

Austrade Briefing EXTEMIN 2011

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Monday 12th September 2011



Australian Government
Australian Trade Commission



Index

PERUVIAN MINING INDUSTRY OVERVIEW

- General overview of the industry (production, exports, trends)
- Mining exploration (investment & opportunities)
- Mining investment - Portfolio
- Opportunities for Australian suppliers
- Challenges: Social license, safety & workforce
- Australian presence
- Map of Australian projects

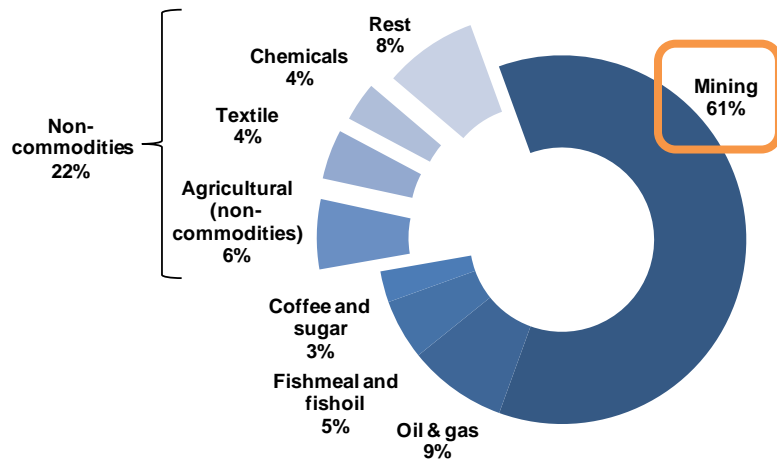
EXTEMIN LOGISTICS AND ACTIVITIES



Peruvian Mining Industry Overview

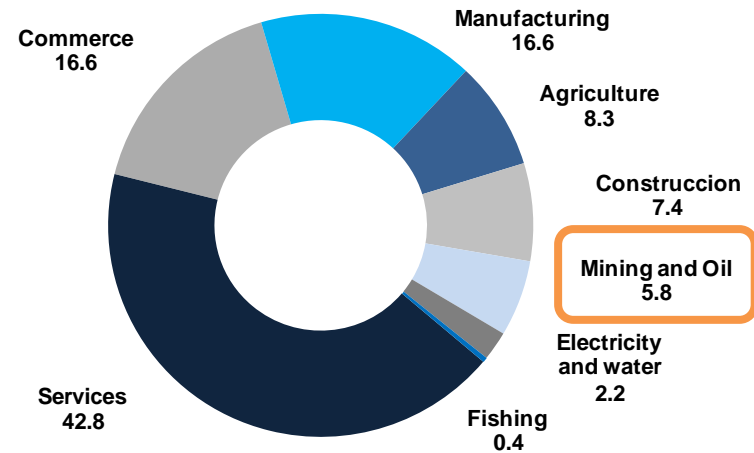
Mining industry overview

EXPORTS BY ECONOMIC SECTOR, 2010
(%)



Source: BCR

PERU: COMPOSITION OF PRODUCTION, 2010
(% of Gross Value Added)

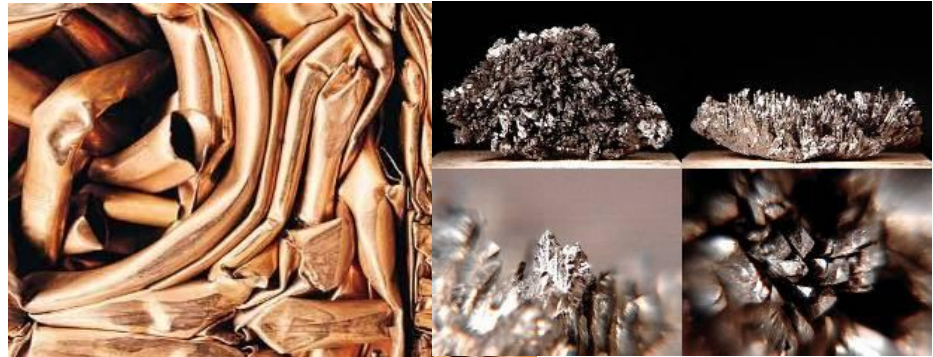


Source: BCR

Mining industry overview

Peru ranking by production

Ranking	World	Latin America
Gold	6 th	1 st
Silver	1 st	1 st
Copper	2 nd	2 nd
Lead	4 th	1 st
Tin	3 rd	1 st
Zinc	2 nd	1 st



- Mining units: **80%** underground and **20%** open pit
- Production: **90%** open-pit, **10%** underground
- **Players:** Multinationals (*gran mineria*) and local family conglomerates (*mediana mineria*)
- **Trend:** joint ventures between local and international groups

