



SOMERLEY CAPITAL LIMITED

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14 October 2026

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

Dear Sirs,

REVISION OF ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE CMN FRAMEWORK OFFTAKE AGREEMENT

INTRODUCTION

We refer to our appointment by the Company to advise the Independent Board Committee and the Independent Shareholders in connection with the proposed revision of annual caps for continuing connected transactions and the duration in relation to the CMN Framework Offtake Agreement. Details of which are set out in the letter from the Board contained in the circular of the Company to the Shareholders dated 14 October 2026 (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

On 27 June 2014, MMG SA entered into the CMN Framework Offtake Agreement with CMN, pursuant to which CMN would purchase or would procure other members of the CMN Group to purchase, and MMG SA would sell, a portion of the copper concentrate that MMG SA had purchased from the JV Company pursuant to the MMG Framework Offtake Agreement.

CMN is a controlling shareholder of the Company and is therefore a connected person of the Company under the Listing Rules. As a result, the CMN Framework Offtake Agreement constitutes a continuing connected transaction for the Company. As the highest applicable percentage ratio in respect of the CMN Framework Offtake Agreement is more than 5%, the CMN Framework Offtake Agreement constitutes a continuing connected transaction which is subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. In respect of the Revised CMN Annual Caps, pursuant to Rule 14A.54(1) of the Listing Rules, the Company is required to re-comply with the reporting, announcement and shareholders' approval requirements under Chapter 14A of the Listing Rules.



The Independent Board Committee, comprising all independent non-executive Directors has been established to advise the Independent Shareholders on the fairness and reasonableness of the adoption of the Revised CMN Annual Caps. We, Somerley Capital Limited, have been appointed to advise the Independent Board Committee and the Independent Shareholders in the same regard.

Furthermore, under Rule 14A.52 of the Listing Rules, the term of an agreement governing a continuing connected transaction must not exceed three years except in special circumstances. As the term of the CMN Framework Offtake Agreement exceeds three years, we are appointed by the Company to explain why a longer period is required and to confirm that it is normal business practice for agreements of this type to be of such duration.

We are not associated with the Company, CMN, or their respective substantial shareholders or associates and accordingly are considered eligible to give independent advice on the above matters. Apart from the normal professional fees payable to us in connection with this and similar appointments, no arrangement exists whereby we will receive any fees or benefits from the Company, CMN, or their respective substantial shareholders or associates.

During the past two years, Somerley Capital Limited acted as the independent financial adviser to issue opinion letters regarding the duration of the continuing connected transactions, one of which was announced on 21 May 2026 and the other one is yet to be announced. The engagements are limited to providing independent advisory services to the Company pursuant to the Listing Rules. Under such engagement, we have received/will receive normal professional fees from the Company. Notwithstanding such engagement, as at the Latest Practicable Date, there were no relationships or interests between Somerley Capital Limited on one hand and the Group, CMN and their respective substantial shareholders and/or associates on the other hand that could reasonably be regarded as a hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the independent financial adviser to the Independent Board Committee and Independent Shareholders in connection with the Revised CMN Annual Caps under the CMN Framework Offtake Agreement.

In formulating our opinion and recommendation, we have reviewed, among others, the CMN Framework Offtake Agreement, and the annual reports of the Company for the year ended 2023 to 2025. We have also discussed with and reviewed information provided by the management of the Group regarding the basis for estimating the Revised CMN Annual Caps.

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



PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation as regards the Revised CMN Annual Caps, we have taken into account the principal factors and reasons set out below:

1. Information about the Group and the CMC Group

The Group is engaged in the exploration, development and mining of copper, zinc, gold, silver, cobalt, molybdenum and lead deposits around the world.

