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## Strike Resources increases Peruvian iron ore stake

Perth-based explorer Strike Resources (ASX: SRL) has increased its stake in the Apurimac and Cuzco iron ore projects in Peru through the acquisition of a major stake in one of the properties' minor shareholders, SRL told the Australian Stock Exchange.

SRL has purchased a 70% holding in Iron Associates Corporation (IAC), whose sole asset is a 27.6% in Apurimac Ferrum S.A. (AF), the Peruvian-based holding company which owns the two projects. SRL now owns a 75.5% controlling interest in AF, up from 51% before the deal.

SRL brought a chunk of IAC from its Peruvian partner in the Apurimac and Cuzco projects, MAPSA.

The Apurimac and Cuzco deposits, in the departments of the same name in southern Peru, contain an estimated resource of 730Mt grading 60-66% iron and 500Mt at 64% iron respectively, according to a report by Peru's Energy and Mining Ministry. The current drilling and exploration program aimed at confirming these estimates began in 2005, and, while only two of the 21 targets at Apurimac have been drill-tested so far, SRL says the exploration results so far support the initial report.

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## CURRENT EXPLORATION

Drilling has outlined a JORC-compliant inferred resource of 21Mt of 63.1% iron based on drilling at the Opaban III anomaly at Apurimac, SRL says on its website, based on 2,667m of diamond core in 31 holes.

This resource is big enough and of sufficient grade to potentially begin a trucking operation of up to 1Mt/y of direct-shipping-ore, which could generate cashflow to help explore the properties further.

Exploration has also identified a resource target of 210-260Mt at Opaban I, based on widely spaced drillholes (15 holes over a strike length of 2.2km and a gravity anomaly).

Mineralization occurs in the form of both high-grade hematite and high-grade magnetite, the company added.

## AGRICULTURAL NEWS

# Brazilians turn to Queensland to beef up cattle stocks



Brazilian cattlemen are turning to central Queensland to improve genetics in their herds, the Queensland government's department of primary industries reported.

A delegation from the South American country, led by international cattle marketer Francisco de Paula, visited a number of tropical breed beef cattle enterprises in central Queensland in February.

Central Queensland and Brazil enjoy similar climates, with mild winters and hot, steamy summers, which suit tropically adapted beef cattle. Brazil's 200 million head of beef cattle is dominated by the Bos Indicus Nelore breeds, different to the types of cattle that roam the Capricornia.

Australian cattle genetics are already exported to Argentina and Paraguay, both major beef players, but Brazil has traditionally been a tougher market to crack, as its beef industry is dominated by US breeds. Morgan Gronold, a senior trade officer with the Queensland DPI who assisted the delegation, was quoted as saying.

While some individuals have introduced Australian genetics to Brazilian herds, no concerted effort by government or business has been made into the potentially huge market, Daniela Brandao, a veterinarian with the delegation, said. This haphazard introduction of genetics, limited exposure to strains that would potentially thrive in Brazil's tropics, and too much foreign ownership of the strains, has been detrimental to Brazil's cattle industry in the past, she added.

## HIGH STEAKS

While Brazil has around 10 times as much beef cattle as Australia, it has so far been unable to compete in the high-end beef markets. The Brazilian delegates aim to address that with careful selection of Australian cattle genetics to breed in with local strains.

"There is tremendous scope to follow Australia's lead and promote crossbreeding using high performance cattle genetics to boost Brazil's commercial beef production per hectare," de Paula said.

De Paula and Brandao are from the Brazilian-based genetics company Emrbyogen, which is keen to import more Australian cattle semen and embryos to Brazil. Emrbyogen and other Brazilian companies want to build strong partnerships with Queensland producers. From the Queensland beef industry's perspective, it is a good strategy to form partnerships with the Brazilian producers, who could also be considered rivals, and open the door for more business, said Gronold.

The beef cattle industry is worth almost \$3.6 billion to Australia's economy, with Queensland accounting for around 40% of that, according to data from the Queensland state government.

