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President

Mining Exploration Financing  
Through the Lima Venture Capital Market

*Story of an achievable dream?*

*Ouro Prieto - Brazil, May 26, 2010*



# Agenda

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- History
- Peru , A mining country
- Mineral Exploration Business, Phase – risk
- Mineral Exploration , Needs
- Stock Market Financing ( Peru vision ) and Requirements
- Lima vs Toronto
- The Junior Market
- An achievable dream
- The crisis is not over
- Financing trends
- Mining , sources of financing ,FUTUR

# History

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## 2002

- Statistic information gathering, developing time.
  - Cambior: André Gauthier, Noel Díaz.
- Gestation, some talks.

## 2003

- General call to all organisms linked to the Peruvian mining industry: Media, Engineering Institute, Minor Mining Association, Universities, Peruvian Engineering College, Government, Stock Market, CONASEV (regulator), General Mining Direction, MEM, CONFIEP, Chamber of Commerce, etc.
- Talks to conventions, many meetings and the committee integrated by all mining sectors.
- Setting the mechanisms and government consulting, CONSAEV. Professional contract.

## 2004

- Organization of seminars of formation with the participation of professionals of the Stock Market of Canada, England and Australia.
- Translation of the secure and professional ethic codes by the pushing group.
  - Cambior: André Gauthier, Noel Díaz and Diane Nicholson.
- Aggressive campaign of information through sector conventions and of economy.
- Creation of the Committee of supervision of the Qualified Person (QP).

## 2005

- Opening of the Stock Market in May.
- First company listed: September 2005

## 2007

- More than 69 companies on the main board, 5 to 10 ready to be listed.

## 2010

- Over 13 companies listed and few more in preparation

# Peru, A mining country

- Mining country for excellence.
- Diversity of geological places.
- Mining represents the most important source of currencies.
- Mining and regional development.
- With out exploration... no exploitation.
- There is no financing source or mechanism through the Stock Market.

## Peru Position in World Production Ranking

Mineral	World	Latin-American
Silver	1	1
Zinc	2	1
Tin	3	1
Bismuth	3	1
Telurio	3	1
Mercury	3	1
Lead	4	1
Gold	6	1
Copper	2	2
Molybdenum	4	2
Selenium	7	2
Cadmium	14	2
Iron	17	5

<b>Peru Area</b>	<b>128'196,208 ha</b>	<b>100%</b>
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## Surface

Natural Reserves (SERNANP)	36'205,151 ha	28.17%
Local Communities (COFOPRI)	13'311,509 ha	10.40%
Native Communities (COFOPRI)	8'915,477 ha	6.97%
Agricultural Estates (COFOPRI)	4'703,925 ha	3.67%
Acheological Areas (INC)	5'732,228 ha	4.46%

## Underground

Mining Claims (INGEMMET)	14'891,470 ha	11.62%
Units in Production (MINEM)	891,367 ha	0.69%
Exploration Projects (MINEM)	813,626 ha	0.63%

	<b>Production 2009</b>	<b>Reserves Proved and Probable</b>
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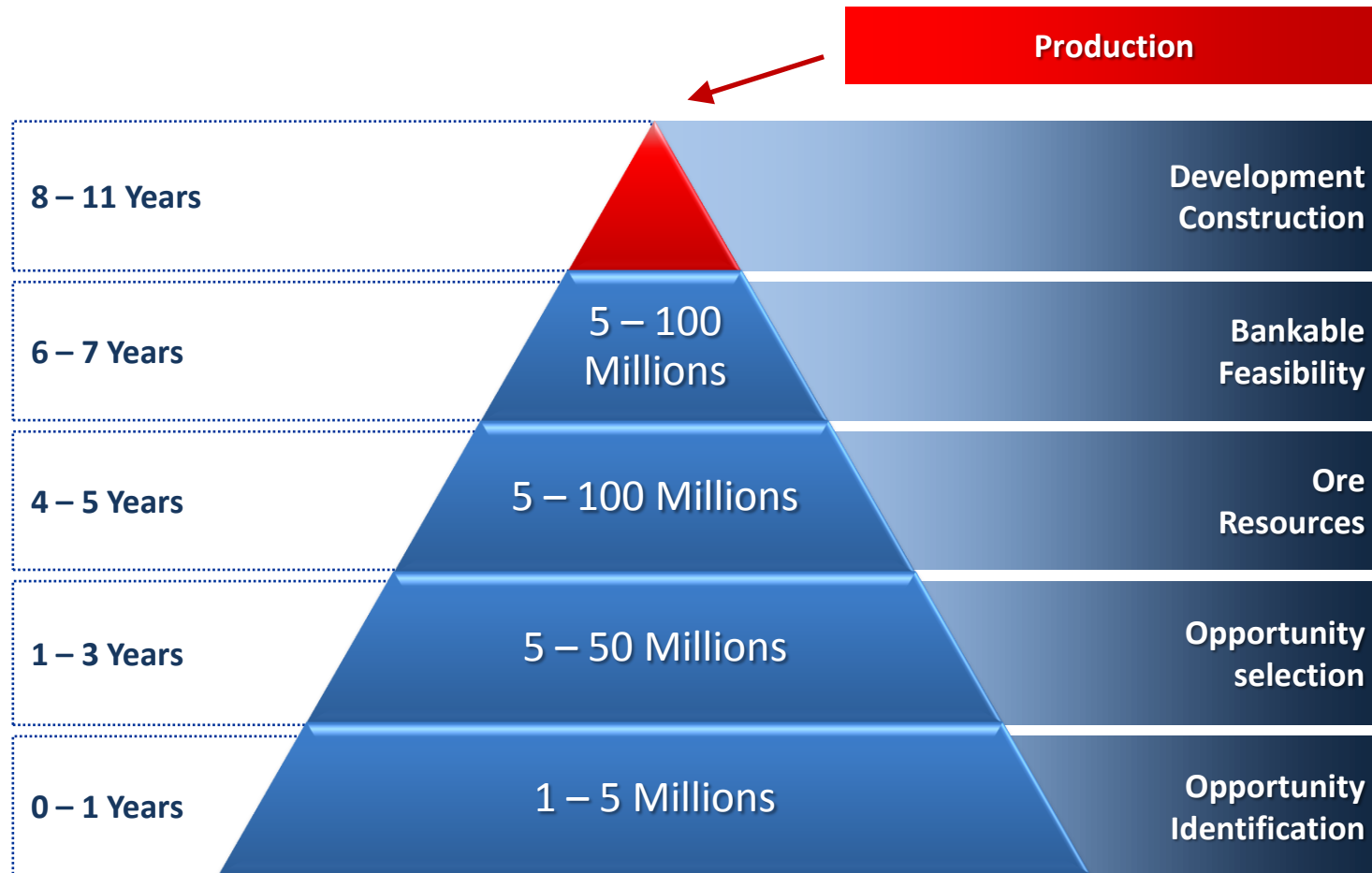
Copper (Thousand TMF)	1,275	75,021
Gold (Thousand Fine Ounces)	5,864	81,396
Zinc (Thousand TMF)	1,509	23,416
Silver (Thousand Fine Ounces)	123,909	2'040,139
Lead (Thousand TMF)	302	9,097
Iron (Thousand TLF)	4,419	1'248,099
Tin (Thousand TMF)	38	307

