中鋁礦業國際

CHINALCO-CMC CHINALCO MINING CORPORATION INTERNATIONAL

(Incorporated under the laws of the Cayman Islands with limited liability)

Stock Code: 3668

ANNUAL REPORT 2013

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COMPANY PROFILE

Chinalco Mining Corporation International (the "Company") is a resource development company acting as the core platform of Aluminum Corporation of China ("Chinalco") for the future acquisition, investment, development and operation of non-ferrous and non-aluminum mineral resources and projects outside China.

Currently, the Company is focusing on developing the Toromocho Project, which is located in central Peru in the core of the Morococha mining district. The commissioning of the Toromocho Project commenced on 10 December 2013 and the Toromocho Project is expected to reach full production capacity in the third quarter of 2014. Additional information about the Company is available on the Company's website at www.chinalco-cmc.com.

Non-executive Directors

Xiong Weiping, *Chairman*
Liu Caiming
Zhang Chengzhong

Executive Directors

Peng Huaisheng
Huang Shanfu
Liang Yunxing

Independent Non-executive Directors

Scott McKee Hand
Ronald Ashley Hall
Lai Yat Kwong Fred
Francisco Augusto Baertl Montori

Members of the Audit Committee

Lai Yat Kwong Fred *(chairman)*
Xiong Weiping *(member)*
Liu Caiming *(member)*
Scott McKee Hand *(member)*
Ronald Ashley Hall *(member)*

Members of the Remuneration Committee

Scott McKee Hand *(chairman)*
Xiong Weiping *(member)*
Zhang Chengzhong *(member)*
Ronald Ashley Hall *(member)*
Lai Yat Kwong Fred *(member)*

Members of the Nomination Committee

Xiong Weiping *(chairman)*
Zhang Chengzhong *(member)*
Scott McKee Hand *(member)*
Ronald Ashley Hall *(member)*
Lai Yat Kwong Fred *(member)*

Members of the Executive Committee

Xiong Weiping *(chairman)*
Liu Caiming *(member)*
Zhang Chengzhong *(member)*
Peng Huaisheng *(member)*
Huang Shanfu *(member)*
Liang Yunxing *(member)*

Members of the Technical Committee

Peng Huaisheng *(chairman)*
Scott McKee Hand *(member)*
Ronald Ashley Hall *(member)*
Francisco Augusto Baertl Montori *(member)*
Huang Shanfu *(member)*
Liang Yunxing *(member)*
Ezio Martino Buselli Canepa *(member)*
David John Thomas *(member)*

Joint Company Secretaries

Du Qiang
Mok Ming Wai

Authorized Representatives

Peng Huaisheng
Lai Yat Kwong Fred

Alternate Authorized Representative

Mok Ming Wai

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Stock Code

3668

Principal Share Registrar and Transfer Office

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Auditor

PricewaterhouseCoopers
Certified Public Accountants
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Central, Hong Kong

Principal Bankers

Banco de Crédito del Perú
Banco Bilbao Vizcaya Argentaria
Standard Chartered Bank

Dr. Xiong Weiping
Chairman

Dear Shareholders,

Chinalco Mining Corporation International (the "Company", together with its subsidiaries, the "Group") has been focusing on the development of the Toromocho Project, which is the only mine asset of the Group at the moment. In 2013, the Toromocho Project achieved great progress in development and operation, which in turn represented milestones in the Company's development. The commissioning of the Toromocho Project commenced on 10 December 2013, which marked that we met our commitment to Shareholders in respect of the production schedule of the Toromocho Project. In addition, the Company started the implementation of the expansion plan for the Toromocho Project to show our determination for continuous development of the Toromocho Project and the maximization of Shareholders' interests. We paid rapt attention to every market opportunity and conducted active search for suitable acquisition projects for the Company in order to realize the Company's function as the core platform of Aluminum Corporation of China ("Chinalco") for acquisition, investment, development and operation of non-aluminum and non-ferrous mineral resources and projects outside China.

Review of the Year

In 2013, the Company achieved great progress in developing the Toromocho Project. Following obtaining the Mining Plan Permit for the Toromocho Project in March 2013, Minera Chinalco Peru S.A. ("MCP") further obtained various approvals necessary for the development and operation of the Toromocho Project. For instance, the Company obtained the approval for the environmental impact assessment report in connection with the construction of power transmission line in March 2013 and the approval for the environmental impact assessment report regarding the limestone quarry in October 2013. On 15 October 2013, the establishment of the 220kV electric power supply system was completed and commenced its operation.

As at December 2013, the engineering, procurement and construction of the major part for the development of the Toromocho Project were completed and all pre-commissioning was finished. The Toromocho Project reached its commissioning stage. It is expected that the Toromocho Project will reach full production capacity in the third quarter of 2014.

In 2013, the Company also started the implementation of the expansion plan for the Toromocho Project, pursuant to which the capacity of the Toromocho Project could be raised by 45% which in turn would optimize the Company's operation and production, exploit the potential ore reserve of the Toromocho Project and increase the output of Toromocho Project, so as to increase Shareholders' earnings as a result.

In 2013, the resettlement of the residents at the old town where the Toromocho Project is located advanced smoothly, which received broad attention and supports from the Peru society. A substantial number of the residents were relocated to a new town developed by the Company for the resettlement purpose and started their new lives there well. With the commencement of commissioning of the Toromocho Project, we provided more job opportunities to the local community. The Company will continue its commitment to maintaining environmental-friendly and mutual development business concept so as to achieve sustainable development and maximize the returns for Shareholders, employees and local community.

In 2013, the Company also paid close attention to and conducted thorough research on the major projects worldwide of the exploration and development of non-ferrous metal. We noted that, with the asset restructuring within the industry, many valuable investment opportunities have emerged in the market. Therefore, the Company has selectively tracked and studied several such opportunities in order to prepare well for strategic and selective acquisition in the future.

Prospect

The year 2014 remains to be challenging for the Company. There are numerous uncertainties surrounding the economy of the world and the recovery of the economy of China, along with great pressure in the market faced by the non-ferrous metal industry. The coming into production of some large scale mines would result in marginally excessive supply of copper. However, the Company is of the view that the overall demand and supply for copper would basically remain balanced. The market of non-ferrous metal such as copper is likely to be supported by the recovery of US economy and the stabilization of the China economy.

The Company believes that challenges coexist with opportunities. Especially, under current market conditions, the Company is more determined to develop into a leading and diversified mining company by carrying out strategic and selective acquisitions and further exploit potential resources in order to create better value for the Shareholders.

The Company will certainly continue its endeavors with optimizing the development and operation of the Toromocho Project to ensure that it reaches full production capacity in the third quarter of 2014 as planned as well as the steady implementation of the Expansion Plan, so as to achieve fulfilling business results and reward our Shareholders.

Acknowledgement

I hereby sincerely express my gratitude for our working team for achieving an excellent performance in 2013 and to our esteemed Shareholders. We will overcome the challenges together and achieve great success. Looking forward, we have a grander and more promising future. We are well prepared with detailed planning in order to reach our goals steadily and obtain higher achievements.

Dr. Xiong Weiping
Chairman

26 March 2014

MANAGEMENT DISCUSSION AND ANALYSIS

Mining Area

This Management Discussion and Analysis is prepared as of 26 March 2014. It should be read in conjunction with the annual audited consolidated financial statements and notes thereto of the Group for the year ended 31 December 2013.

The "Group" refers to the Company and its subsidiaries. "Chinalco" refers to Aluminum Corporation of China, the controlling shareholder of the Company. "Chinalco Peru" refers to Minera Chinalco Peru S.A., a wholly-owned subsidiary of the Company. The "Prospectus" refers to the prospectus of the Company dated 18 January 2013 in respect of the global offering of its shares. The "PRC" or "China" refers to the People's Republic of China excluding Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan. "Peru" refers to the Republic of Peru. "JORC" refers to Australasian Joint Ore Reserves Committee. The "Director(s)" refers to director(s) of the Company. The "Board" refers to the board of Directors of the Company.

Business Review

The Company is 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 outside the PRC.

The Company has been focusing on developing and operating the Toromocho Project, which is currently the Group 's only mining asset, and which is expected to be the source of substantially all of our revenue and cash flows for the foreseeable future. The commissioning of the Toromocho Project commenced on 10 December 2013 and the Toromocho Project is expected to reach full production capacity in the third quarter of 2014.

The Company also aims to become a leading and diversified mineral resources Group focusing on non-ferrous and non-aluminum mining projects outside China mainly through engaging in strategic and selective acquisitions, optimizing operation and production capacities and further exploring potential mineral reserves.

About the Toromocho Project

The Toromocho Project is located in central Peru in the core of the Morococha mining district. As disclosed in the Prospectus, 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. The Group plans to employ a semi-autogenous grinding 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-year 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.

On 17 June 2013, the Company announced that the Board approved the Project Expansion of the Toromocho Project (the "Project Expansion") in order to optimise and increase the capacity of the Toromocho Project, subject to any amendments and finalisation of details and any shareholders' approval as may be required under applicable law or the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). Subject to the finalisation and

Conveyor No.1 & No.2 and Transfer No.01

Stockpile

Mo Autoclave Pressure Vessel

implementation of the Project Expansion as contained in its feasibility study, the Company expects the increased production resulting from the Proposed Expansion to commence in around the third quarter of 2016. The life of the mine in respect of the Project Expansion is currently expected to be approximately 26 years.

The commissioning of the Toromocho Project commenced on 10 December 2013 which was in line with the timing as previously disclosed by the Company.

As disclosed in the announcement of the Company dated 10 December 2013 in relation to the update on the development of the Toromocho Project, due to the delay in the availability of power supply to the Toromocho Project, the grade of ore mined in the initial period was lower than that originally planned, and this may result in a decrease in the estimated overall copper production volume for the year 2014 from 190,498 tonnes to approximately 120,000 to 150,000 tonnes, based on information known to the Company. Based on the information currently available to the Company and collected from the preliminary stage of the trial production, the latest estimate for the yearly production of copper concentrates is approximately 497,554 tons with approximately 123,984 tons of copper contained, and the estimate for yearly production of molybdenum oxide is approximately 1,753 tons.

Reserves

According to CRU Strategies, the management consulting divisions of CRU Group, as disclosed in the Prospectus, the Toromocho Project is among the top 20 copper mining projects scheduled to commence production of copper concentrates from 2012 to 2016.

According to the technical report prepared by Behre Dolbear Asia Inc. dated November 2012 (the "Competent Person's Report") as disclosed in the Prospectus, 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 following tables summarise the estimated ore reserves and mineral resources in respect of the Toromocho Project as at 31 December 2013.

		Grade			Metal Content		
JORC Ore Reserve Category	Tonnes (millions)	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
Total	1,540	0.471	0.019	6.86	7.3	290,000	10,500

SAG Mill and Ball Mills

Hydrocyclone and Ball Mills

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
Total	520	0.37	0.013	6.10	1.9	66,000	3,200

JORC Inferred Mineral Resources Category	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

Source: Independent Mining Consultants, Inc.

Cu Concentrate Thickener

Mo Hydromet Plant

Railway Loading & Unloading Station

As of 26 March 2014, the Company believes there has been no material change to its resources and reserves since 31 January 2013 (the "Listing Date").

- **Mining Concessions and Superficial Land Rights**

  Toromocho Project consists of a total of 67 key mining concessions, with registered superficial land rights covering 6,702.8 hectares. 66 of the 67 key mining concessions are wholly owned by members of the Group, whereas one of the mining concessions is owned by Sociedad Minera de Responsabilidad Limitada Juanita de Huancayo ("Juanita"), in which the Group holds a 50% equity interest. Chinalco Peru has signed a memorandum of understanding with Volcan Compania Minera S.A. ("Volcan") to acquire Volcan's remaining 50% equity interest in Juanita. Upon completion of the above acquisition, Juanita will become a wholly-owned subsidiary of the Company.

  The Group currently plans to prioritize the mining of 58 mining concessions, as covered in the Mining Plan approved by means of a resolution of the General Bureau of Mining of the Ministry of Energy and Mines ("MEM") dated 27 March 2013 (the "Mining Plan Permit").

- **Products**

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

- **Infrastructure**

  Central highway

  Access to the Toromocho Project is by either the paved central highway or the central railway, both of which connect the Morococha mining district to Lima. The mining town of Morococha is roughly 2.5 kilometers ("km") away from the deposit at the Toromocho Project. Lima is approximately 142 km away from the Toromocho Project by the central highway.

Railway

The railway connecting the Callao port to the Toromocho Project is 172 km. The copper concentrates and molybdenum oxide will be transported from the mining site to the Callao port via the existing railway. The delivery of consumables such as diesel fuel, mill balls and reagents to the mining site of the Toromocho Project will be by way of railway transport. Given that the annual transportation capacity of the existing railway is 4 million tons, and the current railway usage is approximately 1.5 million tons per annum, the remaining transportation capacity of the railway will be sufficient to deliver the products of the Toromocho Project to the Callao port.

Callao port

In September 2010, Chinalco Peru invested in the newly incorporated Transportadora Callao S.A.("Transportadora Callao") by acquiring 7% of the equity interest in Transportadora Callao. Transportadora Callao is authorized to operate a dock specially used for concentrates transportation. The dock has a capacity to process approximately 3 million tonnes of cargo per annum. The specialized dock will contain a conveyor belt to load the mineral concentrates onto ships from various points at the Callao port, including from the Cormin warehouse where the mineral concentrates from the Toromocho Project will be stored.

New Town

Water

The total water demand of the Toromocho Project on average per year is approximately 8.65 million cubic meters. Sufficient water for the operation of the Toromocho Project has been assured through the construction of the Kingsmill Tunnel Water Treatment Plant ("KTWTP") by Chinalco Peru for drainage of the rock acid water that was previously discharged directly to a local river without treatment. The discharged water from the tunnel is drained through the KTWTP where it is treated to reduce acidity and metal content. The KTWTP has been in operation since August 2010.

The Kingsmill Tunnel is expected to provide sufficient water to support the operation of the Toromocho Project, with an estimated flow rate of approximately 3,500 cubic meters per hour, and the maximum designed feed rate of the KTWTP is approximately 5,000 cubic meters per hour. The treated water will be pumped to the raw water pump station, and then to the raw water pond. The pond will be located in the concentrator area to provide the processed water for the concentrator and the fire-fighting system.

Power

The estimated power consumption of Toromocho Project is 165 megawatt ("MW") and the power will be supplied by the Pomacocha Substation which is part of the National Grid of Peru. This substation was recently upgraded with 220 kilovlt ("kV") double busbar and has enough capacity to supply electricity for the Toromocho Project. Chinalco Peru has entered into a contract with Edegel S.A.A., a power generation company, under which the required electricity would be supplied by Pomacocha Substation. Meanwhile the power transmission from Pomacocha to the Toromocho Project is carried out by Pomacocha Power S.A.C., a transmission company, via the 220 kV transmission line with double circuit, to ensure high reliability of the power supply at Toromocho main substation. The capacity of the transmission line is 240 MW, and hence there is enough capacity for Toromocho Project including for future expansion.

The Toromocho Project's main substation consists of three 220/23 kV power transformers which are 75MVA, 100MVA, and 110MVA respectively. As any two of these transformers could supply all electricity required, the capacity of power supply is highly ensured. Therefore, there is a redundancy which ensures the power supply at 23 kV busbar, where gas-insulated switchgear is used for the distribution systems for the mine and concentrator plant, including the semi-autogenous grinding mill and ball mills. Harmonic filters are also connected to this 23 kV busbar in order to ensure that the power is not only suitable for the Toromocho Project but also in line with the relevant Peruvian standards.

The Development and Operation of the Toromocho Project

- **Main Constructions**

100% of the engineering, procurement and construction of the copper concentrator of the Toromocho Project have been completed. 99.2% of the construction of the molybdenum hydrometallurgy plant has also been completed and the construction is expected to be fully completed in April 2014. The commissioning of the Toromocho Project commenced from 10 December 2013.

- **Mine**

The Mining Plan Permit for the Toromocho Project was approved in March 2013. As at 8 March 2014, the pre-stripping amount reached 9,721,767 cubic meters and the amount of ore mined was 11,656,763 tons (excluding waste ore of 10,036,449 tons), 1,620,314 tons of which were moved to the primary crusher.

- **Expansion Plan**

On 17 June 2013, the Company announced that the Board had approved the Project Expansion in order to optimize and increase the capacity of the Toromocho Project, subject to any amendments and finalisation of details and any shareholders' approval as may be required under applicable law or the Listing Rules. The Project Expansion will be carried out at the Toromocho mine which forms the basis of the Toromocho Project. The total capital expenditure for the Project Expansion is expected to be approximately US$1.32 billion. The construction of the Project Expansion is currently expected to be substantially completed by the second quarter of 2016. The Project Expansion is expected to be financed (i) from the Group's internal working capital, (ii) by re-allocating the proceeds from its initial public offering (the "IPO") originally intended for the acquisitions of suitable non-ferrous and non-aluminum mining projects to the extent required for the Project Expansion, and (iii) debt financing (including but not limited to bank loans).

- **Ancillary projects**

Kingsmill Water Treatment Plant

The KTWTP has been operating daily under normal conditions. The aggregate amount of processed water reached 6,693,190 cubic meters as at 28 February 2014.

Power supply

On 15 October 2013, the construction of the 220 kV power supply system was completed successfully. The 23 kV main substation was energized to commence the mine operations and the commissioning of the concentrator plant. So far the power supply system has been operating satisfactorily up to the designated requirements.

Lime Plant

98% of the engineering, 86% of the procurement and 2% of the construction of the Lime Plant project were completed as at 28 February 2014 and the construction is expected to be fully completed in May 2015. From January 2014, the main construction contractors have been mobilized and most of the contractors have started the works as at March 2014, including piling works. Before the completion of the Lime Plant, Chinalco Peru purchases limes to facilitate the current production of Toromocho process plant.

Transportadora Callao

As of 28 February 2014, 100% of the engineering and procurement of the conveyor belt and ship loader were completed and 99.51% of the construction was completed. The construction is estimated to be completed in March 2014. The pre-commissioning of the port is expected to start at the end of March 2014 and it is expected to be ready for use in May 2014. Before May 2014, the copper concentrate for sale will be shipped in bulk via the existing port.

- **Resettlements**

By February 2014, 835, or 92% of approximately 906 families who were scheduled to be relocated from the old town of Morococha have moved to the new town Carhuacoto. It is expected that 98% of the residents at the old town will move to the new town by the end of 2014. The whole resettlement is expected to be completed by the end of 2015.

- **Commissioning and Ramp-up**

The commissioning of the Toromocho Project commenced on 10 December 2013 in line with the timing as previously disclosed by the Company. This marks the reaching of initial production stage of the Toromocho Project. The Company estimates that the Toromocho Project remains on schedule for reaching its full production capacity in the third quarter of 2014.