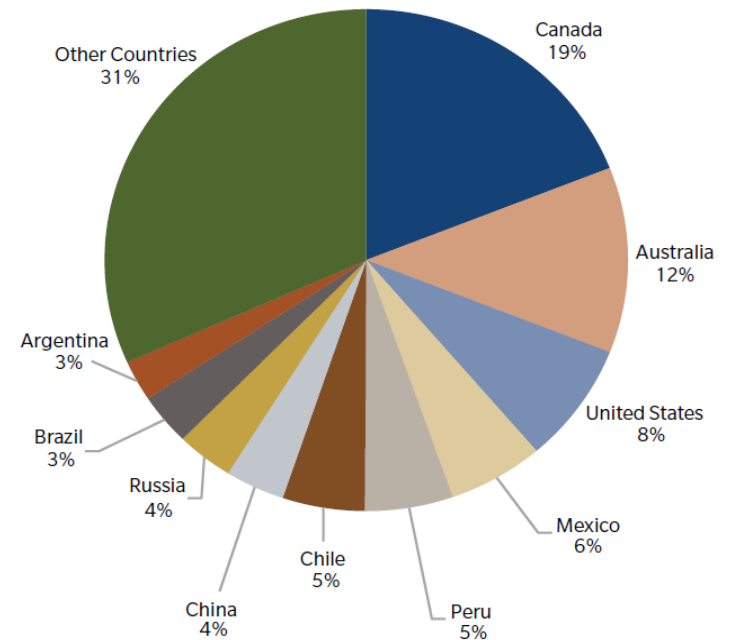
Mining exploration

Investment

- Latin America represents 27% of global investment in exploration (2010)
- Peru ranks 5th in the world and 2nd in Latin America for exploration (dropped 2 positions since 2009) and represents 5% of the total exploration budget. (US\$534 million approx.)

Figure 3: Exploration Budgets for the Top Ten Countries, 2010

(top ten countries account for 69% of total budgets)



Source: MEG 2010

Mining exploration

Opportunities

Peruvian Territory	Hectares	%
Total Area	128,000,000.00	100%
Natural Protected Area	38,169,231.97	29.7%
Areas with Mining Activities	Hectares	%
Concessions		14%
Production	999,185.75	0.78%
Exploration	344,356.21	0.27%

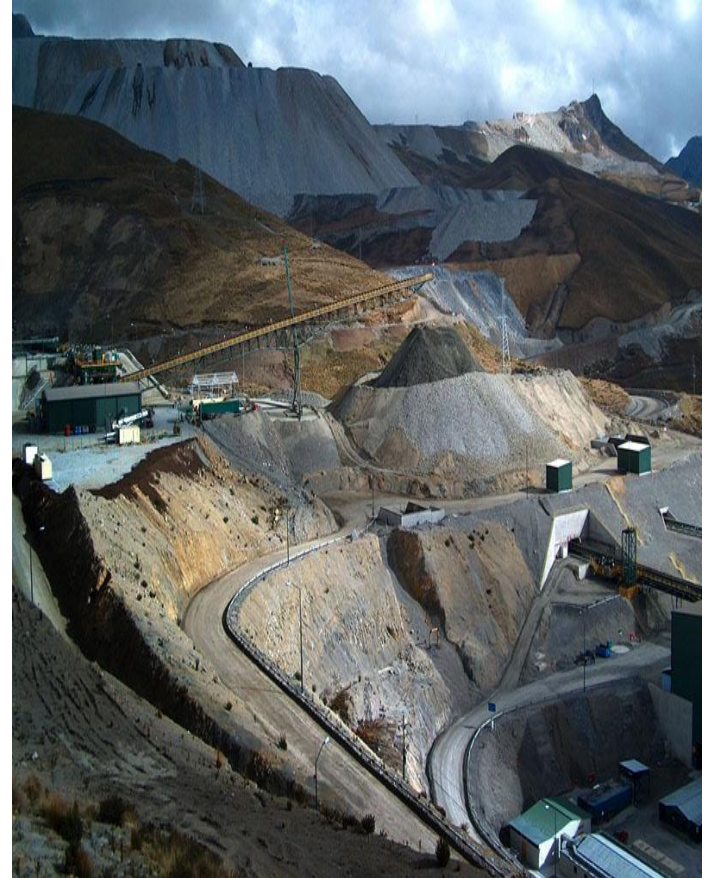
Source: INGEMMET, MEM, 2010

- Only 1.05% of this area is being used for exploration and exploitation.
- The remaining 12.95% represents an opportunity for mining investors interested in developing projects in Peru.
- **“Australian mining value chain”:**
Miners > Engineering firms > suppliers



Mining investment - Portfolio

- Peru ranks highest in Latin America in terms of its climate for investment in mining
- The portfolio of mining investment is composed of **41 major projects - US\$42.5 billion for the period 2010-2016** (exploration and expansion)
- Over US\$6.8 billion will come from mining companies with significant Australian shareholdings:
 - Xstrata Copper: Antapaccay, Las Bambas.
 - Antamina (BHP Billiton): expansion.



Mining investment - Portfolio

The portfolio of announced investment is divided in:

8 expansion projects	US\$5,097 million (approx.)
11 projects with EIS approved or under construction	US\$16,589 million (approx.)
2 projects with presented EIS in evaluation	US\$1,001 million (approx.)
20 exploration projects	US\$ 19,764 million (approx.)
TOTAL	US\$ 42,451 million

- Copper projects will account for **58%** (US\$24,272 million) → increase copper production in **253%**, (2010 – 2016)
- Iron ore projects will account for **16%** (US\$16,580 million)
- Gold projects for **11%** (US\$4,736 million) of total investment.

