



PERU: INVESTMENT OPPORTUNITIES, MINING

The well known geological wealth and the information availability, the low production costs obtained by the large mining projects, the local supply of several mining suppliers and the legal framework for the promotion of the current private investment, make Peru one of the most attractive destinations for mining investment worldwide.

Advantages: A magnet for mining investment

LEADER IN ATTRACTING MINING EXPLORATION

Given the Andean mountain range in Peruvian territory, the primary global source of mineral ore deposits, Peru ranks number three in gold, silver, copper and zinc deposits, according to the U.S. Geological Survey - USGS.

- Only 10% of territory with mining potential has been explored in Peru, and 6% is currently being mined.

- The Fraser Institute describes Peru as one of the most attractive destinations for mining exploration in Latin America, stating that US\$ 350 million were invested in this activity here in 2009.

- The Geological, Mining and Metallurgical Institute – INGEMMET, provides complete cadastral information of any local mining right through internet. Currently, there are 5,000 to 8,000 new petitions per year.

- Additionally, there are still diverse investment opportunities in nonmetal mining, particularly borates, diatomites, bentonite, rock phosphate and travertine.

PRIVILEGED COUNTRY FOR FOREIGN INVESTMENT / WORLD LEADERS

The leading international mining companies like Newmont, Barrick, Freeport Macmoran, Xstrata, BHP Billiton, Shougang, Chinalco, Rio Tinto, Anglo American, Grupo México and CVR, among others have invested in Peru. This has allowed that in 1999 - 2009 investment in the mining sector have exceeded US\$ 14.4 billion, and US\$ 37 billion more are to be invested in the upcoming years.

- Mining dynamics has positioned Peru as leader in Latin America in gold, silver, zinc, lead, tin and tellurium production, and globally as number one producer of silver and number two in copper and zinc.

- Mining is the activity which most contributes to Peruvian exports. During 2009, exports in the mining sector exceeded US\$ 16 billion and the previous year they reached their highest peak by surpassing US\$ 18 billion.



- Many of these large scale operations are among the production units with lowest unit costs of these international mining companies.

Exploration companies benefit from the tax refund the cost incurred in exploration activities. Besides all the exports are exempt from tax. There are mechanisms that facilitate the delivery of donations from mining companies to communities, especially in cases of public infrastructure, such as roads or construction law tax (Allows to recover 100 % of the investment made)

EXPORTS BOOM

Exports in the mining sector have become significantly dynamic during the last decade, going from an annual average of US\$ 4,400 million during the first five years to an average close to US\$ 15,500 million in the last five years.

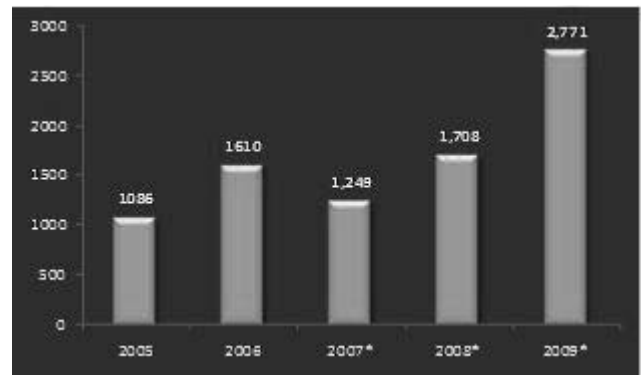
PROFITABLE PRODUCTION AND PROFITABLE PRICE QUOTES

During 2009 production of copper reached its historical peak (1,275 thousand FMT). However, exports of this metal dropped 22% due to the international crisis when price quotes turned US\$/Lb 234 Cents from a prior annual average of 316. It is worth mentioning that although some small mining companies have decreased their production, the average cost of the most efficient Peruvian mining companies is well below those levels. On the other hand, gold quotations reached its highest peak in the last 10 years (974 US\$/Oz.tr.). Production also stayed at levels over 180 FMT, registering a peak of 210 FMT in 2005.



INCREASING INVESTMENTS

Investments in the mining sector showed an increasing trend in the last two years, reaching its highest level to date in 2009 with US\$ 2,771 million. This was the result of growing interest by multinational companies in exploring new deposits and for the expansion of already established companies in Peru.



LEADING COMPANIES

In 2009, five mining companies exceeded US\$ 1,250 million annually in exports. Many of these deposits are polymetal; although the most exported metals were gold and copper. Other 28 companies show exports over US\$ 100 million.

FAVORABLE DEMAND TRENDS / A WORLD INCREASINGLY METALLIC:

- After the crisis, the economic recovery will imply inventory renovations by manufacturing companies, which will be a key factor for the increase in metal demand during 2010 and, as a consequence, price quotes will also go up.



- Copper, lead and zinc prices went up in the late months of 2009 because of the gradual economic recovery. Add to that the anti-cyclic measures adopted by governments, such as great infrastructure projects with a high demand of basic metals.

- With its growing metal consuming industry, China will have a great influence in global demand as a result of the construction spree it is undergoing and the rapid reduction of poverty it is achieving. Additionally, China is currently the second largest global consumer of gold and its purchases of the precious metal have grown an annual average of 13% in the last five years.

THE INTERESTING “NON METAL” POTENTIAL/NOT EVERYTHING THAT SHINES IS GOLD

- In Peru the traditional destination for non

metal minerals has been the construction materials industry, ceramics industry, and in a lesser degree the fertilizer and chemicals industry. There are local entrepreneurs working towards creating a greater value added and aiming for export of products or by-products.

- The start of the use of phosphates from Bayovar by Brazilian CVR and its transformation into fertilizers is a clear example of the type of investment that can be developed in the next years.

- Among the non metal minerals with greater potential are diatomite, bentonite and borates. Peru is one of the few countries in the world with phosphate deposits.

- The industrialization and processing of products based on travertine is also an interesting investment potential for specialized groups.





For more information, please visit
www.proinversion.gob.pe
Or contact: Trade Section, Embassy of Peru in Thailand
Email: trade@peruthai.or.th
Tel No: 02-260-6243/45/48