During the preliminary stage of the commissioning of the Toromocho Project, continuous adjustment and commissioning were conducted on the operation of equipments as well as the processing. Based on information currently known to the Company, the arsenic content of some copper concentration products exceeds 0.5%. The Company is evaluating this issue. By working on the mining and beneficiation process initially, the Company aims to optimise production process and enhance product quality.

As at 8 March 2014, the commissioning of the copper concentrator was 83.6% completed in general and the molybdenum plant is expected to reach the commissioning stage from April 2014. As at 8 March 2014, the load capacity of processing equipment in concentrator has reached 60% of designed capacity.

Industry Review

Copper Market

In 2013, the net effect in respect of the copper market was a surplus of 180 kiloton ("kt"), with total stocks rising to 69 days of consumption, marginally higher than the equilibrium level of 65 days of consumption, and the copper cash quotes was US$7,322/ton on average for the year.

For the year 2014, new mine supply will be injected to the market affecting negatively the copper price and commercial terms (TC/RC). It is expected that a yearly surplus of around 350 kt will be reached with a consequent increase up to inventory consumption volume of 70 days. There is unlikely to be a major slide in copper prices during the year, but there will be some downward pressure.

Financial Review

Revenue and cost of sales

Although the Group announced the commencement of the commissioning of Toromocho Project in December 2013, the Group has not commenced commercial production. During 2013, the Group still has been substantially engaged in construction activities at the development stage of the Toromocho Project. Therefore, no revenue has been generated and no cost of sales has been recorded.

General and Administrative expenses

The Group's general and administrative expenses were approximately US$39.9 million for the year ended 31 December 2013, as compared to approximately US$25.4 million for the year ended 31 December 2012. The increase was primarily due to the listing expenses incurred in connection with the global offering, an increase in professional fees for consultants that the Group hired in connection with the development of the Toromocho Project and advisors' expenses incurred in connection with developing business opportunities other than the Toromocho Project.

Finance cost, net

The Group's net finance cost continued to decrease this year, from approximately US$0.84 million for the year ended 31 December 2012 to approximately US$0.35 million for the year ended 31 December 2013, primarily due to a more than doubled net foreign exchange gain of US$1.45 million for the year ended 31 December 2013 compared to US$0.63 million for the year ended 31 December 2012.

Loss before income tax

As a result of the foregoing, the Group's loss before income tax increased from approximately US$25.5 million for the year ended 31 December 2012 to approximately US$36.5 million for the year ended 31 December 2013.

Income tax benefit

The Group's income tax benefit was approximately US$5.4 million for the year ended 31 December 2013, and there was no material fluctuation compared to the figure for the year ended 31 December 2012.

Loss attributable to the equity holders of the Company

As a result of the foregoing, the loss attributable to the equity holders of the Company increased from approximately US$20.3 million for the year ended 31 December 2012 to approximately US$35.5 million for the year ended 31 December 2013.

Liquidity and Financial resources

The principal sources of cash have been borrowings from banks including the following:

- US$2 billion facility and US$419 million credit facility from the Export-Import Bank of China ("Eximbank") (December 2010 and March 2013);
- US$83 million, US$35 million, US$12 million and US$9 million credit facilities from China Development Bank ("CDB") (September and December 2012 and June and November 2013);
- US$81 million one year credit facilities from CDB (November 2013);
- CDB has committed to lend another US$37 million due to the memorandum issued in 2012; and
- US$100 million one year revolving loan facility and US$200 million one year term loan facility from the Banco Bilbao Vizcaya Argentaria ("BBVA") (October and December 2013).

The borrowings from the banks mentioned above all carry interest at floating rate. As of 31 December 2013, the Group had cash and cash equivalents of approximately US$122.9 million. The Group uses bank and cash balances to finance working capital and part of its capital expenditure for its continuing growth and expansion plans. The Group determines the appropriate amount of cash to maintain on-hand by forecasting the Group's future working capital and capital expenditure needs. The Group also aims to maintain a certain level of extra cash to meet unexpected circumstances and to use in relation to business expansion opportunities as they arise.

Operating activities

Net cash used in operating activities for the year ended 31 December 2013 was approximately US$73.3 million, which was primarily attributable to the increase in working capital. Although the Group has announced commencement of the commissioning of the Toromocho Project, the commercial production did not start. Hence, activities in this stage have not generated any positive operating cash flows.

Investing activities

Net cash used in investing activities in the year ended 31 December 2013 was approximately US$1,167.4 million, which was primarily attributable to the Group's purchases of property, plant and equipment of approximately US$1,267.1 million, which we used for construction activities and purchase of fixed assets.

Financing Activities

Net cash generated from financing activities in the year ended 31 December 2013 was approximately US$1,221.2 million, which was mainly consisted of the Group's IPO proceeds with about US$403 million and proceeds from the Group's loans with Exim Bank, CDB and BBVA of US$921 million.

Capital expenditure

The total capital and operating expenditure for the development of current project and the Project Expansion estimated and incurred as of 31 December 2013 and 28 February 2014 are as follows:

(a) Set forth below is the Company's estimated total capital expenditure of current project based on the Competent Person's Report and the expenditure incurred as of 31 December 2013 and 28 February 2014:

	Competent Person's Report	Costs incurred as of 31 December 2013	Costs incurred as of 28 February 2014
		(US$ in millions)	
Current Project			
Mining	303.50	282.92	287.92
Process Plant and Infrastructure	1,871.90	1,856.68	1,879.71
Owner's Cost	648.20	658.75	681.77
Additional Projects	622.60	479.35	482.62
Working Capital	56.00	15.43	56.00
Total for Current Project	**3,502.20**	**3,293.12**	**3,388.02**

Notes:

(i) The Capex of Mining is less than the estimation due to the delay of electricity power, the stripping of waste and low grade ore is less than planned.

(ii) The Capex of Process Plant and Infrastructure runs over the estimation. The main reason is due to the delay of electricity power supply. The Moly Hydromet Plant is still in construction.

(iii) 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. Capex of Owner's Cost is higher than forecast due to the delay in the availability of power supply to the Toromocho Project.

(iv) 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. So far the lime plant is still in construction and the central highway relocation is pending the Peruvian government approval to start.

(b) Set forth below is the Company's estimated total capital expenditure based on the Feasibility Study Report and the expenditure incurred for the Project Expansion as of 31 December 2013 and 28 February 2014:

	Feasibility Study Report	Costs incurred as of 31 December 2013	Costs incurred as of 28 February 2014
		(US$ in millions)	
Project Expansion			
Mining	115.19	–	–
Process Plant and Infrastructure	1,061.18	366.71	370.22
Owner's Cost	142.33	–	1.26
Total for Project Expansion	**1,318.70**	**366.71**	**371.48**

Capital structure

During the year ended 31 December 2013, as the Group became a Hong Kong listed company, its funding primarily came from the proceeds from the Listing, as well as bank loans.

Gearing ratio

The Group monitors capital on the basis of the debt ratio. This ratio is calculated as total debt divided by total assets. The gearing ratio of the Group as of 31 December 2013 is as follows:

	As at 31 December	
	2013	2012
	US$'000	US$'000
Total borrowings	**3,070,808**	2,250,739
Less: cash and cash equivalents	**(122,916)**	(142,656)
Net debt	**2,947,892**	2,108,083
Total equity	**722,419**	357,963
Total capital	**3,670,311**	2,466,046
Gearing ratio	**80%**	85%

The decrease in the gearing ratio during the year ended 31 December 2013 resulted primarily from the IPO of the Group.

Employee and remuneration policy

As of 31 December 2013, the Group had 1,055 employees in total.

The Group's remuneration policy is designed to attract, retain and motivate highly talented individuals, to ensure the capability of the Group's workforce to carry out the business strategy of the Company and to maximize shareholder wealth creation.

Benefit schemes are maintained for employees as required by the laws in Peru and China.

Moreover, under Peruvian labour law, our Peruvian subsidiaries with more than 20 employees are required to distribute 8% of their profits generated in any year among their employees.

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

Foreign Exchange Risk

The Group mainly operates in Peru with most of its transactions, which are mainly related to the acquisition of services and loans received from related parties, denominated and settled in US dollars.

Accordingly, the Group is exposed to foreign exchange risk that may arise from fluctuations in the New Peruvian Soles to US dollar exchange rate. Our Directors estimate that the impact of any changes in the New Peruvian Soles to US dollar exchange rate will not have a significant impact on our financial condition and results. As a result, the Group does not maintain a hedging policy against the Group's foreign exchange risk. Although the Group maintains a net liability position expressed in New Peruvian Soles that, in its appreciation trend, may have a negative impact upon liquidation of these monetary assets and liabilities, public estimates available do not anticipate a severe devaluation of US dollars in the short term that may cause a major impact on the Group's financial condition and results of operation.

During 2013, the Group has not used any financial instrument to hedge its foreign exchange risk.

Contingent liabilities

The Group has contingent liabilities in respect of legal claims and administrative procedures arising in the ordinary course of business. However, the Group believes it has made adequate provision for these contingent liabilities, and it is not anticipated that any material liabilities will arise from the contingent liabilities other than those provided for. For the year ended 31 December 2013, the amount of provision made by the Group in respect of legal claims was US$7.3 million.

Off-balance sheet arrangement

The Group has not entered into, nor does it expect to enter into, any off-balance sheet arrangements. The Group also has not entered into any financial guarantees or other commitments to guarantee the payment obligations of third parties. In addition, the Group has not entered into any derivative contracts that are indexed to its equity interests and classified as owners' equity. Furthermore, the Group does not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. The Group does not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to it or that engages in leasing, hedging or research and development services with it.

Event after balance sheet date

One major event occurred after the balance sheet date, which is:

The Group signed two short term revolving loan facility with SCB for an amount of US$135 million and US$65 million on 27 January 2014.

An Overview of Directors and Senior Management

As at 26 March 2014, the board (the "Board") of directors of the Company (the "Directors") consists of ten Directors, four of whom are independent non-executive Directors. The Directors were re-appointed at the annual general meeting of the Company held on 26 June 2013. According to the Articles of Association of the Company, not less than one-third of the Directors must retire from office by rotation at the annual general meeting provided that every Director is subject to retirement by rotation at least once every three years and any Director appointed by the Board either to fill a casual vacancy or as an addition to the Board will hold office until the next following annual general meeting of the Company after his/her appointment.

The table below sets forth certain information in respect of the members of the Board and our senior management as at 26 March 2014.

Name	Age	Position	Date of appointment
Xiong Weiping	58	non-executive Director and chairman	28 February 2012
Liu Caiming	51	non-executive Director	1 May 2013
Zhang Chengzhong	53	non-executive Director	1 May 2013
Peng Huaisheng	49	executive Director	1 April 2011 (appointed as Director) 28 February 2012 (redesignated as executive Director)
		chief executive officer	28 February 2012
Huang Shanfu	47	executive Director and vice president	1 December 2010
Liang Yunxing	40	executive Director and chief financial officer	22 November 2012
Scott McKee Hand	71	independent non-executive Director	10 April 2012
Ronald Ashley Hall	60	independent non-executive Director	10 April 2012
Lai Yat Kwong Fred	65	independent non-executive Director	10 April 2012
Francisco Augusto Baertl Montori	70	independent non-executive Director	10 April 2012
Ezio Martino Buselli Canepa	51	vice president of health, safety and environment of Chinalco Peru	May 2008
David John Thomas	69	executive vice president and chief operating officer of Chinalco Peru	January 2011
Leo Leroy Hilsinger	62	construction vice president of Chinalco Peru	March 2010

Non-Executive Directors

Xiong Weiping

Dr. Xiong Weiping, aged 58, has been the general manager of Chinalco since January 2009. He has also been the chairman and chief executive officer of Aluminum Corporation of China Limited ("Chalco"), a subsidiary of Chinalco and listed on the Stock Exchange, New York Stock Exchange and Shanghai Stock Exchange, since May 2009, and is currently serving as the chairman of China Copper Corporation Limited* (中國銅業有限公司) and Aluminum Corporation of China Overseas Holdings Limited ("COH"). He was appointed as chairman and a non-executive Director of the Company on 28 February 2012.

From June 2006 to January 2009, Dr. Xiong was the vice chairman and general manager of China Travel Service (Holdings) Hong Kong Limited (香港中旅(集團)有限公司) and was an executive director of China Travel International Investment Hong Kong Limited (香港中旅國際投資有限公司), a company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), from July 2006 to March 2009. Dr. Xiong served as the vice general manager of Chinalco from February 2001 to June 2006, and was also an executive director (from September 2001 to June 2006), senior vice president (from September 2001 to May 2004) and president (from May 2004 to June 2006) of Chalco. From August 2000 to February 2001, he was a member of the organizing committee of Chinalco. From August 1999 to August 2000, Dr. Xiong served as vice general manager of China Copper, Lead & Zinc Group Corporation* (中國銅鉛鋅集團公司). Prior to that, Dr. Xiong was the standing vice-chancellor and dean of the Faculty of Management, and a professor and Ph.D. tutor of Central South University of Technology. Dr. Xiong has been serving Chalco since September 2001, and played a key role in its formation and initial public offering in 2001.

During his time as general manager of Chinalco, Dr. Xiong developed the strategy of transforming Chinalco into a top tier global mineral company with most growth potential. Under his leadership, Chinalco has worked towards optimizing the development of aluminum, prioritizing the development of copper, consolidating the development of rare earth, leading in the rapid development of coal and iron ore, endeavoring in engineering developments, selectively developing new industries, accelerating overseas development, expanding the global trading business and ensuring the development direction of the supply of material for the purpose of China's military industry and key technological projects.

He has academic achievements and extensive experience in economics, corporate management and metal mining. Dr. Xiong has over 30 years of research and management experience in the mining industry.

Non-Executive Directors (continued)

Liu Caiming

Dr. Liu Caiming, aged 51, is the deputy general manager of Chinalco and a non-executive director of Aluminum Corporation of China Limited (中國鋁業股份有限公司). Graduated from the School of Economics of Fudan University, Dr. Liu is a doctoral candidate, senior accountant and certified public accountant in the PRC. Having been engaged in financial management at large state-owned enterprises for a long time, Dr. Liu has extensive experience in finance and business management. Dr. Liu joined Chinalco in January 2007. He had served as the deputy head and Head of the Finance Department of China Non-ferrous Metals Foreign-Engineering Corporation (中國有色金屬對外工程公司), deputy general manager of China Non-ferrous Metals Construction Group Limited (中國有色金屬建設集團公司), deputy general manager of China Non-ferrous Construction Group Limited (中色建設集團有限公司), director and deputy general manager of China Non-ferrous Metal Industry's Foreign Engineering and Construction Co., Ltd. (中國有色金屬建設股份有限公司), deputy general manager of China Nonferrous Metals Mining and Construction (Group) Co., Ltd. (中國有色礦業建設集團有限公司), deputy general manager of Chinalco, chairman of the board of Yunnan Copper Industry (Group) Co., Ltd. (雲南銅業(集團)有限公司), executive director and president of China Copper Co., Ltd. (中國銅業有限公司) and the senior vice president and chief financial officer of Aluminum Corporation of China Limited (中國鋁業股份有限公司). Dr. Liu has also acted as the titular deputy head of the Department of Finance of Yunnan Province, a director of the State-owned Assets Supervision and Administration Commission of Yunnan Province and assistant to the governor of Yunnan Province.

Zhang Chengzhong

Dr. Zhang Chengzhong, aged 53, is the deputy general manager of Chinalco, a director and the president of China Copper Co., Ltd. (中國銅業有限公司) and the Chairman of the board of China Aluminum International Engineering Corporation Limited (中鋁國際工程股份有限公司). Dr. Zhang obtained his doctorate degree in nonferrous metals metallurgy from Northeastern University (東北大學) and is also a professor-grade senior engineer. Having been engaged in the management of corporation and strategic development at large state-owned enterprises for a long time, Dr. Zhang has extensive experience in corporate management and strategic development. Dr. Zhang joined Chinalco in July 1982. He had served as the first vice plant director of the Alumina Branch of the Shanxi Aluminum Plant (山西鋁廠氧化鋁分廠), the institute director of the research institute, vice plant director of Shanxi Aluminum Plant (山西鋁廠), plant director of Shanxi Aluminum Plant and the vice president of Aluminum Corporation of China Limited (中國鋁業股份有限公司). Since February 2011, he has been serving as a director and the president of China Copper Co., Ltd. (中國銅業有限公司), the chairman of the board of Chinalco Shanghai Copper Co., Ltd. (中鋁上海銅業有限公司), the chairman of the board of Yunnan Copper (Group) Co., Ltd. (雲南銅業(集團)有限公司) and the chairman of the board of Chinalco Luoyang Copper Co., Ltd. (中鋁洛陽銅業有限公司).

Executive Directors

Peng Huaisheng

Dr. Peng Huaisheng, aged 49, has been the vice president of China Copper Corporation Limited* (中國銅業有限公司) since June 2010. He was appointed as a Director of the Company on 1 April 2011. He was redesignated as the chief executive officer and an executive Director of the Company on 28 February 2012. Since January 2008, Dr.Peng has served as the chairman of Minera Chinalco Peru S.A. ("Chinalco Peru"), where he has been responsible for strategy development and overseeing the operation of Chinalco Peru. During this period, Dr. Peng has also been the vice chairman and a director of COH. From December 2005 to January 2008, Dr. Peng was the standing vice general manager of China Enfi Engineering Corporation (中國恩菲工程技術有限公司).

Dr. Peng has over 25 years of experience in design, research and management in non-ferrous engineering and the mining industry.

Huang Shanfu

Mr. Huang Shanfu, aged 47, has been a director and the president and the chief executive officer of Chinalco Peru since December 2010, and has been in charge of the construction of the Toromocho Project. He was appointed as an executive Director and the vice president of the Company on 28 February 2012.

From February 2010 to November 2010, Mr. Huang was the general manager of the Enterprise Management Department of China Copper Corporation Limited* (中國銅業有限公司), overseeing the daily operation of the enterprise management department. Mr. Huang was the vice general manager of Yunnan Copper Group (雲南銅業(集團)有限公司) from December 2004 to November 2010, and was responsible for technology development and further processing of products. From November 2003 to December 2004, he was the assistant to the general manager of Yunnan Copper Group, and was responsible for technology development. From May 1998 to November 2003, Mr. Huang served as a director and vice general manager of Yunnan Copper Co., Ltd. (雲南銅業股份有限公司), where he was in charge of production and operation of the company. From October 2006 to January 2010, Mr. Huang was a director, president and the chief executive officer of Chambishi Copper Smelter Limited (謙比希銅冶煉有限公司) in Zambia, where he was responsible for the construction and operation of the company. From January 2005 to September 2006, he was a director of P.T. Hanjaya Smelting Indonesia (印尼漢榮冶煉有限公司) in Indonesia, where he was in charge of the company's establishment preparation. He participated in the exchange program to Norddeutsche Affinerie AG (德國北德冶煉公司) from December 2003 to June 2004.