	Company / Investor	Project	Region	Mineral/Metal	To initiate production	Investment (US\$ Millions)
Expansion						
1	Southern Copper Corporation / Grupo Mexico (Mexico)	Ilo Smelter and Refinery	Moquegua, Toquepala	Copper	2012	600
2	Shougang Hierro Perú S.A.A / Shougang Corp (China)	Marcona	Ica	Iron	2011	1,000
3	Votorantim Metais Cajamarquilla S.A. / Votarantim Metais (Brasil)	Cajamarquilla zinc Refinery	Lima	Zinc	2011	500
4	Soc. Mnra Cerro Verde S.A. / Freeport McMoran Copper (US)	Cerro Verde	Arequipa	Copper	2012	1,000
5	Compañía Minera Antamina S.A. / BHP Billiton, Xstrata, Teck, Mitsubishi	Antamina	Ancash	Copper - Zinc	2011	1,100
6	Soc. Mnra El Brocal S.A. / Grupo Buenaventura (Peru)	Colquijirca	Pasco, Junin	Plimetalic	2011	197
7	Barrick Misquichilca S.A. / Barrick Gold Corp (Canada)	Lagunas Norte	La Libertad	Gold	2012	400
8	Miski Mayo S.A. / Vale Do Rio Doce (Brasil)	Bayovar	Piura	Fosfates	2012	300
Total Expansions						5,097
EIS approved / under construction						
9	Anglo American Quellaveco S.A. / Anglo American (UK)	Quellaveco	Moquegua	Copper	2014	3,000
10	Cia. Minera Coimolache SA / Newmont, Buenventura (US, Peru)	Tantahuatay	Cajamarca	Gold	2012	56
11	Xstrata Tintaya SA / Xstrata Copper (Switzerland - Australia)	Antapaccay	Cusco	Copper	2011	1,500
12	Minsur SA / Brescia Group (Peru)	Pucamarca	Tacna	Gold	2011	90
13	Invicta mining Corp SAC / Andean American Mining Corp (Canada)	Invicta	Lima	Plimetalic	TBC	93
14	La Arena SA / Rio Alto Mining Ltd (Canada)	La Arena	La Libertad	Gold - Copper	2012	360
15	Marcobre SAC / Chariot Resources (Canada)	Marcobre (Mina Justa)	Ica	Copper	2012	744
16	Minera Yanacocha SRL / Newmont, Buenaventura (US, Peru)	Minas Conga	Cajamarca	Copper - Gold	2015	3,500
17	Norsemont Peru S.A.C. / Norsemont Mining (Canada)	Constancia	Cusco	Copper	2013	846
18	Minera Chinalco Peru S.A. / Chinalco-Aluminium Corp (China)	Toromocho	Junin	Copper	2013	2,200
19	Xstrata Peru S.A. / Xstrata Copper (Switzerland - Australia)	Las Bambas	Apurimac	Copper	2014	4,200
Total EIS approved / under construction						16,589
EIS presented / under evaluation						
20	Southern Copper Corporation / Grupo Mexico (Mexico)	Tía María	Arequipa	Copper	2012	950
21	Bear Creek Mining Company Suc Peru / Bear Creek Mining (US)	Santa Ana	Puno	Silver	2012	51
Total EIS presented / under evaluation						1,001

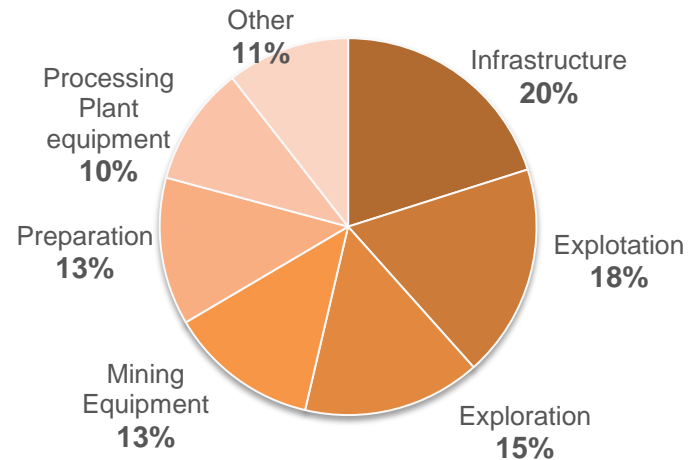
Exploration						
22	Río Blanco Copper S.A. / Zijing Mining Group (China)	Río Blanco	Piura	Copper	2015	1,440
23	Lumina Copper S.A.C / Minmetals / Jiangxi Copper (China)	Galeno	Cajamarca	Copper	2014	2,500
24	Río Tinto Minera peru Ltd S.A.C. / Rio Tinto (UK - Australia)	La Granja	Cajamarca	Copper	2014	1,000
25	Anglo American Michiquillay S.A. / Anglo American (UK)	Michiquillay	Cajamarca	Copper	2016	700
26	Minera Yanacocha SRL / Newmont, Buenaventura (US, Peru)	Chaquicocha	Cajamarca	Gold	TBC	400
27	Cia Minera Quechua S.A. / Pan pacific Copper Corp, Nippon Mining Holdings, Mitsui Mining & smelting Co. (Japan)	Quechua	Cusco	Copper	2013	490
28	Compañía Minera Milpo S.A. / Grupo Milpo (Peru)	Pukaqaqa	Huancavelica	Copper	TBC	300
29	Compañía Minera Milpo S.A. / Grupo Milpo (Peru)	Hilarión	Ancash	Zinc	2013	300
30	Minera Cuervo S.A.C / Cuervo resources Inc (Canada)	Cerro Ccopane	Cusco	Iron	TBC	TBC
31	Nanjinzhao Group Co. Ltd (China)	Pampa de Pongo	Arequipa	Iron	2012	3,280
32	Bear Creek Mining Company Suc Peru / Bear Creek Mining (US)	Corani	Puno	Silver	2014	428
33	<i>Pro Inversion (Inca Pacific Resources TBC)</i>	Magistral	Ancash	Copper	2012	402
34	Minera Oro Candente SA / Candente Resources (Canada)	Cañariaco	Lambayeque	Copper	TBC	1,565
35	Apurrimac Ferrum SA / Strike Resources (Australia)	Hierro Apurímac	Apurimac	Iron	TBC	2,300
36	Southern Copper Corporation / Grupo Mexico (Mexico)	Los Chancas	Apurimac	Copper	2013	1,200
37	Minera Antares Peru SAC / Antares Minerals Inc (Canada)	Haquira	Apurimac	Cu - Mo - Au	2013	301
38	Minera Sulliden Shahuindo SAC / Sulliden Gold Corp (Canada)	Shahuindo	Cajamarca	Gold	2012	90
39	Canteras del Hallazgo (Peru)	Chucapaca	Moquegua	Gold	2015	700
40	Minera CN S.A.C / Metminco Ltd (Australia)	Los Calatos	Moquegua	Copper - Mo	TBC	2,200
41	Hochschild Mining / International Minerals Corp (IMZ) (US)	Inmaculada	Ayacucho	Gold - Silver	2013	168
Total Exploration						19,764
Total Mining Portfolio (2011 - 2016)						42,451



