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## INFORMATION ON THE TARGET GROUP

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### THE TARGET GROUP

The Target Group is made up of the Target Company and the Project Company.

### HISTORY OF LAS BAMBAS

In August 2004, XSchweiz was awarded the rights to explore and the option to develop Las Bambas through the privatisation process run by the government of Peru. The privatisation process was conducted through an international bid process run by ProInversion. XSchweiz was the successful bidder and was awarded certain rights in relation to the Las Bambas Project, including an option to develop the Las Bambas Project (the “**Option**”). XSchweiz subsequently appointed XPERU (as its local subsidiary) to be the holder of the Option on 1 October 2004 for a term of five years, with the ability to extend for an additional year. In 2007, XPERU assigned the Option to XTintaya and XTintaya exercised its Option right in August 2010 and entered into a transfer agreement, dated 2 September 2010, pursuant to which it acquired the Las Bambas Project for US\$45.5 million plus US\$0.5 million and US\$0.75 million for each six-month period in year five and year six of the Option, respectively (the “**Transfer Agreement**”).

XTintaya subsequently assigned the Las Bambas Project to the Project Company on 1 January 2011. The Peruvian authorities approved the Las Bambas Project’s EIA in March 2011.

### DESCRIPTION OF THE LAS BAMBAS PROJECT

The contents of this section must be read in conjunction with and in the context of the Competent Person’s Report itself. Please refer to the Competent Person’s Report for a detailed discussion on all the technical aspects of the Las Bambas Project. RPM has confirmed that no material changes have occurred since the effective date of the Competent Person’s Report.

#### **Background information**

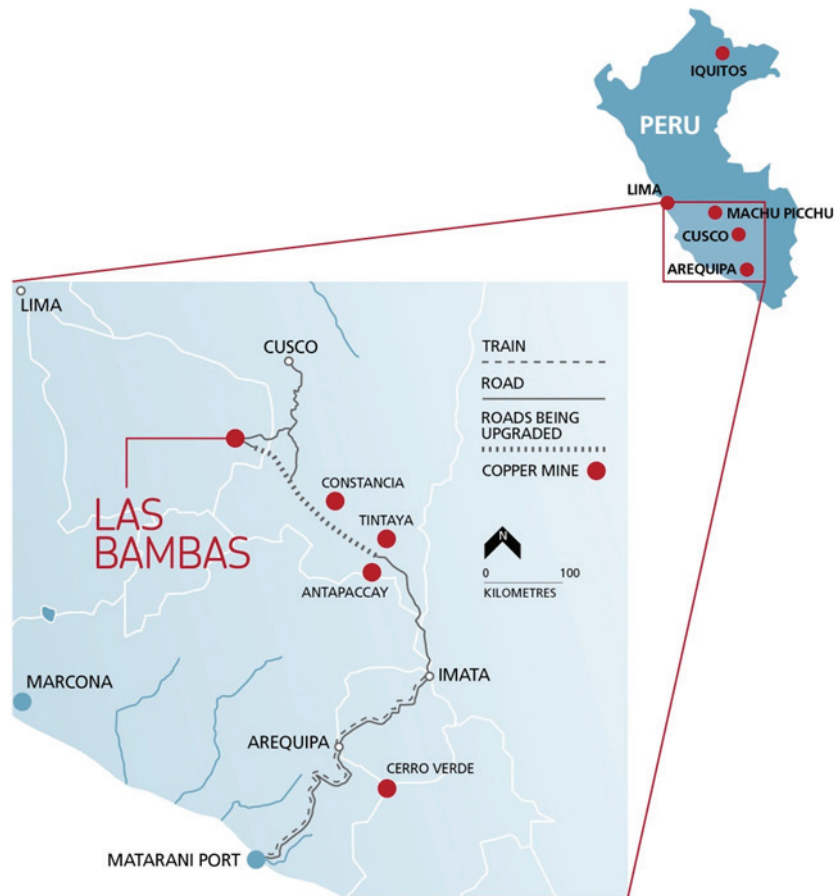
The Las Bambas Project is a world class copper development project located in Peru, in the provinces of Cotabambas and Grau in the districts of Challhuahuacho, Tambobamba and Coyllurqui, province of Cotabambas, and in the district of Progreso, province of Grau, region of Apurímac, 72 km from Cusco. The Las Bambas Project tenements include approximately 35,000 Ha of land, of which less than 10% has been explored for additional resources. The estimated mine life is over 20 years and further exploration could potentially increase this.

The Las Bambas Project is within the Andahuaylas-Yauri copper belt, which hosts the Antapaccay and Constancia copper mines.

