



The peruvian mining sector an overview

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President

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Sociedad Nacional de
MINERIA PETROLEO
Y ENERGIA

Sumando esfuerzos
todos construimos
el Perú



National Society of Mining, Oil and Energy (SNMPE)

Our institution represents the main mining, hydrocarbons and energy companies operating in Peru.

Our commitment is to promote responsible and sustainable exploitation of the Nation's natural resources, to forge growth, progress and the well-being our people.

We promote the development of these three productive activities, encouraging direct foreign and local investment and job creation. We work with governments on policies affecting mineral, hydrocarbon and energy activities, to improve the Peruvian investment environment.

Our vision



Recognized as a strategically of sustainable development of Peru and a model of efficiency

Our members act in accordance with the principles of our Code of Conduct:

- Respect for and compliance with laws and regulations.
- The responsible use and protection of natural resources.
- Business ethics.
- Social and environmental responsibility.
- Compete fairly and transparently.
- Efficiency and safety in the workplace.
- Respect for ethnic diversity.
- Permanent communication with all stakeholders.



SNMPE s representativity

Hydrocarbon (upstream): **98%**
Electricity (generation): **89%**
Mining: **85%**

Mining associates:



PERU: Basic Facts



Population: 30 m. (2011)

Area: 1'285,216 sq km

Capital: Lima

President: Ollanta Humala

Languages: Spanish, Quechua, Aymara, etc.

GDP: US\$ 153 bn. (2011)

Real GDP growth: 7% (2007-2011 average)

Inflation: 3% (2007–2011 average)



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PERU



Geographical and ecological diversity



The coast - extensive and mega-diverse territory over the Pacific Ocean.

With remarkable natural resources



The Andes Mountain - connects Peru with Ecuador, Colombia, Bolivia, Venezuela, Chile and Argentina

The Rain Forest – The Amazon River connects the nation to Brazil and the Atlantic Ocean



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PERU:

Regional hub in the South American Pacific area



Future Investment 2012-2020



	<u>US\$ million</u>
Mining	US\$ 52,198
Hydrocarbons	US\$ 9,000
Electricity	US\$ 6,000
Total	US\$ 67,198



Source: Mining and Energy Ministry, Perupetro, SNMPE

PERU: mining country



World leader producer

	World	Latin America
Gold	6	1
Copper	2	2
Silver	2	2
Zinc	2	1
Lead	4	1
Tin	3	1
Molybdenum	4	2

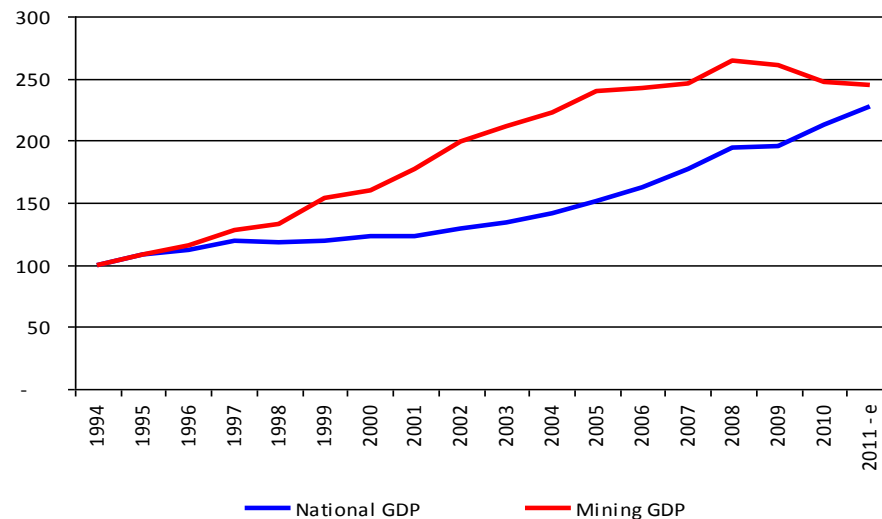
Source: USGS

Share of Mining sector in:

National GDP	5.7%
Domestic Exports	62.0%
Tax Collection	32.0%
Mining projects portfolio (Nesxt 10 years) - US\$ billion	52.1

Source: BCR, INEI, SUNAT, Mining and Energy Ministry

GDP Index
(1994 = 100)



Source: INEI

(e) At november 2011.