Opportunities

- High level of investment offers business potential for exporters of mining equipment, services and technology across all facets of the industry.
- **The Peruvian mining community is determined to develop a world-class mining industry.**
- Particular attention is being placed on the environmental, community relations and safety aspects of the industry.

Companies investment by category (2010)



Source: MEM 2011

Opportunities



The development of these mining projects will:

- Boost the demand for excavation and earth-moving machinery, logistic services (transport and storage), mining inputs (chemical products, explosives, etc) and labour (technical and qualified).
- Require investment from suppliers to increase their production capacity and logistic services
- Require parallel investments in transport infrastructure (roads, ports and railways) and electricity generation and transmission.
- Require infrastructure to use alternative sources of water, such as desalination plants for the use of sea water (for some specific projects)

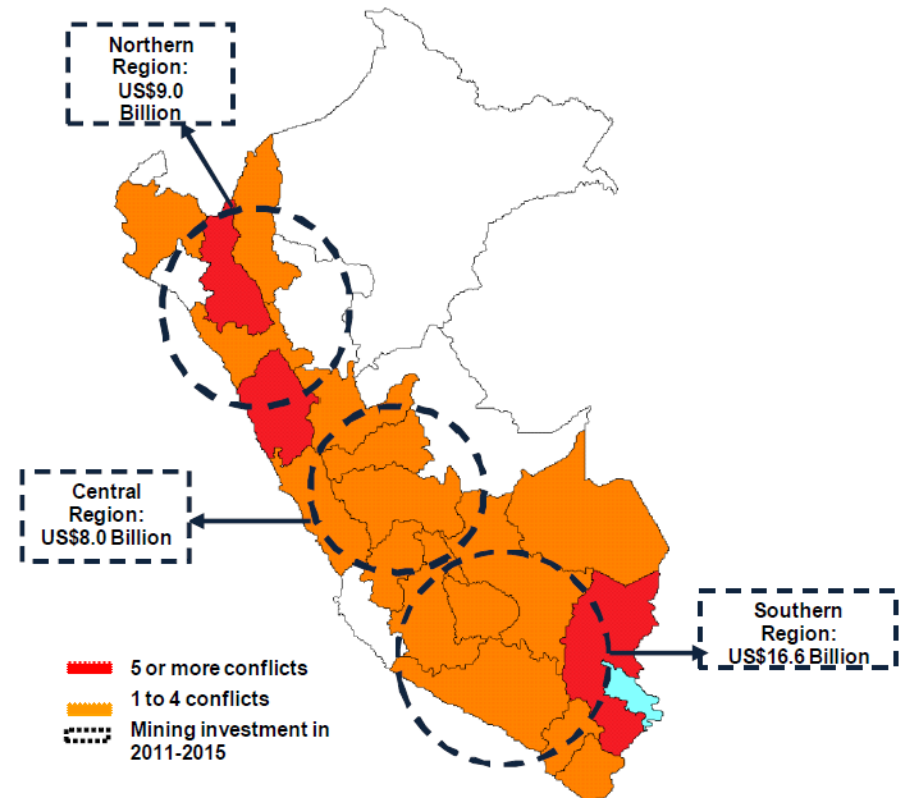
Source: APOYO Consultoria – Mining Report 2011

Challenges

Social License

- **Social conflicts**, active in almost every region in the country, represent the main risk for mining investments.
- The majority of conflicts are related to the **use and availability of water**, the fear of **environmental pollution** and the agreement on the **value of lands** when projects require the resettlement of local populations.
- Prior Consultation Law

SOCIAL CONFLICTS WITH MINING COMPANIES AND MINING INVESTMENTS, 2011-2015 1/



1/ To February 2011.

