

GENERAL

The General Mining Law, as approved by Supreme Decree N° 014-92-EM of June 4, 1992 (the “**General Mining Law**”) is the key legislation governing all mining activities in Peru. Furthermore, the exploration for and extraction of mineral substances from the ground (with a few limited exceptions¹) is governed by a number of laws and regulations, the most important of which include:

- the Regulation on Several Titles of the Mining Law (Supreme Decree N° 003-94-EM);
- the Regulation on Mining Procedures (Supreme Decree N° 018-92-EM);
- the Law regulating Health and Safety at Work (Law N° 29783);
- the Regulation on Mining Safety and Occupational Health (Supreme Decree N° 055-2010-EM);
- the Regulation on Environmental Protection for Mining-Metallurgical Activities (Supreme Decree N° 016-93-EM);
- the Environmental Regulations for Mining Exploration Activities (Supreme Decree N° 020-2008-EM);
- the Regulation under Title Nine of the Mining Law relating to the Guarantees and Measures for the Promotion of Investment and Mining (Supreme Decree N° 024-93-EM);
- the Regulation on Mining Activities Supervision (Resolution N° 205-2009-OS-CD);
- the Law regulating Mining Concessions in Urban and Urban Development Areas (Law N° 27015) and its Regulations (Supreme Decree N° 008-2002-EM);
- the Mining Royalties Law (Law N° 28258) and its Regulations (Supreme Decree N° 157-2004-EF and amendment (Law N° 29788);
- the Mine Closure Law (Law N° 28090) and its Regulations (Supreme Decree N° 033-2005-EM);
- the Regulation on Public Consultation Exercises in the Mining Sector (Supreme Decree N° 028-2008-EM);
- the Special Mining Tax Law (Law N° 29789) and its Regulations (Supreme Decree N° 181-2011-EF) and its amendment (Law N° 29788); and
- the Special Mining Contribution Law (Law N° 29790) and its Regulations (Supreme Decree N° 173-2011-EF).

The Concession System

Peruvian mineral resources are the property of the Peruvian State and the private sector may only exploit such resources in accordance with the Peruvian concession system. Under Peruvian law,

¹ Such exceptions are oil and related hydrocarbons, guano deposits, geothermal resources and mining-medical water.

investors are only allowed to carry out mining activities in Peru after obtaining the necessary concessions.

A concession is required to carry out any mining activities in Peru, except for storage², sampling, prospecting and trading mining products and minerals. Concessions are granted for indefinite periods, subject only to termination as set out in the paragraph below headed “Termination of Concessions.”

The General Mining Law authorizes the Mining Concessions Bureau (the “**DCM**”), which is a part of the INGEMMET, to grant mining concessions (as defined in the paragraph below headed “Types of Concessions”). All other types of concessions (such as Beneficiation, General Services and Mining Transport Concessions, as defined in the paragraph below headed “Types of Concessions”) are granted by the General Mining Bureau (the “**DGM**”), which is a part of the MEM.

Types of Concession

Under the General Mining Law, there are four types of concession which may be granted by the DGM or by the DCM:

- Mining Concessions: This type of concession grants holders the exclusive right to explore and exploit mineral resources within the area covered by the concession. These concessions may be for exploiting metal or non-metal substances. Mining concessions are granted by the DCM.
- Beneficiation Concessions: This type of concession grants holders the right to process, purify, smelt and/or refine minerals. Beneficiation concessions are granted by the DGM.
- General Service Concessions: This type of concession grants holders the right to carry out ancillary services (such as ventilation, sewerage, hoisting or underground access) to two or more mining concessions of different holders. General service concessions are granted by the DGM.
- Mining Transport Concessions: This type of concession grants holders the right to mass transportation of minerals using non-conventional systems (such as conveyor belts, pipelines and/or track cables). Mining transport concessions are granted by the DGM.

Mining concessions are granted in respect of areas consisting of a minimum of 100 hectares and a maximum of 1,000 hectares (concessions located at sea may extend to an area of 10,000 hectares). However, holders of Mining concessions are able to obtain more than one Mining concession, as well as to obtain different types of concessions over the same area.

Mining concessions are property-related rights, distinct and independent from the ownership of the superficial land on which they are located. Buildings and other permanent structures used in a mining operation are considered real property accessories to the concession on which they are situated.

² In accordance to Legislative Decree N° 1018, the storage of mineral concentrates in deposits located outside areas of mining activity does not need a concession.

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Concessions may be transferred, assigned or mortgaged. Any such transfer, assignment or mortgage must be evidenced by public deed registered at the Registry of Mining Rights, which is a part of the National System of Public Registers, before it can be enforced against the Peruvian State or third parties.

Mining concessions require a number of permits and licenses to be obtained before the exploration and exploitation commence. The table below shows the key permits and licenses which generally must be obtained.

#	Concession, license or permit	Entity that provides	Time taken to provide
1	PRESIDENCY OF THE REPUBLIC		
1.1	Authorization for the Acquisition of Mining Properties by Foreigners in Border Areas (requested when the mining property is located within 50 kilometers of Peru's borders)	President of the Republic	30 working days
2	GENERAL MINING BUREAU — DGM		
2.1	Authorization to Start Operating Exploitation Activities in Metal and Non Metal Mining Concessions	General Director of the DGM	30 working days
2.2	Authorization for Access, Ventilation and Drainage Works in Neighboring Mining Concessions	General Director of DGM	80 working days
2.3	Establishment of Mining Use or Easements on the Superficial Land of Concessions	General Director of the DGM	80 working days
2.4	Approval of Use of Ammonium Nitrate — Fuel Oil (ANFO) for Underground Mining	General Director of the DGM	30 working days
2.5	Certificate of Mining Operation (COM)	General Director of the DGM	30 working days
3	MINISTRY OF AGRICULTURE (NATIONAL WATER AUTHORITY)		
3.1	Water Use Authorization	Manager of the National Water Authority	30 working days
3.2	Wastewater Use Authorization	Manager of the National Water Authority	30 working days
4	CONTROL OF SECURITY SERVICES, ARMS, AMMUNITION AND EXPLOSIVES FOR CIVILIAN USE — (DICSCAMEC)		
4.1	Semester Authorization for the Use of Explosives	General Director of DICSCAMEC	23 working days
4.2	License to Import or Export Explosives and Related Supplies	General Director of DICSCAMEC	20 working days

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<u>#</u>	<u>Concession, license or permit</u>	<u>Entity that provides</u>	<u>Time taken to provide</u>
4.3	Explosives Warehouse Operation Authorization	General Director of DICSCAMEC	11 working days
4.4	Individual Manipulation of Explosives License	General Director of DICSCAMEC	2 working days
4.5	Eventual Authorization to use Explosives	General Director of DICSCAMEC	23 working days
5	DGAAM		
5.1	Approval of Environmental Impact Studies for Mining Exploitation Activities	General Director of DGAAM * If the mining project is located in a protected natural area, a copy of the EIA must be filed before the SERNANP	120 working days
5.2	Approval of Environmental Impact Studies for Mining Exploration Activities	General Director of DGAAM	120 working days
5.3	Approval of Environmental Impact Statements for Mining Exploration Activities — Simplified version of 5.2 applicable to certain types of exploration	General Director of DGAAM	20 days
5.4	Approval of Mining Closure Plan	General Director of DGAAM	175 working days
6	MUNICIPALITIES		
6.1	If the mining activity is located in urban or urban expansion zones, it will require a favorable opinion of the Provincial Council	Suitable Provincial Council	It depends on each Municipality
7	NATIONAL PROPERTY BUREAU — SBN		
7.1	Allocation of National Real Property	SBN	30 working days
8	ENVIRONMENTAL HEALTH GENERAL BUREAU — DIGESA		
8.1	Approval of Environment Impact Study in infrastructure, and sewage and solid waste disposal projects	General Director of DIGESA	30 days
9	CULTURAL HERITAGE PROTECTION		
9.1	Approval of the Certificate of Non Existence of Archaeological Ruins	Ministry of Culture	40 calendar days

