

## **OVERVIEW**

We are a resource development company acting as Chinalco's core platform for the future acquisition, investment, development and operation of non-ferrous and non-aluminum mineral resources and projects overseas. We envision capitalizing on China's growing demand for natural resources. Our strong growth potential is driven significantly by Chinalco's active global expansion strategy, which is in line with China's initiatives in securing mineral resources overseas to satisfy its growing demand, as well as by Chinalco's proven track record, strong brand recognition and the broad range of acquisition opportunities available to it.

Currently, we are focusing on developing the Toromocho Project, which is located in central Peru in the core of the Morococha mining district. According to CRU, the Toromocho Project is the world's second largest pre-production copper project, as measured by proved and probable copper ore reserves, and the third largest pre-production copper project, as measured by average planned annual production between 2012 and 2020, among the top 20 firm copper mining projects scheduled to commence production of copper concentrates from 2012 to 2016. Three of these mining projects had commenced production as of December 31, 2012. According to the Competent Person's Report, the proved and probable JORC-compliant reserves of the Toromocho Project deposit are estimated to contain approximately 7.3 million tonnes of copper, 290,000 tonnes of molybdenum and 10,500 tonnes of silver. The Toromocho Project is currently our only mining asset, which we expect to rely on for substantially all of our revenue and cash flows for the foreseeable future. We expect to commence production during the fourth quarter of 2013 and reach full production capacity in the third quarter of 2014. Upon commencement of commercial production, we plan to process the copper sulphide ores on-site and sell the copper concentrates primarily to China for smelting and production of refined copper. We expect China to be our primary market. Subject to us receiving arm's-length commercial terms, we may also sell our products to Chinalco and its affiliates. Currently, we do not expect to sell our copper concentrates to any sole customer. We have entered into four binding offtake agreements including definitive pricing terms with four cornerstone investors for the sale of an aggregate of 60% of the Toromocho Project's annual production of copper concentrates for a period of five years from the starting date of production at the Toromocho Project, two of which will automatically continue for another five years thereafter.

The Toromocho Project has a long estimated mine life with significant potential for further exploration. Based on the current estimated reserves and production plan, it is estimated that the Toromocho Project can produce ores for 32 years and thus has an estimated mine life of 32 years. Based on the current design, the processing facilities will continue to process recovered ores for four years after the end of the mine life, thus giving the Toromocho Project a projected operating life of 36 years. According to the Competent Person's Report, there are additional resources adjacent to the planned open pit, which are also covered by our mining concessions, and are estimated to contain approximately 2.7 million tonnes of copper, 92,000 tonnes of molybdenum and 5,200 tonnes of silver in measured, indicated and inferred JORC-compliant resources. We believe that we will be able to further explore and develop these resources once we complete the highway relocation plan in connection with the Toromocho Project. We are currently in discussion with and have submitted our proposed relocation plan to the MTC. Upon our receipt of approval from the MTC, we will commence the detailed engineering study, which we expect to complete in approximately four months.

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We expect to enjoy competitive operating and mining costs as a result of the Toromocho Project's rich ore reserves, location and favorable geology. According to the Competent Person's Report, the Toromocho Project is estimated to have low operating cash costs after credits of approximately US\$1,508.8 per tonne (or approximately US\$0.684 per pound) of copper produced as compared with a large number of copper mines across the globe. For example, the average operating cash costs of the major copper mines in Peru and Chile are approximately US\$3,624.0 per tonne of copper produced and US\$3,963.0 per tonne of copper produced, respectively. Operating cash costs include mining costs, processing costs, general and administration costs, selling costs, environmental protection costs, production taxes, the resource compensation levy, other cash cost items and the by-product credit, and are generally recognized as a reliable indicator for measuring the operating and mining costs for copper mines. As a result of the geological characteristics, we are able to employ the conventional open pit mining technique, which entails lower costs and fewer risks than underground mining. The Toromocho Project also has a low estimated strip ratio at 0.79:1, meaning that for every tonne of ores we mine, 0.79 tonnes of waste materials will need to be removed. As a result, we expect to incur low costs for the removal of waste materials, which results in lower per unit mining costs.

Established infrastructure support for the Toromocho Project reduces our construction and operational costs and lowers our operational risks. The Toromocho Project is accessible via readily available transportation networks, including public highways and railroads from both the Peruvian capital city of Lima and the major exporting port of Callao. Water and electricity supplies, which are essential to mining activities, will also be available from nearby facilities developed by us. For example, water for the processing plant will be supplied to the Toromocho Project from the Kingsmill Tunnel water treatment plant developed and operated by us. Electricity will be supplied from the nearby Pomacocha power station and a 220 MW transmission line will be installed between the power station and the Toromocho Project and is expected to be ready by the first quarter of 2013.

Since the completion of our acquisition of the Toromocho Project in May 2008, we have devoted substantial effort to developing the Toromocho Project into an advanced development stage and accomplished all its key pre-production milestones. We have engaged Aker Solutions, a reputable leading mining consulting firm, for EPCM services in relation to the Toromocho Project. We have outsourced all of our exploration engineering work and most of the Toromocho Project construction work to third-party contractors, including Aker Solutions. We have also secured credit facilities with an aggregate amount of US\$2,118.0 million from Eximbank and China Development Bank, which we believe, combined with our cash and cash equivalents, the net proceeds from the Global Offering and additional banking facilities we are negotiating, will provide sufficient funding for us to bring the Toromocho Project to production. The Environmental Impact Assessment in connection with all the material aspects of the Toromocho Project was approved by the Peruvian government in December 2010 and the construction permit for the Toromocho Project was issued by the Peruvian government in July 2011. Furthermore, we have purchased substantially all of the key long-lead equipment and machinery, completed the construction of a new town for local resident resettlement, constructed a water treatment plant to supply and treat water for the Toromocho Project and made investments in the Callao port to facilitate the transportation of the products we will produce. We plan to complete the construction of all the mining and processing facilities in the fourth quarter of 2013. We believe that the comprehensive preparation work that we have done for the Toromocho Project minimizes the risk of delay and puts us on track to achieve our target schedule for development and production.

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We are controlled by Chinalco, a Fortune Global 500 company since 2008, and a leading metals and mining conglomerate based in China, which has strong brand recognition with respect to its mining, non-ferrous metal smelting and processing activities, and international trading and engineering services. We believe that we will continue to benefit from our relationship with Chinalco by receiving its relevant technological, financial, operational, procurement, sales and marketing support. We believe that by leveraging our close ties with China and Chinalco, we will be able to capitalize on our substantial mineral reserves and the strong demand for copper and other non-ferrous metals globally, particularly in China.

As of the date of this prospectus, we have not commenced production at the Toromocho Project and have not recorded any revenues and our pre-production activities have not generated any positive operating cash flows.

### OUR COMPETITIVE STRENGTHS

We believe that the following competitive strengths will enable us to capitalize on future growth opportunities in the global mining industry.

#### *Acting as Chinalco's core platform for the future acquisition, development and operation of non-ferrous and non-aluminum mineral resources and projects overseas*

We are a resource development company acting as Chinalco's core platform for the future acquisition, development and operation of non-ferrous and non-aluminum mineral resources and projects overseas. Our strong growth potential is driven significantly by Chinalco's active global expansion strategy, which is in line with China's initiative in securing mineral resources overseas to satisfy its growing demand. In the 12th 5-Year Plan for the non-ferrous industry adopted in 2011, the PRC government has also expressed the intention to establish policies to support exploration and development of overseas mineral resources, encourage qualified companies to carry out international cooperation, enhance the strength of the companies with overseas operations and improve the quality of overseas investments. Meanwhile, we believe that we will also benefit from Chinalco's proven track record, strong brand recognition and the broad range of acquisition opportunities available to it. Chinalco has been actively expanding its overseas presence through acquisitions of mines and reserves since 2007. As part of its global strategy, Chinalco has engaged in the acquisition of Rio Tinto in 2009 and has subsequently acquired equity interest in Rio Tinto. Recently, it has also announced a global expansion plan to acquire non-ferrous mining projects outside of China.

As Chinalco's core platform for the future acquisition, development and operation of non-ferrous and non-aluminum mineral resources and projects overseas, we believe that a wide range of potential acquisition opportunities will be available to us. Chinalco has granted us preferential rights to participate in certain future businesses, as well as rights of first refusal and call option rights for acquiring certain future businesses. See "Relationship with Our Controlling Shareholders — Non-competition Undertaking." We also believe that Chinalco's collaborative relationships with the governments of the PRC and various other countries will increase the acquisition opportunities available to us and provide support for mining projects we acquire in the future. Furthermore, by leveraging on Chinalco's experience and expertise in acquiring mining projects outside of China, we believe that we will be able to build a team of investment professionals that can monitor, identify and evaluate potential targets for acquisition with expertise.

***Ability to develop acquired targets and synergistic collaboration with Chinalco***

We have devoted substantial effort to developing the Toromocho Project into an advanced development stage and minimizing the risks of delay. We have engaged Aker Solutions for EPCM services, including various engineering studies, secured credit facilities with an aggregate amount of US\$2,118.0 million from Eximbank and China Development Bank to fund the development, secured all the necessary licenses and approvals up to this point in the development of the Toromocho Project and purchased substantially all of the key long-lead equipment and machinery. In particular, we have assembled a team of execution experts with extensive experience in developing greenfield mining projects to facilitate our development of mining projects that we will acquire in the future. Our collaboration with Chinalco has also been instrumental in developing the Toromocho Project. We have leveraged Chinalco's technology and management expertise in developing the Toromocho Project. In particular, Chinalco has provided us with comprehensive support in terms of mining expertise and qualified employees. We have also leveraged Chinalco's relationships with various equipment manufacturers in order to procure quality equipment at what we believe to be relatively low cost. Meanwhile, we believe that our close ties with Chinalco will benefit us in selling our products once production commences at the Toromocho Project. Such benefits include being able to leverage Chinalco's brand name and extensive distribution network throughout China to forge long-term and stable business relationships with clients there. Additionally, subject to us receiving arm's-length commercial terms, we may also sell our products to Chinalco and its affiliates. Going forward, we believe we will continue to leverage our successful experience in the development of the Toromocho Project and our ability to integrate the resources and support from Chinalco to develop and operate the mining projects we will acquire in the future.

***Substantial mineral reserves and significant exploration potential at the Toromocho Project to capture the increasing demand for copper***

According to CRU, the Toromocho Project is the world's second largest pre-production copper mining project, as measured by proved and probable copper ore reserves, and the third largest pre-production copper project, as measured by average planned annual production between 2012 and 2020, among the top 20 firm copper mining projects scheduled to commence production of copper concentrates from 2012 to 2016. Three of these mining projects have commenced production as of December 31, 2012. According to the Competent Person's Report, the proved and probable reserves of the Toromocho Project deposit, which conform to the JORC Code, is estimated to contain approximately 7.3 million tonnes of copper, 290,000 tonnes of molybdenum and 10,500 tonnes of silver. Currently, the life-of-mine average production rate is estimated at approximately 1,838 tonnes of 26.5% copper concentrates per day at an ore processing rate of 117,200 tonnes per day. Based on this estimate, the Toromocho Project can produce ores for 32 years and thus has an estimated mine life of 32 years. Based on the current design, processing facilities will continue to process recovered ores for four years after the end of the mine life, thus giving the Toromocho Project a projected operating life of 36 years.

However, given the abundant resources already identified in the Toromocho Project and the geological settings of the area outside the current mining plan of the Toromocho Project, we believe that the Toromocho Project and the lands covered by our mining concessions there have potential for further production ramp-up and future exploration success. According to the Competent Person's Report, there are additional resources adjacent to the planned open pit, which are also covered by our

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mining concessions, and are estimated to contain approximately 2.7 million tonnes of copper, 92,000 tonnes of molybdenum and 5,200 tonnes of silver in measured, indicated and inferred JORC-compliant resources. We believe that we will be able to further explore and develop these resources once we complete the highway relocation plan in connection with the Toromocho Project. We are currently in discussion with and have submitted our proposed relocation plan to the MTC. Upon our receipt of approval from the MTC, we will commence the detailed engineering study, which we expect to complete in approximately four months.

We believe that our substantial mineral reserves and our close ties with China position us well to capitalize on the expected global growth in demand for copper, particularly in China. According to CRU, China accounted for approximately 39.6% of the global refined copper consumption in 2011 and the growth rate of China's copper demand was among the fastest, while the supply deficit of refined copper in China has increased from 610,000 tonnes in 2006 to 2.5 million tonnes in 2011, representing a CAGR of 32.5%. This supply deficit is expected to continue through 2016. Meanwhile, China is expected to continue to drive the demand for copper concentrates, with its smelter production from copper concentrates expected to increase at a CAGR of 14.3%, from 2012 to 2016. The global copper concentrates market is also expected to experience structural deficit through 2016. Furthermore, we believe that the free trade agreement between China and Peru that came into effect on March 1, 2010 will facilitate the export of the copper concentrates we produce to China. Demand for the 10 non-ferrous metals in China grew at a CAGR of 15.5% from 2005 to 2010 and grow at a CAGR of 7.4% is targeted from 2010 to 2015 in the 12th 5-Year Plan for the non-ferrous metal industry.

### *Competitive development and operational costs of the Toromocho Project*

We expect to enjoy competitive operating and mining costs as a result of the Toromocho Project's rich ore reserves, location and favorable geology. The mine geology allows us to employ conventional open pit mining technology, which is less expensive and has fewer risks than underground mining. The estimated strip ratio of 0.79:1 at the Toromocho Project is estimated to be lower than 70% of the new mining projects scheduled to commence production from 2012 to 2016, according to CRU. The low estimated strip ratio at 0.79:1 means that, for every tonne of ores we mine, 0.79 tonne of waste materials will need to be removed. As a result, we will incur lower costs for removal of waste materials, which results in lower per-unit mining costs. Our large planned annual output enables us to enjoy economy of scales which lead to a lower per unit cost for the copper concentrates we produced. Additionally, we have purchased and expect to employ large capacity equipment, which we believe results in a lower variable costs in operating and maintaining the mining equipment, particularly costs associated with labor and energy consumption. All these factors contribute to the cost-efficiency of our mining and processing facilities at the Toromocho Project and lead to competitive mining and operational costs. According to the Competent Person's Report, the Toromocho Project is estimated to have low operating cash costs after credits of approximately US\$1,508.8 per tonne (or approximately US\$0.684 per pound) of copper produced as compared with a large number of copper mines across the globe. For example, the average operating cash costs of the major copper mines in Peru and Chile is approximately US\$3,624.0 per tonne of copper produced and US\$3,963.0 per tonne of copper produced, respectively. Operating cash costs include mining costs, processing costs, general and administration costs, selling costs, environmental protection costs, production taxes, resource compensation levy, other cash cost items and by-product credit, and are generally recognized as a reliable indicator for measuring the operating and mining costs of copper mines.

We also believe that the Toromocho Project's close proximity to established infrastructure including water and power supplies and transportation networks, including public highways and railroads, and its relative close proximity to the capital of Peru, Lima, which is approximately 140 kilometers west from the Toromocho Project, will lead to reduced construction and operational costs. We have also invested in the Callao port in order to facilitate the transportation of our products. Furthermore, we believe that our close ties with China will enable us to procure equipment from manufacturers based in China, who are able to offer equipment of similar quality at lower costs, so as to reduce our initial construction capital expenditure and maintenance costs in the future.

***Advanced development stage of the Toromocho Project and the favorable investment environment***

Since the completion of our acquisition of the Toromocho Project in May 2008, we have devoted substantial effort to developing the Toromocho Project into an advanced development stage and minimizing the risks of delay and have accomplished all its key pre-production milestones. According to CRU, the Toromocho Project is categorized as a firm project, which is generally recognized as the most advanced development stage for pre-production mining projects. We believe that the comprehensive preparation work that we have done for developing the Toromocho Project positions us well to achieve our target development and production schedule. The Environmental Impact Assessment in connection with all the material aspects of the Toromocho Project was approved by the Peruvian government in December 2010 and the construction permit for the Toromocho Project was issued by the Peruvian government in July 2011. For the years ended December 31, 2009, 2010, 2011 and the nine months ended September 30, 2012, our capital expenditure paid in connection with the Toromocho Project amounted to US\$142.4 million, US\$372.9 million, US\$712.0 million and US\$771.5 million, respectively. As of September 30, 2012, we have incurred approximately US\$2.0 billion of capital and operating expenditure for the development of the Toromocho Project, which represented approximately 58.2% of the total required capital and operating expenditure based on our most recent estimation. In particular, we have accomplished the following since our acquisition of the Toromocho Project in 2007:

- *Feasibility Study and Engineering.* We have engaged Aker Solutions, a reputable leading mining consulting firm and a subsidiary of Jacobs Engineering Group, for feasibility study and EPCM services in connection with the Toromocho Project. Aker Solutions completed its feasibility study in December 2007, its basic engineering study in 2009 and provided its capital cost estimate for the Toromocho Project in February 2011. The detailed engineering study for the Toromocho Project was completed in the second quarter of 2012.
- *Financing.* We have secured credit facilities with an aggregate amount of US\$2,118.0 million from Eximbank and China Development Bank, which combined with our cash and cash equivalents, the net proceeds from the Global Offering and additional banking facilities we are negotiating, will provide sufficient funding for us to bring the Toromocho Project to production.
- *Approvals.* We have obtained all the necessary governmental approvals for the construction phase of the Toromocho Project, particularly, the Environmental Impact Assessment in connection with all the material aspects of the Toromocho Project and the construction permits.