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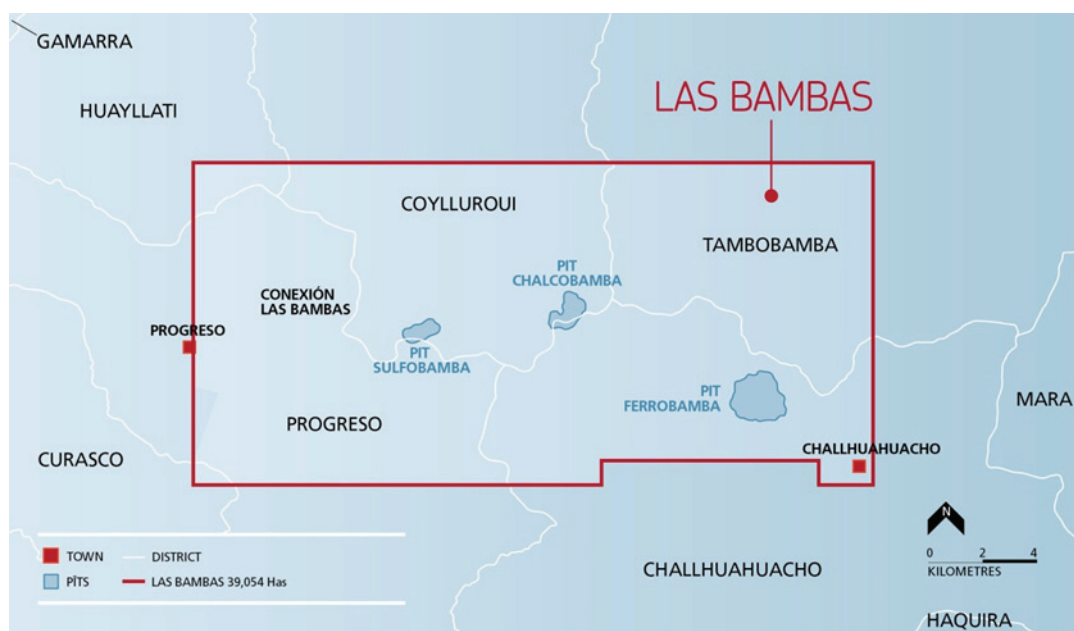
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The Project Company is the registered holder of 41 mining concessions for the exploration and exploitation of metallic substances comprising the Project. Based on the design of the Las Bambas Project, no additional mining concessions will need to be obtained by the Project Company. Based on the due diligence materials reviewed by the Purchasers, the mining concessions held by the Project Company were valid as of December 2013. As part of the due diligence exercise undertaken by the Purchasers, all of the mining concessions were held to be in good standing and in full force and effect (subject to payment by the Project Company of all validity fees and compliance with minimum production levels).

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### *JORC Mineral Resources and JORC Ore Reserves as at 1 January 2014*

The JORC Mineral Resources of the Las Bambas Project is shown in the table below.

Type	Class	Resources		Metal grade				Contained metal			
		Quantity (Mt)	Cu (%)	Au (g/t)	Ag (g/t)	Mo (%)	Cu (Kt)	Au (Moz)	Ag (Moz)	Mo (kt)	
Sulphide	Measured	490	0.64	0.06	3.0	0.02	3,094	0.91	46.6	84.8	
	Indicated	720	0.68	0.05	3.5	0.02	4,888	1.20	81.3	124.1	
	<b>Measured + Indicated</b>	<b>1,210</b>	<b>0.66</b>	<b>0.05</b>	<b>3.3</b>	<b>0.02</b>	<b>7,981</b>	<b>2.11</b>	<b>128.0</b>	<b>208.9</b>	
	Inferred	470	0.46	0.03	2.45	0.01	2,146	0.47	36.85	69.8	
	<b>Sub Total</b>	<b>1,680</b>	<b>0.60</b>	<b>0.05</b>	<b>3.1</b>	<b>0.017</b>	<b>10,127</b>	<b>2.58</b>	<b>164.8</b>	<b>278.7</b>	
Oxide	Indicated	90	0.75	0.06	3.5	0.01	673	0.16	10.2	6.4	
	<b>Measured + Indicated</b>	<b>90</b>	<b>0.75</b>	<b>0.06</b>	<b>3.5</b>	<b>0.01</b>	<b>673</b>	<b>0.16</b>	<b>10.2</b>	<b>6.4</b>	
	Inferred	10	0.81	0.07	4.3	0.01	81	0.02	1.4	1.0	
	<b>Sub Total</b>	<b>100</b>	<b>0.75</b>	<b>0.06</b>	<b>3.6</b>	<b>0.007</b>	<b>753</b>	<b>0.19</b>	<b>11.6</b>	<b>7.4</b>	
Total	<b>Measured</b>	<b>490</b>	<b>0.64</b>	<b>0.06</b>	<b>3.0</b>	<b>0.02</b>	<b>3,094</b>	<b>0.91</b>	<b>46.6</b>	<b>84.8</b>	
	<b>Indicated</b>	<b>810</b>	<b>0.69</b>	<b>0.05</b>	<b>3.5</b>	<b>0.02</b>	<b>5,560</b>	<b>1.36</b>	<b>91.5</b>	<b>130.5</b>	
	<b>Inferred</b>	<b>480</b>	<b>0.47</b>	<b>0.03</b>	<b>2.5</b>	<b>0.01</b>	<b>2,227</b>	<b>0.49</b>	<b>38.2</b>	<b>70.8</b>	
	<b>All (M+I+Inf)</b>	<b>1,780</b>	<b>0.61</b>	<b>0.05</b>	<b>3.1</b>	<b>0.02</b>	<b>10,881</b>	<b>2.77</b>	<b>176.4</b>	<b>286.1</b>	

Notes:

1. This statement of JORC Mineral Resources has been extracted from the Competent Person's Report, the full text of which is set out in Appendix IV to this circular.
2. Tonnages are metric tonnes.

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3. Cut off Grade of 0.2% Cu for all types.
4. All Mineral Resources figures reported in the table above represent estimates at 1st January, 2014. Mineral Resource estimates are not precise calculations, being dependent on the interpretation of limited information on the location, shape and continuity of the occurrence and on the available sampling results. The totals contained in the above table have been rounded to reflect the relative uncertainty of the estimate. Rounding may cause some computational discrepancies.
5. Mineral Resources are reported in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The Joint Ore Reserves Committee Code — JORC 2012 Edition).