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#	Concession, license or permit	Entity that provides	Term of the proceeding
10	FUEL STORAGE		
10.1	Registry of Direct Fuel Consumers	Mining and Energy Investment Supervision Body	30 working days
11	CHEMICAL FEEDSTOCK (IQPF)		
11.1	IQPF User Certificate	IQPF General Bureau of the Ministry of the Interior	23 working days
11.2	IQPF Registry	Ministry of Production	3 working days
12	SOLID WASTE		
12.1	Agreement with a company that provides solid waste management duly registered with DIGESA	Private Agreement	N/A

Requirements and Obligations of Concessions Holders

Requirements

Concessions may only be granted to individuals domiciled in Peru, companies incorporated in Peru whose principal business is to carry out mining activities (although such companies may be wholly-owned by foreign investors, with the exception set out in the following section), or branches of foreign companies that are established in Peru for purposes of carrying out mining activities. The latter two categories are required by law to be registered in the Peruvian Public Registry.

According to the General Mining Law, an applicant must file a request for a mining concession to INGEMMET, paying 10% of one Tax Unit and the mining annual validity fee (as detailed in the paragraph below headed “Obligations”) for the first year. The applicant must indicate in the request form the Universal Transversal Mercator (UTM) coordinates of the concession, taking into consideration any preexisting rights.

The INGEMMET should then deliver to the applicant notices that must be published once within 30 days of delivery, in the official newspaper (El Peruano) and in a newspaper published in the capital of the province in which the area of the requested concession is located.

Then the applicant must deliver the published notices to the INGEMMET, which in turn shall review the documents (published notices and the request filed) and prepare a legal and technical report in the following 30-day period. Once favorable legal and technical reports have been produced, the head of INGEMMET grants the mining concession.

Finally, the applicant must file the resolution that grants the mining concession for its registration in the relevant Public Mining Registry.

On September 7, 2011, the Law of the Prior Consultation Right of the Indigenous Population (Law N° 29785) was issued. This law establishes a prior consultation procedure (*procedimiento de consulta previa*) in favor of indigenous populations whose collective rights may be affected directly by a legislative or administrative measure (i.e. a mining concession). However, such population does not have a veto right.

Limitations on foreign investors

Under Article 71 of the Peruvian Constitution, foreign individuals (including Peruvian-domiciled companies owned ultimately by overseas investors) must obtain permission from the President of the Republic and the Board of Ministers, declared by Supreme Decree, in order to hold any type of concession over property located within 50 kilometers of any of Peru's national borders. Although this process may be time consuming, in nearly all cases the government has issued this permission when requested.

Limitations on obtaining mining concessions in Protected Natural Areas

Protected Natural Areas are continental and/or maritime regions of the Peruvian territory expressly established by the government for the conservation of biodiversity and other values associated with cultural, landscape and scientific interests. Protected Natural Areas are part of the National Patrimony and fall within the public domain.

The exploitation of mineral resources within Protected Natural Areas is restricted. It can only be authorized if the activities are contemplated in the master plan of the Protected Natural Area and if they comply with environmental standards, limitations and restrictions under the Protected Natural Area creation objectives, zoning and category. Any activity within a Protected Natural Area must be authorized by the SERNANP.

The law secures the exercise of property or other real estate rights pre-existing to the creation of the relevant Protected Natural Area. However, these rights must be exercised in harmony with the goals and purposes for which the Protected Natural Area was created.

Limitations on the development of mining concessions in archaeological sites

Mining projects cannot be developed in areas where archaeological sites are located. Therefore, before the start up of a mining project, a Certificate of Non-Existence of Archaeological Ruins (*Certificado de Inexistencia de Restos Arqueológicos* or CIRA) issued by the Ministry of Culture is required. The CIRA will either certify that on the surface of the evaluated area no archaeological sites or features were discovered, or will identify the exact location and extent of any such sites or features in order to implement precautionary measures.

The CIRA is valid for an unlimited period, but will become void should any archaeological artifacts be discovered. In that case, the company must stop activities immediately and notify the Ministry of Culture. Failure to stop activities will generate applicable civil and criminal liabilities.

Under certain exceptional circumstances, Peruvian legislation allows the removal of archaeological sites or features when the area is required for the development of projects that are in the national interest.

Obligations

Under article 39 of the General Mining Law, holders of mining concessions or those applying for mining concessions are required to comply with several obligations, including the payment of an annual validity fee (also known as the good standing payment) of US\$3.00 per year per hectare. Failure to pay the validity fee for two consecutive years may lead to the cancellation of the mining concession.

Holders of mining concessions are also required to meet a minimum annual production target established by the General Mining Law. By Legislative Decrees No. 1010 and No. 1054 published on May 9, 2008 and June 27, 2008 respectively the minimum annual production target was modified.

Under the new regime, the target is equivalent to one Tax Unit per hectare per year in the case of metallic mining concessions, and 10% of one Tax Unit per year per hectare in the case of non-metallic mining concessions. The obligation to meet such production targets must be fulfilled before the eleventh year since the year next to the granting of the mining concession.

If the holder of a mining concession cannot meet the minimum annual production target by the first semester of the eleventh year since the year in which the concession was granted, the holder is required to pay a penalty equal to the 10% of the corresponding minimum annual production target per year per hectare (approximately US\$129), until the year in which the holder meets such target. Failure to pay this penalty for two consecutive years will result in the termination of the mining concession.

In addition, failure of the holder in meeting the minimum annual production target in the fifteenth year after the concession is granted may lead to the cancellation of the concession, unless the concession holder can prove to the MEM that the failure in meeting the minimum annual production target is due to a cause not attributable to the holder. Likewise, holders may be able to avoid the cancellation of the concession by paying the corresponding penalty (as referred in the previous paragraph) and proving that they have invested an amount equivalent to at least ten times the amount of the penalty in mining activities or basic public infrastructure³. If such failure continues until the expiration of the twentieth year since the year next to the granting of the concession, the concession shall be automatically cancelled, without any kind of recourse.

In the case of mining concessions granted before the new regime was approved, Supreme Decree No. 054-2008-EM provides that the 10-year term for meeting the new minimum annual production target shall be counted from the first business day of 2009. Until then (2019), the amount of the mining penalty and the reasons for cancelling a mining concession will be those provided by the General Mining Law, before Legislative Decrees No. 1010 and No. 1054 were approved.

³ According to the Regulations of Several Titles of the Mining Law (Supreme Decree N° 003-94-EM), this investment may be carried out in all kind of studies and works required for initiating the exploitation stage (such as construction of roads, ports, airports and machinery and equipment acquisition) within the concession area.

