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

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

30 June 2014

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

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS — CMN FRAMEWORK OFFTAKE AGREEMENT

INTRODUCTION

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

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

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

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

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

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

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

In formulating our opinion and recommendation, we have reviewed, among others, the Shareholders' Agreement, the CMN Framework Offtake Agreement, the Competent Person's Report contained in Appendix IV to the Circular and the 2013 annual report of the Company. We have also discussed with the management of the Group the basis for estimating the CMN Annual Caps. In assessing the reasonableness of the estimated maximum production volumes of copper contained in copper concentrates from the Las Bambas Project, we have also discussed with RPM the bases and assumptions adopted in the production plan of the Las Bambas Project contained in the Competent Person's Report.

We have relied on the information and facts supplied, and the opinions expressed to us, by the management of the Group which have been assumed to be true, accurate, complete and not misleading in all material aspects at the time they were made. We have also sought and received confirmation from the Company that no material facts have been omitted from the information supplied and opinions expressed to us. We have no reason to believe that any material information has been withheld from us, or to doubt the truth, accuracy or completeness of the information provided. We have relied on such information and consider that the information we have received is sufficient for us to reach an informed view. We have not, however, conducted any independent investigation into the business and affairs of the Group, nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

1. Background to and reasons for the Offtake Arrangement

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

Moreover, the long-term co-operation with CMN under the CMN Framework Offtake Agreement allows the Group to leverage on CMN's considerable experience in metal trading and extensive distribution network in China. CMN is one of the largest state-owned enterprises in the mining sector in China and as a metal trader, has extensive experience in importing copper concentrates into China and well-established relationships with domestic copper smelters (i.e. buyers of copper concentrates). The Group and CMN have a history of trading non-ferrous metals dating back to 2009. Currently, a major portion of the Group's sale is derived from markets other than China and sales to China are often made through CMN. As a significant part of copper concentrates from the Las Bambas Project is expected to be sold to customers in China, through entering into the CMN Framework Offtake Agreement, the Group can take advantage of CMN's marketing capacity in China to procure on-sale of copper concentrates to the PRC metals market while minimising the costs associated with the marketing of copper concentrates by the Group.

2. **Principal terms of the CMN Framework Offtake Agreement**

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

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

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

Duration

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

Committed quantity

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

However, at any time during the term of the agreement, either party may request a review of the Offtake Percentage on the basis that such party, acting reasonably, is commercially disadvantaged by the Offtake Percentage. Upon a review request being made, the parties will mutually review the Offtake Percentage and if an adjustment is considered appropriate by both parties, a new Offtake Percentage will be determined. If no adjustment is mutually agreed, the Offtake Percentage will remain unchanged.

Pricing

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

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

Payment terms

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

Conditions precedent

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

(a) Completion; and

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

Termination

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

(a) the occurrence of any event that leads to early closure of the Las Bambas mine; and

(b) MMG SA ceasing to be a shareholder of the JV Company or the occurrence of any other termination events in accordance with the Shareholders' Agreement.

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

(a) ***Offtake Percentage***

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

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

(b) ***Pricing terms***

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

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

Metal Payments and Quotational Period

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

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

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

Treatment and refining charges

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

Review of sample historical sale agreements

Based on the Competent Person's Report, the Las Bambas Project is not expected to commence production until late 2015 and therefore no individual long form sale agreements have been entered into between the Group and the CMN Group in respect of the copper concentrates from the Las Bambas Project. Alternatively, we have reviewed sample contracts (the "**Sample Contracts**") between the Group and the CMN Group in respect of sales of copper concentrates from the Group's existing mines and compared against contracts for similar sales between the Group and independent third party customers where applicable. We noted that the prices of copper concentrates charged by the Group to those independent third parties were determined based on the prices quoted on the London Metal Exchange averaged over a calendar month after the month of shipment which, together with the payments for different metals (e.g. copper, silver and gold) in copper concentrates received by the Group from independent third parties, are comparable to the Standard Clauses. The treatment and refining charges to be deducted from the prices charged to independent third parties were consistent with those agreed between major miners and smelters in the international markets as published in industry media. We consider that the transactions conducted between the Group and the CMN Group under the Sample Contracts are comparable to those between the Group and those independent third parties. Accordingly, it is expected that the pricing terms under individual long form sale agreements to be entered into between the Group and the CMN Group pursuant to the CMN Framework Offtake Agreement, including the Metal Payments, the Metal Prices and the Quotational Period, will be comparable with those under the Sample Contracts and those between the Group and independent third parties.

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

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

Internal control measures

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

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

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

Overall

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

4. **Duration of the CMN Framework Offtake Agreement**

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

(a) ***Guaranteed revenue flow for the Group***

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

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

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

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

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

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

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

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

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

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

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

The Group's existing mines	**Subject product**	**Duration**
Golden Grove	Copper concentrate	The agreement shall remain in full force until: (i) either party elects to terminate the agreement by giving not less than 12 months' notice; (ii) termination by mutual agreement between the buyer and the seller; (iii) termination by the seller due to depletion of the ore reserves below a level which is economic; or (iv) termination due to force majeure
Kinsevere	Copper cathode	From commencement of operation until termination of production from the plant
Century	Zinc concentrate	The agreement shall end on the earlier of: (i) the end of life of mine; and (ii) the date on which the buyer ceases to produce zinc at its smelter
Century	Lead concentrate	The agreement shall end on the earlier of: (i) the end of life of mine; and (ii) the date on which the buyer ceases to produce lead at its smelter
Rosebery	Zinc concentrate	The agreement shall end on the earlier of: (i) the end of life of mine; and (ii) the date on which the buyer ceases to produce zinc at its smelter
Rosebery	Lead concentrate	The agreement shall end on the earlier of: (i) the end of life of mine; and (ii) the date on which the buyer ceases to produce lead at its smelter
Avebury	Nickel concentrate	The agreement shall remain in force until the expiry of the life of the mine.

