
VALUATION REPORT
ON
‘LAS BAMBAS’ COPPER PROJECT
BELONGING TO
XSTRATA PERU SOUTH AMERICA

Client : MMG Ltd
Ref. No. : CON 000191519
Report Date : 30 June 2014

30 June 2014

The Board of Directors
MMG Ltd
Units 8501-8503, Level 85
International Commerce Centre
1 Austin Road West, Kowloon
Hong Kong

Dear Sirs,

**INDEPENDENT VALUATION OF THE LAS BAMBAS PROJECT BELONGING TO
XSTRATA PERU SOUTH AMERICA**

Introduction

In accordance with your instructions, Jones Lang LaSalle Corporate Appraisal and Advisory Limited (“JLL” or we) has prepared an independent valuation, which is in compliance with Chapter 18 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), on the Las Bambas Copper Project (“Project”) of Xstrata Peru South America (“XSP”), Cotabambas Province, Apurimac Region of Peru as at 31 December 2013 (the “Valuation Date”). We are aware and have consented that this report will be included in MMG Ltd (“Company”) circular to shareholders. The report that follows is dated 30 June 2014 (the “Report Date”).

This report has been prepared in accordance with the guidelines set by (i) Chapter 18 of the Listing Rules and (ii) the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports 2005 Edition (the “VALMIN Code”), prepared by the VALMIN Committee, a joint committee of the Australasian Institute of Mining and Metallurgy, the Australian Institute of Geoscientists and the Mineral Industry Consultants Association with the participation of the Australian Securities and Investment Commission, the Australian Stock Exchange Limited, the Minerals Council of Australia, the Securities Association of Australia and representatives from the Australian finance sector.

MMG Ltd

Valuation Report – the Copper Project Belonging to Xstrata Peru S.A.

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In accordance with Chapter 18 of the Listing Rules, we have excluded any consideration of inferred resources and sources of potential value in preparing this independent valuation. We considered the exclusion of such means that the valuation result as contained in this report (the “Chapter 18 Value”) does not meet the definition of Fair Market Value under the VALMIN Code.

The valuation was carried out on a Technical Value basis. The VALMIN Code defines Technical Value as *“an assessment of a mineral asset’s future net economic benefit at the valuation date under a set of assumptions deemed most appropriate by a relevant expert or specialist, excluding any premium or discount to account for such factors as market or strategic considerations.”*

The valuation contains calculations and forecasts based on data provided by MMG as well as those contained in the report entitled *“Las Bambas Project, Peru Competent Person’s Report”* (the “ITR”), prepared by RungePincockMinarco (“RPM”). The ITR estimates that the total resources of sulphide mineralisation in the XSP concession areas include 490 Mt @ 0.64% Cu in the Measured Resource category, 720 Mt @ 0.68% Cu in the Indicated Resource category and 510 Mt @ 0.5% Cu in the Inferred Resource category using a cut-off grade of 0.2% Cu. The ITR also estimates a total resource of oxide mineralisation of 100Mt @ 0.76% Cu. However, further testwork will need to determine if the oxide mineralisation can be processed in an economically viable way.

Within the Measured and Indicated Resources, the ITR has estimated Proved and Probable Ore Reserves totaling 952 Mt @ 0.72% Cu using a cut-off grade of 0.2% Cu.

The conclusion of value is based on accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and consideration of various factors that are relevant to the operation of XSP. Considerations of various risks and uncertainties that have potential impact on the business have also been made. We have conducted a site visit and have reviewed a large amount of data pertaining to the geology, exploration results, mine planning and economic viability of the Project.

By agreement with the client the valuation date is 31 December 2013 which is the reference date to form the gross base amount of US\$5,850,000,000 (before any adjustment) used to determine the Consideration, as required by Sellers. This report has been prepared on the basis of project information available up to the Valuation Date, but may contain information, such as third party

industry analysis, that has become available since that date. The opinions expressed herein are given in good faith and we believe that any assumptions or interpretations made by it are reasonable.

While every effort has been made to ensure the accuracy of this report, we accept no liability for any error or omission. We take no responsibility if the conclusions of this report are based on incomplete or misleading data. No opinion has been expressed on matters that require legal or other specialized expertise or knowledge, beyond what is customarily employed by valuers. The conclusions assume continuation of prudent management over whatever period of time that is reasonable and necessary to maintain the character and integrity of the assets valued.

JLL has undertaken the valuation of the Project using a discounted cash flow Income Approach.

Based on the results of our investigations and analysis outlined in the report which follows, we are of the opinion that the Chapter 18 Value of the entire Las Bambas Project as at the Valuation Date is in the range of **US\$4.55 billion to US\$6.59 billion with the preferred value being US\$5.51 billion**. In accordance with Chapter 18 of the Listing Rules, any consideration of inferred resources and sources of potential value has been excluded from this Chapter 18 Value.

The following pages outline the factors considered, methodology and assumptions employed in formulating our opinions and conclusions. Any opinions are subject to the assumptions and limiting conditions contained therein.

Yours faithfully,

For and on behalf of

Jones Lang LaSalle Corporate Appraisal and Advisory Limited

Murray Hutton

Principal Consultant

Simon M.K. Chan

Regional Director

MMG Ltd

Valuation Report – the Copper Project Belonging to Xstrata Peru S.A.

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A. Scope

The purpose of this report is to summarize the independent valuation as at 31 December 2013 (the “Valuation Date”) of the Las Bambas Copper Project (the “Project”) belonging to Xstrata Peru S.A., located in Cotabambas and Grau Provinces, Apurimac Region of Peru (Figure 1). The report that follows is dated 30 June 2014 (the “Report Date”).



Figure 1: Location of Las Bambas Project, Peru

Source: Glencore, Oct 2013

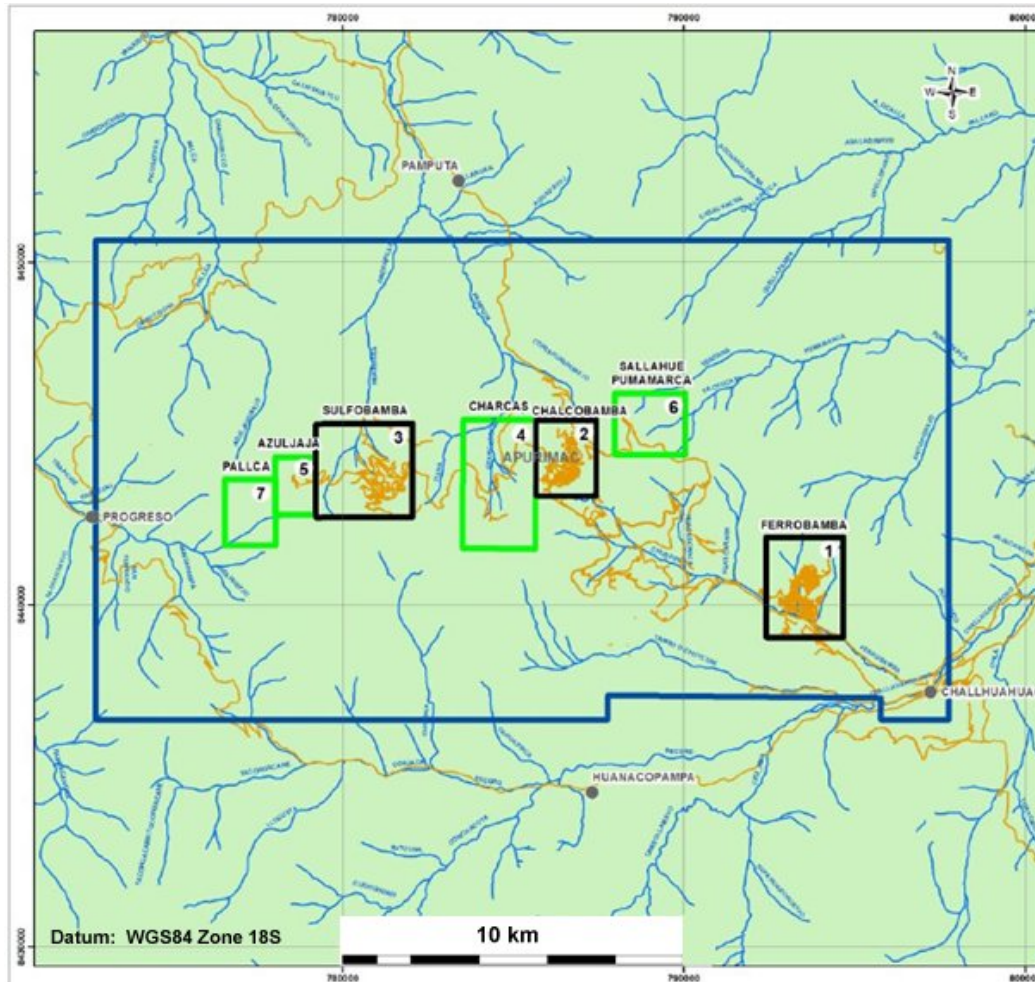


Figure 2: Outline of Las Bambas mining concessions (blue) and significant deposits
 Source: Glencore

The Project is contained within 41 mining concessions with exploration works primarily targeted at three separate deposits, namely Ferrobamba, Chalcobamba and SulFOBAMBA (Figure 2, black outlines). Four other high priority targets have been identified for further exploration efforts (Figure 2, green outlines).

B. Basis of Value

In accordance with Chapter 18 of the Listing Rules, we have excluded any consideration of inferred resources and sources of potential value in preparing this independent valuation. This means that the valuation result as contained in this report (the “Chapter 18 Value”) does not meet the definition of Fair Market Value under the VALMIN Code.

