2012 Americas School of Mines
Welcome

Steve Ralbovsky
**Thursday Agenda:**

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<th>Session</th>
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<td>8:45-9:45</td>
<td>Global Overview – IMF/World Bank &amp; The Mining Industry</td>
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<td>9:45-10:15</td>
<td>Resource Development Financing</td>
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<td>10:15-10:45</td>
<td><strong>Break</strong></td>
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<td>10:45-12:15</td>
<td>3 Country Panel</td>
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<td>12:15-1:30</td>
<td><strong>Lunch</strong></td>
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<td>1:30-2:00</td>
<td>Asia</td>
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<td>2:00-2:30</td>
<td>Africa</td>
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<td>2:30-3:00</td>
<td>Latin America</td>
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<td>3:00-3:30</td>
<td><strong>Break</strong></td>
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<td>3:30-4:00</td>
<td>Minerals Panel</td>
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<td>4:00-4:30</td>
<td>Leadership Panel</td>
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<td>4:30-4:45</td>
<td>Closing</td>
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</table>
2012 Americas School of Mines

pwc
Global Overview – IMF/World Bank & The Mining Industry

Harry Broadman
Century Iron Mines - Quick Facts

- Listed on TSX: FER
- Market capitalization: $170M \(^{(1)}\)
- 100% Iron ore focused
- The largest holder of iron claims in Canada \(^{(2)}\)
- Starting with iron ore assets approaching 1Bt compliant resources and growing very quickly targeting multi-billion in Canada

\(^{(1)}\) Based on closing price May 11, 2012
\(^{(2)}\) Based survey on known holdings by public companies in Canada
Unusual Opportunity For Iron Ore

Global Crude Steel Production
Driven by China (a large developing country)

- China
- World ex-China

Source: World Steel Association

Century Iron Mines Corporation
Steel Demand Sustained by Income Growth

The growth of per capita income in the China economy drives
- Housing & infrastructure
- Construction
- Steel

Source: World Steel Association
The Opportunity

- Sustainable high growth steel market on the back of developing economies led by China
- Shortage of supply expected to continue
- Current price level seems sustainable going forward
- End user markets, particularly China, have to diversify sources of supply

Great opportunity for iron ore producers & developers
Industry concentration in the iron ore industry is much ahead of the steel industry providing huge advantage to the Big 3.
The Challenges

An industry controlled by global majors – Big Three

- Market Share
- Infrastructure

Scale is the key factor of success

- Scale is about capital
- Infrastructure building is capital intensive

Capital market

- Exploration capital is much more available
- Production capital is hard to come by

- Many projects (some advanced), but few go to production
- Only a few successes (of scale): FMG, CLM, AM; there are a few non-Big-Three multi-billion projects still struggling
The Strategy

Achieving Scale Minimizing Shareholder Dilution

End user oriented fundamental value building
- Building resource potential that meet the appetite of major users
- Early sell-in to blast furnaces securing long term consumption
- Securing off take

End user leveraged financing
- Equity – significant interest to attract long term investment
- Debt – end user procuring debt financing

Capital market financing profile
- Setting cornerstone / end user investors for future financing
- Accretive structure for financing when securing debt financing
Profile raising $600M

- BFS
- 70% debt financing
- 60-70% product presold
- Lead order of $900M from partner (top up)
- FER valuation supported by BFS & very substantial resources/reserves

Production Capex: $5B (100%)

- Total project development & production cost
- Fund source from SOE strategic partnership
- Shared pro-rata JV financing with SOE

Century Iron Mines Corporation
Formula In Execution

Corporate Interest

30% Chinese Strategic Partners
70% Canadian & public investors

JV Project Interest

40% Chinese SOEs
60% Century (TSX: FER)

Market

60-70% Chinese off-take

Up to 70% financing by debt capital by end user/banker

Accretive & Equity enhancing

Securing project success

• Financial structure:
  • Capex self-funding to enter production of about 12%
  • Balance funded by end-user/banker
• 60-70% of end product pre-sold
• Access to technical competence of major international companies with successful experience in mega-projects
• Maintaining majority interest in all projects
Structure and Project Overview

Corporate Structure

- WISCO International Resources Development & Investment Ltd (PRC) 25%
- Century Iron Mines Corporation (TSX: FER) 51-60% (Note 2)
- Minmetals Exploration & Development (Luxembourg) Limited S.à.r.l 5%
- Champion Minerals Inc. (TSX: CHM) 40-49%
- Augyva Mining Resources Inc. (TSXV: AUV) 35-49%
- Joint Venture
- Four projects being acquired from Altius Minerals Inc. (TSX: ALS) 100%

Iron Ore Projects

- Attikamagen Project 2
- Sunny Lake Project 3
- Duncan Lake Project 1

Note 1: Currently a 51% interest with an option to increase to a 65% interest under an option and joint venture agreement with Augyva Mining Resources Inc.

