.8)	(10.0)	(20.0)	—	507.7
Cash flows from investing activities								
Purchase of property, plant and equipment	(558.2)	—	(1,709.2)	(1,709.2)	—	—	—	(2,267.4)
Purchase of intangible assets	(58.1)	—	—	—	—	—	—	(58.1)
Purchase of financial assets	(45.7)	—	0.1	0.1	—	—	—	(45.6)
Cash consideration to purchase shares in subsidiaries	—	—	—	—	(2,985.6)	—	—	(2,985.6)
Proceeds from disposal of property, plant and equipment	0.3	—	—	—	—	—	—	0.3
Proceeds from disposal of investment properties	1.1	—	—	—	—	—	—	1.1
Net cash used in investing activities	(660.6)	—	(1,709.1)	(1,709.1)	(2,985.6)	—	—	(5,355.3)

APPENDIX III
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE ENLARGED GROUP**

	Pro forma adjustments							Pro forma Enlarged Group for year ended 31 December 2013 (Unaudited)	
	Group for year ended 31 December 2013 (Audited)	Target Company for year ended 31 December 2013	Project Company for year ended 31 December 2013	Target Group for year ended 31 December 2013	Other pro forma adjustments				
	US\$ million	US\$ million	US\$ million	US\$ million	US\$ million	US\$ million	US\$ million	US\$ million	
	Note 1	Note 2	Note 2		Note 4	Note 6	Note 7	Note 8	
Cash flows from financing activities									
Proceeds from borrowings	250.0	—	—	—	3,910.6	20.0	161.7	—	4,342.3
Repayments of borrowings	(222.0)	—	—	—	—	—	—	—	(222.0)
Repayments of borrowings on acquisition of subsidiaries	—	—	—	—	(2,939.8)	—	—	—	(2,939.8)
Capital contribution from non-controlling interests	—	—	—	—	759.3	—	—	—	759.3
Proceeds from issuance of convertible redeemable preference shares	338.0	—	—	—	—	—	—	—	338.0
Proceeds from repayments of loan to a related party	100.0	—	—	—	—	—	—	—	100.0
Proceeds from related party borrowings	—	—	1,955.0	1,955.0	1,265.5	—	—	—	3,220.5
Repayments of related party borrowings	(225.0)	—	(190.7)	(190.7)	—	—	—	—	(415.7)
Dividends received	—	99.1	—	99.1	—	—	—	(99.1)	—
Dividends paid	—	(99.1)	—	(99.1)	—	—	—	99.1	—
Dividends paid to non-controlling interests	(20.0)	—	—	—	—	—	—	—	(20.0)
Repayments of finance lease liabilities	(1.5)	—	—	—	—	—	—	—	(1.5)
Interest and financing costs paid	(78.4)	—	(37.5)	(37.5)	—	—	(161.7)	—	(277.6)
Interest received	5.9	—	—	—	—	—	—	—	5.9
Cash transfer during corporate restructure	—	(0.3)	—	(0.3)	—	—	—	—	(0.3)
Net cash generated from financing activities	<u>147.0</u>	<u>(0.3)</u>	<u>1,726.8</u>	<u>1,726.5</u>	<u>2,995.6</u>	<u>20.0</u>	<u>—</u>	<u>—</u>	<u>4,889.1</u>

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**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE ENLARGED GROUP**

	Pro forma adjustments							Pro forma Enlarged Group for year ended 31 December 2013 (Unaudited)	
	Group for year ended 31 December 2013 (Audited)	Target Company for year ended 31 December 2013	Project Company for year ended 31 December 2013	Target Group for year ended 31 December 2013	Other pro forma adjustments				
	<i>US\$ million</i>	<i>US\$ million</i>	<i>US\$ million</i>	<i>US\$ million</i>	<i>US\$ million</i>	<i>US\$ million</i>	<i>US\$ million</i>	<i>US\$ million</i>	
	<i>Note 1</i>	<i>Note 2</i>	<i>Note 2</i>		<i>Note 4</i>	<i>Note 6</i>	<i>Note 7</i>	<i>Note 8</i>	
Net increase/(decrease) in cash and cash equivalents	40.9	(0.7)	1.3	0.6	—	—	—	—	41.5
Cash and cash equivalents at 1 January	95.7	0.8	0.3	1.1	(1.1)	—	—	—	95.7
Cash and cash equivalents — acquisition of subsidiaries	—	—	—	—	1.1	—	—	—	1.1
Exchange gains on cash and cash equivalents	0.8	—	—	—	—	—	—	—	0.8
Cash and cash equivalents at 31 December	<u>137.4</u>	<u>0.1</u>	<u>1.6</u>	<u>1.7</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>139.1</u>

Notes to the Unaudited Pro Forma Financial Information of the Enlarged Group:

- (1) The amounts are extracted from the audited consolidated balance sheet of the Group as at 31 December 2013, and the consolidated income statement and consolidated cash flow statement of the Group for the year ended 31 December 2013, which have been published in the Company's 2013 annual report, dated 11 March 2014.
- (2) The amounts are derived from the balance sheets of the Target Company and Project Company as at 31 December 2013, and the income statements and cash flow statements of the Target Company and Project Company for the year ended 31 December 2013 as set out in Appendix IA and IB to this circular. The amounts have been rounded to the nearest million (one decimal place) to conform to the presentation format of the Group's financial statements.
- (3) The adjustment represents the elimination of the investment held by the Target Company in the Project Company. The elimination occurs as part of the pro forma consolidation of the Target Group.
- (4) The adjustment represents the investment in the Target Group and the funding of:
 - (i) the estimated Share Consideration; and
 - (ii) the estimated amount of the Intragroup Loans; and
 - (iii) the estimated transaction costs incurred by the Purchasers (refer to Note 6).

This pro forma adjustment is not expected to have a continuing effect on the unaudited pro forma consolidated income statement or unaudited pro forma consolidated cash flow statement of the Enlarged Group.

The Share Consideration, under the terms of the Share Purchase Agreement, is calculated by reference to the gross base amount of US\$5,850.0 million (equivalent to approximately HK\$45,630.0 million), plus the Net Asset Value at Completion, less US\$4,187.7 million (equivalent to approximately HK\$32,664.1 million) representing the total capitalised cost of the Las Bambas Project as at 1 January 2014.

In addition to the estimated Share Consideration, under the terms of the Share Purchase Agreement, the Purchasers shall also repay the estimated Intragroup Loans at Completion. The estimated Intragroup Loans as at 31 December 2013 are US\$2,949.8 million (equivalent to approximately HK\$23,008.4 million) comprising US\$2,939.8 million (equivalent to approximately HK\$22,930.4 million) loans payable to members of the Sellers' Group and US\$10.0 million (equivalent to approximately HK\$78.0 million) trade payables owing to members of the Sellers' Group.

APPENDIX III
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE ENLARGED GROUP**

Had the Acquisition taken place on 31 December 2013, the estimated total amount to be funded would have been US\$5,955.4 million (equivalent to approximately HK\$46,452.1 million), as follows:

	<i>Note</i>	As at 31 December 2013	
		<i>US\$ million</i>	<i>HK\$ million</i>
(i) Base amount		5,850.0	45,630.0
(ii) The Net Asset Value			
Total assets less total liabilities of the Target Group as at 31 December 2013		1,320.2	10,297.6
Add back: Provision for rehabilitation and restoration of the Target Group	A	<u>3.1</u>	<u>24.2</u>
The Net Asset Value		1,323.3	10,321.8
(iii) Total capitalised cost of the Las Bambas Project			
Property, plant and equipment of the Target Group		<u>(4,187.7)</u>	<u>(32,664.1)</u>
Estimated Share Consideration	B	<u>2,985.6</u>	<u>23,287.7</u>
Trade payables to Seller's Group		10.0	78.0
Loans payable to Seller's Group		<u>2,939.8</u>	<u>22,930.4</u>
Estimated amount of the Intragroup Loans		<u>2,949.8</u>	<u>23,008.4</u>
Estimated transaction costs incurred by the Purchasers	6	<u>20.0</u>	<u>156.0</u>
Estimated total amount to be funded		<u><u>5,955.4</u></u>	<u><u>46,452.1</u></u>

Note A: The Net Asset Value derived from the Completion Statement excludes the provision for rehabilitation and restoration.

Note B: Investments in subsidiaries of US\$2,985.6 million (equivalent to approximately HK\$23,287.7 million) will be recognised by the Purchasers.

For the purpose of the preparation of the unaudited proforma financial information and for illustrative purposes, based on the expected sources of funding as at Completion, it is estimated that:

- (a) funds required by the JV Group will be sourced 66 per cent from external bank financing and 34 per cent via equity contributions to be made by MMG SA, Elion Holdings and CITIC to the JV Company in proportion to their respective shareholdings in the JV Company in accordance with the terms of the Shareholders' Agreement.

- (b) The pro-rata share of equity contribution to be made by MMG SA to the JV Company will be financed by a loan from Top Create, a controlling shareholder of MMG.

Had the Acquisition taken place on 31 December 2013, the estimated sources of funding for the Group are as follows:

	<i>Note</i>	As at 31 December 2013	
		<i>US\$ million</i>	<i>HK\$ million</i>
Estimated sources of funding			
Equity contribution from MMG SA — to be financed by a loan from Top Create		1,265.5	9,870.9
Equity contribution from Elion Holdings and CITIC	C	<u>759.3</u>	<u>5,922.5</u>
Equity contribution to the JV Company		2,024.8	15,793.4
External bank financing — the Acquisition Facility		969.0	7,558.2
External bank financing — the Project Facility		<u>2,961.6</u>	<u>23,100.5</u>
Estimated sources of funding		<u><u>5,955.4</u></u>	<u><u>46,452.1</u></u>

Note C: Equity contribution from Elion Holdings and CITIC to the JV Company will be recognised as the non-controlling interests in the unaudited pro forma consolidated balance sheet of the Enlarged Group. In respect of the Call Options and the Listing Put Option included in the Shareholders' Agreement between the Company, MMG SA, Elion Holdings, GXIIC, CITIC and the JV Company, the Company has assessed that the fair values of the Call Options and the Listing Put Option to be minimal and no value to be recognised. In addition, 0.01 per cent of the issued share capital of the Project Company is held by certain minority shareholders including former employees of the Project Company. These minority shareholders will remain as shareholders in the Project Company after Completion. The fair value of these minority shareholdings under Hong Kong Financial Reporting Standard 3 (Revised) "Business Combination" (the "HKFRS 3"), issued by the Hong Kong Institute of Certified Public Accountants, is estimated to be no greater than US\$0.3 million (equivalent to approximately HK\$2.3 million).

The pro forma adjustment of US\$2,236.3 million (equivalent to approximately HK\$17,443.2 million) to non-current borrowings is analysed as follows:

	<i>Note</i>	As at 31 December 2013	
		<i>US\$ million</i>	<i>HK\$ million</i>
Loan from Top Create		1,265.5	9,870.9
External bank financing — the Acquisition Facility		969.0	7,558.2
External bank financing — the Project Facility		2,961.6	23,100.5
Less: repayment of loans payable to Seller's Group		<u>(2,939.8)</u>	<u>(22,930.4)</u>
Total impact on borrowings of the Enlarged Group		2,256.3	17,599.2
Less: financing of transaction costs	6	<u>(20.0)</u>	<u>(156.0)</u>
		<u><u>2,236.3</u></u>	<u><u>17,443.2</u></u>

It is estimated that the amounts to be funded at Completion will be significantly higher than the amounts to be funded as at 31 December 2013, primarily due to the fact that the Purchasers will assume responsibility of any capital expenditure incurred by the Target Group from 1 January 2014 to Completion.

- (5) In the opinion of the Directors, the Group has the ability to control the activities of the JV Company and the ability to influence returns from the investment. Therefore, the Group expects to consolidate the JV Company (and JV Group) in its consolidated financial statements. The JV Company will apply the acquisition method of accounting under HKFRS 3 for the Acquisition. In applying the acquisition method, the identifiable assets acquired and liabilities assumed of the Target Group will be recorded on the consolidated balance sheet of the Enlarged Group at their fair values as at the date of Completion. Any goodwill arising from the Acquisition represents the excess of the Consideration over the fair values of the total identifiable net assets at the date of Completion.

For the purpose of the preparation of the unaudited pro forma financial information and for illustrative purposes, the goodwill arising from the Acquisition is estimated to be US\$532.9 million (equivalent to approximately HK\$4,156.6 million), assuming that the Acquisition occurred on 31 December 2013. The goodwill is determined as the excess of (i) the estimated Share Consideration of US\$2,985.6 million (equivalent to approximately HK\$23,287.7 million) and (ii) the estimated fair values of the net identifiable assets/liabilities of the Target Group, as at 31 December 2013 of approximately US\$2,452.7 million (equivalent to approximately HK\$19,131.1 million). The goodwill arises as a result of the HKFRS requirement to recognise a deferred tax liability for the difference between the fair value of newly consolidated assets and liabilities and their tax bases. The Group has performed a preliminary review of impairment under Hong Kong Accounting Standard 36 “Impairment of Assets” regarding the goodwill and there is no indication of an impairment charge necessary for the intangible assets and goodwill.

The Company has performed an assessment of the estimated fair values of the net identifiable assets/liabilities of the Target Group as at 31 December 2013. The recognised amounts of identifiable assets acquired and liabilities assumed are summarised as follows:

	<i>Note</i>	<i>US\$ million</i>	<i>HK\$ million</i>
Net assets/liabilities acquired			
Property, plant and equipment — excluding mineral rights	D	4,187.7	32,664.1
Property, plant and equipment — mineral rights (fair value uplift)	D	1,665.4	12,990.1
Inventories	E	1.9	14.8
Current income tax assets	E	17.2	134.2
Trade and other receivables	E	212.9	1,660.6
Cash and cash equivalents	E	1.7	13.3
Deferred income tax liabilities	F	(532.9)	(4,156.6)
Provisions	E	(4.8)	(37.5)
Trade and other payables	E	(156.6)	(1,221.5)
Loans payable to Seller's Group	E	(2,939.8)	(22,930.4)
Net assets/liabilities acquired at fair value		<u>2,452.7</u>	<u>19,131.1</u>
Goodwill		<u>532.9</u>	<u>4,156.6</u>
Share Consideration		<u><u>2,985.6</u></u>	<u><u>23,287.7</u></u>

The fair value of the property, plant and equipment of the Target Group has been assessed by the Group as follows:

	<i>US\$ million</i>	<i>HK\$ million</i>
Independent valuation of Las Bambas as at 31 December 2013	5,850.0	45,630.0
Less: Book value of the property, plant and equipment	(4,187.7)	(32,664.1)
Add: Book value of provision for rehabilitation and restoration	<u>3.1</u>	<u>24.2</u>
Total fair value uplift	1,665.4	12,990.1

At actual Completion of the Acquisition, the assessment of the fair values of the identifiable assets acquired and liabilities assumed and hence goodwill may be different from the amounts stated above.

Note D: The fair value of the property, plant and equipment of the Target Group is assessed by the Directors based on a valuation performed by an independent professional valuer as at 31 December 2013. No additional depreciation or amortisation is recognised in the unaudited pro forma consolidated income statement for the year ended 31 December 2013 as the Target Group was still under development during 2013.

Note E: The fair value of assets and liabilities other than property, plant and equipment has been assumed to be equal to book value, as set out in Appendix IA and IB to this circular.

Note F: The deferred income tax liability arises from the recognition of the fair value uplift on property, plant and equipment of US\$1,665.4 million (equivalent to approximately HK\$12,990.1 million) and is calculated based on the corporate taxation rate under the mining stability agreement of 32 per cent, multiplied by the pre-tax fair value uplift of US\$1,665.4 million (equivalent to approximately HK\$12,990.1 million) to give a deferred income tax liability of US\$532.9 million (equivalent to approximately HK\$4,156.6 million).

- (6) The adjustment represents the estimated transaction costs of approximately US\$20.0 million (equivalent to approximately HK\$156.0 million) incurred by the Purchasers in connection with the Acquisition. This pro forma adjustment is not expected to have a continuing effect on the unaudited pro forma consolidated income statement or unaudited pro forma consolidated cash flow statement of the Enlarged Group.
- (7) The adjustment relates to (i) imputed cash interest paid on funding facilities (the loan from Top Create, the Acquisition Facility and the Project Facility) had the loans been drawn down on 1 January 2013 and remained in place at the same value throughout the year ended 31 December 2013; net of (ii) cash interest and financing costs paid during the year ended 31 December 2013 in relation to the Intragroup Loans of the Target Group, assuming that the Intragroup Loans were repaid on 1 January 2013.

Based on an imputed weighted average interest rate of 3.8 per cent per annum across the funding facilities, it is estimated that US\$199.2 million (equivalent to approximately HK\$1,553.8 million) cash interest would have been paid on the funding facilities for the year ended 31 December 2013. The imputed weighted average interest rate is based on a weighted average estimated margin of 3.5 per cent above the USD LIBOR (6 month) rate as at 31 December 2013. This pro forma adjustment is estimated to have a continuing effect on the unaudited pro forma consolidated cash flow statement of the Enlarged Group, and the actual amount will vary according to the timing of the withdrawal and repayment of funds and the applicable effective interest rates.

The cash interest and financing costs paid in relation to the Intragroup Loans of the Target Group during the year ended 31 December 2013 is estimated at US\$37.5 million (equivalent to approximately HK\$292.5 million) based on the cash flow statement of the Project Company for the year ended 31 December 2013 included at Appendix IB to this circular.

Any borrowing expenses incurred in relation to the loan from Top Create, the Acquisition Facility and the Project Facility will be capitalised to the cost of the qualifying asset (in the form of property, plant and equipment) in the unaudited pro forma consolidated financial statements of the Enlarged Group and hence no impact to the unaudited pro forma consolidated income statement of the Enlarged Group is presented.

- (8) The adjustment relates to the reversal of dividend income received by the Target Company from a subsidiary that was not owned by the Target Company as at 31 December 2013 and does not form part of the Acquisition. The adjustment also reverses a subsequent dividend payment (equal in value) made by the Target Company to its parent company. This pro forma adjustment is not expected to have a continuing effect on the unaudited pro forma consolidated income statement or unaudited pro forma consolidated cash flow statement of the Enlarged Group.
- (9) Apart from the above, no adjustments have been made to the unaudited pro forma consolidated balance sheet of the Enlarged Group to reflect any trading results or other transactions of the Enlarged Group entered into subsequent to 31 December 2013, and in the case of the unaudited pro forma consolidated income statement and unaudited pro forma consolidated cash flow statement of the Enlarged Group, no adjustment has been made to reflect any trading results or other transactions of the Enlarged Group entered into subsequent to 1 January 2013.

The conversion from United States dollars into HK\$ in this unaudited pro forma financial information is based on an exchange rate of US\$1 to HK\$7.8.

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.



羅兵咸永道

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION INCLUDED IN
A CIRCULAR**

TO THE DIRECTORS OF MMG LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of MMG Limited (the "Company") and its subsidiaries (collectively the "Group"), and Xstrata Peru S.A. and Xstrata Las Bambas S.A. (the "Target Group") (collectively the "Enlarged Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated balance sheet as at 31 December 2013, the unaudited pro forma consolidated income statement for the year ended 31 December 2013, the unaudited pro forma consolidated cash flow statement for the year ended 31 December 2013, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages III-1 to III-13 of the Company's circular dated 30 June 2014, in connection with the proposed acquisition of the Target Group (the "Transaction") by the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described in the section headed "Introduction" set out on page III-1 of the Company's circular dated 30 June 2014.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the Transaction on the Group's financial position as at 31 December 2013 and its financial performance and cash flows for the year ended 31 December 2013 as if the Transaction had taken place at 31 December 2013 and 1 January 2013, respectively. As part of this process, information about the Group's financial position, financial performance and cash flows has been extracted by the directors from the Group's consolidated financial statements for the year ended 31 December 2013, on which an audit report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

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Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus", issued by the HKICPA. This standard requires that the reporting accountant complies with ethical requirements and plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Transaction at 31 December 2013 and 1 January 2013 respectively would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 30 June 2014

The following is the text of the Competent Person's Report received from Runge Asia Limited trading as RungePincockMinarco for the purpose of incorporation in this circular. Mr. Tim J. Swendseid ("**Mr. Swendseid**") signed the Competent Person's Report as the competent person required under Chapter 18 of the Listing Rules and took overall responsibility for the report.

As part of the sale process of the Las Bambas Project, Runge Inc., a company within the same group as Runge Asia Limited, was engaged by Glencore to conduct an independent review of the operations of the Las Bambas Project and in particular, to provide commentary, in the form of a due diligence review report, of the reasonableness and suitability of the reserves and resources estimates and forecasts in respect of the Las Bambas Project compiled by Glencore. Mr. Swendseid was involved in the above engagement as an employee of Runge Inc. The due diligence review report was provided to prospective purchasers in the competitive bidding process for the sale of the Las Bambas Project. The due diligence review report was prepared as an independent report to assist prospective purchasers in their consideration of a potential transaction in respect of the project. As part of the terms of its engagement with Glencore, Runge Inc. has accepted a duty of care to the Company, being the purchaser chosen by Glencore.

Runge Asia Limited is part of the RungePincockMinarco group of companies, an independent group of mining technical experts of international repute. Mr. Swendseid has confirmed that he meets all the requirements under Chapter 18 of the Listing Rules in respect of the qualification, experience and independence of a competent person. The Company considers that Mr. Swendseid's past experience in undertaking the independent review of the operations of the Las Bambas Project mentioned above provides an added benefit in the sense that he has a high degree of familiarity with the assets and the status of the Las Bambas Project, which was useful for Mr. Swendseid and his team at RPM in preparing the Competent Person's Report for the Company.

Runge Pincock Minarco

Las Bambas Project, Peru Competent Person Report

MMG Limited

ADV-HK-03759







30th June, 2014

Final Report



Document Control Sheet

Client	
MMG Limited	
Report Name	Date
Competent Person's Report – Las Bambas Project	30 June, 2014
Report No.	Revision No.
HK-03759	Final

Authorizations				
Name		Position	Signature	Date
Prepared By:	Tim Swendseid	President, Consulting Services–Americas.		30 June, 2014
	Dick Addison	Project Manager		
	Esteban Acuna	Senior Geologist		
	Rondinelli Sousa	Senior Engineer		
Reviewed By:	Jeremy Clark	Manager-Hong Kong		30 June, 2014
Approved By:	Philippe Baudry	Executive Manager General		30 June, 2014

Organization	No. Of Hard Copies	No. Of Electronic Copies	Comment
MMG Limited	4	1	

Runge Pincock Minarco

EXECUTIVE SUMMARY

MMG Limited
Level 23/28 Freshwater Place
Southbank Victoria, Australia, 3006

30th June, 2014

RE: Competent Person Report

Dear Sirs,

Runge Asia Limited ("RAL") trading as RungePincockMinarco ("RPM") has been engaged by MMG Limited (HKEx: 1208) ("MMG" or the "Client") to undertake an Independent Technical Review ("ITR") and compile a Competent Person Report ("CPR" or the "Report") (as defined by under Chapter 18 of the Rules Governing the Listing Rules of the Stock Exchange of Hong Kong (the "Listing Rules") on the Las Bambas Project (the "Project"). The Project is currently owned and operated by Glencore plc. (the "Company") and is a world class Cu porphyry deposit located in south-central Peru. Development of the Project is well advanced with over 50% of the construction completed as at January 2014 and the key project infrastructure scheduled to be fully commissioned and operational by the end of 2015 with full production planned to be reached in 2016.

The Client has conditionally agreed to acquire the Project from the Company through the acquisition of the issued share capital of an intermediate holding company of the Project. The process and conclusions of the ITR are presented in the CPR which will be included in the Circular of the Client in relation to the transaction in accordance with Chapter 18 of the Listing Rules.

The statements of Mineral Resources and Ore Reserves (as defined in **Appendix B**) have been reported to be in accordance with the recommended guidelines of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves JORC Code (2012 Edition)

RPM's technical team ("the Team") consisted of International Competent Person, International Senior Consultants, Executive Mining Engineers and Senior Geologists. RPM's Competent Person was responsible for compiling or supervising the compilation of the report and the JORC Statements of Mineral Resources and Ore Reserves, stated within. The Team's qualifications and experience is detailed in **Annexure A** for reference.

A number site visits were conducted by the Team to the Project's mine site and surface operations to familiarise themselves with the Project characteristics. A site visit was undertaken in May 7th and 8th, 2014 by Mr. Esteban Acuña, Mr. Richard Addison, and Dr. Terry Brown. Mr. Tim J. Swendseid and Messrs. Acuña and Addison had also previously visited the site in June 14th through June 16th, 2013, and Mr. Tim J. Swendseid from September 2nd through September 13th, 2012. During the site visits the Team inspected the mine, the ore processing plant, the tailings storage facility, the water supply system, the power distribution system the town built for the inhabitants of the Project area, and conducted general inspections of the Project area. The visits were also used to gain a better understanding of the Project status. During the site visits, the Team had open discussions with the Company's personnel on technical aspects relating to the relevant issues. The Company's personnel were cooperative and open in facilitating RPM's work.

In addition to the work undertaken to generate independent JORC Mineral Resources and Ore Reserves estimates, the CPR relies largely on information provided by the Company, either directly from the sites and other offices, or from reports by other organisations whose work is the property of the Company or its subsidiaries. The data relied upon for the JORC Ore Resources and Ore Reserves estimates independently completed by RPM have been compiled primarily by the Client and the Company and subsequently reviewed and verified as well as reasonably possible by RPM. The CPR is based on information made available to RPM as at 30th June, 2014. The Client or the Company has not advised RPM of any material change, or event likely to cause material change, to the underlying data, designs or forecasts since the date of asset inspections.

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Project Summary

- The Project is a world class copper - molybdenum (Cu-Mo) near term production project located in the Andes Mountains of southern Peru, approximately 75 km south-southwest of Cusco and 300 km north-northwest of Arequipa. The Project is readily accessible from either Cusco or Arequipa over a combination of paved and good quality gravel roads in addition to the recently completed heavy haul road which was constructed as part of the development of the Project.
- The Project is contained within 41 mining concessions and consists of a series of discreet skarn and porphyry bodies. Exploration works within the Project area commenced in 1966 and has primarily focused on three separate deposits, namely Ferrobamba, Chalcobamba, and Sulfobamba; however, several other high priority targets have been identified as part of systematic exploration efforts. These three main deposits occur as clustered bodies which range in thickness between 20m and 100m and surround magmatic bodies which have intruded sedimentary units. The bodies are vertically continuous with current drilling delineating mineralisation continuous from surface to over 600m in depth at Ferrobamba. Typical of porphyry and skarn style deposits, the mineralisation has extremely zonal grade distribution with the highest grades generally occurring within the most intense stockwork veining in the central portion of the porphyry. The skarn mineralisation occurs predominantly within the limestone units and is dominated by patchy massive sulphide (Bornite, Chalcopyrite) within fracture fill veins. Each deposit has a distinct oxidation zone near surface which shows statistical distribution variation from the underlying sulphide mineralisation as a result of typical near surface chemical dissolution processes of the region.
- The skarn and porphyry style mineralised bodies are planned to be exploited via large scale open pit methods with initial ore from Ferrobamba planned to commence by mid-September 2015 and full throughput capacity of the plant forecast to be reached in 2016. The Project is currently in the late stages of project development with 50% of the major infrastructure construction items having been completed as at January 2014 and pre-stripping occurring on the Ferrobamba open pit. The initial five years of operations will have all ore sourced from the Ferrobamba open pit after which the other two separate pits will add additional ore sources in parallel with Ferrobamba production at varying times of the mines life. At full production the three combined open pits will have a total rock movement capacity of 160 million tonnes per annum ("Mtpa") and have the ability to produce above the current throughput capacity of the processing plant, as such, stockpiles will be used to manage any overrun.
- RPM notes that while the Project is scheduled to be commissioned in late 2015, delays have occurred which have primarily been related to the delay in completion of the new town called 'Nueva Fuerabamba' which is aimed to house the current residents of the mine area. Local on-site community residents are due to start moving to Nueva Fuerabamba in mid-2014.
- Ore processing is scheduled to commence in September 2015 ramping up to an annualised throughput production rate of 51 Mtpa or 140 kilotonnes per day ("ktpd") of Run of Mine ("ROM") ore in 2016. The Project will generate separate Cu and Mo concentrates with grades of approximately 34.6 % Cu and 50 % Mo, for an average of approximately 800 kilotonnes per annum ("ktpa") of Cu and 11,000 tonnes per annum ("tpa") of Mo concentrate for a contained average metal content of 304 ktpa Cu and 5,500 tpa Mo respectively over the life of the mine with pre-stripping and ore stockpiling starting in 2014. RPM does note that the initial years shows over 1.4 Mtpa of Cu concentrate which decreases over the mine life as grade decreases with approximately 410 kt produced in Year 21 of production. Following production, the two concentrates are currently planned to be trucked 710 km to the port of Matarani, located about 100 km southwest of Arequipa, however several other studies are underway to confirm the best method of transportation. The concentrates are planned to be sold to predominantly Chinese customers.
- Arequipa is the principal town in the region serving the mining industry and the primary source of consumables and services which will be required by the Project. The port of Matarani, located approximately 100 km south-southeast of Arequipa, serves as a major concentrate shipment port for copper mines in the region is planned to be expanded by the Company to accommodate the concentrates from the Project.
- A review by RPM of the regional and local infrastructure indicated that there was limited pre-established infrastructure prior to commencement of development to support large scale mining activities; accordingly

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substantial infrastructure is being constructed by the Company. This infrastructure has included as of the time of the May, 2014 site visit, significant road improvements; construction of new access roads; building a water supply system to support the planned production rates; constructing power connection to the national grid; constructing all the typical non mine related surface buildings such as offices, workshops, warehouses, and laboratories; building a town to house residents displaced by the Project; adapting the construction camps for employee housing; and constructing communication towers to connect to national and international telecommunication systems. In addition to that already completed, the Company is currently well progressed in completing the substantial mine related infrastructure required including the processing plant, tails storage facilities and haul roads. Site visit observation indicates that although some delays have been experienced, the processing plant and other associated major mining infrastructure are still forecast to be completed in-line with forecast.

Mineral Resource and Ore Reserves Estimates

- The review undertaken by RPM of the drilling and sampling procedures indicates that international standard practices were generally utilised with no material issues being noted by RPM in the checks completed. The QAQC samples all showed suitable levels of precision and accuracy to enable confidence in the primary laboratory. RPM also notes that the samples used for the resource estimation are derived from drilling post 2005. Furthermore, RPM considers that the post 2005 data which underpins the resource estimation has no material sample bias and is representative of the samples taken.
- The independent Statement of Mineral Resources is reported within the current mining and exploration licences and as at 1st January, 2014 using a cut-off grade of 0.2% Cu. Mineral resources were constrained by topography and within an economic pit calculated with Measured, Indicated and Inferred resources based on a copper price of \$2.20 per pound. Metallurgical recoveries and costs utilised to generate the pit were the same as those utilised for the Ore Reserve estimates as outlined in Section 8 and Section 9.
- The Statement of Mineral Resources shown in Table 1 and graphically in Figure 1 is reported inclusive of and is not additional to the Ore Reserves reported in Table 2 and does not include any ore loss and dilution.

Figure 1 Graphical Representation of JORC Mineral Resources quantities as at 1st January, 2014

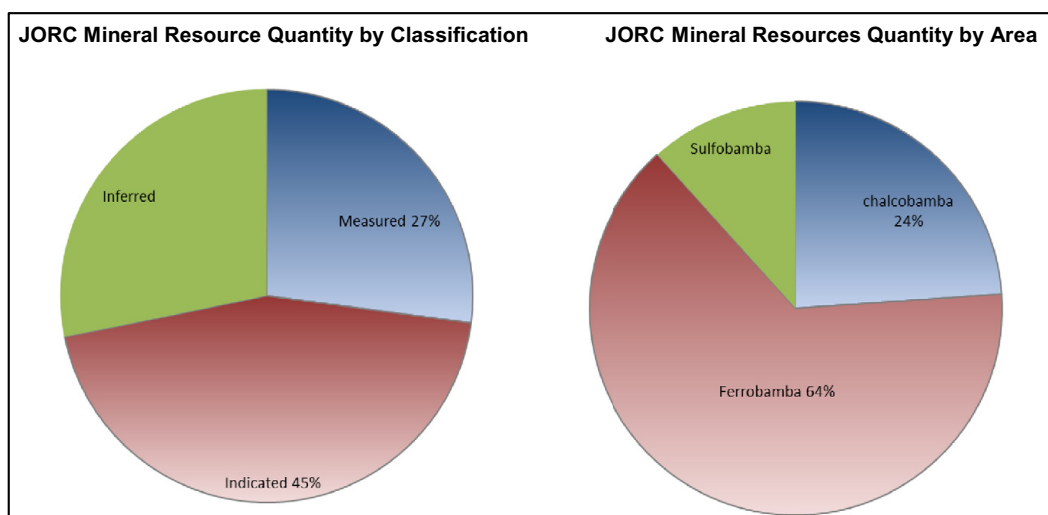


Table 1 Statement of JORC Mineral Resources as at 1st January, 2014 with the Project Area Reported at a Cut-off of 0.2%.

Area	Type	Class	Quantity (Mt)	Cu (%)	Cu (Kt)	Mo (%)	Mo (Kt)	Ag (g/t)	Ag (Moz)	Au (g/t)	Au (Moz)
Chalcobamba	Sulphide	Measured	85	0.44	363	0.014	11.5	1.4	3.7	0.02	0.05
		Indicated	250	0.61	1,524	0.013	33.1	2.3	18.3	0.03	0.23
		Measured + Indicated	335	0.57	1,887	0.013	44.5	2.1	22.0	0.03	0.28
		Inferred	45	0.35	157	0.012	5.4	1.1	1.5	0.02	0.03
		Sub Total (M+I+Inf)	380	0.54	2,044	0.013	50.0	1.9	23.5	0.03	0.31
	Oxide	Indicated	35	0.57	200	0.01	2.3	2.0	2.3	0.02	0.02
		Measured + Indicated	35	0.57	200	0.01	2.3	2.0	2.3	0.02	0.02
		Inferred	1	0.33	3	0.01	0.1	1.1	0.0	0.02	0.00
Sub Total (M+I+Inf)		35	0.56	203	0.006	2.3	2.0	2.3	0.02	0.02	
Ferrobamba	Sulphide	Measured	405	0.68	2,730	0.02	73.3	3.3	43.0	0.07	0.86
		Indicated	365	0.74	2,682	0.02	75.0	4.0	47.2	0.08	0.90
		Measured + Indicated	770	0.71	5,413	0.02	148.3	3.7	90.2	0.07	1.77
		Inferred	310	0.48	1,481	0.02	50.7	2.1	21.4	0.04	0.40
		Sub Total (M+I+Inf)	1,080	0.64	6,894	0.018	199.0	3.2	111.6	0.06	2.17
	Oxide	Indicated	55	0.86	473	0.01	4.1	4.5	8.0	0.08	0.14
		Measured + Indicated	55	0.86	473	0.01	4.1	4.5	8.0	0.08	0.14
		Inferred	10	0.86	77	0.01	1.0	4.7	1.4	0.08	0.02
Sub Total (M+I+Inf)		65	0.86	550	0.008	5.1	4.5	9.3	0.08	0.16	
Sulfobamba	Sulphide	Indicated	105	0.64	682	0.02	16.1	4.6	15.8	0.02	0.06
		Measured + Indicated	105	0.64	682	0.02	16.1	4.6	15.8	0.02	0.06
		Inferred	115	0.45	509	0.01	13.6	3.8	13.9	0.01	0.04
		Sub Total (M+I+Inf)	220	0.54	1,190	0.013	29.6	4.2	29.7	0.01	0.10
Total	Sulphide	Measured	490	0.64	3,094	0.02	84.8	3.0	46.6	0.06	0.91
		Indicated	720	0.68	4,888	0.02	124.1	3.5	81.3	0.05	1.20
		Measured + Indicated	1,210	0.66	7,981	0.02	208.9	3.3	128.0	0.05	2.11
		Inferred	470	0.46	2,146	0.01	69.8	2.45	36.85	0.03	0.47
		Sub Total (M+I+Inf)	1,680	0.60	10,127	0.017	278.7	3.1	164.8	0.05	2.58
	Oxide	Indicated	90	0.75	673	0.01	6.4	3.5	10.2	0.06	0.16
		Measured + Indicated	90	0.75	673	0.01	6.4	3.5	10.2	0.06	0.16
		Inferred	10	0.81	81	0.01	1.0	4.3	1.4	0.07	0.02
Sub Total (M+I+Inf)		100	0.75	753	0.007	7.4	3.6	11.6	0.06	0.19	
Total	Total	Measured	490	0.64	3,094	0.02	84.8	3.0	46.6	0.06	0.91
		Indicated	810	0.69	5,560	0.02	130.5	3.5	91.5	0.05	1.36
		Inferred	480	0.47	2,227	0.01	70.8	2.5	38.2	0.03	0.49
		All (M+I+Inf)	1,780	0.61	10,881	0.02	286.1	3.1	176.4	0.05	2.77

Note:

1. The Statement of JORC Mineral Resources has been compiled under the supervision of Mr. Esteban Acuña who is a full-time employee of RPM and a Registered Member of the Chilean Mining Commission. Mr. Acuña has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that he has undertaken to qualify as a Competent Person as defined in the JORC Code.
2. All Mineral Resources figures reported in the table above represent estimates at 1st January, 2014. Mineral Resource estimates are not precise calculations, being dependent on the interpretation of limited information on the location, shape and continuity of the occurrence and on the available sampling results. The totals contained in the above table have been rounded to reflect the relative uncertainty of the estimate. Rounding may cause some computational discrepancies.
3. Mineral Resources are reported in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The Joint Ore Reserves Committee Code – JORC 2012 Edition).

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- RPM notes that the reported total Inferred Mineral Resource Quantity (480 Mt) in **Table 1** varies from the publically released latest Mineral Resource estimate by the Company as at 31st December, 2013 (510 M tonnes). This difference is due to the rounding applied to the total tonnages, RPM has utilised two (2) significant figures for Inferred whereas the Company has utilised one significant figure.
- The geologic interpretation models consist of a set of 3D solids one for each interpreted rock type such that the metal content was estimated considering the proportions of the geologic interpretation in each block. As such this method incorporated dilution into the block estimates.
- The Independent Statement of Ore Reserves for the Project is estimated as at the 1st January, 2014 by RPM and reported in accordance with the JORC Code. RPM has determined suitable technical parameters to apply in the Ore Reserve estimation process following review of site data and technical information contained with studies of at least a pre-feasibility level of confidence. Further information taken into consideration included the proposed life of mine plans, mining method, forecast processing plant recoveries and tailings storage facility capacities. The Ore Reserves were derived only from areas of the Project where Measured and Indicated Resources have been estimated.
- The Proven and Probable JORC Ore Reserves estimates for the Project are summarised in **Table 2** and shown graphically in **Figure 2**. The Measured and Indicated JORC Mineral Resources quantities reported in Table 1 are inclusive of and are not additional to the JORC Ore Reserves estimates reported in **Table 2**. RPM has estimated the total JORC Ore Reserves to be 952 Million Tonnes ("Mt") at an average grade of 0.72%Cu, comprising 450 Mt of Proved and 502 Mt of Probable Ore Reserves.

Table 2 Statement of JORC Ore Reserves report as at the 1st January, 2014 at a 0.2% Cu cut-off grade

Description	Quantity (Mt)	Cu (%)	Cu (Kt)	Mo (%)	Mo (Kt)	Ag (g/t)	Ag (Moz)	Au (g/t)	Au (Moz)
Ferrobamba									
Proved	386	0.68	2,640	0.018	70.0	3.4	41.8	0.07	0.8
Probable	271	0.80	2,179	0.021	57.2	4.5	38.9	0.09	0.8
Sub Total	657	0.73	4,819	0.019	127.2	3.8	80.7	0.08	1.6
Chalcobamba									
Proved	63	0.46	292	0.014	9.0	1.5	3.0	0.02	0.0
Probable	172	0.74	1,264	0.013	22.9	2.8	15.4	0.03	0.2
Sub Total	235	0.66	1,556	0.014	31.9	2.4	18.4	0.03	0.2
Sulfobamba									
Proved	-	-	-	-	-	-	-	-	-
Probable	60	0.86	516	0.014	8.4	6.6	12.9	0.02	0.0
Sub Total	60	0.86	516	0.014	8.4	6.6	12.9	0.02	0.0
Total									
Proved	450	0.65	2,932	0.018	78.9	3.1	44.8	0.06	0.9
Probable	503	0.79	3,960	0.018	88.6	4.2	67.2	0.06	1.0
Grand Total	952	0.72	6,892	0.018	167.5	3.7	112.0	0.06	1.9

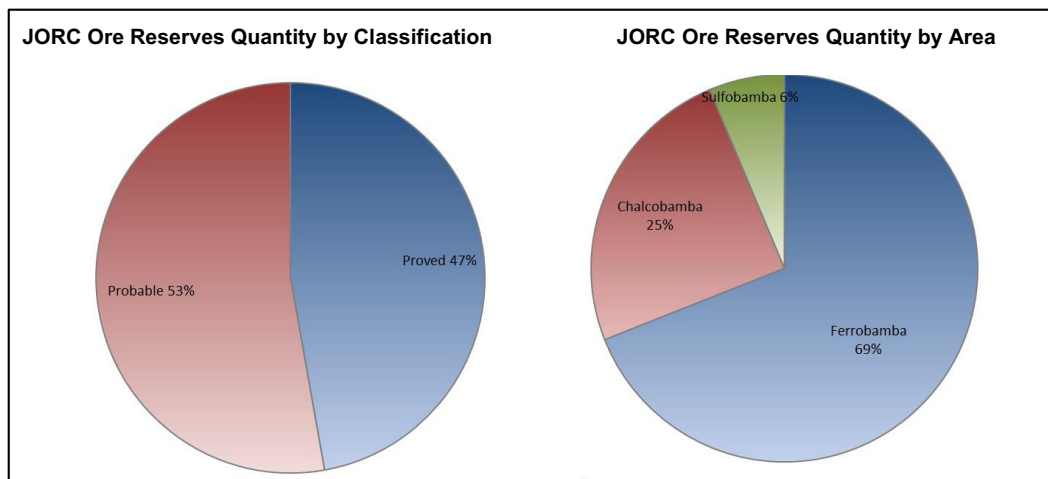
Notes:

- The Statement of JORC Ore Reserves has been compiled under the supervision of Mr. Rondinelli Sousa who is a full time Senior Mining Engineer employed by RPM and is a Member of the American Society of Mining, Metallurgy & Exploration (SME). Mr. Sousa has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration to qualify as a Competent Person as defined in the JORC Code.
- Tonnages are metric tonnes
- Cut off Grade of 0.2% Cu applied to all ore types
- Copper price: \$2.91/lb; Molybdenum price: \$13.37/lb; Silver price: \$19.83/oz; Gold price: \$1,196/oz.
- Figures reported are rounded which may result in small tabulation errors. Ore Reserves have been estimated under the 2012 Edition of the JORC Code.

RPM notes that the reported molybdenum grade in **Table 2** is materially different from the publically released latest reserve estimate by the Company. This difference is due to a typographical error in the Company release which state a Molybdenum grade of 0.002 % versus the RPM grade of 0.02 %.

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Figure 2 Graphical Representation JORC Ore Reserves Quantities



Exploration Potential

The Project has a long history of systematic exploration which has included geological mapping, geophysical and geochemical surveys as well as a large amount of surface diamond drilling. These have been undertaken over numerous generations; however within the last 10 years the main focus has been on the three deposits for which Mineral Resources have been estimated. Even though there has been a long history of exploration to date only 35% of the total concession area is considered to have been adequately explored. RPM considers there to be good potential to define further mineralised bodies within the Project area both near planned mining infrastructure and within the broader exploration concession.

Current key target areas which may lead to short term increases in the resource base and add feed to the planned project include the vertical and lateral extensions of the existing three deposits as well as potential conversion of inferred material within the existing three deposits as a result of mining or further infill drilling. Successful upgrading of the Inferred resources in the existing three deposits could yield in the order of 125 Mt added to the reserve base of the existing pit production, extending the LOM by 2.5 years.

Additionally, a number of more regional scale targets have been explored with preliminary drilling completed which indicate the potential of a broader mineralised system at depth. Significant further works will be required to help confirm these targets' economic potential.

Mine and Production

- The three deposits are planned to be mined via conventional large scale truck and shovel open pit mining methods. The Company's mining department is currently in the process of preparing the Ferrobamba deposit for accelerated pre-stripping that will commence in Q3 2014. Waste material from these pits will be delivered through a series of haul roads to onsite waste dumps for storage. Ore from the pits will be hauled via trucks and be either tipped directly into one of two primary crushers which will be located adjacent to the Ferrobamba pit (Figure 9-1) or delivered to a temporary ore stockpile. Following crushing, the ore will be transported to the onsite concentrator via a 5 km long overland conveyor system. When in full production, the open pits will have a capacity which exceeds the designed throughput capacity of 140 ktpd of the centralized concentrator; as such a stockpile system will be implemented as a means to optimize plant feed grade.
- Based on the Ore Reserve estimates, the pit development sequence, the mine designs, the forecast total production schedule and costs, RPM has estimated the currently defined mine life to be approximately 21 years to 2034 as of 1st January, 2014 with pre-stripping and ore stockpiling commencing in 2014. RPM considers the proposed Life of Mine Development Sequence and Production Forecast to be reasonable

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and achievable based on the current mining equipment and designs; however, RPM recommends that further optimisation and rescheduling of the development sequence be undertaken to maximise the profitability of the Project through optimising the blending of ROM ore feed.

- ROM ore production at the Project is planned to commence within the Ferrobamba deposit in Year 1 (late 2015), with preparation including land clearing and pre-stripping planned to ramp up in Q3 2014. ROM ore is planned to be fed into primary crushers located adjacent to the Ferrobamba deposit at varying rates throughout the life of mine. While the Ferrobamba deposit will be the single source for the first five years, the Project's production will be supplemented in Year 4 with ore from the Chalcobamba deposit which will be trucked to the Ferrobamba primary crushers until Year 6 at which point ore from Chalcobamba will be fed into a primary crusher located adjacent to the Chalcobamba deposit. Mining is forecast to commence in Year 7 from within the Sulfobamba deposit with all ore planned to be trucked to the crusher located at the Chalcobamba deposit. This pit development sequence results in a life of the mine stripping ratio of 1.96:1 (waste:ore).
- A stockpile system will be implemented to manage the open pit ore production overrun. Whilst the company considers that there is sufficient room to host stockpiles in excess of 60 Mt, RPM considers this to be unfavourable to the project economics and as such RPM has limited the stockpiles generated in its mining schedule to less than 65 Mt.
- All mining equipment is planned to be delivered to site to coincide with the peak mining rate of 464 ktpd (ore plus waste) and will include new P&H electric shovels matched with 300-tonne capacity Komatsu dump trucks. A maximum of six shovels during the LOM and a maximum of 52 trucks will be employed at peak mining rates. Nine surface blast-hole drill rigs have been purchased with delivery of all mine equipment is ongoing. Top of the line equipment will be used throughout the mining operation. Subsequent to crushing and delivery to the plant, ROM ore will be processed in a conventional copper-molybdenum flotation plant incorporating SAG and ball milling, bulk copper-molybdenum flotation, molybdenum separation flotation from the bulk concentrate, separate copper and molybdenum concentrate thickening, filtration, and loadout systems, tailings thickening, and impoundment of "thickened" tailings in a slurry dam adjoining the plant.
- Metallurgical testwork indicates the ore responds well to standard ore-processing methods, and no undue difficulties are foreseen by RPM. RPM does however note that the ore has a high abrasivity index (0.3 in the case of Ferrobamba) as a consequence of a high garnet content in the skarn component (which constitutes about 50% of all the ore). This aspect was well known, and the plant design has taken this into consideration. Additionally, the magnetite-skarn fraction of the Chalcobamba deposit will need to be, and has been planned to be, a small proportion of mill feed (through blending) because of the very high magnetite content. As such RPM regards the plant flowsheet and design to be reasonable and consistent with the planned ore types to be feed.
- The designed mill throughput rate is 140 ktpd or 51.1 Mtpa. The plant will generate an average of approximately 800 Ktpa of copper concentrate and 11,000 tpa of molybdenum concentrate. The concentrates will contain a significant amount of gold and silver credits (an annual average of 3.6 million oz silver and 59 thousand oz gold) which will add substantial value to the copper concentrates as by products.
- RPM considers the metallurgical testwork adequate and the plant design appropriate. As is common in copper-molybdenum projects, the parameters for molybdenum extraction are difficult to determine and RPM considers the projected molybdenum concentrate grade value of 50% to be optimistic based on the test work completed, but achievable when compared to similar projects globally. RPM notes that the molybdenum revenue accounts for less than 10% of the project over the life of mine and hence production of a lower-grade molybdenum concentrate would not have a material impact on the economics of the project.
- Given the location of the Project, the transportation costs are high and present a critical infrastructure and operational item. Although the Company currently plans (and is the basis for the Ore Reserve estimate) to truck concentrates from the site to the port, some 710 km away, RPM notes that three options are currently being studied to determine the most appropriate and cost efficient method. These include:

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- *Trucks-only system* (current base case Ore Reserves cost profile) is planned to consist of trucks transporting the concentrate the full distance from the Project to Matarani, a distance of about 710 km. The transportation is currently planned to be undertaken by trucking contractors using 37-tonne capacity tractor/trailer rigs amounting to approximately 4,000 wet tonnes per day. RPM envisages that 370 trucks will be required to undertake the required capacity at full capacity when appropriate maintenance is taken into account. The system would operate 24 hours per day, 7 days per week. The port facilities are owned and operated by TISUR, an independent company. The concentrate storage and ship-loading facilities will be provided by a Build, Own, Operate (BOO) contact with TISUR, the established port operator at Matarani. An agreement for port services is currently in place based on rail receipt of concentrate; ability to switch to truck receipt of concentrate is being assessed.
- *Bi-modal system*: trucking from the Project to near Imata and rail from near Imata to Matarani. RPM notes that the rail system is long established and is commercially available. A term sheet is in place for rail service.
- *Concentrate pipeline*: slurry pipeline from the Project to Matarani.
- Estimated capital to construct the Project and achieve full production at the time of this Report is approximately US\$ 6.03 billion, however of this initial capital requirement the Company has, as of 1st January 2014, sunk US\$ 3.5 billion in project construction capital. In addition to the initial capital outlay the Life of Mine sustaining capital has been estimated at US\$ 1.6 billion over the 21 years. Significant sustaining capital items include US\$ 469 million for the tailings dam, US\$ 388 million for mine equipment and US\$ 237 million for the concentrator with the remainder made up of dewatering and other mining related capital. Although over 50% of the project is complete, material capital cost increases may still occur associated with social and unforeseen construction issues. Delays during this time of peak construction could add significant cost and whilst the Company has included a US \$30 million in Owner's contingency into its estimate this is likely to increase further.
- Forecast Total Project Operating Costs (excluding tax, royalties and Amortisation and Depreciation) average US\$ 17.37 / ROM Ore t over the Life of Mine. These costs include a LOM mining operating cost of US\$ 5.19/ ROM Ore t, a processing cost of US\$5.19/ ROM Ore t, a combined transport to port cost of US\$ 2.99/ ROM t and toll and refinery charge of US\$2.58/ ROM Ore t. The remainder of the operating cost is made up of G & A. A detailed breakdown is supplied in **Section 13**. Estimated operating costs for the Project including concentrate freight, smelting, and refining (FSR) costs and including by-product credits expected to be US\$ 0.48 per pound of saleable copper produced over the life of the mine
- A high-level review of the environmental, health and safety indicates that the Project appears to be viable and the potential social and environmental impacts encountered during all phases of the Project can be mitigated. In addition, the Company and their contractors have the organisational capacity to address permitting, environmental and social issues, and health and safety management; however, there are a number of challenges to be addressed during the life of the Project.
- The current permitting plan appears to meet the Project requirements through the construction and operations phases of the Project. Erosion and sedimentation control is required to mitigate potential impacts to the water resources in the area. The use of Best Management Practices appears to be ongoing with regard to protection of the steep slopes existing in the areas of current construction. The potential seepage from the Tailings Storage Facility (TSF) and the Waste Rock Storage Facilities (WRSF) is an important consideration for potential contamination of water resources in the Project area. The TSF is a no discharge facility as permitted through the regulatory agency. The facility will be constructed to significantly reduce seepage using a geomembrane sealing system in the upstream face of the main embankment of the dam and by grouting cracks and fractures in the bedrock below the dam. Monitoring wells will be installed down-gradient to determine if seepage occurs and if the water resources are negatively impacted. The wells will be constructed to allow pumping to mitigate groundwater contamination problems, if needed. Seepage from the WRSF's will not likely become an issue for the waste rock generated from the Ferrobamba and Chalcobamba pits; however, waste rock from the Sulfobamba Pit will likely generate acid and leachable elements which may impact the water resources in the area if not mitigated and managed. RPM is aware that the Company is developing plans to collect the

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seepage water from the WRSF's and reused in the process plant as a mitigation strategy however further designs area required.

- Appropriate considerations for impacted communities will be required to promote positive relationships with the Project. The development of programs that benefit impacted communities in a positive manner will prevent social problems throughout the Operations and Post-Closure phases. The constructed housing and other facilities are very well prepared; however, it is noted that the housing portion of the community development presents a change of life style of the inhabitants, which may lead to issues as the families adjust to the new way-of-life. The Company has recognized this factor and hired rePlan to initiate programs to support development of positive impact. It will be important to develop programs that will allow the impacted communities to view the Project as a positive influence on their way of life. Activities will include making arrangements so that impacted communities receive preference for job opportunities. In addition, a program will be initiated to promote business development in the vicinity of the Project. It is anticipated that the development of businesses to provide supply chain items for the project will enhance the local economy and provide good community relations. rePlan is expanding this activity outside the Project area into other parts of Peru, which will not only support business development in Peru but will reduce costs to the Project from importing supplies from other countries. Other programs are planned to support the development of industries outside of the mining industry to enhance sustainable economic growth after the mine closes.

The key opportunities identified for the Project during the review are outlined below:

RPM considers that there are several opportunities within the Project. These include:

- **Inferred material:** Within the current final pit designs a total of 125 Mt of "inferred" material has been reported, this is particularly prevalent in the upper western zone of the Ferrobamba deposit. This material has been included in the Ore Reserves estimate as waste. As such, if successfully upgraded, this material presents a significant opportunity to further increase the Ore Reserves quantities and the Mine Life and decrease the strip ratio.
- **Regional Exploration Targets:** Although significant exploration has taken place within the Project, RPM notes that a number of high priority targets have been identified via drilling which could further increase the resource base. These targets are near surface and although at an early stage of exploration, warrant additional work in the near term. In addition, RPM notes that of the large concession holding of the Company, only approximately 35 % has been explored near surface.
- **Sulfobamba Feeder System:** Recent exploration works by the Company have identified potential extensions adjacent to the pit design which contains the currently defined Mineral Resource. Drilling to date has identified a number of mineralised areas, which require follow up drilling to define the extent of mineralisation. RPM considers this to be a priority target and shows excellent potential to define near planned mining infrastructure resource which can form a future mine planning and optimisation studies.
- **Tails Dam Storage Capacity:** RPM's Ore Reserve estimate is restricted by the currently approved capacity of the tailings storage facility. RPM's review of the optimised mine plans identified potential opportunities to increase the overall pit limits and hence ore schedule. This would require further studies in the feasibility of expanding the current approved tails storage facility which have yet to be completed or approved. Should the tails dam expansion be feasible than it is possible that the mine life could be expanded by up to 5 years with the additional ROM Ore sourced from the Inferred material within the existing pit limits, the identified potential expansion to the existing pit limits and the potential to re-evaluate the cut-off grade used (see next paragraph).
- **Cut-off Grade:** A review of the in pit quantities at varying cut off grades indicates the Project is reasonably sensitive to cut off grade with material increases in ROM quantities occurring with decreasing cut-off grade. RPM notes that several limiting factors have been incorporated into the estimation of the cut-off grade, including the tailings storage facility capacity limitation. RPM recommends that a trade-off study be completed as the economic benefits of optimising cut off grades as this has the potential to increase the project profitability.

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- **Plant Provisions:** Provision has been made in the ore-processing plant to add two additional ball mills if warranted. Adding these mills would increase plant capacity considerably, probably of the order of 30% and could add considerable economic benefit to the Project. Such an increase could require that the mining fleet be expanded to provide additional ore and the tailing dam be elevated faster than currently planned.
- **Concentrate Pipeline:** Installing a concentrate pipeline from the Project to the port of Matarani appears practical and to have minimal concerns with easements. Having a concentrate pipeline in place would reduce truck traffic on the road route, minimizing social and safety concerns and in the long term could be more economic. RPM does however note that a pipeline would require considerable Capital expenditure.

The key risks identified to the Project during the review are outlined below:

- The relocation of approximately 2,500 local residents scattered through the working areas of the Project to the town of Nueva Fuerabamba, a newly-built town that has been constructed to house the local residents, could be difficult and lead to delays in the project. Of key concern is the potential impact on pre stripping of the Ferrobamba pit and associated planned ore production schedule. The housing and other facilities at Nueva Fuerabamba are very well constructed; however, it will mean some change in life style of the people which may lead to issues as the families adjust to the new way-of-life. rePlan (consultant to The Company) has identified this potentially serious issue and has developed a program to closely work with the people to help them adjust to the new life style. The success of this program will dictate the success of the resettlement and achievability of the currently stated Project timeline.
- There are numerous easements along the route of the 23 km water-supply pipeline, particularly in the 10-km length closest to the intake. While these easements are considered to be in place, there could be challenges and complications which could disrupt installation of the pipeline. It will be necessary to vigorously pursue any challenges or complications to minimize construction delays.
- The completion of the power-supply line is critical to the Project. This line is being installed by Abengoa, a separate company contracted under a Build, Own, Operate (BOO) contract. Obtaining easements for the line has been problematical thus far and could delay completion of the line.

Refer to Section 15 for further details on risks and opportunities.

RPM Qualifications and Experience

RPM's advisory division operates as independent technical consultants providing services across the entire mining life cycle including exploration and project feasibility, resource and reserve evaluation, mining engineering and mine valuation services to both the mining and financial services industries.

RPM is the market leader in the innovation of advisory and technology solutions that optimise the economic value of mining assets and operations. RPM has serviced the industry with a full suite of advisory services for over 45 years and is the largest publicly traded independent group of mining technical experts in the world having completed over 11,000 studies across all major commodities and mining methods, and worked in over 118 countries globally. This report was prepared on behalf of RPM by technical specialists, details of whose qualifications and experience are set out in **Appendix A**.

RPM has been paid, and has agreed to be paid, professional fees for its preparation of this report; however, none of RPM or its directors, staff or sub-consultants who contributed to this report has any interest or entitlement, direct or indirect in:

- the Company, securities of the Company or companies associated with the Company; or
- the right or options in the relevant Mine.
- The work undertaken is an ITR of the information provided by or on behalf of the Company, as well as information collected during site inspections completed by RPM as part of the ITR process. It specifically

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excludes all aspects of legal issues, marketing, commercial and financing matters, insurance, land titles and usage agreements, and any other agreements/contracts that Company may have entered into.

RPM does not warrant the completeness or accuracy of information provided by the Company which has been used in the preparation of this report.

The title of this report does not pass to the Client until all consideration has been paid in full.

Drafts of this report were provided to the Client, but only for the purpose of confirming the accuracy of factual material and the reasonableness of assumptions relied upon in the report.

Generally, the data available was sufficient for RPM to complete the scope of work. The quality and quantity of data available, and the cooperative assistance, in RPM's view, clearly demonstrated the Company's assistance in the ITR process. All opinions, findings and conclusions expressed in the report are those of RPM and its specialist advisors.

Yours faithfully,



Tim J. Swendseid, P.E., MBA, CFA (Hong Kong Competent Person)
President, Consulting Services - Americas
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1 Introduction

Runge Asia Limited ("RAL") trading as RungePincockMinarco ("RPM") has been engaged by MMG Limited (HKEx: 1208) ("MMG" or the "Client") to undertake an Independent Technical Review ("ITR") and compile a Competent Persons Report ("CPR" or the "Report") (as defined by under Chapter 18 of the Rules Governing the Listing Rules of the Stock Exchange of Hong Kong (the "Listing Rules") on the Las Bambas Project (the "Project"). The Project is currently owned and operated by Glencore plc. (the "Company") and is a world class Cu porphyry deposit located in south-central Peru. Development of the Project is well advanced with over 50% of the construction completed as at January 2014 and the key project infrastructure scheduled to be fully commissioned and operational by the end of 2015 with full production planned to be reached in 2016.

The Client has conditionally agreed to acquire the Project from the Company through the acquisition of the issued share capital of an intermediate holding company of the Project. The process and conclusions of the ITR are presented in the CPR which will be included in the Circular of the Client in relation to the transaction in accordance with Chapter 18 of the Listing Rules.

The Project is contained within 41 concession areas and consists of numerous large scale skarn and porphyry-hosted copper ("Cu") deposits. Three ("3") of the defined deposits, namely the Ferrobamba, Chalcobamba and Sulfobamba, are in the development phase with a US\$6.0 Billion construction project underway aimed at delivering a large scale, low cost copper-molybdenum ("Cu-Mo") producer with by-products including silver ("Ag") and gold ("Au"). The Project is planned to be exploited via typical large scale truck and shovel open pit mining methods, with ore feed into pit side crusher stations prior to being delivered via overland conveyors to a centralised 140 kilo tonnes per day ("ktpd") processing plant which will produce two products namely Cu and molybdenum ("Mo") concentrate. Based on the JORC Ore Reserve and Life of Mine ("LOM") plan the Mine life is estimated to be 21 years as at the 1st of January 2014 with pre-stripping and ore stockpiling starting in 2014. The average annual production forecast is for approximately 800,000 dry tonnes of Cu concentrate with a LOM average grade of 36.4% Cu, along with 11,000 dry tonnes of Mo concentrate with an LOM average grade 50% Mo over the life of the mine.

1.1 Scope of Work

RPM's scope of work included:

- Gathering of relevant information on the Project including resources and reserves information, LOM production schedules, and operating and capital cost information;
- Reviewing of the resources and reserves, including quantity and quality of drilling, reliability of data, and adequacy of resource and reserve estimation methods;
- Estimation of independent Mineral Resources and Ore Reserves (as defined in Appendix B) reported in compliance with the recommended guidelines of the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the "JORC Code"), prepared by the Joint Ore Reserves Committee ("JORC");
- Reviewing and commenting on forecast operating and capital expenditures in the relevant technical studies;
- Reviewing the Project short term and long term development plans;
- High level review of the environmental, health and safety risks and management plans for the Project; and
- Compilation of a CPR as defined under Chapter 18 of the Listing Rules.

1.2 Relevant Assets

The Project is a world class Cu and Mo late stage development project located in the Andes of southern Peru approximately 75 km south-southwest of Cusco and approximately 300 km north-northwest of Arequipa (*Figure 2-1*). The site which is contained within 41 concessions has an elevation of between 3,800 m and

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4,600 m with geographic coordinates of approximately 14.0850° south and 71.4272° west as detailed in Section 3.

The Relevant Assets consist of a partially developed open pit mine, an ore processing facility, associated infrastructure including water and power supply systems, and exploration and mining licences.

1.3 Review Methodology

RPM's ITR methodology was as follows:

- Review existing reports and data,
- Conduct a Competent Person's site visit,
- Discussions with Project personnel of the Company prior to and following the site visit,
- Independent Estimation and Reporting of Mineral Resources and Ore Reserves in accordance with the guidelines of the JORC Code, and
- Preparation of a CPR and provision of drafts of the CPR to Project personnel to ensure factual accuracy and reasonableness of assumptions.

The comments and forecasts in this CPR are based on information compiled by enquiry and verbal comment from the Client and Project personnel from the Company. Where possible, this information has been checked with hard copy data or by comment from more than one source. Where there was conflicting information on issues, RPM used its professional judgment to assess the issues.

1.4 Site Visits and Inspections

A site visit was conducted by the Team to the Project's mine site and surface operations to familiarise themselves with the project characteristics. The site visit was undertaken in May 7th and 8th, 2014 by Mr. Esteban Acuña, Mr. Richard Addison, and Dr. Terry Brown. Mr. Tim J. Swendseid and Messrs. Acuña and Addison had also previously visited the site in June 14th through June 16th, 2013, and Mr. Tim J. Swendseid from September 2nd through September 13th, 2012. During the site visits the Team inspected the mine, the ore processing plant, the tailings storage facility, the water supply system, the power distribution system the town built for the inhabitants of the Project area, and conducted general inspections of the Project area. The visits were also used to gain a better understanding of the Project status.

During the site visits, the Team had open discussions with the Company's personnel on technical aspects relating to the relevant issues. The Company's personnel were cooperative and open in facilitating RPM's work.

1.5 Information Sources

Several geology studies, feasibility studies, and design reports were provided for the Project. A full list of the relevant reports can be found in Annexure D.

1.6 Competent Person and Responsibilities

The statements of Mineral Resources and Ore Reserves have been reported in accordance with the recommended guidelines of the JORC Code and are suitable for inclusion in a CPR as defined by Chapter 18 of the Listing Rules.

1.6.1 Mineral Resources

The information in this report that relates to Mineral Resources is based on information compiled by Mr. Esteban Acuña who is a full-time employee of RPM and a Registered Member of the Chilean Mining Commission. Mr. Acuña has sufficient experience that is relevant to the style of mineralisation and type of

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deposit under consideration and to the activity that he has undertaken to qualify as a Competent Person as defined in the JORC Code.

Reporting of the Mineral Resources estimate complies with the recommended guidelines of the JORC Code and is therefore suitable for public reporting.



Esteban Acuña

1.6.2 Ore Reserves

The information in this report that relates to Ore Reserves is based on information compiled by the Project and reviewed by Mr. Rondinelli Sousa who is a full time Senior Mining Engineer employed by RPM and is a Member of the American Society of Mining, Metallurgy & Exploration (SME). Mr. Sousa has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration to qualify as a Competent Person as defined in the JORC Code.



Rondinelli Sousa

1.6.3 HKEx Competent Person

Mr. Tim J. Swendseid meets the requirements of a Competent Person, as defined by Chapter 18 of the Listing Rules. These requirements include:

- Greater than five years' experience relevant to the type of deposit;
- Licensed Professional Engineer (P.E.) in Arizona, and Idaho, USA, which is a Recognized Professional Organization
- Does not have economic or beneficial interest (present or contingent) in any of the reported Relevant Assets;
- Has not received a fee dependent on the findings outlined in the Competent Person's Report;
- Is not an officer, employee or proposed officer for the Client or any group, holding or associated company of the issuer, and
- Assumes overall responsibility for the Competent Person's Report.



Tim Swendseid (Hong Kong Competent Person) (SME)

Mr. Swendseid is currently RPM's President of Consulting Services for the Americas, He has been employed by RPM for over three years, and during that time has been in charge and/or involved with mining project evaluation and consulting for over 39 projects, in 16 countries, involving 12 different mineral commodities. Additionally, he has provided advice and oversight for many additional mining projects undertaken by RPM during the past two years.

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Prior to his employment at RPM, Mr. Swendseid worked for 27 years in various capacities for public mining companies. He served as the General Manager of a gold mine in Sonora, Mexico for Toronto-based Alamos Gold and as the Vice President, Engineering for Toronto-based Frontera Copper (which operated the Piedras Verdes project in Sonora, Mexico, an open pit copper mine and SXEW facility). He also served as Director of Mining (overseeing five copper mines that moved between 125,000 and 800,000 tonnes per day ("tpd")) at Phoenix-based Phelps Dodge, Mine Manager for two different mines at two different times (one a 350,000 tonnes per day open pit copper mine in Chile and one a 125,000 ton per day open pit copper mine in the USA), Chief Mine Planning Engineer (at an 800,000 tonnes per day open pit mine copper in the USA) also with Phelps Dodge and has held various other supervisory and engineering roles for major USA mining companies including Phelps Dodge and New York-based Asarco Inc.

Mr. Swendseid has been designated as a Chartered Financial Analyst by the CFA Institute. He also received an MBA from the Eller Graduate School of Management, University of Arizona and a B.S. in Mining Engineering from the Montana School of Mineral Science and Technology. Mr. Swendseid is a Registered Professional Engineer (Mining) in Arizona and Idaho, a member of the CFA Institute and Colorado CFA Society, a Registered Member of the Society of Mining, Metallurgy, and Exploration, Inc. and a member of the Instituto de Ingenieros de Minas de Chile. Mr. Swendseid is also a member of the Strategic Committee on Finance for the Society of Mining, Metallurgy and Exploration, Inc.

Throughout his career, Mr. Swendseid has accumulated extensive relevant experience applicable to the type and style of mineralisation and operation of the Project. Since joining RPM, Mr. Swendseid has lead numerous technical reviews of NI 43-101 and JORC Technical Reports and a summary of Mr. Swendseid's relevant experience of preparing and reviewing technical reports (both JORC and NI 43-101) are provided in the table below.

In preparing the HKEx CPR for Las Bambas which includes JORC Resource and Reserve Statements, Mr. Swendseid adhered to RPM's internal quality assurance and quality control process for public reports. This ensures that the report was peer reviewed by experts who have extensive experience in reporting to the HKEx requirements and to JORC requirements. RPM's Independent Public Reporting Capability Management has been established by RPM as part of its Capability Leadership Model to serve as both guidelines for and to provide assistance with the preparation of public reports by setting standards and processes for technical risk management, internal compliance and control policies and procedures for Public Reporting. These guidelines also serve to ensure that RPM applies consistency in the approach taken for public reporting globally. RPM have a strong history of successfully preparing JORC and HKEx compliant Competent Persons' Reports (**See Annexure A**).

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Table 1-1 HKEx CP Experience List

Report Date	Company	Place of listing of Company	Mineral	Reporting Standard	Level of Involvement
March-2008	Frontera Copper	Toronto Stock Exchange	Copper (porphyry)	NI 43-101	"Qualified Person", as defined under Canadian National Instrument 43-101 and was the lead author of the report, taking overall responsibility.
Nov 2011	HudBay-- Constancia Project	Toronto Stock Exchange	Copper (porphyry)	NI 43-101	Overall responsibility of providing independent technical project review for lenders
Feb 2012	Fortescue—155 MT expansion project	Australia Stock Exchange	Iron Ore	JORC	Overall responsibility of providing independent technical project review for lenders
April 2012	Mercator Minerals—El Pilar Project	Toronto Stock Exchange	Copper (exotic)	NI 43-101	Overall responsibility of providing independent technical project review for lenders
June 2012	Arcelor Mittal --Las Truchas Property	New York Stock Exchange, Amsterdam Stock Exchange, Paris Stock Exchange, Luxembourg Stock Exchange and on the Spanish stock exchanges of Barcelona, Bilbao, Madrid and Valencia.	Iron Ore	US SEC and others	Overall responsibility for district optimization and provide life of mine plan that can be used for ore reserve estimation purposes
July 2012	Baja Mining—Boleo Project	Toronto Stock Exchange	Copper / cobalt (sedimentary)	NI 43-101	Overall responsibility of providing independent technical project review for lenders plus lead construction monitoring effort for lenders
June 2013	Sulliden—Shahuindo Project	Toronto Stock Exchange	Gold	NI 43-101	Overall responsibility of providing independent technical project review for lenders
Sept 2013	Glencore—Las Bambas Project	London Stock Exchange, Hong Kong Stock Exchange, Johannesburg Stock Exchange	Copper (Porphyry)	JORC	Overall responsibility of providing independent technical Due Diligence Review for Glencore's use to market the Las Bambas Property

1.6.4 Team Responsibility

As part of the Team, members who have worked to compile this report include the following:

- Mr Richard Addison – Richard was responsible for Project management, infrastructure and processing and metallurgical flowsheet and parameter review.
- Mr Terry Brown – Terry was responsible for the review of the environmental and social aspects of the Project.
- Mr Esteban Acuna – Esteban was responsible for review the drill hole database and estimation of the Mineral Resources stated within this Report.
- Mr Rondinelli Sousa – Rondinelli was responsible for review the mining parameters, undertaking of mine scheduling and estimation of the Ore Reserves stated within this Report.
- Mr Pedro Repetto – Pedro was responsible for the review of the infrastructure designs and costing's.

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- Mr Tim Swendseid – Tim was responsible for the supervision of all Team members, their work and the compilation of the Report. Tim assumes responsibility of the Report as Competent Person.
- Mr Jeremy Clark – Jeremy was responsible for the internal peer review of the Report.

1.7 Limitations and Exclusions

RPM's review was based on various reports, plans and tabulations provided by MMG or the Company either directly from the mine site and other offices, or from reports by other organisations whose work is the property of the MMG or the Company. Neither MMG or the Company has not advised RPM of any material change, or event likely to cause material change, to the operations or forecasts since the date of asset inspections.

The work undertaken for this Report is that required for a technical review of the information, coupled with such inspections as the Team considered appropriate to prepare this Report.

It specifically excludes all aspects of legal issues, commercial and financing matters, land titles and agreements, except such aspects as may directly influence technical, operational or cost issues and where applicable to the JORC Code guidelines.

RPM has specifically excluded making any comments on the competitive position of the Relevant Asset compared with other similar and competing producers around the world. RPM strongly advises that any potential investors make their own comprehensive assessment of both the competitive position of the Relevant Asset in the market, and the fundamentals of the copper, molybdenum, and gold markets at large.

1.7.1 Limited Liability

This Report has been prepared by RPM for the purposes of MMG for inclusion in its Circular in respect of the proposed acquisition of the Project in accordance with the Listing Rules and is not to be used or relied upon for any other purpose. RPM will not be liable for any loss or damage suffered by a third party relying on this report or any references or extracts therefrom contrary to the purpose (regardless of the cause of action, whether breach of contract, tort (including negligence) or otherwise) unless and to the extent that RPM has consented to such reliance or use.

1.7.2 Responsibility and Context of this Report

The contents of this Report have been based upon and created using data and information provided by or on behalf of MMG or the Company. RPM accepts no liability for the accuracy or completeness of data and information provided to it by, or obtained by it from MMG, the Company or any third parties, even if that data and information has been incorporated into or relied upon in creating this report. The report has been produced by RPM in good faith using information that was available to RPM as at the date stated on the cover page and is to be read in conjunction with the circular which has been prepared and forms part of the referenced transaction.

This report contains forecasts, estimates and findings that may materially change in the event that any of the information supplied to RPM is inaccurate or is materially changed. RPM is under no obligation to update the information contained in the report.

Notwithstanding the above, in RPM's opinion, the data and information provided by or on behalf of MMG or the Company was reasonable and nothing discovered during the preparation of this Report suggests that there was a significant error or misrepresentation of the such data or information.

1.7.3 Indemnification

MMG has indemnified and held harmless RPM and its subcontractors, consultants, agents, officers, directors, and employees from and against any and all claims, liabilities, damages, losses, and expenses (including lawyers' fees and other costs of litigation, arbitration or mediation) arising out of or in any way related to:

- RPM's reliance on any information provided by MMG and the Company; or

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- RPM's services or materials; or
- Any use of or reliance on these services or material,

save and except in cases of death or personnel injury, property damage, claims by third parties for breach of intellectual property rights, gross negligence, wilful misconduct, fraud, fraudulent misrepresentation or the tort of deceit, or any other matter which be so limited or excluded as a matter of applicable law (including as a Competent Person under the Listing Rules), and regardless of any breach of contract or strict liability by RPM.

1.7.4 Mining Unknown Factors

The findings and opinions presented herein are not warranted in any manner, expressed or implied. The ability of the operator, or any other related business unit, to achieve forward looking production and economic targets is dependent upon numerous factors that are beyond RPM's control and which cannot be fully anticipated by RPM. These factors include site specific mining and geological conditions, the capabilities of management and employees, availability of funding to properly operate and capitalise the operation, variations in cost elements and market conditions, developing and operating the mine in an efficient manner, etc. Unforeseen changes in legislation and new industry developments could substantially alter the performance of any mining operation.

1.7.5 Capability and Independence

RPM provides advisory services to the mining and finance sectors. Within its core expertise it provides independent technical reviews, resource evaluation, mining engineering and mine valuation services to the resources and financial services industries.

RPM has independently assessed the Relevant Assets of the Project by reviewing pertinent data, including resources, reserves, manpower requirements and the life of mine plans relating to productivity, production, operating costs and capital expenditures. All opinions, findings and conclusions expressed in this Report are those of RPM and its specialist advisors.

Drafts of this Report were provided to MMG, but only for the purpose of confirming the accuracy of factual material and the reasonableness of assumptions relied upon in this Report.

RPM has been paid, and has agreed to be paid, professional fees based on a fixed fee estimate for its preparation of this Report. Its remuneration is not dependent upon the findings of this Report or on the outcome of the transaction.

None of RPM or its directors, staff or specialists who contributed to this Report have any economic or beneficial interest (present or contingent), in:

- the Project, securities of the companies associated with the Project or that of MMG; or
- the right or options in the Relevant Assets; or
- the outcome of the proposed transaction.

This CPR was compiled on behalf of RPM by the signatories to this CPR, details of whose qualifications and experience are set out in Annexure A of this CPR. The specialists who contributed to the findings within this CPR have each consented to the matters based on their information in the form and context in which it appears.

2 Project Overview

The Project is contained within 41 mining concessions (**Figure 3-1**) and consists of several discrete Cu-Mo deposits which occur as large, semi-vertically oriented porphyry/skarn emplacements in zones of approximately 3 sq. km (300 ha) each. Exploration works within the Project area commenced in 1966 and has primarily focussed on 3 separate deposits, namely Ferrobamba, Chalcobamba, and Sulfobamba; however, several other high priority targets have been identified as part of systematic exploration efforts. These 3 main deposits occur as clustered bodies which range in thickness between 20m and 100m and surround magmatic bodies which have intruded sedimentary units. The bodies are vertically continuous with current drilling delineating mineralisation continuous from surface to over 600m in depth at Ferrobamba. These large scale mineralised bodies are planned to be exploited via open pit methods with initial ore production planned to occur mid-September 2015 from the Ferrobamba deposit however full ore production will not be achieved until 2016. The Project is currently in the late stages of project development with pre-stripping occurring on the Ferrobamba deposit and construction of various major infrastructure items well advanced. The initial 5 years of operations will have all ore sourced from the Ferrobamba open pit after which time the other 2 deposits will add additional ore sources in parallel with Ferrobamba at various times throughout the mine life.

Ore processing is scheduled to commence in September 2015 with full throughput capacity of 51 million tonnes per annum ("Mtpa") or 140 ktpd forecast to be achieved in 2016. The Project will generate two separate Cu and Mo concentrates with grades of approximately 36.4% Cu and 50% Mo. The two concentrates are planned to be trucked 710 km to the port of Matarani, located about 100 km southwest of Arequipa (**Figure 2-1**). The product is planned to be sold to predominately Chinese customers.

Based on RPM's Ore Reserves estimates, the Life of Mine ("LOM") is forecast to be approximately 21 years as at the 1st of January 2014 with pre-stripping planned and ore stocking commencing in 2014 and production planned to continue through to year 2034, processing approximately 51 million tonnes ("Mt") of Ore per year to produce on average 800 kilo tonnes ("kt") of Cu and 11 kt of Mo concentrates per year over the entire life of the mine.

2.1 Project Location and Access

The Project is a world class copper gold (Cu-Au) mine located in the Andes of southern Peru approximately 75 km south-southwest of Cusco, approximately 300 km north-northwest of Arequipa, and approximately 150 km northeast of Espinar (also named Yauri) (**Figure 2-1**). The Project is readily accessible from either Cusco or Arequipa over a combination of paved and good quality gravel roads. Road travel from Cusco takes approximately 6 hours, while road travel from Arequipa takes approximately 9 hours.

2.2 Regional Environment

2.2.1 Geography

The geography in the region consists of undulating hills which range in elevation from 3,500 m to 4,200 m above sea level ("masl"). Slopes are generally moderate to steeply inclined around the Project area. There are no naturally propagated trees in the area and the ground cover generally consists of low grass and small shrubs.

2.2.2 Climate

The regional climate is cold and dry in the summer and cool and wet in the winter. Temperatures range between 0°C and 14°C with averages of 11°C in summer and 5°C in winter. Annual precipitation averages 1.3 m.

2.2.3 Industry

The main industry in the area surrounding the Project is subsistence farming and livestock rearing. The main crop is potatoes while the main livestock are sheep and poultry. In a wider regional context there is large scale open pit copper mining at the Antapaccay mine 150 km to the southeast, whilst HudBay Minerals is in the process of developing the Constanca mine located midway between the Project and Antapaccay.



2.3 Regional and Local Infrastructure

There is limited established infrastructure in the region to support large scale mining activities, accordingly substantial infrastructure is being constructed as part of the development the Project. This infrastructure has included as of May, 2014 road improvements, construction of new access roads; building a water supply system to support the planned production rates; constructing power connection to the national grid; constructing all the typical non mine related surface buildings such as offices, workshops, warehouses, and laboratories; building a town to house residents displaced by the Project; adapting the construction camps for employee housing; and constructing communication towers to connect to Cusco and Yauri. In addition substantial mine related infrastructure is planned to be constructed, including the processing plant, etc.

Arequipa is the principal town in the region serving the mining industry and the primary source of consumables and services which will be required by the Project. The port of Matarani is located approximately 100 km south-southeast of Arequipa and serves as a major concentrate shipment port for copper mines in the region and will be expanded by third parties to accommodate the concentrates from the Project as well as other nearby projects.

2.4 Future Studies and Expansion Option Studies

The only future studies of which RPM are aware are additional drilling to expand the Resources base in areas that have been precluded up to now because of the presence of local residents and the assessment of the construction of a concentrate pipeline from the mine to Matarani. The probability of significantly expanding the Resources base with additional drilling is high. The construction of a concentrate pipeline could be economically viable and add to the economic value of the Project.

3 Licences and Permits

3.1 Mineral Concessions and Surface Rights

The Project is contained within 41 mining concessions (**Figure 3-1**) which are currently held by the Company.

The Project possesses all of the mineral rights (concessions) and surface rights necessary to fully develop the Project at the forecast rate as detailed in **Annexure E**. RPM does however note that a number of occupants still reside within the concession area and the Company is in the process of relocating them as described in **Section 14**.

RPM provides this information for reference only and recommends that land titles and ownership rights be reviewed by legal experts.

3.2 Water Rights

Numerous water rights are required for the Project, while the majority of the permits have been received a surface water acquisition permit is still outstanding as summarized in **Table 3-1**. RPM notes that the outstanding permits will not have an impact on the forecast production rate and is expected to be granted to ensure full production can be achieved.