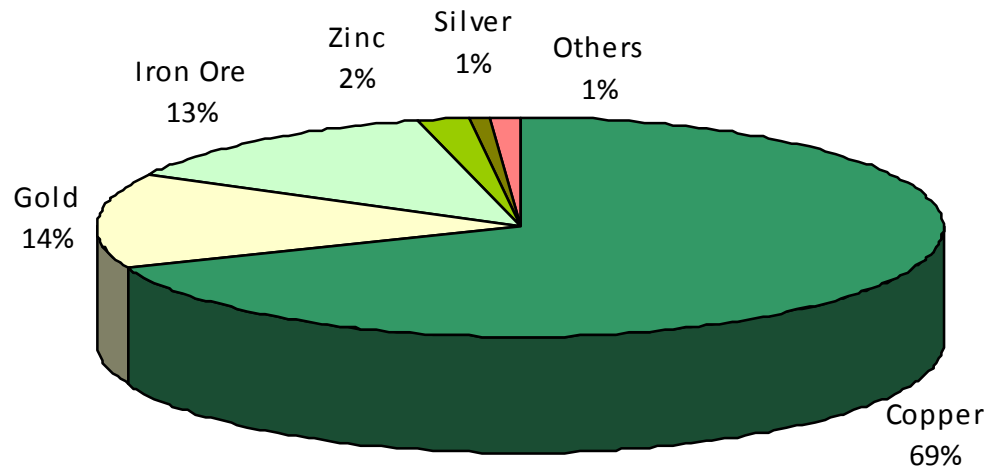


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Mining portfolio US\$ 52.1 Billion



Mining Portfolio Structure (Share)



	US\$ million	
Copper	35,813	69%
Gold	7,469	14%
Iron Ore	6,780	13%
Zinc	790	2%
Silver	574	1%
Others	772	1%

Source: Mining and Energy Ministry.



- ✓ Long mining tradition.
- ✓ Leading professionals and specialists.
- ✓ High standards of safety and technology.
- ✓ Clear regulatory framework.
- ✓ Economic stability.



PERU: favorable climate for mining investment



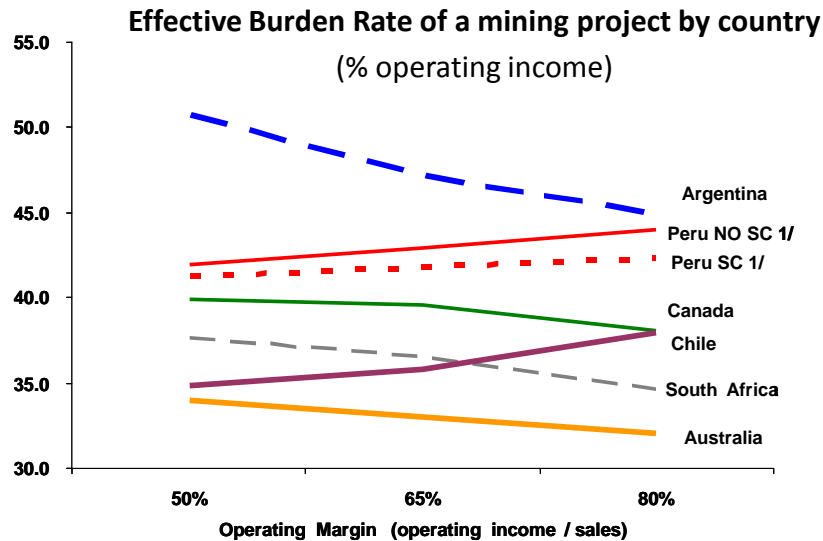
Peru offers a favorable legal framework for foreign investment...

- Non discriminatory treatment
- Unrestrictive access to most economics sectors
- Free transfer of capitals
- Free competition
- Freedom to purchase shares from locals
- Guarantee for Private Property
- Freedom to access internal and external credit
- Peru is adherent of the OECD Declaration on International Investment and Multinational Enterprises.