Fair Market Value is defined as *“the amount of money (or the cash equivalent of some other consideration) determined by the Expert in accordance with the provisions of the VALMIN Code for which the Mineral or Petroleum Asset or Security should change hands on the Valuation Date in an open and unrestricted market between a willing buyer and a willing seller in an “arm’s length” transaction, with each party acting knowledgeably, prudently and without compulsion.”*

The valuation was carried out on a Technical Value basis for the entire Las Bambas Project. The VALMIN Code defines Technical Value as *“an assessment of a mineral asset’s future net economic benefit at the valuation date under a set of assumptions deemed most appropriate by a relevant expert or specialist, excluding any premium or discount to account for such factors as market or strategic considerations.”*

C. Basis of Opinion

We have conducted our valuation in accordance with (i) Chapter 18 of the Listing Rules and (ii) the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports 2005 Edition (the “VALMIN Code”), prepared by the VALMIN Committee, a joint committee of the Australasian Institute of Mining and Metallurgy, the Australian Institute of Geoscientists and the Mineral Industry Consultants Association with the participation of the Australian Securities and Investment Commission, the Australian Stock Exchange Limited, the Minerals Council of Australia, the Securities Association of Australia and representatives from the Australian finance sector.

In order to form an opinion on the value of the Project, it is vital to make assumptions of certain future events, e.g. economic and market factors. We have taken all reasonable care in examining those

assumptions made to ensure that they are appropriate to the case. These assumptions are based on the technical knowledge and experience of XSP and the opinions of independent consultants from Runge Pincock Minarco (RPM), authors of the ITR, and financial analysts from various brokerage businesses. The valuation procedures employed include the review of physical and economic conditions of the Project and an assessment of the key assumptions, estimates, and representations made by the proprietor or the operator of the Project. All matters essential to the proper understanding of the valuation will be disclosed in the valuation report.

The following factors form an integral part of our basis of opinion:

- Assumptions on the market conditions and the subject assets that are considered to be fair and reasonable;
- Consideration and analysis on the micro and macro economy affecting the subject assets;
- Analysis on tactical planning, management and synergy of the subject assets;
- Analytical review of the subject assets; and
- Assessment of the leverage and liquidity of the subject assets.

We planned and performed our valuation so as to obtain all the information that we considered necessary in order to provide us with sufficient evidence to express our opinion on the subject assets. However, we have not undertaken a complete due diligence of the legal status of the Project.

D. Statement of Competence

This report has been prepared by Murray Hutton and Simon Chan. Murray Hutton serves as a consultant to Jones Lang LaSalle and has over 35 years' experience in the minerals industry. His qualifications and professional associations include a BA (Hons, Geology) from Macquarie University and membership of the Australian Institute of Geoscientists. This membership requires him to be subject to an enforceable code of ethics; therefore we deem Mr. Hutton to be suitably qualified to produce Public Reports as cited in the JORC and VALMIN code. His experience has spanned gold and base metals since 1977 and he presently manages the Gold and Base Metals Group at Geos Mining, a Sydney-based minerals consultancy. He has acted as the Competent Person, as defined by the JORC Code, for a diverse range of commodities. Over the past twenty years he has been involved in copper projects through the production of geological reports to valuation reports for many ASX

listed companies and thus meets the criteria of a Competent Person under JORC. He fulfills VALMIN's standard for competence and his acceptance for the overall responsibility of the report allows him an Expert status under the "Expert and Specialists" section of the VALMIN Code. He fulfills the requirements of and takes the responsibility as the Competent Evaluator under Chapter 18 of the Listing Rules.

Mr. Simon Chan has extensive work experience in accounting, auditing valuation and corporate advisory services and now oversees the business valuation department of JLL. He has extensive valuation experience in mineral assets, mining rights and corresponding project investments. He has provided a wide range of valuations services to numerous listing companies in Mainland China, Hong Kong, Singapore and the United States. He is a member of the Australasian Institute of Mining, and Metallurgy (AusIMM), the Canadian Institute of Mining, Metallurgy and Petroleum (CIM) and the Royal Institute of Chartered Surveyors (RICS) as well as a fellow of HKICPA and CPA Australia. His extensive experience means he fulfills the requirement to be a "Specialist" under the definition of "Expert and Specialist" set out in the VALMIN Code,

E. Source of Information

In conducting our valuation of the value of the Project, we have reviewed information from several sources, including, but not limited to:

- Information on the Project including, but not limited to, presentations, prepared documentation, exploration data, mine planning, legal, marketing and financial data;
- The ITR prepared by Runge Pincock Minarco (RPM, 2014);
- A site inspection;
- Interviews of management and employees of XSP; and
- Prior industry knowledge and continuing industry research.

A large amount of paper-based and digital data was provided to us. The data covered the exploration programs, laboratory analyses of drillhole samples, geology, mine operational planning and procedures, financial budgets including forecast sales and revenue, operating and capital expenditure, expenses and income, marketing, tenure, land purchase and ownership, mineral rights, contractual arrangements environmental management planning, legal and regulatory matters. We reviewed the financial model provided by RPM and believe that it is consistent with industry practice in terms of methodology and completeness. We also believe that, within the normal constraints of financial modeling of future events, the assumptions are reasonable and have properly been considered as to forecasts of operational performance, revenues and costs. All requests to XSP for information and clarification were answered to our satisfaction and within a reasonable time. The staff members of XSP and the Company were made available for interviews as requested and were cooperative and forthcoming. We have no reason to believe that the information provided to us is inaccurate or incomplete.

F. Independent Technical Report

We have been provided with a report produced by RungePincockMinarco (RPM, 2014) titled “*Las Bambas Project, Peru Competent Person’s Report*” (the “ITR”) dated 30 June 2014. We received the final draft report on 30 May 2014 and we were confirmed that there would not be any material change.

We regard the report as being very thorough and complete, and accept the estimation of the Ore Reserves and Mineral Resources. We note further that the bulk of the operating and other cost estimates are based on the experience of XSP and RPM over the last several years of operating in the mining industry, and we think that the cost and capital expenditure forecasts are sound.

The ITR also presents a very good review of the mine and operational plans. Based on our own observations of the Project and our review of the relevant documentation and discussions with the engineering and operational staff, we agree with RPM that the mine and operational plans appear reasonable and complete.

G. Site Inspection

A site visit was made by Murray Hutton during 8-10 May 2014 to get familiarized with the project for the purpose of this valuation. We made inspections of the mine, processing plant, tailings facility and utilities facilities and collected available source data during the visit. Detailed discussions also took place with Richard Addison (Principal Process Engineer), Terrance Brown (Principal Environmental Specialist) and Esteban Acuna (Senior Geologist) of RPM concerning the resources and both current and future mining and processing plans. We also analyzed and reviewed the exploration database and validation procedures, inspected mineralisation in core storage and mine workings, examined geological modelling procedures and collected all relevant information required for the preparation of this report. Open discussions with the Company’s personnel regarding technical aspects of relevance were also held. We are satisfied that XSP has demonstrated that it has the experience, knowledge, staff and equipment to operate open pit mines.

H. Location and Access

The Project is located in the Andes of southern Peru with the cities of Cusco and Arequipa being 75 km south-southwest and 300 km north-northwest respectively. The Project area is situated at an elevation between 3,700 – 4,600 m across the two provinces of Cotabambas and Grau in the Apurimac region, Peru. The 41 mining concessions cover a total area of approximately 35,000 hectares. The Las Bambas project is centred at approximate coordinates of 14° 04' S / 72° 20' W.

Access to the mine site for personnel is primarily from Cusco by a mix of paved and gravel roads (220km / 6 hours) or by helicopter (73 km / 40 minutes).



Figure 3: Location of nearby mines and port facilities
 Source: Glencore

I. Geology

The regional setting of the Project is on the southern edge of the Abancay Deflection (12° to 14° South Latitude). This structure is characterized by a change in the trend of the Peruvian Andes Mountains from NW-SE to E-W for more than 200 km as a consequence of the differential collision of the dorsal portion of the Nazca Plate with the Peruvian Pacific littoral margin.

The Las Bambas deposits are in the belt of Cu (+Mo-Au) porphyry systems in southeastern Peru (Bechtel Mining & Metals, 2010). This metallogenic belt is controlled by the Eocene-Oligocene Andahuaylas-Yauri Batholith, which intrudes Mesozoic sedimentary units, including the Ferrobamba Formation (Lower to Upper Cretaceous) (RPM, 2013). Intrusions in contact with Ferrobamba Formation limestones produce contact metamorphism and extensive skarn deposits with Cu (+Mo-Au).

The deposits within the Project are typical Cu-Mo-Au skarn deposits associated with porphyry Cu systems in that the mineralisation and alteration are zoned around quartz monzonite porphyry intrusions. Five main phases of intrusions have been identified in the region. Individual intrusions generally occur as vertically extensive (greater than 900 m) pipe-like bodies and cross-cutting tabular dykes. Mineralisation associated within these intrusions also extends into the host lithology where significant tonnages of skarn-style mineralisation have developed.

Mineralisation within the Project occurs in the form of the Cu sulphide minerals chalcopyrite, bornite, chalcocite and covellite, while gold occurs as a dissolution state predominately within the bornite sulphide crystals and molybdenite is associated with quartz veinlets. Sulphide mineralisation is closely associated with quartz stockwork veins, occurring as disseminations and fracture coatings within the porphyry pipe. These stockworks and hydrothermal solutions are sourced from other granitic intrusive bodies.

Typical of porphyry style deposits, mineralisation is strongly zoned with the highest grades generally associated with the most intense stockwork veining in the central portion of the porphyry. Sulphide species in the systems are zoned, from bornite-dominant cores centered on the quartz monzonite porphyries, outwards through a chalcopyrite-dominant zone to distal pyrite. As the Cu grade increases (approximately >1.2% Cu), the content of covellite, digenite and chalcocite associated with the bornite mineralisation also increases.