Table 3-1 Water Rights Summary

Authorization Item	# Permits Required	Comments
To Perform Studies	3	All received
To Use Water for Construction of the Project	10	All received
For Specific Uses of Water	3	All received
For Works that Cross Natural Waterways	4	All received
For Construction of Heavy Haul Road	40	All received
For Work in Waterways for Heavy Haul Road Construction	7	All received
To Use Surface Water for Operation from the Challhuahuacho River	3	Pending
To Use Underground Water for Operation	4	All Received

Source: Supplied by the Company

Note: RPM provides this information for reference only and recommends that land titles and ownership rights be reviewed by legal experts.

3.3 Other Rights-of-Way and Expansion and Usage Permits

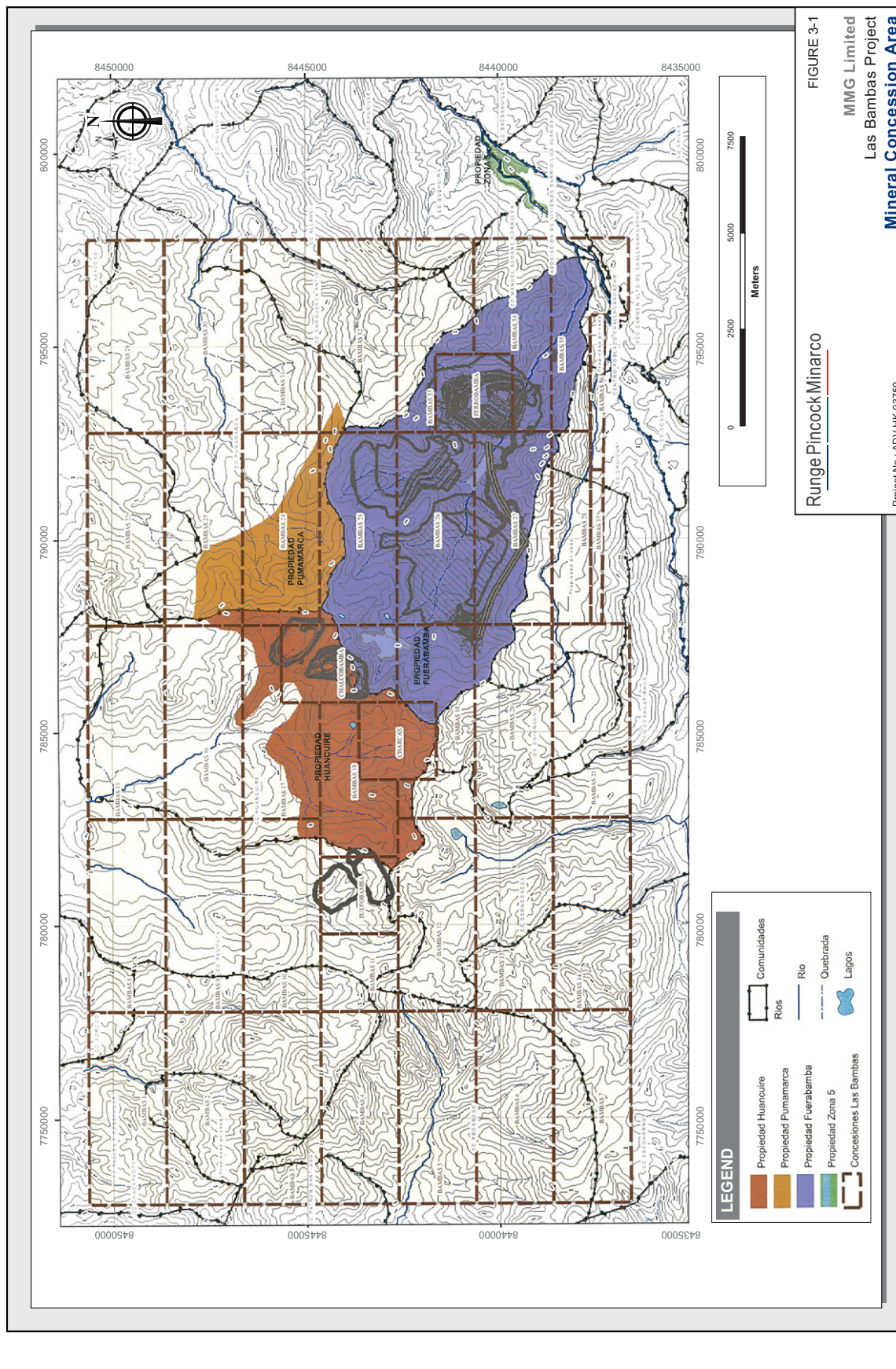
The right-of-way for the power transmission line is ongoing as rePlan has been contracted to support Abengoa, the third party responsible for construction. At this time the EIS for the Port Expansion has been approved and the archaeological clearances have been obtained. Acquisition of applicable permits is ongoing.

3.4 Environmental and Operating Permits

The Project currently holds numerous environmental, construction, and operating permits. **Annexure E** outlines the current licences and permits held.

RPM provides this information for reference only and recommends that land titles and ownership rights be reviewed by legal experts.

For further information refer to **Section 14.5** and **Annexure E**.



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4 Project History

4.1 Exploration History

The Project has a long history of exploration by the current and previous owners which commenced in 1966 with over 343 km of surface diamond drilling to date. As outlined in **Table 4-1**, Cerro de Pasco completed the initial works followed by Cyprus, Phelps Dodge, BHP, Tech, and Pro Invest prior to Xstrata resource definition drilling which commenced in 2005. The current owners gained the rights to the project following the purchase of Xstrata in 2013.

Table 4-1 Exploration Campaign Summary

Company	Year	Deposit	Purpose	Type	# of DH	Meters Drilled
Cerro de Pasco	1966	Chalcobamba	Exploration	DDH	6	906.44
Cyprus	1996	Chalcobamba	Exploration	DDH	9	1,367.31
Phelps Dodge	1997	Ferrobamba	Exploration	DDH	4	737.80
		Chalcobamba			4	653.40
BHP	1997	Ferrobamba	Exploration	DDH	3	365.80
		Chalcobamba			4	658.55
Teck	1998	Chalcobamba	Exploration	DDH	4	875.10
Pro Invest	2003	Ferrobamba	Exploration	DDH	4	738.00
		Chalcobamba			7	1,590.00
Sub-Total						7,892.40
Xstrata	2005	Ferrobamba	Resource Evaluation	DDH	109	26,839.90
		Chalcobamba			66	14,754.10
		Sulfobamba			60	14,406.20
	2006	Ferrobamba	Resource Evaluation	DDH	125	51,004.15
		Chalcobamba			95	27,904.70
		Sulfobamba			60	16,508.25
		Charcas			8	2,614.05
	2007	Azuljaja	Resource Evaluation	DDH	4	1,968.85
		Ferrobamba			131	46,710.35
		Chalcobamba			134	36,617.55
	2008	Sulfobamba	Resource Evaluation	DDH	22	4,996.60
		Ferrobamba			103	40,546.45
	2010	Chalcobamba	Resource Evaluation	DDH	90	22,096.60
		Ferrobamba			91	28,399.85
Sub-Total						1,098 335,367.60
Total						1,143 343,260.00

Source: Provided by the Company

4.2 Mining History

While no production has occurred as at the effective date of this Report, land clearing of the Ferrobamba open pit began in 2013 in preparation for the commencement of pre-stripping in 2014. Pre-stripping will be ramped-up in late 2014 with initial ore production forecast in late 2015 and full production planned in 2016.

5 Geology

RPM has reviewed the geology within the Project area, on both a regional and deposit scale and considers the geology is well understood and developed through the generation of geological maps, stratigraphic definitions (sedimentary sequence, dating and intrusive history), geological cross sectional interpretations, and three-dimensional models.

Table 5-1 below outlines the various rocks types identified in the region and their associated abbreviations used in all technical documentation pertaining to this project and this Report.

Table 5-1 Rock Type Abbreviations

Rock	Abbreviation	Deposit		
		Ferrobamba	Chalcobamba	Sulfobamba
Tuff	Toba	✓	x	x
Sandstone	SND	✓	x	x
Shale	SHL	✓	x	x
Exoskarn	SK	✓	✓	✓
Magnetic Exoskarn	MSK	x	✓	✓
Hornfels	HFL	x	✓	x
Marble	MBL	✓	✓	✓
Calc-silica Marble	MBC	✓	x	x
Endoskarn	ENDO	✓	✓	✓
Breccia	BX	✓	✓	✓
Diorite	DI	x	✓	✓
Biotitic Monzonite	MZB	✓	✓	x
Horblendic Monzonite	MZH	✓	✓	x
Mafic Monzonite	MZM	✓	✓	✓
Quartz Monzonite	MZQ	✓	✓	x
Quartz-Feldspar Porphyry	QPF	x	✓	✓
Seriated Quartz-Feldspar Porphyry	QFS	x	x	✓
Fine Biotitic Monzonite	MBF	✓	x	x
Latite	LA	x	x	✓
Quaternary	QT	x	✓	x

5.1 Geologic Environment and Mineralisation Style

The currently defined deposits considered to be Cu-Mo-Au skarn mineralised bodies associated with the porphyry system belt in south-eastern Peru. This metallogenic belt is controlled by the Eocene-Oligocene Andahuaylas-Yauri Batholith, which intrudes Mesozoic sedimentary units, including the Ferrobamba formation (lower-to-upper Cretaceous). **Figure 5-1** shows the regional geological map.

The Andahuaylas-Yauri Batholith was emplaced south of the "Abancay Deflection" with NW-SE, NE-SW lineaments and others that were generated principally by the Andean Orogeny. The contact between the batholith and the Ferrobamba limestone has been metasomatically altered to form the skarn bodies which host the Cu-Mo-Au mineralisation within the Project.

5.1.1 Intrusion Phases

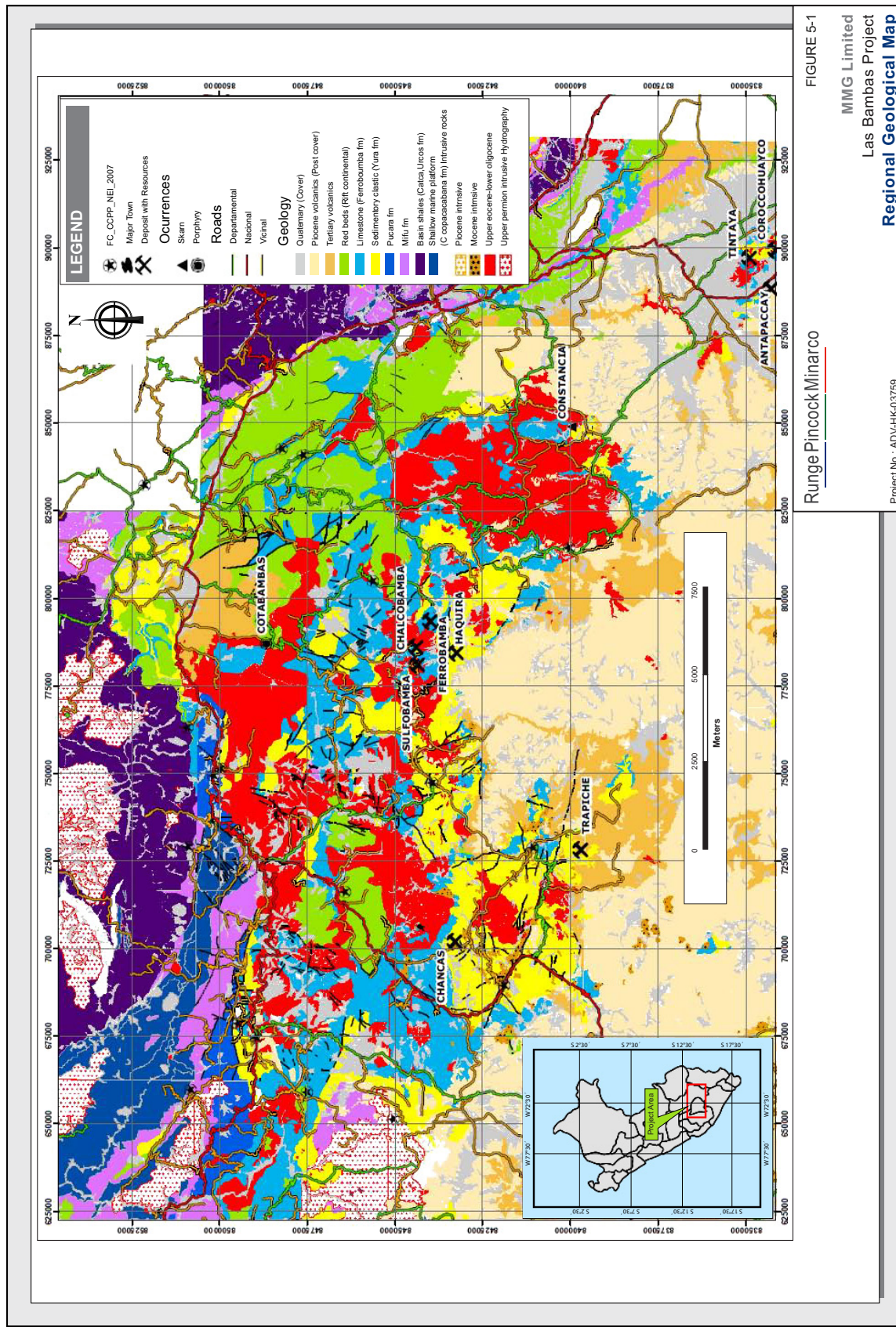
The Eocene-Oligocene magmatic activity in south-eastern Peru emplaced calc-alkaline intrusive bodies known as the Andahuaylas-Yauri Batholith (300 km x 60 km) was emplaced in multiple intrusive phases. These intrusives are localised by the generally NW – SE striking regional Andean lineaments, such as the major Berenguela-Tintaya-Katanga-Las Bambas-Cotabambas lineament.

Five main intrusive phases can be distinguished in the magmatic sequence which dominates the Andahuaylas-Yauri copper belt:

- Emplacement of principally fine-to-medium grained diorite with radiometric ages between 43 and 40 million years (Ma)

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- Intrusion of light to dark grey equigranular granodiorite and granodiorite-hornblende porphyries with radiometric ages between 39 and 37 Ma.
- Intrusion of monzonite, quartz monzonite, and quartz diorite porphyry stocks: Associated with this stage is the hydrothermal copper mineralisation event of the Andahuaylas – Yauri Belt. Evidence of the alteration and mineralisation, both in the monzonite and the host rocks it intrudes, are recognized in mineralisation centers such as in the deposits of Tintaya, Katanga, Huinchos, Ferrobamba, Chalcobamba, Sulfobamba, Los Chancas and other less important centers. At these mineralisation centers, garnet-pyroxene-magnetite skarn bodies have developed in the sediments and the intrusives. The radiometric ages of the alteration-mineralisation vary from 38 to 32 Ma.
- Subsequent to the mineralisation event, small, barren, quartz-monzonite stocks and dikes with very well developed quartz and orthoclase phenocrysts were emplaced. They show no alteration or associated mineralisation.
- The final phase was the emplacement of dikes and small stocks, principally dacites and andesites that are evidently post-mineralisation rocks. In certain cases these rocks envelope the mineralized zones and substantially reduce their volume.



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5.1.2 Sedimentary Rocks

The general sequence of sedimentary rocks includes Cretaceous-age sandstones units of the Soraya formation which are overlain by calcareous clastic lutites and sandstones of the Mara formation which, in turn, are overlain by limestones and cherts of the Ferrobamba formation.

The typical stratigraphic sedimentary column is shown in *Figure 5-2*.

5.1.3 Structural Geology

As a part of regional geology, the current owners have defined the structural geology from multiple sources. RPM extracted the following from the The Company feasibility study ("FS").

The regional setting of the Project is on the southern edge of the Abancay Deflection (12° to 14° South Latitude). This structure is characterized by a change in the trend of the Peruvian Andes Mountains from NW-SE to E-W for more than 200 km as a consequence of the differential collision of the dorsal portion of the Nazca Plate with the Peruvian Pacific littoral margin.

The Project is in the porphyry/skarn Cu-Mo-Au belt termed the Andahuaylas-Yauri skarn belt situated in southeast Peru in a zone attributed to the Eocene-to-Early-Oligocene Inca Orogeny. This metallogenic belt is hosted mainly in the Andahuaylas-Yauri Batholith, which has multiple calc-alkaline intrusions. The Inca Orogeny produced the primary deformations which are faulting and folding. Locally, the monzonites associated with the Ferrobamba, Chalcobamba, Charcas, Sulfobamba and Azuljaja deposits adhere to a WNW-ESE structural lineament in the same direction as the trend of the Andahuaylas-Yauri batholith.

5.1.4 Alteration

Similar to the mineralisation zonation, alteration zonation is commonly observed within the porphyry style of mineralisation. Alteration is the result of hydrothermal fluid flow (from the source granitic intrusives) which changes the mineralogy of the rocks. As with all deposit styles which result from hydrothermal fluid flow, it is important to note that the hydrothermal fluid forming the alteration has the same source as the Cu and Au. As a result, there is a direct relationship between the alteration and mineralisation. The type and variation in alteration is controlled by the varying structural complexities within each deposit, the resultant dilatational features of the rock i.e. path which the hydrothermal fluid flow takes, and the chemistry of the host rocks and porphyry bodies.

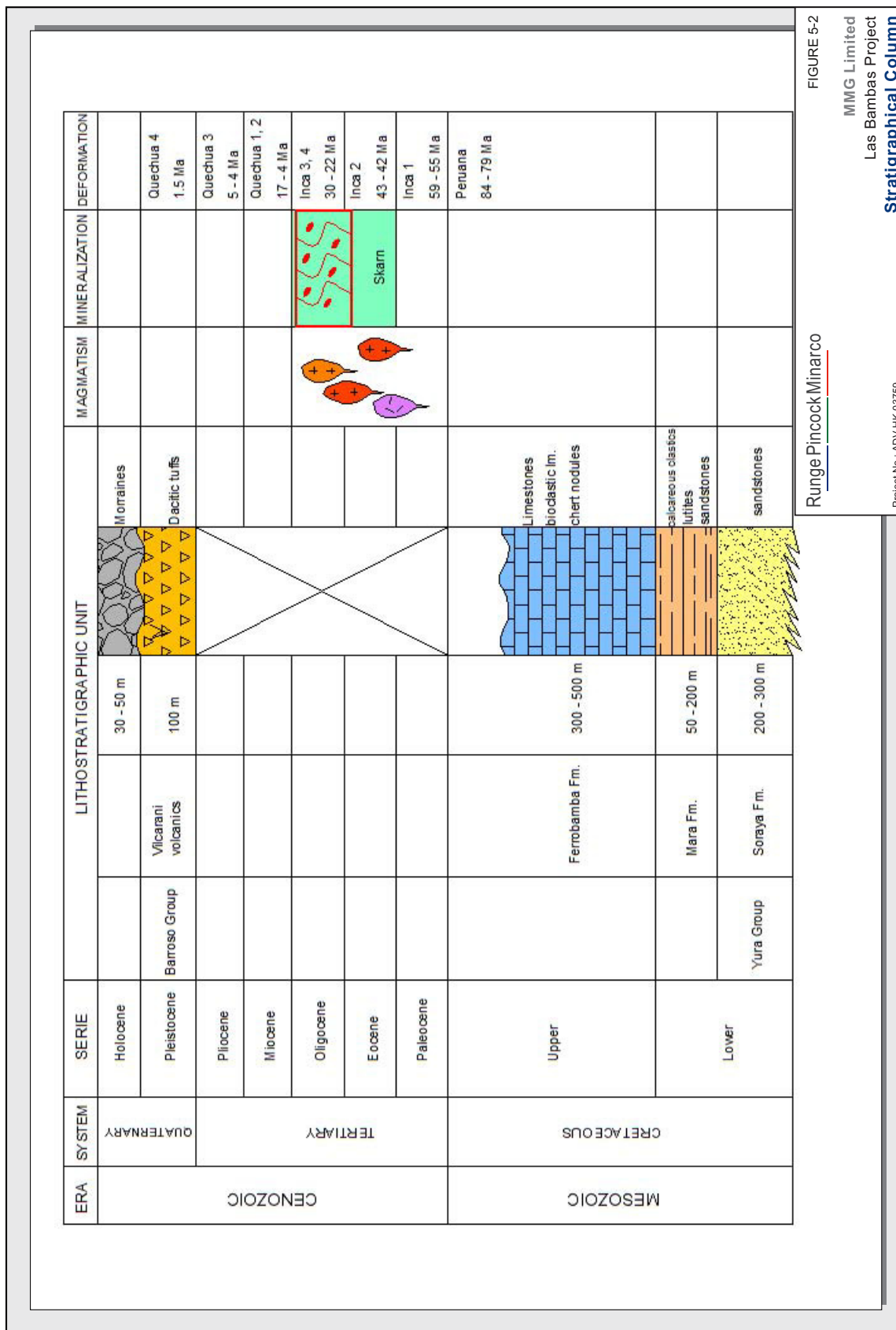
Typical of deposits with hydrothermal styles of mineralisation, the alteration zones developed within the Project are complex. Although similar styles of alternations are observed, due to variations in host rock chemistry, structural features and underlying geological factors, variations occur in both the zonation composition and sizes. All deposits within the Project tend to have a central K-feldspar alteration zone associated with the quartz-monzonite porphyry core, which is surrounded by a biotite-magnetite alteration zone; however several significant variations occur from this model.

5.2 Mineralisation Style

The deposits within the Project are typical porphyry Cu systems in that the mineralisation and alteration are zoned around quartz monzonite porphyry intrusives. The porphyritic intrusives are narrow pipes (typically less than 50 m in diameter); they are, however, vertically extensive (greater than 900 m). Mineralisation is associated within these porphyritic pipes also extends into the host lithology.

Mineralisation within the Project occurs in the form of the Cu sulphide minerals namely chalcopyrite, bornite and covellite, while gold occurs as a dissolution state predominately within the bornite sulphide crystals. Sulphide mineralisation is closely associated with quartz stockwork veins, occurring as disseminations and fracture coatings within the porphyry pipe. These stockworks and hydrothermal solutions are sourced from other granitic intrusive bodies.

Typical of porphyry style deposits, mineralisation is strongly zoned with the highest grades generally associated with the most intense stockwork veining in the central portion of the porphyry. Sulphide species in the systems are zoned, from bornite-dominant cores centered on the quartz monzonite porphyries, outwards through a chalcopyrite-dominant zone to distal pyrite. As the Cu grade increases (approximately >1.2% Cu), the content of covellite, digenite and chalcocite associated with the bornite mineralisation also increases.



5.3 Deposit Geology

The FS describes in detail the local geology which has been defined by field mapping, drill hole logging, and sampling data. Below is an extract from this report.

The rocks in the Project's deposits consist of acid to intermediate intrusives (granodiorite - monzonite) emplaced into a sedimentary sequence of the lower to upper Cretaceous, mainly the Ferrobamba formation limestone. Figure 5-3 shows the local geology in the district.

Some intrusives generated irregular skarn bodies of garnet, pyroxene and magnetite. In general, these intrusions have a WNW-ESE alignment that is similar to the WNW-ESE trending Andahuaylas-Yauri batholith. The monzonite associated with the Ferrobamba, Chalcobamba, Charcas, SulfoBamba and Azuljaja deposits exhibits potassic alteration with secondary biotite, potassic feldspar and magnetite (a zone of higher temperature), gradating to a propylitic alteration, with epidote, chlorite, pyrite and traces of chalcopyrite towards the edges.

The geology for the 3 defined deposits are discussed in detail in the following sections, whilst based on the information provided in the FS this includes RPM's observations made during the site visit.

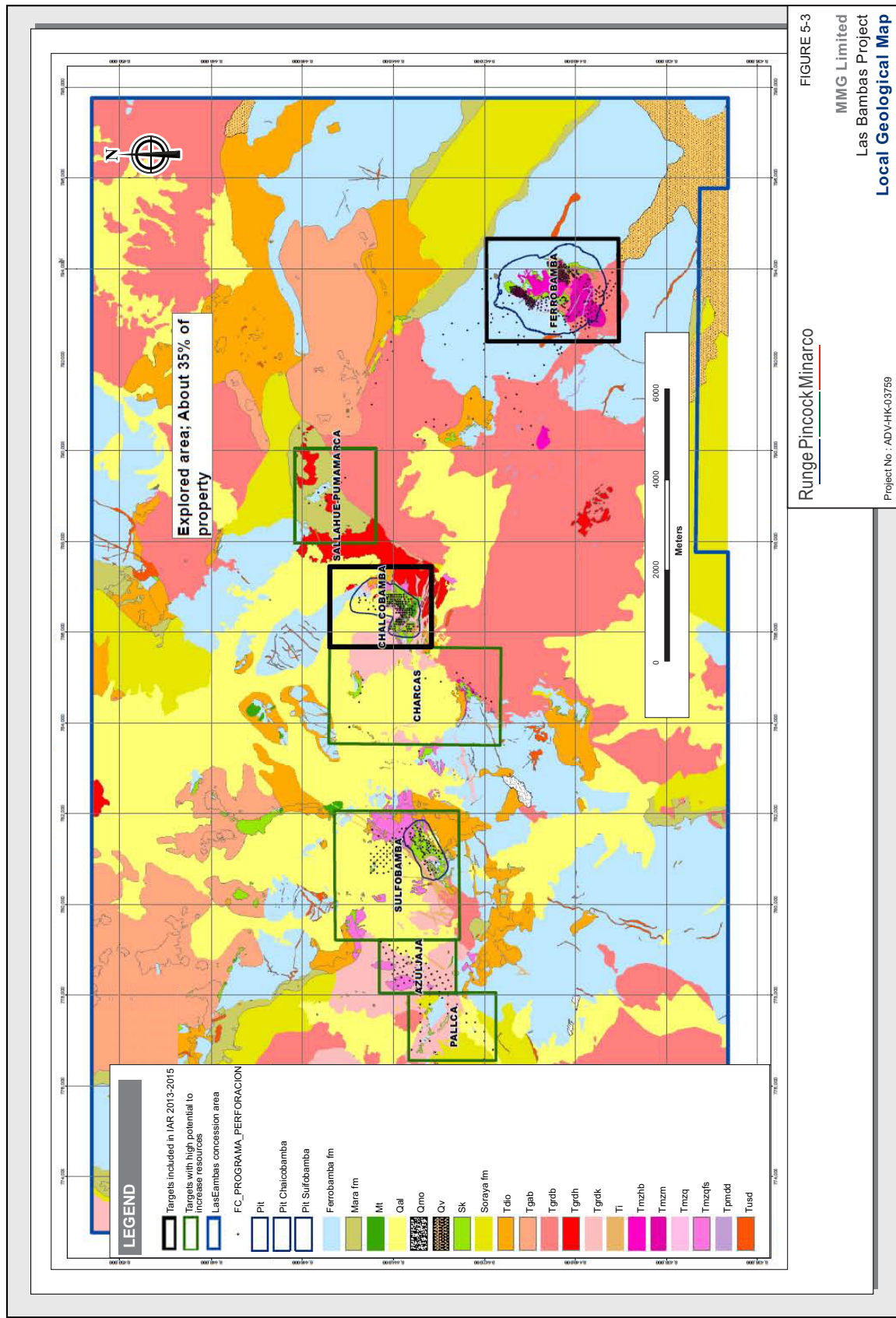
5.3.1 Ferrobamba

The Ferrobamba deposit is in the southeast portion of the district (Figure 5-3) and is currently at the moment, the area with the greatest economic interest for its Cu mineralisation and additional Mo, Au and Ag content. It covers an area of approximately 300 hectares (ha). The mineralisation is found in the intrusives as vein-veinlets and disseminated grains and also into the irregular skarn bodies in the limestone sequence of the Ferrobamba formation that surrounds the mineralized intrusives (Figure 5-4).

A thick calcareous sequence of the Ferrobamba formation crops out in the area. The sequence is made up of chert-limestone intervals, fossil-bearing and bioclastic limestones, and impure limestones with fine clasts. In general, strata azimuths vary from 100° to 130° and dips from 50° to 60° in the north to nearly horizontal in the south.

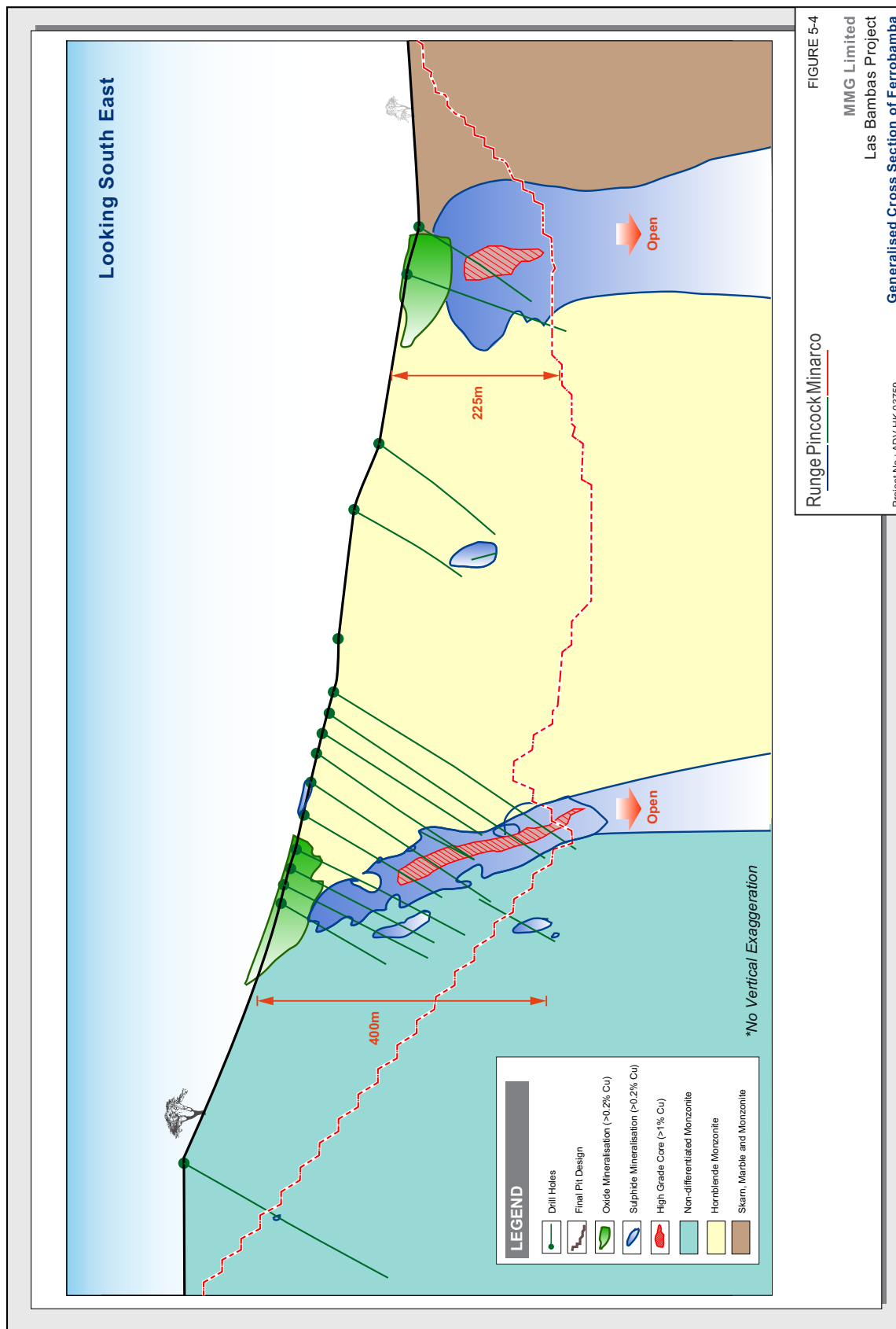
The Ferrobamba formation is intensely folded due to the tectonic events occurring in the upper Mesozoic and lower most Cenozoic and has been cut through by several phases of intrusions.

- The first intrusive phase is a medium-to-coarse grained porphyritic biotite monzonite (MZB) with biotite phenocrysts up 4 mm and seriated plagioclase. MZB covers a large part of the southern area and is one of the phases that formed the garnet - pyroxene > magnetite skarn bodies, which contain chalcopyrite, bornite and molybdenite mineralisation associated with secondary biotite, orthoclase and magnetite.
- The second and third phases, termed fine biotite monzonite (MBF1 and MBF2), exhibit medium-to-coarse grain size, and porphyritic texture. The phenocrysts are irregular quartz eyes and bimodal-sized plagioclase crystals; the MBF1 - MBF2 distinction is that the first has biotite phenocrysts and the second has small biotite crystals. This phase formed garnet - pyroxene > magnetite skarn bodies with chalcopyrite and bornite mineralisation. The porphyry is also mineralized with chalcopyrite, bornite and molybdenite in quartz veinlets and as disseminated grains. The copper mineralisation is associated with potassic alteration which includes secondary biotite, orthoclase and magnetite. For modelling purposes, they were grouped into one single unit called MBF.
- The fourth phase corresponds to a medium-to-fine-grained mafic monzonite (MZM), with a high content of mafic minerals (hornblende>biotite), seriated plagioclase, and scarce quartz eyes. It was intruded in the northern area and generated garnet - pyroxene > magnetite skarn bodies in the Ferrobamba limestones. It has potassic alteration of secondary biotite, orthoclase and magnetite.
- The fifth phase is a hornblende monzonite (MZH) that contains medium-grained short tubular plagioclase and prismatic hornblende crystals. It is found in the central portion of the deposit and has dikes radiating in different directions. This phase cuts through and enriches the skarn bodies with quartz veinlets containing chalcopyrite, bornite and molybdenite.



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 Local Geological Map

FIGURE 5-3
 Project No. : ADV-HK-03759



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 Las Bambas Project
 Generalised Cross Section of Ferrobamba
 Project No. : ADV-HK-03769
 FIGURE 5-4

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- A late barren phase of medium-grained porphyritic quartz monzonite (MZQ) has quartz eyes (< 15%) and short tubular plagioclases. It occurs as NW-SE trending dikes which cut all of the above units.

There are three primary factors that promote the formation of skarn bodies:

- The composition of the hydrothermal fluids associated with the intrusion phases
- The limestone permeability (especially those containing clastic materials)
- The dip of the strata (50° to 60°) towards the sources of intrusion.

The alteration includes skarnification, hornblende-marbleization, and potassic and propylitic alteration.

- The garnet and pyroxene skarn (GSK and PSK) genesis is associated with the first three intrusion phases. The skarn bodies generated by the first phase are found at the margin of the southern, central and east areas of the property. Skarns contain medium-to-coarse-grained brown, reddish, green, or yellow garnets with some pyroxenes, and magnetite. The mineralisation in the skarn bodies includes bornite and chalcopyrite as irregular masses, disseminated grains, and in quartz veinlets. The skarn bodies formed by the second phase are very similar, except that they do not have quartz veinlets.
- The extent of the endoskarns is limited. They are made up of light brown garnets with scarce pyroxene, epidote, chlorite, calcic-plagioclases, or calcite with moderate silicification. The mineralisation in the endoskarns occurs as chalcopyrite, bornite and minor molybdenite.
- The marble is developed in limestone horizons distal to the skarns or in direct contact with some dikes or intrusive bodies.
- A weak potassic alteration occurs associated with quartz. The potassic alteration occurs as secondary biotite and potassic feldspar replacing mafic minerals in the matrix and veinlets. The hydrothermal alteration is not pervasive and primary lithology textures are well preserved.
- Retrograde alteration characterized by amphiboles, epidote, specularite and calcite are generally observed in the distal portion of the system.
- The last intrusive phases produced chloritization of mafic minerals, secondary biotite, chlorites in veinlets and some quartz veinlets with secondary biotite or chlorite halos.

A large proportion of the copper mineralisation is hypogene (> 80%), with bornite and chalcopyrite as the most abundant sulphide minerals. In the skarn, mineralisation is dominated by irregular masses, patches, and disseminated grains of bornite and chalcopyrite, and molybdenite associated with minor quartz veinlets.

5.3.2 Chalcobamba

The Chalcobamba deposit is in the central part of the Project district with a mineralized area of approximately 300 ha.

Like the Ferrobamba deposit, the Ferrobamba formation limestones have been intruded by several intrusive phases but the mineralisation is mainly hosted in a central magnetite and garnet skarn which forms the most prominent relief in the area.

Lower-to-upper Cretaceous sedimentary sequences (Mara and Ferrobamba formations) crop out in the area. These units are cut by a number of early Tertiary age intrusions, which vary in composition from diorites and monzonites to granodiorites. Hornfels and skarn were generated in the sedimentary rocks near contacts with the intrusives. The intrusive phases are:

- The diorite (DI), the first intrusive event recognized in the area, was emplaced as sills into the Ferrobamba formation. It is probable that magnetite skarns (MSK) are associated with the diorite along with garnets, epidote, amphiboles and plagioclases. This Phase contains weak Cu mineralisation.

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- The granodiorite (GD) is recognized to the east and south of the area. It is a coarse-grained stock that has aggregates of biotite. No associated mineralisation has been observed. The granodiorite cuts through some skarn bodies in the east and northeast areas of the property.
- The medium-grained porphyritic hornblende monzonite (MZH) with acicular hornblende phenocrysts was emplaced in the central area and extends toward the southeast and south areas. This stock formed medium-to-coarse-grained green to brown garnet exoskarn with small percentage pyroxenes. There is a trace of chalcopyrite.
- The mafic monzonite phase (MZM) that crops out in the north and northeast areas has high contents of mafic minerals (> 30%) and is associated with a brown garnet copper-bearing exoskarn and a plagioclase-chlorite endoskarn with moderate disseminated chalcopyrite.
- The next younger intrusive phase, biotite monzonite (MZB), has a medium porphyritic texture with small biotite books and short prismatic hornblendes. It was emplaced as dikes and small bodies, principally in the more mineralized central zone and extends to the west of Cerro Pichacani Mountain.
- The last phase is quartz monzonite (MZQ) with a medium-to-coarse-grained porphyritic texture with quartz eyes and potassic feldspar crystals. It is a late phase that crops out in the southern and northern parts of the Chalcobamba area as dikes striking NW-SE and W-E. This intrusion event cuts through all of the above units and is principally barren.

Tectonic polymict, matrix-supported breccias occur as irregular and elongated bodies with a preferred strike of NW-SE. The clasts are sub-rounded and composed of MZM, skarn, marble and MZB. The groundmass is rock flour made up primarily of clays, chlorite and calcite. It is cut by late dikes of MZQ. The mineralisation occurs in the clasts and groundmass as disseminated grains of copper sulphides with lesser quantities of oxides.

The alteration corresponds to skarnification, hornblende-marblization, and potassic alteration. Additional descriptions of the alteration and mineralisation are:

- Apparently, the MZB that cuts through the pre-existing magnetite skarn bodies forms an exoskarn with development of light-brown garnets and endoskarn of garnets, epidote, amphibole, specularite and albite. Chalcopyrite is associated with molybdenite within the endoskarn. It is very likely that this phase contributed to the mineralisation in the magnetite skarns (MSK) and garnet skarns (GSK) that were formed by the previous phases.
- The retrograde alteration is visible in the skarn and endoskarn where epidote, amphibole, specularite, chlorite and calcite have been identified, while the chalcopyrite mineralisation is quite variable.
- Inside the intrusives the dominant alteration phase is potassic. It exhibits an assemblage of quartz, secondary biotite, and orthoclase in the groundmass with variable content of chalcopyrite.
- The hypogene copper mineralisation is associated with the magnetite and magnetite-garnet skarn. The principal copper mineral is chalcopyrite while bornite is present as trace amounts. The highest copper grades are found in the MSK where the chalcopyrite occurs as irregular masses, patches, irregular veinlets, and disseminated grains. Disseminated grains of chalcopyrite and lesser proportions of bornite are observed associated with altered secondary biotite in drill holes.
- Some levels in the MZM, which is found in the north area, have been enriched with cuprite and native copper along with traces of secondary chalcocite associated with Fe oxides.
- The chalcopyrite mineralisation in the porphyry occurs as disseminated grains and in quartz veinlets.

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5.3.3 Sulfobamba

Sulfobamba is almost at the western boundary of the the Project district. It has a horizontal extent of 400 ha. The northern part of the area is covered by moraines.

This is one of the areas that has had little recent exploration. Only a few underground workings that were excavated in the early 20th century are in the area.

In this zone, the Ferrobamba formation limestones are cut through by various phases of intrusion. The mineralisation is hosted in the intrusives and the skarn bodies. Detailed descriptions of the intrusive phases are:

- The diorite (DI), the oldest intrusive phase recognized in the Sulfobamba area, is found as sills up to 50 meters (m) in thicknesses dipping to the south. It is medium-grained equigranular in texture with a predominance of anhedral hornblende and short plagioclases. DI has high magnetic susceptibility. This phase has contributed to the formation of brown to yellow garnet skarn bodies with minor magnetite. Part of the garnet bodies lay parallel to the limestone horizons.
- At least three similar phases of quartz feldspar porphyry have been identified (QFP, QFS and QFL). They have variable-sized potassic-feldspar phenocrysts and quartz eyes. The first phase has extensive potassic alteration in the central portion with secondary biotite, potassic feldspar, and quartz. Towards the periphery the presence of potassic feldspar is low and is associated with epidote, chlorite and pyrite. These rocks crop out in the northern portion of the area and are covered in part by thin remains of garnet skarn and moraines.
- The latite is one of the late intrusive phases. It has medium-grained with weak alteration of mafic minerals to chlorite and disseminated pyrite. The latite is considered to be a post mineralisation rock in the Sulfobamba system. It forms dikes that cross cut the mineralized system in NE –SW direction.

A magmatic breccia, approximately 200 m in diameter, outcrops on the northeast area. It has a greenish-gray groundmass (fine amphiboles) and contains fragments of skarn, diorite, QFP and sulphides. Additionally, it has veinlets of quartz with sulphides (pyrite>>chalcopyrite) and disseminated pyrite with lesser chalcopryite mineralisation in the groundmass.

The mineralized skarn bodies are found in a NE-SW trending fringe that crosses Cerro Chonta Mountain and continues to the NE. This mineralized fringe measures between 100 and 200 m in width. The skarns with the best copper grades generally contain pyrite. Towards the southern portion, in the distal skarns and marbles, sphalerite and galena associated with chalcopryite and pyrite is seen in some drill holes.

Hypogene mineralisation occurs in the skarn bodies and the diorite intrusion phases. The predominant copper sulphide is chalcopryite, which occurs in the skarn bodies as irregular masses, patches, disseminated grains and in veinlets. In the intrusives, chalcopryite, pyrite, and molybdenite appear as disseminated grains in fractures and in quartz veinlets. The copper grades in a large part of the intrusion phases are lower than 0.5% Cu, even when associated with intense potassic alteration. Grades higher than 0.5% Cu occur in proximity to the skarn bodies.

In the whole system, pyrite percentages are greater than 1%, mostly as small cubic crystals and aggregates. No large development of oxides zones occurs in the system; oxides are generally superficial.

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5.4 Mineralisation

The three deposits have similar mineralisation composed of chalcopyrite, bornite and molybdenite. Ferrobamba and Chalcobamba have a generally shallow oxidized zone composed of chrysocolla and minor quantities of malachite, cuprite and native Cu.

The following description is based on the the Project's FS.

5.4.1 Ferrobamba

The upper oxide zone at Ferrobamba is typically about 20 m thick, although it can locally reach greater depths in fractured and faulted zones. The mineralogy is principally composed of chrysocolla and minor quantities of malachite, cuprite and native Cu.

The hypogene mineralisation is the most important. The principal sulphides found are bornite, chalcopyrite, chalcocite and molybdenite.

The mineralisation in the skarn bodies is massive, in patches, and as disseminated grains, locally in high concentrations. Quartz veinlets contain variable quantities of bornite, chalcopyrite and chalcocite.

The mineralisation in the porphyries occurs as fracture-filled veinlets and as disseminated grains.

The veinlets commonly form stockworks with quartz, chalcopyrite, bornite, chalcocite and molybdenite.

The majority of the skarns have grades greater than 1% Cu with zones of between 3 and 5% Cu. The grade in the porphyries is approximately 0.5% Cu.

5.4.2 Chalcobamba

The mineralisation associated with the different intrusion phases consists primarily of disseminated chalcopyrite and chalcocite in veinlets. Grades in the plutonic rocks are low (0.3% Cu); however, grades can be as high as 0.5% Cu in the MZM.

Continuous intervals of 2% Cu occur into the magnetite skarn. The average grade of the other skarns varies between 0.3% and 1% Cu, with patches that can reach grades as high as 2% Cu.

The copper grades in the breccia are as much as 0.5% Cu and have chalcopyrite, chalcocite and Cu oxides.

5.4.3 Sulfobamba

The copper sulphide mineralisation associated with the skarns (MSK, GSK and PSK) is found as massive, patches and as disseminated grains. Chalcopyrite is the principal sulphide and is associated with the diorite intrusion. In areas near the skarn, the average Cu grade is 0.5%.

In the porphyry system, chalcopyrite occurs in veinlets, fractures and as disseminated grains associated with zones of intense potassic alteration. Molybdenite occurs in quartz veinlets. In the distal parts of the system, galena and sphalerite are found. Pyrite is common throughout all of the deposit in amounts greater than 1%.

6 Data Verification

RPM conducted a review of the geological digital data supplied by the Client to ensure that no material issues could be identified and that there was no cause to consider the data inaccurate and not representative of the underlying samples. RPM visited the Project in April 2014 and checked drill-hole locations, down-the-hole survey and laboratory certificates (see **Annexure C**), sampling and survey data acquisition protocols, assay procedures, bulk density determination, logging procedures and QAQC. RPM concluded that the data was adequately acquired and validated following industry best practices.

6.1 Drilling Types and Core Recoveries

Diamond drill-holes ("DDH") with drill core diameters of PQ (8.3 cm diameter), HQ (6.3 cm diameter) or NQ (4.8 cm diameter) were the preferred drilling method to define mineralisation within the Project. Information and samples from DDH have been used to underpin resources estimation, geometallurgical, geotechnical and hydrogeological studies. Only one short drilling campaign of 2,619 m (out of over 343,000 m of total drilling) used reverse-air-circulation drilling (RC). This RC drilling works was used for hydrogeological purposes only and the work was performed by an environmental group in 2006.

RPM notes that only DDH with diameters of HQ and NQ were used as the source of the samples from which resource estimation were completed. PQ size core was used to obtain metallurgical testwork samples only. The drill-holes for geotechnical and hydrogeological studies used HQ size.

Typically core recoveries ranged between 95% and 97% for all DDH which RPM considers suitable; however, some low recoveries were noted. A further review by RPM indicates that the zones with low recovery are associated with intensely fractured or faulted intervals and karstic "voids" and are not considered material to the total Mineral Resource currently estimated.

6.2 Topography and Collar Locations

'Horizons South America' surveyed the topography of the Project at a scale of 1:1,000 based on aerophotogramatic restitution of orthophotos with an image resolution of 16 cm. A surface model was generated on a 10 m grid and subsequently 1 m contour lines were interpreted. The surface maps are drafted in UTM coordinates using the projections WGS 84 and PSAD 56. In addition, the primary and secondary geodesic networks and azimuth points were geo-referenced, all in the WGS 84 system. RPM considers the topography suitable for inclusion in a Mineral Resource estimate.

During the 2005 drilling campaign, Horizons South America undertook a survey of the drill-hole collar locations using the Trimble 5700 differential GPS equipment using the method of taking static differential data. From 2006 on, the Company's engineering staff performed all subsequent surveys using the same equipment. RPM considers these methods suitable. RPM notes that for drilling completed prior to 2005, collar information is available but the methods used to locate these collar points are unknown and as such, the collar coordinates cannot be confirmed. As a result these drill-holes were not included in the resource estimation.

While RPM is aware that the Company undertook an internal re-survey of 1 in every 10 collars by separate operators, during the site visit RPM independently checked the collar locations of the drill-holes -40900-5, FE-40875-8, CH-43750-4, CH-44250-5 with a handheld GPS and notes only small differences well within the error limit of the GPS (Annexure C).

6.3 Down the Hole Survey

During the 2005, Geotec S.A., the Company's drilling contractor, used the AccuShot method to measure deviations in azimuth and inclination angles for non-vertical drill-holes; however, vertical holes were not surveyed. When the AccuShot arrangement was not working, the acid test (inclination only) was used. Commencing in 2006, the Company performed tests of non-vertical drill-holes using two Reflex Maxibor II equipment units (which make measurements every 3 m) to determine deviations of both azimuth and inclination angles. RPM notes that the correction coefficients (R) for both the dip and azimuth angles were greater than 0.95. These results are considered to be in an acceptable range.

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RPM checked the survey certificates of the drill-hole SU-43625-2 (**Annexure C**) detecting no database errors. RPM considers the drilling and the drilling information to be high standard when compared to mining industry practices. RPM agrees with the surveys procedures, their controls and hence results for all drilling from 2005 onwards.

6.4 Geological, Geotechnical, and Geomechanical Logging

The Company has developed logging and sampling procedures that have been continuously improved and have been subjected to external auditing that confirmed the processes and protocols implemented giving the results a high level of confidence.

During the site visit, RPM checked the geological logging process by reviewing the logs for 5 drill-holes, FE-39825-5 and FE-3950-3 in Ferrobamba, CH44100-7 and CH-43950-5 in Chalcobamba, and SU-43050-1 in Sulfobamba (Annexure C). The geological staff demonstrated the logging process which matches with the FS description. RPM recognizes the logs of these drill-holes are of a high quality.

RPM believes that the recorded information is sufficient to define a geological model that includes the Cu, Au and Ag and Mo mineralisation controls.

Logging records were received in physical format and were input into a digital format using a double entry system to minimize possible errors. In general, the error of the double entry has been approximately 0.17%. RPM considers the double entry procedure an excellent practice. However, RPM would recommend capturing the geological logs in digital format, to avoid errors and save time. The core photographs, collar coordinates and down the hole surveys were received in digital format.

6.5 Bulk Density Determination

RPM checked the density determination procedures concluding that they are correctly performed. Since 2005, the Company has been taking bulk density determinations on 10 to 20 cm uncut HQ and NQ drill core using wax-coating determinations which is an industry standard practice. Tables 6-1 through 6-4 summarize the density results.

As a quality control, 1% of the samples were sent to an external laboratory (ALS Chemex). The range of discrepancy of the Company data versus those of ALS Chemex density measurements was very small with a good correlation being observed.

6.6 Sampling and Sample Preparation

RPM reviewed the sampling and sampling preparation protocols and procedures and considers that they were properly executed to minimise the standard error in typical sampling methods. For drilling prior to 2005, there is no information available on the sample preparation protocols for the drilling campaigns, and partially for this reason, these holes were not included in the resource estimate. RPM notes that subsequent to cutting of core and placing of half core into sample bags all sample preparation and assay determinations works have been conducted by the internationally accredited Inspectorate Laboratory in Lima (formerly BSI). As part of the QAQC procedures (See Section 6.7) of the Company ALS Chemex was used as the secondary laboratory.

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Table 6-1 Ferrobamba Density by Lithology 2006-2008

Lit	MZB	MZM	GSK	EPG	BX	MBC	MZQ	MZH	PSK	EGT	EEP	HFL	MBF	MBL	MSK	ENDO		SK
																ALL	ALL	
MEAN	2.61	2.65	3.44	2.67	2.56	2.74	2.62	2.62	3.09	3.06	3.02	2.73	2.63	2.72	3.76	2.72	3.36	
SD	0.03	0.04	0.18	0.11	0.14	0.07	0.03	0.03	0.23	0.25	0.07	0.25	0.03	0.04	0.36	0.19	0.24	

SK ALL = GSK, PSK y MSK
The values are expressed in g/cm³
Source: Provided by the Company.

Table 6-2 Chalcobamba Density by Lithology 2006-2008

Lit	MZB	MZM	GSK	EPG	BX	MBC	MZQ	MZH	PSK	EGT	EEP	MSK	DI	QFP	ESK	ENDO		SK
																ALL	ALL	
MEAN	2.63	2.67	3.51	2.69	2.6	2.76	2.62	2.64	3.08	3.13	3.18	4.23	2.72	2.61	3.15	2.73	3.49	
SD	0.05	0.06	0.13	0.1	0.2	0.09	0.03	0.04	0.26	0.3	0.17	0.26	0.1	0.04	0.09	0.16	0.14	

SK ALL = GSK, PSK y MSK
The values are expressed in g/cm³
Source: Provided by the Company.

Table 6-3 Sulfobamba Density by Lithology 2006-2007

Lit	BX	DI	EGT	EPG	ESK	GSK	LA	MBL	MSK	PSK	QFP	QFS
SD	0.35	0.05	0.1	0.1	0	0.16	0.03	0.03	0.4	0.3	0.03	0.04

SK ALL = GSK, PSK y MSK
The values are expressed in g/cm³
Source: Provided by the Company.

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Table 6-4 Analytical Methods used in the Project

Laboratory	Determinations	Method	Description
Inspectorate	Cu, Ag, Pb, Zn, Mo	ISP-138	0.5 g of sample. Digestion by 4 acids: HCl, HNO ₃ , HClO ₄ and HF. Reading by AAS.
	CuSOL H ₂ SO ₄	ISP-137	0.2 g of sample. Leaching by a 15% solution of H ₂ SO ₄ at 73°C for 5 min. Reading by AAS.
	CuSOL citric acid	ISP-136	0.2 g of sample. Digestion by a citric acid solution at 65°C for 15 min. Reading by AAS.
	Au	ISP-330	30 or 50 g of sample. Smelting at 1050 - 1070°C. Cupellation at 950°C. Reading by AAS. Above DL * analysis by gravimetry.
	35 elements **	ICP	Digestion by aqua regia and reading by ICP.
ALS Chemex	Cu, Ag, Pb, Zn, Mo	ME-A61b	0.5 g of sample. Digestion by 3 acids: HNO ₃ , HClO ₄ and HF. Reading by AAS.
		ME-A62b (above DL)	0.5 g of sample. Digestion by 4 acids: HCl, HNO ₃ , HClO ₄ and HF. Reading by AAS.
	Au	Au-AA24	50 g of sample. Fire assay. Reading by AAS.
		AuGRA22 (above DL)	50 g of sample. Fire assay. Reading by AAS. Above DL analysis by gravimetry.

* DL: detection limit.

** Elements analyzed by ICP: Ag, Al, As, Ba, Bi, Ca, Cd, Ce, Co, Cr, Cu, Fe, Hg, K, La, Mg, Mn, Mo, Na, Ni, P, Pb, S, Sb, Sc, Se, Sn, Sr, Te, Ti, Tl, V, W, Zn, Zr

6.7 Quality Assurance Quality Control

Since 2005 the Company has conducted a detailed QAQC program to provide verification of the sample procedure, the sample preparation and the analytical precision and accuracy. A total of 16% of the total samples were control samples which included the following:

- *Primary coarse duplicates:* Were inserted 1 in every 25 samples (2005-2007), every 50 samples (2008), and every 40 samples (2010), analysed at Inspectorate.
- *Coarse blank samples:* Were inserted after a sample with high grade mineralisation analysed at Inspectorate.
- *Pulp duplicates samples:* Were inserted 1 in every 25 samples (2005-2007), every 50 samples (2008), and every 40 samples (2010), analysed at Inspectorate.
- *Pulp blank samples:* Were inserted preceded the coarse blank sample and always after a high grade sample and analyzed at Inspectorate.
- *Standard Reference Material (SRM) samples:* Were inserted 1 in every 50 samples (2005-2006), every 40 samples (2007) and every 20 samples (2008, 2010), analysed at Inspectorate.
- *External Check samples:* Were inserted 1 in every 25 samples (2005-2007), every 50 samples (2008) and every 40 samples (2010), analysed at the secondary laboratory ALS Chemex.

RPM has reviewed all the QAQC data and concluded the following:

- **Blanks:** a minimum level of sample contamination by Cu was detected during the sample preparation and assay.
- **Duplicates:** the analytical precision is within acceptable ranges when compared to the original sample, i.e., more than 90% of the pairs of samples are within the error limits evaluated for a maximum relative error of 10% (R>0.90). These results were also repeated in the external ALS check samples.

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- **Standard Reference Material:** the analytical accuracy was also within acceptable ranges for the elements Au and Cu because the bias values were below the standards, e.g., STD0-07-COBRE. Mo had somewhat high biases but were still within an acceptable range, e.g., STDMO200. No information is known about the QAQC procedures used in campaigns conducted before 2005.

For all data in the campaigns post 2005, RPM considers the insertion rate of 16% better than the industry standards for control sample preparation and laboratory assay accuracy and precision. Furthermore, RPM considers the results of the controls samples are within the acceptability limits in coarse-pulp duplicate, reference samples, and cross laboratory checks. RPM recognized a positive bias in the reference samples which vary between 2 to 9% but all the results still are within the acceptability limits.

6.8 Data Quality Review

The review of the drilling and sampling procedures indicates that international standard practices were utilised with no material issues being noted by RPM. The QAQC samples all showed suitable levels of precision and accuracy to ensure confidence in the sample preparation methods employed by the Company and primary laboratory. RPM also notes that all the samples used for the resource estimation are derived from drilling from post 2005 and therefore RPM considers the data which supports the resource estimation to have no material sample bias and is representative of the samples taken.

The selective original data review and site visit observations carried out by RPM did not identify any material issues with the data entry or digital data. In addition RPM believes that the onsite data management system is above industry standard which minimizes potential 'human' data-entry errors and no systematic fundamental data entry errors or data transfer errors; accordingly, RPM considers the integrity of the digital database to be sound.

In addition, RPM considers that there is sufficient geological logging and bulk density determinations to enable estimation of the geological and grade continuity of the deposit to an accuracy suitable for the classification applied (see **Section 7**).

6.9 Sample Security

All drilling activities have been undertaken by contractors independent of the Client. Due to the style of drilling undertaken within the Project the Client's personnel have only done core sample handling. Below is a summary of the security measures taken:

Samples for the Mineral Resource estimates have been derived from surface diamond drilling post 2005. Subsequent to the independent drilling crews delivering the core to the core shed, the Company's personnel are responsible for cutting the core and placing the cut core in bags for delivery to the laboratory. The preparation laboratory was managed by Inspectorate in Las Bambas. Together with the cores, the Company provided to Inspectorate, a report with the amount and the numbers of samples and sample tickets to each core were provided. After preparation, the Company received 2 pulps for each sample and then inserted the control samples and renumbered all the samples within the batch. Batches were returned to Inspectorate with a report detailing the analysis method required for each element. Samples were sent to Lima using an independent transportation company. Chain of custody is kept all the time for Inspectorate personnel or Company's staff, excepting the time between the site and Lima.

RPM notes that, although the Company's personnel are responsible for handling the core during the sampling process, all personnel are supervised by senior site geologists and geotechnicians. In addition, photos are taken of all core trays prior to sampling. Core is clearly labelled for sampling, a suitable paper trail of sampling can be produced and duplicate samples are taken to ensure no sample handling issues arise. RPM considers these procedures to be industry standard and regards that the sample security and the custody chain during this period adequate.

Subsequent to sampling, all sample preparation and assaying is undertaken by an internationally recognised independent laboratory. As such, RPM considers that the sample security during the drilling, sampling, sample preparation and assaying to be acceptable.

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6.10 Data Verification Statement

The review undertaken by RPM of the drilling and sampling procedures indicates that international standard practices were utilised with no material issues were noted by RPM in the checks completed. The QAQC samples all showed suitable levels of precision and accuracy to enable confidence in the primary laboratory. RPM also notes all of the samples used for the resource estimation are derived from drilling from post 2005 which can be confirmed. RPM considers that the data which supports the resource estimation has no material sample bias and is representative of the samples taken.

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7 JORC Mineral Resources

Mineral Resources have been independently reported by RPM in compliance with the recommended guidelines of the JORC Code (2012).

7.1 Mineral Resource Classification System under the JORC Code

A "Mineral Resource" is defined in the JORC Code as 'a concentration or occurrence of solid material of economic interest in or on the Earth's crust in such form, grade (or quality) that there are reasonable prospects for eventual economic extraction. The location, quantity, grade (or quality), continuity and other geological characteristics of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge, including sampling. Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories.'

Mineral Resource estimates are not precise calculations, being dependent on the interpretation of limited information on the location, shape and continuity of the occurrence and on the available sampling results.

For a Mineral Resource to be reported, it must be considered by the Competent Person to meet the following criteria under the recommended guidelines of the JORC Code:

- There are reasonable prospects for eventual economic extraction.
- Data collection methodology and record keeping for geology, assay, bulk density and other sampling information is relevant to the style of mineralization and quality checks have been carried out to ensure confidence in the data.
- Geological interpretation of the resource and its continuity has been well defined.
- Estimation methodology that is appropriate to the deposit and reflects internal grade variability, sample spacing and selective mining units.
- Classification of the Mineral Resource has taken into account varying confidence levels and assessment and whether appropriate account has been taken for all relevant factors i.e. relative confidence in tonnage/grade, computations, confidence in continuity of geology and grade, quantity and distribution of the data and the results reflect the view of the Competent Person.

7.2 Area of the Resource Estimation

The deposits, which form part of the Mineral Resource estimates, are located 565 km SE of Lima and 73 km SW of Cusco. The Project has a special right established termed "non-admissibility of claims applications" on 33,063 ha of land where four mining concessions which belong to Activos Mineros S.A.C. exist (formerly Centromin Perú) that cover a total of 1,800 ha of land. These four mining concessions are; 1) Ferrobamba (400 ha), Chalcobamba (600 ha), Sulfobamba (400 ha), and Charcas (400 ha) and are shown graphically in **Figure 7-1**.

7.3 JORC Statement of Mineral Resources

Results of the independent Mineral Resources estimate for the Project are tabulated in the Statement of Mineral Resources in **Table 7-1** below, which are reported in line with both the requirements of the 2012 JORC Code and the reporting standards of the Listing Rules. The Statement of Mineral Resources is therefore suitable for public reporting. The Statement of Mineral Resources shown in **Table 7-1** and graphically in **Figure 7-2** and **Figure 7-3** includes the Ore Reserves reported in **Section 8**.

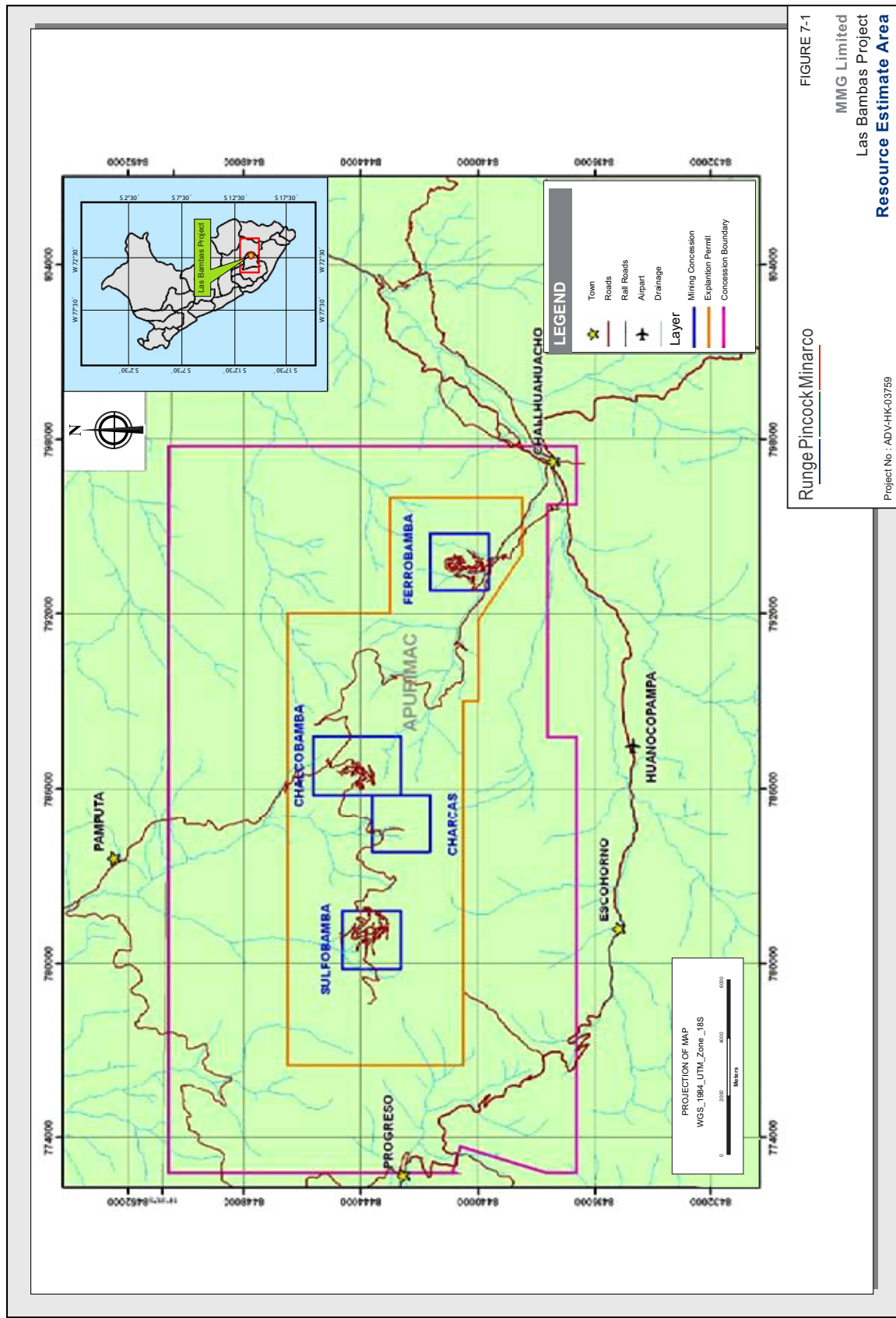


FIGURE 7-1
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 MMG Limited
 Las Bambas Project
 Resource Estimate Area
 Project No. : ADV-HK-03759

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Table 7-1 Statement of JORC Mineral Resources as of 1st January, 2014 Reported at a Cut Off of 0.2% Cu.

Area	Type	Class	Quantity (Mt)	Cu (%)	Cu (Kt)	Mo (%)	Mo (Kt)	Ag (g/t)	Ag (Moz)	Au (g/t)	Au (Moz)
Chalcobamba	Sulphide	Measured	85	0.44	363	0.014	11.5	1.4	3.7	0.02	0.05
		Indicated	250	0.61	1,524	0.013	33.1	2.3	18.3	0.03	0.23
		Measured + Indicated	335	0.57	1,887	0.013	44.5	2.1	22.0	0.03	0.28
		Inferred	45	0.35	157	0.012	5.4	1.1	1.5	0.02	0.03
		Sub Total (M+I+Inf)	380	0.54	2,044	0.013	50.0	1.9	23.5	0.03	0.31
	Oxide	Indicated	35	0.57	200	0.01	2.3	2.0	2.3	0.02	0.02
		Measured + Indicated	35	0.57	200	0.01	2.3	2.0	2.3	0.02	0.02
		Inferred	1	0.33	3	0.01	0.1	1.1	0.0	0.02	0.00
		Sub Total (M+I+Inf)	35	0.56	203	0.006	2.3	2.0	2.3	0.02	0.02
		Ferrobamba	Sulphide	Measured	405	0.68	2,730	0.02	73.3	3.3	43.0
Indicated	365			0.74	2,682	0.02	75.0	4.0	47.2	0.08	0.90
Measured + Indicated	770			0.71	5,413	0.02	148.3	3.7	90.2	0.07	1.77
Inferred	310			0.48	1,481	0.02	50.7	2.1	21.4	0.04	0.40
Sub Total (M+I+Inf)	1,080			0.64	6,894	0.018	199.0	3.2	111.6	0.06	2.17
Oxide	Indicated		55	0.86	473	0.01	4.1	4.5	8.0	0.08	0.14
	Measured + Indicated		55	0.86	473	0.01	4.1	4.5	8.0	0.08	0.14
	Inferred		10	0.86	77	0.01	1.0	4.7	1.4	0.08	0.02
	Sub Total (M+I+Inf)		65	0.86	550	0.008	5.1	4.5	9.3	0.08	0.16
	Sulfobamba		Sulphide	Indicated	105	0.64	682	0.02	16.1	4.6	15.8
Measured + Indicated		105		0.64	682	0.02	16.1	4.6	15.8	0.02	0.06
Inferred		115		0.45	509	0.01	13.6	3.8	13.9	0.01	0.04
Sub Total (M+I+Inf)		220		0.54	1,190	0.013	29.6	4.2	29.7	0.01	0.10
Total		Sulphide		Measured	490	0.64	3,094	0.02	84.8	3.0	46.6
	Indicated		720	0.68	4,888	0.02	124.1	3.5	81.3	0.05	1.20
	Measured + Indicated		1,210	0.66	7,981	0.02	208.9	3.3	128.0	0.05	2.11
	Inferred		470	0.46	2,146	0.01	69.8	2.45	36.85	0.03	0.47
	Sub Total (M+I+Inf)		1,680	0.60	10,127	0.017	278.7	3.1	164.8	0.05	2.58
	Oxide	Indicated	90	0.75	673	0.01	6.4	3.5	10.2	0.06	0.16
		Measured + Indicated	90	0.75	673	0.01	6.4	3.5	10.2	0.06	0.16
		Inferred	10	0.81	81	0.01	1.0	4.3	1.4	0.07	0.02
		Sub Total (M+I+Inf)	100	0.75	753	0.007	7.4	3.6	11.6	0.06	0.19
		Total	Measured	490	0.64	3,094	0.02	84.8	3.0	46.6	0.06
Indicated	810		0.69	5,560	0.02	130.5	3.5	91.5	0.05	1.36	
Measured + Indicated	1,300		0.67	8,654	0.02	215.3	6.5	138.1	0.11	2.27	
Inferred	480		0.47	2,227	0.01	70.8	2.5	38.2	0.03	0.49	
All (M+I+Inf)	1,780		0.61	10,881	0.02	286.1	3.1	176.4	0.05	2.77	

Note:

- The Statement of JORC Mineral Resources has been compiled under the supervision of Mr. Esteban Acuña who is a full-time employee of RPM and a Registered Member of the Chilean Mining Commission. Mr. Acuña has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that he has undertaken to qualify as a Competent Person as defined in the JORC Code.
- All Mineral Resources figures reported in the table above represent estimates at 1st January, 2014. Mineral Resource estimates are not precise calculations, being dependent on the interpretation of limited information on the location, shape and continuity of the occurrence and on the available sampling results. The totals contained in the above table have been rounded to reflect the relative uncertainty of the estimate. Rounding may cause some computational discrepancies.
- Mineral Resources are reported in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The Joint Ore Reserves Committee Code – JORC 2012 Edition).

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RPM notes that the reported total Inferred Mineral Resource Quantity (480 Mt) **Table 2** varies from the publically released latest Mineral Resource estimate by the Company as at 31st December, 2013 (510 M tonnes). This difference is due to the rounding applied to the total tonnages, RPM has utilised two (2) significant figures for Inferred whereas the Company has utilised one significant figure. In addition RPM is aware that the December 2013 publically released Mineral Resource by Glencore do not contain oxide resources quantity. RPM has included these resources in the Mineral Resources as although the current metallurgical testwork indicates that lower recoveries are achieved which are not economic at current market conditions, further testwork is ongoing and similar projects have indicated that these tyoe of material may form viable recoveries. As such RPM believe this material shows reasonable prospects for economic extraction in the futures, however have decreased the classification with a maximum of Indicated being achieved with all material falling with the measured search radius reclassified as Indicated.

The geologic interpretation models consist of a set of 3D solids one for each interpreted rock type such that the metal content was estimated considering the proportions of the geologic interpretation in each block. As such this method incorporated dilution into the block estimates.

Figure 7-2 Mineral Resource by Classification and Deposit

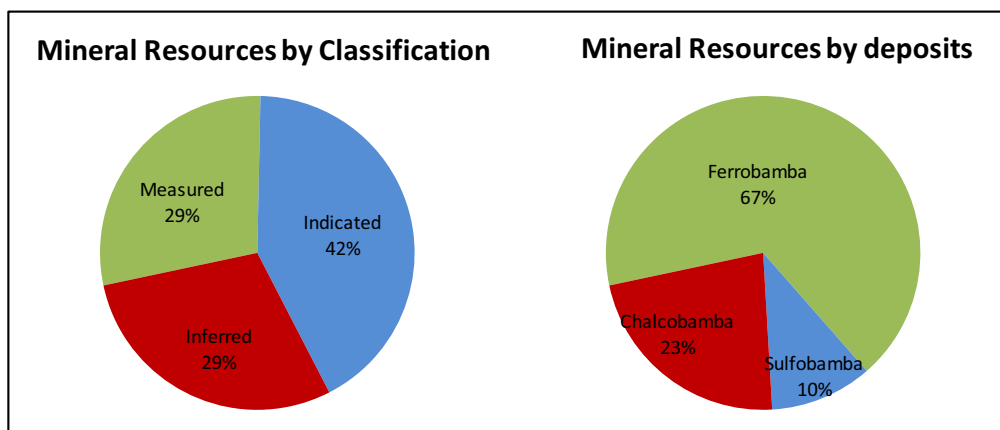
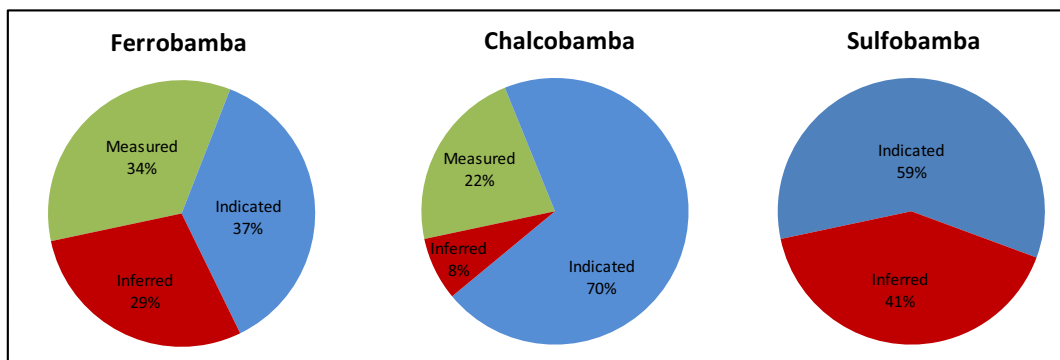


Figure 7-3 Mineral Resource by Deposit



The independent Statement of Mineral Resources is reported within the current mining concessions and reported as the effective date of 1st May 2014 using a cut-off grade of 0.2% Cu. The Statement of Mineral Resources has also been constrained by the topography and a pit which was generated with Measured, Indicated and Inferred resources and at a copper price of \$2.20 per pound. See Section 7.4.2 for further details.

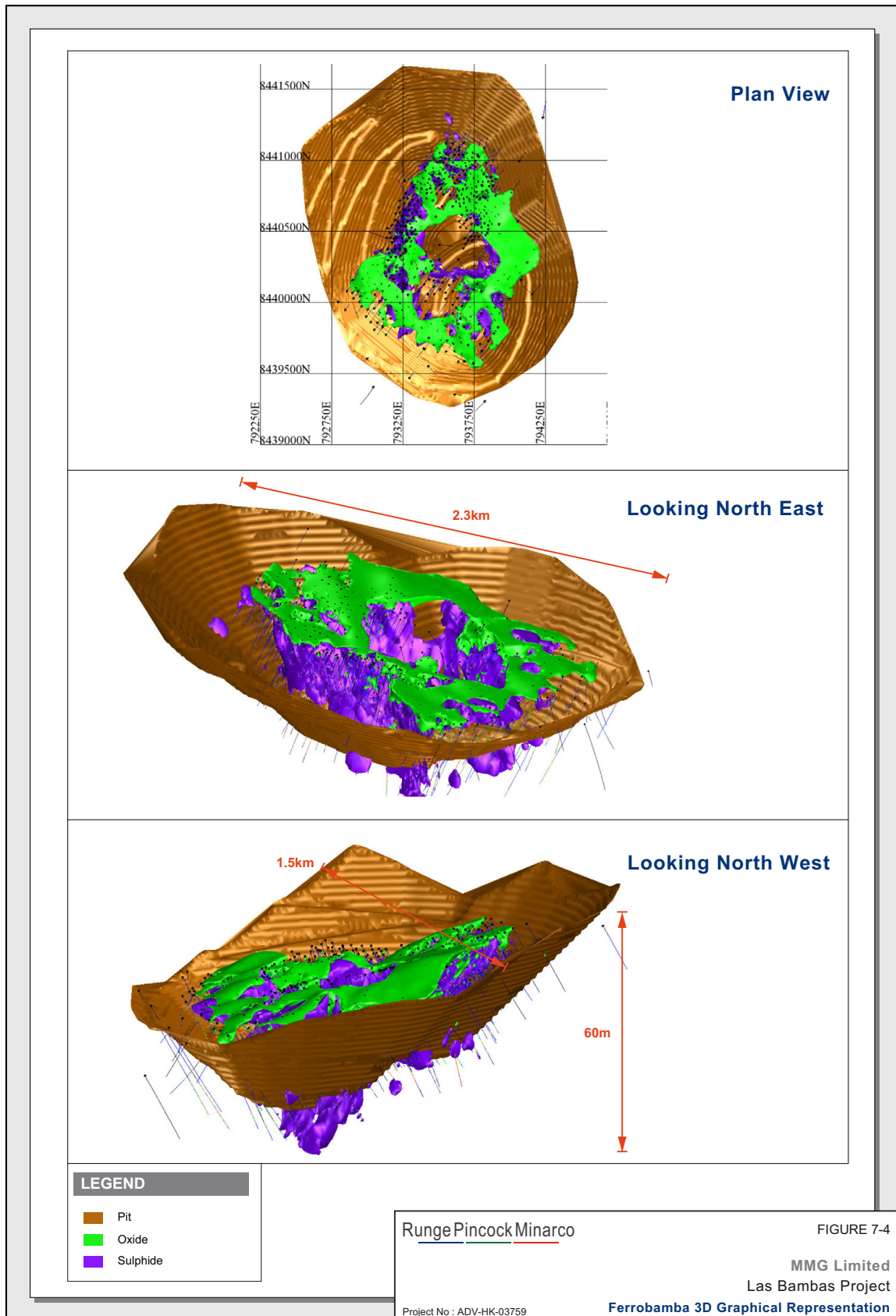
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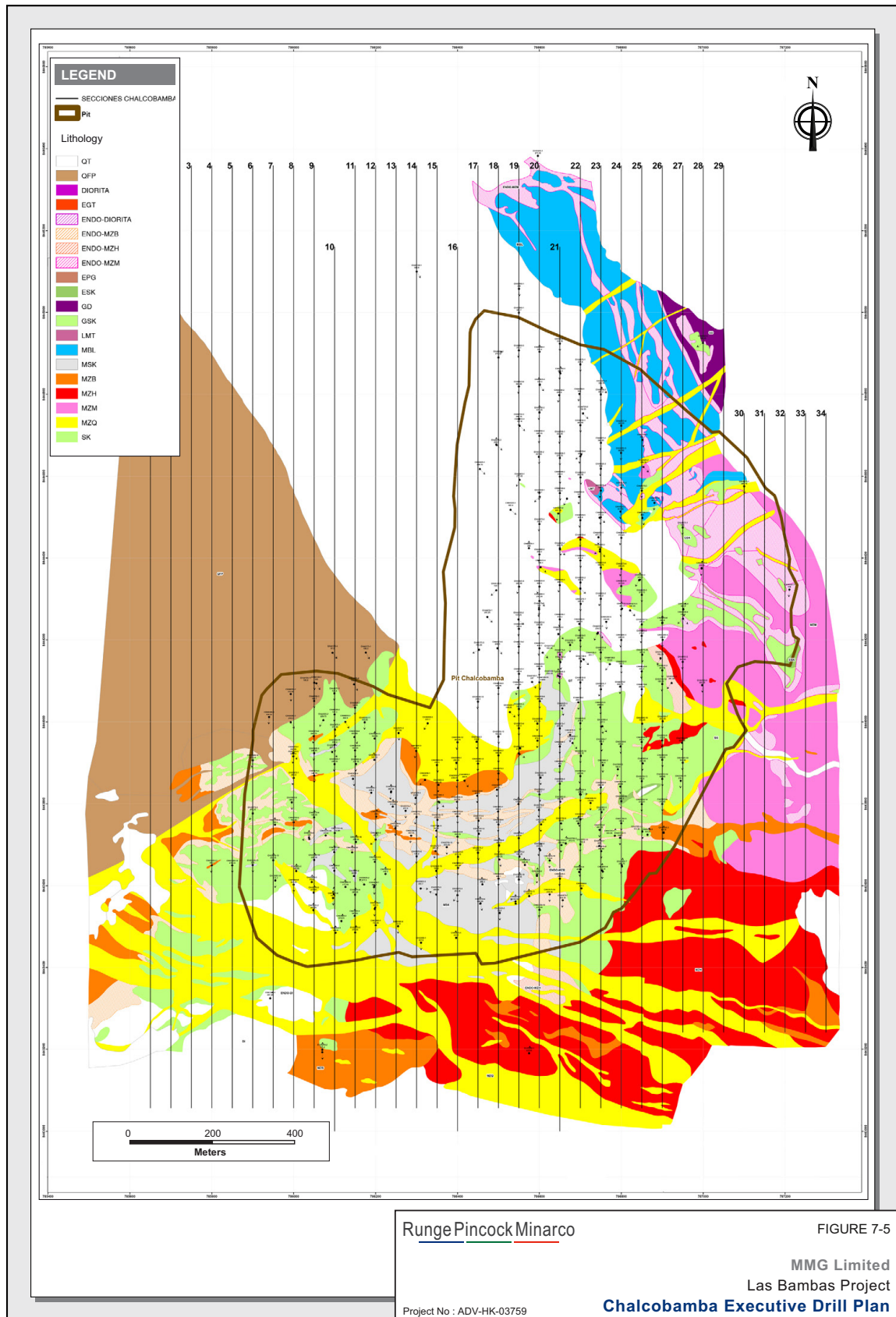
RPM is not aware of any new drill-holes being drilled by the Company since May 2010 when the FS was completed. The cut-off grade of 0.2% Cu was utilised based on the results of the Ore Reserves estimate and mining study as outlined in Section 8 and Section 9.