The JORC Ore Reserves of the Las Bambas Project is shown in the table below.

Category	Reserves	Metal grade				Contained metal			
	Ore (Mt)	Cu (%)	Au (g/t)	Ag (g/t)	Mo (ppm)	Cu (Mt)	Au (Moz)	Ag (Moz)	Mo (kt)
<b>Proved</b>	450	0.65	0.06	3.10	176	2.93	0.89	44.8	78.9
<b>Probable</b>	503	0.79	0.06	4.15	176	3.96	0.99	67.2	88.6
<b>Proved &amp; Probable</b>	952	0.72	0.06	3.66	176	6.89	1.87	112	168

*Notes:*

- (1) This statement of JORC Ore Reserves has been extracted from the Competent Person's Report, the full text of which is set out in Appendix IV to this circular.
- (2) Tonnage is in metric tonnes.
- (3) Cutoff Grade of 0.2% Cu applied to all ore types.
- (4) Copper price: US\$2.91/lb, Molybdenum price: US\$13.37/lb, Silver price: US\$19.83/oz, Gold price: US\$1,196/oz
- (5) Figures presented are rounded which may result in small tabulation errors. Ore Reserves have been estimated under the 2012 Edition of the JORC Code.

### ***Development***

The board of directors of Xstrata plc approved the Las Bambas Project in August 2010 and the project's EIA was approved in March 2011. In May 2012, the main construction permits were granted and plant construction commenced in October 2012.

The scope of the development project is divided between Bechtel and the Target Group. Bechtel has a significant Engineering Procurement Construction and Engineering Procurement Construction Management ("EPCM") contract.

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Bechtel's scope includes the construction of the 140ktpd concentrator, fresh water dam, primary crusher and overland conveyor. Bechtel's handover to the owner's operations team will be at the completion of the concentrator's hydraulic commissioning.

The Target Group's scope includes tailings storage, water management, concentrate logistics and handling including port facilities, high voltage power and the construction of Nueva Fuerabamba, the new town for resettlement of the residents of Fuerabamba. The Target Group's pre-operational focus involves pre-stripping the pit, training of staff and resettlement of the Fuerabamba community.

As at end of April 2014 the overall project was approximately 60% complete.

The Company has undertaken to provide an update on project completion estimation to Shareholders following Completion of the Acquisition.

### *Infrastructure*

In November 2013, the Project Company signed an agreement for storage and ship loading of concentrate at Matarani Port with TISUR. TISUR is building a new berth and storage facility called Islay, from which the Las Bambas concentrate will be loaded and shipped. The facilities will cater for the delivery rate of concentrate to the port.

The owner's high voltage transmission line scope involves building a 130km 220kV transmission line from the Peruvian grid at Cotaruse substation to the site. Abengoa Peru, via the subsidiary ATN 2 S.A., is contracted to build, operate and own the transmission line under a BOO contract for 18 years from the commencement of operations.

Fresh water will be taken from the Challhuahuacho River for operational use. The water management scope is focussed on minimising the use of fresh water taken from the river. The amount of water contacting the operational footprint will also be minimised using diversion infrastructure. Water which contacts the operational footprint will be preferentially used for processing. Sediment dams are being constructed to manage run off water from waste dumps and stockpiles.

### *Community*

The construction of Nueva Fuerabamba is largely complete and a plan for final acceptance of the town is being developed. Nueva Fuerabamba will be administered by a civil association, funded by the Project Company. The administration of the town will then pass to the regional municipality 18 months after first inhabitation. The national government will administer the medical centre and the education centres.

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### *Mining and processing operations*

Pre-stripping operations commenced in April 2014 and are forecast to move approximately 75 Mt of overburden prior to commencing ore processing.

Mining will use conventional truck and shovel equipment.

Ore will be mined from three pits: Ferrobamba, Chalcobamba and Sulfobamba. Ferrobamba contains approximately 70% of the ore feed and is situated 10 km east of the concentrator. Chalcobamba and Sulfobamba contribute approximately 30% of the ore feed and lie north and west respectively from the concentrator.

The concentrator has been designed to treat 140 ktpd, equivalent to 51.1 Mtpa. The concentrator contains additional space within its footprint to increase grinding capacity. The mine will produce copper concentrates containing payable gold and silver and a separate molybdenum concentrate will be produced. Processing will be carried out using conventional crushing, grinding and flotation techniques.

### *Logistics*

Day-to-day operational logistics will use truck haulage along a heavy haul road constructed and approved for such purposes. The Project Company is assessing options for sustainable concentrate handling and logistics. Concentrate will be delivered to the port of Matarani, 710 km from Las Bambas at an approximate rate of 4 ktpd. A new berthing facility is being developed by the port operators TISUR to handle Las Bambas concentrate and concentrate from other mine sites.

## **REGULATORY CONCESSIONS**

### **Real property**

The Project Company has purchased or otherwise obtained land use rights with respect to use of numerous pieces of land mainly located in the districts of Challhuahuacho, Coyllurqui and Tambobamba, province of Cotabambas, region of Apurímac. This land is required for conducting mining activities related to the Project, including those for constructing and operating the Project's components and infrastructure. Such property and rights have also been acquired to access the mining area, transport minerals, establish a buffer around the mining area, access water rights and construct the mining camp and residential properties for the housing of employees, among others.