Under the old regime, the target is equivalent to US\$100 per year per hectare in the case of metallic mining concessions, and US\$50 per year per hectare in the case of non-metallic mining concessions and shall be met no later than the seventh year following the year in which the concession was granted.

Additionally, holders of mining concessions that are in operation or production phase must file every year a consolidated annual statement (*Declaración Anual Consolidada –DAC*) to the DGM. The DAC has to be submitted before June 30 of each year and must include information related to the titleholder and its mining rights, its investments, the accreditation of the Annual Production Target, the sustainable development activities undertaken and other information requested by the MEM in order to produce statistics of mining activities in Peru.

Mining Royalties Law

Pursuant to the provisions of the Mining Royalties Law in effect before the amendments introduced by Law N° 29788 (which took effect on October 1, 2011), holders of mining concessions are also obligated to pay to the Peruvian Government an annual royalty based on a percentage over the “mineral concentrated value”⁴, determined in accordance with its international quotation, as follows:

- 1% of the mineral concentrated value up to US\$60 million;
- 2% of the mineral concentrated value exceeding US\$60 million and up to US\$120 million; and
- 3% of the mineral concentrated value exceeding US\$120 million.

As mentioned above, the Peruvian Congress has recently enacted Law N°29788 which amends several provisions of the Mining Royalties Law. According to these amendments, mining royalties will now be calculated on a company’s quarterly operating profit applying an effective rate that ranges between 1% and 12%. The effective rate is determined in accordance with the operating profit margin⁵. Pursuant to the new provisions mining royalties will be calculated and paid on a quarterly basis.

If a holder of mining concessions has signed a stability agreement (as explained further below) before the amendments introduced by Law N° 29788 took effect, the regime in effect before those amendments will apply for the term of the stability agreement, regardless of whether such regime was modified thereafter.

As part of the modification of the mining royalties regime and along with the amendments introduced by Law N° 29788, the Peruvian Congress also enacted Law N° 29790 which created the special mining contribution. Law N° 29790 establishes that concession holders that exploit metallic minerals are obligated to pay a special contribution only with respect to projects that are subject to a stability agreement in force, and provided that they enter into an agreement with the Peruvian Government in which they agree to voluntarily pay the special contribution. The special mining contribution will be paid applying an effective rate between 4% and 13.12% of a company’s quarterly operating profits. The effective rate is determined in accordance with the operating profit margin⁵. Pursuant to Law N° 29790, the special mining contribution is calculated and paid on a quarterly basis.

⁴ The Regulations of Mining Royalty Law defines “concentrated” as the output derived from benefit procedures through flotation, gravimetry and lixiviation.

⁵ Operating profit margin is determined by dividing quarterly operating profit between quarterly sales.

As mentioned above, since the Peruvian Government is obligated to comply with the provisions of stability agreements entered into with concession holders, concession holders would only be obligated to pay the special mining contribution if they voluntarily enter into an agreement with the Peruvian State in which they agree to pay the contribution.

The effective amount paid for mining royalties established by the Mining Royalties Law will be considered as a credit to apply against the Special Mining Contribution. If the amount of royalties paid is higher than the special mining contribution, the difference will be carried forward to the next quarterly period.

On October 28, 2011, Chinalco Peru executed an agreement with the Peruvian government and undertook to pay the special mining contribution.

Use of superficial land

Pursuant to article 9 of the General Mining Law, mining concessions are property-related rights distinct and independent from the ownership of the superficial land on which they are located. Therefore, in order to carry on all the activities involved in a mining concession, its holder will need to acquire sufficient rights of use over the corresponding superficial land from its owner(s) by, for example, the lease or purchase of the superficial land.

Superficial lands might be owned by a private owner, the State or a peasant community.

Lands privately owned

If the superficial lands are privately owned, their use for mining activities requires prior agreement with the landowner.

Also, a titleholder of a mining concession is entitled to apply to the MEM for a legal mining easement over the superficial lands. In this case, the MEM shall summon the superficial land owner in order to facilitate a voluntary transaction. If the voluntary transaction fails, it shall organize an appraisal of the land and determine an economic compensation both for the use of the land and the loss of any installation or investment.

In the past, awarding of legal mining easements by the MEM has been a rare practice and the result of a very complex procedure. In most cases, controversies between the mining concessionaire and the owner of the land result in a commercial transaction.

State owned lands

If the superficial land is State-owned property, it may only be acquired if the project has been officially declared by the authorities as a project of national interest. In such case a request to purchase the land has to be submitted to the Public Estate Agency (*Superintendencia de Bienes Nacionales*).

Peasant communities' lands

If the superficial land is owned by a peasant community the following rules apply in order to sell, rent, lease or perform any other act of disposal of it:

- for peasant communities located in the coast a favorable vote of not less than 50% of members attending an assembly is required; and
- for peasant communities located in the highlands and jungle a favorable vote of at least 2/3 of all members of the community is required.

Termination of Concessions

According to the General Mining Law, while other concessions such as beneficiation concessions are revocable, mining concessions are irrevocable except in the following circumstances:

- failure by a concession holder to pay the mining validity fee for two consecutive years;
- failure by a concession holder to pay for two consecutive years the penalty referred to in the section headed "Obligations" above, for not meeting the minimum annual production target; and
- failure by a concession holder in meeting the minimum annual production target until the expiration of the twentieth year since the year next of the concession granting (as set out in the section headed "Obligations" above).

REGULATORY MATTERS REGARDING THE ENVIRONMENT

Environmental Legislation

The environmental aspects of mining activities are governed by the General Law of the Environment (Law N° 28611), the General Mining Law and miscellaneous mining environmental regulations, as well as regulations governing corporate social responsibility. The MEM is the competent authority for the regulation of all environmental matters in the mining industry, which includes establishing an environmental protection policy and setting maximum allowable levels for effluents, overseeing the impact of mining operations and imposing administrative sanctions. Within the MEM, the DGAAM is responsible for administration of the environmental regulations concerning mining. In addition, the supervision and monitoring of compliance with environmental regulations in the mining industry is overseen by the Environmental Supervisory and Enforcement Agency.

Holders of mining concessions are responsible for the control of emissions, effluent discharge and disposal of all by-products resulting from their operations, and for the control of substances that may impose any hazard, either due to excessive concentrations or prolonged exposure. They must ensure that those elements and/or substances that may harm the environment do not exceed the maximum levels allowed by the corresponding regulations.

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In order to initiate exploration activities, holders of mining concessions must prepare a Semi Detailed Environmental Impact Study (EIA-SD)⁶ or an Environmental Impact Statement (EIS)⁷ illustrating the impact that the particular mining activity is likely to have on the environment of its surroundings and how this will be managed and mitigated⁸. The EIA must be prepared by an environmental auditor registered with, and authorized by, the MEM for these purposes.

The Environmental Impact Declaration (DIA), required for activities involving less than 20 drilling holes, less than 10 Ha and tunnels of up to 50 meters, is usually automatically approved upon its filing, except for some exceptional cases which will be subject to prior approval of the DGAAM. Exploration activities that are carried out in environmentally sensitive or vulnerable areas (a short distance away from water bodies, glaciers, forests and areas containing environmental liabilities) are usually deemed exceptional cases.

Holders of mining concessions that have completed the exploration stage, or envisage mining development and exploitation activities (including the processing of minerals), are required to prepare and obtain the approval of a detailed EIA from DGAAM, which involves a process of public hearings in the locations where the project will be developed. This obligation is also applicable to those projects that seek to expand their ongoing operations by 50% or more.