## Privatisation heralds a sugar boom - Peru



In the 1960s, Peru's sugar industry was among the most efficient in the world. It was all downhill thereafter. A military government expropriated the sugar estates on the country's north coast, turning them into government-owned co-operatives. Having peaked at 1Mt in 1975, output fell to 400,000t by the early 1990s. But since then the sugar industry has passed into private hands again. Over the past decade production has returned to its historic peak—and is now set to boom.

The change has been gradual. The government has sold its stake in the industry in tranches. But now investors are piling in. As in other parts of South and Central America they are attracted by higher prices for sugar because of its use for ethanol. Industry sources predict that land under sugar will expand by 10,000 hectares (25,000 acres) a year, more than doubling output over the next decade. That would turn Peru into an exporter — though not on the scale of Brazil or Colombia.

Last year, local investors secured a controlling stake in Casa Grande, the largest sugar plantation. Bioterra, a Spanish company, plans a US\$90 million ethanol plant nearby. Maple, a Texas company, has bought 10,600 hectares of land in the northern department of Piura. Its plans call for an investment of US\$120 million and ethanol production of 120 million litres a year. Brazilian and Ecuadorian investors are also active.

Part of the attraction is that Peru has signed a free-trade agreement with the United States. Provided that it can satisfy the concerns of the new Democratic-controlled Congress in Washington, DC, about the enforcement of labour rights, this agreement should be approved later this year. It would render permanent existing trade preferences under which ethanol from Peru can enter the United States duty-free. By contrast, ethanol exported from Brazil, the world's biggest producer, must pay a tariff of US\$0.54/gal.

Two harsh realities might sour these sweet dreams. Colombia, Central America and the Dominican Republic all enjoy similar preferences and have similar plans. Colombia already produces 360 million litres a year of ethanol, much of it for export. The second question is whether sugar—a thirsty crop—is the best use of Peru's desert coastal strip, with its precarious water supply. One of the country's achievements of the past decade has been the private sector's development of new export crops. It would be ironic if these businesses were threatened by sugar's privatisation.

**Source: The Economist**

## LAN Argentina, LAN Ecuador to join oneworld airline alliance

South American airlines LAN Argentina and LAN Ecuador will join the global **oneworld** alliance as affiliate members, effective April 1, **oneworld** announced.

LAN Argentina and LAN Ecuador will join the other airlines in the LAN group, Chile-based LAN and LAN Express, and LAN Peru, as members of the **oneworld** alliance.

The move is part of a major expansion for the alliance, which will also welcome JALways, Japan Asia Airways, JAL Express, J-Air and Japan Transocean Air on the same date. Another airline, Dragonair, will also become an affiliate member once all necessary joining technicalities have been completed.

LAN Argentina offers domestic passenger and cargo services in Argentina, flying out of Buenos Aires to the regional centers of Cordoba, Mendoza, Iguazu, Baroloche, El Calafate, Ushuaia, Comodoro Rivadavia, Rio Gallegos, and, from March 26, Salta. Internationally it connects Buenos Aires with Sao Paulo, Miami and Punta Cana (Dominican Republic).

LAN Ecuador offers passenger and cargo services from Quito and Guayaquil to Buenos Aires, Madrid, Miami, New York and Santiago, Chile.

## Feature

### Colombia, Peru move closer to investment grade

Colombia has moved closer to securing an investment-grade "A" rating after Standard & Poor's (S&P) raised its long-term foreign currency sovereign credit rating on the country to BB+ from BB.

"The upgrade is supported by Colombia's significantly improved growth prospects and fiscal performance, S&P credit analyst Richard Francis was quoted as saying in Latin Finance magazine. However, the agency stressed the need for further tax and pension reform to improve the government's fiscal prospects and reduce debt, which would in turn lead to higher creditworthiness.

Other market watchers agreed with S&P's upgrade for Colombia. US investment bank Goldman Sachs said the upgrade was earned and thought that future progress could lead to a ratings upgrade from Fitch and Moody's in the near term. Goldman Sachs said that Colombia could reasonably expect to achieve investment grade status towards the end of 2008 or beginning of 2009.