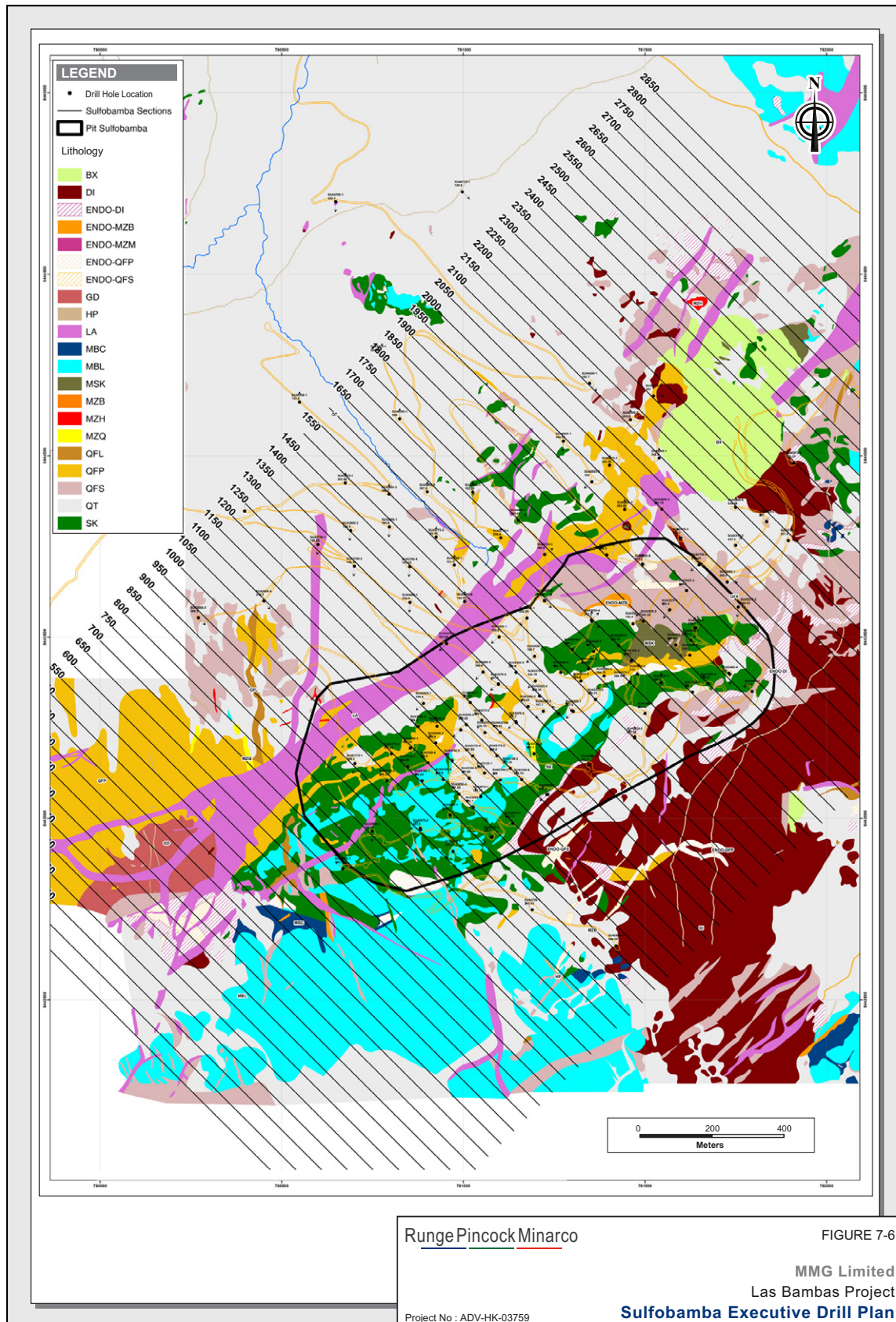
7.4 Estimation Parameters and Methodology

While **Table 1** as required by the JORC Code 2012 edition is presented in **Appendix B** for reference a summary of the resource estimate parameters is provided below:

- Due to uncertainties in the sample procedures and limited QAQC data only the post 2005 drilling was included in the estimates. Drilling which was included in the estimates has been conducted on a variety of spacing's via surface diamond core. Surface drilling was generally conducted on larger spacing down to 50m by 50m with close spaced (25 m by 25 m) drilling being used to define the resource with higher confidences. **Figure 7-4** graphically shows the drilling for the Ferrobamba deposit while **Figure 7-5** and **Figure 7-6** show the drill hole locations for Chalcobamba and Sulfobamba respectively.
- Within each deposit, the spatial grade variability was modelled using correlograms. Experimental correlograms and correlogram models were interpreted using the SAGE2001 variographic software based on the 7.5 m composites for every estimation domain and element (total Cu ("TCu"), acid soluble Cu ("SCu"), Mo, Au and Ag), plus down-hole correlograms to help estimate short range variability or nugget effect.
- Chalcobamba copper correlogram models are summarised in the **Table 7-2**, while the Ferrobamba total and soluble copper correlogram models are provided in the **Tables 7-3 and 7-4**. Due to the near surface oxidisation and grade distributions contained within this domain RPM considers that the soluble Cu variograms for oxide and sulfide zones must be modelled separately. Ferrobamba molybdenum correlogram models are provided in **Table 7-5**.
- The Ferrobamba deposit TCu and Ag grade estimates were undertaken using the ordinary kriging algorithm ("OK") through a number of passes each with different search radius and parameters. First pass parameters were defined with a minimum of 6 composites and maximum of 16 composites with a maximum of three composites per drill-hole. The first pass TCu search radius was 30 m by 30 m by 30 m for the skarn and between 50 m by 50 m by 50 m to 75 m by 75 m by 75 m for the other domains. The first pass Ag distances was set to 50 m by 50 m by 50 m.
- Ferrobamba Mo and Au OK first pass parameters were defined with a minimum of 6 composites and maximum of 16 composites with a maximum of two composites per drill-hole, i.e. each block estimate requires at least three drill-holes. The first pass Mo search radius was 50 m by 50 m by 50 m for the skarn and between 150 m by 150 m by 150 m to 250 m by 250 m by 250 m for the other domains. The Au first pass search radius was defined in 50 m by 50 m by 50 m.
- All the Ferrobamba estimations controlled outliers using distance restrictions for the highest grades.
- For Chalcobamba, the TCu OK-first-pass parameters were defined with a minimum of 6 composites and maximum of 10 composites with a maximum of five composites per drill-hole, i.e., each block requires at least two drill-holes. The first pass TCu search distances were defined as 40 m by 40 m by 40 m for the skarn and between 75 m by 75 m by 35 m to 200 m by 200 m by 200 m for the other domains.
- Chalcobamba Mo OK-first-pass parameters were defined with a minimum of 3 to 6 and maximum of 6 to 10 composites, and 3 to 4 maximum composites per drill-hole within all the domains. The first pass Mo search distances were 75 m by 75 m by 75 m for the skarn and between 120 m by 120 m by 120 m to 250 m by 250 m by 250 m for the other domains.
- Au and Ag block estimates within Chalcobamba were estimated utilising the inverse distance square (ID^2) in general with a minimum of 3 and maximum of 10 composites with 3 maximum composites per drill-hole requiring at least 2 drill-holes. The first pass Au-Ag search radius distances were 75 m by 75 m by 75 m to 250 m by 250 m by 250 m.







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- Within the Sulfobamba deposit, the TCu skarn OK first-pass parameters had a minimum of 4 and maximum and 12 composites with three maximum composites per drill-hole, which means at least two drill-holes. The first pass search radiuses were 200 m by 200 m by 200 m.
- In all the domains in each deposit, second and third passes were executed to complete the block estimation increasing the search radius and reducing the minimum composites.
- Estimation by ID² was executed in the domains where variogram model could not be obtained as outlined in **Table 7-3** to **Table 7-5**. The ID was defined with a similar sample configuration as that for OK in the other domains.
- Bulk densities were determined from wax-coating determinations on representative hand samples and on 10 to 20 cm of unsplit HQ and NQ drill core. Bulk densities were estimated by ID² within Ferrobamba using five domains which included a total of 11,145 density determinations. In Sulfobamba, density values (gr/cm³) were assigned by lithological groups as shown in **Table 7-6** while the densities for the Chalcobamba are summarised in **Table 7-7**.

Table 7-2 Chalcobamba Correlogram Models and Outliers Manage

Lithology	Correlograms Parameters							Outlier control	
	C0	C1	Sill	Range (m) Mj/Sm/Mn	C2	Sill	Range (m) Mj/Sm/Mn	threshold	Range (m)
								%	Mj/Sm/Mn
SK	0.1	0.8	1.316	50/90/51	0.1	1.316	150/290/96	5	100/100/100
	0.1	0.8	1.316	50/91/51	0.1	1.316	150/290/96	8.5	50/50/50
	0.1	0.8	1.316	50/90/51	0.1	1.316	150/290/96		
150 MSK	0.1	0.538	0.121	15/97/13	0.362	0.121	180/300/150	4	75/75/75
	0.1	0.538	0.121	15/97/13	0.362	0.121	180/300/150	6	60/60/60
	0.1	0.538	0.121	15/97/13	0.362	0.121	180/300/150	4	100/100/100
	0.1	0.538	0.121	15/97/13	0.362	0.121	180/300/150		
MSK	0.1	0.423	15/27/76	20/16/86	0.477	15/27/6	425/264/358	2	100/100/100
	0.1	0.423	15/27/76	20/16/86	0.477	15/27/6	425/264/358	3	35/35/35
	0.1	0.423	15/27/76	20/16/86	0.477	15/27/6	425/264/358		
	0.1	0.423	15/27/76	20/16/86	0.477	15/27/6	425/264/358		
MZB-MZH	0.12	0.5	-0.028	100/200/165	0.38	-0.028	70/300/150	1.5	100/100/100
	0.12	0.5	-0.028	100/200/165	0.38	-0.028	70/300/150		
Di								0.6	50/50/50
MZQ								1	50/50/50
QFP								0.1	50/50/50
La								0.02	50/50/50
HFL								0.6	50/50/50
								0.6	50/50/50
Marble								0.6	50/50/50
								0.6	50/50/50
Bx								3	10/10/2010
								3	25/25/25

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Table 7-3 Ferrobamba CuS Correlogram Models and Sample Configuration

Domain	Method	Pass	Parameters						Variograms Parameters								Outlier control					
			Search		Samples		Min N° Oct	Min N° MI/Oct	Max N° MI/Oct	Max N° /DH	C0	C1	Sill	Range (m) Mj/Sm/Min	C2	Sill	Range (m) Mj/Sm/Min	limit	Range (m) Mj/Sm/Min			
			y mayor	x semi	z minor	Min														Max	Range (m) Mj/Sm/Min	Range (m) Mj/Sm/Min
40+50+62+Oxide	OK	1	200	200	200	4	16	200	200	200	4	16	200	200	200	200	200	200	200	200	40,000	20,20/20
	OK	2	50	50	50	6	24	50	50	50	6	24	50	50	50	50	50	50	50	50	40,000	20,20/20
40+50+62+	OK	1	200	200	200	4	16	200	200	200	4	16	200	200	200	200	200	200	200	200	7,000	20,20/20
+Calcoquina	OK	2	50	50	50	6	24	50	50	50	6	24	50	50	50	50	50	50	50	50	7,000	20,20/20
40+50+62+	OK	1	200	200	200	4	16	200	200	200	4	16	200	200	200	200	200	200	200	200	5,000	20,20/20
Bornita+Calcopirita	OK	2	50	50	50	6	24	50	50	50	6	24	50	50	50	50	50	50	50	50	5,000	20,20/20
40+50+62	OK	1	200	200	200	4	16	200	200	200	4	16	200	200	200	200	200	200	200	200	5,000	20,20/20
	OK	2	50	50	50	6	24	50	50	50	6	24	50	50	50	50	50	50	50	50	5,000	20,20/20
78+76+86	OK	1	250	250	250	4	16	250	250	250	4	16	250	250	250	250	250	250	250	250	5,000	20,20/20
+Oxide	OK	2	50	50	50	6	24	50	50	50	6	24	50	50	50	50	50	50	50	50	5,000	20,20/20
78+76+86	OK	1	250	250	250	4	10	250	250	250	4	10	250	250	250	250	250	250	250	250	4,000	20,20/20
+Calcoquina	OK	2	50	50	50	6	16	50	50	50	6	16	50	50	50	50	50	50	50	50	4,000	20,20/20
78+76+86+	OK	1	250	250	250	4	16	250	250	250	4	16	250	250	250	250	250	250	250	250	1,800	20,20/20
Bornita+Calcopirita	OK	2	50	50	50	6	16	50	50	50	6	16	50	50	50	50	50	50	50	50	1,800	20,20/20
78+76+86	OK	1	250	250	250	4	12	250	250	250	4	12	250	250	250	250	250	250	250	250	1,100	20,20/20
	OK	2	50	50	50	6	16	50	50	50	6	16	50	50	50	50	50	50	50	50	1,100	20,20/20
77+79+Oxide	OK	1	250	250	250	4	16	250	250	250	4	16	250	250	250	250	250	250	250	250	2,500	20,20/20
	OK	2	50	50	50	6	16	50	50	50	6	16	50	50	50	50	50	50	50	50	2,500	20,20/20
77+79	OK	1	250	250	250	4	10	250	250	250	4	10	250	250	250	250	250	250	250	250	3,500	20,20/20
+Calcoquina	OK	2	50	50	50	6	16	50	50	50	6	16	50	50	50	50	50	50	50	50	3,500	20,20/20
77+79+Bornita	OK	1	250	250	250	4	16	250	250	250	4	16	250	250	250	250	250	250	250	250	1,500	20,20/20
+Calcopirita	OK	2	50	50	50	6	16	50	50	50	6	16	50	50	50	50	50	50	50	50	1,500	20,20/20
77+79	OK	1	250	250	250	4	12	250	250	250	4	12	250	250	250	250	250	250	250	250	1,200	20,20/20
	OK	2	50	50	50	6	16	50	50	50	6	16	50	50	50	50	50	50	50	50	1,200	20,20/20
47+48	IDW	1	250	250	250	6	10	250	250	250	6	10	250	250	250	250	250	250	250	250	1,000	20,20/20
	IDW	2	50	50	50	6	16	50	50	50	6	16	50	50	50	50	50	50	50	50	1,000	20,20/20

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Table 7-4 Ferrobamba TCu Correlogram Models and Sample Configuration

Domain	Method	Pass	Search				Parameters				Variograms Parameters				Outlier control									
			y major	x semi	z minor	z minor	Min N°	Min N°	Min N°	Min N°	Max N°	Max N°	Max N°	Max N°	Comps	C0	C1	Sill	Range (m)	Limit				
40	OK	1	200	200	200	4	8	2	2	40	0.45	60	500	34	25	18	0.34	60	500	280	225	118	25,000	20/20/20
	OK	2	60	60	60	4	16	4	4	40	0.21	60	500	34	25	18	0.34	60	500	280	225	118	25,000	20/20/20
	OK	3	30	30	30	4	8	4	4	40	0.21	60	500	34	25	18	0.34	60	500	280	225	118	25,000	20/20/20
50	OK	1	150	150	150	4	8	2	2	50	0.29	45	350	64	44	87	0.36	45	350	232	140	132	8,000	20/20/20
	OK	2	50	50	50	4	16	4	4	50	0.28	45	350	64	44	87	0.36	45	350	232	140	132	8,000	20/20/20
	OK	3	25	25	25	4	8	4	4	50	0.28	45	350	64	44	87	0.36	45	350	232	140	132	8,000	20/20/20
76	OK	1	250	250	250	4	8	2	2	76	0.34	15	200	140	102	80	0.511	15	200	215	206	185	13,500	20/20/20
	OK	2	75	75	75	4	16	4	4	76	0.39	0.46	55	230	135	97	0.15	55	250	328	230	125	8,000	20/20/20
	OK	3	50	50	50	4	8	4	4	77	0.39	0.46	55	230	135	97	0.15	55	250	328	230	125	8,000	20/20/20
78	OK	1	250	250	250	4	8	2	2	78	0.24	30	350	134	97	68	0.41	30	350	289	214	158	8,000	20/20/20
	OK	2	50	50	50	4	16	4	4	78	0.24	30	350	134	97	68	0.41	30	350	289	214	158	8,000	20/20/20
	OK	3	25	25	25	4	8	4	4	78	0.24	30	350	134	97	68	0.41	30	350	289	214	158	8,000	20/20/20
79	OK	1	250	250	250	4	8	2	2	79	0.214	55	250	115	75	60	0.461	55	250	360	315	258	12,000	20/20/20
	OK	2	50	50	50	4	16	4	4	79	0.214	55	250	115	75	60	0.461	55	250	360	315	258	12,000	20/20/20
	OK	3	25	25	25	4	8	4	4	79	0.214	55	250	115	75	60	0.461	55	250	360	315	258	12,000	20/20/20
86	OK	1	250	250	250	4	8	2	2	86	0.234	0.36	155	300	137	95	0.406	155	300	328	287	205	12,000	20/20/20
	OK	2	50	50	50	4	16	4	4	86	0.234	0.36	155	300	137	95	0.406	155	300	328	287	205	12,000	20/20/20
	OK	3	25	25	25	4	8	4	4	86	0.234	0.36	155	300	137	95	0.406	155	300	328	287	205	12,000	20/20/20
47	IDW	1	150	150	150	4	10	2	2	47	IDW												15,000	20/20/20
	IDW	2	75	75	75	4	10	2	2	47	IDW												15,000	20/20/20
	IDW	3	50	50	50	4	10	2	2	47	IDW												15,000	20/20/20
48	IDW	1	150	150	150	4	10	2	2	48	IDW												30,000	20/20/20
	IDW	2	75	75	75	4	10	2	2	48	IDW												30,000	20/20/20
	IDW	3	50	50	50	4	10	2	2	48	IDW												30,000	20/20/20
62	IDW	1	150	150	150	4	10	2	2	62	IDW												30,000	20/20/20
	IDW	2	75	75	75	4	10	2	2	62	IDW												30,000	20/20/20
	IDW	3	50	50	50	4	10	2	2	62	IDW												30,000	20/20/20

Table 7-5 Ferrobamba Mo Correlogram Models and Sample Configuration

Domain	Method	Pass	Search				Parameters				Variograms Parameters				Outlier control									
			y major	x semi	z minor	z minor	Min N°	Min N°	Min N°	Min N°	Max N°	Max N°	Max N°	Max N°	Comps	C0	C1	Sill	Range (m)	Limit				
40	OK	1	200	200	200	6	10	2	2	40	0.18	45	150	45	33	27	0.54	45	150	324	268	895	1,700	20/20/20
	OK	2	50	50	50	6	16	4	4	40	0.18	45	150	45	33	27	0.54	45	150	324	268	895	1,700	20/20/20
	OK	3	25	25	25	6	16	4	4	40	0.18	45	150	45	33	27	0.54	45	150	324	268	895	1,700	20/20/20
50	OK	1	200	200	200	6	12	2	2	50	0.26	0.35	45	350	72	41	0.39	45	350	268	112	98	1,000	20/20/20
	OK	2	50	50	50	6	16	4	4	50	0.26	0.35	45	350	72	41	0.39	45	350	268	112	98	1,000	20/20/20
	OK	3	25	25	25	6	16	4	4	50	0.26	0.35	45	350	72	41	0.39	45	350	268	112	98	1,000	20/20/20
76+78+86	OK	1	250	250	250	6	12	2	2	50	0.22	20	150	125	89	60	0.5	20	150	202	180	90	500	20/20/20
	OK	2	50	50	50	6	24	4	4	50	0.22	20	150	125	89	60	0.5	20	150	202	180	90	500	20/20/20
	OK	3	25	25	25	6	24	4	4	50	0.22	20	150	125	89	60	0.5	20	150	202	180	90	500	20/20/20
77	OK	1	250	250	250	6	10	2	2	77	0.18	0.32	0.00	80	80	60	0.5	0.00	310	310	120	300	20/20/20	
	OK	2	50	50	50	6	16	4	4	77	0.18	0.32	0.00	80	80	60	0.5	0.00	310	310	120	300	20/20/20	
	OK	3	25	25	25	6	16	4	4	77	0.18	0.32	0.00	80	80	60	0.5	0.00	310	310	120	300	20/20/20	
79	OK	1	200	200	200	4	8	2	2	79	0.15	0.38	0.05	70	70	55	0.47	0.00	320	320	100	250	20/20/20	
	OK	2	50	50	50	4	16	4	4	79	0.15	0.38	0.05	70	70	55	0.47	0.00	320	320	100	250	20/20/20	
	OK	3	25	25	25	4	16	4	4	79	0.15	0.38	0.05	70	70	55	0.47	0.00	320	320	100	250	20/20/20	
47	IDW	1	150	150	150	4	10	2	2	47	IDW												150	20/20/20
	IDW	2	75	75	75	4	10	2	2	47	IDW												150	20/20/20
	IDW	3	25	25	25	4	10	2	2	47	IDW												150	20/20/20
48	IDW	1	150	150	150	4	10	2	2	48	IDW												350	20/20/20
	IDW	2	75	75	75	4	10	2	2	48	IDW												350	20/20/20
	IDW	3	25	25	25	4	10	2	2	48	IDW												350	20/20/20
62	IDW	1	150	150	150	4	10	2	2	62	IDW												300	20/20/20
	IDW	2	75	75	75	4	10	2	2	62	IDW												300	20/20/20
	IDW	3	25	25	25	4	10	2	2	62	IDW												300	20/20/20

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- The geologic interpretation models consist of a set of 3D solids one for each interpreted rock type such that the metal content was estimated considering the proportions of the geologic interpretation in each block. This method incorporates dilution into the block estimates.

Table 7-6 Sulfobamba Bulk Density Summary

Litho	Skarn	MSK	Marble	ESK	Breccia	Diorite	MZM	QFP	QFS	Latite
N° samples	40	41	47	50	62	71	78	80	81	85
Density	3.45	4.23	2.71	2.97	3	2.62	2.62	2.61	2.62	2.63

Table 7-7 Chalcobamba Bulk Density Summary

Litho	Skarn	Mt-Skarn	Hornfels	Marble	Endo-Skarn	Breccia	Diorite	MZB	MZH	MZM	MZQ	QFP	Latite
N° samples	40	41	46	47	50	60	71	76	77	78	79	80	85
Density	3.54	4.29	2.64	2.70	2.67	2.6	2.74	2.64	2.63	2.69	2.64	2.63	2.68

Based on the block estimates the Company estimated the final block total copper grades within Ferrobamba and Chalcobamba using the following equation:

$$TCu (\%) = \frac{\sum_{i=0,N} L(i) * Cu(i)}{\sum L (i)}$$

Where L (i) is the proportion of each domain within a particular block, Cu (i) is the estimated copper grade for each domain and TCu (%) is the final volume-weighted estimated Cu grade. This methodology produces a mineral resource estimates for TCu that represents a reasonable expectation of what can be recovered during mining. Although this method is suitable it does not take into consideration the density grade relationship. As such there is a risk this method may underestimate the high grade portions of the deposit slightly however RPM does not consider that there will be a material impact on the estimate.

7.4.1 Validation

RPM visually compared estimated and composite grades observing a high coincidence between them. RPM also undertook swath plots (**Figure 7-5**) and Hermitian correction ((Herco), or discrete Gaussian) charts and concluded that the comparison between the block estimates and composites were within the acceptable range and the estimations have an appropriate level of error-smoothing for the style of mineralisation. RPM considers that the sample configuration estimations are well done and the results unbiased with respect to the composites (nearest neighbour) and incorporate minimal smoothing. In RPM's opinion, smoothing must be validated in Ferrobamba and reporting of at least another sampling configuration to assess the impact of using more composites.

RPM notes that within the swath plot for **Figure 7-7** there is some variation near surface between the de-clustered Cu grade and OK grades. A visual review of the block model indicates that this variation is due to the volume of lower grade material within the block model when compared to the location of the composites. While RPM notes that these de-clusters composites to not take into account the weighting per domain and as there is a higher proportion of composites in the higher grade domains result in an overall higher grade than the estimate.

7.4.2 Classification

To report the Mineral Resources and be consistent with the JORC requirement of 'Reasonable Prospects for Eventual Economic Extraction' RPM constrained the block estimates by the topography and an economic pit which was estimated with Measured, Indicated and Inferred resources and at a copper price of \$2.20 per pound. Metallurgical recoveries and costs were set as per the Ore Reserve statements as outlined in Section 7. Chalcobamba and Sulfobamba pits based on the FS costs from 2009 while Ferrobamba pit was updated in 2011.

Based on a detailed statistical analysis RPM a search method was appropriate for classification of Measured, Indicated and Inferred Mineral Resources respectively, which would be compliant with the recommended guidelines of the JORC Code for all elements. **Table 7-8** outlines the parameters which were utilised for the Ferrobamba and Chalcobamba to determine the potential classifications.

Following the delineation of the potential classification RPM undertook a smoothing approach to reduce the "spotted dog effect" which is not adequate or suitable for the style of mineralisation. The smoothing process consisted of a moving window which counts the number of blocks of each category within that window and finally assigns the final category to each block from the majority. The search parameters size chosen was 15 m x 15 m x 15 m for skarn and 45 m x 45 m x 30 m for non-skarn.

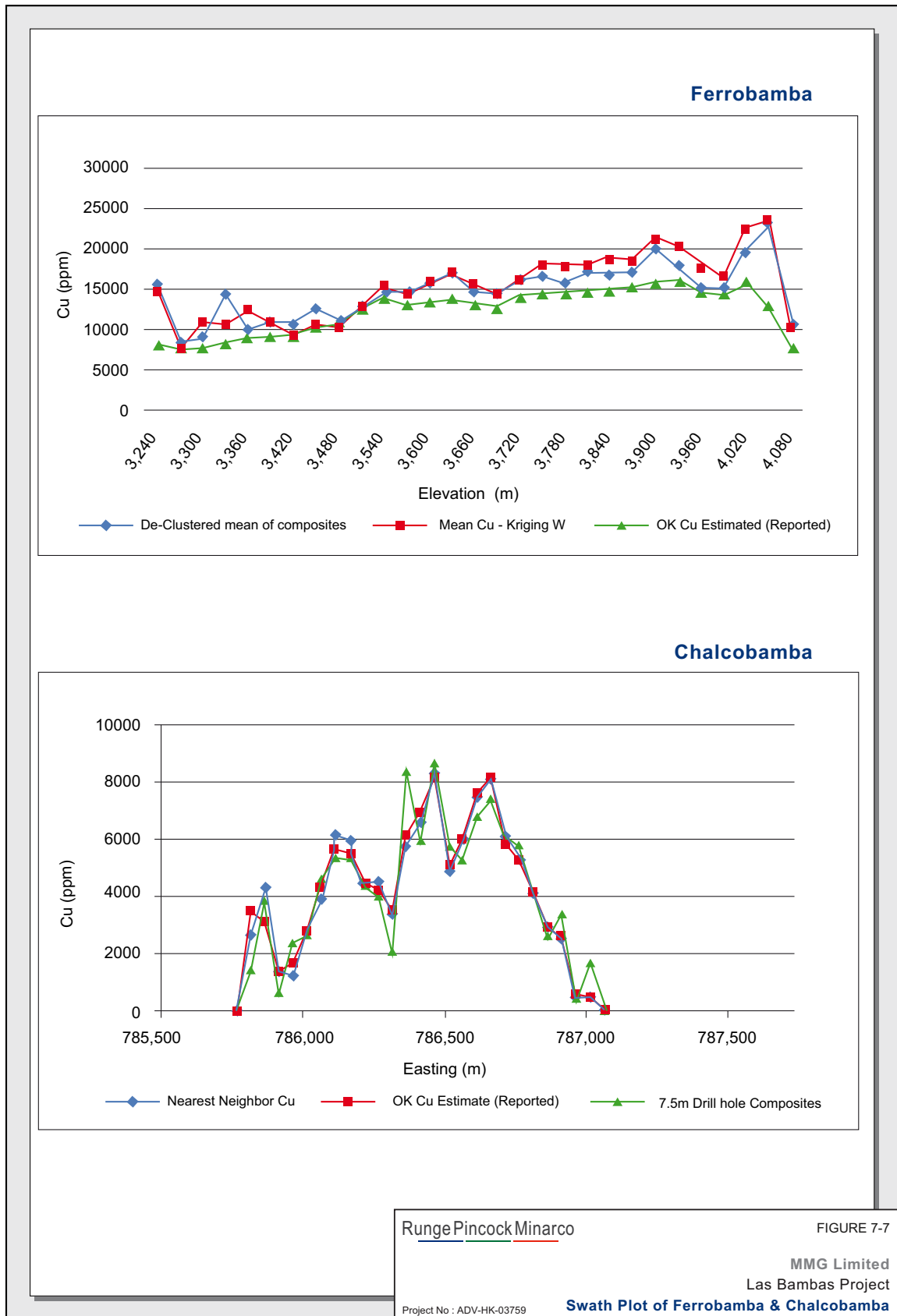
Table 7-8 Ferrobamba Mo Correlogram Models and Sample Configuration

Deposit	Domain	Ferrobamba		Chalcobamba	
		Skarn	Non-Skarn	Skarn	Non-Skarn
Measured	Search Distance (m)	30	60	20	55
	Min Composites	6	12	6	10
	Max Composites	12	20	21	21
	Min Octants	3	3	3	3
	Max Composites per Octant	4	4	4	4
	Max Comps per hole	3	6	3	5
Indicated	Search Distance (m)	60	80	55	80
	Min Composites	9	12	12	9
	Max Composites	21	20	20	20
	Min Octants	3	3	3	3
	Max Composites per Octant	4	4	4	4
	Max Comps per hole	5	6	6	6
Inferred	Search Distance (m)	150 by 150 by 100	250 by 250 by 120	100	160 by 160 by 100
	Min Composites	8	8	12	8
	Max Composites	21	20	20	20
	Max Comps per hole	6	2	2	4

Utilizing this approach RPM notes that there is sufficient data to potentially apply Measured Classifications within the oxide domain with the Ferrobamba and Chalcobamba deposit. However RM highlights that the geology is less understood than the underlying sulphide material the metallurgical characterization is also less developed than sulfides. As such all these areas within the search radius were classified as Indicated.

In addition RPM considers the oxide Mineral Resources within the skarn area have insufficient metallurgical testwork to confirm the recoveries based on the current flowsheet (Section 10). As such this material is classified as Inferred.

RPM utilised a similar criteria to classify the Mineral Resource within the Sulfobamba deposit, but the post-process of smoothing was not applied.



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A detailed statistical analysis suggested that a composite spacing of 40 m with a minimum of four composite from two drill holes was appropriate for classification of Indicated Mineral Resources and 80 m with a minimum of three composites from two drill holes was appropriate for classification of Inferred Mineral Resource which would be compliant with the recommended guidelines of the JORC Code. These distances were based on the variogram ranges for the major direction of continuity and an interpretation of the geological and grade continuity through visual inspection within the mineralisation. These distances represent the maximum distance between two composites from at least two different drill holes.

7.5 Exploration Potential

The Project has a long history of systematic exploration which has included geological mapping, geophysical and geochemical surveys as well as a large amount of surface diamond drilling. These have been undertaken over numerous generations however within the last 10 years the main focus has been on the three deposits for which Mineral Resources have been estimated. Although a long history RPM considers there to be good potential to define further mineralised bodies within the Project area both near planned mining infrastructure and within the broader exploration concession.

Following a review of the data RPM considers there to be potential for the identification of further bodies of economic interest within the concession area. RPM notes that of the large concession holding of the Company, only approximately 35 % has been explored effectively using modern systematic exploration, with much of the recent exploration focusing on the three main defined Mineral Resources. As such RPM considers there to be a number of targets which present opportunities to increase the resource base and add feed sources to the plant or add to the mine life, these include:

- **Inferred material:** Within the current final pit designs for the Project a total of 125 Mt of "inferred" material has been reported. This is particularly prevalent in the upper western zone of the Ferrobamba deposit. This material has been included in the Ore Reserves estimate, and as per the requirement of the JORC Code the current Ore Reserve schedule, as presented in this Report, attributes a waste mining cost to this material with no revenue from the contained metal. RPM considers there is high likelihood that with additional exploration drilling to increase geological confidence, large portions of this material can be upgraded to Indicated and included as part of the Ore Reserve estimate. RPM highlights that using the cost profiles and modifying factors as those applied in the mine design and production schedule these Mineral Resources show '*Reasonable Prospects for Eventual Economic Extraction*'. If adequate tails storage is available, this material presents a significant opportunity to further increase the Ore Reserves quantities and substantially decrease the strip ratio thereby potentially increasing the economic value of the Project. RPM considers that if a drilling program can successfully upgrade the classification level of the currently defined inferred to indicated mineral resource then the mine life can be extended up to 23 years from the current 21 years.
- **Regional Exploration Targets:** The mineralisation style which is observed within the Project commonly results in multiple separate bodies which cluster in regions occurring along or around regional intrusive bodies and/or structural planes. This is consistent with the mineralisation observed within the Project. Although the focus of the recent exploration has been on the main three mineralised areas, four additional priority targets have been identified by the Company which do not have sufficient exploration to define. These four targets can be separated into two groups based on the exploration completed to date:
 - **Charcas and Azuljaja:** Located to the west of Chalcobamba and Sulfobamba deposits respectively (**Figure 5-3**) these targets have had a total of 3,500m of drilling completed during the 2006 drilling campaign. This program included 8 holes (2,614m) within the Charcas prospect and 3 holes within the Azuljaja prospect. Although at an early stage of exploration, works completed to date have identified anomalous mineralisation at depth which RPM consider are potential indicators of a feeder system into a structurally controlled mineralisation system. This style is similar to the drilling observed in the peripheries of Ferrobamba and Sulfobamba deposits. Further work is required to confirm this interpretation and additional work may not result in the definition of economic mineralisation.
 - **Pumamarca and Pallca:** Located to the east Ferrobamba and west of Azuljaja (**Figure 5-3**), these prospects have had limited exploration work completed on them to date. Geochemical surveys and

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geological mapping in regions indicate similar geological setting to the main zones of mineralisation already defined.

- **Vertical Extensions at Ferrobamba, Chalcobamba and Sulfobamba:** In addition to the currently reported resource within the pit designs RPM notes that several zones of mineralisation are known to extend vertically beneath pit extents (**Figure 5-3**). Given the depth of this mineralisation, RPM recommends that the Company undertake conceptual level mining studies to determine the potential economics of mining at this depth or utilising a different mining method such as underground methods. Completing high level conceptual mining studies would not only help determine the potential economic viability of the mineralisation but could also help determine the higher priority near-mine targets which can be 'fast tracked' to support either increased production levels or create other feed sources to the plant.
- **Sulfobamba Feeder System:** Recent exploration works by the Company have identified potential extensions adjacent to the pit design which contains the currently defined Mineral Resource (**Figure 7-8**). Drilling to date has identified a number of mineralised areas, which require follow up drilling to define the extent of mineralisation. RPM considers this to be a priority target and shows excellent potential to define near planned mining infrastructure resource which can form a future mine planning and optimisation studies.

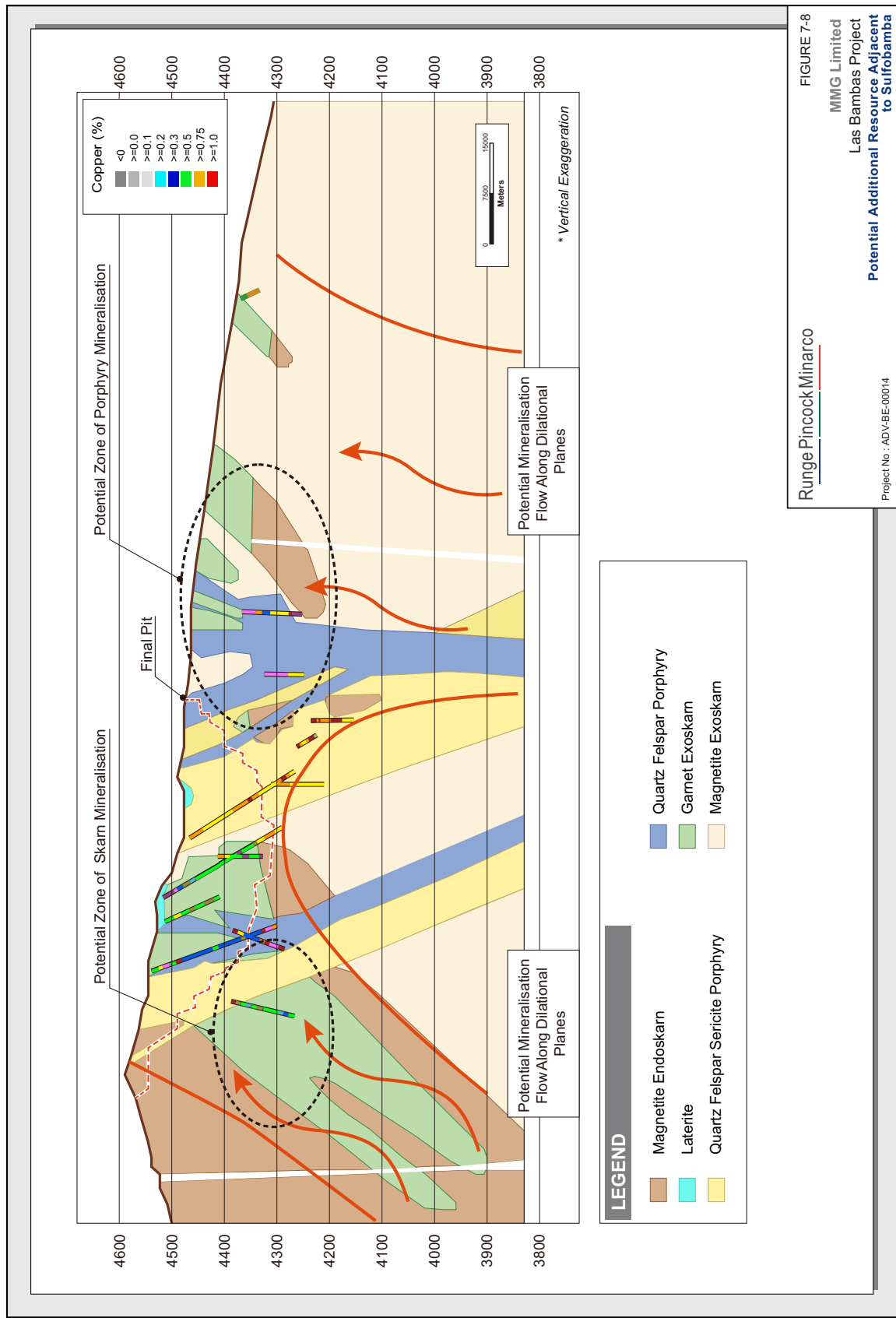


FIGURE 7-8
 MMG Limited
 Las Bambas Project
 Potential Additional Resource Adjacent
 to SulfoBamba
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 Project No.: ADV-BE-00014

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8 Ore Reserves

The JORC Code defines an 'Ore Reserve' as the economically mineable part of a Measured and/or Indicated Mineral Resource. It includes diluting materials and allowances for losses, which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified. Ore Reserves are sub-divided in order of increasing confidence into Probable Ore Reserves and Proved Ore Reserves. (JORC Code - Clause 28).

8.1 Areas of Ore Reserves

The JORC Code defines an 'Ore Reserve' as the economically mineable part of a Measured and/or Indicated Mineral Resource. It includes diluting materials and allowances for losses, which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified. Ore Reserves are sub-divided in order of increasing confidence into Probable Ore Reserves and Proved Ore Reserves. (JORC Code - Clause 28).

8.2 Areas of Ore Reserves

The estimation of Ore Reserves is based on the following areas which are planned to be exploited through large scale open cut mining methods:

- Ferrobamba deposit – this deposit will be the first to be developed with planned Ore production scheduled for late 2014 and contains 657 Mt of total Ore Reserves.
- Chalcobamba deposit – is planned to commence producing Ore in 2018 and contains an estimated 235 Mt of Ore Reserves.
- Sulfobamba deposit – is planned to commence Ore production in 2021 and contains 60 Mt of Ore Reserves.

8.3 JORC Statement of Ore Reserves

The Proven and Probable JORC Ore Reserves estimate for the Project is summarized in **Table 8-1** and shown graphically in **Figure 8-1**. The JORC Ore Reserves estimates reported below are included in the Measured and Indicated Mineral Resources quantities reported in **Section 7**. RPM has estimated the total Ore Reserves to be **952 Mt** at an average grade of 0.72 % Cu, comprising **450 Mt** of Proved and **502 Mt** of Probable Ore Reserves.

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Table 8-1 Statement of JORC Ore Reserves report as at the 1st January, 2014 at a 0.2% Cu cut-off grade

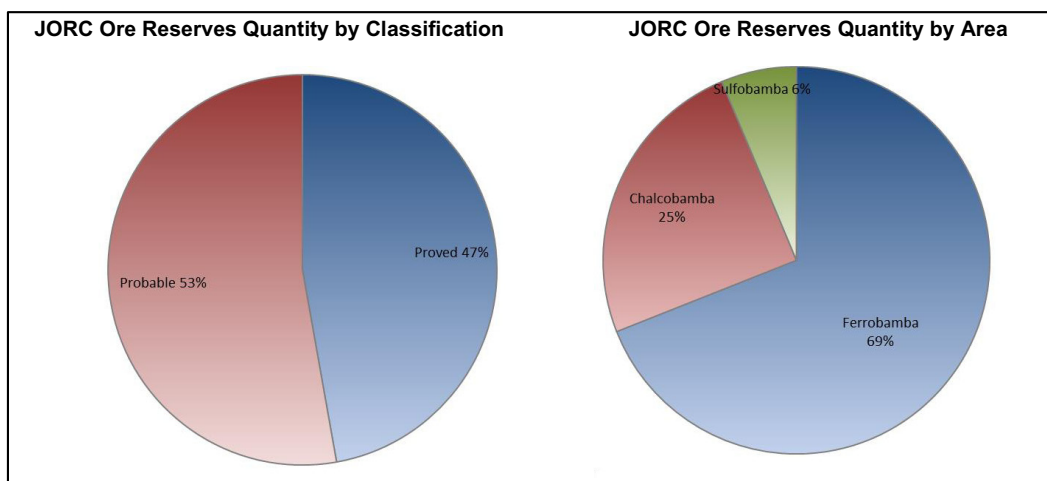
Description	Quantity (Mt)	Cu (%)	Cu (Kt)	Mo (%)	Mo (Kt)	Ag (g/t)	Ag (Moz)	Au (g/t)	Au (Moz)
Ferrobamba									
Proved	386	0.68	2,640	0.018	70.0	3.4	41.8	0.07	0.8
Probable	271	0.80	2,179	0.021	57.2	4.5	38.9	0.09	0.8
Sub Total	657	0.73	4,819	0.019	127.2	3.8	80.7	0.08	1.6
Chalcobamba									
Proved	63	0.46	292	0.014	9.0	1.5	3.0	0.02	0.0
Probable	172	0.74	1,264	0.013	22.9	2.8	15.4	0.03	0.2
Sub Total	235	0.66	1,556	0.014	31.9	2.4	18.4	0.03	0.2
Sulfobamba									
Proved	-	-	-	-	-	-	-	-	-
Probable	60	0.86	516	0.014	8.4	6.6	12.9	0.02	0.0
Sub Total	60	0.86	516	0.014	8.4	6.6	12.9	0.02	0.0
Total									
Proved	450	0.65	2,932	0.018	78.9	3.1	44.8	0.06	0.9
Probable	503	0.79	3,960	0.018	88.6	4.2	67.2	0.06	1.0
Grand Total	952	0.72	6,892	0.018	167.5	3.7	112.0	0.06	1.9

Notes:

1. The Statement of JORC Ore Reserves has been compiled under the supervision of Mr. Rondinelli Sousa who is a full time Senior Mining Engineer employed by RPM and is a Member of the American Society of Mining, Metallurgy & Exploration (SME). Mr. Sousa has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration to qualify as a Competent Person as defined in the JORC Code.
2. Tonnages are metric tonnes
3. Cut off Grade of 0.2% Cu applied to all are types
4. Copper price: \$2.91/lb; Molybdenum price: \$13.37/lb; Silver price: \$19.83/oz; Gold price: \$1,196/oz.
5. Figures reported are rounded which may result in small tabulation errors. Ore Reserves have been estimated under the 2012 Edition of the JORC Code.

RPM notes that the reported molybdenum grade in **Table 8-1** is materially different from the publically released latest reserve estimate by the Company. This difference is due to a typographical error in the Company release which state a Molybdenum grade of 0.002 % versus the RPM grade of 0.02 %.

Figure 8-1 Graphical Representation JORC Ore Reserves Quantities



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8.4 JORC Ore Reserves Estimation Procedure

Ore Reserves were estimated using a suit of specialized open pit mine planning software packages, which includes the pit optimization program 'Whittle', the haul analyze program 'HauNet', and the production schedule program XPAC Open Pit Metals Solution 'OPMS'. The input parameters selected by RPM are based on the review of the mining studies completed by the Company, discussions with site personnel and site visit observations. To enable the estimation of JORC Ore Reserves, RPM has:

- Reviewed approach, assumptions and outcomes from the Company mine planning studies, including the operating and capital cost forecasts;
- Reviewed information on current mine performance including operating costs and processing recoveries;
- Verified the results of the Whittle optimisation and selection of appropriate pit shells;
- Reviewed the mining method and current life of mine designs;
- Reviewed methodology used to estimate ore recovery parameters in the model;
- Performed independent simulation of production schedules using the specialized production schedule program 'OPMS'. The simulation for each deposit is outlined in **Section 9.6**;
- Verified the cut-off grades applied as suitable for use in an Ore Reserve estimate;
- Generated an economic model for the LOM schedule incorporating operating and capital costs and revenue as detailed in **Section 12** and outlined below. RPM reviewed the operating and capital cost estimates prior to applying them in the economic model.

8.5 JORC Ore Reserves Estimation Parameters

RPM has determined suitable technical parameters to apply in the Ore Reserve estimation process following; discussions with site personnel, review of feasibility level documents, proposed life of mine plans, mining method, tailing dam capacity and the forecast processing plant recoveries for the areas of the Project where Measured and Indicated Resources have been estimated. Inferred Mineral Resources cannot be used for Ore Reserves estimation and were not included as part of the Ore Reserve estimate.

The following parameters have been used for the Ore Reserve estimate:

- A variable metallurgical recovery dependent on the ore type of the mill feed as shown in **Table 8-2**. The mill feed is in no case less than 0.2% for Cu, refer to **Section 10**;

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Table 8-2 Metallurgical Recovery by Ore Type

Metallurgical Unit	Cu Recovery	Mo Recovery	Ag Recovery	Au Recovery
Ferrobamba				
fssl	90%	58%	65%	70%
fssm	85%	66%	65%	65%
fpsl	90%	80%	65%	70%
fpsm	66%	40%	55%	65%
fbre	75%	60%	65%	70%
Chalcobamba				
cssl	88%	55%	70%	65%
cssm	72%	40%	60%	65%
csml	90%	55%	75%	65%
csmm	72%	40%	60%	65%
cpsl	88%	65%	50%	65%
cpsm	70%	50%	40%	65%
cbre	70%	50%	40%	65%
Sulfobamba				
sskr	90%	50%	70%	65%
spor	90%	50%	40%	65%
sbre	70%	50%	40%	65%

Source: Provided by the Company.

- Operating and capital costs based on feasibility level documents. Refer to **Section 12** for the estimation of mining costs;
- A combination of the spot price and Long Term Consensus Forecast metal prices of US\$2.91 per pound Cu, US\$13.37 per pound Mo, US\$19.83 per ounce Ag and US\$1,196 per ounce of Au;
- Pit optimization input parameters as shown in **Table 8-3**.
- RPM notes that ore loss and dilution has been appropriately built in the geologic block models. The geologic interpretation models consist of a set of 3D solids one for each interpreted rock type such that the metal content was estimated considering the proportions of the geologic interpretation in each block as such are considered diluted. RPM considers that this procedure combined with the blocks cells regularization allows a proper incorporation of ore loss and dilution, instead of using ore loss and dilution factors during the pit optimization for each block.

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Table 8-3 Pit Optimization Parameters Used in the Ore Reserves by RPM

Description	Units	Ferrobamba	Chalcobamba	Sulfobamba
Prices				
Copper	\$/lb	\$2.91	\$2.91	\$2.91
Molybdenum	\$/lb	\$13.37	\$13.37	\$13.37
Silver	\$/oz	\$19.83	\$19.83	\$19.83
Gold	\$/oz	\$1,196	\$1,196	\$1,196
Selling Cost				
Copper	\$/lb	\$0.14	\$0.36	\$0.36
Molybdenum	\$/lb	\$1.95	\$1.95	\$1.95
Silver	\$/oz	\$1.55	\$2.23	\$2.23
Gold	\$/oz	\$83.00	\$125.00	\$125.00
Operating Costs				
Ore Mining	\$/tonne	\$1.13	\$1.15	\$1.46
Total Ore	\$/tonne	\$1.13	\$1.15	\$1.46
Waste Mining	\$/tonne	\$1.54	\$1.15	\$0.88
Total Waste	\$/tonne	\$1.54	\$1.15	\$0.88
Tailings Sustaining Capital	\$/tonne	\$0.87	\$0.87	\$0.87
G&A Cost	\$/tonne	\$0.62	\$0.62	\$0.62
Processing	\$/tonne	\$4.97	\$4.97	\$4.97
Total Processing	\$/tonne	\$6.46	\$6.46	\$6.46
Dilution and Recovery				
Mining Recovery	%	100%	100%	100%
Mining Dilution	%	0%	0%	0%
Pit Slopes				
Overall Slope Angles	degrees	varies	varies	varies
Haulage Cost per Bench				
Reference Bench	Index	1 - 28	1 - 28	1 - 16
Increment Cost per Bench	\$/tonne	\$0.006	\$0.007	\$0.008
Reference Bench	Index	29 - 91	29 - 91	17 - 46
Increment Cost per Bench	\$/tonne	\$0.016	\$0.018	\$0.022

Notes:

- 1) All costs in US Dollars
- 2) Tonnage in metric tonnes

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9 Mining

9.1 Summary

Mining is planned to be undertaken via conventional truck and shovel open pit methods, and over the Life of Mine ("LOM") ore is planned to be sourced from three separate open pits. ROM ore production at the Project is planned to commence within the Ferrobamba deposit in Year 1 (late 2014), with preparation including land clearing and pre-stripping planned to ramp up in Q3 2014. ROM ore is planned to be fed into primary crushers located adjacent to the Ferrobamba deposit at varying rates throughout the life of mine. While the Ferrobamba deposit will be the single source for the first five years, the Projects production will be supplemented in Year 4 with ore from the Chalcobamba deposit which will be trucked to the Ferrobamba primary crushers until Year 6 at which point ore from Chalcobamba will be fed into a primary crusher located adjacent to the Chalcobamba deposit. Mining is forecast to commence in Year 7 from within the SulfoBamba deposit with all ore planned to be trucked to the crusher located at the Chalcobamba deposit.

The quantity of mineable Ore Reserves is limited by the capacity of the currently designed tailings facility. RPM has estimated the total JORC Ore Reserves to be 952 Mt at an average grade of 0.72% Cu and will also yield significant quantities of molybdenum, silver and gold, with an expected Ore Reserve grade of 0.02% Mo, 3.66 g/t Ag and 0.06 g/t Au. Over the 21 year LOM, the stripping ratio will average 1.96 t waste to 1.0 t ore.

Mine plans developed by the Company are based on the assumption that additional tailings capacity will be developed prior to the end of the mine life and on the expectation that 125 Mt of "inferred" material which is predominantly hosted within the upper zones of the Ferrobamba deposit final pit design will be converted to Ore Reserves following additional exploration. RPM notes that this material does not form part of the Ore Reserves presented in this report nor does it form part of the production schedule presented in Section 9.7. RPM did not incorporate the assumed additional tailings capacity development in its Ore Reserve consideration.

All mining equipment is planned to be delivered to site to coincide with the peak mining rate of 464 ktpd (ore plus waste) and will include electric shovels matched with 300-tonne capacity trucks. The maximum number of shovels during the LOM will be 6 and a maximum of trucks of 52. Nine surface blast hole drill rigs have been purchased, and delivery of all mine equipment is ongoing.

Stripping will accelerate at the end 2014 via the use of hydraulic shovels. In preparation, haul roads for waste are currently being constructed, equipment is being received and assembled, and employees are being trained.

9.2 Mining method

Key characteristics of the mineralisation within the Project are that it occurs as large size orebodies with three distinctive zones of copper sulphide mineralisation that are composed of chalcopyrite, chalcocite and bornite. Typical open cut mining is the preferred mining method as:

- mineralisation occurs near surface;
- minimal initial mining capital investment for open cut mining as mining contractors will be engaged;
- the presence of supporting infrastructure for open cut mining;
- open cut operational costs are lower than underground.

The typical open cut mining method includes:

- drilling of a blast pattern;
- blasting to fragment rock;
- marking out ore zones based on grade control results; and

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- digging, loading and hauling of ore and waste rock to the surface.

Mining operations are planned to utilise a top of the line drill and blast truck shovel operation which includes 6 loading units (P&H 4100 XPC and Cat 7495HR electric shovels, Cat 6060S hydraulic shovels, a Cat 992k front end loader and an L2350-II Letourneau front end loader), up to 52 Komatsu 300 t capacity trucks, 9 electric or diesel drills (a blend of P&H, Cat and Sandvik brands), and 22 pieces of auxiliary equipment (a blend of Cat and Komatsu brands).

9.3 Mine Design and Concept

Three deposits are planned to be mined at the Project in the current LOM plan through large scale open pit mining methods. The Company's mining department is currently in the process of preparing the Ferrobamba deposit for accelerated pre-stripping, which will begin in Q3 2014. Waste material from these pits will be delivered through a series of haul road to onsite waste dumps for storage. Ore from the pits will be hauled to surface via trucks and tipped directly into one of two primary crushers which will be located adjacent to the Ferrobamba and Chalcobamba pits (Figure 9-1). Following crushing the ore will be transported to the onsite concentrator via a 5 km long overland conveyor system. When in full production, the combined ore from the three deposits will feed a centralized concentrator at a 140 ktpd rate.

9.3.1 Pit Optimisation

RPM has evaluated the block models used in the estimate of the Mineral Resource using Whittle software package to confirm the validity of the pit limits employed in the feasibility studies prepared by the Company. RPM used only Measured and Indicated material during the Whittle optimisation.

This work resulted in the identification of approximately 1,163 Mt of material at a 0.2% Cu cut off (**Table 9-1**) that could economically be mined using reasonable assumptions for costs and metals prices as summarized in **Table 8-2** for the recoveries by rock type, **Table 8-3** for the mining parameters

RPM notes that ore loss and dilution has been appropriately built in the geologic block models. The geologic interpretation models consist of a set of 3D solids one for each interpreted rock type such that the metal content was estimated considering the proportions of the geologic interpretation in each block as such are considered diluted. RPM considers that this procedure combined with the blocks cells regularization allows a proper incorporation of ore loss and dilution, instead of using ore loss and dilution factors during the pit optimization for each block.

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Table 9-1 Pit Optimisation Summary at a 0.2% Cu Cut off

Description	M Tonnes	Cu % Cut-off	Strip Ratio	Cu %	Cu Mlbs	Mo %	Mo Mlbs	Ag gpt	Ag Mozs	Au gpt	Au Mozs
Ferrobamba											
Total Ore	724	0.20	-	0.72	11,523	0.02	311	3.75	87	0.07	2
Fpsl	394	0.20	-	0.47	4,077	0	156	1.49	19	0.03	0
Fpsm	121	0.20	-	0.36	959	0	28	1.27	5	0.03	0
Fssl	166	0.20	-	1.50	5,499	0	112	10.13	54	0.20	1
Fssm	39	0.20	-	1.08	920	0	14	7.16	9	0.15	0
Fbre	5	0.20	-	0.63	68	0	1	3.68	1	0.04	0
Total Waste	1,698	-	-	-	-	-	-	-	-	-	-
Waste Rock	1,698	-	-	-	-	-	-	-	-	-	-
Total Pit	2,422	-	2.34	-	11,523	-	311	-	87	-	2
Chalcobamba											
Total Ore	325	0.20	-	0.58	4,141	0.01	95	2.11	22	0.03	0
Cssl	99.50	0.20	-	0.72	1,578	0	31	3.11	10	0.04	0
Cssm	35.95	0.20	-	0.57	451	0	10	2.11	2	0.03	0
Cpsl	20.44	0.20	-	1.42	642	0	4	4.58	3	0.07	0
Cpsm	2.01	0.20	-	0.85	38	0	0	3.26	0	0.04	0
Cbre	119.37	0.20	-	0.36	939	0	40	1.01	4	0.01	0
Csml	26.31	0.20	-	0.36	211	0	5	1.28	1	0.02	0
csmm	21.13	0.20	-	0.61	283	0	5	2.17	1	0.03	0
Total Waste	530	-	-	-	-	-	-	-	-	-	-
Waste Rock	530	-	-	-	-	-	-	-	-	-	-
Total Pit	855	-	1.63	-	4,141	-	95	-	22	-	0
Sulfobamba											
Total Ore	113	0.20	-	0.63	1,583	0.01	36	4.88	18	0.02	0
Sskr	42	0.20	-	1.12	1,030	0	10	10.00	13	0.03	0
Spor	71	0.20	-	0.35	548	0	26	1.87	4	0.01	0
Sbre	1	0.20	-	0.45	5	0	0	7.08	0	0.01	0
Total Waste	266	-	-	-	-	-	-	-	-	-	-
Waste Rock	266	-	-	-	-	-	-	-	-	-	-
Total Pit	380	-	2.35	-	1,583	-	36	-	18	-	0
Total											
Total Ore	1,163	0.20	-	0.67	17,247	0	442	3.40	127	0.06	2
Waste Rock	2,494	-	-	-	-	-	-	-	-	-	-
Grand Total	3,657	-	2.15	-	17,247	-	442	-	127	-	2

Notes:

1) Tonnage in metric tonnes

2) Cut-off Grade of 0.2% Cu applied to all oretypes

3) Only "measured and indicated" material was used for all the whittle runs described in this section.

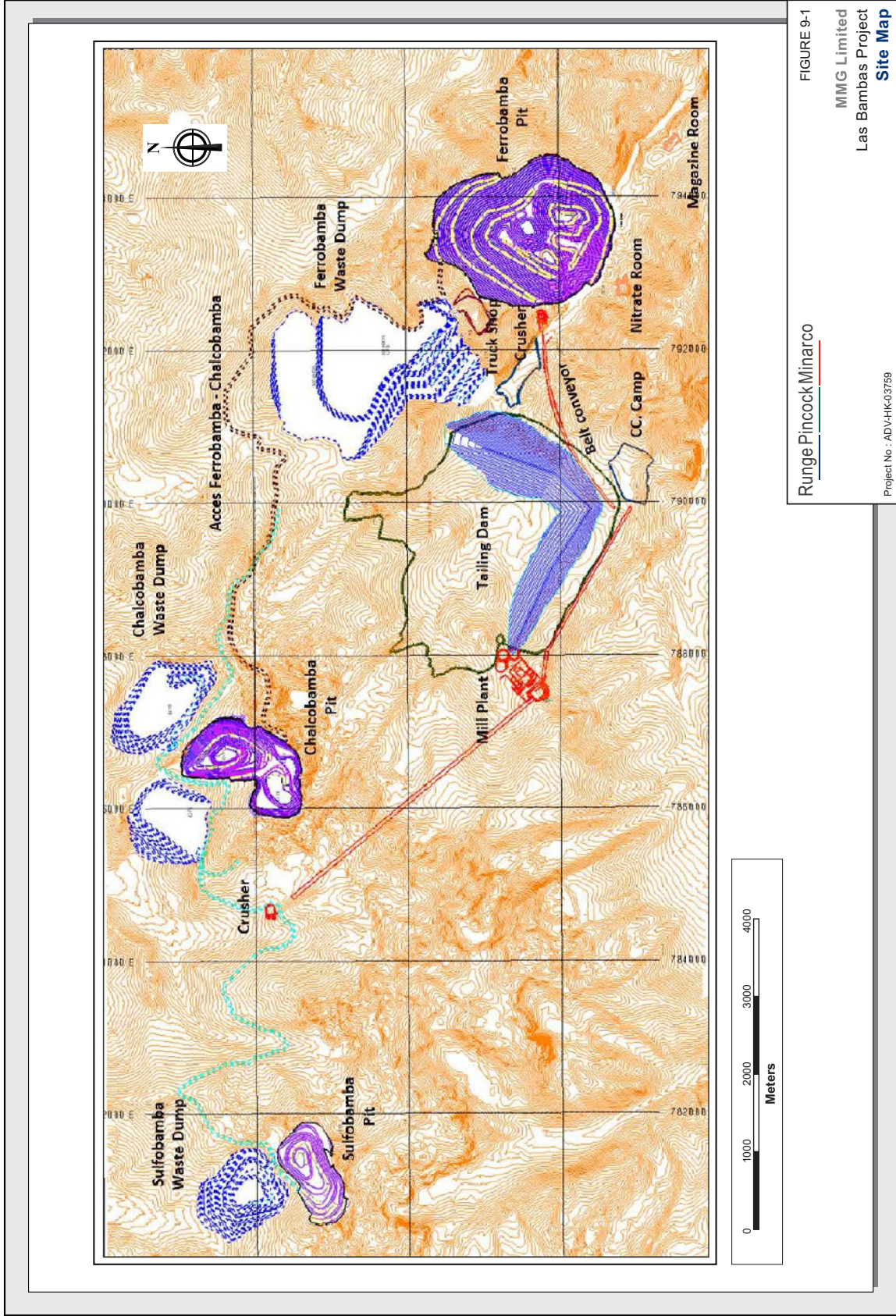


FIGURE 9-1
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MMG Limited
Las Bambas Project
Site Map
Project No. : ADV-HK-03759

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9.3.2 Cutoff Grade Analysis

RPM undertook a Whittle analysis using an individual ore type cut-off calculation in order to assess the pit optimization sensitivity associated to different cut-off grade strategies. The individual cut-off calculations are based on the different metallurgical recoveries as listed in **Table 8-2**. RPM verified that the use of an internal constant 0.2% Cu cut-off grade to all ore types does not have a material effect on the minable quantities within the optimized pits. **Tables 9-2, 9-3, and 9-4** show a comparison between the two cut-off grade strategies.

Table 9-2 Ferrobamba Pitshell Comparison for Different Cut-off Grade Methods

Description	Quantity M tonnes	Cu % Cut-off	Strip Ratio	Cu %	Cu Mlbs	Mo %	Mo Mlbs	Ag gpt	Ag Mozs	Au gpt	Au Mozs
RPM Pitshell²											
Total Ore	724	0.20	-	0.72	11,523	0.02	330	3.88	90	0.07	2
Total Waste	1,698	-	-	-	-	-	-	-	-	-	-
Total Pit	2,422	-	2.34	-	11,523	-	330	-	90	-	2
RPM Pitshell³											
Total Ore	865	-	-	0.63	12,016	0.02	330	3.25	90	0.06	2
Total Waste	1,606	-	-	-	-	-	-	-	-	-	-
Total Pit	2,471	-	1.86	-	12,016	-	330	-	90	-	2
Comparison											
Total Ore											
Difference	141	-	-	-	493	-	-	-	-	-	-
Percentage	19%	-	-	-	4%	-	0%	-	0%	-	0%
Total Waste											
Difference	(92)	-	-	-	-	-	-	-	-	-	-
Percentage	-5%	-	-	-	-	-	-	-	-	-	-
Total Pit											
Difference	48.8	-	-	-	-	-	-	-	-	-	-
Percentage	2%	-	-	-	-	-	-	-	-	-	-

Notes:

- 1) Tonnage in metric tonnes
- 2) Cut-off Grade of 0.2% Cu applied to all oretypes
- 3) Cut-off Grade based on Cu, Mo, Ag and Au vary according to the metallurgical recovery for each oretype

Table 9-3 Chalcobamba Pitshell Comparison for Different Cut-off Grade Methods

Description	Quantity M tonnes	Cu % Cut-off	Strip Ratio	Cu %	Cu Mlbs	Mo %	Mo Mlbs	Ag gpt	Ag Mozs	Au gpt	Au Mozs
RPM Pitshell²											
Total Ore	325	0.20	-	0.58	4,141	0.01	95	2.11	22	0.03	0
Total Waste	530	-	-	-	-	-	-	-	-	-	-
Total Pit	855	-	1.63	-	4,141	-	95	-	22	-	0
RPM Pitshell³											
Total Ore	467	-	-	0.45	4,630	0.01	142	1.67	25	0.02	0
Total Waste	468	-	-	-	-	-	-	-	-	-	-
Total Pit	935	-	1.00	-	4,630	-	142	-	25	-	0
Comparison											
Total Ore											
Difference	142	-	-	-	489	-	47	-	3	-	0
Percentage	44%	-	-	-	12%	-	49%	-	14%	-	6%
Total Waste											
Difference	(62)	-	-	-	-	-	-	-	-	-	-
Percentage	-12%	-	-	-	-	-	-	-	-	-	-
Total Pit											
Difference	79.8	-	-	-	-	-	-	-	-	-	-
Percentage	9%	-	-	-	-	-	-	-	-	-	-

Notes:

- 1) Tonnage in metric tonnes
- 2) Cut-off Grade of 0.2% Cu applied to all oretypes
- 3) Cut-off Grade based on Cu, Mo, Ag and Au vary according to the metallurgical recovery for each oretype

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Table 9-4 Sulfobamba Pitshell Comparison for Different Cut-off Grade Methods

Description	Quantity M tonnes	Cu % Cut-off	Strip Ratio	Cu %	Cu Mlbs	Mo %	Mo Mlbs	Ag gpt	Ag Mozs	Au gpt	Au Mozs
RPM Pitshell²											
Total Ore	113	0.20	-	0.63	1,583	0.01	36	4.88	18	0.02	0
Total Waste	266	-	-	-	-	-	-	-	-	-	-
Total Pit	380	-	2.35	-	1,583	-	36	-	18	-	0
RPM Pitshell³											
Total Ore	186	-	-	0.45	1,844	0.01	53	3.78	23	0.01	0
Total Waste	289	-	-	-	-	-	-	-	-	-	-
Total Pit	475	-	1.56	-	1,844	-	53	-	23	-	0
Comparison											
Total Ore											
Difference	72	-	-	-	261	-	17	-	5	-	(0)
Percentage	64%	-	-	-	16%	-	47%	-	27%	-	-9%
Total Waste											
Difference	23	-	-	-	-	-	-	-	-	-	-
Percentage	8%	-	-	-	-	-	-	-	-	-	-
Total Pit											
Difference	94.8	-	-	-	-	-	-	-	-	-	-
Percentage	25%	-	-	-	-	-	-	-	-	-	-

Notes:

1) Tonnage in metric tonnes

2) Cut-off Grade of 0.2% Cu applied to all oretypes

3) Cut-off Grade based on Cu, Mo, Ag and Au vary according to the metallurgical recovery for each oretype

9.3.3 Mine Design Parameters

The mine design parameters are listed in **Table 9-5**. The pit limits for Ferrobamba, Chalcobamba and Sulfobamba have been designed with 10% gradient ramps, which is optimal from the equipment selected.

Table 9-5 Mine Design Parameters

Item	Ferrobamba	Chalcobamba	Sulfobamba
Haul Road Width	35 m	35 m	35 m
Intermediate Ramp Grade	10 %	10 %	10 %
Final Limit Ramp Grade	10 %	10 %	10 %
Bench Height	15 m	15 m	15 m
Interramp Slope Angle	42° to 50°	49° to 58°	48°
Overall Slope Angle	35.4° to 45.4°	44.5° to 52.4°	40°
Number of Phases	4	2	1

Source: Provided by the Company.

Feasibility level geotechnical studies have been completed by the Company and have been utilised to derive the mine designs. The Company recognizes additional geotechnical evaluation and characterization by rock type is still required and therefore intends to construct the initial phase 1 development of Ferrobamba at shallower angles than suggested in the geotechnical study. Adjustments as appropriate to the intermediate phases and the final design will be made based upon further geotechnical evaluation, actual slope performance and any stability issues. Following a review of the geotechnical parameters, studies and subsequent mine design, RPM considers this approach reasonable and appropriate particularly given the long mine life of the Ferrobamba pit (21 years), RPM recommends that a review of the oxide slope angles be completed prior to the undertaken of the Chalcobamba and Sulfobamba pits which have a shorter life to minimise the waste movement.

RPM has reviewed the current mine plans for the three deposits which will be mined over 21 years commencing and considers that the pit limits and phases were designed with a suitable level of detail taking into account the recommended geotechnical and mining operation parameters. **Table 9-6** presents a comparison analysis between the Whittle pit shells generated by RPM and the designed pits provided by the Company. A review of these results indicates that the Whittle pits are consistent with the Company's final pit designs as such has utilised these final pits as the basis for the production schedule and results Ore Reserves as present in this Report.

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Table 9-6 Pitshell and Designed Pit Summary

Description	Ore M tonnes	Waste M tonnes	Cu % Cut-off	Strip Ratio	Cu %	Cu Mlbs	Mo %	Mo Mlbs	Ag gpt	Ag Mozs	Au gpt	Au Mozs
Ferrobamba												
RPM Pitshell ²	724	1,698	0.20	2.34	0.72	11,523	0.02	311	3.75	87	0.07	2
Designed Pit ³	657	1,426	0.20	2.17	0.73	10,625	0.02	281	3.82	81	0.08	2
Comparison												
Difference	(67)	(272)	-	-	-	(898)	-	(29)	-	(7)	-	(0)
Percentage	-9%	-16%	-	-	-	-8%	-	-9%	-	-8%	-	-8%
Chalcobamba												
RPM Pitshell ²	325	530	0.20	1.63	0.58	4,141	0.01	95	2.11	22	0.03	0
Designed Pit ³	235	311	0.20	1.33	0.66	3,432	0.01	70	2.44	18	0.03	0
Comparison												
Difference	(90)	(219)	-	-	-	(709)	-	(25)	-	(4)	-	(0)
Percentage	-28%	-41%	-	-	-	-17%	-	-26%	-	-16%	-	-18%
Sulfobamba												
RPM Pitshell ²	113	266	0.20	2.35	0.63	1,583	0.01	36	4.88	18	0.02	0
Designed Pit ³	60	127	0.20	2.12	0.86	1,138	0.02	20	6.65	13	0.02	0
Comparison												
Difference	(53)	(139)	-	-	-	(444)	-	(16)	-	(5)	-	(0)
Percentage	-47%	-52%	-	-	-	-28%	-	-45%	-	-28%	-	-34%
Total Deposits												
RPM Pitshell ²	1,163	2,494	0.20	2.15	0.67	17,247	0.02	442	3.40	127	0.06	2
Designed Pit ³	952	1,865	0.20	1.96	0.72	15,196	0.02	371	3.66	112	0.06	2
Comparison												
Difference	(210)	(630)	-	-	-	(2,051)	-	(71)	-	(15)	-	(0)
Percentage	-18%	-25%	-	-	-	-12%	-	-16%	-	-12%	-	-10%
Total Deposits												
RPM Pitshell ²	1,163	2,494	0.20	2.15	0.67	17,247	0.02	442	3.40	127	0.06	2
Reserves												
Report ⁴	950	-	0.20	-	0.73	15,292	0.02	419	3.70	113	0.06	2
Comparison												
Difference	(213)	-	-	-	-	(1,955)	-	(23)	-	(14)	-	(0)
Percentage	-18%	-	-	-	-	-11%	-	-5%	-	-11%	-	-12%

Notes:

1) Tonnage in metric tonnes

2) Cut-off Grade of 0.2% Cu applied to all oretypes

3) The Company's pit design with Cut-off Grade of 0.2% Cu applied to all oretypes

4) Resource & Reserves Report as at 31 December 2013 (<http://www.glencorexstrata.com/assets/Investors/GLEN-2013-Resources-Reserves-Report.pdf>)**9.3.4 Waste Dumps**

All waste is planned to be stored on surface for the three pits or utilised in the construction of the tails deposit wall in the early years of the mine life. Waste dump design was completed taking into consideration the following features of the site area: area availability, potential location of the primary crusher, infrastructure location, tailing location, and pit geometry and topography.

The Project includes the construction of three dumps for Ferrobamba, two dumps for Chalcobamba, and one for Sulfobamba. Portions of the waste generated by the Ferrobamba pit will be utilised during the construction of the tailing deposit wall. **Table 9-7** presents the waste dump capacity for each pit.

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Table 9-7 Waste Dump Capacity

Lift Elevation	Volume (Million Bank Cubic Meters)
Ferrobamba	
4,470	32.4
4,420	54.4
4,370	82.8
4,320	117.8
4,270	141.2
4,220	42.4
4,170	13.3
4,120	8.7
4,070	16.3
4,020	19.9
3,970	16.7
3,920	12.9
3,870	7.0
3,820	1.2
3,770	0.0
Total	567.1
Chalcobamba	
4,485	33.9
4,435	40.7
4,385	47.8
4,335	33.0
4,285	18.4
4,235	8.7
4,181	1.2
Total	183.7
Sulfobamba	
4,490	19.6
4,440	24.8
4,390	16.1
4,340	5.4
4,290	0.2
Total	66.2
Grand Total	817.0

Source: Provided by the Company.

9.3.5 Equipment Plan

Following a review of the planned production rates and haulage profiles of the Company within the open pit and the resultant truck and shovel requirements RPM considers that an additional 2 truck at the Ferrobamba pit will be required to ensure the rate can be meet planned rates. RPM considers the forecast equipment number (**Table 9-8**) is reasonable.

Table 9-8 Mine Equipment Requirements by Deposit

Item	Ferrobamba		Chalcobamba		Sulfobamba		Total	
	Years 1-2	Peak	Years 1-2	Peak	Years 1-2	Peak	Years 1-2	Peak
Loading units (various sizes)	6	6	0	2	0	1	6	6
Haulage Trucks (300t)	25	50	0	12	0	12	25	52
Drills	8	8	0	4	0		8	9
Auxilliary Equipment							22	22

Source: Provided by the Company however edited by RPM to suit the Ore Reserves Production Schedule.

RPM notes that with the exception of haul trucks, the Company has chosen multiple equipment vendors in contrast to focusing on one vendor and common spare parts between units. This applies to loading, drilling and auxiliary equipment (dozers). The haul trucks purchased are all Komatsu brand (930's of a 300-tonne size with standard, rather than light-weight, beds.

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Maintenance will be performed by equipment vendors under a MARC contract. A dispatch system has been budgeted, and Project staff is currently evaluating options from various vendors.

9.3.6 Equipment Already On-site

Several Komatsu haulage trucks have been delivered to site and assembled, however they have not been put into operation yet since stripping has not yet begun. As part of the education and training program the Company plans to utilise some of these units for trainee development. This will be completed on a nearby platform located 1 km away from the mine area (due working limitations within the mine final limits).

9.4 Life of Mine Plan and Pit Sequence

The three deposits are physically shown in relation to one another and to the property's facilities in **Figure 9-1**. The first pit to be developed and exploited is the Ferrobamba pit, which contained 657 Mt of Ore Reserves. Dual primary crushers will be constructed adjacent to the Ferrobamba pit (Section 10).

The second deposit to be developed and exploited is the Chalcobamba pit which contained 235 Mt of Ore Reserves with production commencing in Year 4. In Year 6, a third primary crusher will be constructed adjacent to the Chalcobamba pit. Ore mined from Chalcobamba prior to the third primary crusher construction will be hauled to the Ferrobamba primary crushers. Lastly, the Sulfobamba pit containing 60 Mt of Ore Reserves will be developed and exploited starting in Year 7. Ore from Sulfobamba pit will be delivered to the third primary crusher near to Chalcobamba. **Figure 9-2** shows the timing of the different ore sources throughout the mine life.

During the development of the pits a number of phases or push back are planned. These phases are planned to ensure consistent ROM ore is produced and minimise long period of waste mining. The current mine plans contains four pit or mining phases for Ferrobamba, two for Chalcobamba and one in Sulfobamba as shown in **Figures 9-2 through 9-6**.

RPM highlights that as part of the Ferrobamba pit the majority of the watershed feeding the Ferrobamba River will need to be diverted prior to the river's interception. As such the Company has planned a diversion canal which appear to be reasonable capacity, RPM however does note that a detailed review has not been completed to ensure a proper construction sequence and an confirmation a major flooding event can be contained. The river diversion structures include the tailings dam, the canal upstream of the tailings dam and the contact (settlement) water pond.

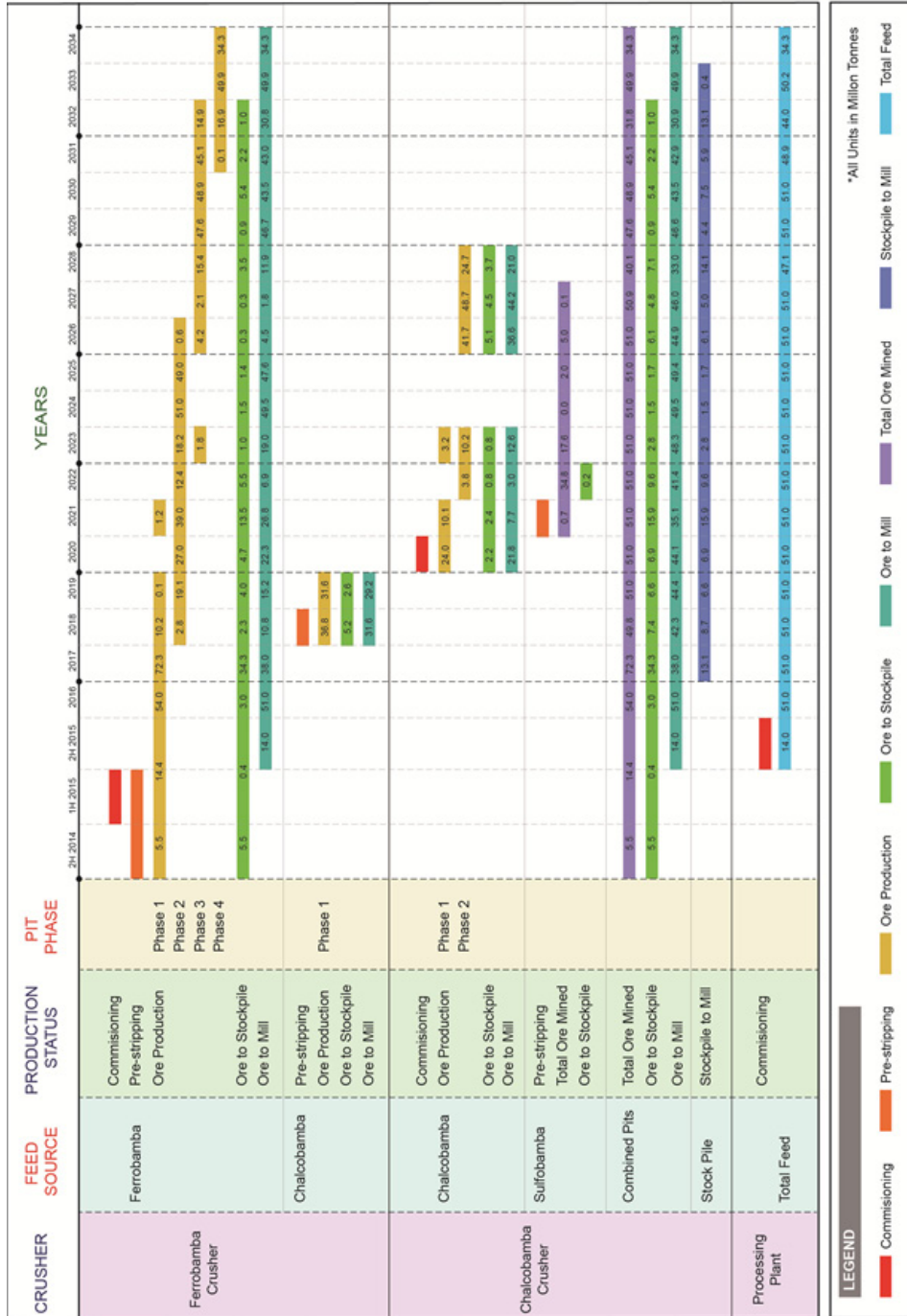
9.5 Forecast Production

The Project production plan prepared by RPM is based on measured and indicated resources only and is shown in **Table 9-9**, and **Figure 9-2** and **Figure 9-7**. Specifically, the design pit used was based on measured and indicated material, and the inferred resource that fell within the design pit was included in the waste category. Mine plans have been designed to provide higher than average grade early in the mine life, and lower than average grade late in the mine life. This is accomplished through a staggered introduction of mining from the three deposits in order to maximise cash flow early. **Table 9-10**, **Table 9-11** and **Table 9-12** present the production plan breakdown by pit.

Based on the Ore Reserve estimate, the Pit Development Sequence and the Pit Designs the forecast mine life is approximately 21 years from 1st January, 2014. RPM considers that the proposed Life of Mine Development Sequence and Production Forecast to be reasonable and achievable based on the current mining equipment and designs. RPM does however recommend that further optimisation and short term planning. This optimisation should focus of the sequence of development in conjunction with capital expenditure and short term grade variability to maximise the profitability of the Project.