Note 2: Currently a 51% interest with an option to increase to a 60% interest under an Option/JV Agreement with Champion Minerals Inc.
Experience To Share

STEEL IS THE SAME ANYWHERE IN THE WORLD – HOW A MILL IS RUN IN CHINA CAN BE DIFFERENT

The decision making process

- The top executive is key & has more power than Western management
- Very elaborate internal control system – all levels are important

Different business & social cultures

- Relationship is central – a Confucian civilization with ethics established on relationships for over two millennia (ingrained in its custom and language even today)
- Respect is basic (in manner and substance)
Experience To Share (cont’d)

STEEL IS THE SAME ANYWHERE IN THE WORLD – HOW A MILL IS RUN IN CHINA CAN BE DIFFERENT

Policy environment
- SOEs operate within policy confines – mindful of opportunities & changes

Steel production vs resource development
- Resource development concept may seem something different to the mindset of a steel producer

Capital market vs business value
- Mindful of the gap in finding a common ground solution to an issue

➔ PATIENCE to listen, understand & find a solution to every problem on the way
He that can have patience, can have what he will.

Benjamin Franklin
2012 Americas School of Mines
3 Country Panel

Steve Ralbovsky
Moderator
Jacques Daoust
Miguel Palomino
Boldbaatar Ochirsuren
Peru

Miguel Palomino
Agenda

The good
The bad &
The ugly
The good

Good things you may not be aware of
Mining is very important in Peru

Mining exports, 2011*
(as % of total exports)

- Canada: 13.5
- Peru: 59.1
- Chile: 60.0

Mining GDP, 2011*
(as % of total GDP)

- Canada: 2.9
- Peru: 9.9
- Chile: 15.2

*Or last year available (2010)
Source: Statistics Canada, BCRP, Banco de Chile

*Or last year available (2010). Calculated using current prices
Source: Statistics Canada, BCRP, Banco de Chile
And is expected to become even more important

Expected investment in copper projects, 2012
(in US$ billion)

Copper production, 2011 and 2020f
(in thousand metric tons)

Source: MEM Peru, Ministerio de Minería - Chile

Source: MEM Peru, Ministerio de Minería - Chile
The basic legal framework is stable and very favorable for investment

- The Constitution establishes non-discriminatory treatment between national and foreign investors
- The Constitution also guarantees free transfer of capital and free access to the most favorable exchange rate available in the market
- Constitutional Guarantees for Private Property
- Freedom to purchase shares from locals, to access internal and foreign credit, and to pay and remit royalties and dividends

Average annual growth in private investment (in percentage)

<table>
<thead>
<tr>
<th>Year</th>
<th>Growth Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Last 10 years</td>
<td>11.5</td>
</tr>
<tr>
<td>Last 5 years</td>
<td>13.6</td>
</tr>
</tbody>
</table>

Last 10 years
Last 5 years
Peru’s mineral potential is excellent (and underestimated)

Policy mineral potential assuming no land use restrictions and industry best practices (rank among countries/regions covered)
And the room for improvement of its mining policies is one of the largest in the world

Room for improvement
(rank among countries/regions covered)

Argentina* 4 5 6 10 12 16 19 20 23 36 38 39 47 54 66 89 0 10 20 30 40 50 60 70
Argentina* 4 5 6 10 12 16 19 20 23 36 38 39 47 54 66 89 0 10 20 30 40 50 60 70
*Chubut region
Source: Fraser Institute 2011/2012

PwC 2012 Americas School of Mines
The recent changes in the mining sector tax regime were a major improvement

Effective tax burden (in percentage)
For investors with no previous tax stability agreements

*Does not include fiscal and other charges that diminish investor returns.
Source: Diario El Peruano, IPE
Although more so for the general regime, as opposed to for existing tax stability agreements

Effective tax burden (in percentage)
For investors with previous tax stability agreements

*Does not include fiscal and other charges that diminish investor returns.
Source: Diario El Peruano, IPE
The tax system is now similar to Chile’s but the effective burden is somewhat higher in Peru

Peru and Chile: Effective tax burden (in percentage)

