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CHINALCO-PMC

## Chinalco Mining Corporation International

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(Incorporated under the laws of the Cayman Islands with limited liability)

(Stock Code: 3668)

### INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2015

#### FINANCIAL HIGHLIGHTS

The Group's summary of published results for the six-month periods ended 30 June 2015 and 30 June 2014 and the assets, liabilities and equity as at 30 June 2015 and 31 December 2014 is set forth as follows:

#### Results

	<b>Six months ended 30 June</b>	
	<b>2015</b>	<b>2014</b>
	<i>US\$'000</i>	<i>US\$'000</i>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Revenue</b>	<b>81,253</b>	—
<b>Cost of Sale</b>	<b>(46,222)</b>	—
Gross Profit	<b>35,031</b>	—
Other gains/(losses), net	<b>7,197</b>	(1,072)
General and administrative expenses	<b>(11,545)</b>	(8,808)
Selling and distribution expenses	<b>(6,974)</b>	—
Finance income/(expenses), net	<b>(16,409)</b>	(1,144)
Share of profit/(loss) of a joint venture	<b>354</b>	(1,436)
Investment income	<b>1,762</b>	—
Income tax benefit	<b>2,770</b>	6,367
<b>Profit/(loss) for the period</b>	<b>12,186</b>	(6,093)
Other comprehensive income for the period, net of tax	<b>(7,329)</b>	(121)
<b>Total comprehensive income for the period</b>	<b>4,857</b>	(6,214)
<b>Earning/(loss) per share for the period attributable to the equity holders of the Company (expressed in US\$ per share)</b>	<b>0.001</b>	(0.0005)

The Board does not recommend the payment of an interim dividend for the six-month period ended 30 June 2015.

### Assets, Liabilities and Equity

	<b>30 June 2015</b>	31 December 2014
	<i>US\$'000</i>	<i>US\$'000</i>
	<b>(Unaudited)</b>	(Audited)
Non-current assets	<b>4,590,228</b>	4,583,753
Current assets	<b>539,141</b>	382,659
Non-current liabilities	<b>2,612,390</b>	2,721,992
Current liabilities	<b><u>1,810,576</u></b>	<u>1,542,874</u>
<b>Total equity</b>	<b><u><u>706,403</u></u></b>	<u><u>701,546</u></u>

## RESULTS

The board of directors (the “Board”) of Chinalco Mining Corporation International (the “Company”) is pleased to announce the unaudited interim condensed consolidated financial statements of the Company and its subsidiaries (collectively, the “Group”) for the six-month period ended 30 June 2015, together with the comparative figures as follows:

**UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF  
COMPREHENSIVE INCOME**

*For the six months ended 30 June 2015*

	<i>Note</i>	<b>Six months ended 30 June</b>	
		<b>2015</b>	2014
		<i>US\$'000</i>	<i>US\$'000</i>
<b>Revenue</b>	<i>11</i>	<b>81,253</b>	—
<b>Cost of sales</b>		<b>(46,222)</b>	—
Gross profit		<b>35,031</b>	—
Other gains/(losses), net		<b>7,197</b>	(1,072)
General and administrative expenses	<i>12</i>	<b>(11,545)</b>	(8,808)
Selling and distribution expenses		<b>(6,974)</b>	—
Finance income		<b>202</b>	382
Finance expenses		<b>(8,830)</b>	(1,715)
Foreign exchange (loss)/gain, net		<b>(7,781)</b>	189
Share of profit/(loss) of a joint venture		<b>354</b>	(1,436)
Investment income		<b>1,762</b>	—
<b>Profit/(loss) before income tax</b>		<b>9,416</b>	(12,460)
Income tax benefit	<i>13</i>	<b>2,770</b>	6,367
<b>Profit/(loss) for the period</b>		<b>12,186</b>	(6,093)
<b>Other comprehensive income</b>			
<i>Items to be reclassified to profit or loss in subsequent periods:</i>			
Currency translation difference		<b>(7,329)</b>	(121)
<b>Other comprehensive income for the period, net of tax</b>		<b>(7,329)</b>	(121)
<b>Total comprehensive income for the period</b>		<b>4,857</b>	(6,214)
<b>Earning/(loss) per share for the period attributable to the equity holders of the Company</b> (expressed in US\$ per share)			
Basic and diluted	<i>14</i>	<b>0.0010</b>	(0.0005)
<b>Dividends</b>			
Interim dividend declared		—	—

## UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

		30 June 2015	31 December 2014
	<i>Note</i>	<i>US\$'000</i>	<i>US\$'000</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	4,446,339	4,357,377
Intangible assets		510	516
Investment in a joint venture		2,268	1,914
Deferred tax assets		34,003	31,225
Value-added tax recoverable	5	72,977	172,512
Prepayments and other receivables	7	12,461	12,321
Restricted cash		<u>21,670</u>	<u>7,888</u>
		<u>4,590,228</u>	<u>4,583,753</u>
<b>Current assets</b>			
Inventories		125,922	105,058
Prepayments and other receivables	7	62,872	55,385
Value-added tax recoverable	5	164,743	71,050
Trade receivables	6	78,110	75,993
Cash and cash equivalents		100,835	75,173
Financial assets at fair value through profit or loss		<u>6,659</u>	<u>—</u>
		<u>539,141</u>	<u>382,659</u>
<b>Total assets</b>		<u><u>5,129,369</u></u>	<u><u>4,966,412</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to the Company's equity holders</b>			
Share capital	8	472,711	472,711
Share premium	8	327,267	327,267
Reserve		(2,879)	4,450
Accumulated deficits		<u>(90,696)</u>	<u>(102,882)</u>
<b>Total equity</b>		<u><u>706,403</u></u>	<u><u>701,546</u></u>

		<b>30 June</b>	31 December
		<b>2015</b>	2014
	<i>Note</i>	<i>US\$'000</i>	<i>US\$'000</i>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Loans and borrowings	9	<b>2,496,589</b>	2,591,448
Provision for remediation and restoration		<b>111,781</b>	126,472
Deferred income		<b>4,020</b>	4,072
		<u><b>2,612,390</b></u>	<u>2,721,992</u>
<b>Current liabilities</b>			
Loans and borrowings	9	<b>1,474,980</b>	1,112,980
Trade payables	10	<b>286,983</b>	392,612
Accruals and other payables		<b>46,187</b>	34,856
Amount due to immediate holding company		<b>2,426</b>	2,426
		<u><b>1,810,576</b></u>	<u>1,542,874</u>
<b>Total liabilities</b>		<u><b>4,422,966</b></u>	<u>4,264,866</u>
<b>Total equity and liabilities</b>		<u><b>5,129,369</b></u>	<u>4,966,412</u>
<b>Net current liabilities</b>		<u><b>(1,271,435)</b></u>	<u>(1,160,215)</u>
<b>Total assets less current liabilities</b>		<u><b>3,318,793</b></u>	<u>3,423,538</u>

## UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

	Share capital US\$'000	Share premium US\$'000	Capital reserves US\$'000	Currency translation differences US\$'000	Accumulated deficits US\$'000	Total US\$'000
<b>Balance at 1 January 2015</b>	<u>472,711</u>	<u>327,267</u>	<u>16,521</u>	<u>(12,071)</u>	<u>(102,882)</u>	<u>701,546</u>
<b>Comprehensive income</b>						
Profit for the period	—	—	—	—	12,186	12,186
<b>Other comprehensive income</b>						
Currency translation Differences	<u>—</u>	<u>—</u>	<u>—</u>	<u>(7,329)</u>	<u>—</u>	<u>(7,329)</u>
<b>Total comprehensive income</b>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(7,329)</u>	<u>12,186</u>	<u>4,857</u>
<b>Balance at 30 June 2015</b>	<u><u>472,711</u></u>	<u><u>327,267</u></u>	<u><u>16,521</u></u>	<u><u>(19,400)</u></u>	<u><u>(90,696)</u></u>	<u><u>706,403</u></u>
<b>Balance at 1 January 2014</b>	<u>472,711</u>	<u>327,267</u>	<u>16,521</u>	<u>(4,411)</u>	<u>(89,669)</u>	<u>722,419</u>
<b>Comprehensive income</b>						
Loss for the period	—	—	—	—	(6,093)	(6,093)
<b>Other comprehensive income</b>						
Currency translation Differences	<u>—</u>	<u>—</u>	<u>—</u>	<u>(121)</u>	<u>—</u>	<u>(121)</u>
<b>Total comprehensive income</b>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(121)</u>	<u>(6,093)</u>	<u>(6,214)</u>
<b>Balance at 30 June 2014</b>	<u><u>472,711</u></u>	<u><u>327,267</u></u>	<u><u>16,521</u></u>	<u><u>(4,532)</u></u>	<u><u>(95,762)</u></u>	<u><u>716,205</u></u>

## UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

	<b>Six months ended 30 June</b>	
	<b>2015</b>	<b>2014</b>
	<i>US\$'000</i>	<i>US\$'000</i>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Cash flows from operating activities</b>		
Profit/(loss) before income tax	9,416	(12,460)
<b>Adjustments for:</b>		
Depreciation and amortization	28,595	262
Loss on disposal of property, plant and equipment	—	39
Finance expenses/(income), net	15,341	1,144
Investment income	(1,762)	—
Gain from change of futures' fair value	(6,641)	—
Share of (profit)/loss of a joint venture	(354)	1,436
<b>Changes in working capital:</b>		
Inventories	(20,864)	(40,762)
Trade receivables	(2,117)	(48,029)
Prepayment and other receivables	(11,550)	(1,994)
Accruals and other payables	11,331	2,325
Deferred income	(52)	(69)
Interest received	202	382
Income tax paid	(4,917)	(825)
<b>Net cash generated from/(used in) operating activities</b>	<b>16,628</b>	<b>(98,551)</b>
<b>Cash flows from investing activities</b>		
Purchases of property, plant and equipment	(208,432)	(342,358)
Purchases of other assets	(296)	(90)
Finance cost capitalized	(50,947)	(41,866)
Value-added tax refunds received	29,635	44,686
(Increase)/decrease in restricted cash	(13,782)	1,883
<b>Net cash used in investing activities</b>	<b>(243,822)</b>	<b>(337,745)</b>
<b>Cash flows from financing activities</b>		
Proceeds from loans and borrowings	830,000	508,000
Repayment of loans and borrowings	(576,076)	(81,000)
<b>Net cash generated from financing activities</b>	<b>253,924</b>	<b>427,000</b>
<b>Effects of exchange rates on cash and cash equivalents</b>	<b>(1,068)</b>	<b>162</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>26,730</b>	<b>(9,296)</b>
Cash and cash equivalents at beginning of the period	75,173	122,916
<b>Cash and cash equivalents at end of the period</b>	<b>100,835</b>	<b>113,782</b>

# NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2015*

## 1. GENERAL INFORMATION

Chinalco Mining Corporation International (the “Company”) was incorporated in the Cayman Islands on 24 April 2003 as an exempted company with limited liability under the Companies Law of the Cayman Islands. Its name was Peru Copper Syndicate, Ltd. on incorporation and changed to Chinalco Mining Corporation International on 30 September 2011. The Company’s registered office is PO Box 309 Ugland House, Grand Cayman, KY 1-1104, Cayman Islands.

The Company’s shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 31 January 2013.

The Company is a subsidiary of Aluminum Corporation of China Overseas Holdings Limited (“Chinalco Overseas”), a company incorporated in Hong Kong with limited liability. As at the date of these financial statements were approved, the directors of the Company regard Aluminum Corporation of China (“Chinalco”), a state-owned enterprise incorporated in the People’s Republic of China (the “PRC”) and administered by the State-owned Assets Supervision and Administration Commission (“SASAC”) of the State Council (the “State Council”) of the PRC, as its ultimate holding company.

The Company and its subsidiaries (together, the “Group”) are principally engaged in exploration, development and production of ore resources and other mining related activities.

In May 2003, the Company’s subsidiary, Minera Chinalco Peru S.A. (“MCP”), was awarded by the Peruvian government a right to develop and extract ore resource in the district of Morococha, Yauli Province, the Republic of Peru (“Peru”) through a public bidding (the “Toromocho Mining Project”). In June 2003, the Company signed an assignment agreement and by which the Company was entitled to exercise a purchase option of the mining concessions during a period which could be extended to June 2008. In May 2008, the Company exercised its right and signed with Activos Mineros (an entity incorporated by the Peruvian government), in the name of Peruvian Government, the Mining Concessions Transference Agreement of the Toromocho Mining Project (the “Assignment Agreement”). Under the Assignment Agreement, Activos Mineros transferred to the Company the title of certain mining concessions, their surface property, buildings and water usage right pertaining to the Toromocho Mining Project.

From August 2012 to February 2013, the Company entered into five binding off-take agreements with four cornerstone investors and one independent third party, pursuant to which the Company agreed to sell an aggregate of 70% of the annual production of copper concentrates from the Toromocho Mining Project for a period of five years starting from the first official production of the Toromocho Mining Project at a price determined by reference to certain benchmark market rates adjusted based on the grade of the copper concentrates, two of which will automatically continue for another five years (the “Off-take Agreements”).

The Toromocho Mining Project has commenced commercial production in June 2015.

The interim condensed consolidated financial statements are presented in US dollar (“US\$”), unless otherwise stated.

The interim condensed consolidated financial statements have not been audited.



## 2. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements for the six months ended 30 June 2015 have been prepared in accordance with International Accounting Standard (“IAS”) 34 Interim Financial Reporting. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2014, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standard Board.

### Going concern

As at 30 June 2015, the Group had net current liabilities of approximately US\$1,271 million (31 December 2014: US\$1,160 million) and accumulated deficits of approximately US\$91 million (31 December 2014: US\$103 million). The board of directors of the Company (the “Board”) has considered, among others, the internally generated funds and financial resources available to the Group as follows:

- In March 2015, the Group submitted a formal application to China Development Bank (“CDB”) to obtain a revolving loan facility amounting to between US\$100 million to US\$200 million for the purpose of production of copper concentrate. In August 2015, this facility is finalized and the total amount is US\$125 million.
- During the first half of 2015, the Group was in negotiation with ICBC Financial Leasing (“ICBC Leasing”) to obtain a finance lease arrangement amounting to US\$450 million for proper development of the Toromocho Project.
- In April 2014, November 2014 and January 2015, the Company’s immediated holding company, Chinalco Overseas provided to the Group a loan facility of US\$200 million, US\$350 million and US\$1,200 million respectively, for general corporate purposes including but not limited to funding the working capital for the Toromocho Project. As at 30 June 2015, except for loans amounting to US\$280 million drawn down before 31 December 2014 and US\$790 million drawn down during current period, the remaining facility provided by Chinalco Overseas was US\$680 million.
- The Company’s immediate holding company, Chinalco Overseas, has agreed not to demand repayment of the loan due from the Group amounting to approximately US\$1,107 million as at 30 June 2015 (31 December 2014: US\$435 million) until the Group is financially capable to do so. The Company’s ultimate holding company, Chinalco also agreed that it would provide continuing financial support to finance the future operations of the Group for a period of not less than 12 months from the date these financial statements were approved.

Based on the above, the directors of the Company believe that the Group will have adequate resources to continue in operations for a period that is not less than 12 months from 30 June 2015. The Group therefore continues to adopt the going concern basis in preparing these financial statements.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2014, except for the adoption of new standards and interpretations effective as of 1 January 2015. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these new and revised standards that are applicable to the Group's operations are disclosed below. Although these new standards and amendments apply for the first time in 2015, they do not have a material impact on the interim condensed consolidated financial statements of the Group.