If it does, it will be only the second Latin American country behind Chile to have an "A" foreign currency rating or higher from S&P.

#### PERU OUTLOOK BOOST

Fitch Ratings has changed its outlook for Peru's sovereign foreign currency rating to positive from stable, commenting that it believed "favorable public finance and external account trends will continue," raising the likelihood of an upgrade "over a horizon of two years," Latin finance added. However, the agency warned that the concentrated nature of the country's export base in commodities remained a "key credit weakness."

Peru is currently rated BB+ by both Fitch and S&P.

The complete list of current foreign currency ratings from S&P for Latin American countries is follows. Countries not listed are not covered.

Argentina	B+	Guatemala	BB
Bolivia	B-	Mexico	BBB
Brazil	BB	Paraguay	B-
Chile	A	Peru	BB+
Costa Rica	BB	Uruguay	B+
Dominican Republic	B	Venezuela	BB-
Ecuador	CCC	Belize	B
Colombia	BB+	Panama	BB

### Samarco plans to ship 4Mt pellets to China in 2007



Brazilian iron ore pellet maker Samarco expects to ship some 4.0Mt this year to China, compared to 4.2Mt, commercial director Roberto Carvalho told BNAmericas.

Samarco is a 50:50 joint venture between Brazilian mining-metals group CVRD and Melbourne-based minerals house BHP Billiton.

Samarco sold 28% of its production last year, while the rest of Asia accounted for 21%, the same as Europe and Africa/Middle East, and 9% to the Americas. All the company's pellet production is exported.

Total sales in 2007, including pellets and iron ore fines, are forecast to remain flat compared to last year at 15.9Mt. But total shipments are due to expand to nearly 23Mt next year as the company kicks off operations at its new US\$200-million, 7.5Mt/y pellet plant in southern Brazil's Espirito Santo state in early 2008.

## Chairman's Message

Mining has so far been the cornerstone of Australia's engagement with Latin America, but there is growing evidence to suggest that, in time, agribusiness could achieve a comparable level of importance, provided that Australia's agricultural players and fund managers wake up in time to the opportunities that the region has to offer.



Given stable economic and political conditions, South America has the potential to become an even more significant global bread basket than it already is. The region is heading down that road at a surprisingly fast rate and, whether Australia likes it or not, developments in South America are increasingly going to have an impact on our economic performance, by challenging our existing leadership in exporting a range of agricultural commodities.

Australia can choose to regard Latin America solely as a competitor and deal with it accordingly or it can embrace the remarkable changes taking place in the region and seek to benefit from developments by investing in the region.

Those with an understanding of what is really happening in the region - a small minority of Australians - have no doubt that the correct option is to be part of the current transformation taking place in agricultural power houses such as Brazil and Argentina, and key niche players such as Chile and Uruguay.

At a time when much of Australia remains in the grip of a debilitating drought, when the issue of salinity is causing major headaches and when a strong dollar is affecting the competitiveness of Australian exports, the fertile lands of South America, with their abundant rainfall and relatively low cost, stand in stark contrast and are calling out to a growing flood of investors from as far away as Europe, the US and even New Zealand.

With New Zealand's leading agricultural services company, PGG Wrightson, as its sponsor, a newly-established company, NZ Farming Systems Uruguay Limited, has been established to enable New Zealand farmers and investors to invest in farming in Uruguay. The appeal of the proposed venture is such that the prospectus for an offer of 75 million shares (at an issue price of NZ\$1.00 per share) was oversubscribed and, when it closes in a couple of months, is likely to have captured around NZ\$150 million.

This comes on the heels of a growing number of New Zealand dairy farmers choosing to invest in small dairy farming ventures in Chile, Brazil and Uruguay. To understand part of the motivation, just keep in mind that suitable farming land in New Zealand costs in the vicinity of US\$20,000 per hectare, but only about a tenth of that in Uruguay or a fifth in Chile.