Mining Fiscal Regime

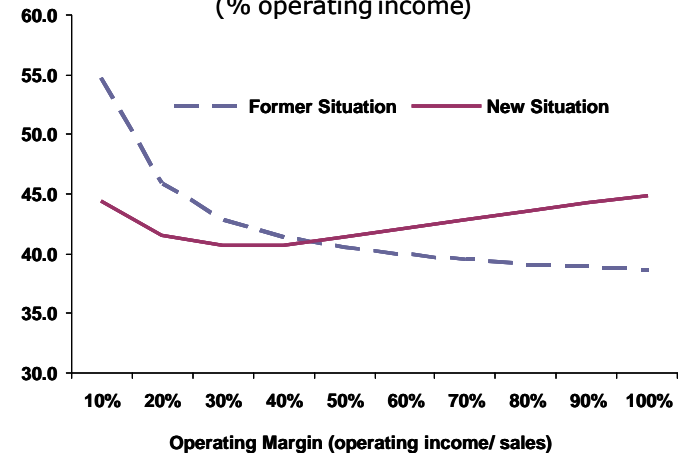


- Tax Stability guarantee (2% plus over Income Tax)
- Income Tax set at 30%, and 4.1% on dividends
- Value Added Tax: 18%
- Losses can be carried forward
- Accelerated depreciation
- Royalties



1/ Includes increasing rate of the new situation
Copper model company that distributes 70% of its profits as dividends in 2011

Tax Burden according to profitability of a mining company
Model without Stability Contract
(% operating income)



Company with US\$ 1,000 million sales and 50% distributes of its profits as dividends

Source: Apoyo Consultoria



- Mining concessions give the right to explore and exploit mineral resources. They don't give surface rights.
- Concessions are irrevocable, as long as the holder satisfies legal obligations:
 - Annual payment of a Mining Good Standing Fee
 - Annual minimum production (before year 10)
- Early recovery of the Value Added Tax (VAT) in the exploration stage