Mr. Huang has over 23 years of mining experience, particularly in the copper industry.

Executive Directors (continued)

Liang Yunxing

Ms. Liang Yunxing, aged 40, has been an executive Director and the chief financial officer of the Company since 22 November 2012.

Before joining the Company, Ms. Liang had worked for over 14 years with China National Travel Service (HK) Group Corporation (中國港中旅集團公司) ("HKCTSG"), which is one of China's major multinational state-owned enterprises headquartered in Hong Kong. During various positions in HKCTSG, Ms. Liang had worked in Hong Kong and the United States of America for nine years.

From May 2009 to October 2012, Ms. Liang was a director and the chief financial officer of HKCTS (China) Investment Limited* (港中旅(中國)投資有限公司), one of the largest property developers in mainland China focusing on developing large-scale scenic spots, hotels, resorts, commercial properties and residential units. During this period, Ms. Liang was responsible not only for financial management and risk controls but also for project and company operation management, including cost controls, quality controls, schedule controls and performance measurement.

From October 2006 to April 2009, Ms. Liang was the general manager of the finance department of China Travel International Investment Hong Kong Limited (香港中旅國際投資有限公司) ("CTII"). CTII is a red chip stock company listed on the Stock Exchange (Stock code: 308) and the flagship company of HKCTSG in the travel industry.

Ms. Liang is a member of the Chinese Institute of Certified Public Accountants.

Independent Non-Executive Directors

Scott McKee Hand

Mr. Scott M. Hand, aged 71, was appointed as an independent non-executive Director of the Company on 10 April 2012. Mr. Hand has been the executive chairman of Royal Nickel Corporation ("Royal Nickel"), a company listed on the Toronto Stock Exchange (Stock code: RNX) since November 2009.

Mr. Hand was the chairman and chief executive officer of Inco Limited ("Inco") from April 2002 until he retired from Inco in January 2007. Inco was acquired by Companhia Vale do Rio Doce (now called Vale S. A.) in late 2006. Mr. Hand joined Inco in 1973 and held various positions in law, strategic planning and business development and was the president of Inco from 1992 until 2002. Inco is a major global resources enterprise and a leading producer and marketer of nickel and other metals based in Canada.

Mr. Hand is currently involved in a number of public and private companies, primarily in the mineral resource industry. In addition to Royal Nickel, he was a member of the boards of directors of Legend Gold Inc., a company listed on the TSX Venture Exchange (Stock code: LGN). He was also a director of Fronteer Gold Inc., a company listed on the Toronto Stock Exchange and the New York Stock Exchange (Stock code: FRG) from 2007 to 2011 when Fronteer was sold to Newmont Mining Corporation and Royal Coal Corp., a company formerly listed on the TSX Venture Exchange (Stock code: RDA).

Independent Non-Executive Directors (continued)

Mr. Hand has over 37 years experience in all aspects of the mining industry based on his participation in Inco's mining and processing operations and projects in Canada, Indonesia, New Caledonia and Guatemala and Inco's processing and refining operations in the United Kingdom, Japan, China, South Korea and Taiwan. In addition to nickel, Inco was an important producer and refiner of copper, cobalt and the precious and platinum group metals. Mr. Hand was also a member of the boards of directors of the Nickel Institute and P.T International Nickel Indonesia tbk. Mr. Hand is currently engaged in a number of private ventures in copper, gold, oil and gas and industrial minerals.

Mr. Hand is also a member of the board of directors of Manulife Financial Corporation, a major worldwide insurance and financial services company based in Canada listed on the Toronto Stock Exchange (Stock code: MFC), Boyd Technologies LLC (non-woven materials) in the United States and World Wildlife Fund Canada.

Ronald Ashley Hall

Mr. Ronald Ashley Hall, aged 60, was appointed as an independent non-executive Director of the Company on 10 April 2012. He is an independent consultant advising on technical and strategic issues. He has over 30 years of professional experience in the copper mining industry. He has been involved in business and mining opportunities in China, India, Russia, North America and South America.

From 2004 to 2011, Mr. Hall was a vice president of Wardrop Engineering, a private Canadian engineering company engaged in providing engineering design and consulting services to the mining, energy and infrastructure sectors in Canada.

From 2001 to 2004, Mr. Hall served as president and consultant at Minmet Consulting Limited. From 1998 to 2001, Mr. Hall was a project manager of Hatch Associates Ltd. in Vancouver. He was involved in many mining projects around the globe from scoping and feasibility studies, due diligence investigations and technical support to detailed engineering design and project management.

Mr. Hall also previously served as director and vice president of China Clipper Gold Mines based in Vancouver, Canada, as an operations superintendent of BCL Ltd. at Botswana, RTZ Palabora Mining Co. Phalaborwa South Africa and De Beers Botswana, where he was responsible for operations in relation to nickel, copper and diamond.

Independent Non-Executive Directors (continued)

Lai Yat Kwong Fred

Mr. Lai Yat Kwong Fred, aged 65, was appointed as an independent non-executive Director on 10 April 2012. Mr. Lai has over 39 years of experience in accounting, auditing and company secretarial matters. He has been an executive director and the chief financial officer of Champion Technology Holdings Limited, a company listed on the Stock Exchange (Stock code: 92) since April 1996 with responsibility for its financial and accounting policy and control after initial service in March 1994 as company secretary. He has been the chief executive officer (acting), chief financial officer and an executive director of Kantone Holdings Limited, a company listed on the Stock Exchange (Stock code: 1059) since November 1996, where he was primarily responsible for overseeing the entire operation. He has served as a non-executive director of DigitalHongKong.com, a company listed on the Stock Exchange (Stock code: 8007) since January 2005 where he joined the board of directors to ensure the proper and profitable operation of the company. He also served as an independent non-executive director of Trony Solar Holdings Company Limited, a company listed on the Stock Exchange (Stock code: 2468) from 1 October 2011 to 7 February 2013 and was the chairman of the audit committee of that company.

Mr. Lai is a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants (Practising).

Francisco Augusto Baertl Montori

Mr. Francisco Augusto Baertl Montori, aged 70, was appointed as an independent non-executive Director of the Company on 10 April 2012.

Since December 2010, he has served as a director of Golden Alliance Resources, a company listed on the TSX Venture Stock Exchange (Stock code: GLL). Golden Alliance Resources is active in gold, copper and silver exploration.

Since September 2007, he has been a director of Norsemont Mining Inc., which was listed on the Toronto Stock Exchange and the Lima Stock Exchange (Stock code: NOM), but was delisted after being bought by Hudbay Resources in February 2011. Norsemont Mining Inc. is active in exploration for copper, molybdenum and silver.

Since July 2004, he has been a director of Alturas Minerals Corp., which is listed on the TSX Venture Stock Exchange (Stock code: ALT). From July 2007 to March 2009, he was the chairman of Alturas Minerals Corp. Alturas Minerals Corp. is active in mineral exploration.

Since March 2002, Mr. Baertl Montori has been a director of Interbank Peru, the second Peruvian commercial bank with offices in Shanghai, China and São Paulo, Brazil. From March 2005 to March 2011 he was a director of Graña & Montero, a real estate and construction company listed on the Lima Stock Exchange (Stock code: GRAMONC1). Since April 2001, he has been a director of FIMA, listed on the Lima Stock Exchange (Stock code: FIMA I1) and active in manufacturing of equipment for mining and other activities. From June 2009 to November 2010, he was a director of Dorato Resources Inc. Dorato Resources Inc. is listed on the TSX Venture Stock Exchange (Stock code: DRI) and active in gold and copper exploration.

Independent Non-Executive Directors (continued)

From May 1967 to December 1996, Mr. Baertl Montori served various positions (including the president and chief executive officer from April 1994 to December 1996 and operations manager from May 1982 to March 1994) at Compania Minera Milpo ("Milpo"), a company listed on the Lima Stock Exchange (Stock code: MILPOC1) and one of the leading mining companies in Peru, active in the exploration and production of copper, zinc and lead concentrates.

From September 1997 until January 2003, Mr. Baertl Montori served Compania Minera Antamina ("Antamina") as its president and chief executive officer. Antamina is active in the production of copper, zinc, lead and molybdenum concentrates. He led the exploration, development, construction and establishment of this world-class project, which involved an investment of US$2,250 million. Antamina is considered as one of the biggest and most important copper and zinc skarn type deposits, with an ore processing capacity of 120,000 tpd in an open pit operation at 4,200 meters above sea level in the Andes Cordillera, Ancash Region.

Since January 2003, Mr. Baertl Montori has been the chief executive officer of Gestora de Negocios e Inversiones, which is engaged in promoting investments in mining and agricultural activities and offering consulting services to various mining ventures.

Mr. Baertl Montori has been an active member in the Mining, Petroleum and Energy Chamber of Commerce since March 1970, having served as the chairman of its board for two terms, from April 1991 to April 1993 and from April 1999 to April 2001. During his first term as the chairman, a piece of new legislation was enacted for the promotion of investment in mining activities in Peru (Decreto Legislativo Nº 708 Ley de Promoción de Inversiones en el Sector Minero) (November 1991).

He has been an active member of the Peruvian Institute of Mining Engineers. He was Chairman of the board of the institute since April 1986 to April 1988.

Senior Management

Ezio Martino Buselli Canepa

Dr. Ezio Martino Buselli Canepa, aged 51, joined Chinalco Peru in May 2008 serving as a vice president of health, safety and environment. Currently he is responsible for environmental and government affairs, public and community relations, communications and permitting of Chinalco Peru.

Previously, from October 1997 to May 2008, Dr. Buselli Canepa served as a director of environmental services for Southern Peru Copper Corporation, a company listed on the New York Stock Exchange and Lima Stock Exchange (Stock code: SCCO) ("Southern Peru"). Southern Peru is an integrated copper mining and metallurgical operation, consisting of two world class open pit copper/molybdenum mines, concentrators and leaching/SXEW operations located in the lower Andean Mountains of Peru, a coastal copper smelting-refining complex, a port facility and ancillary operations. From February 1997 to September 1997, he served as the technical manager for Walsh Perú S.A. Environmental Scientists & Engineers ("Walsh"), a consulting firm.

Senior Management (continued)

David John Thomas

Mr. David John Thomas, aged 69, was appointed as an executive vice president and the chief operating officer of Chinalco Peru in January 2011. From April 2010 through December 2010, he was the vice president of operations, where he was primarily responsible for the technical development of the Toromocho Project, including the coordination with Aker Solutions (currently known as Jacobs), EPCM contractor for the project, including feasibility study, basic engineering, detailed engineering and construction. He served as a technical consultant of Chinalco Peru from April 2005 to March 2010. Mr. Thomas has more than 40 years of managerial experience in mine-related project development, finance, banking and advisory, engineering, construction and operations.

From January 2008 through June 2009, Mr. Thomas was a director of Rio Alto Mining Limited (listed on TSX Venture Stock Exchange (RIO), on the Lima Stock Exchange (RIO), on the OTCQX® (RIOAF) and on Frankfurt Stock Exchange (MS2).), where he was responsible for general corporate development. From October 2002 to June 2004, he was the managing director of Volta Aluminum Company, an aluminum smelter on the coast of Ghana at Tema, with a production capacity of 200,000 tpa, previously owned by Kaiser Aluminum and Alcoa Inc., currently owned by the government of Ghana. From March 2003 to June 2004, he was also a director of Anglesey Aluminium (a joint venture company of Kaiser Aluminum and Rio Tinto) in Wales, where he was involved in general corporate development. From October 2000 to January 2002, he was a vice president of technical services of PT Freeport Indonesia, the largest copper and gold mining company in Indonesia. From October 1997 to December 1999, he served as the vice president in charge of operations of Southern Peru Copper Corporation.

Leo Leroy Hilsinger

Mr. Leo Leroy Hilsinger, aged 62, is the construction vice president of Chinalco Peru. He is responsible for the construction of the Toromocho Project, processing plant, the new town of Morococha, central highway relocation, lime plant facility and highway overpass project to the new town of Morococha. Mr. Hilsinger joined Chinalco Peru in March 2010.

Mr. Hilsinger has substantial experience in construction engineering on Peruvian and overseas projects for copper and other non-ferrous metals and minerals industry.

From July 1999 to February 2010, Mr. Hilsinger held various managerial positions in Aker Solutions including construction manager where he was responsible for its construction projects in South America, and the director of construction and management board member for Kvaerner, Metals E&C Division in San Ramon where he was responsible for the management and administration of the construction department.

Joint Company Secretaries

Du Qiang

Mr. Du Qiang, aged 43, is a director and the chief representative of the Beijing representative office of Chinalco Peru. He was a director, secretary and treasurer of the Company from January 2010 to February 2012. He joined the Chinalco group as a senior business manager of COH in 2009. Previously he had been a senior project manager at Kamsky Associates Inc. and, prior to that, the general manager of Chinatex Leanfaith Garment Company Limited* (中紡森誠服裝有限公司) and a manager responsible for mergers and acquisitions in the strategic department of Chinatex Corporation Limited (中國中紡集團公司), as a result of which he had been involved in commercial negotiations relating to various mergers and acquisitions and joint venture projects. He has a strong professional background and substantial experience in business operations and management, investment and merger and acquisition transactions, corporate governance and risk controls. He obtained an MBA degree from Peking University in July 2002 and is a Financial Risk Manager (FRM) certified by the Global Association of Risk Professionals in April 2010.

Mok Ming Wai

Ms. Mok Ming Wai, aged 42, is a director of KCS Hong Kong Limited. She has over 18 years' of professional and in-house experience in company secretarial field. Ms. Mok is a fellow member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in United Kingdom. Meanwhile, Ms. Mok is also the company secretary or joint company secretary of certain listed companies currently.

* The names of entities marked with asterisk are for identification purpose only.

The directors of the Company (the "Directors") are pleased to present their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2013.

Corporate Information

The Company was incorporated in the Cayman Islands on 24 April 2003 as an exempted company with limited liability under the Companies Law (2012 Revision) of the Cayman Islands (the "Companies Law"). The Company's shares (the "Shares") were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 31 January 2013.

Principal Activities

The Group is principally engaged in exploration, development and production of ore resources and other mining related activities. There were no significant changes in the nature of the principal activities of the Group during the year ended 31 December 2013.

Results

The results of the Group for the year ended 31 December 2013 are set out in the consolidated statement of comprehensive loss on page 65 of this annual report.

Final Dividends

The Directors do not recommend a dividend for the year ended 31 December 2013.

Financial Summary

A summary of the Group's results, assets and liabilities for the last five financial years is set out on page 120 of this annual report. That summary does not form part of the audited consolidated financial statements.

Use of Net Proceeds from Listing

The net proceeds from the Listing (the "Proceeds") (including those Shares issued pursuant to the partial exercise of the over-allotment option), after deducting underwriting fees and related expenses, amounted to approximately US$394 million. Reference is made to the Company's announcement dated 17 June 2013 in relation to the expansion of the Toromocho Project and the change in use of Proceeds. In light of the Company's decision to implement the expansion of the Toromocho Project and the availability of funds due to the fact that there was not yet any suitable acquisition that the Board had decided upon, the Board resolved to re-allocate 30% of the Proceeds which was originally intended for pursuing selective acquisitions of suitable non-ferrous and non-alumninum mining projects to the expansion of the Toromocho Project. Details of the change in use of the Proceeds are set out in the Company's announcement dated 17 June 2013. Except for the re-allocation of 30% of the Proceeds as described above, there were no other changes to the intended use of Proceeds as disclosed in the Prospectus.

Use of Net Proceeds from Listing (continued)

As at 31 December 2013, part of the Proceeds have been applied as follows:

(i) the Company repaid US$103 million of the borrowings from Aluminum Corporation of China Overseas Holdings Limited ("COH") on 28 February 2013;

(ii) the Group had disbursed approximately US$120 million for the development of the Toromocho Project;

(iii) the Group had disbursed approximately US$120 million for the expansion of the Tormocho Project; and

(iv) approximately US$40 million had been used for supporting the Group's working capital requirement.

Major Customers and Suppliers

The Group has not commenced commercial production and so recorded no turnover or sales during the year ended 31 December 2013. As at the date of this report, the Group had entered into off-take agreements with five customers for the sale of in aggregate 70% of the Toromocho Project's annual production of copper concentrates. These off-take agreements all run for a period of at least five years from the start of production of the Toromocho Project.

Purchases from the Group's five largest suppliers accounted for approximately 39% of the Group's total purchases for the year ended 31 December 2013 and purchases from the Group's single largest supplier amounted to 14% of the Group's total purchases for the year.

None of the Directors or any of their associates or any Shareholder that, to the knowledge of the Directors, owns more than 5% of the Company's issued share capital had any interest in any of the Group's five largest customers or suppliers.

Property, Plant and Equipment

Additions to the property, plant and equipment of the Group during the year ended 31 December 2013 were approximately US$1,251 million. Details of movements in the property, plant and equipment of the Company and the Group during the year ended 31 December 2013 are set out in note 5 to the consolidated financial statements in this annual report.

Share Capital

Details of movements in the share capital of the Company during the year ended 31 December 2013 are set out in note 16 to the consolidated financial statements in this annual report.

Reserves

Details of movements in the reserves of the Company and the Group during the year ended 31 December 2013 are set out in the consolidated statement of changes in equity on page 66 of this annual report.

Distributable Reserves

As at 31 December 2013, the Company had no reserves available for distribution, calculated in accordance with the provisions of the Companies Law.

Bank Loans and Other Borrowings

Particulars of bank loans and other borrowings of the Company and the Group as at 31 December 2013 are set out in note 18 to the consolidated financial statements in this annual report.

Directors

The Directors as at 31 December 2013 and up to the date of this report were:

Non-Executive Directors:
Dr. XIONG Weiping *(chairman)*
Dr. LIU Caiming (appointed on 1 May 2013)
Dr. ZHANG Chengzhong (appointed on 1 May 2013)

Executive Directors:
Dr. PENG Huaisheng *(chief executive officer)*
Mr. HUANG Shanfu *(vice president)*
Ms. LIANG Yunxing *(chief financial officer)*

Independent non-executive Directors:
Mr. Scott McKee HAND
Mr. Ronald Ashley HALL
Mr. LAI Yat Kwong Fred
Mr. Francisco Augusto BAERTL MONTORI

Directors (continued)

In accordance with article 16.2 of the articles of association of the Company, any Director appointed by the Board either to fill a casual vacancy or as an addition to the Board will hold office until the next following annual general meeting of the Company after his/her appointment.