Further afield, key agricultural houses from Europe and the US are establishing funds to attract investors and to enable them to secure a leading place at the table of South America's agricultural expansion.

Whereas there may be debate about the longevity of the minerals boom, there is no such uncertainty about Asia's and, in particular, China's ongoing demand for protein and sustenance for its expanding population.

The question is "Who will be in a position to best fulfil China's and Asia's demand for protein?". Will it be Australia, the EU, the US or South America? Evaluate the candidates and reach your own conclusion, but be assured that South America will be able to mount a solid argument for being one of the prime contenders.

If that is the case, Australia needs to consider developing a suitable strategy for responding to the impact that an expanding South American agricultural sector is likely to have on our exports and thus on our economic performance.

On the one hand, we need to be aware of the challenge and to respond by investing in enhancing our own performance. This involves 'drought-proofing' Australia, improving our productivity and price competitiveness in overseas markets, being more innovative in our marketing and product 'development'.

There is no reason why we will not be able to rise to the challenge, provided that we make the required commitment and investment.

However, this approach should be accompanied by a significant investment in ensuring that Australia benefits from the expected growth in South America. Companies such as Elders, AWB, Wesfarmers, Australian Agricultural Co. and others, should be establishing a solid presence in the region and encouraging Australian fund managers and other investors to give them the financial muscle to capture a slice of the South American agricultural pie before prices rise too far and the best opportunities are taken by our competitors.

The return will come from significantly increased land values and from the profits generated by successfully operating ventures that encompass everything from cropping to beef production to dairying and related ventures.

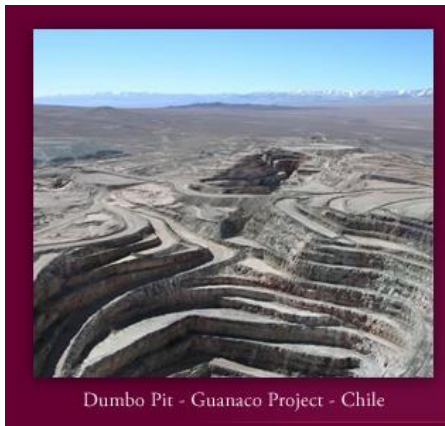
Like any business venture, making such a commitment to South America will not be without its headaches and challenges. Having access to capital is only part of the equation and success will require talented people to implement the strategy. People who understand the cultures of both Australia and such diverse nations as Brazil, Chile, Argentina and Uruguay. They may be neighbours and share some common features, but they are also very different countries.

Time is of the essence and the longer we delay in entering the playing arena, the fewer options will be available to us, the higher will be the entry price and the harder the challenge will be.

Jose Blanco  
Chairman – Australia-Latin America Business Council

## Aussies in the news

### Austral Gold set for more Guanaco exploration



Perth-based junior Austral Gold (AX: AGD) is set for another year of exploration at the Guanaco gold-silver-copper project in northern Chile after a successful 2006 expanded the property's resource, the company reported.

Total resources for end-2006 came to 496,000 oz of measured, indicated and inferred gold, along with 1.21Moz of silver, contained in 4.9Mt of ore across four targets. Grades average around 3.1g/t gold and 7.5 g/t silver, with 1g/t gold cutoff grade. Most of the ore can be mined via open pit methods.

The 2006 exploration campaign resulted in the discovery of two new mineralized zones, Cachinalito West and the Salvadora structure, the latter of which has not yet been assigned any mineral resources, and expanded resource at the Dumbo West, Cachinalito Central and Perseverancia zones.

The 2007 program will test other targets such as Sierra Inesperada, Pampa Guanaquito West, and Sierra Las Pailas. Exploration will be carried out in five phases, including exploration and infill drilling at Cachinalito West, the testing of alluvial targets and continuation of the search for porphyry copper mineralization through deep drilling.

Ausgold, formerly known as Diamond Rose Resources, holds 35.8% of Guanaco, which covers 150 sq. km at the foot of the Domeyko mountain range in northern Chile's Region II. Chile-based Guanaco Compania Minera holds the remainder. Ausgold also has exploration projects in Australia.