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Figure 9-2 Life of Mine Project Development Sequence



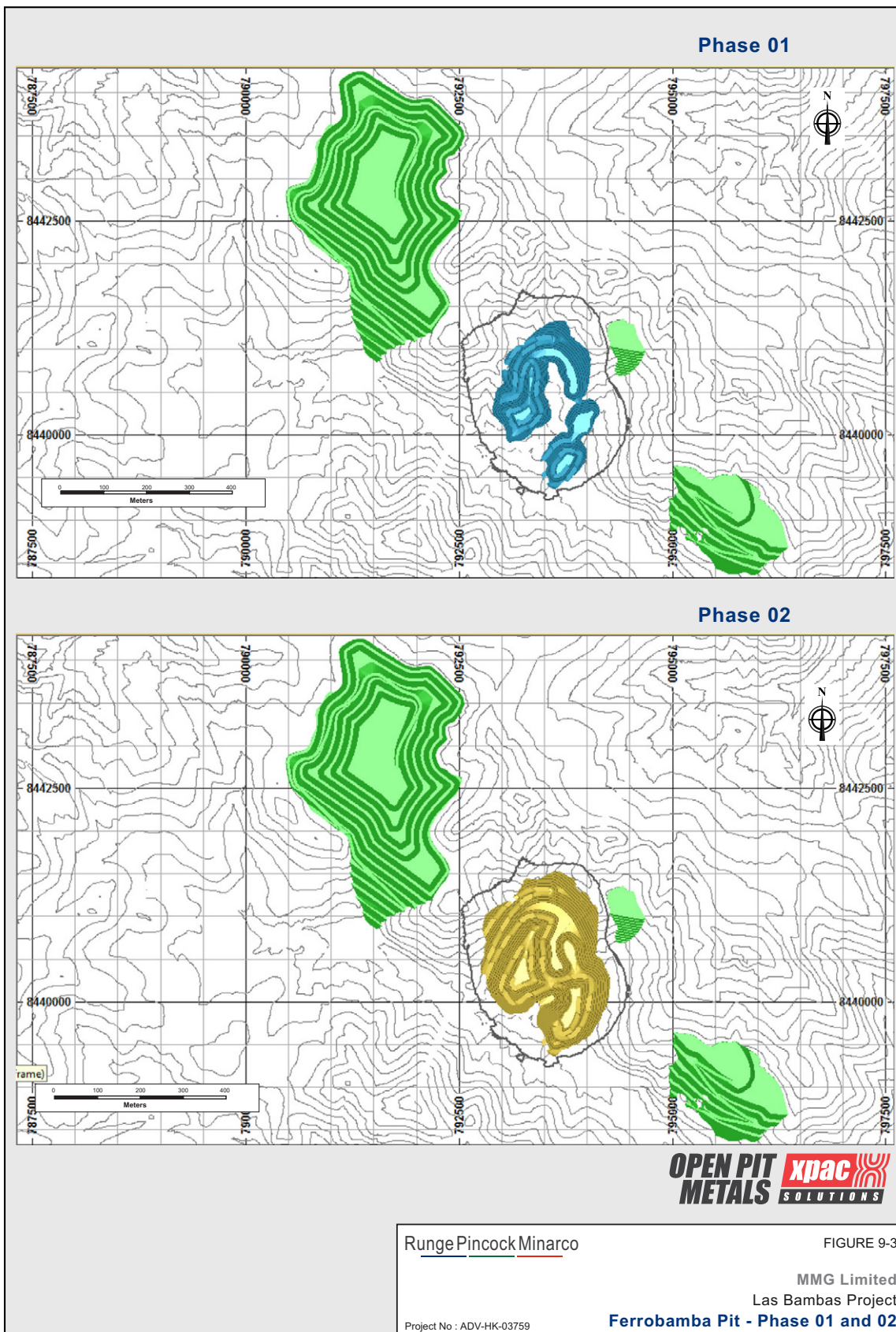
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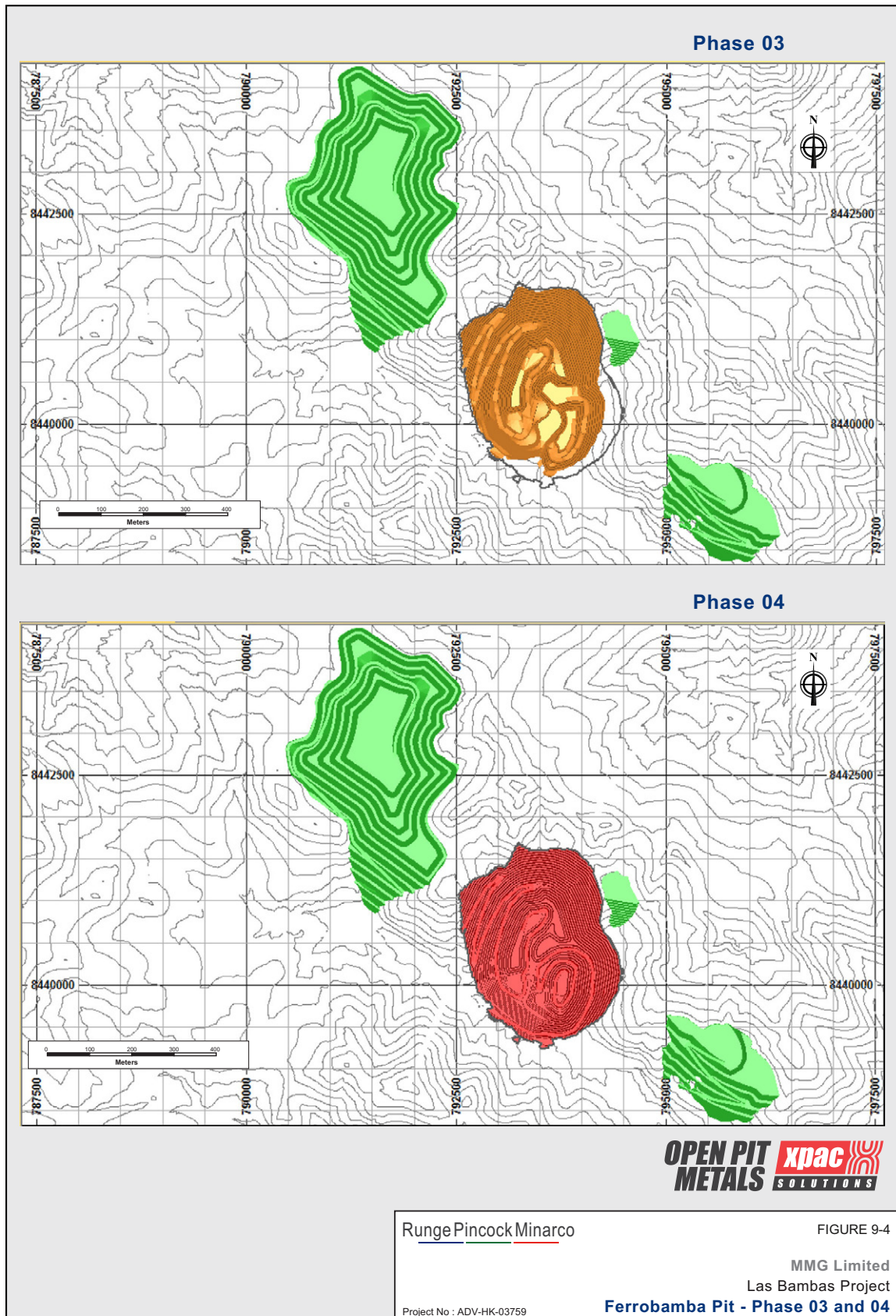
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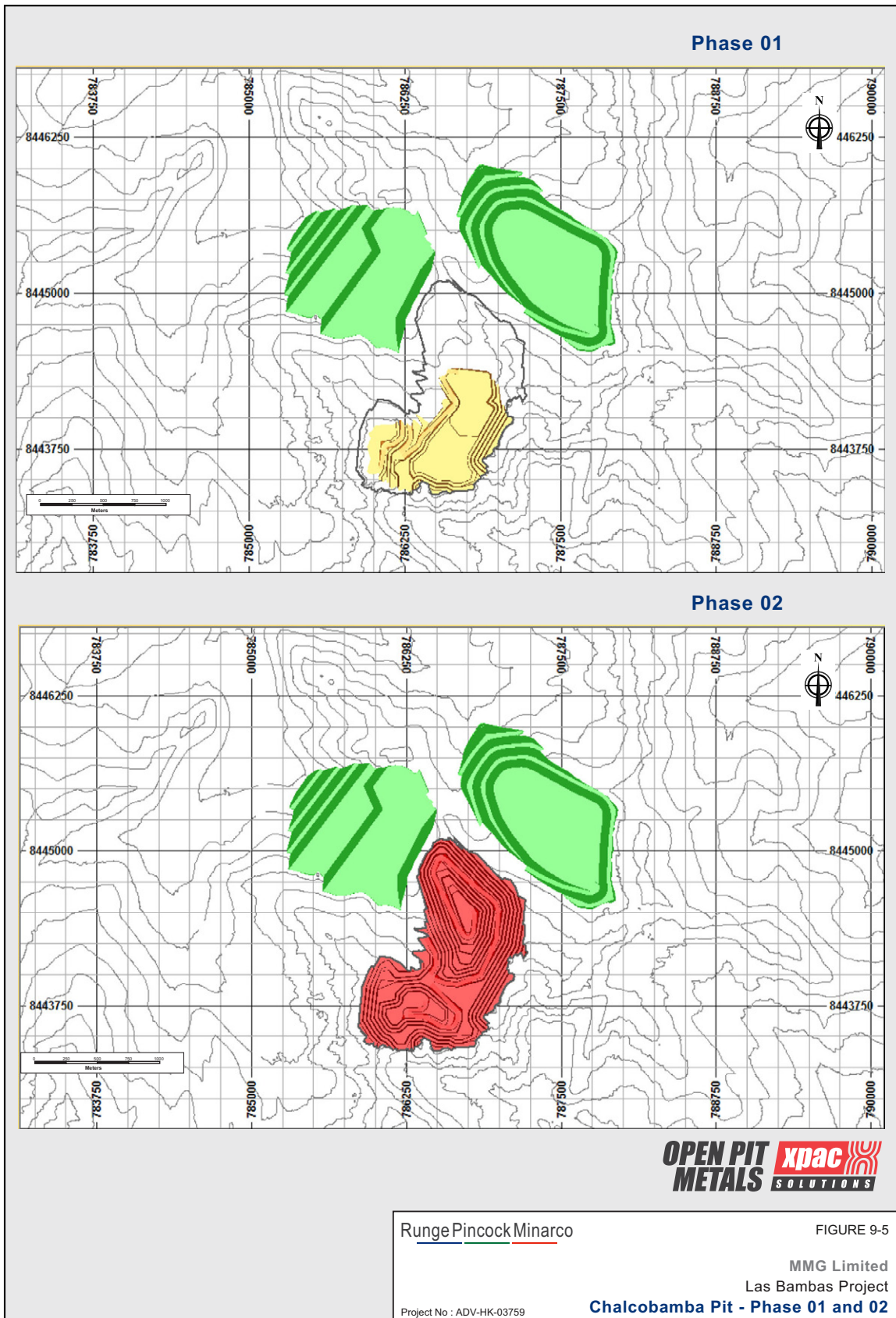
Table 9-9 Consolidated LOM Production Plan Summary

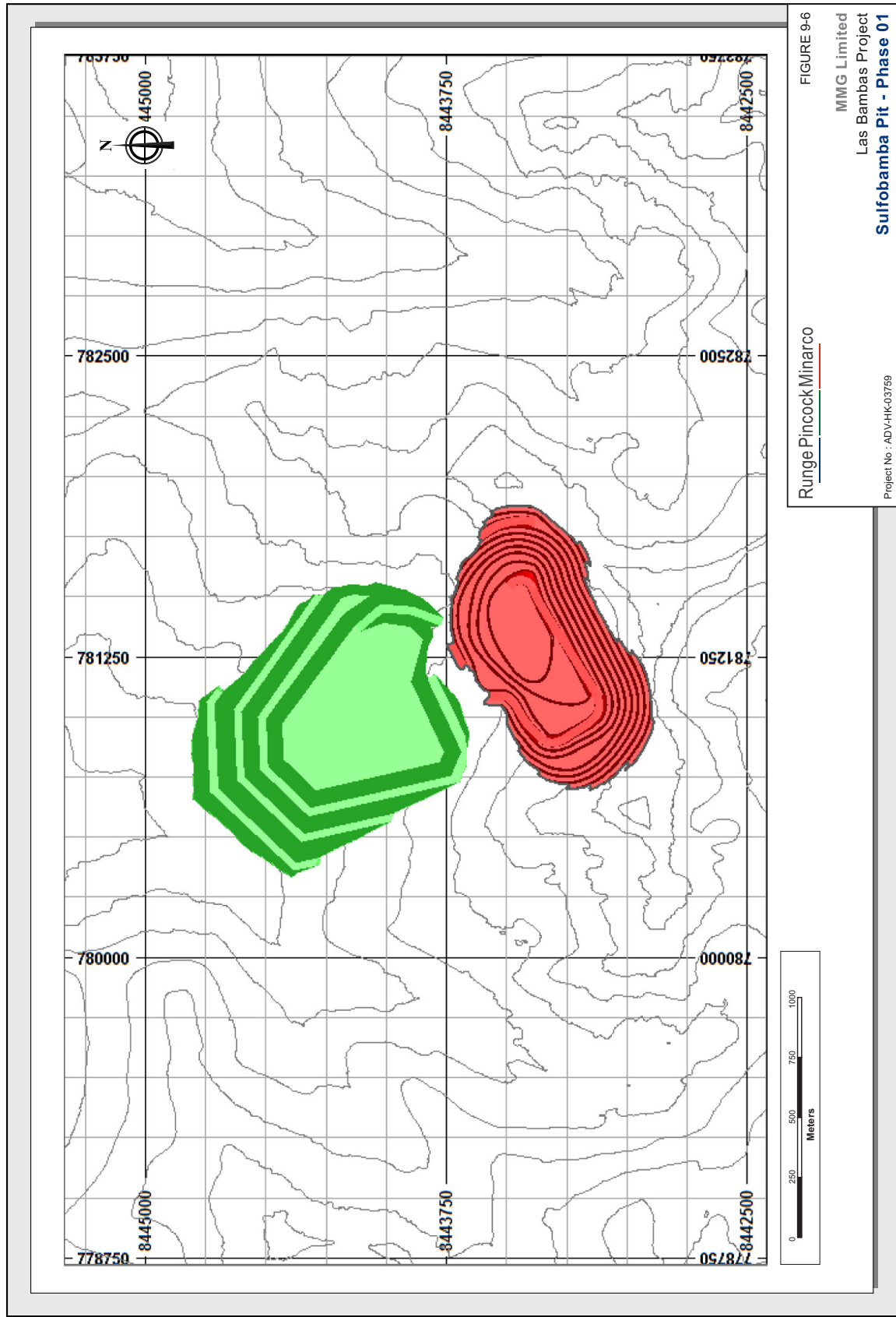
Year	Units	LOM	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	
One Mined	Mt	952.5	5.5	14.4	54	72.3	48.7	51	51	51	51	51	51	51	51	50.9	40.1	47.6	48.9	45.1	31.8	49.9	34.3	
	Cu	%	0.72	1.66	1.14	1.19	0.75	0.83	0.89	0.83	0.61	0.77	0.91	0.97	0.86	0.54	0.51	0.39	0.82	0.53	0.55	0.47	0.54	0.54
	Mo	ppm	176	170	222	208	188	166	152	164	147	126	162	201	208	127	144	136	218	205	224	172	185	197
	Ag	gpt	3.66	8.94	6.48	7.3	3.81	2.71	3.16	3.79	3.16	4.94	5.84	5.88	3	2.55	1.83	1.46	4.43	2.63	2.45	1.95	2.64	2.32
One to Stock	Au	gpt	0.06	0.18	0.13	0.14	0.07	0.04	0.06	0.06	0.03	0.03	0.07	0.11	0.05	0.03	0.02	0.01	0.05	0.05	0.04	0.05	0.04	0.04
	Mt	123.1	5.5	0.4	3	34.3	7.4	6.6	6.9	15.9	9.6	2.8	1.5	1.6	6.1	4.8	7.1	0.9	5.4	2.2	1	0.4	-	
	Cu	%	0.39	1.66	0.31	0.29	0.44	0.37	0.31	0.28	0.28	0.27	0.26	0.26	0.25	0.26	0.27	0.26	0.24	0.24	0.24	0.24	0.24	-
	Mo	ppm	107	170	90	77	112	149	98	104	93	103	123	51	78	130	115	85	78	78	73	65	-	-
Waste to Dump	Ag	gpt	1.57	8.94	1.32	1.17	1.6	1.44	1.05	1.15	1.09	1.16	1.13	0.91	0.85	1.09	0.85	1.03	0.76	0.76	0.91	-	-	
	Au	gpt	0.03	0.18	0.03	0.02	0.03	0.02	0.02	0.02	0.02	0.01	0.01	0.02	0.02	0.02	0.01	0.02	0.02	0.02	0.02	0.02	-	-
	Mt	1,894.50	24.5	94.8	88.3	56.3	94.3	99	93	93	99	99	99	99	99	98.1	102.2	101.2	101.1	100.5	104.2	100.1	17.8	
	Total Rock Mined	Mt	2,817.00	30	109.2	142.3	128.6	144	150	144	144	144	144	150	150	150	150	142.4	148.8	150	145.6	136.1	150	52.1
One from Stockpile	Strip Ratio		1.96	4.45	6.88	1.63	0.78	1.89	1.94	1.82	1.83	1.94	1.94	1.94	1.94	1.94	1.95	2.55	2.13	2.07	2.23	2.01	0.52	
	Mt	123.1	-	-	-	13.1	8.7	6.6	6.9	15.9	9.6	2.8	1.5	1.6	6.1	5	14.1	4.4	7.5	5.9	13.1	0.4	-	
	Cu	%	0.39	-	-	1.02	0.46	0.38	0.37	0.34	0.31	0.3	0.3	0.3	0.29	0.29	0.28	0.27	0.27	0.26	0.26	0.24	0.23	
	Mo	ppm	107	-	-	166	142	93	90	92	123	98	78	66	66	68	68	104	135	144	77	78	143	
Total Rock Mined	Ag	gpt	1.57	-	-	5.07	1.47	1.45	1.31	1.33	1.03	1.05	1.04	1.04	1.04	1.03	1.05	0.85	1.31	1.04	0.93	1.53		
	Au	gpt	0.03	-	-	0.1	0.02	0.03	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.01	0.01	0.01	0.01	0.02	0.02	
	Mt	2,940.10	30	109.2	142.3	141.6	152.7	156.6	150.9	159.9	159.6	152.8	151.5	151.6	156.1	156.1	155.5	153.2	157.5	151.6	149.2	150.4	52.1	
	Mining Rate	Mtpd	0.41	0.16	0.3	0.39	0.42	0.43	0.41	0.44	0.44	0.44	0.42	0.41	0.42	0.43	0.42	0.43	0.42	0.43	0.42	0.41	0.41	
Total Ore to Mill	Mt	952.5	-	14	51	51	51	51	51	51	51	51	51	51	51	51	47.1	51	51	48.9	44	50.2	34.3	
	Cu	%	0.72	-	1.16	1.24	1.02	0.83	0.9	0.84	0.63	0.71	0.91	0.97	0.67	0.55	0.51	0.38	0.78	0.53	0.53	0.41	0.53	0.54
	Mo	ppm	176	-	226	215	234	164	151	162	146	130	161	201	208	119	139	134	214	210	213	146	184	197
	Ag	gpt	3.66	-	6.63	7.66	5.62	2.69	3.84	3.72	3.24	4.91	5.84	5.59	3	2.55	1.83	1.42	4.19	2.64	2.35	1.67	2.63	2.32
Stockpile Beginning	Au	gpt	0.06	-	0.13	0.15	0.1	0.04	0.06	0.06	0.03	0.07	0.11	0.05	0.03	0.02	0.02	0.01	0.05	0.05	0.03	0.05	0.04	
	Mt	408.6	-	5.5	5.9	8.9	30.2	28.9	28.9	28.9	28.9	28.9	28.9	28.9	28.9	28.9	28.9	28.9	28.9	28.9	16.2	12.5	0.4	
	Stockpile Balance	Mt	408.6	5.5	5.9	30.2	28.9	28.9	28.9	28.9	28.9	28.9	28.9	28.9	28.9	28.9	28.9	28.9	28.9	16.2	12.5	0.4	0	
	Metal Recovery																							
Concentrate	Cu	%	87.77	88.41	88.02	86.95	86.28	85.79	83.87	89.17	88.94	88.62	88.62	87.89	81.76	80.68	82.42	88.15	87.61	87.07	86.97	86.73	87.11	
	Mo	%	63.06	64.04	64.88	63.44	56.93	59.2	58.59	55.03	59.14	64.69	71.98	64.69	56.79	57.11	60.71	69.19	68.1	69.22	70.84	68.74	72.97	
	Ag	%	64.58	64.81	64.68	68.43	67.19	65.72	63.97	65.74	65.91	64.74	64.64	60.44	60.44	56.07	59.31	64.61	62.75	63.64	63.63	64.1	64.09	
	Au	%	68.91	69.29	68.93	66.64	67.3	67.72	68.34	65.99	68.73	69.44	69.44	69.25	65.74	65.74	67.06	68.44	69.29	69.19	68.89	68.79	69	
Cu Dry Quantity	kt	16,452.60	357.1	1,403.40	1,147.30	1,141.50	1,192.30	1,073.90	725.6	1,046.50	1,202.60	1,097.20	764.8	735.3	681.5	442.3	888.2	601	567.9	385.5	581.6	407.1		
	Cu	%	36.4	40.0	40.0	32.3	33.1	34.3	37.3	30.9	34.2	41.608	438.748	298.285	228.575	209.174	147.944	355.743	234.718	224.035	153.626	232.453	162.792	
	Contained Cu	t	5,987.710	0	142.794	561.197	488.795	369.070	394.696	368.817	270.896	323.742	411.608	438.748	298.285	228.575	209.174	147.944	355.743	234.718	224.035	153.626	232.453	
	Mo Dry Quantity	t	215,171	3,984	14,862	15,461	10,637	8,784	9,602	8,750	7,306	9,683	13,283	15,243	6,918	8,103	7,678	15,080	14,567	14,383	9,124	12,726	9,778	
Contained Mo	Mo	%	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	
	Contained Mo	t	107,585	1,992	7,031	7,730	5,318	4,392	4,801	4,375	3,653	4,846	6,646	7,621	3,459	4,051	3,839	7,540	7,283	7,191	4,562	6,363	4,889	

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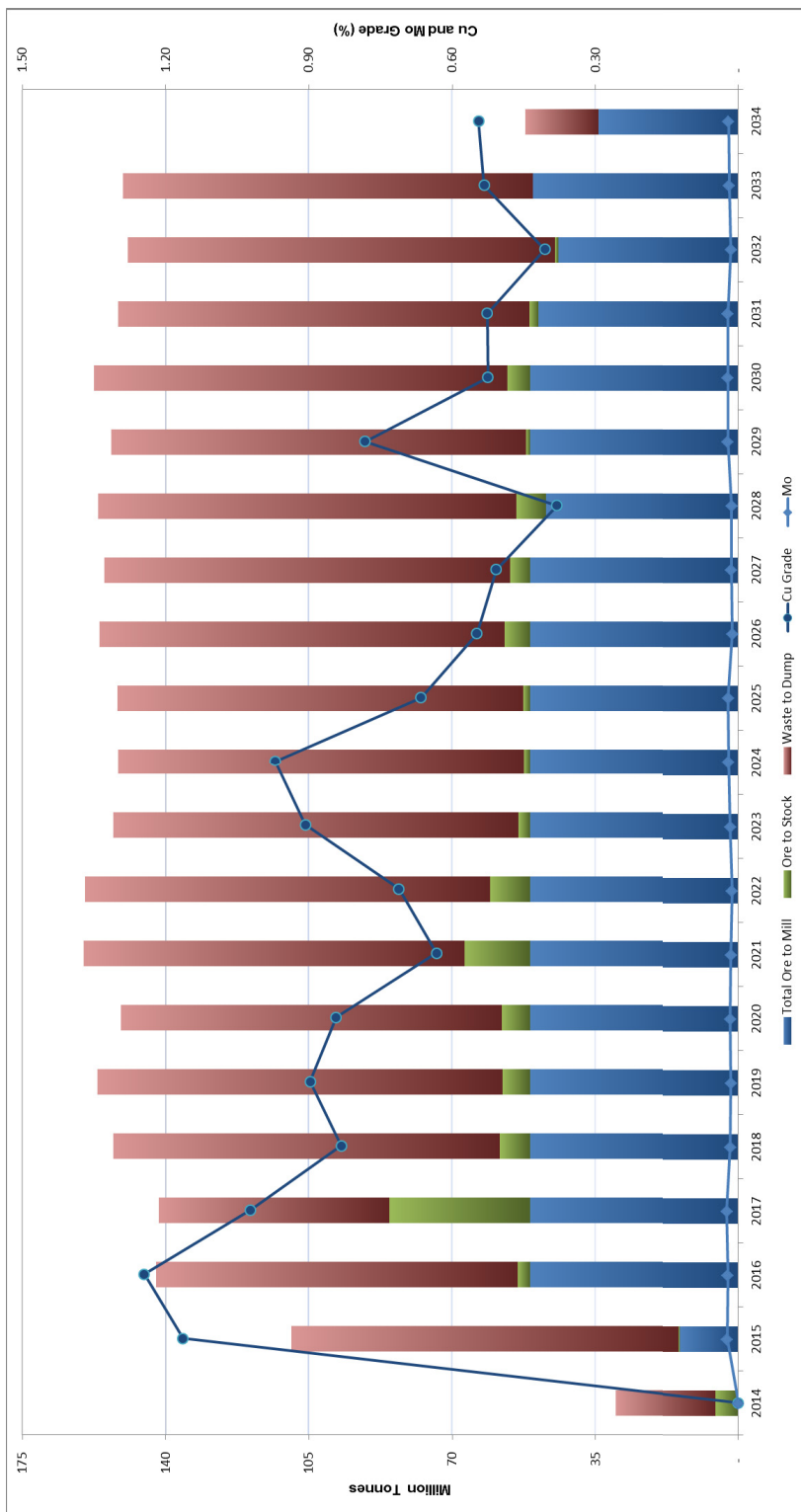






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Figure 9-7 LOM Production with Cu and Mo Grade



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Table 9-10 Ferrobamba Production Plan

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034		
One Mixed Phase 01																							
One Mixed (direct plus rehandle)	5,508,614	14,400,000	54,000,000	72,250,000	10,193,231	41,553	1,988,800	1,988,800															
Cu	186	14	159	0.35	0.35	0.20	0.46	0.46															
Mg	203	221	238	188	738	198	986	986															
Ag	5.38	8.94	7.30	3.81	1.59	1.44	9.45	9.45															
Au	0.10	0.18	0.14	0.07	0.03	0.02	0.18	0.18															
Phase 02																							
One Mixed (direct plus rehandle)	218,549,735				2,776,579	19,145,892	26,988,175	38,972,654	12,497,326	18,183,989	51,000,000	48,028,671	62,700										
Cu	0.77				0.09	0.84	1.17	0.97	0.36	0.54	0.97	0.84	0.37										
Mg	179				155	221	175	135	79	168	201	211	88										
Ag	4.10				5.07	4.61	4.21	3.02	1.20	6.86	5.58	2.79	0.95										
Au	0.08				0.11	0.09	0.08	0.06	0.02	0.15	0.11	0.05	0.03										
Phase 03																							
One Mixed (direct plus rehandle)	80,079,141								1,795,320														
Cu	0.60								0.54														
Mg	209								0.20														
Ag	2.95								3.13														
Au	0.06								0.06														
Phase 04																							
One Mixed (direct plus rehandle)	101,086,880																						
Cu	0.52																						
Mg	181																						
Ag	2.38																						
Au	0.04																						
Ferrobamba Pit																							
One Mixed (direct plus rehandle)	657,297,295	5,508,614	14,400,000	54,000,000	72,250,000	12,999,910	19,877,715	40,160,894	12,497,326	19,950,989	51,000,000	48,028,671	4,273,920	2,137,260	15,402,149	47,557,780	48,933,811	45,103,760	14,597,720	16,800,200	48,899,899	34,306,941	
Cu	0.52	1.14	1.19	0.75	0.74	0.84	0.77	0.62	0.36	1.11	0.97	0.84	0.35	0.54	0.37	0.82	0.53	0.55	0.51	0.54	0.54	0.54	0.54
Mg	181	222	238	188	738	292	220	175	137	171	201	211	233	191	144	218	205	224	211	224	172	186	197
Ag	3.82	8.94	7.30	3.81	1.59	4.60	4.21	3.21	1.20	6.55	5.58	2.79	2.38	2.60	1.56	4.43	2.63	2.45	2.17	2.45	1.95	2.64	2.32
Au	0.08	0.18	0.14	0.07	0.03	0.09	0.08	0.07	0.02	0.15	0.11	0.05	0.06	0.05	0.03	0.10	0.05	0.05	0.05	0.05	0.05	0.04	0.04
One to Stock																							
One to Stock	90,631,746	5,508,614	420,000	3,000,000	34,300,633	2,248,727	4,023,355	4,672,335	13,454,654	1,001,220	1,480,980	1,426,620	311,700	331,620	3,455,994	993,000	5,454,230	2,170,750	960,600				
Cu	0.42	1.16	0.31	0.29	0.44	0.34	0.35	0.28	0.27	0.29	0.28	0.28	0.28	0.26	0.25	0.24	0.24	0.24	0.24	0.24	0.24	0.24	0.24
Mg	94.19	189.99	90.77	111.29	116.59	104.08	75.37	67.25	58.81	116.69	125.81	133.97	123.13	139.57	70.88	70.03	78.01	73.19	66.09	66.09	66.09	66.09	66.09
Ag	1.16	4.21	1.52	0.70	0.30	0.56	0.42	0.31	0.15	0.46	0.20	0.20	0.20	0.19	0.18	0.18	0.18	0.18	0.18	0.18	0.18	0.18	0.18
Au	0.03	0.18	0.03	0.02	0.03	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02
Waste to Dump																							
Waste to Dump	1,425,715,232	24,490,385	94,800,000	98,374,037	58,300,531	43,063,246	76,896,239	80,579,485	74,459,075	17,997,631	55,589,985	57,300,627	16,671,246	36,612,410	90,903,914	98,372,031	100,688,427	103,500,000	104,250,000	100,141,041	17,789,574		
Total Rock Mined	2,883,033,016	30,000,000	169,200,000	442,274,437	428,590,571	56,033,156	96,884,154	107,597,635	144,619,972	30,944,998	75,537,654	108,300,627	20,945,666	37,746,670	106,305,653	145,893,811	148,980,388	148,619,540	138,000,000	150,000,000	150,000,000	50,666,465	
Step Ratio	2.17	4.45	6.58	1.63	0.78	3.32	4.01	2.99	1.85	1.45	1.12	1.85	3.90	16.66	5.90	2.07	2.06	2.23	2.23	2.23	2.01	0.52	
One from Stock																							
One from Stock	90,631,746	5,508,614	420,000	3,000,000	34,300,633	2,248,727	4,023,355	4,672,335	13,454,654	1,001,220	1,480,980	1,426,620	311,700	331,620	3,455,994	993,000	5,454,230	2,170,750	960,600				
Cu	0.42	1.16	0.31	0.29	0.44	0.34	0.35	0.28	0.27	0.29	0.28	0.28	0.28	0.26	0.25	0.24	0.24	0.24	0.24	0.24	0.24	0.24	0.24
Mg	94.19	189.99	90.77	111.29	116.59	104.08	75.37	67.25	58.81	116.69	125.81	133.97	123.13	139.57	70.88	70.03	78.01	73.19	66.09	66.09	66.09	66.09	66.09
Ag	1.16	4.21	1.52	0.70	0.30	0.56	0.42	0.31	0.15	0.46	0.20	0.20	0.20	0.19	0.18	0.18	0.18	0.18	0.18	0.18	0.18	0.18	0.18
Au	0.03	0.18	0.03	0.02	0.03	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02
Total Rock Moved																							
Total Rock Moved	2,733,647,742	30,000,000	169,200,000	442,274,437	441,891,224	62,599,627	102,917,202	114,443,126	127,464,628	35,963,540	78,289,859	109,915,507	17,880,702	47,278,173	115,444,252	145,893,811	148,583,953	146,585,960	146,344,260	150,184,033	150,184,033	50,066,465	
Mining Rate	334,691	160,043	389,793	397,976	398,793	171,596	280,604	313,543	346,273	97,448	213,904	300,759	74,161	116,744	316,204	399,643	409,809	406,423	406,423	411,463	411,463	142,645	
Ferrobamba Ore to Mill																							
Ore to Mill	657,297,295	5,508,614	14,400,000	54,000,000	72,250,000	12,999,910	19,877,715	40,160,894	12,497,326	19,950,989	51,000,000	48,028,671	4,273,920	2,137,260	15,402,149	46,818,780	48,469,701	43,907,210	43,130,660	50,043,022	34,306,941		
Cu	0.73	1.16	1.24	0.75	0.69	0.80	0.75	0.64	0.38	1.05	0.97	0.84	0.37	0.54	0.37	0.83	0.57	0.56	0.51	0.51	0.51	0.51	
Mg	194	228	238	188	738	292	220	175	137	171	201	211	233	191	144	221	221	221	221	221	184	197	
Ag	3.82	8.94	7.30	3.81	1.59	4.60	4.21	3.21	1.20	6.13	5.59	2.79	1.86	1.54	1.42	4.50	2.87	2.51	1.66	2.64	2.32	2.32	
Au	0.08	0.13	0.15	0.10	0.04	0.09	0.08	0.07	0.03	0.14	0.11	0.05	0.04	0.03	0.03	0.10	0.05	0.05	0.05	0.05	0.05	0.04	

Notes:
 1) Tonnage in metric tonnes
 2) Grade: Xstrata pit design with Cut-off Grade of 0.2%, Cu applied to all ores
 3) Figure reported are rounded which may result in small tabulation errors.

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Table 9-11 Chalcobamba Production Plan

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	
Phase 01																						
One Mine (direct plus reserve)	105,891,271	31,812,285	24,011,825	10,076,610	3,192,360	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86
Cu	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86
Ag	2.28	3.12	3.12	2.57	1.58	1.58	1.58	1.58	1.58	1.58	1.58	1.58	1.58	1.58	1.58	1.58	1.58	1.58	1.58	1.58	1.58	1.58
Au	0.04	0.04	0.04	0.03	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02
Phase 02																						
One Mine (direct plus reserve)	129,096,621	31,812,285	24,011,825	10,076,610	3,762,252	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86
Cu	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86
Ag	2.28	3.12	3.12	2.57	1.58	1.58	1.58	1.58	1.58	1.58	1.58	1.58	1.58	1.58	1.58	1.58	1.58	1.58	1.58	1.58	1.58	1.58
Au	0.03	0.04	0.04	0.03	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04
Chalcobamba Pit																						
One Mine (direct plus reserve)	234,897,792	31,812,285	24,011,825	10,076,610	3,762,252	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86
Cu	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86
Ag	2.28	3.12	3.12	2.57	1.58	1.58	1.58	1.58	1.58	1.58	1.58	1.58	1.58	1.58	1.58	1.58	1.58	1.58	1.58	1.58	1.58	1.58
Au	0.03	0.04	0.04	0.03	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04
One to Stock																						
One to Stock	27,195,591	2,551,193	2,221,156	2,412,326	610,940	797,640	5,073,302	4,497,504	3,670,101	3,670,101	3,670,101	3,670,101	3,670,101	3,670,101	3,670,101	3,670,101	3,670,101	3,670,101	3,670,101	3,670,101	3,670,101	3,670,101
Cu	0.29	0.30	0.30	0.29	0.26	0.26	0.26	0.27	0.26	0.26	0.26	0.26	0.26	0.27	0.27	0.27	0.27	0.27	0.27	0.27	0.27	0.27
Ag	1.09	1.10	1.10	0.97	0.57	0.57	0.57	0.57	0.57	0.57	0.57	0.57	0.57	0.57	0.57	0.57	0.57	0.57	0.57	0.57	0.57	0.57
Au	0.01	0.01	0.01	0.01	0.02	0.02	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Waste to Dump																						
Total Rock Mined	311,431,911	22,103,561	14,420,359	6,766,868	7,110,100	15,222,237	35,721,038	35,721,038	35,721,038	35,721,038	35,721,038	35,721,038	35,721,038	35,721,038	35,721,038	35,721,038	35,721,038	35,721,038	35,721,038	35,721,038	35,721,038	35,721,038
One to Stock	56,619,973	5,919,946	3,825,355	16,845,598	10,735,353	28,758,417	11,907,895	11,233,170	30,963,326	2,937,969	2,937,969	2,937,969	2,937,969	2,937,969	2,937,969	2,937,969	2,937,969	2,937,969	2,937,969	2,937,969	2,937,969	2,937,969
One to Stock	133	0.69	0.52	0.97	1.89	1.14	1.86	1.31	4.46	0.46	0.46	0.46	0.46	0.46	0.46	0.46	0.46	0.46	0.46	0.46	0.46	0.46
One to Stock																						
One to Stock	27,195,591	2,551,193	2,221,156	2,412,326	610,940	797,640	5,073,302	4,497,504	3,670,101	3,670,101	3,670,101	3,670,101	3,670,101	3,670,101	3,670,101	3,670,101	3,670,101	3,670,101	3,670,101	3,670,101	3,670,101	3,670,101
Cu	0.29	0.30	0.30	0.29	0.26	0.26	0.26	0.27	0.26	0.26	0.26	0.26	0.26	0.27	0.27	0.27	0.27	0.27	0.27	0.27	0.27	0.27
Ag	1.09	1.10	1.10	0.97	0.57	0.57	0.57	0.57	0.57	0.57	0.57	0.57	0.57	0.57	0.57	0.57	0.57	0.57	0.57	0.57	0.57	0.57
Au	0.01	0.01	0.01	0.01	0.02	0.02	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Chalcobamba One to Mill																						
One to Mill	573,652,862	53,015,646	36,452,366	18,891,032	14,171,359	28,758,417	58,721,038	58,721,038	58,721,038	58,721,038	58,721,038	58,721,038	58,721,038	58,721,038	58,721,038	58,721,038	58,721,038	58,721,038	58,721,038	58,721,038	58,721,038	58,721,038
Cu	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86
Ag	2.28	3.12	3.12	2.57	1.58	1.58	1.58	1.58	1.58	1.58	1.58	1.58	1.58	1.58	1.58	1.58	1.58	1.58	1.58	1.58	1.58	1.58
Au	0.03	0.04	0.04	0.03	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04
Notes:																						
1) Tonnage in metric tonnes																						
2) Gilsonite design with Cutler Grade of 0.2% Cu supplied to all employees																						
3) Figures reported are rounded which may result in small tabulation errors.																						

1) Tonnage in metric tonnes
 2) Gilsonite design with Cutler Grade of 0.2% Cu supplied to all employees
 3) Figures reported are rounded which may result in small tabulation errors.

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Table 9-12 Sulfofamba Production Plan

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	
Ore Mined																						
Sulfofamba Pit																						
Ore Mined (direct plus rehandle)	60,183,177							725,986	34,797,421	17,610,132		1,971,329	5,031,449	47,160								
Cu	0.86						0.74	0.83	0.74	0.93		1.30	0.62	0.27								
Mo	140						65	147	147	138		137	112	78								
Ag	6.65						8.40	6.45	6.45	7.43		8.22	4.44	1.87								
Au	0.02						0.01	0.03	0.03	0.02		0.03	0.01	0.01								
Ore to Stock																						
Ore to Stock	5,320,135						6,943	3,356,232	3,356,232	851,746		220,080	737,694	47,160								
Cu	0.27						0.26	0.27	0.26	0.25		0.29	0.29	0.27								
Mo	85.44						113.13	179.35	179.35	127.33		95.45	179.30	77.67								
Ag	1.65						1.61	1.70	1.70	1.60		1.54	1.50	1.87								
Au	0.01						0.01	0.01	0.01	0.01		0.01	0.01	0.01								
Waste to Dump	127,394,198						11,810,534	73,892,228	73,892,228	28,050,798		2,583,920	5,035,980	47,160								
Total Rock Mined	187,547,373						12,536,520	108,688,650	108,688,650	46,703,930		4,555,249	10,036,529	47,160								
Strip Ratio	2.12						16.27	2.12	2.12	1.60		1.31	0.99									
Ore from Stock																						
Ore from Stock	5,320,135						198,593		198,593													
Cu	0.27						0.31		0.31													
Mo	85.44						69.60		69.60													
Ag	1.65						1.86		1.86													
Au	0.01						0.01		0.01													
Total Rock Mined	192,867,508						12,536,520	108,885,233	108,885,233	46,703,930		4,555,249	10,036,529	47,160								
Mining Rate	202,818						34,347	298,316	298,316	124,874		12,480	27,487	129								
Sulfofamba Ore to Mill																						
Ore to Mill	60,183,177						719,043	31,636,772	31,636,772	16,656,366		1,751,249	4,283,715	47,160								
Cu	0.86						0.89	0.97	0.97	0.97		1.44	0.67	0.27								
Mo	140						64	143	138	138		142	101	72								
Ag	6.65						8.47	6.92	7.76	7.76		9.05	4.94	1.52								
Au	0.02						0.01	0.03	0.03	0.02		0.04	0.01	0.01								

Notes:

- 1) Tonnage in metric tonnes
- 2) Gencore Xstrata pit design with Cu:Ag:Gr:Mo of 0.2%: 0.2%: 0.2%: 0.2% Cu applied to all ore types
- 3) Figures reported are rounded which may result in small tabulation errors.

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This production schedule is based on mining multiple pits simultaneously and may be improved with further optimization evaluation. In compiling this production schedule, RPM took into account the timing of expected infrastructure constructions.

In order to achieve a practical production plan, RPM limited the total rock movement to 160 Mtpa and the upper limit of stockpile material to 65 million tonnes. Those constraints combined with the requirement of 51 ROM Mtpa year sent to the mill plus an efficient stockpile management allowed RPM to deliver an optimized mine plan. RPM also improved the area haulage network in order to present realistic rock movement in the LOM plan, which amounted to 5% higher haulage costs (Opex and Capex) than planned by the Company. Figure 9-7 shows the total material movement (million tonnes).

The material movement constraints imposed by RPM in the optimized mine plan resulted in a stockpile of lower grade ore that was less than half the stockpile tonnage suggested by the Company. Similar to the Company plan, RPM's optimal plan for total tonnes moved falls very close to 160 Mt.

9.6 Mine Construction works

As part of the development of the Project the Company is completing or plans to complete significant infrastructure construction. A detailed description of the infrastructure requirements are provided in **Section 11**, however notes the specific mine related information below.

9.6.1 Review of Activities, Construction Work / Earthworks Completed To Date

Currently crews work 12 hours per day, seven days per week. There is not currently a night shift, so this is accomplished with two 32-person crews. Fifty percent of these crews are local residents, and for most it is their first exposure to safety training and to operating mining equipment. All employees are required to stay in the camp immediately prior to and throughout their rotation, regardless of the location of their home.

Training is done via class-room, equipment simulation, and hands-on in-field training. The mine staff has prepared Standard operating procedures' and task training and has provided trainers from throughout Peru.

The mine department is currently in the process of staffing up, making final operational plans, training personnel, assembling equipment and constructing a pioneer road that will be used to haul pre-stripping material to appropriate locations.

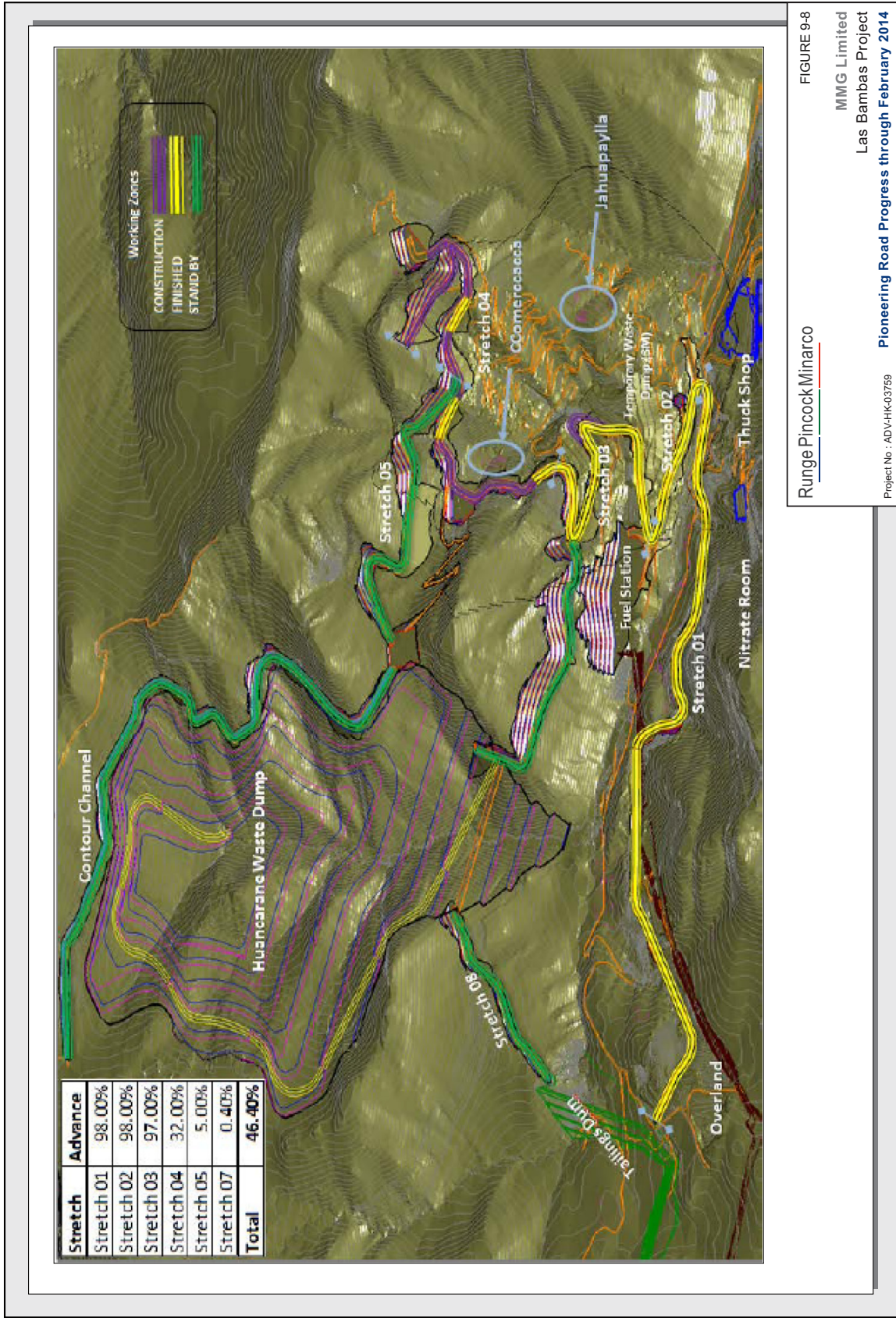
9.6.2 Pioneer Road

As part of the Project development the Company is constructing a road which will connect mine pre-stripping locations with both the tailings dam face, where waste from the mine will be used for construction purposes, and to the Ferrobamba waste dump. This road is critical to ensure the production ramp up and construction of the tails dam facility. The Company is constructing the pioneer road in segments and progress on each segment is shown in **Table 9-13**. A contractor is constructing the Segment 1, to the tailings dam, while the Company is constructing the remainder. This road is planned to be completed in late 2014 and is graphically shown in **Figure 9-8**.

Table 9-13 Pioneering Road Progress as at 28th February 2014

Segment	Progress
1	98.0%
2	98.0%
3	97.0%
4	32.0%
5	5.0%
7	40.0%
Overall	61.7%

Source: Provided by the Company.



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 FIGURE 9-8
 MMG Limited
 Las Bambas Project
 Pioneering Road Progress through February 2014
 Project No. : ADV-HK-03769

9.7 Comments and Recommendations

RPM considers that an open cut mining method is best suited for the project and is the most effective means by which to exploit the mineralisation of the project. RPM's review of mine plans identified some potential opportunities associated with the mine plan and production schedule, mainly regarding additional mining studies developed by the Company in order to review the current resource base focusing on the expansion of the processing capacities, specifically regarding tailings limitations. These studies included the conversion of large tonnages of "inferred material", which in RPM's view has a high probability of converting to "Ore Reserves".

RPM considers that these studies highlight a number of opportunities within the current production plan, not only to increase revenue and reserve base but also decrease the risk of ore availability in the shorter term production plans.

RPM is aware that at least two other deposits have been identified that are regarded as high priority targets. Initial exploration has produced positive results and additional drilling and exploration works is required to define resources.

Finally, the Ferrobamba pit contains an approximately 125 million tonnes of "inferred material", which in RPM's view has a high probability of converting to "Ore Reserves" once better defined. It is also possible these additional "inferred resources" will allow management of Project to either: 1) mine the additional 125 million tonnes from the Ferrobamba pit to the currently designed tailings dam, which implies to mine less tonnes from either the Chalcobamba or the Sulfobamba pits, or 2) optimize the district cut-off grade by increasing it to a level that fills the currently designed tailings dam with material of a higher cut-off grade than currently anticipated. This could further optimize the project's NPV. Should more tailings space become available, additional options exist to extend the mine life,

10 Metallurgy and Ore Processing

10.1 Summary

Ore is planned to be processed in a conventional Cu-Mo froth flotation plant which will be feed from the pits via primary crushers and overland conveyors. Milling of the crushed ore will be carried out using SAG and ball mills prior to a bulk Cu-Mo flotation and Mo separation flotation from the bulk concentrate. Separate Cu and Mo concentrate thickening, filtration, and loadout systems will be used and a tailings thickening facility employed prior to impoundment of "thickened" tailings in a slurry dam adjoining the plant.

Metallurgical testwork indicates that the ore responds well to standard processing methods, and RPM considers there to be no material difficulties in the proposed methods, however RPM notes the ore has a high abrasivity index (0.3 in the case of Ferrobamba) as a consequence of a high garnet content in the skarn component (which constitutes about 50% of the ore). This aspect is well known, and the plant design has taken this into consideration. Additionally, the magnetite-skarn fraction of the Chalcobamba deposit will only ever be a small proportion of mill feed (through blending) due to its very high magnetite content. This has been incorporated in Project planning.

The planned mill throughput rate is 140 ktpd or 51.1 Mtpa. The plant will generate an average of approximately 0.8 Mtpa of Cu concentrate and 11.0 ktpa of Mo concentrate. The ore contains a significant amount of gold and silver (an annual average of 3.6 Moz silver and 59 koz gold) which will add substantial value to the Cu concentrate.

RPM considers the metallurgical testwork adequate and the plant design appropriate. As is common in copper-molybdenum projects, the parameters for molybdenum extraction are difficult to determine and RPM considers the projected molybdenum concentrate grade value of 50% to be optimistic based on the test work completed, but achievable when compared to similar projects globally. RPM notes that the molybdenum revenue accounts for less than 10% of the project over the life of mine and hence production of a lower-grade molybdenum concentrate would not have a material impact on the economics of the project.

10.2 Metallurgical Testwork

Extensive metallurgical testwork has been conducted on the Project's ore type though the work has focused primarily on the Ferrobamba deposit, the deposit which will be processed initially and will make up the bulk of the ore in the first 5 years of operation. The testwork has included the following areas of investigation:

- Mineralogy,
- Comminution, and
- Flotation.

In addition, limited thickening testwork has been conducted but the parameters for sedimentation and filtration used for the plant design are based on industry standard practices.

RPM considers the metallurgical testwork is at a feasibility study level and reasonable and sufficient to establish the metallurgical parameters and production rates over the LOM to be included in a Ore Reserves and underpin the required flowsheet design. RPM further notes that the details designs of the plant are at a feasibility study level.

10.2.1 Mineralogy

The Ferrobamba ore that will be processed consists of the following three ore types:

- Skarn Sulfide,
- Skarn Oxide, and
- Porphyry.

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The two skarn ore types make up about half the currently defined Mineral Resource with the porphyry the other half. Each of the ore types has a range of oxidation states which are classified as follows: low, medium, and high. A table showing the mineralogical makeup of the Ferrobamba ore types is shown in **Table 10-1**.

Visual inspection of the drill core shows occurrences of minor oxide minerals penetrating up to 200 m deep in the deposit. RPM notes that the majority of the oxide material is associate with the level of water table up to 30m in depth, the oxide material below this is isolated mineral occurrences along structures and does not have a material impact on the economic minerals or recovery rates. Total planned mining depth is approximately 500 m; accordingly, lower recoveries are likely to occur in the initial years when processing oxidised dominant ore. The core also shows the skarn ore to have a high proportion of garnet, a fact which is also seen in **Table 10-1**. Garnet is hard and abrasive; the hardness is not evident in the work index results but the abrasiveness is evident in the high abrasion index of the ore.

Table 10-1 Testwork – Mineralogical Makeup of Ferrobamba Samples Tested

Ore Type Oxidation State	Skarn Sulfide		Skarn Oxide		Porphyry	
	Low	Medium	Medium	High	Low	High
Bornite	1.9	1.8	1.8	0.1	0.2	0.5
Chalcocite	0.3	0.2	2.1	0.1	0.0	0.3
Chalcopyrite	0.3	0.8	0.0	0.1	0.8	0.1
Chrysocolla	0.0	0.1	0.4	0.8	0.0	0.4
Copper Mixes	0.5	1.3	1.8	5.8	0.1	1.1
Copper Silicates	0.0	0.1	0.1	0.6	0.0	0.2
Molybdenite	0.01	0.06	0.02	0.02	0.08	0
Iron Titanium Oxides	2.9	1.6	0.6	1.5	0.8	0.6
Other Oxides	0.0	0.1	0.1	0.0	0.0	0.0
Sulfates & Phosphates	0.5	0.4	0.2	0.2	0.4	0.4
Carbonates	7.5	5.8	10.4	3.6	0.7	0.1
Amphiboles	3.5	4.0	3.2	2.4	3.3	3.7
Feldspars	4.4	6.0	2.6	6.7	70.3	70.6
Garnets	53.7	52.1	54.5	56.8	0.1	0.0
Other Silicates	0.9	0.3	0.4	0.3	1.0	0.9
Phyllosilicates	2.8	2.3	2.1	1.8	2.5	4.5
Pyroxines	16.3	16.8	15.6	11.9	0.1	0.2
Quartz Group	4.6	6.4	4.0	7.3	19.7	16.5
Total	100.1	100.2	99.9	100.0	100.1	100.1

RPM Conclusions:

1. Copper mineral in skarn mainly bornite
2. Copper mineral in porphyry mainly chalcopyrite
3. Main gangue mineral in skarn is garnet
4. Main gangue mineral in porphyry is feldspar
5. Skarn ore has high carbonate content
6. All ore has negligible pyrite content

Source: Provided by the Company.

The Chalcobamba ore that will be processed is somewhat different to the Ferrobamba ore; it consists of the following four ore types:

- Skarn Magnetite
- Skarn Sulfide
- Porphyry
- Breccia

Approximately 60% of the Chalcobamba ore is skarn sulfide; the remainder is split about equally among the other ore types. The Chalcobamba ore types have not been subdivided into oxidation states; however, the ore appears less oxidized than that of the Ferrobamba ore, with the exception of the breccia ore which has significant oxide mineralisation. A mineralogical analysis of the Chalcobamba ore similar to that of the Ferrobamba ore has not been generated. Visual inspection of the drill core shows a very high content of

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magnetite in the magnetite skarn, ore which occurs on the upper surface of the deposit; excessive amount of this ore in the mill feed is likely to be problematical since magnetite will overload the plant tramp-metal magnets.

Mineralogical examination of Sulfobamba ore indicates that it is similar to that of the Chalcobamba ore.

10.2.2 Comminution

The following comminution testwork has been undertaken:

- Point-load tests,
- Semi-Autogenous Mill Power Index (SPI) tests,
- Semi-Autogenous Mill Comminution (SMC) tests,
- Bond Ball Mill Work Index tests (shown in Table 10-2), and
- Bond Rod Mill Work Index tests.

Table 10-2 Ball Mill Work Indices (kWh/tonne)

No.	Ferrobamba	Chalcobamba
1	8.5	13.7
2	12.7	14.2
3	6.7	13.5
4	11.8	11.9
5	9	12.1
6	14.2	12.4
7	12.4	12
8	15	11.4
9	16.5	9.4
10	11.2	10.4
11	10.9	11.4
12	11.3	13
13	13.7	10.9
14		8
15		14.2
16		12.5
17		13.3
18		13.2
19		12.7
20		13.1
21		13.4
22		13.7
Average	11.8	12.3

RPM Conclusions:

1. Ball mill work index of Ferrobamba and Chalcobamba ore about the same

2. Ball mill work index of ore is about 12 kWh/tonne

3. Mill sizing may be undersized for harder ores.

Source: Provided by the Company.

On the basis of these tests, the Company's milling experts and the milling-machinery vendor evaluated the probable throughput rate of the comminution circuit. Results of the evaluations are varied and RPM has determined the throughput of Semi-Autogenous (SAG) Mill – Ball-Mill grinding circuit based on the following:

- SAG milling is 50% as efficient as ball milling,
- Availability of the grinding circuit is 90%, and
- Amount of installed mill-motor power transmitted is 90%.

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On this basis, the adequacy of the circuit to process the ore at the design rate is determined as shown:

Input data:

- Planned plant throughput is 140 ktpd.
- Two grinding lines each consisting of:
 - SAG Mill with installed motor power of 24,000 kW,
 - Ball Mill with installed motor power of 16,400 kW,
- Ball mill work index is 13.2 (Wi),
- Feed size to the grinding circuit is 80-percent passing 150 mm (150,000 µm) (F), and
- Product size from the grinding circuit is 80-percent passing 240 µm (P).

Planned throughput per grinding line:

$$= \frac{140,000/2}{0.92 \times 24} = 3,170 \text{ tph}$$

Available grinding power per grinding line:

$$= (24,000 \times 0.5 \times 0.9) + (16,400 \times 0.95) = 26,980 \text{ kW}$$

Available grinding power per tonne of ore:

$$= 26,980/3,170 = 8.5 \text{ kWh/t}$$

Grinding power required:

$$= \frac{10 \times W_i}{\sqrt{P}} - \frac{10 \times W_i}{\sqrt{F}} = \frac{10 \times 13.2}{\sqrt{240}} - \frac{10 \times 13.2}{\sqrt{150,000}} = 8.2 \text{ kWh/tonne}$$

Since the available grinding power exceeds the required grinding power, RPM expects the plant will be capable of grinding the ore at the design rate of 140 ktpd.

10.2.3 Flotation

The flotation testwork consisted of open and locked-cycle bench testwork and pilot-plant testwork. Much of the bench-scale data in the feasibility study is presented in graphical form. Summaries of significant data provided in numerical form are shown in **Table 10-3**. The grade of the samples tested are about 50 percent higher than the planned average ore grade that will be milled; accordingly, it is expected that the recoveries and concentrate grades will be slightly less than the values obtained in the testwork.

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Table 10-3 Ore and Concentrate Grades and Recoveries

Parameter	Units	Ore and Concentrate Grades & Recoveries			
		Copper	Moly.	Gold	Silver
Pilot-Plant Testwork					
Ferrobamba					
Ore Grade	% & g/t	1.2	300	0.09	6
Concentrate Grade	% & g/t	42	1.1	2.8	186
Recovery	%	88	79	65	73
Chalcobamba					
Ore Grade	% & g/t	1.1	220	0.03	4
Concentrate Grade	% & g/t	29	0.5	0.9	75
Recovery	%	90	77	57	54
Bench-Scale Testwork, Ferrobamba Global Composites					
Low Oxide Skarn-Porphyry, Blend Average					
Ore Grade	% & g/t	1.3	330	0.13	
Concentrate Grade	% & g/t	45	0.9		
Recovery	%	91	77		
Low Oxide Skarn-Porphyry, Average of Separate Samples					
Ore Grade	% & g/t	1.3	330	0.13	
Concentrate Grade	% & g/t	33	1.1		
Recovery	%	91	79		
Skarn Sulfide and Oxide Medium Oxide, Average of Separate Samples					
Ore Grade	% & g/t	1.6	260	0.17	
Concentrate Grade	% & g/t	52	0.7		
Recovery	%	75	61		

RPM Conclusions:

1. Average copper recovery for Ferrobamba ore will be about 87 percent
2. Average copper recovery for Chalcobamba ore will be about 89 percent
3. Average concentrate grade for Ferrobamba will be about 40 percent copper
4. Average concentrate grade for Chalcobamba ore will be about 30 percent copper
5. Average molybdenum recovery will be about 60 percent, assuming about 75 percent recovery from bulk concentrate
6. Average gold recovery will be about 60 percent
7. Average silver recovery will be about 65 percent

Source: Provided by the Company.

Recoveries used for ore-reserve determination are shown in **Table 10-4**. RPM concludes the forecast recoveries used for production projections match testwork results.

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Table 10-4 Ore Reserve Parameters

Ore Type	Recoveries (percent)			
	Copper	Moly.	Gold	Silver
Data Including All Ore Types				
Ferrobamba				
Skarn low oxide	90	58	65	70
Skarn medium oxide	85	66	65	65
Porphyry low oxide	90	80	65	70
Porphyry medium oxide*	66	40	55	65
Breccia*	75	60	65	70
Weighted Average	87	70	64	69
Data Excluding Poor-Performing Ore Types				
Chalcobamba				
Skarn magnetite low oxide	88	55	65	70
Skarn magnetite medium oxide*	72	40	65	60
Skarn sulfide low oxide	90	55	65	75
Skarn sulfide medium oxide*	72	40	65	60
Porphyry low oxide	88	65	65	50
Porphyry medium oxide*	70	50	65	40
Breccia*	70	50	65	40
Unweighted Average	83	54	65	59
Data Excluding Poor-Performing Ore Types				
Ferrobamba				
Skarn low oxide	90	58	65	70
Skarn medium oxide	85	66	65	65
Porphyry low oxide	90	80	65	70
Unweighted Average	88	68	65	68
Chalcobamba				
Skarn magnetite low oxide	88	55	65	70
Skarn sulfide low oxide	90	55	65	75
Porphyry low oxide	88	65	65	50
Unweighted Average	89	58	65	65

* Poor performing ore types

RPM Conclusions:

1. Recoveries, excluding poor-performing ore types, match testwork results and production projections

Source: Provided by the Company.

Limited testing of Mo separation from the bulk Cu-Mo concentrate has been undertaken. Such testwork is always difficult to accomplish for Cu/Mo projects because of the limited amount of sample available and, as a result, is usually inconclusive. The limited testwork completed indicates 75% Mo recovery from the bulk concentrate and a concentrate grade of 46% to 47% Mo. The Project has assumed that the average recovery for the life of the Project will be 61% and that the concentrate grade will be 50% Mo. The recovery value appears reasonable with a recovery of about 80% into bulk concentrate and a recovery of about 75% from the bulk concentrate. The Mo concentrate grade projection appears optimistic; it is likely to be in the order of 45%, though this is acceptable and will result in only slightly higher treatment charge than that for higher grade concentrate.

Though not presented in this Report, metallurgical testwork has also been conducted on Sulfobamba ore, the results of which indicate it responds similarly to Chalcobamba ore.

10.3 Ore Processing Facility

Ore is planned to be processed in a conventional Cu-Mo froth flotation plant which will be feed from the pits via primary crushers and overland conveyors. Milling of the crushed ore will be carried out using SAG and ball mills prior to a bulk Cu-Mo flotation and Mo separation flotation from the bulk concentrate. Separate Cu and Mo concentrate thickening, filtration, and loadout systems will be used and a tailings thickening facility employed prior to impoundment of "thickened" tailings in a slurry dam adjoining the plant.

Principal ore-processing parameters are presented in **Table 10-5** and a listing of principal ore-processing equipment is provided in **Table 10-6**.

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Table 10-5 Principal Parameters

Parameter	Units	Value
Throughput		
Annually	million tonnes	51.1
Daily	thousand tonnes	140
Ore Grade		
Copper	percent	0.69
Molybdenum	ppm	168
Gold	grams/tonne	0.06
Silver	grams/tonne	3.2
Copper Concentrate		
Concentrate Grade		38
Recovery		
Copper	percent	86
Gold	percent	62
Silver	percent	62
Concentrate Quantity	ktonnes/year (dry)	800.0
Molybdenum Concentrate		
Concentrate Grade	percent molybdenum	50
Recovery	percent	63
Concentrate Quantity	ktonnes/year (dry)	11.0
Metal Production		
Copper	ktonnes/year	286.0
Molybdenum	ktonnes/year	5.1
Ore Work Index	kWh/tonne	13.2
Abrasion Index		0.25
Grind Size		
Primary crusher	80% passing, microns	150,000
Primary grind	80% passing, microns	240
Copper regrind	80% passing, microns	40
Molybdenum regrind	80% passing, microns	30
Power Required	megawatts	145
Water Required	m ³ /day	46,667
Capital Cost	US\$ billions	~2.1
Operating Cost (typical - 2018)	US\$/tonne milled	5.87

Source: Provided by the Company.

Table 10-6 Principal Equipment List

Item	Description	kW each	Oper.	S'by.
Primary Crushers				
Rock breaker	hydraulic drive	110		2
Dump pockets	720-tonne capacity		2	
Primary crushers	gyratory, 60- x 113-inches	750	2	
Surge pockets	720-tonne capacity		2	
Apron feeders	hydraulic drive, 2.1- x 10.9-m	320	2	
Sacrificial Conveyor	2.1- x 229-m, 5-m lift	710	1	
Overland Conveyor No. 1	gearless drive, 1.8- x 2,613-m, 223-m lift	8,800	1	
Overland Conveyor No. 2	gearless drive, 1.8- x 2,729-m, 227-m lift	8,800	1	
Crushed Ore Stockpile	open, conical, 105,000-tonnes live		1	
Primary Grinding				
Reclaim Apron Feeders	hydraulic drive, 1.5- x 9.4-m	56	6	2
SAG Mill Feed Conveyors	1.8- x 274-m, 7-m lift	566	2	
Mill Motor Chiller Units		217	12	
SAG Mills Liner Handler		90		1
SAG Mills	gearless drive, 40- x 22-ft EGL w/trommel	24,000	2	
SAG Mill Screens	3.7- x 7.3-m, 2-deck, 35- & 13-mm openings		2	1
Pebble Stockpile	open, conical, 1,750-tonnes live		1	
Pebble Crushers	MP-1000	746	2	1
Ball Mills	gearless drive, 26- x 40-ft EGL w/mag. trommel	16,400	2	
Cyclone Feed Pumps	7,300-m ³ /h, 35-m TDH	2,100	4	
Primary Cyclone Clusters	33-inch, 12 cyclones/cluster		4	
Copper-Molybdenum Flotation				
Rougher/Scavenger Flotn. Banks	7-row banks of 257-m ³ cells, 300-kW ea.	2,100	4	
Rougher Conc. Re grind Mill	ISA mill, M3000	1,500	1	
Rougher-Scav. Conc. Re grind Mills	ISA mill, M3000	1,500	2	
Re grind Mills Cyclone Feed Pumps	1,400 m ³ /h, 32-m TDH	300	3	3
Re grind Mills Cyclone Clusters	15-inch, 10 cyclones/cluster		3	
First-Stage Cleaner Flotn. Bank	5-row bank of 160-m ³ cells, 150-kW ea.	750	1	
Cleaner-Scavenger Flotn. Bank	5-row bank of 160-m ³ cells, 150-kW ea.	750	1	
Second-Stage Cleaner Flotn. Bank	6-row bank of 100-m ³ cells, 110-kW ea.	660	1	
Third-Stage Cleaner Flotn. Bank	6-row bank of 70-m ³ cells, 90-kW ea.	540	1	
Concentrate Thickener	hydraulic drive, 60-m dia.	45	1	
Tailings Thickeners	80-meter dia.	150	2	
Tailings Thickeners O'flow Pumps	horizontal, 2,500-m ³ /h @ 132-m TDH	1,500	3	1
Molybdenum Flotation				
Rougher Flotation Banks	6-row bank of 28.3-m ³ cells, 55-kW ea.	330	2	
First-Stage Cleaner Flotn. Bank	3-row bank of 8.5-m ³ cells, 22-kW ea.	66	1	
Cleaner-Scavenger Flotation Bank	5-row bank of 8.5-m ³ cells, 22-kW ea.	110	1	
Re grind mill	ISA mill, M100	75	1	
Second-Stage Cleaner Flotn. Cells	column-type, 1,25- x 8-m, 2 cells in parallel		1	
Third-Stage Cleaner Flotn. Cell	column-type, 1,25- x 8-m, 1 cell only		1	
Concentrate thickener	17-m dia.	11	1	
Concentrate filter	pressure-type, 15-m ² area	11	1	
Concentrate dryer	screw-type, circulating oil, electrically-heated	600	1	
Concentrate bagger			1	
Copper Concentrate				
Concentrate Thickener	hydraulic drive, 60-m dia.	45	1	
Copper Conc. Filters	pressure-type, 422-m ² area	579	2	1
Copper Conc. Storage	enclosed building, 40,000 tonnes capacity		1	
Copper Conc. Loadout	front-end loader truck loadout	TBD	1	

Source: Provided by the Company.

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A flow diagram of the process through generation of bulk concentrate is shown in **Figures 10-1** through **10-5** and that for Mo separation is shown in **Figure 10-6**. A general arrangement layout of the ore-processing facilities as well as a layout of the entire project showing the location of the primary crushers, overland conveyors, and tailings dam is shown in **Figure 10-7** and **Figure 10-8** respectively.

10.3.1 Primary Crushing and Overland Conveying

The primary crushers will be located 5 km from the concentrator and 0.5 km from the edge of the final open pit perimeter. Ore from the mine will be dumped in 2 large gyratory crushers operated in parallel. Both crushers will have truck access from opposite sides, allowing four trucks to be in the dumping cycle simultaneously.

Crushed ore will discharge from the crushers by apron feeders onto a short sacrificial conveyor ahead of 2 sequential overland conveyors. The overland conveyors will be of about equal length and both will be driven by large gearless drives. Both conveyors will also incorporate single, wide radius horizontal curves.

The final conveyor will discharge to a large, single, uncovered, conical stockpile with sufficient live capacity for about 18 hr of operation.

Plans are to construct a 3rd primary crusher next to the Chalcobamba pit in full production Year 6 and feed a mixture of Ferrobamba, Chalcobamba and eventually Sulfobamba ore to the plant in succeeding years. The installation will require the construction of a new overland conveyor of 3 km, from Chalcobamba to the concentrator. The transport capacity of the conveyors is 9,400 tph, providing more than ample throughput rate.

10.3.2 Comminution

The comminution circuit will consist of 2 grinding lines, each consisting of 1 SAG and 1 ball mill. The design and construction allows for the later addition of a ball mill for each grinding line, if required.

Ore will be reclaimed from the conical stockpile via 8 variable speed drive apron feeders, 4 for each of the 2 grinding lines. It is intended to operate with 3 apron feeders per line with 1 unit on standby. The apron feeders will discharge to conveyors that feed the SAG mills. Ball bins and ball feeding systems for both the SAG and ball mills will be located on the stockpile bench.

The SAG mills will incorporate wraparound, gearless, variable speed drives. The SAG mills will incorporate small trommel screens which will discharge to vibrating screens. There will be no installed standby vibrating screens; the system is designed to allow rapid screen change out with a spare unit for each grinding line close at hand. Screen oversize will be conveyed to an open pebble stockpile ahead of 3 cone crushers which are designed to have 2 units in operation and 1 on standby. Cone crusher product will be conveyed to the feed conveyors ahead of the SAG mills.

SAG mill screen undersize will join the discharge from the ball mills in separate pump boxes for each grinding line. Two cyclone feed pumps on each grinding line will pump to 2 cyclone clusters for each grinding line. Cyclone underflows will feed the ball mills. The ball mills will, like the SAG mills, incorporate wraparound, gearless, variable speed drives. The ball mills will be fitted with magnetic trommel screens that will remove magnetic scats. Cyclone overflows will pass directly to the flotation circuit.

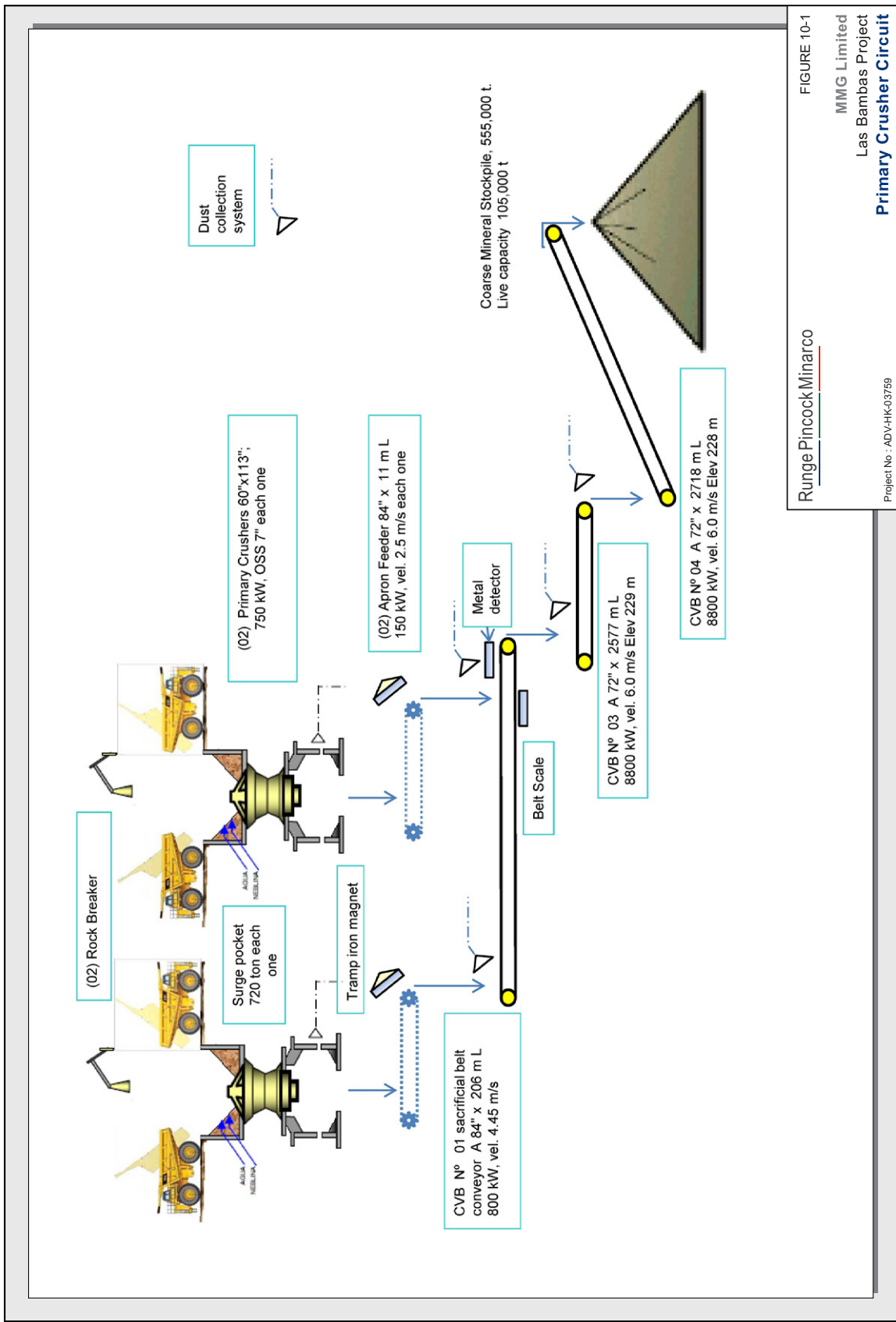


FIGURE 10-1
 Runge Pincock Minarco
 MMG Limited
 Las Bambas Project
Primary Crusher Circuit
 Project No. : ADV-HK-03759

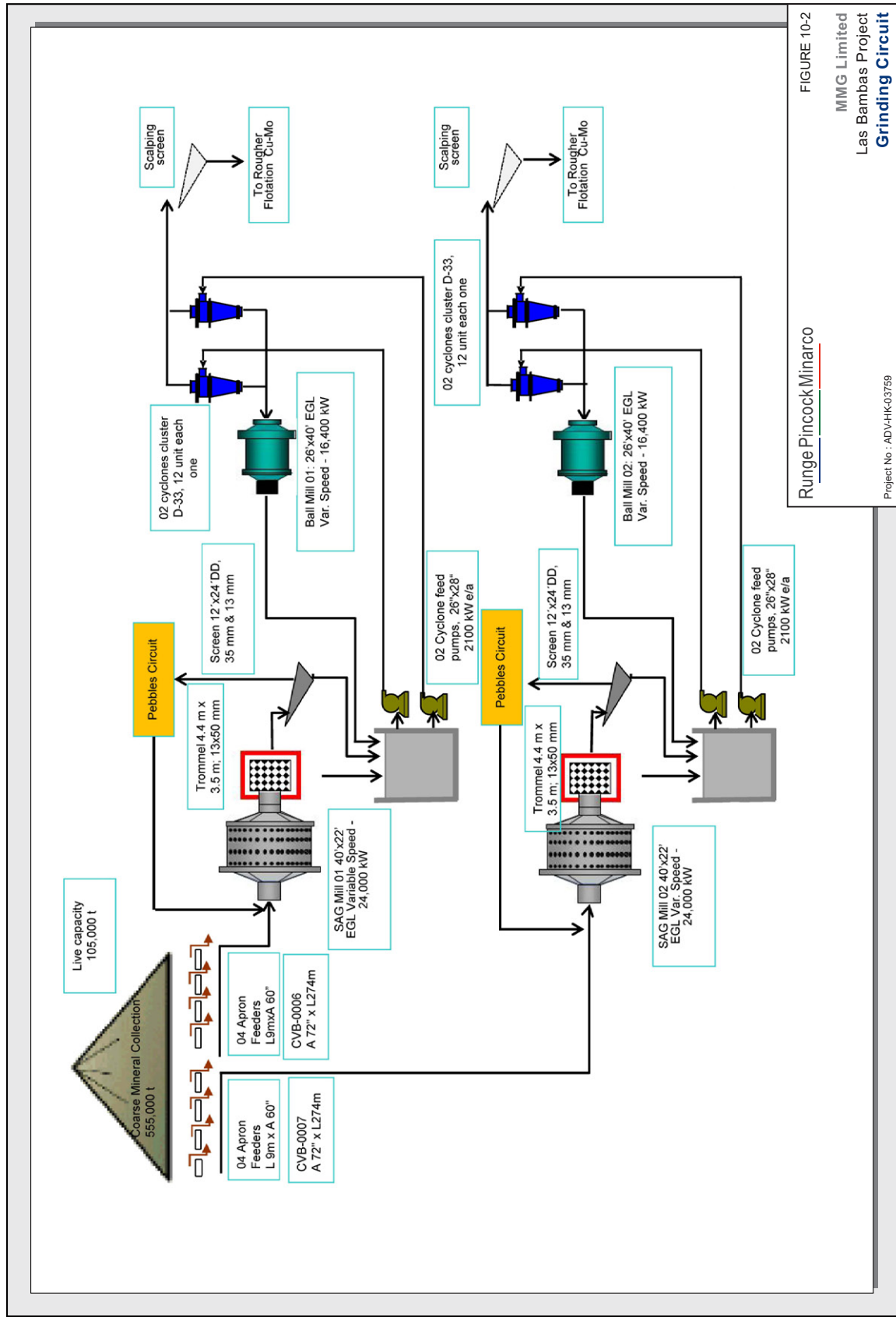


FIGURE 10-2

MMG Limited
Las Bambas Project
Grinding Circuit

Runge Pincock Minarco

Project No. - ADV-HK-03759

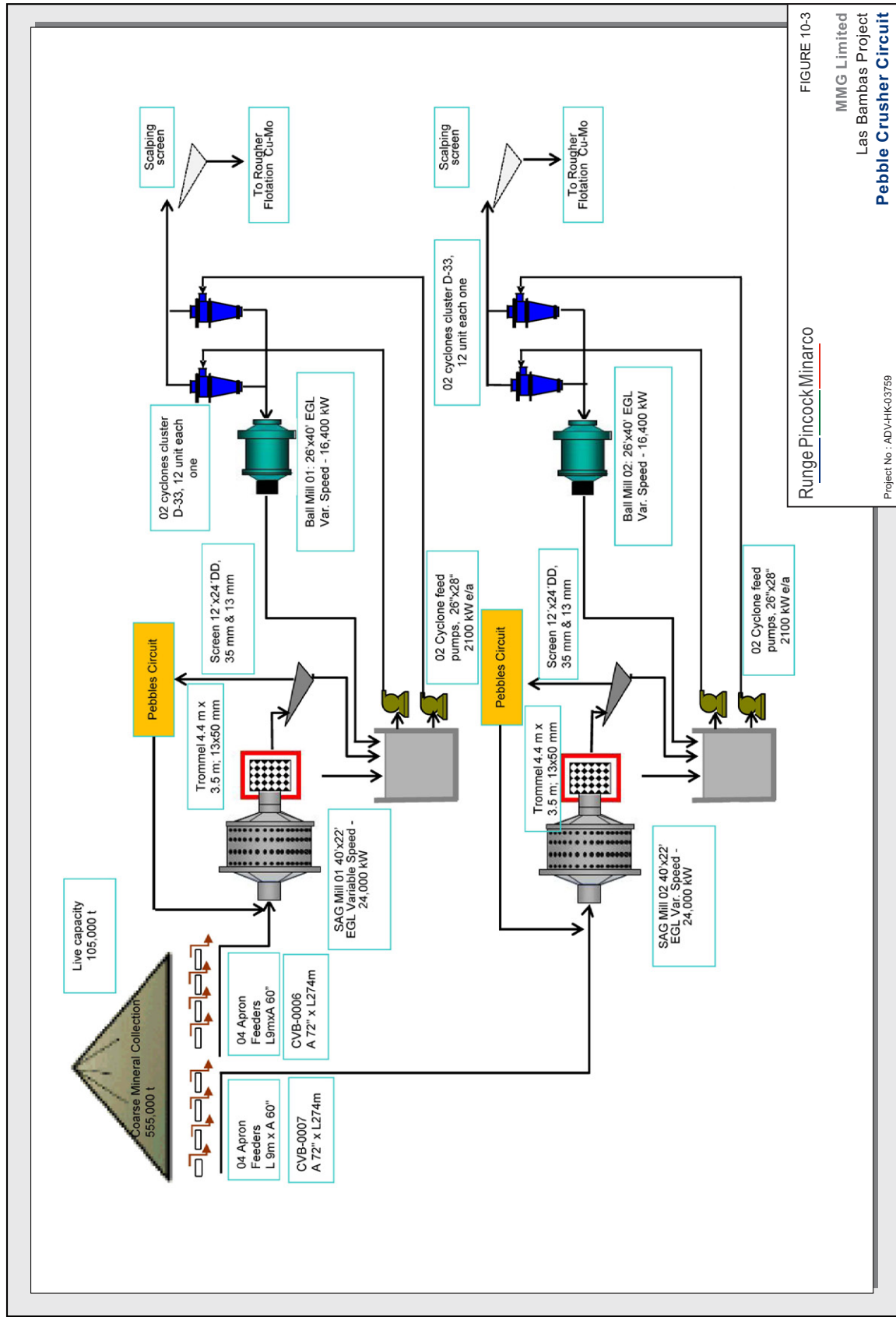


FIGURE 10-3

MMG Limited
Las Bambas Project
Pebble Crusher Circuit

Runge Pincock Minarco

Project No. - ADV-HK-03759

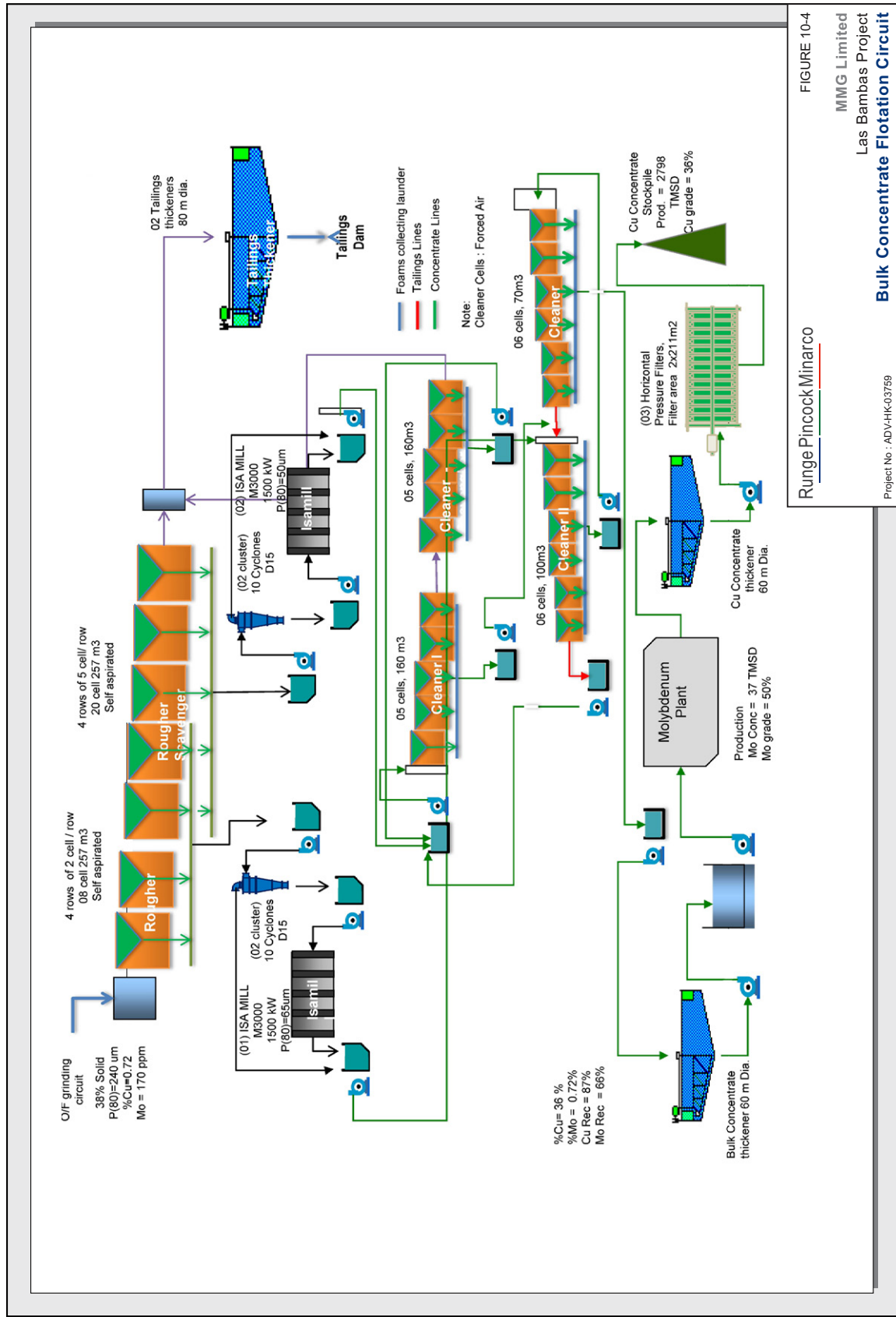


FIGURE 10-4
 MMG Limited
 Las Bambas Project
Bulk Concentrate Flotation Circuit
 Runge Pincock Minarco
 Project No. : ADV-HK-03759