# Peru , A Mining Country

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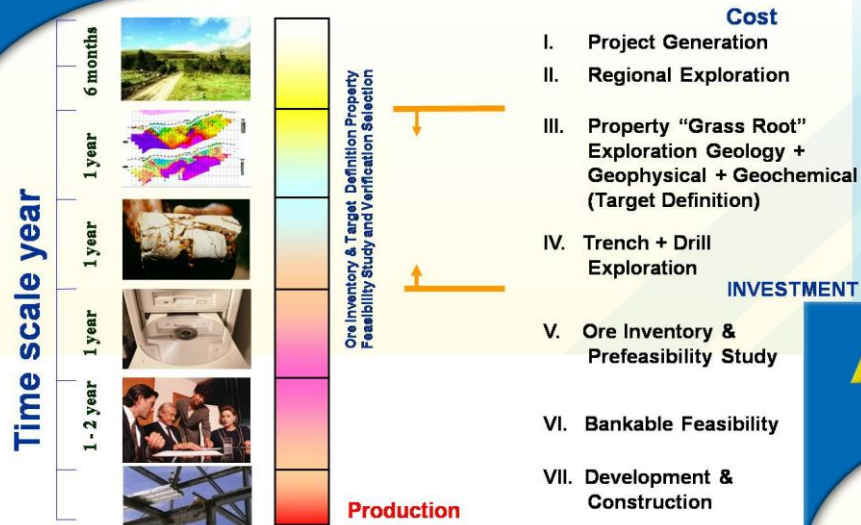
PROJECTS INVESTMENT 2002 - 2009		US\$
Feasibility Studies	Antapacay, Palca, La Granja and Quellaveco	3'027,680
Advanced Exploration and Pre-Feasibility	Berenguela, Mina Cobriza, Tambogrande, Quechua, Corocohuayco, Gigante, San Gregorio, La Arena, Virgen, Poracota, Los Chancas, Accha, Quicay y Aucampa.	1'080,090
Ready to privatize	Toromocho-Morococha, Michiquillay, Bayóvar y Las Bambas	2'140,00
<i>Source: MEM</i>		<b>6'247,770</b>

# Mineral Exploration - Phases



# Mining Exploration, High Risk Business

## Mining Exploration, Stages

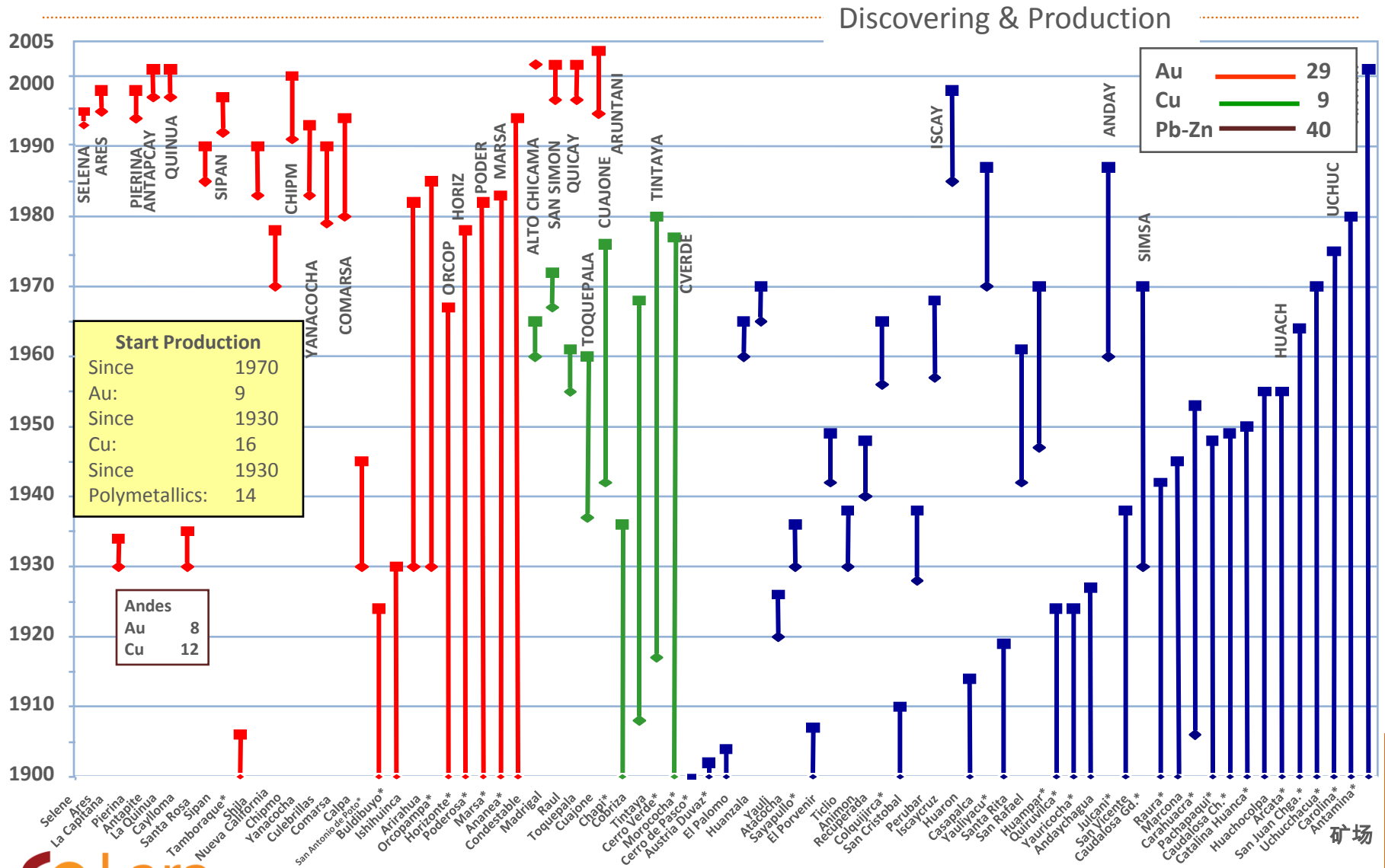


## Mining Exploration, Discoveries Statistics

<u>STAGE</u>	<u>BCMC</u>	<u>COMINCO</u>	<u>RTZ</u>
RECON	1649	1000	3000
PERFORACIÓN	60 (3.6%)	78 (7.8%)	10 (0.3%)
PREFACTIBILIDAD	5 (0.3%)	18 (1.8%)	1 (0.03%)
MINAS	1 (0.06%)	7 (0.7%)	1 (0.03%)

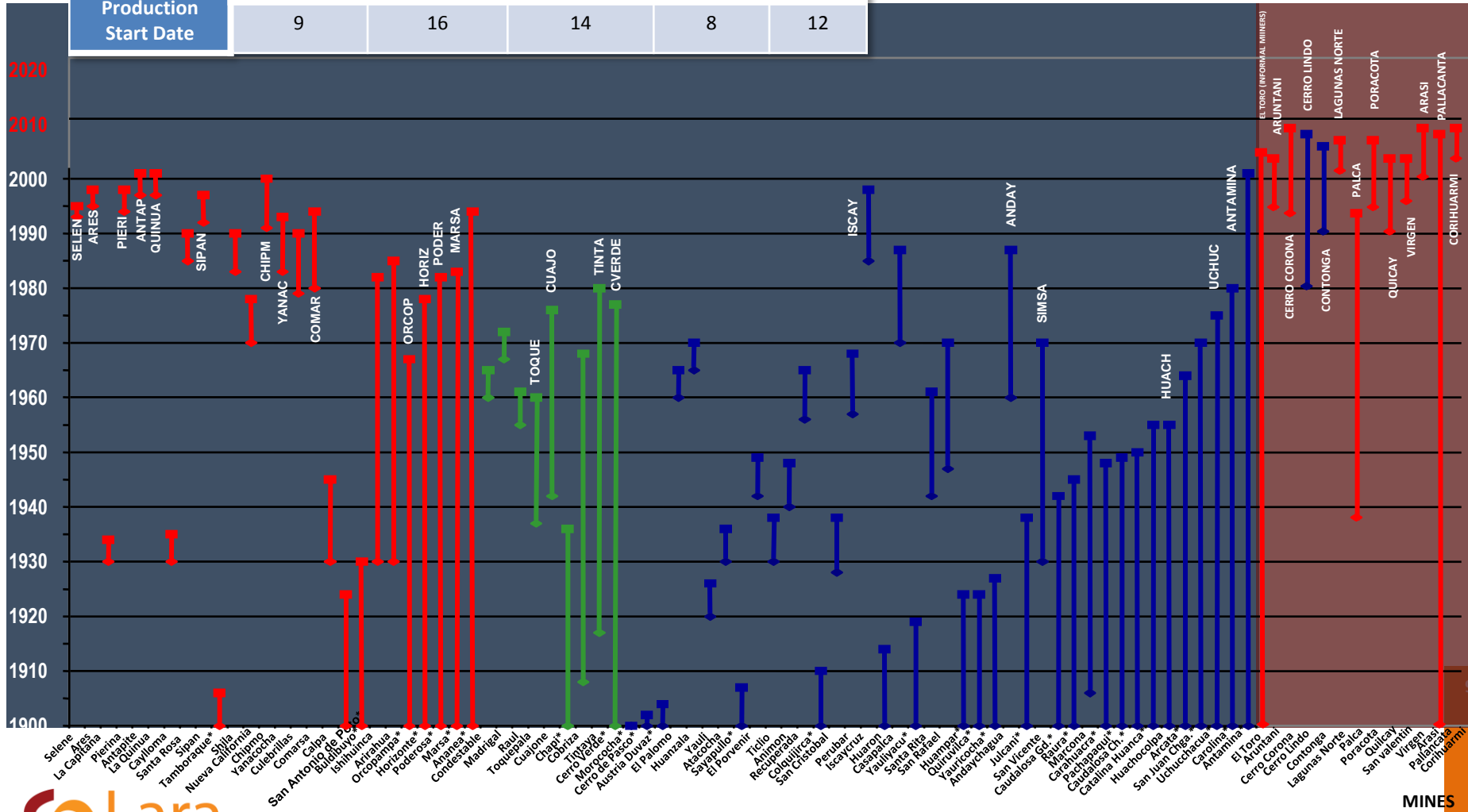
Sources: Bailey (1967), Peters (1978), RTZ website (2000)