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- *Resettlement.* We have finished the construction work for a new town as well as the infrastructure, including water and electricity supplies and sewage system, for the approximately 3,200 residents of Morococha to be resettled. We intend to substantially complete the resettlement process and relocate all the residents who have signed the resettlement agreement by the first quarter of 2013 and further negotiate with the remaining residents in order to complete the resettlement.
- *Infrastructure.* We have constructed a water treatment plant at the Kingsmill Tunnel to supply the water for the Toromocho Project and treat the wastewater from other mines in the adjacent area. We believe the water treatment plant will successfully resolve a contaminated water issue that has plagued the area for decades. We have also invested in the Callao port, which together with the readily available transportation network, will facilitate our shipping of the products we will produce.
- *Procurement.* We have procured substantially all of the key long-lead machinery and equipment for the mining and processing facilities, a portion of which has been shipped to Peru and installed onsite.

In addition to our comprehensive preparation work, we believe that the favorable investment environment in Peru also facilitates us in ensuring the timely execution of the Toromocho Project. The overall investment environment for the mining industry in Peru is mature and established. For example, according to a research report issued by Business Monitor International Limited, a public policy think tank based in London, United Kingdom, as at the fourth quarter of 2012, Peru was the third most popular jurisdiction in South America. Various major mining companies have made substantial investments in Peru.

### ***Experienced and motivated international management team supported by local execution experts with proven track record***

We have an experienced management team with extensive knowledge and expertise in the mining industry, and in particular, the development and acquisition of overseas mining projects. Dr. Peng Huaisheng, our executive Director and chief executive officer, has over 25 years of experience in design, research and management in non-ferrous engineering and mining industry. Mr. Huang Shanfu, our executive Director and vice president, also has over 22 years of experience in the mining industry, particularly the copper mining industry. Our management team also includes professional managers with extensive experience in overseas mergers and acquisitions and related financing and risk management. Ms. Liang Yunxing, our executive Director and chief financial officer, has over 14 years of experience in financial management, risk control, investment, strategy development and mergers and acquisitions. Furthermore, we also employ various experienced mining experts to work on site to facilitate the development of the Toromocho Project. For example, Mr. Leo Hilsinger, who is in charge of the construction of the ore process facilities, has substantial experience in the mining industry and has managed and overseen the construction and EPCM services of various mining projects across the globe. Mr. David Thomas, who is in charge of the technical development of the Toromocho Project, including coordination with our EPCM contractor for the feasibility study, basic engineering, detailed engineering and construction, also has over 40 years of experience in the mining industry. Mr. Thomas has led or participated in the development of various mining projects in Ghana, Indonesia and Australia. Mr. Ezio Buselli, who is in charge of environmental services and

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community relations, has over 15 years of experiences in coordinating mining company's efforts in environmental compliance and community relations in Peru. Mr. Thomas Olsen, who is in charge of the operation of the Toromocho Project, has over 30 years of experience in the mining industry, and has led or participated in the development of various mining projects in the United States, Canada, Africa, South America and Australasia.

In addition, we have proposed to adopt an equity incentive plan designed to attract, retain and incentivize senior management and key employees with a view on encouraging the participants to commit to enhancing value for us and our shareholders, as a whole.

### OUR BUSINESS STRATEGIES

We aim to become a leading diversified resources company focusing on non-ferrous and non-aluminum mining projects outside of China by implementing the following strategies.

#### *Engage in strategic and selective acquisition to drive our growth*

We are a resource development company and intend to enhance and strengthen our existing mining portfolio through acquisitions and alliances. We plan to focus on acquiring or establishing alliances with non-ferrous and non-aluminum mines that are already producing or near production. We believe that investment opportunities will continue to be created by, among other things, (i) the privatization of mining companies, primarily in emerging markets, and (ii) the rebalancing of asset portfolios by other industry players. In addition to actively monitoring global mergers and acquisitions activities in connection with non-ferrous mining projects outside of China, we plan on seeking referrals from our connections with industry players and investment banks. Furthermore, we believe that we will be able to leverage Chinalco's extensive experiences in identifying viable acquisition and alliance targets. We plan on focusing on high-growth and low cost mining projects with long estimated mine lives. In particular, we plan to select our targets based on the following guidelines:

- In the short-term, we plan to prioritize on the acquisition of copper mining projects while assessing other non-ferrous and non-aluminum mining projects. In particular, we plan to prioritize investments in pre-feasibility mining projects with three to four million tonnes of copper in reserves and/or resources in the next two years. Approximately three to four years after commercial production at the Toromocho Project, we plan to focus on advanced-stage mining projects with approximately 6 million tonnes of copper in reserves and/or resources that are in or near production. We will also target mining projects that can provide strong operating cash flows; and
- In the mid- to long-term, we plan to expand our focus to include other non-ferrous and non-aluminum mines with the aim to become a leading diversified mineral resources company focusing on non-ferrous and non-aluminum assets outside of China.

Geographically, we plan to focus on South America in the next two years. We aim to capitalize on our local execution team's substantial experience in South America to create synergies. Upon commencement of commercial production at the Toromocho Project, we aim to further extend our reach to Africa and Asia (except China), particularly those countries or regions with whom China has established relationships.

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We plan to finance our expansion and acquisition primarily through the proceeds from the Global Offering as well as our future operating cash flow. In the near term, we plan to use approximately 30% of the net proceeds from the Global Offering to pursue selective targets. Starting in 2017, when we expect the Toromocho Project will generate sufficient operating cash flow, we plan to begin to utilize the cash flow generated from the Toromocho Project to finance our acquisition.

To maximize the synergies from our integration capability, as evidenced by the development of the Toromocho Project, and our collaboration with Chinalco, we intend to focus primarily on target where we can actively participate in the management and development of the mining project. Meanwhile, in the acquisition process, we will follow rigorous corporate governance standard to provide maximal protection to our shareholders, particularly our minority shareholders. In addition, compared to most other PRC companies, our overseas corporate structure allows us to access capital markets or other forms of financing more quickly and efficiently to support the execution of our growth strategy without having to obtain PRC regulatory approvals. While we are actively seeking suitable acquisition targets, we had not identified any definite acquisition target for expansion purposes as of the Latest Practicable Date.

### ***Ensure timely construction of mining and processing facilities at the Toromocho Project***

We have started the construction of our mining and processing facilities and target to complete the construction of these facilities in the fourth quarter of 2013. In particular, we have started the construction of our SAG mill/ball mill/flotation processing plant and transportation system in July 2011. We will continue to collaborate with reputable third-party contractors to ensure a timely and efficient construction process. We also plan to continue to maintain collaborative relationships with the local government and community to ensure a smooth project development. We believe that the further execution of the Toromocho Project development and construction plan will benefit from our comprehensive preparation work and timely execution of the preliminary stages.

### ***Optimize our operation and production capacities and further explore and develop potential mineral reserves***

We plan to commence production in the fourth quarter of 2013 and reach full production capacity in the third quarter of 2014. Our production processes are being developed and refined by our mining and technology experts and are expected to have low consumables and equipment costs and improved minerals recovery rates. All of these are essential for a cost efficient mining operation. We have also engaged in detailed feasibility studies and planning activities to efficiently utilize our potential mineral resources at the Toromocho Project. Based on the geological conditions of the adjacent area, we believe the Toromocho Project has a strong potential for future exploration. According to the Competent Person's Report, there are additional resources adjacent to the planned open pit, which are also covered by our mining concessions, and are estimated to contain approximately 2.7 million tonnes of copper, 92,000 tonnes of molybdenum and 5,200 tonnes of silver in measured, indicated and inferred JORC-compliant resources. We believe that we will be able to further explore and develop these resources once we complete the highway relocation plan in connection with the Toromocho Project. We are currently in discussion with and have submitted our proposed relocation plan to the MTC. If and when we receive approval from the MTC, we will commence a detailed engineering study, which we expect to complete in approximately four months.

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Apart from exploration of additional mineral resources, we plan to further devote substantial resources to economically and efficiently developing the Toromocho Project to optimize our operation and production and explore potential mineral reserves. In particular, we plan to procure additional equipment to increase our designed ore processing rate by approximately 26% to 148,000 tonnes per day.

### *Further leverage on our close relationship with Chinalco*

As Chinalco has positioned us as its core platform for the future acquisition, investment, development and operation of non-ferrous and non-aluminum mines overseas to complement its core mining business in China, we believe we will continue to benefit from Chinalco as a result of this relationship in terms of relevant technological, financial, operating and sales and marketing support from Chinalco. In particular, we plan to:

- Leverage Chinalco's extensive distribution network and enter into long-term offtake agreements with Chinalco or its affiliates on normal commercial terms on an arm's-length basis;
- Capitalize on Chinalco's strong connections in China to obtain support from its strategic partners, including infrastructure developers and equipment vendors;
- Benefit from Chinalco's strong brand recognition and reputation to obtain more acquisition opportunities;
- Leverage Chinalco's relationship with various equipment suppliers in China to procure our mining and processing equipment, and invite manufacturers based in China to join the competitive bidding process with other manufacturers to ensure a more favorable pricing;
- Integrate technology and management expertise to develop acquired mining projects in the future; and
- Benefit from Chinalco's collaborative relationships with the governments of the PRC and various other countries, which will increase the acquisition opportunities available to us and provide support for mining projects we acquire in the future.

### *Attract, motivate and develop talented and experienced staff*

We believe a key to our success is our ability to recruit, retain, motivate and develop talented and experienced staff members. In particular, we intend to:

- Continue to focus on the recruitment and cultivation of a high-quality and professional workforce in a competitive human resources market;
- Provide career development programs for our employees to enhance their professional knowledge and capabilities;
- Provide competitive compensation packages, including equity incentive plan; and
- Create a collegial culture that promotes our employees' personal and professional development.

### ***Promote corporate social responsibility***

We plan to continue to undertake international safety, environmental and social responsibility best practices during the construction and production stage of the Toromocho Project. We believe that maintaining high standards in workplace safety, environmental protection, social responsibility and cultural sensitivity is critical to our long-term success. We have built and are currently operating a water treatment plant at Kingsmill Tunnel, which resolved the contaminated water issue caused by other mining companies that has plagued the area for decades. Meanwhile, we plan to use the treated wastewater rather than fresh water from the Kingsmill Tunnel water treatment plant to supply the water for the Toromocho Project. As a result, we do not expect to utilize other water resources in the vicinity to supply the Toromocho Project. Furthermore, we completed the construction of a new town with infrastructure and public facilities for resettlement purpose, which we believe improves the living standards of local residents. Going forward, we plan to continue our dedication in reducing pollution from our operating and mining activities, improving the living standard of the Morococha community and maintaining high workplace safety standards.

### **OUR RESOURCE ACQUISITION APPROACH**

Leveraging Chinalco's experiences and expertise in acquiring mining projects outside of China, we have access to investment professionals with relevant overseas mining projects investment and acquisition experiences. We are also able to actively monitor global mergers and acquisitions activities in connection with the non-ferrous and non-aluminum mining projects outside of China. In addition, we have access to acquisition opportunities referred to us through our established connections with industry players and investment banks. In particular, we believe that as a result of our close collaboration with Chinalco and the preferential investment rights granted by Chinalco to us, we will enjoy a wide range of potential acquisition opportunities referred by Chinalco which would otherwise not be available.

We believe that our rigorous investment approach, extensive due diligence focus, global reach, substantial transaction and financing expertise and focus on operational oversight are all key factors in ensuring success in our future acquisition, investment, development and operation of mining projects outside of China. The following are some of our core investment principles:

- *Large Scale Mining Projects Focus.* We intend to prioritize on the acquisition of large scale mining projects with high-quality ore body and long estimated mine lives.
- *Low Cost Mining Projects.* To optimize our cash flow, we will prioritize on the acquisition of mining projects that enjoy a lower development cost, particularly mining projects that have access to readily available infrastructure, including power and electricity supply and transportation.
- *In or Near Production Copper Mining Projects.* Currently, we aim to focus on in or near production mining projects that can generate strong operating cash flow within a short period of time to improve our financial condition and to fund our future acquisitions.
- *Favorable Investing Environment.* To reduce operation risks and avoid excessive development costs, we will focus on South America in the short term, and expand our

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focus to include Africa and Asia (except China) later, particularly in countries or regions with whom China has established relationships and have a good background knowledge of local environmental, social, taxation and legal issues.

- *Diversifying Resources Portfolio.* In the long run, we intend to expand our resource portfolio beyond copper and seek to identify other non-ferrous and non-aluminum metal mining projects, so as to capitalize on China's growing demand for mineral resources.

## OUR EXPLORATION AND DEVELOPMENT OPERATIONS

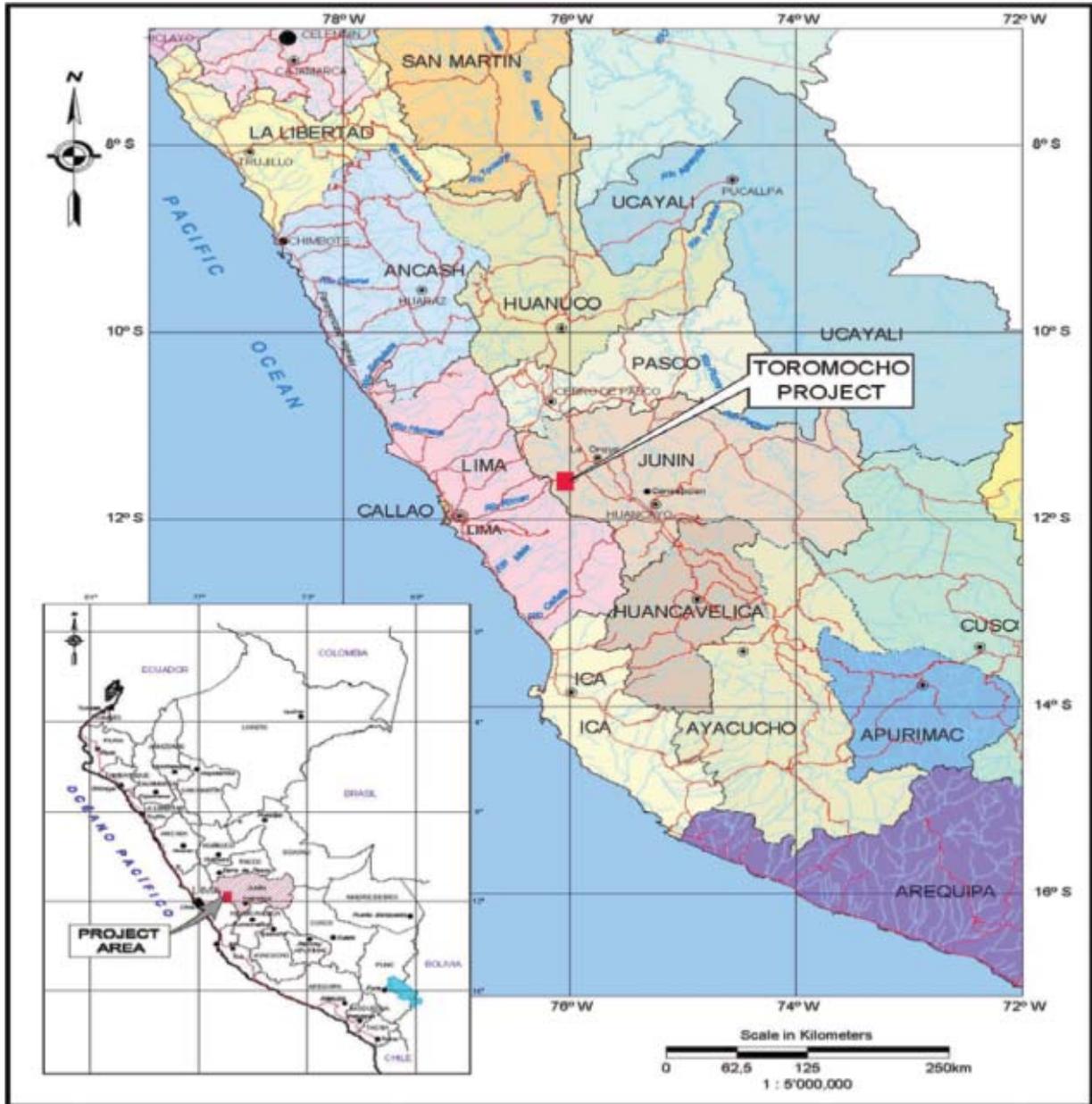
### The Toromocho Project

#### *Project Overview*

The Toromocho Project is located in central Peru in the Morococha mining district of the Yauli-La Oroya Province, Junin Department, and is approximately 140 kilometers east of Lima. The mining town of Morococha is roughly 2.5 kilometers away from the deposit at the Toromocho Project. A paved highway and railroad from Lima pass through Morococha. The region has steep topography with elevations over the deposit ranging from 4,700 meters to over 4,900 meters above sea level. The valleys in the area are of glacial origin.