#### **IFRS Annual Improvements 2010-2012 Cycle**

These improvements are effective from 1 July 2014 and the Group has applied these amendments for the first time in these interim condensed consolidated financial statements. They include:

##### ***IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets***

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset. The Group did not record any revaluation adjustments during the current interim period.

##### ***IAS 24 Related Party Disclosures***

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. This amendment is not relevant for the Group as it does not receive any management services from other entities.

#### **IFRS Annual Improvements 2011-2013 Cycle**

These improvements are effective from 1 July 2014 and the Group has applied these amendments for the first time in these interim condensed consolidated financial statements. They include:

##### ***IFRS 3 Business Combinations***

The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that:

1. Joint arrangements, not just joint ventures, are outside the scope of IFRS 3
2. This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

This amendment is not relevant to the Group as it did not incur business combination in the first half of 2015.

### *IFRS 13 Fair Value Measurement*

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable). The Group does not apply the portfolio exception in IFRS 13.

#### **4. PROPERTY, PLANT AND EQUIPMENT**

	<b>Six months ended 30 June</b>	
	<b>2015</b>	<b>2014</b>
	<b>US\$'000</b>	<b>US\$'000</b>
<b>At 1 January</b>		
Cost	<b>4,414,404</b>	3,843,943
Accumulated depreciation	<b>(57,027)</b>	(29,900)
Net carrying amount	<b><u>4,357,377</u></b>	<u>3,814,043</u>
<b>During the period</b>		
At 1 January, net carrying amount	<b>4,357,377</b>	3,814,043
Additions	<b>146,828</b>	247,499
Estimated remediation and restoration obligations ( <i>Note</i> )	<b>(16,436)</b>	(19,437)
Transfer to intangible assets	<b>(241)</b>	—
Disposals	<b>(14)</b>	(39)
Effect of exchange rate fluctuation	<b>(6,432)</b>	—
Depreciation	<b>(34,743)</b>	(13,168)
At 30 June, net carrying amount	<b><u>4,446,339</u></b>	<u>4,028,898</u>
<b>At 30 June</b>		
Cost	<b>4,538,109</b>	4,071,902
Accumulated depreciation	<b>(91,770)</b>	(43,004)
Net carrying amount	<b><u>4,446,339</u></b>	<u>4,028,898</u>

*Note:* Included in the movement of property, plant and equipment of the Group for the six months ended 30 June 2015 was a downward revision to the estimated remediation and restoration obligations in relation to the property, plant and equipment amounting to US\$16,436,000 (2014: US\$19,437,000).

During the six months ended 30 June 2015, the Group capitalised financing costs amounting to US\$50,947,000 (2014: US\$41,866,000) included in the additions of property, plant and equipment of the Group.

As at 30 June 2015, bank borrowings from Eximbank amounting to US\$2,277,465,000 (31 December 2014: US\$2,402,157,000) (Note 9(b)) were guaranteed by Chinalco and according to the borrowing agreements, in case that the credibility or financial status of Chinalco deteriorates or has the potential to deteriorate, all property, plant and equipment pertaining to the Toromocho Mining Project will be pledged as additional security for these borrowings.

As at 30 June 2015, the amount of approximately US\$22 million (31 December 2014: US\$16 million) by which net proceeds received exceed the costs of testing while bringing the Toromocho Project to commercial production levels has been credited to the cost of property, plant and equipment of the Group.

## 5. VALUE-ADDED TAX RECOVERABLE

On 14 September 2010, by means of Supreme Decree No. 060-2010-EM issued by the Peruvian Ministry of Energy and Mines (“MEM”), as countersigned by the Ministry of Economy and Finance, the Company was entitled to use the Special Regime of the Value Added Tax (“VAT”) Anticipated Refunding (“RERA IGV”, the Spanish acronym), in adherence to Legislative Decree 973. Accordingly, qualified VAT paid on purchases can be used to set off tax payable to local sales, or any other taxes required by the Peruvian tax authorities or refunded in the form of negotiable credit notes or non-negotiable checks.

In order to qualify for the above entitlement under RERA IGV, the Group signed an investment agreement with respect to the Toromocho Mining Project (the “Investment Agreement”) on 16 June 2009 with MEM, which was later modified under an addendum dated 27 July 2010. Pursuant to the Investment Agreement, the Group agreed to invest into the Toromocho Mining Project amounting to US\$2,053 million by the end of 2012. On 15 December 2011, MEM and MCP signed a second addendum to the Investment Agreement, which was approved by the MEM and Ministry of Finance of the Peruvian government on 8 February 2012, in order to extend the period of fulfillment of the committed investment until December 2013.

On 17 January 2014, the Company signed an amendment of the Investment Agreement with MEM pursuant to which the Group committed to invest US\$2,984 million in the Toromocho Mining Project until 30 June 2015.

VAT recoverable represents the VAT credits entitled to the Group for VAT paid on the acquisition of goods and services relating to its exploration and development activities, and is summarized as follows:

	<b>30 June 2015</b>	31 December 2014
	<i>US\$'000</i>	<i>US\$'000</i>
VAT recoverable:		
— to be recovered after more than 12 months	<b>72,977</b>	172,512
— to be recovered within 12 months	<b>164,743</b>	71,050
	<b><u>237,720</u></b>	<u>243,562</u>

## 6. TRADE RECEIVABLES

The Group mainly requires its customers to make payment at a specific percentage of the trade receivables, within the credit period which is generally three months, extending up to six months. As at 30 June 2015, none of trade receivables were past due but impaired. Trade receivables are non-interest-bearing.

	<b>30 June 2015</b>	31 December 2014
	<i>US\$'000</i>	<i>US\$'000</i>
Trade receivables	<b>78,110</b>	75,993
Less: impairment	<u>—</u>	<u>—</u>
	<b><u>78,110</u></b>	<b><u>75,993</u></b>

In determining the recoverability of receivables, the Group performs a risk analysis considering the type and aging of the outstanding receivables and the creditworthy of the counterparty.

An aging analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	<b>30 June 2015</b>	31 December 2014
	<i>US\$'000</i>	<i>US\$'000</i>
Within 3 months	<b>64,168</b>	60,256
3 to 6 months	<b>5,554</b>	9,576
6 months to 1 year	<b>6,165</b>	6,161
1 to 2 years	<u>2,223</u>	<u>—</u>
	<b><u>78,110</u></b>	<b><u>75,993</u></b>

## 7. PREPAYMENTS AND OTHER RECEIVABLES

	<b>30 June 2015 US\$'000</b>	31 December 2014 US\$'000
<b>Other receivables:</b>		
Loan to a joint venture ( <i>Note (a)</i> )	9,414	9,274
Loan to a transportation services provider ( <i>Note (b)</i> )	3,047	3,047
Amount due from contractors for purchase of fuel	7,804	9,181
Employee advances	366	598
Amounts due from ultimate holding company	174	192
Futures deposits	5,000	—
Others	<u>2,333</u>	<u>600</u>
	<u><b>28,138</b></u>	<u>22,892</u>
<b>Prepayments:</b>		
Prepaid insurance	6,738	1,431
Prepaid income tax	14,564	9,647
Advance to constructors	6,509	16,747
Advance to suppliers	16,992	13,914
Others	<u>2,392</u>	<u>3,075</u>
	<u><b>47,195</b></u>	<u>44,814</u>
<b>Total prepayments and other receivables</b>	<b>75,333</b>	67,706
Less: non-current portion	<u>(12,461)</u>	<u>(12,321)</u>
	<u><b>62,872</b></u>	<u>55,385</u>

### Notes:

- (a) Loan to a joint venture amounting to US\$9,414,000 (31 December 2014: US\$9,274,000) is unsecured and bears interest at LIBOR plus 5% per annum.
- (b) As at 30 June 2015, the loan amounting to US\$3,047,000 (31 December 2014: US\$3,047,000) represented loan to Ferrocarril Central Andino S.A., a third party Peruvian limited liability company that provided certain transportation services to the Group. Such loan receivable is unsecured, interest free and due in 8 years.