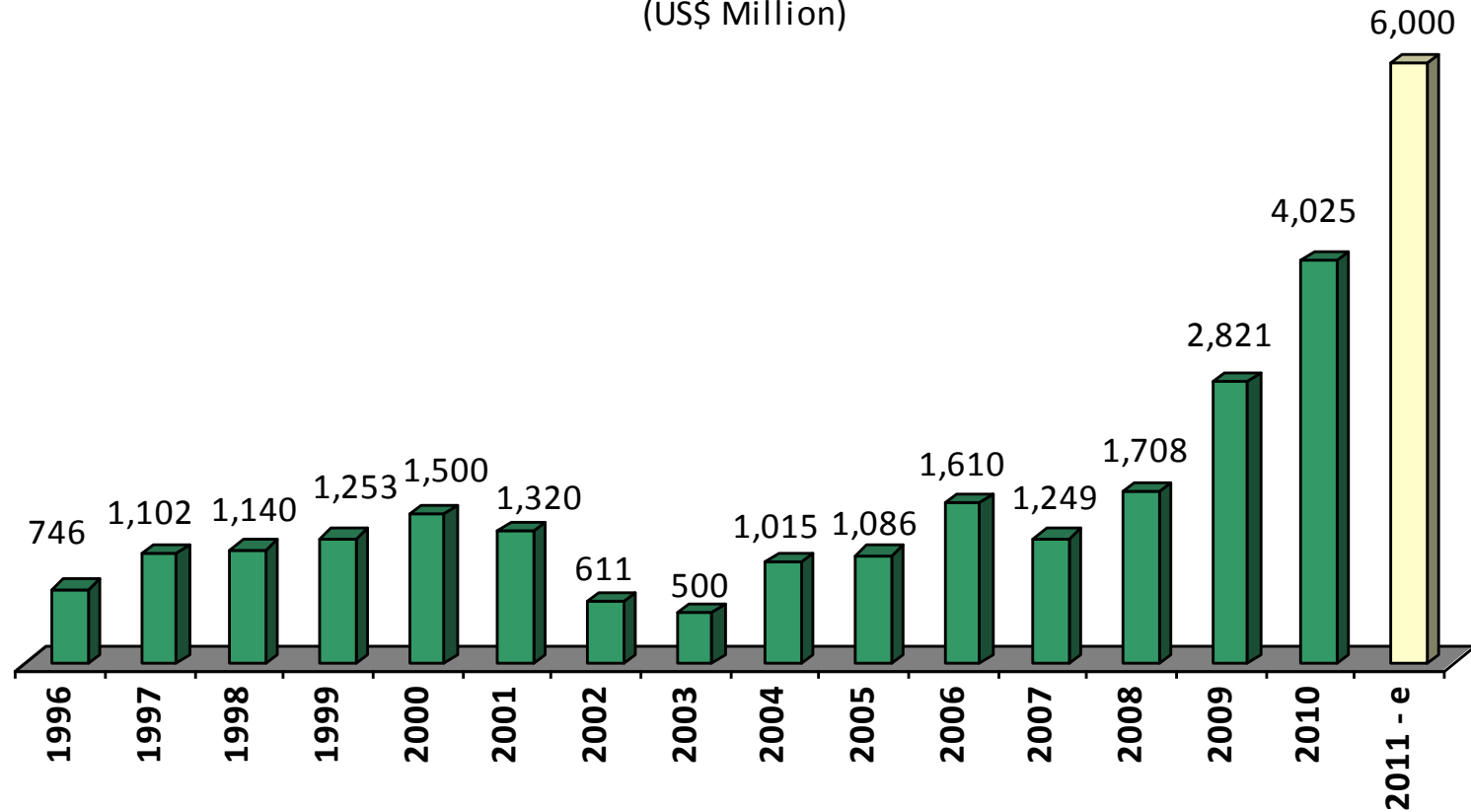
Environmental Regulations



- Maximum Permissible Limits (MPL's) and Environmental Quality Standards (EQS's)
- Environmental Impact Studies (EIS)
- Citizens Participation
- Audits of environmental processes