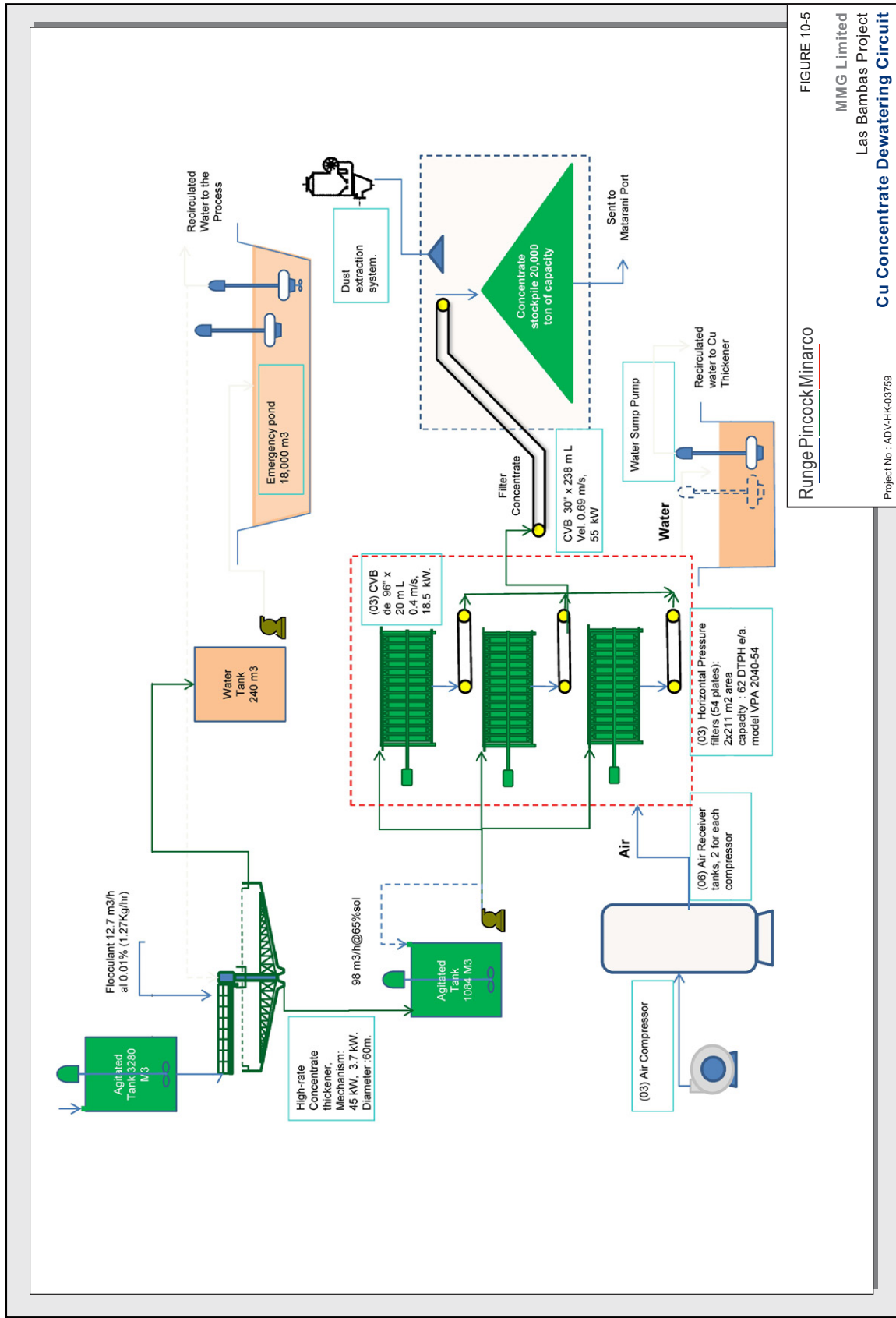


FIGURE 10-5
Runge Pincock Minarco
MMG Limited
Las Bambas Project
Cu Concentrate Dewatering Circuit
Project No. : ADV-HK-03759

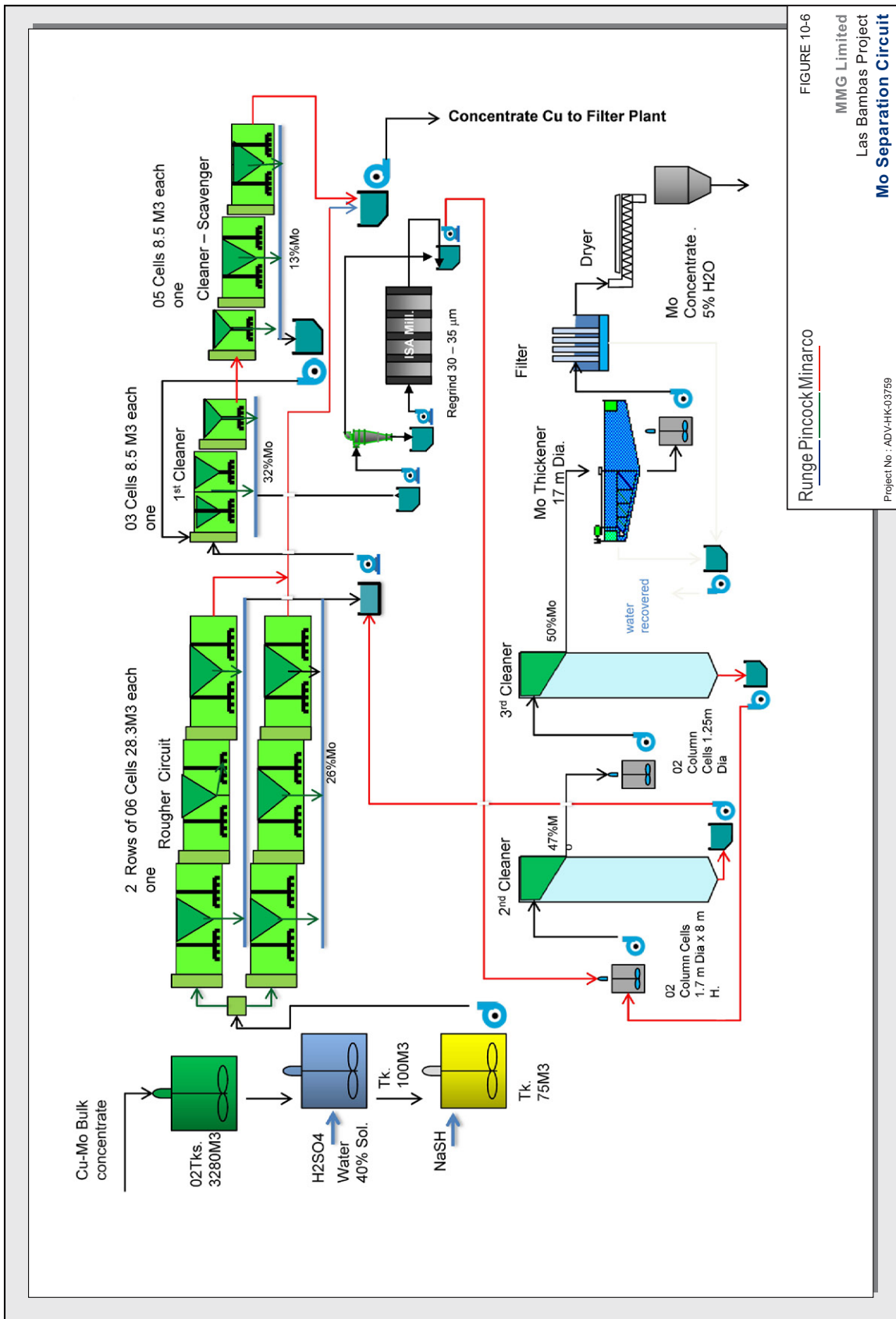


FIGURE 10-6

MMG Limited
Las Bambas Project
Mo Separation Circuit

Runge Pincock Minarco

Project No. - ADV-HK-03759

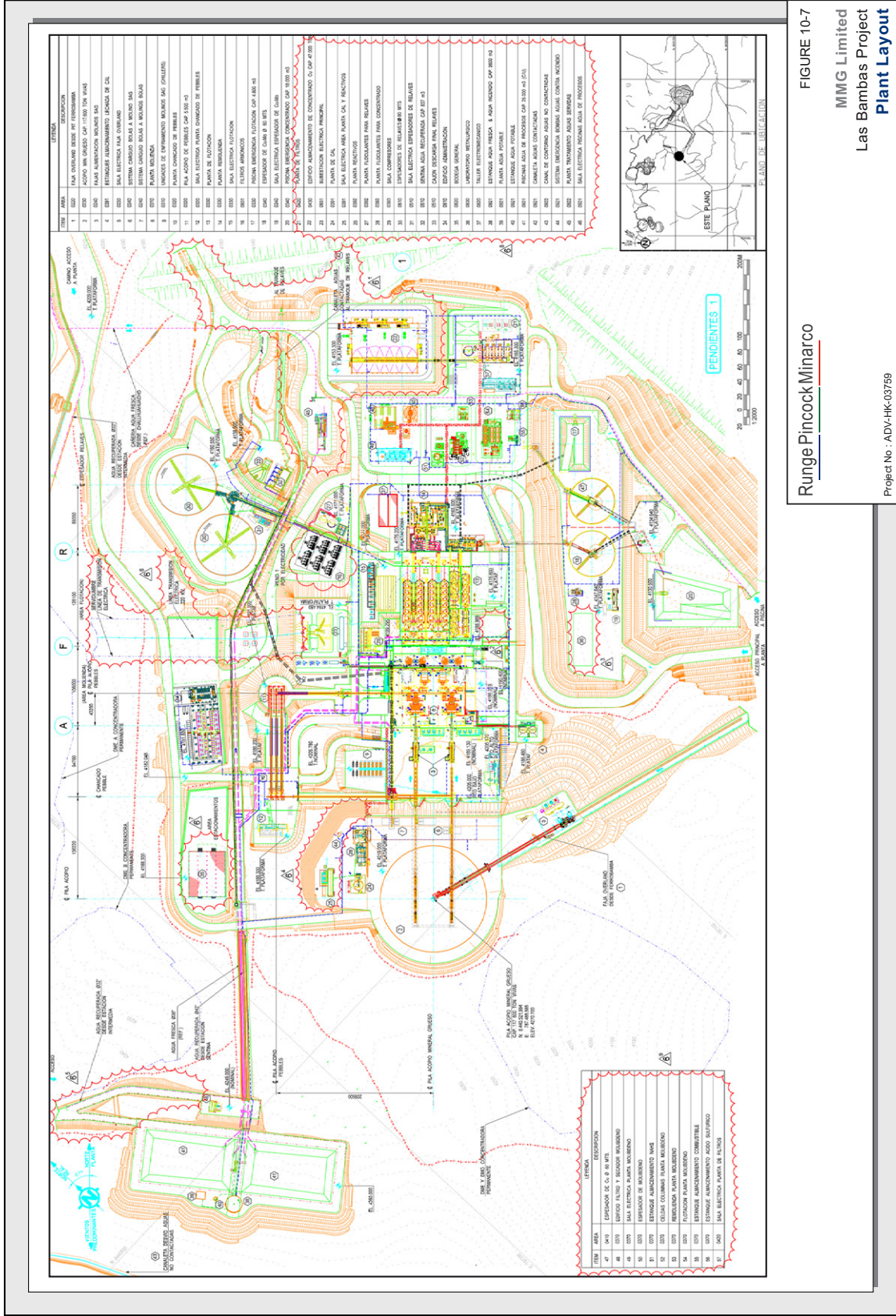


FIGURE 10-7
Runge Pincock Minarco
MMG Limited
Las Bambas Project
Plant Layout

Project No. - ADV-HK-03759

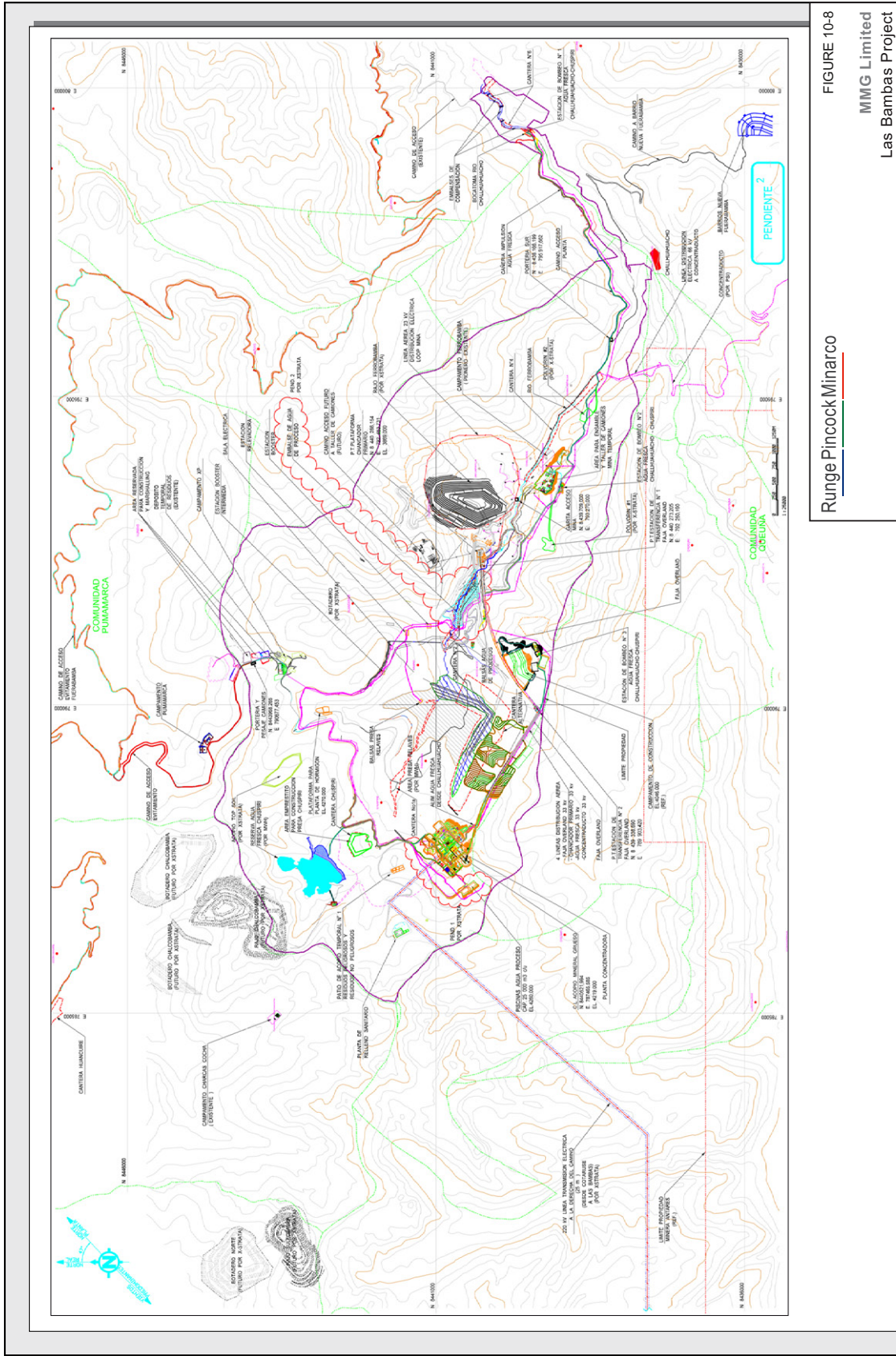


FIGURE 10-8
Runge Pincock Minarco
MMG Limited
Las Bambas Project
Site Map
Project No. : ADV-HK-03759

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10.3.3 Bulk Flotation

The rougher flotation circuit will consist of 4 banks of 7-in-series tank cells. The first 2 tanks in each bank will serve as roughers and the remaining 5 as rougher-scavengers. The circuit will allow switching of the 3rd and 4th cells in each bank to produce either rougher or rougher scavenger concentrate as required.

The rougher and rougher scavenger concentrates will flow to separate regrind circuits, one for rougher concentrate and two for rougher scavenger concentrate. Both regrind circuits incorporate large surge tanks to allow for fluctuation in feed rate. Each regrind circuit will incorporate cyclones ahead of ISA mills and cyclone overflow will be combined with ISA mill product and feed the cleaner flotation circuit.

Regrind rougher and rougher-scavenger concentrates will be combined and fed to a single bank of 6 first-stage cleaner cells followed by a 6 scavenger-cleaner cells. Scavenger-cleaner concentrate will be recycled to the head of the first-stage cleaners; scavenger-cleaner tails will join the rougher tails. Two further stages of cleaning will follow with tailings from each stage recycled to the head of the preceding stage. Final concentrate will be pumped to a bulk-concentrate thickener.

Rougher and cleaner-scavenger tails will be sent by gravity to 2 tailings thickeners that will operate in parallel. Thickener underflow will gravitate to the tailing dam which will be located just to the southeast of the concentrator.

10.3.4 Mo Separation

Bulk concentrate will be piped to a Mo separation plant adjoining the bulk flotation plant. Bulk concentrate will be conditioned in 2 conditioning tanks in series and a rougher concentrate will be generated by 2 banks of 6 cells in series. Rougher tails will constitute the final Cu concentrate and will pass to the Cu concentrate thickening and filtering plant.

Rougher concentrate will be pumped to the first stage cleaner consisting of 3 cells in series followed by a bank of 5 cleaner scavenger cells in series. Cleaner scavenger concentrate will be recycled to the head of the first stage cleaners; cleaner scavenger tails will join the rougher tails as part of the final Cu concentrate.

First stage cleaner concentrate will pass to a regrind circuit where the concentrates will be first cycloned with the cyclone underflow going to an ISA mill and the cyclone overflow and mill product going to 2 further stages of cleaning using column cells. The 2nd cleaner will use 2 column cells in parallel; the 3rd cleaner will consist of a single column cell. Tailings from each of the further stages of cleaning will be recycled to the head of the preceding stage. Rougher concentrate will pass to a Mo concentrate thickener.

10.3.5 Concentrate Filtering, Drying, and Loadout

Concentrate from the Cu concentrate thickener will be filtered on plate-and-frame pressure filters with 2 filters in operation and 1 on standby. Filtered concentrate will be stored in a 40,000-t capacity covered storage area and then loaded by front-end-loader onto a tube conveyor that will discharge to trucks.

Concentrate from the Mo concentrate thickener will be filtered on a plate-and-frame type pressure filter and filter cake will be dried in a screw dryer through which hot oil is circulated. Dried concentrate will be placed in canvas super sacks.

As indicated in **Table 10-5**, the table of ore-processing parameters, the plant will generate about 0.8 million dry tonnes per year of Cu concentrate and about 11,000 dry tonnes of Mo concentrate when processing average-grade ore. The ore grade in the initial 5 years will be closer to 1.00-percent Cu which will result in the production of about 1.1-million dry tonnes of Cu concentrate per year, the equivalent of about 3,500 wet tonnes of concentrate per day.

10.4 Tailings Storage

The tailings storage facility (TSF) site will be located in the upper part of the Ferrobamba Valley, immediately east of the processing plant. The design uses high-density thickened tailings deposition technology and a rockfill containment dam constructed of waste rock from the Ferrobamba pit. The general TSF layout is shown in **Figure 10-9**. The TSF will have capacity to store 582 Mm³ of tailings, equal to 960 Mt of tailings or 983 Mt of ore.

The containment dam required at this site has an L-shape in plan view, which extends along the east and south sides of the TSF. The eastern portion is the main containment that closes the downstream side of the TSF, while the southern portion provides lateral closure. Additionally, there is a dike at the upstream end of the impoundment (southwest) to prevent tailings from flooding the plant area.

The containment dam will be raised progressively by the downstream construction method as the TSF grows. The additional dike at the upstream end of the impoundment will be constructed in one single stage prior to the tailings reaching the area adjacent to the plant (approximately Year 8).

Tailings will be processed to be discharged as high-density thickened tailings slurry, with 62 percent solids concentration. Water recovered from the thickening overflow will be recirculated to the plant. For the initial operation of the TSF, tailings will be discharged by gravity to the upper end of the TSF near the plant. The plant design includes provision for pumping the thickened tailings but the pumps will not be installed until the rheological characteristics of the tailings are established through actual operation. The planned tailings placement method, which is subject to change depending on actual rheological characteristics of the tailings, is to discharge the thickened tailings from the upstream end of the impoundment (west) and from the impoundment sides (north and south) by means of multiple "spigots" consisting of discharge pipes with lengths of up to about 300 m. This design considers that the tailings will form a final average beach slope of 0.5 % sloping from the discharge spigots towards a supernatant water pond.

The containment dam will be constructed with waste rock from the Ferrobamba pit. It will have a maximum height of 220 m and will be raised sequentially by the downstream method, starting from an 80-m high starter embankment. The upstream face will have a slope of 1.75H:1V as determined from the latest ATC Williams information. The downstream slope will be 1.75H:1V. The upstream slope will be covered with a polyvinyl chloride ("PVC") or a linear low-density polyethylene ("LLDPE") geocomposite liner installed on concrete curbs. A concrete plinth will be placed in a trench excavated to competent rock on the upstream toe of the dam and a cement-grout cut-off curtain established under the plinth to control infiltration from the impoundment.

The water associated with the TSF includes direct precipitation on the impoundment area, water expelled from the tailings due to consolidation. Contact water also includes runoff from upslope areas not intercepted by the non-contact water diversion channel during major storm events. Water will be collected in a supernatant water pond located in the central part of the impoundment toward its northeast corner, against the upstream slope of the containment dam. Water in the impoundment dam will be pumped to the plant using a floating barge pump in the supernatant pond. Although RPM understands this is current design, the final design prior to implementation is yet to be finalised and ongoing reviews are occurring to determine the best method prior to construction.

Stability analyses were performed for static and seismic loading conditions and indicate adequate factors of safety.

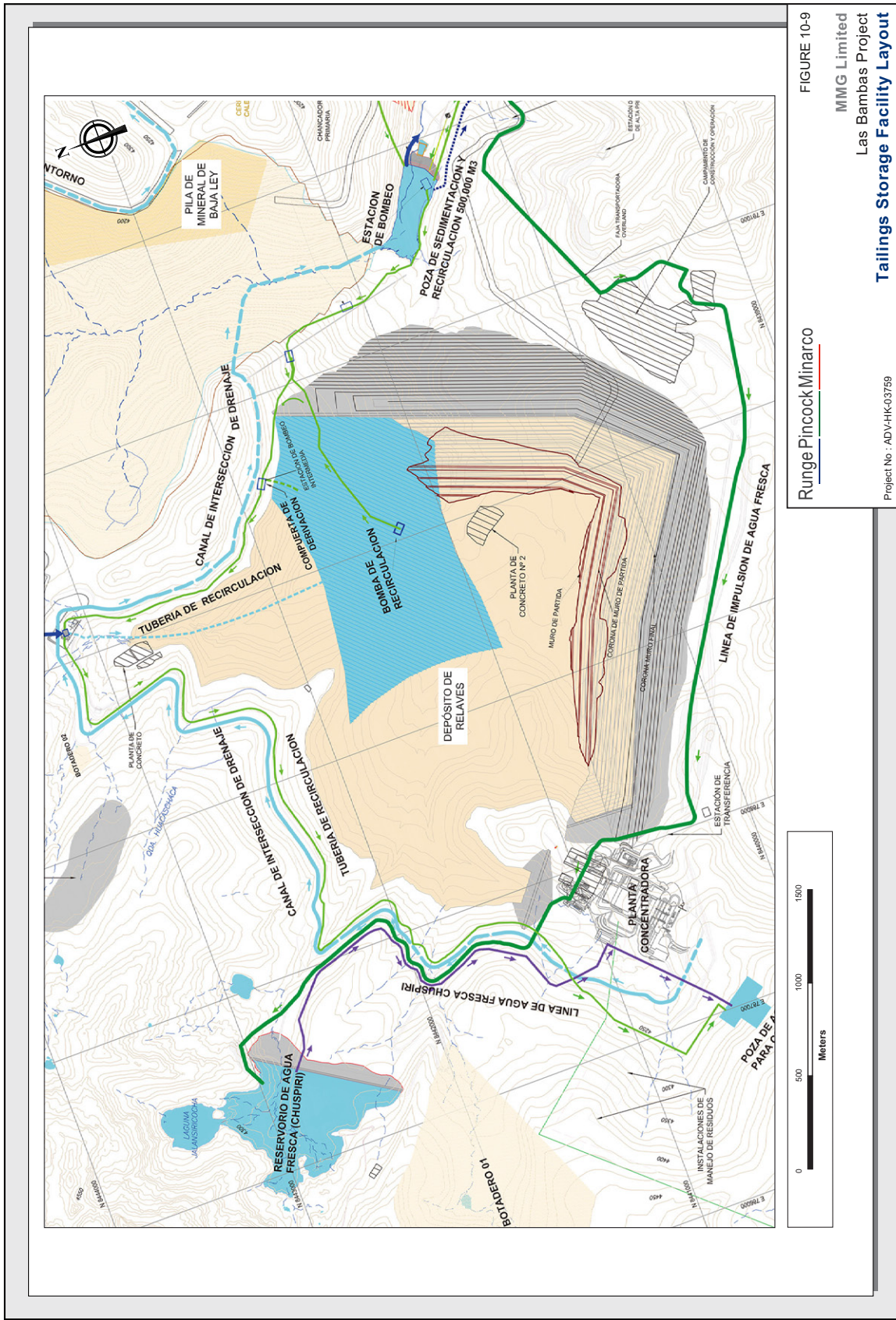


FIGURE 10-9
 Runge Pincock Minarco
 MMG Limited
 Las Bambas Project
 Tailings Storage Facility Layout
 Project No. : ADV-HK-03759

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11 Infrastructure, Concentrate Transportation, and Administration

11.1 Summary

The Project is in a remote and isolated location with little infrastructure in the vicinity prior to Project development commencing, accordingly the infrastructure requirements are extensive. The principal non-mining or processing and concentrator infrastructure items include:

- A new 250 km access road;
- A new 130 km 220-kV power line;
- A 4.2 Mm³ capacity fresh-water dam built using nearby sourced material;
- A 0.5 Mm³ capacity sedimentation-pond dam built using mine waste rock;
- A 0.5 Mm³ capacity clarification-pond dam built using mine waste rock;
- A 550 Mm³ solid capacity tailings dam with mine waste rock from the Ferrobamba open pit;
- A 800 L/s capacity fresh water pumping system from a nearby river to the fresh-water dam at 600-m higher elevation;
- A 3,000 m³/hr tailings-reclaim-water and sedimentation-pond-water pumping system to the ore-processing plant;
- The typical site complement of buildings, including offices, shops, laboratories, warehouses, etc. required to support mining and processing activities;
- A 2,000 bed permanent camp;
- A 450 house town and associated amenities to house local residents displaced by the Project;
- A series of communication towers to connect to Cusco and Espinar;
- Explosives magazines;
- Copper concentrate transportation system; and
- Molybdenum concentrate transportation system.

At full production the operation is planned to employ approximately 1,300 people of which approximately 300 will be on site contractors.

Plans are to mine the Ferrobamba deposit for the first 3 full-production years prior to blending in Chalcobamba ore in Year 4 and Sulfobamba ore in Year 6. Detailed infrastructure related plans for the Chalcobamba and Sulfobamba pits have yet to be developed, however the current plans are considered suitable and to a prefeasibility study level as required by the JORC Code

RPM considers the infrastructure and administration plans suitable to support the planned production rates and underpin an Ore Reserve estimate.

11.2 Infrastructure, Excluding Water Systems

The principal infrastructure parameters of the Project, excluding water systems, are provided in **Table 11-1**, and a listing of the groups of the non-water system components is provided in **Table 11-2**.

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As shown in **Table 11-1**, total power requirements for the Project are considerable, at 180 MW excluding application of utilization factors. Most of the power will be consumed by the plant, amounting to about 25 kWhr/t milled, which is considered in line with similar operations for large scale Cu concentrators. The Project's mining operations will use electric shovels and drills which will also add significant power consumption as will be the water pumping systems. The mining operations will be the only significant consumer of fuel with an estimated consumption of 210 kl/d, the equivalent of about 6 fuel tank trucks per day. Each of the major components is described in **Table 11-1 through to 11-2**.

Table 11-1 Principal Parameters, Excluding Water

Parameters	Units	Value	Comments
Power Requirements			
Mine	MW	17	
Ore processing	MW	145	
Infrastructure	MW	18	
Total	MW	180	Excluding application of utilization factors
Fuel Requirement	L/day	210,000	RPM estimate based on 0.5 liters/tonne moved
Personnel Requirements			
Administration	people	323	Company estimate
Mining	people	531	Company estimate
Ore processing	people	350	Company estimate
Contractors (located on site)	people	300	RPM estimate
Total	people	1,504	
Infrastructure Cost	US\$ billions	~2.3	
G&A Cost			
Annual	US\$ millions	49	
Unit (typical - 2018)	US\$/tonne milled	0.96	

Source: Provided by the Company.

Table 11-2 Principal Facilities, Excluding Water

Item	Description
Roads	
Access road	A Heavy Haul Road (HHR) that includes part of the Cusco-Las Bambas road with the remainder consisting of a new road from Espinar to the junction with the Cusco-Las Bambas road; road is mostly gravel surface; overall length is ~280 km. Route between Espinar and Imata is currently being paved by the Transport Authorities.
Internal roads	~70 km of gravel-surface 2-lane roads
Power Supply System	
Cotaruse - Las Bambas line	Dual circuit 225 MW capacity, 220 kV, double line; 130 km long
Harmonic stabilizers	Included
Main substation	3 transformers (2 op., 1 s'by.) 220kV to 33kV
Emergency generators	4 MW at concentrator; 12 MW at the MCC camp
Fuel Supply System	2 each 1.3-million-liter tanks
Operational Buildings	Usual complement of offices, laboratory, workshops, warehouses, and change houses
Permanent Camp	Will use existing construction camp at the Main Construction Camp ("MCC")
Fuerabamba Village	Complete town of 450 houses for displaced persons plus all amenities
Communications Systems	Series of communications towers from the Project to Cusco
Waste and Sewage Systems	Sanitary fill on west side of site; several separate sewage systems for locations through site
Explosives Magazines	Two separate explosives magazine located south of the Ferrobamba pit
Mobile Equipment	Mobile cranes, bulldozer, front-end loaders, trucks, and forklifts

Source: Provided by the Company.

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11.2.1 Roads

The access road to the site which is known as the heavy haul road (HHR) is mostly complete and in use as shown in **Figure 11-1**. The southernmost extension of the HHR, that from Espinar to Tintaya/Antapaccay, has been eliminated and the HHR is now routed directly to Espinar. Part of the road from Cusco to the Project is an existing road which has been upgraded; the HHR section of the Cusco to the Project road comprises that from the town of Ccapacmarca to the Project, that from Espinar to Ccapacmarca which is for the most part all new with very little of the route following existing roads and that from Espinar-Ccapacmarca. The HHR is currently a gravel-surface road but some parts in the vicinity of towns will be asphalt sealed to minimize dust. Total length of the HHR is approximately 250 km.

The HHR is critical to transport large and heavy machinery to the Project. RPM is aware that an EIA addendum has been applied to enable the HHR to be utilised for outbound product logistics as well as the main route for supplies and personnel.

The Project site is large, covering an area of about 50 sq.km, accordingly, a considerable network of internal roads is required. The total length of internal roads is about 70 km and most of these are already constructed; these are all 2 lane gravel roads.

11.2.2 Power Supply

Grid power will be supplied to the Project though a 130 km 220 kV double line from an existing substation at Cotaruse on a major power line that runs about 100 km to 150 km inland from the Peruvian coastline and parallel to it. The routing of this line is shown in **Figure 11-2**. The line will be built and maintained by a Peruvian contractor (Abengoa Power) under a Build, Own, Operate (BOO) contract.

The power line will connect to a main substation close to the plant site. The main substation will include 3 primary transformers, with 2 operating and 1 on standby; the main transformers will transform the power from 220 kV to 33 kV. The main substation will include harmonic filters.

Primary power distribution will be at 33 kV with secondary substations transforming the voltage as required. The distribution system will include a 13.8 kV loop around the Ferrobamba open pit to supply power to the shovels and drills.

Emergency power systems will include diesel generators that will supply 4 MW at the concentrator and 12 MW at the Main Construction Camp, which will become the employee camp.

11.2.3 Fuel Supply

Fuel will be stored in two 1.3 MI capacity tanks located near the primary crushers. One of these tanks has already been built.

11.2.4 Buildings

Buildings, other than the camps, will be concentrated in 2 separate areas: one adjoining the open pit and the other adjoining the ore processing facility. The buildings adjoining the open pit are discussed in the Mining Section of this report; the buildings adjoining the ore-processing facility will consist of the following:

- Gatehouse, about 70 m²,
- Office, about 400 m²,
- 770 m² Laboratory,
- Mechanical maintenance building, about 800 m², and
- Electrical maintenance building, about 600 m².

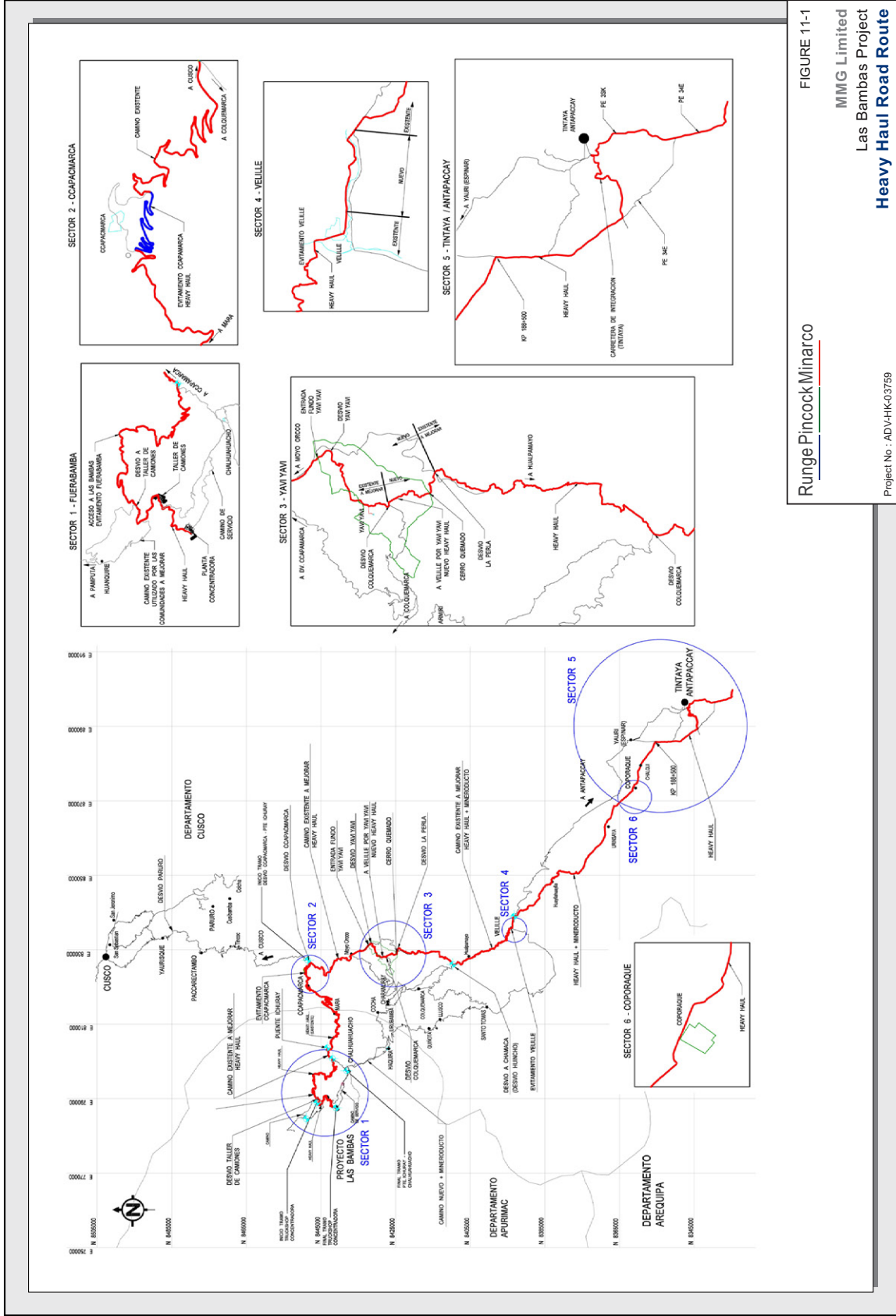


FIGURE 11-1
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 MMG Limited
 Las Bambas Project
 Heavy Haul Road Route
 Project No. - ADV-HK-03759

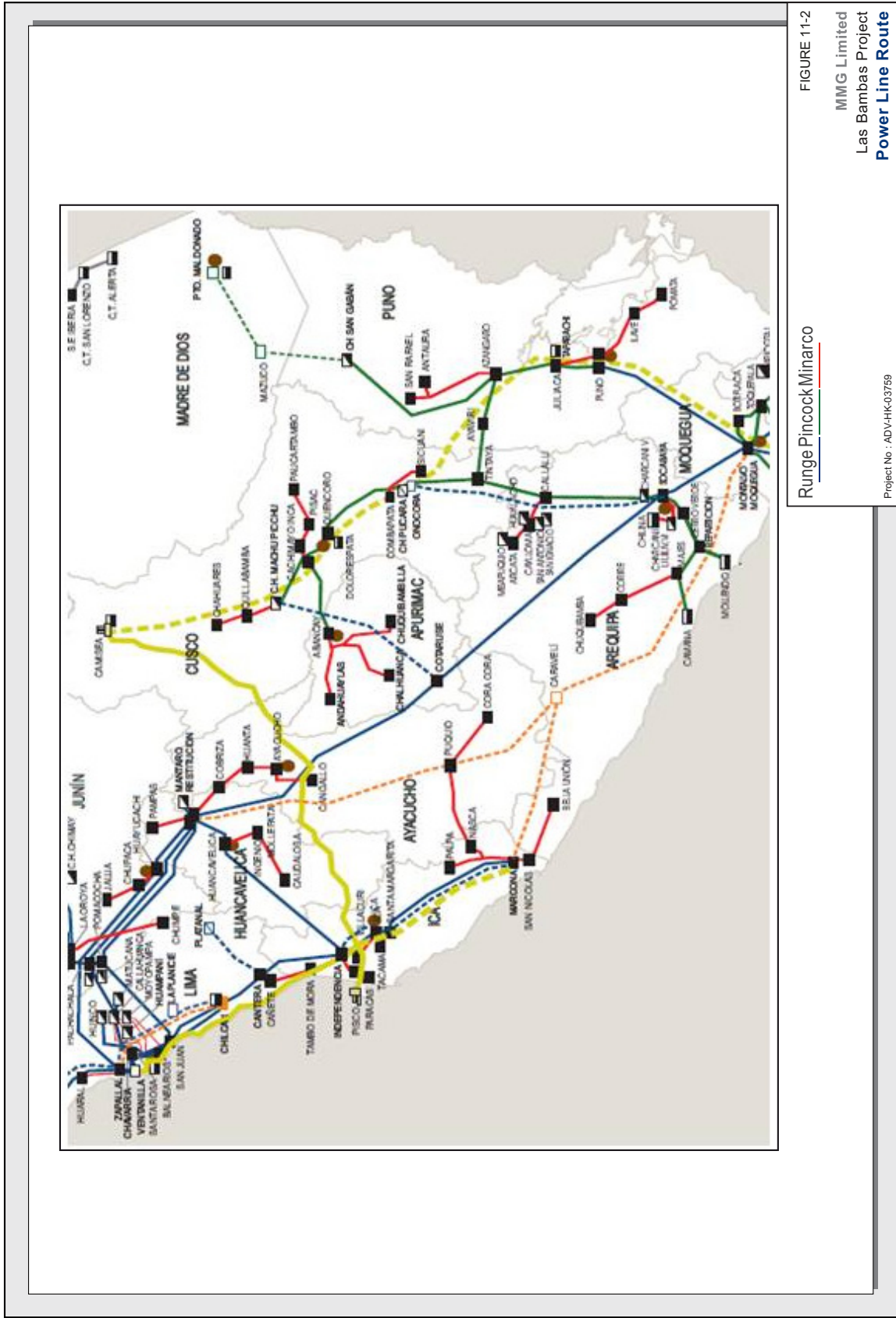


FIGURE 11-2
MMG Limited
Las Bambas Project
Power Line Route

Runge Pincock Minarco
Project No. : ADV-HK-03769

11.2.5 Camps

Five large camps have been established for the Project within, or close to, the property boundary; they are as follows:

- Main Construction Camp (MCC) located at 4,000 m above sea level (masl) between the ore-processing plant and the open pit.
- XP Camp (XP) located at 4,200 masl on the northern property boundary where the HHR enters the property.
- Pioneer Camp located about 3 km west of the MCC; the Pioneer Camp primarily serves the exploration and operating personnel.
- Charcas Cocha Camp located off the property, west of Chuspiri dam; this was originally an exploration camp.
- Nueva Fuerabamba Camp adjoins the Nueva Fuerabamba townsite which is located outside the property boundary; this camp houses construction personnel working on the Nueva Fuerabamba townsite.

The permanent camp will be located at the MCC. Part of the existing MCC, comprising 2,000 beds, will be used for the permanent camp. The XP camp will be left intact and may be used in conjunction with development of the Chalcobamba open pit.

11.2.6 Medical Services and Fire Protection

A health centre has been established at the MCC that serves all site personnel and also currently serves local indigenous personnel living within the Project boundary. The health centre provides first-aid and has the capability to stabilize trauma patients prior to sending them to a hospital. The centre is provided with ambulances.

Fire-water reserves will be maintained in fresh-water storage tanks located at the ore-processing plant and at the primary crusher. These tanks will be linked to fire-water pumps and pipe loops with fire hydrants. Waterless DuPont FM-200 automatic fire protection systems will be installed in electrical rooms, control rooms, and communication systems. Buildings will be equipped with standard fire extinguishers.

11.2.7 Nueva Fuerabamba Town

The Nueva Fuerabamba Town development has been built offsite of the property to house about 2,500 people that will be displaced by operations within the property. This town comprises of 450 houses and is located about 3 km outside the property boundary, about 10 km southeast of the open pit.

The development includes all the usual amenities of a town such as schools, clinic, police station, recreation facilities, etc. The houses are all two or 3 story concrete buildings that incorporate a Styrofoam sandwich within the concrete for insulation.

Construction of the town-site has required considerably more earthwork than originally envisaged, a result of much of the earth being less stable than originally anticipated. This has delayed the Project and resulted in a major escalation in costs.

11.2.8 Communications

A series of microwave towers have been constructed to link the Project site with Cusco and with Espinar. The system provides full telephone and Internet connection externally and within the property. Communications systems within the property include radio as well as telephone and Internet systems.

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11.2.9 Waste Systems

A sanitary fill has been established on the west side of the property. Sewage-treatment plants have been built for each of the camps. Additional sewage-treatment plants will be constructed for the ore-processing plant and for the mine shop/office area.

11.2.10 Explosives Magazines

Two separate explosives magazines will be constructed south of the open pit, one for ammonium nitrate and the other for detonators.

11.2.11 Mobile Equipment (Non-Mining)

The Project will be provided with the usual complement of mobile equipment including the following:

- 5 truck cranes,
- 1 bulldozer,
- 2 front-end loaders,
- 14 trucks of various types, and
- 6 forklifts.

It is likely that the mix will change from that planned following construction, depending on the availability of used construction machinery.

11.3 Water Systems

The principal water-system parameters of the Project are provided in **Table 11-3** and a listing of periods when available fresh water will be limited is shown in **Table 11-4**. A listing of the components of the water systems is provided in **Table 11-5**. The Project water balance is shown in **Figure 11-3**. A flow diagram of the fresh-water system is shown in **Figure 11-4** and a flow diagram of the tailings-reclaim and contact-water system is shown in **Figure 11-5**. The physical location of the water systems are shown in **Figure 11-6**.

In order to assess the reasonableness of the assumed water requirements for the Project, RPM determined the probable water requirements as shown in **Table 11-3** and compared it to that of Montgomery Watson Harza (MWH), the engineers who determined the water requirement for the Project. As seen in the table, the estimates are close. The plans for water supply are also shown in **Table 11-3** and planned supply matches the water requirements.

The components of the water systems are discussed in the following text.

Table 11-3 Water Systems, Principal Parameters

Parameter	Units	Value	Comments
Water Requirements			
Per RPM assessment			
Ore processing	m ³ /hour	2,000	Estimate based on 75% solids in tails
Mine road watering	m ³ /hour	175	Estimate based on 10 l/tonne rock moved
Potable water	m ³ /hour	10	Estimate based on 200 l/person/day
Total, hourly	m ³ /hour	2,185	
Total, monthly	million m ³ /month	1.6	
Per MWH assessment			
Total, hourly	m ³ /hour	2,657	
Water Supply			
Challhuahuacho intake	m ³ /hour	1,900	Per Bechtel water balance
Sedimentation water pond intake	m ³ /hour	383	Per Bechtel water balance
Total	m ³ /hour	2,283	
Water Storage			
Volume			
Chuspiri dam	million m ³	4.2	
Tailings dam	million m ³	~4	
Sedimentation water pond	million m ³	0.5	
Total	million m ³	9	
Capacity	months	6	Sufficient to last through dry season
Elevation			
Chuspiri dam	masl	4,270-4,307	
Process water ponds		4,270	
Tailings dam	masl	3,940-4,145	
Sedimentation water pond	masl	3,860	
Challhuahuacho intake	masl	3,678	

Source: Provided by the Company.

Table 11-4 Water Systems, Shortage Periods

Situation	Number of Reduced Pumping Months	Months When Pumping from the Challhuahuacho River Less Than Required Quantity
Average	1	September
1- in 10-Year Low	2	August & September
1- in 20-Year Low	4	August - November
1- in 50-Year Low	6	June - November
1- in 100-Year Low	7	June - December

Source: Provided by the Company.

Table 11-5 Water Systems, Principal Equipment

Item	Description	kW each	Quantity	
			Oper.	S'by.
Fresh Water System				
Pipeline	32-inch dia. x 23-km			
Pump Station No. 1 (Intake to Lift Station No. 2)				
Pumps	vertical, 720-m ³ /h @ 240-m TDH	710	3	1
Lift Station No. 2 to Lift Station No. 3				
Tanks	3,600-m ³ , 18- x 18-m		1	
Pumps	horizontal, 720-m ³ /h @ 263-m TDH	1007	3	1
Lift Station No. 3 to Chuspiri Dam				
Tanks	3,600-m ³ , 18- x 18-m		1	
Pumps	horizontal, 720-m ³ /h @ 263-m TDH	1007	3	1
Tailings Reclaim and Sedimentation-Water System				
Tailings Dam Barge	4-section barge			
Pipeline	34-inch dia.			
Intake to Lift Station (Tailings Reclaim)				
Pumps	vertical, 1,125-m ³ /h @ 137-m TDH	671	3	1
Lift Station to Booster Station No. 2 (Tailings Reclaim + Sedimentation Pond Water)				
Tank	1,084 m ³ , 12- x 12-m		1	
Pumps	horizontal, 1,125-m ³ /h @ 134-m TDH	679	3	1
Booster Station No. 2 to Process Water Pond (Tailings Reclaim + Sedimentation Pond Water)				
Pumps	horizontal, 1,125-m ³ /h @ 134-m TDH	679	3	1
Sedimentation Pond Barge	4-section barge			
Intake to Booster Station No. 1 (Sedimentation Pond Water)				
Pumps	vertical, 1,125-m ³ /h @ 142-m TDH	671	3	1
Booster Station No. 1 to Lift Station (Sedimentation Pond Water)				
Pumps	horizontal, 1,125-m ³ /h @ 134-m TDH	679	3	1
Chuspiri Dam Discharge				
System	flow by gravity			
Pipeline	36-inch dia.		1	
Fresh and Fire Water Tanks				
At primary crusher	1,000 m ³ , 12- x 11-m		1	
At concentrator	5,600-m ³ , 16.5- x 22-m		1	
Sedimentation Pond Water Storage				
Tank at primary crusher	500 m ³ , 9.5- x 10.4-m		1	

Source: Provided by the Company.

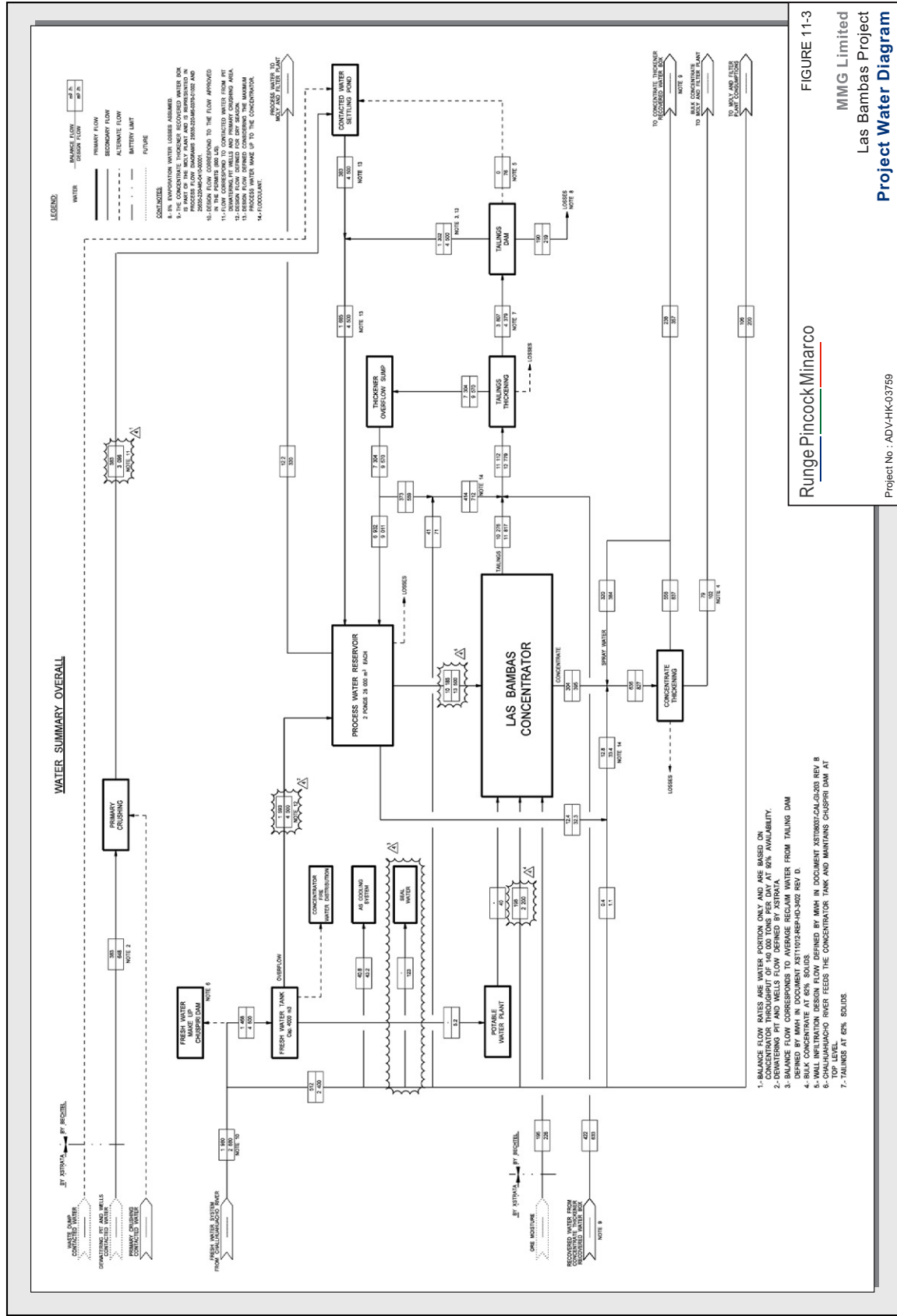
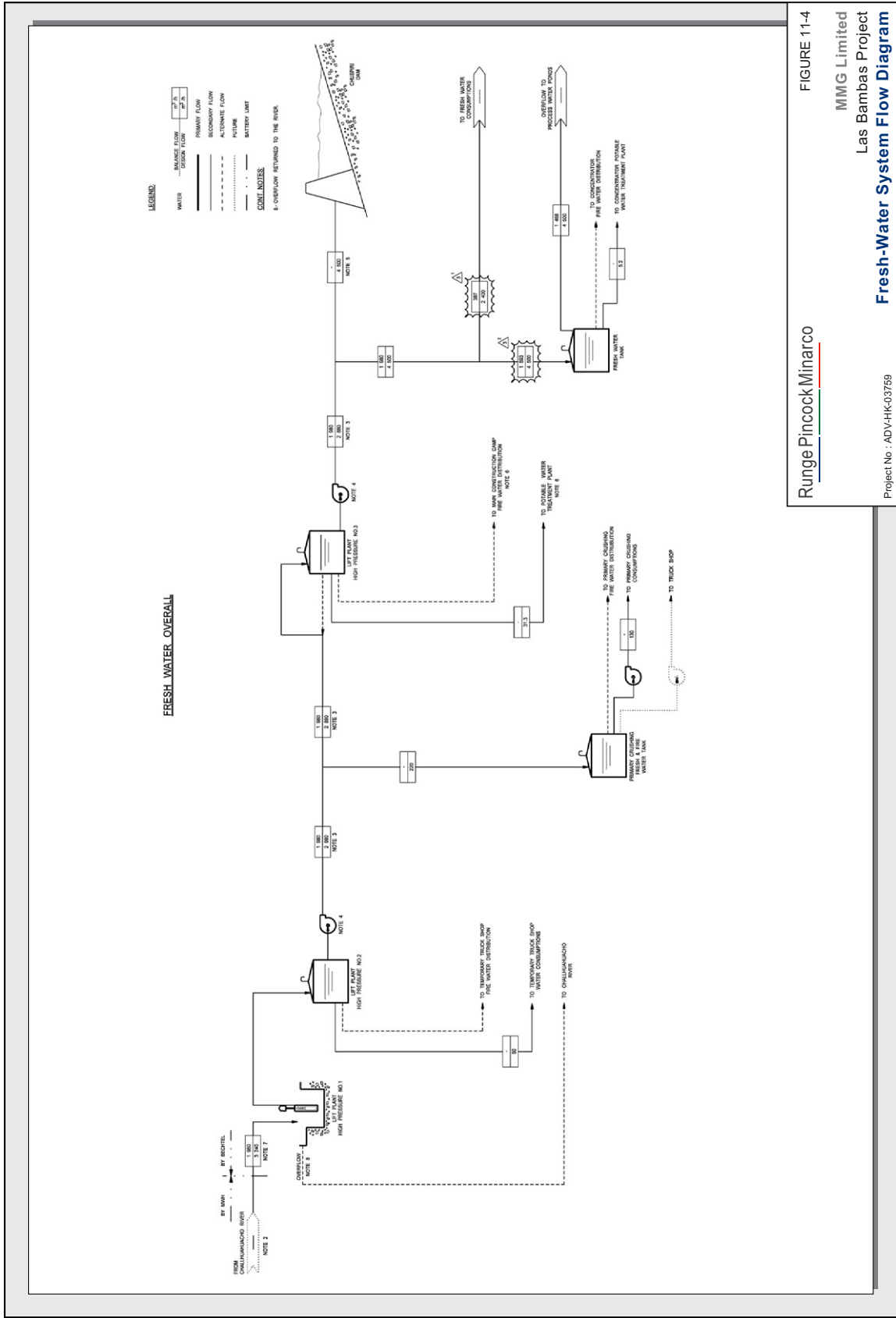


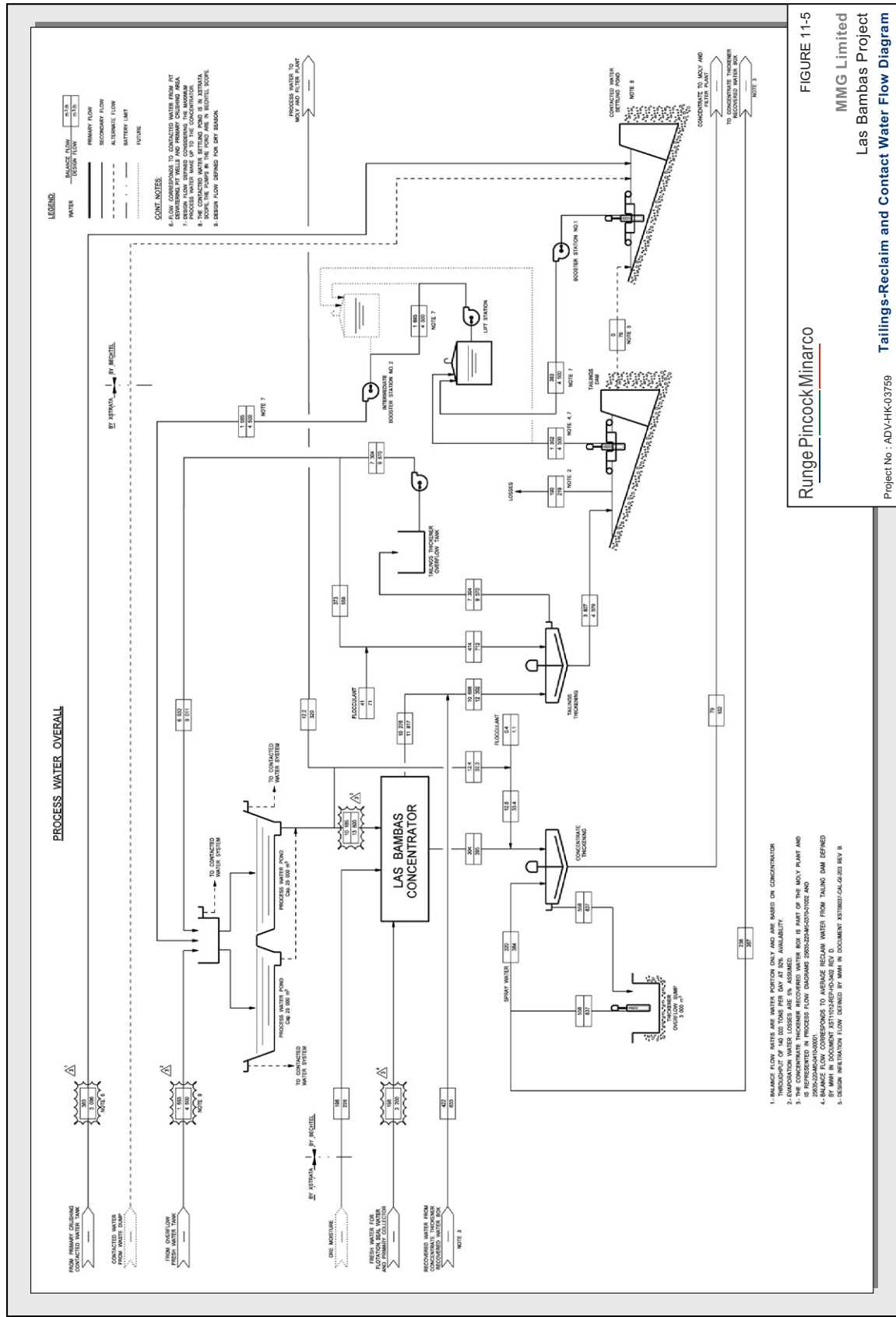
FIGURE 11-3
 MMG Limited
 Las Bambas Project
 Project Water Diagram

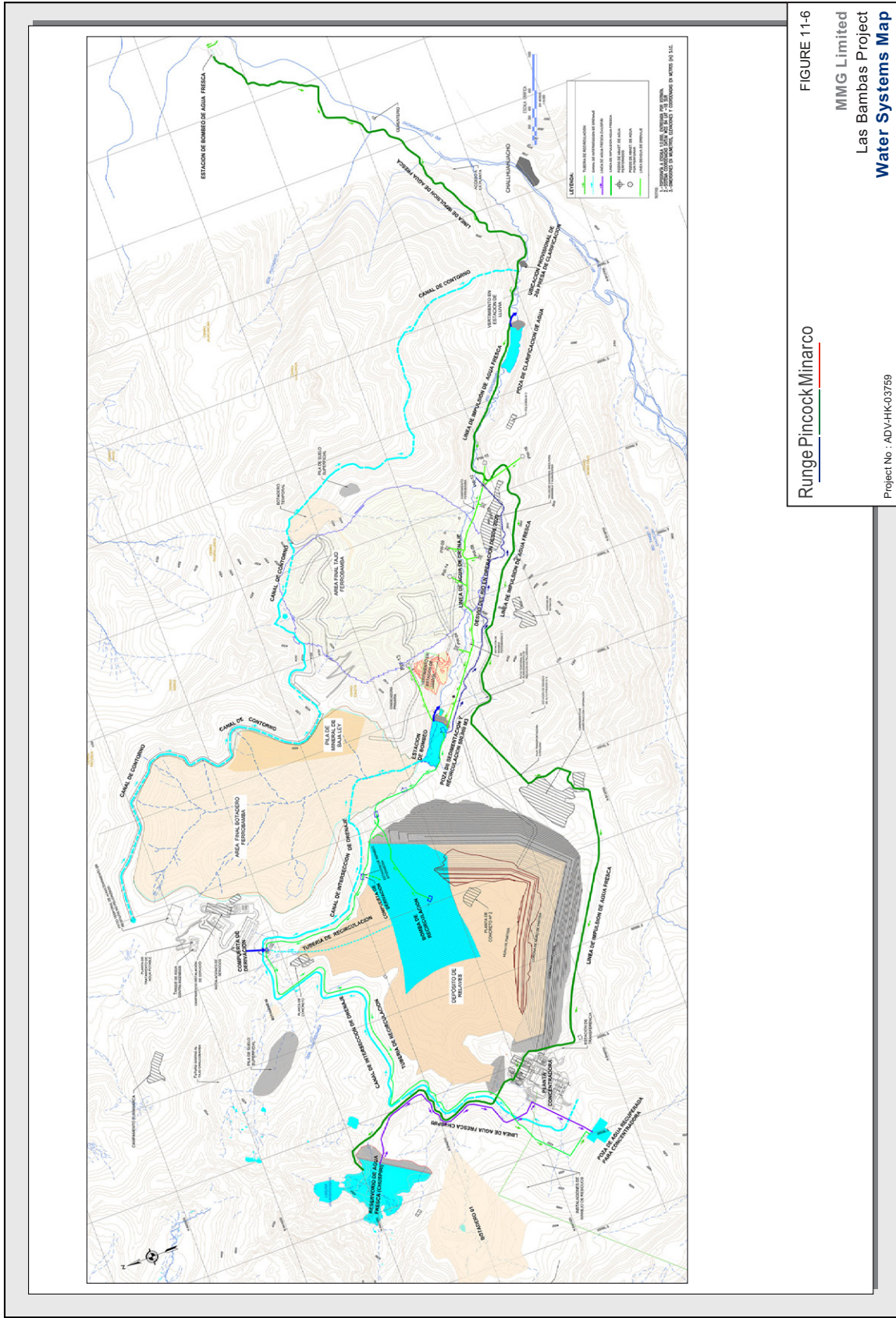
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MMG Limited
Las Bambas Project
Fresh-Water System Flow Diagram
FIGURE 11-4
Project No. : ADV-HK-03769





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 FIGURE 11-6
 MMG Limited
 Las Bambas Project
 Water Systems Map
 Project No. - ADV-HK-03759

11.3.1 Fresh Water System

The fresh water system is based on pumping water from the Challhuahuacho River to the Chuspiri Dam, a new water-storage dam that is being built north of the ore-processing plant. The river intake and the dam are about 15 km apart and the dam is about 600 m higher in elevation than the river intake. The intake and dam will be linked by 23 km of 32" diameter pipe.

Three small weirs will be constructed in the Challhuahuacho River downstream of the intake structure to provide suitable aquatic habitat for the development of community aquaculture projects.

Vertical pumps at the intake station on the river will pump fresh water via 2 sequential lift stations to the dam. The intake is designated High Pressure No. 1, the 2 lift stations as High Pressure No. 2 and High Pressure No. 3. Tap-offs on the lines to the lift stations will provide water to the water tanks at the primary crusher and at the concentrator.

A drainage pipe at that base of the Chuspiri Dam will provide fresh water to the process-water ponds at the concentrator as needed. Water will flow from the Chuspiri dam to the ponds by gravity.

11.3.2 Chuspiri Dam

The Chuspiri dam will have a crest elevation of 4,316.5 masl and storage capacity of 4.2 Mm³. In the zone of the left abutment, located in the Chuspiri creek, the dam will have a height of up to 45 m. In its central part and right abutment the dam will reach a height of about 25 m.

The dam is being constructed using compacted fill from borrow areas located in deep morrenic deposits, which are not potentially acid forming. The dam has been designed with a 2H:1V upstream slope and a 2.3H:1V downstream slope. The upstream slope is being covered with a geomembrane to control seepage. The geomembrane is anchored at its lower end in a concrete plinth and a grouted cut-off curtain installed from the plinth axis. A system of basal drains are being constructed under the dam in the lowest foundation areas.

Appurtenances include an emergency spillway in the left abutment, a culvert for diversion of the Chuspiri creek, and a bottom outlet.

The dam is being constructed in two stages in order to initiate early filling to supply construction water for other project features. The first stage comprised the Chuspiri creek diversion culvert, dam foundation preparation, placement of the bottom drain, excavation of the platform for the plinth, dam foundation grouting, and the intake for construction water supply.

Geotechnical investigations were conducted at the site of the Chuspiri dam and appurtenances. Stability analyses were performed for static and seismic loading conditions and indicate adequate factors of safety.

11.3.3 Tailings-Reclaim and Sedimentation-Pond Water System

Tailings-reclaim water will be pumped by barge-mounted pumps to a lift station that will serve for both tailings-reclaim water and sedimentation-pond water. Pumps at the lift station will pump the tailings-reclaim water and the sedimentation-pond water to an inline booster designated Intermediate Booster Station No. 2. Pumps at the Booster Station No. 2 will pump the water to the process-water ponds at the concentrator.

Sedimentation pond water in the Sedimentation Pond will be pumped by barge mounted pumps similar to that for the Tailings Dam to an inline booster designated Booster Station No. 1. Pumps at the Booster Station No. 1 will pump the sedimentation pond water to the tank at the lift station that will serve for both tailings reclaim water and sedimentation pond water.

11.3.4 Site Drainage-Diversion Ditches

In order to prevent excessive surface runoff entering the tailings, a diversion ditch will be built above the ore processing plant and tailings dam. The water from this ditch will normally discharge into the Tailings Dam, but when this water is in excess of requirements it will discharge to the Ferrobamba waste rock dump in the Huancarane valley and thence into the Sedimentation Pond.

In order to minimize excessive runoff water entering the waste rock dump, the Ferrobamba mine, and the Clarification Pond, another diversion ditch will be built above these facilities in addition to that described in the

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previous paragraph. The water from this ditch will discharge just downstream of the Clarification Pond into the Challhuahuacho River.

11.3.5 Sedimentation Pond and Clarification Pond

The Sedimentation Pond will be situated to collect water draining from the mine waste dump, the Ferrobamba open pit dewatering wells, and surface-drainage water from within the Ferrobamba pit. Mine waste will be placed in the Huancarane valley that drains into the Ferrobamba River just upstream of the Sedimentation Pond. The amount of water draining into the Sedimentation Pond will, for short periods in most years, exceed the amount of water required by the ore-processing plant. On occasions when excess water accumulates in the Sedimentation Pond it will be discharged into the Ferrobamba River; it has been determined that the quality of this water will be acceptable to discharge since it is unlikely that the water will be acidic or contain excessive dissolved metals since the deposit contains negligible pyrite and has a high carbonate content.

The Clarification Pond will be situated about 4 km downstream of the Sedimentation Pond on the Ferrobamba River. Any sediment carried over from the Sedimentation Pond will settle in the Clarification Pond.

11.4 Copper Concentrate Transportation

The Project is 710 km from nearest port; accordingly, concentrate transportation requirements and costs are higher than is usually the case for most copper mining operations. A map of the road and road/rail transport route is shown in *Figure 11-7*. The following three options are currently being evaluated:

- Trucks-only system: trucking the entire from the way from the Project to the port of Matarani.
- Bi-modal system: trucking from the Project to near Imata and rail from Imata to Matarani.
- Concentrate pipeline: slurry pipeline from the Project to Matarani.

Each of these options are discussed in the following sections.

11.4.1 Trucks Only

This would consist of trucks transporting the concentrate by truck on the Heavy Haul Road from the Project to Espinar, then on government roads from Espinar to Matarani. The road distance between the Project and Matarani is about 710 km. The route from Espinar to Matarani is currently used by the Antapaccay mine for the trucking of concentrates without encountering any particular difficulty and the same is expected for the Project's concentrates.

The trucking of the concentrates from the Project to Matarani would be by trucking contractors using 37-tonne capacity tractor/trailer rigs transporting about 4,000 wet tonnes per day. About 370 trucks will be required for the service, including spares. The system would operate 24 hours per day, 7 days per week.

The port facilities are owned and operated by TISUR, an independent company. The concentrate storage and ship-loading facilities will be provided by a Build, Own, Operate (BOO) contact with TISUR, the established port operator at Matarani. An agreement for port services is currently in place.

RPM has used this approach in estimating the costs associated with transportation of concentrates in its Ore Reserves estimate.

11.4.2 Bi-Modal System

This would consist of trucks transporting the concentrate from the Project on the same route as for the Trucks Only option as far as Pillones near Imata a distance of 410 km, then using Peru Rail to transport the concentrate 300 km from Pillones to Matarani. The system would require installation of the following new facilities and equipment:

- A siding/railhead at Pillones, approximately 30 km from Imata towards Arequipa, with concentrate storage and railcar loading systems.

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- Railroad locomotives and railcars for transporting the concentrates from the Pillones railcar loading system to Matarani.
- Railcar unloading, concentrate storage, and ship-loading systems at the port of Matarani.

All of the off-site transport facilities and equipment will be owned or operated third party companies which will provide the services through Build, Own, Operate (BOO) contracts. These companies include:

- Peru Rail (Imata facilities, the locomotives and railcars).
- TISUR (Matarani port facilities).

A letter of intent has already been issued for the locomotives and a partial payment made for them since they are long lead-time purchases. The design of the railcars is pending, however are likely to be gondola-style cars.

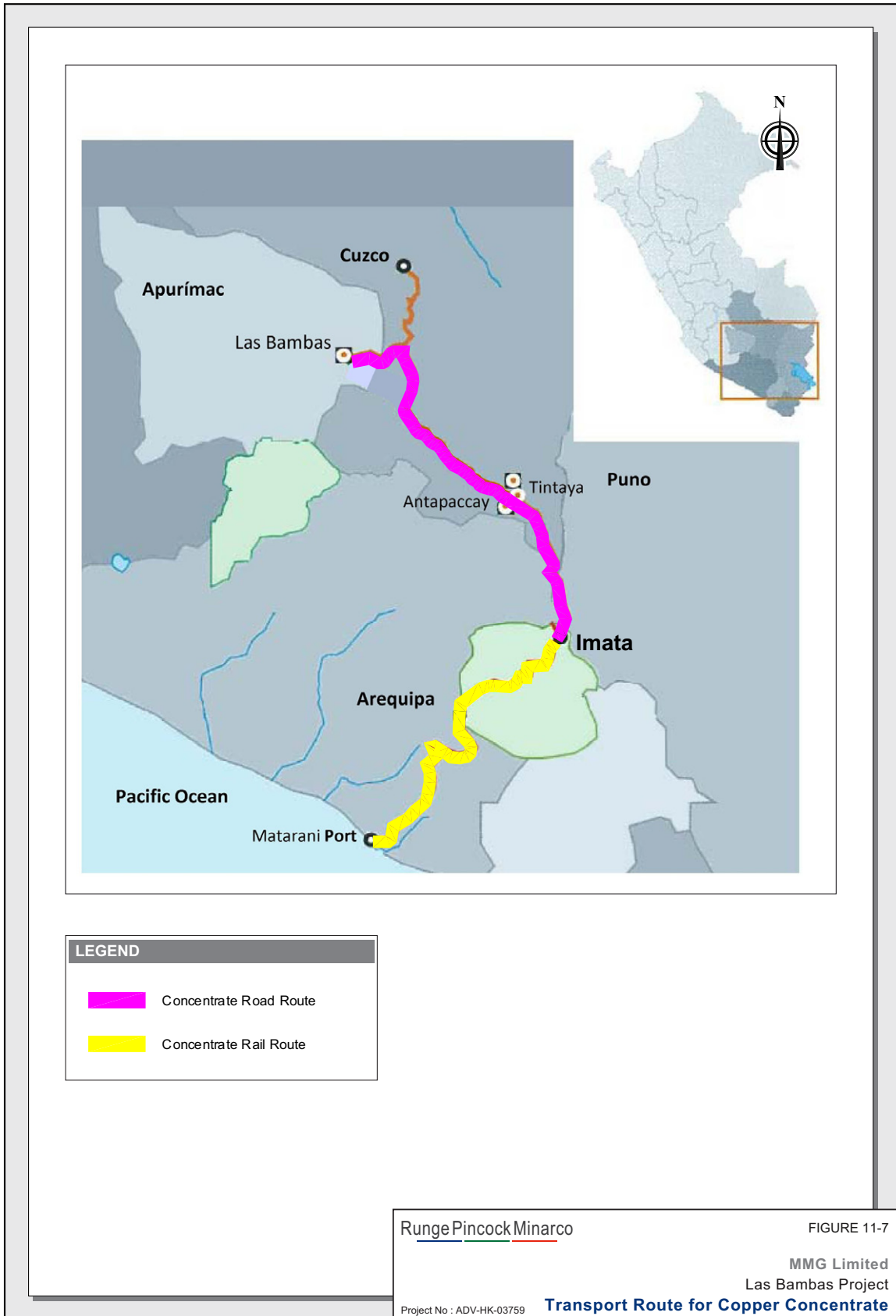
The procedure for concentrate transportation would be as follows:

- Truck the concentrates from the Project to the railhead near Imata;
- Temporarily store the concentrate near Imata, then load it into railcars;
- Rail the concentrates to the port of Matarani, and
- Temporarily store the concentrate at Matarani, then load it onto ships

The trucking of the concentrates from the Project to near Imata would be the same as that described for the Trucks Only option except the distance travelled would be about 410 km rather than 710 km.

11.4.3 Concentrate Pipeline

Preliminary investigations have been made into installing a concentrate slurry pipeline from the Project to Matarani. The distance is about 450 km and the route would follow essentially unpopulated ground across the mountains, avoiding canyons, and then through the coastal dessert. Easement requirements are likely to be minimal however studies are required to confirm. The system would require the construction of a concentrate filter plant at Matarani but this should present no difficulty. Anticipated cost is of the entire project is of the order of US\$500 million however RPM notes that some pipeline and associated plant equipment are currently on site. RPM notes that whilst preliminary studies have been completed which are positive, further detailed designs are required to confirm the appropriate scale, cost profile and potentially economic upside from the current base case of truck only method. RPM recommends that detailed studies be undertaken as soon as possible to fast track any economic benefits to the Project.



11.5 Molybdenum Concentrate Transportation

Molybdenum concentrate will be loaded into canvas super sacks of about 2 t capacity each and the concentrate shipped out on flat-bed trucks. The concentrate will be trucked all the way from the Project to Matarani with no partial shipment by rail. The quantity to be shipped will amount to about 35 tpd, equivalent to one truck load per day. Matarani is 710 km from the Project. A round trip is likely to take three to four days; thus, about five trucks will be required for this service. It is probable that trucking will be provided by a local contractor.

11.6 Administration

A listing of planned employees and on-site contractors is shown in **Table 11-6**. As indicated on the table, RPM believes that the number of contractors shown is low, primarily because it appears not to include contracted camp operation and catering and contracted security personnel. The latter will include some police to guard the explosives magazines.

The planned organization for the general management of operations is shown in **Figure 11-12**.

All of the mining and ore-processing personnel can be expected to be located at the Project's accommodation currently being built. Some of the administrative personnel will be based in Lima. It is likely that small offices will be located in other Peruvian cities in conjunction with logistics and community relations.

The current MCC camp with 5,000 beds will become the permanent operation camp. The permanent camp will require no more than 2,000 beds for the planned on-site employees and contractors. No decision has been made as yet as to what to do with the excess accommodation.

Bussing will be required to transport personnel to the site and within the property boundary. It is presumed that this service will be provided by off-site contractors.

Training requirements of employees will be considerable. The training will be conducted partly on site and partly off site at existing mines and at the facilities of equipment suppliers. Training of mine equipment operating personnel is currently in progress on-site using simulators. Some of the training for plant personnel will be initiated 12 months prior to plant start.

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Table 11-6 Employee and On-Site Contractor Numbers

Department	Company Employees	On-Site Contractors	Comments
Administration			
General management	4		
Admin., marketing, logistics, & IT	80		
Camp catering and operation			No contractors shown, likely about 200
Finance	23		
Community relations	28		
Human resources	16		
Legal	4		
Safety & security	23		No contractors shown, likely about 200
Technical services	61		
Operational services	84		
Heavy-haul-road maintenance		28	
Total	323	28	
Mining			
Operations	312		
Blasting		18	
Maintenance		219	
Tire maintenance		14	
Total	312	251	
Ore-Processing			
Operations	195		
Maintenance	155		
Concentrator		24	
Molybdenum and filter plant		13	
Tailings		12	
Total	350	49	
TOTAL	985	328	

Source: Provided by the Company.

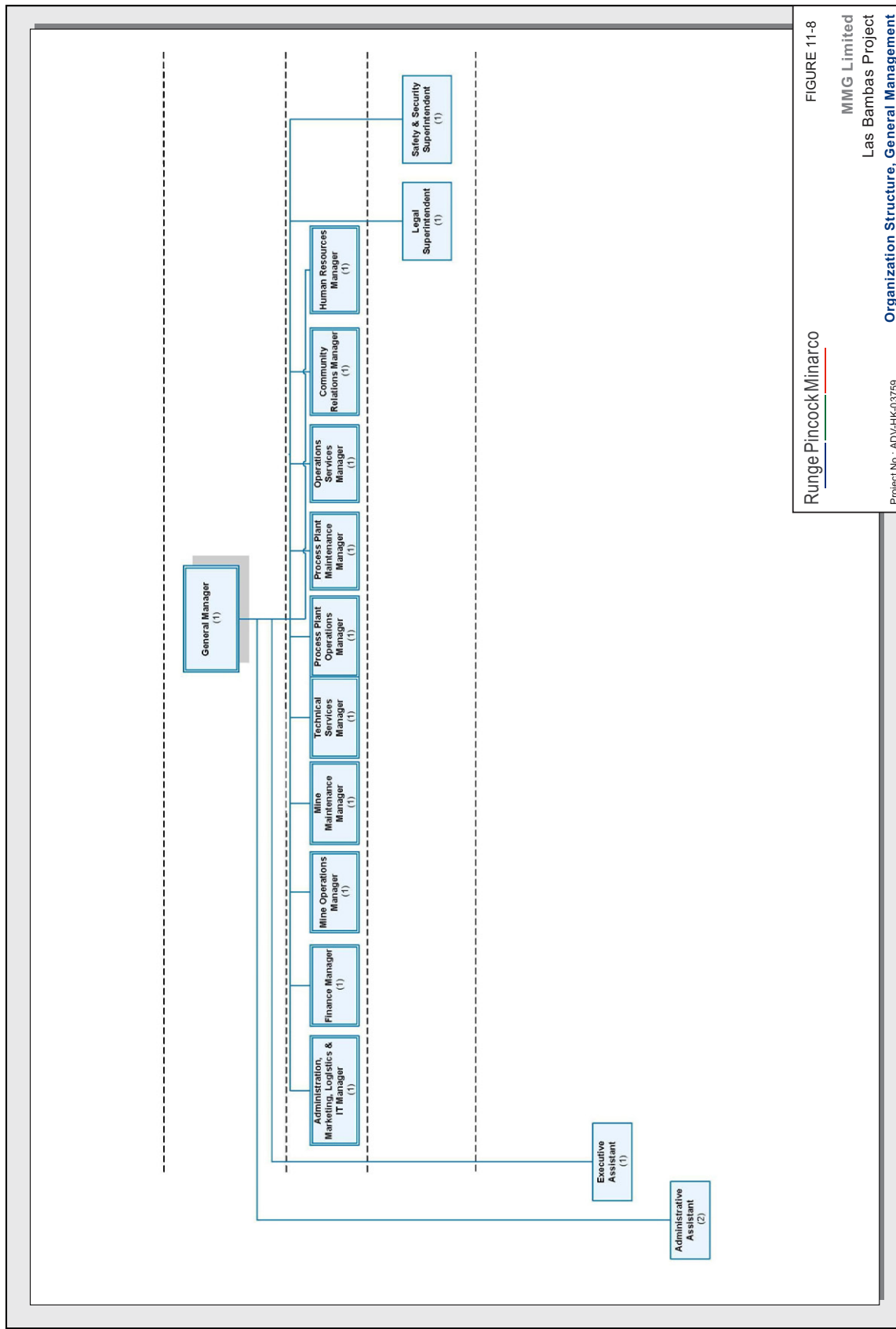


FIGURE 11-8
 Runge Pincock Minarco
 MMG Limited
 Las Bambas Project
 Organization Structure, General Management
 Project No. - ADV-HK-03759

12 Project Execution

Overall control of the Project development and operation is by the Company with about 60% of the work assigned to Bechtel (third party contractor) and the remaining 40% managed directly by the Company. Bechtel is responsible for the majority of the processing plant and infrastructure construction work, while the Company has been responsible for building Nueva Fuerabamba town. Engineering for the water and tailings dams and the contracts for power supply, railroad transportation, and the marine terminal are also the responsibility of the Company.