In addition, according to the Regulation on Public Consultation Exercises in the Mining Sector approved by Supreme Decree No. 028-2008-EM, during the preparation of the DIA subject to evaluation, EIA-SD or EIA, holders of mining concessions must analyze the social and economic concerns and issues of the population that lives or works in the areas surrounding the mining project. This public participation procedure is separate from the procedure regulated by the Law of the Prior Consultation Right of the Indigenous Population.

The EIA or the EIS, as the case may be, must be formally approved by the MEM, through the DGAAM.

Additional environmental obligations are imposed on concession holders that carry out exploitation activities by Regulation on Environmental Protection for Mining-Metallurgical Activities (Supreme Decree N° 016-93-EM), including:

- anyone applying for a processing concession, as well as those who intend to expand their production or the capacity of their processing plant by more than 50% must prepare and file an EIA for approval by the MEM;

6 An EIA-SD must be prepared for concessions involving any of the following:

- More than 20 drilling platforms.
- An area greater than 10 hectares, considering such drilling platforms as a whole.
- The construction of tunnels longer than 50 meters.

7 An EIS must be prepared for concessions involving any of the following:

- A maximum of 20 drilling platforms.
- An area lesser than 10 hectares, considering such drilling platforms as a whole.
- The construction of tunnels of up to 50 meters-long, as a whole.

8 In case a concession has characteristics which requires both EIA and EIS, its holder must prepare an EIA in order to commence exploration activities.

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- mining concession holders with ongoing operations must file annually with the MEM specific information indicating that their mining activities comply with all applicable environmental regulations;
- mining concession holders must appoint a suitably qualified person within their operations to monitor their environmental standards; and
- all concession holders must carry out regular tests to check whether the amounts and concentration of their effluents are below the maximum permitted contamination levels.

As well, those concession holders which do not comply with their obligations may be sanctioned with fines up to 10,000 Tax Units (approximately US\$13.1 million).

Mining Closure Law

The Mining Closure Law (Law N° 28090) and its Regulations (Supreme Decree N° 033-2005-EM) oblige mining companies to file a mine closure plan and ensure that they have the necessary resources to carry out such plan for the purposes of preventing, minimizing and controlling the risks and adverse impacts on the environment once the mine has ceased operations. Mining companies must submit the reclamation closure plan within the next year after their EIA has been approved.

The mine closure plan is considered an environment management instrument which must include those technical and legal actions to be taken in order to rehabilitate the area of mining concessions. The MEM (through the DGAAM) approves, supervises and controls the fulfillment of these plans, as well as imposing the corresponding administrative sanctions.

According to the Mining Closure Law, the holders of mining concessions are obligated to:

- implement a mine closure plan since the commencement of its mining activities;
- report to the MEM, on a six month basis, the progress of the rehabilitation works included in the mine closure plan; and
- grant an environmental warranty covering the estimated costs associated with its mine closure plan.

Stability Agreements

Holders of mining concessions may enter into stability agreements with the MEM. Stability agreements enable the holders of mining concessions, among others, to freeze the tax, royalties and regulatory regime applicable to their mining operations as of the date the stability agreement is executed.

Subject to the output capacity and the comprised investment in the relevant mine, stability agreements may last for up to (i) 10 years (applying for those mines with an output between 350 and

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5,000 tonnes per day and with a comprised investment of US\$2 million) or (ii) 15 years (applying for those mines with an output greater than 5,000 tonnes per day and with a comprised investment greater than US\$20 million if commencing operations or US\$50 million if expanding operations).

In order to enter into a stability agreement, holders of mining concession must submit either a mining investment program (applying for 10-year stability agreements, as referred above) or a feasibility study (applying for 15-year stability agreements, as referred above) to the MEM for approval.

Approval by the MEM of a Mining Investment Program grants the concession holder 10 years of legal stability in the said areas, while approval by the MEM of a feasibility study grants the concession holder up to 15 years stability. In both cases, the effects of the stability agreement will come into force on the year in which the corresponding investment is carried on.

Specifically, stability agreements grant the stability to the holders of Mining Concessions over the following rights and benefits during the period of time to which the stability agreement relates:

- The tax regime in force as of the date the agreement is entered into is effectively frozen and will continue to apply for the duration of the agreement. Thus, any tax or any amendment to the mechanisms to determine the applicable taxes enacted after the execution of the stability agreement will not apply to the holders of mining concessions.
- The mining regulatory and royalty regime is frozen as of the date the Mining Investment Program or Feasibility Study, as the case may be, is approved.
- Free marketing of the holders' mineral products.
- Free disposal in Peru and abroad of foreign currency generated by exports covered by the stability agreement.
- Free convertibility of local currency into foreign currency generated by the sale in Peru of the mining products covered by the stability agreement. A stability agreement grants stability over this policy, so potential further amendments of the legislation regarding free convertibility of local currency would not apply to the Company.
- In respect of 15-year stability agreements only, extension of the annual depreciation rate on machinery, equipment and capital assets, up to a maximum annual rate of 20%, except for buildings, which will be depreciated at a maximum annual rate of 5%.

See "History, Reorganization and Group Structure — History — Toromocho Project Major Contracts" for a description of the stability agreement entered into by our Company.

SUMMARY OF PERUVIAN LAWS AND REGULATIONS REGARDING TAXATION

The following is a non-exhaustive summary of certain material Peruvian tax consequences for shareholders holding and disposing of shares. It does not purport to be a complete analysis of all possible tax situations that may be relevant to a decision to purchase shares or with regard to the

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taxation of our Company. Prospective purchasers should consult their own tax advisors as to the applicable tax consequences, including Peruvian tax consequences, of the purchase, ownership and disposal of our Shares based on their particular circumstances. No conclusions should be drawn with respect to issues not specifically addressed by this summary. The following description of Peruvian tax law is based upon Peruvian law and regulations in effect at the date of this prospectus and is subject to any amendments in law (or in interpretation) that may be introduced later. It is not intended to be, nor should it be construed to be, legal or tax advice.

There is no double tax treaty in force between Peru and China or between Peru and Hong Kong and, thus, Peru is not limited from applying its ordinary taxation on both dividends received and capital gains derived by foreign shareholder residents. In addition, there is no exchange of information agreement in force between Peru and China or between Peru and Hong Kong.

Income Tax

Subject to certain exceptions, Peruvian residents (companies and individuals) are subject to Peruvian income tax on their worldwide income. Non-Peruvian companies and individuals are subject to Peruvian income tax on only their Peruvian source income.

A company is regarded as resident in Peru if such company (i) is incorporated in Peru; or (ii) has a permanent establishment in Peru (such as offices or exploration and extraction points).

An individual is generally regarded as resident in Peru if in any 12-month period he has ordinarily resided in Peru or if he has been physically present in Peru for 183 days or more.

The corporate tax rate for Peruvian companies is generally 30%. Subject to certain exceptions, this tax rate of 30% also applies to non-Peruvian companies for income generated in Peru. In most cases, the Peruvian company counterparty is obligated to withhold and pay the applicable income tax.