Guanaco was mined in the 1990s by Cyprus Amax as an open pit gold mine, producing more than 100,000oz gold/year. Mining finished in 1997 due to falling grades and minerals processing problems arising from increased presence of copper.

## Big Picture

### LatAm countries propose their own regional development bank

Venezuela's President Hugo Chavez and his Argentine counterpart Nestor Kirchner plan to create a regional development for Latin America, dubbed Banco del Sur.

On February 21, Chavez and Kirchner signed an agreement to launch the bank within four months. The agreement was a highlight in a series of trade and agriculture-related deals signed during Kirchner's visit to Venezuela. Since then, they have succeeded in getting the Presidents of Ecuador, Ricardo Patiño, and Bolivia, Eduardo Morales, on board as well, while Brazilian press says that their government is also mulling the idea.

The inclusion of Brazil, by far Latin America's largest and most diverse economy, would be a major boost for the project, which is still only at a conceptual level.

Reports add that the bank would be based in Caracas and Buenos Aires, and would start with US\$1 billion in capital, supplied by the hydrocarbon-rich member countries. It would primarily finance infrastructure - including oil and gas - and "human development" projects in the region.

Nevertheless, many details need finalizing before Banco del Sur gets off the ground, and there is some perception that, while it is a good idea, it is mostly fueled by sentiment against international financiers and, especially, the US, Santiago-based banking and finance analyst Ulric Rindebro told the ALABC Newsletter.

"As with most Chavez-inspired projects, it seems to be very anti-US, with lots of tub-thumping," he said.

Indeed, Chavez himself has been promoting Banco del Sur as an alternative to the International Monetary Fund and the World Bank for countries in the region.

Should the bank go ahead, one of the first projects to receive funding may be the Argentina-Bolivia section of the massive Gran Gasoducto del Sur natural gas pipeline, according to Business News Americas. This US\$20 billion pipeline plans to unite producers and consumers in Venezuela, Brazil, Argentina and Bolivia.

### Lula offers tax cuts to promote growth



The Brazilian government has launched a package of tax breaks coupled with increased public spending designed to boost the pace of economic growth in the country through a combination of private and public sector investment, The Financial Times reported.

The package delivers on promises made by President Luis Inacio Lula da Silva in his re-election campaign last October, includes 6.5 billion real (US\$3.1 billion) worth of tax cuts and rebates this year, rising to 11.5 billion reais from 2008. The new spending will also tap into the government's surplus.

The program adds an extra 67.8 billion reais to the 436 billion reais already planned for public sector investment through to 2010, mostly in energy, transport and other infrastructure projects.

Lula said his aim in his second Presidential term was to achieve economic growth of 5%, double the average of the past 15 years. "Our fiscal situation allows us to increase investment by the federal government without compromising stability," Lula told politicians in the capital, Brasilia, when unveiling the plan.

However, some analysts question the sustainability of the program, and say it does little to address major economic problems facing the country, Latin America's largest economy, namely a teetering pension system and spiraling government spending on payroll and other current expenses.

## Notice board

### Austrade Calendar of Activities in Latin America

Austrade is organizing a number of trade, cultural and educational fairs in Latin America in the coming months, as well as helping Australian companies set up exhibits and participate in other expos, fairs and business shows.

- Australian Art, Craft and Fashion Promotion, April 2007, Lima, Peru. An Austrade-organized event to promote Australian art, craft, and fashion in Peru.
- Australia Festival – LATAM 2007, 14-25 May, 2007. The Australia festival is the leading promotional tool for Australian companies targeting South America for : education, tourism and gourmet food and beverages. This will be held in various cities across Argentina.

An information package and application form for Australia Festival 2007 is now available. Contact Norma Ramiro at the Austrade office in Buenos Aires - Fax:+ 5411 4779 3583 or email [norma.ramiro@austrade.gov.au](mailto:norma.ramiro@austrade.gov.au).