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The following diagram illustrates the location of the Toromocho Project:



### *History of the Toromocho Project*

The Toromocho Project is located in the Morococha mining district, a traditional mining district in Peru. There has been gold and silver mining in this area since pre-Columbian times in the 16<sup>th</sup> century. The town of Morococha is a small Andean mining camp. A large part of the population at the town of the Morococha district and its vicinity work in the mining industry and are a potential source of skilled and experienced labor for the Toromocho Project.

The earliest recorded information on the mineral deposit at the Toromocho Project dates to 1928, when a low-grade copper zone was identified along the edge of the monzonite stock of the San Francisco peak along with several other low-grade blocks. Cerro de Pasco carried out an exploration

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program in the area from 1945 to 1955, the results of which indicated the presence of mineralization. In 1974, the properties were nationalized by the Peruvian government and transferred to Centromin, a state-owned mining company.

During the 1970's, Centromin continued exploration, carried out a drilling program, and started small-scale exploitation of the Toromocho Project deposit. In the 1990's, Centromin began the process of privatizing all of its assets. Exploitation of the Toromocho Project by Centromin ceased in October 1997.

In 2003, we began our exploration activities in the Toromocho Project and were granted the option to acquire certain full and partial interests held by Centromin in certain of the mining concessions and related assets of the Toromocho Project. We exercised in full the option in May 2008. See "History, Reorganization and Group Structure — History."

On March 9, 2009, Chinalco Peru and the MEM executed a Stability Agreement under which the Peruvian government granted Chinalco Peru stability in relation to its rights and benefits in taxation, royalty, foreign exchange and free marketing of its mineral products, among other things. See "History, Reorganization and Group Structure — History — Toromocho Project Major Contracts — Stability Agreement."

### *Mineral Reserves*

The majority of copper mineralization found in the Toromocho Project is in the form of chalcopryrite and chalcocite. Molybdenum and silver are also present. The Toromocho Project ore body outcrops on the surface at elevations of 4,600 meters to 4,800 meters. The copper ore body extends downwards to a flat "bottom" 500 meters to 600 meters below the surface.

According to the Competent Person's Report, the Toromocho Project deposit contains approximately 1,540 million tonnes of proved and probable ore reserves averaging 0.471% copper, 0.019% molybdenum and 6.86 grams of silver per tonne, conforming to the definitions of the JORC Code. These reserves contain an estimated 7.3 million tonnes of copper, 290,000 tonnes of molybdenum, and 10,500 tonnes of silver. In addition, it is estimated that an additional amount of mineral resources exist adjacent to the planned open pit consisting of approximately 520 million tonnes of measured and indicated mineral resources averaging 0.37% copper, 0.013% molybdenum, and 6.10 grams of silver per tonne and 174 million tonnes of inferred mineral resources averaging 0.46% copper, 0.015% molybdenum, and 11.54 grams of silver per tonne, conforming to the JORC Code.

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The following tables summarize our estimated ore reserves and mineral resources in respect of the Toromocho Project, as detailed in “Appendix IV — Competent Person’s Report.” As our estimated ore reserves and mineral resources come from different parts of the same ore body, they are presented separately.

JORC Ore Reserve Category	Tonnes (millions)	Grade			Metal Content		
		Copper (%)	Molybdenum (%)	Silver (grams/tonne)	Copper (million tonnes)	Molybdenum (tonnes)	Silver (tonnes)
Proved . . . . .	756	0.51	0.02	6.39	3.9	150,000	4,800
Probable . . . . .	784	0.434	0.018	7.31	3.4	140,000	5,700
<b>Total . . . . .</b>	<b>1,540</b>	<b>0.471</b>	<b>0.019</b>	<b>6.86</b>	<b>7.3</b>	<b>290,000</b>	<b>10,500</b>

JORC Measured and Indicated Mineral Resources Category	Tonnes (millions)	Grade			Metal Content		
		Copper (%)	Molybdenum (%)	Silver (grams/tonne)	Copper (million tonnes)	Molybdenum (tonnes)	Silver (tonnes)
Measured . . . . .	156	0.41	0.014	6.20	0.6	22,000	1,000
Indicated . . . . .	364	0.36	0.012	6.06	1.3	44,000	2,200
<b>Total . . . . .</b>	<b>520</b>	<b>0.37</b>	<b>0.013</b>	<b>6.10</b>	<b>1.9</b>	<b>66,000</b>	<b>3,200</b>

JORC Inferred Mineral Resources Category (Note)	Tonnes (millions)	Grade			Metal Content		
		Copper (%)	Molybdenum (%)	Silver (grams/tonne)	Copper (million tonnes)	Molybdenum (tonnes)	Silver (tonnes)
Inferred . . . . .	174	0.460	0.015	11.54	0.8	26,000	2,000

Note: Measured, indicated and inferred mineral resources are not included in the economic analysis in the Competent Person’s Report.

The mineral reserve estimate at the Toromocho Project has been generated by Independent Mining Consultants, Inc. (“IMC”), our contractor, using a standard 3D-block model approach based on the drill hole database for the property as of March 1, 2007. Behre Dolbear has used the 2007 resource model to spot check the accuracy of the modeling work and for compliance with reporting of mineral reserves as required under the JORC Code. In the Competent Person’s Report, Behre Dolbear has stated that it believes IMC has completed credible work in determining the resource model of the mineralization at the Toromocho Project. Behre Dolbear has also stated in the Competent Person’s Report that the project’s ore reserve statement is appropriate based on its review of the mineralized envelopes and the grade estimation methods.

As of the date of this prospectus, nothing has come to the attention of the Directors that would cause them to believe that the mineral resources and reserves vary in any material respect from the descriptions set forth in the Competent Person’s Report included in Appendix IV to this prospectus.

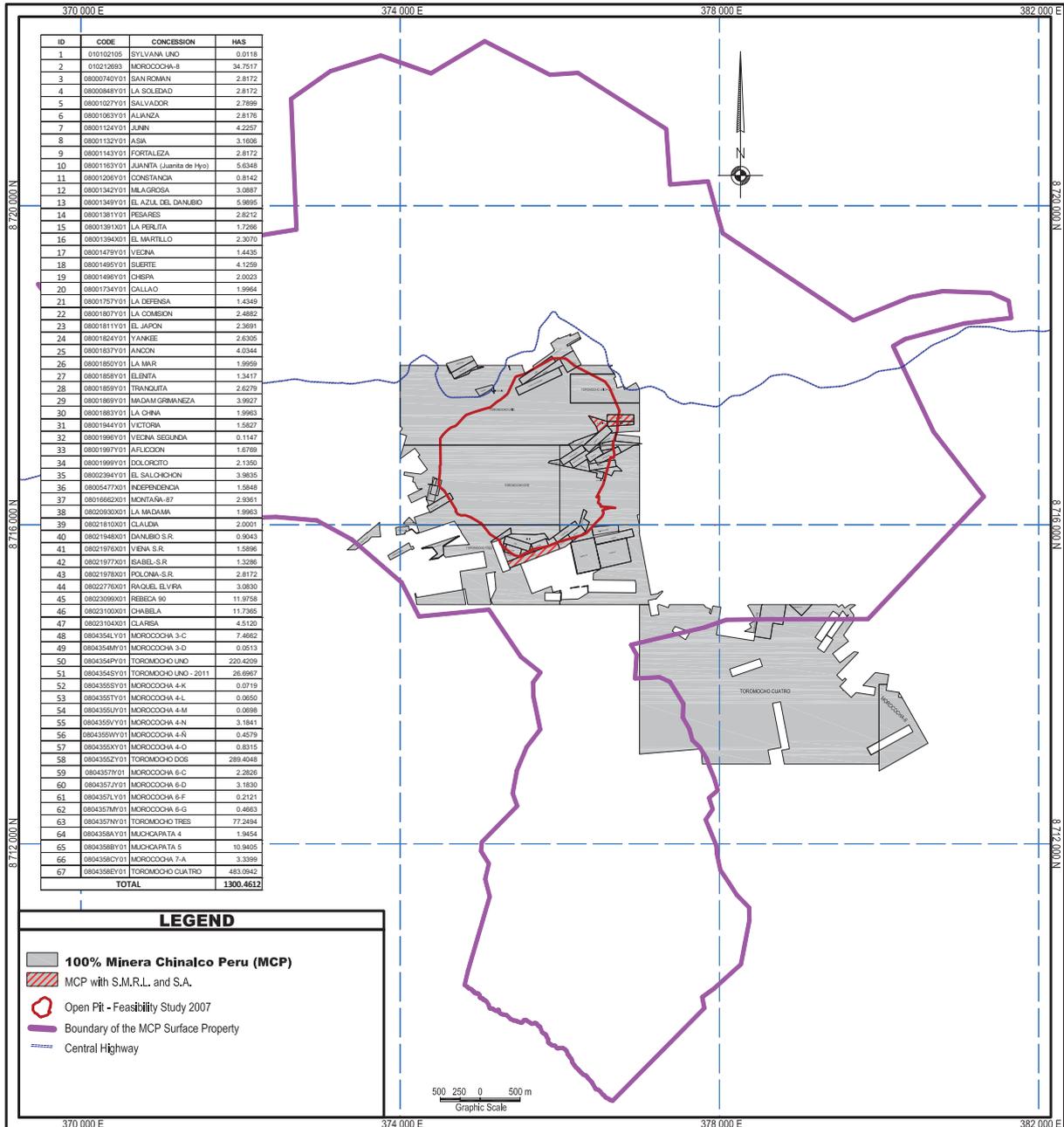
### ***Mining Concessions and Superficial Land Rights***

The Toromocho Project consists of a total of 67 key mining concessions, with registered superficial land rights covering 6,702.8 hectares. We consider these 67 mining concessions to be the Project’s key mining concessions because each of them is either within the designed open pit and essential for the mining activities or is located near the designed open pit and important for future expansion. 38 of these key mining concessions are covered by the Stability Agreement. We currently plan to prioritize the mining of the 38 key concessions covered by the Stability Agreement. 66 of these

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key mining concessions are wholly-owned by members of our Group. Meanwhile, one of the key mining concessions in the Toromocho Project is owned by Juanita, in which we hold a 50% equity interest. In April 2012, we executed a memorandum of understanding for the acquisition of the remaining 50% equity interest in Juanita, and we are in the process of negotiating a definitive contract for the acquisition. See “Appendix VI — Statutory and General Information — Mining Concessions” for further details.

Set forth below is a map showing the key mining concessions and our planned open pit:



A mining concession is required to carry out mining activities in Peru, except for sampling, prospecting and trading mining products and minerals. Concessions are granted for indefinite periods,

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subject only to termination. In particular, a mining concession grants holders the exclusive right to explore and exploit mineral resources within the area covered by the concession. These concessions may be for exploiting metal or non-metal substances. Holders are required to pay an annual validity fee of US\$3.00 per year per hectare. In addition, holders must meet a minimum annual production requirement, which is one Tax Unit per hectare per year for metal mining concessions and 10% of one Tax Unit for non-metal mining concessions prior to the eleventh year after the year of the granting of the mining concessions. The principal terms of the key mining concessions in connection with the Toromocho Project are consistent with the statutory provisions. See “Laws and Regulations Relating to the Industry — General — The Concession System.” We believe that the expected production volume of the Toromocho Project will satisfy the minimum production requirements for the key mining concessions in connection with the Toromocho Project within the time required if we commence production according to the planned timetable.

Two large mining companies, Pan American Silver and Austria Duvaz, currently hold property and mining concessions adjacent to the Toromocho Project and operate small underground mines. There are also several smaller companies which hold concessions adjacent to the Toromocho Project.

We signed a share purchase agreement in October 2006 with Austria Duvaz, which granted us an exclusive option to acquire the Morococha mining concessions, surface area rights and assets of Austria Duvaz. Pursuant to this agreement, we gained 100% control of Centenario and its stake in 26 concessions located in the Morococha mining district.

As advised by Rebaza, Alcázar & De Las Casas Abogados Financieros, our Peruvian legal advisor, we are entitled to explore and exploit the reserves in the areas covered by all of the key mining concessions, provided that we pay the applicable taxes and/or royalties. We hold valid and current rights to use, for the purpose of developing a mining concession, substantially all of the superficial land, which is required to develop the Toromocho Project and these rights cover all the superficial area of the 67 key mining concessions. Meanwhile, any third party rights to the mining concessions or superficial land rights contained within the Toromocho Project will not adversely impact the Company’s ability to explore and develop the Toromocho Project.

Rebaza, Alcázar & De Las Casas Abogados Financieros has further advised us that we have obtained, and are in compliance with, all requisite licenses, concessions, permits, authorizations, filings, registrations or other permits necessary for the current stage of the development to conduct mining activities at the Toromocho Project. We submitted to the MEM our application for the mining plan permit for the Toromocho Project on March 12, 2012 and have received feedback from the MEM in June 2012. The feedback from MEM requested us to provide additional information and make further clarification on the location, scope and design of the main facilities, including the open pit, the waste dumps, the ore concentrator, the new town and the tailing dam. We do not believe these requests to be major issues. In preparation to respond to the MEM’s requests, we have prepared additional maps, completed additional geological and hydrological studies and gathered additional design details of the main facilities. We do not believe there is any difficulty in filing a response to address the MEM’s requests. We believe that the time and effort we spent to respond to the feedback is reasonable judging by the industry standard in Peru. In January 2013, we filed a revised mining plan with a valid term of seven years in response to the MEM’s feedback. We determined to file a mining plan for a

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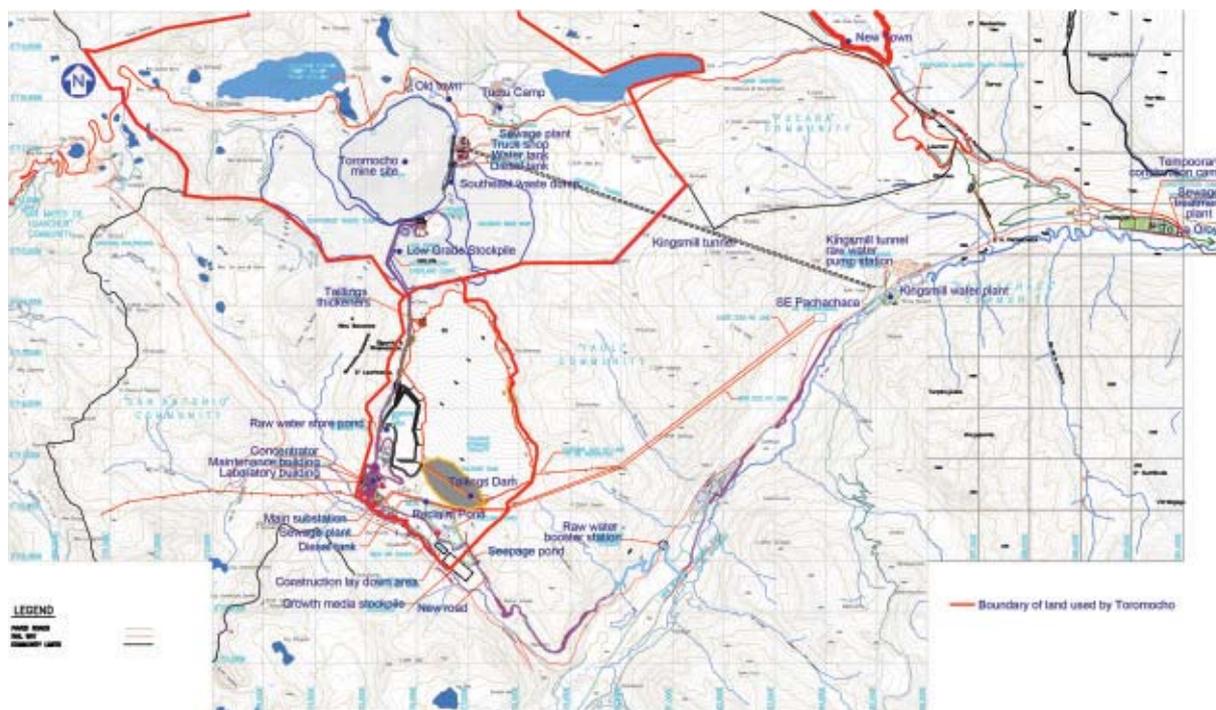
shorter term instead of for the full mine life to expedite the approval process by MEM. We plan to commence production under the mining plan permit for a shorter term and then apply for the mining plan permit covering the full mine life. We expect to receive the mining plan permit in the first quarter of 2013. This permit is required to begin our mining activities at the Toromocho Project. We intend to submit the application for the mining operation certificate after we obtain the mining plan permit. The mining operation certificate is required to purchase and use explosives in our mining activities. Upon the completion of our construction activities at the Toromocho Project, we intend to submit the application for the production permit which is required before we commence production. We expect MEM to grant the approval within approximately four months. In addition, we are in the process of obtaining permits in connection with (i) the use of water and (ii) inspection and verification of construction of the facilities. We expect to receive these permits upon the completion of our construction work. These permits are required to process the minerals mined at the Toromocho Project. As advised by Rebaza, Alcázar & De Las Casas Abogados Financieros, there are no legal impediments to our obtaining the necessary licenses and permits for commercial production at the Toromocho Project and we should not be required to make any significant payment to obtain these licenses and permits.