Peruvian resident individuals are subject to income tax at a rate that varies according to the type of income and the income source. For Peruvian source income derived from capital gains a 5% tax rate generally applies, whereas a progressive rate of 15%, 21% and 30% usually applies to Peruvian source income derived from personal services, as follows:

- A rate of 15% applies to income exceeding 7 Tax Units⁹ up to 27 Tax Units.
- A rate of 21% applies to income exceeding 27 Tax Units up to 54 Tax Units.
- A rate of 30% applies to income exceeding 54 Tax Units.

Peruvian resident individuals are also subject to a progressive tax rate of 15%, 21% and 30% on the foreign source income they obtain (foreign source income is added onto the income derived from personal services and subject to tax according to these bands). This treatment also applies to foreign source income derived from capital gains realized on the disposal of shares issued outside Peru.

⁹ Currently, incomes up to 7 Tax Units are exempted from taxation.

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Non-Peruvian resident individuals are generally subject to a tax rate (on only their Peruvian source income) equivalent to the prevailing corporate tax rate, which is equal to 30%.

A preferential 5% tax rate also applies to gains derived by foreign residents (both individuals and companies) from the sale or disposition of shares provided that they are executed through the Lima Stock Exchange.

In the case of capital gains derived from indirect transfers of shares of Peruvian companies please refer to the specific treatment explained below under the heading “Tax in Peru on capital gains realized on transfers of our Shares.”

Dividend Distributions

Dividends paid by a company incorporated in Peru to another company incorporated in Peru are exempted from income tax.

Dividends paid by a company incorporated in Peru to a non-Peruvian company or to an individual (both resident and non-resident) are subject to a withholding tax of 4.1%. The Peruvian company that pays the dividend is obligated to withhold and pay the applicable tax.

Dividends paid by a non-Peruvian company to a shareholder resident in Peru are generally taxed in Peru (as foreign source income) at a rate that will depend on the nature of the taxpayer.

Tax in Peru on Capital Gains Realized on Transfers of Our Shares

Please note that the following is a non-exhaustive summary of the main requirements with regard to capital gains taxable in Peru derived from “indirect transfers.” To date the Peruvian tax authority has not published detailed rules in relation to this tax. The Company will make an announcement if such detailed rules are published in the future. Prospective purchasers of our Shares should consult their own tax advisors as to the applicable tax consequences, including capital gains subject to tax in Peru, of the purchase, ownership and disposal of our Shares. The Company will include references to this tax and actions that should be taken by prospective investors to comply with it on its website and in the formal notice published by the Company dated January 18, 2013 in relation to the Global Offering.

Overview

Under Peruvian law, capital gains realized on an “indirect transfer” of shares in a Peruvian company may, in certain circumstances, be subject to tax in Peru (generally at a rate of 30%). To qualify as an indirect transfer, the transfer must be of shares in a non-Peruvian company which directly or indirectly holds shares in a Peruvian company, and where at least one of the following criteria is met:

- the market value of the Peruvian company accounted for 50% or more of the market value of the non-Peruvian company at any time during the 12 months preceding the transfer; or

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- the non-Peruvian company is resident in a tax haven (unless the seller can demonstrate that the criterion in the previous bullet point is not met).

In addition, if the transferor is not resident in Peru, in order to be taxable the indirect transfer must represent in aggregate 10% or more of the total shares in the non-Peruvian company in any 12-month period.

Conversely, if the transferor is resident in Peru, the indirect transfer may be subject to tax in Peru regardless of the percentage in the non-Peruvian company that the transfer represents. In this case, the resulting gain may be subject to tax either as foreign source or Peruvian source income at a rate that will depend on the nature of the investor (corporate or individual).

Relevance to investors in our Company

Our Company is a non-Peruvian company that holds shares in Peruvian companies (our subsidiaries in Peru), the market value of which subsidiaries accounted for more than 50% of our market value during the 12 months preceding the date of this prospectus. Our Company is also regarded as resident in a tax haven at the date of this prospectus. As a result of this, capital gains realized by a seller not resident in Peru on the sale of 10% or more of our Shares in any 12-month period (or by a seller resident in Peru on the sale of any number of our Shares) may be subject to tax in Peru (generally at a rate of 30%). If so, the seller may be required to undertake a self-assessment process, complete a tax payment form or return issued by the Peruvian tax authority and pay the tax through an authorized Peruvian bank. Alternatively, if the purchaser of such Shares is resident in Peru, it may be required to withhold the tax when paying the purchase price.

If this tax is payable, it is the gain of the selling Shareholder, as seller of the ultimate beneficial interest in the Shares, that is taxed. We have been advised by Rebaza, Alcázar & De Las Casas Abogados Financieros, our Peruvian legal advisor, that Peruvian tax law will disregard the fact that Shares deposited in CCASS are held in the name of HKSCC Nominees and may also be held through a broker or custodian. Consequently, a selling Shareholder's gain may be subject to capital gains tax even where legal title to the Shares remains with HKSCC Nominees and where the selling Shareholder and/or the buying Shareholder hold the Shares through the same or different custodians or brokers. The Peruvian capital gains tax would not be payable by the broker(s) or custodian(s) or by HKSCC Nominees, including in circumstances where HKSCC Nominees transfers legal title to a Shareholder to hold directly.

Similarly, for the purpose of determining whether a Shareholder has transferred 10% or more of our Shares in any 12-month period, aggregation will apply at the level of the Shareholder (as ultimate beneficial owner) and not at the level of HKSCC Nominees or any broker or custodian. Hence, transfers by different Shareholders would not be aggregated for the purpose of determining whether the 10% threshold is reached solely because all their Shares were held legally in the name of HKSCC Nominees and/or held through the same broker or custodian.

For the avoidance of doubt, a transfer does not need to result in a change of control of the non-Peruvian company in order to meet the 10% threshold. At the date of this prospectus, detailed rules for

aggregating transfers for the purpose of determining whether or not the 10% threshold has been reached have not been published by the Peruvian tax authority, although it is anticipated that future regulations may address this point. The Company will make an announcement if such detailed rules are published in the future.

Selling Shareholder non-resident in Peru — self-assessment and payment

In summary, in order to comply with the obligations imposed under Peruvian law, a Shareholder not resident in Peru who is liable to this tax must follow the process set out below.

- Determine the amount of capital gains tax to be paid through a self-assessment process. For this purpose, the capital gain subject to tax is equal to the difference between the purchase price and the sale price of the relevant Shares. The sale price used for this calculation must not be lower than the fair market value of the Shares. Starting from January 1, 2013, fair market value shall be the greater between the value agreed by the parties to each transaction and the trading value, for listed companies, or, if not listed, the enterprise value.
- Obtain the appropriate tax payment form issued by the Peruvian tax authority. At the date of this prospectus this is Form No. 1073, which can be downloaded from the tax authority's website (www.sunat.gob.pe/orientacion/formularios/formularioDecPago.htm).
- Complete the tax payment form, which may be done by the selling Shareholder or an authorized intermediary. The tax payment form is currently available in Spanish only and the original Spanish version should be used. In order to help selling Shareholders complete the form, the Company has produced English and Chinese translated versions intended to serve as guides to completion of the original Spanish form. These translated versions are currently available on the Company's website at www.chinalco-cmc.com.
- Submit the tax payment form to, and pay the capital gains tax due through, an authorized Peruvian bank. At the time of the Company's listing on the Hong Kong Stock Exchange, the Peruvian banks authorized for this purpose were Scotiabank Peru, Banco Continental, Banco de Crédito del Peru, Interbank, Citibank and Banco de la Nación.