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

2. Principal terms of the CMN Framework Offtake Agreement

As stated in the letter from the Board, the terms of the CMN Framework Offtake Agreement have not been materially changed or amended, and the principal terms are set out below:

Under the CMN Framework Offtake Agreement, CMN agreed to purchase, or procure members of the CMN Group to purchase, an initial approximately 77.71% of the copper concentrate acquired by MMG SA from the Las Bambas Project under the MMG Framework Offtake Agreement, representing approximately 57.31% (the "**Offtake Percentage**") of the total copper concentrate production of the Las Bambas Project. The CMN Framework Offtake Agreement does not prescribe fixed annual quantities of copper concentrate to be sold, but instead provides for a percentage-based offtake entitlement.

Pricing Basis

Copper concentrate is required to be sold on an arm's length basis and on terms consistent with prevailing international market rates for comparable copper concentrates. The selling price is determined by reference to:

- the value of the payable copper, silver and gold contained in the concentrate;
- the relevant metal prices, including the London Metal Exchange copper price and London market silver and gold prices; and
- deductions for treatment and refining charges, which are negotiated periodically based on prevailing international market conditions for comparable copper concentrates.

Metal content is determined by assaying shipment samples in accordance with standard international practice, while metal payment percentages and treatment and refining charges are required to reflect normal commercial terms and be subject to MMG SA's internal approval procedures.



Payment and Settlement Mechanism

The CMN Framework Offtake Agreement provides that individual sale and purchase transactions would be effected through separate sale agreements entered into from time to time. Such sale agreements were required to contain customary international copper concentrate trading terms, including provisions relating to metal payments, treatment and refining charges, quotational periods, payment terms, weights and assays, title and risk transfer, insurance requirements, and other customary settlement arrangements applicable to international copper concentrate sales.

Subsequently, pursuant to the CMN Copper Concentrate Offtake Agreement entered into on 11 January 2016, shipment settlement was conducted using customary industry practices involving provisional and final payments, with amounts calculated by reference to shipment quantities, assay results and applicable pricing during the agreed quotational period.

Duration

The term of the CMN Framework Offtake Agreement commenced from the start of commercial production of the Las Bambas Project and continues until the end of the mine life of the Las Bambas Project.

Termination Arrangements

The CMN Framework Offtake Agreement is subject to customary termination rights, including:

- events resulting in the early closure of the Las Bambas mine; and
- any member of the Group ceasing to be a shareholder of the joint venture company holding the Las Bambas Project.

In addition, if either party considered itself to be commercially disadvantaged by the agreed offtake quantity, the parties could request a review of the quantity allocation and agree adjustments by mutual consent, subject to compliance with applicable Listing Rules requirements.

Detailed terms of the CMN Framework Offtake Agreement and the relevant fairness opinion are set out in the 2014 Circular.



Our review of pricing basis

In January 2016, MMG SA and CMN entered into a long form sale agreement (the “**Long Form Sale Agreement**”) for the sale and purchase of copper concentrates from the Las Bambas Project, pursuant to which pricing of copper concentrates shall be determined by reference to the content of copper, silver and gold in the copper concentrates and the relevant metal prices quoted on the London Metal Exchange or other relevant London markets, subject to treatment and refining charges being consistent with those prevailing in the international market for comparable products. The prices of copper concentrates will be determined by reference to the copper price quoted on the London Metal Exchange and the silver and gold prices quoted on other relevant London markets, averaged over a quotational period to be agreed in advance. We have reviewed the Long Form Sale Agreement and the recent historical sales contracts entered into between the Group and independent third parties and noted that the pricing basis thereunder are largely the same except for the quotational periods. As advised by the management of the Group, the quotational periods of the metal prices were subject to negotiations between the Group and the independent third parties for each contract, similar to those under the Long Form Sale Agreement. We have also reviewed the back-to-back contracts entered into between the Group and the JV Company for the procurement of the copper concentrate by the Group from the JV Company and noted that the pricing basis (including the quotational period) under the Long Form Sale Agreement and the sales contracts between the Group and the independent third parties are equivalent to the aforesaid corresponding back-to-back contracts.