### *Products*

Upon commencement of production at the Toromocho Project, our principal products will be copper concentrates (with silver content as credit) and molybdenum oxide as by-product.

*Infrastructure*

Current infrastructure support for the Toromocho Project includes power lines, a paved highway and railway connections. Buildings for administration personnel housing and office facilities, a mine truck shop, and maintenance work will be constructed to provide facilities for the administration and maintenance staff. In addition, facilities will be constructed to house analytical and metallurgical laboratories, reagent storage, fueling stations and explosives storage. The following diagram illustrates the locations of our infrastructure and mine site:



*Transport.* The Toromocho Project can be accessed through the paved central highway or the central railway, both of which connect the Morococha mining district to Lima. The center of the Toromocho Project deposit is approximately 2.5 kilometers from the town of Morococha. The distance from Lima to Morococha is approximately 142 kilometers by highway and approximately 173 kilometers by railroad. As required by Peruvian regulation, we are undertaking a relocation of the central highway. The central highway will need to be diverted for approximately 10 kilometers in the vicinity of the open pit to maintain a safe distance away from the pit wall. We are currently in discussion with and have submitted our proposed relocation plan to the MTC. Our proposal to the MTC included the construction of a third ascending lane, and straightening and widening the current highway to support a travel velocity of 60 km/hr as compared with the 35 km/hr rate for the existing highway. Upon our receipt of approval from the MTC, we will commence the detailed engineering study, which we expect to complete in approximately four months. The current estimated cost for the relocation of the central highway is approximately US\$70.0 million. As of the date of this prospectus, we have not incurred any costs in connection with the highway relocation plan.

Copper concentrates and molybdenum oxide can be transported from the mine site to the Callao port via the existing railroad. In its current condition, the railway is estimated to have sufficient

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capacity to transport the commodities produced by the Toromocho Project and will be used for the delivery of consumables such as diesel fuel, mill balls, and reagents to the Toromocho Project site. The railroad is owned by the Peruvian government but is operated under a 15-year concession agreement with Ferrocarril Central Andino S.A. A one kilometer spur connecting the Toromocho Project mine site to the existing rail line has been constructed. Another six rail lines in the yard at the mill and a traveling bridge crane for loading and unloading are to be constructed and we have included the relevant cost estimate of approximately US\$10 million in our total required capital cost estimate. We expect the construction of these rail lines to be completed by mid 2013.

In September 2010, we invested in the newly incorporated Transportadora Callao, acquiring 7% of the equity interest in it. See “History, Reorganization and Group Structure — History — Toromocho Project Major Contracts — Investment in Transportadora Callao S.A.” We have separately contracted Cormin Callao S.A.C. to receive, handle and warehouse the copper concentrates from the Toromocho Project for shipment at the Callao port. In addition, Transportadora Callao started the construction of a specialized transfer conveyor belt, ship loading facility and dock at the port of Callao for copper concentrates in the first quarter of 2012. Construction of these facilities is expected to last 18 months, and the specialized dock is expected to have a capacity to process approximately 3 million tonnes of cargo per annum upon its completion. The specialized dock will contain a conveyor belt to load the copper concentrates onto ships from various points at the Callao port, including from the Cormin warehouse where the copper concentrates from the Toromocho Project will be stored. As a result of the above, we have secured use of the dock at the Callao port to warehouse and load our cargo for transshipment.

Going forward, we plan to negotiate the allocation of the transportation costs of our products with our future customers.

*Power.* The Morococha mining district currently has electricity supply sufficient to power the camp and the Kingsmill Tunnel water treatment plant. The main power supply for the Toromocho Project will be from Pomacocha, which has sufficient capacity to power the Toromocho Project. The route from the Pomacocha substation to the main substation at the Toromocho Project parallels the Rio Yauli Valley on a southeast to northwest direct path to the Toromocho Project main substation. We have received authorization from the National Interconnected System Economic Operation Committee in April 2009 to use up to 240 MW of electricity per annum for the Toromocho Project. We have contracted with Edegel S.A.A., a power generation company, to maintain and supply all of the electric power from the Pomacocha substation needed by the Toromocho Project and for potential future expansion nearby at a price of US\$0.052/kW per hour.

The Toromocho Project’s main substation will consist of a 220 kV double bus arrangement that will allow for primary selective redundancy and maintenance scheduling. The main transformers will have 220 kV primary and 69 kV secondary sections. The overhead 69 kV will be distributed from the main substation via four main circuits in a primary selective scheme. Two parallel 69 kV circuits will be routed to the concentrator and the other two 69 kV circuits will be routed to the Toromocho Project.

Electricity will be supplied through an upgraded 220 kV substation near Pomacocha. We will add additional bays to the existing substation to accommodate new power feeders to support the

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expected power needs of the Toromocho Project. A new nine kilometer, double-circuit overhead transmission line will be installed and routed from the Pomacocha substation to the main substation at the mine site, and is expected to be ready in the first quarter of 2013. This new transmission line is expected to deliver 220 MW on either circuit.

Electricity is available from Pomacocha for the Kingsmill Tunnel water treatment plant and a separate 23 kV power line from Toromocho to the Kingsmill Tunnel will be used to supply power for the water pumping stations.

*Water.* We estimate the total water needed for the Toromocho Project for an average year will be approximately 8.65 million cubic meters. We expect to have a sufficient water supply from the Kingsmill Tunnel, which was previously constructed to drain mine water from the historic mine sites in the Toromocho peak area, and has a continuous water flow throughout the year that varies depending on the time of the year. The Kingsmill Tunnel intercepts nearly all groundwater in the mine site area. The tunnel inlet is located near the mine pit. The tunnel currently discharges into the Rio Yauli approximately 8 kilometers to the east of the site at an elevation of 4,000 meters above sea level. The Kingsmill Tunnel water treatment plant is expected to provide sufficient water to support the operations at the Toromocho Project, with an estimated flow rate of approximately 3,500 cubic meters per hour and up to a designed feed rate of approximately 5,000 cubic meters per hour. As a result, we do not expect to utilize other water sources in the vicinity to supply the Toromocho Project.

We have constructed the Kingsmill Tunnel water treatment plant to treat the tunnel discharge to reduce acidity and metal content. Wastewater from other mines in the vicinity has been diverted to the water treatment plant. The operation of the water treatment plant is currently paid for and operated by us. The treated water will flow to the raw water pump station, which will pump it to the raw water pond. The pond will be located in the general concentrator area, and the pond will supply water to the concentrator plant and the fire protection system. The pond surface will be at an elevation of 4,645 meters above sea level. According to our estimates, only 50% of the Kingsmill Tunnel water will be required to meet the needs of the Toromocho Project. We have entered into an agreement with the local Peruvian government to obtain the rights to the treated water from the Kingsmill Tunnel.

We have obtained appropriate licenses and/or authorizations for the use of water from the National Water Authority of Peru at the Toromocho Project for the current stage of its development. We intend to submit the application for the license of the water to be used in our mining and production activities upon the completion of our construction activities, which is the prerequisite of applying for the water license. We do not foresee any impediment in obtaining the license. According to the Peruvian Water Law, the primary causes for termination of water licenses and/or authorizations for water use are (i) the failure to efficiently use the water for the purposes and under the terms and conditions foreseen in the corresponding licenses and/or authorizations, (ii) the failure to pay for two consecutive years the corresponding fees to the government under such licenses and/or authorizations and (iii) the failure to use the water infrastructure under proper maintenance standards.

*Sewage Treatment.* Packaged sewage treatment plants have been provided for the accommodation camp, the administration building, the mine truck shop building and the concentrator plant. Treated sewage from the construction camp will meet all discharge requirements and will be

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reused, treated sewage from the administration building and the truck shop will be disposed of onsite, treated sewage from the concentrator will be reused.

*Fire Protection.* Separate fire protection systems will be installed at the mine area, the process area and the camp area. Each area will be provided with a fire fighting system consisting of a water supply reservoir, pumping equipment, water distribution piping and hydrants. Water for the process area will be supplied from the raw water pond by gravity flow.

*Camp.* A construction camp is located adjacent to the concentrator construction site. The construction camp will initially house up to 6,000 construction workers.

*Warehousing.* Warehousing will be located in the maintenance shop building adjacent to the concentrator. Other supply inventories will also be contained in the fuel stations, reagent building, explosives storage, and mine truck shop.

*Mine Truck Shop.* The mine truck shop will be located east of the open pit and contain four drive-through bays, each with two truck service stations, so that up to eight trucks can be serviced at any one time. The truck shop building, outside storage facilities and work areas, parking, and open space, otherwise available for truck servicing, will cover an area adequate to house any vendor supplied services, such as tire repair and equipment maintenance.

Diesel fueling stations will be located near their respective fuel storage tanks in the vicinity of the mine truck shop. The fuel storage tanks will be above ground and have berms to contain any spillage of fuel.

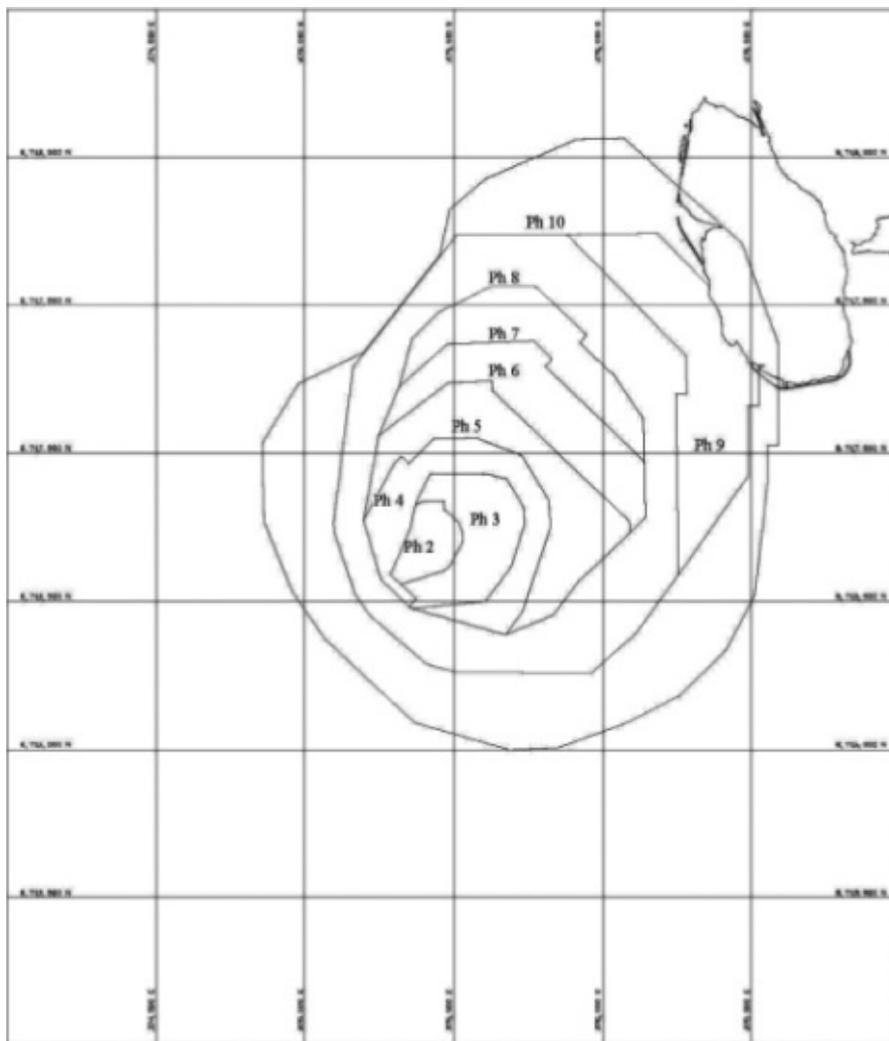
### ***The Open Pit Design***

The open pit mining at the Toromocho Project has been designed to take place in 10 phases in order to allow a practical mine production schedule. Phases are practical expansions of a pit that incorporate proper equipment operating room, working geometries, and access roads.

The mine will never look like any single phase until mining is complete. This is because multiple phases will always be in progress at any point of time. For example, while ores are being produced from phase 1, waste stripping will be progressing on phase 2 or even phase 3 to assure that the ores in those phases are released prior to completion of ores mining in phase 1. The phase designs at the Toromocho Project are generally wider than 130 meters due to the large equipment sizes and high production rates that are contemplated. The haul road criteria for the phase designs is 10% of gradient and a width of 30 meters, including ditch and berm.

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The size of phase 1 will be adjusted until there are roughly 18 to 20 months of ores available in the phase. The intent behind this planning is to minimize the amount of pre-production stripping required but provide sufficient ores in case there are delays in advancing to phase 2. The diagram set forth below illustrates the phase sequence:



### *Development Plan*

We expect to commence production at the Toromocho Project in the fourth quarter of 2013. The Toromocho Project will consist of an open pit mining operation with daily ore processing capacity estimated to reach approximately 117,200 tonnes and a strip ratio estimated to reach 0.79:1. We plan to employ a SAG mill/ball mill/flotation processing plant that is standard for the industry, with a designed average daily production capacity of 1,838 tonnes of 26.5% copper concentrates over the 36 years life of the mill and a separate molybdenum hydrometallurgical plant with a designed average daily production capacity of 25.1 tonnes of molybdenum per day over the life of the mill. Based on the planned production capacities described above, the Toromocho Project has an estimated mine life of 32 years and an estimated production life of 36 years.

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We started the construction of the processing mill and the transport system after we received the construction permit in July 2011. We expect to complete the construction in the fourth quarter of 2013.

We currently estimate that the total capital and operating expenditure for the development of the Toromocho Project will amount to approximately US\$3.5 billion. In 2009, 2010, 2011 and the nine months ended September 30, 2012, our capital expenditures paid in connection with the Toromocho Project amounted to US\$142.4 million, US\$372.9 million, US\$712.0 million and US\$771.5 million, respectively. As of September 30, 2012, we had incurred approximately US\$2.0 billion of capital and operating expenditure for the development of the Toromocho Project.