Payment by the seller of any tax due must be made within the first twelve working days of the month after the month in which the sale proceeds are received. Tax that is not paid on time will not attract a penalty but will accrue interest. If a Peruvian resident purchaser withholds the tax due as set out in the following section, the selling Shareholder is not required to complete the self-assessment process summarized above or pay the tax due.

Purchaser resident in Peru — withholding tax due from purchase price

Under Peruvian law, if tax on capital gains is due on a transfer of our Shares, a purchaser who is resident in Peru must withhold the tax when paying the purchase price. We have been advised by our Peruvian legal advisor that it is reasonably expected that future regulations will create an exception to this requirement for transfers made on a stock exchange through a central clearing and settling system,

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where it is impracticable for a purchaser to obtain sufficient information about the seller of the Shares that it purchases. Whilst at present no such exception exists, it is reasonably expected that the withholding requirement would not apply to transfers of our Shares that are centrally cleared and settled through CCASS on the basis that the purchaser would not have sufficient information about the seller to determine whether any capital gains tax should be withheld.

However, where a purchaser resident in Peru acquires our Shares through a transfer that is not centrally cleared and settled through CCASS it must withhold any capital gains tax due following the process set out as follows:

- Determine the amount of capital gains on which the withholding tax would apply. For this purpose, the calculation of the capital gain subject to tax is equal to the difference between the purchase price and the sale price of the relevant Shares. The sale price used for this calculation must not be lower than the fair market value of the Shares.

Starting from January 1, 2013, fair market value shall be the greater between the value agreed by the parties to each transaction and the trading value, for listed companies, or, if not listed, the enterprise value.

Considering that in the case of indirect transfers the seller is not required to certify its tax basis before the Peruvian Tax Authorities, the seller must provide the tax basis information directly to the purchaser.

- Obtain and complete the appropriate tax payment form issued by the Peruvian tax authority. At the date of this prospectus this is digital Form No. 617, which can be downloaded from the tax authority's website (www.sunat.gob.pe/orientacion/formularios/formularioDecPago.htm).
- Submit the tax payment form through the tax authority's website (www.sunat.gob.pe), and pay the tax withheld through an authorized Peruvian bank or by means of a virtual system offered by the Peruvian tax authority (also accessible at www.sunat.gob.pe). In order to access to the virtual system, the Peru resident seller needs to have or obtain a Peruvian Tax ID number (RUC), a system username and a password.

Payment of any tax due must generally be made within the first ten working days of the month following the month in which the purchase price is paid (the specific deadline will depend on the purchaser's Peruvian tax identification number). Failure by a purchaser resident in Peru to withhold and pay tax will result in a penalty of 50% of the amount not withheld; any unpaid tax will accrue interest and the purchaser would become joint and severally liable with the seller for the unpaid tax. In this case, the seller will also remain liable to pay tax as described under the heading "Selling Shareholder non-resident in Peru — self-assessment and payment" above.

The tax provisions that establish the obligation of a purchaser resident in Peru to withhold the tax when paying the purchase price are not clear as to whether such obligation applies only when the

selling shareholder is not resident in Peru. We have been advised by our Peruvian legal advisor that it is reasonable to expect that future regulations will clarify that such withholding obligation does not apply when the selling shareholder is also resident in Peru.

If a purchaser resident in Peru completes the process summarized above and withholds the tax due on the Selling Shareholder's capital gain, the selling Shareholder is not required to undertake the self-assessment process, complete the tax payment form or return and pay the capital gains tax.

Selling Shareholder resident in Peru

The provisions that regulate the taxation of capital gains from indirect transfers do not establish clear rules on their application to selling Shareholders resident in Peru, which may be explained by the fact that those provisions were intended to apply at least mainly to sellers not resident in Peru. However, considering that the indirect transfer provisions did not expressly exclude their application to persons resident in Peru, we have been advised by Rebaza, Alcázar & De Las Casas Abogados Financieros, our Peruvian legal advisor, that those provisions, as currently in force, also apply with respect to selling Shareholders resident in Peru.

As explained under the heading "Income Tax" above, companies and individuals resident in Peru are taxed on their worldwide income (both foreign source and Peruvian source income). As such, capital gains realized on transfers of shares of our Company will be subject to tax in Peru at the rate that will depend on the nature of the taxpayer.

In the case of a company resident in Peru any capital gain – whether foreign source or Peruvian source - will be taxed at the same applicable corporate rate which is generally 30%.

In the case of an individual resident in Peru the tax treatment will depend on whether such gain is Peruvian source or foreign source. If it is Peruvian source, the capital gain will be taxed at the rate of 5%; if the capital gain qualifies as foreign source it will be subject to the progressive rate of 15%, 21% and 30%.

From a reasonable interpretation of the current Peruvian tax provisions, we have been advised by our Peruvian legal advisor that any gain derived from a transfer of shares of our Company that does not meet the 10% threshold in any 12-month period would qualify as foreign source income for Peruvian purposes whereas gains derived from transfers that meet such 10% threshold in any 12-month period would qualify as Peruvian source income. Future regulations should clarify how the mechanics and effects regarding the aggregation for purposes of the 10% threshold should work.

The corresponding capital gains, whether foreign source or Peruvian source income, will be subject to tax in Peru at the abovementioned rates.

In order to comply with the obligations imposed under Peruvian law, a Shareholder resident in Peru who is liable to such tax on capital gains must file the corresponding return and pay the corresponding tax taking into account the tax regime to which it is subject. The procedure to file the

returns and pay the tax will depend upon several factors such as the nature of the seller, source of income, among others. Failure to file the respective return and pay the corresponding tax will result in a penalty that will depend on the nature of the taxpayer and any unpaid tax will accrue interest.

Joint and several liability and reporting obligations of our Peruvian subsidiaries

A Peruvian company whose shares are transferred indirectly is jointly and severally liable with a non-Peruvian seller who generates the capital gain for the resulting tax if, at any time during a twelve-month period prior to the transfer, the seller and the Peruvian company were related parties for the purpose of the Peruvian Income Tax Law. It is anticipated that the definition of “related parties” for this purpose will be established in regulations to be published in the future.

However, we have been advised by Rebaza, Alcázar & De Las Casas Abogados Financieros, our Peruvian legal advisor, that there are reasonable grounds to assert that the Stability Agreement signed by Chinalco Peru with the Peruvian Government would prevent the application of this joint and several liability with respect to Chinalco Peru, both because of the unique nature of the liability (which imposes a direct burden on Chinalco Peru) and because the Stability Agreement contains a clause that protects Chinalco Peru against any subsequent change in law which would otherwise void the guarantees granted therein. However, there is a risk that the Peruvian tax authority would adopt the position that the joint and several liability applies to Chinalco Peru despite the existence of the Stability Agreement, but if it were to do so Chinalco Peru would have reasonable grounds to defend its position before a tax tribunal.

In addition, this joint and several liability would not apply when the purchaser is resident in Peru since such a purchaser would be obligated to withhold the corresponding tax from its purchase price.

If we are held jointly and severally liable for such tax liability our overall tax burden will increase, which may have a material and adverse effect on our business, financial condition, results of operations and prospects.