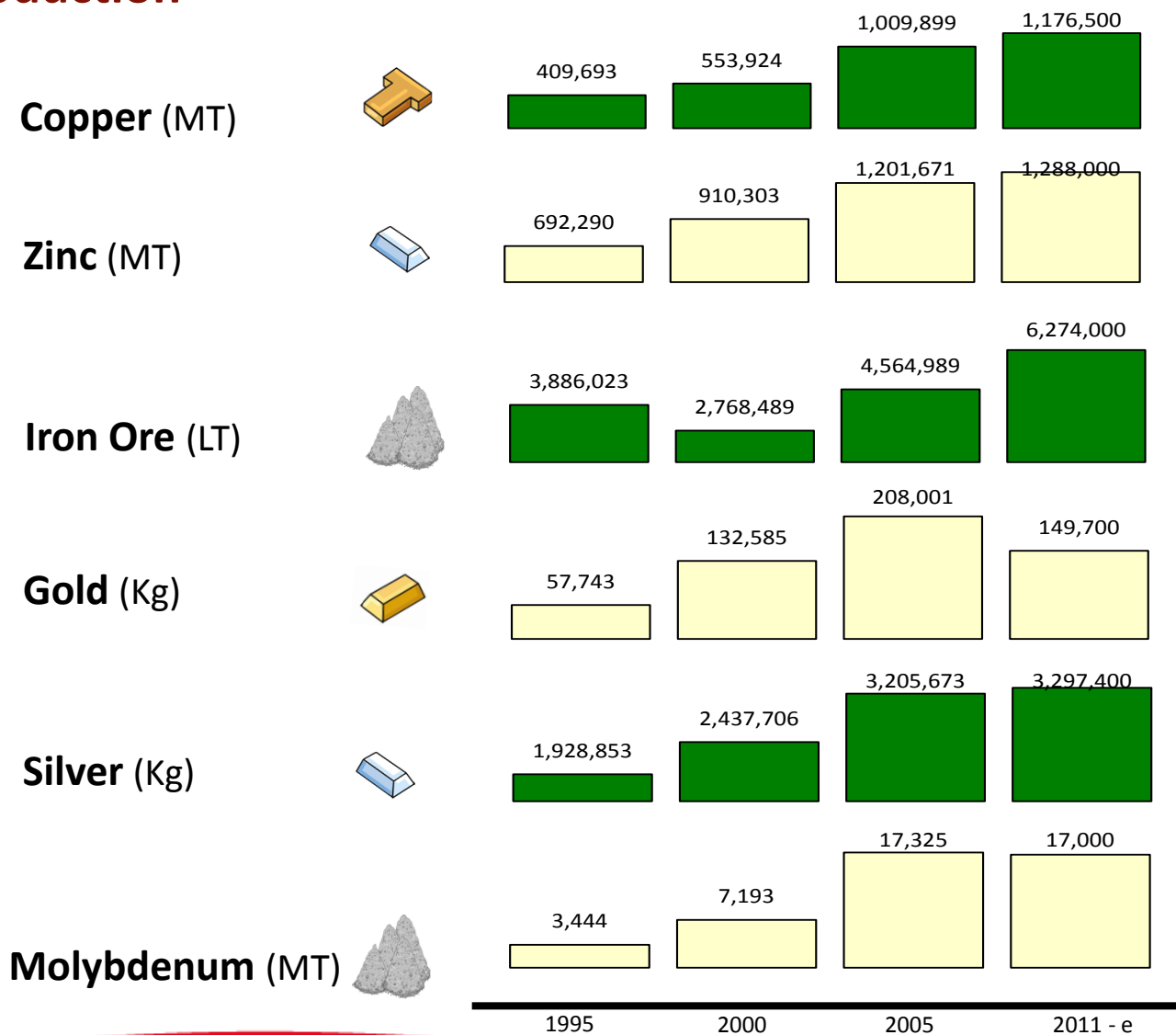


Mining Investment 1996 - 2011
(US\$ Million)



Source: Mining and Energy Ministry (e) Estimate by SNMPE

Mining Production



Source: Mining and Energy Ministry (e) Estimate by SNMPE

PERU: Mining Country



- ✓ Generating formal and well-paid jobs.
- ✓ Generating decentralized development.
- ✓ Paying taxes.
- ✓ Working with social responsibility (supporting productive development, education and health)
- ✓ Working with environmental responsibility (respecting rules)
- ✓ Supporting the fight against poverty, illiteracy, malnutrition, etc.



Challenges



Change perceptions

We have difficulty to:

- Adequately perceive our environment.
- Communicate benefits that we generate.