Set forth below are the details of our plan as of the Latest Practicable Date to reach commercial production:

<u>Activities</u>	<u>Development Status</u>	<u>Expected Timeline</u>	<u>Estimated Cost</u>
<b>Obtaining approvals and permits</b>	<ul style="list-style-type: none"> <li>● <b>Mining Plan Permit.</b> We submitted to the MEM our application for the mining plan permit for the Toromocho Project on March 12, 2012 and have received feedback from the MEM in June 2012. The feedback from the MEM requested us to provide additional information and make further clarification on the location, scope and design of the main facilities, including the open pit, the waste dumps, the ore concentrator, the new town and the tailing dam. We do not believe these requests to be major issues. In preparation to respond to the MEM's requests, we have prepared additional maps, completed additional geological and hydrological studies and gathered additional design details of the main facilities. We do not believe there is any difficulty in filing a response to address the MEM's requests. We believe that the time and effort we spent to respond to the feedback is reasonable judging by the industry standard in Peru. We filed a revised mining plan with a valid term of seven years in January 2013 in response to the feedback. We determined to file a mining plan for a shorter term instead of for the full mine life to expedite the approval process by the MEM. We plan to commence production under the mining plan permit for a shorter term and then apply for the mining plan permit covering the full mine life. The mining plan permit is required to begin our mining activities at the Toromocho Project.</li> <li>● <b>Mining Operation Certificate.</b> We intend to submit the application for the mining operation certificate after we obtain the mining plan permit. This certificate is required to purchase and use explosives in our mining activities.</li> </ul>	<ul style="list-style-type: none"> <li>● <b>Mining Plan Permit.</b> MEM approval expected in the first quarter of 2013.</li> <li>● <b>Production Permit.</b> MEM approval expected in the fourth quarter of 2013.</li> <li>● We must obtain all of these approvals and permits before we commence commercial production.</li> </ul>	N/A

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Activities	Development Status	Expected Timeline	Estimated Cost
	<ul style="list-style-type: none"> <li>● <b>Production Permit.</b> We intend to submit the application for the production permit upon the completion of our construction activities at the Toromocho Project. The production permit is required before we commence production.</li> <li>● <b>Water License.</b> We intend to submit the application for the license for the use rights for water to be used in our mining and production activities upon the completion of our construction activities, which must be completed in advance of applying for the water license.</li> <li>● <b>Inspection and verification.</b> We expect to finish the inspection and verification of our facilities upon the completion of our construction work, which is a prerequisite of applying for the inspection and verification.</li> </ul>		
<b>Construction of new town and resettlement</b>	<ul style="list-style-type: none"> <li>● We finished the construction work for a new town in the third quarter of 2012, for the approximately 3,200 residents of Morocochoa to be resettled, including infrastructure such as the water delivery and electricity transmission systems and a sewage system.</li> <li>● The resettlement process began in the fourth quarter of 2012.</li> <li>● A series of complementary construction, including access roads, water treatment plant and other out of town infrastructure was completed in 2012.</li> <li>● Based on our current mining plan, the pit will not extend to the location of the town of Morocochoa until 2021. As a result, the commencement of commercial production at the Toromocho Project is not subject to the completion of the resettlement.</li> <li>● The resettlement plan is being carried out with participation by the affected community and is subject to acceptance by the community.</li> <li>● As of September 30, 2012, we had incurred approximately US\$216.5 million of expenses in relation to the construction of the new town.</li> </ul>	<ul style="list-style-type: none"> <li>● We intend to substantially complete the resettlement process and relocate all the residents who have signed the resettlement agreement by the first quarter of 2013 and further negotiate with the remaining residents in order to complete the resettlement.</li> </ul>	Approximately US\$260 million
<b>Pre-production stripping</b>	<ul style="list-style-type: none"> <li>● We plan to start the stripping activities prior to the commencement of our commercial production.</li> <li>● The proposed pre-stripping is estimated to expose eight months worth of ores for production.</li> </ul>	<ul style="list-style-type: none"> <li>● We intend to start pre-production stripping in the first quarter of 2013.</li> </ul>	Approximately US\$86 million

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<u>Activities</u>	<u>Development Status</u>	<u>Expected Timeline</u>	<u>Estimated Cost</u>
<b>Processing plants and facilities</b>	<ul style="list-style-type: none"> <li>● Our processing facilities will include a copper concentrator and a molybdenum hydrometallurgical plant.</li> <li>● Costs related to mechanical and electrical engineering and earth works will account for the majority of the costs relating to the construction of the processing facilities.</li> <li>● As of September 30, 2012, we had incurred expenses of approximately US\$1,208.1 million for the processing plant and infrastructure.</li> </ul>	<ul style="list-style-type: none"> <li>● Mechanical construction of concentrator and molybdenum hydrometallurgical plant is expected to be completed in the fourth quarter of 2013.</li> </ul>	Approximately US\$1,840 million plus a contingency of approximately US\$33 million
<b>Pre-commissioning</b>	<ul style="list-style-type: none"> <li>● We expect to start to pre-commission the main electrical substation in the second quarter of 2013.</li> <li>● We expect to start to pre-commission the concentrator, non-processing facilities and the molybdenum hydrometallurgical plant during the third quarter of 2013.</li> </ul>	<ul style="list-style-type: none"> <li>● We expect to finish all of the pre-commissioning in the fourth quarter of 2013.</li> </ul>	N/A
<b>Commercial production</b>		<ul style="list-style-type: none"> <li>● We expect to commence commercial production in the fourth quarter of 2013.</li> </ul>	N/A
<b>Reach full production capacity</b>		<ul style="list-style-type: none"> <li>● We expect to reach full production capacity in the third quarter of 2014.</li> </ul>	N/A

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Set forth below is an estimated timetable for the key milestones of the construction stage of the Toromocho Project:

	2010		2011				2012				2013				2014			
	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	
<b>Permit and Approval</b>																		
EIA approved by Mining Council of MEM																		
Obtaining Construction Permit																		
Obtaining Mining Plan Permit																		
Obtaining Production Permit																		
<b>Pre-production Schedule</b>																		
Completion of detailed engineering																		
Completion of new town																		
Substantial completion of resettlement																		
Start pre-production stripping																		
Mechanical completion of processing plants – Concentrator and Mo Hydromet																		
Start pre-commissioning																		
Completion of pre-commissioning																		
<b>Production Schedule</b>																		
Starting commercial production																		
Reach full production capacity																		

### *Estimated Capital Cost*

Our estimated total capital costs consist of mining costs, processing plant and infrastructure costs, the owner's cost and contingency. Pursuant to general accounting principles, the estimated costs will not be included in our financial statements until the costs are incurred or provided for. As of September 30, 2012, we had incurred approximately US\$2.0 billion of capital and operating expenditure for the development of the Toromocho Project. Going forward, we expect to satisfy our capital requirements with our credit facilities, our cash and cash equivalents, and the net proceeds from the Global Offering. As of September 30, 2012, our cash and cash equivalents amounted to US\$191.0 million, and US\$320.0 million of our US\$2.0 billion credit facility from Eximbank remained unused. We have also obtained a credit facility of US\$83.0 million, which has not been utilized until October 2012, from China Development Bank. We made the first drawdown of US\$30.0 million in October 2012 and the second drawdown of US\$53.0 million in November 2012. In December 2012, we obtained a credit facility of US\$35.0 million from China Development Bank, which was fully drawn down by us in the same month. Furthermore, we are in the process of negotiating additional credit facilities with an aggregate amount of US\$239.0 million with China Development Bank and additional credit facilities with an aggregate amount of US\$419.0 million with Eximbank. Both China

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Development Bank and Eximbank have issued memorandum to indicate their present commitment to provide the financing. We also plan to allocate approximately 30% of the proceeds from this Global Offering to fund the future capital requirements of the Toromocho Project including commissioning the production facilities and ramping up production capacity. Furthermore, we plan to allocate approximately 10% of the proceeds from the Global Offering for our working capital, part of which will be used as the working capital in connection with the Toromocho Project. Lastly, a portion of the remaining capital expenditure required for the Project does not need to be made before we commence commercial production, and we intend to use operating cash flows from our production to fund this portion of the expenditure. The total capital cost estimation as disclosed in the Competent Person's Report included in Appendix IV to this prospectus was based on the detailed engineering study completed in the second quarter of 2012. As of September 30, 2012, we have already contracted substantially all of the key equipment and services.

Set forth below is our estimated total capital costs based on the Competent Person's Report and the costs incurred as of September 30, 2012:

	<b>Competent Person's Report</b>	<b>Costs incurred as of September 30, 2012<sup>(1)</sup></b>
(US\$ in millions)		
Mining .....	297.4	72.9
Process Plant and Infrastructure .....	1,839.5	1,208.1
Owner's Cost <sup>(2)</sup> .....	626.2	400.7
Additional Projects <sup>(3)</sup> .....	<u>622.6</u>	<u>355.4</u>
<b>Subtotal</b> .....	<b><u>3,385.6</u></b>	<b><u>2,037.1</u></b>
Contingency		
Mining .....	6.1	—
Process and Infrastructure .....	32.4	—
Owner's Cost .....	<u>22.0</u>	<u>—</u>
<b>Subtotal</b> .....	<b>60.5</b>	<b>—</b>
Working Capital .....	<u>56.0</u>	<u>—</u>
<b>Total</b> .....	<b><u>3,502.1</u></b>	<b><u>2,037.1</u></b>

Notes:

- (1) The costs incurred were accounted as cash used in operating activities and cash used in investing activities.
- (2) Owner's cost consists of costs associated with force majeure events, project insurance, social outreach, contract services, licenses and royalties, financial costs, taxes, exchange rate fluctuations, commissioning and pre-operational costs and acquisitions of property.
- (3) Additional projects consist of the costs incurred in relation to the lime processing plant, Kingsmill Tunnel water treatment plant, double circuit overhead transmission line, central highway relocation, investment in the Callao port, acquisition of certain mining concessions from Pan American Silver with the relevant financing interest, new town construction and resettlement.

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### *Mining Costs*

Our estimated capital costs for mining include the cost of mine equipment and the cost of pre-production development, pre-production stripping, as well as contingencies. Set forth below is the estimated capital costs for mining at the Toromocho Project:

	<b>(US\$ in millions)</b>
Pre-Production Stripping .....	85.7
Mining Equipment .....	176.8
Support Mining Equipment .....	34.9
Contingency .....	6.1
<b>Total</b> .....	<b>303.5</b>

Our pre-production development costs include costs for the construction of the crusher access road, pit initial access road and roads for alluvium/tails removal and the costs for alluvium/tails removal. Our pre-production stripping costs include the costs for stripping of ores before we commence production. We plan to expose eight months worth of ores for our production activities.

Our mining equipment includes blast hole drills, cable shovels, haul trucks, track dozers, wheel dozers, motor graders, water trucks and wheel loaders. Our mine equipment has been specifically selected to meet the production requirements of the Toromocho Project. The major mining equipment selected by us is of the highest worldwide quality, including Caterpillar mining equipment, Bucyrus electrical shovels (recently acquired by Caterpillar), LeTourneau wheel loaders, and Atlas Copco drills. The size and type of the mining equipment is consistent with the planned production scale of the Toromocho Project. For example, electric cable shovels, with 35.2 cubic-meter dippers are paired with 345-tonne haul trucks to meet the total annual production target of 95 to 99 million tonnes per year.

### *Process Plant and Infrastructure Costs*

Our capital costs for process plant and infrastructure consist primarily of costs to construct the processing facility, including an ore crushing plant, a low grade stockpile, a grinding circuit and a concentrate thickener. Costs related to mechanical and electrical engineering and earth working account for the majority of the costs relating to the construction of the processing facility.

### *Owner's Costs*

The owner's costs include costs associated with force majeure events, project insurance, social outreach, contract services, licenses and royalties, financial costs, taxes, exchange rate fluctuations, commissioning and pre-operational costs, as well as acquisition of property.

### *Additional Projects*

Our estimated costs for additional projects include costs for the relocation of the central highway are estimated to be approximately US\$70 million, and the costs associated with the development of a limestone quarry and a lime production plant are estimated to be approximately US\$100 million. Estimated costs for additional projects also included the costs associated with the

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development and operation of the Kingsmill Tunnel water treatment plant, the costs for the construction of the double circuit overhead transmission line and the costs for acquisition of certain mining concession from Pan American Silver in our estimated capital costs. In addition, to fund the additional expenditure, we are in the process of negotiating additional credit facilities and the anticipated applicable interest from that loan has been included in our estimation.

### *Estimated Operating Cost*

Our estimated operating cash costs for the Toromocho Project consist of mine operating costs, operating costs for the concentrator, molybdenum hydrometallurgical plant and infrastructure, general and administrative costs and our royalty payments to Centromin. Our mine operating costs include all the supplies, parts and labor costs associated with the mine supervision, operation and equipment maintenance. According to the estimation in the Competent Person's Report, which was based on the 2007 feasibility study with subsequent adjustments, the estimated average annual operating cash costs for the Toromocho Project is approximately US\$444.0 million from 2013 to 2049 and approximately US\$16.4 billion over that time period in total.

Set forth below is a breakdown of our estimated average annual operating cash costs for the Toromocho Project from 2013 to 2049. See "Appendix IV — Competent Person's Report" in this prospectus for further details.

Average Annual Operating Cash Costs from 2013 to 2049		
	Per unit cost (US\$)	Cash cost (US\$ in thousands)
<b>Mining ores and waste</b> .....	1.66 (per tonne of material moved)	118,942
<b>Reclaim from stockpile</b> .....	0.89 <sup>(1)</sup> (per tonne of stockpile moved)	4,516
<b>Processing (milling)</b> .....	5.28 (per tonne of ores milled)	219,817
<b>Molybdenum plant</b> .....	3,612 (per tonne of moly oxide produced)	18,535
<b>Processing infrastructure</b> .....	0.06 (per tonne of ores milled)	2,498
<b>Processing G&amp;A</b> .....	1.42 (per tonne of ores milled)	59,117
<b>Centromin royalty</b> .....	—	20,568
<b>Total</b> .....		<b>443,993</b>

<sup>(1)</sup> Not applicable from 2013 to 2044

Based on the current estimation as detailed in "Appendix IV — Competent Person's Report," income generated by the Toromocho Project will exceed the operating costs starting from January 2014, which is the first full year of production.

### *Production Process and Facilities*

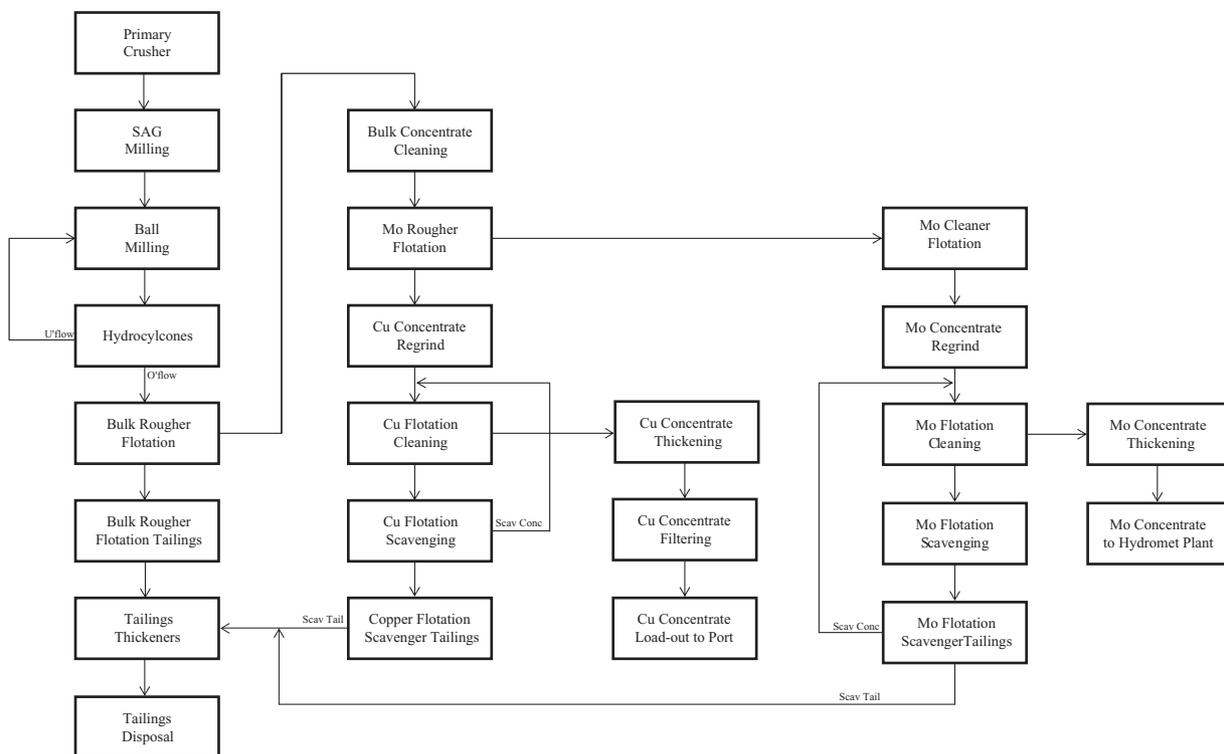
*Mining Process.* The majority of copper mineralization at the Toromocho Project is in the form of chalcopyrite and chalcocite. Molybdenum and silver are also present in the mineralization. We expect the Toromocho Project to deliver approximately 117,200 tonnes per day, or 42,778 kilotonnes per year, of sulfide flotation ores to the primary crusher and generally move approximately 260,274 tonnes per day, or 95,000 kilotonnes per year, of total material to assure sustained availability of the mill ores.

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The Toromocho Project will be mined using conventional hard rock open pit methods using drilling, blasting, loading and hauling techniques. The extracted ores and waste will be loaded to rigid frame trucks, hauled from the open pit and processed by the primary crusher and process plant, which includes crushing, grinding and flotation. Auxiliary equipment, such as track dozers, wheel dozers, graders, water trucks, front-end loaders, a secondary rock drill and backhoe excavator will be deployed to maintain good working order of the Toromocho Project so that the drilling, loading, and hauling equipment can work safely and efficiently.

We also plan to employ a molybdenum processing technique that applies a hydrometallurgical/pressure oxidation circuit for molybdenum recovery. Our hydrometallurgical/pressure oxidation plant is scheduled for completion and pre-commissioning in the third quarter of 2013.

The following chart illustrates the major steps of the production process at the Toromocho Project:



- **Mining.** Explosives are used to allow ores to be mined. Large tonnage, heavy duty trucks haul the ores to the crushing plant for crushing, to stockpiles for processing at a later date or to waste dumps for disposal.
- **Crushing.** The ores are fed to a crusher where the ores are crushed at the required rate and at a size suitable for grinding in the SAG mill.
- **Grinding.** Grinding is accomplished by using a SAG mill in a closed circuit with a screen and pebble crusher, followed by closed-circuit ball milling with cyclone

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classification. The purpose of the grinding process is to reduce the size of the ore particles which allows liberation and recovery of the sulfide minerals through flotation techniques.

