



Mining to Peru.

Trends and opportunities

The market

Peru is rich in mineral resources and the development and processing of these resources has been an important economic activity, which has helped to build a competent business sector. Peru is a major player in the international metals marketplace. At present Peru's mining industry is second only to Chile's, and has the potential of becoming the leader in Latin America.

Many domestic and foreign companies operating within Peru's mining sector are expanding their operations, preparing feasibility studies and carrying out intensive exploration.

According to the Ministry of Energy and Mines, planned investment in mining is as follows:

- ✍ Expansions (2001-2007) – US\$492 million
- ✍ With and under feasibility study (2001–2007) – US\$3643 million
- ✍ Exploration (2001–2007) – US\$1506 million
- ✍ Privatisation (2001–2007) – US\$2210 million

In the last 20 years, **the political environment has played a crucial role on the development of the sector in Peru**. The Peruvian mining industry only started growing in the 1990s with important changes to both corporate law and legislation governing investments in the mining sector promoting domestic and foreign private investment. As a direct result of these reforms, Peru has been able to recover its position as a major world supplier of base and precious metals.

The following factors have contributed to Peru's mining sector development:

- ✍ Internationally recognised mineral resources and relatively low recovery costs
- ✍ A successful privatisation process that has created an attractive investment environment for international mining companies
- ✍ Free trade of minerals, supplies and services in a free market economy
- ✍ Efficient administration of mining rights and title granting procedures
- ✍ Competitive taxation system
- ✍ Modern geological information system

The e-commerce revolution has yet to reach Peru and for most of the population the Internet is still beyond reach for economic reasons. Business-to-business (B2B) opportunities are concentrated within the country's major industries, construction, mining, natural gas and energy, and their dealings with local and foreign partners and distributors.

The **only mining-related online portal in Peru is [Inform@cción](http://informacion.mt.mt)**. The portal is in its early stage of development and groups only around six mining companies and 50 suppliers of equipment, technology and services. The portal will focus on exiting suppliers with a proven track record in Peru.

Opportunities

The high level of investment being planned for Peruvian mining industry (almost US\$9 billion for 2001-2007) offers enormous business potential for both Australian resource investors and exporters of mining equipment services and technology across all facets of the industry. **Particular attention is being placed on the environmental and safety aspects of the industry**. Both of these components are lagging behind international standards when compared on a country-by-country basis.

The Peruvian mining community is determined to develop a world class mining industry and this offers opportunities for Australian companies whose products and services have a technical and cost competitive advantage in:

- ✍ Mineral exploration (geophysics, mapping, diamond drilling, tunnelling)
- ✍ Mining software (resource estimation, modelling, mine design and planning, maintenance and optimisation)

- ✍ Gold mining and processing technologies
- ✍ Contract mining
- ✍ Engineering services
- ✍ Environmental equipment (water and sewage treatment plants, effluents analysers, software)
- ✍ Environmental consulting (remediation and mine closure)
- ✍ Mine safety training and equipment
- ✍ Mining equipment

A number of Australian resource companies – BHP-Billiton, Rio Tinto, Pasminco, Western Mining and Newcrest – have already established a position within the Peruvian mining industry.

Competitive environment

The market for mining equipment and services is receptive and very competitive, with all major international suppliers represented. The local manufacturing industry also offers strong competition on commodity goods (that are not technology intensive), but also potential for joint ventures or manufacturing under license arrangements.

The mining industry is divided into three groups of companies by their production level:

1. 'Gran Minería' or large scale mining (over 5000 tonnes per day)
2. 'Mediana Minería' or medium scale mining (up to 5000 tonnes per day)
3. 'Pequeña Minería' or small scale mining (less than 150 tonnes per day)

The major presence of foreign mining companies is in the 'Gran Minería' group, which leads the development of the sector. These companies have helped to introduce best practices in environmental and safety management, mining methods, social care and processing technology into the Peruvian mining industry:

- ✍ Grupo Mexico (Mexico) – Toquepala, Cuajone, Ilo smelter and refinery
- ✍ BHP - Billiton (Australia - UK) - Tintaya, La Granja and Antamina
- ✍ Phelps Dodge (USA) - Cerro Verde
- ✍ Newmont (USA) - Yanacocha
- ✍ Barrick Gold (Canada) - Pierina
- ✍ Doe Run (USA) - La Oroya, Cobriza
- ✍ Glencore (Switzerland) – Iscaycruz, Yauliyacu, Perubar
- ✍ Rio Algom (Canada) - Antamina
- ✍ Teck (Canada) - Antamina
- ✍ Mitsubishi (Japan) - Antamina
- ✍ Shougang (China) - Marcona
- ✍ Pan American Silver (Canada) – Quiruvilca, Huaron
- ✍ Manhattan Minerals (Canada) - Tambogrande

The 'Mediana Minería' group is a mixture of international junior and all the big local mining companies. Most of the local mining companies have been managed as family businesses, and recently have made strategic alliances with foreign companies to explore and develop new deposits. The major local mining groups are:

- ✍ Arias Davila: San Ignacio de Morococha and Poderosa
- ✍ Baertl-Montori: Compañía Minera Milpo, Minera Ivan and Cerro Lindo (project in feasibility stage)
- ✍ Benavides: Compañía de Minas Buenaventura (Uchucchacua, Orcopampa, Julcani and Recuperada), Yanacocha, Brocal, Antapite, Caraveli, Tantahuatay and Minas Conga (under construction)
- ✍ Brescia: Minsur, Funsur smelter and refinery and Raura
- ✍ Gubbins-Cox: Casapalca, Yuramayo and Yauli
- ✍ Gubbins-Granger: Sociedad Minera Corona (Santa Rita, Carolina 1) and Cerro Corona (under construction)
- ✍ Hochschild: Arcata, Huaron, Pativilca, Sipan, Ares, Caylloma and Selene
- ✍ Picasso-Gallo: Atacocha
- ✍ Picasso-Letts: Volcan

More information

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