

**Ollachea Project
Prefeasibility Study
Executive Summary
July 2011**

IMPORTANT NOTICE

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1.0 EXECUTIVE SUMMARY

The Ollachea Property is located in the Puno Region of southern Peru. Minera Kuri Kullu S.A. (MKK), a wholly owned subsidiary of Minera IRL S.A., currently owns the Property and retained AMEC Peru S.A. (AMEC) and Coffey Mining Pty Ltd (Coffey Mining) to conduct a Pre-feasibility study of the viability of mining the deposit from underground and processing ore in a 3,000 t/d facility on the property to produce gold doré.

1.1 Geology and Mineral Resources

The Ollachea gold deposit is an orogenic or mesothermal-style gold deposit hosted in Devonian aged carbonaceous metasediments on the eastern flank of the Cordillera Oriental of the Peruvian Andes. Gold mineralization is contained within seven discrete west striking, north dipping structures below Minapampa and Minapampa East on the north side of the Oscoco Cachi River, a narrow creek, and approximately 1,000 m west of the town of Ollachea.

Gold mineralization occurs in carbonaceous sediments cut by quartz-carbonate-sulphide veins and veinlets within a shear zone. Metasediments in the shear zone are characterized by well-developed slaty cleavage. Mineralized quartz and quartz-carbonate veins and veinlets occur within the slate in the shear zone and are broadly concordant to the slaty cleavage (Figure 1-1).

Alteration of the metasediments, slates and phyllites is weak. Mild sericitization is observed in the area but has no correlation with gold mineralization.

Gold mineralization is associated with the sulphide assemblage consisting of pyrrhotite with minor pyrite, arsenopyrite and chalcopyrite. Coarse crystalline arsenopyrite and free gold are frequently observed in close association to one another within the central Minapampa zone.

In modern times the Ollachea deposit has been explored at since the late 1990's. The current database which makes up the Indicated Resource at Minapampa and Minapampa East consists of 120 diamond drill holes totaling 46,404 m in length. Samples were prepared and analyzed at CIMM Laboratories in Juliaca and Lima with blanks, standard reference materials, pulp duplicates, coarse crush reject duplicates check assays and core twin samples to establish assaying accuracy and precision. QAQC procedures consistent with industry best practices have been followed and verified by independent auditors. Drilling, sampling, sample chain of custody, preparation and assaying of samples in the Mineral Resource Database are reasonable to support the estimation of Indicated and Inferred Mineral Resources.

been estimated by Doug Corley, MAIG, of Coffey Mining, Perth, Qualified Person under National Instrument 43-101 and has an Effective Date 31 May, 2011 (Table 1-1). These Mineral Resources replace the Mineral Resources reported in Coffey (2011) and are inclusive of the Mineral Reserves reported in Section 1.2

Mineral Resources have reasonable prospects for economic extraction considering underground mining and processing with standard crushing, milling, gravity, carbon in leach technology and assuming a gold price of US\$1,100 and a cut -off grade of 2.0 g/t Au.

Important exploration targets on the Property include the Concurayoc Zone, westward along strike from the Minapampa Zone, the eastern extension of Minapampa East, beyond where drilling from surface is impractical for topographic reasons, and the down-dip extension of the Minapampa and Minapampa East Zones.

Table 1-1: Mineral Resources for the Ollachea Project with Effective Date 31 May, 2011

Mineral Resources above a 2.0 g/t Au Cut-off Grade	Tonnage (Mt)	Au Grade (g/t)	Au (Moz)
Minapampa Zone			
Indicated	9.3	4.0	1.2
Inferred	2.4	3.0	0.2
Minapampa East Zone			
Indicated	1.4	3.9	0.2
Inferred	0.9	3.0	0.1
Total Mineral Resources			
Indicated	10.7	4.0	1.4
Inferred	3.3	3.0	0.3

Note: Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability.

1.2 Mining and Mineral Reserves

The Ollachea deposit will be mined from underground using sub-level open stoping. Backfill will consist of pastefill and waste rock, with pastefill used to fill approximately 80% of the mining void. In general, stopes will be mined with transverse accesses in wider zones and longitudinal access in zones of less than 7 m width. The minimum horizontal mining width is 2.6 m, including dilution.

Major mine development will be accessed via an access adit which will be completed as an exploration adit prior to project commitment and is not considered as part of the scope of facilities of the Pre-feasibility study. This will be followed by ramp

developments, ventilation raises, level accesses and haulage drifts on 15 m levels both above and below the main access adit.