- *Flotation.* Flotation processing operations consist of a number of flotation cells. Flotation cells normally have three associated slurry streams. These streams are called feed, concentrate, and tailings. The feed stream enters the cell and is treated to recover the valuable minerals. The concentrate stream is where the valuable minerals are collected. The tailings stream contains what is left after the valuable minerals are collected and recovered. Reagents are added to facilitate the process whereby the minerals “attach” to the bubbles produced in the flotation cell, and carry-over the cell lip as a concentrate. The material that does not float is the tailing.
- *Tailings Plant.* The tailing from the flotation process enter into four high-rate, paste thickeners to recover water and to produce a “paste” consistency of the solids for disposal into a tailings storage facility.
- *Molybdenum Hydrometallurgical Plant.* Hydrometallurgical techniques will be used to recover molybdenum from a low-grade concentrate to higher value added product. Pressure oxidation, following by solvent extraction and purification steps, will produce a high grade molybdenum trioxide product. In addition, this plant may recover copper that enters this plant through solvent extraction and electro winning and produce copper cathode.

*Production Facilities.* The main production facilities for the Toromocho Project include the open pit, an ore crushing plant, a low grade stockpile, a grinding circuit, a concentrate thickener, a concentrator, a waste dump, a tailing dam and a six km overland conveyor. Our processing facilities are designed to be environmental friendly and have a designed ore processing rate of 117,200 tonnes per day. The crushing facility is equipped with international standard crushers. Our concentrator is of conventional design and we plan to process approximately 43.2 million tonnes of ore per annum commencing in 2015 and to produce up to approximately 865,600 tonnes of copper concentrates (containing 9.62 million ounces of silver as metal credit in copper concentrates) and 9,300 tonnes of molybdenum in the form of molybdenum oxide per annum. The crushing, grinding, stockpiling, SAG mill grinding, ball mill grinding, classification, flotation, dewatering, filtration, and tailings disposal are comprehensively planned and standard for the industry. The chosen tailings deposition system is being designed by Golder Associates. The system envisions the production of 55% solid tailings at the concentrator for transport to five “new generation” paste thickeners at the tailings impoundment. The paste thickeners will thicken to a slurry in excess of 69% solidity for deposition in thin layers on the tailings impoundment by spigotting on the periphery. In addition, we are developing our own limestone quarry and lime production plant to be used in the flotation and recovery of our ore reserves. We have submitted environmental impact assessment for lime quarry and lime production plant in November 2012 and expect to complete the limestone quarry and lime production plant by the third quarter of 2013.

There are also zones of the Toromocho Project that have elevated arsenic grades in the form of the mineral enargite ( $\text{Cu}_3\text{AsS}_4$ ). In order to assure that the concentrates produced are marketable, high-

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grade arsenic material will not be sent to the plant but will be stockpiled. This material will be stored permanently and not processed, although process options may exist for this material in the future. According to the Competent Person's Report, the copper concentrates we will produce are expected to contain a high level of zinc. The high zinc issue is to be handled by blending on each of the production phases in the pit to minimize the amount of activated and mechanically locked sphalerite that will carry into the copper concentrates.

### Suppliers and Contractors

Our suppliers include suppliers for equipment, ancillary materials and infrastructure services, such as ABB Switzerland Ltd, Aker Solutions Inc. and FLSmidth Minerals Inc. In 2009, 2010, 2011 and the nine months ended September 30, 2012, our five largest suppliers accounted for approximately 74.4%, 55.0%, 34.6% and 34.0%, respectively, of our total purchases, while the largest supplier accounted for 20.1%, 12.9%, 9.1% and 9.8%, respectively, of our total purchases for the same periods. During the Track Record Period, all of our suppliers and contractors were independent third parties, except for China Great Wall as disclosed in the section entitled "Connected Transactions."

In order to secure the long-term supply of infrastructure and security services for the Toromocho Project, we have entered into long-term contracts with various suppliers, such as Edegel S.A.A., Ferrocarril Central Andino S.A., Cormin Callao S.A.C. and J&V Resguardo S.A.C. See "Our Business — Our Exploration and Development Operations — The Toromocho Project — Infrastructure" for further details. The principle terms of these contracts include the services to be supplied, pricing, currency and payment.

In line with the industry practice, we have outsourced a substantial portion of our exploration and mine construction activities to reputable third-party contractors such as, Aker Solutions, now part of Jacobs Engineering Group, one of the world's largest and most diverse providers of technical, professional and construction services. In 2009, we entered into an EPCM services supply agreement with Aker Solutions. Under this agreement, Aker Solutions shall complete the detailed design, manage procurement and transportation of the necessary materials and equipment and manage the construction, installation, pre-commissioning and support of commissioning and start-up of the equipment and the facilities for the Toromocho Project. Our principal rights under the agreement include, among other things, assignment of the agreement at our election, termination of the agreement with or without cause by us, unencumbered inspection rights and discretionary rights to dismiss employees of Aker Solutions or any subcontractors. We are required to pay Aker Solutions a base fee and disbursements for the EPCM work. We received a guarantee from Aker P&C US Inc. for the performance and payment obligations of Aker Solutions under the agreement. Our Directors believe that these outsourcing arrangements, if managed properly, can lower our operational costs and reduce our capital expenditures for equipment and machinery than if we undertook the same work or made the same purchases ourselves. See "Risk Factors — Risks Relating to Our Business — We face risks from our reliance on third-party contractors."

We require third-party contractors to carry out their work and keep proper documentation in accordance with our quality standards and production safety requirements. In particular, we maintain

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quality supervision rights over their work and our user department and contract department are responsible for conducting such supervision. We require the contractors to maintain complete and accurate records for our inspection. We may reject any defective work at any time it is discovered. In addition, we require the contractors to provide monthly progress reports. Moreover, we review and approve the contractors' implementation procedures and our representatives monitor their practices on the construction site to ensure compliance with the applicable laws relating to environment protection, health and safety. Furthermore, we follow established internal procedures to ensure that the contractors have fulfilled their regulatory and contractual obligations before we approve the payment to the contractors.

We carry insurance that covers all of our third-party contractors and their employees for legal liability for or arising out of, among others, personal injury and property damage in connection with the Toromocho Project. In addition, we require third-party contractors to carry additional insurance policies, such as complementary risk work insurance policy, that cover their employees against personal injury or death. We believe that our policy regarding insurance coverage of the employees of third-party contractors is in line with the industry practice.

### **Sales**

We expect to commence commercial production at the Toromocho Project in the fourth quarter of 2013 and have not engaged any third-party distributors to sell our products. We have entered into four binding offtake agreement including definitive pricing terms with four cornerstone investors for the sale of an aggregate of 60% of the Toromocho Project's annual production of copper concentrates for a period of five years from the starting date of production at the Toromocho Project, two of which will automatically continue for another five years thereafter. Negotiations for additional offtake arrangements are ongoing and we will consider additional offtake arrangements as we near the commencement of commercial production.

### ***Offtake Agreement with Trafigura***

On August 28, 2012, we entered into a legally binding offtake agreement with Consorcio Minero S.A. ("**Cormin**"), a subsidiary of Trafigura Beheer B.V., pursuant to which we are obligated to sell and Cormin is obligated to buy 25% of the Toromocho Project's annual production of copper concentrates for a period of five years from the starting date of production at the Toromocho Project. This five year term will automatically continue for another five years thereafter based on terms in the offtake agreement, subject to any amendment agreed between the parties during the third quarter of the fifth year from the starting date of production to reflect prevailing market terms. If the Company is not listed at the time of the first shipment under the offtake agreement, the percentage of the annual production that we agree to sell under the offtake agreement will be reduced from 25% to 15%.

Under the offtake agreement, the price for each lot of copper concentrates that we sell to Cormin during the first five years will be calculated through a mechanism set out in the agreement, in accordance with normal industry practice for the supply of copper concentrates, as a percentage of an independent benchmark price that reflects prevailing rates. The percentage applied is set under the agreement in accordance with the metal content of the concentrates. The benchmark price is averaged over a period declared by the buyer in accordance with the agreement. The price is then adjusted for

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the treatment charge and refining charge, price participation (if any) and certain penalties for impurities and moisture, if applicable, in each case in accordance with the agreement. Payments will be made to us in U.S. dollars in several installments after we have delivered the products secured by a stand-by letter of credit. Please refer to the section headed “Industry Overview — Copper Pricing — Copper Concentrate Contracts and Pricing” in this prospectus for an overview of the industry standard for pricing copper concentrates.

Certain operational details, namely the first annual shipping schedule and detailed provisions for the loading of shipments will be negotiated and settled closer to the start of production at the Toromocho Project. Either party may terminate the agreement on a default by the other party (including a breach of a material term of the agreement and certain insolvency related events) or if there is a long-term force majeure event affecting the other party.

### *Offtake Agreement with Hongfan*

On November 29, 2012 we entered into a legally binding offtake agreement with Hongfan International Limited (“**Hongfan International**”), pursuant to which we are obligated to sell and Hongfan International is obligated to buy 10% of the annual production of copper concentrates of the Toromocho Project for a period of five years from the starting date of production at the Toromocho Project. This five year term will automatically continue for another five years thereafter based on terms in the offtake agreement subject to any amendment agreed between the parties during the third quarter of the fifth year from the starting date of production to reflect prevailing market terms. If the Company is not listed at the time of the first shipment under the offtake agreement, the parties each have the option to renegotiate any of the terms of the offtake agreement and if agreement cannot be reached the offtake agreement will terminate.

Under this offtake agreement, the price for each lot of copper concentrates that we sell to Hongfan International will be calculated through a mechanism set out in the agreement, in accordance with normal industry practice for the supply of copper concentrates, as a percentage of an independent benchmark price that reflects prevailing rates. The percentage applied is set under the agreement in accordance with the metal content of the concentrates. The benchmark price is averaged over a period specified in the agreement. The price is then adjusted for the treatment charge and refining charge, price participation (if any) and certain penalties for impurities and moisture, if applicable, in each case in accordance with the agreement. Payments will be made to us in U.S. dollars in several installments after we have delivered the products, by a irrevocable letter of credit and telegraphic transfer. Please refer to the section headed “Industry Overview — Copper Pricing — Copper Concentrate Contracts and Pricing” in this prospectus for an overview of the industry standard for pricing copper concentrates.

Certain operational details, namely the first annual shipping schedule and detailed provisions for the loading of shipments will be negotiated and settled closer to the start of production at the Toromocho Project. The Company may terminate the agreement if the buyer fails to make a payment under the agreement or certain insolvency related events occur in relation to the buyer.

### ***Offtake Agreement with Tongling***

On December 3, 2012 we entered into a legally binding offtake agreement with Tongling Nonferrous Metals Group Co., Ltd. (“**Tongling Group**”), pursuant to which we are obligated to sell and Tongling Group is obligated to buy 15% of the annual production of copper concentrates of the Toromocho Project for a period of five years from the starting date of production at the Toromocho Project. This term will only be extended in limited circumstances. If the Company is not listed at the time of the first shipment under the offtake agreement, the parties each have the option to renegotiate any of the terms of the offtake agreement and if agreement cannot be reached the offtake agreement will terminate.

Under this offtake agreement, the price for each lot of copper concentrates that we sell to Tongling Group will be calculated through a mechanism set out in the agreement, in accordance with normal industry practice for the supply of copper concentrates, as a percentage of an independent benchmark price that reflects prevailing rates. The percentage applied is set under the agreement in accordance with the metal content of the concentrates. The benchmark price is averaged over a period specified in the agreement. The price is then adjusted for the treatment charge and refining charge, price participation (if any) and certain penalties for impurities and moisture, if applicable, in each case in accordance with the agreement. Payments will be made to us in U.S. dollars in several installments after we have delivered the products, by irrevocable letter of credit and telegraphic transfer. Please refer to the section headed “Industry Overview — Copper Pricing — Copper Concentrate Contracts and Pricing” in this prospectus for an overview of the industry standard for pricing copper concentrates.

Certain operational details, namely the first annual shipping schedule and detailed procedures for weighing, sampling and moisture determination of concentrates for the second and subsequent years of the term of the agreement will be negotiated during the first year of the agreement. Either party may terminate the agreement on a default by the other party (including a failure to make a payment when due and a breach of a material term of the agreement) and the Company may terminate the agreement if certain insolvency related events occur in relation to the buyer.

### ***Offtake Agreement with LDC MS***

On January 10, 2013, we entered into a legally binding offtake agreement with Louis Dreyfus Commodities Metals SA (“**LDC MS**”), a member of the Louis Dreyfus Commodities group, pursuant to which we are obligated to sell and LDC MS is obligated to buy 10% of the annual production (excluding any project expansion) of copper concentrates of the Toromocho Project for a period of five years from the starting date of production at the Toromocho Project. If the Company is not listed at or has not been previously listed by the time of the first shipment under the offtake agreement, the parties each have the option to renegotiate any of the terms of the offtake agreement and if agreement cannot be reached the offtake agreement will terminate.

Under the offtake agreement, the price for each lot of copper concentrates that we sell to LDC MS will be calculated through a mechanism set out in the agreement, in accordance with normal industry practice for the supply of copper concentrates, as a percentage of an independent benchmark price that reflects prevailing rates. The percentage applied is set under the agreement in accordance

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with the metal content of the concentrates. The benchmark price is averaged over a period declared by the buyer in accordance with the agreement. The price is then adjusted for the treatment charge and refining charge, price participation (if any) and certain penalties for impurities and moisture, if applicable, in each case in accordance with the agreement. Payments will be made to us in U.S. dollars in several installments after we have delivered the products, by an irrevocable letter of credit and telegraphic transfer. Please refer to the section headed “Industry Overview — Copper Pricing — Copper Concentrate Contracts and Pricing” in this prospectus for an overview of the industry standard for pricing copper concentrates.

Certain operational details, namely the first annual shipping schedule will be negotiated and settled closer to the start of production at the Toromocho Project and certain detailed procedures for weighing, sampling and moisture determination of concentrates for the second and subsequent years of the term of the agreement will be negotiated during the first year of the agreement. Either party may terminate the agreement on a default by the other party (including a breach of a material term of the agreement and certain insolvency related events).

### COMPETITION

China is the largest copper consuming country in the world and we intend to sell a majority of the copper we produce into the PRC. Some of the PRC copper suppliers may have lower transportation costs than we do due to their location and other various factors, such as lower expenditure on safety and regulatory compliance. However, we believe that we will enjoy competitive production costs as a result of our large-scale production and benefit from our superior brand name, while copper mines in the PRC are relatively small in scale and scattered, with lower ore grades on average. More broadly, we consider Inmet, Glencore, Rio Tinto and First Quantum as main international competitors supplying the PRC copper market. We believe competition in the global copper industry is based on many factors, including, among others, price, production capacity, mineral quality and characteristics, transportation capacity and costs, blending capability and brand name. We believe our strong brand recognition and relationship with Chinalco will allow us to compete successfully in both the PRC and international copper markets.

Some of our international competitors may have greater copper production capacity as well as greater financial, marketing, distribution and other resources than we do. As a result, they may be able to devote greater resources to the promotion, development and sale of their products than we can. In addition, we may also face competition from other companies that have access to the same end markets as we do and for mining equipment and related services and in the recruitment and retention of qualified employees and consultants.

### CORPORATE SOCIAL RESPONSIBILITY

#### Compliance with Environmental Matters and Regulations

The MEM regulates environmental affairs in the mining sector of Peru, which includes establishing an environmental protection policy and setting maximum allowable levels for effluents, signing environmental administrative stability agreements, overseeing the impact of mining operations and imposing administrative sanctions. Within the MEM, the DGAAM is responsible for the administration of environmental regulations relating to mining.

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Pursuant to Supreme Decree 38-98-EM approved on November 30, 1998, titleholders of mines are required to obtain an environmental permit from the Directorate for Environmental Affairs in order to carry out exploration and development activities. Mining companies are responsible for controlling emissions, effluent discharges and disposal of all by-products resulting from their operations, and substances that may impose any hazard, either due to excessive concentrations or prolonged exposure.

We operate a water treatment facility at the Kingsmill Tunnel which has capacity to process approximately 17 million cubic meter of water per annum. We also have permanent waste disposal facilities to accommodate domestic, recyclable and hazardous waste. The management of these wastes conforms to project, municipal and regional regulations and policies. Roll-off containers are distributed throughout the Toromocho Project areas for the discipline contractors to deposit their respective types of waste. In addition, we have also equipped the area with portable toilets and hand wash stations.

In 2009, 2010, 2011 and the nine months ended September 30, 2012, our costs of compliance with applicable environmental rules and regulations were approximately US\$43.9 million, US\$9.0 million, US\$9.6 million and US\$11.7 million, respectively. We expect to spend additional US\$18.0 million in compliance with our environmental obligations in the development and operation of the Toromocho Project.