Aging analysis of other receivables at the respective balance sheet dates is as follows:

	<b>30 June 2015</b>	31 December 2014
	<i>US\$'000</i>	<i>US\$'000</i>
Within 3 months	<b>3,943</b>	5,960
3 to 6 months	<b>7,257</b>	3,103
6 months to 1 year	<b>4,140</b>	1,508
1 to 2 years	<b>6,138</b>	9,274
2 to 3 years	<b>3,613</b>	3,047
Over 3 years	<b>3,047</b>	—
	<b><u>28,138</u></b>	<b><u>22,892</u></b>

## 8. SHARE CAPITAL AND SHARE PREMIUM

As at 30 June 2015, the number of total authorized ordinary shares was 25 billion (31 December 2014: 25 billion) with a par value of US\$0.04 per share.

Details of the issued and fully paid ordinary share capital of the Company are as follows:

	<b>Number of issued shares</b>	<b>Ordinary shares</b>	<b>Share premium</b>
		<i>US\$'000</i>	<i>US\$'000</i>
At 1 January 2015	11,817,782,429	472,711	327,267
Issuance of new shares	<u>—</u>	<u>—</u>	<u>—</u>
At 30 June 2015	<b><u>11,817,782,429</u></b>	<b><u>472,711</u></b>	<b><u>327,267</u></b>
At 1 January 2014	11,817,782,429	472,711	327,267
Issuance of new shares	<u>—</u>	<u>—</u>	<u>—</u>
At 30 June 2014	<b><u>11,817,782,429</u></b>	<b><u>472,711</u></b>	<b><u>327,267</u></b>

The Company completed the listing of its shares on the Main Board of The Stock Exchange of Hong Kong Limited on 31 January 2013 and the over-allotment option was exercised on 22 February 2013 with 1,764,913,000 and 51,698,000 shares issued respectively at a par value of US\$0.04 per share. The issue price was HK\$1.75 per share.

## 9. LOANS AND BORROWINGS

	<b>30 June 2015 US\$'000</b>	31 December 2014 US\$'000
<b>Current</b>		
Borrowings from immediate holding company (a)		
— unsecured	<b>950,000</b>	280,000
Short-term bank loans (b)		
— guaranteed	<b>200,000</b>	400,000
— unsecured	<b>130,000</b>	210,000
Long-term bank loan, due within one year (b)		
— guaranteed	<b>194,980</b>	222,980
	<b><u>1,474,980</u></b>	<u>1,112,980</u>
<b>Non-current</b>		
Borrowings from immediate holding company (a)		
— unsecured	<b>157,104</b>	155,271
Long-term bank loans (b)		
— guaranteed	<b>2,339,485</b>	2,436,177
	<b><u>2,496,589</u></b>	<u>2,591,448</u>
	<b><u><u>3,971,569</u></u></b>	<u><u>3,704,428</u></u>

### (a) Borrowings from immediate holding company

During the six months ended 30 June 2015 and 2014, the Group's borrowings from its immediate holding company are as follows:

	<b>Six months ended 30 June</b>	
	<b>2015 US\$'000</b>	2014 US\$'000
At beginning of the period	<b>435,271</b>	151,604
Addition	<b>790,000</b>	190,000
Interest charged	<b>11,819</b>	1,833
Repayment	<b>(129,986)</b>	—
At the end of the period	<b><u>1,107,104</u></b>	<u>343,437</u>



**(b) Bank loans**

As at 30 June 2015, bank loans are summarized as follows:

	<b>30 June 2015</b>		31 December 2014	
	<b>Amount</b>	<b>Effective</b>	Amount	Effective
	<b>US\$'000</b>	<b>interest rate</b>	<b>US\$'000</b>	interest rate
The Export-import Bank of China ("Eximbank") (i)	<b>2,277,465</b>	<b>2.24%–3.89%</b>	2,402,157	2.21%–3.86%
China Development Bank ("CDB") (ii)	<b>257,000</b>	<b>3.89%</b>	257,000	3.86%
Other banks (iii)	<b>330,000</b>	<b>1.63%–2.27%</b>	<b>610,000</b>	1.17%–2.26%
	<b><u>2,864,465</u></b>		<b><u>3,269,157</u></b>	

- (i) In December 2010, the Group obtained a banking facility amounting to US\$2,000 million from Eximbank for the purpose of financing the development of the Toromocho Mining Project. The Group is required to pay a 1% commission fee for each drawdown and the facility bears an interest rate at LIBOR plus 1.85% per annum. This facility is guaranteed by Chinalco and will become secured by all property, plant and equipment pertaining to the Toromocho Mining Project if Chinalco's credibility or financial status deteriorates (Note 4). The Group is also required to comply with certain financial covenants relating to the use of funds and other administrative resources.

In March 2013, the Group signed a supplemental agreement with Eximbank which provided additional loan facility amounting to US\$419 million with an interest rate at LIBOR plus 3.5% per annum. The Group is required to pay a 1% commission fee for each drawdown. This facility is guaranteed by Chinalco and will become secured by all property, plant and equipment pertaining to the Toromocho Mining Project if Chinalco's credibility or financial status deteriorates (Note 4). The Group is also required to comply with certain financial covenants relating to the use of funds and other administrative resources.

As at 30 June 2015 and 31 December 2014, the above banking facilities with Eximbank had been fully drawn down. In June 2015, the Group repaid US\$126,090,000 based on the payment schedule.

- (ii) In September 2012, the Group obtained banking facilities amounting to US\$83 million from CDB for the construction, maintenance and operation of Kingsmill Tunnel Water Treatment Plant. This facility is guaranteed by Chinalco and bears an interest rate at LIBOR plus 3.5% per annum.

In September 2012, CDB issued a memorandum indicating its commitment to lend US\$274 million to the Group for certain designated projects in relation to the development of the Toromocho Mining Project, in which US\$100 million was cancelled later due to delay of related specific project. Pursuant to this memorandum, the Group has obtained banking facilities which are guaranteed by Chinalco and bear an interest rate at LIBOR plus 3.5% per annum.

As at 30 June 2015, loans from CDB amounting to US\$257 million in aggregate have been drawn down since 2012.

(iii) As at 30 June 2015, the Group obtained bank loans of US\$320 million from Banco Bilbao Vizcaya Argentaria (“BBVA”) and Standard Chartered Bank, which are denominated in US\$ and bearing interest rates at a range from 1.63% to 2.27% per annum. Among of which, US\$200 million is guaranteed by China Export and Credit Insurance Corporation, a third party, with counter-guarantee provided by Chinalco. As at 30 June 2015, US\$200 million and US\$90 million loans were repaid to Standard Chartered Bank and BBVA respectively.

In the first half of 2015, the Group signed two short loan agreements with Banco de crédito del Perú (“BCP”) in March 2015 and May 2015 with an amount of US\$30 million and US\$10 million, respectively, at fixed interest rate of 1.65%. These short term loans have been used as working capital for Toromocho Project. As at 30 June 2015, US\$30 million loan was repaid.