For investors with previous tax stability agreements

<table>
<thead>
<tr>
<th>Operating profits* as % of sales</th>
<th>Effective burden as % of income</th>
</tr>
</thead>
<tbody>
<tr>
<td>10</td>
<td>Peru: 44.4</td>
</tr>
<tr>
<td></td>
<td>Chile: 41.3</td>
</tr>
<tr>
<td>20</td>
<td>Peru: 41.3</td>
</tr>
<tr>
<td></td>
<td>Chile: 41.3</td>
</tr>
<tr>
<td>30</td>
<td>Peru: 42.0</td>
</tr>
<tr>
<td></td>
<td>Chile: 42.7</td>
</tr>
<tr>
<td>40</td>
<td>Peru: 42.0</td>
</tr>
<tr>
<td></td>
<td>Chile: 42.7</td>
</tr>
<tr>
<td>50</td>
<td>Peru: 43.3</td>
</tr>
<tr>
<td></td>
<td>Chile: 43.3</td>
</tr>
<tr>
<td>60</td>
<td>Peru: 44.1</td>
</tr>
<tr>
<td></td>
<td>Chile: 44.1</td>
</tr>
<tr>
<td>70</td>
<td>Peru: 44.1</td>
</tr>
<tr>
<td></td>
<td>Chile: 44.1</td>
</tr>
<tr>
<td>80</td>
<td>Peru: 44.1</td>
</tr>
<tr>
<td></td>
<td>Chile: 44.1</td>
</tr>
<tr>
<td>90</td>
<td>Peru: 44.1</td>
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<tr>
<td></td>
<td>Chile: 44.1</td>
</tr>
<tr>
<td>100</td>
<td>Peru: 44.1</td>
</tr>
<tr>
<td></td>
<td>Chile: 44.1</td>
</tr>
</tbody>
</table>

*Does not include fiscal and other charges that diminish investor returns.
Source: Diario El Peruano, IPE
The bad

Bad things you may be aware of but might not be so bad
Peru ranks rather poorly in terms of the regulatory environment for mining exploration...

Peru: Impact of policies on mining attractiveness
(rank according to deterrents to investment)

Source: Fraser Institute 2011/2012
... but it’s important to note that the deficiencies are numerous but not “deal breakers”

Peru: Impact of policies on mining attractiveness
(rank according to deterrents to investment)

<table>
<thead>
<tr>
<th>Policy Area</th>
<th>Would not pursue investment</th>
<th>Strong deterrent to investment</th>
<th>Mild deterrent to investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Labor regulations</td>
<td>38</td>
<td>49</td>
<td>46</td>
</tr>
<tr>
<td>Socioeconomic agreements</td>
<td>49</td>
<td>46</td>
<td>42</td>
</tr>
<tr>
<td>Uncertainty concerning disputed land claims</td>
<td>42</td>
<td>51</td>
<td>49</td>
</tr>
<tr>
<td>Political stability</td>
<td>51</td>
<td>49</td>
<td>46</td>
</tr>
<tr>
<td>Legal processes</td>
<td>51</td>
<td>49</td>
<td>42</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>49</td>
<td>51</td>
<td>46</td>
</tr>
<tr>
<td>Regulatory duplication and inconsistencies</td>
<td>51</td>
<td>51</td>
<td>49</td>
</tr>
</tbody>
</table>

Source: Fraser Institute 2011/2012
The main challenge is to improve the capabilities of the public sector

- The García government’s absurd limit on public sector wages was devastating for an already poorly functioning public sector.
- The current government is correcting this mistake.
- Political will is key, as kicking the problem forward has ceased to be an option.
- Regional governments are especially in need of improvement.
The ugly

Why social conflicts may be more difficult to resolve in Peru than in the region in general
Room for negotiation with anti-mining groups is limited because of the nature of the Peruvian left

- The left wing political parties in Peru were/are predominantly Maoist radicals, unlike the rest of the region.
- Many have not changed their basic beliefs and, hence, simply cannot strike a deal with mining companies.
- Although a minority, they have clout, especially in some regions and their strategy is to maximize conflict/violence.
- The challenge is to transform the mining debate into one about facts and opportunities and not about prejudices and fear.
Summary

• Peru has enormous mining potential
• Progress need not be very difficult
• A resolution of many of the main obstacles is likely in the near term
3 Country Panel

Steve Ralbovsky
*Moderator*

Jacques Daoust

Miguel Palomino

Boldbaatar Ochirsuren
QUEBEC: A MINING ENVIRONMENT WORTH EXPLORING

Americas School of Mines Conference 2012
Where is Quebec?
Quebec is a region with unique mineral potential

<table>
<thead>
<tr>
<th></th>
<th>Value of Deliveries</th>
<th>Spending on Exploration and Development</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quebec, 2011, %</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ferrous Metals</td>
<td>46%</td>
<td>15%</td>
</tr>
<tr>
<td>Precious Metals</td>
<td>17%</td>
<td>48%</td>
</tr>
<tr>
<td>Base Metals</td>
<td>15%</td>
<td>14%</td>
</tr>
<tr>
<td>Other Substances</td>
<td>22%</td>
<td>23%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$8.1B</strong></td>
<td><strong>$710M</strong></td>
</tr>
</tbody>
</table>

Source: Rapport sur les activités minières au Québec 2011
The mining industry is large, well-established and in growth mode

<table>
<thead>
<tr>
<th>KEY FACTS AND FIGURES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Active Mines</td>
</tr>
<tr>
<td>Projects in Evaluation and Development</td>
</tr>
<tr>
<td># of Firms</td>
</tr>
<tr>
<td>Metallic, Exploration and Extraction</td>
</tr>
<tr>
<td>Non-Metallic, Exploration and Extraction</td>
</tr>
<tr>
<td>Primary Transformation</td>
</tr>
</tbody>
</table>

Source: Rapport sur les activités minières au Québec 2011; Chambre de Commerce du Montréal Métropolitain, April 2012
This growth reflects a favorable operating environment for the mining industry.

