

COLCA MINING PROJECT

2018



ProInversión

Private Investment Promotion Agency - Peru

COLCA MINING PROJECT

PERU, ENDLESS OPPORTUNITIES

INDEX

1. PURPOSE OF THE PROJECT	3
2. KEY INVESTMENT HIGHLIGHTS	3
3. PROJECT CHARACTERISTICS	4
3.1 INVESTMENT OPPORTUNITY	5
3.2 PROJECT OVERVIEW	6
3.3 GEOLOGICAL OVERVIEW	7
3.4 PROSPECTION RESULTS	7
4. MAIN CONTRACTUAL OBLIGATIONS	9
5. TRANSACTION PROCESS – INTERNATIONAL PUBLIC TENDER	10
6. SCHEDULE	10
7. ADDITIONAL INFORMATION OR INQUIRIES	10

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 14 000 ha 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 Cooper), Trapiche (Buenaventura), Haquira (First Quantum) and Constanca (Hudbay).

COLCA MINING PROJECT

<p>Stable and known mining regulatory framework</p>	<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.
<p>Immediate access to infrastructure</p>	<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

Colca is one of the two early-stage mining projects that the Peruvian Government is tendering during 2018. Colca is an Area Reserved by the Government ("ANAP") with an extension of 14 100 ha located in the Department of Apurimac and Cusco, in southern Peru.



COLCA MINING PROJECT

The Ministry of Energy and Mines ("MINEM") has commissioned the Private Investment Promotion Agency ("ProlInversión"), a public agency under the Ministry of Economy and Finances, to promote private investment for the Colca 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 Colca project. A summary of the project, key investment highlights, main contractual obligations are contained herein.

3.2 PROJECT OVERVIEW

Colca is located in southern Peru, in the Department of Apurimac, province of Cotabambas. Like Cajamarca region, Apurimac 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 Apurimac's GDP (as of 2016E).

Apurimac hosts some of the largest copper mines, converting Peru in the second largest copper producer in the world. Currently, Apurimac 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 Apurimac, 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 Apurimac 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 Apurimac 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 represents 17.2% of the current mining project pipeline of over US\$ 51 000 million (as of September 2017).

COLCA MINING PROJECT

PROJECT	REGION	PROVINCE	ANNUAL PRODUCTION (MT Cu)	CAPEX (USD MM)
Haqira	Apurimac	Cotabambas y Grau	230 000	2800
Los Chancas	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 95% of the area of Colca, identifying potential mineralization anomalies.

COLCA MINING PROJECT

3.3 GEOLOGICAL OVERVIEW

- Colca is located in the metallogenic strip of Porphyry and Skarns of Copper-Molybdenum-Gold of the Oligocene Eocene epoch within the Andahuaylas - Yauri Batholith, and is adjacent to the east of the Cotabambas Project of Panoro Minerals. Colca site elevation ranges from 1800 to 3800 meters above sea level.
- INGEMMET has developed works of geochemical prospecting, detailed geology, and geophysics with 79 km of IP and 242 km of magnetometry, which have allowed the definition of the Hualpachaca (Cu-Au) anomalies related to the NE structural corridor that controls the mineralization in Cotabambas, and other anomaly in the Colca sector (Ninaraura, Huayllaje, Callapunco and Marangallay.) These areas show consistent copper-gold geochemical anomalies coinciding with magnetic and chargeability that constitute drilling targets.
- On the surface, mineralization of copper oxides with limonites, calcite veiling, patchy argillic alterations, and an extensive propylitic alteration can be observed.

3.4 PROSPECTION RESULTS

The INGEMMET has carried out prospection labors in Colca, performing detailed geochemistry, geology and geophysics which allowed the identification of two porphyry anomalies, detailed below:

a. Hualpachaca zone (3 x 2 km)

