

JALAOCA MINING PROJECT

2018



ProInversión

Private Investment Promotion Agency - Peru



PERU, ENDLESS OPPORTUNITIES

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JALAOCA MINING PROJECT

1. PURPOSE OF THE PROJECT

The project comprises the development of mineral exploration to identify the potential of the mining site and determine the economic viability for its future exploitation.

2. KEY INVESTMENT HIGHLIGHTS

Significant growth potential and solid macroeconomic environment	<ul style="list-style-type: none"> ○ Peru is one of the countries with the greater expected GDP growth among Latin American peers, mainly driven by the mining industry backed by the track record of private and public investment. ○ Expected inflation is the lowest among Latin American peers which is supported by one of the most recognized Central Banks.
Recovering metal prices and favorable global economic conditions	<ul style="list-style-type: none"> ○ Rising copper price with long term favorable view. ○ China and USA increasing demand and reduction of inventories could boost long term prices.
Large available areas for exploration and located in proved mining jurisdiction near large-scale mining projects	<ul style="list-style-type: none"> ○ Located within the porphyry belt of Peru with more than 6 400ha of extension. ○ Laid between several of the largest mining projects of Peru, such as Cotabamas and Antilla (Panoro Minerals), Las Bambas (MMG), Los Chancas (Southern Copper), Trapiche (Buenaventura), Haquira (First Quantum) and Constanca (Hudbay).





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2. KEY INVESTMENT HIGHLIGHTS

Stable and known mining regulatory framework	<ul style="list-style-type: none">○ Regulatory framework governing mining activities has been in force since 1992, which allowed the successful development of large scale projects such as Las Bambas, Magistral and Toromocho.○ 70% of the mining projects tendered by the Peruvian Government in the past years have started commercial operations or are in construction phase.
Immediate access to infrastructure	<ul style="list-style-type: none">○ Proximity to other large scale mining projects offer potential shared infrastructure benefits.○ Southern Peru counts with transmission grids, paved roads, large highways, railway and port.

3. PROJECT CHARACTERISTICS

3.1 INVESTMENT OPPORTUNITY

Jalaoca is one of the two early-stage mining projects that the Peruvian Government is tendering during 2018. Jalaoca is an Area Reserved by the Government (ANAP) with an extension of 6400 ha located in the Department of Apurimac, in southern Peru.





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The Ministry of Energy and Mines (MINEM) has commissioned the Private Investment Promotion Agency (“ProlInversión”), a public agency under the Ministry of Economy and Finance, to promote private investment for the Jalaoca project through an international public tender process.

A team of advisors led by PricewaterhouseCoopers, Kallpa, Metis Gaia and Dentons Gallo Barrios Pickmann have been appointed by ProlInversión as the transactional advisors in connection with the international tender offer process of the Jalaoca project. A summary of the project, key investment highlights and main contractual obligations are contained herein.

3.2 PROJECT OVERVIEW

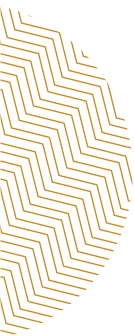
Jalaoca is located in southern Peru, in the Department of Apurímac, between the Aymaraes and Antabamba province. Like Cajamarca region, Apurímac is one of the leading regions contributing with the growth of the Peruvian mining industry (mainly in copper production), as well as investment growth and economic development. Mining, together with other resources extraction industries, are the most important economic activities in the region, accounting for 60.9% of Apurímac’s GDP (as of 2016E).

Apurímac hosts some of the largest copper mines, converting Peru the second largest copper producer in the world. Currently, Apurímac has the 8th largest copper mine in the world (Las Bambas from MMG), that produces around 450 000 MT of copper per year and ships copper concentrates from Matarani port (Arequipa) since January 2016.

Increasing mining activity has brought economic development in Apurímac, which has solid infrastructure such as roads, highways and transmission grids (and the possibility to access a nearby railroad located in Arequipa). Moreover, the Government is currently assessing the possibility of building a new railroad from Apurímac to the Marcona port in Ica (north of Matarani port). This new railroad would transport copper from Las Bambas and many other copper mines that are expected to be developed in the following years.

According to MINEM, in the next ten years Apurímac would develop copper projects that are expected to produce 507 300 MT of copper, representing 20% of Peru’s current annual production. These projects account for a total investment of US\$ 8823 million and represent 17.2% of the current mining project pipeline of over US\$ 51 000 million (as of September 2017).





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PROJECT	REGION	PROVINCE	ANNUAL PRODUCTION (MT Cu)	CAPEX (USD MM)
Haquira	Apurimac	Cotabambas y Grau	230 000	2800
Los Chanchas	Apurimac	Aymaraes	80 000	2800
Cotabambas	Apurimac	Cotabambas	70 500	1530
Trapiche	Apurimac	Antabamba	70 500	1000
Antilla	Apurimac	Antabamba	36 800	603
Anubia	Apurimac	Abancay	20 000	90
TOTAL			507 300	8823

Source: MINEM

The prospection carried out by the Government-owned Geological, Mining and Metallurgical Institute ("INGEMMET") covered 90% of the area of Jalaoca, identifying potential mineralization anomalies.