# Exploration History - Long Term and Risky Business 2002



# Peru Mining Exploration, Discoveries – Production 2010

Average (Years) Production Start Date	From 1970 Gold (Au)	From 1930 Copper (Cu)	From 1930 Polymetallic	Andes Gold (Au)	Copper (Cu)
	9	16	14	8	12



# Mining Exploration!!! What do you need???

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- Projects and Companies
- Professionals
- Services
- Financing
- Instruments - Vehicles

# Previous Financing Sources

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- Major companies:
  - Several countries and sizes.
- Junior companies:
  - Majors, Pension Fund, individuals, others.
- National companies:
  - Sub-Capitalized, finance re-structuration, large areas.
- Speculators:
  - Directs and Juniors

# Peru: Mining Companies

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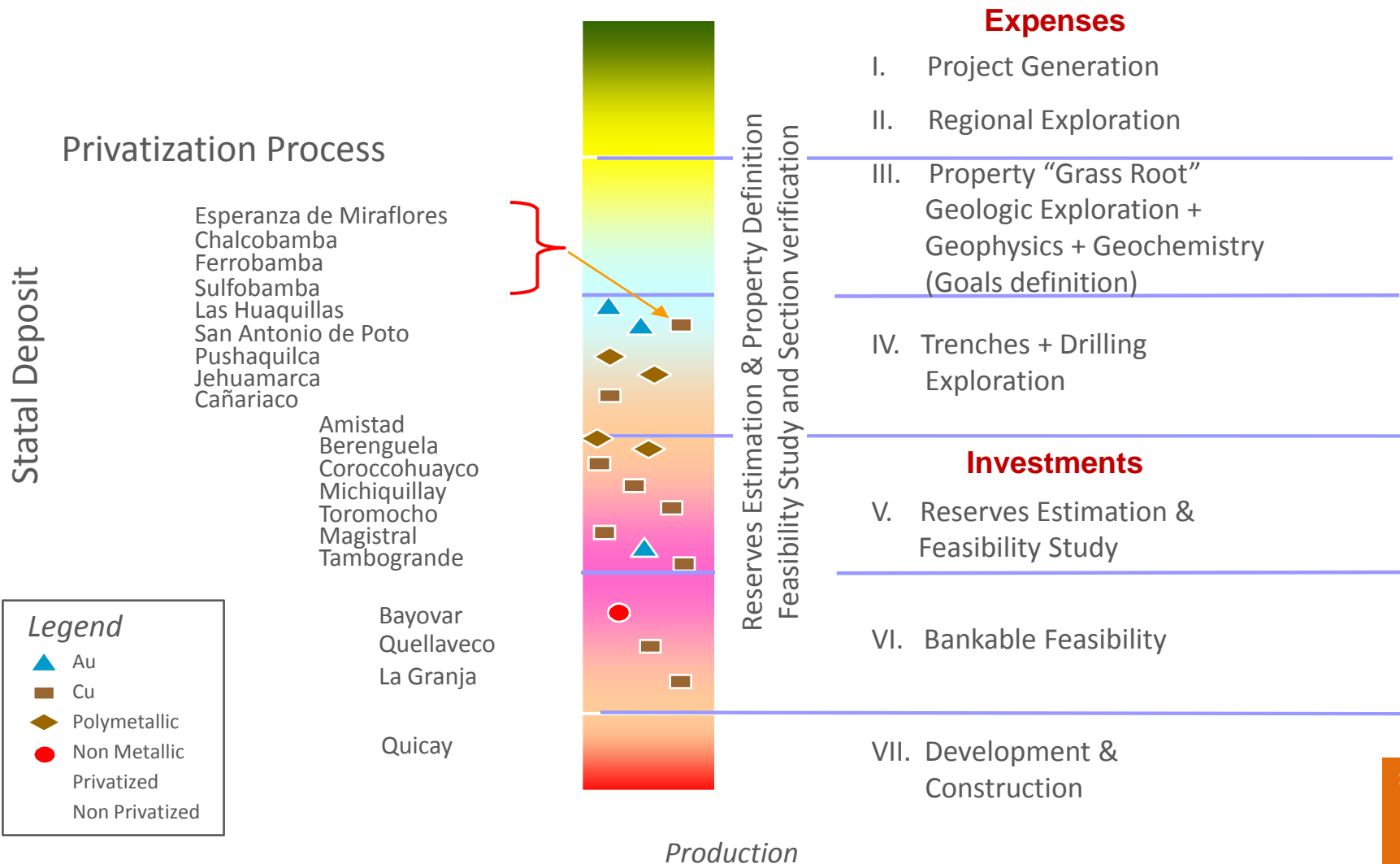
Companies	Metallic	Non-Metallic	Total
Major Mining	11	1	12
Medium Mining	47	11	58
Small Mining	61	19	80
<b>Total</b>	<b>119</b>	<b>31</b>	<b>150</b>

# Peruvian Mining: Economic Indicators (2002)

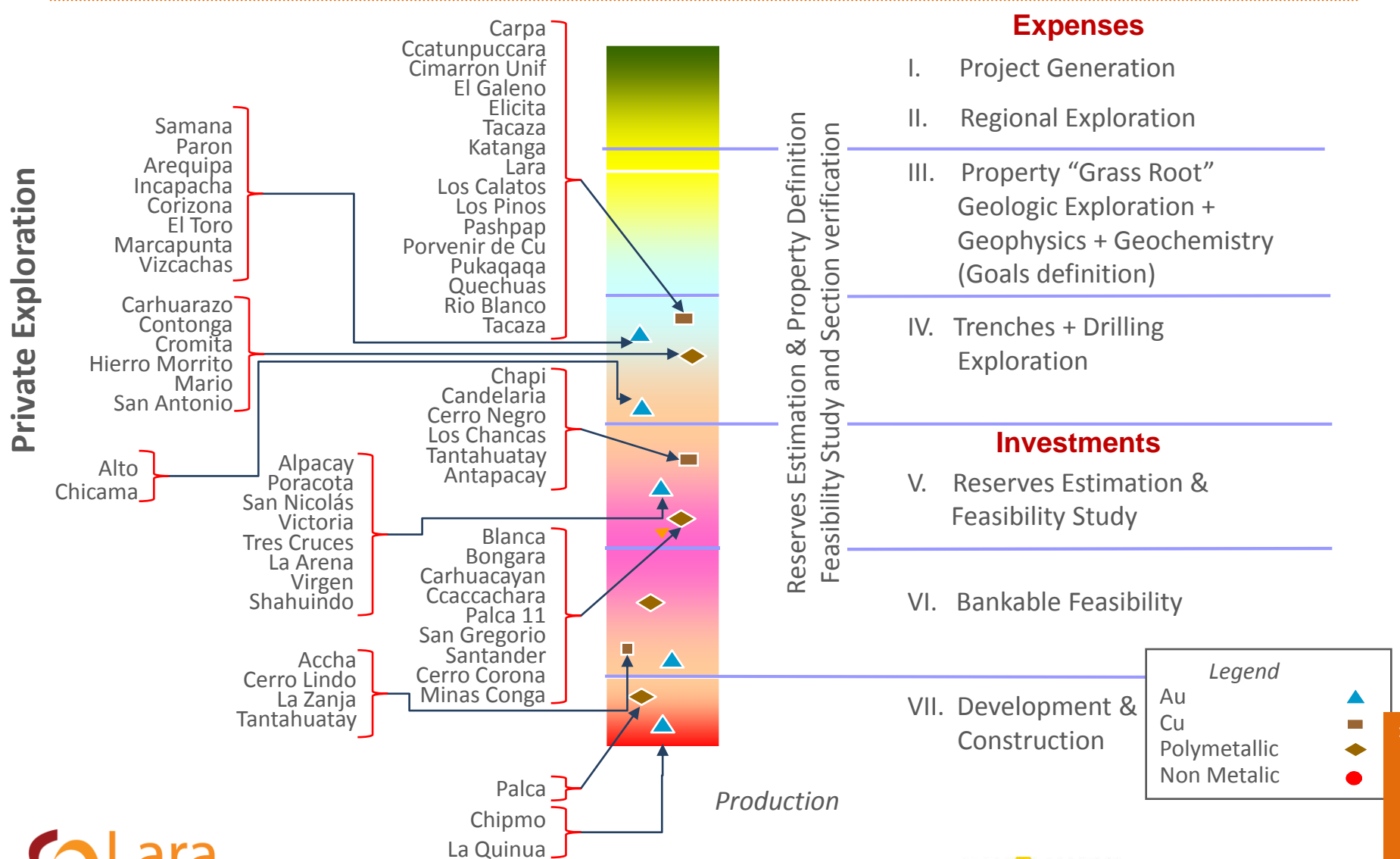
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Direct jobs	67,000 People
Indirect jobs	335,000 People
Economically dependents	+ 1.5 People
Salaries	7.5 higher than agriculture
Taxes contribution	17.6% from the total
Canon (Ing. Regional)	US\$ 180M in last 10 years
Exportations	45% Peruvian Exportations

