The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Joint Sponsors pursuant to the requirements of Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.

pwc 羅兵咸永道

January 18, 2013

The Directors
Chinalco Mining Corporation International

Morgan Stanley Asia Limited
BNP Paribas Capital (Asia Pacific) Limited
China International Capital Corporation Hong Kong Securities Limited
Standard Chartered Securities (Hong Kong) Limited

Dear Sirs,

We report on the financial information of Chinalco Mining Corporation International (the "Company") and its subsidiaries (together, the "Group") which comprises the consolidated statements of financial position as at December 31, 2009, 2010 and 2011 and September 30, 2012, the statements of financial position of the Company as at December 31, 2009, 2010 and 2011 and September 30, 2012, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended December 31, 2009, 2010 and 2011 and the nine months ended September 30, 2012 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information. This financial information has been prepared by the directors of the Company and is set out in Sections I to III below for inclusion in Appendix I to the prospectus of the Company dated January 18, 2013 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

The Company was incorporated in the Cayman Islands on April 24, 2003 as an exempted company with limited liability under the Companies Law of the Cayman Islands.

As at the date of this report, the Company has direct and indirect interests in the subsidiaries and a jointly controlled entity as set out in Notes 1 and 10 of Section II below. All of these companies are private companies.

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No audited financial statements have been prepared by the Company as there are no audit requirements in its jurisdiction. All subsidiaries have adopted December 31 as their financial year end date. The audited financial statements of the other companies now comprising the Group as at the date of this report for which there are statutory audit requirements have been prepared in accordance with the relevant accounting principles generally accepted in their place of incorporation. The details of the statutory auditors of these companies are set out in Note 1 of Section II below.

The directors of the Company have prepared the consolidated financial statements of the Company for the Relevant Periods, in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "Underlying Financial Statements"). The directors of the Company are responsible for the preparation of the Underlying Financial Statements that gives a true and fair view in accordance with IFRSs. We have audited the Underlying Financial Statements in accordance with International Standards on Auditing (the "ISAs") issued by the International Auditing and Assurance Standards Board ("IAASB") pursuant to separate terms of engagement with the Company.

The financial information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon.

Directors' responsibility for the financial information

The directors of the Company are responsible for the preparation of the financial information that gives a true and fair view in accordance with IFRSs, and for such internal control as the directors determine is necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the financial information and to report our opinion to you. We carried out our procedures in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Opinion

In our opinion, the financial information gives, for the purposes of this report, a true and fair view of the state of affairs of the Company and the Group as at December 31, 2009, 2010 and 2011 and September 30, 2012 and of the Group's results and cash flows for the Relevant Periods then ended.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information set out in Sections I to II below included in Appendix I to the Prospectus which comprises the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the nine months ended September 30, 2011 and a summary of significant accounting policies and other explanatory information (the "Stub Period Comparative Financial Information").

The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the accounting policies set out in Note 2 of Section II below.

Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the IAASB. A review of the Stub Period Comparative Financial Information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with ISAs and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purpose of this report, has not been prepared, in all material respects, in accordance with the accounting policies set out in Note 2 of Section II below.

I. FINANCIAL INFORMATION

The following is the financial information of the Group prepared by the directors of the Company as at December 31, 2009, 2010 and 2011 and September 30, 2012 and for each of the years ended December 31, 2009, 2010 and 2011 and the nine months ended September 30, 2011 and 2012 (the "Financial Information"):

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	As at December 31,			As at September 30,
		2009	2010	2011	2012
		US$'000	US$'000	US$'000	US$'000
ASSETS					
Non-current assets					
Property, plant and equipment	5	307,149	683,967	1,400,834	2,191,059
Intangible assets	7	958	1,092	547	408
Deferred income tax assets	8	7,240	10,651	16,292	20,919
VAT recoverable	9	32,545	43,907	80,302	136,845
Investment in a jointly controlled entity	10	—	1,290	1,979	3,513
Restricted cash	13	94	1,991	5,047	21,577
Other receivables	12	—	—	—	3,047
		347,986	742,898	1,505,001	2,377,368
Current assets					
Inventories	11	93	1,647	6,024	19,196
Prepayments and other receivables	12	192	738	9,373	20,451
VAT recoverable	9	—	30,682	72,680	11,145
Cash and cash equivalents	14	11,438	155,892	97,550	191,017
		11,723	188,959	185,627	241,809
Total assets		359,709	931,857	1,690,628	2,619,177
EQUITY					
Equity attributable to the Company's equity holders					
Share capital	15	47	47	47	400,047
Capital reserve	16	36,254	91,701	416,521	16,521
Accumulated deficit		(14,320)	(21,785)	(38,297)	(51,523)
Total equity		21,981	69,963	378,271	365,045
LIABILITIES					
Non-current liabilities					
Borrowings	17	156,634	639,228	1,003,399	1,826,698
Deferred income	23	—	4,346	4,474	4,368
Provision for remediation and restoration	19	23,840	28,962	58,111	61,466
		180,474	672,536	1,065,984	1,892,532
Current liabilities					
Accounts payable	20	23,988	55,177	128,152	233,351
Accruals and other payables	21	7,766	8,681	16,301	23,573
Amount due to immediate holding company	18	2,101	2,101	1,920	2,376
Borrowings	17	123,399	123,399	100,000	102,300
		157,254	189,358	246,373	361,600
Total liabilities		337,728	861,894	1,312,357	2,254,132
Total equity and liabilities		359,709	931,857	1,690,628	2,619,177
Net current liabilities		(145,531)	(399)	(60,746)	(119,791)
Total assets less current liabilities		202,455	742,499	1,444,255	2,257,577

STATEMENTS OF FINANCIAL POSITION

	Note	As at December 31, 2009	As at December 31, 2010	As at December 31, 2011	As at September 30, 2012
		US$'000	US$'000	US$'000	US$'000
ASSETS					
Current assets					
Cash and cash equivalent		—	—	—	2,051
Amount due from a subsidiary		1,665	1,665	16,384	13,387
Prepayments and other receivables		—	—	—	641
		1,665	1,665	16,384	16,079
Non-current assets					
Investment in subsidiaries	6	218,500	548,500	628,499	628,499
Total assets		220,165	550,165	644,883	644,578
EQUITY					
Equity attributable to the Company's equity holders					
Share capital	15	47	47	47	400,047
Capital reserve	16	36,254	91,701	416,521	16,521
Accumulated deficit		(3,371)	(11,412)	(17,004)	(26,611)
Total equity		32,930	80,336	399,564	389,957
LIABILITIES					
Non-current liabilities					
Borrowings	17	156,634	439,228	143,399	146,698
		156,634	439,228	143,399	146,698
Current liabilities					
Borrowings	17	28,500	28,500	100,000	102,300
Accruals and other payables	21	—	—	—	3,247
Amount due to immediate holding company	18	2,101	2,101	1,920	2,376
		30,601	30,601	101,920	107,923
Total liabilities		187,235	469,829	245,319	254,621
Total equity and liabilities		220,165	550,165	644,883	644,578
Net current liabilities		(28,936)	(28,936)	(85,536)	(91,844)
Total assets less current liabilities		189,564	519,564	542,963	536,655

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Year ended December 31,			Nine months ended September 30,	
		2009	2010	2011	2011	2012
		US$'000	US$'000	US$'000	US$'000 (unaudited)	US$'000
Revenue	22	—	—	—	—	—
Other (loss)/gain, net	23	(85)	317	205	130	671
Operating costs						
General and administrative expenses	24	(9,053)	(11,612)	(19,705)	(10,396)	(17,910)
Operating loss		(9,138)	(11,295)	(19,500)	(10,266)	(17,239)
Finance income	27	2,896	1,507	451	373	2,169
Finance costs	27	(1,723)	(1,088)	(2,744)	(1,545)	(1,887)
Finance income/(costs), net		1,173	419	(2,293)	(1,172)	282
Loss before income tax		(7,965)	(10,876)	(21,793)	(11,438)	(16,957)
Income tax benefit	28	3,266	3,411	5,281	2,973	3,731
Loss for the year/period		(4,699)	(7,465)	(16,512)	(8,465)	(13,226)
Other comprehensive income for the year/period, net of tax		—	—	—	—	—
Total comprehensive loss for the year/period		(4,699)	(7,465)	(16,512)	(8,465)	(13,226)
Loss per share for loss attributable to the equity holders of the Company (expressed in US$ per share)						
Basic and diluted	29	—	(0.001)	(0.002)	(0.001)	(0.001)
Dividends	30	—	—	—	—	—

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Capital reserve	Accumulated deficit	Total
	US$'000	US$'000	US$'000	US$'000
Balance at January 1, 2009	47	7,184	(9,621)	(2,390)
Comprehensive loss for the year				
Loss for the year	—	—	(4,699)	(4,699)
Transactions with owners				
Deemed capital contribution (Note 17(a))	—	29,070	—	29,070
Balance at December 31, 2009	47	36,254	(14,320)	21,981
Comprehensive loss for the year				
Loss for the year	—	—	(7,465)	(7,465)
Transactions with owners				
Deemed capital contribution (Note 17(a))	—	55,447	—	55,447
Balance at December 31, 2010	47	91,701	(21,785)	69,963
Comprehensive loss for the year				
Loss for the year	—	—	(16,512)	(16,512)
Transactions with owners				
Capitalization of borrowings from immediate holding company (Note 16)	—	400,000	—	400,000
Re-measurement of borrowings from immediate holding company upon modification (Note 17(a))	—	(75,180)	—	(75,180)
Balance at December 31, 2011	47	416,521	(38,297)	378,271
Nine months ended September 30, 2011 (unaudited)				
Balance at January 1, 2011	47	91,701	(21,785)	69,963
Comprehensive loss for the period				
Loss for the period	—	—	(8,465)	(8,465)
Transactions with owners				
Re-measurement of borrowings from immediate holding company upon modification (Note 17(a))	—	(75,180)	—	(75,180)
Balance at September 30, 2011 (unaudited)	47	16,521	(30,250)	(13,682)
Nine months ended September 30, 2012				
Balance at January 1, 2012	47	416,521	(38,297)	378,271
Comprehensive loss for the period				
Loss for the period	—	—	(13,226)	(13,226)
Transactions with owners				
Reclassification of capitalization of borrowings from immediate holding company (Note 16)	400,000	(400,000)	—	—
Balance at September 30, 2012	400,047	16,521	(51,523)	365,045

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Year ended December 31,			Nine months ended September 30,	
		2009	2010	2011	2011	2012
		US$'000	US$'000	US$'000	US$'000 (unaudited)	US$'000
Cash flows from operating activities						
Cash used in operating activities	31	(10,450)	(7,020)	(22,823)	(20,749)	(38,601)
Net cash used in operating activities		(10,450)	(7,020)	(22,823)	(20,749)	(38,601)
Cash flows from investing activities						
Purchases of property, plant and equipment		(142,396)	(372,944)	(712,013)	(411,909)	(771,512)
Interest paid		—	(2,175)	(20,227)	(11,440)	(29,547)
Purchases of intangible assets	7	(689)	(1,066)	(551)	(198)	(338)
Investment in a jointly controlled entity	10	—	(560)	(1,419)	(1,202)	(1,534)
VAT refunds received		—	—	41,296	41,033	131,061
Interest received	27	1,596	116	451	373	586
Increase in restricted cash	13	(15)	(1,897)	(3,056)	(1,226)	(16,530)
Net cash used in investing activities		(141,504)	(378,526)	(695,519)	(384,569)	(687,814)
Cash flows from financing activities						
Proceeds from bank loans	17	—	200,000	660,000	460,000	820,000
Proceeds from amounts due to immediate holding company	17	160,000	330,000	—	—	—
Listing expense paid for the issuance of shares		—	—	—	—	(118)
Net cash generated from financing activities		160,000	530,000	660,000	460,000	819,882
Net increase/(decrease) in cash and cash equivalents		8,046	144,454	(58,342)	54,682	93,467
Cash and cash equivalents at beginning of the year/period		3,392	11,438	155,892	155,892	97,550
Cash and cash equivalents at end of the year/period		11,438	155,892	97,550	210,574	191,017

II. NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

1. General information

Peru Copper Syndicate, Ltd. was incorporated in the Cayman Islands on April 24, 2003 as an exempted company with limited liability under the Companies Law of the Cayman Islands. In September 2011, the board of directors of Peru Copper Syndicate, Ltd. passed a resolution to change its name to Chinalco Mining Corporation International (the "Company"). The Company's registered office is PO Box 309 Ugland House, Grand Cayman, KY 1-1104, Cayman Islands.