Peruvian companies are required to report to the Peruvian tax authority indirect transfers of their shares. This obligation is not affected by the Stability Agreement. As there is no strict obligation on shareholders to report their indirect transfers of shares in a Peruvian company to that Peruvian company, it would be difficult for the Group’s Peruvian subsidiaries to obtain the information necessary to comply with this reporting obligation. To this end we intend to monitor the public disclosures of changes in significant shareholdings in our Company made pursuant to Part XV of the Hong Kong Securities and Futures Ordinance, although this would not always allow the Company to determine whether an indirect transfer has been made.

International Tax Transparency Standards Applicable to Peruvian Residents

Through Legislative Decree N°1120, published on July 18, 2012 in the Peruvian Legal Official Gazette, articles 112 to 116-B were added to the Peruvian Income Tax Law. Through this addition, the Peruvian legal system incorporated international standards on tax transparency. Internationally, these standards are known as “CFC Rules” or “Controlled Foreign Corporation Rules.” The CFC Rules became effective on January 1, 2013.

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The CFC Rules are applicable to any Peruvian resident individual or company holding a direct or indirect interest, including a beneficial interest, greater than 50% in a foreign low-taxed company. Under the CFC Rules, a Peruvian resident will be taxed for foreign passive income earned by such an offshore entity in which it has such a holding. Passive income includes mainly income earned by the offshore entity from dividends, capital gains and interest on loans. If liable under the CFC Rules a shareholder of the offshore entity would pay any tax incurred as part of that shareholders' annual income tax filing and payment in Peru. If it were to fail to pay tax due, a shareholder would be subject to a penalty and interest on the amount not paid.

Our Company is a foreign low-taxed Company for this purpose, so any Peruvian resident Shareholder holding more than 50% of our Shares will be within the scope of the CFC Rules.

Since the CFC Rules are only applicable to a Peruvian resident Shareholder holding more than 50% of our Shares, we have been advised by Rebaza, Alcázar & De Las Casas Abogados Financieros, our Peruvian legal advisor, that it is unlikely that this regime would have any material impact on our Company's proposed listing, and that it will have (i) no impact on our Company, (ii) no impact on CCASS or other custodians, (iii) no impact on any of our Shareholders who are not resident in Peru, and (iv) other than the potential reporting obligations referred to below, no impact on our Shareholders who are resident in Peru unless they hold more than 50% of our Company.

In addition, the Peruvian Tax Administration has the power to impose formal obligations to file information returns (potentially with respect to Peruvian resident shareholders holding less than 50% of the shares in a foreign low-tax company), but at present no such obligations have been imposed. If imposed, it is expected that such formal obligations would have no impact on the Company. Since such formal reporting obligations, if imposed, would apply only to Peruvian resident shareholders, we have been advised by Rebaza, Alcázar & De Las Casas Abogados Financieros it is expected that they will not require any action or procedure to be taken by the Company, CCASS, custodians or other nominee shareholders.

Value Added Tax

The sale of goods in Peru, the render or utilization of services in Peru, construction contracts and the first sale of real property by its constructors are all subject to Peruvian value added tax. The tax rate is 18%.

The sale of shares of common stock of Peruvian companies is not subject to value added tax.

Special Mining Tax Law

In accordance with the Special Mining Tax Law enacted by Law 29789, concession holders that exploit metallic minerals are obligated to pay a special mining tax, determined applying an effective rate between 2% and 8.40% to a company's quarterly operating profits. The effective rate is determined by reference to the operating profit margin¹⁰.

¹⁰ Operating profit margin is determined by dividing quarterly operating profit between quarterly sales.

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If a stability agreement was signed before the Special Mining Tax Law took effect (October 1, 2011), this special mining tax will not apply to the relevant company since the stabilized regime would not have included such tax.

REGULATORY MATTERS REGARDING EXCHANGE CONTROLS

Pursuant to the current applicable legislation, there are no exchange control requirements or prohibition in place in Peru.

REGULATORY MATTERS REGARDING EMPLOYMENT AND LABOR LEGISLATION

Individual labor matters in Peru are primarily governed by the Labor Productivity and Competitiveness Law, as approved by Supreme Decree N° 003-97-TR.

Peruvian law establishes that foreign employees must not exceed 20% of the total personnel of a company and that wages paid to foreign employees must not exceed 30% of a company's total payroll. However, an employer may apply exceptions to those limits, among others, in the following cases: (a) for hiring high level professionals or high level specialized technicians, or (b) for hiring high level executives in a new company or corporate reorganization.

In all cases, companies are obligated to register the employment contracts entered into with foreign individuals with the labor authority. In addition, for migratory purposes, all foreign individuals are obligated to obtain a special non-immigrant resident visa before starting work.

Notwithstanding the requirements referred in the previous paragraph, the law establishes a list of cases in which companies are not bound by the aforementioned limits nor required to obtain approval for the relevant employment agreement. These cases include the following: (a) individuals having a Peruvian spouse, ancestors, descendents or siblings, (b) individuals with an immigrant visa, (c) citizens of a country with which Peru has negotiated a dual nationality agreement or other reciprocity agreement.

Employment Contracts, Remuneration, Working Hours and Labor Benefits

As a general rule, employment contracts are entered into for an indefinite term with all employees. Peruvian labor legislation imposes express restrictions on employment contracts with a fixed term.

However, an employment contract may be entered into for a fixed term in the situations listed below:

- The development of a new line of business, with a maximum period of 3 years.
- The temporary increase in a company's output caused by material variations of demand, with a maximum period of 5 years.

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- The substitution, increase or amendment of a company's activities due to technological, output or administrative causes, for a maximum period of 2 years.
- To attend temporary needs different to the activities involved in the core business of an employer, for a maximum period of 6 months during a year.
- To replace an employee during his or her absence due to a legal or conventional cause.
- To attend an emergency situation derived from force majeure causes.
- To attend specific service or work, for the period needed to fulfill such service or work.
- To attend activities which an employer carries on permanently but not continuously, for a maximum period of 5 years.
- To attend activities related to the corporate purpose of an employer which are cyclic and arise only at determined periods during a year, for a maximum period of 5 years.

Fixed term employment contracts must be executed and registered with the Peruvian Labor Authority.

Regarding remuneration and labor benefits, Peruvian labor legislation currently requires a minimum wage of S/.675.00 (approximately US\$205) per month. In addition, it establishes a maximum 8-hour work day or 48 hours per week for employees older than 18 years. For overtime, employers must pay at least an additional 25% and an additional 35% over the regular hourly wage for the first two hours and for any additional hours, respectively. Employees are entitled to a minimum rest of 24 consecutive hours per week.

Regardless of the type of employment contract, full-time employees are entitled to receive: (i) an additional 10% of the minimum wage, provided that they are responsible for (a) one or more children under the age of 18, or (b) persons who are up to 24 years of age if they are pursuing higher education, (ii) two additional monthly salaries per year, one in July and one in December, (iii) thirty calendar days of annual paid vacation per year, (iv) life insurance, provided they have been employed for at least four years, (v) compensation for time of service that amounts to 1.16 times a monthly salary and is deposited semiannually in May and November, provided they work the complete semester, (vi) benefits from the Peruvian Social Security in Health to which employers must contribute a rate equivalent to 9% of their employees' remuneration, (vii) profit sharing, if applicable, and (viii) a risky work insurance policy.

Termination

The reasons that justify the termination of employment are explicitly set out under Peruvian law. These reasons are classified as related to the ability of the employee or related to his/her conduct.

Reasons related to the ability of the employee are: (a) the deterioration in the physical or mental faculties of the employee, required for fulfilling his or her labor obligations, (b) inadequate performance of the employee in relation with the employee's capacities and average performance

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under similar conditions, (c) the unjustified refusal of an employee to take a medical examination that was previously agreed or established by law.

Reasons related to the conduct of the employee are: (a) gross misconduct, (b) criminal conviction, and (c) disqualification of the employee.

If there are objective causes that justify the termination of the employment relationship and the correct procedure has been followed by the employer, there is no need to pay a severance or dismissal indemnity.

In the event that the termination is unjustified or did not follow the proper procedure, the employee is entitled to a dismissal indemnity equivalent to 1.5 times his/her monthly salary (including all the amounts paid regularly to the employee) for each year of service up to a maximum of twelve monthly salaries. Fractions of years are paid proportionally.

When dealing with a fixed term contract the severance pay consists of 1.5 times the monthly salary for each month until the completion of the contract up to a maximum of 12 times of the monthly salary.

Due to decisions of the Constitutional Court of Peru, employees that are dismissed without any cause may refuse the severance payment and request their employment status to be reinstated, except in case of management or trust personnel hired since the beginning of their employment relationship to render such positions.

Participation in company profits

Companies engaged in trading activities (including mining) which have more than 20 employees are obligated by law to distribute a percentage of the profits generated during a year among their employees. Such percentage depends on the economic activity undertaken by the company. In the case of mining companies, the rate is 8%.

Peruvian law establishes that profits must be distributed among all employees (local and foreign), proportionally to their annual wage and the number of days worked during the corresponding period, with a limit of 18 monthly wages per employee. The terms and conditions for distributing this benefit are determined by law, and employers are not able to vary such terms and conditions.

If the amount of profits which a company is obligated to distribute exceeds the limit of 18 monthly wages per employee, the excess must be paid to the National Fund for Labor Training (*Fondo Nacional de Capacitación Laboral*).

Since the amount of profits distributed among employees is not fixed, this benefit should not be included as a part of an overall compensation package. For this reason, Peruvian law establishes that profit sharing cannot be included as a part of a global salary agreement.

When the number of employees varies throughout the year, the company is obligated to distribute profits only if the average number of employees is higher than 20.

Profits are distributed among all the employees who provide services to the company in the year in which the profits are generated, even if those employees no longer work in the company as of the date on which the profits are effectively distributed.

Profits must be distributed within the 30 days following the filing of the Income Tax Statement before the tax authority.

Safety and Occupational Health on Mining Activities

In connection to health and safety dispositions, the Law regulating the Health and Safety at Work (Law N° 29783) applies to all employers in the country notwithstanding the economic sector to which they belong or the activities they develop. In addition, there is specific regulation on Mining Safety and Occupational Health (Supreme Decree N° 055-2010-EM) (together with Law N° 29783, the “**Regulations on Mining Safety**”) which is the key legislation in respect to safety and occupation health on mining activities.

The Regulations on Mining Safety are aimed to prevent accidents and occupational diseases related to mining activities, by means of the promotion of a culture of labor risks prevention.

The MEM is in charge of establishing the policies and regulations on safety and occupational health on mining activities, while the Ministry of Labor is in charge of supervising and monitoring compliance with the Regulations on Mining Safety by all individuals involved in mining activities¹¹.

The following main obligations are imposed on concession holders by the Regulations on Mining Safety:

- to implement a Health and Safety Management System;
- to appoint a Health and Safety Committee, with equal numbers of members representing the employer and the employees;
- to train all personnel in to health and safety matters, especially in connection to risks and dangers linked to their duties;
- to assume all costs related to safety and occupational health;
- to appoint a Safety and Occupational Health Manager;
- to assign to all its employees, free of charge, the proper personal safety equipment needed for executing his or her activities;
- to suspend operations in those areas in which the safety of the employees is at risk; and
- to facilitate on-site access to all supervisors and duly authorized persons in charge of supervising and monitoring the compliance with the Regulations on Mining Safety.

¹¹ For the specific case of those mining activities considered as “small sized mining activities,” the supervision and monitoring of the compliance with the Regulations on Mining Safety is in the charge of the government of the region in which the concession is located.

OTHER REGULATORY MATTERS

Jincheng Tongda & Neal, the Company's PRC legal counsel, is of the opinion that, other than the approval from SASAC, no other approvals are required from PRC authorities, including CSRC, prior to the listing of the Shares on the Stock Exchange.

First, according to Article 2 of the Circular of the State Council Concerning Further Strengthening the Administration of Share Issuance and Listing Overseas (GuoFa No. [1997]21) (《國務院關於進一步加強在境外發行股票和上市管理的通知》(國發[1997]21號 in Chinese), promulgated by the State Council of the PRC on, and effective as of, June 20, 1997 (the “**Circular**”), any issuance and listing of shares outside of the PRC by any Chinese-funded privately-held company incorporated and registered outside of the PRC with its assets located outside of the PRC shall comply with the laws and regulations of the country or region where its shares are issued and listed; provided that the Chinese shareholder(s) shall (i) obtain, based on the relationship of administrative subordination, the approval from either the relevant provincial government or the administrative department of the State Council of the PRC prior to the listing, and (ii) file for records with the CSRC after the completion of such issuance and listing. As the Company's entire assets are located outside of the PRC, the Company was incorporated outside of the PRC, the listing of the Shares is outside of the PRC, and Chinalco, as its Controlling Shareholder, is under the direct supervision of SASAC, other than the approval of SASAC, no other approvals are required from PRC authorities prior to the listing of the Shares on the Stock Exchange pursuant to the Circular.

Second, pursuant to Article 39 and Article 40 of the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors promulgated by MOFCOM, SASAC, SAT, SAIC, CSRC and SAFE, and effective as of September 8, 2006 and amended on June 22, 2009 by MOFCOM (the “**Document 10**”) (《關於外國投資者併購境內企業的規定》(商務部2006年第10號令) in Chinese), any listing of a special purpose vehicle, an entity incorporated and registered outside of the PRC and directly or indirectly controlled by a PRC entity or natural person for the purpose of listing outside of the PRC its interests in another entity incorporated and registered in the PRC (such a special purpose vehicle, an “**SPV**”), is subject to the regulatory approval requirements of Document 10. The Company is not an “**SPV**” as defined under the Document 10 because (i) the Company's entire assets are located outside of the PRC, and (ii) the Company has no equity interest in any entity incorporated and registered in the PRC; therefore, the listing of the Shares of the Company is not subject to the regulatory approval requirements pursuant to Document 10.

Based on the above analysis, the PRC counsel of the Company is of the opinion that, other than the approval from SASAC, no other approvals are needed from PRC authorities, including CSRC, prior to the listing of the Shares on the Stock Exchange. The approval from SASAC was obtained on August 23, 2011 pursuant to the SASAC Approval on Certain Matters regarding the Initial Public Offering of Peruvian Copper Assets Owned by Aluminum Corporation of China on the Hong Kong Stock Exchange (GuoZiGaiGe No. [2011]1011) (《國務院國有資產監督管理委員會關於中國鋁業公司秘魯銅業資產在香港主板發行上市有關事項的批覆》(國資改革[2011]1011號) in Chinese).