# Mineral Deposits

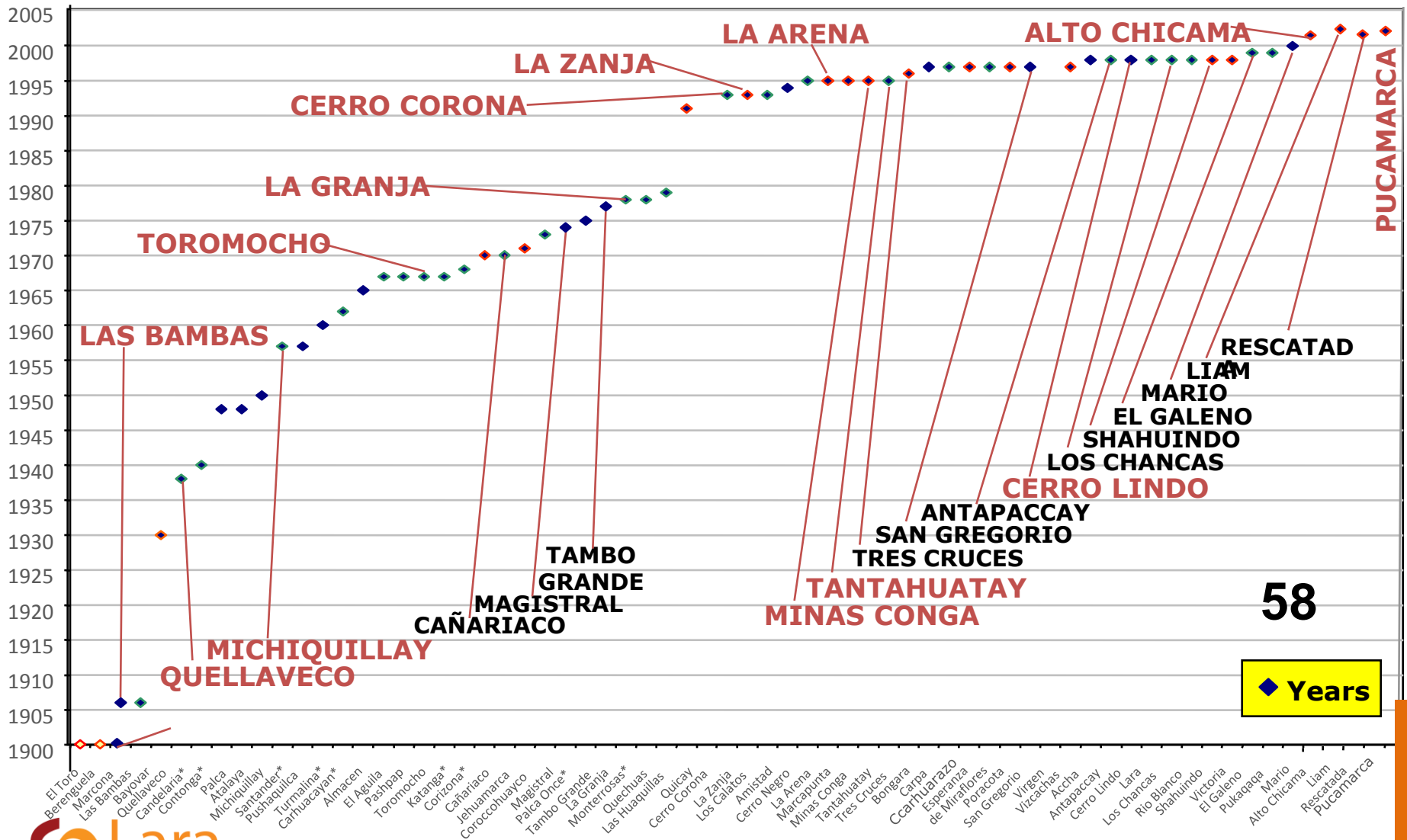


# Mineral Deposits



# Mineral Deposits No Developed: High risk business & Long term

Deposits: Discovering

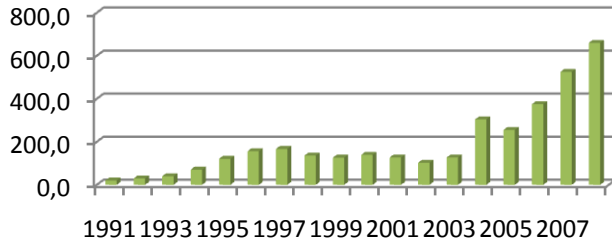


58

◆ Years

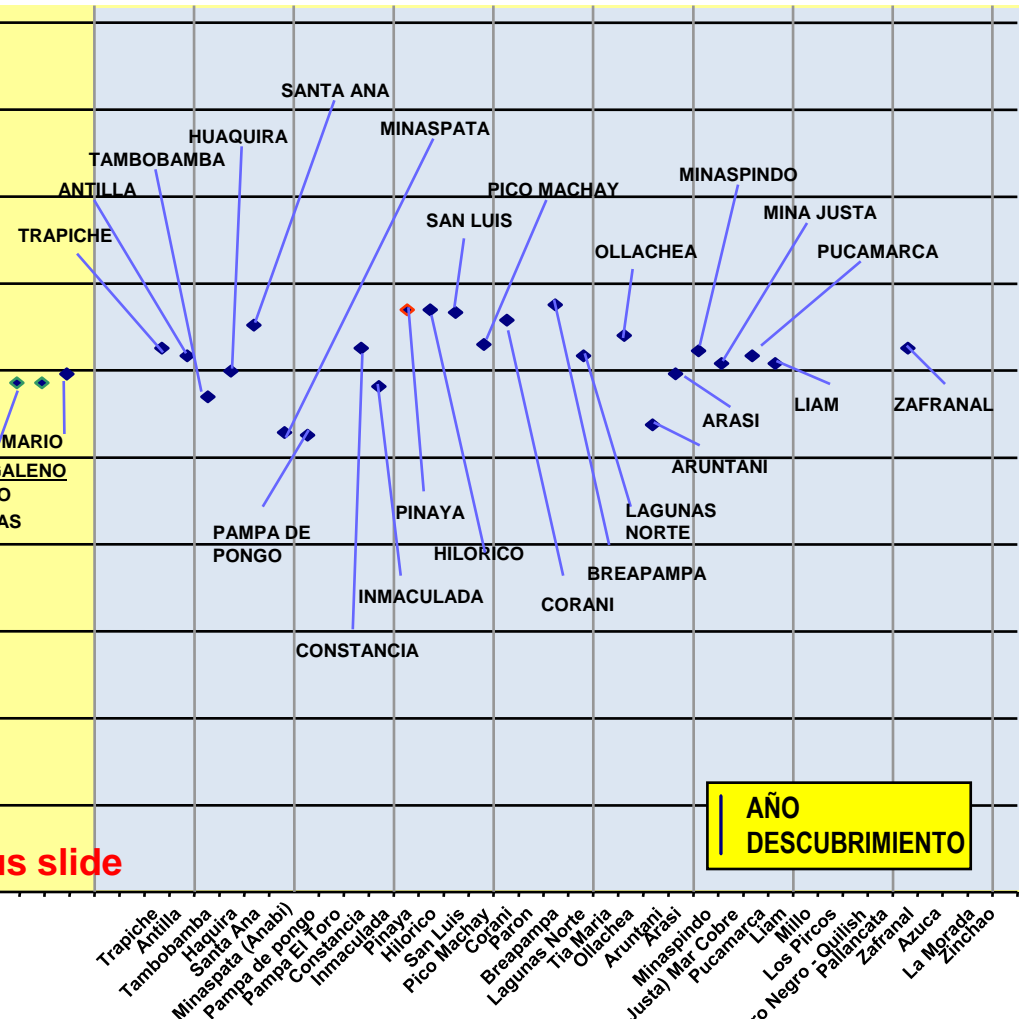
# Peru Mining Exploration, Discovered Deposits

