

## Latin America

- > Australia's next frontier
- > Eagle advisors Roundtable

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Australian Government  
Australian Trade Commission



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# Neighbours



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# Latam a major supplier of minerals and metals

## Global production rankings by commodity

Commodity	Peru	Chile	Mexico	Brazil
Copper	2	1		
Silver	2	5	1	
Iron				3
Lead	4			
Zinc	3			
Gold	5*			

\* Considered higher if artesanal mining is taken into account

## Latam experiencing incredible project growth

- \$236 bn in investment over next 5 – 10 years

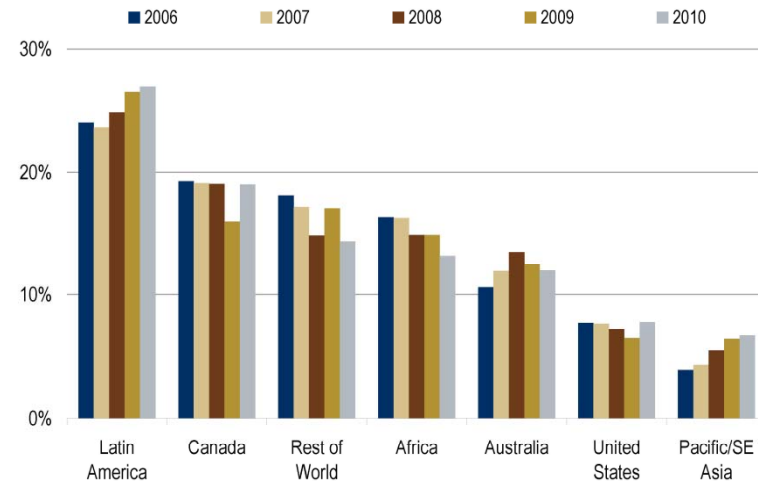
Country	Investment (US\$bn)	Year
Argentina	10	2015
Brazil	28	2015
Chile	75	2020
Colombia	22	2015
Ecuador	7	2015
Mexico	13	2015
Panama	4	2015
Peru	56	2020
Total	235.7	-

Note: Estimates include all mining industries and excludes investment in exploration and refining.

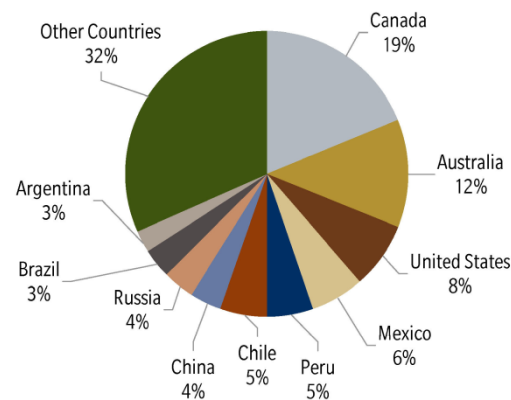
Source: Cesco based on Secretaria de Minería de la Nación Argentina and Arminera, Ibram, SEIA, Asomineros, Cámara de Minería del Ecuador, MEM Perú, APOYO Consultoría and press sources.

# Latam is most explored region, globally

- Every year since 1994, Latin America has attracted most exploration investment
- In 2010, received > \$3 bn or 27% of world's exploration investment
- Early analysis by MEG indicates that exploration investment in 2011 will increase by 50% with Latam the industry's favorite destination



## Exploration investment – 5 of top 10 countries from Latam



- Of the top 10 countries globally, five are Latin American; Mexico, Peru, Chile, Brazil and Argentina
- Colombia is fastest growing in exploration investment

# Segmenting the region – according to CESCO

Classification	Description	Countries
Consolidated	Mining is recognised as major driver for growth. Policy settings are attractive for foreign investment and there is a pipeline of major investments announced.	Peru, Chile, Brazil, Mexico
Emerging	Countries know mining could be a major driver of development and growth and are modifying policy settings in industry's favour.	Colombia, Ecuador
To watch	The government is beginning to open up its industry to mining but there is limited activity to date. Mixed signals to investors.	Panama, Paraguay, Uruguay, Dominican Republic, El Salvador
Use Caution	Degree of state control over mining activities, anti-mining sentiment demonstrated in policies and unfriendly to foreign investment.	Venezuela, Bolivia, Argentina*, Costa Rica

\* Except a few pro-mining provinces including san Juan and Salta

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## How can Australian suppliers sell products and services to Latam mines?