Quebec Ranking in Fraser Institute Survey\textsuperscript{1}
2011/2012

Global Ranking: 5th / 93

<table>
<thead>
<tr>
<th>Tier 1</th>
<th>Tier 2</th>
<th>Tier 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>15</td>
<td>5</td>
<td>0</td>
</tr>
</tbody>
</table>

Source: \textsuperscript{1}Fraser Institute Annual survey of Mining Companies 2011/2012
Quebec’s mining potential to increase with the “Plan Nord”

**Plan Nord** | **Quick Facts**
--- | ---
Timeline | 25 Years
Total Investment | $80 Billion
Mining Investment | $30 Billion

Source: www.plannord.gouv.qc.ca

![Map of Quebec's mineral potential under the Plan Nord]
Significant financial support available for mining projects

<table>
<thead>
<tr>
<th>Investment Capacity</th>
<th>Investment Type</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Budget ($M)</strong></td>
<td>1 From resource exploration to development and processing</td>
</tr>
<tr>
<td>485 Resources Quebec</td>
<td>2 For projects in Québec with local or foreign partners</td>
</tr>
<tr>
<td>750 Capital Mines Hydrocarbures Fund</td>
<td>3 With equity financing on a minority basis</td>
</tr>
<tr>
<td>1,235 Total Government Investment</td>
<td></td>
</tr>
</tbody>
</table>

Source: [www.investquebec.com](http://www.investquebec.com), April 18, 2012
Striving for sustainable development of a valuable region

<table>
<thead>
<tr>
<th>Approach</th>
<th>Benefits</th>
<th>Challenges</th>
</tr>
</thead>
</table>
| Economic Development      | Stimulation of local development  
                           | Increased mining activity            | Wealth sharing  
                           |                           | Industrial infrastructure|
| Social Development        | Education and training  
                           | Health and social services  
                           | Housing                  | Active stakeholder involvement|
| Environmental Protection  | Protection of 50% of North for non-industrial use  
                           | 12% of territory to be protected wilderness areas | Identifying areas for development  
                           |                           | Ensuring adequate access for exploration|

In order to maximize synergies and coordinate infrastructure investment, the government will create the “Société du Plan Nord”

Source: [www.plannord.gouv.qc.ca](http://www.plannord.gouv.qc.ca)
THANK YOU!

Americas School of Mines Conference 2012

Mr. Jacques Daoust
President and Chief Executive Officer
3 Country Panel

Steve Ralbovsky
Moderator
Jacques Daoust
Miguel Palomino
Boldbaatar Ochirsuren
Asia Pacific

Wayne Huf
Agenda

1. Some perspective
2. China
3. Indonesia
4. India
Section one

Some perspective
Some perspective
Where to from here for the global mining industry

• Demand continues to be stoked by growth in the emerging markets.

• Asia has become dominant global mining player over past decade – China, India, Australia and Indonesia global leaders in mineral production.

• China is an 8 times larger maker and user of steel than the USA – economy has doubled in size in past 10 years.

• China and India expected to account for approximately 63% of global demand for coal in 2012.

• Indonesia to supply 36.5% of seaborne thermal coal market, Australia to supply 54% of seaborne coking coal market.
Some perspective
Where to from here for the global mining industry (cont.)

• Supply side challenges – declining grades and new mines in remote locations.

• Cost base of the industry has stepped up to a new level.

• A major capex response is underway to meet demand.

• A shift to emerging markets.

• An increased focus by governments (resource nationalism) and stakeholders.
Some perspective
The world’s GDP

Source: Maddison, Deloitte Access Economics
Some perspective
Consumption of metals increases in line with increasing income

![Graph showing population distribution, world average income per capita, and expenditure per capita across different GDP per capita levels.](chart)

Source: Global Insight for population distribution; Rio Tinto estimates for commodity expenditure profiles.
Some perspective
Demand side - countries set to follow China

![Chart showing GDP per capita and population for developing countries with populations >50 million (excluding China).](chart)

Source: Global Insight
Some perspective
Supply side – capital spend in Asia Pacific

Capital Spending On Metals And Mining Projects Remains High In Asia-Pacific

f--forecast.
© Standard & Poor's 2012.
Some perspective
Asia Mining Business Environment Ratings