Construction work on the Project is approximately 50% complete as at 1st January, 2014 and the entire Project is scheduled to be fully commissioned and operational by the end of 2015 with full production planned to be achieved in 2016. RPM notes that while the project is scheduled to be commissioned in late 2015, delays have occurred previously which have delayed construction of various major infrastructure items. RPM notes that the construction and relocation of on-site community residents is planned once a plan has been developed and formalised.

RPM considers the execution plans appropriate and achievable; however there is a likelihood that project delays may occur and that full project commissioning could extend beyond the projected time. Currently two months of schedule contingency are incorporated in the September 2015 completion estimate to allow for potential delays in major infrastructure construction, delivery of major items or other reasons; however RPM considers his contingency may not be sufficient since unforeseen difficulties have occurred previously.

12.1 Organization

The overall responsibility for the Project is in the hands of the Company's Executive Management. An organization chart for the project engineering, procurement, and construction is shown in **Figure 12-1**. The organization chart also shows the internal Company budgets for the entities responsible for the project. With the exception of Bechtel, the major subcontractors working on the Project are as follows:

- Graña y Montero (major Peruvian-based contractor)
- Mota-Engil (major Portuguese-based earthwork contractor currently building the tailings dam)
- OHL Construction (Spanish-based contractor, responsible for most of the site earthworks)

In addition to these contractors there are 24 smaller contractors currently working on the project.

RPM notes that major impediment for the development phase of the Project has been the Nueva Fuerabamba town site. Engineering, procurement, and construction of this component is now complete though a small construction team will remain in place to correct the inevitable residual problems with any housing.

Three other major components of the project, components that are external to the site, are being provided under build, own, and operate (BOO) agreements managed directly by the Company; these are as follows:

- Power-supply line (Abengoa Power) (contract in-place)
- Railroad facilities and rolling stock (Peru Rail) (term sheet in-place)
- Port facilities (TISUR) (contract now in place)

The BOO agreements involve minimal capital cost outlays by the Project. The owner's capital costs are reimbursed through operating costs.

12.2 Personnel

RPM considers that the key management personnel onsite are critical to the development of the Project both on time and within Budget. The Company's overall manager of the Project is Joe Albright, Project Director, based at site.

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Working with him are the following two the Company's employees:

- The Company Corporate Representative: Luis Rivera
- Bechtel's manager: Paige Wilson.

The Project currently employs about 8,000 people and is expected to rise to about 10,000 in December 2014. There is adequate accommodation for construction personnel onsite with the majority housed in on-site camps and additional hotel accommodation is available in the nearby town of Challhuahuacho.

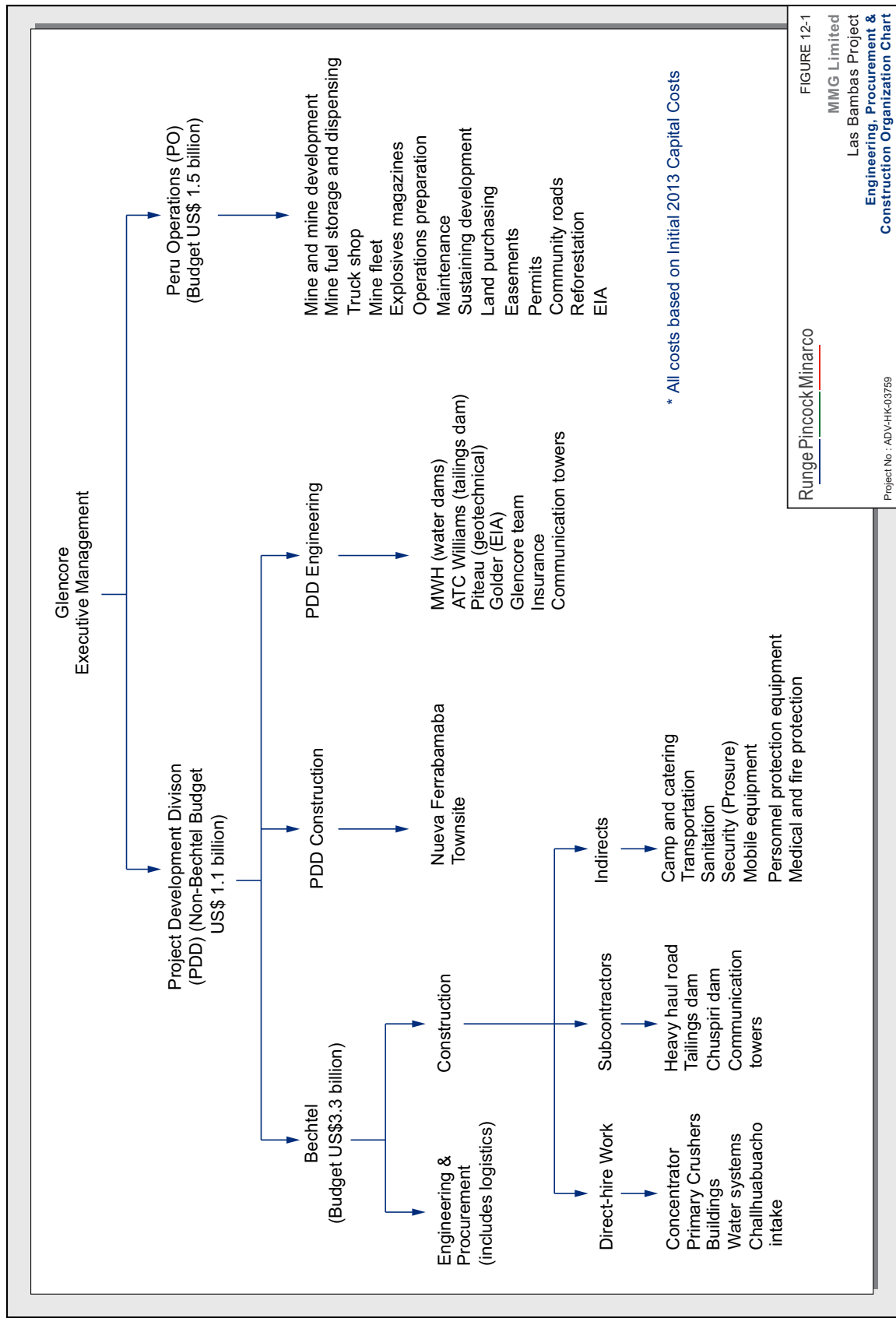


FIGURE 12-1
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 MMG Limited
 Las Bambas Project
 Engineering, Procurement &
 Construction Organization Chart

Project No. : ADV-HK-03759

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12.3 Project Status

Although some delays have occurred, development of the Project is progressing well and is forecast to be completed in late 2015. With a total overall development of approximately 60% and construction 50% complete RPM envisages that no major impediments are likely to occur with the exception of those that could occur as a consequence of delays in relocating local residents to the newly-completed township. A table of project milestones for the Bechtel work, as of March 2014, is shown in **Table 12-1**.

Table 12-1 Bechtel Project Milestone Summary for March 2014

Milestones	Forecast
1 The Company - Permits Issued (Moly Plant & Cu Filter Plant Facilities)	Complete
2 Start Early Works Construction	Complete
3 Start Permanent Plant Mass Earthworks	Complete
4 Start Concentrate Pipeline Construction	Complete
5 Start Construction Grinding Area	Complete
6 Flotation Area Tower Crane Commissioned	Complete
7 Passage Achieved for Heavy Haul Route from Antapaccay	Complete
8 All Mills on Site at Tintaya	Complete
9 Start First Grinding Mill Assembly	Complete
10 Fuerabamba Community Relocation Complete	31-May-14
11 Truck Shop Construction Completion (Transferred to The Company)	N/A
12 Permanent 220 kV Power Available	1-Oct-14
13 33 kV Power Available to Mine Loop	TBD
14 Energisation - 0210-DRR-0001-E-Room	21-Dec-14
15 Fresh Water System Mechanical Completion	25-Feb-15
16 Pebble Crushing Construction Completion	1-Apr-15
17 Coarse Ore Stockpile Mechanical completion	15-Apr-15
18 Copper Concentrate Filter Plant Mechanical Completion	19-Apr-15
19 Concentrate Thickening Mechanical Completion	24-Apr-15
20 Concentrate Pipeline Mechanical completion	N/A
21 Tailings Thickening Mechanical Completion	25-Apr-15
22 Flotation & Re grind Mechanical Completion	28-Apr-15
23 Tailings Dam Ready to Receive Tailings (Transferred to The Company)	De-scoped
24 Non-Contact Water Dam Mechanical Completion	On Hold
25 Overland Conveyor Mechanical Completion	28-Apr-15
26 Primary Crusher Mechanical Completion	28-Apr-15
27 Filter Cake Storage Loadout Building Completion	28-Apr-15
28 Grinding Line 2 Mechanical Completion (Ready to Accept Feed)	28-Apr-15
29 Grinding Line 1 Mechanical Completion (Ready to Accept Feed)	14-May-15
30 Process Plant Ready to Accept Feed	14-May-15
31 Molybdenum Plant Mechanical Completion	21-May-15
32 Project Mechanical Completion	21-May-15
33 Project Completion (Finish Milestone)	2H 2015*

* Includes commissioning of the plant, and crushers and 2 month contingency period for project delays.
N/A - not applicable

12.4 Engineering Status

The status of the engineering work is as follows:

Bechtel:	Essentially complete.
MWH and ATC Williams:	Challhuahuacho River inlet: Complete Fresh-water pipeline route: Partially complete Chuspiri Dam: Complete Tailings Dam: Modifications have been engineered for this structure Sedimentation Pond and Clarification Pond: Partially complete Site drainage: Partially complete Geotechnical investigations of borrow pits and structural fills: Ongoing
Abengoa (220-kV Power Line):	Essentially complete.
Peru Rail:	Locomotive requirements: Complete Railcar design: Pending Loading station: In progress
TISUR (Matarani Port):	Concentrate storage and ship loading system: Complete Railcar unloading system: Pending finalization of railcar design or will be modified to offload trucks

12.5 Procurement Status

The status of procurement is as follows:

Bechtel:	All major equipment has been purchased.
Abengoa:	Essentially complete.
Peru Rail:	Locomotives: Letter of intent issued. Loading station: Pending completion of engineering. Railcars: Pending finalization of the design.
TISUR:	Concentrate storage and ship loading system: Contract for EPCM between TISUR and Odebrech signed May 31, 2013. Railcar unloading system: Pending finalizing of railcar design or truck offloading and finalization of contract.

12.6 Construction Status

The status of construction work is as follows:

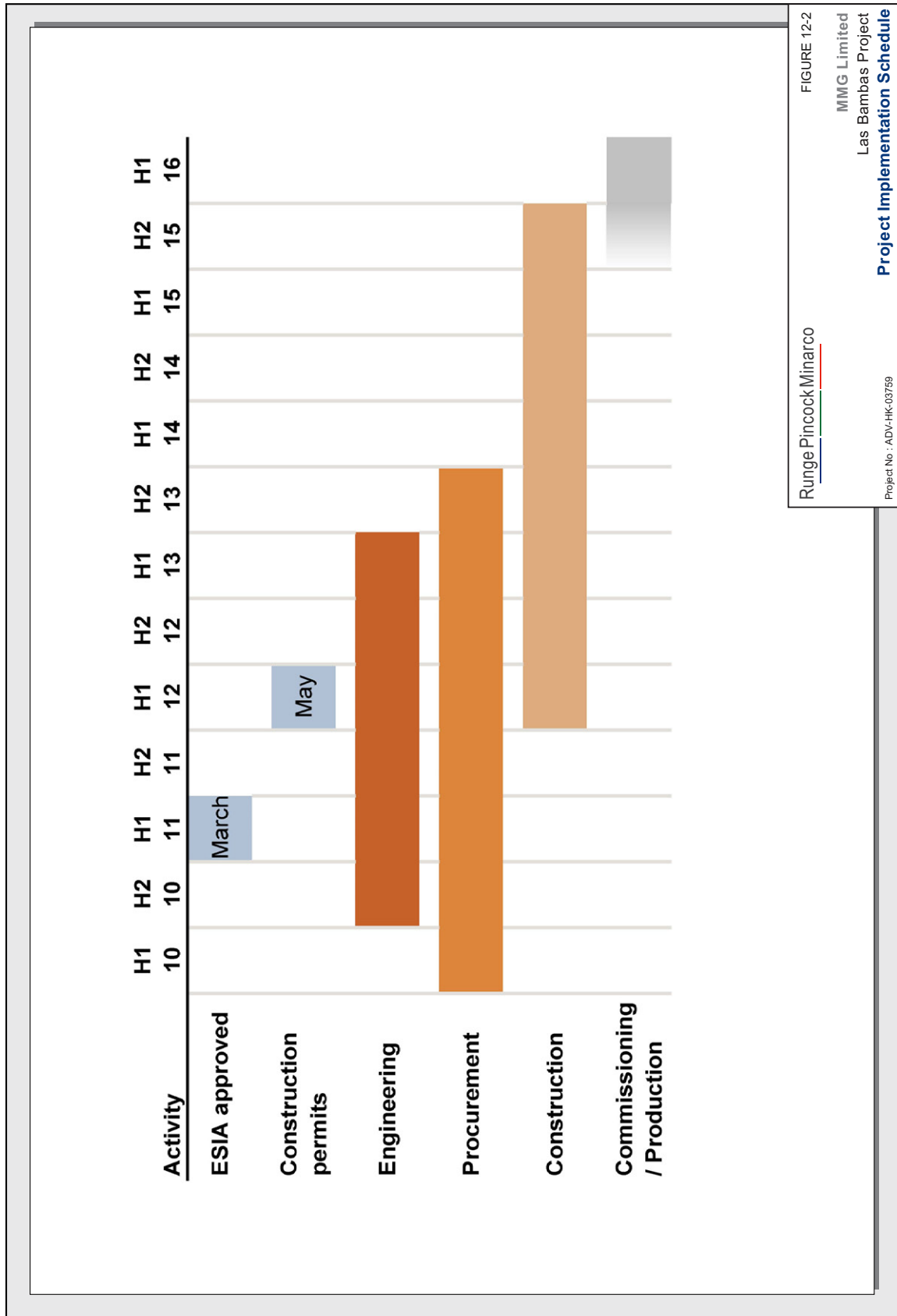
Temporary Facilities:	Complete.
Primary Crushers:	Work progressing well. Base concrete and walls are currently up to about 3 meters in height and on schedule to be completed in early 2015.
Overland Conveyors:	Work for the second-stage overland conveyors is progressing well. Earthwork for the first-stage conveyor is currently on hold awaiting the relocation of local residents.
Concentrator:	Work is progressing well. Most of the earthwork and concrete in this area is complete, except that for the relocated molybdenum and concentrate filter plants. Most of the structural steel is already in place. All of the four large mills are on site and their installation is in progress. Most of the flotation cell tanks are installed. The main substation installation is almost complete.
Tailings Dam:	Work is currently in progress on installing the plinth.
Challhuahuacho River Intake:	Earthwork in this area is close to complete.
Chuspiri Dam:	The dam is partially complete and storing water.
Water Pumping and Pipelines:	Work on some of the pipelines is in progress.
Sedimentation Pond Dam and Clarification Pond Dam:	Work has yet to start; awaiting permits.
Diversion Structures:	Work has yet to start.
Nueva Fuerabamba:	This is now complete and ready for occupancy.
Heavy Haul Road:	This road is complete and in use.

12.7 Implementation Schedule

A simplified Gantt chart of the project is provided in **Figure 12-2**. As indicated on the chart, the plan is to start commissioning the plant by the third quarter of 2015 and be fully commissioned by year end. The Project delays against the original schedule have, thus far, predominately been related to the delay in completion of Nueva Fuerabamba town site. Due to the delays and associated construction delays and costs increases which have previously occurred, the Company has included a 2 month contingency into the schedule as well as capital expenditure contingency as outlined in **Section 13**.

The two grinding lines are expected to be mechanically complete and pre-operationally tested in April and May, 2015, respectively. The Primary Crusher, Moly and Filter Plant (critical path items) are expected to be mechanically complete and operationally tested by the end of July, 2015.

At the present time, there is not a significant construction effort on night shift, but it is expected to be implemented in the future as warranted by the schedule, for specific areas that would benefit from the additional focus. RPM is aware that both the Company and the major contractor have significant local experience in development and commissioning projects on this scale and RPM considers it imperative that this management be retained as party of the transaction to ensure a smooth transition and continued development and successful commissioning of the Project. Ramp up to full production rate is expected to take 6 months with full production reached by the end of 2015.



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13 Capital and Operating Costs

Estimated capital to construct the Project and achieve full production at the time of this Report is approximately US\$ 6.03 billion, however of this initial capital requirement the Company has, as of 1st January 2014, sunk US\$ 3.5 billion in project construction capital. In addition to the initial capital outlay the Life of Mine sustaining capital has been estimated at US\$ 1.6 billion over the 21 years. Significant sustaining capital item include US\$ 469 million for the tailings dam, US\$ 388 million for mine equipment and US\$ 237 million for the concentrator with the remainder made up of dewatering and other mining related capital.

13.1 Capital Costs

13.1.1 Initial Capital Costs

Estimated capital costs for the Project are summarized in **Table 13-1**. This definitive estimate includes funds to construct the molybdenum and filter plant at the Project's concentrator site as opposed to at the Antapaccay site.

Table 13-1 The Company's Initial Definitive Capital Costs from Start of Development early 2013

Item	US\$ millions
Mine	781
Bechtel Plant Directs	726
Bechtel Infrastructure Direct	833
Bechtel Indirect	1,761
Owners Operations	736
Owner Project Development	458
Nueva Fuerabamba Town Site	600
TOTAL	5,895

Source: Provided by the Company.

The Company's cost estimate of U\$5,895 million is based on a definitive estimate completed in early 2013. The current total initial capital cost estimate of US\$6,031 million is higher than the definitive estimate primarily due to delays in construction of major infrastructure items and continual reviews and updates to reflect relevant cost profiles and updated tenders as construction continues. Project expenditure prior to January 1st, 2014 was US\$ 3,511 million with the current estimate to complete the project being US\$ 2,519 million.

Although over 50% of the project is complete, material capital cost increases may still occur associated with social and unforeseen construction issues. Delays during this time of peak construction could add significant cost and whilst the Company has included a US \$30 million in Owner's contingency into its estimate this is likely to increase further.

Mining

The estimated total direct initial mining capital is U\$ 781 million as listed in **Table 13-2**. Mobile equipment makes up the largest portion of initial capital, followed by pre-stripping. As discussed in Section 9, equipment has already been purchased, and delivery is on-going.

Table 13-2 Mine Initial Capital Costs

Item	US\$ million
Mobile Equipment	424
Pioneering Road Construction	79
Prestripping	110
Truck Shop	76
Other Mine Facilities	3
Other Mine Capital	89
Total	781

Source: Provided by the Company.

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Ore Processing

Estimated direct ore-processing capital costs are shown in **Table 13-3**. When combined with indirect costs (**Table 13-5**) in proportion to the direct costs, the estimated total costs amount to US\$1.2 billion. This is at the higher end of the cost range expected for a plant of this size and is a reflection of the following factors:

- Government requirement to build to high seismic standard;
- Remoteness of the site;
- Extended construction period required to accommodate the presence and delayed moving of residents on site; and
- Extended construction period as a consequence of interference by local and nearby residents.

Table 13-3 Process Capital Costs

Item	US\$ millions
BECHTEL PLANT DIRECTS	
Primary crushing	86
Coarse ore conveying, storage, and reclaim	142
Grinding	230
Pebble crushing	32
Flotation and regrind	113
Concentrate thickening	9
Molybdenum plant	56
Lime, reagents, air compressors, concentrate receiving	28
Dewatering, filter plant and filter-cake storage and loadout	30
Total	726

Source: Provided by the Company.

Infrastructure

Estimated infrastructure costs are shown in **Table 13-4**. When combined with indirect costs (**Table 13-5**) in proportion to the direct costs the estimated total costs amount to US\$3.2 billion. This at the high end of the cost range expected for infrastructure of this size.

Table 13-4 Infrastructure Capital Costs

Item	US\$ millions
BECHTEL INFRASTRUCTURE DIRECTS	
Mine facilities	33
Shops, Warehouses, laboratory, guard houses	15
Site development, plant roads, water, sewer	102
Main substation, yard distribution, communication, fire	71
Site access roads	259
Fresh water dam, reservoir, pump stations, infrastructure	95
Concentrate pipeline and pump stations sunk costs	66
Tailings thickening and pipeline	22
Tailings dam and reclaim water system	170
Total	833
OWNER PROJECT DEVELOPMENT	
General	407
Contingency	41
Escalation	10
Total	458
NUEVA FUERABAMBA TOWNSITE	600
TOTAL	1,891

Source: Provided by the Company.

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The reasons for this are, in part, the same as those for the higher cost of the ore processing plant, but other contributing factors also include as follows:

- The size of the Nueva Fuerabamba town site;
- Increase in estimated earthwork for the Nueva Fuerabamba town site;
- Extended construction period as a consequence of the more extensive earthwork;
- Delays in obtaining easements for roads and pipelines.

Indirect Costs

Estimated indirect costs are shown in **Table 13-5**. The contributing factors to these costs include:

- Much of the work is done on a direct-hire basis rather than using subcontractors
- Remoteness of the site
- Extended project schedule

Table 13-5 Indirect Capital Costs

Item	US\$ millions
BECHTEL INDIRECTS	
Temporary facilities general, concentrator	536
Temporary facilities - concEntrate pipeline sunk costs	48
Temporary facilities - Antapaccay	4
Construction water supply	15
Health services, small tools, safety supplies, consumables	64
Camp facilities – concentrator	223
Camp facilities - concentrate pipeline sunk costs	12
Direct hire craft labor overhead	25
Professional services (EPC/CM and 3rd-party engineering)	605
Escalation	68
Contingency	161
Total	1,761

Source: Provided by the Company.

Owner's Costs

Estimated Owner's costs, other than the mine, are shown in **Table 13-6**. These costs are relatively high, largely as a result of the high costs for community relations and land, although the operations cost is also high. With the large number of local residents the high costs for community relations and land are as expected. Owner's costs for operations in the construction period usually approximate the estimated annual General & Administrative costs multiplied by the years of construction; for the Project this would amount to about US\$ 250 million; accordingly, the estimated cost is high and is unlikely to be exceeded unless the construction schedule is further extended.

Table 13-6 Owner's Capital Costs

Item	US\$ millions
OWNER OPERATIONS (capitalized)	
Community relations, land	365
Operations	371
Total	736

Source: Provided by the Company.

Project Contingency

Through June 30, 2013, the following project contingencies remained:

- US\$30 million contingency for construction delays which are generally associated with development of projects of this size, location and socio economic climate. In addition the Company has also included

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approximately two months of EPCM costs and time delays in the forecast schedule. RPM considers that contingencies are in line with the delays expected for this type of project development at this stage of completion.

- Bechtel's contingency is US\$161 million plus an additional escalation allowance of US\$68 million for a total of US\$229 million.
- The Company estimates a FOREX impact at completion of US\$165.9 million, which is not considered a contingency and is not included in the Project cost estimate of US \$5,895 million. Including this expected cost (which is based on having a weaker US dollar than existed when the project costs were estimated) would bring the total cost of the project to US\$6,061 million. Until expenditures are completed it is uncertain if the impact of foreign exchange will reach this projected level.

13.1.2 Sustaining Capital

Mining

RPM believes the sustaining capital estimate for mobile equipment (totalling US\$387.9 million) was reasonably estimated and reflects the high level of initial mine mobile equipment capital and the reduced mining rate for the last ten years of mine life. That lower mining rate allows the Project to avoid certain equipment replacements and as such requires less working hours per equipment and as such less sustaining capital to ensure the production rate forecast. **Table 13-7** shows the hours upon which mobile equipment replacements were based. **Table 13-8** shows the hours upon which mobile equipment replacements were based.

Table 13-7 Mobile Equipment Replacement Criteria

	Hours at Replacement
Trucks	85,000
Shovels	100,000
Drills	75,000
Track Dozers	50,000

Source: Provided by the Company.

A permanent truck shop will be constructed post 2016, between the Ferrobamba and Chalcobamba deposits, although that expense is not included in the sustaining capital list. Therefore, a large portion the amount listed as initial capital for the truck shop (US\$ 76 million) will be deferred until post 2016, with US\$ 26 million spent initially.

In addition to the mining equipment related sustaining capital requirements a total of US\$ 429.5 million is required over the mine in other mining relating areas, such as roads, workshops etc. The majority of this is expended during the early years of the Chalcobamba and Sulfobamba pit construction and commissioning (**Table 13-10**).

Processing

Ore-processing related sustaining capital costs are shown in **Table 13-8**, these include the principal costs of:

- Crushing and conveyor: US\$150 million in 2016 - 2018 to construct a new primary crusher at Chalcobamba and associated conveyor.
- Grinding & Flotation: US\$8 million in 2017 - 2018 to construct a roof over the grinding and flotation sections.
- Tailings Disposal and Water Recovery: US\$25 million each year to raise the tailings dam.

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Table 13-8 Ore-Processing Sustaining Capital Costs

Item	US\$ millions
Crushing	176
Grinding & Flotation	56
Molybdenum and Filter Plant	5.4
Tailings Disposal & Water Recovery	469.3
Plant Infrastructure	7
Total	713.7

Source: Provided by the Company.

Infrastructure

Infrastructure sustaining capital is listed in **Table 13-9**.

Table 13-9 Infrastructure Sustaining Capital Costs,

Item	US\$ Million
Energy Supply	3.00
Environmental	26.93
Others	18.96
Total	48.89

Source: Provided by the Company.

Closure

Closure costs incurred during operation are estimated at \$88 million, and final closure costs are estimated at US\$197 million.

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Annual Sustaining Cost

The annual sustaining costs are summarized in **Table 13-10**.

Table 13-10 Annual Sustaining Capital Costs

Year	Mining Equipment (Million US\$)	Mining Other (Million US\$)	Concentrator Plant (Million US\$)	Tailings Disposal and Water Recovery (Million US\$)	General Site (Million US\$)	Total (Million US\$)
2014						
2015						
2016	37.5	52.6	52.4	24.7	17.2	184.3
2017	10.0	107.2	61.6	24.7	7.3	210.7
2018	0.0	40.0	62.6	24.7	4.4	131.6
2019	10.0	49.7	4.3	24.7	1.1	89.8
2020	4.3	97.1	3.2	24.7	3.1	136.3
2021	0.0	8.4	3.1	24.7	1.4	37.6
2022	6.0	12.4	3.1	24.7	2.2	48.3
2023	17.1	7.3	3.7	24.7	1.6	54.4
2024	11.0	9.4	9.0	24.7	2.3	56.4
2025	13.1	12.8	6.4	24.7	1.1	60.0
2026	6.6	4.4	3.7	24.7	2.9	42.3
2027	80.0	4.5	3.1	24.7	1.2	121.5
2028	78.3	5.8	3.2	24.7	2.1	122.1
2029	29.9	5.2	4.0	24.7	1.6	67.4
2030	58.3	4.7	3.6	24.7	2.1	95.4
2031	26.0	3.3	3.6	24.7	1.4	58.9
2032	0.0	2.6	3.6	24.7	2.1	33.0
2033	0.0	2.0	3.6	24.7	1.1	31.3
2034	0.0	0.0	0.0	24.7	0.0	24.7
Total	387.9	429.5	237.4	469.3	55.8	1,605.9

Note: this table excludes closure costs, estimated at \$88 million during operation and \$197 million at the end of the mine life.

Source: Provided by the Company.

13.2 Operating Costs

Estimated LOM operating costs for the Project are summarized in **Table 13-11** and are described below. Including by-product credits, the cost of production is expected to be US\$0.81 per pound of saleable copper produced over the life of the mine.

Table 13-11 Operating Cost Estimate

Item	LOM	LOM
	US\$/tonne ore	US\$/lb Cu
Mining	\$5.19	\$0.39
Processing	\$5.77	\$0.44
G&A	\$0.84	\$0.06
Transportation	\$2.99	\$0.22
TCRC	\$2.58	\$0.19
Total	\$17.37	\$1.31
By product credit*		\$0.48
Total after by-product credit		\$0.81

**Note: For determination of by-product revenue, the Company used the following long term price estimate: Mo = \$13.00/lb, Ag = \$25/oz, Au = \$1,500/oz.*

Source: Unit Costs Provided by the Company and utilised by RPM in the Ore Reserve Schedule .

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13.2.1 Key Assumptions

Principal consumables costs are shown in **Table 13-12**. The Company based these on operating experience from their other Peruvian operations.

Table 13-12 Principal Consumables and Labor

Item	Units	Value
Power	US\$/kWh	0.73
Diesel	US\$/litre	1.07
Grinding Media		
5-inch balls	US\$/kilogram	1.30
3-inch balls	US\$/kilogram	1.18
Labor	US\$/year	~17,000

Source: Provided by the Company.

13.2.2 Mining Costs

Mining costs have a life of mine average of US\$1.75 per tonne of material (waste + ore + rehandle costs) or US \$4.29 per processed tonne, based on the cost assumptions and estimates, haulage profiles and the Company actual supply costs at their other Peruvian operations. This total cost includes mining related administration and technical services which account for 13 % of the total cost over the life of the Project. As outlined in **Section 9**, RPM has modified the haulage road to what is considered more achievable which results in an additional 5% of the Company's estimates. This additional cost is included in the **Table 13-13**.

Table 13-13 Mine Operating Costs Breakdown

Mining Unit Costs	US\$/tonne Moved
Drilling	\$0.08
Blasting	\$0.21
Loading	\$0.14
Hauling	\$0.90
Support Services	\$0.16
Mine Administration	\$0.18
Tech Services	\$0.04
Rehandle Load and Haul	\$1.09*

Source: Provided by the Company.

**Rehandle Unit Cost is per tonne moved from the stock pile, not per total pit movement*

13.2.3 Ore-Processing Costs

Estimated ore-processing unit operating costs are shown in **Table 13-14**. The costs shown are those projected for 2018, the third full production year. Operating costs are estimated to vary slightly year by year but 2018 is reasonably representative of the LOM averages. Total estimated unit costs, at US\$5.88 per tonne milled, are slightly higher than that of most large copper flotation concentrators though this is appropriate considering the remoteness and high elevation of the site plus the use of the BOO facilities for power transmission.

As is generally observed in operation of this type, more than half the total costs are for primary grinding, a result of the high power draw and grinding-ball consumption inherent in the primary grinding circuit. The next highest operating cost component is flotation and regrinding, comprising about 20% of the total costs; this is as expected and is accounted for by consumption of power, reagents, and grinding media.

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Table 13-14 Ore Processing Operating Costs (Year 2018)

Item	US\$/tonne Milled
Primary Crusher	0.06
Conveying	0.46
Mills (SAG and Ball)	3.16
Pebble Crushing	0.08
Flotation and Regrind	1.22
Thickening	0.05
Lime Plant and Other Reagents	0.03
Tailings Thickening	0.11
Fresh Water	0.12
Reclaim Water	0.11
Molybdenum Separation	0.23
Copper Concentrate Filtration	0.14
TOTAL	5.77

Source: Provided by the Company.

13.2.4 General & Administrative (G&A) Costs

Estimated General & Administration unit operating costs are shown in **Table 13-15**. As for the ore-processing costs, the costs shown are for 2018, the third full production year when costs are projected to have stabilized. G&A costs are estimated to be unchanged for the succeeding years and gradually fall in the final 6 years of operation. Total estimated unit costs, at unit cost of US\$0.95 per tonne milled, are as expected. RPM notes that in the last five years of the mine life these unit costs drop with the winding down of the Projects operation, as such over the entire mine life the average G & A is US\$ 0.84/ tonne milled.

Table 13-15 General & Administration Operating Costs

Item	US\$/tonne Milled
General Management	0.10
Administration, Logistics, & IT	0.15
Finance	0.05
Community Relations	0.07
Human Resources	0.09
Legal	0.06
Environmental	0.11
Project Management	0.14
Security & Insurance	0.18
TOTAL	0.95

Source: Provided by the Company.

Camp and employee-transportation costs are not shown as separate items in the G&A estimate. In total, these would be expected to amount to about US\$ 0.20 per tonne milled; they are incorporated in the other cost categories within the total.

13.2.5 Downstream Costs

Downstream cost estimates are summarized in **Table 13-16**. TCRC rates for copper concentrate are expected to fluctuate over the life of the property but in the long term average US\$70/tonne of concentrate and US\$0.07 per pound of copper. Note, inland freight (rail) and port charges include a premium to account for the respective operators to construct facilities capable of transporting material from the Project. The facilities were expanded under a Build-Own-Operate (BOO) contract wherein the owner of those facilities invested capital that is to be reimbursed through operating costs.

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Table 13-16 Downstream Costs

	\$/t Wet Conc	\$/t Dry Conc	\$/lb	\$/oz
Copper Treatment Charge		\$70		
Copper Refining Charge			\$0.07	
Au Refining Charge				\$5.00
Ag Refining Charge				\$0.35
Mo Treatment Charge			\$1.60	
Inland Freight, Cu Concentrate	\$80.00			
Inland Freight, Mo Concentrate	\$80.00			
Ocean Freight, Cu and Mo Conc to Asia	\$55.00			
Port Charges	\$18.50			

Source: Provided by the Company.

13.2.6 Annual Costs

Table 13-17 shows the annual total operating costs, exclusive of by-product credits.

Table 13-17 Annual Operating Costs

Year	Mining (Million US\$)	Processing (Million US\$)	G&A (Million US\$)	Transportation (Million US\$)	TCRC (Million US\$)	Total (Million US\$)
2014	36.36					36.36
2015	174.31	80.66	31.74	61.59	54.06	402.36
2016	242.23	294.27	48.81	241.58	209.64	1036.53
2017	205.49	294.27	48.86	198.45	178.38	925.45
2018	257.35	294.27	48.9	196.33	155.62	952.46
2019	263.28	294.27	48.9	204.72	159.86	971.03
2020	255.84	294.27	48.9	184.81	149.02	932.84
2021	266.97	294.27	48.9	125.48	108.02	843.65
2022	270.28	294.27	48.9	179.64	136.1	929.2
2023	264.16	294.27	48.9	206.62	164.79	978.74
2024	264.26	294.27	48.9	189.42	167.95	964.8
2025	265.99	294.27	48.9	133.14	126.45	868.75
2026	272.53	294.27	48.9	126.68	98.94	841.32
2027	269.48	294.27	48.9	117.89	94.28	824.81
2028	274.4	271.84	48.9	77.06	67.33	739.54
2029	261.77	294.27	34.75	155.88	144.37	891.04
2030	256.31	294.27	24.54	105.39	103.97	784.49
2031	247.83	282.01	20.29	99.69	99.69	749.5
2032	254.03	253.68	19.64	67.46	66.78	661.59
2033	243.1	289.81	21.1	101.63	99.02	754.66
2034	95.83	197.95	16.07	71.23	70.86	451.94
LOM	4,941.8	5,495.73	803.7	2,844.69	2,455.13	16,541.06

Source: Unit Rates Provided by the Company and applied to the Ore Reserve Schedule.

14 Overview of Permitting, Environmental Impact, and Social and Community Impact

14.1 Background

This section of the report provides a detailed review of the environmental and social aspects of the Project. The review is based on a detailed evaluation of the important components of the environmental and social facets of the Project identified from the site visit, interviews, presentations, and document review. The development of the Project appears to be viable as the potential social and environmental impacts resulting during all phases of the Project can be mitigated. In addition, the Company and their contractors have the organizational capacity to address permitting, environmental and social issues, and health and safety management. However, there are a number of challenges to be addressed during the life of the Project that are discussed in this section of the report.

14.2 Environmental Management System (EMS)

The EMS developed by the Project is based on the identification of hazards and risks associated with the strategy and plans developed for the Project. Legal requirements, including national, international and local government, and the applicable regulations, standards and statutory licenses, have been included in the management system. Appropriate mitigation measures are implemented to eliminate or reduce potential impacts. Monitoring is ongoing, while the project activities are implemented, providing an indication of how mitigation measures are working to protect the environment. Adjustments are made to the mitigation actions to improve environmental control measures. The Company recognizes leadership as a valuable component of environmental performance.

Environmental Management Plans (EMP) determine the focus for environmental management by defining objectives and goals. Impacts and associated mitigations have been identified for the activities anticipated for the Project. Each major component of the Project has been included in an EMP.

14.3 Environmental Management Program

The Environmental Management Plan (EMP) for construction and operations has been developed based upon the conceptual EMP provided within the ESIA. The EMP's will include the four general elements of a management plan: (1) Planning: a statement of principles, definitions of responsibilities for the performance of plans and planning of activities; (2) Execution: a number of guidelines for the protection of the various environmental components and/or management of environmental risks; (3) Verification: a process for the control of activities by means of monitoring and inspections; and (4) Mitigation: corrective action in different areas under the environmental guidelines and implementation of remediation measures for the environment.

The Company understands that the EMS is a dynamic program and that modifications are required to meet ever changing conditions throughout the Project period.

The Project has received and has maintained ISO 14001 certification. This certification provides an indication of good management and a positive attitude toward environmental control.

14.4 Environmental Compliance Performance

Monitoring reports have been submitted pursuant to the commitments of the EIS and other approvals. No compliance issues with applicable regulatory authorities were noted either in documentation or during conversations with environmental, social and legal staff.

The environmental staff at the Project maintains detailed files on environmental incidents. Incident report workshops are conducted to educate personnel with regard to environmental control. This type of program supports the development of environmental awareness in the Project area and in the impacted communities. The incidents are categorized in five (5) levels with Category 1 having the least impact on the environment and Category 5 having the greatest. Category 1 incidents include such items as small oil spills and improper storage of petroleum products, that are easily corrected and do not require substantial consideration. A listing of environmental incidents is provided in **Table 14-1**.

Table 14-1 Environmental Incident Reports

Environmental Incident Level	Quarter 3, 2013	Quarter 4, 2013	Quarter 1, 2014
Category I	36	122	62
Category II	0	0	0
Category III	0	0	0
Category IV	0	0	0
Category V	0	0	0

14.5 Status of Project EIS Permitting Activities

The Company's Legal Department manages Project permitting, especially for interaction with government authorities. Permitting actions are supported by the Environmental and Social/Community Departments and the Project design team. A detailed review of the permitting activities shows that the Project is progressing toward fulfillment of all requirements. The EIS for the Project was approved in March 2011. As the project planning process continued, a change in the water acquisition system was made from constructing a dam on the Challhuahuacho River to the development of a water intake system in the River. An additional change in plans was associated with an increase in the volume held behind the Chuspiri Dam from 3.2 to 4.2 million cubic meters. This modification required an amendment to the EIS, which was approved in August 2013.

With time, additional changes were made to the Project plan including the construction of the molybdenum facility and the filter plant at the Project rather than using the facilities located at Antapaccay. Additional changes were made including: identification of quarry sites; construction of a concrete plant; construction of a truck shop; relocation and size increase of the camp; change in starting date of work; and several other items. These changes were detailed in a technical report approved by the regulatory agency in August 2013. It should be noted that a technical report can be used to acquire approval for insignificant changes in plans. This type of approval is usually granted in 30 days versus months for approval of the EIS amendment.

Another technical report was approved in February 2014 for several modifications including sediment pond construction (without discharge), the addition of a water treatment facility, an assay laboratory, a low-grade ore stockpile and other items. The sediment pond construction was included without discharge to allow quick approval and initiation of the construction activities. If discharge was included in the approval process, an amendment to the EIS would likely be required. Since the approval of this technical report, a design change was made with the projected construction of two (2) smaller sedimentation ponds in lieu of the large pond. It is anticipated that approval will be granted via the technical report option.

A second amendment to the EIS was submitted in March 2014 that included a water balance, topsoil stockpile location and to acquire approval to discharge from the sedimentation pond. The approval of this amendment is expected in November 2014. A third amendment to the EIS, which will include the method of concentrate transport from the processing plant to the Port is projected to be submitted in November 2014 with an anticipated approval in late 2015.

14.6 Environmental Management Team Capacity

The Environmental Management Team is organized with a Manager position that leads all environmental activities at the Project site. At the time of the site visit, the position has not been filled. The current lead environmental position is an Environmental Superintendent, which is responsible for all activities in the Project area including the reforestation and community sampling programs. The interactions between the environmental group and the communities have proven to be a very important link between The Company and the Communities.

The current lead position for environmental management has a good understanding of the program and appears to be well organized making sure all obligations associated with compliance monitoring and reporting are fulfilled. It appears that the environmental group is well managed and the overall work effort is well organized.

14.7 Environmental Management

14.7.1 Baseline Studies

Baseline studies were conducted for the major components of the environment. The baseline development was used to identify potential impacts and associated mitigations. This information was presented in the ESIA. Environmental baseline disciplines included: (1) Air Quality; (2) Noise; (3) Geomorphology and Geology; (4) Soils and Land Use Capability; (5) Surface Water Quality; (6) Meteorology and Hydrology; (7) Hydrogeology; (8) Geochemistry; (9) Flora; (10) Fauna, including mammals, birds and reptiles and amphibians; (11) Aquatic ecology; (12) Biodiversity; and (13) Protected Areas. The baseline work appears to be adequate for Project development.

14.7.2 Air Quality Management

Management of air quality for the Project is primarily associated with controlling particulate emissions. The primary source during construction is associated with the actual construction activities and the transport of equipment and materials on unpaved roads. The emissions related to Operations will be associated with mining activities including transport of ore and other materials within the Project area, blasting and ore processing. Wind-blown materials will likely be an important component of air quality throughout the Project area including impacted communities.

Dust potentially generated from roads and other work areas will be controlled using water. This will be a prime consideration during the dry season. Water taken from the sewage treatment plant will be the primary source.

All crushing circuit equipment will be equipped with dust collection systems. The crusher will include sleeve filters to control emissions during loading activities. All ore transference points, such as belt conveyor transferences and screens, will be equipped with rubber skirts. Ore flow in belt conveyors will be centered to help prevent leaks causing the generation of dust. Dust suppression or capture systems will be installed at all transfer points. The use of material and/or equipment using biphenyl polyvinyl chloride (BPC) or Freon will be prohibited.

14.7.3 Noise Management

There are a number of sources of noise during the construction and operations phases of the Project. The primary sources of concern include: (1) road traffic; (2) impact equipment such as jack hammers; (3) compressors and generators; (4) blasting; and (5) material handling equipment such as crushers, and earth moving equipment.

Mitigation measures applicable to all noise sources during operation that will be implemented include, but are not limited to: (1) performing regular inspection and maintenance of material handling vehicles and equipment to ensure that they have good quality mufflers installed, worn parts are replaced and lubricants applied; (2) comply with established noise limits, defined by regulatory requirements and use equipment that conforms to noise standards; (3) consider noise barriers, baffles or enclosures for particularly noisy equipment (e.g., crushers, grinders); and (4) develop and implement a noise monitoring program for the operation phase.

The following measures will be implemented to minimize transportation-related noise impacts: (1) speed limits in relation to road conditions and location of identified sensitive noise receptors (e.g., communities, important wildlife habitat) will be enforced; (2) road surfaces will be maintained in good repair to reduce tire noise; (3) prolonged idling will not be allowed; and (4) transportation will be scheduled for daytime hours as much as possible.

14.7.4 Soils Management

Topsoil materials will be salvaged prior to disturbing areas associated with facility construction and development and disturbances related to mining. Most of the topsoil will be derived during pit stripping. The topsoil salvaged will be stockpiled and used as reclamation material at Project closure. Topsoil stockpiles will be strategically located to avoid operational disturbance and erosion control measures (including vegetating) will be applied to the salvage stockpiles to reduce erosion. Topsoil will also be used to rehabilitate the concentrate pipeline right of way in sensitive areas as soon as it is feasible.

14.7.5 Biodiversity/Wildlife Management

Detailed baseline programs were designed and implemented with regard to the biological components of the areas potentially impacted by the Project. The evaluation provided detailed information on flora and fauna including mammals, birds and reptiles and amphibians. Major components of the studies included aquatic ecology, biodiversity, and protected areas.

The impact of the Project on wetland resources is an important issue related to biodiversity and wildlife management. No protected areas were found to be impacted by the Project activities.

14.7.6 Water Resources Management

The water management plan (WMP) developed for the Project reflects the strategy for management of all surface water and groundwater within the Project area to achieve the following objectives: (1) adequately and safely convey all surface water runoff through the Project site; (2) segregate and separate the different kinds of water that should not be mixed within the Project area (e.g., freshwater, non-contact water, stormwater (contact water) runoff, including mainly sediment laden, contact waters, and process water); and (3) provide temporary storage of all waters from the project site to allow controlled release to the environment (for instance, sedimentation ponds, conveyance to discharge and/or recycling facilities, and project water supply (process water, non-process water, etc.).

The Water Management Plan establishes specific objectives and criteria to manage the water in the Project area according to the climatic conditions, types of waste water generated, commitments of minimum riparian flow, and other water users in the basin, while minimizing the impacts to water quality and quantity. The Plan also describes the logic and the rationale to operate each of the mine components (e.g., pit, WRSFs, process plant, TSF) throughout the life of the mine; and locate, size and select the proper engineering design criteria for all surface water and groundwater management infrastructure (e.g., ponds, diversion channels, collection channels, under drains, sumps, treatment facilities, pumps, culverts, etc.).

As described above, most of the water management strategies are part of the project engineering design to minimize impacts on the quality and quantity of off-site water resources. Below is a description of the main water management strategies for the Waste Rock Storage Facilities (WRSF's) and the Tailings Storage Facility (TSF).

Ferrabamba, Chalobamba and Sulfobamba Waste Rock Storage Facilities

Runoff from the waste dumps will be collected in diversion channels built around the individual waste dumps. The channel construction will be staged given that the construction of the waste dumps is bottom up.

No ARD issues are anticipated with waste rock from the Ferrobamba deposit, with possible exception of the Biotitic Monzonite rock type. Staged interception ditches will be constructed to intercept non-contact water up-gradient of the waste rock facility. The intercepted water will be conveyed to the non-contact water diversion channel around the open pit and discharged into the Ferrobamba River. A contact water collection sump will be constructed at the base of the waste rock facility and the low grade ore stockpiles. During operation this sump will collect contact water from the face of the tailings dam, low grade and waste rock stockpiles, as well as discharge from the open pit dewatering system. The water collected in the pit will be pumped to the contact water sump and used in the processing operation.

The Ferrobamba WRSF will be placed in an adjacent drainage that appears to have a perennial stream associated with the existence of springs. In addition, the by-pass water collected and transported around the TSF will also be discharged into the drainage. The proper management of this water is critical to prevent stability issues with regard to the WRSF and may also contribute to water quality issues. The Company did not propose a strategy or plan to deal with this potential issue. However, the construction of a "French Drain" under the facility to convey water to a discharge point downstream of the WRSF would mitigate the stability and water issues.

The Ferrabamba and Chalobamba waste rock materials are characterized with no anticipated ARD issues. All indications are that the water quality will be appropriate for discharge to the environment but possible issues with copper, iron, zinc and molybdenum will require further investigation.

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The waste rock material from the Sulfobamba deposit is potentially acid generating ("PAG"). Bechtel indicated in their feasibility study that the management of this material will involve segregation of the PAG rock and the independent deposition and temporary placement of the rock in a location naturally draining to the open pit. At closure, the PAG waste rock would be deposited subaqueous.

Sediment control facilities will be built at the toe of each of the waste rock facilities to collect runoff water from the non-PAG rock. This water would be discharged to the environment, assuming suitable water quality for discharge to the environment.

Tailings Storage Facility

Tailings will initially be deposited as a conventional slurry and then thickened in the later years of deposition, therefore minimizing the water collected inside the tailings facility. Water collected will be pumped to the concentrator plant for use in the processing activities.

During operation, non-contact water upstream of the tailings facility, the waste rock facility and the open pit will be conveyed around the south side of the open pit and discharged into the Ferrobamba River. All the non-contact water upstream of the tailings facility will be diverted around it and into the valley where the waste rock will be stored (as discussed in the previous section). The dam will be raised in advance of the tailings deposition at a rate sufficient to ensure no discharge of contact water from the tailings facility to the environment during operation.

Runoff from the tailings dam is considered contact water because the dam will be constructed from waste rock material. An under drain will be constructed in the base of the old river bed with the primary objective of limiting lateral seepage through the side of the impoundment. The under drain will discharge through the toe of the tailings dam which, during operation, will be collected along with other contact water and pumped back up to the tailings management area. Immediately downstream of the contact water collection pond, wells will be installed to monitor ground water quality and to perform extraction using submersible pumps, if necessary to protect water quality of the aquifer.

Infrastructure including Processing Plant and the Truck Shop

Stormwater facilities associated with the Concentrator Plant and Truck Shop will be provided to collect runoff. Because the concentrator plant will ultimately be located in a depression once the tailings facility is constructed, the stormwater pond will be drained using a pumped discharge. After decommissioning the depression will be allowed to fill and will eventually overflow to the environment.

The Chuspiri fresh water reservoir is the principle source of fresh water supply for the process. It was designed to store water pumped from the Challhuahuacho River intake. The dam will be removed at closure and the dam material will be used as closure cover material in the tailings facility.

Ideally the plant area will be graded to allow gravity drainage at the construction stage. A protected outlet along the toe of the tailings facility will be required at the closure stage regardless, to prevent erosion of the toe of the TSF.

Erosion and Sedimentation Control Management

Erosion and sediment management will involve the use of a number of management practices that will target each of the erosion process stages. Upstream and non-contact diversion systems will help to keep clean water from running onto disturbed areas, thus reducing volumes for handling and the erosive power of the water that would otherwise need to be handled. This will minimize the volumes potentially requiring sediment control and/or treatment as well as the overall footprint of areas required for treatment facilities.

A number of examples of effective management practices for surface erosion protection and sediment control for consideration at the mine site include: (1) maximize the diversion of non-contact waters around areas of potential disturbance; (2) prohibit the operation of construction equipment close to watercourses where there is a risk of bank sloughing, failure of the vehicle crossing or flooding the work area; (3) selection of construction season, timing and method to minimize sediment generation at stream crossing locations; (4) election of water/withdraw and discharge locations and rates to minimize changes in water levels and sediment concentrations associated with pipeline hydrostatic testing and other miscellaneous construction uses; (5)

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further assessment of proposed crossings just prior to construction to determine the need for minor adjustments in the pipeline route to avoid or minimize impacts to sensitive areas; (6) establish buffer zones around disturbed areas for natural filtering of surface runoff waters en route to watercourses; (7) intercept sources of potential sediment-laden waters as close to source of erosion as possible and use runoff control and conveyance measures to move these waters to a receiving water-body; (8) establish self-sustaining vegetation in erosion-prone areas once disturbed but no longer required for use; (9) use appropriate sediment traps and barriers such as silt fences to minimize sheet erosion and velocity of sheet flow in areas prone to erosion; (10) use rock check dams or riprap to reduce water velocity and scour potential and to provide for temporary sediment retention; (11) use sediment catchment basins along the base of the disturbed features during the construction, operations and the beginning of the closure phase to reduce siltation in downstream basins; (12) use ditch armoring along ditches depending on factors such as area steepness, erodability of soil materials and presence of any immediate downstream watercourses; (13) promote progressive reclamation with revegetation and slopes contouring to help maintain long term stability where practical; and (14) undertake sensitive operations during periods of dry weather to minimize traffic through these areas and select equipment that will create the least disturbance.

14.7.7 Waste Rock Management

Waste rock generated during the mining of the three (3) pits will be stored in WRSF's located adjacent to each pit. The facilities will be constructed without seepage collection structures. Waste rock from the Ferrobamba and Chalobamba pits is not expected to generate acid conditions. However, leachable metals such as copper, iron and zinc could exist in concentrations that may exceed regulatory and/or baseline requirements. It should be noted that elements such as copper, iron and zinc exceed regulatory limits in the baseline condition, which indicates that baseline conditions can be considered the regulatory limit.

Waste rock from the Sulfofamba Pit will likely form acid conditions with leachable elements exceeding the baseline concentrations. Appropriate mitigation measures will be required to protect the water resources in the area. Bechtel indicated in their feasibility study that the management of the acid rock drainage (ARD) from the Sulfofamba Pit will involve the segregation of the PAG rock, independent deposition and temporary placement of the PAG material in a location naturally draining to the open pit. At closure, the PAG rock will be deposited subaqueous in the adjacent mine pit. This mitigation plan will likely prevent substantial environmental impact.

14.7.8 Tailings Management

Tailings generated in the ore processing facility will be placed in the TSF via pipeline. The TSF will be a zero discharge facility during the operations phase of the project as the dam will be constructed using concrete and PVC material to prevent seepage. In addition, the embankment will be placed on bedrock and the underlying bedrock will be grouted, which will significantly reduce seepage from the facility into the adjacent surface water. Immediately downstream of the contact water collection pond, monitoring wells will be installed to monitor ground water quality and to extract contaminated water using submersible pumps, if necessary.

The expected chemical characteristics of the tailings generated from ore mined from the Ferrobamba and Chalobamba mine pits should not cause environmental problems either with seepage or surface discharge. This material should not generate acid but could generate leachable elements such as copper, iron and zinc, which could become toxic to the environment.

However, tailings generated from ore processed from the Sulfofamba could become an environmental issue as about 25% of the ore and waste rock will likely generate acid and/or release substantial amounts of potentially toxic elements into adjacent water resources. Bechtel suggested that the Sulfofamba pit should be mined prior to the Chalobamba reserve, which would result in the placement of better quality tailings at the surface covering the poor quality Sulfofamba tailings. This proposed modification would substantially enhance successful closure of the TSF.

14.7.9 Waste Management

The Solid Waste Management Program for the Project will be performed based on the following criteria or basic concepts: (1) hazardous wastes generated within the site, either domestic or industrial, will be handled by Contractor Companies authorized by the Environmental Health General Direction of the Health Ministry (DIGESA) and will be disposed in authorized disposal areas. The only exception to this rule will be the used oils generated in the mining equipment shop, part of which can be used in the blasting processes; (2) Non-hazardous wastes generated both during construction and operation phases, will be disposed in special

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installations (sanitary landfill), located within the Project boundaries; (3) Industrial and construction non-hazardous wastes will be temporarily stored within the Project area at a storage location until their final destination is determined. Such wastes will be used on site or recycled at off-site locations; and (4) Much of the kitchen wastes are composted and used to enhance growth of the trees and brush to be used in the tree establishment program.

Management and handling procedures for solid waste will be the same during the construction and operations phases of the Project using the same facilities (segregation at origin, temporary storage yards, and sanitary landfills). The size of the installations will vary according to waste generation rate during the Projects' life.

The primary concern with waste management at the Project is the development and implementation of a strategy to handle used tires. At the present, the Peruvian Government does not allow the disposal of used tires anywhere in the country. Over the life of the operation, the Project will generate hundreds of very large used tires (300 tonne trucks) without any apparent mechanism for disposal or recycling. Other operations in South America have experienced the same problem. Final resolution to this waste disposal problem will likely be costly..

14.7.10 Water Acquisition/Availability

Water acquisition for the construction activities was approved with two (2) temporary withdrawal points from adjacent rivers. The water to be used for the operations phase of the Project will be withdrawn from the intake facility constructed in the Challhuahuacho River and stored in the fresh water storage reservoir created behind the Chuspiri Dam. The intake facility and the dam will be linked by a 23 km, 32-inch diameter pipeline. Approvals have been acquired for the intake facility and the dam. However, acquisition of the ROW or landownership for the pipeline has not been completed. Groundwater will be used as a backup source.

The impact of water acquisition to water resources in the area is expected to be minimal as water will be recycled, where possible. Water collected from the TSF will be recycled to the processing system while sewage treatment solution will be used for dust control on the roads. In addition, water extracted from the pit dewatering system and the water collected in the mine pits will also be used likely for processing. Storm water collected in the sedimentation impoundments will be used for operations activities.

Approval of the water right or the right to extract water from the Challhuahuacho River consists of several steps. First, the water intake facility and the ore processing plant must be constructed and commissioned. In addition, the tailings facility must be completed with the no discharge consideration incorporated into the design. In other words, seepage that will likely report to the surface water regime must be prevented. The Company plans to build the TSF on bedrock and grout the bedrock, which should provide the necessary seepage control. Once these facilities are constructed and commissioned, the water license will be granted.

14.8 Environmental Monitoring Program

The objective of the environmental monitoring program is to verify the accuracy of predicted environmental impacts identified in the ESIA and to determine the effectiveness of mitigate measures incorporated into the environmental management plan. The Program will allow the Company to comply with applicable regulatory requirements and internal policies.

Detailed monitoring plans have been developed for many aspects of the Project. The plans outline the rationale for monitoring, the parameters to be monitored, monitoring program details and follow-up actions to be taken as appropriate.

The Company is committed to monitoring all aspects of the environment. Unforeseen issues identified by the monitoring program will be mitigated using appropriate technology.

14.9 Social and Community Management Program

The Project has the potential to greatly influence the communities impacted by the Project. Doubts and fears of the local population with regard to the impacts of the Project on their livelihoods, make it necessary to create consultation proceedings and channels to provide assurance that the concerns of the community are considered and taken into account in the execution of the Project. The resettlement issue has the potential of changing lives and creating unmanageable community relations. Detailed discussions of the social

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management activities are described in the following paragraphs. It should be noted that the social and community team has accomplished a significant amount of work and has established good relationships with the impacted communities. It will be critical for the Social and Community Management Program to experience continued success for the Project to be successful.

14.9.1 Resettlement

At the time of the site visit, the construction of the resettlement community was in the final stages of completion. In fact, the people to be moved were planning to visit their new homes on May 12, 2014, a day after the completion of the RPM site visit. Resettlement is expected to commence in mid 2014

The resettlement facilities include housing for each family moved from the impacted area. Families living in the Project area at the time of the agreement approval will receive a house that has 8 bedrooms and 3 bathrooms and the families that had previously lived in the impacted community, but did not live on site at the time of the agreement, will receive a home with 4 bedrooms. The homes are equipped with running water and sewage collection and treatment. Each home is surrounded by a concrete fence and includes about 500 m² of land and a small greenhouse. Community facilities include the following: (1) schools including day care (1 to 4 years old), pre-school, kindergarten, primary and secondary facilities. The schools are equipped with libraries, a computer lab (35 computers), chemistry and physics labs, sports facilities and equipment, and other facilities required to support state of the art schools; (2) hospital/medical clinic; (3) sewage treatment facility; (4) landfill for domestic waste; (5) community center including a town square; (6) industrial center including a slaughter house capable of handling 120 animals per day; (7) market where people can sell their goods; (8) horse racing track; (9) bull ring; (10) sports arena for soccer and track and field competitions; (11) 3 churches; (12) recreational areas located at various sites to support children and adult activities; (13) Home for the Elderly; and (14) about 4500 ha of communal land, which will support agricultural activities of all the households.

14.9.2 Potential Issues with Resettlement

The constructed housing and other facilities are very well prepared. However, RPM contends that the housing portion of the accommodations does not meet the life style of the people, which may lead to issues as the families adjust to the new way-of-life. rePlan, which is the current resettlement consultant working in the Project area, indicated that many of the women are anxious to move into their new homes but are very apprehensive about how to live in the homes. The women are concerned about the three (3) flights of stairs and how to use the kitchen and bathrooms. Replan has identified this potentially serious issue and has developed a program to closely work with the people to help the adjustment to the new life style. The success of this program will dictate the success of the resettlement.

14.9.3 Programs Initiated to Support Successful Resettlement (ESIA Commitments)

Local Employment

An employment agency (Manpower, Inc.) has been engaged to provide manpower requirements for various aspects of the Project. rePlan is working with the agency to assure that employment opportunities are afforded to the communities as the first alternative. Positions will be filled with locals unless people are not available or do not have the skills required for the position.

Training programs are under development to fulfill the needs of the Project as construction progresses to production. It is anticipated that labor positions and most of the management positions for the Operations stage of the Project will be filled by Peruvians. Much of the labor force will have the skills required gained from experience in other mines located in the area, while a significant number of unskilled locals will be trained to fulfill important needs. The unskilled work force will likely originate from the local communities.

Local Procurement - Promote Development to Support Long-Term Needs of the Project including Wood, Rock, Steel, etc.

An effort is being spearheaded by the Company and the social consultant (rePlan) to promote the development of business in the vicinity of the Project to support the needs as the operations phase progresses. The ready availability of supplies such as wood products, rock, steel and other important components supporting operations will greatly benefit the Project and at the same time, enhance the development of sustainable business in the nearby communities. It is anticipated that the Project may extend for several decades beyond the current projected time-frame. Therefore, it is anticipated that the development of a supply chain within the impacted communities will enhance the local economy and provide good community relations.

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Identify and Promote Development of Business Ventures Outside the Scope of the Project

An important component of the strategy being developed by rePlan is to promote the development of business in the local communities as part of the closure strategy. Project closure will result in lost jobs directly related to the Project. In addition, businesses supporting the various aspects of the project will also experience significant decreases in revenues. Therefore, it is important that the impacted communities develop business opportunities outside of the Project influence. These businesses would support other industries and provide components for various niche markets. It will be important for the Company to support this component of the closure plan so that Project closure becomes a mute-point and that long-term viable businesses exist that support the local economy into the future.

Promote the Development of Infrastructure in the Region that Will Support the Needs of the Project

A key component of Project success is to have the ability to acquire supplies and services at reasonable rates within the region. rePlan is developing a strategy or marketing effort to promote the development of business in the Region to provide Project necessities. Such development of industry would likely support projects either existing or that will become viable in the future. Results of this effort are expected to provide jobs throughout the region and generally enhance social economic conditions in the region.

Fondo Social Las Bambas (FOSBAM)

Fondo Social Las Bambas (FOSBAM) is a social/community development fund used to supply grants or funds to local communities to support worthwhile projects. A total of US\$ 64.5 million has been donated by the Company to FOSBAM, as agreed. As noted in RPM's previous report, participation, administration and allocation of these funds are regulated through Legislative Decree No. 996, which established formulas for how fund resources are to be distributed among local and regional municipalities. The Company reported that 20 district municipalities are involved, 4 of which are considered to be located in the area of direct project influence. The Executive Committee of FOSBAM, which has the major influence on the distribution of funds, includes five municipality mayors and two members from The Company. All resources go to public actions based in part on community desires and on stipulations within the Legislative Decree. The Company reports that FOSBAM has generally been successful, as it has generated support for the Project; however, there have been some incidences of fund mismanagement and corruption.

Stakeholder Engagement and Awareness

It is a necessity to engage with all stakeholders to make the Project a success. Stakeholder interaction describing potential environmental and social impacts and proposed mitigations and acquiring their input will help solve potential issues before they become problems that may not be solvable. Communities must be aware of activities impacting their surroundings. Only then will developments such as the Project become successful.

Engagement Activities

As noted in the initial site visit conducted in 2013, the company appears to have an excellent relationship with the local communities. However, social issues resulting in unrest are always a concern for developing projects in Peru potentially causing delays and added costs. As noted during the first site visit, there had been a number of challenges, including isolated strikes/protests, isolated temporary shutdowns, and isolated issues with obtaining right-of-way (ROW) for the HHR, railroad and pipeline transport options. However, these issues appear not to be associated with the nearby communities of Fuerabamba and Challhuahuacho, which have not supported the recent strikers and protest activities.

In addition, mine construction activities have continued to be impeded by the existing Fuerabamba community until Nueva Fuerabamba is constructed and the residents are resettled. As noted previously, the construction of Nueva Fuerabamba is very near complete.

Environmental Monitoring with Community Representatives

The Company has initiated a water quality sampling program that includes community representatives in field sample collection. The community representatives are trained to take samples at the field sites and are included in data review discussions once the laboratory data are received. This program has proven to be

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successful as participants become engaged in the process and can see how the current activities have impacted the environment. It appears that this activity is promoting a trust between the community and the Company. This activity will likely continue throughout the life of the Project.

Forest Establishment

The Project has initiated a program of planting 100,000 trees on an annual basis projected to continue for 7 years. The Project has established two (2) greenhouse facilities in nearby communities with plans for another next year. Each facility is manned by community workers. It appears that much of the tree planting is accomplished by community people on a voluntary basis. This program appears to promote interaction between the Project and the communities and seems to be a success.

14.9.4 Social Aspects associated with the Transport of Concentrate from the Facility to the Port

Three alternatives are being evaluated for the transport of concentrate from the processing facility to the Port Facility located at Matarani, including the use of trucks, railroad and pipeline. The status of right-of-way (ROW) acquisition and related social interactions are described in the following sections.

Truck Transport on the Heavy Haul Road (HHR)

The concentrate generated at the Project's processing plant is planned to be shipped to the Matarani Port Facility via the HHR, however other options are being considered to minimise the use and costs of the HHR. A portion of the road will require upgrading to handle the size and number of trucks that will be used for transport. Where needed, ROW agreements have been acquired for the initial years of production and interactions with all the communities impacted by the transport have been ongoing. Agreements discussion for the ongoing use of the HHR over the LOM between the Company and each community are ongoing. Detailed traffic modeling was used to determine critical traffic areas and appropriate mitigation measures will be implemented to assure safe travel and reduced impact to current traffic patterns. Truck transport will be used during the initial stages of the project until the railroad or pipeline transport methods has been planned and implemented.

Railroad Transport

The use of a railroad to transport concentrate from the processing plant to the port or at least a portion of the distance has been evaluated. The status of the plan is not known at this time but the Company has an agreement with the locomotive distributor to acquire 15 locomotives to support the railroad transport concept if desired.

Pipeline Transport

Another viable alternative for transporting concentrate to the Matarani Port Facility is a pipeline. Discussions with the communities and individuals along the route have been successful with only a few issues, however no formal agreements are currently in place. With further discussion RPM understands the necessary ROW's could be in-place and the agreements and authorizations required for construction should not be problematic.

14.9.5 Transmission Line

The Project is currently using diesel generators to supply power during the construction period. Operations will be supported using electricity provided from the grid via a power line. Electrical power will be supplied to the Project from the existing SEIN substation at Cotaruse along a new 130 km long, 220 kV transmission line. The route of the new transmission line is Cotaruse-Antabamba-Virindo- Las Bambas and according to Peruvian requirements, an EIS is required for this facility. The transmission line will be owned by Abenogoa Power, which is responsible for obtaining permits and right of- ways (ROW). Both the archaeological and EIS certificates have been acquired for the route. rePlan is currently providing support to acquire the remaining ROW needed to allow construction of the facility.

14.9.6 Matarani Port Facility

The Matarani Port Facility was not visited during the site review. The Port EIS approval was anticipated for the 3rd Quarter of 2013; construction authorization was estimated for January 2014 with the authorization to operate in March of 2015. The Port Facility is responsible for obtaining the EIS approval and will have ownership of the facility. The status of the acquisition of the EIS and other appropriate permits is not known.

14.9.7 Social Activities Monitoring Program

A detailed monitoring program has been developed to document the status of all social activities related to the Project except the transmission line and the Port Facility. The program is setup using a similar format employed for the environmental monitoring program. Grievance documentation describing the mitigation actions is included in the actions. The monitoring program appears adequate for the the Project's social activities.

14.9.8 Social Management Team Capacity

The Social Management activities are divided into three (3) areas: (1) Resettlement; (2) Direct Impact Area near the Project Site; and (3) Regional Area including the Pipeline and the Transmission Line Impacts. A Manager position is responsible for the areas of interest with a Superintendent in charge of each area. The Manager was not available during the site visit. However, a meeting was held with the Superintendents. RPM's discussions with the management and the review of activities documented in the information reviewed provide a good indication that the management team capacity is good. The interactions with communities and the work conducted acquiring ROW's for the various construction activities has been commendable. However, the management team does not appear to have significant experience with resettlement outside of the activities ongoing at the Project. Several contractors have been employed to support this effort. rePlan is currently on site to support the resettlement effort and initiate programs that should improve the potential for successful resettlement. These activities will likely be required for an extended period.

14.9.9 Potential Issues and Risks

As noted in the previous paragraph, the effort will be substantial to assure successful resettlement. The primary concern is that the housing facilities near completion are significantly different from the current living conditions. Communities are not acquainted with indoor sewage facilities, flights of stairs and other accommodations. rePlan is currently developing a program that will provide guidance supporting household and community-level livelihoods restoration planning. It is RPM's expectation that significant support will be required to successfully restore livelihoods in the Nueve Fuerabamba community.

The community residing in the Sulfobamba reserve area relies on illegal mining as a major source of income. This fact will likely become a major issue as the Company moves toward the development of the reserve. At this time, the social team has very limited interactions with the local community. No negotiations have been initiated and therefore, the potential for developing these reserves cannot be evaluated from the social standpoint.

14.10 Occupational Health and Safety Management

During this construction phase, the Company and Bechtel combined their individual environmental, health and safety ("EHS") policies/procedures to have a coordinated approach for the Project. It is noted that Project construction has continued to have a very good safety record. At the time of RPM's site visit during September 2013, there had been over 35 million work hours without a lost time accident (LTA). As of the end of June 2013, there were 41 million hours worked without an LTA. The Company has maintained the OHSAS 18001 certification, which demonstrates good management of health and safety issues.

The Company has a health and safety staff of 14, and Bechtel has 7 safety people in the field at any one time and 5 in the office. In addition, Bechtel has designated 12 health and safety people to the Nueva Fuerabamba town site construction. As noted under Environmental, the Company and Bechtel developed joint EHS policies/procedures for the Project in order to be coordinated with the subcontractors. The Company/Bechtel conducts random alcohol and drug testing and has a zero tolerance policy.

During the site visit, RPM talked to number of people and determined that safety was considered a primary consideration in all Project activities. RPM was informed that safety issues were not a problem. However, we have been informed of two fatalities occurring on site during the past few months. It will be very important to carefully review Occupational Health and Safety Management in the near future to make sure appropriate programs are initiated to make sure lessons are learned and that mitigation measures are implemented to help prevent future safety issues.

14.11 Archaeological Cultural Resources

During 2007, Xstrata (previous owner of the Project) notified the Cultural National Institute an Archaeological Evaluation Plan that including excavations in order to evaluate 31 potentially important sites. The evaluation determined that out of 31 spots, 16 were archaeological, while 15 were determined to be modern or non-archaeologically important sites. However, the evaluation resulted in the discovery of 18 archaeological sites. Therefore, a total of 34 sites were found within the concession area and neighboring areas potentially impacted (direct or indirect) by the Project.

The archaeological sites were identified on maps, registration forms were completed, and the descriptive studies were submitted to the Cultural National Institute. Each site was fenced to prevent impact from project activities. Of the 34 spots defined as archaeological, 28 will be affected by the Project during the mine extraction process. As a result, the Company requested the Cultural National Institute to authorize a third stage implementing an Archaeological Rescue Action. The aim of this Project is to recover in a scientific and methodological manner all cultural information of each of the spots using archaeological excavations.

As of the date of this site visit, the Project has obtained archaeological authorizations (CIRA) for the following components of the Project: (1) the Project sites without archaeological content; (2) the Project sites with archaeological content – 28 sites; (3) Nueva Fuerabamba resettlement site; (4) Ring Road Fuerabamba; (5) By pass road at Yavi Yavi; (6) Capaccmarca – Challhuahuacho; (7) Velille – Capaccmarca; (8) Ring road Coporaque; and (9) Pipeline ROW.

The Company is currently seeking CIRA certifications for 86 ancillary areas associated with the heavy haul road, NFB and the LB.

14.12 Closure and Reclamation Plans

Closure plans are required for the environmental and social components of the Project. Site closure should be designed so that future public health and safety are not compromised and the future use of the site is beneficial and sustainable to the affected communities for the long term. Adverse socio-economic impacts should be minimized and benefits should be maximized. Closure plans for the environmental and social aspects of the Project are discussed below.

14.12.1 Environmental Closure Plans

The Company submitted a Mine Closure Plan to the regulatory authorities, which was approved on June 24, 2013. The associated closure cost estimate was for approximately US\$ 285.65 million. The Company also reported that in accordance to the Peruvian mine closure laws, it must maintain a bond of approximately US\$ 11 million as an annual guarantee. This annual amount is based on a legislated formula involving, in the Companies' case, the grand total for closure minus the cost for progressive closure, divided by the 18 years of mine life.

To address decoupling changes to the Project, the Company will need to submit a revised Mine Closure Plan and cost estimate modification for approval by the mining authorities. The following discussion provides an indication of potential closure issues that will require appropriate mitigation measures for successful closure.

14.12.2 Tailings Storage Facility (TSF)

The TSF facility will be capped using four (4) feet of topdressing material. The perimeter channels will be breached and the tailings surface will be graded to drain towards the existing operational channel down the abutment incorporating a defined low permeability channel to convey upstream drainage. Vegetation will be established to promote evapotranspiration and decrease the amount of infiltration into the facility.

On the basis of the available test results, the Company has assumed that runoff from the covered tailings facility will be suitable for discharge to the environment. Seepage from the TSF is expected to be minimal. However, the quality of the seepage could be characterized with elevated levels of copper, iron, zinc and molybdenum. The monitoring results will provide a good indication if mitigation actions required to protect the water resources in the area. However, it is anticipated that a mitigation plan should be developed to address this potential issue.

14.12.3 Waste Rock Storage Facilities (WRSF)

The Ferrobamba and Chalobamba WRSF's are expected to contain small quantities of acid forming materials and have very limited capacity to form leachable elements that would impact the environment. Much of the water from the facilities (runoff and infiltration) will be collected in diversion channels around the individual structures. Sediment control structures will be built downstream to control sediment discharge to the environment. Water will be discharged if applicable compliance limits are met. If water quality becomes an issue during the post-closure period, appropriate mitigation actions will be developed to assure maintenance of the water quality.

Water generated from the Sulfobamba WRSF will be managed similarly to the Ferrobamba and Chalobamba facilities. However, the Sulfobamba facility is expected to contain about 25% PAG rock. During operations, the PAG rock will be placed near the mine pit so that seepage and runoff are controlled by the pit and not allowed to migrate into the environment. At closure, the PAG rock will be deposited subaqueous in the adjacent mine pit. This disposal environment will greatly reduce any water quality issues with regard to acid formation. Thus, environmental impact associated with the Sulfobamba WRSF should be minimal during the post-closure period. If issues do occur, appropriate mitigation actions are available to alleviate major environmental impact.

14.12.4 Pit Lake Development

Depending on the estimated pit lake water quality for the Ferrobamba Pit, the following options for water management are considered at post-closure: (1) release to the environment; (2) establish a passive treatment system (possibly through a designed limestone filter or a wetland type configuration); and (3) active treatment (through a water treatment plant that may be required in perpetuity). The seepage quality and quantity at post-closure will be monitored to evaluate the need of placing contingency measures.

The Chalobamba pit will also be flooded at closure. It is anticipated that two pit lakes will exist during post-closure: the south and the north pit lakes. The south pit lake will drain into the Ferrobamba watershed through a hole to be punched through the existing rock ridge. As a result, the post-closure flows in the Ferrobamba watershed will increase and any discharge towards the Chalobamba waste rock facilities will be avoided. The north pit lake will drain to a channel diverting water above the west waste dump along a contour channel over the ridge to Quebrada Contahuirhuayjo. The seepage quality and quantity at post-closure will be monitored to evaluate the need of placing contingency measures.

A lake will likely form in the Sulfobamba pit during the post-closure period. The significant quantity of PAG present in the waste rock provides an indication that water quality issues can be expected during the post-closure period. Depending on the pit lake water quality, the following options for water management will be considered at post-closure: (1) release to the environment; (2) passive treatment (possibly through a wetland type configuration); and (3) active treatment (through a water treatment plant that may be required in perpetuity). The seepage quality and quantity at post-closure will be monitored to evaluate the need of placing contingency measures.

14.12.5 Erosion and Sedimentation Control

Erosion and sedimentation will likely be an issue through the post-closure period primarily because of the steep slopes used in the construction of the Project. It will be important during closure to decrease cut and fill slopes, where possible, to reduce potential erosion issues during the post-closure period.

The erosion and sedimentation control program described in **Section 1.8.7** should be continued through the post-closure period.

14.12.6 Social Closure Plans

The closure plan for the social aspects of the Project was not found in a detailed document. However, the Company's social and community department and their contractor rePlan are developing strategies to deal with Project closure.

As noted in various sections of this Report, an important component of the strategy being developed by rePlan is to promote the development of business in the local communities as part of the closure strategy. Project closure will result in lost jobs directly related to the Project. In addition, businesses supporting the various aspects of the project will also experience significant decreases in revenues. Therefore, it is important that the

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impacted communities develop business opportunities outside of the Project influence. These businesses would support other industries and provide components for various niche markets. It will be important for the Company to support this component of the closure plan so that Project closure becomes a mute-point and that long-term viable businesses exist that support the local economy without the Project into the future.

14.13 Summary of the Potential Environmental and Social Issues

Potential issues related to the construction, operation, closure and post-closure phases of the Project are summarized by environmental components below. As with any mining project, the central issues are related to potential effects on water quantity and quality. In addition, social effects are a prime consideration for projects that require resettlement especially in Peru. It appears that most of the potential issues will be addressed with appropriate mitigation actions.

Potential Environmental Issues

- Decrease in surface water quality in the Ferrobamba and eventually in Pamputa rivers due to sedimentation, primarily during the construction phase of the Project.
- Decrease in surface water quality in the Chalhuhhuacho River due to sedimentation, primarily from the construction of the water reservoir and water supply (intake structure) for the Project.
- Decrease in surface water quality due to discharge of contact water from the waste dumps and low grade ore sedimentation ponds, and of excess water pumped from the open pits that cannot be recycled back into the process.
- Loss of wetland habitat due to construction and operations activities.
- Decrease in ground and surface water quality due to seepage of contact water from waste rock storage facilities.
- Decrease in surface water quality due to the accidental release of hazardous materials in the concentrator plant and mine area and accidental spills associated with concentrate shipment.
- Alteration of the groundwater and baseflow regime during construction, operation, closure and post-closure of the Project, primarily through pit excavation and dewatering, and post-closure pit filling
- Loss and alteration in vegetation/habitat types during construction phase land clearing.
- Changes in flora species associated with riparian and wetlands habitats potentially affected by the flow reductions and changes in water quality.
- Physical loss and damage to aquatic habitats primarily during the construction phase (including pipeline and river road crossings).
- Defects on the aquatic fauna and microorganisms living out of the riparian and wetland habitats potentially affected by the flow reductions and changes in water quality.

Social and Community Issues

- Effects of the land acquisition and resettlement on livelihoods of people with economic dependence on the land in the Ferrobamba River, Pamputa River and/or Chalhuhhuacho River watersheds.
- Project effects on the livelihoods, health and/or quality of life of people living in close proximity to the mine site and along the access road due to air quality, noise, water quantity and quality, biological resources and traffic.
- Potential obstacles from Project footprint to movement of people and livestock from their homes to livelihood resources, markets, social networks, social services, or other facilities.

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- Socio-economic effects at mine closure with the primary issues associated with lost jobs and lost business.
- Accidental damage or destruction of archaeological or cultural resources during construction and operation of the different project facilities.

15 Mine Risks and Opportunity Assessment

15.1 Opportunity

RPM considers that there are several opportunities within the Project. These include:

- **Inferred material:** Within the current final pit designs a total of 125 Mt of "inferred" material has been reported, this is particularly prevalent in the upper western zone of the Ferrobamba deposit. This material has been included in the Ore Reserves estimate as waste. As such, if successfully upgraded, this material presents a significant opportunity to further increase the Ore Reserves quantities and the Mine Life and decrease the strip ratio.
- **Regional Exploration Targets:** Although significant exploration has taken place within the Project, RPM notes that a number of high priority targets have been identified via drilling which could further increase the resource base. These targets are near surface and although at an early stage of exploration, warrant additional work in the near term. In addition, RPM notes that of the large concession holding of the Company, only approximately 35 % has been explored near surface.
- **Sulfobamba Feeder System:** Recent exploration works by the Company have identified potential extensions along strike and adjacent to the pit design which contains the currently defined Mineral Resource. Drilling to date has identified a number of mineralised areas, which require follow up drilling to define the extent of mineralisation. RPM considers this to be a priority target and shows excellent potential to define near planned mining infrastructure resource which can form a future mine planning and optimisation studies.
- **Tails Dam Storage Capacity:** RPM's Ore Reserve estimate is restricted by the currently approved capacity of the tailings storage facility. RPM's review of the optimised mine plans identified potential opportunities to increase the overall pit limits and hence ore schedule. This would require further studies in the feasibility of expanding the current approved tails storage facility which have yet to be completed or approved. Should the tails dam expansion be feasible than it is possible that the mine life could be expanded by up to 5 years with the additional ROM Ore sourced from the Inferred material within the existing pit limits and the identified potential expansion to the existing pit limits.
- **Cut-off Grade:** A review of the in pit quantities at varying cut off grades indicates the Project is reasonably sensitive to cut off grade with material increases in ROM quantities occurring with decreasing cut-off grade. RPM notes that several limiting factors have been incorporated into the estimation of the cut off grade, including the tailings storage facility capacity limitation. RPM recommends that a trade off study be completed as the economic benefits of optimising cut off grades as this has the potential to increase the project profitability.
- **Plant Provisions:** Provision has been made in the ore-processing plant to add two additional ball mills if warranted. Adding these mills would increase plant capacity considerably, probably of the order of 30% and could add considerable economic benefit to the Project. Such an increase would require that the mining fleet be expanded to provide additional ore and the tailing dam expansion approved.
- **Concentrate Pipeline:** Installing a concentrate pipeline from the Project to the port of Matarani appears practical and to have minimal concerns with easements. Having a concentrate pipeline in place would reduce truck traffic on the road route, minimizing social and safety concerns and in the long term could be more economic. RPM does however note that a pipeline would require considerable Capital expenditure.