Peru Mining Investment (Millions)



2020  
2010  
2000  
1995  
1990  
1985  
1980  
1975  
1970  
1965  
1960  
1955  
1950  
1945

Continuing of the previous slide



\* MINA ANTIGUA

Trapiche  
Antilla  
Tambobamba  
Huaquirá  
Santa Ana  
Minaspata (Anabi)  
Pampa de Pongo  
Pampa El Oro  
Constancia  
Inmaculada  
Pinaya  
Hilórico  
San Luis  
Pico Machay  
Corani  
Breapampa  
Lagunas Norte  
Tía María  
Ollachea  
Aruntani  
Arasi  
Minaspindo  
Mina Justa  
Pucamarca  
Liam  
Millo  
Los Pircos  
Cerro Negro - Quilish  
Pallancata  
Zafranal  
Azuca  
La Morada  
Zincho

# Peru: Exploration Stages

## Extensions

Refinería  
Cajamarquilla  
Votarantim Metais  
(Brasil)

Cuajone  
Grupo Mexico  
(Mexico)

Toquepala  
Grupo Mexico  
(Mexico)

Marcona  
Shougang Corporation  
(China)

Fundición y  
Refinería de Ilo  
Grupo Mexico  
(Mexico)

## Confirmed investment

Toromocho  
Aluminium Corp.of China

Tía María  
Grupo Mexico (Mexico)

La Zanja  
Buenaventura (Perú)

## Feasibility studies

Bayovar  
Compañía Vale  
Do Rio Doce (Brasil)

Quellaveco  
Anglo American  
Quellaveco S.A. (UK)

Río Blanco  
Zijin Mining Group Co.  
Ltd (China)

## Exploration

La Granja  
Rio Tinto (Uk-Australia)

Cañariaco  
Candente Resources

Las Bambas  
Xstrata Copper (Suiza))

Magistral  
Inca Pacific Resources  
(Canada)

Corani  
Bear Creek Mining  
(US)

Minas Conga  
Newmont, Buenaventura  
(Peru)

Hilarión  
Grupo Milpo  
(Perú)

Michiquillay  
Anglo American  
Michiquillay S.A.(UK)

Pampa de Pongo  
Nanjinzhao Group Co  
(China)

Galeno  
Jiangxi Copper  
(China)

Pukaqaqa  
Grupo Milpo  
(Perú)

Pucamarca  
Grupo Breca  
(Perú)

Constancia  
Norsemont Mining  
(Canada)

Quechua  
Mitsui Mining  
(Japón)

Tantahuatay  
Newmont, Buenaventura  
(USA, Perú)

Marcobre  
(Mina Justa)  
Chariot (Canada)

Los Chancas  
Grupo Mexico  
(Mexico)

Hierro Apurimac  
Strike Resources Peru S.A.C.  
(Australia)

Chaquicocha  
Newmont, Buenaventura  
(USA, Perú)

Antapaccay  
Xstrata Tintaya S.A.  
(Suiza)

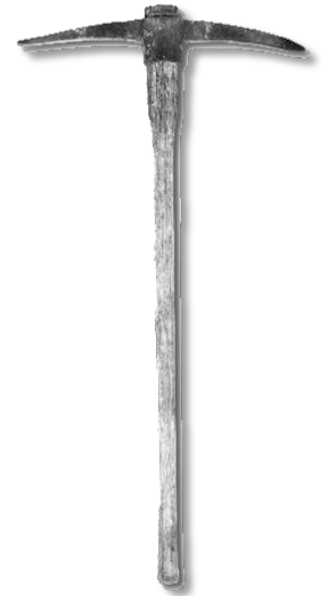
Cerro Ccopane-Huillque  
Cuervo Resources Inc (Canada)

# Toronto Stock Market: TSX Mining Group

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- 45 Refinery
- 322 Mines and Concentrators
- 27 Projects in Developing
- 1119+ Projects of exploration
  
- Diversification
  - Approx. 44% Mines out of N.A.
  - Approx. 52% Projects of Exploration out N. A.

*Source: Gamah International*



# Peruvian Mining: Private Sector

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- 22 BVL mining companies
- 7 Refinery
- 82 Mines & Concentrators
- 2 Projects under development
- 76 Projects of advanced exploration

# Source of Creation of Companies of World Class



Largo tiempo establecido en Minería, manteniendo un registro de incremento en Compañías Mineras de Clase Mundial

# Mining in Peru



	Basic Exploration	→	Advanced Exploration	→	Projects under Development	→	Production
Privated	>1000		76		2		82
Statal			27				1

# Requirements

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## Peruvian professionals

- Stockbrokers
- Lawyers
  - Miners
  - Financers
  - Stock market with international groups
- Accountants
  - Miners
  - Stock market laws (Public)
  - International companies
- Geologist
  - Foreign geologists
  - Local qualified geologists in international standards
  - Few local consulting companies
  - Report – Qualification and Prospects
- Public Relations
  - Not a problem
- Promoters
  - Mining company
  - Deficient

# Requirements

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- Current services in Peru
  - Drilling
  - Stock agencies
  - Geophysics – Geochemistry
  - Laboratories
  - Lawyers
  - Accountants
  - Archeology
  - Environmental

# Requirements

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- Source of financing
  - Pension Fund
    - World 1 – 2% in high risk – high performance
  - Pension Fund
    - Locals and internationals
  - Mining companies
    - Local and internationals
  - Banks and Investors Banks
    - Investors and individual speculators

# Requirements

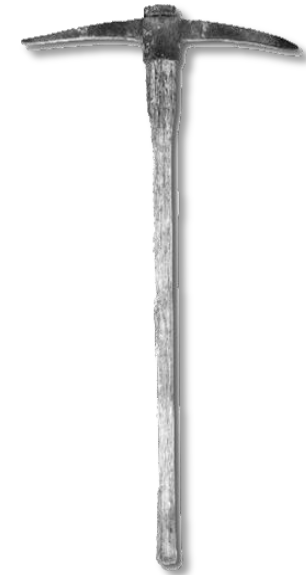
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- Instruments – Vehicle: Stock market
  - Stock Market – Section – Junior Mines
    - International laws
    - 1 type of options
  - Investors guide, Geologists and Prospectors
    - To inform about Mining Properties to the Stock Market Controller organisms
  - Studies of divulgation of reports about Mining Projects (43 – 101)
  - Qualified person (dependent or independent)
    - Member of a Professional Association (Well know by the government)
    - Technical report template
  - Others
    - MRMR committee “Best Practice” Checklist
    - VALMIN CODE (Australia) Standards and Guide Elements