As advised by Rebaza, Alcázar & De Las Casas Abogados Financieros, our Peruvian legal advisor, as of the date of this prospectus, we are in compliance with the relevant laws and regulations on environmental protection in all material aspects, and our pre-production activities have not caused any pollution that might have a material effect on our operation, financial condition and reputation.

### **Health and Safety Policy**

We are committed to a target of zero accidents in all of our activities and have implemented industry best practices in accident prevention. In particular, in response to the high altitude of the site of the Toromocho Project, we have established a medical clinic and team to provide emergency treatment to our employees. We plan to continue to utilize appropriate and recognized management systems, including documentation of all relevant accident prevention matters and compliance audits conducted by ourselves or other third parties, if necessary. We will also continue to provide training and appropriate and sufficient resources and materials for employees and contractors to work safely and effectively. As advised by Rebaza, Alcázar & De Las Casas Abogados Financieros, our Peruvian legal advisor, as of the date of this prospectus, we are in compliance with the relevant laws and regulations on labor and workplace safety in all material aspects.

### **Community Relations and Resettlement Plan**

The town of Morococha is a small Andean mining camp located within the boundary of the ultimate open pit at the foot of the mountain where mining activities will be conducted. Based on our current mining plan, our mining operation will not affect the town of Morococha until seven years after we commence production. Currently, there are approximately 3,200 residents in the town. We have developed a resettlement plan that meets relevant regulatory requirements. We intend to substantially

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complete the resettlement process and relocate all the residents who have signed the resettlement agreement by the first quarter of 2013 and further negotiate with the remaining residents in order to complete the resettlement. However, if in any event we fail to complete the resettlement by the fourth quarter of 2014, we will have to take safety measures to protect the residents in the vicinity, such as conducting temporary evacuations. The resettlement plan was formulated with participation by the affected residents and was subject to their acceptance. In particular, we continuously consulted with the affected residents by way of participative workshops and the formation of the Morococha Housing Association on the issues. We consulted them with respect to various aspects of the resettlement plan, such as the location and design of the new town, and the design of the houses and public buildings. We also built a model house that served as a basis to obtain ideas from the affected residents on the elements necessary to obtain the final design of a typical house at the new town. We further conducted a survey poll regarding the relocation site and approximately 85% of the residents voted for the current site where we are constructing the new town. We have been negotiating agreements with the affected residents individually, and, subject to their execution of the agreements, we will provide the housing at the new town free of charge, together with monetary compensation. In 2006, 92% of households present in the town of Morococha have signed agreements. In December 2008, we went through legal procedures and acquired from another local community with approximately 50 residents a parcel of land named “Lote Hacienda Pucará 1” of 161,551 square meters as the site of the new town and another parcel of land named “Lote Hacienda Pucará 2” of 20,040 square meters for the construction of complementary infrastructure for the new town. See “— Properties” for further details. We finished the construction of the new town in the third quarter of 2012, which includes over 1,000 modern houses and public buildings, including churches, schools, parks and playgrounds. The new town is also supported by infrastructure including water supply, sewage system and electricity supply, which is a significant improvement of the infrastructure in the old town. To construct the new town, we obtained a preliminary relief from a court that is considered a valid construction permit for the new town, various permits for the use of water for the construction of the new town in 2010, and the environmental impact statement for a power line and the license for the use of water for the new town in 2012. We will apply for the authorization for a potable water plant at the new town and a favorable technical opinion with respect to the disposal of waste water from the new town. As of the date of this prospectus, we are not aware of any material disputes that have been brought against us by the residents affected by the resettlement plan.

In order to promote community relationships, we have also implemented various education, health and career development programs for the residents in the area surrounding the Toromocho Project. For example, we have sponsored the infrastructure improvements for 11 schools, provided free meals and physical check-ups and held free career development workshops and courses. As we consider good community relationships to be an essential part of our long-term success, we plan to continue our efforts in maintaining and promoting our community relationships.

Based on the estimation in the Competent Person’s Report, our cost estimates for the resettlement plan are approximately US\$260 million.

As the Toromocho Project is located in a traditional mining district, our operations at the Toromocho Project have not resulted in any disturbance to the indigenous community.

## **INSURANCE**

We have taken out insurance for risks mainly relating to certain contract work, third party liability, comprehensive political violence, and physical damage to marine cargo. We maintain mining property insurance for all of our mining assets wherever located, property insurance on our office premises and liability insurance for our Directors and officers. We also maintain insurance against the delays in the development of the Toromocho Project. Under our current insurance policy, we are entitled to up to US\$225 million of our actual loss of fixed costs incurred in 18 months after January 9, 2014 if the Toromocho Project fails to commence commercial operation on January 9, 2014 or a later date agreed by insurers as a result of physical loss or damage indemnifiable to the Toromocho Project.

We maintain, and intend to continue to maintain, insurance within ranges of coverage consistent with industry practice. We will continue to review and assess our risk portfolio and make necessary and appropriate adjustments to our insurance practice. Please see “Risk Factors — Risks Relating to Our Business — We do not insure against all risks to which we may be subject and the insurance coverage for risks against which we are insured may prove inadequate.”

## **INTELLECTUAL PROPERTY**

We do not currently own any registered patents, trademarks or other intellectual property rights.

We are currently licensed to use six trademarks, each from Chinalco. Three of the licensed trademarks are registered in Hong Kong and two of the licensed trademarks are registered in the PRC. An application for the registration of the remaining licensed trademark has been made in Hong Kong. Details of the licensed trademarks are set out in “Appendix VI — Statutory and General Information — Further Information about the Business — Trademarks.”

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### PROPERTIES

As at the Latest Practicable Date, our Group had 387 property interests in Peru. Most of these will be used for the purposes of the resettlement of the town of Morococha, and 15 property interests comprising superficial land are being or will be used to carry out the mining and production activities of the Toromocho Project, and their gross areas range from approximately 7.24 square meters to 1,192 square meters for resettlement purposes and approximately 99 square meters to 2,598,444 square meters for mining and production purposes. Details of the material superficial land use rights that we own are set out below.

Description	Use	Approximate area (square meters)	Restrictions on use	Encumbrances	Environmental issues	Litigation, breaches, defects	Future plans for construction, renovation, improvement or development
Tunshuruco	To support the mining activities	1,288,990	—	A lawsuit filed by Comunidad Campesina de Yauli against Peru Copper S.A. is registered.	—	There is a pending claim which was initiated by Comunidad Campesina de Yauli for annulment of the transfer contract of the property	Construction of the concentrator plant, tailings ponds and quarry dike
Lote Hacienda Pucará 1	Surface land of the new town of Morococha	161,551	—	—	—	—	Site of the new town of Morococha
Lote Hacienda Pucará 2	Surface land of the new town of Morococha	20,040	—	—	—	—	Construction of complementary infrastructure for the new town of Morococha
Lote Manuel Montero	To support the mining activities	112	—	—	—	—	Gate to Kingsmill Tunnel water treatment plant
Sub lote 2A	Surface land of mining rights	2,598,444	—	MCP granted Compañía Minera Argentum the use, usufruct and easement of access and transit over the property.	—	—	Construction for future mining operations (open pit)
Sub lote 2B	Surface land of mining rights	2,507,834	—	MCP granted Compañía Minera Argentum the use, usufruct and easement of access and transit over the property.	—	—	Construction for future mining operations (open pit)
Lote I	Warehouse	82,134	—	—	—	—	Warehouse for the mine construction stage
Área Remediada -Ex Laguna Morococha	For future mining operations	39,171	—	—	—	—	Construction for future mining operations (open pit)
Campamento Morococha Antigua	For future mining operations	1,584	—	—	—	—	Construction for future mining operations (expansion of the open pit)
Campamento Maestranza	For future mining operations	99	—	—	—	—	Construction for future mining operations (expansion of the open pit)
Campamento Dolores	For future mining operations	302	—	—	—	—	Gate to the mine

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Description	Use	Approximate area (square meters)	Restrictions on use	Encumbrances	Environmental issues	Litigation, breaches, defects	Future plans for construction, renovation, improvement or development
Campamento Vista Alegre	For future mining operations	740	—	—	—	—	Gate to the mine
Campamento Cajoncillo	For future mining operations	1,840	—	—	—	Currently there is a judicial claim which was initiated by Compañía Minera Casapalca S.A against MCP for the ownership of the land. Also, MCP initiated a counterclaim against Compañía Minera Londres S.A.C. to vindicate the land.	Construction of south west waste dump
Real property located at KM150 of the Peruvian Central Highway, in the Morococha District	Overpass to the new town of Morococha	2,227	There is a right of way in favor of Electrocentro S.A. for 5.52 Ha. And 2.73 Ha.	—	—	—	Overpass to the new town of Morococha
Lote 1 — “Bomba De Agua”	Use for the installment of the water pipe to the concentrator plant	10,000	—	—	—	—	The water pipe to the concentrator plant is in the process of being installed
Lote 2 — “Pipeline”	Use for the installment of the water pipe to the concentrator plant	390,000	—	—	—	—	The water pipe to the concentrator plant is in the process of being installed

As at the Latest Practicable Date, our Group was leasing 17 property interests in Peru. Our Group’s leased property interests are primarily used for offices and residential purposes. Their gross areas range from approximately 175 square meters to 1,562 square meters for office properties and six square meters to 375 square meters for residential properties. One leased property interest with a gross area of approximately 1,562 square meters is used as an office, one leased property interest with a gross area of 7,949 square meters is used to carry on the mining and production activities and one leased property interest with a gross area of approximately 5,002 square meters is used for the construction of a high tension power line to provide electricity to the Kingsmill water treatment plant. Details of the material leased property interests of the Company are set out below.

Description	Use	Approximate area (square meters)	Monthly rent	Restrictions on Use	Lease expiry date	Encumbrances	Environmental issues	Litigation, breaches, defects	Future plans for construction, renovation, improvement or development
Lease with Ferrovias Central Andina S.A.	Water pipeline for the mining operations	7,949	US\$10,000 to be increased annually following the New York Consumer Price Index	—	September 1, 2017	—	—	—	—
Lease with Inversiones Granadero S.A. located in Santo Toribio Av. N°121-145-151, district of San Isidro, province of Lima	Office	1,562	US\$27,448.27 plus VAT (increased annually at 3%)	—	February 28, 2013	—	—	—	—

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Description	Use	Approximate area (square meters)	Monthly rent	Restrictions on use	Lease expiry date	Encumbrances	Environmental issues	Litigation, breaches, defects	Future Plans for construction, renovation, improvement or development
Lease with Comunidad Campesina San Juan Bautista de Pachachaca	Rented space is to be used for the construction of a high tension power line that is to provide electricity to the Kingsmill water treatment plant	5,002	Approximately US\$4,560 per annum	—	September 30, 2014	—	—	—	—

Our Group does not hold (directly or indirectly) or develop properties for letting or retention as investments, nor does it purchase or develop properties for subsequent sale or for retention as investments.

According to section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies Ordinance, which require a valuation report with respect to all of the interests in land and buildings of certain companies, for the reason that the Group had no single property interest with a carrying amount of 15% or more of its total assets as of September 30, 2012.

### EMPLOYEES

We had a total of 466 full-time employees based in Peru as of September 30, 2012. None of our employees are unionized, and we have not entered into any collective bargaining agreements with any of our employees.

The following table sets forth the number of individuals, directly or indirectly employed in each of our areas of operations and as a percentage of our total workforce as of September 30, 2012.

	<u>As of September 30, 2012</u>	
	<u>Employees</u>	<u>Percentage</u>
		(%)
Construction .....	49	10.5
Mine and plant operations .....	171	36.7
Management and administration .....	206	44.2
Technicians, engineers, geologists and surveyors .....	40	8.6
Total .....	<u>466</u>	<u>100%</u>

More than 80% of our employees at the Toromocho Project are Peruvian citizens. In the future, we plan to hire additional employees based on the development progress of the Toromocho Project.

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The majority of our employees are employed under employment contracts which set out fully, among other things, the employee's responsibilities, remuneration and the grounds for termination of employment. Our employees are not covered by any collective bargaining agreement. During the Track Record Period, we did not experience any major disputes with our employees and we believe we maintain good working relationships with our employees. There has never been any interruption to our operations as a result of a labor dispute.

During the Track Record Period and as of the Latest Practicable Date, we have complied with the relevant laws, regulations and requirements in relation to fair labor standards, working conditions, employment contracts and codes of conduct in respect of our employees in Peru in all material respects.

### **Employee Remuneration Policy**

Our remuneration policy is designed to attract, retain and motivate highly talented individuals, to ensure the capability of our workforce to carry out our business strategy and to maximize shareholder wealth creation. Key principles of our remuneration policy are to:

- Set competitive rewards to attract, retain and motivate highly skilled people;
- Provide detailed feedback to develop employees' skills and critically analyze employees' contributions to our Group;
- Establish short and long-term incentive programs across the organization, including, but not limited to, the equity incentive plan;
- Ensure remuneration planning continues to be integrated within our business planning process; and
- Ensure total remuneration levels and performance targets are set at appropriate levels to reflect the competitive market in which we operate, the prevailing economic environment and the relevant performance of similar companies.

We maintain benefit schemes for our employees as required by law in Peru and China. Moreover, our Peruvian subsidiaries with more than 20 employees are required to distribute 8% of their profits generated in any year among their employees. See "Laws and Regulations relating to the Industry — Regulatory Matters Regarding Employment and Labor Legislation — Participation in company's profits" for additional information.

In addition, we have proposed to adopt an equity incentive plan designed to attract, retain and incentivize senior management and key employees with a view on encouraging the participants to commit to enhancing value for us and our shareholders, as a whole.

### **RESEARCH AND DEVELOPMENT**

As our Directors believe is typical for a mining company of our size, we currently have limited involvement in any research and development initiatives.

## LEGAL, ARBITRAL AND ADMINISTRATIVE PROCEEDINGS

### Construction of the New Town

#### *Morococha*

*Background.* In May 2010, the local government of Morococha ordered us to cease the construction work for the new town of Morococha through an administrative resolution on the grounds that (i) we started the construction work without the proper permit issued by the local government; (ii) the application for the construction permit to the local government was not timely filed; and (iii) the request for the construction permit with the local government had formality defects. On August 12, 2011, we obtained a preliminary relief that explicitly permits us to continue the construction activities.

*Proceedings.* We filed a constitutional revision claim in May 2010 against the local government of Morococha to nullify such resolution on the ground that the resolution violates our right to due process. In particular, we argued that the resolution was not made through proper administrative procedure, does not have adequate basis and the local government of Morococha is not a competent authority to order us to cease the construction work. On August 12, 2011, we obtained a preliminary relief in a separate case against the provincial government of Yauli-La Oroya. The preliminary relief explicitly permits us to continue the construction work. On August 31, 2011, the district court ruled against us, ruling that the evidence showed that we did not have a construction permit at the time of such order. The district court also determined that the local government was a competent authority to issue the stop order. On September 20, 2011, we appealed the decision on the grounds that (i) the district court failed to adjudicate on each of our claims, (ii) the district court failed to provide any analysis on whether the local government was a competent authority to issue the stop order, and (iii) that the competent authority with respect to this matter was instead the provincial government of Yauli-La Oroya, and that the local government of Morococha's resolution on this matter is invalid. The court of appeals upheld the decision on procedural grounds, arguing that we should have filed a judicial claim against the administrative action. We appealed to the Supreme Court of Peru on September 29, 2012 arguing that a constitutional revision claim is a proper form of relief.

*Potential Impact.* We do not believe the pending litigation will impact our production schedule because (i) we have obtained a preliminary relief that allows us to continue the construction work and (ii) the completion of the resettlement is not a condition precedent to the commercial production at the Toromocho Project.

If we obtain an adverse ruling from the Supreme Court of Peru, the preliminary relief will no longer be effective and the local government will be able to: (i) impose a fine; (ii) order us to apply for a construction permit that takes retroactive effect; or (iii) vacate the residents and demolish the buildings that have been constructed without proper construction permit. If the government wishes to demolish the new town that has been completed, it will have to negotiate with the residents to form a new resettlement plan before it can demolish the new town. To the best of our knowledge, the local governments in Peru have never ordered residents to vacate a new town or the demolition of a new town that has been completed. Meanwhile, the claims surrounding our construction permit do not affect our ownership of the land where we are constructing the new town. Even if we are required to bear the cost of an alternative resettlement plan initiated by the government, we believe that the

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additional costs would be substantially less than the US\$260 million we expect to incur in relation to our current resettlement plan. After considering the likelihood and the consequence, we do not believe the government's ordering us to adopt alternative plan for the new town will have a material impact on our business or financial condition.

Furthermore, if (i) the preliminary relief continues to be effective, which is deemed as a valid construction permit; or (ii) we obtain a favorable result in any of our claims against the provincial government of Yauli-La Oroya, which requires the provincial government to grant us or recognize our construction permit as valid, the local government of Morococha will not be able to take any action, because the basis of its original resolution will no longer exist.