During the periods ended 30 June 2015 and 2014, the movement in the borrowings from banks are analysed as follows:

	<b>Six months ended 30 June</b>	
	<b>2015</b>	2014
	<i>US\$'000</i>	<i>US\$'000</i>
At beginning of the period	3,269,157	2,919,204
Proceeds of new borrowings	40,000	318,000
Repayments of the borrowings	(446,090)	(81,000)
Payments of commission fee	—	—
Amortization of commission fee	<u>1,398</u>	<u>1,476</u>
At the end of the period	<u><u>2,864,465</u></u>	<u><u>3,157,680</u></u>

(c) As at 30 June 2015, the long-term loans and borrowings were repayable as follows:

	<b>30 June</b>	31 December
	<b>2015</b>	2014
	<i>US\$'000</i>	<i>US\$'000</i>
Within 1 year	194,980	222,980
Between 1 and 2 years	209,564	193,580
Between 2 and 5 years	699,744	699,118
Over 5 years	<u>1,587,281</u>	<u>1,698,750</u>
	<b>2,691,569</b>	2,814,428
Amount due within one year shown under current liabilities	<u>(194,980)</u>	<u>(222,980)</u>
	<u><u>2,496,589</u></u>	<u><u>2,591,448</u></u>

## 10. TRADE PAYABLES

The trade payables are non-interest-bearing and are normally settled in 60 days to 90 days.

Aging analysis of trade payables is as follows:

	<b>30 June 2015 US\$'000</b>	31 December 2014 US\$'000
Up to 3 months	<b>181,078</b>	284,329
3 to 6 months	<b>37,002</b>	67,972
6 months to 1 year	<b>68,903</b>	40,311
	<b><u>286,983</u></b>	<b><u>392,612</u></b>

## 11. REVENUE

The Group commenced commercial production in June 2015. During the six-months period ended 30 June 2015, the Group recorded the revenue as following:

	<b>Six months ended 30 June</b>	
	<b>2015 US\$'000</b>	2014 US\$'000
Sales of goods	<b>81,253</b>	—
<b>Total revenue</b>	<b><u>81,253</u></b>	<b><u>—</u></b>

## 12. GENERAL AND ADMINISTRATIVE EXPENSES

	<b>Six months ended 30 June</b>	
	<b>2015 US\$'000</b>	2014 US\$'000
Employee benefit expenses		
— wages, salaries and allowance	<b>23,743</b>	28,643
— directors' emoluments	<b>652</b>	926
— pension costs-defined contribution plans	<b>3,206</b>	3,371
— others staff benefits	<b>2,122</b>	3,798
Less: staff cost capitalized into construction-in-progress	<b>(27,125)</b>	(31,261)
	<b><u>2,598</u></b>	<b><u>5,477</u></b>
Amortization and depreciation	<b>235</b>	262
Consulting and other service expenses	<b>397</b>	336
Office and other supplies	<b>139</b>	630
Advertising and promotion	<b>61</b>	44
Travel and transportation	<b>195</b>	383
Taxes other than income tax	<b>1,111</b>	877
Operating lease expense	<b>723</b>	610
Insurance expense	<b>4,288</b>	—
Others	<b>1,798</b>	189
	<b><u>11,545</u></b>	<b><u>8,808</u></b>

### 13. INCOME TAX BENEFIT

	Six months ended 30 June	
	2015	2014
	US\$'000	US\$'000
Current income tax	(8)	(38)
Deferred income tax	<u>2,778</u>	<u>6,405</u>
	<u>2,770</u>	<u>6,367</u>

The Company was incorporated in Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands and, accordingly, is exempted from payment of Cayman Islands corporate income tax.

The Company's subsidiaries incorporated in Peru are subject to income tax at a rate of 32% during the six-month period ended 30 June 2015 (2014: 32%), pursuant to the Stability Agreement signed with the MEM that stabilizes their income tax rates at 32%, taking effect on 1 January 2014.

The income tax on the Group's profit or loss before tax differs from the theoretical amount that would arise using the applicable tax rates to profit or losses of the consolidated entities as follows:

	Six months ended 30 June	
	2015	2014
	US\$'000	US\$'000
Profit/(loss) before income tax	<u>9,416</u>	<u>(12,460)</u>
Tax benefit/(expenses) calculated at the tax rates applicable to profit or loss in the respective countries	(3,013)	3,987
Non-deductible expenses	(1,422)	(1,295)
Benefit from recognized tax loss (unrecognized)	7,766	3,652
Others	<u>(561)</u>	<u>23</u>
Income tax benefit	<u>2,770</u>	<u>6,367</u>

**14. EARNING/(LOSS) PER SHARE FOR THE PERIOD ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY**

**(a) Basic**

Basic earning/(loss) per share is calculated by dividing the net profit/(loss) attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	<b>Six months ended 30 June</b>	
	<b>2015</b>	<b>2014</b>
Profit/(loss) attributable to equity holders of the Company (US\$'000)	<b>12,186</b>	(6,093)
Weighted average number of ordinary shares in issue (thousands)	<b><u>11,817,782</u></b>	<u>11,817,782</u>
Basic earning/(loss) per share (US\$ per share)	<b><u>0.0010</u></b>	<u>(0.0005)</u>

**(b) Diluted**

Diluted earning/(loss) per share for the six months ended 30 June 2015 and 2014 are the same as the basic earning/(loss) per share, as there are no dilutive potential shares.

**15. EVENT OCCURRING AFTER THE REPORTING PERIOD**

Saved as disclosed in Note 2 to the interim condensed consolidated financial statements, no other reportable events or transactions take place after the balance sheet date.

## MANAGEMENT DISCUSSION AND ANALYSIS

This Management Discussion and Analysis is prepared as of 26 August 2015. It should be read in conjunction with the unaudited interim condensed consolidated financial statements and notes thereto of the Group for the six months ended 30 June 2015.

The “Group” refers to the Company and its subsidiaries. “Chinalco” refers to Aluminum Corporation of China, the controlling shareholder of the Company. “Chinalco Peru” refers to Minera Chinalco Perú S.A., a wholly-owned subsidiary of the Company. The “Prospectus” refers to the prospectus of the Company dated 18 January 2013 in respect of the global offering of its shares. The “PRC” or “China” refers to the People’s Republic of China excluding Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan. “Peru” refers to the Republic of Peru. “JORC” refers to Australasian Joint Ore Reserves Committee. The “Director(s)” refers to director(s) of the Company. The “Board” refers to the board of Directors of the Company.

### Overview

The Toromocho Project, located in central Peru in the core of the Morococha mining district, is currently the only mining asset operated by the Company. As disclosed in the Prospectus, the Toromocho Project consists of an open pit mining operation with daily ore processing capacity estimated to reach approximately 117,200 tonnes and a strip ratio estimated to reach 0.79:1. The Group employs a semi-autogenous grinding mill/ball mill/flotation processing plant that is standard for the industry, with a designed average daily production capacity of 1,838 tonnes of 26.5% copper concentrates over the 36-year life of the mill and a separate molybdenum hydrometallurgical plant with a designed average daily production capacity of 25.1 tonnes of molybdenum per day over the life of the mill. Based on the planned production capacities described above, the Toromocho Project has an estimated mine life of 32 years and an estimated production life of 36 years.

According to the technical report prepared by Behre Dolbear Asia Inc. dated November 2012 (the “Competent Person’s Report”) as disclosed in the Prospectus, the proved and probable JORC-compliant reserves of the Toromocho Project deposit are estimated to contain approximately 7.3 million tonnes of copper, 290,000 tonnes of molybdenum and 10,500 tonnes of silver.

The Toromocho Project consists of a total of 67 key mining concessions, with registered superficial land rights covering 6,702.8 hectares. Of these 67 key mining concessions, 66 are wholly-owned by members of the Group, whereas one of the mining concessions is owned by Sociedad Minera de Responsabilidad Limitada Juanita de Huancayo (“Juanita”), in which the Group holds a 50% equity interest. Chinalco Peru has signed a memorandum of understanding with Volcan Compañía Minera S.A. (“Volcan”) to acquire Volcan’s remaining 50% equity interest in Juanita. The acquisition is subject to the completion of certain local legal procedures, which are currently being carried out by Chinalco Peru and Volcan. Upon completion of the above acquisition, Juanita will become a wholly-owned subsidiary of the Company.