15.2 Risk

Mining is a relatively high risk business when compared to other industrial and commercial operations. Each mine has unique characteristics and responses during mining and processing, which can never be wholly predicted. RPM's review of the Mines indicates mine risk profiles typical of large scale mines at similar levels of resource, mine planning and development in Peru. Until further studies provide greater certainty, RPM notes that it has identified risks and opportunities with the Project as outlined in **Table 15-2**.

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RPM has attempted to classify risks associated with the Mine based on Guidance Note 7 issued by The Stock Exchange of Hong Kong Limited. Risks are ranked as **High**, **Medium** or **Low**, and are determined by assessing the perceived consequence of a risk and its likelihood of occurring using the following definitions:

Consequence of risk:

- **Major:** the factor poses an immediate danger of a failure, which if uncorrected, will have a material effect (>15% to 20%) on the Mine cash flow and performance and could potentially lead to Mine failure;
- **Moderate:** the factor, if uncorrected, could have a significant effect (10% to 15% or 20%) on the Mine cash flow and performance unless mitigated by some corrective action, and
- **Minor:** the factor, if uncorrected, will have little or no effect (<10%) on Mine cash flow and performance.

Likelihood of risk occurring within a 7 year timeframe:

- **Likely:** will probably occur;
- **Possible:** may occur, and
- **Unlikely:** unlikely to occur.

The consequence of a risk and its likelihood of occurring are then combined into an overall risk assessment as shown in **Table 15-1** to determine the overall risk rank.

Table 15-1 Risk Assessment Ranking

Likelihood	Consequence		
	Minor	Moderate	Major
Likely	Medium	High	High
Possible	Low	Medium	High
Unlikely	Low	Low	Medium

RPM notes that in most instances it is likely that through enacting controls identified through detailed review of the Mine's operation, existing documentation and additional technical studies, many of the normally encountered Mine risks may be mitigated.

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Table 15-2 Mine Risk Assessment

Risk Ranking	Risk Description and Suggested Further Review	Potential Mitigant	Area of Impact
H	Relocation of Local Residents		
	The constructed housing and other facilities are very well constructed. However, it appears that the housing portion of the accommodations does not meet the life style of the people, which may lead to issues as the families adjust to the new way-of-life.	rePlan (consultant to The Company) has identified this potentially serious issue and has developed a program to closely work with the people to help them adjust to the new life style. The success of this program will dictate the success of the resettlement.	Life of Project
M	Construction CAPEX and Timing		
	The Project construction CAPEX has increase by U\$ 200 million since the latest definitive estimate in early 2013 due to unforeseen construction delays and social issues. Material capital cost increases may still occur associated with social and unforeseen construction issues. Delays during this time of peak construction could add significant costs.	Regular review and updating of the CAPEX requirement, close management of potential social issues.	Construction Costs and timing, Production Ramp up
M	Ongoing Assistance to Relocated Residents		
	Appropriate arrangements with impacted communities will be required to promote positive relationships with the Project. The development of programs that benefit impacted communities in a positive manner will prevent social problems through the Operations and Post-Closure phases.	Impacted communities will receive preference for job opportunities. In addition, rePlan is initiating a program to promote business development in the vicinity of the Project. It is anticipated that the development of businesses to provide supply chain items for the project will enhance the local economy and provide good community relations.	Life of Project
M	Water Pipeline Easements		
	There are numerous easements along the route of this 23-km pipeline, particularly in the 10-km length closest to the intake. While these easements are considered to be in place there could be challenges and complications.	Vigorously pursue any challenges or complications that arise. Also could consider relocating the intake further upstream	Project Startup

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		of the Challhuahuacho River about 1 km south of the Clarification Pond.	
M	Power-Supply-Line Construction	Obtaining easements for the line has been problematical thus far. There could be delay in completion of the line.	Provide assistance to Abengoa (the power-line installation and operating company) where possible. Plant Construction Schedule
M	Mine Pre-Stripping	Pre-stripping has been delayed awaiting relocation of local residents near the mine and waste-dump sites. Further delay could jeopardize availability ore at the time of plant startup.	Ensure that any delay in relocation of local residents is minimized. Ore-Processing Plant Startup
M	Concentrate Transportation System	Current plan is to truck concentrates all the way from the mine to the port but the possibility of using both trucks and rail is still being considered. A decision needs to be made soon as to which option will be adopted to have the system ready in time.	If the truck only option is adopted it is unlikely that there will be any delay. A concentrate pipeline appears to be a worthwhile long-term option. Concentrate Shipping
M	Seepage Control in the TSF	Seepage Control associated with the Tailings Storage Facility is required as the TSF is a no discharge facility. Also, seepage control will likely prevent contaminants from impacting the water resources in the area.	Use construction methods to prevent seepage through the dam and grouting the underlying bedrock to enhance seepage control. Installation of monitoring wells to determine if the groundwater is impacted that can be used to collect contaminated water, if needed. Tailings Storage and Water Resource Protection
M	Sedimentation Pond Dam	This dam will be located in an area of karstic limestone with evidence of solution cavities. This could result in the possibility of leakage and ground subsidence that could impact the dam structure and its impermeabilization.	Ensure that the design includes adequate impermeabilization and drainage elements to control potential infiltration that could worsen the karstic condition. Dam Integrity

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M	Employee Training		
	The plan is to employ as many local residents as practical, most of which have little industrial experience. Training these employees is likely to be more difficult and take longer than anticipated.	A training program is already in place for mine machinery operators. Training of plant operators and maintenance personnel could be initiated well in advance of plant startup.	Time to Reach Full Production Rate
M	Chalcobamba and Sulfobamba Drainage		
	Waste rock at Chalcobamba and particularly at Sulfobamba could have potential environmental concerns. It would be prudent to initiate studies on how best to handle drainage from the mine and waste dump sooner than later.	Studies could begin at any time.	Chalcobamba and Sulfobamba Drainage
M	Key Person Management		
	RPM considers that retention of the key management personnel onsite are critical to achieving development of the Project on time and within Budget	Discussions with key persons should occur to ensure a smooth transition of ownership.	Project construction, budget and ramp up
L	Commodity Price Fluctuations		
	The revenue stream of the Project is dominated by the Copper concentrate with 10 % from the Mo concentrate and by products. As noted in the JLL valuation report the NPV sensitivity analysis suggests the Project is not highly sensitive to changing commodity rather changing costs and discount rates likely due to high CAPEX required.	Offtake agreements or long terms sales contracts.	Project Economics
L	Chalcobamba Crusher and Conveyor Installation		
	The plan is to start mining at Chalcobamba in Production Year 4. A start on engineering for the crusher and conveyor that serves this mine, including utility systems, will need to be initiated before the end of 2015.	Conceptual engineering can be started at any time.	Chalcobamba Crusher
L	Copper Recovery		
	The boundary between oxide and sulfide ore is always difficult to determine and some portion of oxide ore is likely to be encountered deep in sulfide ore. This often results in lower metal recoveries in the initial year or two of production.	Assays of both total and acid-soluble copper should be done for grade control when the mine commences operation and boundaries developed as to whether to mill, stockpile, or waste marginal ore.	Grade Control

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L Environmental Permits and Approvals

A detailed review of the permitting activities shows that the Project is progressing toward fulfillment of all requirements. The Company Legal Staff is working with the Environmental and Social groups to assure that all permits and authorizations are acquired.

The permitting process is closely tracked to assure that permits and authorizations are acquired using strategic planning to assure the least amount of problems. The current permitting plan appears to meet the Project requirements.

Approvals required to initiate mining, processing and concentrate transport activities.

L Tailings Discharge Flow Characteristics

Flow characteristics of thickened tailings will only really be known when production commences. It will be necessary to vary the pulp density to find the best value to get adequate flow with an acceptable deposition slope.

Ensure operators are aware of the importance of tailings flow characteristics and deposition slope.

Tailings Storage

A1. Annexure A – Qualifications and Experience

Tim J. Swendseid, Chartered Financial Analyst, CFA Institute, Charlottesville, Virginia, USA, 2010. MBA, Eller Graduate School of Management, University of Arizona, Tucson, Arizona, USA, 2006, B.S. Mining Engineering, Montana School of Mineral Science and Technology, Butte, Montana, USA, 1984. President, Consulting Services - Americas. Member, CFA Institute and Colorado CFA Society, Professional Engineer License: Arizona and Idaho, USA, Registered Member of Society of Mining, Metallurgy, and Exploration Organization (SME), Member, Instituto de Ingenieros de Minas de Chile

Mr. Swendseid has over 30 years of operational and engineering experience including senior leadership positions at operating properties in the USA, Chile and Mexico. He has been involved with numerous operation & construction audits, numerous investigations and implementations of internal growth projects and numerous acquisition evaluations of individual properties and of entire companies. His experience includes open pit and narrow vein underground operations. He has a solid grasp of the technical, operational and financial aspects of mining for all sizes of projects. Mr. Swendseid is fluent in Spanish.

Jeremy Clark – Manager, Hong Kong, Bsc. with Honours in Applied Geology, Grad Cert Geostatistics, MAIG, MAusimm

Jeremy has over 13 years of experience working in the mining industry. During this time he has been responsible for the planning, implementation and supervision of various exploration programs, open pit and underground production duties, detailed structural and geological mapping and logging and has a wide range of experience in resource estimation techniques. Jeremy's wide range of experience within various mining operations in Australia and recent experience working in South and North America gives him an excellent practical and theoretical basis for resource estimation of various metalliferous deposits including Iron Ore and extensive experience in reporting resource under the recommendations of the JORC and NI-43-101 reporting codes.

With relevant experience in a wide range of commodity and deposit types, Jeremy meets the requirements for Qualified Person for 43-101 reporting, and Competent Person ("CP") for JORC reporting for most metalliferous Mineral Resources. Jeremy is a member of the Australian Institute of Geoscientists.

Philippe Baudry – General Manager – China and Mongolia, Bsc. Mineral Exploration and Mining Geology, Assoc Dip Geo science, Grad Cert Geostatistics, MAIG

Philippe is a geologist with over 15 years of experience. He has worked as a consultant geologist for over 6 years first with Resource Evaluations and subsequently with Runge after they acquired the ResEval group in 2008. During this time Philippe has worked extensively in Russia assisting with the development of two large scale copper porphyry Mines from exploration to feasibility level, as well as carrying out due diligence studies on metalliferous Mines throughout Russia. His work in Australia has included resource estimates for BHPB, St Barbara Mines and many other clients both in Australia and overseas on most styles of mineralisation and metals. Philippe furthered his modelling and geostatistic skills in 2008 by completing a Post Graduate Certificate in Geostatistics at Edith Cowan University. Philippe relocated to China in 2008 and has since Mine managed numerous Due Diligences and Independent Technical Reviews for private acquisitions and IPO listings purpose mostly in China and Mongolia.

Prior to working as a consultant Philippe spent 7 years working in the Western Australian Goldfields in various positions from mine geologist in a large scale open cut gold mine through to Senior Underground Geologist. Before this time Philippe worked as a contractor on early stage gold and metal exploration mines in central and northern Australia.

With relevant experience in a wide range of commodity and deposit types, Philippe meets the requirements for Qualified Person for 43-101 reporting, and Competent Person ("CP") for JORC reporting for most metalliferous Mineral Resources. Philippe is a member of the Australian Institute of Geoscientists

Richard Addison, P.E., Principal Process Engineer. M.S. Metallurgical Engineering, Colorado School of Mines, 1968, A.C.S.M. (Honors), Camborne School of Mines, 1964. Registered Member of Mining, Metallurgy and Exploration (SME)4, Registered Engineer, Nevada, Chartered Engineer, U.K, Eur. Ing., EEC.

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Mr. Addison has over 45 years of diversified experience in the mineral processing and extractive metallurgy field. He is a well-known authority in the field of mineral processing with particular emphasis on complex ores and base and precious metals, having worked on numerous projects throughout his career. He has evaluated the processing facilities and operations of many domestic and foreign metals operations involving both oxide and complex refractory type ores. Copper experience includes the appraisal of existing and proposed facilities, production, and costs of the Ilo smelter for Southern Peru Copper Company; the Ellatzite Copper Mine Feasibility Study, Bulgaria; the Alumbreira Copper/Gold Mine Competent Persons Report, Argentina; Batu Hijau Copper Mine Completion Test, Indonesia; the Independent Engineers assignment on the Candaleria Project in Chile and the Los Pelambres Copper Mine Completion Test, Chile. Mr. Addison is fluent in Spanish.

Terry H. Brown, Ph.D., Principal Environmental Specialist. Ph.D. Soil and Environmental Chemistry, University of Idaho, 1986, M.S. Soil Chemistry/Morphology, Washington State University, 1977, B.S. Forest Management, Washington State University, 1974. Member of American Chemical Society, RCPAC Certified Professional Soil Scientist # 1742 American Society for Surface Mining and Reclamation, Soil Science Society of America (American Society of Agronomy)

Over 35 years of U.S. and International experience serving in environmental management positions with two coal mining companies, a U.S. federal coal mining/environmental regulatory agency, an international research institute and with an International environmental consulting company. Specializing in soil and water management activities including: Water Management - potential for development of acid rock drainage in mineral and coal mines, metals dissolution, tailings storage, waste rock management, water treatment, erosion and sedimentation control, and water and soil chemistry; Soil Management - soil chemistry, soil morphology/mapping, soil fertility and soil microbiology/bioremediation;. Significant experience in environmental impact analysis, development of impact mitigation measures, permitting of mine construction and operations, reclamation/mine closure planning, pit lake development, environmental monitoring, soil mapping, evaluation of compliance with environmental standards, liability determinations, and environmental cost accounting.

Esteban Acuña, Senior Geologist. Geology, Universidad De Concepcion - Concepcion, Chile. Registered Member of the Chilean Mining Commission.

Mr. Acuña has 17 years experience in geostatistics, geological modeling and 3D modeling. His experience includes sampling control, QAQC, design and control of exploration drilling activities, drilling and surface mappings, ore control, ore feeding control to plant, and mine-plant grade reconciliations. Prior to joining PAH, Mr. Acuña worked as Resource Geologist with Antofagasta Minerals S.A. and Minera el Tesoro Company. He is proficient in the use of Vulcan, Medsystem, Minesight, Pcxplor, Geomodel, Dips, Surface, and Gslib.

Pedro Repetto, P.E., Principal Civil Engineer, M. S.Civil Engineering, Purdue University, 1970, B. S. Civil Engineering, Catholic University of Peru, 1965. Engineering Registration (P.E. is in Colorado and several other states plus in Peru)

Mr. Repetto has over 40 years of experience in civil, geotechnical, earthquake engineering, mining, solid waste, and environmental remediation projects. Experience comprises over 500 projects which include all phases of project development, implementation, and closure. Qualifications in the mining industry include over one hundred projects for the mining industry and over one hundred civil and geotechnical projects. He has managed projects at several Freeport McMoRan properties, including Safford, Morenci, Chino, Cobre, Tyrone, Henderson, Cerro Verde, El Abra, Candelaria, and Ojos del Salado and was recently project manager for the design and construction monitoring of the Coermotibo (Suriname) tailings ponds for BHP Billiton. Experience as an independent consultant include tailing dams, leach pads, shallow and deep foundations, slope stability, retaining walls, solid waste management, closure and reclamation of mining facilities, and environmental remediation projects.

Rondinelli Sousa, Senior Mining Engineer. M.Sc., Mineral Engineering, University of Sao Paulo, Brazil –2006., B.Sc., Mineral Engineering, Federal University of Campina Grande, Brazil – 2002. Registered Member of Mining, Metallurgy and Exploration (SME)

Mr. Sousa has a strong background in technology customization. His experience includes mine planning technology implementation projects, orebody modeling, grade estimation, and applied geostatistics. Prior to joining RPM, Mr. Sousa was a Mining Consultant with The Datamine Group where he provided technical consulting and support services for mining companies in the USA and Latin and South America. He is fluent in English, Portuguese and Spanish.

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Company's Relevant Experience

RungePincockMinarco (RPM) is the market leader in the innovation of advisory and technology solutions that optimise the economic value of mining assets and operations. RPM has serviced the industry with a full suite of advisory services for over 45 years and is the largest publicly traded independent group of mining technical experts in the world.

RPM has completed over 11,000 studies across all major commodities and mining methods, having worked in over 118 countries globally.

RPM has operations in all of the world's key mining locations enabling them to provide experts who understand the local language, culture and terrain. RPM's global team of technical specialists are located in 18 offices around the world. Through their global network, RPM can provide you access to the right specialist technical skills for your project.

RPM's advisory division operates as independent technical consultants providing services across the entire mining life cycle including exploration and project feasibility, resource and reserve evaluation, mining engineering and mine valuation services to both the mining and financial services industries.

RPM's trusted advisors typically complete assignments across all commodities in the disciplines of:

- Geology;
- Mining Engineering;
- Minerals Processing;
- Coal Handling and Preparation;
- Infrastructure and Transportation;
- Environmental Management;
- Contracts Management;
- Mine Management;
- Finance and Project Funding;
- Commercial Negotiations.

RPM was founded in Australia and as a result, has a solid understanding of and is committed to compliance with the codes which regulate Australian corporations and consultants.

Over the past 45 years, RPM has grown into an international business which has continued to provide clients and those that rely on its work the confidence that can be associated by the use of the relevant global industry codes some of which include:

- The Australasian Institute of Mining and Metallurgy Code of Ethics;
- The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves;
- The Australian Institute of Geoscientists Code of Ethics and Practices;
- Society for Mining, Metallurgy and Exploration Code of Ethics; and
- The National Instrument 43-101 Standards of Disclosure for Mineral Projects.

RPM has conducted numerous independent mining technical due diligence studies and reporting for IPO's and capital raisings under the requirements of all key mining equity markets over the past six years, with involvement in capital raisings worth more than US\$44 billion. Some of this and other work is summarised in **Table A1**.

RPM leverages the power of its specialist knowledge to also provide cutting edge mining software that is sought after globally for mine scheduling, equipment simulation and financial analysis. RPM software is relied on by mining professionals to understand how to structure their long and short term operations efficiently using auditable best practice methodologies and solutions.

Table A1 - Mining Related IPO and Capital Raising Due Diligence Experience

2014 Hidili International Development Company., Ltd; Competent Persons Report of Mineral Resources and Ore Reserves under JORC and Independent Technical Review for inclusion in a HKSE Circular to support the divestment of Multiple Coal Mines, Yunnan Province, China.

2013 China Molybdenum Company., Ltd; Competent Persons Report of Mineral Resources and Ore Reserves under JORC and Independent Technical Review for inclusion in a HKSE Circular to support the acquisition of the Northparkes Copper and Gold Mine, Central West NSW, Australia.

2012 China Gold Resources International., Ltd; Tibet Jiama Copper-Polymetallic Phase II NI 43-101 HKEx Pre-Feasibility Study. China

2012 China Precious Metal Resources Holdings Co., Ltd Competent Persons Report of Mineral Resources and Ore Reserves under JORC and Independent Technical Review for inclusion in a HKSE Circular to support the acquisition of an Gold Operation Yunnan Province, China.

2012 Kinetic Mines and Energy., Ltd; Competent Persons Report of Mineral Resources and Ore Reserves under JORC and Independent Technical Review for inclusion in a HKSE Circular to support the IPO of an underground coal asset in Inner Mongolia Province, China.

2012 China Daye Non-Ferrous Metals Mining., Ltd; Competent Persons Report of Mineral Resources and Ore Reserves under JORC and Independent Technical Review for inclusion in a HKSE Circular to support the acquisition of 4 operating underground copper, lead, zinc assets in Hubei Province, China.

2012 Huili Resources Group ., Ltd; Competent Persons Report of Mineral Resources and Ore Reserves under JORC and Independent Technical Review for inclusion in a HKSE Circular to support the IPO of multiple underground nickel, lead, zinc, copper and gold mining assets in Xinjiang and Hami Province, China.

2011 China Polymetallic Limited Mining., Ltd; Competent Persons Report of Mineral Resources and Ore Reserves under JORC and Independent Technical Review for inclusion in a HKSE Circular to support the IPO of a lead zinc silver polymetallic underground mining assets in Yunnan Province, China.

2011 China Precious Metal Resources Holdings Co., Ltd; Competent Persons Report of Mineral Resources and Ore Reserves under JORC and Independent Technical Review for inclusion in a HKSE Circular to support the acquisition of multiple underground gold mining assets in Henan Province, China.

2011 HaoTian Resources Group Limited; Competent Persons Report of Mineral Resources and Reserves under JORC and Independent Technical Review for inclusion in a HKEx Circular to support acquisition of and underground coal mines in Xinjiang Autonomous Region, China.

2011 King Stone Energy Group., Ltd; Competent Persons Report of Mineral Resources and Reserves under JORC and Independent Technical Review for inclusion in a HKEx Circular to support acquisition of 2 underground coal mines in Shanxi Province, China.

2010 China Precious Metals Holdings Co., Ltd; Competent Persons Report of Mineral Resources and Ore Reserves under JORC and Independent Technical Review for inclusion in a HKEx Circular to support the acquisition of multiple underground gold mining assets in Henan Province, China.

2010 Century Sunshine Group Holdings Limited; Competent Persons Report of Mineral Resources and Ore Reserves under JORC and Independent Technical Review for inclusion in a HKEx Circular to support the acquisition of a serpentinite mining asset in Jiangsu Province, China.

2010 Doxen Energy Group Limited; Independent Technical Review and estimation of Mineral Resources under JORC for inclusion in a HKEx Circular to support the acquisition of a coal mining asset in Xinjiang Autonomous Region, China.

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2010 KwongHing International Holdings (Bermuda) Limited; Independent Technical Review for inclusion in a HKEx Circular to support a Very Substantial Acquisition.

2009 Metallurgical Corporation Of China Ltd (“MCC”); Independent Technical Review for inclusion in a Prospectus to support a stock exchange listing on the Hong Kong Stock Exchange.

2009 Nubrand Group Holdings Limited, Guyi Coal Mine; Independent Technical Review for inclusion in a Stock Exchange Circular to support a mining asset purchase by a listed Hong Kong Company.

2008 China Blue Chemical Limited, Wangji and Dayukou Phosphate Mines; Independent Technical Review for inclusion in a Stock Exchange Circular to support a mining asset purchase by a listed Hong Kong Company.

2008 Kenfair International (Holdings) Limited, Shengping Coal Mine; Independent Technical Review for inclusion in a Stock Exchange Circular to support a mining asset purchase by a listed Hong Kong Company.

2007 China Railway Company Limited, African Copper/Cobalt Assets; Capital raising for mining assets on the Hong Kong Stock Exchange. Preparation of Competent Persons Report for planned IPO on the HKEx.

2007 China Railway Company Limited, African Copper/Cobalt Assets; Capital raising for mining assets on the Hong Kong Stock Exchange. Preparation of Competent Persons Report for planned IPO on the HKEx.

2007 Gloucester Coal Limited – Independent Technical Review for Australian Stock Exchange Scheme of Arrangement.

A2. Annexure B – Glossary of Terms

The key terms used in this report include:

- **AA** stands for atomic adsorption, and analytical procedure
- **Ag** refers to silver
- **ANFO** stands for ammonium nitrate fuel-oil, an explosive used in mining
- **ARD** stands for acid rock drainage
- **ARI** refers to Average Recurrence Interval
- **Au** refers to Gold
- **AUSIMM** stands for Australasian Institute of Mining and Metallurgy
- **BOO** stands for Build, Own, Operate (placing a system in the hands of a third party to build, own, and operate; for example, the power transmission line)
- **BPC** stands for biphenyl polyvinyl chloride
- **bornite** refers to a brown metallic mineral containing Cu Sulphide
- **chalcopyrite** refers to a brassy sulphide mineral containing copper and iron.
- **chalcocite** refers to a gray to black brittle copper sulphide mineral
- **CIRA** refers to archaeological review approval of a site, which allows disturbance to occur.
- **covellite** refers to a purple mineral consisting of thin sheets of Cu sulphide
- **Client** refers to MMG Limited
- **concentrate** refers to the Cu and Au Product and to the Mo Product produced and sold by the Operation
- **Company** means Glencore plc.
- **Cu** refers to Copper
- **Cu.m/h** refers to refers to cubic meters per hour
- **Cut-Off Grade** ('cog')
- **Resource cog:** is the lowest grade of mineralised material that qualifies as having reasonable economic potential for eventual extraction and supports a geologically justifiable and continuous mineralisation domain.
- **Economic/Reserve cog:** is the lowest grade of mineralised material that qualifies as economically mineable and available in a given deposit after application of modifying factors and economic assessment at given commodity prices. It may be defined on the basis of economic evaluation, or on physical or chemical attributes that define an acceptable product specification.
- **DE** stands for Definitive Estimate (of the cost and schedule to complete construction)
- **deposits** refers to the cluster of mineralised bodies which are contained within the Project.

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- **DH** stands for diamond-drill hole
- **EGL** stands for effective grinding length, used of grinding mills
- **EHS** means Environmental, Health and Safety
- **EIS** stands for environmental impact assessment
- **EMP** stands for environmental management plan
- **EMS** stands for environmental management system
- **EPCM** stands for engineering, procurement, and construction-management, a type of contract
- **ESIA** stands for environmental social impact assessment
- **Fault** refers to a slip-surface between two portions of the earth's surface that have moved relative to each other. A fault is a failure surface and is evidence of severe earth stresses.
- **FOSBAM** stands for Fondo Social Las Bambas, which is a social/community development fund used to support local communities supporting worthwhile projects.
- **FS** stands for Feasibility Study
- **FSR** stands for freight, smelting, and refining, the costs for transporting and processing of concentrates to produce metal for sale
- **G&A** stands for General and Administrative, a category of operating costs
- **GL** refers to a giga litre
- **g/t** stands for grams per tonne
- **GyM** stands for Graña and Montero, a major construction company working on the Project
- **Ha** also **ha** stands for Hectares
- **HDPE** stands for high-density polyethylene, a type of plastic film
- **HHR** means heavy haul road, which is the newly-constructed road connecting the Project to Espinar.
- **HKEx** stands for Hong Kong Stock Exchange
- **hr** stands for hour
- **ITR** stands for Independent Technical Review
- **JORC** stands for Joint Ore Reserves Committee
- **JORC Code** refers to the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves 2012 edition, which is used to determine resources and reserves, and is published by JORC of the Australasian Institute of Mining and Metallurgy, the Australian Institute of Geoscientists and the Minerals Council of Australia
- **kg** stands for kilogram
- **km** stands for kilometre

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- **kt** stands for 000's of tonnes of kilo tonnes
- **ktpa** stands for 000's tonnes per annum or kilo tonnes per annum
- **KV** refers to kilovolt
- **kW** stands for kilowatt
- **KWh** refers to kilowatt hours
- **the Project** refers to the Las Bambas Project
- **L** stands for litres
- **lbs** stands for pounds (avoirdupois)
- **LOM** stands for Life of Mine
- **LOM plan** stands for Life of Mine Plan
- **LTA** means lost time accident
- **m** stands for metre
- **m³** stands for cubic metres
- **masl** stands for metres above sea level
- **MCC** stands for Main Construction Camp, the camp that will become the permanent camp
- **mm** refers to millimetre
- **mine production** is the total raw production from any particular mine
- **Mining rights** means the rights to mine mineral resources and obtain mineral products in areas where mining activities are licensed
- **MI** stands for mega litre which is equal to one million litres
- **Mt** stands for mega tonnes which is equal to one million tonnes
- **Mtpa** stands for million tonnes per annum
- **MVA** refers to megavolt ampere
- **MW** refers to megawatt
- **MWH** refers to the international engineering firm of Montgomery Watson and Harza
- **NFB** refers to Nueva Fuerabamba, the town-site for relocated Project residents
- **NSR** refers to Net Smelter Return, the net value of concentrate after deducting freight, smelting, and refining costs
- **P₈₀** refers to 80 weight % passing, used in association with particle size
- **PAG** stands for potential acid generating

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- **PDD** stands for Project Development Division, a Glencore group
- **PO** stands for Peru Operations, a Glencore group
- **Project** refers to the Las Bambas Project contained within the Exploration and Mining Licences
- **PVC** stands for polyvinyl chloride, a type of plastic film
- **pyrite** refers to a hard, heavy, shiny, yellow mineral, FeS₂ or iron disulfide, generally in cubic crystals.
- **QA/QC** stands for quality assurance and quality control
- **RC** stands for reverse circulation, a drilling method
- **Relevant Asset** means the open-pit mine, processing facility, associated mining and administration infrastructure and mining and exploration licences.
- **ROM** stands for run-of-mine, being material as mined before beneficiation
- **ROW** means right-of-way
- **RPM** refers to RungePincockMinarco
- **SAG** stands for semi-autogenous mill, a type of grinding mill
- **s.g.** stands for specific gravity
- **t** stands for tonne
- **TDH** stands for total dynamic head, the hydraulic head applied to pumps
- **TISUR** refers to the owner/operator of the port at Matarani
- **Troy Oz** equates to 31.103477g
- **TSF** stands for tailings storage facility
- **tonne** refers to metric tonne
- **tpd** stands for tonnes per day
- **tph** stands for tonnes per hour
- **TSF** stands for tailings storage facility
- **µm** stands for micron (1/1,000 of a metre)
- **Wi** stands for work index, a measure of rock hardness
- **WMP** stands for water management plan
- **WRSF** stands for waste rock storage facility
- **Wmt** stands for Wet metric tonne
- **XP** refers to the XP construction camp, located on the north side of the Project

- **US\$** refers to United States dollar currency.
- **\$** refers to United States dollar currency
- **¥** is the symbol for the Chinese Renminbi Currency Unit
- **%** refers to a Percentage.
- Note: Where the terms Competent Person, Inferred Resources and Measured and Indicated Resources are used in this report, they have the same meaning as in the JORC Code.

A 'Mineral Resource' is a concentration or occurrence of solid material of economic interest in or on the Earth's crust in such form, grade (or quality), and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade (or quality), continuity and other geological characteristics of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge, including sampling. Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories.

An 'Ore Reserve' is the economically mineable part of a Measured and/or Indicated Mineral Resource. It includes diluting materials and allowances for losses, which may occur when the material is mined or extracted and is defined by studies at Pre-Feasibility or Feasibility level as appropriate that include application of Modifying Factors. Such studies demonstrate that, at the time of reporting, extraction could reasonably be justified.

A 'Measured Mineral Resource' is that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence. It is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are spaced closely enough to confirm geological and grade continuity.

Mineralisation may be classified as a Measured Mineral Resource when the nature, quality, amount and distribution of data are such as to leave no reasonable doubt, in the opinion of the Competent Person determining the Mineral Resource, that the tonnage and grade of the mineralisation can be estimated to within close limits, and that any variation from the estimate would be unlikely to significantly affect potential economic viability.

An 'Indicated Mineral Resource' is that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed.

An Indicated Mineral Resource has a lower level of confidence than that applying to a Measured Mineral Resource, but has a higher level of confidence than that applying to an Inferred Mineral Resource. Mineralisation may be classified as an Indicated Mineral Resource when the nature, quality, amount and distribution of data are such as to allow confident interpretation of the geological framework and to assume continuity of mineralisation. Confidence in the estimate is sufficient to allow the application of technical and economic parameters, and to enable an evaluation of economic viability.

An 'Inferred Mineral Resource' is that part of a Mineral Resource for which tonnage, grade and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified geological and/or grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes which may be limited or of uncertain quality and reliability.

An Inferred Mineral Resource has a lower level of confidence than that applying to an Indicated Mineral Resource. The Inferred category is intended to cover situations where a mineral concentration or occurrence has been identified and limited measurements and sampling completed, but where the data are insufficient to allow the geological and/or grade continuity to be confidently interpreted. Commonly, it would be reasonable to expect that the majority of Inferred Mineral Resources would upgrade to Indicated Mineral Resources with

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continued exploration. However, due to the uncertainty of Inferred Mineral Resources, it should not be assumed that such upgrading will always occur. Confidence in the estimate of Inferred Mineral Resources is usually not sufficient to allow the results of the application of technical and economic parameters to be used for detailed planning. For this reason, there is no direct link from an Inferred Resource to any category of Ore Reserves.

A3. Annexure C – JORC Code Disclosure Requirements

Section 1 Sampling Techniques and Data

Criteria	JORC Explanation	Commentary
Sampling techniques	<ul style="list-style-type: none"> Nature and quality of sampling (eg cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc). These examples should not be taken as limiting the broad meaning of sampling Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used. Aspects of the determination of mineralisation that are Material to the Public Report. In cases where 'industry standard' work has been done this would be relatively simple (eg 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (eg submarine nodules) may warrant disclosure of detailed information. 	<ul style="list-style-type: none"> The resources were estimated based on samples generated from industry standard surface diamond core rigs. Holes were drilled on predominantly 35m or 50m spacing. The drill core was logged then marked for sampling keeping a minimum length of 1.2 m and a maximum of 2 m samples and honouring geological contacts. Samples were taken using an industry standard procedures and is considered suitable by RPM. The drill core was extracted from the tube subsequent to being drilled and laid in plastic half-pipe sections inside plastic core trays to preserve the core. The core was cut in half using a standard core saw. Half was retained and the other half was form the sample as per industry standards. All drill-holes were surveyed using industry Reflex Maxibor II equipment which RPM considers suitable for the deposit. Preparation generated two pulp samples of 150 g each. One was analysed for Cu, Ag, Pb, Zn, and Mo by Atomic Absorption Spectrometry (AAS) while Au was analysed by fire assay and the other retained for a check if required.
Drilling techniques	<ul style="list-style-type: none"> Drill type (eg core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc) and details (eg core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is orientated and if so, by what method, etc). 	<ul style="list-style-type: none"> The drilling method utilised was a standard tube and a triple-tube surface diamond drilling method producing PQ (8.3 cm diameter), HQ-size (6.3cm diameter) and NQ-size (4.8 cm diameter) drill core. Drill holes were orientated approximately orthogonal to the stratification planes of each deposit. Ferrobamba's drill holes were generally orientated 35/-60, Chalcobamba' drill holes were orientated NS/-60 and Sulfobamba were orientated 105 and 215 and drilled to an average depth of 300m below the surface. Drill bits were diamond and tungsten face-sampling bits.
Drill sample recovery	<ul style="list-style-type: none"> Method of recording and assessing core and chip sample recoveries and results assessed. Measures taken to maximise sample recovery and ensure representative nature of the samples. 	<ul style="list-style-type: none"> The core recovery was recorded by standard measurement of the core length divided by the run length. Where there was more than one type of material in the 1m, the approximate proportions of recovery for each type

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Criteria	JORC Explanation	Commentary
	<ul style="list-style-type: none"> Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material. 	<p>of material was estimated. This was applied to determine a more accurate estimate of core recovery.</p> <ul style="list-style-type: none"> Sample recovery was maximised by the use of the triple-tube drilling method. This reduces any possible contamination of material from other parts of the drill hole. Samples were placed in plastic half-pipe sections inside plastic core trays. Sample recovery data was contained in the drill hole databases provided which indicated recovery was generally above >95% which is considered suitable. A review by RPM indicated that no relationship occurs between recovery and grade.
Logging	<ul style="list-style-type: none"> Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies. Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography. The total length and percentage of the relevant intersections logged. 	<ul style="list-style-type: none"> All drill hole cores were geologically logged including weathering, mineralisation, alteration, texture, lithology and sample recovery. RPM considers the information suitable for use in a mineral resource and subsequent mining studies. Logging is qualitative in nature, but weathering zone, lithology and mineral zone information can be checked with sample assays. All core was photographed. Historical photos or original logging hard copies were supplied for validation of the database. Drill core totalling 330,785 m was used in the resource estimation of which 100% was geologically logged.
Sub-sampling techniques and sample preparation	<ul style="list-style-type: none"> If core, whether cut or sawn and whether quarter, half or all core taken. If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry. For all sample types, the nature, quality and appropriateness of the sample preparation technique. Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples. Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling. Whether sample sizes are appropriate to the grain size of the material being sampled. 	<ul style="list-style-type: none"> The core was sawed into two halves following the geologist's sample line with half core samples taken with one half retained in storage. The initial wet sample was dried, and then crushed to 10 mesh. After homogenisation and quartering the sample was then pulverised to a size fraction of minus 150 mesh retaining two 150 gram pulp envelopes for additional duplicate checks. RPM considers the sample sizes are appropriate to the grain size of the material. Duplicate or the other half of core was randomly selected to ensure representative sample techniques.
Quality of assay data	<ul style="list-style-type: none"> The nature, quality and appropriateness of the assaying and 	<ul style="list-style-type: none"> All assaying and sample preparation subsequent to cutting was completed

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Criteria	JORC Explanation	Commentary
and laboratory tests	<p>laboratory procedures used and whether the technique is considered partial or total.</p> <ul style="list-style-type: none"> For geophysical tools, spectrometers, handheld XRF instruments, etc, the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc. Nature of quality control procedures adopted (eg standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (ie lack of bias) and precision have been established. 	<p>by the international accredited Inspectorate laboratory in Lima.</p> <ul style="list-style-type: none"> The assaying method was atomic absorption spectroscopy, (AAS) for Cu, Ag, Pb, Zn, Mo and gravimetric method for Au for all samples. Assaying was conducted using ISP – 138 method with AAS instruments. Calibrations for the instruments were carried out on a regular basis since 2005 as per international standard and certificated procedures. QA/QC procedures consisted of project coarse and fine duplicates, blanks, reference samples in addition to external laboratory checks. RPM considers QA/QC results were acceptable to confirm accuracy and precision. RPM considers that this assaying method is acceptable provided the AAS instruments are calibrated regularly and second laboratory results are unbiased.
Verification of sampling and assaying	<ul style="list-style-type: none"> The verification of significant intersections by either independent or alternative Client personnel. The use of twinned holes. Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols. Discuss any adjustment to assay data. 	<ul style="list-style-type: none"> All sampling and assaying procedures were reviewed by RPM and found to be industry standard and acceptable. RPM reviewed the remaining core of several holes, compared the assays to visual confirm the mineralisation and reviewed several original assay certificates and drill records No twin holes were completed as all drilling was completed after 2005 and contained suitable records, original data and remaining core to verify the data, No adjustments were made to the assays.
Location of data points	<ul style="list-style-type: none"> Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation. Specification of the grid system used. Quality and adequacy of topographic control. 	<ul style="list-style-type: none"> All collars were surveys using industry standard total station equipment and which has suitable accuracy for inclusion in a Mineral Resource. The datum used is WGS 84 with a UTM coordinate system zone 19 South. RPM Five collars were checked for location by handheld GPS in addition RPM found good correlation between drill hole elevations and topographic surfaces. Detailed and 16 cm accurate topographic surfaces were provided.
Data spacing and distribution	<ul style="list-style-type: none"> Data spacing for reporting of Exploration Results. Whether the data spacing and distribution is sufficient to establish the degree of geological and grade 	<ul style="list-style-type: none"> The majority of the drill holes across the Project area are spaced at 35 m x 35 m to 50 m x 50 m . These spacings are sufficient and appropriate for this type of mineralisation to determine

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Criteria	JORC Explanation	Commentary
	<p><i>continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied.</i></p> <ul style="list-style-type: none"> • <i>Whether sample compositing has been applied.</i> 	<p>geological and grade continuity appropriate to the Mineral Resource estimation procedure and classifications applied.</p> <ul style="list-style-type: none"> • Samples have been composited to 7.5m.
Orientation of data in relation to geological structure	<ul style="list-style-type: none"> • <i>Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.</i> • <i>If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.</i> 	<ul style="list-style-type: none"> • The orientation of the drill hole pattern are considered appropriate (orthogonal) to the strike of the mineralised zones for each deposit. • Mineralisation is controlled by stratification and contacts between the sediments and the intrusive. Skarn was generated by mineralised porphyry intrusions in favourable limestone rocks. The majority of drilling was orthogonal to these structure which RPM believes will not result in a sample bias
Sample security	<ul style="list-style-type: none"> • <i>The measures taken to ensure sample security.</i> 	<ul style="list-style-type: none"> • All samples were taken and prepared on site. Chain of custody was kept to Inspectorate laboratory in Lima. The process was overseen by the Company's geologists.
Audits or reviews	<ul style="list-style-type: none"> • <i>The results of any audits or reviews of sampling techniques and data.</i> 	<ul style="list-style-type: none"> • During the desktop and site review, RPM reviewed previous JORC statements, the previous due diligence and feasibility study (FS) for the Project as well as sample procedures and records, remaining core and mineralisation outcrops. RPM did not identify and material issues and considers the data suitable for inclusion in a Mineral Resource.

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Section 2 Reporting of Exploration Results

(Criteria listed in the preceding section also apply to this section.)

Criteria	JORC Code explanation	Commentary
Mineral tenement and land tenure status	<ul style="list-style-type: none"> Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings. The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area. 	<ul style="list-style-type: none"> The Project is contained within 41 mining concessions (Figure 3-1) which are currently held by the Company. The Project possesses all of the mineral rights (concessions) and surface rights necessary to fully develop the Project at the forecast rate as detailed in Annexure E. RPM does however note that a number of occupants still reside within the concession area and the Company is in the process of relocating them as described in Section 14. The main risk for future operation is the granting of continued environmental permits for the transport of product to port. While this is a risk RPM considers that this can be mitigated with work as described in Sections 13 and 14.
Exploration done by other parties	<ul style="list-style-type: none"> Acknowledgment and appraisal of exploration by other parties. 	<ul style="list-style-type: none"> The Project has a long history of exploration by the current and previous owners which commenced in 1966 with over 343 km of surface diamond drilling to date. As outlined in Table 4-1, Cerro de Pasco completed the initial works followed by Cyprus, Phelps Dodge, BHP, Tech, and Pro Invest prior to Xstrata resource definition drilling which commenced in 2005. The current owners gained the rights to the project following the purchase of Xstrata in 2013.
Geology	<ul style="list-style-type: none"> Deposit type, geological setting and style of mineralisation. 	<ul style="list-style-type: none"> The currently defined deposits considered to be Cu-Mo-Au skarn mineralised bodies associated with the porphyry system belt in south-eastern Peru. This metallogenic belt is controlled by the Eocene-Oligocene Andahuaylas-Yauri Batholith, which intrudes Mesozoic sedimentary units, including the Ferrobamba formation (lower-to-upper Cretaceous). Figure 5-1 shows the regional geological map. The Andahuaylas-Yauri Batholith was emplaced south of the "Abancay Deflection" with NW-SE, NE-SW lineaments and others that were generated principally by the Andean Orogeny. The contact between the batholith and the Ferrobamba limestone has been metasomatically altered to form the skarn bodies which host the Cu-Mo-Au mineralisation within the Project.

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Criteria	JORC Code explanation	Commentary
Drill hole Information	<ul style="list-style-type: none"> • A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes: <ul style="list-style-type: none"> ○ easting and northing of the drill hole collar ○ elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar ○ dip and azimuth of the hole ○ down hole length and interception depth ○ hole length. • If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case. 	<ul style="list-style-type: none"> • Not Applicable as not exploration results included in the report.
Data aggregation methods	<ul style="list-style-type: none"> • In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (eg cutting of high grades) and cut-off grades are usually Material and should be stated. • Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail. • The assumptions used for any reporting of metal equivalent values should be clearly stated. 	<ul style="list-style-type: none"> • Not Applicable as not exploration results included in the report.
Relationship between mineralisation widths and intercept lengths	<ul style="list-style-type: none"> • These relationships are particularly important in the reporting of Exploration Results. • If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported. • If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (eg 'down hole length, true width not known'). 	<ul style="list-style-type: none"> • Not Applicable as not exploration results included in the report.
Diagrams	<ul style="list-style-type: none"> • Appropriate maps and sections (with scales) and tabulations of 	<ul style="list-style-type: none"> • Not Applicable as not exploration results included in the report.

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Criteria	JORC Code explanation	Commentary
	<i>intercepts should be included for any significant discovery being reported These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views.</i>	
Balanced reporting	<ul style="list-style-type: none"> Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results. 	<ul style="list-style-type: none"> Not Applicable as not exploration results included in the report.
Other substantive exploration data	<ul style="list-style-type: none"> Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances. 	<ul style="list-style-type: none"> Not Applicable as not exploration results included in the report.
Further work	<ul style="list-style-type: none"> The nature and scale of planned further work (eg tests for lateral extensions or depth extensions or large-scale step-out drilling). Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive. 	<ul style="list-style-type: none"> RPM is not aware of future exploration plans, other than typical grade control drilling. RPM notes that several exploration targets exists in the project area as outlined in Section 7.

Section 3 Estimation and Reporting of Mineral Resources

Criteria	JORC Explanation	Commentary
Database integrity	<ul style="list-style-type: none"> Measures taken to ensure that data has not been corrupted by, for example, transcription or keying errors, between its initial collection and its use for Mineral Resource estimation purposes. Data validation procedures used. 	<ul style="list-style-type: none"> The Company provided a digital drill hole data to RPM. The digital data contained detailed lithology, assays, topographic surfaces and weathering domain surfaces. RPM only had limited hard copy data with which to verify the digital data however not issues were noted. Hard copies were checked against the database, statistical validation of mathematical fields carried out and spatial validation of drill-hole locations was carried out in Vulcan software. RPM undertook two site visit to review the remaining core and site records. No issues were noted.

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Criteria	JORC Explanation	Commentary
Site visits	<ul style="list-style-type: none"> • <i>Comment on any site visits undertaken by the Competent Person and the outcome of those visits.</i> • <i>If no site visits have been undertaken indicate why this is the case.</i> 	<ul style="list-style-type: none"> • RPM made two separate site visits to the Project. The first visit was carried out by RPM Consultant Geologist Esteban Acuña (Competent Person), the Consultant Mining Engineer Tim Swendseid (Competent Person), the Process Engineer Richard Addison and the Environmental Specialist Tom Noyes in April, 2013. The second visit was carried out by RPM Consultants Geologist Esteban Acuña, the Process Engineer Richard Addison and the Environmental Specialist Terry Brown between the 5th and 7th May, 2014. During both site visits, RPM reviewed all drilling, sampling and analytical procedures and inspected and verified mineralised core intersections. • No issues were noted during the site visit.
Geological interpretation	<ul style="list-style-type: none"> • <i>Confidence in (or conversely, the uncertainty of) the geological interpretation of the mineral deposit.</i> • <i>Nature of the data used and of any assumptions made.</i> • <i>The effect, if any, of alternative interpretations on Mineral Resource estimation.</i> • <i>The use of geology in guiding and controlling Mineral Resource estimation.</i> • <i>The factors affecting continuity both of grade and geology.</i> 	<ul style="list-style-type: none"> • RPM has a good level of confidence in the geological interpretation as the domain contacts which is consistent with the assay data in the drill hole database and the geological logging as well as the surface geological mapping. • RPM utilised the digital model provided by the Company that represented geological and mineralisation units, defined by stratification and porphyry intrusions. These were interpreted and wireframed as solids using drill hole logs and assay data as per industry standard sectional approach. • The Mineral Resource estimation was guided and controlled by the interpreted geological domains with hard boundaries. The domains were coded in the block model and blocks in each domain were contact analysis supported the estimation only using assays within the same domain. • The main factor affecting grade is the lithology as such the geological domains were used to guide mineralisation and estimation interpolation. In addition the depth and degree of weathering generated an oxidation zone which was is contains distinctly different mineralisation to the fresh sulphide zone. The depth of weathering was modeled using geological logging and formed a separate geological domain in the resource estimate. • Contact and block Dilution was calculated from the proportion of the solids into the blocks.

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Criteria	JORC Explanation	Commentary
Dimensions	<ul style="list-style-type: none"> The extent and variability of the Mineral Resource expressed as length (along strike or otherwise), plan width, and depth below surface to the upper and lower limits of the Mineral Resource. 	<ul style="list-style-type: none"> The Project's concession contains 3 deposits that have been defined by drilling and estimated. Each estimate is contained with approximately 300ha each. The Mineral Resources extend from the surface vertically down to a depth of around 400m in Ferrobamba, 300 m in Chalcobamba and 200 m in Sulfobamba below the surface across all deposits.
Estimation and modelling techniques	<ul style="list-style-type: none"> The nature and appropriateness of the estimation technique(s) applied and key assumptions, including treatment of extreme grade values, domaining, interpolation parameters and maximum distance of extrapolation from data points. If a computer assisted estimation method was chosen include a description of computer software and parameters used. The availability of check estimates, previous estimates and/or mine production records and whether the Mineral Resource estimate takes appropriate account of such data. The assumptions made regarding recovery of by-products. Estimation of deleterious elements or other non-grade variables of economic significance (eg sulphur for acid mine drainage characterisation). In the case of block model interpolation, the block size in relation to the average sample spacing and the search employed. Any assumptions behind modelling of selective mining units. Any assumptions about correlation between variables. Description of how the geological interpretation was used to control the resource estimates. Discussion of basis for using or not using grade cutting or capping. The process of validation, the checking process used, the comparison of model data to drill hole data, and use of reconciliation data if available. 	<ul style="list-style-type: none"> After examination of the assay statistics for each domain for each deposit, ordinary kriging was used to estimate Cu and Mo in the mineralized domains and the Inverse Distance Weighting power of 2 (ID2) method was used to estimate Ag, and Au within the same domains as the Cu. Extreme grade influences in each domain were restricted after examination of probability. The parameters were selected based on geostatistical analysis of each domain and specifically the variogram parameters. Three passes were used to estimate the three deposits. An isotropic search in the structural and lithological plane based on the geospatial analysis was used to estimate blocks with a first pass radius ranging from 30 m to 75 m, a second of 60 m to 250 m and a third of 150 m to 200 m according to the domain and element. A minimum of 6 samples were used for the first two passes while a minimum of 4 samples was used for the third pass. A maximum of 16 samples and a maximum of 3 samples per hole were used for all passes. More detail is provided within the body of the report. MineSight software was used for the estimations. Only drill holes completed post 2005 were included in the estimate as no information was available to confirm the veracity of the data prior to this data. No assumptions were made and were not deemed necessary regarding recovery of by-products for the Project. RPM estimate Cu, Mo, Au and Ag as not deleterious were noted during the metallurgical testwork. The parent block size was determined based on the drill spacing, geological variability of the deposit and the likely size of the selective mining unit. A

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Criteria	JORC Explanation	Commentary
		<p>significant number of drill holes have a spacing of 35 m with the remainder having spacing of 50 m. Taking into account the dominant drill hole spacing, the variability of mineralisation within deposit and the likely selective mining unit size of 20 m by 20 m by 15 m, RPM considers a block size of 20 m (northing) by 20 m (easting) by 15 m (vertical) to be appropriate for all deposits within the Project.</p> <ul style="list-style-type: none"> No assumptions about correlation between variables was made as a statistical analysis indicates there is no correlation between the elements. No high grade cutting was applied however high grade search ellipse restrictions were used for all elements and in most cases less than 1% of the sample population in the domain was above the threshold value. Threshold values were determined from inspection of histograms, probability plots and spatial continuity. Sample data was composited to 7.5 m down hole lengths using the best fit method. Intervals with no assays were excluded from the estimates. Geostatistical analysis was conducted for Cu, Mo, Ag and Au in all domains for each deposit. Due to bedding and intrusion orientation mineralisation shows some anisotropy in the stratification plane. Ranges for domains in each deposit were between 215 m to 360 m. Resource was constrained by a pit in each deposit which was calculated with a copper price of 2.20 US\$/lb. Estimation validation was carried out by visually inspecting the block against the drill hole and reviewing the statistics of the block estimates compared to the declustered composite mean. Additionally smoothing was validated with Hermitian correction analysis.
Moisture	<ul style="list-style-type: none"> Whether the tonnages are estimated on a dry basis or with natural moisture, and the method of determination of the moisture content. 	<ul style="list-style-type: none"> Tonnages are estimated with natural moisture and also on a dry basis. Moisture content was calculated from wet and dry bulk densities for each deposit.
Cut-off parameters	<ul style="list-style-type: none"> The basis of the adopted cut-off grade(s) or quality parameters applied. 	<ul style="list-style-type: none"> The Cutoff grade was selected based on the mining study as outlined in Section 7 and 8 of this Report.
Mining factors or	<ul style="list-style-type: none"> Assumptions made regarding possible mining methods, minimum 	<ul style="list-style-type: none"> Mining methods for all deposits will be open-pit. RPM assumed minimum

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Criteria	JORC Explanation	Commentary
assumptions	<i>mining dimensions and internal (or, if applicable, external) mining dilution. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider potential mining methods, but the assumption made regarding mining methods and parameters when estimating Mineral Resources may not always be rigorous. Where this is the case, this should be reported with an explanation of the basis of the mining assumptions made.</i>	<ul style="list-style-type: none"> mining dimensions of 20m x 20m x 15m. The Project has an Ore Reserve estimate which is underpinned by a mining study. The parameters from this mining study were used to generate a pit shell for each deposit at US\$ 2.20.
Metallurgical factors or assumptions	<ul style="list-style-type: none"> <i>The basis for assumptions or predictions regarding metallurgical amenability. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider potential metallurgical methods, but the assumptions regarding metallurgical treatment processes and parameters made when reporting Mineral Resources may not always be rigorous. Where this is the case, this should be reported with an explanation of the basis of the metallurgical assumptions made.</i> 	<ul style="list-style-type: none"> No metallurgical factors were applied to the resource however RPM is aware of numerous metallurgical tests. These are outlined section 8, Table 8-2 and highlight the likely economic recoveries which are likely to be achieved.
Environmental factors or assumptions	<ul style="list-style-type: none"> <i>Assumptions made regarding possible waste and process residue disposal options. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider the potential environmental impacts of the mining and processing operation. While at this stage the determination of potential environmental impacts, particularly for a greenfields project, may not always be well advanced, the status of early consideration of these potential environmental impacts should be reported. Where these aspects have not been considered this should be reported with an explanation of the environmental assumptions made.</i> 	<ul style="list-style-type: none"> RPM has not made any assumptions regarding environmental factors RPM has completed an Environmental Review as part of its Reserve Report and is not aware of any limitation to mining.
Bulk density	<ul style="list-style-type: none"> <i>Whether assumed or determined. If assumed, the basis for the assumptions. If determined, the method used, whether wet or dry, the frequency of the measurements, the nature, size and representativeness of the samples.</i> <i>The bulk density for bulk material</i> 	<ul style="list-style-type: none"> The wet bulk density and moisture content was assigned as an average of the determinations for each mineralised domain in each deposit. The dry bulk density was calculated from the assigned values wet bulk density and moisture content. In Ferrobamba there were 11,145

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Criteria	JORC Explanation	Commentary
	<p><i>must have been measured by methods that adequately account for void spaces (vugs, porosity, etc), moisture and differences between rock and alteration zones within the deposit.</i></p> <ul style="list-style-type: none"> • <i>Discuss assumptions for bulk density estimates used in the evaluation process of the different materials.</i> 	<p>densities, in Chaclobamba 656, and in Sulfobamba 635 determined</p> <ul style="list-style-type: none"> • Industry standard wax emersion method was utilised on whole core sample for the determinations.
Classification	<ul style="list-style-type: none"> • <i>The basis for the classification of the Mineral Resources into varying confidence categories.</i> • <i>Whether appropriate account has been taken of all relevant factors (i.e. relative confidence in tonnage/grade estimations, reliability of input data, confidence in continuity of geology and metal values, quality, quantity and distribution of the data).</i> • <i>Whether the result appropriately reflects the Competent Person's view of the deposit.</i> 	<ul style="list-style-type: none"> • The classification method took into account geological and grade continuity based on variogram analysis, amount of composites, and quality of the information. RPM notes that for all deposits copper correlogram ranges are over 200 m and also correlograms have a first structure around 50 m. RPM considers that 1) a searching distance (20 m 60 m) for measured resources, searching distances between 60 m to 80 m for indicated resources and searching distances of 150 m to 250 m for inferred, 2) the use of at least 2 drill hole in each case and 3) using octants restrictions in each case. More details are provided in Table 7-8. • RPM considers appropriate the implementation to classify the resources including the post process for smoothing algorithm as outlined in Section 7 The classification is consistent with the Competent Person view of the deposits.
Audits or reviews	<ul style="list-style-type: none"> • <i>The results of any audits or reviews of Mineral Resource estimates.</i> 	<ul style="list-style-type: none"> • Internal reviews of the Mineral Resource Estimate followed RPM's standard internal peer review procedures.
Discussion of relative accuracy/confidence	<ul style="list-style-type: none"> • <i>Where appropriate a statement of the relative accuracy and confidence level in the Mineral Resource estimate using an approach or procedure deemed appropriate by the Competent Person. For example the application of statistical or geostatistical procedures to quantify the relative accuracy of the resource within stated confidence limits, or, if such an approach is not deemed appropriate, a qualitative discussion of the factors that could affect the relative accuracy and confidence of the estimate.</i> • <i>The statement should specify whether it relates to global or local estimates, and, if local, state the relevant tonnages, which should be relevant to technical and economic evaluation.</i> 	<ul style="list-style-type: none"> • In the classification of the resource RPM has applied quantitative measures which reflect the underlying data, sample spacing and geological confidence. As such RPM considers the classification and block estimates is consistent with the approach of estimation and is suitable for inclusion a Mineral Resource statement reported in accordance with the 2012 JORC Code. • The Mineral Resource statement relates to global estimates of tonnes and grade in each mineralised domain in each deposit.

Criteria	JORC Explanation	Commentary
	<p>Documentation should include assumptions made and the procedures used.</p> <ul style="list-style-type: none"> These statements of relative accuracy and confidence of the estimate should be compared with production data, where available. 	

Section 4 Estimation and Reporting of Ore Reserves

(Criteria listed in section 1, and where relevant in sections 2 and 3, also apply to this section.)

Criteria	JORC Code explanation	Commentary
Mineral Resource estimate for conversion to Ore Reserves	<ul style="list-style-type: none"> Description of the Mineral Resource estimate used as a basis for the conversion to an Ore Reserve. Clear statement as to whether the Mineral Resources are reported additional to, or inclusive of, the Ore Reserves. 	<ul style="list-style-type: none"> The independent Mineral Resources (Section 7) completed by RPM have been utilised for the Ore Reserve estimate. The JORC Measured and Indicated Mineral Resources quantities are inclusive and not additional to the Ore Reserves reported
Site visits	<ul style="list-style-type: none"> Comment on any site visits undertaken by the Competent Person and the outcome of those visits. If no site visits have been undertaken indicate why this is the case. 	<ul style="list-style-type: none"> Mr. Tim J. Swendseid (Competent Person) visited the site from June 14th through June 16th, 2013 and from September 2nd through September 13th, 2012. The outcome of those visits was an in-depth understanding of the Project.
Study status	<ul style="list-style-type: none"> The type and level of study undertaken to enable Mineral Resources to be converted to Ore Reserves. The Code requires that a study to at least Pre-Feasibility Study level has been undertaken to convert Mineral Resources to Ore Reserves. Such studies will have been carried out and will have determined a mine plan that is technically achievable and economically viable, and that material Modifying Factors have been considered. 	<ul style="list-style-type: none"> Ore Reserves were estimated using a suit of specialized open pit mine planning software packages, which includes the pit optimization program, the haul analyse program, and the production schedule program (OPMS). The input parameters selected by RPM are based on the review of the Feasibility level geotechnical, hydrological and mining studies completed by the Company, discussions with site personnel and site visit observations. The estimation of JORC Ore Reserves were prepared based on studies of Feasibility level confidence.
Cut-off parameters	<ul style="list-style-type: none"> The basis of the cut-off grade(s) or quality parameters applied. 	<ul style="list-style-type: none"> RPM undertook a cut-off grade to assess the pit optimization sensitivity associated to different cut-off grade strategies. RPM verified that the use of an internal constant 0.2% Cu cut-off grade to all ore types is suitable given the mining and tails dam current design capacity.

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Criteria	JORC Code explanation	Commentary
Mining factors or assumptions	<ul style="list-style-type: none"> • The method and assumptions used as reported in the Pre-Feasibility or Feasibility Study to convert the Mineral Resource to an Ore Reserve (i.e. either by application of appropriate factors by optimisation or by preliminary or detailed design). • The choice, nature and appropriateness of the selected mining method(s) and other mining parameters including associated design issues such as pre-strip, access, etc. • The assumptions made regarding geotechnical parameters (eg pit slopes, stope sizes, etc), grade control and pre-production drilling. • The major assumptions made and Mineral Resource model used for pit and stope optimisation (if appropriate). • The mining dilution factors used. • The mining recovery factors used. • Any minimum mining widths used. • The manner in which Inferred Mineral Resources are utilised in mining studies and the sensitivity of the outcome to their inclusion. • The infrastructure requirements of the selected mining methods. 	<ul style="list-style-type: none"> • Three deposits are planned to be mined at Project in the current LOM plan through large scale open pit mining methods. RPM has evaluated the block models used the estimate the Mineral Resource, using a pit optimization software package, which resulted in the identification of approximately 952 million tonnes of material at a 0.2% Cu cut off that could economically be mined using reasonable assumptions for costs and metals prices estimate based on Feasibility level studies. • Feasibility level geotechnical studies have been completed by the Company and have been utilised to derive the mine designs slope angles (Section 9). • The pit limits and phases were designed with suitable level of detail taking into account the recommended geotechnical and mining operation parameters. • During the development of the pits a number of phases or push back are planned. These phases are planned to ensure consistent ROM ore is produced and minimise long period of waste mining • Mining recovery and dilution were revised and were used with suitable level of detail taking into account the mining method applied. • RPM reviewed the planned production rates and haulage profiles of the Company within the open pit and the resultant truck and shovel requirements to ensure the rate can be meet planned rates. • All design parameters and assumptions are outlined in Section 9 of this report. • Inferred resources were assumed to be waste in the pit optimisation and mine scheduling of the projects. • The mining method will require varying quantities of mining equipment throughout the mine life. These are outlined in Section 9.
Metallurgical factors or assumptions	<ul style="list-style-type: none"> • The metallurgical process proposed and the appropriateness of that process to the style of mineralisation. • Whether the metallurgical process is well-tested technology or novel in nature. • The nature, amount and representativeness of metallurgical test work undertaken, the nature of the metallurgical domaining applied 	<ul style="list-style-type: none"> • The metallurgical process is a conventional froth flotation concentrator and thickener to produce two separate Cu and Mo concentrates and is appropriate for the style of mineralization. • The metallurgical process is well-tested technology and widely used in the mining industry. • Extensive comminution and flotation test work has been conducted and

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Criteria	JORC Code explanation	Commentary
	<p>and the corresponding metallurgical recovery factors applied.</p> <ul style="list-style-type: none"> Any assumptions or allowances made for deleterious elements. The existence of any bulk sample or pilot scale test work and the degree to which such samples are considered representative of the orebody as a whole. For minerals that are defined by a specification, has the ore reserve estimation been based on the appropriate mineralogy to meet the specifications? 	<p>metallurgical recoveries determined for different rock types and different mining areas.</p> <ul style="list-style-type: none"> The ore contains no deleterious elements. Bulk samples and pilot scale tests have been conducted on representative samples of the deposits. The ore reserve recoveries are based on metallurgical recoveries for different rock types from different mining areas. A detailed review of the metallurgical testwork is provided in Section 10.
Environmental	<ul style="list-style-type: none"> The status of studies of potential environmental impacts of the mining and processing operation. Details of waste rock characterisation and the consideration of potential sites, status of design options considered and, where applicable, the status of approvals for process residue storage and waste dumps should be reported. 	<ul style="list-style-type: none"> Baseline data was collected for all the environmental aspects of the Project including the physical and biological components. The information collected included water quality evaluations as well as tailings and waste rock characterization. This information was used to assess the potential impacts that Project construction and operations would have on the environment and provided a basis for development of appropriate mitigation measures required to eliminate or significantly reduce environmental impacts. The design of the TSF, WRSF's and other important structures including the sedimentation ponds and water containment facilities were based on baseline data including surface and groundwater hydrology and good engineering practices. As noted in the report, the major environmental considerations are associated with protection of the water resources potentially impacted by the Project. The primary concern is associated with management of waste rock storage. Appropriate mitigation measures must be reviewed and modified as needed to protect the water resources in the area.
Infrastructure	<ul style="list-style-type: none"> The existence of appropriate infrastructure: availability of land for plant development, power, water, transportation (particularly for bulk commodities), labour, accommodation; or the ease with which the infrastructure can be provided, or accessed. 	<ul style="list-style-type: none"> Adequate infrastructure is in the process of being constructed, including roads, power, water, service buildings, communication systems, employee camps, and product transportation in addition to the processing plant and associated overland conveyor system As at 1st January 2014 50% of the construction is complete with the remainder due for completion mid 2015 and commissioning by late 2015.
Costs	<ul style="list-style-type: none"> The derivation of, or assumptions 	<ul style="list-style-type: none"> Construction of the Project is currently

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Criteria	JORC Code explanation	Commentary
	<p><i>made, regarding projected capital costs in the study.</i></p> <ul style="list-style-type: none"> • <i>The methodology used to estimate operating costs.</i> • <i>Allowances made for the content of deleterious elements.</i> • <i>The derivation of assumptions made of metal or commodity price(s), for the principal minerals and co-products.</i> • <i>The source of exchange rates used in the study.</i> • <i>Derivation of transportation charges.</i> • <i>The basis for forecasting or source of treatment and refining charges, penalties for failure to meet specification, etc.</i> • <i>The allowances made for royalties payable, both Government and private.</i> 	<p>about 50% complete; accordingly, projected capital costs are soundly established. The costs are actuals based on tenders and local conditions.</p> <ul style="list-style-type: none"> • Operating costs have been determined to a feasibility study level based on tendered prices for consumables and estimated quantities of consumables, labour, and services. • No deleterious elements are expected in the concentrates that would result in smelter penalties. • The exchange rates costs are based on US\$ and Peruvian soles which have been reasonably stable and expected to remain so. • Transportation charges are based on quotations from local companies. • Treatment and refining charges are based on the usual charges commonly seen in the last five years. • Royalties payable are based on information provided by the Company.
Revenue factors	<ul style="list-style-type: none"> • <i>The derivation of, or assumptions made regarding revenue factors including head grade, metal or commodity price(s) exchange rates, transportation and treatment charges, penalties, net smelter returns, etc.</i> • <i>the derivation of assumptions made of metal or commodity price(s), for the principal metals, minerals and co-products.</i> 	<ul style="list-style-type: none"> • All mining input parameters are based on the Ore Reserve estimate LOM production schedule. All cost inputs are based on tenders and estimates from contracts in place as with net smelter returns and freight charges. These costs are in line with the regional averages. • RPM has based its metal prices on long term bank consensus forecast of US \$2.91 Cu, Molybdenum price: \$13.37/lb; Silver price: \$19.83/oz; Gold price: \$1,196/oz • The Gold and Silver revenue is via a credit at the refinery which equates to a LOM average of US\$0.81/Tonnes Ore. • The Treatment charges and Refining costs have been included in the revenue for the project as outlined in Section 13.
Market assessment	<ul style="list-style-type: none"> • <i>The demand, supply and stock situation for the particular commodity, consumption trends and factors likely to affect supply and demand into the future.</i> • <i>A customer and competitor analysis along with the identification of likely market windows for the product.</i> • <i>Price and volume forecasts and the basis for these forecasts.</i> • <i>For industrial minerals the customer specification, testing and acceptance requirements prior to a</i> 	<ul style="list-style-type: none"> • It is proposed that the majority of the product will be sold to Chinese customers. • RPM has based its metal prices on long term bank consensus forecast. Although no contracts are in place RPM does not envisage any issues with sales given the product type and the likely target customer in China and market conditions. • RPM also note the market research completed by the Client as presented in the Circular.

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Criteria	JORC Code explanation	Commentary
Economic	<p><i>supply contract.</i></p> <ul style="list-style-type: none"> The inputs to the economic analysis to produce the net present value (NPV) in the study, the source and confidence of these economic inputs including estimated inflation, discount rate, etc. NPV ranges and sensitivity to variations in the significant assumptions and inputs. 	<ul style="list-style-type: none"> RPM derived the inputs for an economic analysis by review of project documentation, by evaluation of project during site visit, by interviews with employees and by own experience RPM supplied technical input to a licensed Hong Kong Stock Exchange Competent Evaluator for the NPV calculation of discounted cash flows
Social	<ul style="list-style-type: none"> The status of agreements with key stakeholders and matters leading to social licence to operate. 	<ul style="list-style-type: none"> The Company has developed good relationships with the impacted communities. As a result, the communities appear to currently support the construction and operations of the Project. However, the effort will be substantial to assure successful resettlement and the overall success of the social/community program. The primary concern is that the housing facilities near completion are significantly different from the current living conditions. Measures are being taken by rePlan to provide guidance supporting the restoration of household and community-level livelihoods. It is RPM's expectation that significant support will be required to successfully restore livelihoods in the Nueve Fuerabamba community. Agreements allowing the development of associated facilities including the transmission line, the port facilities and concentrate transport to the port are impacted by holdouts associated with ROW agreements along the path of the structures. Activities are progressing and a final successful outcome is expected. It is RPM's expectation that the social license to operation will be acquired. Maintenance of this achievement will require significant input from the Social/Community staff and their Consultants for the life of the Project
Other	<ul style="list-style-type: none"> To the extent relevant, the impact of the following on the project and/or on the estimation and classification of the Ore Reserves: Any identified material naturally occurring risks. The status of material legal agreements and marketing arrangements. The status of governmental 	<ul style="list-style-type: none"> RPM has not independently reviewed the legal arrangements and agreements associated with the Project, but is given to understand that most of requisite the permits and approvals are already in place and that those outstanding can be expected to be received on a timely basis to meet the projected implementation schedule. The relocation of residents within the Project

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Criteria	JORC Code explanation	Commentary
	<p>agreements and approvals critical to the viability of the project, such as mineral tenement status, and government and statutory approvals. There must be reasonable grounds to expect that all necessary Government approvals will be received within the timeframes anticipated in the Pre-Feasibility or Feasibility study. Highlight and discuss the materiality of any unresolved matter that is dependent on a third party on which extraction of the reserve is contingent.</p>	<p>area is a concern but RPM understands that this will begin shortly.</p> <ul style="list-style-type: none"> No offtake agreements are in place, however the majority of the product will be sold the Chinese buyers
Classification	<ul style="list-style-type: none"> The basis for the classification of the Ore Reserves into varying confidence categories. Whether the result appropriately reflects the Competent Person's view of the deposit. The proportion of Probable Ore Reserves that have been derived from Measured Mineral Resources (if any). 	<ul style="list-style-type: none"> RPM has Classified all the Indicated resource as Probable and Measured resources as Proved. The classification is consistent with the Competent Person view of the deposits.
Audits or reviews	<ul style="list-style-type: none"> The results of any audits or reviews of Ore Reserve estimates. 	<ul style="list-style-type: none"> Internal reviews of the Ore Reserves estimate followed RPM's standard internal peer review procedures.
Discussion of relative accuracy/confidence	<ul style="list-style-type: none"> Where appropriate a statement of the relative accuracy and confidence level in the Ore Reserve estimate using an approach or procedure deemed appropriate by the Competent Person. For example, the application of statistical or geostatistical procedures to quantify the relative accuracy of the reserve within stated confidence limits, or, if such an approach is not deemed appropriate, a qualitative discussion of the factors which could affect the relative accuracy and confidence of the estimate. The statement should specify whether it relates to global or local estimates, and, if local, state the relevant tonnages, which should be relevant to technical and economic evaluation. Documentation should include assumptions made and the procedures used. Accuracy and confidence discussions should extend to specific discussions of any applied Modifying Factors that may have a material impact on Ore Reserve 	<ul style="list-style-type: none"> All related confidence level work was undertaken based on the results of global estimates. Confidence level for the reserves was tested performing sensitivity check based on economic model generated by RPM, after economically mineable portion of the mineral resource was defined through Whittle optimization, subsequent mine design and scheduling. Key elements found to be sensitive to the project economics are transportation/shipment cost (Mine site to processing plant), capital investment for the planned plant expansion and concentrate price. However, the reserve was found to be resilient to +/-20% variation in key parameters employed for sensitivity test.

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Criteria	JORC Code explanation	Commentary
	<p><i>viability, or for which there are remaining areas of uncertainty at the current study stage.</i></p> <ul style="list-style-type: none"><i>It is recognised that this may not be possible or appropriate in all circumstances. These statements of relative accuracy and confidence of the estimate should be compared with production data, where available.</i>	

A4. Annexure D - Data Verification Checks by RPM (Drill Hole Data)**Collar checks**

ID	LB Database		RPM GPS (Garmin etrex)		Differences	
	E	N	E	N	dE	dN
FE-40900-5	793,571.0	8,440,890	793,571	8,440,890	0.0	0.0
FE-40875-8	793,535.9	8,440,872	793,535	8,440,872	0.9	0.0
CH-44250-6	786,763.3	8,444,244	786,762	8,444,246	1.3	-2.0
CH-43750-4	786,499.8	8,443,749	786,501	8,443,750	-1.2	-1.0
CH-44250-5	786,697.4	8,444,239	786,700	8,444,240	-2.6	-1.0

Downhole Surveys MultiShot Checks

SU-43625-2

Geological Logging Holes Checks

ID	Depth
FE-39825-5	500.5
FE-39850-3	260.5
CH-44100-7	254.3
CH-43950-5	219.65
SU-43050-1	359.4

Sample Dispatch Report Check

85F0001

Assay Holes Checks

FE-39825-5	FE-39850-3	CH-44100-7	CH-43950-5	SU-43625-2
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A5. Annexure E - Data Verification Checks by RPM (Permits and Licenses)

Instrument ID	Date Approved/ Issued	Expiration	Description
Planning Consents and Environmental Protection Licenses			
Project EIS	March 2011	Project Period	Environmental Social Impact assessment for the Las Bambas portion of the project
1 st Amendment to EIS	August 2013	Project Period	Amendment to the ESIA for change in the water acquisition system from a dam/lake to a water intake system on the Challhuahuacho River.
Supporting Technical Report 1	- August 2013	Project Period	Construction of the molybdenum processing facility and the filter plant at the Project; identification of quarry locations. Other changes included: construction of cement plant; construction of truck shop; relocation and change in size of camp; and change in starting date for mining.
Supporting Technical Report 2	- February 2014	Project Period	Changes included: sediment pond construction without discharge; water treatment facility; assay laboratory; and location of low grade ore stockpile.
Supporting Technical Report 3	- Expected to be Submitted		Design change for sediment pond to a two (2) pond system
2 nd Amendment to the EIS	Submitted in March 2014 with expected approval in October 2014.	Project Period	Included a water balance, topsoil stockpile location, and approval to discharge from the sedimentation pond.
3 rd Amendment to the EIS	Expected to be submitted in November 2014 with expected approval in July 2015	Project Period	Will include method of concentrate transport to the port.
Closure Plan	July 2013		The closure plan for the Project was approved, which included the closure costs and projected bonding levels.
Transmission Line EIS	Acquired	Project Period	The EIS for the Transmission Line was be acquired by Abenogoa Power, which will own and operate it.
Port Facility EIS	Submitted and ongoing	Project Period	The EIS for the Port Facility will be acquired by the Company that will own and operate it.
Submission of application for verification of completion of mining and metallurgical works	Expected to be submitted in May 2015		The construction of the facilities must be completed prior to acquiring an approved completion.
Submission for a water use license	Expected to be submitted June 2015		The facilities and applicable structures including the tailings storage facility must be completed before a water use license for the operation can be acquired.
Granting authorization to operate the beneficiation plant	Expected approval October 2015		An operations permit can be approved after construction is completed.
Granting	Approved 2 May 2 nd stage – visual		Once the 1 st stage of development is

Runge Pincock Minarco

Instrument ID	Date Approved/ Issued	Expiration	Description
authorization for the first stage of development, preparation and mining activities at the Ferrobamba Pit	2013	inspection to verify completion expected January 2015. Authorization for mining activities at the Ferrobamba Pit is expected July 2015.	completed, a visual inspection is conducted to verify completion (2 nd stage). After the approval of the 2 nd stage, a request is submitted to acquire authorization to initiate mining.
Authorization for the construction of the concentrate pipeline	Approved May 2013		Authorization for the construction of civil works and installation of the pipeline. This permit will require an extension during May 2014.
Submit an extension to the pipeline construction schedule	Expected submittal May 2014		Construction of the pipeline can be initiated – if a slurry pipeline is the chosen method of transport.
Use of Explosives Supplies and Related Products	November 2013 (First half 2014)	Application to be filed for 2 nd half of 2014 end of May 2014.	Permit must be renewed semi-annually
Water Use Rights for Construction Stage	Granted	In force for the Charcascocha Spring until 3 July 2015.	Water acquired for the construction phase of the Project. 1.78 l/s.
Water Use Rights for Construction Stage	Granted	In force until 2 December 2015	Water acquired for the construction phase of the Project. 150 l/s.

A6. Annexure F – Data Capacity Checks by RPM (Ore-Processing)

Circuit	Units	Value
Primary Crushing		
Crush size, nominal	P ₈₀ , mm	152
Throughput	tonnes/hour	13,000
Primary Grinding		
Work index	kWh/tonne	13.2
Product size	P ₈₀ , microns	240
Throughput	tonnes/day	140,000
Rougher Flotation		
Feed rate	tonnes/hour	6,340
Feed density	percent solids	38
Residence time	minutes	8
Rougher-Scavenger Flotation		
Feed rate	tonnes/hour	6,000
Feed density	percent solids	39
Residence time	minutes	23
Rougher Concentrate Regrinding		
Feed rate	tonnes/hour	352
Specific power (new feed)	kWh/tonne	4.3
Product size	P ₈₀ , microns	60-65
Rougher-Scavenger Concentrate Regrinding		
Feed rate	tonnes/hour	404
Specific power (new feed)	kWh/tonne	7.4
Product size	P ₈₀ , microns	45-50
Molybdenum Rougher Flotation		
Feed rate	tonnes/hour	128
Feed density	percent solids	40
Residence time	minutes	78
Moly First Cleaner Concentrate Regrinding		
Feed rate	tonnes/hour	4.2
Specific power (new feed)	kWh/tonne	18
Product size	P ₈₀ , microns	30-35
Tailings Storage Facility		
Slurry density	percent solids	62
Beach slope	percent	1
Capacity	million tonnes	960

Runge Pincock Minarco

END OF REPORT

VALUATION REPORT
ON
‘LAS BAMBAS’ COPPER PROJECT
BELONGING TO
XSTRATA PERU SOUTH AMERICA

Client : MMG Ltd
Ref. No. : CON 000191519
Report Date : 30 June 2014

30 June 2014

The Board of Directors
MMG Ltd
Units 8501-8503, Level 85
International Commerce Centre
1 Austin Road West, Kowloon
Hong Kong

Dear Sirs,

**INDEPENDENT VALUATION OF THE LAS BAMBAS PROJECT BELONGING TO
XSTRATA PERU SOUTH AMERICA**

Introduction

In accordance with your instructions, Jones Lang LaSalle Corporate Appraisal and Advisory Limited (“JLL” or we) has prepared an independent valuation, which is in compliance with Chapter 18 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), on the Las Bambas Copper Project (“Project”) of Xstrata Peru South America (“XSP”), Cotabambas Province, Apurimac Region of Peru as at 31 December 2013 (the “Valuation Date”). We are aware and have consented that this report will be included in MMG Ltd (“Company”) circular to shareholders. The report that follows is dated 30 June 2014 (the “Report Date”).

This report has been prepared in accordance with the guidelines set by (i) Chapter 18 of the Listing Rules and (ii) the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports 2005 Edition (the “VALMIN Code”), prepared by the VALMIN Committee, a joint committee of the Australasian Institute of Mining and Metallurgy, the Australian Institute of Geoscientists and the Mineral Industry Consultants Association with the participation of the Australian Securities and Investment Commission, the Australian Stock Exchange Limited, the Minerals Council of Australia, the Securities Association of Australia and representatives from the Australian finance sector.

MMG Ltd

Valuation Report – the Copper Project Belonging to Xstrata Peru S.A.

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In accordance with Chapter 18 of the Listing Rules, we have excluded any consideration of inferred resources and sources of potential value in preparing this independent valuation. We considered the exclusion of such means that the valuation result as contained in this report (the “Chapter 18 Value”) does not meet the definition of Fair Market Value under the VALMIN Code.

The valuation was carried out on a Technical Value basis. The VALMIN Code defines Technical Value as *“an assessment of a mineral asset’s future net economic benefit at the valuation date under a set of assumptions deemed most appropriate by a relevant expert or specialist, excluding any premium or discount to account for such factors as market or strategic considerations.”*

The valuation contains calculations and forecasts based on data provided by MMG as well as those contained in the report entitled *“Las Bambas Project, Peru Competent Person’s Report”* (the “ITR”), prepared by RungePincockMinarco (“RPM”). The ITR estimates that the total resources of sulphide mineralisation in the XSP concession areas include 490 Mt @ 0.64% Cu in the Measured Resource category, 720 Mt @ 0.68% Cu in the Indicated Resource category and 510 Mt @ 0.5% Cu in the Inferred Resource category using a cut-off grade of 0.2% Cu. The ITR also estimates a total resource of oxide mineralisation of 100Mt @ 0.76% Cu. However, further testwork will need to determine if the oxide mineralisation can be processed in an economically viable way.

Within the Measured and Indicated Resources, the ITR has estimated Proved and Probable Ore Reserves totaling 952 Mt @ 0.72% Cu using a cut-off grade of 0.2% Cu.

The conclusion of value is based on accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and consideration of various factors that are relevant to the operation of XSP. Considerations of various risks and uncertainties that have potential impact on the business have also been made. We have conducted a site visit and have reviewed a large amount of data pertaining to the geology, exploration results, mine planning and economic viability of the Project.

By agreement with the client the valuation date is 31 December 2013 which is the reference date to form the gross base amount of US\$5,850,000,000 (before any adjustment) used to determine the Consideration, as required by Sellers. This report has been prepared on the basis of project information available up to the Valuation Date, but may contain information, such as third party

industry analysis, that has become available since that date. The opinions expressed herein are given in good faith and we believe that any assumptions or interpretations made by it are reasonable.

While every effort has been made to ensure the accuracy of this report, we accept no liability for any error or omission. We take no responsibility if the conclusions of this report are based on incomplete or misleading data. No opinion has been expressed on matters that require legal or other specialized expertise or knowledge, beyond what is customarily employed by valuers. The conclusions assume continuation of prudent management over whatever period of time that is reasonable and necessary to maintain the character and integrity of the assets valued.

JLL has undertaken the valuation of the Project using a discounted cash flow Income Approach.

Based on the results of our investigations and analysis outlined in the report which follows, we are of the opinion that the Chapter 18 Value of the entire Las Bambas Project as at the Valuation Date is in the range of **US\$4.55 billion to US\$6.59 billion with the preferred value being US\$5.51 billion**. In accordance with Chapter 18 of the Listing Rules, any consideration of inferred resources and sources of potential value has been excluded from this Chapter 18 Value.