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### **Mining concessions**

The Project Company is the registered holder of 41 mining concessions for the exploration and exploitation of metallic substances and comprising the Project. Such mining concessions are generally irrevocable as long as the holder pays the annual validity fee and minimum production levels are met. Please refer to the section headed “Regulatory Overview — Requirements and Obligations for Mining Concessions’ Holders” for further details. Based on the design of the Las Bambas Project, no additional mining concessions will need to be obtained by the Project Company. Based on the due diligence materials reviewed by the Purchasers, the mining concessions held by the Project Company were valid as of December 2013.

The mining concessions relate to land located in the districts of Collurqui, Huaytalli, Challhuahuacho, Tambobamba, Progreso and Curasco, in the provinces of Cotabambas and Grau, and in the region of Apurímac, in Peru, and cover an aggregated area of approximately 34,328 ha.

In connection with the transfer of the mining concessions from the government of Peru to XTintaya in September 2010, XTintaya agreed to incur “qualified investments” (i.e. investments subject to verification) of at least US\$ 2,919,436,100 within four years following the date of execution of the Transfer Agreement (i.e. before 1 September, 2014). According to the last audit report prepared by PFK Vila Naranjo Asociados and submitted to Activos Mineros, as of September 2013 US\$2,923,598,446 had been invested in the Las Bambas Project.

### **Construction concessions**

The Project Company is authorised to construct the copper and molybdenum processing plants and the filter plant, among other facilities, in the area of the Project. This construction is expected to be completed in the second half of 2015. Completion of construction of processing facilities and the grant of the water license are pre-requisites for the granting of title to Las Bambas processing concession, allowing operation of the processing plant.

### **Transportation concessions**

Originally, the Project Company applied for and received approval for the construction of a mineral pipeline to transport the mineral products.

The Project Company is studying concentrate transport options. The permitted option for a pipeline between Las Bambas and Antapaccay is no longer applicable because of the separation of ownership. Although the Project Company will not need to obtain an additional transportation concession, the Project Company will possibly need to obtain additional authorisations from third parties to allow it to transport the minerals to the port, including seeking amendments to current easements or obtaining additional rights over real property.

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### **Environmental approvals**

In May 2010, the Project Company filed the EIA for the Project, which was approved by the MEM in March 2011. Construction permits were granted in May 2012. The new location of the processing facilities originally located in the Tintaya area (the molybdenum and filter plants), has been included — among other minor changes related to ancillary components of the Project — in a Technical Report that was filed on 11 July 2013 before the DGAAM for approval. This Technical Report has been approved on 26 August 2013. A second Technical Report including the construction and operation of a sedimentation pond of 3.2 cubic meters for non-contact water was approved in December 2013. A first amendment of the Project EIA has been approved by means of Resolución Directoral No. 305 2013 MEM AAM. Such first modification implied the following: (i) the modification of the monitoring plan — applicable to surface waters — included in the Project EIA; and, (ii) the modification of the design of the Challhuahuacho and Chuspiri water dams, in order to optimise the water supply infrastructure. A second amendment of the Project EIA will include the use of a 250km roadway between Las Bambas and Antapaccay to transport concentrate during mine operation. Such second amendment has been submitted before the authority for its approval on 3 March 2014 and it is currently under review. The Project Company expects to receive approval of its revised EIA in July 2014.

### **Permits and registrations**

In addition to the EIA, the Project Company must obtain various permits and registrations for the conduct of various activities at the Project site. The material permits relating to the construction and operation of the Project, including the authorisations for the sedimentation pond, the water use licence, the water discharge authorisation, among others, will be filed in 2014 and 2015 as required by applicable law.

### **Renewals**

Based on the due diligence materials reviewed by the Purchasers, the Purchasers have no reason to believe that the concessions will not be maintained in the ordinary course. In addition, the legal advisor to the Purchasers as to Peruvian law, is not aware of any legal impediment for obtaining or maintaining any concessions.

### **Legal Stability Agreements**

The Target Company has entered into a Legal Stability Agreement with the Peruvian Government, pursuant to which the latter agreed not to apply to the Target Company any change to the income tax, employment (only with regard to the modalities for hiring employees for a fixed term) and export promotion regimes in force at the time of execution of said agreement (29 September 2004), for a period of 10 years expiring on 29 September 2014.



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XSAL has entered into two separate Legal Stability Agreements with the Peruvian Government, pursuant to which the latter agreed not to apply XSAL any change to the income tax regime applicable to dividends and any other kind of profit distribution in force at the time of execution of said agreements (29 September 2004 and 29 August 2006), related to specific US\$22 million and US\$634 million investments, respectively, for a period of 10 years (expiring on 29 September 2014 and 29 August 2016, respectively).

The Company does not anticipate any material adverse impact of the expiry of any of the above Legal Stability Agreements on the results of the Target Company and/or the Project Company as no material changes to the income tax, employment or export promotion regimes in Peru are expected in the near term. The Enlarged Group will seek to re-negotiate such agreements with the Peruvian Government.

### **Mining Stability Agreement**

In July 2011, the Project Company and the government of Peru entered into a mining stabilisation agreement pursuant to which the tax regime in effect at the time of such agreement is to remain unchanged for a period of 15 years after completion of construction. As a result, the operator of the mine will have the right to maintain its accounting books and records in a foreign currency, repatriate capital and profits, sale of product free from any impositions and have unrestricted access to foreign currency markets. Furthermore, the Project Company will be subject to a 32% corporate tax rate and up to 3% mining royalty on sales in connection with operations at Las Bambas, under the terms of stability.