<table>
<thead>
<tr>
<th>国家</th>
<th>Mining industry</th>
<th>Country structure</th>
<th>Limits</th>
<th>Market risks</th>
<th>Country risk</th>
<th>Risks</th>
<th>Mining rating</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>澳大利亚</td>
<td>75.0</td>
<td>66.1</td>
<td>71.9</td>
<td>89.5</td>
<td>86.7</td>
<td>88.1</td>
<td>76.7</td>
<td>1</td>
</tr>
<tr>
<td>马来西亚</td>
<td>77.5</td>
<td>66.5</td>
<td>73.7</td>
<td>59.6</td>
<td>75.5</td>
<td>67.5</td>
<td>71.8</td>
<td>2</td>
</tr>
<tr>
<td>中国</td>
<td>77.5</td>
<td>51.5</td>
<td>68.4</td>
<td>49.1</td>
<td>69.8</td>
<td>59.5</td>
<td>65.7</td>
<td>3</td>
</tr>
<tr>
<td>印度尼西亚</td>
<td>77.5</td>
<td>50.5</td>
<td>68.1</td>
<td>56.6</td>
<td>42.6</td>
<td>49.6</td>
<td>62.5</td>
<td>4</td>
</tr>
<tr>
<td>印度</td>
<td>45.0</td>
<td>46.6</td>
<td>45.6</td>
<td>59.2</td>
<td>53.1</td>
<td>56.2</td>
<td>48.7</td>
<td>5</td>
</tr>
<tr>
<td>韩国南部</td>
<td>7.50</td>
<td>68.6</td>
<td>28.9</td>
<td>72.7</td>
<td>70.7</td>
<td>71.7</td>
<td>41.7</td>
<td>6</td>
</tr>
<tr>
<td>日本</td>
<td>10.0</td>
<td>64.8</td>
<td>29.2</td>
<td>80.4</td>
<td>77.3</td>
<td>78.8</td>
<td>44.1</td>
<td>7</td>
</tr>
<tr>
<td>菲律宾</td>
<td>22.5</td>
<td>55.3</td>
<td>34.0</td>
<td>70.7</td>
<td>39.3</td>
<td>48.5</td>
<td>38.3</td>
<td>8</td>
</tr>
</tbody>
</table>

Scores out of 100 with 100 the best. Sources: BMI
Section two

China
China

Background

• Fastest growing major economy in the world.

• Massive trade surplus and extensive foreign exchange reserves.

• Urbanisation a major driver of economic growth and opportunity.

• 2012 second year of 12th Five-Year Plan.

• “Fifth generation” of leaders is being prepared to take power in 2012-13.

• Vast supply of cheap labour.

Source: WBMS, ANZ
China
Background (cont.)

• Managing potential inequality of living standards a major concern for government - per capita GDP:
  
  • coastal belt - CNY21,000
  • rural areas - CNY 8,100

• High concentration of wealth – 1,000 wealthiest citizens hold approx US$1 trillion in wealth – 14% of GDP.

• Momentum towards a political transition now seems be difficult to avoid – the next generation likely to demand a move to a democratic system of government?

Source: WBMS, ANZ
China

Background

• The market continues to be nervous about China’s ability to manage its economy.

• Historically China has outperformed 5 Year Plan targets.

• 7% growth target in this 5 Year Plan a floor - not a ceiling.

GDP growth target versus actual growth (%)

Source: China National Bureau of Statistics.
China
Steel intensity by province vs. GDP per capita

Finished steel consumption per capita 2010 (kg)

Note: Bubble size reflects 2010 population of each province.
Source: DRC Report, NBS, BHP Billiton.
China’s six richest provinces have a GDP per capita double that of the rest of the country.

Source: Eurasia Group, August 2011
China
Mining

• Expected average growth in mine production - 5.6% p.a. from 2010 to 2016
• Growth led by iron ore, bauxite and copper.
• Dominated by domestic producers – strict regulation of foreign investment.
• Smaller less efficient mines being closed – push for efficiency gains.
• Largest rare earth’s producer in the world – 2011 decision to reduce rare earths exports by 35%.
• Ongoing challenges with mine safety.
• Africa attracting ongoing Chinese investment attention – including via Australia and other jurisdictions.

Source: WBMS, ANZ
China Mining

Filling In The Gaps
China - % Of Global Production And Consumption, 2010

Sources: BMI, WBMS
Section three

India
India

Background

• World’s largest democracy.
• Half of the population younger than 25.
• Vast supply of inexpensive but relatively skilled labour, but arrival of Western employers (outsourcing) is bidding up local wages.
• GDP per capital is one third that of China’s.
• Regulation and bureaucracy dissuade foreign investment.
• Regional instability – but relationship with Pakistan improving.

Source: WBMS, ANZ
India
Mining

• 3rd largest producer of coal, 4th largest producer of iron ore.

• Only 10% of the landmass has been explored – regulatory constraints.