- Expono, 18-22 June 2007, Antofagasta, Chile. The XII International Exhibition for International Mining. Austrade will assist Australian exporters at the event.
- Feicorte (Agri-Cattle Show), 19-23 June 2007, Sao Paulo, Brazil. South America's premier cattle breeders fair.
- Surf and Beach Show, June 2007, Sao Paulo, Brazil. The biggest surf, street and beachwear fashion gathering in Latin America, bringing together some 300 exhibitors and 500 different brands.
- Vinitech, 15-17 July 2007, Santiago, Chile. This major regional wine suppliers' trade event will be held in Santiago, Chile. Austrade will manage an Australian stand of up to 10 Australian wine technology suppliers. In addition a business mission to Mendoza, Argentina will be held after Vinitech to cultivate the Argentine market.

For more information, visit the Austrade website: <http://www.austrade.gov.au>.

### For the Calendar

- Chile's Economic Development Agency (Corfo) is hosting an international forum of investment opportunities in the country's wine industry from May 7-12, 2007, in Santiago. Entitled "Chile: Investment opportunities at the wine cluster" the forum will include two days of field visits to some of the country's major wineries. For more information, visit Corfo's website ([www.corfo.cl](http://www.corfo.cl)) or email Pablo Ugarte, investment promotion executive for Corfo: [pugarte@corfo.cl](mailto:pugarte@corfo.cl), tel: (56-2) 6318699.
- Quadrant Australia is offering a 15-day escorted tour of Brazil's sugar industry from April 20 to May 4, 2007. The tour will cover Rio de Janeiro, Riberao Prieto (home of the world's biggest sugar and ethanol production systems in the world), Guiara sugar mill, the cane-growing and harvesting areas of Dracena, Umuarama, and industrial and technical centers. Visit: <http://www.quadrantaustralia.com/TOURS/TSugarBrazil/index.htm>. For more details, Tel: 1300 301 128.
- The Economist Magazine is hosting a series of Regional Business Roundtables in Mexico and Colombia.
  - **Sonora, Mexico**, governor Eduardo Bours will speak about investment opportunities in Sonora state. To be held in Hermosillo, May 15-16, 2007.
  - **Colombia**, President Alvaro Uribe, along with a number of key ministers to discuss the country's new security initiatives to help attract business and investment. To be held in Bogota, May 23-24, 2007.
  - **Mexico**, President Felipe Calderon will head a list of Mexican political and business leaders. To be held in Mexico City, May 30-31, 2007.

For more information, and registering details, email: [americas\\_customerservice@eiu.com](mailto:americas_customerservice@eiu.com), or phone: +1 212-554-0605.

## Fraser institute: Chile loses ground as mining destination



Toronto-based conservative economic thinktank The Fraser Institute has dropped Chile as one of the most-favorable destination for mining and exploration investments in its latest annual survey of mining companies.

Chile's rank plummeted to 27<sup>th</sup> after ranking 3<sup>rd</sup> last year (out of 65 countries or provinces). Of the 12 policy areas examined in the survey, Chile suffered big declines in the areas of political stability and security.

Several other Latin American countries saw their rankings decline in this year's survey. Mexico fell to 28<sup>th</sup> from 6<sup>th</sup> last year, Argentina fell to 44<sup>th</sup> from 24<sup>th</sup> and Peru slid to 51<sup>st</sup> from 44<sup>th</sup>.

Colombia was added to the survey this year, and came in 55<sup>th</sup> place. In the past, the Fraser Institute had not included Colombia in the survey because it considered it too dangerous and unstable to attract much interest from the mining industry, despite it having large foreign coal investments.

Other Latin American countries in the survey were Brazil (35<sup>th</sup>), Ecuador (52<sup>nd</sup>), Bolivia (63<sup>rd</sup>) and Venezuela, which finished second-last in 64<sup>th</sup> place, ahead of only investor-unfriendly Zimbabwe.

Venezuela came in for particular criticism: "The anti-business policies of the Chavez government in Venezuela are costing the people of that nation jobs and investment they so desperately need," Institute director Fred McMahon said in a statement.