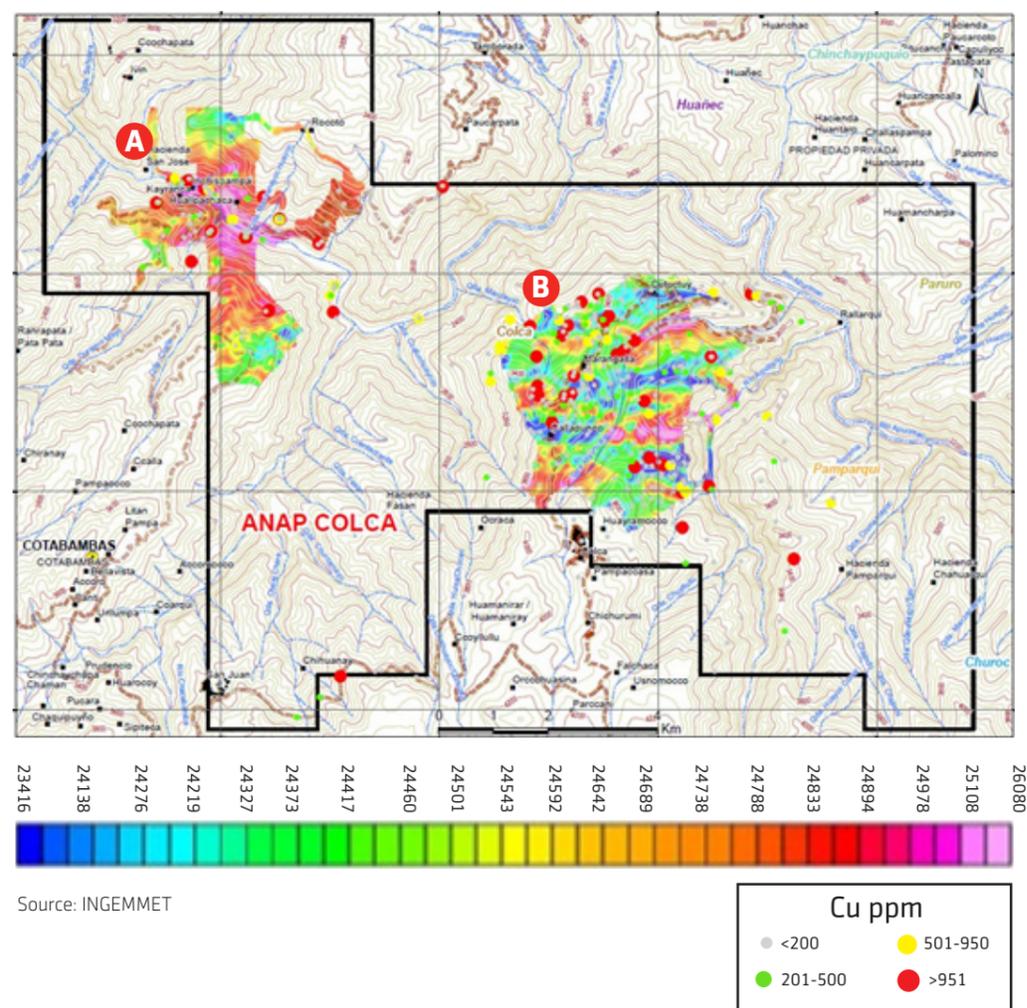
170 geochemistry samples were taken in this zone that showed values around 815 ppb Au and 4% Cu. Hualpachaca is located near the porphyry corridor of Cotabambas, property of Panoro Minerals.

b. Colca zone (7 x 2 km)

418 rock samples have been analyzed, evidencing anomalous values of up to 3 063 ppb Au and up to 7.49% Cu. It also registered an extended anomaly of IP chargeability.

COLCA MINING PROJECT

Main anomalies identified in Colca



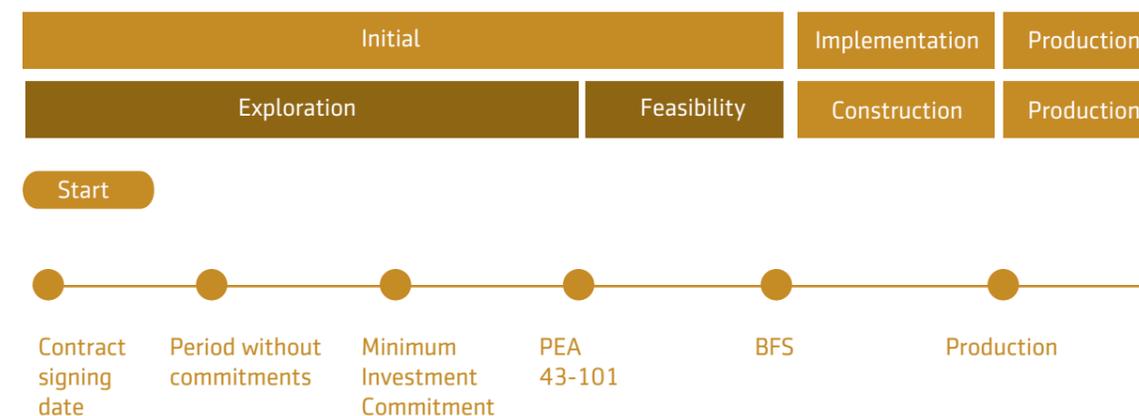
A Hualpachaca anomaly with copper values higher than 1% and chargeability anomaly (IP) of more than 25 mV / V with a magnetometry that shows the structural control NE continuity of the dominant structures in Cotabambas.

B Colca anomaly presents consistent anomalous values of copper > 501 ppm NE structural controls and chargeability anomaly between 25 and 55 mV / V.

COLCA MINING PROJECT

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 (exploration phase) and the presentation of studies.



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

- At contract signing date: USD 500 000.
- 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.



COLCA MINING PROJECT

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 Colca project.

The Investor will be awarded the mining concessions comprising the Colca 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 Concurso”) 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 Colca 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 Colca 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 – ProInversión’s Projects Portfolio - Mining – Colca 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

Disclaimer

This document may contain confidential information. You may not disseminate, disclose, trade based upon or otherwise use the information in this document for any purpose other than an evaluation of the potential transaction described herein. Neither ProInversión nor any of its representatives make any representation or warranty, express or implied, as to the accuracy or completeness of this document, and you should conduct your own independent analysis of the information contained or referred to herein. Nothing contained herein is, or shall be relied upon as, a promise or representation, whether as to the past, present or future.

You acknowledge and agree that ProInversión and its respective representatives are under no obligation to accept any offer or proposal by any person or entity regarding a potential transaction.



ProInversión

Private Investment Promotion Agency - Peru

www.proinversion.gob.pe



*Trabajando para
todos los peruanos*



Proinversión Perú



Proinversión Perú



Proinversión Perú



Proinversión Perú