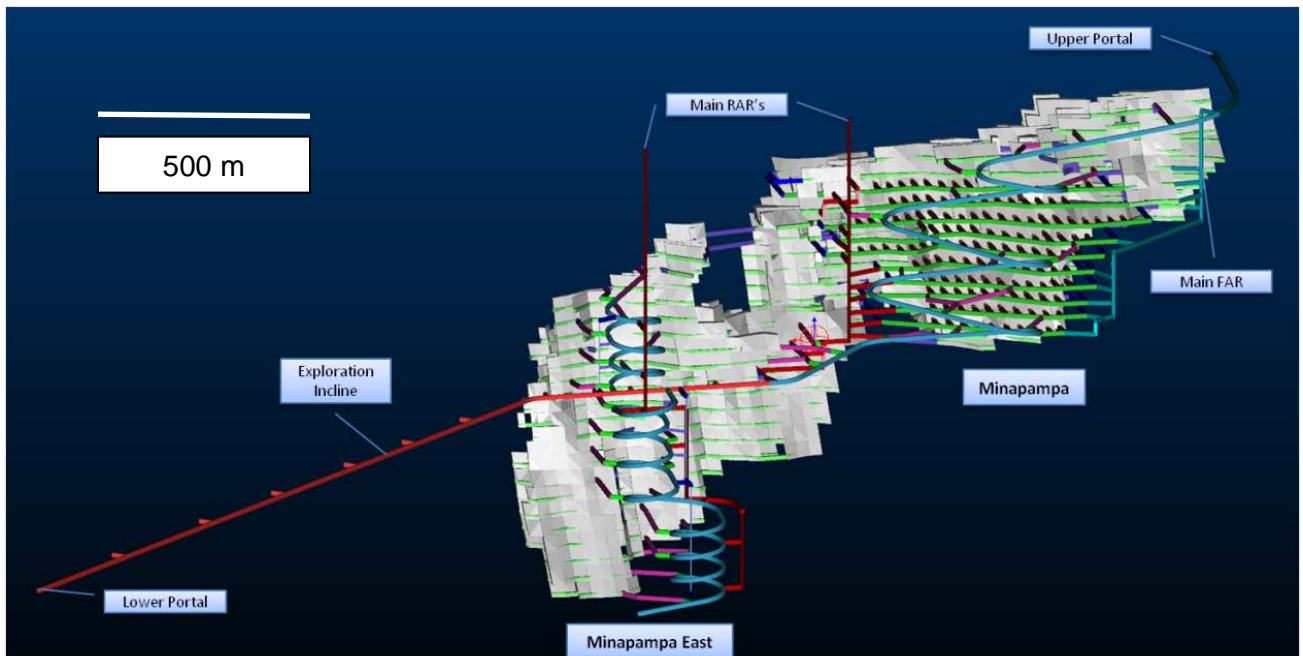
A cut-off grade (COG) of 2.0 g/t Au was used for the Pre-feasibility study mine design. Considering the operating costs, gold recovery, gold price and selling costs developed in the Pre-feasibility study, the 2.0 g/t Au cut off is approximately 15% higher than the estimated break-even grade for Ollachea.

The Ollachea Pre-feasibility study Mine development schedule consists of:

- Decline development – 5,166 m
- Level development – 6,548 m
- Vertical development – 1,405 m
- Operating development – 46,224 m

An isometric view of the mine development (red, blue and green) and stopes (grey) is shown in Figure 1-3.

Figure 1-2: Isometric Mine Layout Looking South



The Pre-feasibility study mine production schedule is based on mining Indicated Mineral Resources and totals 9.5 Mt at an average grade of 3.6 g/t Au to give 1.1 Moz of contained gold. The mine will produce approximately 1.1 Mt/a over a mine life of eight years with two production ramp-up and one ramp-down year (Table 1-2).

Table 1-2: Ollachea PFS Mine Production Plan

	Unit	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	LOM
Mine Production													
Mine Production	kt	57	332	945	1,101	1,098	1,096	1,102	1,095	1,100	1,098	453	9,477
Contained Gold	koz	6	39	102	128	132	132	146	135	132	116	44	1,112
Grade	g/t	3.2	3.7	3.4	3.6	3.7	3.8	4.1	3.8	3.7	3.3	3.1	3.7

Probable Mineral Reserves totalling 9.5 Mt grading 3.6 g/t Au and containing 1.1 million ounces of gold are declared based on the results of this Pre-feasibility study and the application of appropriate mining factors, and taking in to account relevant processing, metallurgical, economic, marketing, legal, environmental, socio-economic and government factors. Mineral Reserves have an effective date of June 26, 2011. . Mineral Reserves have been reviewed by Qualified Person John Hearne (Manager WA), of Coffey Mining Perth, Independent Qualified Person under NI 43-101.

The interpretation of results from metallurgical testwork carried out in five campaigns has been used to guide process plant design. Testwork suggests that crushing and grinding of ore to P₈₀ of 75µm with gravity concentration and Carbon In Leach (CIL) treatment of the whole of the ore stream can be used to achieve gold recovery of over 90% from the Ollachea mineralization.