The Company and its subsidiaries (together, the "Group") are principally engaged in exploration, development and production of ore resources and other mining related activities.

In May 2003, the Company was awarded by the Peruvian government a right to develop and extract ore resource in the district of Morococha, Yauli Province, the Republic of Peru ("Peru") through a public bidding (the "Toromocho Mining Project"). In June 2003, the Company signed an assignment agreement and by which the Company was entitled to exercise a purchase option of the mining concessions during a period which could be extended to June 2008. In May 2008, the Company exercised its right and signed with Activos Mineros (an entity incorporated by the Peruvian government), in the name of Peruvian Government, the Mining Concessions Transference Agreement of the Toromocho Mining Project (the "Assignment Agreement"). Under the Assignment Agreement, Activos Mineros transferred to the Company the title of certain mining concessions, their surface property, buildings and water usage right pertaining to the Toromocho Mining Project.

From August 2012 to January 2013, the Company entered into four binding off-take agreements with four cornerstone investors, pursuant to which the Company agree to sell an aggregate of 60% of the annual production of copper concentrates from Toromocho Mining Project for a period of five years starting from the first official production of the Toromocho Mining Project at a price determined by reference to certain benchmark market rates adjusted based on the grade of the copper concentrates, two of which will automatically continue for another five years (the "Off-take Agreements"). Furthermore, if the Company has not completed its initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited at the time of the first shipment, the total quantities to be sold would be reduced from 25% to 15% under one of these Off-take Agreements, and under the remaining three Off-take Agreements, the parties each have the option to renegotiate any of the terms of the relevant agreements and if the agreement cannot be reached, the respective Off-take Agreements will terminate.

As at the date of this report, the Group's operations are substantially limited to construction and start-up activities of the Toromocho Mining Project. The Toromocho Mining Project is in its development stage and has not commenced commercial production.

As at the date of this report, the Company had direct and indirect interests in the following subsidiaries, all of which are limited liability entities incorporated in Peru which are principally engaged in mining related activities:

Name	Date of incorporation/ establishment	Registered and fully paid capital	Effective interest held*
		US$'000	%
Minera Chinalco Perú S.A. ("MCP")	May 20, 2003	383,500	100
Minera Centenario S.A.C. ("Centenario") (Note (a))	April 3, 2006	3	100
Cal del Centro S.A.C. ("Centro")	March 16, 2011	—	100
Sociedad Minera Pesares S.A. ("Pesares") (Note (b))	June 6, 1905	—	83.28
Pomacocha Power S.A.C. ("Pomacocha") (Note (c))	January 17, 2011	—	10

* During the Relevant Periods, except for Pesares as set out in Note (b), there is no change in effective interest held in any of the Company's subsidiaries.

Notes:

(a) The Company had pledged its shares in Centenario as security for remaining consideration to the original owners of Centenario pursuant to the purchase agreement between the Company and the original owners signed in 2006. In March 2012, the consideration payable was fully settled and the pledge was released accordingly.

(b) In 2011, the Group acquired an additional 6.25% interest in Pesares from the non-controlling interest of Pesares at US$80,000. Thereafter, the Group's interest in Pesares increased to 83.28%. The consideration paid was approximate to the fair value of the interest acquired on the date of the acquisition.

(c) Pomacocha was established by MCP and Abengoa Perú S.A.C., a third party Peruvian construction company, solely for the purpose of the construction of power transmission lines that connect the areas of the Toromocho Mining Project to the power grid which is financed entirely and to be used solely by the Group. The substance of the relationship between MCP and Pomacocha demonstrated that the Group controls substantially all economic benefits and exposes to the risks of Pomacocha. Accordingly, Pomacocha is considered a subsidiary of the Group.

The statutory auditor of MCP and Centro is Dongo-Soria Gaveglio y Asociados Sociedad Civil de Responsabilidad Limitada, certified public accountants registered in Peru ("PricewaterhouseCoopers Peru"). Other subsidiaries are not currently required to issue audited financial statements under the statutory requirements for their respective place of incorporation as they do not meet the assets or revenue requirements.

The Company is a wholly-owned subsidiary of Aluminum Corporation of China Overseas Holdings Limited ("Chinalco Overseas"), a company incorporated in Hong Kong with limited liability. As at the date of this report, the directors of the Company regard Aluminum Corporation of China ("Chinalco"), a state-owned enterprise incorporated in the People's Republic of China (the "PRC") and approved by the State-owned Assets Supervision and Administration Commission ("SASAC") of the State Council (the "State Council") of the PRC, as its ultimate holding company.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied to all the Relevant Periods presented, unless otherwise stated.

2.1 Basis of preparation

The Financial Information has been prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board (the "IASB"). The Financial Information has been prepared under the historical cost convention.

The preparation of this Financial Information in conforming with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The area involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in Note 4.

(a) Going Concern

As of September 30, 2012, the Group has net current liabilities of approximately US$120 million and accumulated deficit of US$52 million. The board of directors of the Company has considered the Group's available sources of funds as follows:

- The Group has unutilized banking facilities from Export and Import Bank of China ("Eximbank") and China Development Bank ("CDB"), both are banks registered in the PRC and controlled by the PRC government, totalling US$403 million (Note 17(b)) as at September 30, 2012. These facilities will not be subjected to any renewal during the next 12 months from the date this Financial Information was approved.

- In September and December 2012, CDB and Eximbank each issued a memorandum indicating their present commitment to lend additional US$274 million and US$419 million, respectively, to the Group for the development of the Toromocho Mining Project (Note 17 (b)). Except for the agreement for loan amounting to US$35 million from CDB has been signed on December 25, 2012, formal loan agreements for the remaining amounts had not been entered into as at the date of this report.

- The Group's immediate holding company, Chinalco Overseas has agreed not to demand repayment of amount due from the Group amounting to US$249 million at September 30, 2012 until the Group is financially capable to do so. Chinalco also indicated that it will provide continuing financial support to finance the future operations of the Group for a period of not less than 12 months from the date this Financial Information was approved, and will continue to provide guarantee to the Group's borrowings from CDB and Eximbank until the Group is able to replace or refinance the existing loan facilities in a commercially justifiable manner.

Based on the above, the directors of the Company have a reasonable expectation that the Group will have adequate resources to continue in operations for the foreseeable future for a period that is not less than 12 months from the date this Financial Information was approved. The Group therefore continues to adopt the going concern basis in preparing this Financial Information.

(b) New accounting standards and amendment to standards

The following new standards and amendments to standards that are applicable to the Group's operations have been issued but are not effective for the financial year beginning January 1, 2012 and have not been early adopted:

- IFRS 9, 'Financial instruments' addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until January 1, 2015 but is available for early adoption. When adopted, the standard will affect in particular the Group's accounting for its available-for-sale financial assets, as IFRS 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognized directly in profit or loss.

  There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss, and the Group does not have any such liabilities. The derecognition rules have been transferred from IAS 39 'Financial instruments: Recognition and measurement' and have not been changed. The Group will adopt IFRS 9 in 2015.

- IFRS 10, 'Consolidated financial statements'. This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. The standard provides additional guidance to assist in determining control where this is difficult to assess. This standard is applicable to annual periods beginning on or after January 1, 2013.

- IFRS 11, 'Joint arrangements'. This standard provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. This standard is applicable to annual periods beginning on or after January 1, 2013.

- IFRS 13, 'Fair value measurement'. This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and accounting principles generally accepted in the United States of America ("US GAAP"), do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. This standard is applicable to annual periods beginning on or after January 1, 2013.

- IAS 27 (Revised 2011), 'Separate financial statements'. This standard includes the provisions on separate financial statements that are left after the control provisions of

IAS 27 have been included in the new IFRS 10. This standard is applicable to annual periods beginning on or after January 1, 2013.

- IAS 16 (Amendment), 'Property, plant and equipment'. The amendment clarifies that spare parts and servicing equipment are classified as property, plant and equipment rather than inventory when they meet the definition of property, plant and equipment. The previous standards of IAS 16 indicated that servicing equipment should be classified as inventory, even if it was used for more than one period. Following the amendment, this equipment used for more than one period is classified as property, plant and equipment. This standard is applicable to annual periods beginning on or after January 1, 2013.

The Group is currently evaluating the impact of the above new standards and amendments on the Financial Information and is not expecting any impact to the Group's financial position and results.

2.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control.

De-facto control may arise from circumstances where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date, any gains or losses arising from such re-measurement are recognized in profit or loss.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions — that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

(b) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(c) Jointly controlled entities

Investments in jointly controlled entities are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in a jointly controlled entity includes goodwill identified on acquisition.

If the ownership interest in a jointly controlled entity is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognized in the income statement, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in a jointly controlled entity equals or exceeds its interest in the jointly controlled entity, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the jointly controlled entity.

The Group determines at each reporting date whether there is any objective evidence that the investment in the jointly controlled entity is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the jointly controlled entity and its carrying value and recognizes the amount adjacent to 'share of profit/(loss) of a jointly controlled entity' in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its jointly controlled entity are recognized in the Group's financial statements only to the extent of unrelated investor's interests in the jointly controlled entity. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in a jointly controlled entity are recognized in the income statement.

2.3 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors and certain senior management (including the chief financial officer) together referred to as the "Senior Management" that makes strategic decisions.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Company and its subsidiaries' functional and presentation currency is United States dollar ("US$").

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statements of comprehensive income, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statements of comprehensive income within 'finance income/ (cost)'. All other foreign exchange gains and losses are presented in the consolidated statements of comprehensive income within 'other (loss)/gain, net'.

Translation differences on non-monetary financial assets, such as equities classified as available-for-sale financial assets, are included in other comprehensive income.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statements of financial position presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each statements of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting exchange differences are recognized in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognized in the consolidated statements of comprehensive income as part of the gain or loss on sale.

2.5 Property, plant and equipment

Property, plant and equipment, including mine and plant development assets, are stated at cost less accumulated depreciation and accumulated impairment losses. Costs of interest on financings obtained for the construction or production of a qualified asset are capitalized.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the consolidated statements of comprehensive income during the financial period in which they are incurred.

