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VIRGEN MARIA COPPER OXIDES DEPOSIT
Arequipa, Peru, September 2002

On behalf of S.M.R.L. Virgen Maria de Arequipa, a formal Peruvian mining company, we are pleased to inform you that the aforementioned company's partners are interested in selling 100% of their mining concession Virgen Maria of 943.71 ha, located about 100 km from the city of Arequipa in southern Peru.

More than 16,000 meters of DDH and RC drilling in the property has confirmed the existence of a porphyry open pit minable copper deposit with mineralization of copper oxides. Resources were estimated, depending on the cut-off grade used, between 26.2 million tons averaging 0.47% Cu and 307 million tons averaging 0.26% Cu. Potential additional tonnage and higher grades are expected to be found after a detailed evaluation of the deposit is completed.

Should your company be interested in this sale, we would appreciate your forwarding us a letter by e-mail or fax stating so. A duly signed copy of the enclosed Confidentiality Agreement should accompany your letter. Interested parties should later submit a Proposal indicating their economic terms. The owners have indicated their intention to close negotiations as soon as possible.

Arnaldo Leon y Asociados S. A. is a local consulting firm engaged in consulting and in mining investment promotion. In the present engagement we are acting as advisors to the owners.

STRATEGIC CONSIDERATIONS

Arequipa, Peru, September 2002

☞ **PROVEN RESOURCES**

Extensive exploration work including detailed mapping, sampling and more than 16,000 meters of diamond drilling and RC drilling confirmed the existence of a porphyry copper deposit containing oxide mineralization resources estimated between 26.2 million tons averaging 0.47% Cu and 307.0 million tons averaging 0.26% Cu. Additional potential tonnage and higher grades are expected to be found when additional work is completed.

Initial exploration was performed in 1994 by Teck Peru who drilled 5,800 m of DDHs. In 1996 Phelps Dodge reviewed work done by Teck. At that time legal problems related to the ownership of the property restrained further works. At present all legal disputes have been solved. In 1998 Rio Tinto extended prior studies and drilled additional 9,400 m of DDHs and 1,000 m RC.

☞ **LOCATION**

The concession is located 100 km south from the city of Arequipa (second largest city of Peru after Lima) and 60 km from the port of Matarani. It is strategically located about 85 km from the copper smelter operated by Southern Peru Copper Corporation at Ilo. This smelter represents a crucial potential supplier of sulfuric acid for a SX-EW operation. Coordinates of the property are the following: 8°11'17,400 N and 205,200 E. Altitude is about 800 m.a.s.l. The property is located in a typical desert zone of the Peruvian Coast.

☞ **INFRASTRUCTURE**

The property is close to small towns where modern infrastructure is available including housing, hospitals, schools and other facilities such as telephones, TV, etc. There is ample supply of energy in the region, the national power grid is about 45 km to the north east of the property,. Water is available in the vicinity.

☞ **TITLES**

All titles regarding the ownership of the property are in legal order. A group of strategically mining concession in the vicinity of the property were recently declared free for claiming by the National Mining Concessions Bureau (INACC). We have made arrangement with third parties to claim some of these concessions that are also for sale to the buyer of Virgen Maria concession.

☞ **LOW INVESTMENT AND OPERATING COSTS**

Due to the fact that the deposit was explored and drilled by well known mining companies, the existence for infrastructure in the area, easy access to the national power grid and the supply of acid for the operations, the capital expenditure and operation cost of the Virgen Maria project should be one of the lowest between present Peruvian copper oxides operations. No environmental damage or liabilities exist in the area.

CONFIDENTIALITY AGREEMENT

This Agreement dated as of September, 2002, by and between **S.M.R.L. Virgen Maria de Arequipa** (“Virgen Maria”), whose address is Av. Benavides 560, Apt. 401, Miraflores, Lima, Peru, and (the “Company”), whose address is

WITNESSES:

Virgen Maria owns or controls certain mining properties, described in the attached Annex 1 (“the Properties”) located in Cocachacra, Islay, Arequipa, Peru; and certain information concerning the properties, including: its geology, titles, and certain other data (the “Data”).

Virgen Maria considers the Data to be proprietary and confidential. The Company wishes to review the Data for the purpose of evaluating its possible interest in said Properties. In consideration of the mutual agreements herein made, the parties agree as follows:

1. Subject to the terms and conditions of this Agreement, the Company agrees to use all reasonable care to preserve the confidentiality of the Data.
2. The Company will not disclose the Data to any third party, except to its directors, employees, consultants, attorneys, and other third persons involved in reviewing and analyzing, the Data on the Company’s behalf.
3. The Company shall be under no obligation of this Agreement with respect to any Data which was in its possession prior to the time that it was disclosed to the Company by Virgen Maria or which is or becomes available to the general public.
4. For a period of one (1) year from the date of this Agreement, the Company agrees to recognize that 10% (ten percent) of any new mining concessions acquired within one (1) kilometer from the perimeter of the Properties, belongs to Virgen Maria.
5. Within thirty (30) days after completion of its review of the Data, and upon request by Virgen Maria, the Company will return all Data furnished to the Company.
6. All obligations under this Agreement shall terminate if a sales transaction related to the Properties is consummated and closed; otherwise, they will terminate one year after the date hereof.

In witness whereof, the parties hereto have executed this Agreement effective as of the of September, 2002.

The Company
Name:
Position:

S.M.R.L. Virgen Maria
Sr. Luis Lozada Tamayo
General Manager

ANNEX 1

THE PROPERTIES

S.M.R.L. Virgen Maria de Arequipa owns the Mining Concesion Virgen Maria with 943.7157 hectares, located in Cocachacra, Islay Province, Department of Arequipa, Peru, with the following characteristics:

<u>Name</u>	<u>Partida</u>	Registered at Registro Público de Minería Oficina Registral Regional de Arequipa Libro de Derechos Mineros:		
		<u>Asiento</u>	<u>Ficha</u>	<u>Date</u>
Virgen Maria	4198	010	003419	11/06/99

Coordinates:

<u>Vertices</u>	<u>North</u>	<u>East</u>
1	8'119,664.610	207,710.240
2	8'115,198.850	205,454.080
3	8'115,312.240	205,229.630
4	8'115,533.860	205,364.040
5	8'116,454.460	203,846.160
6	8'120,567.100	205,923.960