The flowsheet applied comprises three stages of crushing followed by overflow ball milling with the mill circuit closed with hydrocyclones. Hydrocyclone overflow is then leached for some 50 hours in a pure CIL circuit prior to cyanide detoxification by SO₂/air.

A gravity circuit employing a centrifugal concentrator treats a split of the hydrocyclone underflow, the concentrate from which is intensively leached. The circuit has been designed to accept up to 20% gravity recovery.

Use of CIL and blanking reagents are techniques employed to reduce the influences of preg-robbing minerals in the ore such that almost all of the leachable gold can, in fact, be recovered to the introduced activated carbon in the CIL. To ensure high activated carbon quality, the circuit includes acid washing and Anglo American Research Laboratories (AARL) elution followed by thermal carbon regeneration. Final doré production is achieved on-site by electrowinning the AARL eluate, and smelting.

Tailings will be thickened after cyanide detoxification using a high-rate thickener and filtered using press filters. The filter cake will be routed to a paste plant at the plant site to produce pastefill when backfill is required in the underground mine. When backfill is not required, the filter cake will be stacked on a load-out platform for reclaim and haulage to a dry-stack tailings storage facility.

Metallurgy and mineral process design has been supervised and reviewed by Mike Drozd of AMEC, Reno, Independent Qualified Person under NI 43-101.

1.3 Tailings Disposal Facility

AMEC completed a Pre-feasibility study design and cost estimate for a filtered tailings storage facility (TSF). The design includes a principal TSF located within 10 km of the process and filter plants, as well as a contingency TSF that would provide short term tailings storage near the plant. Filtered tailings will be transported by truck from the plant to the TSF via the Interoceanic Highway. Development of an approximately 1,000 m long off-highway haul road will be required at the principal TSF site.

The TSF includes a prepared foundation with an underdrain system, rock-fill toe buttress, surface water diversion channels and sedimentation and seepage collection ponds. Filtered tailings will be placed in two zones: (i) a formally compacted structural zone, and (ii) a nominally compacted zone for “off-spec” tailings (tailings that do not meet the moisture requirements). Overall tailings slopes of 2.5H:1V were demonstrated analytically to have acceptable safety factors for stability based on the available information. These slopes are also consistent with acceptable values from comparable sites that use filtered tailings.

1.4 Project Execution Schedule

Project milestones were defined based on goals set by MKK and the execution schedules of similar projects in Peru and other locations (Table 1-3). A project master schedule was built based on the milestones and the durations expected for major tasks (Figure 1-5). The Project’s critical path will move from completion of the PFS in July 2011 to execution of the feasibility study (FS) work plan and completion of the FS and EIA in August 2012, followed by approval of the EIA in March 2013. Construction is expected to take approximately five quarters allowing for plant commissioning starting in August 2014.

Table 1-3: Project Milestones

Milestone	Date
Conclusion of PFS	Jul-11
Commencement of Exploration Drift	Sep-11
Initiation of FS Field Work	Aug-11
Completion of FS and Project Commitment	Aug-12
Submission of EIA	Sep-12
Approval of EIA	March-13
First Ore Production	Aug-13
Steady-state Mine Production	Jun-15
Plant Commissioning	Aug-14

Figure 1-3: Level 1 Project Execution Schedule

Quarter	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015
Pre-committment Activities																			
Pre Feasibility Study			Jul-11																
Exploration Drift				Sep-11															
Environmental Base Line Field Work																			
Environmental Impact Study																			
Feasibility Study Field Investigation																			
Feasibility Study							Aug-12												
EPCM Tender and Award							Aug-12												
Project Commitment							Aug-12												
Pre-production Activities																			
Detailed Engineering																			
Submission and Approval of EIA							Sep-12		Mar-13	7 months									
Construction Contract Tendering and Award																			
Contractor Mobilization										Apr-13									
Construction Camp Constructon										Apr-13									
Major and Long Lead Time Procurement																			
General Procurement										Apr-13									
Pre-production Development																			
Construction of Auxiliary Buildings																			
Camp Site Preparation																			
Camp Construction																			
Tailings Site Acquisition																			
Tailings Site Preparation																			
Tailings Impoundment Construcion																			
Plant Site Earthworks																			
Plant Site Foundation Work																			
Plant Site Structural Work																			
Mechanical Installation																	Jul-14	16 months construction	
Life of Mine Activities																			
First Ore Production																			
Mine Ramp-up																			
Steady-state Mine Production																			
Plant Comissioning 40 kt																	Aug-14		
Plant at Capacity																			

1.5 Project Operating and Capital Costs

1.5.1 Operating Cost Estimates

The Project operating costs include fixed and variable costs for mine production, plant production, tailings management and general and administrative services for the operation. Operating costs were estimated based on labour and productivity data from current Peruvian mine operations including the Corihuarmi Mine operated by MKK's parent company Minera IRL S.A., from AMEC and Coffey Mining cost estimation databases, and quotations for major reagents and wear parts.