Mine and plant development assets and land related to mine site will be, upon commencement of production, depreciated using the unit-of-production ("UOP") method based on the estimated economically recoverable reserves to which they relate or will be written-off if the property is abandoned. Land not related to mine site is not subject to depreciation. Depreciation for all other property, plant and equipment is calculated using the straight-line method to allocate their cost less their residual value over their estimated useful life, as follows:

Buildings and constructions	up to 50 years
Machinery and equipment	up to 35 years
Motor vehicles	up to 5 years
Furniture, fixtures and others	4 -10 years

Construction in progress is not depreciated until it is ready for its intended use.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within 'other (loss)/gain, net' in the consolidated statements of comprehensive income.

2.6 Exploration and evaluation expenditure

Exploration and evaluation expenditure comprises costs which are directly attributable to: researching and analyzing existing exploration data; conducting geological studies, exploratory drilling and sampling; examining and testing extraction and treatment methods; and compiling pre-feasibility and feasibility studies. Exploration and evaluation expenditure also includes the costs incurred in acquiring mining rights, the entry premiums paid to gain access to areas of interest and amounts payable to third parties to acquire interests in existing projects.

During the initial stage of a project, exploration and evaluation costs are capitalized as incurred. Expenditure on a project after it has reached a stage at which there is a high degree of confidence in its viability is transferred to mine and plant development assets if the project proceeds. If a project does not prove viable, all irrecoverable costs associated with the project are expensed in the consolidated statements of comprehensive income. Exploration and evaluation assets are assessed for impairment, and any impairment loss recognized, before classification.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. When facts and circumstances suggest that the carrying amount exceeds the recoverable amount, the asset's carrying amount is written down immediately to its recoverable amount (Note 2.8).

One or more of the following facts and circumstances indicate that an entity should test exploration and evaluation assets for impairment.

- the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed.
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned.
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area.
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

2.7 Intangible assets — computer software

Acquired computer software are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives and recorded in 'amortization and depreciation' within general and administrative expenses in the consolidated statements of comprehensive income.

2.8 Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill or intangible assets not ready to use, are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9 Financial assets

(a) Classification

The Group classified its financial assets in the following categories: loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting periods. These are classified as non-current assets. The Group's loans and receivables comprise 'restricted cash', 'VAT recoverable', 'other receivables' and 'cash and cash equivalents' in the consolidated statements of financial position. Loans and receivables are initially recognized at fair value plus transaction costs and subsequently measured at amortized cost using the effective interest method less provision for impairment.

(b) Recognition and measurement

Regular way purchases and sales of financial assets are recognized on the trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

2.10 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

2.11 Impairment of financial assets — assets carried at amortized cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the consolidated income statement. If a loan or held- to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the consolidated statement of comprehensive income.

2.12 Inventories

Inventories primarily consist of materials, supplies and spare parts. Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted average method. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.13 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

2.14 Cash and cash equivalents

In the consolidated statements of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

2.15 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.16 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.17 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the statements of comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlements of the liabilities for at least 12 months after the end of the reporting period.

2.18 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

2.19 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the consolidated statements of income, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial information. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.20 Employee benefits

Group companies operate various defined contribution schemes. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis depending on the requirements in different jurisdictions. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

In accordance with Peruvian labor law, mining companies need to pay its employee profit sharing based on 8% of its taxable income. The employee profit sharing should be paid by the company to its employee directly annually. Therefore, once commercial production starts, the Company will recognize a liability and an expense for employee's profit sharing. The employee's profit sharing is a deductible item for income tax purpose.

2.21 Provisions

Provisions for environmental restoration and legal claims are recognized when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2.22 Interest income

Interest income is recognized using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognized using the original effective interest rate.

2.23 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statements of income on a straight-line basis over the period of the lease.

2.24 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

2.25 Earnings/losses per share

Basic earnings/losses per share is determined by dividing the profit or loss attributable to equity holders of the Company by the weighted average number of participating shares outstanding during the reporting year.

Diluted earnings/losses per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares and adjusting the profit or loss attributable to equity holders of the Company accordingly for related amounts. The effect of potentially dilutive ordinary shares are included only if they are dilutive.

3. Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk.

(a) Market risk

(i) Foreign exchange risk

The Group mainly operates in Peru with most of the transactions denominated and settled in US$ which are mainly related to the acquisition of services and loans received from related parties. Accordingly, it is exposed to foreign exchange risk that may arise from fluctuations in the exchange rate of the New Peruvian Soles ("New PEN"). Management estimates that the impact of any changes in the New PEN exchange rate will not have a significant impact on its financial position and results. Although, as shown below, the Group maintains a net assets position expressed in New PEN that, in its depreciation trend, may have a negative impact upon liquidation of these monetary assets and liabilities, public estimates available do not anticipate a severe devaluation of the local currency in the short term that may cause a major impact in the results of the Group.

During the Relevant Periods, the Group has not used any financial instrument to hedge the foreign exchange risk.

For the years ended December 31, 2009 and 2010 and the nine months ended September 30, 2012, if the US$ had strengthened/weakened by 5% against the New PEN with all other variables held constant, loss for the years and the period would have been US$65,000, US$70,000 and US$79,000 higher/lower respectively. For the year ended December 31, 2011, if the US$ had strengthened/ weakened by 5% against the New PEN with all other variables held constant, loss for the year would have been US$47,000 lower/higher.

(ii) Cash flow and fair value interest rate risk

Other than cash held in bank deposits included in cash and cash equivalents, the Group has no significant interest-bearing assets. The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest rate risk arises from borrowings. A detailed analysis of the Group's borrowings, together with their respective effective interest rates and maturity dates, are included in Note 17.

For the years ended December 31, 2009, 2010 and 2011 and the nine months ended September 30, 2012, if interest rate had increased/decreased by 10 basis-point with all other variables held constant, interest expenditure would have been higher/lower by US$80,400, US$304,000 and US$658,000 and US$1,016,000, respectively.

(b) Credit risk

Credit risk is managed on Group basis. The carrying amounts of bank deposits (including restricted cash), other receivables included in the consolidated statements of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets.

As at December 31, 2009, 2010 and 2011 and September 30, 2012, cash and cash equivalents and restricted cash were deposited in the major financial institutions in Peru and the PRC, which the directors of the Company believe are of good credit quality. For banks and financial institutions, the Group places substantially all of its cash and cash equivalent only with major international and local banks which are public listed locally and/or internationally.

(c) Liquidity risk

The Group's liquidity risk management involves maintaining sufficient cash and cash equivalents and availability of funding through an adequate amount of committed credit facilities.

The table below analyses the financial liabilities classified into relevant maturity groupings based on the remaining period at the end of reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Group

As at December 31, 2009	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	US$'000	US$'000	US$'000	US$'000
Accounts payable	23,988	—	—	—
Accruals and other payables	6,057	—	—	—
Amount due to immediate holding company	2,101	—	—	—
Short-term borrowings	123,399	—	—	—
Long-term borrowings	—	—	15,000	175,000
	155,545	—	15,000	175,000

As at December 31, 2010	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	US$'000	US$'000	US$'000	US$'000
Accounts payable	55,177	—	—	—
Accruals and other payables	6,708	—	—	—
Amount due to immediate holding company	2,101	—	—	—
Short-term borrowings	123,399	—	—	—
Long-term borrowings	5,273	5,273	223,835	511,375
	192,658	5,273	223,835	511,375

As at December 31, 2011	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	US$'000	US$'000	US$'000	US$'000
Accounts payable	128,152	—	—	—
Accruals and other payables	4,956	—	—	—
Amount due to immediate holding company	1,920	—	—	—
Short-term borrowings	100,000	—	—	—
Long-term borrowings	22,346	22,346	292,990	818,918
	257,374	22,346	292,990	818,918

As at September 30, 2012	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	US$'000	US$'000	US$'000	US$'000
Accounts payable	233,351	—	—	—
Accruals and other payables	8,966	—	—	—
Amount due to immediate holding company	2,376	—	—	—
Short-term borrowings	102,300	—	—	—
Long-term borrowings	42,969	42,969	400,355	1,445,946
	389,962	42,969	400,355	1,445,946

Company

As at December 31, 2009	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	US$'000	US$'000	US$'000	US$'000
Amount due to immediate holding company	2,101	—	—	—
Short-term borrowings	28,500	—	—	—
Long-term borrowings	—	—	15,000	175,000
	30,601	—	15,000	175,000

As at December 31, 2010	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	US$'000	US$'000	US$'000	US$'000
Amount due to immediate holding company	2,101	—	—	—
Short-term borrowings	28,500	—	—	—
Long-term borrowings	—	—	74,500	445,500
	30,601	—	74,500	445,500

As at December 31, 2011	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	US$'000	US$'000	US$'000	US$'000
Amount due to immediate holding company	1,920	—	—	—
Short-term borrowings	100,000	—	—	—
Long-term borrowings	—	—	—	143,399
	101,920	—	—	143,399

As at September 30, 2012	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	US$'000	US$'000	US$'000	US$'000
Amount due to immediate holding company	2,376	—	—	—
Short-term borrowings	102,300	—	—	—
Long-term borrowings	—	—	—	146,698
	104,676	—	—	146,698

3.2 Capital risk management

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders upon the initiation of its operations.

During the Relevant Periods, as the Group is still at development stage, its funding is primarily from the Company's sole shareholder in the forms of capital contribution and shareholder's loans (Note 17(a)), as well as bank loans from Eximbank (Note 17(b)).

The Group monitors capital on the basis of the debt ratio. This ratio is calculated as total debts divided by total assets. The debt ratios of December 31, 2009, 2010 and 2011 and September 30, 2012 are as follows:

	As at December 31,			As at September 30,
	2009	2010	2011	2012
	US$'000	US$'000	US$'000	US$'000
Total borrowings (Note 17)	280,033	762,627	1,103,399	1,928,998
Total debt	280,033	762,627	1,103,399	1,928,998
Total assets	359,709	931,857	1,690,628	2,619,177
Debt ratio	77.8%	81.8%	65.3%	73.6%

The decrease in the debt ratio during the year ended December 31, 2011 and the nine months ended September 30, 2012 resulted primarily the capitalization of certain borrowings from the Company's immediate holding company (Note 17(a)(ii)).

3.3 Fair value estimation

The Company discloses fair value measurements of financial instruments by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs) (Level 3).

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

During the Relevant Periods, the Group has no financial instruments measured at fair value.

4. Critical accounting estimates and judgements

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing adjustment to the carrying amount of reported assets and liabilities are as follows:

(a) Recovery of the cost of mining exploration assets of the Toromocho Mining Project and ore reserves estimates

The Group capitalizes qualified expenditures, comprising exploration, and acquisition of goods, technical assessments and applicable taxes, directly attributable to the Toromocho Mining Project.

In accordance to the Group's relevant accounting policy as set out in Note 2, the Group evaluates, on a periodic basis, the ore reserves estimates of the Toromocho Mining Project, which is the amount of unexploited copper in the mining concessions to which it is entitled and which may be produced and sold to generate revenues. Such evaluations are based on engineering tests performed on samples of drilling well and other mine pits combined with certain assumptions regarding copper market prices and production costs.

Based on the technical report dated November 2012 by Behre Dolbear Asia, Inc, an independent mineral industry advisory firm, the estimated unexploited Proved and Probable ore reserve in the mining concessions to which the Group entitled approximately 1,540Mt. Based on the Group's projections of the future economic benefits expected from the ore reserves of the Toromocho Mining Project, the Group concluded that no impairment was required as at September 30, 2012.

