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RE: Pilot Audit Report – Mopani Copper Mines Plc (the "Report")

Dear Sirs;

At your request, Deloitte AG ("Deloitte" or "we") have reviewed the Pilot Audit Report– Mopani Copper Mines Plc ("Mopani") prepared by Grant Thornton and Econ Pöyry (the "Auditors"). In preparing this letter we have only had access to the Report, we have not reviewed any data underlying the Report nor have we held any discussions or reviewed any correspondence with representatives of Grant Thornton or Econ Pöyry.

You have requested that we provide initial comments in relation to the methodologies and analysis outlined in the Report, the evaluation and reconciliation of underlying financial data and the conclusions reach in the Report. Our comments in relation to these issues are outlined below.

Methodologies and analysis outlined in the Report

Much of the discussion in the Report appears to have been derived by comparing the revenue recorded in the financial statements of Mopani with the output of the "Econ Pöyry mining model" (the "Model"). The Report does not clarify exactly what the Model is but it appears to be a theoretical model of results which might be expected for a simulated mine under certain simulated conditions, making certain assumptions about input parameters and costs, none of which are disclosed in the Report.

Models used for data analytics are generally only used to highlight risks or areas for further investigation and models can only be as accurate as the assumptions underpinning them.

The Report appears to have compared the financial results of Mopani with a set of financial results derived from the Model. It is unclear what purpose this serves. Such an approach of comparing theoretical results computed on the basis of a model to actual results and drawing a conclusion that there has been mispricing and other abuses rather than simply that the inputs to the Model or the Model itself are incorrect seems a manifestly inappropriate conclusion.

Due to the significant limitations in financial modelling, it is inappropriate to draw audit conclusions based solely on the results of a financial model.

A further example of the dangers of drawing conclusions without undertaking additional substantive procedures to interpret the results of analysis is found in the "Cost analysis"[1]. This appears to be developed using 2005 as a base year and then inflating the costs based on unspecified and/or non-industry specific indexes to develop a cost

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estimate for 2007 which is then compared to actual costs with conclusions drawn thereon. This is an unduly simplistic and subjective approach to cost analysis at a large scale integrated mining complex. To use general indices rather than industry specific data to develop an estimate and then to draw conclusions and make allegations based on this unrelated data is wholly inappropriate.

The Report devotes significant space to transfer pricing and in doing so demonstrates a fundamental misunderstanding on the part of the Auditors of basic principles of metals pricing and terms, particularly in relation to realisation costs. In undertaking an audit of the transfer pricing arrangements we would have expected an approach in keeping with international norms in which the functions, risks and intangibles of both parties are defined, the terms of the contractual arrangements are analysed and the transfer pricing is assessed by reference to market comparable data or by one of the other accepted OECD transfer pricing methods, none of these appear to have been utilised by the Auditors in drawing their conclusions.

Reconciliations of financial information

We note that for each of the years subject to audit, Mopani's statutory financial statements were audited by Deloitte Zambia and unqualified audit opinions were issued. We would highlight that the reconciliation of underlying data is a fundamental procedure in completing any audit.

The Report refers to difficulties encountered in the data reconciliation process resulting from the transfer of data from one accounting system to a custom database, it is highly presumptuous, where such a transfer occurs, to assume that the problem is the validity of the underlying data rather than a problem with the mapping of the data into the new system when the data in the new system does not reconcile. The Auditors' conclusion in this regard appears premature and unfounded.

Conclusions in the Report

As outlined above, the Report contains fundamental flaws in terms of methodology and approach applied and thus the conclusions reached by the Auditors. Based on the information included in the Report, at this time we do not feel the Auditors have completed sufficient work using appropriate data and methodologies to enable them to draw any conclusions on the matters covered in the Report.

We would be happy to undertake further review or analysis in connection with the Report if you require additional comments.

Kind regards,

Mark Atkinson
Partner

David Quinlin
Partner