Source: Ombudsman Office, APOYO Consultoria

Challenges

Safety

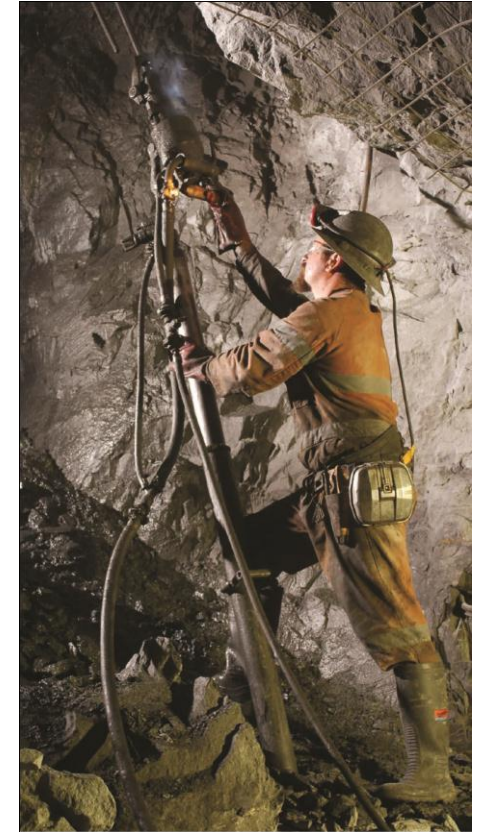
- Peru's mining sector has **seen 22 fatalities in 19 accidents** (Jan – May 2011)
- In **2010, 63 deaths** were recorded.
- A **new regulation** for safety and occupational health in the mining industry **came into effect on January 1**, aimed at preventing accidents in the workplace.
- Under the new regulation, **all employees in the sector, including senior management, must take a minimum of 60 hours of safety training.**

Source: MEM 2011

Workforce

- **Lack of skilled labour to face new needs of the industry.**
- *"Today, mining activities are more complex. In the past, we just needed mine engineers, geologists and operators. Today, in accordance with the need to maintain a good equilibrium with communities and the environment, mining is requiring professionals with diverse skills".*

Source: BNA 2011



Australian presence (Mining sector)

- In the last 18 months – 15 new Australian companies has set up in Peru (office or project).
- Austrade is aware of 38 Australian companies with an office/project in Peru, and an additional 11 companies with a local distributor.
- Other Australian companies are selling their products and services from other markets, especially Chile and the USA

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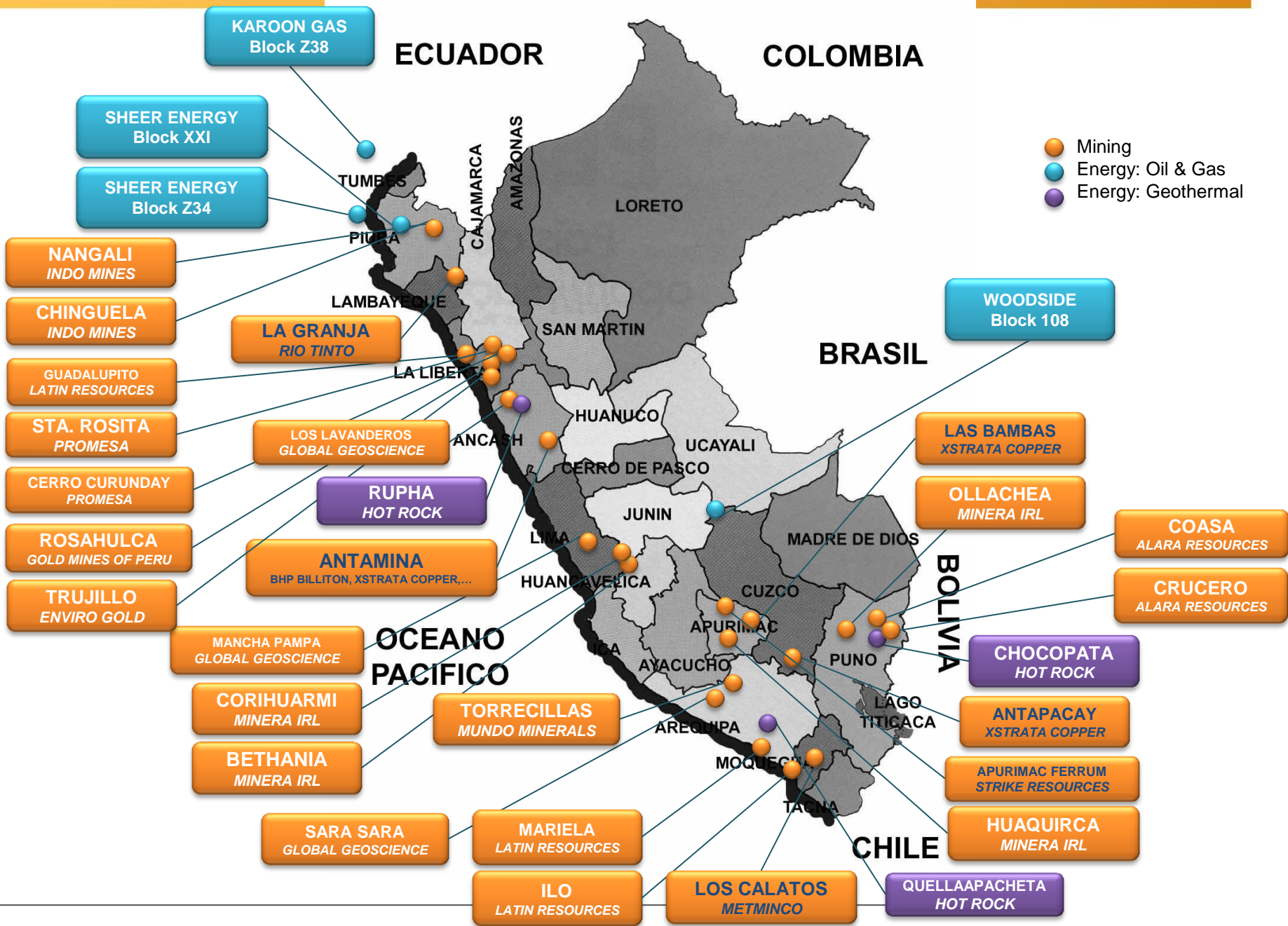
Ausenco