In accordance with article 16.18 of the articles of association of the Company, one-third of the Directors for the time being (or if their number is not a multiple of three, the number nearest to but not less than one-third) will retire from office by rotation and will be eligible for re-election and re-appointment at every annual general meeting, provided that every Director shall be subject to retirement by rotation at least once every three years.

Details of the Directors to be re-elected at the forthcoming annual general meeting of the Company are set out in the circular to shareholders.

Note: Mr. Ren Xudong and Mr. Xie Weizhi resigned as non-executive Directors of the Company on 1 May 2013.

Board of Directors and Senior Management

Biographical details of the Directors and senior management of the Group are set out on pages 25 to 34 of this annual report.

Confirmation of Independence of Independent Non-executive Directors

Each of the independent non-executive Directors has confirmed his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Company considers all of the independent non-executive Directors to be independent in accordance with Rule 3.13 of the Listing Rules.

Directors' Service Contracts

None of the Directors who is proposed for re-election at the forthcoming annual general meeting has any service contract that is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Directors' Interests in Contracts of Significance

No Director had any material interest, either directly or indirectly, in any contract of significance to the Group's business to which the Company, any of its subsidiaries, fellow subsidiaries or its parent companies were a party subsisted at the end of the year or at any time during the year ended 31 December 2013.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2013.

Emolument Policy

A remuneration committee was set up to develop the Group's emolument policy and structure for remuneration of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance of the Directors and senior management and comparable market practices.

Remuneration of Directors and Five Individuals with Highest Emoluments

Details of the emoluments of the Directors and the five highest paid individuals are set out in notes 24 and 25 to the consolidated financial statements in this annual report.

Changes to Information in Respect of Directors

Save as disclosed in the section headed "Directors and Senior Management" in this Annual Report, there was no change to any of the information required to be disclosed in relation to any Director pursuant to paragraphs (a) to (e) and (g) of rule 13.51(2) of the Listing Rules since the date of the 2013 interim report of the Company.

Directors' and Chief Executive's Interests and Short Position in Shares, Underlying Shares and Debentures

As at 31 December 2013, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were (i) recorded in the register required to be kept under section 352 of the SFO, or (ii) otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code") were as follows:

(i) Interests and short positions in the Shares, underlying Shares and debentures of the Company:

Long positions in the Shares and the underlying Shares

Name of the Director	Capacity/ Nature of interest	Number of Shares	Approximate percentage of shareholding
Ms. Liang Yunxing	Beneficial owner	100,000	0.000846%

Directors' and Chief Executive's Interests and Short Position in Shares, Underlying Shares and Debentures (continued)

(ii) Interests and short positions in the shares, underlying shares and debentures of associated corporations of the Company:

Long positions in the shares and the underlying shares in Aluminum Corporation of China Limited ("Chalco")

Name of the Director	Capacity/ Nature of interest	Number of H Shares	Approximate percentage of shareholding
Ms. Liang Yunxing	Beneficial owner	10,000	0.000253%

Note:

1 As at 31 December 2013, Ms. Liang Yunxing was interested in 10,000 H shares of Chalco.

Save as disclosed above, as at 31 December 2013, so far as is known to any Director or the chief executive of the Company, none of the Directors or the chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were (i) recorded in the register required to be kept under section 352 of the SFO, or (ii) otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' Rights to Acquire Shares or Debentures

No rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company were granted to any Director or their respective spouse or children under 18 years of age, nor were any such rights exercised by them, nor was the Company or any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate during the year ended 31 December 2013.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As at 31 December 2013, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name	Capacity/ Nature of Interest	Number of Shares	Approximate percentage of shareholding
Aluminum Corporation of China ("Chinalco") *(Note)*	Interest in a controlled corporation	10,001,171,428.58	84.63%
Aluminum Corporation of China Overseas Holdings Limited ("COH") *(Note)*	Beneficial owner	10,001,171,428.58	84.63%

Note: COH is a wholly-owned subsidiary of Chinalco. By virtue of the SFO, Chinalco was deemed to be interested in the 10,001,171,428.58 Shares of the Company held by COH.

Other than as disclosed above, as at 31 December 2013, the Directors have not been notified by any person (not being the Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO.

Purchase, Sale or Redemption of Listed Securities

None of the Company or any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2013.

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands that would oblige the Company to offer new Shares on a pro rata basis to existing Shareholders.

Non-Competition Undertaking

Chinalco, as the indirect controlling shareholder of the Company, has provided a non-competition undertaking (the "Non-Competition Undertaking"), through which it has undertaken to the Company that it and its subsidiaries (other than its listed subsidiaries and members of the Group) will not, directly or indirectly, on their own account or with each other or in conjunction with or on behalf of any person, firm or company (except through a member of the Group), among other things, carry on, participate in or be interested in or engage in, acquire or hold any business that competes with the core business of the Group in the regions in which the Group operates. Details of the Non-competition Undertaking were contained in the Prospectus.

The independent non-executive Directors of the Company, namely Mr. Scott McKee Hand, Mr. Ronald Ashley Hall, Mr. Lai Yat Kwong Fred and Mr. Francisco Augusto Baertl Montori have considered and reviewed a business opportunity (the "Business Opportunity") notified by Chinalco to the Company on 8 June 2013 pursuant to the Non-Competition Undertaking. The Business Opportunity was in relation to the acquisition of a copper/molybdenum project in South America, which would require further infrastructure construction and geological works to verify its current estimates of resources. Given that the project was still in its preliminary stage and was not expected to create any cash flow within the medium term, the Business Opportunity did not fit well with the Company's current development strategy. After due consideration, the independent non-executive Directors decided that the Business Opportunity would not be taken up by the Company, such that the right of first refusal would not be exercised by the Company under the Non-Competition Undertaking.

Chinalco has confirmed to the Company its compliance with the Non-Competition Undertaking during the year ended 31 December 2013 for disclosure in this annual report.

Directors' Interests in Competing Business

The non-executive Directors, namely Dr. Xiong Weiping, Dr. Liu Caiming and Dr. Zhang Chengzhong also hold offices as directors or senior management of Chinalco or its relevant subsidiaries, which do not, or do not materially, compete with the business of the Company. Save as described above, during the year ended 31 December 2013, none of the Directors or their respective associates had engaged in or had any interest in any business which competes or is likely to compete with the businesses of the Group and which is required to be disclosed pursuant to the Listing Rules.

Connected Transactions

As at 31 December 2013, the Group had entered into the following connected transactions or continuing connected transactions which are required to be disclosed in this report pursuant to the Listing Rules.

Connected Transactions (continued)

On 1 December 2010, Minera Chinalco Peru S.A. ("Chinalco Peru"), a subsidiary of the Company, entered into a loan agreement with the Export-Import Bank of China ("Eximbank") for an aggregate loan facility of US$2 billion. The loan facility is for the purpose of capital expenditure of the Toromocho Project. Chinalco has entered into a guarantee agreement with Eximbank for the entire outstanding amount, accrued interest, penalties and other expenses arising from the loan from Eximbank.

On 7 September 2012, Chinalco Peru entered into a loan agreement with China Development Bank for an aggregate loan facility of US$83 million. The loan facility is for the construction, maintenance and operation of the Kingsmill Tunnel water treatment plant at the Toromocho Project. Chinalco has entered into a guarantee agreement with China Development Bank for the entire outstanding amount, interest, penalties and other expenses arising from this loan from China Development Bank.

On 25 December 2012, Chinalco Peru entered into a loan agreement with China Development Bank for an aggregate loan facility of US$35 million. The loan facility is for the construction of the lime plant and construction of the electricity supply of the Toromocho Project. Subsequent to the Listing Date, Chinalco has entered into a guarantee agreement with China Development Bank for the entire outstanding amount, accrued interest, penalties and other expenses arising from this loan from China Development Bank.

Chinalco is the ultimate controlling shareholder of the Company and is thus a connected person. Chinalco Peru is a subsidiary of the Company. Thus the provision of these bank guarantees constitutes connected transactions.

The Directors are of the view that the above bank guarantees, being a form of financial assistance (as defined by the Listing Rules) provided by Chinalco, were on normal commercial terms (or better to the Group) where no security over our Company's assets was granted in respect of such financial assistance and, as such, the bank guarantees are exempted from reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.65(4) of the Listing Rules.

On 30 September 2011, the Company and COH entered into a debt reorganization agreement to formalize the intra-group loans owed by the Group to COH. As of 31 December 2013, the loan remaining outstanding between COH and the Group amounted to approximately US$152 million. The interest rate is LIBOR plus 200 basis points per annum. COH is the controlling shareholder of the Company, thus a connected person. The loan constitutes a connected transaction.

On 6 November 2013, Chinalco Peru and COH entered into an intra-group loan agreement for a revolving loan facility of US$100 million. The loan facility is for general corporate purposes including but not limited to funding the working capital for the Toromocho Project at its commissioning stage.

The Directors are of the view that the above loan facilities, being a form of financial assistance (as defined by the Listing Rules) provided by COH, was on normal commercial terms where no security over the Company's assets was granted in respect of such financial assistance and, as such, the loan is exempted from reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.65(4) of the Listing Rules.

Connected Transactions (continued)

A summary of the related party transactions entered into by the Group during the year ended 31 December 2013 is contained in Note 32 to the consolidated financial statements. The transactions summarised in paragraphs (b) and (e) of such Note fall under the definition of "continuing connected transactions" under the Listing Rules. The transactions summarized in paragraphs (c) and (d) of such Note fall under the definition of "connected transactions" under the Listing Rules.

The Company has complied with the disclosure requirements, to the extent they are not waived by the Stock Exchange, in accordance with Chapter 14A of the Listing Rules with respect to the connected transactions and continuing connected transactions entered into by the Group during the year ended 31 December 2013.

Charitable Donations

During the year ended 31 December 2013, the Group did not make any charitable or other donations (2012: HK$1,000,000).

Post Balance Sheet Events

Please see the section headed "Management Discussion and Analysis" in this Annual Report for a summary of the major events that have occurred in relation to the Company since the balance sheet date.

Audit Committee

The audit committee has reviewed together with the management and external auditor the accounting principles and policies adopted by the Group and the audited consolidated financial statements for the year ended 31 December 2013.

Code of Conduct Regarding Directors' Securities Transactions

The Company has adopted the Model Code as its own code of conduct regarding Directors' securities transactions. After having made specific enquiry to all Directors, the Company confirms that all Directors complied with the required standard set out in the Model Code throughout the year ended 31 December 2013.

Corporate Governance

The Company is committed to maintaining the highest standard of corporate governance practices. Save as disclosed in this annual report, the Company has applied the principles set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules.

Information on the corporate governance practices adopted by the Company and details of the compliance by the Company with the CG Code are set out in the Corporate Governance Report on pages 46 to 60 of this annual report.

Sufficiency of Public Float

Rule 8.08(1) of the Listing Rules requires that at least 25% of an issuer's total issued share capital must at all times be held by the public. The Stock Exchange has granted the Company a waiver from strict compliance with Listing Rule 8.08(1) so as to allow a lower public float percentage of 15% (or such higher percentage as may be held by the public upon the exercise of the over-allotment option of the initial public offering of the Company). Based on the information that is publicly available to the Company and to the knowledge of the Directors at the date of this annual report, there was a sufficient prescribed public float of the issued share of the Company as per the waiver granted by the Stock Exchange for the period from the Listing Date up to the date of this annual report.

Auditor

PricewaterhouseCoopers has been appointed as auditor of the Company for the year ended 31 December 2013. The Company has not changed its auditor since its listing in January 2013 and up to the date of this annual report. Please see pages 5 to 6 of the Company shareholders' circular for its AGM to be held on 18 June 2014 regarding the Company's proposal to appoint a new auditor upon the retirement of PricewaterhouseCoopers at the said AGM.

Professional Tax Advice Recommended

If any shareholder is unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or the exercise of any rights in relation to the Shares, it is advised to consult an expert.

On behalf of the Board
Dr. XIONG Weiping
Chairman

Beijing, the PRC
26 March 2014

Corporate Governance Practices

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability. Except as disclosed in this annual report, the Company has been in compliance with the mandatory code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules for the period from the Listing Date to 31 December 2013 (the ''Review Period''). The key corporate governance principles and practices of the Company are outlined later in this report.

The shares of the Company were listed on the Stock Exchange with effect from the Listing Date. The CG Code became applicable to the Company with effect from the Listing Date.

The Board

Responsibilities

The Board is responsible for the overall leadership of the Group, oversees the Group's strategic decisions and monitors business and performance. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established five Board committees, namely the audit committee (the "Audit Committee"), the remuneration committee (the "Remuneration Committee"), the nomination committee (the "Nomination Committee"), the executive committee (the "Executive Committee") and the technical committee (the "Technical Committee") (together, the "Board Committees"). The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference.

Board Composition

As at the date of this report, the Board comprises ten members, consisting of three executive Directors, three non-executive Directors and four independent non-executive Directors as set out below.

Non-executive Directors ("NEDs")
Dr. XIONG Weiping
Dr. LIU Caiming
Dr. ZHANG Chengzhong

Executive Directors ("EDs")
Dr. PENG Huaisheng
Mr. HUANG Shanfu
Ms. LIANG Yunxing

Independent non-executive Directors ("INEDs")
Mr. Scott McKee HAND
Mr. Ronald Ashley HALL
Mr. LAI Yat Kwong Fred
Mr. Francisco Augusto BAERTL MONTORI

The Board (continued)

Board Composition (continued)

The biographies of the Directors are set out under the section headed "Directors and Senior Management" of this annual report.

During the Review Period, the Company were in compliance with the requirements of Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications of accounting or related financial management expertise.

The Company also complied with the requirement of Rule 3.10A of the Listing Rules relating to the appointment of independent non-executive Directors representing at least one-third of the Board.

Each of the INEDs has confirmed his independence pursuant to Rule 3.13 of the Listing Rules and the Company considers each of them to be independent.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee, the Nomination Committee and the Technical Committee.

With regards to the code provision of the CG Code requiring directors to disclose to the Company at the time of appointment and in a timely manner for any change, the number and nature of offices held in public companies or organizations and other significant commitments as well as their identity and the time involved (the "Commitments"), the Directors have disclosed their Commitments to the Company at the time of their appointments and agreed to disclose their Commitments to the Company in a timely manner.

Induction and Continuous Professional Development

The Directors were provided with the relevant training to ensure that they have a proper understanding of the business and operations of the Company and that they are fully aware of their responsibilities and obligations as a Director of a listed company as well as the compliance practice under the Listing Rules.

The Board (continued)

Induction and Continuous Professional Development (continued)

The attendance record of professional training received by the existing Directors for the year ended 31 December 2013 is as follows:

Director	Date of attendance of directors' training
Dr. XIONG Weiping	2013.12.12 in Lima
Dr. LIU Caiming Note 1	2013.12.12 in Lima
Dr. ZHANG Chengzhong Note 1	2013.12.12 in Lima
Dr. PENG Huaisheng	2013.12.12 in Lima
Mr. HUANG Shanfu	2013.12.12 in Lima
Ms. LIANG Yunxing	2013.12.12 in Lima
Mr. Scott McKee HAND	2013.12.10 in Lima
Mr. Ronald Ashley HALL	2013.12.10 in Lima
Mr. LAI Yat Kwong Fred	2013.12.10 in Lima
Mr. Francisco Augusto BAERTL MONTORI	2013.12.10 in Lima

Notes:

1 Dr. LIU Cainning and Dr. ZHANG Chengzhong were appointed as non-execuitve Directors on 1 May 2013.

2 Mr. REN Xudong and Mr. XIE Weizhi resigned as non-executive Directors on 1 May 2013 and therefore did not participate in the directors' training held for all the Directors on 10 December 2013 and 12 December 2013.

Chairman and Chief Executive Officer

As required by code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and performed by different individuals.

The chairman of the Board and the chief executive officer of the Company are currently two separate positions held by Dr. XIONG Weiping and Dr. PENG Huaisheng respectively with distinct responsibilities. The chairman of the Board is responsible for the management and leadership of the Board to formulate overall strategies and business development directions for the Company, to ensure adequate, complete and reliable information is provided to all Directors in a timely manner, and to ensure the issues raised at Board meetings are explained appropriately. The chief executive officer is responsible for the management of the business of the Company and implementation of the policies, business objectives and plans set by the Board and is accountable to the Board for the overall operation of the Company.

Non-executive Directors – term of appointment

None of the non-executive Directors are appointed for a specific term of longer than three years.

The Board (continued)

Directors' Service Contracts

None of the Directors who is proposed for re-election at the forthcoming annual general meeting has any service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

None of the Directors has a service contract with the Group which is for a duration which may exceed three years or which requires the Company to, in order to terminate such contract, give a notice period in excess of one year or pay or make other payments equivalent to more than one year's emoluments.

The rules and procedures governing the appointment, retirement, re-election and removal of Directors are set out in the articles of association of the Company (the "Articles of Association"). The Nomination Committee is responsible for reviewing the Board structure, size and composition and making recommendations to the Board on the appointment and re-appointment of Directors and succession planning for Directors.

Nomination, appointment, retirement and re-election

In accordance with the Articles of Association, at least one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third) shall retire from office by rotation and shall be eligible for re-election and re-appointment at every annual general meeting of the Company ("AGM") provided that each Director shall be subject to retirement by rotation at least once every three years and any new Director appointed to fill a causal vacancy or as an addition to the Board shall submit himself/herself for re-election by shareholders at the next AGM after appointment.

Board Meetings

The Board intends to hold board meetings regularly at least four times a year at approximately quarterly intervals. Notices of not less than fourteen days will be given for all regular board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for regular board meetings.

For other Board and Board committee meetings, reasonable notice will generally be given. The agenda and accompanying board papers are dispatched to the Directors or Board committee members at least three days before the meetings to ensure that they have sufficient time to review the papers and be adequately prepared for the meetings. When Directors or Board committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the chairman prior to the meeting.

Minutes of the Board meetings and Board committee meetings are/will be recorded in sufficient detail to include the matters considered by the Board and the Board committee and the decisions reached, including any concerns raised by the Directors. Draft minutes of each Board meeting and Board committee meeting are/will be sent to the Directors for comments within a reasonable time after the date on which the meeting is held.