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

(e) ***Comparable Transactions***

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

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

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

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

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

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

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

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

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

Notes:

1. On 16 May 2014, CGN agreed to acquire 49% interests in two uranium mines in the Republic of Kazakhstan from its connected person which undertook to designate CGN, from completion of the acquisition, to purchase from Semizbay-U 49% of its total annual uranium production that the connected person was entitled to purchase under the original offtake agreement.

2. If Chinalco was not listed at the time of the first shipment, the terms of three of the offtake agreements might be renegotiated by the parties and if no agreement was reached, the offtake agreements would terminate whereas the percentage of the annual production to be sold under the remaining offtake agreement would be reduced. In other words, the four offtake agreements were considered incidental to the investments by the cornerstone investors in Chinalco.

3. Pursuant to the exclusive ore supply agreement with Xiangcaopo Mining and its owner, China Polymetallic provided interest-free loans to the owner of Xiangcaopo Mining which were to be used solely for the exploration activities at the mine of Xiangcaopo Mining.

4. The long-term iron ore offtake agreements with Mount Gibson were conditional on the subscription of shares of Mount Gibson by Shougang.

5. The offtake agreements with General Nice and Minmetals Cheerglory were conditional on completion of the initial subscription ("**GN Initial Subscription**") of shares of IRC by General Nice. Upon completion of GN Initial Subscription, General Nice had the right to subscribe further shares in IRC ("**GN Further Subscription**"). Subscription of shares of IRC by Minmetals Cheerglory was conditional on completion of GN Further Subscription.

6. As disclosed in the 2013 interim report of APAC, Mount Gibson was one of the primary strategic investments of APAC. According to APAC's website, APAC's investment approach is to invest in cash flow producing assets in the natural resource sector which will provide it off-take opportunities to distribute to China through its commodity business.

7. In October 2007, a subsidiary of Elegance (the "**Subsidiary**") and two other joint venture partners entered into a joint venture agreement (the "**JV Agreement**") for the establishment of a joint venture company (the "**JV**") which would carry on business of processing copper ores in Chile, pursuant to which the Subsidiary would contribute a certain amount of capital, representing 60% of the equity interests of the JV. Verde would be wholly-owned by the JV upon completion of the JV Agreement. As part of the JV Agreement, an agreement was entered into between CAH (a connected person of Elegance) and Verde for the supply of copper ores.

8. The offtake agreement was entered into between Ruashi and Jinchuan Group in August 2007. Jinchuan Group had been the only off-taker from the mine since it commenced commercial production in 2009. To assist Ruashi with the production of contained cobalt metals, in 2008, Jinchuan Group provided a pre-offtake financing in the amount of US$20 million to Ruashi at a fixed interest rate of 4.68%. The offtake agreement was subsequently novated to a subsidiary of Jinchuan Group in July 2011 with the duration agreed to be a period ending on 31 December 2015 (terms being reviewed and agreed for another three years upon expiry).

9. Glencore, as a joint venture partner, has been increasing its stake in Mutanda since 2012 and had a 69% indirect equity interest in Mutanda as at 31 December 2013. Under a put and call option arrangement, Glencore has the right to acquire and the seller has the ability to force Glencore to acquire the remaining 31% in Mutanda in two tranches in 2016 and 2018.

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

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

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

(i) The duration of the CMN Framework Offtake Agreement is comparable to those of the MMG Comparable Agreements; and

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

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

5. **The CMN Annual Caps**

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

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

(i) *Volatility of historical copper prices*

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

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

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

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

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

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

(b) ***Assessment of the CMN Annual Caps***

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

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

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

(i) *The highest expected annual production*

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

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

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

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

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

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

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

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

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

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

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

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

6. **Annual review of the Offtake Arrangement**

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

(a) each year the independent non-executive Directors must review the Offtake Arrangement and confirm in the annual report that the Offtake Arrangement has been entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or better; and

(iii) in accordance with the CMN Framework Offtake Agreement on terms that are fair and reasonable and in the interests of the Shareholders as a whole;

(b) each year the auditors of the Company must provide a letter to the Board (with a copy provided to the Stock Exchange at least 10 business days prior to the bulk printing of the Company's annual report), confirming whether anything has come to their attention that causes them to believe that the Offtake Arrangement:

(i) has not been approved by the Board;

(ii) was not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve provision of goods or services by the Group;

(iii) was not entered into, in all material respects, in accordance with the CMN Framework Offtake Agreement; and

(iv) has exceeded the CMN Annual Caps;

(c) the Company shall allow, and shall ensure the relevant counterparties to the Offtake Arrangement to allow, the Company's auditors to have sufficient access to their records for the purpose of reporting on the Offtake Arrangement; and

(d) the Company shall promptly notify the Stock Exchange and publish an announcement if the independent non-executive Directors and/or the auditors of the Company will not be able to confirm the matters as required.

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

OPINION AND RECOMMENDATION

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

(a) the CMN Framework Offtake Agreement is on normal commercial terms which are fair and reasonable so far as the Independent Shareholders are concerned:

(b) the entering into of the CMN Framework Offtake Agreement is in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole;

(c) the setting of the CMN Annual Caps based on a fixed quantum for the corresponding financial year, and the CMN Annual Caps themselves, are fair and reasonable so far as the Independent Shareholders are concerned; and

(d) it is required and normal business practice for contracts in the nature of the CMN Framework Offtake Agreement to be of such duration.

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

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