Because the economic assumptions used to estimate the value of reserves may change from period to period, and because additional geological data is generated during the course of operations, estimates of reserves may change from period to period. Changes in reported reserves may affect the Group's Financial Information in a number of ways, including the following:

- Asset carrying values may be affected due to changes in estimated future cash flows.
- Depreciation, depletion and amortization charged in the income statements may change where such charges are determined by the units of production basis, or where the useful economic lives of assets change.
- Decommissioning, site restoration and environmental provisions may change where changes in estimated reserves affect expectations about the timing or cost of these activities.
- The carrying value of deferred tax assets may change due to changes in estimates of the likely recovery of the tax benefits.

(b) Provision for remediation and restoration

Provision for remediation and restoration included environmental remediation costs, assets retirements obligation and similar obligation in relation to the Group's operations. Provision is made when the related environmental disturbance and present obligations occur, based on the net present value of estimated future costs. The ultimate cost of environmental disturbances, asset retirement and similar obligation are uncertain and management uses its judgment and experience to provide for these costs over the life of operations. Cost estimates can vary in response to many factors including changes to the relevant legal requirements, the Group's related policies, the emergence of new restoration techniques and the effects of inflation. Cost estimates are updated throughout the life of the operation.

The expected timing of expenditure included in cost estimates can also change, for example in response to changes in ore reserves, or production rates, operating license or economic conditions. Expenditure may occur before and after closure and can continue for an extended period of time depending on the specific site requirements. Some expenditure can continue into perpetuity. Cash flows must be discounted if this has a material effect. The selection of appropriate sources on which to base calculation of the risk free discount rate used for this purpose also requires judgment. As a result of all of the above factors there could be significant adjustments to the provision for close down, restoration and clean up costs which would affect future financial results.

The Group currently operates mainly in Peru. The outcome of environmental and other similar obligations under proposed or future environmental legislation in Peru cannot reasonably be estimated at present, and could be material. Under existing legislation, however, the directors of the Company are in their opinion that there are no probable liabilities, that are in addition to amounts which have already been reflected in the financial statements, that will have a materially adverse effect on the financial position of the Group.

The Group engaged an independent valuer, namely Walsh Peru S.A. to perform a mine closure plan including the estimated future expenditure in relation to remediation and restoration costs as well as other similar obligations on the Toromocho Mining Project and a report was issued in August 2012 and was approved by the Ministry of Energy and Mines of Peru ("MEM") on December 27, 2012 (the "Mine Closure Plan"). Taking into consideration of report issued by Walsh Peru S.A. and approval of the Mine Closure Plan from the MEM, the Group has assessed and provided for remediation and restoration and similar obligations amounted to US$23,840,000, US$28,962,000 and US$58,111,000 and US$61,466,000 as at December 31, 2009, 2010 and 2011 and September 30, 2012, respectively. Refer to Note 19 for details.

(c) Income taxes and VAT recoverable

The estimates of deferred income tax assets require estimates of future taxable profit and the corresponding applicable income tax rates of future years. Changes in future income tax rates and timing will affect income tax expense or benefit, as well as deferred income tax balance. The realization of deferred income tax assets also depends on the realization of sufficient profitability (taxable profit) of the Group. Deviation of future profitability from the estimate could result in material adjustments to the carrying amount of deferred income tax assets.

Determination of tax obligations and expenses requires interpretations of the applicable tax laws and regulations. The Group seeks professional legal tax counsel before making any decision on tax matters. Management considers that their estimates are prudent and appropriate; however, differences of interpretation may arise from the interpretation made by Peruvian Tax Authorities that may affect future charges for taxes. Similarly, the recoverability of VAT recoverable is determined by management based on past experience, taking into account existing relevant Peruvian tax rules.

(d) Going concern

As set out in Note 2.1(a), the ability of the Group to continue operations is dependent upon obtaining the necessary financing borrowings and/or financial support from its holding companies in order to obtain sufficient cash flow to meet its liabilities as they fall due. In the event the Group is unable to obtain adequate funding, there is uncertainty as to whether the Group will be able to continue as a going concern. These financial statements do not include any adjustments related to the carrying values and classifications of assets and liabilities that would be necessary should the Group and the Company be unable to continue as a going concern.

5. Property, plant and equipment — Group

	Exploration and evaluation assets	Mine and plant development assets (Note (a))	Land and buildings	Machinery and equipment	Motor vehicles	Furniture, fixtures and others	Construction in progress	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Year ended December 31, 2009								
Opening net book amount	181,534	—	1,133	755	363	834	15,256	199,875
Additions	27,995	—	7	218	155	235	113,893	142,503
Reversal	(34,591)	—	—	—	—	—	—	(34,591)
Depreciation	—	—	—	(370)	(125)	(140)	—	(635)
Transfer (out)/in (Note (b))	(174,938)	150,623	(564)	547	—	17	24,315	—
Disposals	—	—	—	(3)	—	—	—	(3)
Closing net book amount	—	150,623	576	1,147	393	946	153,464	307,149
At December 31, 2009								
Cost	—	150,623	576	1,604	782	1,206	153,464	308,255
Accumulated depreciation	—	—	—	(457)	(389)	(260)	—	(1,106)
Net book amount	—	150,623	576	1,147	393	946	153,464	307,149
Year ended December 31, 2010								
Opening net book amount	—	150,623	576	1,147	393	946	153,464	307,149
Additions	—	82,614	—	—	—	—	295,187	377,801
Depreciation	—	—	(27)	(191)	(265)	(484)	—	(967)
Transfer in/(out)	—	—	594	52	1,663	848	(3,157)	—
Disposals	—	—	—	—	(16)	—	—	(16)
Closing net book amount	—	233,237	1,143	1,008	1,775	1,310	445,494	683,967
At December 31, 2010								
Cost	—	233,237	1,300	1,400	2,407	2,193	445,494	686,031
Accumulated depreciation	—	—	(157)	(392)	(632)	(883)	—	(2,064)
Net book amount	—	233,237	1,143	1,008	1,775	1,310	445,494	683,967
Year ended December 31, 2011								
Opening net book amount	—	233,237	1,143	1,008	1,775	1,310	445,494	683,967
Additions	—	216,532	—	—	—	—	505,068	721,600
Depreciation	—	—	(332)	(3,090)	(705)	(592)	—	(4,719)
Transfer in/(out)	—	—	27,838	40,549	2,384	1,195	(71,966)	—
Disposals	—	—	—	—	(14)	—	—	(14)
Closing net book amount	—	449,769	28,649	38,467	3,440	1,913	878,596	1,400,834
At December 31, 2011								
Cost	—	449,769	29,138	41,949	4,754	3,388	878,596	1,407,594
Accumulated depreciation	—	—	(489)	(3,482)	(1,314)	(1,475)	—	(6,760)
Net book amount	—	449,769	28,649	38,467	3,440	1,913	878,596	1,400,834
Nine months ended September 30, 2012								
Opening net book amount	—	449,769	28,649	38,467	3,440	1,913	878,596	1,400,834
Additions	—	133,371	—	—	—	—	663,065	796,436
Depreciation	—	—	(706)	(4,150)	(808)	(536)	—	(6,200)
Transfer (out)/in	—	—	3,478	5,230	1,424	44	(10,176)	—
Disposals	—	—	—	(8)	—	(3)	—	(11)
Closing net book amount	—	583,140	31,421	39,539	4,056	1,418	1,531,485	2,191,059
At September 30, 2012								
Cost	—	583,140	32,616	47,171	6,178	3,429	1,531,485	2,204,019
Accumulated depreciation	—	—	(1,195)	(7,632)	(2,122)	(2,011)	—	(12,960)
Net book amount	—	583,140	31,421	39,539	4,056	1,418	1,531,485	2,191,059

Notes:

(a) The Group owns 50% equity interest in Sociedad Minera de Responsabilidad Limitada Juanita de Huancayo ("Juanita"), a limited liability company incorporated under the laws of Peru and was established for the purpose of the holding of one of the mining concession rights of the Toromocho Mining Project (the "Metallic Mining Concession Right"). Except for the holding of the Metallic Mining Concession Right, Juanita has no other significant business activities during the Relevant Periods. The directors of the Company are in their opinion that since the sole purpose of Juanita is to hold the Metallic Mining Concession Right of the Toromocho Mining Project, the Group's 50% share of the concession right amounting to US$3,500,000 is accounted for as a 'mine and plant development assets'. There are no significant contingent liabilities relating to the Group's interest in Juanita, and of Juanita itself.

(b) In December 2007, the feasibility assessment conducted by an independent advisory firm was completed, confirming the technical and economical feasibility of the Toromocho Mining Project and confirmed that its development and exploitation may be executed without causing any significant damages to the environment. The directors of the Company are in their opinion that by submitting Environmental Impact Assessment report to the Peruvian government in December 2009, the Toromocho Mining Project had reached the stage that there is a high degree of confidence in its viability. Therefore, all related exploration and evaluation assets amounted to US$150,623,000 were reclassified to "Mine and plant development assets" and development costs pertaining to the Kingsmill Tunnel water treatment plant amounting to US$24,315,000 were reclassified to "construction in progress" in December 2009.

Included in the movement of property, plant and equipment and mine and plant development cost of the Group for the years ended December 31, 2009, 2010 and 2011 and the nine months ended September 30, 2012 were estimated remediation and restoration obligations in relation to the property, plant and equipment and mine and plant development amounting to US$(34,591,000), US$4,120,000 and US$28,031,000 and US$1,801,000, respectively (Note 19).

As at December 31, 2009, 2010 and 2011 and September 30, 2012, the Group has capitalized financing costs included in the additions of property, plant and equipment of the Group amounting to US$2,689,000, US$10,215,000 and US$25,820,000 and US$35,146,000, respectively (Note 27).

As at December 31, 2010 and 2011 and September 30, 2012, certain bank borrowings amounting to US$200,000,000 and US$860,000,000 and US$1,680,000,000 (Note 17(b)) were guaranteed by Chinalco, respectively. According to the borrowing agreement, in case that the credibility or financial status of Chinalco deteriorates or has the potential to deteriorate, all the property, plant and equipment pertaining to the Toromocho Mining Project will be pledged as additional security for these borrowings.

In connection with the agreement to construct and operate the Kingsmill Tunnel water treatment plant (Note 5(b)), the Group is required to maintain certain deposits with a bank. At December 31, 2011 and September 30, 2012, US$540,000 and US$540,000 bank deposits are held as performance guarantee (Note 13).

During the Relevant Periods, depreciation expense is recognized as follows:

	Year ended December 31,			Nine months ended September 30,	
	2009	**2010**	**2011**	**2011**	**2012**
	US$'000	**US$'000**	**US$'000**	**US$'000 (unaudited)**	**US$'000**
General and administrative expenses	635	897	641	717	576
Capitalized in construction in progress	—	70	4,078	800	5,624
	635	967	4,719	1,517	6,200

6. Investment in subsidiaries — Company

	As at December 31,			As at September 30,
	2009	2010	2011	2012
	US$'000	US$'000	US$'000	US$'000
Investment, at cost, unlisted shares	28,500	383,500	628,499	628,499
Amount due from a subsidiary	190,000	165,000	—	—
	218,500	548,500	628,499	628,499

Amount due from a subsidiary is unsecured, interest-free, denominated in US$ and has no fixed repayment term. The directors of the Company are of the opinion that the amount due from the subsidiary would not be required to be settled and considered it as part of the equity funding to the subsidiary.