J. Tenements and Statutory Documentation

The Las Bambas project consists of four “Concesion de Explotacion” mining concessions (Ferrobamba, Chalcobamba, Sulfobamba and Charcas; held in the name of Empresa Minera del Peru S.A.) and 37 contiguous “Concesion Minera” concessions (Bambas 1 to Bambas 37; 34 held by Xstrata Tintaya S.A. and 3 held by Xstrata Las Bambas S.A.). In total, the four main mining concessions cover 1,800 hectares and the remaining concessions cover 33,200 hectares.

Xstrata Copper acquired the exploration rights from the Peruvian Government in August 2004, following an international public auction and an ensuing agreement dated 1 October 2004 (Bechtel Mining & Metals, 2010).

The Project holds all the mineral and surface rights necessary to proceed along the Project’s current forecast rate of development. Permits for the power transmission right of way, port expansion and archaeological rights have been attained.

K. Encumbrances

Several communities of indigenous people still occupy small patches of the project area and will need to be relocated to the Nueva Fuerabamba town, which has been constructed by XSP for this purpose. The situation regarding the relocations is described in the ITR and our observations support RPM’s analysis of the situation. There is a risk of project delay caused by the relocation process, as discussed in the Risks section below.

We questioned the directors of XSP about the existence of any other encumbrances on the Project that were not in the public domain. We have no reason to believe that we have not been provided with all relevant information that might be reasonably considered to influence the economic value of the Project.

L. Existing Exploration and Operational Readiness

The Project has a long history of prospecting and modern exploration by the current and previous owners, commencing in 1966, with over 343 km of surface diamond drilling to date. Out of the 1143 drill holes and 343 km drilled, the current owners have been responsible for 1098 of them and 335 km respectively (Table 1).

BHP (BHP Billiton, 2001) identified 23 exploration targets based on geological setting, alteration, mineralization, geochemical sampling and geophysics anomalies (Figure 4). The result of a ranking of potential targets was as follows:

- 3 very high priority targets (Ferrobamba Central, Chalcobamba Central, Sulfobamba Central)
- 5 high priority targets (Azuljaja Central, Charcas Northwest, Cejrapena, Huillulluni, Sallahue)
- 9 moderate priority targets (Azuljaja North, Azuljaja East, Charcas Central, Charcas North, Chalcobamba North, Chalcobamba Northwest, Ferrobamba South, Ferrobamba East, Ferrobamba Northwest)

Overall, the Ferrobamba and Chalcobamba deposits have been the most intensively explored, followed by the Sulfobamba deposit. These three deposits contain Proved and Probable Reserves (totalling 952 Mt @ 0.72% Cu at a cut-off grade of 0.2% Cu) that have been considered in preparation of this independent valuation.

The Chalcas and Azuljaja targets have been tested by around 3,500m of drilling and further drilling on these targets is likely to define additional resources in the hundreds of million tonnes range. Other targets are at preliminary stages of exploration, but show good potential for discovery of significant resources. In accordance with Chapter 18 of the Listing Rules, these areas with potential for additional resources have not been considered in preparing this independent valuation.

Production on the Ferrobamba deposit is planned to commence by mid-September 2015 reaching full production levels by 2016. The Project currently stands in the later stages of development with 50% of major infrastructure items having been completed as at January 2014 and with stripping of the Ferrobamba open pit now taking place. As yet there is still much to develop in way of transportation to the port and in the expansion of the port facilities.

Company	Years	Exploration programs	Drilling
A Milfiker & P Rosas	1906	Mining claims	
Compania Inglesa Ferrobamba	1911-13	Exploration adits	6 churn drillholes
Andes Exploration Company	1915-20	Prospecting at FB & CB	
L Vanini + others	1938-41	Reconnaissance for copper Resource estimation	
Cerro de Pasco Copper Corporation	1942-1970	District mapping Underground workings at FB & CB Regional geological assessment Metallurgical studies Resource estimation	6 DDH (906m)
Minera Peru (State owned)	1972-1993	District mapping Prefeasibility studies IP surveys over CB, CH, SB Exploration adits	
Barrick, MIM + others	1994	Field evaluations, geochemical sampling	
Magma Copper	1995	Detailed review of CB, FB and other deposits Geochemical sampling Resource estimation	
Phelps Dodge	1995	Field evaluations	
Cyprus-Amax	1996	Field mapping of FB & CB	9 DDH (1,367m)
BHP	1996	Geological mapping and sampling	
Phelps Dodge	1997	District mapping Drilling at FB & CB	8 DDH (1,391m)
BHP – Cyprus-Amax JV	1997	District mapping Geophysics surveys	7 DDH (1,024m)
Teck	1998		4 DDH (875m)
BHP	1999-2001	Review of past data	
ProInvest	2003		11 DDH (2,328m)
Xstrata Won international tender in 2004	2005	Resource Evaluation (FB, CB, SB)	235 DDH (56,000m)
	2006	Resource Evaluation (FB, CB, SB, CH, AZ)	167 DDH (100,000m)
	2007	Resource Evaluation (FB, CB, SB)	287 DDH (88,325m)
	2008	Resource Evaluation (FB, CB)	193 DDH (62,643m)
	2010	Resource Evaluation (FB)	91 DDH (28,400m)

Table 1: Exploration history at Las Bambas

FB = Ferrobamba; CB = Chalcobamba; SB = Sulfobamba; CH = Chalcas; AZ = Azuljaja

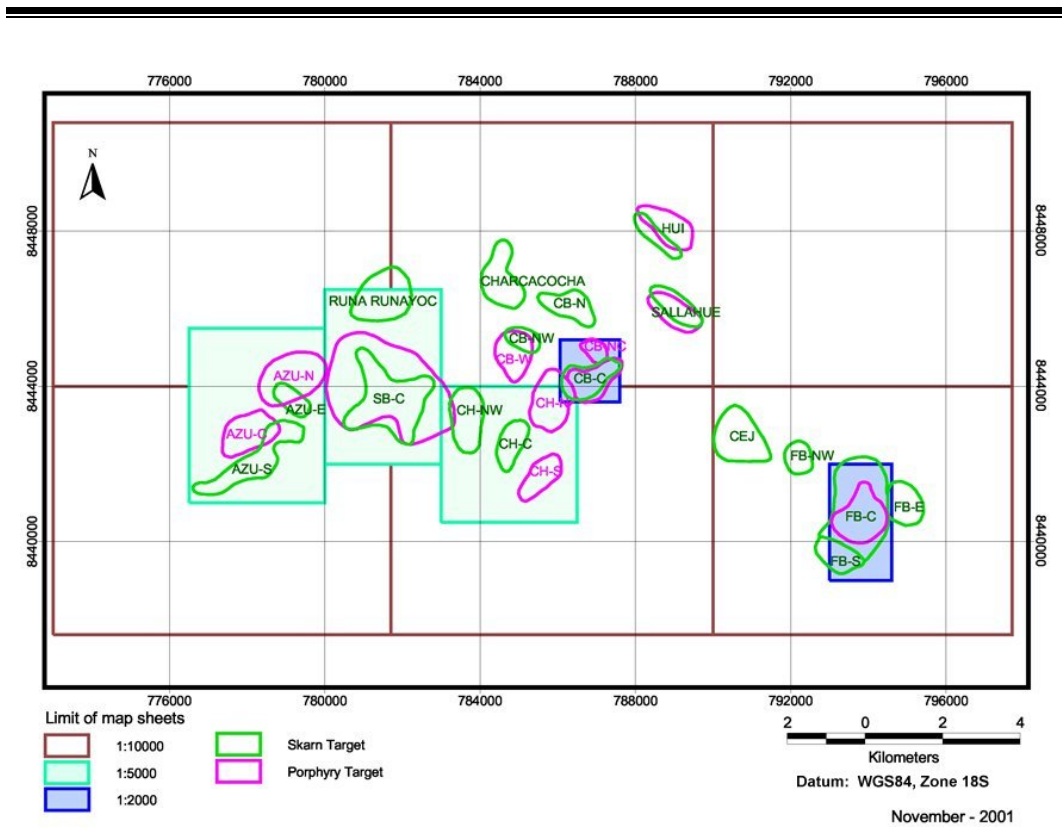


Figure 4: Exploration targets identified by BHP
 Source: BHP, 2001

M. Plant / Equipment and Infrastructure

The Las Bambas mine is remote with little infrastructure in the vicinity; accordingly, infrastructure requirements are extensive. Principal elements of the equipment and infrastructure are as follows (RPM, 2013)

- New 250 km Heavy Haulage Road for access;
- New 130 km 220-kilovolt power line;
- 2 x 1.3 million litre tanks for fuel supply;
- 4.2 Mm³ capacity freshwater dam;
- 3 Mm³ capacity contact water dam, built using mine waste rock;
- 900 Mt capacity tailings dam, built using mine waste rock;
- 2,000 m³/hr capacity fresh water pumping system from a nearby river to the freshwater dam at 600m higher elevation;
- 3,000 m³/hr tailings reclaim water and contact water pumping system to the ore-processing plant;
- The usual complement of buildings, including offices, shops, laboratories, warehouses, etc;
- Complete town of 450 houses for displaced persons with amenities;
- Communications towers from Las Bambas to Cusco and to Atapaccay;
- Several sewage systems for locations throughout the site;
- 2 separate explosive magazines;
- Mobile cranes, bulldozers, front-end loaders, trucks and forklifts.

N. Valuation Approach

We have used the discounted cash flow method of the Income Approach in this exercise. It is an estimation of the net present value (NPV) of the forecast free cash flow produced by the Project since the Valuation Date.