A life of mine staffing schedule was built and indicates that peak operating staffing will be 519 including 109 contract staff for the tailings storage facility, perimeter security and catering functions. As much as 30% of the workforce could be locally based with the remainder being based nationally. It is not expected that expatriates will be required for the long term operating team.

Mine operating costs average US\$18.48/t ore including backfill. Plant operating costs total US\$24.26/t ore processed (including tailings disposal) and G&A costs average US\$3.87/t ore. Total site operating costs are US\$46.35/t ore or US\$436/oz of gold (Table 1-4).

1.5.2 Capital Cost Estimates

AMEC prepared a Class 4 capital cost estimate with precision $\pm 25\%$ for the Pre-feasibility study. The capital cost estimate is based on:

- Capital cost estimates for the underground mine from Coffey Mining,
- Major equipment and material quotations along with recent construction contractor quotations,
- Material take offs (MTO) information from mechanical, civil and electrical engineering,
- Unit costs for earthworks, concrete works, structural steel fabrication and equipment installation were prepared from material costs, labour and construction equipment rates and productivities from the AMEC cost estimation database with input from MKK.

Capital costs include direct and indirect costs for the mine, process plant and infrastructure. Project direct capital costs total US\$113.8 M. The total indirect cost is US\$19.6 M and includes indirect mine costs, EPCM, temporary facilities, duties and freight. Owner's costs incurred in 2013 and 2014 are estimated to total US\$7.5 M. A 20% contingency is placed on direct and indirect capital costs for the mine, plant and surface infrastructure. Design growth allowances have been estimated and factored

from estimated costs of earthworks (15%), concrete works (10%), structural steel (5%) and process equipment (2%). The total contingency and design growth allowance for the project is US\$28.6 M.

Table 1-4: Consolidated Estimated Operating Costs

Consolidated Operating Costs		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	LOM
Mine Production																
Mine Production	kt			57	332	945	1,101	1,098	1,096	1,102	1,095	1,100	1,098	453		9,477
Mine Production Contained Gold	koz			6	39	102	128	132	132	146	135	132	116	44		1,112
Mine Production Grade	g/t			3.2	3.7	3.4	3.6	3.7	3.7	4.1	3.8	3.7	3.3	3.0		3.6
Stockpile Movement																
Stockpile (Closing)	kt			57	172	17	18	16	12	14	9	10	8	0		
Stockpile Contained Gold	koz			5.9	20.4	1.9	2.0	1.7	1.6	1.8	1.0	1.1	0.8	0.0		
Stockpile Grade	g/t			3.2	3.6	3.6	3.5	3.5	3.8	3.9	3.6	3.6	3.4	0.0		
Commissioning																
Commissioning Feed	kt				41											
Commissioning Contained Gold	koz				4.3											
Commissioning Head Grade	g/t				3.2											
Plant Production																
Plant Feed	kt				176	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	460		9,477
Plant Feed	koz				20	121	127	132	132	145	135	132	117	45		1,112
Plant Feed Head Gold Grade	g/t				3.6	3.4	3.6	3.7	3.7	4.1	3.8	3.7	3.3	3.1		3.65
Plant Operating Quarters					1	4	4	4	4	4	4	4	4	4		
Plant Avg. Operating Capacity	%				100	100	100	100	100	100	100	100	100	64		
Gold Production	koz				22	110	116	121	121	134	124	121	106	41		1,015
Consolidated Project Operating Costs																
Mine Operating Costs																
Mine Operating - Development Direct	US\$ M				4.8	9.3	8.5	7.5	5.1	5.6	5.5	3.7	2.2	0.0		147.2
Mine Operating - Production Direct	US\$ M				4.3	10.5	11.3	11.0	11.6	10.5	10.2	9.5	10.7	5.3		101.8
Mine Operating - Development Indirect	US\$ M				1.0	1.3	1.0	0.9	0.6	0.7	0.7	0.4	0.2	0.0		28.0
Mine Operating - Production Indirect	US\$ M				0.4	1.6	2.0	2.1	2.4	2.4	2.4	2.8	2.9	2.3		196.5
Total Mine Operating Costs	US\$ M				10.5	22.7	22.7	21.5	19.6	19.2	18.8	16.3	16.0	7.7	0	175.1
Plant Operating Costs																
Wear Parts	US\$ M				0.41	2.54	2.54	2.54	2.54	2.54	2.54	2.54	2.54	1.06		21.8
Reagents (Process Plant)	US\$ M				2.20	13.76	13.76	13.76	13.76	13.76	13.76	13.76	13.76	5.76		118.1
Consumables	US\$ M				0.03	0.18	0.18	0.18	0.18	0.18	0.18	0.18	0.18	0.07		1.5
Power (Average Demand)	US\$ M				0.57	2.32	2.32	2.32	2.32	2.32	2.32	2.32	2.32	1.16		20.3
Fuel - Diesel	US\$ M				0.04	0.99	0.99	0.99	0.99	0.99	0.99	0.99	0.99	0.21		8.2
Elution Circuit Thermal Oil (Heating Oil)	US\$ M				0.000	0.002	0.002	0.002	0.002	0.002	0.002	0.002	0.002	0.001		0.02
Assays And Quality Control	US\$ M				0.01	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.04		0.7
Others/Miscellaneous	US\$ M				0.01	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.02		0.3
Plant Mobile Fleet - Spares And Cons.	US\$ M				0.01	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.02		0.4
Maint Supplies Processing Plant	US\$ M				0.10	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.26		5.3
Maint. Supplies General	US\$ M				0.03	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.07		1.5
Plant Manpower	US\$ M				0.30	1.24	1.24	1.24	1.24	1.24	1.24	1.24	1.24	0.62		10.8
Contract Tailings Haulage and Placement	US\$ M				0.94	4.75	4.75	4.75	4.75	4.75	4.75	4.75	4.75	1.99		40.9
Total Plant Operating Cost	US\$ M				4.65	26.75	26.75	26.75	26.75	26.75	26.75	26.75	26.75	11.27	0	229.9
Unit General and Administrative Cost																
Unit G&A	US\$ M				1.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1	2.4	0.0	36.7
Total Operating Cost	US\$ M				16.2	53.6	53.6	52.4	50.5	50.1	49.7	47.2	46.9	21.4	0.0	441.7
Unit Operating Costs																
Mine Production Unit Cost	\$/t				59.88	20.62	20.66	19.56	17.84	17.49	17.11	14.85	14.53	16.67		18.48
Plant Production Cost	\$/t				26.40	24.32	24.32	24.32	24.32	24.32	24.32	24.32	24.32	24.50		24.26
G&A Cost	\$/t				6.03	3.77	3.77	3.77	3.77	3.77	3.77	3.77	3.77	5.26		3.87
Total Site Operating Cost	\$/t				92.30	48.71	48.75	47.65	45.93	45.58	45.20	42.94	42.62	46.42		46.61
Total Cash Operating Cost	\$/oz				724	488	461	434	418	375	401	391	443	525		436