WorleyParsons
resources & energy

METMINCO


GOLD MINES OF PERU





EXTEMIN logistics and activities

PERUMIN 30th Mining Convention



The Convention offers the following events/meetings during the week:



EXTEMIN is the Convention's tradeshow featuring more 1,200 stands.



Discussion of important issues around mining by specialists and authorities. Topics for this year's meeting include: Mining Competitiveness, Infrastructure, Education, Water and Environment, Social, Science and Technology.



Discussions and presentation to share knowledge and experiences in mining practices amongst Peruvians and foreigners experts. For this edition, infrastructure issues involving power, water and transportation areas will be considered.



This meeting gathers all companies in the supply chain for mining operations from the purchase, transportation, storage and control of inventories. The announced investment in mining projects in Peru has raised some issues on the country's capacity to face new logistics demands.



The Top Mining Meeting is high-level executive forum where the industry leaders and government authorities share their experience and vision of the Peruvian mining sector.

- For more information visit: www.convencionminera.com

Credentials (Access Pass)

Each stand and half stands is entitled to:

- **1 Conventionist pass** (grants you access to all PERUMIN activities and meetings)
- **2 Exhibitors passes** (grants you access only to the EXTEMIN tradeshow area)
- **30 daily passes*** (grants you access for the day only to the EXTEMIN tradeshow area)

If you hold a Visitor Package, you are entitled to:

- **1 Conventionist pass** (grants you access to all PERUMIN activities and meetings)

Australian Presence in PERUMIN

This year Australia will have a significant presence in PERUMIN:







- Australian National Pavilion: 27 Australian companies participating.
- Delegation of Mining Education Australia (MEA) professors: Visit will include representatives from MCA, UQ, UNSW, Curtin U, Adelaide U.
- Charlie Sartain – CEO Xstrata Copper
- David Brereton SMI will be presenting in PERUMIN's official Program.
- The Australian Ambassador to Peru - Mr. John ML Woods, Austrade's Senior Trade Commissioner for Latin America - Crispin Conroy, and Austrade's Trade Commissioner for Peru – Daniel Sullivan will also be attending the event.

Schedule of activities

Monday 12 th September	Activity/Event	Location	Comments
11:00	Official EXTEMIN Opening	Parque Monterrey (Outside TECSUP)	All exhibitors are welcome to attend
16:00 – 16:45	Austrade Briefing Session	Hualca Hualca Room on-site (see floor plan)	Briefing on the Peruvian Mining Industry offered by Austrade's representative. Presentation Luis Rivera - General Manager Tintaya, Xstrata Copper and Tomas Martinez - General Manager Administration and Operations South America. [Recommended]
19:00 hours	PERUMIN Opening Cocktail	Club del Abogado Av. Alfonso Ugarte s/n Hunter District	Only Conventionalist Credential Participants are allowed to attend
Tuesday 13 th September	Activity/Event	Location	Comments
09:00 – 09:45	Mining Briefings	Hualca Hualca Room on-site (see map)	Presentation by Javier Briceño - Administration and Logistics Manager, Barrick. Presentation by John Velásquez – Mine Manager, Minera IRL Briefing: Opportunities in Colombia – Monica Ramirez, Austrade, Bogota [Recommended]
14:00 – 14:45	Seminar "Building sustainable mining education linkages between Australia and Peru"	Solimana Room on-site (see map)	Presentation by Delegation of Mining Education Australia (MEA) Professors and Charlie Sartain – CEO Xstrata [Optional]
19:30	Australia Networking Cocktail	Mundo Alpaca - Grupo Michell (Alameda San Lazaro 101, Arequipa)	Business Attire
Wednesday 14 th September	Activity/Event	Location	Comments
16:00 - 17:30	Fosters @4	Australia Business Lounge	Happy hour – Informal get together
Friday 16 th September	Activity/Event	Location	Comments
13:00	PERUMIN Closing Toasting	PERUMIN fairground - Outside Plenary Room (Misti Room)	Only Conventionalist Credential Participants are allowed to attend