Treatment and refining charges will be negotiated between the parties on an annual basis or as otherwise agreed and shall be consistent with the relevant charges prevailing in the international market. Therefore, such Long Form Sale Agreement was supplemented from time to time to reflect the changes in the treatment and refining charges. We also reviewed the annual treatment and refining charges deductible from the copper prices in each sales invoice and checked against the Copper Concentrates Market Outlook Report published by the CRU Group, an independent global leader in market analysis, price assessments, consulting and events for mining, metals and fertilizers, in December 2025. It is noted that the annual treatment and refining charges deductible from the copper prices in each of the sales invoices were equivalent to the annual benchmark treatment and refining charges set out in the aforementioned report from 2023 to 2025.

Our discussion on the pricing basis and terms of the recent historical sales contracts are set out in section 4 below. Based on the above, we consider the pricing basis under the CMN Framework Offtake Agreement to be fair and reasonable.



Our review of duration

Mining projects are capital-intensive and have long lifespans. Securing a buyer for the entire or most of the output of a mine helps de-risk the project. A life-of-mine offtake agreement not only locks in a market for the mine's products and shields the operator from the risk of being unable to sell its output if market demand drops but also helps enhance the confidence of the financiers towards the project and secure financing.

In considering the duration of the CMN Framework Offtake Agreement, we have reviewed publications made by companies (excluding the Company) listed on the Stock Exchange principally engaged in the mining, processing, production or trading of metal products with respect to the sale and purchase of metal products for a term equivalent to life-of-mine that we are able to identify from the website of the Stock Exchange during the one-year period before the date of CMN Framework Offtake Agreement. Based on the above criteria, we identified 5 comparable transactions, details of which are set out below:

Date	Publication	Name of listed companies (stock code)	Transaction description
16 April 2014	Annual report for 2013	Shougang Concord International Enterprises Company Limited ⁽¹⁾ (697)	Sale of iron ore to the listed group
20 March 2014	Interim report for 2013	APAC Resources Limited (1104)	Sale of iron ore to the listed group
9 December 2013	Interim report for 2013	China Dynamics (Holdings) Limited ⁽²⁾ (476)	Sale of copper ores to the listed group
30 August 2013	Circular	Jinchuan Group International Resources Co. Ltd. (2362)	Sale of cobalt carbonate and/or cobalt hydroxide to the listed group
25 July 2013	Announcement	Glencore Xstrata plc ⁽³⁾ (805)	Sale of copper and cobalt product to the listed group

Notes:

(1) It is currently known as Shoucheng Holdings Limited.

(2) It is currently known as EV Dynamics (Holdings) Limited.



(3) It is no longer listed on the Stock Exchange since 2018.

Based on the above table, it is noted that life-of-mine offtake arrangements were not uncommon when the Group entered into the CMN Framework Offtake Agreement in 2014. Furthermore, it is noted that Grangex AB, a Swedish mineral development company listed on Nasdaq First North Premier Growth Market, announced in December 2025 the exclusive 100% life-of-mine offtake for its mine located in Kirkenes, Northern Norway. Based on the above, we consider that it is required and normal business practice for contracts in the nature of the CMN Framework Offtake Agreement to be of duration equivalent to the life of mine.

3. Reasons for and benefits of adoption of the Revised CMN Annual Caps

As stated in the letter from the Board, since 2014, the Group has undertaken additional development work at the Las Bambas mine in order to operate the Las Bambas Project at the best possible production rate with a view to releasing the potential benefits that Las Bambas Project may bring to the Group. As a result, the projected annual production volumes at the Las Bambas mine have increased above those estimated in 2014.

At the same time, fluctuations in production do occur from month to month and from year to year, depending on factors including level of the mining activity, variation in grades of the relevant products, operating variability of the processing plant and any unforeseeable operating and market circumstances, all of which are subject to revisions or updates over the normal course of business operations.