A list of the Company's subsidiaries is set out in Note 1.

7. Intangible assets — Group

Intangible assets represent computer software and began to amortize over their estimated useful life upon they were put into their intended use.

	As at December 31,			As at September 30,
	2009	2010	2011	2012
	US$'000	US$'000	US$'000	US$'000
Opening net book value	421	958	1,092	547
Addition	689	1,066	551	338
Amortization	(152)	(932)	(1,096)	(477)
Net book value	958	1,092	547	408
Cost	1,209	2,275	2,826	3,164
Accumulated amortization	(251)	(1,183)	(2,279)	(2,756)
Net book value	958	1,092	547	408

During the Relevant Periods, amortization is recognized as follows:

	Year ended December 31,			Nine months ended September 30,	
	2009	2010	2011	2011	2012
	US$'000	US$'000	US$'000	US$'000 (unaudited)	US$'000
General and administrative expenses	152	932	1,096	800	—
Capitalized in construction in progress	—	—	—	—	477
	152	932	1,096	800	477

8. Deferred income tax — Group

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same tax authority. All of the deferred income tax assets and liabilities are to be recovered or settled after more than 12 months.

The gross movements in the deferred tax account are as follows:

	As at December 31,			As at September 30,
	2009	2010	2011	2012
	US$'000	US$'000	US$'000	US$'000
At beginning of the year	3,675	7,240	10,651	16,292
Credited to the consolidated statements of comprehensive income (Note 28)	3,266	3,411	5,641	4,627
Effect of translation	299	—	—	—
At end of the year/period	7,240	10,651	16,292	20,919

Deferred income tax assets

	Expenses capitalized	Provision for remediation and restoration	Others	Total
	US$'000	US$'000	US$'000	US$'000
At January 1, 2009	3,157	207	311	3,675
Credited/(Debited) to the consolidated statements of comprehensive income	2,998	454	(186)	3,266
Effect of translation	—	—	299	299
At December 31, 2009	6,155	661	424	7,240
Credited/(Debited) to the consolidated statements of comprehensive income	3,498	301	(388)	3,411
At December 31, 2010	9,653	962	36	10,651
Credited to the consolidated statements of comprehensive income	4,836	335	470	5,641
At December 31, 2011	14,489	1,297	506	16,292
Credited/(Debited) to the consolidated statements of comprehensive income	4,190	467	(30)	4,627
At September 30, 2012	18,679	1,764	476	20,919

The Group has not recognized deferred income tax assets of US$218,000, US$86,000, Nil and Nil as at December 31, 2009, 2010 and 2011 and September 30, 2012, respectively, in respect of accumulated tax losses of US$728,000, US$287,000 and Nil and Nil as at those dates, respectively, that can be carried forward against future taxable income and will expire between 2012 and 2015.

9. VAT recoverable — Group

On September 14, 2010, by means of Supreme Decree No 060-2010-EM issued by the MEM, as countersigned by the Ministry of Economy and Finance, the Company is entitled to use the Special Regime of the Value Added Tax ("VAT") Anticipated Refunding (RERA IGV, the Spanish acronym), in adherence to Legislative Decree 973. Accordingly, qualified VAT paid on purchases can be used to set off tax payable to local sales, income taxes or any other taxes required by the Peruvian tax authorities or refunded in the form of negotiable credit notes or non-negotiable checks.

In order to qualify for the above entitlement under RERA IGV, the Group signed an investment agreement with respect to the Toromocho Project (the "Investment Agreement") on June 16, 2009 with MEM, which was modified under addendum dated July 27, 2010. Pursuant to the Investment Agreement, the Group agreed to invest into the Toromocho Mining Project amounting to US$2,053 million by the end of 2012 (Note 32(a)(iii)). On December 15, 2011, the MEM and MCP has signed an addendum of the Investment Agreement, which was approved by the MEM and Ministry of Finance of the Peruvian government on February 8, 2012, in order to extend the period of fulfilment of the committed investment until December 2013.

VAT recoverable represents the VAT credit entitled to the Group for VAT paid on the acquisition of goods and services related to its exploration and development activities, and is summarized as follows:

	As at December 31,			As at September 30,
	2009	2010	2011	2012
	US$'000	US$'000	US$'000	US$'000
VAT recoverable:				
— to be recovered after more than 12 months	32,545	43,907	80,302	136,845
— to be recovered within 12 months	—	30,682	72,680	11,145
	32,545	74,589	152,982	147,990

10. Investment in a jointly controlled entity — Group

In September 2010, the Group and five other independent investors jointly established Transportadora Callao S.A. ("Transportadora Callao"), a company incorporated under the laws of Peru. In accordance with the investment agreement, the Group contributed US$1,290,000 for 7% equity interest in Transportadora Callao. Transportadora Callao was established exclusively for the design, construction, financing, operation, conserve and export a specialized dock for mineral concentrates and the corresponding conveyer belt located in the northern wave break of the Callao Port in Peru according to the term and conditions established in the Concession Agreement signed with the Peruvian Government. As at September 30, 2012, Transportadora Callao is at development stage and has not commenced operation.

The statutory auditor of Transportadora Callao is Beltran, Gris y Asociados S. Civil de R.L., certified public accountants registered in Peru ("Deloitte Peru").

Movements of investment in a jointly controlled entity as follows:

	As at December 31,			As at September 30,
	2009	2010	2011	2012
	US$'000	US$'000	US$'000	US$'000
At January 1	—	—	1,290	1,979
Investment in a jointly controlled entity	—	1,290	—	—
Loans to a jointly controlled entity (Note)	—	—	689	1,534
At end of the year/period	—	1,290	1,979	3,513

Note: Loans to a jointly controlled entity are unsecured and interest-free. The directors of the Company are in their opinion that no repayment is expected and therefore, the loans are included in investment in a jointly controlled entity.

The Group's interest in its jointly controlled entity, together with its share of the respective assets, liabilities, revenues and profit/loss were as follows:

	Assets	Liabilities	Revenues	Profit/(Loss)	Interest held
	US$'000	US$'000	US$'000	US$'000	
As of and for the year ended December 31, 2010	22,553	4,122	—	11	7%
As of and for the year ended December 31, 2011	28,541	10,099	—	—	7%
As of and for the period ended September 30, 2012	74,457	56,065	—	(47)	7%

The Peruvian government requires Transportadora Callao to maintain a guarantee deposit of US$27,000,000 as performance guarantee. In this connection, the Group placed in a designated bank account cash amounting to US$1,890,000 and US$1,890,000 and US$1,890,000, which represents the Group's proportional share of the total guarantee deposit as of December 31, 2010 and 2011 and September 30, 2012, respectively (Note 13).

In June 2012, Transportadora Callao borrowed US$20,000,000 from its bank in Peru. In this connection, the Group is required to issue a letter of credit in favor of the bank as guarantee for the borrowing amounting to US$1,400,000, representing its proportional share of the guarantee. This letter of credit is secured by cash deposit amounted to US$1,400,000 of the Group.

There are no significant contingent liabilities in relation to the Group's interest in the jointly controlled entity, and no significant contingent liabilities of the joint controlled entity itself.

There are no significant commitments in relation to the Group's interest in the jointly controlled entity, and no significant commitments of the jointly controlled entity itself.

11. Inventories — Group

As at December 31, 2009, 2010 and 2011 and September 30, 2012, inventories of the Group represented mainly supplies and spare parts.

During the years ended December 31, 2009, 2010 and 2011 and for the nine months period ended September 30, 2012, the cost of inventories recognized as expense and included in 'General and administrative expenses' amounted to US$154,000, US$288,000 and US$600,000 and US$368,000, respectively (Note 24).

12. Prepayments and other receivables — Group

	As at December 31,			As at September 30,
	2009	2010	2011	2012
	US$'000	US$'000	US$'000	US$'000
Other receivables				
Employee advances	—	191	342	185
Amounts due from related parties (Note 33(a))	—	77	114	144
Others (Note (a))	—	211	7,677	18,357
	—	479	8,133	18,686
Prepayments				
Prepaid income tax	142	149	264	1,331
Others (Note (b))	50	110	976	3,481
	192	259	1,240	4,812
Total prepayments and other receivables	192	738	9,373	23,498
Less non-current portion (Note (a))	—	—	—	3,047
	192	738	9,373	20,451

Notes:

(a) As of December 31, 2011 and September 30, 2012, other receivables amounting to US$7,677,000 and US$15,310,000 represented receivables from contractors for purchase of fuel on their behalf. As of September 30, 2012, the remaining other receivables amounting to US$3,047,000 represented loan to Ferrocarril Central Andino S.A., a Peruvian limited liability company which will provide certain transportation services to the Group. Such loan receivable is unsecured, interest free and are due in 10 years.

(b) As of September 30, 2012, other prepayments primarily comprised prepayment for construction insurance policy relating to the Toromocho Mining Project.

Aging analysis of other receivables are as follows:

	As at December 31,			As at September 30,
	2009	2010	2011	2012
	US$'000	US$'000	US$'000	US$'000
Up to 3 months	—	423	5,687	12,316
3 to 6 months	—	56	2,156	5,080
6 months to 1 year	—	—	290	1,290
	—	479	8,133	18,686

Prepayments and other receivables are denominated in the following currencies:

	As at December 31,			As at September 30,
	2009	2010	2011	2012
	US$'000	US$'000	US$'000	US$'000
United States dollars	50	522	7,417	7,351
New Peruvian Soles	142	216	1,956	13,100
	192	738	9,373	20,451

13. Restricted cash — Group

An analysis of the Group's restricted cash is as follows:

	As at December 31,			As at September 30,
	2009	2010	2011	2012
	US$'000	US$'000	US$'000	US$'000
Guaranteed deposits for import of equipment into Peru	—	—	832	15,816
Bank deposits held for performance guarantee (Note)	—	1,890	2,430	3,830
Bank deposits held in escrow account (Note 21(c))	—	—	1,668	1,668
Others	94	101	117	263
	94	1,991	5,047	21,577

Note: Bank deposits held for performance guarantee represented deposits held in banks for performance guarantee under the relevant contracts and agreements (Notes 5 and 10).

During the Relevant Periods, except for US$35,000 and US$1 and US$1 at December 31, 2009 and 2011 and September 30, 2012 were denominated in New Peruvian Soles, all other restricted cash were denominated in United States dollars.

14. Cash and cash equivalents — Group

	As at December 31,			As at September 30,
	2009	2010	2011	2012
	US$'000	US$'000	US$'000	US$'000
Cash at bank and on hand	10,646	155,831	97,489	190,956
Short-term bank deposits	792	61	61	61
Cash and cash equivalents	11,438	155,892	97,550	191,017

Cash and cash equivalents are denominated in the following currencies:

	As at December 31,			As at September 30,
	2009	2010	2011	2012
	US$'000	US$'000	US$'000	US$'000
United States dollars	10,935	155,611	96,899	179,093
New Peruvian Soles	503	281	651	11,924
	11,438	155,892	97,550	191,017

15. Share capital — Group and Company

The details of the ordinary share capital of the Group and the Company for the Relevant Periods are as follows:

	Number of issued share	Share capital
		US$'000
At January 1, 2009, December 31, 2009 and 2010	58,571,429	47
Consolidation of ordinary shares (Note (a))	(57,400,000)	—
At December 31, 2011	1,171,429	47
Issuance of ordinary shares (Note (b))	10,000,000,000	400,000
At September 30, 2012	10,001,171,429	400,047

Notes:

(a) In September 2011, the board of directors of the Company passed a resolution to consolidate all ordinary shares at a ratio of 50:1. As a result, the Company's issued shares became 1,171,429 shares.

