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

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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, 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 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

(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.

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.

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.

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

- 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;

(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.

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.

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;

(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

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.

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

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

(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 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 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.

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;

(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**").

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.

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.

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.

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

(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.

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 obtaining 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.

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.

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.

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

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.

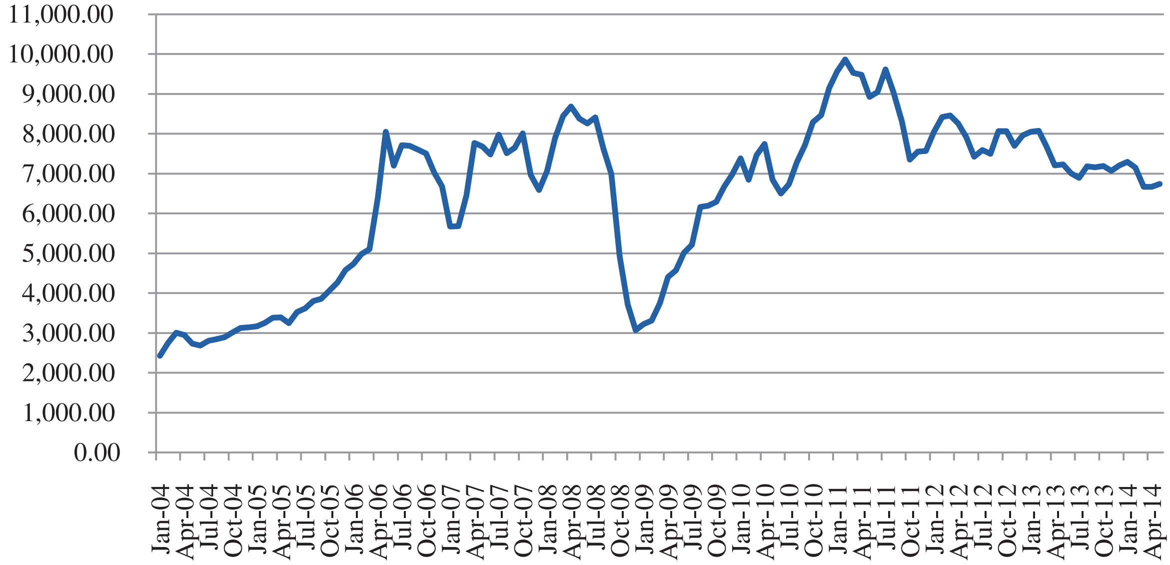
It is expected that the content of copper in the copper concentrate will range from 30% to 40%, while the content of silver and gold in the copper concentrate is expected to range from 0.01% to 0.02% and 0.0001% to 0.0004%, respectively, of the total concentrate. Since copper content is expected to be 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.

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.

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) **US$/t**	**Value of Annual Caps (US$ millions)**(note 2)				
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

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.

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

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.

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.

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.

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.

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.

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.

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.

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