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## 13.0 OPERATING PLAN

GCM through its Guanaco project wants to position itself as a medium size producer of gold and silver.

The Guanaco mineral deposit presents special characteristics with respect to the mineralization. Veins containing gold mineralization are irregular and do not appear on the surface. Therefore, the drilling programs were defined using indirect methods such as geophysical and lineaments identified by satellite images. This means that the exploration programs are difficult to complete even though year by year the results obtained are good. Therefore, the growth of the mineral inventory of new resources is slow. Business success relies on continuous exploration and permanent presence in the district, in order to discover and prove the maximum number of ounces of gold possible.

GCM has developed its exploration and exploitation strategy taking these conditions into account and has defined a systematic operating plan that allows the preparation of an annual production plan of doré.

The goal of the operation is to work with the highest standards of safety and environmental protection, with cost controls that will allow continuous improvement in the business profile. Based on these principles of sustainable development the corporate key goals are:

- Maximize the benefits to the investors by successful management of the company activities.
- The use of continuous improvement tools in order to achieve excellence in all aspects of the business.
- Integration of financial, environmental, and social considerations within all management areas.

The company's growth strategy will be defined by the level of success of the exploration programs in the district, within GCM's property, and in areas adjacent to GCM's property that are currently being negotiated with third parties.

The combined operation of the mine and plant will provide GCM with comparative advantages from the operation of both underground and open pit mines, as well as from the processing of low grade material by heap leaching and of high grade material by agitation leaching.

In order to accomplish its targets GCM has incorporated into its organization a group of area managers with extensive experience in mining and processing of precious metals.

The organization is broken down into four areas; mine, process plant, geology, and administration. Safety and Environmental advisers report directly to the General Manager.

### 13.1 General Management

The General Manager will be responsible for the Guanaco operation. Area managers, the Manager of Industrial Safety, and the Environmental Coordinator will report to the General Manager.

The Key Performance Indicators (KPI) defined to evaluate the General Manager's performance are provided in Table 13.1-1.

**Table 13.1-1: General Manager's KPI's**

Variable	Unit
<b>Finance</b>	
Operating Cost	US\$
<b>Unit Costs</b>	
Cash Cost	US\$/t
Cash Cost	US\$/oz
Capital Cost	US\$
EBITDA	US\$

Table 13.1-2 shows the KPI's for safety and environmental protection.

**Table 13.1-2: Safety and Environmental KPI's**

Variable	Unit
<b>Safety</b>	
All Injuries	Qty
Fatality	Qty
LTIFR	Rate
LTI	Qty
NLTI	Qty
Severity Rate	Rate
Incidents	Qty
Equipment Accidents	Qty
<b>Environmental</b>	
Underground water	Qty
Surface Water	Qty
Discard of effluent	Qty
Air Quality Monitoring	%
Energy Consumption	MWh

Variable	Unit
Fuel Consumption	L
Generation of Solid Waste	kg
Class I: Industrial Hazardous Waste	kg
Class IIA: Domestic Waste	kg
Class IIB: Industrial Non-Hazardous Waste	kg

Environment: Administration of the environmental plans will be in charge of the Environmental Coordinator, who will monitor the fulfillment of the project environmental commitments. GCM activities, commitments and environmental plans are included in Section 10, Environmental.

Health and safety: Coordination of GCM safety will be in charge of the Head of industrial Safety, who will prepare the safety programs and plans. GCM currently has an Emergency Plan for the site, and a Contractor's Regulations Manual that establishes the safety requirements for the contractors for construction and operations. Safety procedures for the operations will be prepared by each area and included in the operational procedures.

## 13.2 Administration

The administration group will provide support to the operations in the following areas:

Purchasing: Will be in charge of the procurement of the supplies required for operations, including expediting, logistics, transport, and storage on site according to GCM procedures.

Contracts: Will establish the GCM contracting procedures and standards to be applied by the contract administrators in the operating areas. The group will provide support in the contract evaluation, negotiation, and administration and will manage the services contracts for catering, security, IT services, and other general supply and services contracts. Specific contracts for the operating areas will be managed by the area management.