(b) In December 2011, the Company's immediate holding company agreed to capitalize borrowings amounting to US$400 million due by the Company for 10 billion new ordinary shares of the Company at US$0.04 per share (Note 17(a)(ii)). As at December 31, 2011, these shares have not been issued and therefore the carrying amount of these borrowings was reclassified to capital reserve. On February 28, 2012, the Company allotted and issued to its immediate holding company 10 billion ordinary shares at US$0.04 per share.

At December 31, 2009, 2010 and 2011 and September 30, 2012, the total authorized number of ordinary shares is 62.5 million, 62.5 million and 25,000 million and 25,000 million shares with a par value of US$0.0008, US$0.0008, and US$0.04 and US$0.04 per share, respectively. All issued shares are fully paid.

16. Capital reserve — Group and Company

As at December 31, 2009, 2010 and 2011 and September 30, 2012, of the total capital reserve amounting to US$36,254,000, US$91,701,000 and US$416,521,000 and US$16,521,000 represented capital contributions by the immediate holding company in connection with borrowings made available to the Group at a preferential interest rate (Note 17 (a)). Of the total capital reserve of US$416,521,000 at December 31, 2011, US$400,000,000 represented capitalization of borrowings from immediate holding company which the capitalization was completed in February 2012 (Note 15 (b)).

17. Borrowings

Group

	As at December 31,			As at September 30,
	2009	2010	2011	2012
	US$'000	US$'000	US$'000	US$'000
Current				
Borrowings from immediate holding company	123,399	123,399	100,000	102,300
Non-current				
Bank borrowings	—	200,000	860,000	1,680,000
Borrowings from immediate holding company	156,634	439,228	143,399	146,698
	156,634	639,228	1,003,399	1,826,698
	280,033	762,627	1,103,399	1,928,998

Company

	As at December 31,			As at September 30,
	2009	2010	2011	2012
	US$'000	US$'000	US$'000	US$'000
Current				
Borrowings from immediate holding company	28,500	28,500	100,000	102,300
Non-current				
Borrowings from immediate holding company	156,634	439,228	143,399	146,698
	185,134	467,728	243,399	248,998

(a) Borrowings from immediate holdings company

During the Relevant Periods, the Group's borrowings from immediate holding company are as follows:

	Year ended December 31,			Nine months ended September 30,	
	2009	2010	2011	2011	2012
	US$'000	US$'000	US$'000	US$'000 (unaudited)	US$'000
At beginning of the year/period	146,414	280,033	562,627	562,627	243,399
Proceeds from borrowings (Note (i))	160,000	330,000	—	—	—
Excess of proceeds over the fair value of the borrowing (Note (i))	(29,070)	(55,447)	—	—	—
Re-measurement of borrowings upon modification (Note (ii))	—	—	75,180	—	—
Capitalization (Note (ii))	—	—	(400,000)	—	—
Unwinding of discount/interest charged	2,689	8,041	5,592	5,592	5,599
At the end of the year/period	280,033	562,627	243,399	568,219	248,998

Notes:

(i) During 2009 and 2010, the Group obtained additional long-term interest-free borrowings of US$160 million and US$330 million from the immediate holding company, respectively. At initial recognition, these borrowings were measured at fair value at the prevailing market rate of interest available to the Group for a similar instrument (annual LIBOR plus 1.25%). The excess of proceeds over the estimated fair value amounting to US$29,070,000 and US$55,447,000 for borrowings obtained during 2009 and 2010, respectively, were credited to capital reserve as a deemed capital contribution by the immediate holding company.

(ii) In June 2011 (formalized in September 2011), the Company and its immediate holding company agreed to modify the terms of the outstanding borrowings. According to the modification agreement, the due date of borrowings with original principal balance of US$520 million changed from April 2019 through December 2020 to repayable on demand on or before June 30, 2012.

In December 2011, the Company's immediate holding company agreed to capitalize borrowings amounting to US$400 million due by the Company for 10 billion new ordinary shares of the Company at US$0.04 per share (Note 15(b)) and changed the due date of the remaining outstanding borrowings from repayable on demand on or before June 30, 2012 to repayable in 10 years or at any time at the Company's discretion, from interest free to interest bearing at annual LIBOR plus 2%.

The above changes are being accounted for as a modification on borrowings and accordingly, the excess of the present value of future payments over the carrying value of the borrowings at the dates of modifications (re-measurement dates) totalling to US$75,180,000 was charged to capital reserve.

As at December 31, 2009 and 2010, all except for borrowings from immediate holding company that were classified as current liabilities which were due on demand, all other borrowings from immediate holding company were unsecured, interest free and were due from April 2019 to December 2020.

As at December 31, 2011 and September 30, 2012, all borrowings were repayable in 10 years or at any time at the Company's discretion on demand on or before June 30, 2012 at the discretionary of the Company, bear interest at annual LIBOR plus 2% (December 31, 2011: 2.82%, September 30, 2012: 3.07%).

As at December 31, 2011 and September 30, 2012, the directors of the Company approved that borrowings due to immediate holding company amounting to US$100,000,000 and US$102,300,000 will be fully repayable upon listing by January 2013. Accordingly, these borrowings are classified as current borrowings.

The estimated fair values of non-current borrowings from immediate holding company at December 31, 2009 and 2010 are US$165,068,000 and US$452,844,000, respectively, and are estimated based on cash flows discounted using a rate based on the borrowing rate available to the Group of 2.23% and 2.03%, respectively. The carrying amount of non-current borrowings from immediate holding company at December 31, 2011 and September 30, 2012 appropriate their fair value as they are floating rate borrowings.

(b) Bank loans

On December 1, 2010, the Group secured a banking facility amounting to US$2,000 million from Eximbank for the purpose of financing the development of the Toromocho Mining Project. Pursuant to the banking facility agreement, the facility is available for drawdown within 54 months starting from December 1, 2010 and due from June 2015 to December 2015.

This facility bears an annual interest rate of 6-month LIBOR plus 1.85% (December 31, 2010: 2.64%; December 31, 2011:2.60%; September 30, 2012: 2.56%) and is guaranteed by Chinalco (Note 33(d)) and would be secured by all property, plant and equipment pertaining to the Toromocho Mining Project if Chinalco's credibility or financial status deteriorated (Note 5).

In addition, the Group is required to comply with certain financial covenants related to the use of funds and other administrative resources. As of the date of this report, the directors of the Company are in their opinion that such covenants have been complied with.

As at December 31, 2010 and 2011 and September 30, 2012, outstanding balance due to Eximbank amounting to US$200,000,000, US$860,000,000 and US$1,680,000,000, respectively.

The carrying amount of bank borrowings approximate their fair value as they are floating rate borrowings.

At December 31, 2009, 2010 and 2011 and September 30, 2012, all borrowings are denominated in US$.

As at December 31, 2009, 2010 and 2011 and September 30, 2012 the borrowings were repayable as follows:

Group

	As at December 31,			As at September 30,
	2009	2010	2011	2012
	US$'000	US$'000	US$'000	US$'000
Within 1 year	123,399	123,399	100,000	102,300
Between 1 and 2 years	—	—	—	—
Between 2 and 5 years	12,294	198,829	232,000	282,000
Over 5 years	144,340	440,399	771,399	1,544,698
	280,033	762,627	1,103,399	1,928,998
Wholly repayable within 5 years	123,399	123,399	100,000	102,300
Wholly repayable after 5 years	156,634	639,228	1,003,399	1,826,698
	280,033	762,627	1,103,399	1,928,998

Company

	As at December 31,			As at September 30,
	2009	2010	2011	2012
	US$'000	US$'000	US$'000	US$'000
Within 1 year	28,500	28,500	100,000	102,300
Between 1 and 2 years	—	—	—	—
Between 2 and 5 years	12,294	63,829	—	—
Over 5 years	144,340	375,399	143,399	146,698
	185,134	467,728	243,399	248,998
Wholly repayable within 5 years	28,500	28,500	100,000	102,300
Wholly repayable after 5 years	156,634	439,228	143,399	146,698
	185,134	467,728	243,399	248,998

The Group has the following undrawn borrowing facilities:

	As at December 31,			As at September 30,
	2009	2010	2011	2012
	US$'000	US$'000	US$'000	US$'000
Floating rate, expiring beyond one year:				
— Eximbank (Note 17(b))	—	1,800,000	1,140,000	320,000
— China Development Bank ("CDB") (*)	—	—	—	83,000
	—	1,800,000	1,140,000	403,000

* On September 7, 2012, the Group secured a banking facility amounting to US$83 million from CDB which bear annual interest at 6-month LIBOR plus 3.5% and due in October 2020. Pursuant to the loan agreement, the Group is required to comply with certain financial covenants, whereby the Group is required to meet certain key performance indicators. As of the date of this report, the directors of the Company are in their opinion that such covenants have been complied with.

On September 2, 2012 and in December 2012, CDB and Eximbank issued a memorandum indicating their present commitment to lend additional US$274 million and US$419 million, respectively, to the Group for the development of the Toromocho Mining Project. As at the date of this report, formal loan agreements had not been entered into except for the Company entered into a loan agreement with CDB for US$35 million loan on December 25, 2012.

18. Amount due to immediate holding company — Group and Company

Amount due to immediate holding company are unsecured, interest free and repayable on demand and are denominated in US$.

19. Provision for remediation and restoration — Group

Provision for remediation and restoration includes environmental remediation costs, assets retirements obligation and similar obligation in relation to the Group's development of the Toromocho Mining Project. Movements of provision for remediation and restoration are as follows:

	As at December 31,			As at September 30,
	2009	2010	2011	2012
	US$'000	US$'000	US$'000	US$'000
At beginning of the year	56,919	23,840	28,962	58,111
Additional provision	—	4,120	28,031	1,801
Reversal	(34,591)	—	—	—
Accretion expenses (Note 27)	1,512	1,002	1,118	1,554
At end of the year	23,840	28,962	58,111	61,466

Pursuant to the Assignment Agreement of the Toromocho Mining Project (Note 1), the Group is responsible for the remediation of the alternations of the lands given for mineral exploitation, even if these damages were caused before the signing of the relevant concession agreements. In addition, the Group is also obliged to operate and maintenance certain facilities post-closure of the mines.

In August 2012, Walsh Peru S.A., an independent valuer, issued to the Company the Mine Closure Plan which was approved by the MEM on December 27, 2012. Taking into consideration of report issued by Walsh Peru S.A. and the MEM's approval of the Mine Closure Plan, the Company has assessed and provided for remediation and restoration and similar obligations amounted to US$23,840,000, US$28,962,000 and US$58,111,000 and US$61,466,000 as at December 31, 2009, 2010 and 2011 and September 30, 2012, respectively.