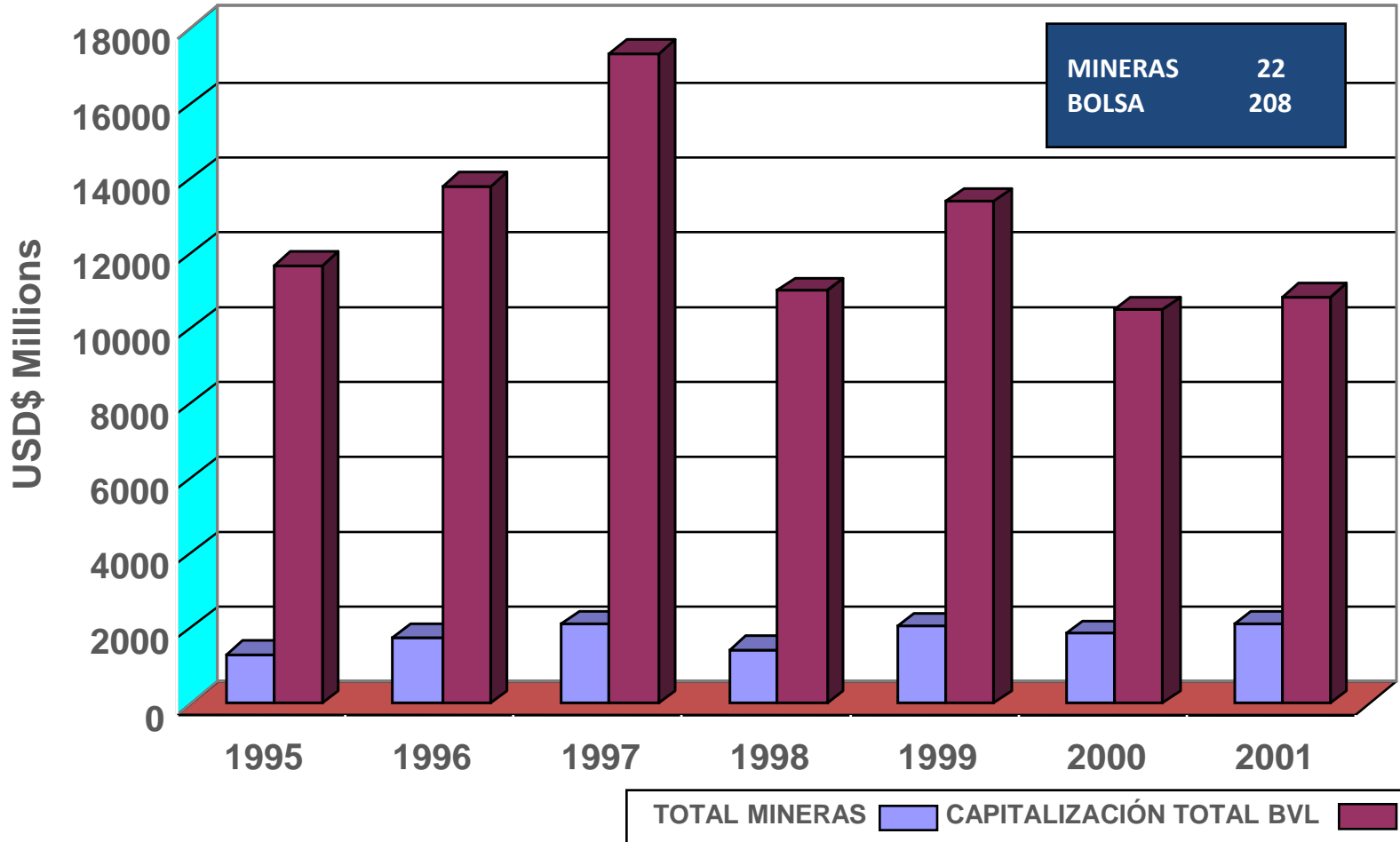
# TSX and TSX Venture Exchange Mining Sector Profile

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- 1116 listed companies
- 196 Toronto Stock Exchange
- >25% of TSX group of 4000 listed companies
- Mining sector represented \$108 billions of the Market Capitalization (Approx. 10% of the TSX value)
- 20 or 10% of TSX Mining companies has a capitalization of the market with more than \$1 Billion