• 5% of operating mines produce 50% of mineral output - highly fragmented industry

• Sector dominated by domestic, public sector enterprises (eg. Coal India) – protection from overseas competition for last 50 years.

• Increasing number of Indian companies venturing offshore to secure off take.

Source: WBMS, ANZ
India
Mining (cont.)

- Mines and Minerals (Development and Regulation) Act 2011 – seeks to reduce bureaucratic hurdles for inbound investment – transparency and open bidding for exploration licences - but calls for additional taxes.

- India heavily reliant on coal for generation – **current shortfall 114 mt** - by 2017 **shortfall of 200mt p.a.** – Australia and Indonesia are key suppliers.

- Iron ore – currently self sufficient, but exploitable reserves will be insufficient to meet the long term production demands of its steel industry.

Source: WBMS, ANZ
India
Coal – Import Reliant

Source: EIA
India
Demand side – a long way behind China....

Source:
PwC
India
A long way to go but economy expected to be larger than US and China by 2050
Section four

Indonesia
Indonesia

Background

• South East Asia’s largest economy – population approx. 240 million – the 4th largest labour force in the world.

• Successful transition to democracy in 2004 – reduced role of military in government.

• Government has had difficulty balancing the interests of foreign investors seeking to invest, with those of the country – corruption remains a challenge.

• Extremely young population – 50% less than 30 years of age – political instability?
**Indonesia**

**Mining**


- Continued investment growth despite lack of regulatory certainty and need for further clarification of the new law.

- Recently introduced change requiring a 51% divestment of capital by foreign mining licence holders.

- Infrastructure is an ongoing challenge.
**Indonesia**

**Mining**

- World’s **largest exporter of thermal coal** – has benefited from increase in demand from China and India.

- Mining contributes approx 4-5% of total GDP.

- Significant production of coal, copper, gold, tin and nickel, but level of new mining investment remains low.
Indonesia
Mining Output - % Change Since 2006

Source: Mining in Indonesia Investment and Taxation guide
Indonesia
New Mining Law

• Government has sought to create more certainty, however regulations clarifying the operation of the law remain outstanding.

• Mining can only be conducted in areas designated by the central Government.

• Mining licences only issued to Indonesian legal entities – includes entities wholly owned by Indonesian nationals and foreign owned.

• One licence only per company – issued via a tender process.
**Indonesia**
New Mining Law (cont.)

- Subject to divestment rules, 100% foreign ownership is presently permitted.

- **Mandatory in-country processing – ban on the export of raw minerals effective May 2012** – but the switch to in-country processing likely phased from 2014 to 2016.

- Metals miners moving into downstream processing to hedge against impending 2014 ban on export of raw materials.

- **Benchmark price set by the government for exports** – serves as a floor price for the collection of royalties.
### Indonesia

New Mining Law - Divestment by Foreign Shareholders

<table>
<thead>
<tr>
<th>Number of years after production commences</th>
<th>Minimum divestment requirement (at the end of that year)</th>
</tr>
</thead>
<tbody>
<tr>
<td>6</td>
<td>20%</td>
</tr>
<tr>
<td>7</td>
<td>30%</td>
</tr>
<tr>
<td>8</td>
<td>37%</td>
</tr>
<tr>
<td>9</td>
<td>44%</td>
</tr>
<tr>
<td>10</td>
<td>51%</td>
</tr>
</tbody>
</table>

- **51% divestment by year 10** viewed as significantly reducing economic viability for foreign investors in large scale projects

Source: Mining in Indonesia Investment and Taxation guide
Summary

• **Asia** - has become dominant global mining player over past decade

• **China** – continues to deliver on demand side and still some way to go

• **India** – large democracy – young pop’n - huge potential for economic growth – bureaucracy a challenge

• **Indonesia** - South East Asia’s largest economy – young popn – continuing challenges balancing foreign investment against interests of the country
Questions?
2012 Americas School of Mines
Africa

Gilles de Vignemont
Agenda

Section one: Overview of Africa
Section two: Hot Topics
Section three: PwC in Africa
Summary
Section one: Overview of Africa
Africa is BIG !!!

Larger than:

China,
+ the USA,
+ Western Europe
+ India,
+ Argentina,
+ British Isles …

combined
A continent of cultural and legal diversity

- French speaking countries
- Spanish /Portuguese speaking countries
- English speaking countries
- Arabic / French speaking countries
- Arabic / English speaking countries

A world where 6,000 languages are STILL spoken!!
Long term plan is the merge the EAC, COMESA and SADC into one regional trading block

This new mega block will consist of 26 countries, 527 million people with a total GDP of $625 billion
• Such a move would significantly boost intra-trade within Africa
• Would also foster African economic integration and develop common strategies for infrastructure development
Strategic Rationale for Investing in Africa

Increasing global demand for Africa’s resources

Growing Consumerism

Securing access to raw-materials

1 billion potential customer (heading toward 2 billion by 2050)