20. Accounts payable — Group

Aging analysis of accounts payable is as follows:

	As at December 31,			As at September 30,
	2009	2010	2011	2012
	US$'000	US$'000	US$'000	US$'000
Up to 3 months	23,949	52,703	127,439	228,200
3 to 6 months	2	2,237	464	737
6 months to 1 year	37	237	249	4,414
	23,988	55,177	128,152	233,351

The carrying amounts of the Group's accounts payable are denominated in the following currencies:

	As at December 31,			As at September 30,
	2009	2010	2011	2012
	US$'000	US$'000	US$'000	US$'000
United States dollars	23,532	50,203	90,439	216,734
New Peruvian Soles	456	4,974	37,713	16,617
	23,988	55,177	128,152	233,351

The fair value of accounts payable approximated their carrying value due to their short maturity period.

21. Accruals and other payables

Group

	As at December 31,			As at September 30,
	2009	2010	2011	2012
	US$'000	US$'000	US$'000	US$'000
Withholding income tax (Note (a))	22	480	1,679	2,654
Taxes other than income tax payable (Note (b))	585	256	417	712
Payroll and welfare payable	1,102	1,237	5,297	7,289
Payables to Austria Duvaz (Note (c))	5,460	4,819	2,667	2,667
Legal contingences provisions (Note 32 (b))	—	—	3,952	3,952
Other accruals and other payables	597	1,889	2,289	6,299
	7,766	8,681	16,301	23,573

Notes:

(a) Withholding income tax represents the income tax withheld for the suppliers including the finance cost withholding tax in relation to the borrowings with Eximbank (Note 17 (b)).

(b) Taxes other than income tax payable are mainly comprised of individual income tax and other surcharges.

(c) Austria Duvaz is a Peruvian mining group, from which the Group acquired certain mining concessions and Centenario. Of the total payables to Austria Duvaz, US$1,668,000 represented the remaining outstanding of the total US$8 million consideration for the purchase of Centenario. The US$1,668,000 was paid to an escrow account (Note 13) in March 2011 and will be paid to Austria Duvaz after it presenting the final report of contingencies of labor and environmental matters. The remaining balance of the payables is in relation to the purchase of certain mining concessions.

The carrying amounts of accruals and other payables are denominated in the following currencies:

	As at December 31,			As at September 30,
	2009	2010	2011	2012
	US$'000	US$'000	US$'000	US$'000
United States dollars	5,460	5,850	10,071	13,926
New Peruvian Soles	2,306	2,831	6,230	9,647
	7,766	8,681	16,301	23,573

The fair value of trade payables approximated their carrying value due to their short maturity period.

Company

As at September 30, 2012, the 'accruals and other payables' represented mainly accrued professional fees pertaining to the proposed listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited.

22. Revenue

As the Group's operations are still under development stage and have not commenced commercial production, no revenue was generated during the Relevant Periods.

Management determines the operating segments based on the information reported to the Group's chief operating decision maker. As all of the Group's activities are engaged in the mining development and all the principal assets employed by the Group are located in Peru, the Group's chief operating decision maker considers the performance assessment of the Group should be based on the results of the Group as a whole.

23. Other (loss)/gain, net

	Year ended December 31,			Nine months ended September 30,	
	2009	2010	2011	2011	2012
	US$'000	US$'000	US$'000	US$'000 (unaudited)	US$'000
Write-off of receivables	(60)	—	—	—	—
Income on mine concessions (Note)	—	300	126	91	106
Others	(25)	17	79	39	565
	(85)	317	205	130	671

Note: Income on mine concessions represented income from third party miners for the use and mining of certain mines owned by the Group. As at December 31, 2009, 2010 and 2011 and September 30, 2012, related deferred income received amounting to Nil, US$4,346,000, US$4,474,000 and US$4,368,000, respectively.

24. General and administrative expenses

	Year ended December 31,			Nine months ended September 30,	
	2009	2010	2011	2011	2012
	US$'000	US$'000	US$'000	US$'000 (unaudited)	US$'000
Employee benefit expenses					
— wages, salaries and allowance	3,623	4,542	6,340	4,157	6,068
Amortization and depreciation	787	1,829	1,737	1,517	576
Auditor's remuneration					
— audit and audit related services	63	80	58	13	84
— other services	69	46	8	8	9
Other professional fees	1,462	1,274	2,118	1,308	2,572
Utilities	1,131	993	1,557	1,125	1,197
Operating lease expense	483	522	586	405	739
Contract fees	—	433	703	249	727
Travel and transportation	152	431	364	223	264
Taxes other than income tax	465	452	322	267	236
Advertising and promotion	33	315	386	248	366
Office and other supplies	154	288	600	371	368
Legal contingencies (Note 32(b))	—	—	3,952	—	—
Fines and penalties	—	—	328	—	7
Listing expenses	—	—	—	—	4,007
Others	631	407	646	505	690
	9,053	11,612	19,705	10,396	17,910

25. Directors' emoluments

Details of current directors' emoluments are as follows:

	Fees	Salaries allowances. and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
For the year ended December 31, 2009					
Non-executive Director:					
Xiong Weiping	—	—	—	—	—
Ren Xudong	—	—	—	—	—
Xie Weizhi	—	—	—	—	—
Executive Director:					
Peng Huaisheng	—	—	—	—	—
Huang Shanfu	—	—	—	—	—
Liang Yunxing	—	—	—	—	—
Independent Non-executive Director:					
Scott McKee Hand	—	—	—	—	—
Ronald (Ron) Hall	—	—	—	—	—
Lai Yat Kwong Fred	—	—	—	—	—
Francisco Augusto Baertl Montori	—	—	—	—	—
	—	—	—	—	—
For the year ended December 31, 2010					
Non-executive Director:					
Xiong Weiping	—	—	—	—	—
Ren Xudong	—	—	—	—	—
Xie Weizhi	—	—	—	—	—
Executive Director:					
Peng Huaisheng	—	—	—	—	—
Huang Shanfu	—	—	—	—	—
Liang Yunxing	—	—	—	—	—
Independent Non-executive Director:					
Scott McKee Hand	—	—	—	—	—
Ronald (Ron) Hall	—	—	—	—	—
Lai Yat Kwong Fred	—	—	—	—	—
Francisco Augusto Baertl Montori	—	—	—	—	—
	—	—	—	—	—

	Fees	Salaries allowances. and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
For the year ended December 31, 2011					
Non-executive Director:					
Xiong Weiping	—	—	—	—	—
Ren Xudong	—	—	—	—	—
Xie Weizhi	—	—	—	—	—
Executive Director:					
Peng Huaisheng	—	57	—	—	57
Huang Shanfu	—	378	260	—	638
Liang Yunxing	—	—	—	—	—
Independent Non-executive Director:					
Scott McKee Hand	—	—	—	—	—
Ronald (Ron) Hall	—	—	—	—	—
Lai Yat Kwong Fred	—	—	—	—	—
Francisco Augusto Baertl Montori	—	—	—	—	—
	—	435	260	—	695
For the nine months ended September 30, 2011 (unaudited)					
Non-executive Director:					
Xiong Weiping	—	—	—	—	—
Ren Xudong	—	—	—	—	—
Xie Weizhi	—	—	—	—	—
Executive Director:					
Peng Huaisheng	—	38	—	—	38
Huang Shanfu	—	283	211	—	494
Liang Yunxing	—	—	—	—	—
Independent Non-executive Director:					
Scott McKee Hand	—	—	—	—	—
Ronald (Ron) Hall	—	—	—	—	—
Lai Yat Kwong Fred	—	—	—	—	—
Francisco Augusto Baertl Montori	—	—	—	—	—
	—	321	211	—	532
For the nine months ended September 30, 2012					
Non-executive Director:					
Xiong Weiping	—	—	—	—	—
Ren Xudong	—	—	—	—	—
Xie Weizhi	—	—	—	—	—
Executive Director:					
Peng Huaisheng	—	42	—	—	42
Huang Shanfu	—	319	215	—	534
Liang Yunxing	—	—	—	—	—
Independent Non-executive Director:					
Scott McKee Hand	—	—	—	—	—
Ronald (Ron) Hall	—	—	—	—	—
Lai Yat Kwong Fred	—	—	—	—	—
Francisco Augusto Baertl Montori	—	—	—	—	—
	—	361	215	—	576

Of the current directors as of the date of this report as set out in the above table, except for Messrs Peng Huaisheng and Huang Shanfu, no remuneration was paid to other directors during the Relevant Periods as they were appointed subsequent to the Relevant Periods and/or had not been involved in the operation of the Group during the Relevant Periods.

No remuneration was paid by the Group to all past directors for the years ended December 31, 2009, 2010 and 2011 and the nine months ended September 30, 2011 and 2012.

During the Relevant Periods, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. No director waived or agreed to waive any emoluments during the Relevant Periods.

26. Five highest paid individuals

The number of director and non-director included in the five highest paid individuals for the years ended December 31, 2009, 2010 and 2011 and the nine months ended September 30, 2011 and 2012 are set forth below:

	Year ended December 31,			Nine months ended September 30,	
	2009	2010	2011	2011	2012
				(unaudited)	
Director	—	—	1	1	1
Non-director	5	5	4	4	4
	5	5	5	5	5

The emoluments of the directors are disclosed in Note 25. The aggregate of the emoluments in respect of the remaining highest paid individuals are as follows:

	Year ended December 31,			Nine months ended September 30,	
	2009	2010	2011	2011	2012
	US$'000	US$'000	US$'000	US$'000 (unaudited)	US$'000
Salaries and other emoluments	1,250	2,146	1,238	964	1,279
Discretionary bonuses	1,280	1,426	674	562	824
Retirement benefits	147	—	522	522	—
	2,677	3,572	2,434	2,048	2,103

The number of the individuals with the highest emoluments in Hong Kong dollar ("HK$") is within the following bands:

	Year ended December 31,			Nine months ended September 30,	
	2009	2010	2011	2011	2012
				(unaudited)	
HK$1,000,000 to HK$1,500,000	1	—	—	—	—
HK$1,500,000 to HK$2,000,000	1	—	—	—	—
HK$2,000,000 to HK$2,500,000	—	2	—	1	—
HK$2,500,000 to HK$3,000,000	1	—	—	—	—
HK$3,000,000 to HK$3,500,000	—	1	1	1	1
HK$3,500,000 to HK$4,000,000	—	1	—	1	1
HK$4,000,000 to HK$4,500,000	—	—	1	1	2
HK$4,500,000 to HK$5,000,000	—	—	1	—	1
HK$5,000,000 to HK$5,500,000	—	—	1	1	—
HK$5,500,000 to HK$6,000,000	1	—	—	—	—
HK$6,000,000 to HK$6,500,000	—	—	1	—	—
HK$9,500,000 to HK$10,000,000	1	—	—	—	—
HK$16,000,000 to HK$16,500,000	—	1	—	—	—

During the Relevant Periods, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

27. Finance income/(costs), net

	Year ended December 31,			Nine months ended September 30,	
	2009	2010	2011	2011	2012
	US$'000	US$'000	US$'000	US$'000 (unaudited)	US$'000
Finance income					
— Interest income	1,596	116	451	373	586
— Net foreign exchange gains	1,300	1,391	—	—	1,583
Total finance income	2,896	1,507	451	373	2,169
Finance costs					
— Interest expenses	(2,689)	(10,215)	(25,820)	(17,033)	(35,146)
— Bank charges	(211)	(86)	(685)	(127)	(333)
— Accretion of interest on provision for remediation and restoration (Note 19)	(1,512)	(1,002)	(1,118)	(838)	(1,554)
— Net foreign exchange loss	—	—	(941)	(580)	—
	(4,412)	(11,303)	(28,564)	(18,578)	(37,033)
Less: amounts capitalized on qualifying assets	2,689	10,215	25,820	17,033	35,146
Total finance costs	(1,723)	(1,088)	(2,744)	(1,545)	(1,887)
Finance income/(costs), net	1,173	419	(2,293)	(1,172)	282
Interest expenses capitalization rate	3.35%	2.68%	2.59%	2.59%	2.64%

28. Income tax benefit

	Year ended December 31,			Nine months ended September 30,	
	2009	2010	2011	2011	2012
	US$'000	US$'000	US$'000	US$'000 (unaudited)	US$'000
Current income tax	—	—	(360)	—	(896)
Deferred income tax (Note 8)	3,266	3,411	5,641	2,973	4,627
	3,266	3,411	5,281	2,973	3,731

The Company was incorporated in Cayman Islands as an exempted company with limited liability under the Company Law of Cayman Islands and, accordingly, is exempted from payment of Cayman Islands income tax.