### **IGV Recovery Agreement**

On 28 December 2011, the Project Company and the government of Peru entered into an IGV recovery agreement pursuant to which the Project Company is eligible to recover certain amounts levied on it in the form of value-added taxes. Refunds have been received in accordance with the terms of the special regime of advance recovery.

### **Litigation**

The Project Company is party to civil, tax and labour legal proceedings, as well as to certain other administrative proceedings. These legal and administrative proceedings arise from the conduct of business in the ordinary course. The Purchaser is not aware of any legal or administrative claims or proceedings which may affect the mining rights being acquired.

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### **Mine closure plans**

In March 2012, the Project Company submitted the mine closure plan to the MEM. This closure plan was approved in June 2013 and provides for a total budget of US\$285.7 million for the closure of the mine beginning in 2028 and extending through at least 2042. In addition, pursuant to mining laws in Peru, the Project Company will have to submit each year to the Minister of Energy and Mines a bond, or other security permitted by mining laws in Peru, in the amount established in the mine closure plan approved by the Minister of Energy and Mines to cover mine closure costs. The security provided shall be maintained as provided in the mine closure plan and the mining laws in Peru. For the year 2014, the Project Company submitted a bond in the amount of approximately US\$12 million.

### **MANAGEMENT DISCUSSION AND ANALYSIS OF THE TARGET COMPANY AND THE PROJECT COMPANY**

The Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 4.06 of the Listing Rules such that an accountants' report on the stand-alone audited financial statements of the Target Company and the Project Company for each of the three financial years ended 31 December 2011, 2012 and 2013 will be included in this circular. Hence, the Company has prepared and set out below a management discussion and analysis on the results of each of the Target Company and the Project Company based on their respective stand-alone audited financial statements for the three financial years ended 31 December 2011, 2012 and 2013.

#### **(a) MANAGEMENT DISCUSSION AND ANALYSIS OF THE TARGET COMPANY**

The Target Company is an investment company and immediate holding company of the Project Company. The Target Company was also the immediate holding company of two other companies until it entered into a restructuring arrangement with Glencore in order to facilitate the sales process in respect of the Las Bambas Project whereby those investments held by the Target Company which did not relate to the Las Bambas Project were transferred out of the Target Group.

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The Target Company's total comprehensive income for the year ended 31 December 2013 was US\$97.3 million from dividends received from a subsidiary company. Total comprehensive losses for the years ended 31 December 2012 and 31 December 2011 was US\$0.3 million and US\$1.7 million respectively.

### Cash flow analysis

The following table represents selected data from the Target Company's statement of cash flows:

	<b>31/12/2013</b>	<b>Year ended 31/12/2012</b>	<b>31/12/2011</b>
	<i>(US\$ million)</i>		
Net cash generated from/ (used in) operating activities	(0.4)	(1.2)	2.8
Net cash used in investing activities	—	(1,299.4)	—
Net cash generated from/ (used in) financing activities	<u>(0.3)</u>	<u>1,297.2</u>	<u>(2.9)</u>
<b>Net (decrease) of cash and cash equivalent</b>	<u><u>(0.7)</u></u>	<u><u>(3.4)</u></u>	<u><u>(0.1)</u></u>

Net cash used in investing activities in 2012 related to cash paid to the Project Company in return for shares.

Net cash generated by financing activities in 2012 related to a capital contribution from a related party at the time, XSAL.

### Financial resources and liquidity

	<b>31/12/2013</b>	<b>As at 31/12/2012</b>	<b>31/12/2011</b>
	<i>(US\$ million)</i>		
Total Assets	1,320.2	2,062.2	764.1
Total Liabilities	<u>0.1</u>	<u>23.7</u>	<u>25.3</u>
<b>Total Equity</b>	<u><u>1,320.1</u></u>	<u><u>2,038.5</u></u>	<u><u>738.8</u></u>

Total assets reflect investments in subsidiaries.

The increase between 31 December 2011 and 31 December 2012 was due to the additional capital contribution made to the Project Company.

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The decrease in total assets as at 31 December 2013 compared to 31 December 2012 was due to a disposal of subsidiaries from a corporate restructure. To facilitate the disposal of the Las Bambas Project by Glencore, the ultimately holding company of the Target Company, it was determined that the disposal would be effected through the sale of the Target Company. In advance of the disposal, Glencore has undertaken a corporate restructuring by way of Peruvian law “Spin off” to transfer assets of the Target Company which did not relate to the Las Bambas Project to other group companies. As a consequence, the Target Company’s investments in Compania Minera Antapaccay S.A. and Xstrata Copper Servicios Corporativos Peru S.A. were transferred to another subsidiary of Glencore.

### **Commitments for expenditure**

There were no material capital commitments for the years ended 31 December 2013, 31 December 2012 and 31 December 2011.

### **People**

The Target Company did not have any full-time equivalent employees for the year ended 31 December 2013, 31 December 2012 and 31 December 2011.

### **Material Acquisitions and Disposals**

No material acquisitions or disposal were made for the years ended 31 December 2013, 31 December 2012 and 31 December 2011 with the exception of the restructure in 2013.

### **Financial and capital risk management**

The Target Company is a holding company and not subject to any material financial or capital risks.

### **Contingent Liabilities**

There were no significant contingent liabilities for the years ended 31 December 2013, 31 December 2012 and 31 December 2011.

### **Charge on Assets**

There were no charges over the assets of the Target Company for the years ended 31 December 2013, 31 December 2012 and 31 December 2011.