In keeping with the requirements of the VALMIN Code a range of values, and a preferred value, have been calculated for the project.

This choice of valuation method is appropriate considering that the development of the copper mine is within the construction phase – a phase in which the timing and amount of capital expenditure, which the Income Approach takes account of, can materially affect the project valuation. We would also like to be able to accurately reflect the specific characteristics of the Project which is why we prefer the

Income Approach. Using the Market Approach requires starting from the basis that all mines chosen within the group of comparable transactions are similar and then attempts are made to modify various aspects to reflect the characteristics of the subject mine. The Project is not at a very premature stage of exploration where, because confidence about the resource is very uncertain, a Cost Approach would be most likely employed. For the purposes of the Chapter 18 Listing Rules and given that an ITR has been performed for the Project and contains production plans and mining cost estimates that we consider reasonably thorough and reliable, we are more inclined towards an Income Approach valuation than the Market Approach.

We have assumed the value of the Project to be an economic transaction value for an “arm’s length” transaction that is not conducted under duress (i.e. it is negotiated over time rather than being a “fire sale” requiring rapid closure).

By agreement with the client the effective date of the valuation is 31 December 2013, which is the reference date to form the gross base amount of US\$5,850,000,000 (before any adjustment) used to determine the Consideration, as required by Sellers.

This report is compliant with the VALMIN Code, 2005 edition. The fundamental objective of the VALMIN Code is the protection of investors. With this objective in mind we have conducted the valuation in the following way:

- where there has been a choice of a simple and a complex method of estimating a financial factor and there is no material difference between the methods in the resulting accuracy of, or confidence about, the factor amount, the simple method has been used; and
- where there is a material uncertainty regarding the quantum of an amount or parameter, we have been as conservative as possible to be consistent with our intent to provide a reasonable estimate of the value of the project.

This report is also compliant with Chapter 18 of the Listing Rules which requires the exclusion of any consideration of Inferred Resources and sources of potential value from a valuation report.

Income Approach

Whereas a Cost Approach is more common in valuing projects at early stages of exploration, this project is in the construction phase and has advanced to a degree where there is a resource definition and a feasible mining method. In these circumstances, our preferred approach to valuation is usually to estimate the NPV of the project – an approach known as the Discounted Cash Flow (“DCF”) method.

We make the following observations on the efficacy of the NPV valuation method:

- it is necessarily based on many assumptions including future operating performance, revenue and costs and the reader must remember that it is intended as a guide and not to give an exact number;
- it is quite sensitive to changes in the discount rate which is itself an estimation;
- many of the calculations in the financial model were made on an accrual accounting basis while the determination of free cash flow must necessarily be made on a cash basis;
- it assumes constant risk over the lifetime of the project; and
- it does not allow for management’s ability to change the cost structure or scale of the project in response to changed operating or market conditions.

O. Assumptions

- Other than enquiring with representatives of XSP, we have neither conducted a full legal audit of the status of the various tenements nor formally reviewed all material factors affecting the tenements. According to the Company, the mining taxes have been paid for all concessions and their individual legal status is in force and free of any liens or encumbrances. Therefore XSP is considered to be in good legal standing and current in their respective dues to the relevant authorities. The preliminary checks have not identified any evidence of any issues with the concessions, which appear to be in good standing with current, valid licences, permits and approvals and with no identified outstanding commitments as at the Valuation Date. The valuation below assumes that the tenure is in good standing.

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- We further assume that outstanding permits and licences over the life of the mine are or will be duly submitted and approved.
 - In order to realize the growth potential of the business and maintain a competitive edge, additional manpower, equipment and facilities are necessary to be employed. For the valuation exercise, we have assumed that all proposed facilities and systems will work properly and will be sufficient for future expansion.
 - We have assumed all the information provided to us to be reliable and legitimate. We have relied to a considerable extent on such information in arriving at our opinion of value.
 - We have assumed that there will be no material change in the existing political, legal, technological, fiscal or economic conditions that may adversely affect the business of XSP.
 - Operational and contractual terms bound by the contracts and agreements entered into by XSP will be honored.
 - Its competitive advantages and disadvantages will not change significantly during the period under consideration.

P. Valuation Assumptions

Reserves and mining schedule

We are of the opinion that the Resource and Reserve estimates as set out in the ITR are reasonable. According to the ITR, the Project is estimated to hold 952 million tonnes of Ore Reserves, an additional 258 million tonnes of Measured and Indicated Resources and 510 million tonnes of Inferred Resources. For the sake of valuation and in order to be compliant with the Listing Rules, we considered the Reserves only in this exercise while, in particular, the 510 million tonnes of Inferred Resources and other sources of potential value have not been considered. Making use of the mining and processing capacity that is suggested in the ITR, we have adopted the following milling schedule in the valuation.

Year	Ore Milled (Mt)	Year	Ore Milled (Mt)
2015	13.98	2025	51.00
2016	51.00	2026	51.00
2017	51.00	2027	51.00
2018	51.00	2028	47.11
2019	51.00	2029	51.00
2020	51.00	2030	51.00
2021	51.00	2031	48.87
2022	51.00	2032	43.97
2023	51.00	2033	50.23
2024	51.00	2034	34.31

Table 2: Milling schedule

Unit price of copper and other metals

Copper's main applications to electrical wiring, plumbing, roofing and industrial machinery mean its price is moved by industries of a cyclical nature, such as construction and industrial machinery manufacturing. With bulk production occurring in only a handful of countries worldwide, there is an added price exposure to political situations where copper mining is heavily monitored by government. An optimistic case for copper argues that supply will be constrained and even postponed whilst demand from EU, USA and Japan makes up for any slowdown in Chinese demand. On the other hand, a pessimistic case doubts such supply constraints and focuses on the move away from industrial production of China and related reduction in copper demand.

In arriving at our price forecasts for copper, for the 7 years from 2014 to 2020 inclusive and the long term price thereafter we have taken an average of the forecasts made in analyst research from over 20 sources. We believe this is an appropriate approach and for the purposes of this exercise, attempts to amalgamate the ideas of many individual sources into one forecast that is more reflective of the multiple parties that comprise a market. We have taken this approach to arrive at prices for the seven years from 2014 to 2020 inclusive and the long term price thereafter.

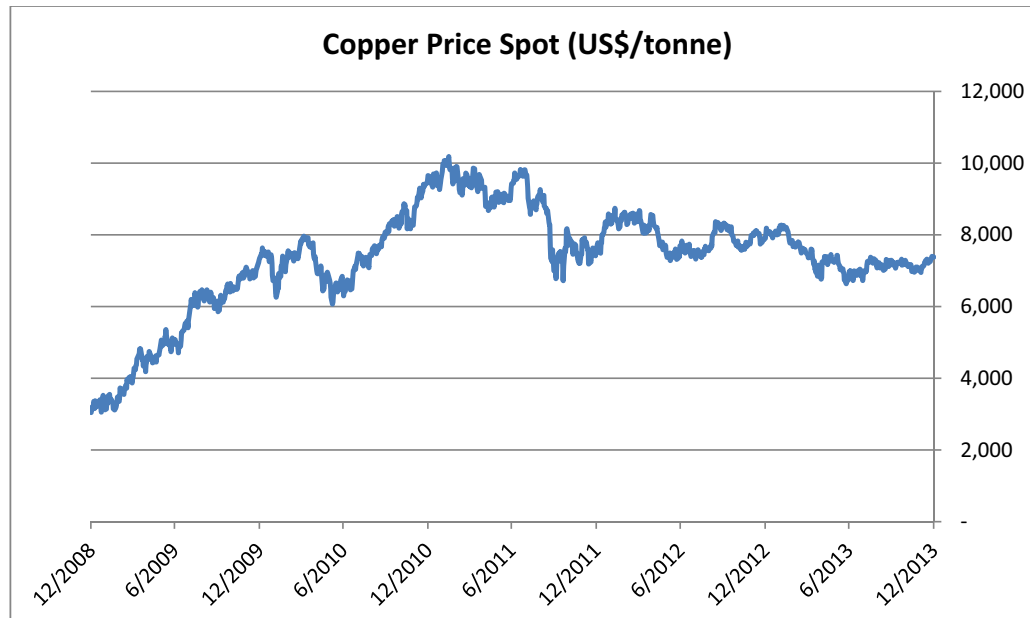


Figure 5: LME Copper prices from 2009 to 2013

Source: Bloomberg

Other than copper, this project will also produce significant quantities of silver, gold, and molybdenum. The same approach was used in arriving at our price forecasts for the other metals. The quantities of these metals mined are relatively small in comparison to copper. However, based on the current valuation, molybdenum trioxide is expected to form 10% of total revenue, with gold and silver each contributing 3.5% of overall revenue. Bearing in mind these weightings, a rough analysis of the correlation of these 3 metals prices over the last 20 years shows the relationship between gold and molybdenum and between silver and molybdenum are both of ‘least significance’, whilst gold and silver correlate at a ‘significant’ level. These findings and the relative contributions to revenue of each metal suggest that the fluctuations in price of these metals should not make a substantial impact on the value of the project.

	Copper	Molybdeum Trioxide	Silver	Gold
	\$/lb	\$/lb	\$/oz	\$/oz
2014	3.20	10.19	20.72	1,267
2015	3.13	10.34	20.94	1,249
2016	3.16	10.38	21.94	1,277
2017	3.16	10.75	22.14	1,279
2018	3.12	10.88	22.30	1,289
2019	3.07	12.02	22.57	1,322
2020	3.06	12.01	22.74	1,329
Long term	3.06	12.01	22.74	1,329

Table 3: Forecast metal prices used in the valuation (in real 2014 US\$)

Costs

The estimated unit costs of the Project are listed below. They are grouped into broad categories of mining, processing, admin, logistics and refinery & treatment costs.

