

Rio Blanco in good hands

THE last few months have seen major developments at Monterrico Metals and its flagship project, the Rio Blanco copper-molybdenum deposit in northern Peru.

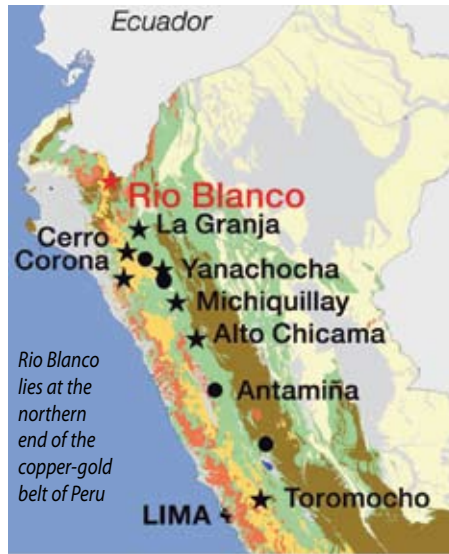
First, the detailed feasibility study (DFS) of Rio Blanco was completed on target at the end of 2006 with a summary of the results published in February 2007. The completion of the DFS marks an important milestone for the company as it converts what was only an exploration property in 2001 into what is today a world class resource with a feasible development plan.

Second, also in February 2007, Monterrico received a general offer from the Chinese, Xiamen Zijin Tongguan Investment Development Company Ltd (the Zijin Consortium) to acquire the entire shareholding of Monterrico for 350p/share. When the offer closed, on April 27, 2007, the Consortium had acquired 89.9% of Monterrico's shares. This is the first acquisition by the Chinese of a listed British company.

The Consortium has announced that it intends to maintain Monterrico's AIM-listing and also to place down about 20% of the shares it acquired to establish a free float of not less than 30% of Monterrico shares.

The Zijin Consortium consists of a partnership of three strategic Chinese companies: 45% Zijin Mining Group Co Ltd, 35% Tongling Nonferrous Metals Group Holdings Co Ltd and 20% Xiamen Construction and Development Co Ltd.

The takeover by the Zijin Consortium brings enormous benefits to Monterrico in the form of technical expertise and financial strength, at a critical time



• Principal mines ★ Significant prospects

when Monterrico begins the exciting transition from an exploration company to a major copper producer. As majority shareholder, the Consortium will provide Monterrico with its expertise in large scale mine development and operation, a market for the concentrate product, as well as the solid financial support needed for the development of Rio Blanco and its associated infrastructure.

Located in the lower Andes at the northern end of the Peruvian copper-gold belt, Rio Blanco's resources are currently estimated (at a 0.4% copper cut-off grade) at 1,257 Mt at 0.57% copper and 228 ppm molybdenum. This puts Rio Blanco amongst the largest undeveloped copper resources in the world today and there is good potential to expand these further by additional drilling.

According to the DFS, Rio Blanco will produce on average 191,000 t/y of copper and 2,180 t/y of molybdenum on average during the first five years of operation. At this rate of production, Rio Blanco would rank amongst the 20 largest copper mines in the world. Hatch has estimated the capital cost of the project as US\$1.44 billion (to an accuracy of -5%/+15%) and the operating cost to be US\$0.41/lb copper (net of by-product credits).

The new management is committed to bringing Rio Blanco into production in the shortest possible timeframe whilst maintaining the highest standards of environmental and social responsibility. In the two and a half months since taking control, the new board has focused on strengthening management both in London and Peru and reviewing all aspects of the Rio Blanco Project.

The company achieved a significant break-through in early August, when it announced that it had obtained ministerial resolution from the Government of Peru approving stability agreements with Monterrico's two subsidiary companies in Peru. These agreements are important as they provide formal registration of

THE TEAM



(L-R): Harry Cooper, Shan Shan (Susan) Li, Richard Ralph, Xiaodong Huang, Guobin Hu, Wenzhou Huang and Raymond Angus

RICHARD RALPH
Non-executive chairman
 Former British Ambassador to Peru (2003-2006).

XIAODONG HUANG
CEO
 Executive director and senior vice president of the Zijin Mining Group.

SHAN SHAN (SUSAN) LI
Finance director
 General manager of overseas development for Zijin Mining, with MBA from Canada.

GUOBIN HU
Technical director
 Mining engineer and general manager of Zijin Consortium.

RAYMOND ANGUS
Non-executive director
 Economic geologist and co-founder of the company.

WENZHOU HUANG
Non-executive director
 Executive director of Xiamen C&D Corp Ltd and Xiamen C&D Inc.

HARRY COOPER
Non-executive director
 Management accountant and fellow of CIMA.

RIO BLANCO: DFS PROJECT SUMMARY

| | |
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| Resources (JORC) | 1,257 Mt at 0.57% copper and 228 ppm molybdenum |
| Capital cost estimate | US\$1.44 billion |
| Project payback period | 4 years |
| Indicators for the first five years of operation: | |
| Operating costs | US\$0.41/lb copper produced (net of by-product credits) |
| Copper production | 191,000 t/y |
| Molybdenum production | 2,180 t/y |

The DFS considers an open pit operation treating 25 Mt/y of ore over an initial 20-year mine life and producing separate copper and molybdenum concentrates by conventional flotation. Metallurgical testing predicts the concentrates will be exceptionally clean with no deleterious elements and therefore will be highly prized.

Due to its remote location, the project will require 25 km of new road; upgrading 176 km of existing road; a 220 kV power line; and storage and loading facilities at the port of Bayovar on the Pacific Coast. The DFS recommended trucking the concentrates to the port in the early years to minimise initial capital costs. However, a study for a concentrate pipeline was also developed to full feasibility as an option for the future.