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3.3 GEOLOGICAL OVERVIEW

- Jalaoca is located in the XV metallogenic strip of Cu-Mo porphyry of the Eocene - Oligocene epoch in the Andahuaylas – Yauri Batolith and is adjacent to the copper porphyry deposits of Los Chancas and Antilla to the north, Utupara to the east, Lahuani to the south and Trapiche to the southeast. Jalaoca site elevation ranges from 3400 to 4900 meters above sea level.
- In the Jalaoca sector, the intrusives cut the Ferrobamba sedimentary sequence and produce hydrothermal alteration and copper - molybdenum anomalies. It is close to Mollebambaba Fault, which is the dominant structural control for the Trapiche and Lahuani deposits.

3.4 PROSPECTION RESULTS

The INGEMMET has carried out prospection labors in Jalaoca, performing detailed stream sediment (49 samples), geochemistry (333 samples), geology and geophysics IP (39.3 m) and magnetometry (152 km).

Among the four most important anomalous zones, Pucasalla and Llamuja stand out due to their geochemical and geophysics results.

a. Pucasalla zone (1048 ha)

It presents consistent geochemical anomalies (62 samples) of gold, copper and molybdenum and IP geophysical anomaly >28.5 mV/V and magnetic anomaly $>24\ 380$ nT, $<24\ 565$ nT. Hydrothermal alteration and veinlets in skarn and porphyry rocks.

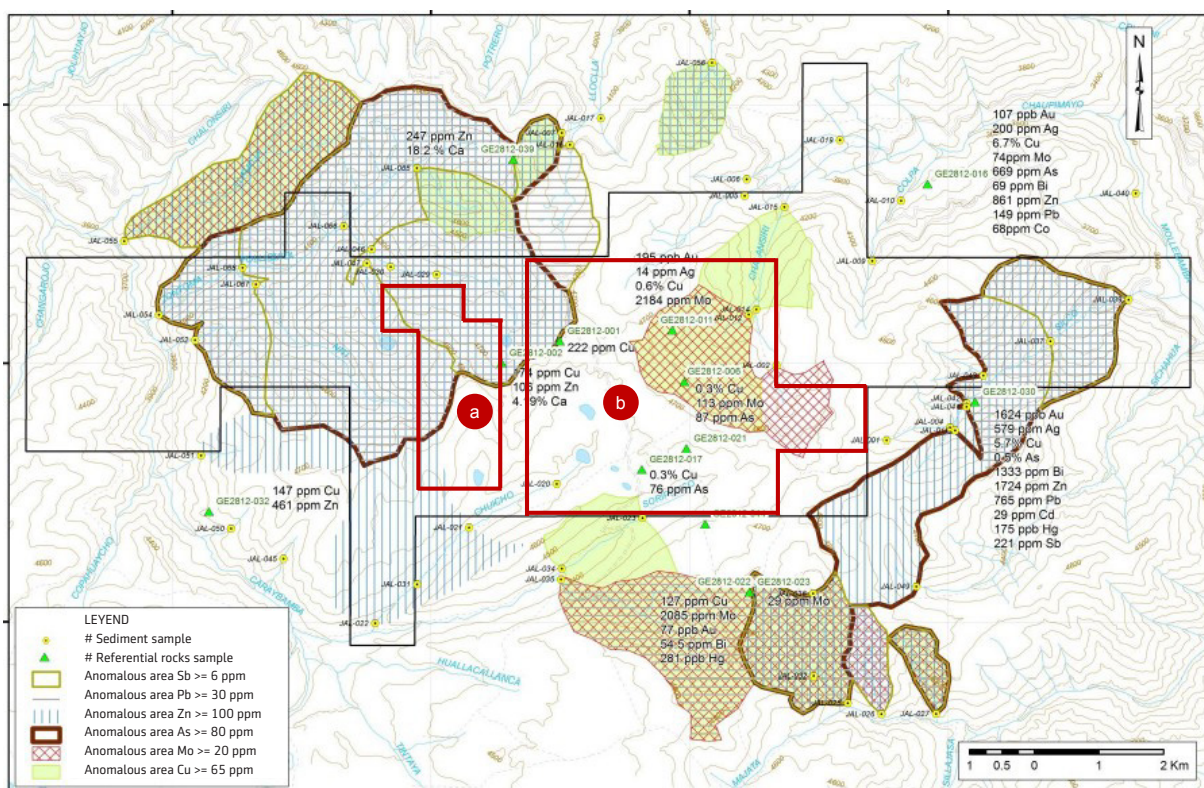
b. Llamuja zone (1900 ha)

It presents a large number of mineralized veins. Copper anomalies, over 162 samples, have values between 50 to 2630 ppb with molybdenum anomaly of 362 to 842 ppm. There are potassic alteration in intrusive rocks, chalcopirite disseminated, and copper oxides on surface.