The Board (continued)

Board Meetings (continued)

Five Board meetings were held during the year ended 31 December 2013 and the attendance of the individual Directors at these meetings is set out in the table below:

Name of Director	Category	Attended/Eligible to attend
Dr. XIONG Weiping	NED	5/5
Mr. REN Xudong	NED	1/1(1)
Mr. XIE Weizhi	NED	1/1(1)
Dr. LIU Caiming	NED	4/4(2)
Dr. ZHANG Chengzhong	NED	4/4(2)
Dr. PENG Huaisheng	ED	5/5
Mr. HUANG Shanfu	ED	5/5
Ms. LIANG Yunxing	ED	5/5
Mr. Scott McKee HAND	INED	5/5
Mr. Ronald Ashley HALL	INED	5/5
Mr. LAI Yat Kwong Fred	INED	5/5
Mr. Francisco Augusto BAERTL MONTORI	INED	5/5

Notes:

(1) Up to the resignation date of Mr. Ren Xudong and Mr. Xie Weizhi on 1 May 2013, one Board meeting was convened during the year ended 31 December 2013.

(2) Four Board meetings were convened during the year ended 31 December 2013 after the respective appointment of Dr. Liu Caiming and Dr. Zhang Chengzhong on 1 May 2013.

Under code provision A.2.7 of the CG Code, the chairman of the Board should at least annually hold meetings with the non-executive Directors (including independent non-executive Directors) without the executive directors present. During the year ended 31 December 2013, the Chairman did not hold meeting with non-executive Directors without the executive directors present. Nevertheless, the non-executive Directors and independent non-executive Directors were able to, from time to time, contact the Chairman directly through other means including correspondences and emails to express their views and discuss potential issues. Therefore, there was efficient communication between the non-executive Directors (including independent non-executive Directors) and the Chairman.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions.

After having made specific enquiry to all Directors, the Company confirms that all Directors complied with the required standard set out in the Model Code throughout the year ended 31 December 2013.

The Board (continued)

Delegation by the Board

The Board reserves for its decision all major matters of the Company, including: approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. Directors could have recourse to seek independent professional advice in performing their duties at the Company's expense and are encouraged to access and to consult with the Company's senior management independently.

The daily management, administration and operation of the Group are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the management.

Corporate Governance Function

The Board recognizes that corporate governance should be the collective responsibility of Directors and delegated the corporate governance duties to the Audit Committee which include:

(a) to develop and review the Company's policy and practices on corporate governance;

(b) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(c) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and

(d) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

Board Committees

Nomination Committee

As at 26 March 2014, the Nomination Committee comprises five members, namely Dr. XIONG Weiping (NED) (chairman), Dr. ZHANG Chengzhong (NED), Mr. Scott McKee HAND (INED), Mr. Ronald Ashley HALL (INED) and Mr. LAI Yat Kwong Fred (INED), the majority of whom are independent non-executive Directors.

The principal duties of the Nomination Committee include the following:

– reviewing the structure, size and composition of the Board and making recommendations regarding any proposed changes;

– reviewing the board diversity policy (the ''Board Diversity Policy'') of the Company regularly (including any measurable objectives that the Board has set for implementing the Board Diversity Policy and the progress on achieving those objectives);

Board Committees (continued)

Nomination Committee (continued)

- identifying, nominating and recommending qualified candidates for appointment as directors;
- making recommendations to the Board on appointment or re-appointment of and succession planning for directors; and
- assessing the independence of independent non-executive directors.

The Nomination Committee will assess the candidate or incumbent on criteria such as integrity, experience, skill and ability to commit time and effort to carry out the duties and responsibilities. The recommendations of the Nomination Committee will then be put to the Board for decision. The written terms of reference of the Nomination Committee are available on the websites of the Stock Exchange and the Company.

During the year ended 31 December 2013, the Nomination Committee convened two committee meetings. Attendance of each Nomination Committee member is set out in the table below:

Name of Member	Attended/Eligible to attend
Dr. XIONG Weiping	2/2
Mr. REN Xudong	1/1(1)
Dr. ZHANG Chengzhong	1/1(2)
Mr. Scott McKee HAND	2/2
Mr. Ronald Ashley HALL	2/2
Mr. LAI Yat Kwong Fred	2/2

Notes:

(1) Up to the resignation date of Mr. Ren Xudong on 1 May 2013, one Nomination Committee meeting was convened during the year ended 31 December 2013.

(2) One Nomination Committee meeting was convened during the year ended 31 December 2013 after the appointment of Dr. Zhang Chengzhong on 1 May 2013.

The code provisions of CG Code on board diversity became effective on 1 September 2013. Due to the time needed for reschedule of the board meeting to meet directors' schedules and allowing sufficient consideration of various matters proposed for discussion at the same board meeting including the Board Diversity Policy, the Board resolved to adopt the Board Diversity Policy at its meeting on 13 September 2013. Under the Board Diversity Policy, the Nomination Committee will monitor the implementation of the Board Diversity Policy and give adequate consideration to the Board Diversity Policy when identifying suitably qualified candidates to become members of the Board. The Board will regularly review the Board Diversity Policy and make appropriate revisions to ensure the effectiveness of the Board Diversity Policy.

Board Committees (continued)

Remuneration Committee

As at 26 March 2014, the Remuneration Committee comprises five members, namely Mr. Scott McKee HAND (INED) (chairman), Dr. XIONG Weiping (NED), Dr. ZHANG Chengzhong (NED), Mr. Ronald Ashley HALL (INED) and Mr. LAI Yat Kwong Fred (INED), the majority of whom are independent non-executive Directors.

The principal duties of the Remuneration Committee include the following:

– making recommendations to the Board for approval of the remuneration policy and structure and remuneration packages of the Directors and the senior management;

– determining with delegated responsibility the remuneration packages of the executive Directors and the senior management;

– making recommendations to the Board on the remuneration of non-executive Directors; and

– ensuring that no Director or any of his/her associates will be involved in deciding his/her own remuneration.

The written terms of reference of the Remuneration Committee are available on the websites of the Stock Exchange and the Company.

During the year ended 31 December 2013, no committee meeting was convened by the Remuneration Committee.

Audit Committee

As at 26 March 2014, the Audit Committee comprises five members, namely Mr. LAI Yat Kwong Fred (INED) (Chairman), Dr. XIONG Weiping (NED), Dr. LIU Caiming (NED), Mr. Scott McKee HAND (INED) and Mr. Ronald Ashley HALL (INED), the majority of whom are independent non-executive Directors.

The principal duties of the Audit Committee include the following:

– reviewing the financial information of the Company including financial statements and annual and interim reports and accounts before submission to the Board;

– making recommendations to the Board on the appointment, reappointment and removal of the external auditor;

– reviewing and monitoring the external auditor's independence and objectivity and effectiveness of the audit process in accordance with applicable standards and discussing with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;

Board Committees (continued)

Audit Committee (continued)

- reviewing the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures, including the adequacy of the resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;

- developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board of Directors;

- reviewing the Company's compliance with the CG Code and disclosure in the Corporate Governance Report; and

- reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements.

The written terms of reference of the Audit Committee are available on the website of the Stock Exchange and the Company.

During the year ended 31 December 2013, the Audit Committee convened two committee meetings. Attendance of each Audit Committee member is set out in the table below:

Name of Member	Attended/Eligible to attend
Mr. LAI Yat Kwong Fred	2/2
Dr. XIONG Weiping	2/2
Mr. XIE Weizhi	1/1(1)
Dr. LIU Caiming	1/1(2)
Mr. Scott McKee HAND	2/2
Mr. Ronald Ashley HALL	2/2

Notes:

(1) Up to the resignation date of Mr. Xie Weizhi on 1 May 2013, one Audit Committee meeting was convened during the year ended 31 December 2013.

(2) One Audit Committee meeting was convened during the year ended 31 December 2013 after the appointment of Dr. Liu Caiming on 1 May 2013.

Board Committees (continued)

Executive Committee

As at 26 March 2014, the Executive Committee comprises six members, namely Dr. XIONG Weiping (NED) (chairman), Dr. LIU Caiming (NED), Dr. ZHANG Chengzhong (NED), Dr. PENG Huaisheng (ED), Mr. HUANG Shanfu (ED) and Ms. LIANG Yunxing (ED).

The principal duties of the Executive Committee include the following:

– implementing board resolutions and organizing associated business management activities;

– coordinating with Chinalco and related business segments and associated companies on allocation of resources and the relationship between the Company and business operating segments; and

– determining performance targets and management methods for various departments of the headquarters and the remuneration incentive schemes for various departments.

During the year ended 31 December 2013, the Executive Committee convened one committee meeting. Attendance of each Executive Committee member is set out in the table below:

Name of Member	Attended/Eligible to attend
Dr. XIONG Weiping	1/1
Mr. REN Xudong	1/1 (1)
Dr. LIU Caiming	0/0 (2)
Dr. ZHANG Chengzhong	0/0 (2)
Dr. PENG Huaisheng	1/1
Mr. HUANG Shanfu	1/1
Ms. LIANG Yunxing	1/1

Notes:

(1) Up to the resignation date of Mr. Ren Xudong on 1 May 2013, one Executive Committee meeting was convened during the year ended 31 December 2013.

(2) No Execuitve Committee meeting was convened during the year ended 31 December 2013 after the respective appointment of Dr. Liu Caiming and Dr. Zhang Chengzhong on 1 May 2013.

Board Committees (continued)

Technical Committee

As at 26 March 2014, the Technical Committee comprises eight members, namely Dr. PENG Huaisheng (ED) (chairman), Mr. Scott McKee HAND (INED), Mr. Ronald Ashley HALL (INED), Mr. Francisco Augusto BAERTL MONTORI (INED), Mr. HUANG Shanfu (ED), Ms. LIANG Yunxing (ED), Dr. Ezio Martino Buselli CANEPA and Mr. David John THOMAS.

The main duties of the Technical Committee include the following:

– reviewing and making recommendations to the Board of Directors on technical aspects of business proposals, scope of work included in feasibility studies for mine development and technical aspects of annual exploration, appraisal and development programmes and budgets;

– reviewing all resource and reserve estimates for the Group's mineral resource properties, management's procedures for the disclosure of resource and reserve information and the compliance of such disclosure with regulatory and listing requirements;

– reviewing major commercial arrangements for engineering, procurement and construction management activities planned for the development of mineral resource properties and, in the Technical Committee's discretion, making recommendations to the Board of Directors for consideration;

– reviewing all material proposals for mine construction programs and, in the Technical Committee's discretion, making recommendations to the Board of Directors for consideration;

– reviewing annual operating and production plans, together with operating reports, for all proposed and existing operating mines and, in the Technical Committee's discretion, making recommendations to the Board of Directors for consideration; and

– annually reviewing the adequacy of the Company's safety, environmental and social responsibility policy and, in the Technical Committee's discretion, recommending any changes to the Board of Directors for consideration which are necessary to keep pace with health, safety, environmental and social responsibility trends or developments in the international mining industry.

During the year ended 31 December 2013, the Technical Committee convened one committee meeting. Attendance of each Technical Committee member is set out in the table below:

Name of Member	Attended/Eligible to attend
Dr. PENG Huaisheng	1/1
Mr. Scott McKee HAND	1/1
Mr. Ronald Ashley HALL	1/1
Mr. Francisco Augusto BAERTL MONTORI	1/1
Mr. HUANG Shanfu	1/1
Ms. LIANG Yunxing	1/1
Dr. Ezio Martino Buselli CANEPA	1/1
Mr. David John THOMAS	1/1

Directors' Responsibilities for Financial Reporting in respect of Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2013 which give a true and fair view of the affairs of the Company and the Group and of the Group's results and cash flows.

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval. The Company provides all members of the Board with monthly updates on the Company's performance, positions and prospects.

Directors' Liability Insurance

The Company has arranged appropriate insurance cover in respect of legal action against its Directors.

Internal Control

The Board acknowledges that it is the responsibility of the Board to maintain an adequate internal control system to safeguard shareholder investments and Company assets and review the effectiveness of such system on an annual basis.

The Board has conducted a review of the effectiveness of the internal control system of the Company and considers the internal control system to be effective and adequate.

Auditor's Remuneration

For the year ended 31 December 2013, the total remuneration paid or payable to the Company's auditors, PricewaterhouseCoopers, for audit and audit related services totalling US$353,000.

An analysis of the remuneration paid or payable to PricewaterhouseCoopers is set out below:

Items of auditors' services	**Amount (US$'000)**
Audit services:	
Audit and audit related service	353
Non-audit service:	–
Total	353

Joint Company Secretaries

Mr. Du Qiang, one of our joint company secretaries, is responsible for advising the Board on corporate governance matters and ensuring that Board policy and procedures and applicable laws, rules and regulations are followed.

In order to uphold good corporate governance and ensure compliance with the Listing Rules and applicable Hong Kong laws, the Company has also engaged Ms. Mok Ming Wai, director of KCS Hong Kong Limited, as another joint company secretary to assist Mr. Du in discharging his duties as company secretary of the Company. The primary corporate contact person at the Company is Mr. Du Qiang, one of the joint company secretaries of the Company.

During the year ended 31 December 2013, Mr. Du and Ms. Mok have undertaken not less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

Remuneration of the Senior Management

For the year ended 31 December 2013, the remuneration of senior management, other than Directors, is listed as below by band:

Band of remuneration (HKD)	No. of person
HK$4,000,001 to HK$4,500,000	2
HK$4,500,001 to HK$5,000,000	1
HK$5,000,001 to HK$5,500,000	–
HK$5,500,001 to HK$6,000,000	–
HK$6,000,001 to HK$6,500,000	1
HK$6,500,001 to HK$7,000,000	1

Further details of the remuneration of Directors and the five highest paid employees required to be disclosed under Appendix 16 of the Listing Rules have been set out in Notes 24 and 25 to the financial statements.

Communication with Shareholders and Investor Relations

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and understanding of the Group's business, performance and strategies. The Company also recognises the importance of timely and non-selective disclosure of information, which will enable Shareholders and investors to make informed investment decisions.

Communication with Shareholders and Investor Relations (continued)

To promote effective communication with its Shareholders and encourage their participation in general meetings, the Company has established a shareholders' communication policy and maintains a website at www.chinalco-cmc.com, where up-to-date information on the Company's business operations and developments is available.

The 2012 annual general meeting (the ''2012 AGM'') was held on 27 June 2013. Under code provision A.6.7 of the CG Code, all non-executive Directors are recommended to attend general meetings of the Company. All non-executive Directors of the Company (including independent non-executive Directors) attended the 2012 AGM, other than Dr. Xiong Weiping, Dr. Liu Caiming and Mr. Scott McKee Hand who were absent from the 2012 AGM due to pre-arranged business commitments.

Under provision E.1.2 of the CG Code, the chairman of the Board is recommended to attend annual general meetings of the Company. Dr. Xiong Weiping, being the chairman of the Board, was absent from the 2012 AGM due to a pre-arranged business commitment. Dr. Zhang Chengzhong was chosen as the chairman of the 2012 AGM.

Shareholders' Rights

The Company intends to avoid bundling of resolutions at general meetings such that a separate resolution shall be proposed for each substantially separate issue at general meetings.

All resolutions put forward at shareholder meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each shareholder meeting.

Convening of extraordinary general meeting and putting forward proposals

In accordance with the Articles of Association, two or more Shareholders of the Company may convene an extraordinary general meeting provided that they deposit a written requisition at the principal office of the Company and such requisitioning Shareholders hold as at the date of deposit of such requisition not less than 10% of the paid up capital of the Company which carries voting rights at general meetings of the Company.

Shareholders may put forward proposals for consideration at a general meeting in accordance with the Companies Law of the Cayman Islands and the Articles of Association.

As regards proposing a person for election as a Director, the procedures are available on the websites of the Company and the Stock Exchange.

Enquiries to the Board

Shareholders who intend to put forward their enquiries about the Company to the Board should email their enquiries to Mr. Du Qiang at c.du@chinalco-cmc.com.

Change in Constitutional Documents

There was no significant changes in the Memorandum and Articles of Association of the Company during the year ended 31 December 2013.

Going concern

The Directors have a reasonable expection that the Group will have adequate resources to continue in operation for the foreseeable future for a period that is not less than 12 months from the date of this report (For detailed assessment, please see the corresponding note in the financial statements). The Group therefore continues to adopt the going concern basis in preparing the financial statements.

pwc 羅兵咸永道

To the shareholders of Chinalco Mining Corporation International
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Chinalco Mining Corporation International (the "Company") and its subsidiaries (together, the "Group") set out on pages 63 to 119, which comprise the consolidated and company statements of financial position as at 31 December 2013, and the consolidated statement of comprehensive loss, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013, and of the Group's loss and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Other matters

This report, including the opinion, has been prepared for and only for you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 26 March, 2014

		Group		Company	
		As at 31 December		As at 31 December	
		2013	2012	**2013**	2012
	Note	**US$'000**	US$'000	**US$'000**	US$'000
ASSETS					
Non-current assets					
Property, plant and equipment	5	**3,814,043**	2,578,168	**–**	–
Intangible assets	6	**1,255**	399	**–**	–
Investments in subsidiaries	7	**–**	–	**928,870**	628,499
Investment in a joint venture	8	**3,598**	3,513	**–**	–
Deferred income tax assets	9	**27,742**	22,175	**–**	–
Value-added tax recoverable	10	**183,945**	143,298	**–**	–
Prepayments and other receivables	11	**3,047**	3,047	**–**	–
Restricted cash	12	**11,440**	17,904	**–**	–
		4,045,070	2,768,504	**928,870**	628,499
Current assets					
Inventories	13	**62,610**	19,424	**–**	–
Prepayments and other receivables	11	**37,578**	20,795	**–**	825
Value-added tax recoverable	10	**23,250**	25,100	**–**	–
Amount due from a subsidiary	14	**–**	–	**–**	13,387
Cash and cash equivalents	15	**122,916**	142,656	**2,590**	1,073
		246,354	207,975	**2,590**	15,285
Total assets		**4,291,424**	2,976,479	**931,460**	643,784
EQUITY AND LIABILITIES					
Equity attributable to the Company's equity holders					
Share capital	16	**472,711**	400,047	**472,711**	400,047
Share premium	16	**327,267**	–	**327,267**	–
Reserves		**12,110**	16,521	**16,521**	16,521
Accumulated deficits		**(89,669)**	(58,605)	**(43,358)**	(30,244)
Total equity		**722,419**	357,963	**773,141**	386,324

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2013

		Group		Company	
		As at 31 December		As at 31 December	
		2013	2012	**2013**	2012
	Note	**US$'000**	US$'000	**US$'000**	US$'000
LIABILITIES					
Non-current liabilities					
Provision for remediation and restoration	17	**90,200**	69,675	**–**	–
Borrowings	18	**2,689,808**	2,147,712	**151,604**	147,739
Deferred income	22	**4,191**	4,332	**–**	–
		2,784,199	2,221,719	**151,604**	147,739
Current liabilities					
Accounts payable	19	**361,317**	267,300	**–**	–
Accruals and other payables		**40,063**	24,094	**4,289**	4,318
Amount due to immediate holding company	20	**2,426**	2,376	**2,426**	2,376
Borrowings	18	**381,000**	103,027	**–**	103,027
		784,806	396,797	**6,715**	109,721
Total liabilities		**3,569,005**	2,618,516	**158,319**	257,460
Total equity and liabilities		**4,291,424**	2,976,479	**931,460**	643,784
Net current liabilities		**(538,452)**	(188,822)	**(4,125)**	(94,436)
Total assets less current liabilities		**3,506,618**	2,579,682	**924,745**	534,063

The accompanying notes are an integral part of these financial statements.