PERUMIN Floor Plan

SERVICES

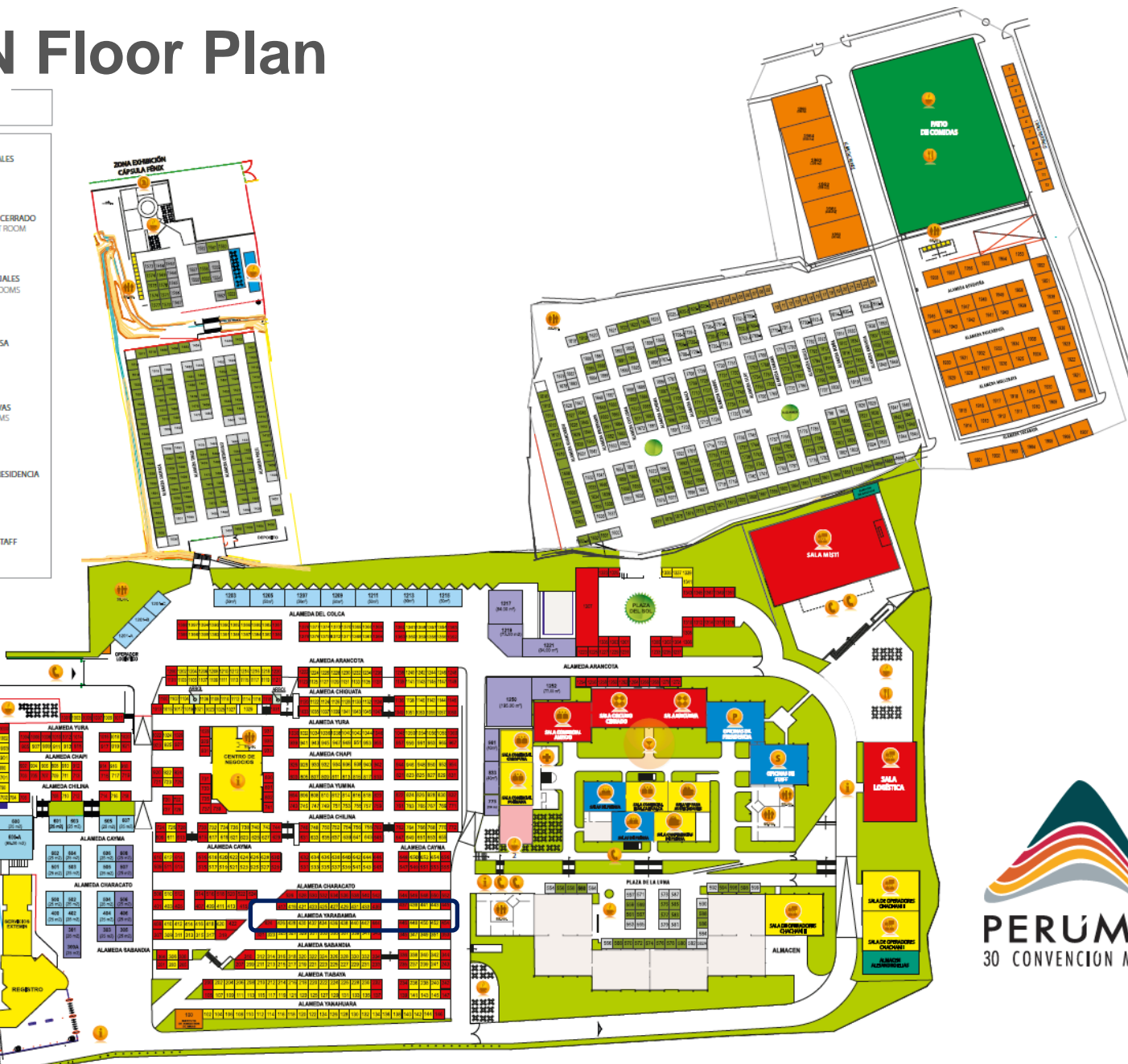
-  CAFÉ
COFFEE
-  RESTAURANTE
RESTAURANT
-  SERVICIOS HIGIÉNICOS
SSH
-  INFORMES
INFO
-  TÓPICO
TOPIC
-  TELÉFONOS
PHONES

ROOMS

-  SALAS PRINCIPALES
MAIN ROOMS
-  SALA CIRCUITO CERRADO
CLOSED-CIRCUIT ROOM
-  SALAS COMERCIALES
COMMERCIAL ROOMS
-  SALAS DE PRENSA
MEDIA ROOMS
-  SALAS EJECUTIVAS
EXECUTIVE ROOMS
-  OFICINAS DE PRESIDENCIA
PRESIDENCY
-  OFICINAS DEL STAFF
STAFF

AREAS

-  ZONA DE CÓCTEL EXTEMIN
EXTEMIN COCKTAIL AREA
-  ZONA DE EXHIBICIÓN DE RESCATE, CÁPSULA FENIX
RESCUE EXHIBITION AREA, FENIX CAPSULE



EXTEMIN 2011

Plano de Distribución
Distribution Ground Plan

Rooms for Briefing and Seminars



General Recommendations for EXTEMIN

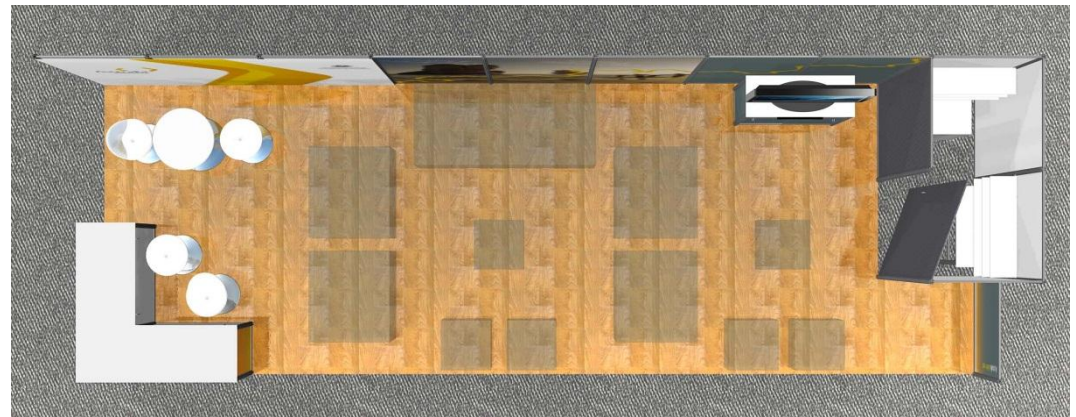
- Don't leave cameras, laptops, mobile phones or other valuables unattended, especially overnight.
- **Internet access: WiFi is free throughout the pavilion**
- There are many networking events throughout the week, Austrade can't guarantee invitations to third party events for Australian exhibitors.