People doesn't appreciate extractive activities as beneficial

Fight against illegal mining



Source: Peru 21, April 23th, 2009

Mining portfolio US\$ 52.1 Billion

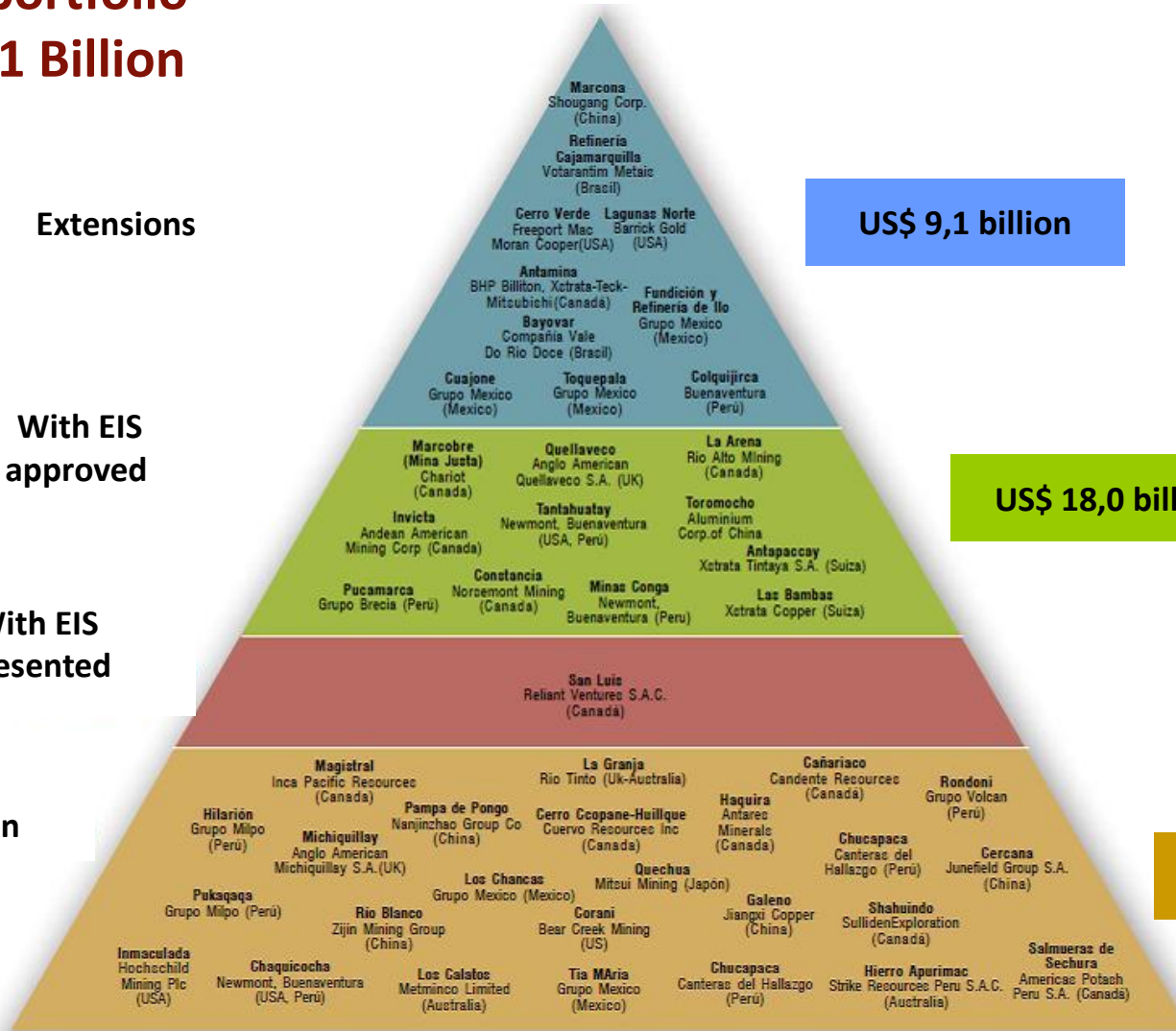


Exploration

With EIS presented

With EIS approved

Extensions

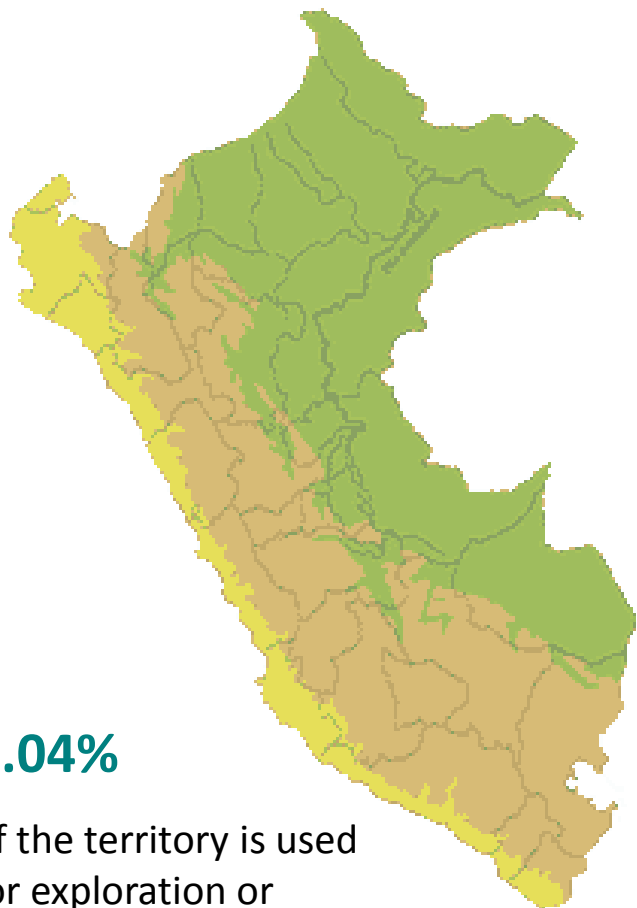


Source: Mining and Energy Ministry



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Peru: country of geological wealth



1.04%

of the territory is used
for exploration or
exploitation

	Million Hectares	%
Total Area	128.0	100.00%
Natural Protected Areas	39.5	30.73%
Areas with mining activities en 2011		
Exploitation	1.02	0.80%
Exploration	0.34	0.26%
Concession	14.76	11.53%