*Assessment on Results.* Rebaza, Alcázar & De Las Casas Abogados Financieros, our Peruvian legal advisor, has advised us that the decision of the district court contains a number of inconsistencies in the application of laws and that the decision of the district court should be annulled. In particular, our Peruvian legal advisor is of the view that the district court did not address each of the claims raised by a claimant as required by Peruvian law. Additionally, our Peruvian legal advisor is of the view that the claims we raised in the district court would have prevailed had the district court considered each of the claims and gone through a proper analysis. However, in view of the adverse decision at the lower court, our Peruvian legal advisor considers the contingency of this case is possible.

As we believe that it is likely that this claim will be ultimately resolved in favor of us, we have not formed any contingency plans in response to this claim.

### *Yauli-La Oroya*

*Background.* In May 2011, the provincial government of Yauli-La Oroya denied our construction permit in connection with the construction of the new town of Morococha, which is in the jurisdiction of Yauli-La Oroya, through a letter issued by the urban development agency. The provincial government confirmed the decision by an administrative resolution on the basis that the regulation that mandates the special administrative procedure for construction permits, under which we were applying for the permit, had been abrogated (the “**First Resolution**”). After we challenged the First Resolution through a judicial claim in May 2011, the provincial government issued another administrative resolution to confirm the letter that denied our construction permit (the “**Second Resolution**”) in August 2011.

*Proceedings.* In 2011, we filed a judicial claim with the district court against the provincial government of Yauli-La Oroya to nullify the First Resolution on the ground that the abrogation of the regulation that mandates the special administrative procedure for construction permit should not retroactively affect an ongoing application process under the original regulation. In September 2011, we also filed a separate judicial claim against the provincial government of Yauli-La Oroya to nullify the Second Resolution on the same ground as the case against the First Resolution. On August 12, 2011, we have obtained a preliminary relief in connection with the First Resolution, which suspends the effect of the First Resolution and explicitly allows us to continue the construction work until the claim is resolved. The court granted the preliminary relief on the grounds that the First Resolution failed to satisfy the due process required by the law, and that the First Resolution was not made on

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proper legal grounds or reasoning. In addition, the court agreed that the abrogation of the original regulation should not retroactively apply to our application process, and after noting that we have complied with all the requirements under the original regulation, the court explicitly allowed us to continue the construction work and it suspended the effect of the First Resolution. The preliminary relief has been upheld by the appellate court and will remain in effect until the court makes a final decision in the case. Under Peruvian law, as the two cases are related to the same subject matter, the preliminary relief is also applicable to the Second Resolution. Currently, both of these judicial claims are pending at the district court.

*Potential Impact.* We do not believe the pending litigation will impact our production schedule because (i) we have obtained preliminary relief that allows us to continue the construction work and (ii) the completion of the resettlement is not a condition precedent to commercial production at the Toromocho Project.

If we obtain a favorable ruling in either of the cases at the district court, the court will mandate the government to issue a construction permit under the original regulation, unless the same court subsequently rules against us on this same subject matter in another case subsequently. Meanwhile, appeal by the provincial government will not render the construction permit invalid.

If the Supreme Court of Peru rules against us in both of the cases, the local government will be able to: (i) impose a fine; (ii) order us to apply for a construction permit that takes retroactive effect; or (iii) vacate the residents and demolish the buildings that have been constructed without a proper construction permit. If the government wishes to demolish the new town after it has been completed, it will have to negotiate with the residents to form a new resettlement plan before it can demolish the new town. To the best of our knowledge, the local governments in Peru have never ordered people residents to vacate a new town or the demolition of a new town that has been completed. Meanwhile, the claims surrounding our construction permit do not affect our ownership of the land where we are constructing the new town. Even if we are required to bear the cost of an alternative resettlement plan initiated by the government, we believe that the additional costs would be substantially less than the US\$260 million we expect to incur in relation to our current resettlement plan. After considering the likelihood and the consequence, we do not believe the government's alternative plan on the new town will have a material impact on our business or financial condition.

If the Supreme Court of Peru rules in favor of us in one case and subsequently rules against us in another case, which we believe is highly unlikely, we will be entitled to file a constitutional claim to vacate the subsequent decision against us.

*Assessment on Result.* Rebaza, Alcázar & De Las Casas Abogados Financieros, our Peruvian legal advisor, is of the view that the court will determine both judicial claims in favor of us, and that the contingency for both of these cases is remote, primarily because the court has issued a preliminary relief that allows us to continue the construction work. In particular, as to the judicial claim against the First Resolution, Rebaza, Alcázar & De Las Casas Abogados Financieros is of the view that the court should follow its ruling in granting the preliminary relief and rule in favor of us. This is primarily because, under Peruvian laws, a court is required to consider the merits of the substantive claim when considering preliminary relief. In general, a court will not grant preliminary relief unless it concludes

that the claimant has a strong chance to prevail on the substantive issues. In granting the preliminary relief, the same court and the same judge has preliminarily concluded that the abrogation of the original regulation should not retroactively apply to our application process, and that we have complied with all of the requirements under the original regulation. Additionally, our Peruvian legal advisor is of the view that, as to the judicial claim against the Second Resolution, the court should determine the case consistently with the other case where the preliminary relief was granted and rule in favor of us. This is because (i) the two cases involve the same subject matter, (ii) the two cases are based on the same dispute and (iii) the two cases were brought before the same court and the same judge. Also, in granting the preliminary relief, the court has preliminarily ruled in favor of our arguments.

As we are advised by our Peruvian legal advisor that the court will determine both these claims in favor of us and the contingency from these cases are remote, we have not formed any contingency plan in response to these claims.

### **Resolution by the Mining Council**

#### ***Additional Requirement for Mining Plan Permit***

*Background.* In December 2010, the Mining Council of the MEM issued a resolution to approve the EIA in connection with the Toromocho Project. However, the resolution also provided that further assessment on the waste materials deposit which is located on a parcel of land named Cajoncillo, should be conducted before the MEM can issue the mining plan permit. The mining plan permit is a prerequisite for our mining activities. The Mining Council of the MEM does not typically impose any additional requirements in relation to an environmental impact assessment as it has in this instance. However, Compañía Minera Londres, who has underground mining activities at Cajoncillo, requested the Mining Council of the MEM to impose this requirement on us to ensure our waste materials deposit does not affect its mining activities. Without further inquiry into the ownership dispute, the Mining Council of the MEM assumed that Compañía Minera Londres was the rightful owner of the land and was entitled to conducting mining activities there, and granted its request.

*Proceeding.* As we are the owner of record of the parcel of land, and we believe we have no obligation to perform an assessment as such is not required by law and bear the additional burden, we filed a constitutional claim as well as a judicial claim for the nullification of such requirement in July 2011, arguing that the Mining Council of the MEM has no authority to impose requirements not provided by the law and that its administrative resolution violates the constitution as well as the laws governing the Mining Council of the MEM. We have also filed separate suits to claim ownership of Cajoncillo and evict Compañía Minera Londres. See “— Ownership of Land — Cajoncillo-Casapalca” and “— Ownership of Land — Cajoncillo-Londres.” On July 26, 2011, under the constitutional claim, the district court granted a preliminary injunction to suspend the additional requirement imposed by the Mining Council of the MEM. The injunction was overturned on appeal on the ground of insufficient evidence. We have also obtained an injunction that prohibits Compañía Minera Londres from conducting any mining activities at Cajoncillo. Both claims are pending in the district court.

*Potential Impact.* Previously, we secured a preliminary injunction that suspended the additional requirement by the Mining Council of the MEM. However, as the injunction has been overturned, the MEM can request us to conduct the assessment before issuing the mining plan permit. As of the Latest

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Practicable Date, the MEM has not initiated or requested the assessment. Meanwhile, we have engaged a third party consultant to conduct the assessment and obtained a favorable conclusion. We can deliver the assessment report to the MEM if so requested. Based on our communication with the MEM, we still expect to receive the mining plan permit in the first quarter of 2013. We currently do not foresee any impediment in obtaining the mining plan permit.

*Assessment on Result.* Rebaza, Alcázar & De Las Casas Abogados Financieros, our Peruvian legal advisor, is of the view that the court will determine both the constitutional claim and the judicial claim in favor of us, and that the contingency for both of these cases is remote, primarily because it has been established that the additional requirement imposed by the MEM is not required by law.

### *EIA Approval*

On September 16, 2011, the local government of Morococha filed a judicial claim with the district court for the partial nullification of the Mining Council's resolution that dismissed its challenge to the approval of the EIA, on the basis that they were not involved in the EIA approval process by MEM. Based on current Peruvian law, an administrative entity that issues a resolution can nullify its own resolution within a one year period, and another administrative entity is precluded from bringing a judicial claim to this effect within that period. The one-year period expired on June 20, 2012. As a result, the local government of Morococha was precluded from challenging the Mining Council's resolution within one year of the issuance of such resolution. The judicial claim is pending in the district court. In this case, it has been established that the judicial claim was filed within the one year period. As of the Latest Practicable Date, the local government of Morococha had not re-filed any claim.

*Potential Impacts.* If, after all of the appellate procedures, the Supreme Court of Peru determines to nullify the Mining Council's resolution, we will continue to operate pending MEM's further action. In its own discretion, the MEM may, in that case, order us to continue our construction or mining operations under a provisional regime or cease our construction or mining operations, or take other measures as it sees fit. As the pending judicial claim does not suspend the effect of the Mining Council's resolution and the local government of Morococha has not obtained any injunction against us, we do not believe our production schedule will be impacted by this pending judicial claim.

*Assessment on Results.* As advised by Rebaza, Alcázar & De Las Casas Abogados Financieros, our Peruvian legal advisor, based on the foregoing reasons, the contingency of this case is remote, primarily because the court is likely to dismiss the claim on procedural grounds. As a result, we have not formed any contingency plan in response to this claim.

*Assessment of Substantive Claim.* If the local government of Morococha files another judicial claim after the one-year restricted period seeking the nullification of the Mining Council's resolution, there may be a new trial on the validity of the EIA approval. Currently, the local government of Morococha has not filed another claim, and we cannot anticipate what ground they will be using. However, as advised by Rebaza, Alcázar & De Las Casas Abogados Financieros, our Peruvian legal advisor, the MEM complied with all the necessary procedures and legal requirements when issuing the

resolution approving the EIA, and the resolution was supported by a proper technical report. In particular, the MEM has fulfilled all the requirements in connection with local participation in the approval process, and the law does not require the MEM to involve the local government of Morococha in the EIA approval process. As such, its opinion is that the resolution that approved the EIA is valid, and that it is not likely that the challenge to the validity of the resolution will succeed.

## **Ownership of Land**

### ***Cajoncillo—Casapalca***

*Background.* In April 2009, Casapalca Mining, an independent third party, filed a judicial claim against us at the district court, claiming ownership of a parcel of land named Cajoncillo, alleging that they acquired the parcel of the land before we did. In May 2008, we purchased the parcel of land from Activos Mineros under the Toromocho Project Transfer Agreement, and currently we are the owner of record. The parcel of land does not relate to our mining activities, but is located within the boundary of the planned waste materials deposit. As a result, we do not consider the land to be crucial to the commercial production of the Toromocho Project. The judicial claim is pending in the district court. In the district court, it has been established that we are the owner of record in the public registry.

*Potential Impact.* If, after all the appellate procedures, the court decides the claim against us, we may need to relocate our waste materials deposit or purchase the parcel of land from Casapalca Mining. Based on our current estimation, our maximum financial exposure in that case will be approximately US\$910,000. Currently, we are not able to predict the approximate timing for final resolution of the claim. As the pending claim does not hinder our rights as an owner of the land and we are not subject to an injunction, we do not believe our production schedule will be impacted.

*Assessment on Results.* Under Peruvian laws, the owner of record for a parcel of land is assumed to be the rightful owner, unless it's proven that the owner of record acquired the parcel of land knowing that someone else had acquired the same parcel of land before it did. In this case, we had no knowledge of Casapalca Mining's alleged transaction. As a result, Rebaza, Alcázar & De Las Casas Abogados Financieros, our Peruvian legal advisor, has advised us that the likelihood that the district court will rule against us is remote. Therefore, we have not made any provision for the estimated maximum financial exposure.

### ***Cajoncillo—Londres***

*Background.* In March 2011, we filed a judicial claim against Compañía Minera Londres, an independent third party, at the district court, claiming ownership of a parcel of land named Cajoncillo. Compañía Minera Londres leased the parcel of land from Casapalca Mining. The parcel of land does not relate to our mining activities, but is located within the boundary of the planned waste materials deposit. As a result, we do not consider the land to be crucial to the commercial production of the Toromocho Project. The judicial claim is pending in the district court. In this case, it has been established that we are the owner of record in the public registry. On July 21, 2011, the district court also issued an injunction that suspended all the mining activities by Compañía Minera Londres on the parcel of land in dispute. In 2011, the Mining Council of the MEM nullified a resolution by the local government that ordered Compañía Minera Londres to suspend all mining activities on the parcel of land. In January 2012, we brought another judicial claim against the MEM to reinstate the restrictive order issued by the local government. This judicial claim is also pending in the district court.

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*Potential Impact.* If, after all the appellate procedures, the Supreme Court decides the claim against us, we may need to relocate our waste materials deposit or purchase the parcel of land from Casapalca Mining. Based on our current estimation, our maximum financial exposure would be approximately US\$910,000. Currently, we are not able to predict the approximate timing of the final resolution of this claim. As we have secured an injunction, we do not believe our production schedule will be impacted.

*Assessment on Result.* Under Peruvian law, the owner of record for a parcel of land is assumed to be the rightful owner. In addition, the fact that an injunction has been granted is also an indicator that the court will rule in our favor on the substantive claim as courts must consider the merits of the substantive claims when granting an injunction. In granting the injunction here, the court preliminarily concluded that we are the owner of record for the parcel of land and that there is no evidence to prove that we acquired the parcel of land in bad faith. As a result, Rebaza, Alcázar & De Las Casas Abogados Financieros, our Peruvian legal advisor, advised us that the likelihood that the district court will rule against us in both cases is remote. Therefore, we have not made any provision for the estimated maximum financial exposure.

### *Yauli*

*Background.* In 2009, the Yauli community filed a complaint in the Court of Yauli, Oroya, alleging that a land purchase agreement that we entered into with the Yauli community for a parcel of land that we plan to use for the tailings dam, should be void and non-binding on the basis that the agreement was not approved by two-thirds of the residents of the community, and therefore violates the law. Currently, no monetary damages have been sought by the plaintiffs. The parcel of land does not relate to our mining activities, but is located within the boundary of the planned tailings dam. As a result, we do not consider the land to be crucial to the commercial production of the Toromocho Project. We have challenged the jurisdiction of the Court of Yauli and, as of the Latest Practicable Date, this claim was still pending in the Supreme Court. If the Supreme Court of Peru upholds the decision of the lower courts in the appeal, the case will be transferred to the Courts of Lima for the review of substantive issues.

*Potential Impact.* If, after all the appellate procedures, the Supreme Court decides the claim against us, we may need to enter into a new agreement to purchase the parcel of land from the Yauli Community. Based on our current estimation, our maximum financial exposure in that event would be approximately US\$1.7 million. Currently, we are not able to predict the approximate timing of the final resolution of this claim. As the pending claim does not hinder our rights as an owner of the land and we are not subject to an injunction, we do not believe our production schedule will be impacted.

*Assessment on Result.* Rebaza, Alcázar & De Las Casas Abogados Financieros, our Peruvian legal advisor, advised us that the form and substance of the agreement complies with relevant laws, and that the likelihood that the district court will rule against us on the civil claim is remote. Therefore, we have not made any provision for the estimated maximum financial exposure.

In assessing the likelihood of an adverse ruling in each of the cases disclosed above, Rebaza, Alcázar & De Las Casas Abogados Financieros, our Peruvian legal advisor, first considered the procedural aspects of the claims, to assess whether a claim will move on from the initial stage and the

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possibility that it will be dismissed on procedural grounds. Then, Rebaza, Alcázar & De Las Casas Abogados Financieros analyzed the legal merits of the arguments behind the claims of both parties. Thirdly, Rebaza, Alcázar & De Las Casas Abogados Financieros considered whether there has been any prior decision by the judiciary on the matter favoring either of the sides in the conflict, including a lower court decision or a preliminary relief measure. Finally, Rebaza, Alcázar & De Las Casas Abogados Financieros considered its experience and expertise on similar matters.

Except as disclosed above, we are currently not a party to any material legal, arbitral or administrative proceedings, and we are not aware of any threatened material legal, arbitral or administrative proceedings against us. In addition, we are not a party or subject to any legal claims or proceedings that may have an influence on our rights to explore or mine. We may from time to time become a party to various legal or administrative proceedings arising in the ordinary course of our business.