Mining Cost

The mining cost consists of drilling, blasting, loading, hauling, and support service. Their unit costs are tabulated below:

Drilling	\$0.08/t mined
Blasting	\$0.21/t mined
Loading	\$0.14/t mined
Hauling	\$0.90/t mined
Support Service	\$0.16/t mined
Rehandle Load and Haul	\$1.09/t

Processing Costs

The processing cost consists of crushing, grinding, flotation and other processing cost. Their unit costs are tabulated below:

Crushing conveying & grinding	US\$3.76/t milled
Flotation	US\$1.9/t milled
Treatment charge for molybdenum	US\$1.6/lb of Moly
Treatment charge for copper	US\$75.72/t conc
Refinery charge for copper	US\$0.07/lb
Refining for silver	US\$0.35/oz
Refining for gold	US\$5.00/oz

Freight cost

The freight cost consists of transport cost and port cost. Their unit costs per tonne of concentrate are tabulated below:

Transport Freight	US\$80.00/t
Port charge	US\$18.50/t
Ocean freight	US\$55.00/t

Royalty Cost:

There is a royalty cost of up to 3% of sales imposed by the Peruvian government.

Employee profit sharing scheme

There is a general system of employee participation in company profits. Employees are entitled to participate in the profits, defined as net income before taxes, of the company provided the company

has more than 20 employees and they are subject to the labor regime for private company employees. The percentage applied differs with the industry of the employer. The applicable rate for mining business is 8%.

Capital Expenditure

According to the ITR, the Company's initial capital cost estimate is US\$6,031 million, which is higher than the estimation conducted earlier. The overrun is primarily due to delays in construction of major infrastructure items. As of 1 January 2014, the Company has injected US\$3,511 million and the remaining capital expenditure needed is around US\$2,519 million. On top of the initial capital outlay, the sustaining capital is estimated at US\$ 1.6 billion over the life of mine. The estimated capital costs for the Project are summarized in Table 4.

Year	Initial Capex '000 US\$	Sustaining Capex '000 US\$	Year	Initial Capex '000 US\$	Sustaining Capex '000 US\$
2014	1,855,174		2026		45,524
2015	655,233		2027		116,739
2016		187,466	2028		117,337
2017		213,958	2029		68,601
2018		134,839	2030		96,590
2019		93,006	2031		62,116
2020		135,595	2032		36,245
2021		40,848	2033		34,561
2022		51,581	2034		27,938
2023		57,591	2035		27,958
2024		59,608	2036		3,227
2025		61,258	2037		1,072

Table 4: Estimated Capital costs

Source: RPM, 2014

According to the ITR, it states that the capital cost estimate is reasonable however is subject to increases if there will be any delay. We understand that, for developing this project, there are potential risks associated with community management at Nueva Fuerabamba. Furthermore, concerning the scale and complexity of the project, there will be potential cost escalation and construction delays which may impose higher capital expenditure in the future. For the sake of valuation, we considered

that an additional contingency buffer is necessary which is why a 10% additional capital cost is applied to the remaining capex.

Tax

A 30% profit tax rate is assumed in the valuation and according to the tax stability agreement, an additional 2% is applied.

Q. Discount Rate

In applying the discounted cash flow method, it is necessary to determine an appropriate discount rate for the assets under review. The discount rate represents an estimate of the rate of return required by a third party investor for an investment of this type. The rate of return expected from an investment by an investor relates to perceived risk. Risk factors relevant in our selection of an appropriate discount rate include:

1. Interest rate risk, which measures variability of returns, caused by changes in the general level of interest rates;
2. Purchasing power risk, which measures loss of purchasing power over time due to inflation;
3. Liquidity risk, which measures the ease with which an instrument can be sold at the prevailing market price;
4. Market risk, which measures the effects of the general market on the price behavior of securities; and
5. Business risk, which measures the uncertainty inherent in projections of operating income.

Consideration of risk, burden of management, degree of liquidity, and other factors affect the rate of return acceptable to a given investor in a specific investment. An adjustment for risk is an increment added to a base or safe rate to compensate for the extent of risk believed to be involved in the investment. The appropriate discount rate for the valuation exercise is the weighted average cost of capital.

Weighted Average Cost of Capital

The appropriate rate of return for valuing the Project is the weighted average cost of capital (“WACC”), which is the weighted average of the return on equity capital and the return on debt capital. The WACC is expressed in the following formula:

$$WACC = \frac{E}{V} \times R_e + \frac{D}{V} \times R_d \times (1 - T_c)$$

Where:

Re = Required return on equity

Rd = Required return on debt

E = fair value of the firm's equity

D = fair value of the firm's debt

V = E + D

E/V = percentage of financing that is equity

D/V = percentage of financing that is debt

Tc = corporate tax rate

Cost of Equity

We have used the Capital Assets Pricing Model (the “CAPM”) to estimate the cost of equity. The CAPM is a fundamental tenet of modern portfolio theory, which is the generally accepted basis for marketplace valuations of equity capital. The CAPM technique is widely accepted in the investment and financial analysis communities for the purpose of estimating a company’s required return on equity capital.

The equation of CAPM is shown as follows:

$$\text{Cost of equity} = \text{Risk free rate} + (\text{Beta} \times \text{Risk Premium}) + \text{Other risks}$$

The return on equity required of a company represents the total rate of return investors expect to earn, through a combination of dividends and capital appreciation, as a reward for risk taking. The Capital Asset Pricing Model (“CAPM”) is used to calculate the cost of equity by using information derived from publicly-traded companies.

Items		Description
Risk Free Rate	≈ 3.03%	Yield of 10-year US Treasury at 31 December 2013
Market Premium	≈ 6.96%	The long term Equity risk premium of U.S. Market, from SBI Ibbotson 2014 Classic Yearbook
Estimated nominal Beta	≈ 2.504	Average Beta for the Comparable Companies
Country premium	≈ 2.13%	http://pages.stern.nyu.edu/~adamodar/New_Home_Page/dataf/ctryprem.html
Specific Premium	≈ 1.00%	Adjustment to account for the uncertainty of the forecast

Table 5: Parameters for CAPM

Cost of debt

Cost of debt represents the long term borrowing cost of XSP, which is assumed to be 7.00% with reference to the general USD borrowing rate in Peru.

Other risks

We have accounted for other risks in the calculation of the cost of equity, in recognition of the fact that the cost of equity can be higher than that predicted by the WACC because of factors independent of the general stock market, such as country risk, liquidity risk, the size of business etc.

Items		Description
D/E Ratio	≈ 145%	With reference to the capital structure of the Company
Cost of Equity	≈ 23.59%	Calculated as above
Cost of Debt	≈ 7.00	US\$ borrowing rate in Peru
Income Tax Rate	≈ 32.00%	Standard tax rate of Peru with reference to http://www.kpmg.com/global/en/services/tax/tax-tools-and-re-sources/pages/corporate-tax-rates-table.aspx Additional Tax Stability Agreement
Inflation	≈ 2.00%	Federal Open Market Committee long term inflation target

Table 6: Parameters for WACC

Base on the above, the discount rate for the Project is 10.00% (rounded) in real term.

R. Discounted Cash Flow Valuation

The free cash flow model has been applied in this valuation to calculate the NPV of the Project. Having determined this as the Chapter 18 value, this same value can be used as a preferred value within a sensitivity analysis.

A NPV sensitivity analysis was performed using several values for copper concentrate price, discount rate and production costs (including mining costs, processing costs, and freight costs). The “base case” applies the same parameters within section P.

Table 7 below shows the effect on NPV by varying the price per tonne of copper and the discount rate while maintaining the base case production costs.

		Discount rate				
		-2%	-1%	Base Case	+1%	2%
		(8%)	(9%)	(10%)	(11%)	(12%)
Copper Price per tonne	-10%	5.63	5.06	4.56	4.11	3.71
	-5%	6.18	5.57	5.03	4.55	4.12
	Base Case	6.73	6.08	5.51	4.99	4.53
	+5%	7.28	6.59	5.98	5.43	4.94
	+10%	7.83	7.10	6.46	5.88	5.36

Table 7: NPV in US\$ billion – price of copper varied with the discount rate

Table 7 shows the effect on NPV of varying the price per tonne and the production costs while maintaining the base case discount rate of 10.00%.

		Production costs				
		-10%	-5%	Base Case	+5%	+10%
Copper Price per tonne	-10%	4.87	4.71	4.56	4.41	4.25
	-5%	5.34	5.19	5.03	4.88	4.73
	Base Case	5.82	5.66	5.51	5.35	5.20
	+5%	6.29	6.14	5.98	5.83	5.67
	+10%	6.76	6.61	6.46	6.30	6.15

Table 8: NPV in US\$ billion – price of copper varied with production costs

The cells of Table 7 and Table 8 that are shaded light grey contain the range of values that JLL believes are the most likely to contain the Chapter 18 Value for the project. The figures we chose to determine the range as mentioned in Section U. Opinion of Value takes the minimum and maximum values within the lighter grey areas of both tables. The range thus chosen is **US\$4.55 billion to US\$6.59 billion**. The reader is cautioned to remember that it is not possible to forecast future performance of the project or other economic factors with certainty and that it is prudent to consider a sufficient range of variation in the relevant factors. The cells of Table 7 and Table 8 that are shaded dark grey are included to assist the reader in drawing their own conclusion as to the value of the project.