Table 1-5: Life of Mine Capital Cost Summary

Consolidated Capital Costs		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	LOM
Mine Production													
Mine Production	kt	57	332	945	1,101	1,098	1,096	1,102	1,095	1,100	1,098	453	9,477
Mine Production Contained Gold	koz	6	39	102	128	132	132	146	135	132	116	44	1,112
Mine Production Grade	g/t	3.2	3.7	3.4	3.6	3.7	3.7	4.1	3.8	3.7	3.3	3.0	3.6
Stockpile Movement													
Stockpile (Closing)	kt	57	172.5	17.1	18.1	15.6	11.8	13.9	9.4	9.6	7.5	0.0	
Stockpile Contained Gold	koz	6	20.4	1.9	2.0	1.7	1.6	1.8	1.0	1.1	0.8	0.0	
Stockpile Grade	g/t	3.2	3.7	3.4	3.6	3.7	3.7	4.1	3.8	3.7	3.3	3.0	
Commissioning													
Commissioning Feed	Kt		41										
Commissioning Contained Gold	Koz		4										
Commissioning Head Grade	g/t		3.7										
Plant Production													
Plant Feed	Kt		176	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	460	9,477
Plant Feed	Koz		20	121	127	132	132	145	135	132	117	45	1,112
Plant Feed Head Gold Grade	g/t		3.7	4.7	5.7	6.7	7.7	8.7	9.7	10.7	11.7	12.7	12.7
Plant Operating Quarters			1	4	4	4	4	4	4	4	4	4	
Plant Avg. Operating Capacity	%		100	100	100	100	100	100	100	100	100	64	
Gold Production			0	0	0	0	0	0	0	0	0	0	2
Capital Cost Schedule													
Mining Equipment	US\$ M	16.6	10.4										27.1
Mining	US\$ M	14.6	9.3										23.9
Mining - Backfill & other	US\$ M	1.3	1.3										2.5
Site Development	US\$ M	0.9	0.9										1.8
Process Plant	US\$ M	22.4	22.4										44.9
Site Utilities	US\$ M	1.2	1.2										2.4
Ancillary Buildings	US\$ M	4.2	4.2										8.5
Tailings System	US\$ M	0.4	2.2										2.6
Indirect Costs	US\$ M	9.8	9.8										19.6
Indirect - Owners Costs	US\$ M	2.6	4.9										7.5
Design Growth Allowance		1.0	1.0										1.9
Contingency - Mining (excl. backfill)	US\$ M	6.2	3.9		-	-							10.2
Contingency - Directs/indirects (excl. Owners costs)	US\$ M	8.1	8.4										16.5
Sustaining Capital	US\$ M	-	6.3	7.7	4.2	5.5	5.3	6.0	4.7	3.5	3.9	0	47.0
Closure Cost											0	0	0
Total Pre-production capital cost	US\$ M	89.4	80.1										169.5
Total Sustaining Capital Cost	US\$ M	0.0	6.3	7.7	4.2	5.5	5.3	6.0	4.7	3.5	3.9	0.0	47.0
Total Capital Cost	US\$ M	89.4	86.4	7.7	4.2	5.5	5.3	6.0	4.7	3.5	3.9	0.0	216.5