### **Plans for material investments or capital assets**

There are no plans for material investments or capital assets.

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### (b) MANAGEMENT DISCUSSION AND ANALYSIS OF THE PROJECT COMPANY

The Project Company owns 100% of the Las Bambas Project. A description of the Las Bambas Project is provided in the sub-section headed “Description of the Las Bambas Project” in this section.

#### **Update on the Las Bambas Project**

##### *Year ended 31 December 2013*

The Las Bambas Project is on track to be commissioned in the second half of 2015. Key milestones in the development of the Las Bambas Project achieved during 2013 included the completion of the heavy haul road, completion of Stage 1 of the Chuspiri Fresh Water Dam, commencement of pre-stripping and completion of all procurement activities. The Las Bambas Project is currently in the development stage and therefore did not have any material balances within profit and loss for the years ended 31 December 2013, 2012 and 2011.

##### *Year ended 31 December 2012*

Following the receipt of the final site construction permit in May 2012, mass earthworks and general construction activities commenced in June 2012. During the year a number of concrete pours of the SAG and ball mill foundations were completed and the Pioneer 2 camp was occupied and brought into service. Construction of the Nueva Fuerabamba town which will house approximately 450 resettled families continued in 2012 and was 26% complete by 31 December 2012. The board of directors of Xstrata plc approved the total planned investment of US\$ 5,200 million for the Las Bambas Project. As at 31 December 2012, US\$ 2,235 million had been invested.

##### *Year ended 31 December 2011*

Following the approval of the EIA of the Las Bambas Project in March 2011, early works commenced on the construction of the new town to house the resettled Fuerabamba community and access routes to the site. Due to cost pressures, and incorporation of detailed engineering design, the original US\$4,230 million budget increased by 15%. The increase was primarily related to inflation in the cost of land acquisition and social infrastructure as well as delays to the permitting process resulting from the change in the civil service which followed the presidential election in July.

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### Cash flow analysis

The following table represents selected data from the statements of cash flows of the Project Company:

	<b>31/12/2013</b>	<b>Year ended 31/12/2012</b>	<b>31/12/2011</b>
		<i>(US\$ million)</i>	
Net cash generated from/ (used in) operating activities	(16.4)	(21.2)	62.3
Net cash used in investing activities	(1,709.1)	(2,165.8)	(104.9)
Net cash generated from/ (used in) financing activities	<u>1,726.8</u>	<u>2,181.4</u>	<u>48.4</u>
<b>Net increase/(decrease) of cash and cash equivalent</b>	<u><u>1.3</u></u>	<u><u>(5.6)</u></u>	<u><u>5.8</u></u>

#### *Net cash used in operating activities*

The net cash flows used in operating activities in the year ended 31 December 2013 amounted to US\$16.4 million primarily due to an increase in other accounts receivables from key suppliers utilising fuel and other supplies purchased by the Project Company.

The net cash flows used in operating activities in the year ended 31 December 2012 amounted to US\$21.2 million primarily due to a decrease in trade and other payables and an increase in prepaid expenses made by the Project Company necessary to guarantee the supply of tyres.

The net cash flows generated from operating activities in the year ended 31 December 2011 amounted to US\$62.3 million primarily due to an increase in trade and other payables of US\$59.7 million following commencement of the Las Bambas Project.

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### *Net cash used in investing activities*

The net cash flows used in investing activities for the years ended 31 December 2013, 31 December 2012 and 31 December 2011 relate to expenditures for the acquisition of mining rights, construction and development costs and acquisition of property, plant and equipment in connection with developing the Las Bambas Project.

	<b>31/12/2013</b>	<b>As at 31/12/2012</b>	<b>31/12/2011</b>
		<i>(US\$ million)</i>	
<b>PP&amp;E Additions</b>			
Development costs	1,680.2	1,059.7	546.2
Property, Plant and Equipment	<u>142.9</u>	<u>58.5</u>	<u>331.6</u>
	1,823.1	1,118.2	877.8
<b>Transfer from related party in return for equity</b>			
Land and buildings	—	—	4.1
Mining Concessions	—	—	291.2
Development costs	—	—	96.7
Property plant and Equipment	<u>—</u>	<u>—</u>	<u>4.0</u>
	<u>—</u>	<u>—</u>	<u>396.0</u>
<b>Total Additions</b>	<u><u>1,823.1</u></u>	<u><u>1,118.2</u></u>	<u><u>1,273.8</u></u>

### **Capital expenditure on major projects**

#### *Year ended 31 December 2013*

The largest additions to development costs include disbursements made for engineering procurement and construction services rendered mainly by Overseas Bechtel Inc. Sucursal Peru, CESEL S.A. and Obrascon Huarte Lain S.A., the lead contractors, for US\$430.0 million, construction costs of Nueva Fuerabamba for US\$270.4 million, and technical management, procurement and consulting services mainly rendered by related entities for US\$142.6 million.

The additions to property plant & equipment primarily relate to acquisition of lands for US\$90.5 million and the acquisitions of 42 Komatsu trucks and 22 pieces of auxiliary mobile equipment (light trucks and tow trucks) for US\$26.3 million.

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## INFORMATION ON THE TARGET GROUP

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### *Year ended 31 December 2012*

The largest additions include disbursements for construction of Nueva Fuerabamba for US\$216.6 million, technical management, procurement and consulting services mainly rendered by related entities for US\$104.9 million, engineering procurement and construction services mainly rendered by Overseas Bechtel Inc. Sucursal Peru, CESEL S.A. and Bechtel Chile Ltda. for US\$100.3 million.