15 Regions where mining production is developed

18 Regions where mining exploration is developed

Source: Mining and Energy Ministry



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Perspectives (Extensions)



Southern Peru

(Cuajone, Toquepala, smelter and refinery)
Estimated Investment: US\$ 1,600 million
Status: Developing. Metal: Copper
Estimated Date: 2012
Region: Moquegua y Tacna

Compañía Minera Antamina

(Concentrator/Pit)
Estimated Investment: US\$ 1,288 million
Status: Developing. Metal: Copper
Estimated Date: 2012
Region: Ancash

Shougang Hierro Peru

(Marcona's extension)
Estimated Investment: US\$ 1,200 million
Status: Developing. Metal: Iron Ore
Estimated Date: 2012
Region: Ica

Sociedad Minera Cerro Verde

(Pit extension)
Estimated Investment: US\$ 3,573 million
Status: EIS in evaluation. Metal: Copper
Estimated Date: 2016
Region: Arequipa

Minera Barrick Misquichilca

(Pit extension)
Estimated Investment: US\$ 400 million
Status: Developing.. Metal: Gold
Estimated Date: 2012
Region: La Libertad

Bayovar

Estimated Investment: US\$ 300 million
Estimated Date: 2012. Mineral: Phosphate
Region: Piura

Source: Mining and Energy Ministry

Perspective

(With EIS approved)



Anglo American Quellaveco

Estimated Investment: US\$ 3,000 million

Estimated Date: 2014.

Metal: Copper

Region: Moquegua

Minera Yanacocha

Minas Conga

Estimated Investment: US\$ 4,800 million

Estimated Date: 2015

Metal: Gold-Copper

Region: Cajamarca

Minera Chinalco

Toromocho

Estimated Investment : US\$ 2,200 million

Estimated Date: 2013

Metal: Copper

Region: Junín

Xstrata Perú

Las Bambas

Estimated Investment: US\$ 4,200 million

Status: EIS in evaluation

Estimated Date: 2014

Metal: Copper

Region: Apurímac

Xstrata Perú

Antapaccay

Estimated Investment: US\$ 1,473 million

Estimated Date: 2012.

Metal: Copper

Region: Cusco

Norsemont Peru

Constancia

Estimated Investment: US\$ 846 million

Estimated Date: 2013.

Metal: Copper

Region: Cuzco

Chariot Resources

Marcobre

Estimated Investment: US\$ 744 million

Estimated Date: 2012.

Metal: Copper

Region: Ica

Rio Alto Mining

La Arena

Estimated Investment: US\$ 360 million

Estimated Date: 2012

Metal: Gold-Copper

Region: La Libertad



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Source: Mining and Energy Ministry

Perspective (Exploration)



Nanjinzhao Group

Pampa de Pongo

Estimated Investment: US\$ 3,280 million

Estimated Date: 2012

Metal: Iron Ore

Region: Arequipa

Lumina Copper

Galeno

Estimated Investment: US\$ 2,500 million

Estimated Date: 2014

Metal: Copper

Region: Cajamarca

Apurimac Ferrum

Hierro Apurimac

Estimated Investment: US\$ 2,300 million

Estimated Date: to define

Metal: Iron Ore

Region: Apurimac

Metminco Limited

Los Calatos

Estimated Investment: US\$ 2,200 million

Estimated Date: to define

Metal: Copper

Region: Moquegua

Southern Perú

Los Chancas

Estimated Investment: US\$ 1,300 million

Estimated Date: 2015

Metal: Copper

Region: Apurimac

Rio Tinto

La Granja

Estimated Investment: US\$ 1,000 million

Estimated Date: 2014

Metal: Copper

Region: Cajamarca

Source: Mining and Energy Ministry



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Conclusions



- Peru is a highly diverse country with many investment opportunities.
- Continuous economic and political stability for more than 15 years.
- Continuous and significant economic growth for the past 13 years.
- Significant efforts are being made to promote mining projects.
- Thus, in the coming years, it is expected that US\$52.1 billion will be invested in the Peruvian mining sector.





For further details or information visit us :

www.snmpe.org.pe



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