The Group currently plans to prioritize the mining of 58 mining concessions, as covered in the Mining Plan approved by means of a resolution of the General Bureau of Mining of the Ministry of Energy and Mines (“MEM”) dated 27 March 2013 (the “Mining Plan Permit”).

In respect of the infrastructure used for the Toromocho Project, the Morococha mining district is connected with Lima both by the approximately 142 km paved central highway and the 172 km railway that leads to the Callao port. The final products of the Toromocho Project, including copper concentrates and molybdenum oxide, and consumables used by the Toromocho Project, are transported via this railway. Chinalco Peru also invested in Transportadora Callao (“Transportadora Callao”) which is authorized to operate a dock specially used for concentrates transportation and there is a warehouse in Callao port operated by Cormin, in which the concentrates produced in the Toromocho Project are stored before the shipment. The demand of water for the operation of the Toromocho Project is fulfilled as the Kingsmill Tunnel Water Treatment Plant (“KTWTP”), with the maximum designed feed rate of approximately 5,000 cubic meters per hour, has been in operation since August 2010. The power consumption of the Toromocho Project is highly ensured by the Pomacocha Substation, which has been upgraded with 220 kilovolt (“kV”) double busbar and currently consists of three 220/23 kV power transformers.

## **Business Review and Key Updates**

The commissioning of the Toromocho Project commenced on 10 December 2013. As disclosed in the annual report of the Company for the year ended 31 December 2014, the Company evaluated that the expected time of commencing commercial production of the Toromocho Project would be the second quarter of 2015. The Company also estimated that the long term production of the Toromocho Project would not be materially affected by the previous changes of the expected time of commencing commercial production.

As announced by the Company on 17 June 2015, the Toromocho Project has commenced commercial production as from 17 June 2015, in line with its latest plan as disclosed in its annual report for the year ended 31 December 2014.

From January to June 2015, Toromocho Project achieved production of 332 thousand tonnes of copper concentrate with copper and silver content in concentrate reaching 82,413 tonnes and 2,432,971 ounces respectively. This was the unique product in the first half of 2015 for molybdenum flotation and hydrometallurgical plant has not started commissioning. The results of mining operation in the first half of 2015 were 43,705 thousand tonnes of mined material and 17,289 thousand tonnes of ore milled.

Based on the information currently known to the Company, the Company estimates that the Toromocho Project will produce 760 thousand tonnes to 780 thousand tonnes of copper concentrate with 190 thousand tonnes to 195 thousand tonnes of copper contained in the concentrate in 2015. After the comprehensive considerations in terms of grade of molybdenum in the ore and current market price of molybdenum, the Company does not expect to proceed with the commissioning of the molybdenum flotation and hydrometallurgical plant in the year 2015.

Set forth below are the highlights of the production for the six-month period ended 30 June 2015 and the corresponding annual estimations based on the Competent Person's Report:

<b>Production</b>	<b>Unit</b>	<b>For the six-month period ended 30 June 2015</b>	<b>Competent Person's Report (annually)</b>
Mined materials	'000 tonnes	43,705	99,003
Ore Milled	'000 tonnes	17,289	38,245
Copper in Concentrates	tonnes	82,413	190,498
Silver in Concentrates	ounces	2,432,971	6,394,316
<b>Production per unit cost</b>	<b>Unit</b>	<b>For the six-month period ended 30 June 2015</b>	<b>Competent Person's Report</b>
Per tonne of material moved	US\$	1.10	1.196
Per tonne of ores milled	US\$	5.03	5.28

Most of the copper concentrate produced by the Toromocho Project in the first half of 2015 contained arsenic exceeding 0.5% (the "arsenic issue"). Based on the information currently known to the Company, the arsenic issue was due to the delay in stripping resulted by the delay of electric power availability. The Company will take appropriate measures to reduce the impact of the arsenic issue. Notwithstanding the above, the Company estimates that the impact of arsenic issue will be mitigated in the next few years. All concentrates produced by Toromocho Project in the first 6 months of 2015 were



successfully sold to clients all over the world. In order to mitigate market risk, the Company partly hedged against the volatility of metal prices. The Company may consider conducting such hedging business based on the updated market condition in the future.

## **Expansion**

On 17 June 2013, the Company announced that the Board had approved the project expansion of the Toromocho Project (the “Project Expansion”) in order to optimize and increase the capacity of the Toromocho Project, subject to any amendments and finalisation of details and any shareholders’ approval as may be required under applicable law or the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”). The Project Expansion will be carried out at the Toromocho mine which forms the basis of the Toromocho Project. The total capital expenditure for the Project Expansion is expected to be approximately US\$1.32 billion. The Toromocho Project has commenced commercial production on 17 June 2015 and the Company will continue in its preparation of the Project Expansion.

## **Resettlement**

As of 30 June 2015, 94.2% of the families who were scheduled to be relocated from the old town of Morococha have moved to the new town of Morococha located in Carhuacoto. The Company endeavours to ensure that the whole resettlement process will be completed by the end of 2015.

## **Ancillary projects**

The commissioning of Kingsmill water supply system finished at the end of 2013 and currently the Kingsmill Tunnel Water Treatment Plant is in normal operation.

On 15 October 2013, the construction of the 220 kV power supply system was completed successfully. So far the power supply system has been operating satisfactorily up to the designated requirements.

Towards the end of 2014, when campaigns for regional and local elections were held, protests and social unrest occurred in the area where the lime plant of the Toromocho Project is constructed. The construction of the lime plant project is influenced and the finishing of the project has been delayed. In order to secure an uninterrupted supply of lime for the operations, Chinalco Peru has entered into certain two-year lime purchase contracts. Following the completion of the regional and municipal elections, Chinalco Peru has communicated with the local communities to promote the lime plant project development. The Company and Chinalco Peru will continue with the construction of the lime plant when appropriate.

The dock in Callao port, which is exclusively used for the mineral concentrates transportation, has a processing capacity of approximately 3 million tonnes per year. The commissioning of the system of Callao port has been completed in 2014 and this system started to operate at the end of June 2014.

## **Market Review**

It was a volatile first half of 2015 for commodity prices. After falling to a low level in February 2015, copper prices rallied but after peaking at highs of US\$6,295/tonne towards the end of March 2015, prices have since shed these prior gains. Copper pulled back strongly from the January-to-May 2015 rally, with three-month prices retreating from the year high of US\$6,480/tonne in early May, falling back to a low of US\$5,642.50/tonne by mid June 2015, before trading back above US\$5,760/tonne as the month drew to a close. In August 2015, copper prices continued to fall, dropping to US\$4,885/tonne.

During the second quarter of 2015, aggressive bidding by traders for clean concentrates indicated that very little of the spot tonnages being offered are available for smelters. However, blended concentrates are more readily in the available and Chinese smelters are increasingly taking packages comprised of blended and clean material.

Some mines have been suffering from disruptions caused by labor strikes or issues related to export permit, resulting in the decrease of production output and export volume. The shrink of supply led to the tightening concentrate market and the treatment and refining charges for processing copper concentrate have been slipping since the second quarter of 2015.

The outlook on the demand side is not yet promising. Slow-down of China's economy has encumbered the growth of demand for copper. Nevertheless, if certain stimulus policies are to be announced by the Chinese government, it may show a positive sign to improve copper demand in the second half of 2015.

## **Financial Review**

### *Revenue and cost of sales*

The Group announced the commencement of the commissioning of Toromocho Project in December 2013, and the Group has commenced commercial production in June 2015. Therefore, revenue has been generated and cost of sales has been recorded from June 2015 onwards. For the six-month period ended 30 June 2015, the total sales of copper concentrates were US\$81.3 million and the cost of sales was US\$46.2 million.