Australia Business Lounge



- Available space for meetings
- Interpreters on call
- Permanent coffee break station

Exhibitors and visitors will not be able to display signage or promotional materials.



Australia Pavilion Exhibitors Guide



- 3,000 printed copies
- 350 copies were distributed prior to EXTEMIN in Lima.
- Other copies will be distributed to EXTEMIN visitors in the Australia Business Lounge.
- To better promote Australian capabilities the guide and the pavilion have been divided in:
Services & Technology,
Mining Equipment and
Education & Training.

Austrade's networking cocktail



- Welcome cocktail for Australian delegation. Key people from the Peruvian mining industry are also invited (networking opportunity).
- Tuesday 13th at 7:30pm at Mundo Alpaca, Michell's Group Alpaca Textile Museum. *Address: Alameda San Lázaro 101 Arequipa.*
- Exhibitors are allowed to request a maximum of 2 additional invitations for VIP guests. (Austrade's lounge – Guest details are required)
- Dress code for the cocktail is business formal (suit & tie).

Fosters @4

- Wednesday 14th at 4:00pm
- Austrade invites all Australian pavilion exhibitors and visitors to gather at the Australia Business Lounge for an informal networking event to enjoy Australian Fosters beer and some Peruvian piqueos.
- Trade & Investment QLD will be sponsoring the event.



Briefing by mining executives

- Austrade has organised for high executives of **Xstrata Copper**, **Barrick** and **Minera IRL** to present to the Australian delegation.
- Speakers will provide an overview of their projects, ongoing and future needs, procurement practices and will be able to answer questions.
- Briefings will be held on-site @ Hualca Hualca Room Monday September 12th – 4:00pm and Tuesday September 13th – 9:00am



Business Development @ EXTEMIN

Austrade Lima mining team can support with the following:

- Informal business matching opportunities during the conference: The team will be on the look-out to introduce you to potential clients.*
- Leads follow-up after EXTEMIN. Austrade can qualify leads after the event. We recommend to keep an organised record of leads during the conference.
- If you have any other specific requests we can prepare a tailored proposal.

** Setting up formal meetings on specific times during the week is hard to get in this type of events.*

BHP BILLITON



Project: ANTAMINA

Local company: Compañía Minera Antamina S.A.

Announced inv. US\$ M: 1,100

Region/Province: Ancash, Huari

Mineral: Cu, Zn

To initiate production: 2011

Estimate production: 175,000 TMF / Cu

Stage: Expansion

Background

Shareholders:

- [BHP Billiton](#) (33.75%) – Australia, UK
- [Xstrata](#) (33.75%) – Switzerland, Australia
- [Teck](#) (22.5%) – Canada
- [Mitsubishi Corporation](#) (10%) – Japan

The Expansion Program will increase the ore processing index by 38%, rising from an average of 94 thousand to 130 thousand metric tons per day. Copper and zinc represent 86% of total revenues.

Antamina's Expansion Program will extend the useful life of the mine from the year 2023 to 2029.

Expansion Program operations will start in the final quarter of 2011.

METMINCO



Project: LOS CALATOS

Local company: Minera CN S.A.C

Parent company: Metminco Ltd

Country: Australia

Announced inv. US\$ M: 2,200

Region/Province: Moquegua, Mariscal Nieto

Mineral: Cu - Mo

To initiate production: TBC

Estimate production: 107,000 TMF / Cu

Stage: Exploration

RIO TINTO



Project: LA GRANJA

Local company: Rio Tinto Minera Peru Limitada SAC

Parent company: Rio Tinto

Country: UK, Australia

Announced inv. US\$ M: 1,000

Region/Province: Cajamarca, Chota

Mineral: Cu

To initiate production: 2014

Estimate production: 500,000 TMF / Cu

Stage: Exploration

STRIKE RESOURCES



Project: HIERRO APURIMAC

Local company: Apurimac ferrum S.A

Parent company: Strike Resources

Announced inv. US\$ M: 2,300

Region/Province: Apurimac, Andahuaylas

Mineral: Fe

To initiate production: TBC

Estimate production: 20 Mill TM / Fe

Stage: Exploration

XSTRATA COPPER



Project: ANTAPACCAY

Local company: Xstrata Tintaya S.A.

Parent Company: Xstrata Copper

Country: Switzerland, Australia

Announced inv. US\$ M: 1,500

Region/Province: Cusco, Espinar

Mineral: Cu

To initiate production: 2014

Estimate production: 160,000 TMF / Cu

Stage: con EIA aprobado o en construcción

Project: LAS BAMBAS

Local company: Xstrata Peru S.A.

Parent Company: Xstrata Copper

Country: Switzerland, Australia

Announced inv. US\$ M: 4,200

Region/Province: Apurimac, Cotabambas

Mineral: Cu

To initiate production: 2014

Estimate production: 400,000 TMF / Cu

Stage: con EIA presentado o en evaluación