1.6 Financial Analysis

A financial evaluation of the Project was undertaken using the discounted cash flow analysis approach. Cash flows were projected for life of mine (LOM), which includes construction, operation and closure phases. The cash inflows were based on projected revenues for the LOM. The projected cash outflows, such as capital costs, operating costs and taxes; were subtracted from the cash inflows to estimate the net cash flows (NCF). A financial model was constructed on a quarterly basis to estimate the NCF over the LOM. The NCF were summarized on an annual basis. The cash inflows and outflows are assumed to be in constant 2nd quarter 2011 US dollar basis.

The Project was evaluated on a project stand-alone, 100% equity-financed basis. The financial results, including Net Present Value (NPV) and Internal Rate of Return (IRR) do not take past expenditures into account; these were considered to be sunk costs. The financial results also exclude any expenditure between completion of the PFS and commencement of construction. The analysis was done on a forward-looking basis, with the exception of the sunk costs to date, which were taken into account for tax calculations.

The assumptions that form the basis of the inputs to the Model include metal prices, mining schedule, mining inventory, processing throughputs, realisation costs, operating costs, capital costs, royalties and taxation parameters.

The base case gold price used in the financial evaluation was US\$1,100/oz. The financial evaluation was also undertaken using a gold price of US\$1,500/oz to show the impact of a higher gold price.

The Model includes Peru Government Royalty, a Vendor Royalty, Credit & Debt tax, Income tax and Workers' Profit Participation. The Peruvian Taxation System IGV (sales tax) was assumed to be incurred on the initial project capital cost and to be recovered once in production. Once in production, IGV was excluded from the operating assumptions due to the activity of the Project. Since the Project involves export of goods, IGV is assumed to be immediately recoverable, consistent with Peruvian established practice.

A summary of the financial results is presented in Table 1-6.

A sensitivity analysis was performed on the Base Case NPV, using a 7% discount rate, and IRR (Figure 1-5 and Figure 1-6). Positive and negative variations up to 15% were applied independently to each parameter: gold price, capital cost, operating cost and gold grade). The results demonstrated that the project is most sensitive to variation in gold grade and gold price, and least sensitive to variation in capital cost.

Table 1-6: Summary of Ollachea Financial Results

Parameter	Unit	Base Gold Price US\$1,100/oz	Upside Gold Price US\$1,500/oz
Net Cash Flow before tax	US\$ M	419	808
NPV @ 5% real (before tax)	US\$ M	270	561
NPV @ 7% real (before tax)	US\$ M	226	486
NPV @ 10% real (before tax)	US\$ M	170	393
IRR (before tax)	%	28.1	46.5
Payback (before tax)	Years	3.1	1.9
Net Cash Flow (after tax)	US\$ M	280	531
NPV @ 5% real (after tax)	US\$ M	167	354
NPV @ 7% real (after tax)	US\$ M	133	301
NPV @ 10% real (after tax)	US\$ M	91	235
IRR (after tax)	%	20.5	34.1
Payback (after tax)	Years	3.8	2.5

Note:

1. NPVs as at commencement of construction.
2. NPVs are based on mid period discounting.
3. Before tax is before Workers' Participation Profit of 8% and Income Taxes of 30%.
4. Payback starts from the commencement of production.