Capital is flowing more freely, which facilitates trade

Big misperceptions about Africa still exist especially in the mainstream media
Corruption in Africa: perception index 2011

Source: Transparency International
Section two: Hot Topics
Common Hot Topics

- Harmonization of mining legislation
  ◦ Common mining code in UEMOA (West African Economic and Monetary Union)
  ◦ Unified legal framework for mineral exploration and mining
- Transfer pricing
  ◦ Increased scrutiny: a common area of focus in the extraction industry.
- Tax audits in Francophone Africa
- Indigenization in Zimbabwe
- Strategic intervention in the Minerals Sector – South Africa
Section three: PwC in Africa
PwC’s Africa Network

• Leading firm in Africa, extensive network of offices in most of the African continent and providing tax, assurance and advisory services.

• More than 56 permanent offices in 31 countries across the continent employing more than 7,000 professional staff.

• The only firm with U.S.-based African Tax Group. - A team of tax professionals from Africa.

• Fully integrated delivery between PwC U.S. and the PwC Africa network offices
Thank you!
Mining in Latin America

Miguel Palomino
Agenda

The main differences
And why they are likely to remain
The main differences

The region is divided into two blocks and, with regard to mining, the importance of the sector helps explain the path followed.
The importance of mining varies greatly in the region...

Mining GDP, 2011*
(as % of total GDP)

*Or last year available (2010)
Source: Statistics Canada, BCRP, Banco de Chile

PwC
... with Chile and Peru leading by a wide margin

Mining exports, 2011*
(as % of total exports)

*Or last year available (2010)
Source: Statistics Canada, BCRP, Banco de Chile

PwC
Except for Argentina, mineral potential is higher in the countries with investor friendly policies

Policy mineral potential assuming no land use restrictions and industry best practices
(rank among countries/regions covered)

*Chubut region
Source: Fraser Institute 2011/2012
Only Peru has great room for policy improvement among the BCCP

Room for improvement
(rank among countries/regions covered)

- Argentina*
- Venezuela
- Peru
- Ecuador
- Bolivia
- Colombia
- Brazil
- Chile

*Chubut region
Source: Fraser Institute 2011/2012
Outstanding long-term economic perspectives...

Top ten economies by cumulative GDP growth*, 2010-2050
(in percentage)

Perú 765
Malasia 695
Egipto 628
China 622
Argelia 608
Rumanía 573
Chile 475
Turquía 458
Colombia 411
Tailandia 358

*Middle and high income countries included
Source: HSBC "The World in 2050"
And why they are likely to remain

The main force behind improvement in mining policies is likely to be the importance of the mining sector
The worst mining policies are generally associated with a less important mining sector

Uncertainty concerning the administration, interpretation, and enforcement of existing regulations
(rank according to deterrents to investment)

- Venezuela: Would not pursue investment
- Bolivia: Strong deterrent to investment
- Ecuador: Mild deterrent to investment
- Argentina*: Would not pursue investment
- Peru: Would not pursue investment
- Colombia: Strong deterrent to investment
- Brazil: Mild deterrent to investment
- Chile: Would not pursue investment

*Chubut region
Source: Fraser Institute 2011/2012
This would tend to perpetuate the differences in mining sector attractiveness for investors.

Regulatory duplication and inconsistencies
(rank according to deterrents to investment)

<table>
<thead>
<tr>
<th>Country</th>
<th>Would not pursue investment</th>
<th>Strong deterrent to investment</th>
<th>Mild deterrent to investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Venezuela</td>
<td>88</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bolivia</td>
<td>86</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ecuador</td>
<td>85</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Argentina*</td>
<td>78</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Peru</td>
<td>51</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Colombia</td>
<td>38</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Brazil</td>
<td>35</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chile</td>
<td>2</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Chubut region
Source: Fraser Institute 2011/2012
As one would expect policies to gradually adapt to opportunities for improvement

Uncertainty concerning environmental regulations
(rank according to deterrents to investment)

Would not pursue investment
Strong deterrent to investment
Mild deterrent to investment

Bolivia 88
Argentina* 85
Venezuela 84
Ecuador 81
Peru 51
Colombia 41
Brazil 28
Chile 4

*Chubut region
Source: Fraser Institute 2011/2012
Idiosyncratic factors tend to have a minor effect on overall policy attractiveness

Uncertainty concerning which areas will be protected as wilderness areas, parks or archeological sites
(rank according to deterrents to investment)

*Chubut region
Source: Fraser Institute 2011/2012
Uncertainty concerning disputed land claims
(rank according to deterrents to investment)

- Bolivia: 93%
- Venezuela: 92%
- Ecuador: 82%
- Argentina: 79%
- Peru: 70%
- Colombia: 57%
- Brazil: 50%
- Chile: 6%

Would not pursue investment
Strong deterrent to investment
Mild deterrent to investment