These financial statements have been approved for issue by the Board of Directors on 26 March 2014.

Peng Huaisheng	**Liang Yunxing**
Director	Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

For the year ended 31 December 2013

		Year ended 31 December	
	Note	**2013** **US$'000**	2012 US$'000
Revenue	21	**–**	–
Other gains, net	22	**3,859**	685
Operating costs			
General and administrative expenses	23	**(39,905)**	(25,391)
Operating loss		**(36,046)**	(24,706)
Finance income	26	**1,989**	1,297
Finance expenses	26	**(2,342)**	(2,136)
Finance expenses, net		**(353)**	(839)
Share of loss of investment accounted for using the equity method		**(87)**	–
Loss before income tax		**(36,486)**	(25,545)
Income tax benefit	27	**5,422**	5,237
Loss for the year		**(31,064)**	(20,308)
Other comprehensive loss:			
Items that may be reclassified to profit or loss			
Currency translation differences		**(4,411)**	–
Other comprehensive loss for the year, net of tax		**(4,411)**	–
Total comprehensive loss for the year		**(35,475)**	(20,308)
Loss per share for loss attributable to the Company's equity holders (expressed in US$ per share)			
Basic and diluted	28	**(0.003)**	(0.002)

The accompanying notes are an integral part of these financial statements.

		Year ended 31 December	
		2013	2012
Dividends	29	**–**	–

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	Note	Share capital US$'000	Share premium US$'000	Capital reserves US$'000	Currency translation differences US$'000	Accumulated deficits US$'000	Total US$'000
Balance at 1 January 2012		47	–	416,521	–	(38,297)	378,271
Comprehensive loss							
Loss for the year		–	–	–	–	(20,308)	(20,308)
Transactions with owners							
Reclassification of capitalisation of borrowings from immediate holding company	16	400,000	–	(400,000)	–	–	–
Balance at 31 December 2012		400,047	–	16,521	–	(58,605)	357,963
Comprehensive loss							
Loss for the year		**–**	**–**	**–**	**–**	**(31,064)**	**(31,064)**
Other comprehensive income							
Currency translation differences		**–**	**–**	**–**	**(4,411)**	**–**	**(4,411)**
Total comprehensive loss		**–**	**–**	**–**	**(4,411)**	**(31,064)**	**(35,475)**
Transactions with owners							
Issuance of new shares	16	**72,664**	**327,267**	**–**	**–**	**–**	**399,931**
Balance at 31 December 2013		**472,711**	**327,267**	**16,521**	**(4,411)**	**(89,669)**	**722,419**

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	Note	Year ended 31 December 2013 US$'000	2012 US$'000
Cash flows from operating activities			
Loss before income tax		**(36,486)**	(25,545)
Adjustments for:			
Depreciation and amortisation	23	**606**	715
Loss on disposal of property, plant and equipment	22	**742**	64
Finance expenses, net	26	**353**	839
Share of loss of investment accounted for using the equity method		**87**	–
Changes in working capital:			
Inventories		**(43,186)**	(13,400)
Prepayments and other receivables		**(21,335)**	(13,615)
Accruals and other payables		**28,073**	5,910
Deferred income	22	**(141)**	–
Income tax paid		**(1,989)**	–
Net cash used in operating activities		**(73,276)**	(45,032)
Cash flows from investing activities			
Purchases of property, plant and equipment		**(1,267,096)**	(1,179,430)
Interest paid		**(77,087)**	(43,914)
Purchases of intangible assets	6	**(1,537)**	(416)
Investment in a joint venture	8	**(172)**	(1,534)
Value-added tax refunds received		**171,439**	169,880
Interest received	26	**541**	665
Decrease/(increase) in restricted cash		**6,464**	(12,857)
Net cash used in investing activities		**(1,167,448)**	(1,067,606)
Cash flows from financing activities			
Proceeds from borrowings		**1,021,000**	1,158,000
Repayment of borrowings		**(200,000)**	–
Proceeds from issuance of shares		**402,745**	–
Listing expense paid pertaining to the issuance of shares		**(2,558)**	(256)
Net cash generated from financing activities		**1,221,187**	1,157,744
Net (decrease)/increase in cash and cash equivalents		**(19,537)**	45,106
Cash and cash equivalents at beginning of the year		**142,656**	97,550
Effects of exchange rates on cash and cash equivalents		**(203)**	–
Cash and cash equivalents at end of the year		**122,916**	142,656

The accompanying notes are an integral part of these financial statements.

1. General information

Chinalco Mining Corporation International (the "Company") was incorporated in the Cayman Islands on 24 April 2003 as an exempted company with limited liability under the Companies Law of the Cayman Islands. Its name was Peru Copper Syndicate, Ltd. on incorporation and changed to Chinalco Mining Corporation International on 30 September 2011. The Company's registered office is PO Box 309 Ugland House, Grand Cayman, KY 1-1104, Cayman Islands.

The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 31 January 2013.

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

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

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

From August 2012 to February 2013, the Company entered into five binding off-take agreements with four cornerstone investors and one independent third party, pursuant to which the Company agree to sell an aggregate of 70% of the annual production of copper concentrates from the Toromocho Mining Project for a period of five years starting from the first official production of the Toromocho Mining Project at a price determined by reference to certain benchmark market rates adjusted based on the grade of the copper concentrates, two of which will automatically continue for another five years (the "Off-take Agreements").

As at the date of these financial statements were approved, the Group's operations are substantially limited to construction and start-up activities of the Toromocho Mining Project. The Toromocho Mining Project started commissioning in December 2013 and has not commenced commercial production.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

(a) Going concern

As at 31 December 2013, the Group had net current liabilities of approximately US$538 million (2012: US$189 million) and accumulated deficits of approximately US$90 million (2012: US$59 million). The board of directors of the Company has considered, among others, the internally generated funds and financial resources available to the Group as follows:

- In September 2012, China Development Bank ("CDB") issued a memorandum stated its commitment to provide certain facilities to the Group for designated projects in relation to the development of the Toromocho Mining Project (Note 18(b)(ii)). As at the date of these financial statements were approved, the remaining facility amount is US$37 million, for which the formal facility agreement has not been signed.

- On 17 June 2013, The Company announced that the Board has approved the expansion plan in order to optimise and increase the capacity of the Toromocho Mining Project. In October 2013, CDB issued a letter to National Development and Reform Commission of China ("NDRC") indicating its principle approval to provide long-term loans amounting to US$1,056 million to support the Group's expansion plan. The expansion plan has been approved by NDRC in December 2013. The Group has submitted the formal loan applications to the CDB in February 2014, which is under bank's final approval.

- Also in connection to the expansion plan, subsequent to the NDRC approval, the Group has submitted a formal loan application to Export-import Bank of China ("Eximbank") in January 2014, which is under bank's final approval.

- In January 2014, the Group obtained a facility of US$200 million from Standard Chartered Bank (Hong Kong) Limited ("SCB"), a banking institution incorporate under the laws of Hong Kong. The facility has a maturity date on 15 February 2015.

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(a) *Going concern* (continued)

- The Group's immediate holding company, Chinalco Overseas has agreed not to demand repayment of amount due from the Group amounting to approximately US$152 million on 31 December 2013 (2012: US$251 million) until the Group is financially capable to do so. The Group's ultimate holding company, Chinalco also agreed that it will provide continuing financial support to finance the future operations of the Group for a period of not less than 12 months from the date these financial statements were approved.

Based on the above, the directors of the Company believe that the Group will have adequate resources to continue in operations for the foreseeable future for a period that is not less than 12 months from 31 December 2013. The Group therefore continues to adopt the going concern basis in preparing these financial statements.

(b) *Changes in accounting policy and disclosures*

(i) New and amended standards adopted by the Group

The Group has adopted the following new and amended standards that were effective for the first time in 2013. The adoption of these new and amended standards did not have any material impact on the Group's consolidated financial information.

- Amendment to IAS 1, 'Financial statement presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to Group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments).

- Amendment to IFRS 7, 'Financial instruments: Disclosures', on asset and liability offseting. The amendments require new disclosure requirements which focus on quantitative information about recognised financial instruments that are offset in the statement of financial position, as well as those recognised financial instruments that are subject to master netting or similar arrangements irrespective of whether they are offset.

- IFRS 10, 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(b) *Changes in accounting policy and disclosures* (continued)

(i) New and amended standards adopted by the Group (continued)

- IFRS 11, 'Joint arrangements' focuses on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement; joint ventures are accounted for under the equity method. Proportional consolidation of joint arrangements is no longer permitted.

- IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles.

- IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs.

(ii) New standards and interpretations not yet adopted

The following new standards and amendments to standards that are applicable to the Group's operations have been issued but were not effective for the financial year beginning 1 January 2013 and have not been early adopted:

- IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group is yet to assess IFRS 9's full impact. The Group will also consider the impact of the remaining phases of IFRS 9 when completed by the Board.

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(b) Changes in accounting policy and disclosures (continued)

(ii) New standards and interpretations not yet adopted (continued)

- IFRIC 21, 'Levies', sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to pay a levy and when should a liability be recognised. The Group is not currently subjected to significant levies so the impact on the Group is not material.

- Amendments to IAS 36, 'Impairment of assets', on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in IAS 36 by the issue of IFRS 13.

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

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combinations

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

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

2. Summary of significant accounting policies (continued)

2.2 Subsidiaries (continued)

2.2.1 Consolidation (continued)

(a) Business combinations (continued)

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

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statement of comprehensive loss.

(b) Changes in ownership interests in subsidiaries without change of control

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

(c) Disposal of subsidiaries

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

2. Summary of significant accounting policies (continued)

2.2 Subsidiaries (continued)

2.2.2 Separate financial statements

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

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

2.3 Joint arrangements

The Group has applied IFRS 11 to all joint arrangements as of 1 January 2013. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

2.4 Segment reporting

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

2. Summary of significant accounting policies (continued)

2.5 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in US dollars (US$), which is the company's functional and the Group's presentation currency.

(b) *Transactions and balances*

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

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statement of comprehensive loss within 'finance income/cost'.

(c) *Group companies*

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

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

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

(iii) all resulting currency translation differences are recognised in other comprehensive income.

2. Summary of significant accounting policies (continued)

2.6 Property, plant and equipment

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

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

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

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

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other gains, net' in the consolidated statement of comprehensive loss.

2. Summary of significant accounting policies (continued)

2.7 Exploration and evaluation expenditure

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

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

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. When facts and circumstances suggest that the carrying amount exceeds the recoverable amount, the asset's carrying amount is written down immediately to its recoverable amount (Note 2.9).

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

- The period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed.

- Substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned.

- Exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area.

- Sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

2.8 Intangible assets-computer software

Acquired computer software are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives and recorded in 'amortisation and depreciation' within general and administrative expenses in the consolidated statement of comprehensive loss.

2. Summary of significant accounting policies (continued)

2.9 Impairment of non-financial assets

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

2.10 Financial assets

2.10.1 Classification

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

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'prepayments and other receivables', amount due from a subsidiary and 'cash and cash equivalents' in the statements of financial position (Notes 2.14 and 2.15).

2.10.2 Recognition and measurement

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

2.11 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2. Summary of significant accounting policies (continued)

2.12 Impairment of financial assets – assets carried at amortised cost

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

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

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

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

2.13 Inventories

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

2.14 Receivables

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

Account and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

2. Summary of significant accounting policies (continued)

2.15 Cash and cash equivalents

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

2.16 Share capital

Ordinary shares are classified as equity.

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

2.17 Accounts payables

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

Accounts payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.18 Borrowings

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

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

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

2. Summary of significant accounting policies (continued)

2.19 Borrowing costs

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

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

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

2.20 Current and deferred income tax

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

(a) Current income tax

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

(b) Deferred income tax

Inside basis differences

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

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

2. Summary of significant accounting policies (continued)

2.20 Current and deferred income tax (continued)

(b) *Deferred income tax* (continued)

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) *Offsetting*

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

2.21 Employee benefits

(a) *Pension obligations*

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

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

2. Summary of significant accounting policies (continued)

2.21 Employee benefits (continued)

(b) *Employee profit sharing*

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

2.22 Provisions

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

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

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

2.23 Leases

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

2.24 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the statements of financial position in the period in which the dividends are approved by the Company's shareholders.

2.25 Loss per share

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

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

3. Financial risk management

3.1 Financial risk factors

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

(a) *Market risk*

(i) Foreign exchange risk

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

During the year ended 31 December 2013 and 2012, the Group has not used any financial instrument to hedge the foreign exchange risk.

At 31 December 2013, if the US$ had strengthened/weakened by 5% (2012: 5%) against the New PEN with all other variables held constant, loss for the year would have been US$2,862,000 (2012: US$32,000) higher/lower.

(ii) Cash flow interest rate risk

Other than cash held in bank deposits included in cash and cash equivalents, the Group has no significant interest-bearing assets. The Group's interest rate risk mainly arises from long-term borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. A detailed analysis of the Group's borrowings, together with their respective effective interest rates and maturity dates, are included in Note 18.

At 31 December 2013, if interest rate had increased/decreased by 10 basis points (2012: 10 basis points) with all other variables held constant, interest expenditure would have been higher/lower by US$2,600,000 (2012: US$1,604,000).

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk

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

At 31 December 2013, cash and cash equivalents and restricted cash were deposited in the major banks and financial institutions in Peru and the PRC which the directors of the Company believe are of good credit quality. For banks and financial institutions, the Group places substantially all of its cash and cash equivalent only with major international and local banks which are public listed locally and/or internationally.

(c) Liquidity risk

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

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

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

Group

	Less than 1 year US$'000	Between 1 and 2 years US$'000	Between 2 and 5 years US$'000	Over 5 years US$'000
As at 31 December 2013				
Accounts payable	361,317	–	–	–
Accruals and other payables	23,984	–	–	–
Amount due to immediate holding company	2,426	–	–	–
Short-term borrowings	388,606	–	–	–
Long-term borrowings	65,401	239,382	777,583	2,063,645
	841,734	239,382	777,583	2,063,645
As at 31 December 2012				
Accounts payable	267,300	–	–	–
Accruals and other payables	10,939	–	–	–
Amount due to immediate holding company	2,376	–	–	–
Short-term borrowings	103,027	–	–	–
Long-term borrowings	49,899	49,899	508,434	2,014,297
	433,541	49,899	508,434	2,014,297

Company

	Less than 1 year US$'000	Between 1 and 2 years US$'000	Between 2 and 5 years US$'000	Over 5 years US$'000
As at 31 December 2013				
Accruals and other payable	3,964	–	–	–
Amount due to immediate holding company	2,426	–	–	–
Short-term borrowings	–	–	–	–
Long-term borrowings	–	–	–	187,916
	6,390	–	–	187,916
As at 31 December 2012				
Amount due to immediate holding company	2,376	–	–	–
Short-term borrowings	103,027	–	–	–
Long-term borrowings	–	–	–	185,766
	105,403	–	–	185,766

3. Financial risk management (continued)

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

During the year ended 31 December 2013, as the Group has not commenced commercial production, its funding is primarily from the process of the Company's initial public offering and shareholder's loans (Note 18(a)), as well as bank loans (Note 18(b)).

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt. The gearing ratio of the Group of 31 December 2013 is as follows:

	As at 31 December	
	2013	2012
	US$'000	US$'000
Total borrowings	**3,070,808**	2,250,739
Less: cash and cash equivalents	**(122,916)**	(142,656)
Net debt	**2,947,892**	2,108,083
Total equity	**722,419**	357,963
Total capital	**3,670,311**	2,466,046
Gearing ratio	**80%**	85%

The decrease in the gearing ratio during the year ended 31 December 2013 resulted primarily from the Company's initial public offering.

4. Critical accounting estimates and judgements

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

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

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

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

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

Based on the technical report dated November 2012 by Behre Dolbear Asia, Inc, an independent mineral industry advisory firm, the estimated unexploited proved and probable ore reserve in the mining concessions to which the Group entitled approximated 1,540Mt. Based on the Group's projections of the future economic benefits expected from the ore reserves of the Toromocho Mining Project, the Group concluded that no impairment was required as at 31 December 2013.

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

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

4. Critical accounting estimates and judgements (continued)

(b) Provision for remediation and restoration

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

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

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

The Group engaged an independent valuer, namely Walsh Peru S.A. to perform a mine closure plan including the estimated future expenditure in relation to remediation and restoration costs as well as other similar obligations on the Toromocho Mining Project and a report was issued in August 2012 and was approved by the Ministry of Energy and Mines of Peru ("MEM") on 27 December 2012 (the "Mine Closure Plan"). Taking into consideration of report issued by Walsh Peru S.A. and approval of the Mine Closure Plan from the MEM, the Group has assessed and provided for remediation and restoration and similar obligations amounted to US$90,200,000 as at 31 December 2013 (31 December 2012: US$69,675,000). Further details are set out in Note 17.