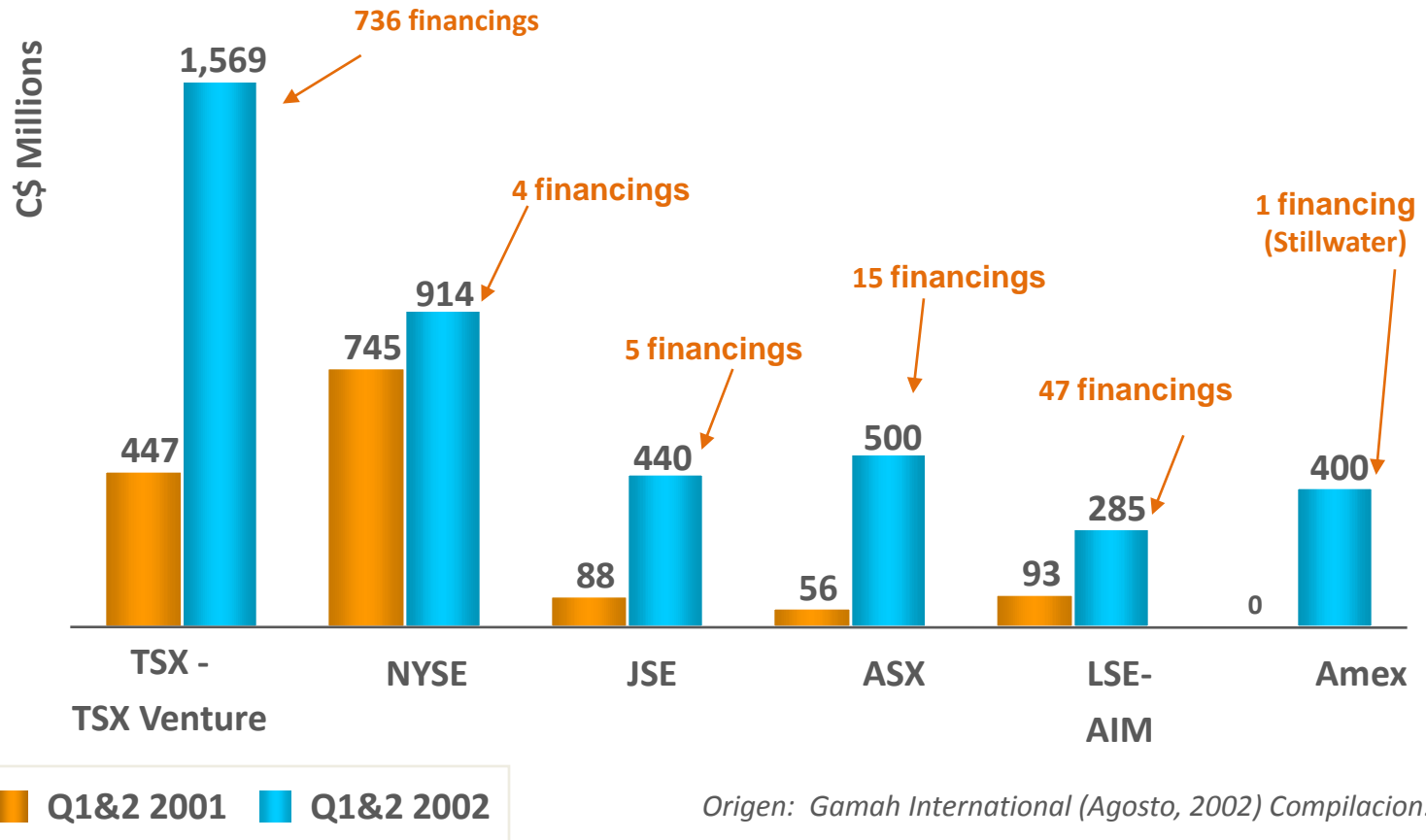


# BVL: Capitalization



# Mining financings: First Semester 2001 vs. 2002

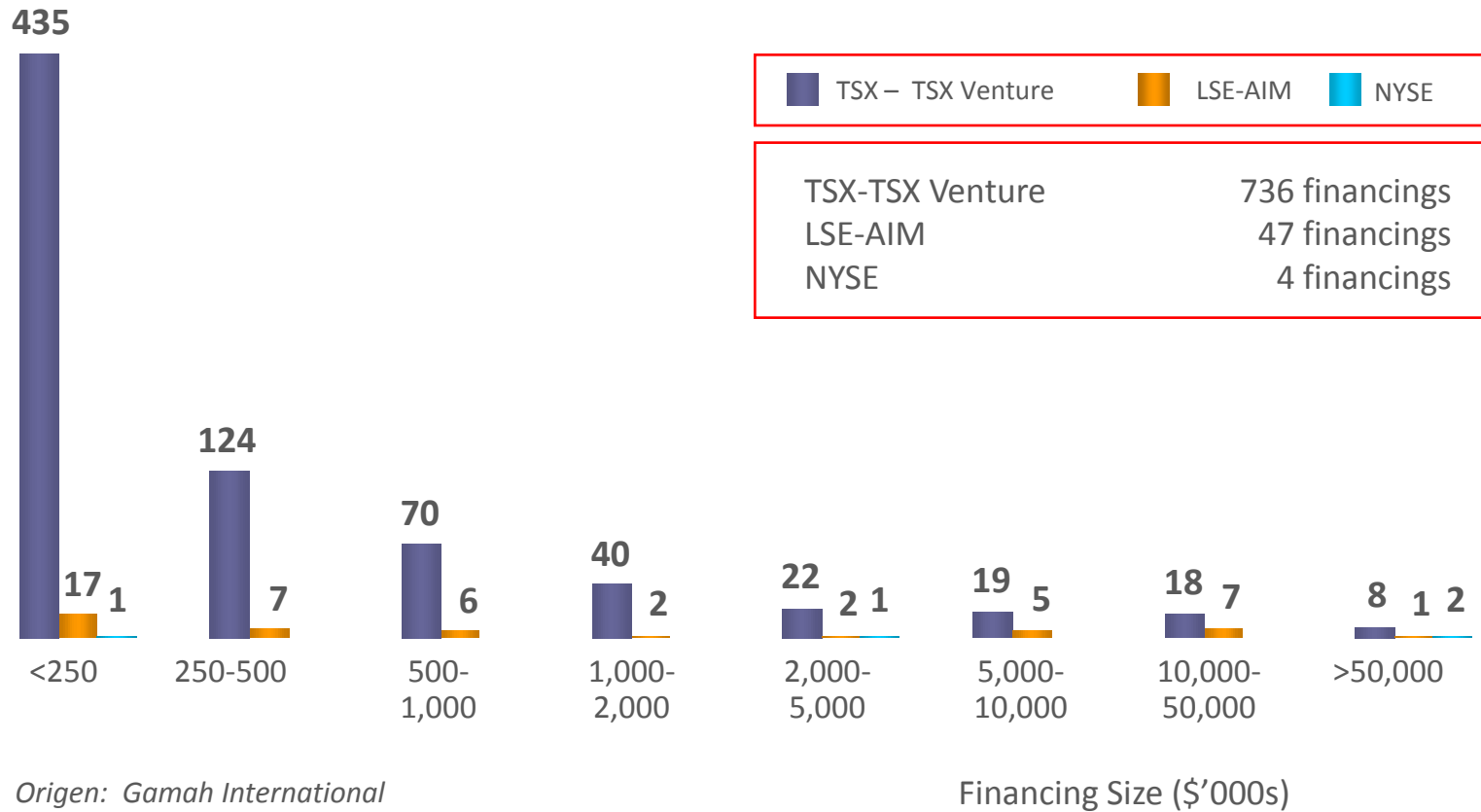
First 6 months of 2002: \$1.5 billions TSX & TSX Venture Mining Companies listed



Origen: Gamah International (Agosto, 2002) Compilacion: TSX

# Mining Financing Size: First semester 2001

First Semester 2002 – Financing numbers

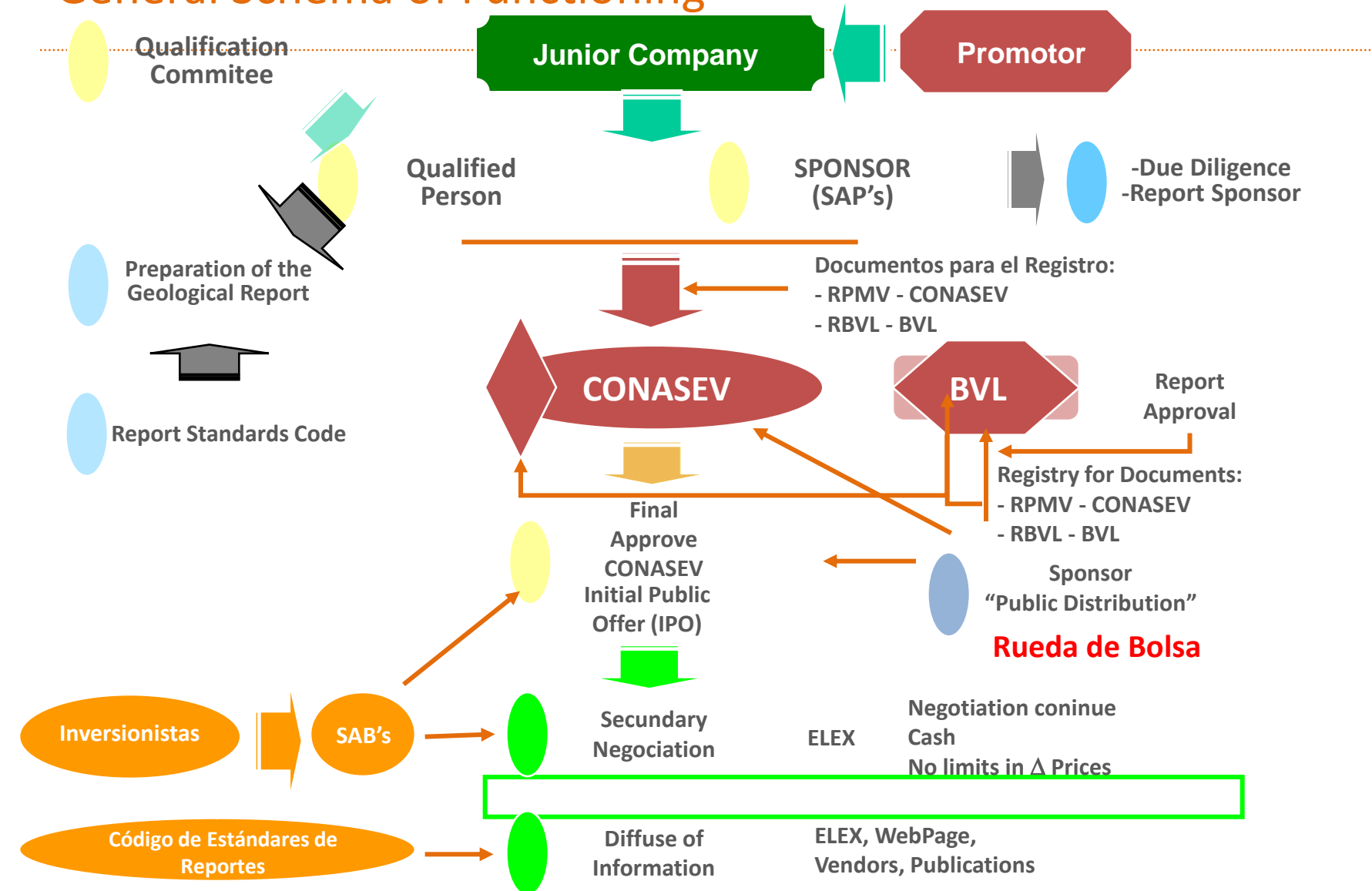


# Conclusions

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- 92 deposits no economics with current technology
- Peru needs new deposits of high quality
- 1994 – 1997: strong growth in explorations
- Financing of Foreign Majors and Juniors, Nationals and Privates
- Local financing: Lack mechanisms
- Inefficiency: 2 (Mexico), 3 (Canada), 12 (Chile)
- Data base: Poor orientation to the investor

# General Schema of Functioning



# Achievable dreams

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2003	2003 – 2004 (US \$) Millions	Generated Jobs	
		Direct	Indirect
5 - 10	5 - 15	5 - 100	500
New Exploration Group	Money of Risk BVL		

## Achievable dream... with 2 years delayed

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2007	2005 – 2007 (US \$) Millions	Generated Jobs	
		Direct	Indirect
5 - 15	5 - 25	5 - 100	500
New Exportation Group	Money of Risk BVL		