In view of the above, the Revised CMN Annual Caps are proposed to ensure that the Group can meet its contractual obligation to CMN to deliver 57.31% of the annual production of copper concentrate at Las Bambas mine, and to ensure committed revenue streams arising from sales to the CMN Group. The Revised CMN Annual Caps will accommodate the forecast production at the Las Bambas mine.

4. Internal controls procedures

The conduct of the CMN Framework Offtake Agreement will be implemented in accordance with the internal controls of the Group and our review and discussion is set out below.

Review of historical sales contract

As advised by the management of the Group, the pricing basis (including the quotational period) in respect of sale of copper concentrates charged by the Group to the CMN Group and independent third parties are equivalent to those set out in the corresponding back-to-back contracts entered into between the Group and the JV Company for the procurement of the copper concentrate by the Group from the JV Company. We have reviewed 4 contracts in 2023-2026 which were supplementary to the Long Form Sale Agreement, as well as 4 contracts entered into between the Group and independent third parties in 2023-2026 and compared the pricing basis against those set out in the corresponding back-to-back contracts entered into between the Group and the JV Company for the period from 2023 to 2025. Based on our review, we noted that the pricing basis charged by the Group to the CMN Group was equivalent to that



charged to the Group by the JV Company under the corresponding back-to-back contracts in the same year, which were determined based on the average prices quoted on the London Metal Exchange or other relevant London markets averaged over the first to fourth calendar month following the actual shipment. The pricing basis charged to independent third parties was also consistent with those charged to the Group by the JV Company under the corresponding back-to-back contracts in the same year, which were determined based on the average prices quoted on the London Metal Exchange or other relevant London markets averaged over the first to fourth calendar month following the actual shipment. In other words, the pricing basis charged by the Group to the CMN Group and independent third parties were equivalent to the pricing basis charged to the Group by the JV Company, and the pricing basis applied to the CMN Group and independent third parties were the same. Accordingly, we are of the view that the pricing basis of copper concentrate charged by the Group to the CMN Group is fair and reasonable and has not impaired the interests of the Company and its shareholders.

In addition, we have reviewed 6 sales invoices issued to each of the CMN Group and independent third parties in 2023-2025 and noted that the pricing basis adopted therein was consistent with that set out in the relevant contracts. We further cross-checked the copper prices stated in the sales invoices against the London Metal Exchange cash settlement prices obtained from Bloomberg, an established global provider of financial data, analytics and news services, and noted that they were consistent. We also reviewed the annual treatment and refining charges deductible from the copper prices in each sales invoice. We have been provided with and reviewed the Copper Concentrates Market Outlook Report published by the CRU Group, an independent global leader in market analysis, price assessments, consulting and events for mining, metals and fertilizers, in December 2025, we noted that the annual treatment and refining charges deductible from the copper prices in each of the sales invoices were equivalent to the annual benchmark treatment and refining charges set out in the aforementioned report from 2023 to 2025.

Having considered that (i) the total transaction quantity under the individual contracts relating to the sale of the copper concentrates for Las Bambas Project that we reviewed accounted for over 50% of the production of Las Bambas Project for the relevant year; and (ii) the review period covers 2023-2026, we consider that the reviewed samples are fair and representative for our assessment purposes. Based on the contracts which we have reviewed, we noted that the pricing basis of copper concentrates charged by the Group to the CMN Group was consistent with those charged to independent third parties, which were determined based on the pricing basis in the corresponding back-to-back contracts charged to the Group by the JV Company. We further noted from the sales invoices that the copper prices stated therein were consistent with those quoted from Bloomberg, an established global provider of financial data, analytics and news services, and treatment and refining charges deductions allowed by the Group to the CMN Group were in line with the benchmark and were no more favourable than those offered to independent third parties.