Figure 1-4: NPV @ 7% Sensitivity Analysis

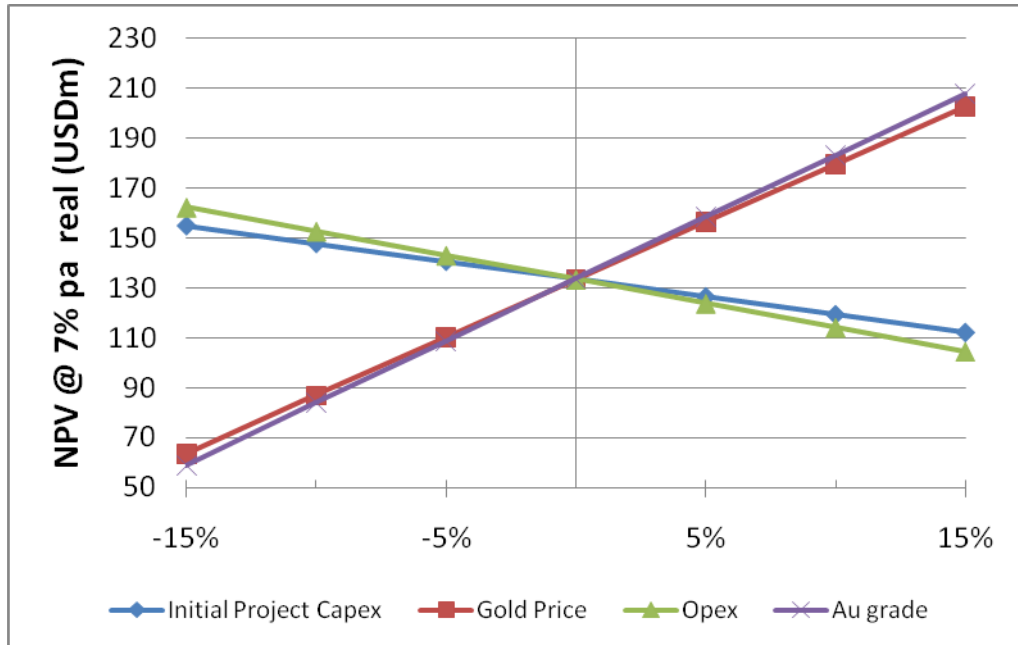
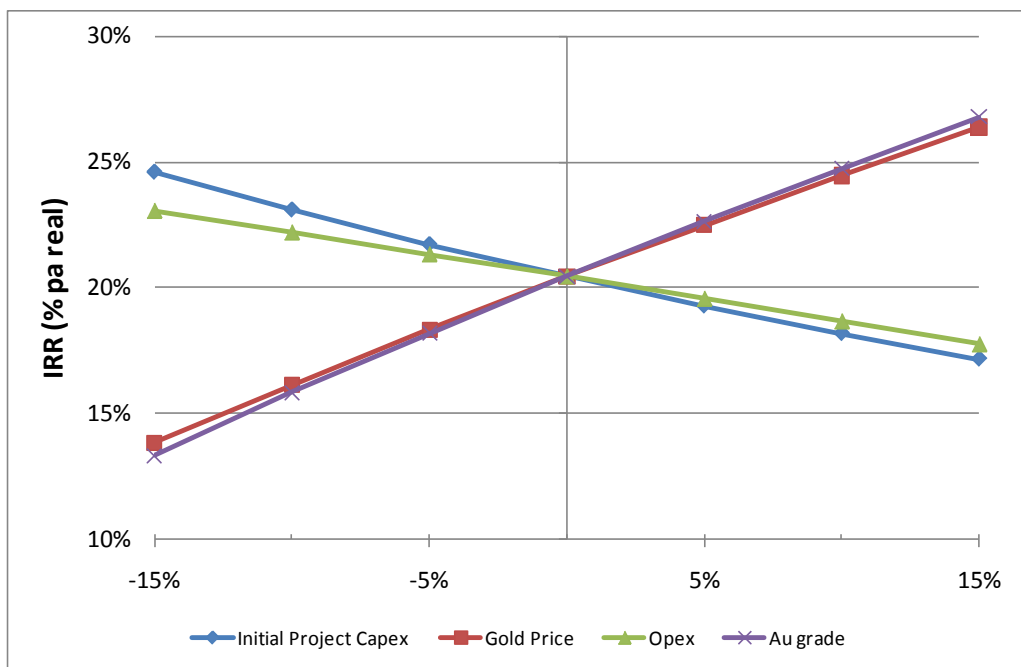


Figure 1-5: IRR Sensitivity Analysis



A summary of the analysis of the LOM average unit cost of production is provided below.

Table 1-7: LOM Unit Cost of Production per ounce of payable gold

Parameter	Unit	Cost
Mining	US\$/oz	173
Processing	US\$/oz	226
G&A	US\$/oz	37
Total Site Cash Operating Costs	US\$/oz	436
Realization Costs	US\$/oz	5
Royalties	US\$/oz	28
Total Cash Costs	US\$/oz	470

1.7 Conclusions and Recommendations

The PFS indicates that the Ollachea Project is a viable underground mining and mineral processing operation.

A Feasibility Study is recommended for the Ollachea Project.