- depends on what you're selling but it helps to break it down:
  - Channels
  - Segment the mining companies
  - What stage of mine development do you add value
  - What is your value add
  - Level of representation
  - Tolerance for risk

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# Business development channels

- Direct to mine
  1. Technical managers (mostly at mine site)
  2. HQ (procurement and logistics)
- Through engineering firm/project manager
- How risky/novel is your solution to implement?



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# Segmenting the mining customers

- Multinationals
  - Open pit, large volume
  - Culture of TCO
  - Operate above local regulatory standards
- Locally owned but large scale
  - Mix of open and underground, medium volume
  - Trying to modernise and compete
  - evolving to professional mgmt - TCO gaining acceptance
- Small locally owned
  - Underground, small volume
  - Under-regulated
  - Short term orientated
  - Family managed

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# Stage of mine development

- What stage do you need to be building relationships?
  - Exploration, pre-feasability, feasibility, construction , production, closure
  - Understand the pipeline of projects in each country
  - Get to know engineering firms
    - Good source of intell
    - Easier to get to know than mines at first
    - Help with pricing and detailed engineering

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## Value add?

- Are you offering efficiency?
  - TCO becomes important.
- Safety is increasingly important
- Security on minesites is also very important
- Environmental issues increasingly important
  - Water management critical
  - Small environmental footprint
- Community relations is important part of landscape
  - Training can be issue. Can locals be trained to service?

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## Level of representation

- Subsidiary, distributor or sell from another country
- Where will regional HQ be?
- Where will you manufacture?
- Beware of intraregional tensions
- Think about where you will be in 5 – 10 years

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## Major barriers to doing business

- Language and cultural differences
- TCO/upfront issue. Consider leasing
- Perception of distance and cost
- Mines often in remote locations/altitude. How to service?
- Tremendous shortage of labour (particularly technical)
- Difficult to ship equipment within countries
- Withholding tax issues
- Lack of free trade agreements puts Australia at a disadvantage
- 'non standard' business practices

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## Positives

- Limited domestic industry issues
- Can build a local team confidently
- Region not highly unionised
- Air and cargo links are improving
- TPP will help if/when ratified
- Taxation agreement with Chile will be helpful
- Hungry for best practice and want to work with Australia

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## What can Austrade do to help?

- Organised market visit – meet who you need to know
- Network of referrals to lawyers, accountants, interpreters and translators
- Assistance with government liaison in market
- Network with Australian mining companies and suppliers/engineering firms
- Participate in our Australian pavilions
  - Mexico, Peru, Brazil and Chile
- Mine site visits
- Research on customer segmentation
- Join the linkedin group



**Austrade Lima at Antamina**





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Valeria  
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Victor Pertou 4 hours ago • Well done Valeria and Daniel! Good group!

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Austrade Lima recently visited Antamina to see progress of \$1.2 bn expansion. Very impressive operation!

\* Antamina managed by Peruvians but majority owned by BHP Billiton and Xstrata Copper  
\* Capacity to be increased 38% and mine life > to ...

posted 6 days ago

### Latest Updates



9 people have joined the group, including **George Di Scala**, **Gary Gibson** and **Brian Carnahan**

11 minutes ago



**Valeria Beck Escalante** likes this comment by **Victor Pertou**  
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**Victor Pertou** commented in the group on **Austrade Lima** recently visited Antamina to see progress of \$1.2 bn expansion. Very impressive operation! Very impressive operations!

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# Thank you!

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