Based on the above, nothing has come to our attention that would cause us to cast doubt on the effectiveness and sufficiency of the internal control measures of the Company in ensuring the compliance with the terms of the transactions under the CMN Framework Offtake Agreement. Accordingly, we consider that the effective implementation of these internal control measures has been in place to ensure fair pricing of the abovementioned continuing connected transactions and compliance with the pricing policy.

Internal control measures

As stated in the letter from the Board, to ensure that the transactions contemplated under the CMN Framework Offtake Agreement, and all of the Company's continuing connected transactions, are conducted in accordance with the terms of the relevant agreements on normal or better commercial terms and are in the interests of the shareholders of the Company as a whole, and in compliance with the annual caps, the Company has adopted the following internal controls procedures:

- The Company's marketing and sales department continuously monitors the production performance of the Las Bambas mine and the outlook of the global copper concentrate and relevant metal markets against the relevant annual caps of the applicable sales agreement. Any change which may potentially affect an annual cap is reported to senior management and the Board in a timely manner.
- The Company's marketing and sales department ensures that the pricing of each delivery of the relevant product is determined in accordance with the terms of the applicable sales agreement.
- As such sales agreements are a core component of the Company's business, the Company's senior management has sufficient market knowledge and access to data, which enables them to assess changes to the production performance of the Las Bambas mine, whether the terms of each sales agreement are on normal commercial terms and whether the annual caps are appropriately determined.
- All of the Company's continuing connected transactions, including their annual caps, are annually reviewed and discussed by the independent non-executive Directors of the Company, to confirm that the transactions are in the ordinary and usual course of business of the Company, on normal commercial terms or better, in accordance with the terms of the relevant agreements of the Company, fair and reasonable and in the interests of the Shareholders as a whole.
- The independent auditor of the Company conducts an annual review of the transactions and provides a written confirmation to the Board before release of the Company's annual report.



Our work done

As advised by the management of the Group, the Long Form Sale Agreement entered into between the Group and the CMN Group was subject to review by all independent non-executive directors of the Company. On an ongoing annual basis, the treatment and refining charges agreed by the parties require approval by an executive of the Company who is independent from CMN Group. We have reviewed the relevant approval records for the period from 2023 to 2025 and noted that the treatment and refining charges under the Long Form Sale Agreement had been duly endorsed by the marketing and sales department and approved by the chief operating officer who is independent of the CMN Group. The approval procedures were implemented in accordance with the Group's internal control policies.

Furthermore, the transactions contemplated under the CMN Framework Offtake Agreement are subject to annual review by all independent non-executive Directors and the auditors of the Company to ensure the transactions are conducted in accordance with the terms including the pricing principles set out in the CMN Framework Offtake Agreement. We have reviewed the annual reports of the Company for the years from 2023 to 2025 and noted that all independent non-executive Directors had confirmed that the transactions contemplated under the CMN Framework Offtake Agreement were entered into in the ordinary and usual course of business of the Group, on normal commercial terms or better, and were fair and reasonable and in the interests of the Company and its Shareholders as a whole. We also noted that the Company's auditor had issued unqualified letter containing its conclusion in respect of the continuing connected transactions for the year ended 2023 to 2025.

Based on the above, we concur with the view of the management of the Group that the internal controls system of the Group is adequate to ensure that the transactions contemplated under the CMN Framework Offtake Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

5. The Revised CMN Annual Caps

In 2014, the Company applied for, and the Stock Exchange granted, a waiver from strict compliance with the Rule 14A.53 of the Listing Rules such that the Existing CMN Annual Caps can be expressed, instead of as a fixed monetary amount, as a fixed quantity of copper contained in copper concentrate to be sold each year over the duration of the CMN Framework Offtake Agreement.

Set out below are (i) the actual transaction quantity of copper contained in copper concentrate delivered to CMN for the year ended 2023 to 2025; (ii) the Existing CMN Annual Caps for the transaction quantity of copper contained in copper concentrate for 2023 to 2027; and (iii) the Revised CMN Annual Caps for the transaction quantity of copper contained in copper concentrate for the year ending 2026 to 2027.