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Main anomalies identified in Jalaoca



Sources: INGENMET. The size and location of the areas are approximated and referential.

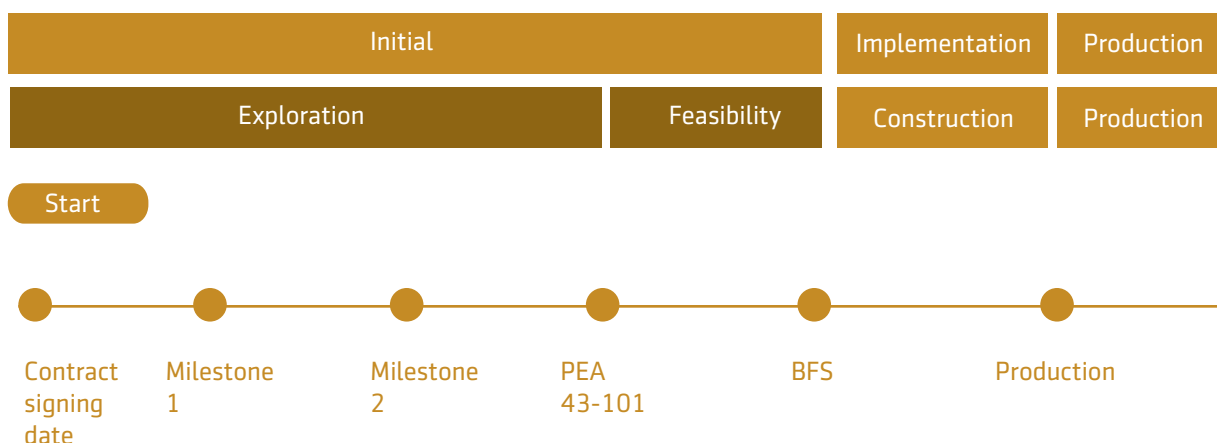
- a** Pucasalla with copper (50 – 1380 ppm) and chargeability anomalies (>28.5 mV/V).
- b** Llamuja with copper and molybdenum anomaly and magnetic anomaly ($>24\ 450$ nT)



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4. MAIN CONTRACTUAL OBLIGATIONS

The Concession Contract defines certain obligations that the Investor will be required to comply with over the life on the project. These obligations include mainly the accreditation of minimum investments in milestone 1 and milestone 2 (exploration phase) and the presentation of feasibility studies.



Additionally, the Investor will also be required to comply with certain payments over the life of the project:

- At contract signing date: An amount equal to the expenses incurred by the Government for the prospection labors performed in Jalaoca.
- At the presentation of the Preliminary Economic Assessment (PEA) based on the NI-43-101 standard: The payment will be defined according to the Resources-In-Situ methodology.
- At the presentation of the Bankable Feasibility Study (BFS): Similar to the methodology defined for the payment at PEA, but it will only consider the resources in excess to the ones defined at the PEA.
- At Commercial Operation Date: Contractual Royalty.

The Concession Contract include extension mechanisms, providing the Investor with the flexibility required to perform their labors within a reasonable amount of time.



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5. TRANSACTION PROCESS – INTERNATIONAL PUBLIC TENDER

In accordance with the intent and provisions of the Legislative Decree N° 1224, as well as the Legislative Decree N° 674 (in both cases, subject to regulations and subsequent modifications), the Government of Peru, through an International Public Tender, seeks to attract an investor to explore, develop, construct and operate the Jalaoca project.

The Investor will be awarded the mining concessions comprising the Jalaoca project and will be able to develop their activities considering the laws and regulation applied to mining concessions in Peru.

The International Public Tender process will be regulated by the Reference Terms (“Bases de Contratación”) which have been published on PROINVERSIÓN's webpage. The Reference Terms detail the tender process, specifying the conditions to participate, bidder qualification requirements, as well as the form and procedure for the presentation of a proposal, among other items.

After paying a fee of US\$ 2000 for the right to participate in the process and the execution of a Non-Disclosure Agreement, interested parties will be provided with access to a Data Room which will contain relevant information about the Jalaoca project.

Interested parties will have the opportunity to submit enquiries regarding the Reference Terms to ProInversión, who will address them according to the process timeline. ProInversión will also coordinate visits to the Jalaoca project site with interested parties.

All questions and/or information requests should be directed to ProInversión, via the contacts listed below.

6. SCHEDULE

Estimated date of awarding: Second semester of 2018. For further information regarding the detailed schedule and project updates please refer to www.proyectosapp.pe – ProInversion's Projects Portfolio - Mining - Jalaoca Mining Project.

7. ADDITIONAL INFORMATION OR INQUIRIES

Luis Augusto Ducassi | Project Director | T: +511 200 1200 - 1203 | E: lducassi@proinversion.gob.pe

Miguel Adolfo Paez | Technical Specialist | T: +511 200 1200 - 1352 | E: mpaez@proinversion.gob.pe



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