4. Critical accounting estimates and judgements (continued)

(c) Income taxes and value-added tax recoverable

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

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

(d) Going concern

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

5. Property, plant and equipment – Group

	Mine and plant development assets (Note (a)) US$'000	Land and buildings US$'000	Machinery and equipment US$'000	Motor vehicles US$'000	Furniture, fixtures and others US$'000	Construction–in-progress US$'000	Total US$'000
At 1 January 2012							
Cost	449,769	29,138	41,949	4,754	3,388	878,596	1,407,594
Accumulated depreciation	–	(489)	(3,482)	(1,314)	(1,475)	–	(6,760)
Net book amount	449,769	28,649	38,467	3,440	1,913	878,596	1,400,834
Year ended 31 December 2012							
Opening net book amount	449,769	28,649	38,467	3,440	1,913	878,596	1,400,834
Additions	203,782	–	–	–	–	986,232	1,190,014
Depreciation	–	(953)	(6,074)	(1,095)	(665)	–	(8,787)
Transfer in/(out)	–	4,110	18,085	1,442	110	(23,747)	–
Disposals	–	(277)	(3,581)	(6)	(29)	–	(3,893)
Closing net book amount	653,551	31,529	46,897	3,781	1,329	1,841,081	2,578,168
At 31 December 2012							
Cost	653,551	32,971	56,453	6,187	3,466	1,841,081	2,593,709
Accumulated depreciation	–	(1,442)	(9,556)	(2,406)	(2,137)	–	(15,541)
Net book amount	653,551	31,529	46,897	3,781	1,329	1,841,081	2,578,168
Year ended 31 December 2013							
Opening net book amount	**653,551**	**31,529**	**46,897**	**3,781**	**1,329**	**1,841,081**	**2,578,168**
Additions	**165,425**	**13,717**	**27**	**174**	**–**	**1,071,646**	**1,250,989**
Depreciation	**–**	**(1,269)**	**(10,284)**	**(2,302)**	**(504)**	**–**	**(14,359)**
Transfer in/(out)	**–**	**10,892**	**41,585**	**14,864**	**228**	**(67,569)**	**–**
Disposals	**–**	**–**	**(741)**	**(14)**	**–**	**–**	**(755)**
Closing net book amount	**818,976**	**54,869**	**77,484**	**16,503**	**1,053**	**2,845,158**	**3,814,043**
At 31 December 2013							
Cost	**818,976**	**57,580**	**96,752**	**20,846**	**3,578**	**2,845,158**	**3,842,890**
Accumulated depreciation	**–**	**(2,711)**	**(19,268)**	**(4,343)**	**(2,525)**	**–**	**(28,847)**
Net book amount	**818,976**	**54,869**	**77,484**	**16,503**	**1,053**	**2,845,158**	**3,814,043**

5. Property, plant and equipment – Group (continued)

Note:

(a) The Group owns 50% equity interest in Sociedad Minera de Responsabilidad Limitada Juanita de Huancayo ("Juanita"), a limited liability company incorporated under the laws of Peru and was established for the purpose of holding one of the mining concession rights of the Toromocho Mining Project (the "Metallic Mining Concession Right"). Except for holding of the Metallic Mining Concession Right, Juanita has no other significant business activities during the years ended 31 December 2013 and 2012. The directors of the Company are of the opinion that since the sole purpose of Juanita is to hold the Metallic Mining Concession Right of the Toromocho Mining Project, the Group's 50% share of the concession right amounting to US$3,500,000 is accounted for as a 'mine and plant development assets'. There are no significant contingent liabilities relating to the Group's interest in Juanita, and of Juanita itself.

Included in the movement of property, plant and equipment of the Group for the year ended 31 December 2013 were estimated remediation and restoration obligations in relation to the property, plant and equipment amounting to US$18,643,000 (31 December 2012: US$10,010,000) (Note 17).

As at 31 December 2013, the Group has capitalised financing costs included in the additions of property, plant and equipment of the Group amounting to US$76,616,000 (2012: US$41,843,000) (Note 26).

As at 31 December 2013, the bank borrowings from the Eximbank amounting to US$2,399,204,000 (31 December 2012: US$1,881,973,000) (Note 18(b)) were guaranteed by Chinalco and according to the borrowing agreements. In case that the credibility or financial status of Chinalco deteriorates or has the potential to deteriorate, all the property, plant and equipment pertaining to the Toromocho Mining Project will be pledged as additional security for these borrowings.

In connection with the agreement to construct and operate the Kingsmill Tunnel Water Treatment Plant, the Group is required to maintain certain deposits with a bank. At 31 December 2013, bank deposits amounting to US$540,000 (2012: US$540,000) were held as performance guarantee (Note 12(a)).

During the year ended 31 December 2013, depreciation expense is recognised as follows:

	Year ended 31 December	
	2013	2012
	US$'000	US$'000
General and administrative expenses	**606**	715
Capitalised in construction-in-progress	**13,753**	8,072
	14,359	8,787

6. Intangible assets – Group

	Year ended 31 December	
	2013	2012
	US$'000	US$'000
Computer Software		
Opening net book value	**399**	547
Addition	**1,537**	416
Amortisation	**(681)**	(564)
Net book value	**1,255**	399
Cost	**4,779**	3,242
Accumulated amortisation	**(3,524)**	(2,843)
Net book value	**1,255**	399

During the year ended 31 December 2013, amortisation is recognised as follows:

	Year ended 31 December	
	2013	2012
	US$'000	US$'000
General and administrative expenses	**–**	–
Capitalised in construction-in-progress	**681**	564
	681	564

7. Investments in subsidiaries – Company

	As at 31 December	
	2013	2012
	US$'000	US$'000
Investments, at cost, unlisted shares	**628,499**	628,499
Amount due from a subsidiary (Note)	**300,371**	–
	928,870	628,499

Note: This is a loan to the subsidiary Minera Chinalco Perú S.A., which is dominated in US$, interest free, unsecured and with no fixed terms of repayment. As the Company does not intend to demand repayment it in the foreseeable future, the loan is accounted for as a quasi-investment.

As at 31 December 2013, the Company had direct and indirect interests in the following subsidiaries, all of which are limited liability entities incorporated in Peru and are principally engaged in mining related activities in Peru:

Name	Date of incorporation/ establishment	Registered and fully paid capital US$'000	Effective interest held (%) 2013	2012
Minera Chinalco Perú S.A.("MCP")	20 May 2003	383,500	**100**	100
Minera Centenario S.A.C. ("Centenario")	3 April 2006	3	**100**	100
Cal del Centro S.A.C. ("Centro")	16 March 2011	–	**100**	100
Sociedad Minera Pesares S.A. ("Pesares")	6 June 1905	–	**83.28**	83.28
Pomacocha Power S.A.C. ("Pomacocha") (Note)	17 January 2011	–	**100**	10

Note: Pomacocha was established by MCP and Abengoa Perú S.A.C., a third party Peruvian construction company, solely for the purpose of the construction of power transmission lines that connect the areas of the Toromocho Mining Project to the power grid which is financed entirely and to be used solely by the Group. The substance of the relationship between MCP and Pomacocha demonstrated that the Group controls substantially all economic benefits and exposes to the risks of Pomacocha. Accordingly, Pomacocha is considered a subsidiary of the Group from 2011. On 22 November 2013, the Group acquired the remaining 90% equity interest of Pomacocha from Abengoa Perú S.A.C. with a cash consideration of New PEN 1,080 (equivalent to US$385). This share transfer was completed on 22 November 2013.

8. Investment in a joint venture – Group

	Year ended 31 December	
	2013	2012
	US$'000	US$'000
At beginning of the year	**3,513**	1,979
Loans to a joint venture (Note)	**172**	1,534
Share of loss	**(87)**	–
At end of the year	**3,598**	3,513

Note: Loans to a joint venture are dominated in US$ and with no fixed terms of repayment. The directors of the Company are in their opinion that no repayment is expected in the foreseeable future and therefore, the loans are included in investment in a joint venture.

In September 2010, the Group and five other independent investors jointly established Transportadora Callao S.A. ("Transportadora Callao"), a company incorporated under the laws of Peru. In accordance with the investment agreement, the Group contributed US$1,290,000 for 7% equity interest in Transportadora Callao. Transportadora Callao was established exclusively for the design, construction, finance, operation, conserve and export a specialised dock for mineral concentrates and the corresponding conveyer belt located in the northern wave break of the Callao Port in Peru according to the term and conditions established in the Concession Agreement signed with the Peruvian Government. As at 31 December 2013, Transportadora Callao is at development stage and has not commenced operation.

The following amounts represent 100% of the assets, liabilities, revenues and loss of the joint venture:

	Assets	**Liabilities**	**Revenues**	**Profit/(Loss)**
	US$'000	US$'000	US$'000	US$'000
As at and for the year ended 31 December				
2013 (unaudited)	**145,674**	**120,103**	**–**	**(1,876)**
2012 (unaudited)	108,575	90,142	–	–

As at 31 December 2013, the Peruvian government requires Transportadora Callao to maintain a guarantee deposit of US$27,000,000 (31 December 2012: US$27,000,000) as performance guarantee. In this connection, the Group placed in a designated bank account for cash amounting to US$1,890,000, which represents the Group's proportional share of the total guarantee deposit as at 31 December 2013 (31 December 2012: US$1,890,000)(Note 12(a)).

In June 2012, Transportadora Callao borrowed US$20,000,000 from its bank in Peru. In this connection, the Group is required to issue a letter of credit in favour of the bank as guarantee for the borrowing amounting to US$ 1,400,000, representing its proportional share of the guarantee. This letter of credit is secured by cash deposit amounted to US$1,400,000 of the Group (Note 12(b)).

8. Investment in a joint venture – Group (continued)

There are no significant contingent liabilities in relation to the Group's interest in the joint venture and no significant contingent liabilities of the joint venture itself.

Except as disclosed in preceding paragraph, there are no other significant commitments in relation to the Group's interest in the joint venture, and no significant commitments of the joint venture itself.

9. Deferred income tax – Group

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

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

	Year ended 31 December	
	2013	2012
	US$'000	US$'000
At beginning of the year	**22,175**	16,292
Credited to the consolidated statement of comprehensive loss (Note 27)	**5,567**	5,883
At end of the year	**27,742**	22,175

Deferred income tax assets

	Expenses capitalised	Assets retirement obligations and others	Total
	US$'000	US$'000	US$'000
At 1 January 2012	14,489	1,803	16,292
Credited to the consolidated statement of comprehensive loss	5,042	841	5,883
At 31 December 2012	19,531	2,644	22,175
Credited to the consolidated statement of comprehensive loss	**6,174**	**(607)**	**5,567**
At 31 December 2013	**25,705**	**2,037**	**27,742**

There was no unrecognised tax loss as at 31 December 2013 (31 December 2012: Nil).

10. Value-added tax recoverable – Group

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

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

On 17 January 2014, the Group signed an amendment of the Investment Agreement with MEM, pursuant to which, the Group committed to invest US$2,984 million in the Toromocho Mining Project by 30 June 2014.

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

	As at 31 December	
	2013	2012
	US$'000	US$'000
VAT recoverable:		
– to be recovered after more than 12 months	**183,945**	143,298
– to be recovered within 12 months	**23,250**	25,100
	207,195	168,398

11. Prepayments and other receivables – Group

	As at 31 December	
	2013	2012
	US$'000	US$'000
Other receivables		
Amount due from contractors for purchase of fuel	**13,600**	10,505
Employee advances	**547**	74
Amounts due from related parties (Note 32(a))	**144**	144
Loan to a joint venture (Note (a))	**8,100**	2,100
Loan to a transportation services provider (Note (b))	**3,047**	3,047
Others	**804**	–
	26,242	15,870
Prepayments		
Prepaid income tax	**3,237**	1,392
Prepayment for construction insurance of Toromocho Mining Project	**2,050**	1,818
Others	**9,096**	4,762
	14,383	7,972
Total prepayments and other receivables	**40,625**	23,842
Less: non-current portion (Note (b))	**(3,047)**	(3,047)
	37,578	20,795

Notes:

(a) Loan to a joint venture amounting to US$8,100,000 (31 December 2012: US$2,100,000) is unsecured and bears interest at LIBOR plus 5% per annum.

(b) As at 31 December 2013, the other receivables amounting to US$3,047,000 (31 December 2012: US$3,047,000) represented loan to Ferrocarril Central Andino S.A., a third party Peruvian limited liability company which provides certain transportation services to the Group. Such loan receivable is unsecured, interest free and are due in 10 years.

11. Prepayments and other receivables – Group (continued)

Aging analysis of other receivables are as follows:

	As at 31 December	
	2013	2012
	US$'000	US$'000
Within 3 months	**7,168**	13,579
3 to 6 months	**5,887**	2,227
6 months to 1 year	**10,140**	64
1 to 2 years	**3,047**	–
	26,242	15,870

Prepayments and other receivables are denominated in the following currencies:

	As at 31 December	
	2013	2012
	US$'000	US$'000
US$	**33,339**	21,461
New PEN	**7,286**	2,381
	40,625	23,842

12. Restricted cash – Group

	As at 31 December	
	2013	2012
	US$'000	US$'000
Guaranteed deposits for import of equipment into Peru	**4,906**	12,295
Bank deposits held for performance guarantee (Note (a))	**2,430**	2,430
Bank deposits held for issuance of letter of credit (Note (b))	**2,319**	1,400
Bank deposits held in escrow account (Note (c))	**1,668**	1,668
Others	**117**	111
	11,440	17,904

Notes:

(a) Bank deposits held for performance guarantee represented deposits held in banks for performance guarantee under the relevant contracts and agreements (Notes 5 and 8).

(b) Bank deposits held for issuance of letter of credit represented guarantee for issuance of letter or credit (Notes 8 and 31(a)(iii)).

(c) The Group acquired certain mining concessions and Centenario from Austria Duvaz which is a Peruvian mining group in 2006. US$1,668,000 represented the remaining outstanding of the total US$8 million consideration for the purchase of Centenario and was paid into an escrow account in March 2011 and will be paid to Austria Duvaz after it presents the final report of contingencies of labor and environmental matters.

All of the restricted cash were denominated in US$ as at 31 December 2013 and 2012.

13. Inventories – Group

As at 31 December 2012 and 2013, inventories of the Group mainly represented supplies and spare parts used for the development of the Toromocho Mining Project.

During the year ended 31 December 2013, the cost of inventories recognised as expense and included in 'general and administrative expenses' amounted to US$202,000 (2012: US$323,000).

14. Amount due from a subsidiary – Company

As at 31 December 2012, the amount due from a subsidiary of the Company is unsecured, interest free, no fixed terms of repayment and denominated in US$.

15. Cash and cash equivalents – Group and Company

	Group		Company	
	As at 31 December		As at 31 December	
	2013	2012	**2013**	2012
	US$'000	US$'000	**US$'000**	US$'000
Cash at bank and on hand	**120,853**	142,595	**2,280**	1,073
Term deposits	**2,063**	61	**310**	–
Cash and cash equivalents	**122,916**	142,656	**2,590**	1,073

Cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	As at 31 December		As at 31 December	
	2013	2012	**2013**	2012
	US$'000	US$'000	**US$'000**	US$'000
US$	**120,547**	140,711	**2,247**	1,073
New PEN	**2,026**	1,945	**–**	–
HK$	**343**	–	**343**	–
	122,916	142,656	**2,590**	1,073

16. Share capital and share premium – Group and Company

As at 31 December 2013, the number of total authorised ordinary shares was 25 billion (31 December 2012: 25 billion) with a par value of US$0.04 (2012: US$0.04) per share.

The details of the issued and fully paid ordinary shares of the Company are as follows:

	Number of issued shares	**Ordinary shares**	**Share premium**
		US$'000	US$'000
At 1 January 2012	1,171,429	47	–
Issuance of ordinary shares (a)	10,000,000,000	400,000	–
At 31 December 2012	10,001,171,429	400,047	–
Issuance of ordinary shares (b)	1,816,611,000	72,664	327,267
At 31 December 2013	**11,817,782,429**	**472,711**	**327,267**

16. Share capital and share premium – Group and Company (continued)

Note:

(a) On 28 February 2012, the Company allotted and issued to its immediate holding company 10 billion ordinary shares at US$0.04 per share, by capitalising the Company's borrowing due to immediate holding company amounting to US$400 million. In February 2012, the capitalisation of borrowings from immediate holding company with amount of US$400 million was completed.

(b) The Company completed initial public offering on 31 January 2013 and the over-allotment option was exercised on 22 February 2013 with 1,764,913,000 and 51,698,000 shares issued respectively at a par value of US$0.04 per share. The issue price was HK dollar 1.75 per share.

17. Provision for remediation and restoration – Group

	Year ended 31 December	
	2013	2012
	US$'000	US$'000
At beginning of the year	**69,675**	58,111
Additional provision	**18,643**	10,010
Accretion expenses (Note 26)	**1,882**	1,554
At end of the year	**90,200**	69,675

Provision for remediation and restoration includes environmental remediation costs, assets retirements obligation and similar obligation in relation to the Group's development of the Toromocho Mining Project. Pursuant to the Assignment Agreement of the Toromocho Mining Project (Note 1), the Group is responsible for the remediation of the alternations of the lands given for mineral exploitation, even if these damages were caused before the signing of the relevant concession agreements. In addition, the Group is also obliged to operate and maintenance certain facilities post-closure of the mines.

In August 2012, Walsh Peru S.A., an independent valuer, issued to the Group the Final Mine Closure Plan which was approved by the MEM on 27 December 2012. Taking into consideration of the report issued by Walsh Peru S.A. and the MEM's approval of the Mine Closure Plan, the Group has assessed and provided for remediation and restoration and similar obligations amounted to US$90,200,000 as at 31 December 2013 (31 December 2012: US$69,675,000).

18. Borrowings – Group and Company

	Group		Company	
	As at 31 December		As at 31 December	
	2013	2012	**2013**	2012
	US$'000	US$'000	**US$'000**	US$'000
Current				
Borrowings from immediate holding company (a)				
– unsecured	**–**	103,027	**–**	103,027
Bank borrowings (b)				
– guaranteed	**281,000**	–	**–**	–
– unsecured	**100,000**	–	**–**	–
	381,000	103,027	**–**	103,027
Non-current				
Borrowings from immediate holding company (a)				
– unsecured	**151,604**	147,739	**151,604**	147,739
Bank borrowings (b)				
– guaranteed	**2,538,204**	1,999,973	**–**	–
	2,689,808	2,147,712	**151,604**	147,739
	3,070,808	2,250,739	**151,604**	250,766

18. Borrowings – Group and Company (continued)

(a) Borrowings from immediate holding company

During the year ended 31 December 2013, the Group's borrowings from immediate holding company are as follows:

	Group Year ended 31 December		Company Year ended 31 December	
	2013 US$'000	2012 US$'000	**2013 US$'000**	2012 US$'000
At beginning of the year	**250,766**	243,399	**250,766**	243,399
Addition	**100,000**	-	**-**	-
Interest charged	**4,332**	7,367	**4,332**	7,367
Repayment	**(203,494)**	-	**(103,494)**	-
At the end of the year	**151,604**	250,766	**151,604**	250,766
Among which:				
Principal	**143,399**	243,399	**143,399**	243,399
Interest payable	**8,204**	7,367	**8,204**	7,367
	151,604	250,766	**151,604**	250,766

Note: In December 2011, the Company's immediate holding company agreed to capitalise borrowings amounting to US$400 million due by the Company for 10 billion new ordinary shares of the Company at US$0.04 per share (Note 16(a)) and changed the due date of the remaining outstanding borrowings from repayable on demand on or before 30 June 2012 to repayable in 10 years or at any time at the Company's discretion and from interest free to interest bearing at LIBOR plus 2% per annum.

Borrowings due to immediate holding company together with its related interests amounting to US$103,494,000 were repaid on 28 February 2013. The remaining borrowings were repayable in 8 years or at any time at the Company's discretion. The principal of borrowings is bearing interest at LIBOR plus 2% per annum.

On 6 November 2013, the Company's immediate holding company provided a loan facility of US$100 million for general corporate purposes including but not limited to funding the working capital for the Toromocho Mining Project at its commissioning stage. The Group drew down and repaid the borrowings amounting to US$100 million in 2013.