### *General and Administrative expenses*

The Group's general and administrative expenses were approximately US\$11.5 million for the six-month period ended 30 June 2015, as compared to approximately US\$8.8 million for the six months ended 30 June 2014. The increase was primarily due to the fact that the expense incurred in 2014 and the beginning of 2015 was mostly capitalized during the commissioning period, but such expense incurred in June 2015 was entirely included in the profit or loss due to the commencement of commercial production.

### *Finance cost, net*

The Group's net finance cost increased by approximately US\$15.3 million, from approximately US\$1.1 million for the six months ended 30 June 2014 to approximately US\$16.4 million for the six months ended 30 June 2015, primarily due to the increase of foreign exchange loss (2015: loss of US\$7.8 million; 2014: gain of US\$0.19 million) and the increase of finance expenses (2015: US\$8.8 million; 2014: US\$1.7 million).

### *Profit/(loss) before income tax*

The Group has turned from loss-making to profit-making because the Toromocho Project has commenced commercial production in June 2015. The Group's profit before income tax increased from approximately US\$12.5 million (loss) for the six months ended 30 June 2014 to approximately US\$9.4 million (profit) for the six months ended 30 June 2015.

### *Income tax benefit*

The Group's income tax benefit decreased from approximately US\$6.4 million for the six months ended 30 June 2014 to approximately US\$2.8 million for the six months ended 30 June 2015. The decrease was primarily due to the decrease of tax benefit calculated at the tax rates applicable to losses (2015: US\$3 million (negative); 2014: US\$4 million), and the increase of benefit from recognized tax loss (unrecognized) (2015: US\$7.8 million; 2014: US\$3.7 million).

### *Profit/(loss) attributable to the equity holders of the Company*

As a result of the foregoing, the profit attributable to the equity holders of the Company increased from approximately US\$6.1 million (loss) for the six months ended 30 June 2014 to approximately US\$12.2 million (profit) for the six months ended 30 June 2015.

### *Liquidity and Financial resources*

The principal sources of cash of the Group have been borrowings from banks including the following:

- US\$2 billion facility and US\$419 million credit facility from the Export-Import Bank of China (December 2010 and March 2013).
- US\$83 million, US\$35 million, US\$12 million, US\$9 million and US\$118 million credit facilities from China Development Bank (September and December 2012, June and November 2013 and May 2014).
- US\$200 million one year term loan facility from the Banco Bilbao Vizcaya Argentaria ("BBVA") (December 2014).
- US\$120 million short term loan facility from Standard Chartered Bank (Taiwan) Limited (December 2014).

The borrowings from the banks mentioned above all carry interest at floating rate. As of 30 June 2015, the Group had cash and cash equivalents of approximately US\$100.8 million. The Group uses bank and cash balances to finance working capital and part of its capital expenditure for its continuing growth and expansion plans. The Group determines the appropriate amount of cash to maintain on-hand by forecasting the Group's future working capital and capital expenditure needs. The Group also aims to maintain a certain level of extra cash to meet unexpected circumstances and to use in relation to business expansion opportunities as they arise.

#### *Operating activities*

Net cash generated in operating activities for the six months ended 30 June 2015 was approximately US\$16.6 million, which was primarily attributable to the profit before income tax, the increase of depreciation and amortization, and the decrease in working capital. The Group announced the commencement of the commercial production of the Toromocho Project in June 2015, and it had strengthened the capacity of the Toromocho Project compared to the same during commissioning period of 2014. Hence, the net cash flows generated from operating activities were positive.

#### *Investing activities*

Net cash used in investing activities for the six months ended 30 June 2015 was approximately US\$243.8 million. It was primarily attributable to the Group's purchases of property, plant and equipment of approximately US\$208.4 million, which the Group used for construction activities and purchase of fixed assets.

#### *Financing Activities*

Net cash generated from financing activities for the six months ended 30 June 2015 was approximately US\$253.9 million, which mainly consisted of the proceeds from the Group's loans with the Company's immediate holding company (US\$790 million), and Banco de Credito del Peru (US\$40 million), and the repayment of the loan with Standard Chartered Bank (US\$200 million), the Company's immediate holding company (US\$130 million), BBVA (US\$90 million) and Banco de Credito del Peru (US\$30 million).

## Capital expenditure

The total capital and operating expenditure for the development of the Toromocho Project and the Project Expansion estimated and incurred as of 30 June 2015 are as follows:

- (a) Set forth below is the Company's estimated total capital expenditure of the Toromocho Project based on the Competent Person's Report and the expenditure incurred as of 30 June 2015:

	<b>Competent Person's Report</b> <i>(US\$ in millions)</i>	<b>Costs incurred as of 30 June 2015</b> <i>(US\$ in millions)</i>
<b>Current Project</b>		
Mining	303.50	301.09
Process Plant and Infrastructure	1,871.90	2,033.91
Owner's Cost and Working Capital	704.20	748.73
Additional Projects	<u>622.60</u>	<u>533.50</u>
<b>Total</b>	<u><u>3,502.20</u></u>	<u><u>3,617.23</u></u>

### Notes:

- (i) The capital expenditure of process plant and infrastructure ran over the estimation, which was due to the delay of electricity power supply and the delay of completion of the construction of the Moly Hydromet Plant. Up to now, the Moly Hydromet Plant is still under commissioning.
- (ii) Owner's cost and working capital consisted of costs associated with force majeure events, project insurance, social outreach, contract services, licenses and royalties, financial costs, taxes, exchange rate fluctuations, commissioning and pre-operational costs and acquisitions of property.
- (iii) Additional projects consisted of the costs incurred in relation to the lime processing plant, Kingsmill Tunnel water treatment plant, double circuit overhead transmission line, central highway relocation, investment in the Callao port, acquisition of certain mining concessions from Pan American Silver with the relevant financing interest, new town construction and resettlement. So far the lime plant is still in construction and the capital investment was US\$5.4 million for the six months as of 30 June 2015. The central highway relocation is pending the Peruvian government approval to start, and the acquisition of concessions from Pan American Silver has not been completed.
- (iv) The total capital expenditure did not include the operating income and expenses during the commissioning period.

- (b) Set forth below is the Company's estimated total capital expenditure based on the Feasibility Study Report and the expenditure incurred for the Project Expansion as of 30 June 2015:

	<b>Feasibility Study Report</b> <i>(US\$ in millions)</i>	<b>Costs incurred as of 30 June 2015</b> <i>(US\$ in millions)</i>
<b>Project Expansion</b>		
Mining	115.19	20.54
Process Plant and Infrastructure	1,061.18	416.85
Owner's Cost	<u>142.33</u>	<u>4.88</u>
<b>Total</b>	<u><u>1,318.70</u></u>	<u><u>442.27</u></u>

- (c) Other than the capital expenditure described above, there was an amount of US\$54.9 million sustaining capital expenditure incurred for the six months ended 30 June 2015, of which the accumulated amount was US\$168.1 million as of 30 June 2015, which was mainly the expense for the sustaining construction of the tailing dam and mine drainage system and the procurement of railway wagons for the transportation of copper concentrate.

*Capital structure*

During the six months ended 30 June 2015, the Group's funding primarily came from bank loans and borrowings from immediate holding company of the Company.

### *Gearing ratio*

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. The gearing ratio of the Group as of 30 June 2015 is as follows:

	<b>As at 30 June 2015 US\$'000</b>	As at 31 December 2014 US\$'000
Total borrowings	<b>3,971,569</b>	3,704,428
Less: cash and cash equivalents	<u><b>(100,835)</b></u>	<u>(75,173)</u>
Net debt	<b>3,870,734</b>	3,629,255
Total equity	<u><b>706,403</b></u>	<u>701,546</u>
Total capital	<u><b>4,577,137</b></u>	<u>4,330,801</u>
Gearing ratio	<u><b>85%</b></u>	<u>84%</u>

The increase in the gearing ratio during the six months ended 30 June 2015 resulted primarily from the increase of the Group's borrowings and loans in recent months, which was mainly due to the funding for the development of the commercial production of the Toromocho Project.