The additions to property, plant & equipment primarily related to prepayments for the acquisition of 42 Komatsu 930ESE-4 trucks for US\$7.0 million, acquisition of auxiliary equipment (tow trucks and front loader) for US\$7.0 million all to be delivered in 2012 and land purchases for US\$13.0 million.

### *Year ended 31 December 2011*

The largest additions include procurement and development expenditure of US\$720.6 million, disbursements for the construction of Nueva Fuerabamba for US\$99.8 million, technical management, procurement and consulting services mainly rendered by related entities for US\$39.5 million; consultant expenses of US\$16.4 million and engineering services mainly rendered by Overseas Bechtel Inc. Sucursal Peru, CESEL S.A. and Bechtel Chile Ltda. for US\$12.6 million.

The additions to property plant & equipment primarily related to prepayments for the acquisition of trucks and auxiliary equipment (tow trucks and front loader) for US\$7.0 million all to be delivered in 2012 and land purchases for US\$13.0 million.

The transfer from related party in return for equity related to a restructuring of the assets and liabilities of the Las Bambas Project into a new corporate entity. The restructure became effective 1 January 2011 whereby shares were issued equal to the value of the net assets of US\$ 19.5 million.

### *Net cash provided by financing activities*

Financing cash inflows in 2013 included new borrowings of US\$1,096 million from Xstrata Chile Norte Inversiones S.A (a related party and subsidiary of Xstrata plc) and US\$78.3 million in capitalised interest. Additionally, a further US\$788 million was drawn down under the US\$1,300 million facility agreement with Noranda Antamina S.R.L (a related party and subsidiary of Xstrata plc) with capitalised interest costs of US\$25.6 million. All borrowings were used to fund the continued development of the Las Bambas Project.

Financing cash inflows in 2012 included US\$1,300 million raised via the issuance of 3,377,400,000 shares to the Target Company (a related party and subsidiary of Xstrata plc) in November 2012. Additionally, new borrowings of US\$941.0 million and US\$46.0 million were raised with related parties Xstrata Chile Norte Inversiones S.A and Noranda Antamina SRL respectively and capitalised interest of US\$25.5 million. All proceeds from the equity issuance and borrowings were used to fund the continued development of the Las Bambas Project.



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## INFORMATION ON THE TARGET GROUP

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Financing cash inflows in 2011 included new borrowings of US\$40.8 million and US\$11.0 million which were raised from Noranda Antamina SRL and Xstrata Chile Norte Inversiones S.A respectively. All proceeds from the borrowings were used to fund the continued development of the Las Bambas Project.

In accordance with International Accounting Standard 23 — Borrowing Costs — all interest costs on the above borrowings have been capitalised and included in development costs on the statement of financial position.

### Financial resources and liquidity

	<b>31/12/2013</b>	<b>As at 31/12/2012</b>	<b>31/12/2011</b>
		<i>(US\$ million)</i>	
Total Assets	4,420.4	2,571.2	1,371.7
Total Liabilities	<u>3,100.9</u>	<u>1,251.7</u>	<u>1,352.2</u>
<b>Total Equity</b>	<u><u>1,319.5</u></u>	<u><u>1,319.5</u></u>	<u><u>19.5</u></u>

The increase in total equity for the year ended 31 December 2012 is due to additional shares being issued.

Capital is monitored using a gearing ratio defined as net debt (total borrowings, less cash and cash equivalents) divided by the aggregate of net debt plus total equity.

	<b>31/12/2013</b>	<b>As at 31/12/2012</b>	<b>31/12/2011</b>
		<i>(US\$ million)</i>	
Total borrowings	2,939.8	1,104.1	94.8
Less: cash and cash equivalents	1.6	0.3	5.9
<b>Net debt</b>	2,938.2	1,103.8	88.9
Total equity	<u>1,319.5</u>	<u>1,319.5</u>	<u>19.5</u>
	<u>4,257.7</u>	<u>2,423.3</u>	<u>108.4</u>
<b>Gearing Ratio</b>	69%	46%	87%

Cash and cash equivalents consist of cash at bank, checking accounts and short-term deposits and is held in U.S. Dollars and Peruvian nuevos soles.

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## INFORMATION ON THE TARGET GROUP

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For the years ended 31 December 2013, 31 December 2012 and 31 December 2011 the principal source of liquidity was cash provided by related parties in the form of debt and/or equity. Financial liabilities reflected in the table above as borrowings are with related parties, denominated in U.S. dollars and are interest-bearing. Interest rates are adjusted annually by an independent study based on market condition.

The table below presents maturities of financial liabilities as at 31 December 2013, 31 December 2012 and 31 December 2011.