	For each of the year ended 31 December				
(in "000 tonnes)	2023	2024	2025	2026	2027
Copper contained in copper concentrate					
Actual transaction quantity delivered to CMN	213	178	234	N/A	N/A
Actual offtake percentage ⁽¹⁾	70.5%	55.1%	57.0%	N/A	N/A
Existing CMN Annual Caps	277	277	277	224	224
Revised CMN Annual Caps ⁽²⁾	N/A	N/A	N/A	250	264

Notes:

- (1) In practice, the actual quantity delivered to the CMN Group in a particular year may be higher or lower than 57.31% of the total copper contained in copper concentrate produced during the relevant year. Further explanation is set out in the section below.
- (2) The Revised CMN Annual Caps have been determined based on, amongst others, the expected annual production volume of copper contained in copper concentrate of the Las Bambas Project for 2026-2027.

6. Assessment of the basis for determining the Revised CMN Annual Caps

The Revised CMN Annual Caps for each of the financial years ending 31 December 2026 and 31 December 2027 respectively are determined by reference to (a) the highest expected annual production volume of copper contained in copper concentrate of the Las Bambas Project in each year as determined by the Group; (b) a buffer in the event of over-production; and (c) the portion of the copper contained in copper concentrate to be sold to CMN by MMG SA under the CMN Framework Offtake Agreement, being approximately 57.31% of the total copper contained in copper concentrate produced from the Las Bambas mine.

Expected production in 2026 and 2027

As stated in the letter from the Board, the Existing CMN Annual Caps were determined by reference to estimates of copper concentrate production in 2014, which was prior to the commencement of commercial production at Las Bambas mine. The Existing CMN Annual Caps have been adopted for 5 year periods, with a cap for 2021 to 2025 of 277,000 tonnes of copper in copper concentrate. Based on the information available to the Company in 2014, the Existing CMN Annual Caps for the following 5 year period are 224,000 tonnes of copper in copper concentrate. Since production has commenced at Las Bambas mine, the Group has undertaken additional development work and projected annual production volumes have now increased.

We have discussed with the management of the Group and are advised that the historical production volume of copper contained in copper concentrate produced from the Las Bambas Project was 302,033 tonnes in 2023, 322,912 tonnes in 2024 and 410,834 tonnes in 2025. In the Quarterly Production Report published on the Stock Exchange website on 22 January 2026, it was disclosed that the Las Bambas mine is targeting the production of 380,000 to 400,000 tonnes of copper contained in copper concentrate during 2026, which target it is on track to meet. In determining the Revised CMN Annual Cap for 2027, the Company has applied a



maximum planning assumption of 400,000 tonnes of copper contained in copper concentrate, having regard to its current expectations regarding production at Las Bambas (such assumption should not be regarded as formal production guidance for 2027). CMN has committed to buy 57.31% of the total copper contained in copper concentrate produced from the Las Bambas mine under the CMN Framework Offtake Agreement. As advised by the management of the Group, the actual annual transaction quantity of copper contained in copper concentrate delivered to the CMN Group may, however, not be equivalent to 57.31% of the annual production volume of copper contained in copper concentrate. In practice, the actual quantity delivered to the CMN Group in a particular year may be higher or lower than 57.31% of the total copper contained in copper concentrate produced during the relevant year, due to various operational, logistical and commercial factors. Such factors include timing differences between production and shipment, constraints relating to inland transportation and vessel scheduling, port disruptions, differences between scheduled and actual shipment quantities, and subsequent adjustments to copper grades, moisture content and payable metal following final assays and settlement processes. Accordingly, variances may arise in a particular year despite the Group's efforts to manage the offtake arrangements in accordance with the terms under the CMN Framework Offtake Arrangement. The relatively larger variances recorded in 2023 were primarily attributable to significant social disruptions in Peru that affected the Las Bambas Project, which resulted in force majeure events and adversely impacted production, logistics and sales activities. Shipment volumes were significantly affected by roadblock activities in 2022, which caused substantial delays in concentrate transportation. Following the resolution of these disruptions in March 2023, previously delayed shipments were gradually delivered, leading to higher sales volumes and variances between production and delivery volumes in 2023. With reference to the upper end of the estimated production volume of copper contained in copper concentrates of approximately 400,000 tonnes from the Las Bambas Project for each of the years ending 31 December 2026 and 2027 and multiplying the contractual offtake percentage of 57.31%, the projected transaction quantity of copper contained in copper concentrates delivered by the Group to the CMN Group would be approximately 230,000 tonnes for each of the relevant years, and therefore the Existing CMN Annual Caps of 224,000 tonnes would be insufficient.