### TOP TEN

The top 10 "areas of jurisdiction" considered most attractive for mining investment are dominated by US, Canadian and Australian state/provincial governments. For 2006/7 they are: Manitoba, Alberta, Nevada (last year's No.1), Utah, South Australia, New Brunswick, Quebec, Queensland (which was not in the top 20 last year), Tasmania and Saskatchewan.

In terms of current mineral potential, the top 10 areas are: Nevada, Quebec, Western Australia, South Australia, Queensland, the Northern Territory, Ontario, Chile (down from first spot last year), Alberta, and Alaska. Brazil comes in 11<sup>th</sup> and Mexico 20<sup>th</sup>.

### THE SURVEY

The Fraser Institute's annual survey asks mining company executives to provide opinions about the investment attractiveness of 65 jurisdictions around the world, including state and provincial jurisdictions in Australia, Canada and the US.

The overall rankings are based on the survey's policy potential index, a composite index that measures the effects of government policies on mining exploration, including uncertainty concerning the administration, interpretation, and enforcement of existing mining regulations, environmental regulations, regulatory duplication and inconsistencies, taxation uncertainty, native title and protected areas, infrastructure, socioeconomic agreements, political stability, labour issues, geological databases and security.

## Industry beat – Mining



Latin America's biggest mining sector companies released their 2006 results this month, with Chile's copper giant Codelco leading the way with record profits of US\$3.34 billion, up from US\$1.74 billion the year before, despite rising costs and a slight drop in output.

Pre-tax profit, the figure emphasized by the state-owned company due to its unusual tax structure, came to US\$9.93 billion in 2006, compared to US\$4.9 billion in 2005. Revenues were US\$13.0 billion in 2006, versus US\$8.39 billion in 2005. Output fell slightly in 2006 to 1.68Mt from 1.73Mt in 2005, from Codelco's five wholly owned copper mines.

Brazilian behemoth CVRD reported net earnings of 13.4 billion reais (US\$6.39 billion) for 2006, up 28.6% from 10.4 billion reais the year before. Gross operating revenue totaled 46.7 billion reais, a 32.2% increase from 35.4 billion reais in 2005, and net exports were up 38.6% to US\$8.78 billion in 2006. CVRD mines iron ore, industrial minerals and is increasingly becoming more involved in copper and coal.

Chilean miner Antofagasta plc posted net earnings of US\$1.35 billion for 2006, an 87% jump on 2005's results, although output fell 0.4% to 465,500t of copper, including 324,000t from flagship Los Pelambres mine in Region IV.

This month saw New Orleans-based Freeport-McMoRan Copper & Gold close a US\$26 billion deal to acquire Phoenix-based Phelps Dodge to form the world's largest publicly listed copper producer. Phelps' South American copper operations include its 53.6% stake in Cerro Verde copper mine in Peru, and 80% of Candelaria/Ojos del Salado and 51% of El Abra copper mines in Chile. Freeport owns the giant Grasberg copper-gold mine in Indonesia and has copper operations in Spain.

Good news for a change from Bolivia, where the government and India's Jindal Steel & Power reached an agreement on the development of the El Mutun iron ore deposit and will sign the concession contract in 45 days. El Mutun, in Bolivia's southeast corner near the Paraguayan border, is one of the world's largest undeveloped iron ore deposits, has some 40Bt of reserves averaging 50% iron. The agreement also covers taxes, gas prices and other guarantees for Jindal's investment, which will include steel reduction plant and other downstream processing.

In other mine development news, Canadian junior Minefinders' Dolores gold-silver mine in northern Mexico's Chihuahua state is due to start mining operations in April, with the first gold-silver pour by early September. The mine will produce around 25,000oz of gold by year-end plus some silver and will be processing 18,000t/d of ore by the beginning of 2008. Proven and probable reserves are 2.45Moz gold and 128Moz silver.