*Chubut region
Source: Fraser Institute 2011/2012
The more sector specific issues ratify the main thesis

Quality of geological data base
(rank according to deterrents to investment)

- Bolivia: 90%
  - Would not pursue investment: 32%
  - Strong deterrent to investment: 58%
  - Mild deterrent to investment: 10%
- Ecuador: 82%
- Venezuela: 79%
- Colombia: 61%
- Argentina*: 54%
- Brazil: 43%
- Peru: 38%
- Chile: 32%

*Chubut region
Source: Fraser Institute 2011/2012
Sector policy is also affected by overall policy as in the case of taxation in Brazil

**Taxation regime**
(rank according to deterrents to investment)

- **Venezuela**
  - Would not pursue investment: 93%
  - Strong deterrent to investment: 0%
  - Mild deterrent to investment: 0%
- **Bolivia**
  - Would not pursue investment: 92%
  - Strong deterrent to investment: 10%
  - Mild deterrent to investment: 0%
- **Ecuador**
  - Would not pursue investment: 88%
  - Strong deterrent to investment: 20%
  - Mild deterrent to investment: 0%
- **Brazil**
  - Would not pursue investment: 76%
  - Strong deterrent to investment: 40%
  - Mild deterrent to investment: 20%
- **Argentina**
  - Would not pursue investment: 71%
  - Strong deterrent to investment: 31%
  - Mild deterrent to investment: 0%
- **Peru**
  - Would not pursue investment: 42%
  - Strong deterrent to investment: 10%
  - Mild deterrent to investment: 0%
- **Colombia**
  - Would not pursue investment: 31%
  - Strong deterrent to investment: 30%
  - Mild deterrent to investment: 0%
- **Chile**
  - Would not pursue investment: 56%
  - Strong deterrent to investment: 0%
  - Mild deterrent to investment: 0%

*Chubut region
Source: Fraser Institute 2011/2012
And more complex socioeconomic issues also affect the investment climate

Socioeconomic agreements and community development conditions*
(rank according to deterrents to investment)

*Includes local purchasing, processing requirements, or supplying social infrastructure such as schools or hospitals, etc.

**Chubut region

Source: Fraser Institute 2011/2012
But there is a strong correlation between overall policy and sector policy attractiveness

Legal system
(rank according to deterrents to investment)

PwC

*Chubut region
Source: Fraser Institute 2011/2012
How much does mining help in overall development?

**Infrastructure**  
(rank according to deterrents to investment)

*Includes access to roads, power availability, etc.*  
**Chubut region  
Source: Fraser Institute 2011/2012
An example of lags between perception and reality

Trade barriers and capital restrictions*
(rank according to deterrents to investment)

<table>
<thead>
<tr>
<th>Country</th>
<th>Percentage</th>
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</tr>
<tr>
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</tr>
<tr>
<td>Brazil</td>
<td>62</td>
</tr>
<tr>
<td>Colombia</td>
<td>54</td>
</tr>
<tr>
<td>Peru</td>
<td>49</td>
</tr>
<tr>
<td>Chile</td>
<td>33</td>
</tr>
</tbody>
</table>

*Includes restrictions on profit repatriation, currency restrictions, etc.
**Chubut region
Source: Fraser Institute 2011/2012
Politics matter

Political stability
(rank according to deterrents to investment)

- Venezuela: 87 (Would not pursue investment)
- Bolivia: 85 (Strong deterrent to investment)
- Ecuador: 84 (Mild deterrent to investment)
- Peru: 70 (Mild deterrent to investment)
- Argentina*: 69 (Mild deterrent to investment)
- Colombia: 51 (Strong deterrent to investment)
- Brazil: 43 (Strong deterrent to investment)
- Chile: 25 (Moderate deterrent to investment)

*Chubut region
Source: Fraser Institute 2011/2012
And explain labor regulations

Labor regulations, employment agreements, and labor militancy or work disruptions
(rank according to deterrents to investment)

Source: Fraser Institute 2011/2012

*Chubut region

Bolivia Venezuela Ecuador Peru Brazil Argentina* Colombia Chile

Would not pursue investment
Strong deterrent to investment
Mild deterrent to investment
Summary

- The region is divided into two camps going in different directions
- Or three if one distinguishes the situation in Brazil from that of the other BCCPs
- The current division is likely to remain in place or even strengthen in the foreseeable future
Minerals Panel

Becky McLaughlin  
*Moderator*

Stuart Absolom

Molly Hepburn

Benita Pulins
Leadership Panel

Becky McLaughlin  
*Moderator*

Steve Ralbovsky

John Gravelle

Wayne Huf

Fernando Gaveglio

Stuart Absolom

Jose Almodovar
Closing

Steve Ralbovsky
Thanks for attending the 15th annual School of Mines!

See you next year!
2012 Americas School of Mines

See you next year!