Subsidiaries established in Peru are subject to income tax at a rate of 30% during the Relevant Periods.

The income tax on the Group's loss before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to losses of the consolidated entities as follows:

	Year ended December 31,			Nine months ended September 30,	
	2009	2010	2011	2011	2012
	US$'000	US$'000	US$'000	US$'000 (unaudited)	US$'000
Loss before income tax	(7,965)	(10,876)	(21,793)	(11,438)	(16,957)
Tax benefit calculated at basic tax rates applicable to loss in the respective countries	2,390	3,263	6,538	3,431	3,885
Income not subject to taxation/(Expense not deductible)	972	5	(1,518)	(377)	(254)
Tax losses for which no deferred taxation was recognized	(120)	—	—	—	—
Utilization of unrecognized tax loss	—	132	247	—	—
Others	24	11	14	(81)	100
Income tax benefit	3,266	3,411	5,281	2,973	3,731

29. Loss per share for loss attributable to the equity holders of the Company

(a) Basic

Basic loss per share is calculated by dividing the net loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	Year ended December 31,			Nine months ended September 30,	
	2009	2010	2011	2011	2012
				(unaudited)	
Loss attributable to equity holders of the Company (US$'000)	(4,699)	(7,465)	(16,512)	(8,465)	(13,226)
Weighted average number of ordinary shares in issue (thousands) (Note)	10,001,171	10,001,171	10,001,171	10,001,171	10,001,171

Note: Basic earnings per share for the years ended December 31, 2009, 2010 and 2011 and the nine months ended September 30, 2011 and 2012 is calculated by dividing the profit of the Group attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during each year/period. In determining the weighted average number of ordinary shares in issue during each of these years/periods, the 10,001,171,429 shares, which were issued and allotted in connection with the Reorganization as disclosed in Note 15, has been treated as if the 10,001,171,429 shares were in issue since January 1, 2009 (Note 15).

(b) Diluted loss per share for the years ended December 31, 2009, 2010 and 2011 and nine months ended September 30, 2011 and 2012 are the same as the basic losses per share as there are no dilutive potential shares.

30. Dividends

No dividend has been paid or declared by the Company or the companies now comprising the Group during each of the years ended December 31, 2009, 2010 and 2011 and the nine months ended September 30, 2012.

31. Cash flows

(a) Cash flows from operating activities

	Year ended December 31,			Nine months ended September 30,	
	2009	2010	2011	2011	2012
	US$'000	US$'000	US$'000	US$'000 (unaudited)	US$'000
Cash flows from operating activities					
Loss before income tax	(7,965)	(10,876)	(21,793)	(11,438)	(16,957)
Adjustments for:					
Depreciation (Note 24)	635	897	641	717	576
Amortization (Note 24)	152	932	1,096	800	—
Loss on disposal of property, plant and equipment (Note 5)	3	16	14	—	11
Finance (income)/costs, net (Note 27)	(1,173)	(419)	2,293	1,172	(282)
Changes in working capital:					
Inventories	(93)	(1,554)	(4,377)	(2,107)	(13,172)
Prepayment and other receivables	196	(391)	(8,418)	(10,432)	(14,360)
Accruals and others	(2,205)	4,375	7,721	539	5,583
Cash used in operating activities	(10,450)	(7,020)	(22,823)	(20,749)	(38,601)

(b) Non-cash transactions

Except for the capitalization of borrowings from immediate holding company as set out in Note 16, no other significant non-cash transactions during the Relevant Periods.

32. Commitments and contingencies

(a) Commitments

(i) Capital commitments

Capital expenditure contracted for at the date of the consolidated statements of financial position but not recognized in the consolidated statements of financial position is as follows:

	As at December 31,			As at September 30,
	2009	2010	2011	2012
	US$'000	US$'000	US$'000	US$'000
Property, plant and equipment	300,667	157,054	828,549	747,011

(ii) Operating lease commitments — where the Group is the lessee:

The Group leases various offices and warehouses under non-cancellable operating lease agreements. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at December 31,			As at September 30,
	2009	2010	2011	2012
	US$'000	US$'000	US$'000	US$'000
No later than 1 year	522	586	719	601
Later than 1 year and no later than 5 years	786	429	600	610
Later than 5 years	—	—	80	120
	1,308	1,015	1,399	1,331

(iii) Investment commitments

(a) Pursuant to the Assignment Agreement (Note 1), as a consideration, the Group has committed to invest not less than US$1,507 million over a five-year term from May 2008. In the event that the Group failed to comply with this commitment, the Group is required to pay a penalty to Activos Mineros in an amount equivalent to 30% of the unpaid investments. In this connection, the Group has issued a letter of credit amounting to US$30 million in favor of Activos Mineros. This letter of credit will be renewed annually.

(b) Pursuant to the Investment Agreement in connection with the VAT recoverable entitlement (Note 9), the Group is committed to invest into the Toromocho Mining Project amounting to US$2,053 million by the end of 2012.

(b) Contingencies

In May 2010, the local municipal government of Morococha issued an order to MCP to cease the construction work for the new town of Morococha for the purpose of relocating the local original residents in relation to the development of the Morococha Mining Project through an administrative resolution on the ground that the construction was started without a proper permit. In August 2011, MCP obtained from the provincial government of Yauli-La Oroya a preliminary relief which explicitly permits it to continue the construction. In August 2011, the district court ruled that the local municipal government of Morococha is a competent authority to issue the aforementioned order and that the evidence shows that MCP did not have a relevant permit at the time of such order. In September 2011, MCP filed an appeal with the court of appeal against the decision by the district court claiming that, among others, the competent authority to supervise this matter should be the provincial government of Yauli-La Oroya of Peru and that the local municipal government of Morococha's resolution on this matter is invalid.

As of the date of this report, the aforementioned appeal is in progress. After consideration of the opinion of an independent legal counsel, the directors of the Company are of the opinion that the claim is likely to be resolved in favor of MCP. Accordingly, no provision is considered necessary with respect to the aforementioned claim at September 30, 2012 and during the Relevant Periods.

Apart from the above, the Group has contingent liabilities in respect of claims or other legal procedures arising in its ordinary course of business from time to time. As at September 30, 2012, the directors of the Company did not anticipate that any material liabilities will arise from the contingent liabilities other than those provided for in the financial statements.

33. Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control. Members of key management and their close family member of the Group are also considered as related parties.

In accordance with IAS 24 (revised), "Related Party Disclosures", government-related entities and their subsidiaries, directly or indirectly controlled, jointly controlled or significantly influenced by the PRC government are also defined as related parties of the Group.

Saved as disclosed elsewhere in this report, the following significant transactions were carried out with related parties of the Group:

(a) Year-end balances with related parties:

	As at December 31,			As at September 30,
	2009	2010	2011	2012
	US$'000	US$'000	US$'000	US$'000
Included in 'prepayments and other receivables'				
Amount due from ultimate holding company (Note)	—	77	114	144
Included in 'borrowings'				
Borrowings from immediate holding company (Note 33(c))	280,033	562,627	243,399	248,998
Included in 'amount due to immediate holding company'				
Amount due to immediate holding company (Note 18)	2,101	2,101	1,920	2,376
Included in 'accounts payable'				
Amount due to a fellow subsidiary (Note)	—	155	668	1,352

Note: Amount due from ultimate holding company and amount due to a fellow subsidiary are unsecured, interest free and no fixed term of repayment.

In addition, borrowings amounting to US$200 million, US$860 million and US$1,680 million as at December 31, 2010 and 2011 and September 30, 2012, respectively, are borrowings payable to Eximbank, a PRC incorporated bank controlled by the PRC central government (Note 17(b)).

(b) Purchases of property, plant and equipment:

During the years ended December 31, 2010 and 2011 and the period ended September 30, 2011 and 2012, the Group purchased from a fellow subsidiary of certain equipment amounting to

US$2,531,000, US$4,153,000, US$1,490,000 and US$6,834,000, respectively, on prices and terms mutually agreed by the parties involved.

(c) Borrowings due to immediate holding company

During the Relevant Periods, the Group has significant outstanding borrowings due to its immediate holding company, details of which are disclosed in Note 17(a).

(d) Financial guarantees by ultimate holding company

As at December 31, 2010 and 2011 and September 30, 2012, the Group's non-current borrowings amounting to US$200 million, US$860 million and US$1,680 million (Note 17(b)), respectively, are guaranteed by Chinalco.

In addition, as at December 31, 2010 and 2011 and September 30, 2012, the Group's undrawn borrowing facilities amounting to US$1,800 million, US$1,140 million and US$403 million (Note 17(b)), respectively, are guaranteed by Chinalco.

These guarantees will continue to be in placed upon Listing until the Group is able to replace or refinance the existing loan facility in a commercially justifiable manner.

(e) Key management compensation

	Year ended December 31,			Nine months ended September 30,	
	2009	2010	2011	2011	2012
	US$'000	US$'000	US$'000	US$'000 (unaudited)	US$'000
Salaries and other emoluments	1,640	2,246	4,658	3,369	4,658
Discretionary bonuses	983	824	2,568	1,750	2,444
Retirement benefits	328	677	713	588	—
	2,951	3,747	7,939	5,707	7,102

(f) Significant transactions with state-owned enterprises except Chinalco and its subsidiaries ("Other State-owned Enterprises")

During the Relevant Periods, significant transactions with Other State-owned Enterprises are as follows:

Cash and cash equivalents amounted to Nil, US$4,364,000 and US$12,000 and US$11,000 at December 31, 2009, 2010 and 2011 and September 30, 2012 (Note 14), respectively, and borrowings amounted to US$200 million, US$860 million and US$1,680 million at December 31, 2010 and 2011 and September 30, 2012 (Note 17(b)), respectively, and the relevant interest income earned and expenses incurred during the Relevant Periods are transacted with banks owned/controlled by the PRC government.

The above transactions conducted with Other State-owned Enterprises are based on terms as set out in the underlying agreements as mutually agreed.

34. Events after the reporting period

Saved as disclosed elsewhere in this report, no other significant subsequent events took place subsequent to September 30, 2012.

III. Subsequent financial statements

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to September 30, 2012 up to the date of this report. No dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to September 30, 2012.

Yours faithfully,
PricewaterhouseCoopers
Certified Public Accountants
Hong Kong