There was also a fillip for the Pascua Lama gold project on the Chile-Argentina border, another long-running project, with approval of the environmental study from Chile's Lower House natural resources committee. Project owners Canada's Barrick Gold said construction could begin as early as September this year, if all the permits are in place. The US\$2.4 billion project would produce 750,000-775,000oz/y and 35Moz/y of silver.

Pascua Lama is one of the sources of the estimated US\$4.5 billion to be invested in the Argentine mining industry this year, and more than US\$12.5 billion over the next eight years, according to local chamber of mines CAEM. Not too much of that will go to La Rioja province though, where pro-mining governor Angel Maza was ousted this month in a parliamentary upheaval, and the chamber of deputies approved a bill to ban open-pit mining and "the use of pollutants".

Finally, Peru's mining, oil and energy association SNMPE predicts a 4% increase in zinc output from the South American country this year, totaling 1.25Mt and topping US\$2 billion in value for the first time. Silver output is tipped to grow 1% to 116Moz and lead production will rise 2% to 320,000t.

## Industry beat – Energy



Some major energy companies reported 2006 profits this month. Brazilian power holding Cemig last year posted a 1.72 billion real (US\$803 million) net profit, down 14.2% from 2005.

Rio de Janeiro-based power distributor Light last year posted a 151 million real net loss, compared to a 243 million real net profit in 2005.

Chilean generator AES Gener reported 2006 consolidated net profits of 70.3 billion pesos (US\$130 million), up 60% from the year before; while Chilean transmission company Transelec reported net profit of 14.4 billion pesos (US\$26.5 million) in the second half of 2006.

Colombian state transmission company Grupo ISA last year posted a 151 billion peso (US\$67.1 million) net profit, down 25% from 2005.

Electricity generation in Chile increased 6.6% to 4.83 TWh in January compared to the same year-ago period, and distribution rose 5.7% to 4.88TWh.

Chile could save US\$10 billion over the next 10 years if the country used energy more efficiently, according to the mines and energy ministry. In response to unreliable natural gas supply from Argentina, and Bolivian unwillingness to sell them their gas, the Chilean government is developing a task force to carry out feasibility studies for nuclear power generation and that nearly 30 studies are planned, with the aim of strengthening the country's energy matrix. The studies will look at biofuels development, geothermal energy and emission norms for thermoelectric plants, among other issues. Despite the economic appeal, and the convenience of importing only small volumes of fuel, President Michelle Bachelet said she will not be considering a nuclear option for Chile for now.

In Brazil, the national power regulator Aneel authorized power holding company EDB to advance development of 10 hydroelectric plants totalling 331MW. However, in the previous month there has been a lot of environmental lobbying against new hydro projects in Brazil, with some success.

Aneel also authorized oil and gas giant Petrobras to increase installed capacity at its Gabriel Passos thermoelectric plant to 57.2MW from 9.22 MW.

Two European energy sector heavyweights are eyeing up major new investments in Latin America. France's Suez Group plans to spend up to 10% of its €15 billion (nearly US\$20 billion) 2007-2009 investment budget in Latin America. Suez's net profits jumped 43.5% to €3.61 billion in 2006, while revenues grew 6.75% to €44.3 billion.

And Spain's Union Fenosa won a US\$400 million contract to build the Norte 1450MW combined cycle power plant in Mexico's Durango state from Mexican state power company CFE. Commercial operations should begin in June 2009.

CFE also signed a contract with a consortium made up of France's Alstom and Spain's Iberdrola to revamp the 1,365MW Laguna Verde nuclear power plant in Mexico's Veracruz state.

However, while some companies are looking to invest more in the region, others are offloading assets to concentrate on core businesses. US company PPL announced the sale of its power distribution subsidiaries in Bolivia (Elfec), Chile (Emel) and El Salvador (Del Sur).

Meanwhile, the CMS Enterprises subsidiary of US power and natural gas company CMS Energy closed the US\$130 million sale of assets in Argentina, Brazil, Chile, Jamaica and the US to Michigan-based power company Lucid Energy. CMS Enterprises also sold its 17.2% interest in Argentina's El Chocon hydroelectric company to Spain's Endesa for US\$50 million.

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