### *Employee and remuneration policy*

As of 30 June 2015, the Group had 1,561 employees in total.

The Group's remuneration policy is designed to attract, retain and motivate highly talented individuals, to ensure the capability of the Group's workforce to carry out the business strategy of the Company and to maximize shareholder wealth creation.

Benefit schemes are maintained for employees as required by the laws in Peru and China.

Moreover, under Peruvian labour law, our Peruvian subsidiaries with more than 20 employees are required to distribute 8% of their profits generated in any year among their employees.

In addition, the Group has proposed to adopt an equity incentive plan designed to attract, retain and incentivize senior management and key employees with a view to encouraging the participants to commit to enhancing value for us and our shareholders, as a whole.

### *Foreign Exchange Risk*

The Group mainly operates in Peru with most of its transactions, which are mainly related to the acquisition of services and loans received from related parties, denominated and settled in US dollars.

Accordingly, the Group is exposed to foreign exchange risk that may arise from fluctuations in the New Peruvian Soles to US dollar exchange rate. The New Peruvian Soles is currently in its devaluation trend and the Group maintains a net asset position expressed in New Peruvian Soles that probably have a negative impact upon the Group's financial condition and results of operation. The Group has not yet used any financial instrument to hedge its foreign exchange risk during the six months ended 30 June 2015, but the management is working on appropriate solutions to reduce the possible impact.

#### *Contingent liabilities*

The Group has contingent liabilities in respect of legal claims and administrative procedures arising in the ordinary course of business. However, the Group believes it has made adequate provision for these contingent liabilities, and it is not anticipated that any material liabilities will arise from the contingent liabilities other than those provided for. For the six months ended 30 June 2015, there was no additional provision made by the Group in respect of legal claims.

#### *Off-balance sheet arrangement*

The Group has not entered into, nor does it expect to enter into, any off-balance sheet arrangements. The Group also has not entered into any financial guarantees or other commitments to guarantee the payment obligations of third parties. In addition, the Group has not entered into any derivative contracts that are indexed to its equity interests and classified as owners' equity.

Furthermore, the Group does not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. The Group does not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to it or that engages in leasing, hedging or research and development services with it.

#### *Event after balance sheet date*

Saved as disclosed in Note 2 to the interim condensed consolidated financial statements, no other reportable events or transactions took place after 30 June 2015.

#### *Prospect*

The Company will continue its endeavours with improving the operation of the Toromocho Project to promote stable commercial production, as well as the steady implementation of the Project Expansion.

Acting as the core platform of Chinalco for future acquisition, investment, development and operation of non-ferrous and non-aluminum mineral resources and projects outside China, the Company will continue to search for strategic opportunities in the global market.



## **USE OF NET PROCEEDS FROM LISTING**

The net proceeds from the Listing (the “Proceeds”) (including those shares issued pursuant to the partial exercise of the over-allotment option), after deducting underwriting fees and related expenses, amounted to approximately US\$394 million, which sum was originally intended to be applied in the manner disclosed in the Prospectus. As disclosed in the Prospectus, the Company intended to use approximately 30% of the Proceeds to pursue selective acquisitions of suitable non-ferrous and non-aluminum mining projects and development of such acquired projects. In light of the Company’s decision to implement the Project Expansion (subject to any amendments and finalization of the details and the availability of funds) and due to the fact that there was no suitable acquisition that the Board had decided upon, the Board resolved on 17 June 2013 to re-allocate the above 30% of the Proceeds from the initial intended use for the acquisitions of suitable non-ferrous and non-aluminum mining projects to the Project Expansion. Details of the change in use of the Proceeds are set out in the Company’s announcement dated 17 June 2013. Except for the re-allocation of 30% of the Proceeds as described above, there were no other changes to the intended use of Proceeds as disclosed in the Prospectus.

As at the date of this announcement, part of the Proceeds have been applied as follows:

- (i) the Company repaid US\$103 million of the borrowings from Aluminum Corporation of China Overseas Holdings Limited on 28 February 2013;
- (ii) the Group had disbursed approximately US\$120 million for the development of the Toromocho Project;
- (iii) the Group has disbursed approximately US\$120 million for the expansion of the Toromocho Project; and
- (iv) approximately US\$40 million has been used for supporting the Group’s working capital requirement.

## **INTERIM DIVIDEND**

The Board does not recommend any interim dividend for the six-month period ended 30 June 2015.

## **COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability. Except as disclosed below, for the six-month period ended 30 June 2015, the Company has complied with the code provisions of the Corporate Governance Code and Corporate Governance Report (the “CG Code”) contained in Appendix 14 to the Listing Rules.

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive of the Company should be performed by separate individuals, but due to Dr. Zhang Chengzhong's background, qualifications and experience at the Company, he was considered the most suitable person to take both roles in the current circumstances. The Board was of the view that it is appropriate and in the best interests of the Company that Dr. Zhang Chengzhong holds both positions at the current stage, as it helps to maintain the continuity of the policies and the stability and efficiency of the operations of the Company. The Board also meets regularly on a quarterly basis to review the operations of the Company led by Dr. Zhang Chengzhong. Accordingly, the Board believes that this arrangement will not impact on the balance of power and authorisations between the Board and the management of the Company.

Under code provision E.1.3 of the CG Code, the Company should arrange for notice to shareholders to be sent for its annual general meeting at least 20 clear business days before the meeting. As additional time was required for the vetting process for the circular for the 2015 annual general meeting of the Company ("2015 AGM") (which includes, among other things, the proposal for the approval of the copper concentrates sales agreement with Yunnan Copper Corporation Ltd. as a connected transaction), the notice for convening the 2015 AGM (the "AGM Notice") and the relevant circular to the Company's shareholders were despatched on 27 May 2015 and the 2015 AGM was held on 18 June 2015. While the AGM Notice was sent to shareholders of the Company less than 20 clear business days before the 2015 AGM, the Company complied with the required notice period for its annual general meetings stipulated in its articles of association.

## **COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. The Company has made specific enquiry to all Directors, and all Directors have confirmed that, for the six months period ended 30 June 2015, they were in compliance with the required standard as set out in the Model Code.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

There was no purchase, sale or redemption of any listed securities of the Company by the Company or any of its subsidiaries during the six months period ended 30 June 2015.

## **AUDIT COMMITTEE**

The audit committee of the Company (the "Audit Committee") has reviewed together with management the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2015. The Audit Committee has also reviewed the effectiveness of the financial control, internal control and risk management systems of the Company.

The interim results of the Group for the six months ended 30 June 2015 are unaudited, but have been reviewed by Ernst & Young in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

**PUBLICATION OF THE INTERIM RESULTS AND 2015 INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY**

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.chinalco-cmc.com), and the 2015 interim report containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

By order of the Board  
**Chinalco Mining Corporation International**  
**Zhang Chengzhong**  
*Chairman*

Beijing, the PRC, 26 August 2015

*As at the date of this announcement, the Company's executive directors are Dr. Zhang Chengzhong, Mr. Huang Shanfu and Mr. Jin Yanbing, the Company's non-executive directors are Mr. Luan Shuwei, Dr. Liu Hongjun and Dr. Wang Dongbo and the Company's independent non-executive directors are Mr. Scott McKee Hand, Mr. Ronald Ashley Hall, Mr. Lai Yat Kwong Fred and Mr. Francisco Augusto Baertl Montori.*