Human Resources: Will be in charge of GCM's human resources administration procedures and standards. The group will manage the human resources and support the operating areas in the processes of hiring and personnel management. The payroll will be outsourced but relationship with the regulatory agencies and social security institutions will be in house. The Human Resources KPIs are provided in Table 13.2-1.

**Table 13.2-1: Human Resources KPIs**

Variable	Unit
GCM Personnel	Qty
Medical license	Qty
Manhours	h worked
Overtime	%
Turn-over	%
Absenteeism	%
Training Time	%
Contractor Personnel	Qty
Contractor Manhours	h worked

The Human Relations plan including direct labour costs and training are included in Section 9, Human Resources. Area specific organization and training details are included in Section 5 for Mining, Section 6 for Process, and Section 8 for Infrastructure areas.

Accounting and Finance: Will be in charge of accounting and commercial administration processes. The group will support the operating areas preparing payments to suppliers and contractors. The group will be responsible for banking, taxes, and regulatory agencies.

### 13.3 Mining

GCM will use conventional mining methods. The deposit will be mined by two contractors (one for the open pit and one for the underground mining) who will provide the equipment necessary for the drilling, blasting, loading and transportation of the ore and waste. The mining contract will be standard for the mining industry.

GCM will be responsible for safety, mine planning, and all the technical inputs for the mining operation and the contractors will be responsible for productivity in the extraction process.

GCM's mine management has been organized into an engineering area and an operations area.

The mine target is to extract 950 tpd from the underground mine and 800 tpd from the open pits to feed the plant.

The KPIs for the mine are listed in Table 13.3-1. The operating plan for the mine is provided in Section 5, Mining.

**Table 13.3-1: Mine Area KPIs**

Variable	Unit
Total Underground	t
Ore (UG + OP)	t
Ore tpd (UG + OP)	t
Au Grade Total	g/t
Ag Grade Total	g/t
Waste	t
Development	m
MCF	%
Dilution	%
Mine Energy	US\$
Consumption	kWh
Specific Plant Consumption	kWh/t
Fuel	US\$
Fuel Consumption	L
Specific Consumption	L/t moved

## 13.4 Geology

The geology group will support the mine operation including dilution control, indications for the separation of ore and waste, indications of progress in drifts by vein, and in general all the tasks associated with grade control.

This group will also continue exploration to increase the inventory of resources and reserves beyond the current life of the project

KPIs for this group are related to the accomplishment of the mine area KPIs (Table 13.3-1).

## 13.5 Process Plant

The process group is organized into an engineering area and an operations area.

The goals of this group are based on processing 4,000 tpd by heap leaching and 1,000 tpd in the agitation leaching plant.

KPIs are related to gold and silver recovery, energy consumption, reagent consumption, and plant availability (see Table 13.5-1). The process plant operating plans are provided in Section 6, Process.

**Table 13.5-1: Plant Area KPIs**

<b>Variable</b>	<b>Unit</b>
<b>Plant Performance</b>	
Feed	t
Feed Grade Au	g/t
Feed Grade Ag	g/t
Doré Production	
Au	oz
Ag	oz
Recovery (%)	
Au	%
Ag	%
<b>Plant Consumables</b>	
Sodium Cyanide (NaCN)	US\$
NaCN Consumption	t
Plant Specific NaCN Consumption	kg/t
Balls	US\$
Ball Consumption	t
Plant Specific Ball Consumption	kg/t
Lead Nitrate (PbNO3)	US\$
PbNO3 Consumption	kg
Plant Specific PbNO3 Consumption	g/t
Flocculant	US\$
Flocculant Consumption	kg
Plant Specific Flocculant Consumption	g/t
Zinc Dust (Zn)	US\$
Zn Consumption	ton
Specific Zn Consumption	kg/kg doré
Plant Energy	US\$
Plant Energy Consumption	kWh
Plant Specific Energy Consumption	kWh/t
Lime	US\$
Lime Consumption	t
Plant Specific Lime Consumption	kg/t
Fuel	US\$
Fuel Consumption	L
Average Fuel Price	US\$/L
<b>Plant Maintenance</b>	
OEE	%
Availability	%
Utilization	%
Production Efficiency	%
Productivity	t/h

<b>Variable</b>	<b>Unit</b>
Other	
MTBF	h
MTTR	h
PMPL	%
Operating Efficiency	%