The results of the above sensitivity analysis are plotted in :

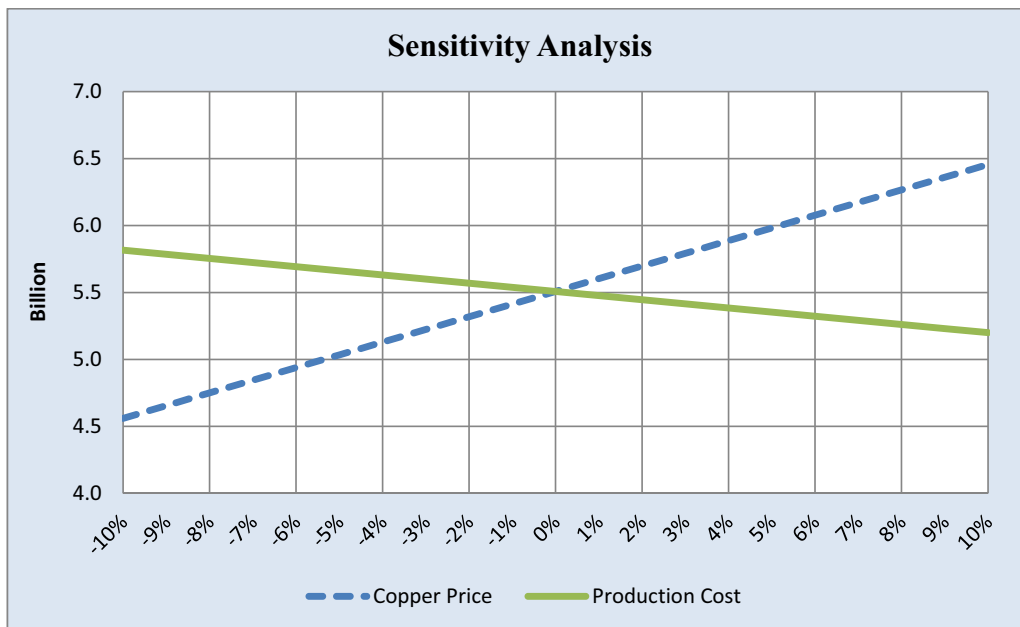


Figure 6: Sensitivity analysis of the project value versus 1) copper price; and 2) production cost

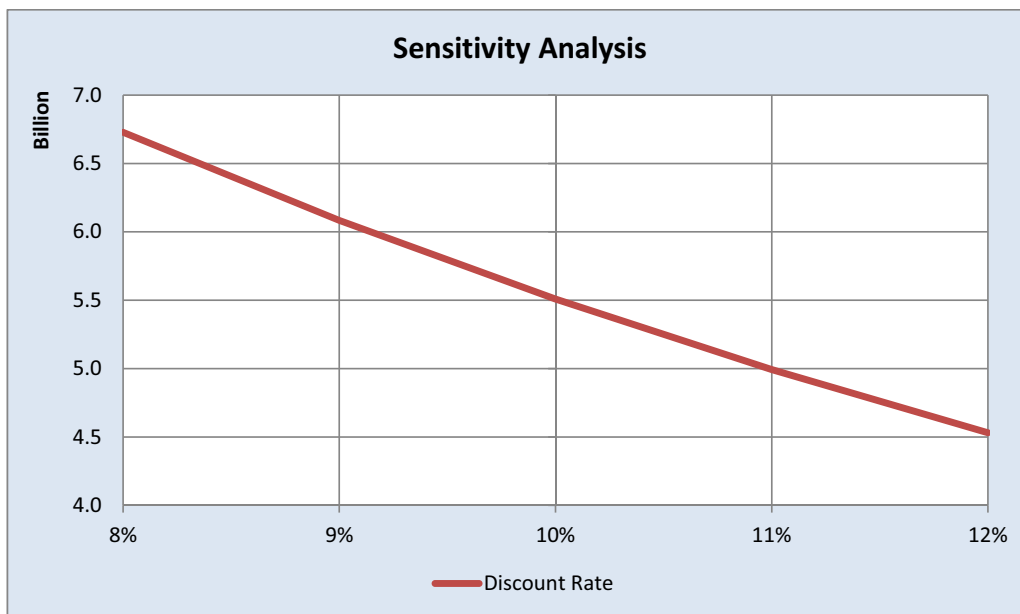


Figure 7: Sensitivity analysis of the project value versus discount rate

S. Risks

The ITR includes a comprehensive review of the project risks and we agree with the conclusions of RPM in regard to those risks. We include some additional commentary on general risk factors for the sake of prudence. The mining industry is a high risk business where earnings can be highly volatile. Many risks directly related to the mining operation can be minimised by good planning and management practices. However, there are a number of risks that fall outside of the control of the mine operators. For each of the risks detailed below, we have provided a subjective assessment of the consequences of the risk on the overall project operation and the likelihood of such risks occurring.

Consequence of risk:

Major consequence – if uncorrected, the risk could have a material effect on the mine cash flow (>20%) and could potentially lead to mine closure.

Moderate consequence – if uncorrected, the risk could have a significant effect on the mine cash flow (5-20%) but not likely to lead to mine closure.

Minor consequence – if uncorrected, the risk will have little or no effect on the mine cash flow (<5%)

Likelihood of risk occurring within seven years if mitigating procedures are not enacted:

Likely - >50% probability that the risk will occur.

Possible – 20-50% probability that the risk will occur.

Unlikely - <20% probability that the risk will occur.

The overall risk assessment can be constructed from the consequence of the risk and the likelihood of occurrence (Table 9).

Consequence	Likelihood		
	Likely	Possible	Unlikely
Major	High	High	Medium
Moderate	High	Medium	Low
Minor	Medium	Low	Low

Table 9: Risk Assessment Grid

Concession risk

As mentioned earlier in this report we believe that XSP has demonstrated that they have all necessary permits and licences in place and up to date.

Moderate consequence, unlikely to occur – Low risk

Technology / equipment risk

The project relies on well understood and proven technology and mining practices. We believe that the company and its workforce are very familiar with the equipment and mining methodology. The achievability of any expansion plan may highly depend on the technical performance of the equipment. *Moderate consequence, unlikely to occur – Low risk.*

Fuel Risk

Las Bambas will be heavily dependent upon diesel fuel for its mining machinery and transport fleet, estimated by RPM to be around 210,000 L/day. As well, emergency diesel power generators will be installed and may be heavily relied upon, especially if there are delays in the construction of the power supply connecting to the national grid at Cotaruse. RPM estimate that fuel usage for the mine will be 0.5 L/tonne mined (ore + waste). Therefore, increased costs in the supply or transport of fuel may have significant bearing on the mine's economics.

Moderate consequence, possible to occur – Medium risk

Infrastructure risk

There is a substantial infrastructural requirement in order for the area to support large scale mining activities. Upgrading and building new access roads as well as water and power provision to support future production rates are critical to the Project's operation. According to Standard and Poor's (Mineweb, 2013), Peru's cheap power costs (between \$30 and \$60 per megawatt-hour) offer a strong competitive advantage over its neighbours. However, Peru's electricity infrastructure network will require substantial upgrades if it is meet growth in demand and price increases to fund the expansion of infrastructure cannot be discounted. Expansion of the mining industry will also require significant upgrades to port facilities to be able to cope with the extra volumes of mine concentrates for shipment to overseas processors. Construction of all mine-supporting infrastructure, such as offices, workshops, warehouses, housing for employees as well as a town to house residents displaced by the Project, is yet to be complete and has the risk to affect the Project's mining schedule.

Furthermore, the provision of such infrastructure depends on the availability, capacity, reliability, security, and operation of third-party contractors. Performance of these third party contractors cannot be assured and is largely out of the mine operator's control. Being in a relatively remote part of the country, the project will rely upon the timely and cost-effective supplies of material, equipment, spare parts and other critical consumables. Interruptions or shortages of supplies, particularly electricity and water, or increases in prices, could adversely affect the mining and processing operations.

Moderate consequence, possible to occur – Medium risk.

Resources Risk

Estimation of mineral resources is not an exact science and relies on sufficient quality data and a good understanding of the controls on the mineralisation processes for the estimator to make an accurate assessment of the resources. It is common for mining operations to return values of tonnages and / or grades for mining units that are significantly different to the Resource estimation for the particular blocks – sometimes higher, sometimes lower. The inherent risks can be highly significant for deposits of narrow, high grade mineralisation (e.g. high grade gold veins) or where the economic minerals are erratically distributed (e.g. diamond pipes).

Porphyry copper deposits do not normally present significant difficulties for resource estimators because of the disseminated nature of the mineralisation. However, skarns associated with porphyries can have their own peculiarities and can display erratic mineral distributions. From our review of the Ferrobamba drill core and assay results, we have made the following observations:

- Most sample intervals (65%) are 2m in length. Maximum = 4.45m, minimum = 0.5m, average = 1.87m. Compositing of these drillhole results to 7.5m downhole lengths for the resource estimation has resulted in smoothing of the assay data.
- Copper mineralisation is commonly consistent within zones ranging from ~20m to 60m downhole. However, occasionally high-grade mineralisation can extend over zones as narrow as 4m to 8m.
- Copper mineralisation in the skarns occurs as veinlets and disseminations. Occasional thicker veins and / or patches of massive sulphides produce erratic high assay results.
- Copper mineralisation within the intrusive rocks is mostly within narrow veins with only minor alteration selvages. Some of these veins are oriented at a low angle to the drillhole axis.
- No measurements of the veins on oriented core have been performed. It is therefore not possible to determine whether there are dominant orientations for the veins.

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- Outcrops of the intrusive rocks exposed in road cuttings in the Ferrobamba pit show a weak foliation striking approximately N-S and dipping steeply to the west. Most drillholes at Ferrobamba have an azimuth towards 035° and, therefore, are oriented at a low angle to this foliation.