The recommended work plan for the feasibility study beginning in August 2011 includes the following activities:

- Drilling to collect data and sample for geology ,geomechanical study, hydrogeology
- Drilling for geotechnical characterization of tailings and plant site locations,
- Drilling for metallurgical sample
- Additional in-fill drilling to improve confidence in the production plan, particularly during the payback period
- An updated Mineral Resource Model incorporating additional in-fill drilling data to improve confidence in the Mineral Resources
- An updated mine design and mine schedule incorporating new hydrogeological, and geomechanical data and backfill testwork
- Mineral Processing testwork program including process flowsheet optimization, pastefill, and tailings testwork
- Feasibility study including process design, engineering and capital and operating cost estimation and incorporating results of the geotechnical, hydrogeological, mine design and mine schedule, and metallurgical field investigations

1.8 Project Risks and Opportunities

1.8.1 Risks

High Water Inflow and Mine Drainage

Management of water inflow to the mine is a significant risk to the Ollachea Project identified in the Pre-feasibility study. Water inflow rate and quality has major repercussions to:

- **Permitting:** Changes to the flow rate of the Oscco Cachi River and the spring north of Minapampa due to mining will be a potential environmental and social impact of the Project.
- **Mining:** Water management and pumping may be a burden on the operation during peak inflow years and may also have an impact on operating costs and productivity in the mine.
- **Process Plant:** A water treatment facility to treat mine drainage will be required at the Plant site. The nature of the composition of mine drainage is not well understood at this stage of the Project and the technology required for water treatment will need to be defined during feasibility.

The risk of high water inflows and related environmental and social impacts can be mitigated by taking the following measures during the feasibility work program:

- Provision of a new water supply for the town of Ollachea westward and up the valley from Minapampa: MKK has already completed engineering on the water supply and it will be implemented before mining is scheduled to commence.
- Lining of the Oscco Cachi river bed to limit water inflow into the mine: Design of a lining system has been initiated by MKK.
- Hydrogeological study including installation of additional piezometers, incorporation of data from the exploration tunnel, additional hydrology baseline data, three dimensional structural geology modelling, numerical modelling of flow rates
- Evaluation of a grouting program to reduce water inflow to the mine including field testing in the exploration tunnel
- Optimization of mine design to avoid areas that may be susceptible to high inflows, and in pumping and water management design to ensure that the mine has the capacity to efficiently handle likely peak water flows
- Determination of minimum ecological flow for the Oscco Cachi River.
- Determination of potential water inflow composition and mine drainage considering pH, dissolved solids, suspended solids and other parameters necessary for water treatment plant design.

Leach Extraction

The use of the proposed flowsheet under the conditions typically experienced in such a circuit has shown repeatable recoveries over 90% for samples from along strike and down dip of the various ore lenses. Further work is required to explore variability of the ores and to quantify if any significant issues exist with regard to long term application of the proposed flowsheet.

Pastefill

Pastefill has been selected as the backfill technology for the Ollachea Project. Initial thickening, filtration and tailings characterization work indicate that plant tailings have granulometric, mineralogical and geochemical characteristics that are favourable for the production of filtered tailings and paste backfill. However, rheology, binder and strength test work are not yet complete. The viability of the proposed pastefill system has not been completely demonstrated in the following areas:

- Rheology for pumping requirements.
- Binder content requirement.
- Curing time for stope cycle considerations.
- Strength for mining secondary stopes against pastefill walls.

To mitigate the Project's risk due backfill considerations AMEC recommends:

- Finalizing the current pastefill testwork campaign.
- A trade-off study of paste plant and pumping configurations based on the results of the current pastefill testwork campaign.
- Additional tailings characterization and pastefill testwork based on mineralized composites and using larger volumes of sample to more precisely define strengths and slump rates for the paste.

Schedule

Approval of the Project's EIA is on the critical path of its execution schedule. The schedule considers 120 days for Ministry consideration of the study, 60 days for MKK to address the Ministry's observations as a result of the study review, and 30 days for the Ministry to reconsider the study and approve the Project. Complications in addressing the Ministry's observations or additional rounds of observations may cause a delay in Project Approval.

1.8.2 Opportunities

Exploration Potential

There is potential to add additional tonnage to the mine production plan by continuing to explore the Concurayoc Zone to the west of the Minapampa Zone. The potential to discover additional tonnage down-dip at Minapampa also exists as well as mineralization to the east of Minapampa East which will be drilled from underground. Significant exploration discoveries have the potential to add considerably to the mine life. If mine scheduling permits, the addition of one or more additional zones may also support plant expansion.

Gold Price

A gold price of US\$1,110/oz has been used for financial modelling for the Pre-feasibility study. On July 11th, the spot gold price was quoted at US\$1,521/oz which is approximately 40% higher than the price used for the study. To take advantage of record-high gold prices in the near term, the Project should be advanced through feasibility study in a rapid but orderly fashion.

Plant Design Optimization

During the completion of the Pre-feasibility study MKK identified a number of plant design optimizations that could be undertaken to save on plant capital cost. Future design work should attempt to capitalize on these comments to reduce the project capital cost.

Use of atypical but commercially applied flow sheets such as resins and minor elevation of temperature showed improved leaching behaviour in the laboratory. These techniques will be explored further as part of FS development.