The following pages outline the factors considered, methodology and assumptions employed in formulating our opinions and conclusions. Any opinions are subject to the assumptions and limiting conditions contained therein.

Yours faithfully,

For and on behalf of

Jones Lang LaSalle Corporate Appraisal and Advisory Limited

Murray Hutton

Principal Consultant

Simon M.K. Chan

Regional Director

MMG Ltd

Valuation Report – the Copper Project Belonging to Xstrata Peru S.A.

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A. Scope

The purpose of this report is to summarize the independent valuation as at 31 December 2013 (the “Valuation Date”) of the Las Bambas Copper Project (the “Project”) belonging to Xstrata Peru S.A., located in Cotabambas and Grau Provinces, Apurimac Region of Peru (Figure 1). The report that follows is dated 30 June 2014 (the “Report Date”).



Figure 1: Location of Las Bambas Project, Peru

Source: Glencore, Oct 2013

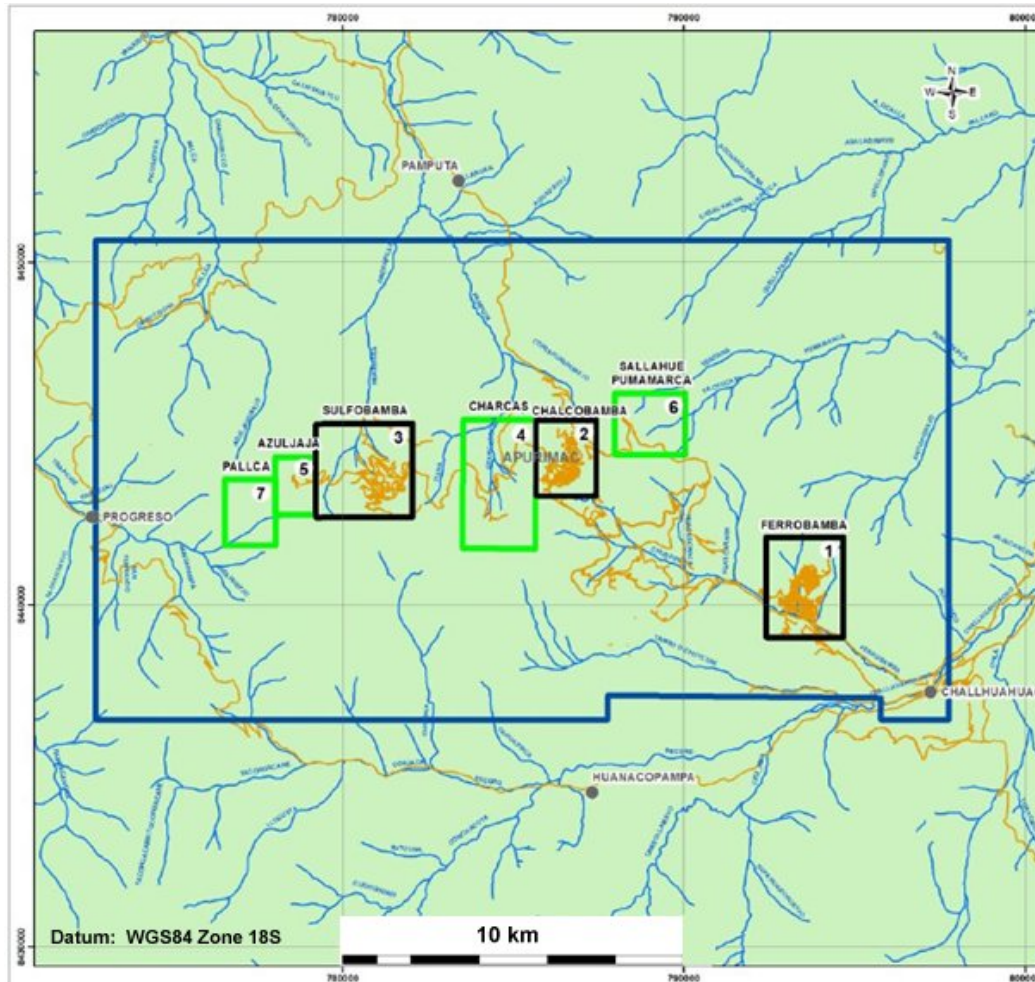


Figure 2: Outline of Las Bambas mining concessions (blue) and significant deposits
 Source: Glencore

The Project is contained within 41 mining concessions with exploration works primarily targeted at three separate deposits, namely Ferrobamba, Chalcobamba and SulfoBamba (Figure 2, black outlines). Four other high priority targets have been identified for further exploration efforts (Figure 2, green outlines).

B. Basis of Value

In accordance with Chapter 18 of the Listing Rules, we have excluded any consideration of inferred resources and sources of potential value in preparing this independent valuation. This means that the valuation result as contained in this report (the “Chapter 18 Value”) does not meet the definition of Fair Market Value under the VALMIN Code.

Fair Market Value is defined as *“the amount of money (or the cash equivalent of some other consideration) determined by the Expert in accordance with the provisions of the VALMIN Code for which the Mineral or Petroleum Asset or Security should change hands on the Valuation Date in an open and unrestricted market between a willing buyer and a willing seller in an “arm’s length” transaction, with each party acting knowledgeably, prudently and without compulsion.”*

The valuation was carried out on a Technical Value basis for the entire Las Bambas Project. The VALMIN Code defines Technical Value as *“an assessment of a mineral asset’s future net economic benefit at the valuation date under a set of assumptions deemed most appropriate by a relevant expert or specialist, excluding any premium or discount to account for such factors as market or strategic considerations.”*

C. Basis of Opinion

We have conducted our valuation in accordance with (i) Chapter 18 of the Listing Rules and (ii) the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports 2005 Edition (the “VALMIN Code”), prepared by the VALMIN Committee, a joint committee of the Australasian Institute of Mining and Metallurgy, the Australian Institute of Geoscientists and the Mineral Industry Consultants Association with the participation of the Australian Securities and Investment Commission, the Australian Stock Exchange Limited, the Minerals Council of Australia, the Securities Association of Australia and representatives from the Australian finance sector.

In order to form an opinion on the value of the Project, it is vital to make assumptions of certain future events, e.g. economic and market factors. We have taken all reasonable care in examining those

assumptions made to ensure that they are appropriate to the case. These assumptions are based on the technical knowledge and experience of XSP and the opinions of independent consultants from Runge Pincock Minarco (RPM), authors of the ITR, and financial analysts from various brokerage businesses. The valuation procedures employed include the review of physical and economic conditions of the Project and an assessment of the key assumptions, estimates, and representations made by the proprietor or the operator of the Project. All matters essential to the proper understanding of the valuation will be disclosed in the valuation report.

The following factors form an integral part of our basis of opinion:

- Assumptions on the market conditions and the subject assets that are considered to be fair and reasonable;
- Consideration and analysis on the micro and macro economy affecting the subject assets;
- Analysis on tactical planning, management and synergy of the subject assets;
- Analytical review of the subject assets; and
- Assessment of the leverage and liquidity of the subject assets.

We planned and performed our valuation so as to obtain all the information that we considered necessary in order to provide us with sufficient evidence to express our opinion on the subject assets. However, we have not undertaken a complete due diligence of the legal status of the Project.

D. Statement of Competence

This report has been prepared by Murray Hutton and Simon Chan. Murray Hutton serves as a consultant to Jones Lang LaSalle and has over 35 years' experience in the minerals industry. His qualifications and professional associations include a BA (Hons, Geology) from Macquarie University and membership of the Australian Institute of Geoscientists. This membership requires him to be subject to an enforceable code of ethics; therefore we deem Mr. Hutton to be suitably qualified to produce Public Reports as cited in the JORC and VALMIN code. His experience has spanned gold and base metals since 1977 and he presently manages the Gold and Base Metals Group at Geos Mining, a Sydney-based minerals consultancy. He has acted as the Competent Person, as defined by the JORC Code, for a diverse range of commodities. Over the past twenty years he has been involved in copper projects through the production of geological reports to valuation reports for many ASX

listed companies and thus meets the criteria of a Competent Person under JORC. He fulfills VALMIN's standard for competence and his acceptance for the overall responsibility of the report allows him an Expert status under the "Expert and Specialists" section of the VALMIN Code. He fulfills the requirements of and takes the responsibility as the Competent Evaluator under Chapter 18 of the Listing Rules.

Mr. Simon Chan has extensive work experience in accounting, auditing valuation and corporate advisory services and now oversees the business valuation department of JLL. He has extensive valuation experience in mineral assets, mining rights and corresponding project investments. He has provided a wide range of valuations services to numerous listing companies in Mainland China, Hong Kong, Singapore and the United States. He is a member of the Australasian Institute of Mining, and Metallurgy (AusIMM), the Canadian Institute of Mining, Metallurgy and Petroleum (CIM) and the Royal Institute of Chartered Surveyors (RICS) as well as a fellow of HKICPA and CPA Australia. His extensive experience means he fulfills the requirement to be a "Specialist" under the definition of "Expert and Specialist" set out in the VALMIN Code,

E. Source of Information

In conducting our valuation of the value of the Project, we have reviewed information from several sources, including, but not limited to:

- Information on the Project including, but not limited to, presentations, prepared documentation, exploration data, mine planning, legal, marketing and financial data;
- The ITR prepared by Runge Pincock Minarco (RPM, 2014);
- A site inspection;
- Interviews of management and employees of XSP; and
- Prior industry knowledge and continuing industry research.

A large amount of paper-based and digital data was provided to us. The data covered the exploration programs, laboratory analyses of drillhole samples, geology, mine operational planning and procedures, financial budgets including forecast sales and revenue, operating and capital expenditure, expenses and income, marketing, tenure, land purchase and ownership, mineral rights, contractual arrangements environmental management planning, legal and regulatory matters. We reviewed the financial model provided by RPM and believe that it is consistent with industry practice in terms of methodology and completeness. We also believe that, within the normal constraints of financial modeling of future events, the assumptions are reasonable and have properly been considered as to forecasts of operational performance, revenues and costs. All requests to XSP for information and clarification were answered to our satisfaction and within a reasonable time. The staff members of XSP and the Company were made available for interviews as requested and were cooperative and forthcoming. We have no reason to believe that the information provided to us is inaccurate or incomplete.

F. Independent Technical Report

We have been provided with a report produced by RungePincockMinarco (RPM, 2014) titled “*Las Bambas Project, Peru Competent Person’s Report*” (the “ITR”) dated 30 June 2014. We received the final draft report on 30 May 2014 and we were confirmed that there would not be any material change.

We regard the report as being very thorough and complete, and accept the estimation of the Ore Reserves and Mineral Resources. We note further that the bulk of the operating and other cost estimates are based on the experience of XSP and RPM over the last several years of operating in the mining industry, and we think that the cost and capital expenditure forecasts are sound.

The ITR also presents a very good review of the mine and operational plans. Based on our own observations of the Project and our review of the relevant documentation and discussions with the engineering and operational staff, we agree with RPM that the mine and operational plans appear reasonable and complete.

G. Site Inspection

A site visit was made by Murray Hutton during 8-10 May 2014 to get familiarized with the project for the purpose of this valuation. We made inspections of the mine, processing plant, tailings facility and utilities facilities and collected available source data during the visit. Detailed discussions also took place with Richard Addison (Principal Process Engineer), Terrance Brown (Principal Environmental Specialist) and Esteban Acuna (Senior Geologist) of RPM concerning the resources and both current and future mining and processing plans. We also analyzed and reviewed the exploration database and validation procedures, inspected mineralisation in core storage and mine workings, examined geological modelling procedures and collected all relevant information required for the preparation of this report. Open discussions with the Company’s personnel regarding technical aspects of relevance were also held. We are satisfied that XSP has demonstrated that it has the experience, knowledge, staff and equipment to operate open pit mines.

H. Location and Access

The Project is located in the Andes of southern Peru with the cities of Cusco and Arequipa being 75 km south-southwest and 300 km north-northwest respectively. The Project area is situated at an elevation between 3,700 – 4,600 m across the two provinces of Cotabambas and Grau in the Apurimac region, Peru. The 41 mining concessions cover a total area of approximately 35,000 hectares. The Las Bambas project is centred at approximate coordinates of 14° 04' S / 72° 20' W.

Access to the mine site for personnel is primarily from Cusco by a mix of paved and gravel roads (220km / 6 hours) or by helicopter (73 km / 40 minutes).



Figure 3: Location of nearby mines and port facilities
Source: Glencore

I. Geology

The regional setting of the Project is on the southern edge of the Abancay Deflection (12° to 14° South Latitude). This structure is characterized by a change in the trend of the Peruvian Andes Mountains from NW-SE to E-W for more than 200 km as a consequence of the differential collision of the dorsal portion of the Nazca Plate with the Peruvian Pacific littoral margin.

The Las Bambas deposits are in the belt of Cu (+Mo-Au) porphyry systems in southeastern Peru (Bechtel Mining & Metals, 2010). This metallogenic belt is controlled by the Eocene-Oligocene Andahuaylas-Yauri Batholith, which intrudes Mesozoic sedimentary units, including the Ferrobamba Formation (Lower to Upper Cretaceous) (RPM, 2013). Intrusions in contact with Ferrobamba Formation limestones produce contact metamorphism and extensive skarn deposits with Cu (+Mo-Au).

The deposits within the Project are typical Cu-Mo-Au skarn deposits associated with porphyry Cu systems in that the mineralisation and alteration are zoned around quartz monzonite porphyry intrusions. Five main phases of intrusions have been identified in the region. Individual intrusions generally occur as vertically extensive (greater than 900 m) pipe-like bodies and cross-cutting tabular dykes. Mineralisation associated within these intrusions also extends into the host lithology where significant tonnages of skarn-style mineralisation have developed.

Mineralisation within the Project occurs in the form of the Cu sulphide minerals chalcopyrite, bornite, chalcocite and covellite, while gold occurs as a dissolution state predominately within the bornite sulphide crystals and molybdenite is associated with quartz veinlets. Sulphide mineralisation is closely associated with quartz stockwork veins, occurring as disseminations and fracture coatings within the porphyry pipe. These stockworks and hydrothermal solutions are sourced from other granitic intrusive bodies.

Typical of porphyry style deposits, mineralisation is strongly zoned with the highest grades generally associated with the most intense stockwork veining in the central portion of the porphyry. Sulphide species in the systems are zoned, from bornite-dominant cores centered on the quartz monzonite porphyries, outwards through a chalcopyrite-dominant zone to distal pyrite. As the Cu grade increases (approximately >1.2% Cu), the content of covellite, digenite and chalcocite associated with the bornite mineralisation also increases.

J. Tenements and Statutory Documentation

The Las Bambas project consists of four “Concesion de Explotacion” mining concessions (Ferrobamba, Chalcobamba, Sulfobamba and Charcas; held in the name of Empresa Minera del Peru S.A.) and 37 contiguous “Concesion Minera” concessions (Bambas 1 to Bambas 37; 34 held by Xstrata Tintaya S.A. and 3 held by Xstrata Las Bambas S.A.). In total, the four main mining concessions cover 1,800 hectares and the remaining concessions cover 33,200 hectares.

Xstrata Copper acquired the exploration rights from the Peruvian Government in August 2004, following an international public auction and an ensuing agreement dated 1 October 2004 (Bechtel Mining & Metals, 2010).

The Project holds all the mineral and surface rights necessary to proceed along the Project’s current forecast rate of development. Permits for the power transmission right of way, port expansion and archaeological rights have been attained.

K. Encumbrances

Several communities of indigenous people still occupy small patches of the project area and will need to be relocated to the Nueva Fuerabamba town, which has been constructed by XSP for this purpose. The situation regarding the relocations is described in the ITR and our observations support RPM’s analysis of the situation. There is a risk of project delay caused by the relocation process, as discussed in the Risks section below.

We questioned the directors of XSP about the existence of any other encumbrances on the Project that were not in the public domain. We have no reason to believe that we have not been provided with all relevant information that might be reasonably considered to influence the economic value of the Project.

L. Existing Exploration and Operational Readiness

The Project has a long history of prospecting and modern exploration by the current and previous owners, commencing in 1966, with over 343 km of surface diamond drilling to date. Out of the 1143 drill holes and 343 km drilled, the current owners have been responsible for 1098 of them and 335 km respectively (Table 1).

BHP (BHP Billiton, 2001) identified 23 exploration targets based on geological setting, alteration, mineralization, geochemical sampling and geophysics anomalies (Figure 4). The result of a ranking of potential targets was as follows:

- 3 very high priority targets (Ferrobamba Central, Chalcobamba Central, Sulfobamba Central)
- 5 high priority targets (Azuljaja Central, Charcas Northwest, Cejrapena, Huillulluni, Sallahue)
- 9 moderate priority targets (Azuljaja North, Azuljaja East, Charcas Central, Charcas North, Chalcobamba North, Calcobamba Northwest, Ferrobamba South, Ferrobamba East, Ferrobamba Northwset)

Overall, the Ferrobamba and Chalcobamba deposits have been the most intensively explored, followed by the Sulfobamba deposit. These three deposits contain Proved and Probable Reserves (totalling 952 Mt @ 0.72% Cu at a cut-off grade of 0.2% Cu) that have been considered in preparation of this independent valuation.

The Chalcas and Azuljaja targets have been tested by around 3,500m of drilling and further drilling on these targets is likely to define additional resources in the hundreds of million tonnes range. Other targets are at preliminary stages of exploration, but show good potential for discovery of significant resources. In accordance with Chapter 18 of the Listing Rules, these areas with potential for additional resources have not been considered in preparing this independent valuation.

Production on the Ferrobamba deposit is planned to commence by mid-September 2015 reaching full production levels by 2016. The Project currently stands in the later stages of development with 50% of major infrastructure items having been completed as at January 2014 and with stripping of the Ferrobamba open pit now taking place. As yet there is still much to develop in way of transportation to the port and in the expansion of the port facilities.

Company	Years	Exploration programs	Drilling
A Milfiker & P Rosas	1906	Mining claims	
Compania Inglesa Ferrobamba	1911-13	Exploration adits	6 churn drillholes
Andes Exploration Company	1915-20	Prospecting at FB & CB	
L Vanini + others	1938-41	Reconnaissance for copper Resource estimation	
Cerro de Pasco Copper Corporation	1942-1970	District mapping Underground workings at FB & CB Regional geological assessment Metallurgical studies Resource estimation	6 DDH (906m)
Minera Peru (State owned)	1972-1993	District mapping Prefeasibility studies IP surveys over CB, CH, SB Exploration adits	
Barrick, MIM + others	1994	Field evaluations, geochemical sampling	
Magma Copper	1995	Detailed review of CB, FB and other deposits Geochemical sampling Resource estimation	
Phelps Dodge	1995	Field evaluations	
Cyprus-Amax	1996	Field mapping of FB & CB	9 DDH (1,367m)
BHP	1996	Geological mapping and sampling	
Phelps Dodge	1997	District mapping Drilling at FB & CB	8 DDH (1,391m)
BHP – Cyprus-Amax JV	1997	District mapping Geophysics surveys	7 DDH (1,024m)
Teck	1998		4 DDH (875m)
BHP	1999-2001	Review of past data	
ProInvest	2003		11 DDH (2,328m)
Xstrata Won international tender in 2004	2005	Resource Evaluation (FB, CB, SB)	235 DDH (56,000m)
	2006	Resource Evaluation (FB, CB, SB, CH, AZ)	167 DDH (100,000m)
	2007	Resource Evaluation (FB, CB, SB)	287 DDH (88,325m)
	2008	Resource Evaluation (FB, CB)	193 DDH (62,643m)
	2010	Resource Evaluation (FB)	91 DDH (28,400m)

Table 1: Exploration history at Las Bambas

FB = Ferrobamba; CB = Chalcobamba; SB = Sulfobamba; CH = Chalcas; AZ = Azuljaja

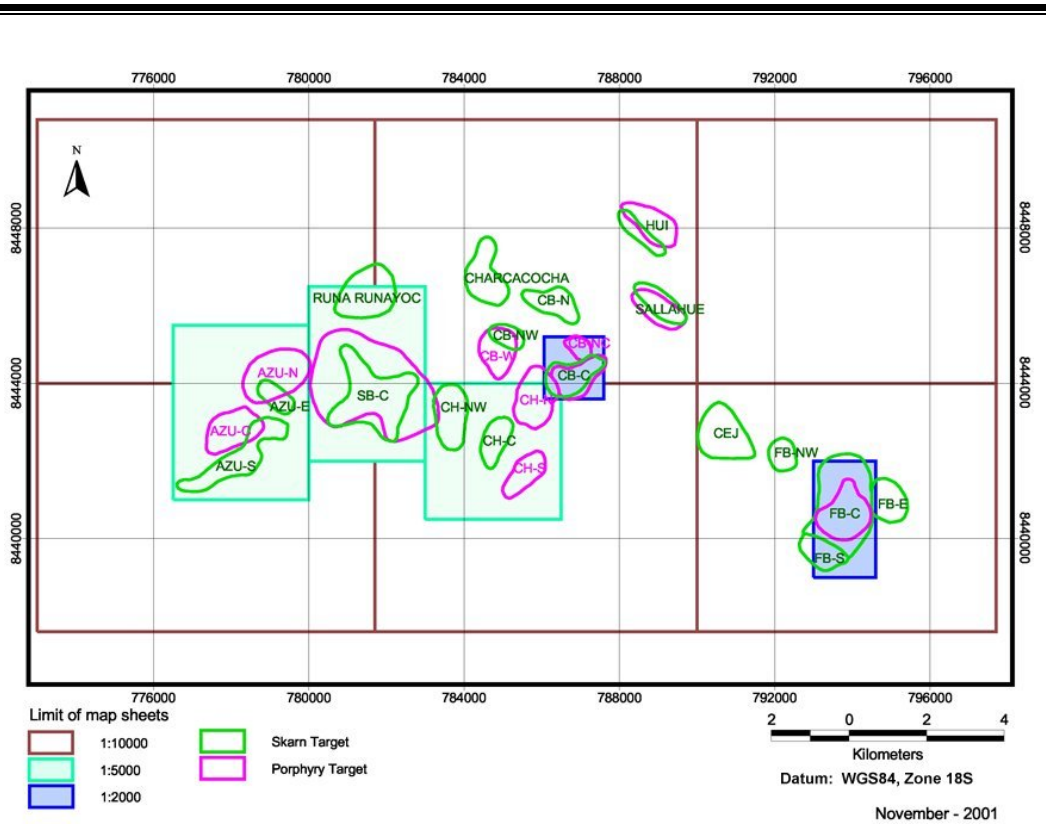


Figure 4: Exploration targets identified by BHP
 Source: BHP, 2001

M. Plant / Equipment and Infrastructure

The Las Bambas mine is remote with little infrastructure in the vicinity; accordingly, infrastructure requirements are extensive. Principal elements of the equipment and infrastructure are as follows (RPM, 2013)

- New 250 km Heavy Haulage Road for access;
- New 130 km 220-kilovolt power line;
- 2 x 1.3 million litre tanks for fuel supply;
- 4.2 Mm³ capacity freshwater dam;
- 3 Mm³ capacity contact water dam, built using mine waste rock;
- 900 Mt capacity tailings dam, built using mine waste rock;
- 2,000 m³/hr capacity fresh water pumping system from a nearby river to the freshwater dam at 600m higher elevation;
- 3,000 m³/hr tailings reclaim water and contact water pumping system to the ore-processing plant;
- The usual complement of buildings, including offices, shops, laboratories, warehouses, etc;
- Complete town of 450 houses for displaced persons with amenities;
- Communications towers from Las Bambas to Cusco and to Atapaccay;
- Several sewage systems for locations throughout the site;
- 2 separate explosive magazines;
- Mobile cranes, bulldozers, front-end loaders, trucks and forklifts.

N. Valuation Approach

We have used the discounted cash flow method of the Income Approach in this exercise. It is an estimation of the net present value (NPV) of the forecast free cash flow produced by the Project since the Valuation Date.

In keeping with the requirements of the VALMIN Code a range of values, and a preferred value, have been calculated for the project.

This choice of valuation method is appropriate considering that the development of the copper mine is within the construction phase – a phase in which the timing and amount of capital expenditure, which the Income Approach takes account of, can materially affect the project valuation. We would also like to be able to accurately reflect the specific characteristics of the Project which is why we prefer the

Income Approach. Using the Market Approach requires starting from the basis that all mines chosen within the group of comparable transactions are similar and then attempts are made to modify various aspects to reflect the characteristics of the subject mine. The Project is not at a very premature stage of exploration where, because confidence about the resource is very uncertain, a Cost Approach would be most likely employed. For the purposes of the Chapter 18 Listing Rules and given that an ITR has been performed for the Project and contains production plans and mining cost estimates that we consider reasonably thorough and reliable, we are more inclined towards an Income Approach valuation than the Market Approach.

We have assumed the value of the Project to be an economic transaction value for an “arm’s length” transaction that is not conducted under duress (i.e. it is negotiated over time rather than being a “fire sale” requiring rapid closure).

By agreement with the client the effective date of the valuation is 31 December 2013, which is the reference date to form the gross base amount of US\$5,850,000,000 (before any adjustment) used to determine the Consideration, as required by Sellers.

This report is compliant with the VALMIN Code, 2005 edition. The fundamental objective of the VALMIN Code is the protection of investors. With this objective in mind we have conducted the valuation in the following way:

- where there has been a choice of a simple and a complex method of estimating a financial factor and there is no material difference between the methods in the resulting accuracy of, or confidence about, the factor amount, the simple method has been used; and
- where there is a material uncertainty regarding the quantum of an amount or parameter, we have been as conservative as possible to be consistent with our intent to provide a reasonable estimate of the value of the project.

This report is also compliant with Chapter 18 of the Listing Rules which requires the exclusion of any consideration of Inferred Resources and sources of potential value from a valuation report.

Income Approach

Whereas a Cost Approach is more common in valuing projects at early stages of exploration, this project is in the construction phase and has advanced to a degree where there is a resource definition and a feasible mining method. In these circumstances, our preferred approach to valuation is usually to estimate the NPV of the project – an approach known as the Discounted Cash Flow (“DCF”) method.

We make the following observations on the efficacy of the NPV valuation method:

- it is necessarily based on many assumptions including future operating performance, revenue and costs and the reader must remember that it is intended as a guide and not to give an exact number;
- it is quite sensitive to changes in the discount rate which is itself an estimation;
- many of the calculations in the financial model were made on an accrual accounting basis while the determination of free cash flow must necessarily be made on a cash basis;
- it assumes constant risk over the lifetime of the project; and
- it does not allow for management’s ability to change the cost structure or scale of the project in response to changed operating or market conditions.

O. Assumptions

- Other than enquiring with representatives of XSP, we have neither conducted a full legal audit of the status of the various tenements nor formally reviewed all material factors affecting the tenements. According to the Company, the mining taxes have been paid for all concessions and their individual legal status is in force and free of any liens or encumbrances. Therefore XSP is considered to be in good legal standing and current in their respective dues to the relevant authorities. The preliminary checks have not identified any evidence of any issues with the concessions, which appear to be in good standing with current, valid licences, permits and approvals and with no identified outstanding commitments as at the Valuation Date. The valuation below assumes that the tenure is in good standing.

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- We further assume that outstanding permits and licences over the life of the mine are or will be duly submitted and approved.
 - In order to realize the growth potential of the business and maintain a competitive edge, additional manpower, equipment and facilities are necessary to be employed. For the valuation exercise, we have assumed that all proposed facilities and systems will work properly and will be sufficient for future expansion.
 - We have assumed all the information provided to us to be reliable and legitimate. We have relied to a considerable extent on such information in arriving at our opinion of value.
 - We have assumed that there will be no material change in the existing political, legal, technological, fiscal or economic conditions that may adversely affect the business of XSP.
 - Operational and contractual terms bound by the contracts and agreements entered into by XSP will be honored.
 - Its competitive advantages and disadvantages will not change significantly during the period under consideration.

P. Valuation Assumptions

Reserves and mining schedule

We are of the opinion that the Resource and Reserve estimates as set out in the ITR are reasonable. According to the ITR, the Project is estimated to hold 952 million tonnes of Ore Reserves, an additional 258 million tonnes of Measured and Indicated Resources and 510 million tonnes of Inferred Resources. For the sake of valuation and in order to be compliant with the Listing Rules, we considered the Reserves only in this exercise while, in particular, the 510 million tonnes of Inferred Resources and other sources of potential value have not been considered. Making use of the mining and processing capacity that is suggested in the ITR, we have adopted the following milling schedule in the valuation.

Year	Ore Milled (Mt)	Year	Ore Milled (Mt)
2015	13.98	2025	51.00
2016	51.00	2026	51.00
2017	51.00	2027	51.00
2018	51.00	2028	47.11
2019	51.00	2029	51.00
2020	51.00	2030	51.00
2021	51.00	2031	48.87
2022	51.00	2032	43.97
2023	51.00	2033	50.23
2024	51.00	2034	34.31

Table 2: Milling schedule

Unit price of copper and other metals

Copper's main applications to electrical wiring, plumbing, roofing and industrial machinery mean its price is moved by industries of a cyclical nature, such as construction and industrial machinery manufacturing. With bulk production occurring in only a handful of countries worldwide, there is an added price exposure to political situations where copper mining is heavily monitored by government. An optimistic case for copper argues that supply will be constrained and even postponed whilst demand from EU, USA and Japan makes up for any slowdown in Chinese demand. On the other hand, a pessimistic case doubts such supply constraints and focuses on the move away from industrial production of China and related reduction in copper demand.

In arriving at our price forecasts for copper, for the 7 years from 2014 to 2020 inclusive and the long term price thereafter we have taken an average of the forecasts made in analyst research from over 20 sources. We believe this is an appropriate approach and for the purposes of this exercise, attempts to amalgamate the ideas of many individual sources into one forecast that is more reflective of the multiple parties that comprise a market. We have taken this approach to arrive at prices for the seven years from 2014 to 2020 inclusive and the long term price thereafter.

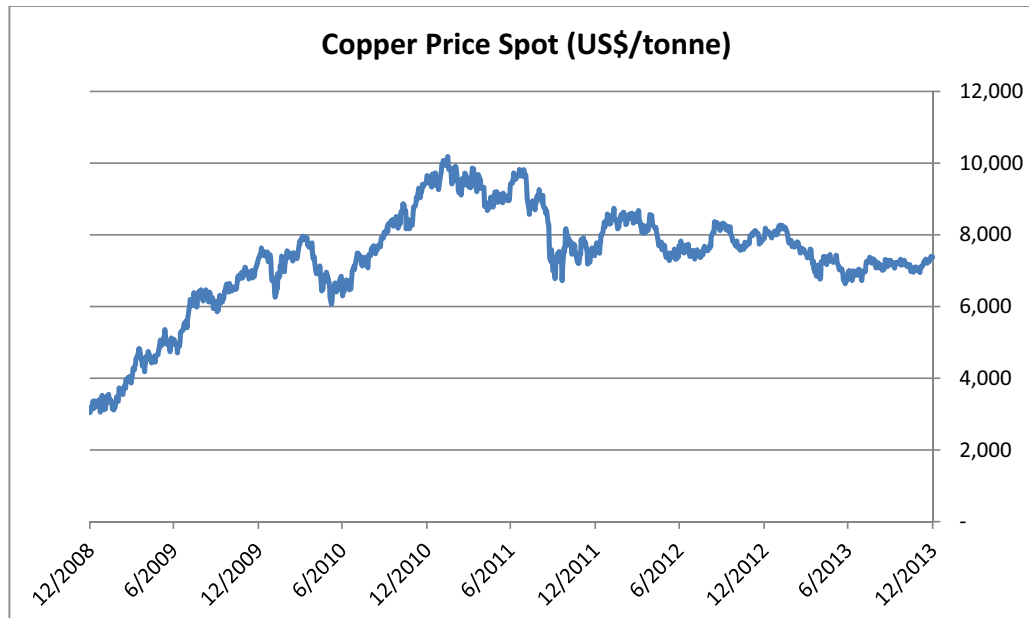


Figure 5: LME Copper prices from 2009 to 2013

Source: Bloomberg

Other than copper, this project will also produce significant quantities of silver, gold, and molybdenum. The same approach was used in arriving at our price forecasts for the other metals. The quantities of these metals mined are relatively small in comparison to copper. However, based on the current valuation, molybdenum trioxide is expected to form 10% of total revenue, with gold and silver each contributing 3.5% of overall revenue. Bearing in mind these weightings, a rough analysis of the correlation of these 3 metals prices over the last 20 years shows the relationship between gold and molybdenum and between silver and molybdenum are both of ‘least significance’, whilst gold and silver correlate at a ‘significant’ level. These findings and the relative contributions to revenue of each metal suggest that the fluctuations in price of these metals should not make a substantial impact on the value of the project.

	Copper	Molybdeum Trioxide	Silver	Gold
	\$/lb	\$/lb	\$/oz	\$/oz
2014	3.20	10.19	20.72	1,267
2015	3.13	10.34	20.94	1,249
2016	3.16	10.38	21.94	1,277
2017	3.16	10.75	22.14	1,279
2018	3.12	10.88	22.30	1,289
2019	3.07	12.02	22.57	1,322
2020	3.06	12.01	22.74	1,329
Long term	3.06	12.01	22.74	1,329

Table 3: Forecast metal prices used in the valuation (in real 2014 US\$)

Costs

The estimated unit costs of the Project are listed below. They are grouped into broad categories of mining, processing, admin, logistics and refinery & treatment costs.

Mining Cost

The mining cost consists of drilling, blasting, loading, hauling, and support service. Their unit costs are tabulated below:

Drilling	\$0.08/t mined
Blasting	\$0.21/t mined
Loading	\$0.14/t mined
Hauling	\$0.90/t mined
Support Service	\$0.16/t mined
Rehandle Load and Haul	\$1.09/t

Processing Costs

The processing cost consists of crushing, grinding, flotation and other processing cost. Their unit costs are tabulated below:

Crushing conveying & grinding	US\$3.76/t milled
Flotation	US\$1.9/t milled
Treatment charge for molybdenum	US\$1.6/lb of Moly
Treatment charge for copper	US\$75.72/t conc
Refinery charge for copper	US\$0.07/lb
Refining for silver	US\$0.35/oz
Refining for gold	US\$5.00/oz

Freight cost

The freight cost consists of transport cost and port cost. Their unit costs per tonne of concentrate are tabulated below:

Transport Freight	US\$80.00/t
Port charge	US\$18.50/t
Ocean freight	US\$55.00/t

Royalty Cost:

There is a royalty cost of up to 3% of sales imposed by the Peruvian government.

Employee profit sharing scheme

There is a general system of employee participation in company profits. Employees are entitled to participate in the profits, defined as net income before taxes, of the company provided the company

has more than 20 employees and they are subject to the labor regime for private company employees. The percentage applied differs with the industry of the employer. The applicable rate for mining business is 8%.

Capital Expenditure

According to the ITR, the Company's initial capital cost estimate is US\$6,031 million, which is higher than the estimation conducted earlier. The overrun is primarily due to delays in construction of major infrastructure items. As of 1 January 2014, the Company has injected US\$3,511 million and the remaining capital expenditure needed is around US\$2,519 million. On top of the initial capital outlay, the sustaining capital is estimated at US\$ 1.6 billion over the life of mine. The estimated capital costs for the Project are summarized in Table 4.

Year	Initial Capex '000 US\$	Sustaining Capex '000 US\$	Year	Initial Capex '000 US\$	Sustaining Capex '000 US\$
2014	1,855,174		2026		45,524
2015	655,233		2027		116,739
2016		187,466	2028		117,337
2017		213,958	2029		68,601
2018		134,839	2030		96,590
2019		93,006	2031		62,116
2020		135,595	2032		36,245
2021		40,848	2033		34,561
2022		51,581	2034		27,938
2023		57,591	2035		27,958
2024		59,608	2036		3,227
2025		61,258	2037		1,072

Table 4: Estimated Capital costs

Source: RPM, 2014

According to the ITR, it states that the capital cost estimate is reasonable however is subject to increases if there will be any delay. We understand that, for developing this project, there are potential risks associated with community management at Nueva Fuerabamba. Furthermore, concerning the scale and complexity of the project, there will be potential cost escalation and construction delays which may impose higher capital expenditure in the future. For the sake of valuation, we considered

that an additional contingency buffer is necessary which is why a 10% additional capital cost is applied to the remaining capex.

Tax

A 30% profit tax rate is assumed in the valuation and according to the tax stability agreement, an additional 2% is applied.

Q. Discount Rate

In applying the discounted cash flow method, it is necessary to determine an appropriate discount rate for the assets under review. The discount rate represents an estimate of the rate of return required by a third party investor for an investment of this type. The rate of return expected from an investment by an investor relates to perceived risk. Risk factors relevant in our selection of an appropriate discount rate include:

1. Interest rate risk, which measures variability of returns, caused by changes in the general level of interest rates;
2. Purchasing power risk, which measures loss of purchasing power over time due to inflation;
3. Liquidity risk, which measures the ease with which an instrument can be sold at the prevailing market price;
4. Market risk, which measures the effects of the general market on the price behavior of securities; and
5. Business risk, which measures the uncertainty inherent in projections of operating income.

Consideration of risk, burden of management, degree of liquidity, and other factors affect the rate of return acceptable to a given investor in a specific investment. An adjustment for risk is an increment added to a base or safe rate to compensate for the extent of risk believed to be involved in the investment. The appropriate discount rate for the valuation exercise is the weighted average cost of capital.

Weighted Average Cost of Capital

The appropriate rate of return for valuing the Project is the weighted average cost of capital (“WACC”), which is the weighted average of the return on equity capital and the return on debt capital. The WACC is expressed in the following formula:

$$WACC = \frac{E}{V} \times R_e + \frac{D}{V} \times R_d \times (1 - T_c)$$

Where:

Re = Required return on equity

Rd = Required return on debt

E = fair value of the firm's equity

D = fair value of the firm's debt

V = E + D

E/V = percentage of financing that is equity

D/V = percentage of financing that is debt

Tc = corporate tax rate

Cost of Equity

We have used the Capital Assets Pricing Model (the “CAPM”) to estimate the cost of equity. The CAPM is a fundamental tenet of modern portfolio theory, which is the generally accepted basis for marketplace valuations of equity capital. The CAPM technique is widely accepted in the investment and financial analysis communities for the purpose of estimating a company’s required return on equity capital.

The equation of CAPM is shown as follows:

$$\text{Cost of equity} = \text{Risk free rate} + (\text{Beta} \times \text{Risk Premium}) + \text{Other risks}$$

The return on equity required of a company represents the total rate of return investors expect to earn, through a combination of dividends and capital appreciation, as a reward for risk taking. The Capital Asset Pricing Model (“CAPM”) is used to calculate the cost of equity by using information derived from publicly-traded companies.

Items		Description
Risk Free Rate	≈ 3.03%	Yield of 10-year US Treasury at 31 December 2013
Market Premium	≈ 6.96%	The long term Equity risk premium of U.S. Market, from S&P Ibbotson 2014 Classic Yearbook
Estimated nominal Beta	≈ 2.504	Average Beta for the Comparable Companies
Country premium	≈ 2.13%	http://pages.stern.nyu.edu/~adamodar/New_Home_Page/dataf/ctryprem.html
Specific Premium	≈ 1.00%	Adjustment to account for the uncertainty of the forecast

Table 5: Parameters for CAPM

Cost of debt

Cost of debt represents the long term borrowing cost of XSP, which is assumed to be 7.00% with reference to the general USD borrowing rate in Peru.

Other risks

We have accounted for other risks in the calculation of the cost of equity, in recognition of the fact that the cost of equity can be higher than that predicted by the WACC because of factors independent of the general stock market, such as country risk, liquidity risk, the size of business etc.

Items		Description
D/E Ratio	≈ 145%	With reference to the capital structure of the Company
Cost of Equity	≈ 23.59%	Calculated as above
Cost of Debt	≈ 7.00%	US\$ borrowing rate in Peru
Income Tax Rate	≈ 32.00%	Standard tax rate of Peru with reference to http://www.kpmg.com/global/en/services/tax/tax-tools-and-re-sources/pages/corporate-tax-rates-table.aspx Additional Tax Stability Agreement
Inflation	≈ 2.00%	Federal Open Market Committee long term inflation target

Table 6: Parameters for WACC

Based on the above, the discount rate for the Project is 10.00% (rounded) in real term.

R. Discounted Cash Flow Valuation

The free cash flow model has been applied in this valuation to calculate the NPV of the Project. Having determined this as the Chapter 18 value, this same value can be used as a preferred value within a sensitivity analysis.

A NPV sensitivity analysis was performed using several values for copper concentrate price, discount rate and production costs (including mining costs, processing costs, and freight costs). The “base case” applies the same parameters within section P.

Table 7 below shows the effect on NPV by varying the price per tonne of copper and the discount rate while maintaining the base case production costs.

		Discount rate				
		-2%	-1%	Base Case	+1%	2%
		(8%)	(9%)	(10%)	(11%)	(12%)
Copper Price per tonne	-10%	5.63	5.06	4.56	4.11	3.71
	-5%	6.18	5.57	5.03	4.55	4.12
	Base Case	6.73	6.08	5.51	4.99	4.53
	+5%	7.28	6.59	5.98	5.43	4.94
	+10%	7.83	7.10	6.46	5.88	5.36

Table 7: NPV in US\$ billion – price of copper varied with the discount rate

Table 7 shows the effect on NPV of varying the price per tonne and the production costs while maintaining the base case discount rate of 10.00%.

		Production costs				
		-10%	-5%	Base Case	+5%	+10%
Copper Price per tonne	-10%	4.87	4.71	4.56	4.41	4.25
	-5%	5.34	5.19	5.03	4.88	4.73
	Base Case	5.82	5.66	5.51	5.35	5.20
	+5%	6.29	6.14	5.98	5.83	5.67
	+10%	6.76	6.61	6.46	6.30	6.15

Table 8: NPV in US\$ billion – price of copper varied with production costs

The cells of Table 7 and Table 8 that are shaded light grey contain the range of values that JLL believes are the most likely to contain the Chapter 18 Value for the project. The figures we chose to determine the range as mentioned in Section U. Opinion of Value takes the minimum and maximum values within the lighter grey areas of both tables. The range thus chosen is **US\$4.55 billion to US\$6.59 billion**. The reader is cautioned to remember that it is not possible to forecast future performance of the project or other economic factors with certainty and that it is prudent to consider a sufficient range of variation in the relevant factors. The cells of Table 7 and Table 8 that are shaded dark grey are included to assist the reader in drawing their own conclusion as to the value of the project.

The results of the above sensitivity analysis are plotted in :

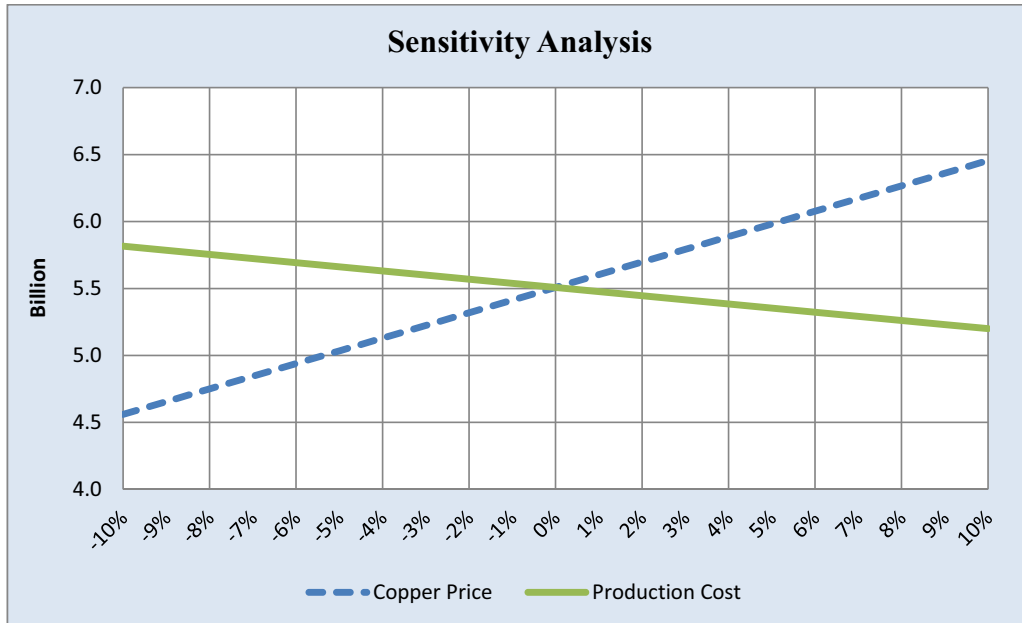


Figure 6: Sensitivity analysis of the project value versus 1) copper price; and 2) production cost

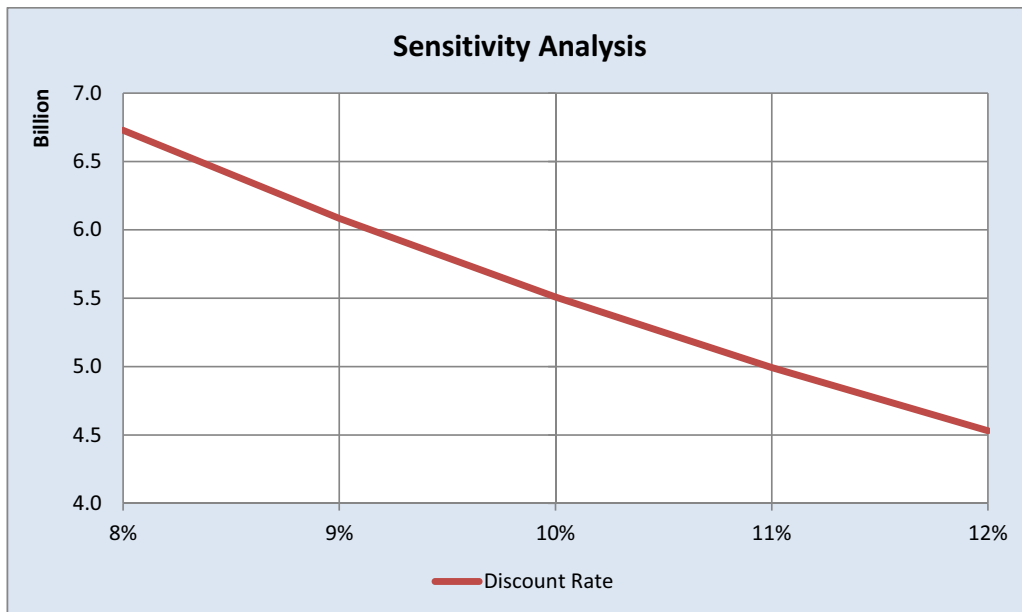


Figure 7: Sensitivity analysis of the project value versus discount rate

S. Risks

The ITR includes a comprehensive review of the project risks and we agree with the conclusions of RPM in regard to those risks. We include some additional commentary on general risk factors for the sake of prudence. The mining industry is a high risk business where earnings can be highly volatile. Many risks directly related to the mining operation can be minimised by good planning and management practices. However, there are a number of risks that fall outside of the control of the mine operators. For each of the risks detailed below, we have provided a subjective assessment of the consequences of the risk on the overall project operation and the likelihood of such risks occurring.

Consequence of risk:

Major consequence – if uncorrected, the risk could have a material effect on the mine cash flow (>20%) and could potentially lead to mine closure.

Moderate consequence – if uncorrected, the risk could have a significant effect on the mine cash flow (5-20%) but not likely to lead to mine closure.

Minor consequence – if uncorrected, the risk will have little or no effect on the mine cash flow (<5%)

Likelihood of risk occurring within seven years if mitigating procedures are not enacted:

Likely - >50% probability that the risk will occur.

Possible – 20-50% probability that the risk will occur.

Unlikely - <20% probability that the risk will occur.

The overall risk assessment can be constructed from the consequence of the risk and the likelihood of occurrence (Table 9).

Consequence	Likelihood		
	Likely	Possible	Unlikely
Major	High	High	Medium
Moderate	High	Medium	Low
Minor	Medium	Low	Low

Table 9: Risk Assessment Grid

Concession risk

As mentioned earlier in this report we believe that XSP has demonstrated that they have all necessary permits and licences in place and up to date.

Moderate consequence, unlikely to occur – Low risk

Technology / equipment risk

The project relies on well understood and proven technology and mining practices. We believe that the company and its workforce are very familiar with the equipment and mining methodology. The achievability of any expansion plan may highly depend on the technical performance of the equipment. *Moderate consequence, unlikely to occur – Low risk.*

Fuel Risk

Las Bambas will be heavily dependent upon diesel fuel for its mining machinery and transport fleet, estimated by RPM to be around 210,000 L/day. As well, emergency diesel power generators will be installed and may be heavily relied upon, especially if there are delays in the construction of the power supply connecting to the national grid at Cotaruse. RPM estimate that fuel usage for the mine will be 0.5 L/tonne mined (ore + waste). Therefore, increased costs in the supply or transport of fuel may have significant bearing on the mine's economics.

Moderate consequence, possible to occur – Medium risk

Infrastructure risk

There is a substantial infrastructural requirement in order for the area to support large scale mining activities. Upgrading and building new access roads as well as water and power provision to support future production rates are critical to the Project's operation. According to Standard and Poor's (Mineweb, 2013), Peru's cheap power costs (between \$30 and \$60 per megawatt-hour) offer a strong competitive advantage over its neighbours. However, Peru's electricity infrastructure network will require substantial upgrades if it is meet growth in demand and price increases to fund the expansion of infrastructure cannot be discounted. Expansion of the mining industry will also require significant upgrades to port facilities to be able to cope with the extra volumes of mine concentrates for shipment to overseas processors. Construction of all mine-supporting infrastructure, such as offices, workshops, warehouses, housing for employees as well as a town to house residents displaced by the Project, is yet to be complete and has the risk to affect the Project's mining schedule.

Furthermore, the provision of such infrastructure depends on the availability, capacity, reliability, security, and operation of third-party contractors. Performance of these third party contractors cannot be assured and is largely out of the mine operator's control. Being in a relatively remote part of the country, the project will rely upon the timely and cost-effective supplies of material, equipment, spare parts and other critical consumables. Interruptions or shortages of supplies, particularly electricity and water, or increases in prices, could adversely affect the mining and processing operations.

Moderate consequence, possible to occur – Medium risk.

Resources Risk

Estimation of mineral resources is not an exact science and relies on sufficient quality data and a good understanding of the controls on the mineralisation processes for the estimator to make an accurate assessment of the resources. It is common for mining operations to return values of tonnages and / or grades for mining units that are significantly different to the Resource estimation for the particular blocks – sometimes higher, sometimes lower. The inherent risks can be highly significant for deposits of narrow, high grade mineralisation (e.g. high grade gold veins) or where the economic minerals are erratically distributed (e.g. diamond pipes).

Porphyry copper deposits do not normally present significant difficulties for resource estimators because of the disseminated nature of the mineralisation. However, skarns associated with porphyries can have their own peculiarities and can display erratic mineral distributions. From our review of the Ferrobamba drill core and assay results, we have made the following observations:

- Most sample intervals (65%) are 2m in length. Maximum = 4.45m, minimum = 0.5m, average = 1.87m. Compositing of these drillhole results to 7.5m downhole lengths for the resource estimation has resulted in smoothing of the assay data.
- Copper mineralisation is commonly consistent within zones ranging from ~20m to 60m downhole. However, occasionally high-grade mineralisation can extend over zones as narrow as 4m to 8m.
- Copper mineralisation in the skarns occurs as veinlets and disseminations. Occasional thicker veins and / or patches of massive sulphides produce erratic high assay results.
- Copper mineralisation within the intrusive rocks is mostly within narrow veins with only minor alteration selvages. Some of these veins are oriented at a low angle to the drillhole axis.
- No measurements of the veins on oriented core have been performed. It is therefore not possible to determine whether there are dominant orientations for the veins.

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- Outcrops of the intrusive rocks exposed in road cuttings in the Ferrobamba pit show a weak foliation striking approximately N-S and dipping steeply to the west. Most drillholes at Ferrobamba have an azimuth towards 035° and, therefore, are oriented at a low angle to this foliation.

The Las Bambas operation will rely on bulk tonnage mining methods to provide economies of scale and we believe that the procedures used for estimating the resources and reserves are appropriate for the style of mineralisation and designed mining methods. However, selectivity of small zones of mineralisation / waste will be minimal and there is the risk that small, high-grade pods will be consigned to waste or dilution by waste material being consigned to the mill. To test whether the orientation of drillholes relative to dominant structures will make a material difference to the resource estimations, we recommended that some drilling be undertaken at different azimuths and measurements of vein orientations be conducted on oriented core.

Minor consequence, possible to occur – Low risk

Transportation risk

The Las Bambas project is planned to rely on road transport of concentrates from the mine site to the Matarani port using a large fleet of trucks owned and operated by contractors. The mining model base case assumes a 0.5% loss of payable metal during transport. Risks associated with the transportation of concentrates include truck accidents, disputes between contractors and their employees out of the control of the mine operator, inability of the contractors to manage their business, landslides and other road blockages and delays in construction of facilities under the Build-Own-Operate (BOO) agreements at the Matarani port and the railroad transport option being evaluated. Furthermore, if other mining operations in the region propose to use the same national highways to the coast, the Peru government may impose charges to cover the cost of maintaining the roads.

Minor consequence, likely to occur – Medium risk

Occupational Health and Safety and Environmental risk

The Las Bambas operation will be subject to Peruvian laws and regulations relating to health, safety and environmental protection, as well as industry standard protocols. Current and future laws and regulations governing work place conditions, workers insurance coverage, use of safety equipment and handling and disposal of hazardous material could impose significant operating costs that could adversely affect the operation's cash flow. Financial liability for incident damages to personnel, public infrastructure or environmental damages may also adversely affect the business and, in an

extreme case, may lead to loss of permits or a complete shutdown of operations. Management of, and strict adherence to, occupational health, safety and environmental regulations will be a major component of the operations. In particular, new employees from local communities who have not had experience in an industrial environment will need to be monitored for adherence to the OHS protocols.

Moderate consequence, likely to occur – High risk

Personnel risk

Expected employee numbers during the mine operating stage are detailed in RPM's report. The plan is for a significant number of unskilled employees coming from the local communities and considerable training will be required. Indications to date are that the locals have struggled to meet the required operational standards, which may lead to some minor delays or lower than expected productivity during the early years.

Under law, Peruvian companies must distribute 8% of profits amongst its employees. This bonus payment can be highly significant for mining employees and, with several major mines either in operation or due to come on stream in the near future, there will be high demand for skilled machinery operators. The Las Bambas project may be at risk of losing skilled labour to other profit-making mines, especially during the early years before reaching peak production.

Minor consequence, possible to occur – Low risk

Social Impact risk

The development of the Las Bambas project will involve significant disruption to the indigenous communities. As noted in the RPM report, there are potential risks associated with the relocation of people to the new housing development at Nueva Fuerabamba and having them adjust to a different lifestyle, particularly their housing situation. Furthermore, easements for roads, water supplies and power supplies can affect the livelihoods of people living outside of the mining footprint. Las Bambas' Social and Community Management Program team, along with the consultancy group rePlan, are actively working with the displaced communities to ensure continued success in the relocation program. Any delays in the completion of the new town as well as in the relocation of the affected residents can influence the mining schedule. The Las Bambas mine operators will need to provide substantial ongoing support programs to minimise disenchantment within the local communities that could lead to interference with the mine operations and infrastructure.

Several mining operations in Peru have been directly affected by incidents of social unrest and protests during the past couple of years, including Newmont's Minas Congas gold project in northern Peru and Xstrata's Tintaya mine. The Las Bambas mine operators will need to provide substantial ongoing support programs to minimise disenchantment within the local communities that could lead to interference with the mine operations and infrastructure. Although the risks can be significant, we believe that the social programs being developed at Las Bambas have been carefully planned to minimise disruption to the mine operations.

*Moderate consequences, possible to occur – **Medium risk**.*

Illegal Mining Resolution Risk

People living in the Sulfbamba area rely on artisanal mining of the high grade copper mineralisation as their major source of income. Government authorities are trying to shut down illegal mining operations, as well as the illegal processing plants that purchase the ore. However, the Las Bambas operators will need to undertake negotiations with these illegal miners if they hope to avoid social unrest in the area. The Sulfbamba deposit is scheduled for mining during Year 7 of the operation, which allows plenty of time to come to a mutually satisfactory arrangement. This risk therefore should only have a potential impact on the ramp up stage of the mine and not the total mining profile.

*Minor consequence, possible to occur – **Low risk***

Natural disasters

Earthquakes may result in road blockages, destruction of infrastructure and water storage / tailings dam collapse. Later in the mine life, as pits deepen, even minor tremors could cause collapse of pit walls with consequent loss of production. We believe that the Las Bambas area is not within a high-risk earthquake zone; most of the historical destructive earthquakes in Peru occur within the coastal area, closer to the tectonic plate boundary. However, the transport routes to the coast do pass through areas where significant earthquakes (>4.0 magnitude) regularly occur and, in such mountainous terrain, landslides may cause considerable damage to the road network.

*Minor consequence, unlikely to occur – **Low risk***

Country Risk

The current Peruvian government is strongly in favour of the expansion of the mining industry in the country as it brings in much needed revenue for social infrastructure. However, Standard & Poor's has indicated that anti-mining protests are becoming a major challenge facing the industry (Mineweb, 2013) and could lead to a significant change in government policy. National elections in Peru are due

in 2016 and any growing disenchantment with the rapid growth of mining in Peru could jeopardise government support for the industry.

Major consequence, unlikely to occur – Medium risk

Currency risk

The cost estimates taken from ITR within our valuation are expressed in US\$. Some of the costs will actually be incurred in PEN leaving exposure to exchange rate risk.

Moderate consequence, likely to occur – Medium risk

Realization of Forecast and Projection

This valuation is premised in part on the historical financial information and/or projections provided by the management of XSP or as contained in the ITR. Since projections is subjected to numbers of assumptions and relate to the future, there will usually be differences between projections and actual results and in some cases, those variances may be material. Accordingly, to the extent that any of the above mentioned information requires adjustment, the resulting investment value may differ.

Moderate consequence, possible to occur – Medium risk

Forecast Prices

The valuation of the project has relied on forecast metal prices obtained from several sources. Future metal prices may differ markedly from the forecasts and could drastically affect the profitability of the operations. Metal prices can be influenced by numerous factors outside of the control of mine operators, such as world supply and demand, forward selling activities, natural disasters disrupting supplies, macro-economic conditions and political issues. Over the life of the mine, it is likely that the mine plan will change in order to accommodate changes in metal prices, particularly by changes to the economic cut-off grade, in order to maintain or maximise profitability.

Moderate consequence, likely to occur – High risk

T. Valuation Comments

The valuation of an interest in an asset requires consideration of all relevant factors affecting the operation of the business and its ability to generate future investment returns. The factors considered in the valuation included, but were not limited to, the following:

- the nature of the business;
- the financial condition of the business and the economic outlook in general;
- the operational contracts and agreements in relation to the business;
- the projected operating results; and
- the financial and business risk of the mining operation including the continuity of income and the projected future results.

The conclusion of the value is based on accepted valuation procedures and practices promulgated in the VALMIN Code that rely substantially on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. Further, while the assumptions and consideration of such matters are considered by us to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the MMG Ltd.

U. Opinion of Value

Based on the results of our investigations and analysis outlined in this report, we are of the opinion that the Chapter 18 Value of the Project as at the Valuation Date can range from **US\$4.55 billion to US\$6.59 billion with the preferred value being US\$5.51 billion.**

In accordance with Chapter 18 of the Listing Rules, we have excluded any consideration of Inferred Resources and other sources of potential value in preparing this independent valuation. We considered the exclusion of such means that the valuation result as contained in this report (i.e. the Chapter 18 Value) does not meet the definition of Fair Market Value under the VALMIN Code.

V. Limiting Conditions

This report and opinion of value are subject to our Limiting Conditions as included in Exhibit A of this report.

Yours faithfully,

For and on behalf of

Jones Lang LaSalle Corporate Appraisal and Advisory Limited

Murray Hutton

Principal Consultant

Simon M.K. Chan

Regional Director

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Exhibit A – Limiting Conditions

1. In the preparation of our reports, we relied on the accuracy, completeness and reasonableness of the financial information, forecast, assumptions and other data related to XSP, provided to us by the Company and XSP and/or their representatives. We did not carry out any work in the nature of an audit and neither are we required to express an audit or viability opinion. We take no responsibility for the accuracy of such information. The responsibility for determining expected values rests solely with the Company and our reports were only used as part of the Company's analysis in reaching their conclusion of value.
2. We have explained as part of our service engagement procedure that it is the director's responsibility to ensure proper books of accounts are maintained, and the financial information and forecast give a true and fair view and have been prepared in accordance with the relevant standards and companies ordinance.
3. Public information and industry and statistical information have been obtained from sources we deem to be reputable; however we make no representation as to the accuracy or completeness of such information, and have accepted the information without any verification.
4. The management of the XSP has reviewed and agreed on the report and confirmed that the basis, assumptions, calculations and results are appropriate and reasonable.
5. Jones Lang LaSalle Corporate Appraisal and Advisory Limited shall not be required to give testimony or attendance in court or to any government agency by reason of this exercise, with reference to the project described herein. Should there be any kind of subsequent services required, the corresponding expenses and time costs will be reimbursed from you. Such kind of additional work may incur without prior notification to you.
6. No opinion is intended to be expressed for matters which require legal or other specialized expertise or knowledge, beyond what is customarily employed by valuers.
7. The use of and/or the reliance of the report is subject to the terms of engagement letter/proposal and the full settlement of the fees and all expenses.
8. Our conclusions assume continuation of prudent management policies over whatever period of time that is considered to be necessary in order to maintain the character and integrity of the assets valued.
9. We assume that there are no hidden or unexpected conditions associated with the subject matter under review that might adversely affect the reported review result. Further, we assume no responsibility for changes in market conditions, government policy or other conditions after the Valuation/Reference Date. We cannot provide assurance on the achievability of the results forecasted by XSP because events and circumstances frequently do not occur as expected; difference between actual and expected results may be material; and achievement of the forecasted results is dependent on actions, plans and assumptions of management.

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10. This report has been prepared for inclusion in the Circular of the Company in connection with the acquisition of XSP. Our consent to the disclosure of the report in connection with the acquisition is solely for the purpose of providing information to potential investors or any interested party.
 11. The calculation of values expressed herein is valid only for the purpose stated in the engagement letter/or proposal as of the reference date. In accordance with our standard practice, we must state that this report and exercise is for the use only by the party to whom it is addressed and no responsibility is accepted with respect to any third party for the whole or any part of its contents.
 12. Where a distinct and definite representation has been made to us by party/parties interested in the assets valued, we are entitled to rely on that representation without further investigation into the veracity of the representation if such investigation is beyond the scope of normal scenario analysis work.
 13. The Company agrees to indemnify and hold us and our personnel harmless against and from any and all losses, claims, actions, damages, expenses or liabilities, including reasonable attorney's fees, to which we may become subjects in connection with this engagement. Our maximum liability relating to services rendered under this engagement (regardless of form of action, whether in contract, negligence or otherwise) shall be limited to the charges paid to us for the portion of its services or work products giving rise to liability. In no event shall we be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, lost profits, opportunity costs, etc.), even if it has been advised of their possible existence.
 14. We are not environmental consultants or auditors, and we take no responsibility for any actual or potential environmental liabilities exist, and the effect on the value of the asset is encouraged to obtain a professional environmental assessment. We do not conduct or provide environmental assessments and have not performed one for the subject property.
 15. This exercise is premised in part on the historical financial information and future forecast provided by the management of XSP. We have assumed the accuracy and reasonableness of the information provided and relied to a considerable extent on such information in arriving at our calculation of value. Since projections relate to the future, there will usually be differences between projections and actual results and in some case those variances may be material. Accordingly, to the extent any of the above mentioned information requires adjustments, the resulting value may differ significantly.
 16. Actual transactions involving the subject assets / business might be concluded at a higher or lower value, depending upon the circumstances of the transaction and the business, and the knowledge and motivation of the buyers and sellers at that time.
 17. This report and the conclusion of values arrived at herein are for the exclusive use of our client for the sole and specific purposes as noted herein. Furthermore, the report and conclusion of values are not intended by the author, and should not be construed by the reader, to be investment advice in any manner whatsoever. The conclusion of values represents the consideration based on information furnished by XSP and other sources.

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18. While every effort has been made, within the time constraints of this assignment, to ensure the accuracy of this report, we accept no liability for any error or omission. We can take no responsibility if the conclusions of this report are based on incomplete or misleading data.

Exhibit B – Valuers’ Biographies**Murray Hutton**

Project Manager (Gold and Base Metals), Geos Mining.

Qualifications and Professional Memberships

BA (Hons, Geology)

Member of Australian Institute of Geoscientists

Experience

Murray Hutton has extensive experience in the mineral industry with a primary focus in gold and base metals. He spent his early career based at various firms specializing in exploration projects for gold, base metals and tin mostly based within Australasia. He has held senior positions as an exploration geologist for firms based in Papua New Guinea, Philippines, Fiji and most recently Australia. His expertise is thus in exploration program management including project assessment and planning, reconnaissance through to drilling supervision, resource estimation and independent geological reports and valuations. He has been at Geos Mining for almost 7 years and holds a position as Project Manager where he oversees the Gold and Base Metals Group.

Murray Hutton’s qualifications and experience are sufficient for him to be regarded as a “Competent Person” under the JORC Code 2012 and as an “Independent Expert” under the VALMIN Code 2005.

Simon M.K. Chan

Regional Director, Jones Lang LaSalle Corporate Appraisal and Advisory Limited

Qualifications and Professional Memberships

B. Commerce, FCPA, FCPA (Aust.), Member of AusIMM, CIM and IACVA

Experience

Simon has extensive work experience in valuation and corporate advisory industries. He has provided a wide range of valuation services to numerous listed and listing companies of different industries in China, Hong Kong, Singapore and the United States. The valuation services provided include firm valuation, equity valuation, mining rights and mineral assets valuation, purchase price allocation, intangible asset identification and valuation (e.g. trademark, customer base, patent, etc.), biological asset valuation, current asset and liability valuation, goodwill and other asset impairment evaluation, convertible bond valuation, employee share option valuation and other financial instrument valuation. Simon has participated in certain large scale IPOs of State-owned and privately-owned enterprises in China. He has successfully assisted various multinational companies invested in China and has provided different extent of valuable due diligence services for these companies.

MMG Ltd

Valuation Report – the Copper Project Belonging to Xstrata Peru S.A.

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Exhibit C – Valuers’ Professional Declaration

The following valuers certify, to the best of their knowledge and belief, that:

- Information has been obtained from sources that are believed to be reliable. All facts which have a bearing on the value concluded have been considered by the valuers and no important facts have been intentionally disregarded.
- The reported analyses, opinions, and conclusions are subject to the assumptions as stated in the report and based on the valuers' personal, unbiased professional analyses, opinions, and conclusions. The valuation exercise is also bounded by the limiting conditions.
- The reported analyses, opinions, and conclusions are independent and objective.
- The valuers have no present or prospective interest in the asset that is the subject of this report, and have no personal interest or bias with respect to the parties involved
- The valuers’ compensation is not contingent upon the amount of the value estimate, the attainment of a stipulated result, the occurrence of a subsequent event, or the reporting of a predetermined value or direction in value that favours the cause of the client.
- The analyses, opinions, and conclusions were developed, and this report has been prepared, in accordance with the International Valuation Standards published by the International Valuation Standards Committee.
- The under mentioned persons provided professional assistance in the compilation of this report.

Murray Hutton
Project Manager
BA (Hons, Geology),
Member of AIG

Simon M. K. Chan
Regional Director
FCCA, FCCPA (Aust.),
Member of AusIMM, CIM, and IACVA

Valuer's Declaration II:

I, Murray Hutton, hereby confirm that:

1. I have carried out the assignment for Jones Lang LaSalle Corporate Appraisal and Advisory, located at:

6 F Three Pacific Place,
1 Queen's Road, East Hong Kong
Tel: (852) 2169 6000
Fax: (852) 2169 6008
2. I graduated with Bachelor of Arts Degree (Hons, Geology) from Macquarie University (1973 - 1976).
3. I am a member of the Australian Institute of Geoscientists
4. I have studied the revised Chapter 18 of the Hong Kong Listing Rules and understood the definition "Competent Evaluator". My past relevant experience, qualifications and my affiliation with professional associations have fulfilled the requirements to be a "Competent Evaluator" as set out in the listing rules for the purpose of the valuation report.
5. I have over 35 years of experience in the resources industry and during the last 20 years I have undertaken projects in the managements of exploration programs for gold and copper in Philippines, Fiji, Papua New Guinea, Vietnam and Australia. Most recently with Geos Mining I have been involved in the evaluation of gold-copper projects in Indonesia, Cambodia, Mali and Papua New Guinea.
6. I am the primary author responsible for the preparation and compilation of this valuation report.
7. I have neither present nor prospective interests in the copper assets, the Business Enterprise, the Company or the values reported herein.
8. I am not aware of any material fact or material change with respect to the subject matter of the valuation report that is not reflected in the valuation report.
9. This report has been prepared in accordance with the guidelines set by the VALMIN Code (2005) established by the VALMIN Committee in Australia.

Murray Hutton

I, Simon M. K. Chan, hereby certify that:

1. I have read the definition of “Expert and Specialist” set out in the VALMIN Code and certify, by reason of my education, affiliation with a professional association and past relevant work experience, I fulfill the requirements to be a “Specialist” for the purpose of the VALMIN Code.
2. I am responsible for the review of this valuation report.
3. I have read the VALMIN Code and the valuation report has been prepared in accordance with the VALMIN Code.
4. I am a certified public accountant in Hong Kong (HKICPA) and Australia (CPA (Aust)), and I am also a member of the CIM and IACVA. I have extensive work experience in valuation and corporate advisory industry.
5. I am not aware of any material fact or material change with respect to the subject matter of the report that is not reflected in the report, that a failure to disclose would make the report misleading.
6. I am independent of XSP and the Company, in compliance with Clause 24 of the VALMIN Code.
7. The valuation report is prepared within Jones Lang LaSalle with registered address at 6/F Three Pacific Place, 1 Queen’s Road East, Hong Kong.

Simon M.K. Chan

Exhibit D – Glossary

JORC Code	A code of professional conduct developed by the Joint Ore Reserves Committee which sets the minimum standards for public reporting of Exploration Results, Mineral Resources and Ore Reserves in Australia and New Zealand and which has been adopted by and included in the listing rules of the Australian Stock Exchange and the New Zealand Stock Exchange.
VALMIN Code	A code of professional conduct that establishes standards of best practice for the technical assessment and valuation of mineral and petroleum assets and securities by geologists involved in the preparation of Independent Expert's Reports. The VALMIN Code was developed by a joint committee of The AusIMM, AIG and MICA (now the Consultants Society of The AusIMM), in consultation with the Australian Securities and Investment Commission, the Australian Stock Exchange Limited, the Minerals Council of Australia, the Petroleum Exploration Society of Australia, the Securities Association of Australia and representatives from the Australian finance sector. The Code is binding on all members of The AusIMM and AIG.

1. DIRECTORS' RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' interests and short positions in the Shares, underlying Shares and debentures of the Company or its associated corporations

As at the Latest Practicable Date, the interests and short positions of each of the Directors and the chief executive officer of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which were required to be entered in the register required to be kept pursuant to Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules were as follows:

Long position in the Shares and underlying Shares

Name of Director	Nature of interest	Number of Shares held	Number of underlying Shares held	Approximate percentage of total number of issued Shares as at the Latest Practicable Date <i>(Note 1)</i>
Andrew Gordon Michelmore	Personal	891,000	28,150,200 <i>(Note 2)</i>	0.55%
David Mark Lamont	Personal	450,000	6,240,582 <i>(Note 2)</i>	0.13%
Xu Jiqing	Personal	—	1,000,000 <i>(Note 3)</i>	0.02%
Jiao Jian	Personal	—	1,200,000 <i>(Note 3)</i>	0.02%

Notes

1. The calculation is based on the number of shares as a percentage of the total number of issued Shares (i.e. 5,289,607,889 Shares) as at the Latest Practicable Date.
2. The Directors' interests in the underlying Shares are through share options granted by the Company pursuant to the share option scheme adopted by the Company on 26 March 2013.
3. The Directors' interests in the underlying Shares are through share options granted by the Company pursuant to the share option scheme adopted by the Company on 28 May 2004.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive officer of the Company had any interests or short positions in any Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which were required to be entered in the register required to be kept pursuant to Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) Substantial Shareholders' interests and short positions in the Shares and underlying Shares

So far as is known to the Directors and chief executive officer of the Company, as at the Latest Practicable Date, the following persons had interests or short positions in the Shares or 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 which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Long position in the Shares

Name of Shareholder	Capacity	Number of Shares held	Approximate percentage of total number of issued Shares as at the Latest Practicable Date <i>(Note 1)</i>
CMC	Interest of controlled corporation <i>(Notes 2 and 3)</i>	3,898,110,916	73.69%
CMCL	Interest of controlled corporation <i>(Notes 2 and 3)</i>	3,898,110,916	73.69%

Name of Shareholder	Capacity	Number of Shares held	Approximate percentage of total number of issued Shares as at the Latest Practicable Date <i>(Note 1)</i>
CMNH	Interest of controlled corporation <i>(Notes 2 and 3)</i>	3,898,110,916	73.69%
CMN	Interest of controlled corporation <i>(Notes 2 and 3)</i>	3,898,110,916	73.69%
Album Enterprises	Beneficial Owner <i>(Note 3)</i>	2,276,800,860	43.04%
Top Create	Beneficial Owner <i>(Note 2)</i>	1,621,310,056	30.65%

Notes

1. The calculation is based on the number of Shares which each person is interested in (whether directly/indirectly interested or deemed to be interested) as a percentage of the total number of issued Share (i.e. 5,289,607,889 shares) as at the Latest Practicable Date.
2. Top Create is a wholly owned subsidiary of CMN, which in turn is owned as to approximately 99.999% by CMNH and approximately 0.001% by CMCL. CMNH is a wholly owned subsidiary of CMCL. CMCL is owned as to approximately 87.5% by CMC and approximately 0.8% by China National Metal Products Co. Ltd., which in turn is a wholly owned subsidiary of CMC. Accordingly, CMN, CMNH, CMCL and CMC were, by virtue of the SFO, deemed to be interested in the Shares held by Top Create as at the Latest Practicable Date.
3. Album Enterprises is a wholly owned subsidiary of CMN. Accordingly, CMN, CMNH, CMCL and CMC were by virtue of the SFO deemed to be interested in the Shares held by Album Enterprises as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, there were no other persons who were recorded in the register of the Company as having an interest or short positions in the Shares or 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 which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Save as disclosed below, no other Directors are directors or employees of CMC, CMCL, CMNH, CMN, Album Enterprises and/or Top Create.

Name of Director	Title	Company
Xu Jiqing	director	CMNH
Jiao Jian	President and a director	CMNH and CMN
	director	Album Enterprises
	director	Top Create
Gao Xiaoyu	Vice president	CMNH and CMN
	director	Top Create

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Enlarged Group which will not expire or be determinable by the relevant member of the Enlarged Group within one year without payment of compensation (other than statutory compensation).

4. LITIGATION

As at the Latest Practicable Date, none of the members of the Enlarged Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Enlarged Group. Further, as at the Latest Practicable Date, the Company was not aware of any legal claims or proceedings that may have an influence on the Target Group's rights to explore or mine.

5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective associates had any interest in a business which competes or may compete with the businesses of the Group (which would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them was a controlling shareholder of the Company) save as disclosed below:

1. Xu Jiqing, an executive Director, is:

- a director of CMNH.

2. Wang Lixin, a non-executive Director and Chairman, is:

- an independent Director of Maikemetal International Limited ("MMIL").

3. Jiao Jian, a non-executive Director, is:

- the President and a director of CMN;

- the President and a director of CMNH;
- a director of Album Enterprises;
- a director of Top Create;
- a director of Hunan Nonferrous Metals Holdings Group Company Limited (“HNG”); and
- a director of Copper Partners Investment Co., Ltd (“Copper Partners Investment”).

4. **Gao Xiaoyu, a non-executive Director, is:**

- a Vice President of CMNH;
- a Vice President of CMN; and
- a director of Top Create.

Although the Group together with its jointly controlled entities and the above companies are involved in businesses in the same industry, they are separate companies operated by separate and independent management. The Company is therefore capable of carrying on its business independently of, and at arm’s length from the CMC Group, HNG, Copper Partners Investment and MMIL.

6. INTERESTS IN ASSETS AND CONTRACTS

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect in any assets which have been, since 31 December 2013 (being the date to which the latest published audited financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Enlarged Group, or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

There is no contract or arrangement subsisting as at the date of this circular, in which any of the Directors are materially interested and which is significant to the business of the Enlarged Group.

7. QUALIFICATIONS AND CONSENTS OF EXPERTS

The following are the qualifications of the experts who have provided advice for inclusion in this circular:

Name	Qualification
Deloitte LLP	Member of the Institute of Chartered Accountants in England and Wales
PricewaterhouseCoopers	Certified Public Accountants, Hong Kong

Somerley Capital Limited	Licensed corporation under the SFO for carrying out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities
RPM	Independent technical advisor
Jones Lang LaSalle	Independent valuer

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and/or reference to its name or opinion in the form and context in which it appears.

As at the Latest Practicable Date, the above experts were not beneficially interested in the share capital of any member of the Group nor did they 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.

As at the Latest Practicable Date, none of the above experts had any direct or indirect interest in any assets which had since 31 December 2013 (being the date to which the latest published audited financial statements of the Group were made up) been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

8. MATERIAL CONTRACTS OF THE GROUP AND THE TARGET GROUP

The Enlarged Group entered into the following material contracts (not being contracts entered into in the ordinary course of business of the Enlarged Group) within two years immediately preceding the Latest Practicable Date:

- (a) Share Purchase Agreement; and
- (b) Shareholders' Agreement.

9. GENERAL

- (a) Registered office and corporate office. The registered office and corporate office of the Company is located at Units 8501-8503, Level 85, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong.
- (b) Corporate office and principal place of business. The corporate office and principal place of business of the Company is located at Level 23, 28 Freshwater Place, Southbank, Victoria 3006, Australia.
- (c) Corporate Secretary. The company secretary of the Company is Ms. LEUNG Suet Kam, Lucia, a fellow of The Institute of Chartered Secretaries and Administrators in the United Kingdom and a fellow of the Hong Kong Institute of Chartered Secretaries.

- (d) The share registrar and the transfer office of the Company is Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (e) In case of inconsistency, the English text of this circular shall prevail over the Chinese text.

10. DOCUMENTS ON DISPLAY

Copies of the following documents will be available for inspection during business hours at the registered office of the Company at Units 8501-8503, Level 85, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong from the date of this circular until 14 July 2014:

- (a) the articles of association of the Company;
- (b) the written consents from the experts referred to in the paragraph headed "Qualifications and consents of experts" in this appendix;
- (c) each of the material contracts referred to under the paragraph headed "Material contracts of the Group and the Target Group" in this appendix;
- (d) the IFA Letter;
- (e) the published annual reports of the Company for each of the financial years ended 31 December 2011, 2012 and 2013;
- (f) the accountants' reports of the Target Company and the Project Company as set out in Appendix IA and Appendix IB to this circular, respectively;
- (g) the report on unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to this circular;
- (h) the Competent Person's Report as set out in Appendix IV to this circular;
- (i) the Valuation Report as set out in Appendix V to this circular;
- (j) the MMG Framework Offtake Agreement;
- (k) the CMN Framework Offtake Agreement;
- (l) the circular issued by the Company dated 10 April 2014; and
- (m) this circular.

NOTICE OF EGM



MMG Limited
五礦資源有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 1208)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**Meeting**”) of MMG Limited (the “**Company**”) will be held at Studio 1, 7/F, W Hong Kong Hotel, 1 Austin Road West, Kowloon, Hong Kong on Monday, 21 July 2014 at 10.30 a.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolutions of the Company. Capitalised terms defined in the circular of the Company dated 30 June 2014 (the “**Circular**”) shall have the same meanings when used in this notice unless otherwise specified:

ORDINARY RESOLUTIONS

1. THAT:

- (a) the entry into and performance of the Share Purchase Agreement and the transactions contemplated thereunder by the Purchasers and the Company be and are hereby approved, confirmed and ratified;
- (b) the entry into and performance of the Shareholders’ Agreement and the transactions contemplated thereunder by MMG SA and the Company be and are hereby approved;
- (c) the grant by MMG SA to each of Elion Holdings and CITIC, and the performance of MMG SA’s obligations upon the exercise by Elion Holdings or CITIC, of the Contribution Default Call Option be and are hereby approved, confirmed and/or ratified;
- (d) the grant by MMG SA to each shareholder of the JV Company (other than MMG SA), and the performance of MMG SA’s obligations upon the exercise by such shareholder of the JV Company, of the Non-participation Call Option be and are hereby approved, confirmed and/or ratified;
- (e) the grant by MMG SA to each shareholder of the JV Company (other than MMG SA), and the performance of MMG SA’s obligations upon the exercise by such shareholder of the JV Company, of the Transfer Event Call Option be and are hereby approved, confirmed and/or ratified;
- (f) the grant by the Company and MMG SA to Elion Holdings and CITIC, and the performance of the obligations of the Company and MMG SA upon the exercise by CITIC or GXIIC, of the Listing Put Option be and are hereby approved, confirmed and/or ratified;

NOTICE OF EGM

- (g) the exercise of each of the Call Options by MMG SA be and is hereby approved; and
- (h) the Directors be and are hereby authorised to do all such acts or things and to sign or execute, all such documents for and on behalf of the Company as they may consider necessary or desirable in connection with the Share Purchase Agreement and the Shareholders' Agreement, the Call Options, the Listing Put Option and the transactions contemplated thereunder; and
2. **THAT**, subject to the passing of resolution no.1, the CMN Framework Offtake Agreement and the transactions contemplated thereunder (including the CMN Annual Caps) be and are hereby approved, confirmed and ratified; and the Directors be and are hereby authorised to do all such acts or things and to sign or execute all such documents for and on behalf of the Company as they may consider necessary or desirable in connection the CMN Framework Offtake Agreement and the transactions contemplated thereunder.

Yours faithfully,
By Order of the Board
MMG Limited
Wang Lixin
Chairman

Hong Kong, 30 June 2014

Notes:

1. Any member entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and, on a poll, vote on his/her behalf. A proxy need not be a member of the Company.
2. To be valid, a form of proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power of attorney or authority must be deposited with the share registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 48 hours before the time appointed for holding the Meeting or any adjourned meeting.
3. The register of members of the Company will be closed from Thursday, 17 July 2014 to Monday, 21 July 2014, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the Meeting, all completed transfer forms accompanied by the relevant share certificates must be lodged with the share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Wednesday, 16 July 2014.
4. Resolution no. 1 shall be voted on as a single resolution.