The Las Bambas operation will rely on bulk tonnage mining methods to provide economies of scale and we believe that the procedures used for estimating the resources and reserves are appropriate for the style of mineralisation and designed mining methods. However, selectivity of small zones of mineralisation / waste will be minimal and there is the risk that small, high-grade pods will be consigned to waste or dilution by waste material being consigned to the mill. To test whether the orientation of drillholes relative to dominant structures will make a material difference to the resource estimations, we recommended that some drilling be undertaken at different azimuths and measurements of vein orientations be conducted on oriented core.

Minor consequence, possible to occur – Low risk

Transportation risk

The Las Bambas project is planned to rely on road transport of concentrates from the mine site to the Matarani port using a large fleet of trucks owned and operated by contractors. The mining model base case assumes a 0.5% loss of payable metal during transport. Risks associated with the transportation of concentrates include truck accidents, disputes between contractors and their employees out of the control of the mine operator, inability of the contractors to manage their business, landslides and other road blockages and delays in construction of facilities under the Build-Own-Operate (BOO) agreements at the Matarani port and the railroad transport option being evaluated. Furthermore, if other mining operations in the region propose to use the same national highways to the coast, the Peru government may impose charges to cover the cost of maintaining the roads.

Minor consequence, likely to occur – Medium risk

Occupational Health and Safety and Environmental risk

The Las Bambas operation will be subject to Peruvian laws and regulations relating to health, safety and environmental protection, as well as industry standard protocols. Current and future laws and regulations governing work place conditions, workers insurance coverage, use of safety equipment and handling and disposal of hazardous material could impose significant operating costs that could adversely affect the operation's cash flow. Financial liability for incident damages to personnel, public infrastructure or environmental damages may also adversely affect the business and, in an

extreme case, may lead to loss of permits or a complete shutdown of operations. Management of, and strict adherence to, occupational health, safety and environmental regulations will be a major component of the operations. In particular, new employees from local communities who have not had experience in an industrial environment will need to be monitored for adherence to the OHS protocols.

Moderate consequence, likely to occur – High risk

Personnel risk

Expected employee numbers during the mine operating stage are detailed in RPM's report. The plan is for a significant number of unskilled employees coming from the local communities and considerable training will be required. Indications to date are that the locals have struggled to meet the required operational standards, which may lead to some minor delays or lower than expected productivity during the early years.

Under law, Peruvian companies must distribute 8% of profits amongst its employees. This bonus payment can be highly significant for mining employees and, with several major mines either in operation or due to come on stream in the near future, there will be high demand for skilled machinery operators. The Las Bambas project may be at risk of losing skilled labour to other profit-making mines, especially during the early years before reaching peak production.

Minor consequence, possible to occur – Low risk

Social Impact risk

The development of the Las Bambas project will involve significant disruption to the indigenous communities. As noted in the RPM report, there are potential risks associated with the relocation of people to the new housing development at Nueva Fuerabamba and having them adjust to a different lifestyle, particularly their housing situation. Furthermore, easements for roads, water supplies and power supplies can affect the livelihoods of people living outside of the mining footprint. Las Bambas' Social and Community Management Program team, along with the consultancy group rePlan, are actively working with the displaced communities to ensure continued success in the relocation program. Any delays in the completion of the new town as well as in the relocation of the affected residents can influence the mining schedule. The Las Bambas mine operators will need to provide substantial ongoing support programs to minimise disenchantment within the local communities that could lead to interference with the mine operations and infrastructure.

Several mining operations in Peru have been directly affected by incidents of social unrest and protests during the past couple of years, including Newmont's Minas Congas gold project in northern Peru and Xstrata's Tintaya mine. The Las Bambas mine operators will need to provide substantial ongoing support programs to minimise disenchantment within the local communities that could lead to interference with the mine operations and infrastructure. Although the risks can be significant, we believe that the social programs being developed at Las Bambas have been carefully planned to minimise disruption to the mine operations.

*Moderate consequences, possible to occur – **Medium risk**.*

Illegal Mining Resolution Risk

People living in the Sulfbamba area rely on artisanal mining of the high grade copper mineralisation as their major source of income. Government authorities are trying to shut down illegal mining operations, as well as the illegal processing plants that purchase the ore. However, the Las Bambas operators will need to undertake negotiations with these illegal miners if they hope to avoid social unrest in the area. The Sulfbamba deposit is scheduled for mining during Year 7 of the operation, which allows plenty of time to come to a mutually satisfactory arrangement. This risk therefore should only have a potential impact on the ramp up stage of the mine and not the total mining profile.

*Minor consequence, possible to occur – **Low risk***

Natural disasters

Earthquakes may result in road blockages, destruction of infrastructure and water storage / tailings dam collapse. Later in the mine life, as pits deepen, even minor tremors could cause collapse of pit walls with consequent loss of production. We believe that the Las Bambas area is not within a high-risk earthquake zone; most of the historical destructive earthquakes in Peru occur within the coastal area, closer to the tectonic plate boundary. However, the transport routes to the coast do pass through areas where significant earthquakes (>4.0 magnitude) regularly occur and, in such mountainous terrain, landslides may cause considerable damage to the road network.

*Minor consequence, unlikely to occur – **Low risk***

Country Risk

The current Peruvian government is strongly in favour of the expansion of the mining industry in the country as it brings in much needed revenue for social infrastructure. However, Standard & Poor's has indicated that anti-mining protests are becoming a major challenge facing the industry (Mineweb, 2013) and could lead to a significant change in government policy. National elections in Peru are due

in 2016 and any growing disenchantment with the rapid growth of mining in Peru could jeopardise government support for the industry.

Major consequence, unlikely to occur – Medium risk

Currency risk

The cost estimates taken from ITR within our valuation are expressed in US\$. Some of the costs will actually be incurred in PEN leaving exposure to exchange rate risk.

Moderate consequence, likely to occur – Medium risk

Realization of Forecast and Projection

This valuation is premised in part on the historical financial information and/or projections provided by the management of XSP or as contained in the ITR. Since projections is subjected to numbers of assumptions and relate to the future, there will usually be differences between projections and actual results and in some cases, those variances may be material. Accordingly, to the extent that any of the above mentioned information requires adjustment, the resulting investment value may differ.

Moderate consequence, possible to occur – Medium risk

Forecast Prices

The valuation of the project has relied on forecast metal prices obtained from several sources. Future metal prices may differ markedly from the forecasts and could drastically affect the profitability of the operations. Metal prices can be influenced by numerous factors outside of the control of mine operators, such as world supply and demand, forward selling activities, natural disasters disrupting supplies, macro-economic conditions and political issues. Over the life of the mine, it is likely that the mine plan will change in order to accommodate changes in metal prices, particularly by changes to the economic cut-off grade, in order to maintain or maximise profitability.

Moderate consequence, likely to occur – High risk

T. Valuation Comments

The valuation of an interest in an asset requires consideration of all relevant factors affecting the operation of the business and its ability to generate future investment returns. The factors considered in the valuation included, but were not limited to, the following:

- the nature of the business;
- the financial condition of the business and the economic outlook in general;
- the operational contracts and agreements in relation to the business;
- the projected operating results; and
- the financial and business risk of the mining operation including the continuity of income and the projected future results.

The conclusion of the value is based on accepted valuation procedures and practices promulgated in the VALMIN Code that rely substantially on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. Further, while the assumptions and consideration of such matters are considered by us to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the MMG Ltd.

U. Opinion of Value

Based on the results of our investigations and analysis outlined in this report, we are of the opinion that the Chapter 18 Value of the Project as at the Valuation Date can range from **US\$4.55 billion to US\$6.59 billion with the preferred value being US\$5.51 billion.**

In accordance with Chapter 18 of the Listing Rules, we have excluded any consideration of Inferred Resources and other sources of potential value in preparing this independent valuation. We considered the exclusion of such means that the valuation result as contained in this report (i.e. the Chapter 18 Value) does not meet the definition of Fair Market Value under the VALMIN Code.

V. Limiting Conditions

This report and opinion of value are subject to our Limiting Conditions as included in Exhibit A of this report.

Yours faithfully,

For and on behalf of

Jones Lang LaSalle Corporate Appraisal and Advisory Limited

Murray Hutton

Principal Consultant

Simon M.K. Chan

Regional Director

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Exhibit A – Limiting Conditions

1. In the preparation of our reports, we relied on the accuracy, completeness and reasonableness of the financial information, forecast, assumptions and other data related to XSP, provided to us by the Company and XSP and/or their representatives. We did not carry out any work in the nature of an audit and neither are we required to express an audit or viability opinion. We take no responsibility for the accuracy of such information. The responsibility for determining expected values rests solely with the Company and our reports were only used as part of the Company's analysis in reaching their conclusion of value.
2. We have explained as part of our service engagement procedure that it is the director's responsibility to ensure proper books of accounts are maintained, and the financial information and forecast give a true and fair view and have been prepared in accordance with the relevant standards and companies ordinance.
3. Public information and industry and statistical information have been obtained from sources we deem to be reputable; however we make no representation as to the accuracy or completeness of such information, and have accepted the information without any verification.
4. The management of the XSP has reviewed and agreed on the report and confirmed that the basis, assumptions, calculations and results are appropriate and reasonable.
5. Jones Lang LaSalle Corporate Appraisal and Advisory Limited shall not be required to give testimony or attendance in court or to any government agency by reason of this exercise, with reference to the project described herein. Should there be any kind of subsequent services required, the corresponding expenses and time costs will be reimbursed from you. Such kind of additional work may incur without prior notification to you.
6. No opinion is intended to be expressed for matters which require legal or other specialized expertise or knowledge, beyond what is customarily employed by valuers.
7. The use of and/or the reliance of the report is subject to the terms of engagement letter/proposal and the full settlement of the fees and all expenses.
8. Our conclusions assume continuation of prudent management policies over whatever period of time that is considered to be necessary in order to maintain the character and integrity of the assets valued.
9. We assume that there are no hidden or unexpected conditions associated with the subject matter under review that might adversely affect the reported review result. Further, we assume no responsibility for changes in market conditions, government policy or other conditions after the Valuation/Reference Date. We cannot provide assurance on the achievability of the results forecasted by XSP because events and circumstances frequently do not occur as expected; difference between actual and expected results may be material; and achievement of the forecasted results is dependent on actions, plans and assumptions of management.

