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

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

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

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

RISKS RELATING TO THE ACQUISITION

Risks relating to completion of the Acquisition

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

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

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

Risks relating to the financing of the Acquisition

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

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

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

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

Risks relating to potential future acquisitions

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

RISKS RELATING TO THE BUSINESS OF THE ENLARGED GROUP

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

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

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

Risk management and internal control systems of the Enlarged Group

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

Foreign operations

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

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

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

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

Risks relating to local communities

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

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

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

Risks associated with new mining construction projects

Exploration and development of new mines, such as the Las Bambas Project, involve a wide range of risks relating to (i) the location of ore bodies, (ii) development of appropriate mining processes, (iii) the availability of utilities, auxiliary materials and other supplies and the accessibility of transportation and other infrastructure, (iv) procurement of all necessary government approvals, changes in government policies or development plans, and (v) construction of mining facilities and processing plants and recruitment of technical and mining staff. As such, there are inherent risks in exploration and development undertakings and any such undertakings may not be successful. If such exploration and development activities or the resulting mining operations fail, the costs associated with such developments might not be fully recovered, and this could materially and adversely affect the Enlarged Group's business, financial conditions and operation results.

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

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

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

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

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

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

The construction of the Las Bambas Project may be delayed or adversely affected by a variety of factors, including the failure to obtain the necessary regulatory approvals or sufficient funding, availability and delivery of critical utilities, equipment, construction difficulties, technical difficulties and manpower or other resource restraints; and potential opposition from non-governmental organisations, community and indigenous group, environmental group or local groups. Construction may also be delayed or adversely effected by Bechtel not complying with its engineering, procurement and construction arrangements with the Target Group due to any of the factors listed in the previous sentence or otherwise.

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

Risks from transportation and infrastructure

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

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

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

Risks associated with litigation

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

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

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

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

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

Risks relating to joint venture

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

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

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

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

Risks relating to commodity prices

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

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

Risks relating to the borrowings and interest rate

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

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

Risks relating to foreign currency exchange rate fluctuations

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

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

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

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

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

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

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

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

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

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

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

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

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

Risks relating to changes in future plans

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

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

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

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

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

Risks relating to inclement weather and natural disasters

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

Risks relating to competition

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

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

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

Risks relating to economic and market conditions

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

RISKS RELATING TO THE MINING INDUSTRY

Risks relating to operation and exploration of mines

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

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

Risks relating to the environment

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

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

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

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

Risks relating to Environmental Impact Assessment

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

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

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

Risks relating to government policies and regulations

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

Political risk insurance

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

Risks relating to investments in a new business and country risks

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

Risks relating to mining contractors

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

Risks relating to suppliers

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

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

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

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

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

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

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

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

Peruvian inflation

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

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

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

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