Map of Piura Province (Northern Peru) showing planned project infrastructure



the company's investment in Peru and guarantee that the tax and labour regimes will remain unchanged during their 10-year term. Other benefits include the free transferability of foreign currency, non-discrimination regarding exchange rates, and free trade of mineral products.

At the company's AGM last month, the chairman identified that the company's three immediate priorities were to:

- Complete the review of the DFS and optimise project design.
- Achieve widespread acceptance by the communities around the project area.
- Finalise the environmental and social impact assessment for submission to the Peruvian authorities.

The review of the DFS is being undertaken with a view to optimising the design, reducing overall capital costs, and ensuring environmental, social and operating efficiency. The concentrate pipeline option is under particular consideration. Whilst it is more capital intensive than the DFS plan to use road transportation, it is favoured by the new management as it carries significant advantages in environmental, social and operating terms.

The new management is particularly keen to emphasise its commitment to its social and environmental responsibilities and the desire to facilitate sustainable development in the area of influence of the Rio Blanco project.

There have been instances of social discontent and protests directed towards Monterrico and the mining industry throughout Peru. This has arisen principally due to widespread poverty in the rural areas where the mines are located, and the delay in transmitting national economic growth into local development. The management points out that no violent protest has been aimed at the company or at Rio Blanco since 2005 and social reaction to the project is now managed through dialogue and peaceful interaction.

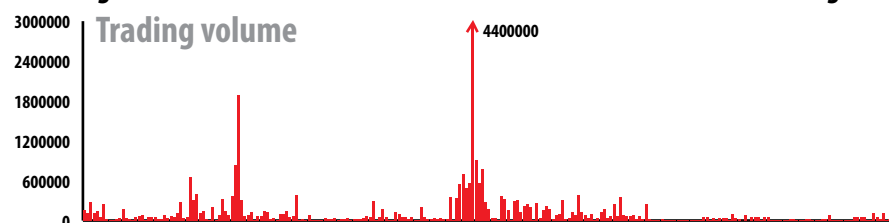
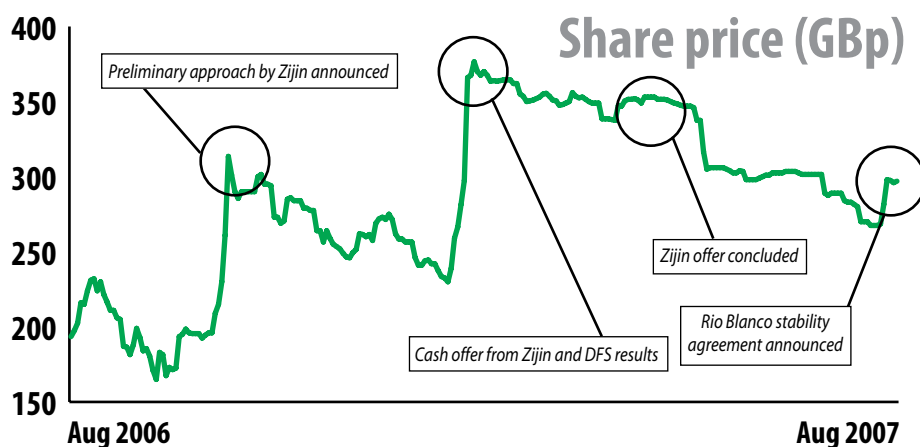
Monterrico has had an active social programme for several years. However, the new board is keen to develop this further and demonstrate its commitment to sustainable development of the region and achieve acceptance for the development of Rio Blanco. Accordingly in August, the company announced plans to establish two private funds for the benefit of the communities in the area of influence of the mine. This is a voluntary initiative by the new management to share the benefits of the Rio Blanco project and strengthen links with the local communities. The two funds will be met from a combination of seed funding from Monterrico and from a share of the profits of the mining operation, and are expected to reach a total value of US\$80m over the life of the project. These funds will be in addition to the communities' share of taxes and royalties from the mine remitted to them by the national and provincial governments, once Rio Blanco comes into production.

The last item of the Company's top three priorities is the completion of the environmental and social impact assessment (ESIA) which is being undertaken by Knight Piésold (Peru). The ESIA is an independent study required by law and in compliance with international standards to identify all the impacts of the project and to establish plans to manage each issue effectively.

After the ESIA is submitted to the government, it is expected that it will take about six to eight months for the project to be approved by the Peruvian authorities. It augurs well that the country's President, Dr Alan Garcia, stated publicly in 2006 that his government would actively promote foreign investment in mining and that he recognised the importance of the development of Rio Blanco.

However, there is no doubt the project will be scrutinised for its environmental and social acceptability. So, in order to facilitate a smooth approval process, management will ensure that all aspects of project design meet the highest international standards.

In conclusion, as a result of the takeover by the Zijin Consortium, Monterrico is now in a far stronger position to take forward the world-class Rio Blanco mining project. This project has the potential to create significant value for the shareholders of Monterrico and at the same time contribute substantially to the local community, the development of the economy of the northern region of Piura, and of Peru as a whole.



VITAL STATISTICS

Name: Monterrico Metals plc
Address: 10 Foster Lane, London EC2V 6HR
Tel: +44 (0) 207 776 2900
E-mail: info@monterrico.com
Website: www.monterrico.com

CONTACT

Chairman: Richard Ralph

SHARE INFORMATION

Listed: AIM
Ticker: MNA
Shares in issue: 26,306,068
Major shareholder: Zijin Consortium (89.9%)
Market cap: US\$157 million

ASSOCIATES

Nomad and broker: Ambrian Partners
Public relations: Parkgreen Communications
Solicitors: Lawrence Graham