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10. This report has been prepared for inclusion in the Circular of the Company in connection with the acquisition of XSP. Our consent to the disclosure of the report in connection with the acquisition is solely for the purpose of providing information to potential investors or any interested party.
 11. The calculation of values expressed herein is valid only for the purpose stated in the engagement letter/or proposal as of the reference date. In accordance with our standard practice, we must state that this report and exercise is for the use only by the party to whom it is addressed and no responsibility is accepted with respect to any third party for the whole or any part of its contents.
 12. Where a distinct and definite representation has been made to us by party/parties interested in the assets valued, we are entitled to rely on that representation without further investigation into the veracity of the representation if such investigation is beyond the scope of normal scenario analysis work.
 13. The Company agrees to indemnify and hold us and our personnel harmless against and from any and all losses, claims, actions, damages, expenses or liabilities, including reasonable attorney's fees, to which we may become subjects in connection with this engagement. Our maximum liability relating to services rendered under this engagement (regardless of form of action, whether in contract, negligence or otherwise) shall be limited to the charges paid to us for the portion of its services or work products giving rise to liability. In no event shall we be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, lost profits, opportunity costs, etc.), even if it has been advised of their possible existence.
 14. We are not environmental consultants or auditors, and we take no responsibility for any actual or potential environmental liabilities exist, and the effect on the value of the asset is encouraged to obtain a professional environmental assessment. We do not conduct or provide environmental assessments and have not performed one for the subject property.
 15. This exercise is premised in part on the historical financial information and future forecast provided by the management of XSP. We have assumed the accuracy and reasonableness of the information provided and relied to a considerable extent on such information in arriving at our calculation of value. Since projections relate to the future, there will usually be differences between projections and actual results and in some case those variances may be material. Accordingly, to the extent any of the above mentioned information requires adjustments, the resulting value may differ significantly.
 16. Actual transactions involving the subject assets / business might be concluded at a higher or lower value, depending upon the circumstances of the transaction and the business, and the knowledge and motivation of the buyers and sellers at that time.
 17. This report and the conclusion of values arrived at herein are for the exclusive use of our client for the sole and specific purposes as noted herein. Furthermore, the report and conclusion of values are not intended by the author, and should not be construed by the reader, to be investment advice in any manner whatsoever. The conclusion of values represents the consideration based on information furnished by XSP and other sources.

18. While every effort has been made, within the time constraints of this assignment, to ensure the accuracy of this report, we accept no liability for any error or omission. We can take no responsibility if the conclusions of this report are based on incomplete or misleading data.

Exhibit B – Valuers’ Biographies**Murray Hutton**

Project Manager (Gold and Base Metals), Geos Mining.

Qualifications and Professional Memberships

BA (Hons, Geology)

Member of Australian Institute of Geoscientists

Experience

Murray Hutton has extensive experience in the mineral industry with a primary focus in gold and base metals. He spent his early career based at various firms specializing in exploration projects for gold, base metals and tin mostly based within Australasia. He has held senior positions as an exploration geologist for firms based in Papua New Guinea, Philippines, Fiji and most recently Australia. His expertise is thus in exploration program management including project assessment and planning, reconnaissance through to drilling supervision, resource estimation and independent geological reports and valuations. He has been at Geos Mining for almost 7 years and holds a position as Project Manager where he oversees the Gold and Base Metals Group.

Murray Hutton’s qualifications and experience are sufficient for him to be regarded as a “Competent Person” under the JORC Code 2012 and as an “Independent Expert” under the VALMIN Code 2005.

Simon M.K. Chan

Regional Director, Jones Lang LaSalle Corporate Appraisal and Advisory Limited

Qualifications and Professional Memberships

B. Commerce, FCPA, FCPA (Aust.), Member of AusIMM, CIM and IACVA

Experience

Simon has extensive work experience in valuation and corporate advisory industries. He has provided a wide range of valuation services to numerous listed and listing companies of different industries in China, Hong Kong, Singapore and the United States. The valuation services provided include firm valuation, equity valuation, mining rights and mineral assets valuation, purchase price allocation, intangible asset identification and valuation (e.g. trademark, customer base, patent, etc.), biological asset valuation, current asset and liability valuation, goodwill and other asset impairment evaluation, convertible bond valuation, employee share option valuation and other financial instrument valuation. Simon has participated in certain large scale IPOs of State-owned and privately-owned enterprises in China. He has successfully assisted various multinational companies invested in China and has provided different extent of valuable due diligence services for these companies.

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Exhibit C – Valuers’ Professional Declaration

The following valuers certify, to the best of their knowledge and belief, that:

- Information has been obtained from sources that are believed to be reliable. All facts which have a bearing on the value concluded have been considered by the valuers and no important facts have been intentionally disregarded.
- The reported analyses, opinions, and conclusions are subject to the assumptions as stated in the report and based on the valuers' personal, unbiased professional analyses, opinions, and conclusions. The valuation exercise is also bounded by the limiting conditions.
- The reported analyses, opinions, and conclusions are independent and objective.
- The valuers have no present or prospective interest in the asset that is the subject of this report, and have no personal interest or bias with respect to the parties involved
- The valuers’ compensation is not contingent upon the amount of the value estimate, the attainment of a stipulated result, the occurrence of a subsequent event, or the reporting of a predetermined value or direction in value that favours the cause of the client.
- The analyses, opinions, and conclusions were developed, and this report has been prepared, in accordance with the International Valuation Standards published by the International Valuation Standards Committee.
- The under mentioned persons provided professional assistance in the compilation of this report.

Murray Hutton
Project Manager
BA (Hons, Geology),
Member of AIG

Simon M. K. Chan
Regional Director
FCCA, FCCPA (Aust.),
Member of AusIMM, CIM, and IACVA

Valuer's Declaration II:

I, Murray Hutton, hereby confirm that:

1. I have carried out the assignment for Jones Lang LaSalle Corporate Appraisal and Advisory, located at:

6 F Three Pacific Place,
1 Queen's Road, East Hong Kong
Tel: (852) 2169 6000
Fax: (852) 2169 6008
2. I graduated with Bachelor of Arts Degree (Hons, Geology) from Macquarie University (1973 - 1976).
3. I am a member of the Australian Institute of Geoscientists
4. I have studied the revised Chapter 18 of the Hong Kong Listing Rules and understood the definition "Competent Evaluator". My past relevant experience, qualifications and my affiliation with professional associations have fulfilled the requirements to be a "Competent Evaluator" as set out in the listing rules for the purpose of the valuation report.
5. I have over 35 years of experience in the resources industry and during the last 20 years I have undertaken projects in the managements of exploration programs for gold and copper in Philippines, Fiji, Papua New Guinea, Vietnam and Australia. Most recently with Geos Mining I have been involved in the evaluation of gold-copper projects in Indonesia, Cambodia, Mali and Papua New Guinea.
6. I am the primary author responsible for the preparation and compilation of this valuation report.
7. I have neither present nor prospective interests in the copper assets, the Business Enterprise, the Company or the values reported herein.
8. I am not aware of any material fact or material change with respect to the subject matter of the valuation report that is not reflected in the valuation report.
9. This report has been prepared in accordance with the guidelines set by the VALMIN Code (2005) established by the VALMIN Committee in Australia.

Murray Hutton

I, Simon M. K. Chan, hereby certify that:

1. I have read the definition of “Expert and Specialist” set out in the VALMIN Code and certify, by reason of my education, affiliation with a professional association and past relevant work experience, I fulfill the requirements to be a “Specialist” for the purpose of the VALMIN Code.
2. I am responsible for the review of this valuation report.
3. I have read the VALMIN Code and the valuation report has been prepared in accordance with the VALMIN Code.
4. I am a certified public accountant in Hong Kong (HKICPA) and Australia (CPA (Aust)), and I am also a member of the CIM and IACVA. I have extensive work experience in valuation and corporate advisory industry.
5. I am not aware of any material fact or material change with respect to the subject matter of the report that is not reflected in the report, that a failure to disclose would make the report misleading.
6. I am independent of XSP and the Company, in compliance with Clause 24 of the VALMIN Code.
7. The valuation report is prepared within Jones Lang LaSalle with registered address at 6/F Three Pacific Place, 1 Queen’s Road East, Hong Kong.

Simon M.K. Chan

Exhibit D – Glossary

JORC Code	A code of professional conduct developed by the Joint Ore Reserves Committee which sets the minimum standards for public reporting of Exploration Results, Mineral Resources and Ore Reserves in Australia and New Zealand and which has been adopted by and included in the listing rules of the Australian Stock Exchange and the New Zealand Stock Exchange.
VALMIN Code	A code of professional conduct that establishes standards of best practice for the technical assessment and valuation of mineral and petroleum assets and securities by geologists involved in the preparation of Independent Expert's Reports. The VALMIN Code was developed by a joint committee of The AusIMM, AIG and MICA (now the Consultants Society of The AusIMM), in consultation with the Australian Securities and Investment Commission, the Australian Stock Exchange Limited, the Minerals Council of Australia, the Petroleum Exploration Society of Australia, the Securities Association of Australia and representatives from the Australian finance sector. The Code is binding on all members of The AusIMM and AIG.