As advised by the management of the Group, the actual production volume of copper contained in copper concentrate produced from the Las Bambas Project for the seven months ended 31 July 2026 was approximately 246,000 tonnes. We have also reviewed the budgeted production volume of copper contained in copper concentrate to be produced from the Las Bambas Project for the period from August to December 2026, which amounted to approximately 162,000 tonnes. Based on the aggregate of the actual production volume for the seven months ended 31 July 2026 and the budgeted production volume for the period from August to December 2026, the estimated total production volume of copper contained in copper concentrate produced from the Las Bambas Project for the year ending 31 December 2026 would be approximately 408,000 tonnes, which slightly exceeded the budgeted production of Las Bambas Project as announced in January 2026. On this basis, we consider the basis in arriving at the budgeted production volume of Las Bambas Project for 2026 and 2027 to be reasonable but a buffer is needed.



As advised by the management of the Group, the production plan will be updated from time to time, taking into account, among other things, geological, mine design, metallurgical and logistics considerations. Actual production volume may therefore deviate from the current estimate production for 2026 and 2027. The management of the Group further advised that, fluctuations in production do occur from month to month and from year to year, depending on factors including level of the mining activity, variation in grades of the relevant products, operating variability of the processing plant and any unforeseeable operating and market circumstances. On this basis, together with the highest actual offtake percentage (i.e. 70.5%) in 2023 exceeded the Offtake Percentage, we are of the view that 9% to 15% buffer, which are comparable to 5% to 20% adopted by other Hong Kong listed companies in their continuing connected transactions in August and September 2026, on top of the upper end of the estimated production volume for 2026 and 2027 in determining the Revised CMN Annual Caps is appropriate.

Given the Revised CMN Annual Caps are determined based on (i) the upper end of the estimated production quantity of copper contained in copper concentrate from Las Bambas Project for 2026, which is close to the actual and estimated production volume of the same in 2026; (ii) the estimated transaction quantity of copper contained in copper concentrate delivered by the Group to the CMN Group for 2026 and 2027, which is calculated by multiplying the offtake percentage of 57.31% under the CMN Framework Offtake Agreement; and (iii) a 9% to 15% buffer on top of the aforementioned (ii) for 2026 and 2027, we are of the view that the basis in arriving at the Revised CMN Annual Caps is reasonable so far as the Independent Shareholders are concerned.

OPINION AND RECOMMENDATION

Having taking into account the above principal factors and reasons, we consider that (i) the Revised CMN Annual Caps and the terms of the CMN Framework Offtake Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (ii) the CMN Framework Offtake Agreement and the transactions contemplated thereunder have been entered into on normal commercial terms in the ordinary and usual course of business of the Group. Accordingly, we recommend the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders, to vote in favour of the ordinary resolution to be proposed at the EGM in relation to the Revised CMN Annual Caps.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED

Jenny LEUNG
Director

Ms Jenny LEUNG is licensed person and responsible officer of Somerley Capital Limited registered with the SFC to carry out Type 6 (advising on corporate finance) regulated activities under the SFO and has participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong.