



UNSOLICITED PROPOSAL IN PROJECTS IN ASSETS

Social management, design and execution of hydraulic infrastructure projects, construction, implementation and operation of the mining concessions that are part of the TG-3 deposit of El Algarrobo project.



SOCIAL MANAGEMENT, DESIGN AND EXECUTION OF HYDRAULIC INFRASTRUCTURE PROJECTS, CONSTRUCTION, IMPLEMENTATION AND OPERATION OF THE MINING CONCESSIONS THAT ARE PART OF THE TG-3 DEPOSIT OF EL ALGARROBO PROJECT.

Description

It is a project that contemplates, first of all, a social agreement for the design and execution of hydraulic infrastructure projects, applying a management model focused on the integral, sustainable and supportable development of mining activities, contributing to the supply of water to the population, particularly for the productive activities of the rural community of Locuto.

The social agreement obtained will allow continuing with the phase of studies and exploration work that will lead to obtaining a Feasibility Study to determine the magnitude of the mining project and the viability of its operation through a subterranean mine and the benefit of a mineralized deposit (TG - 3) located in the Tambo Grande mining concessions No. 4; 5; 9 and 10, which make up “El Algarrobo Project”, in the territorial area of the left margin of Tambogrande, in the town of Locuto.

The project as a whole represents an opportunity to boost agricultural activity and generate employment for the population in the area of influence, being a key factor for investment in polymetallic mining of copper, zinc and silver, which seeks to position Peru in mining production.



Scope



The project will be developed on the following mining concessions: Tambo Grande No. 4; Tambo Grande No. 5; Tambo Grande No. 9 and Tambo Grande No. 10, in the area of the town of Locuto, left margin of Tambogrande.

Area of influence



Rural Community Apóstol Juan Bautista de Locuto, town of Locuto, district of Tambo Grande, Piura.



Grantor entity



Activos Mineros S.A.C

Contractual modality



The **Project** will be developed under the modality of **Mining Concessions Transfer Option Contract**. In this scheme, **Activos Mineros S.A.C.** commits to transfer ownership of mining concessions and other related assets through a **Transfer Contract** once the terms of the option are fulfilled.

Classification



Self-Financed Unsolicited Proposal – Project in Assets

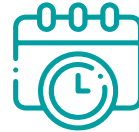


Reference components according to the IPC

- **Social management:** “Social Framework Agreement” for a water project to improve access to water for the benefit of the Rural Community of Apóstol Juan Bautista de Locuto.
- **Design and execution of the water infrastructure:** prioritizing the use of water for the community (human, livestock and agricultural consumption) before allocating it to mining use.
- **Exploration:** execution of diamond drilling both on the surface and inside the mine through the construction of an exploration ramp that will allow exploration in deeper areas of the deposit and validate the inferred resources
- **Bankable Feasibility Studies, Environmental Impact and Construction Engineering:** preparation of Studies, in accordance with the applicable legal framework; Construction Engineering will define the design of the beneficiation plant and other main components of the project.
- **Basic mine closure engineering:** activities necessary for the closure of the mine once operations are completed, ensuring the rehabilitation of the area, dismantling, physical and chemical stabilization, revegetation, and other processes to restore the environment.
- **Participatory Monitoring Committees:** composed of local representatives to supervise environmental aspects and disseminate monitoring results.



Investment term



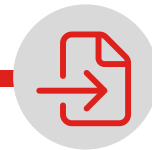
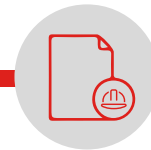
The estimated term of the project is 18 years
03 years of suspended period
05 years of operation and maintenance

Subscription of Mining Concessions Option Contract

Beginning of the option period

Mining Concessions Transfer Contract

Start of Operation and Closing



7 years
Commercial operation of mining production

3 years

Suspensive period: Social Agreement and Water Project

5 years

Effective period of the option: Exploration and Bankable Feasibility Study

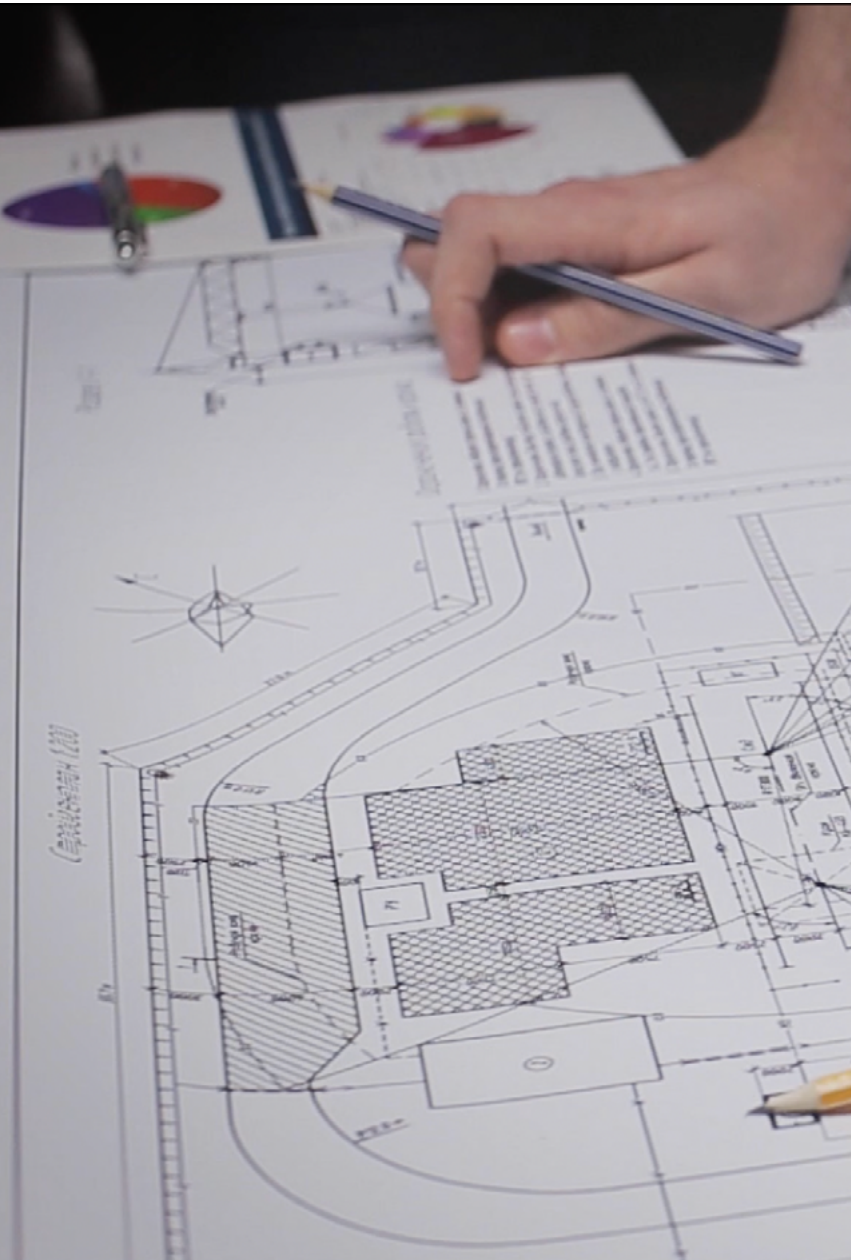
3 years

Subterranean mine design and construction

Reference amount of the Project



US\$ 2,753 million (excluding VAT)



Investment commitments:

1. **Water Project (up to 3 years):** During the period of suspension of the contract option, the Optionee must negotiate with the **Rural Community of Apóstol Juan Bautista de Locuto** the development of a water project, with a minimum **investment commitment of US\$ 5 million**, and reach a Social Agreement for the development of the mining project.

2. **Technical Studies and Bankable Feasibility (up to 5 years):** During the effective period of the option, and after obtaining the Articles of Incorporation, the Optionee undertakes to carry out the technical studies for the preparation of a **Bankable Feasibility Study** with a minimum investment of **US\$ 20 million**, distributed as follows:
 - First period: US\$ 2 million, from the effective date of the option until the required environmental certification is obtained.
 - Second period: An amount not less than US\$ 8 million, within 24 months after environmental certification or after the declaration of resources.
 - Third period: US\$ 10 million, until the deadline of the option.

3. **Investment during the Implementation of the Mining Project:** Once the Transfer Contract has been signed, the Acquirer must invest at least the **70% of CAPEX** established in the Bankable Feasibility Study for the implementation of the mining component of El Algarrobo project.

State Remuneration Scheme

1. Contraprestación durante el Contrato de Opción de Transferencia de Concesiones Mineras

a) Fixed Payment:

The Optionee must pay a fixed consideration for the granting and maintenance of the transfer option. This payment will allow it to carry out exclusive mining exploration work during the effective period of the contract.

b) Minimum Value of Consideration:

The minimum value is US\$ 10 million, to be paid in accordance with the milestones established in the Option Contract.

2. Consideration during the Transfer Contract

Variable Payment:

In the event that the Transfer Contract is signed, the Acquirer will pay a variable consideration of 1% of the Net Smelter Revenue (NSR), calculated on the annual net income from the sale of the minerals extracted from the concessions. 50% of this consideration will be allocated to the Social Fund, during the life of the mine.

3. Payment Structure and Settlement

Para el Contrato de Opción de Transferencia:

- 10% at the signing of the contract
- 20% after the signing of the Social Framework Agreement
- 30% after environmental certification
- 40% before the signing of the Transfer Contract.

For the Transfer Contract:

- The payment will be settled semi-annually from the start of commercial operations, calculated on the net income generated by the sale of minerals.



Social Contribution



“El Algarrobo Project” includes a **total social contribution of US\$ 5 million**, which will be transferred to the Social Fund and distributed in the following stages:

- **20%:** Paid **30 days** after obtaining the environmental certification required for the commencement of exploration work.
- **80%:** Transferred during the **construction and commercial operation** stages, in a term of **30 days** from the signing of the Transfer Contract (as set forth in Annex 1 of the Transfer Option Contract).

Positive impacts on development



- Creation of a Social Fund for the implementation of social programs
- Benefit in the development of the communities in the areas of influence
- Increase in canon and royalty income for the benefit of the areas of influence.



Environmental Impact



Water Component

El Algarrobo Project includes an important **water component** designed to benefit the **Rural Community of Apóstol Juan Bautista de Locuto**, with the following general objectives:

- **Identification and evaluation** of water sources that can be captured for the productive activities of the community.
- **Design, construction, operation and maintenance** of the hydraulic infrastructure necessary for the extraction, treatment, conduction and storage of water resources, mainly for agricultural and livestock activities.
- The **specific characteristics** and **final scope** of the water project will be defined within the **Social Agreement** with the community.

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