	<b>On demand</b>	<b>Maturing in less than 3 months</b>	<b>Maturing in 3 to 12 months</b>	<b>Maturing in 1 to 5 years</b>	<b>Total</b>
	<i>(US\$ million)</i>				
<b>As at 31 December 2013</b>					
Trade and other payables	42.0	54.1	50.4	—	146.5
Loans and payables with related parties	<u>0.1</u>	<u>—</u>	<u>9.9</u>	<u>2,939.8</u>	<u>2,949.8</u>
	<u><u>42.1</u></u>	<u><u>54.1</u></u>	<u><u>60.3</u></u>	<u><u>2,939.8</u></u>	<u><u>3,096.3</u></u>
<b>As at 31 December 2012</b>					
Trade and other payables	82.5	17.5	18.4	—	118.3
Loans and payables with related parties	<u>3.6</u>	<u>0.7</u>	<u>7.1</u>	<u>1,104.1</u>	<u>1,115.5</u>
	<u><u>86.1</u></u>	<u><u>18.2</u></u>	<u><u>25.5</u></u>	<u><u>1,104.1</u></u>	<u><u>1,233.8</u></u>
<b>As at 31 December 2011</b>					
Trade and other payables	0.4	27.8	1.3	—	29.5
Loans and payables with related parties	<u>10.9</u>	<u>1,292.6</u>	<u>11.3</u>	<u>—</u>	<u>1,314.7</u>
	<u><u>11.3</u></u>	<u><u>1,320.3</u></u>	<u><u>12.6</u></u>	<u><u>—</u></u>	<u><u>1,344.2</u></u>

### **Commitments for expenditure**

#### ***Capital commitments***

On 28 December 2011, the Project Company signed an Investment Agreement with the MEM and ProInversion committing to a minimum investment into the Las Bambas Project of US\$4,112.3 million for the years ended 31 December 2013, 2012 and 2011. The Project Company must make the committed investment expenditure periodically over two years and four months in accordance with the Investment Agreement.

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## INFORMATION ON THE TARGET GROUP

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### **People**

As at 31 December 2013, 31 December 2012 and 31 December 2011, the Project Company employed a total of 560, 386 and 124 full-time equivalent employees respectively in its operations.

Remuneration to key management personnel of the Project Company for the year ended 31 December 2013, 31 December 2012 and 31 December 2011 amounted to US\$3.4 million, US\$1.2 million and US\$1.1 million respectively.

The Project Company has remuneration policies that align with market practice and remunerates its employees based on the responsibilities of their role, their performance, market requirements and the performance of the Project Company.

### **Material acquisitions and disposals**

No material acquisitions or disposal were made for the years ended 31 December 2013, 31 December 2012 and 31 December 2011.

### **Financial and capital risk management**

The Project Company is exposed to market, credit and liquidity risks originating from exchange rate, price and interest rate volatility. These risks are managed through specific policies and procedures established by the Finance Management. Finance Management is in charge of risk administration; which identifies, evaluates and hedges financial risks.

#### *Exchange rate risk*

The exchange rate risk arises mainly from balances of cash and cash equivalents, trade accounts payable, employees' benefits and other receivables and liability transactions originated in Peruvian nuevos soles. Management has accepted the risk derived from its net liability position in foreign currency, and has not contracted any derivative instruments for hedging for the years ended 31 December 2013, 31 December 2012 and 31 December 2011.

For the years ended 31 December 2013, 31 December 2012 and 31 December 2011, the Project Company generated gains from exchange differences of US\$5.8 million, US\$4.0 million and US\$0.2 million respectively which were capitalised as part of development costs. A 10% increase in the valuation of the Peruvian nuevos soles at 31 December 2013, 31 December 2012 and 31 December 2011, would have resulted in a gain of US\$4.6 million, US\$3.3 million and US \$0.2 million respectively.

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## INFORMATION ON THE TARGET GROUP

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### *Interest rate risk*

The Project Company is exposed to interest rate volatility on deposits and borrowings. Deposits and borrowings at variable rates expose the Project Company to cash flow interest rate risk. Deposits and borrowings at fixed rates expose the Project Company to fair value interest rate risk. Interest rate risk is managed through financing from related parties and capital contributions. Future fluctuations of interest rates are not expected to significantly affect results of future operations of the Project Company.

### *Credit risk*

Credit risk refers to the risk that a counterparty defaults on its contractual obligations resulting in financial loss. The Project Company is exposed to credit risk on cash and cash equivalents, accounts receivable from related entities and other accounts receivable. The Project Company does not use derivative instruments to manage credit risk.

To manage credit risk on amounts deposited in banks and financial institutions, the Project Company has a defined treasury policy, which solely permits to deposit excess funds in high-quality institutions by establishing conservative credit policies and periodic assessment of the market conditions where it carries out its activities.

### *Liquidity risk*

The Project Company manages liquidity risk by seeking to generate adequate reserves and related party facilities by continually monitoring forecast and actual cash flows and matching maturity profiles of financial assets and liabilities. As at 31 December 2013, 31 December 2012 and 31 December 2011, the Project Company had access to sufficient funding from its related entities to fulfil its capital commitments. The Project Company also has the option to obtain funds from financial institutions if required.

### **Contingent liabilities**

Consorcio GL Ingenieros — SELEGSA filed a claim against Overseas Bechtel Inc. and the Project Company for an amount of US\$1.1 million for non-compliance with contractual terms. Management believes the claim to be without merit and no provision has been recorded.

### **Charge on assets**

There are no charges over the Project Company's assets for the years ended 31 December 2013, 31 December 2012 and 31 December 2011.

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## INFORMATION ON THE TARGET GROUP

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### **Plans for material investments or capital assets**

From the commencement of the Las Bambas Project in 2011 to 31 December 2013, the Project Company had incurred total expenditures to date of US\$3,511.3 million against a total project budget of US\$5,941.0 million. A total of US\$1,820.0 million has been budgeted for the year ending 31 December 2014 and US\$610.0 million budgeted for the year ending 31 December 2015. The budgeted expenditure is primarily driven by the completion of the Nueva Fuerabamba, Owner Peru Operations, Owner PDD and Bechtel projects. The budgeted capital expenditures are expected to be funded by related parties. There are no other material investments or acquisition of capital assets budgeted for the year of 2014.