As at 31 December 2013 and 2012, the carrying amount of non-current borrowings from immediate holding company approximated their fair value as they are floating rate borrowings.

18. Borrowings – Group and Company (continued)

(b) Bank loans

As at 31 December 2013, bank loans are summarised as follows:

	As at 31 December2013		As at 31 December2012	
Banks	**Amount US$'000**	**Effective interest rate**	Amount US$'000	Effective interest rate
Eximbank (Note(i))	**2,399,204**	**2.20%-3.85%**	1,881,973	2.51%
CDB (Note(ii))	**220,000**	**3.85%**	118,000	4.03%
Banco Bilbao Vizcaya Argentaria ("BBVA") (Note(iii))	**300,000**	**1.35%-1.80%**	–	
	2,919,204		1,999,973	

Notes:

(i) In December 2010, the Group obtained a banking facility amounting to US$2,000 million from Eximbank for the purpose of financing the development of the Toromocho Mining Project. The Group is required to pay a 1% commission fee for each drawdown and the facility bears an annual interest rate at LIBOR plus 1.85% per annum. This facility is guaranteed by Chinalco (Note 32(d)) and will become secured by all property, plant and equipment pertaining to the Toromocho Mining Project if Chinalco's credibility or financial status deteriorates (Note 5). The Group is also required to comply with certain financial covenants relating to the use of funds and other administrative resources.

In March 2013, the Group signed a supplemental agreement with Eximbank which provide additional loan facility with an interest rate at LIBOR plus 3.5% per annum. The Group is required to pay a 1% commission fee for each drawdown. This facility is guaranteed by Chinalco (Note 32(d)) and will become secured by all property, plant and equipment pertaining to the Toromocho Mining Project if Chinalco's credibility or financial status deteriorates (Note 5). The Group is also required to comply with certain financial covenants relating to the use of funds and other administrative resources.

18. Borrowings – Group and Company (continued)

(b) Bank loans (continued)

Notes: (Continued)

(ii) In September 2012, the Group obtained banking facilities amounting to US$83 million from CDB for the construction, maintenance and operation of Kingsmill Tunnel Water Treatment Plant. This facility is guaranteed by Chinalco and bears interest at LIBOR plus 3.5% per annum.

In September 2012, CDB issued a memorandum indicating its commitment to lend US$274 million to the Group for the certain designated projects in relation to the development of the Toromocho Mining Project, in which US$100 million was cancelled later due to delay of related specific project. Pursuant to this memorandum, the Group has obtained banking facilities which are guaranteed by Chinalco and bear interest at LIBOR plus 3.5% per annum.

As at the date of these financial statements were approved, except for loans amounting to US$137 million on aggregate that have been drawn down since 2012, the formal agreement for the remaining committed facility of US$37 million has not been signed.

(iii) In October 2013, the Group signed a Revolving Loan Facility Agreement (the "Resolving Facility Agreement") with BBVA for an amount of US$100 million, which is dominated in US$, unsecured and bearing interest at LIBOR plus 1.45% per annum.

In December 2013, the Group signed a Loan Facility Agreement ("the Facility Agreement BBVA") with BBVA for an amount of US$200 million, which is guaranteed by China Export and Credit Insurance Corporation, a third party, and bearing interest at LIBOR plus 1% per annum, with counter-guarantee provided by Chinalco.

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

(c) As at 31 December 2013 the long-term borrowings were repayable as follows:

	Group As at 31 December		Company As at 31 December	
	2013 US$'000	2012 US$'000	**2013 US$'000**	2012 US$'000
Wholly repayable within 5 years	**–**	–	**–**	–
Wholly repayable after 5 years				
– Within 1 year	**–**	–	**–**	–
– Between 1 and 2 years	**219,926**	–	**–**	–
– Between 2 and 5 years	**613,507**	394,000	**–**	–
– Over 5 years	**1,856,375**	1,753,712	**151,604**	147,739
	2,689,808	2,147,712	**151,604**	147,739

19. Accounts payable – Group

Aging analysis of accounts payable is as follows:

	As at 31 December	
	2013	2012
	US$'000	US$'000
Within 3 months	**352,894**	261,593
3 to 6 months	**1,061**	5,707
6 months to 1 year	**7,362**	–
	361,317	267,300

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

	As at 31 December	
	2013	2012
	US$'000	US$'000
US$	**313,071**	224,346
New PEN	**48,246**	42,954
	361,317	267,300

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

20. Amount due to immediate holding company – Group and Company

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

21. Revenue

As the Group has not commenced commercial production, no revenue was generated during the year ended 31 December 2013 (2012: Nil).

Management determines the operating segments based on the information reported to the Group's chief operating decision maker. As all of the Group's activities are engaged in the mining development and all the principal assets employed by the Group are located in Peru, the Group's chief operating decision maker considers the performance assessment of the Group should be based on the results of the Group as a whole. Therefore no further segment information is disclosed.

22. Other gains, net

	Year ended 31 December 2013 US$'000	2012 US$'000
Income on mine concessions (Note)	**141**	142
Loss on disposal of property, plant and equipment	**(742)**	(64)
Income from indemnity	**2,478**	–
Gains on sales of supplies to contracors	**1,290**	–
Others	**692**	607
	3,859	685

Note: Income on mine concessions represented income from third party miners for the use and mining of certain mines owned by the Group. As at 31 December 2013, related deferred income received amounting to US$4,191,000 (31 December 2012: US$4,332,000) was recorded in "accruals and other payables".

23. General and administrative expenses

	Year ended 31 December 2013 US$'000	2012 US$'000
Employee benefit expenses		
– Wages, salaries and allowance	**41,508**	23,773
– Directors' emoluments (Note 24)	**1,509**	957
– Pension costs – defined contribution plans	**5,247**	3,069
– Other staff benefits	**9,345**	9,384
Less: staff cost capitalised into construction-in-progress	**(45,119)**	(28,067)
	12,490	9,116
Amortisation and depreciation	**606**	715
Auditors' remuneration		
– audit and audit related services	**353**	372
Consulting and other service expenses	**13,348**	4,075
Power and utilities	**2,170**	1,014
Operating lease expense	**1,317**	1,092
Travel and transportation	**1,264**	371
Taxes other than income tax	**419**	418
Advertising and promotion	**1,555**	639
Listing expenses	**2,602**	5,489
Others	**3,781**	2,090
	39,905	25,391

24. Directors' emoluments

Details of current directors' emoluments are as follows:

	Fees US$'000	Salaries allowances. and benefits in kind US$'000	Discretionary bonuses US$'000	Retirement scheme contributions US$'000	Total US$'000
For the year ended 31 December 2013					
Non-executive Director:					
Xiong Weiping	–	–	–	–	–
Liu Caiming	–	–	–	–	–
Zhang Chengzhong	–	–	–	–	–
Ren Xudong (resigned on 1 May 2013)	–	–	–	–	–
Xie Weizhi (resigned on 1 May 2013)	–	–	–	–	–
Executive Director:					
Peng Huaisheng	–	86	127	–	213
Huang Shanfu	–	421	395	–	816
Liang Yunxing	–	103	97	–	200
Independent Non-executive Director:					
Scott McKee Hand	90	–	–	–	90
Francisco Augusto Baertl Montori	70	–	–	–	70
Ronald Ashley Hall	70	–	–	–	70
Lai Yat Kwong Fred	50	–	–	–	50
	280	610	619	–	1,509

24. Directors' emoluments (continued)

	Fees US$'000	Salaries allowances. and benefits in kind US$'000	Discretionary bonuses US$'000	Retirement scheme contributions US$'000	Total US$'000
For the year ended 31 December 2012					
Non-executive Director:					
Xiong Weiping	–	–	–	–	–
Ren Xudong	–	–	–	–	–
Xie Weizhi	–	–	–	–	–
Executive Director:					
Peng Huaisheng	–	57	–	–	57
Huang Shanfu	–	438	252	–	690
Liang Yunxing	–	–	–	–	–
Independent Non-executive Director:					
Scott McKee Hand	67.5	–	–	–	67.5
Francisco Augusto Baertl Montori	52.5	–	–	–	52.5
Ronald Ashley Hall	52.5	–	–	–	52.5
Lai Yat Kwong Fred	37.5	–	–	–	37.5
	210	495	252	–	957

Ren Xudong and Xie Weizhi resigned on 1 May 2013, and Zhang Chengzhong and Liu Caiming were appointed as the Non-executive Directors. Xiong Weiping, Ren Xudong, Xie Weizhi, Zhang Chengzhong and Liu Caiming received emoluments from Chinalco during the years ended 31 December 2013 and 2012. Part of these emoluments is in relation to their services to the Company. No apportionment has been made as the directors consider that it is impractical to apportion this amount between their services to the Company and their services to Chinalco.

During the year ended 31 December 2013, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office (2012: Nil). No director waived or agreed to waive any emoluments during the year ended 31 December 2013 (2012: Nil).

25. Five highest paid individuals

The number of director and non-director included in the five highest paid individuals for the years ended 31 December 2012 and 2013 are set forth below:

	Year ended 31 December	
	2013	2012
Director	**1**	1
Non-director	**4**	4
	5	5

The emoluments of the directors are disclosed in Note 24. The aggregate of the emoluments in respect of the remaining highest paid individuals are as follows:

	Year ended 31 December	
	2013	2012
	US$'000	US$'000
Salaries and other emoluments	**1,590**	1,735
Discretionary bonuses	**1,001**	951
Retirement benefits	**–**	–
	2,591	2,686

The number of the individuals with the highest emoluments in HK$ is within the following bands:

	Year ended 31 December	
	2013	2012
HK$4,000,000 to HK$4,500,000	**2**	1
HK$4,500,000 to HK$5,000,000	**1**	1
HK$5,000,000 to HK$5,500,000	**–**	1
HK$5,500,000 to HK$6,000,000	**–**	2
HK$6,000,000 to HK$6,500,000	**1**	–
HK$6,500,000 to HK$7,000,000	**1**	–

During the year ended December 31 2013, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2012: Nil).

26. Finance expenses, net

	Year ended 31 December	
	2013	2012
	US$'000	US$'000
Finance income		
– Interest income	**541**	665
– Foreign exchange gains, net	**1,448**	632
Total finance income	**1,989**	1,297
Finance expenses		
– Interest expense on borrowings wholly repayable within five years	**(809)**	(3,027)
– Interest expense on borrowings wholly repayable after five years	**(75,807)**	(38,816)
– Bank charges	**(460)**	(582)
– Accretion of interest on provision for remediation and restoration (Note 17)	**(1,882)**	(1,554)
	(78,958)	(43,979)
Less: amounts capitalised on qualifying assets	**76,616**	41,843
Total finance expenses	**(2,342)**	(2,136)
Finance expenses, net	**(353)**	(839)
Interest expense capitalisation rate	**3.01%**	2.57%

27. Income tax benefit

	Year ended 31 December	
	2013	2012
	US$'000	US$'000
Current income tax	**(145)**	(646)
Deferred income tax (Note 9)	**5,567**	5,883
	5,422	5,237

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

Subsidiaries established in Peru are subject to income tax at a rate of 30% during the year ended 31 December 2013 (2012: 30%).

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

	Year ended 31 December	
	2013	2012
	US$'000	US$'000
Loss before income tax	**(36,486)**	(25,545)
Tax benefit calculated at the tax rates applicable to loss in the respective countries	**10,946**	7,664
Expense not deductible	**(4,548)**	(3,029)
Others	**(976)**	602
Income tax benefit	**5,422**	5,237

28. Loss per share for loss attributable to the Company's equity holders

(a) Basic

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

	Year ended 31 December	
	2013	2012
Loss attributable to equity holders of the Company (US$'000)	**(31,064)**	(20,308)
Weighted average number of ordinary shares in issue (thousands)	**11,660,379**	10,001,171
	(0.003)	(0.002)

(b) Diluted loss per share for the year ended 31 December 2013 and 2012 are the same as the basic losses per share as there are no dilutive potential shares.

29. Dividends

No dividend has been paid or declared by the Company during the year ended 31 December 2013 and 2012.

30. Non-cash transactions

There were no significant non-cash transactions during the year ended 31 December 2013. Except for the capitalisation of borrowings from immediate holding company as set out in Note 16, there were no other significant non-cash transactions during the year ended 31 December 2012.

31. Commitments and contingencies

(a) Commitments

(i) Capital commitments

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

	As at 31 December	
	2013	2012
	US$'000	US$'000
Property, plant and equipment	**110,924**	308,253

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

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

	As at 31 December	
	2013	2012
	US$'000	US$'000
No later than 1 year	**1,180**	658
Later than 1 year and no later than 5 years	**4,491**	719
	5,671	1,377

(iii) Investment commitments

The Group maintains letters of credit amounting to US$5,037,000 as the guarantee for compliance with the Mine Closure Plan (Note 17), which is secured by restricted cash US$919,000 (Note 12(b)).

31. Commitments and contingencies (continued)

(b) Contingencies

(i) In May 2010, the local government of Morococha issued an order to MCP to cease the construction work for the new town of Morococha for the purpose of relocating the local original residents in relation to the development of the Toromocho Mining Project through an administrative resolution on the ground that the construction was started without a proper permit. In August 2011, MCP obtained from the provincial government of Yauli-La Oroya a preliminary relief which explicitly permits it to continue the construction. In August 2011, the district court ruled that the local municipal government of Morococha is a competent authority to issue the aforementioned order and that the evidence shows that MCP did not have a relevant permit at the time of such order. In September 2011, MCP filed an appeal with the court of appeal against the decision by the district court claiming that, among others, the competent authority to supervise this matter should be the provincial government of Yauli-La Oroya of Peru and that the local government of Morococha's resolution on this matter is invalid. In September 2012, the superior court issued a resolution declaring the lawsuit as inadmissible. MCP filed an appeal to the constitutional high court, which will be the final instance. On 11 March 2013, MCP presented their oral report before the constitutional high court and now is waiting for the final resolution.

As at the date of these financial statements were approved, the aforementioned appeal is still in progress. The directors of the Company are of the opinion that the claim is likely to be resolved in favour of MCP. Accordingly, no provision is considered necessary with respect to the aforementioned claim at 31 December 2013.

(ii) Apart from the above, as at 31 December 2013, the directors of the Company did not anticipate that any material liabilities will arise from the contingent liabilities other than those provided for in the financial statements.

32. Related party transactions

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

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

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

(a) Year-end balances with related parties

	As at 31 December	
	2013	2012
	US$'000	US$'000
Included in 'prepayments and other receivables'		
Amount due from ultimate holding company (Note)	**144**	144
Included in 'borrowings'		
Borrowings from immediate holding company (Note 32(c))	**151,604**	250,766
Included in 'amount due to immediate holding company'		
Amount due to immediate holding company (Note 20)	**2,426**	2,376
Included in 'accounts payable'		
Amount due to a fellow subsidiary	**2,090**	1,648

Note: Amount due from ultimate holding company is unsecured, interest free and no fixed term of repayment.

32. Related party transactions (continued)

(b) Purchases of property, plant and equipment

During the year ended 31 December 2013, the Group purchased from a fellow subsidiary certain equipment amounting to US$1,649,000 (2012: US$9,793,000), on prices and terms mutually agreed by the parties involved.

(c) Borrowings due to immediate holding company

During the years ended 31 December 2013 and 2012, the Group has outstanding borrowings due to its immediate holding company, details of which are disclosed in Note 18(a). For the year ended 31 December 2013, the interest expense incurred for such borrowing amounted to US$4,332,000 (2012: US$7,367,000).

(d) Financial guarantees by ultimate holding company

As at 31 December 2013, the Group's borrowings amounting to US$2,619million (2012: US$2,000 million) (Note 18(b)) were guaranteed by Chinalco.

As at 31 December 2013, the Group's current borrowing amounting to US$200 million was guaranteed by China Export and Credit Insurance Corporation with counter-guarantee provided by Chinalco.

The guarantees will continue to be in place until the Group is able to replace or refinance the existing loan facility in a commercially justifiable manner.

(e) Facilities provided by immediate holding company

On 6 November 2013, Chinalco Overseas provided a loan facility of US$100 million for general corporate purposes including but not limited to funding the working capital for the Toromocho Mining Project at its commissioning stage. As of 31 December 2013, the entire facility was available for draw down with a maturity date as 11 May 2014.

32. Related party transactions (continued)

(f) Key management compensation

	Year ended December 31	
	2013	2012
	US$'000	US$'000
Salaries and other emoluments	**6,608**	6,675
Discretionary bonuses	**3,551**	2,828
Retirement benefits	**74**	–
	10,233	9,503

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

During the year ended 31 December 2013, significant transactions with Other State-owned Enterprises are as follows:

Cash and cash equivalents amounted to US$375,003 at 31 December 2013 (2012: US$1,015,000) (Note 15), and borrowings amounted to US$2,619 million at 31 December 2013 (2012: US$2,000 million) (Note 18(b)), and the relevant interest income earned and expenses incurred during the years ended 31 December 2013 and 2012 are transacted with banks owned/controlled by the PRC government.

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

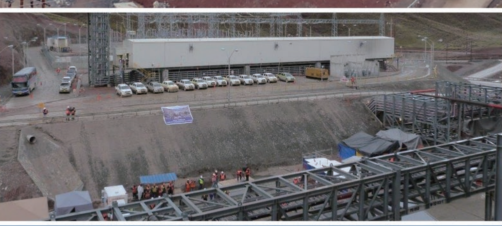
33. Post balance sheet events

On 27 January 2014, the Group signed two short term revolving loan facility agreements with SCB for an amount of US$135 million and US$65 million. The Group shall apply all amounts borrowed by it under the facility towards its working capital needs.

Saved as disclosed in these financial statements, no other reportable events or transactions take place after the balance sheet date.

FINANCIAL SUMMARY

	Year ended 31 December				
	2013	2012	2011	2010	2009
	US$'000	US$'000	US$'000	US$'000	US$'000
Results					
Revenue		–	–	–	–
Loss before income tax	**(36,486)**	(25,545)	(21,793)	(10,876)	(7,965)
Income tax benefit	**5,422**	5,237	5,281	3,411	3,266
Total comprehensive loss for the year	**(35,475)**	(20,308)	(16,512)	(7,465)	(4,699)
Assets and liabilities					
Non-current assets	**4,045,070**	2,768,504	1,505,001	742,898	347,986
Current assets	**246,354**	207,975	185,627	188,959	11,723
Non-current liabilities	**2,784,199**	2,221,719	1,065,984	672,536	180,474
Current liabilities	**784,806**	396,797	246,373	189,358	157,254
Equity attributable to the Company's equity holders	**722,419**	357,963	378,271	69,963	21,981



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