# Mining Companies Listed at the Most Important Stock Market

Number of the Mining Companies listed 2002

More than 50% of companies listed at Toronto

<b>TSX TSX Venture</b>	<b>ASX</b>	<b>LSE - AIM</b>	<b>JSE</b>	<b>NYSE</b>	<b>Amex</b>
<b>196</b>	321	44	52	46	16
<b><u>920</u></b>	–	<u>34</u>	–	–	–
<b>1116</b>	321	78	52	46	16

## Global Markets at a Glance - December 2008

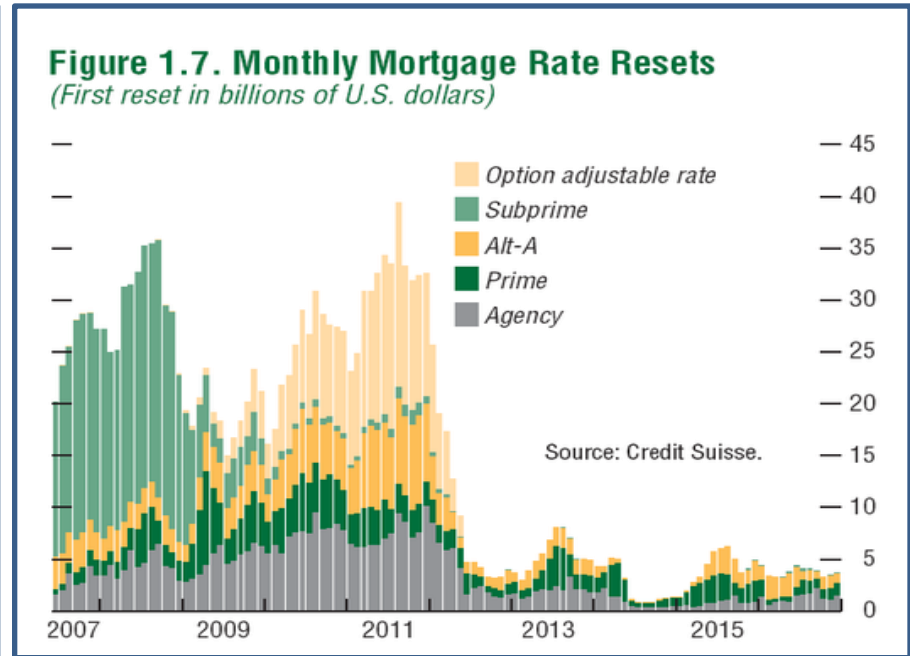
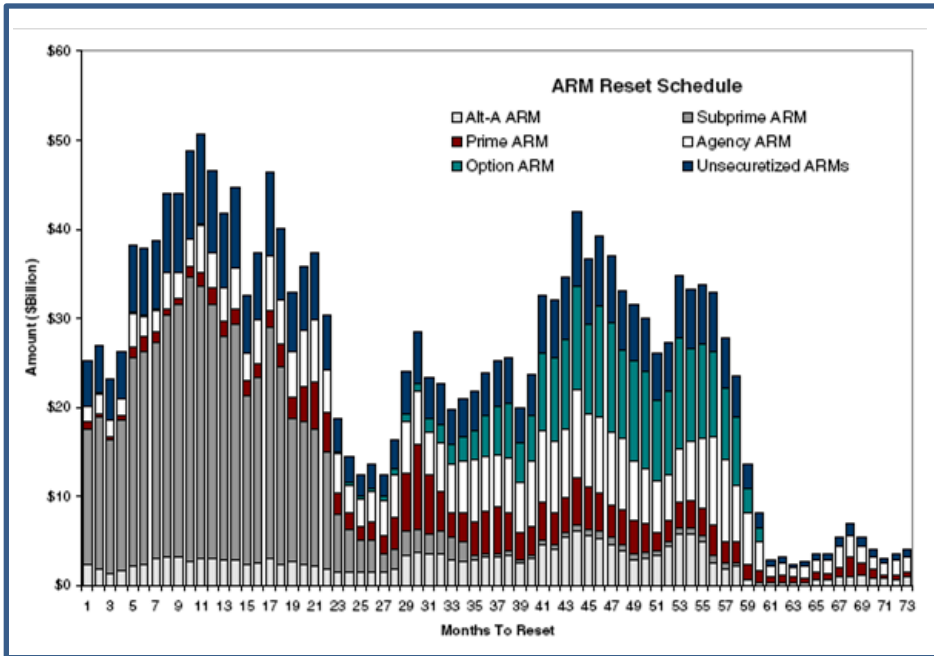
	<b>TSX</b>	<b>TSXV</b>	<b>TSX &amp; TSXV</b>	<b>LSE</b>	<b>AIM</b>	<b>LSE &amp; AIM</b>	<b>ASX</b>	<b>JSE</b>	<b>HKEx</b>	<b>NYSE</b>	<b>NYSE Alternext</b>	<b>SSE</b>	<b>PSE</b>	<b>BVL</b>	<b>Total</b>
Number of Mining Issuers Listed	356	1071	1427	42	174	216	684	55	84	48	68	23	18	8 Juniors 23 Majors	2649
Quoted Market Cap. (CS Billions)	\$207.0	\$8.7	\$215.7	\$199.3	\$7.9	\$207.2	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
New Mining Listings	42	96	138	2	7	9	29	2	3	3	5	N/A	N/A	N/A	
Equity Capital Raised* (C\$ Billions)	\$5.2	\$3.0	\$8.3	\$3.9	\$1.8	\$5.7	\$3.1	\$0.04	\$1.3	\$2.9	\$0.0	N/A	N/A	N/A	
Number of Deals	213	1382	1595	2	119	121	246	1	1	4	0	N/A	N/A	N/A	

TSX and TSXV, Stock E.change websites. Gamah Internal

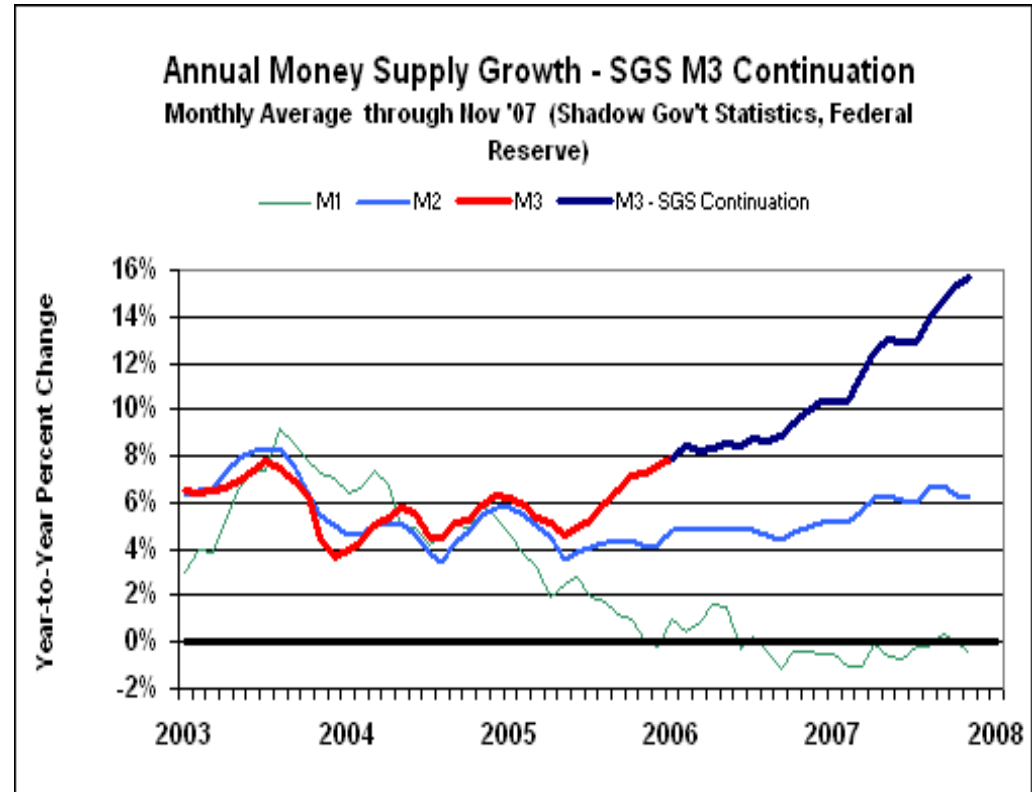
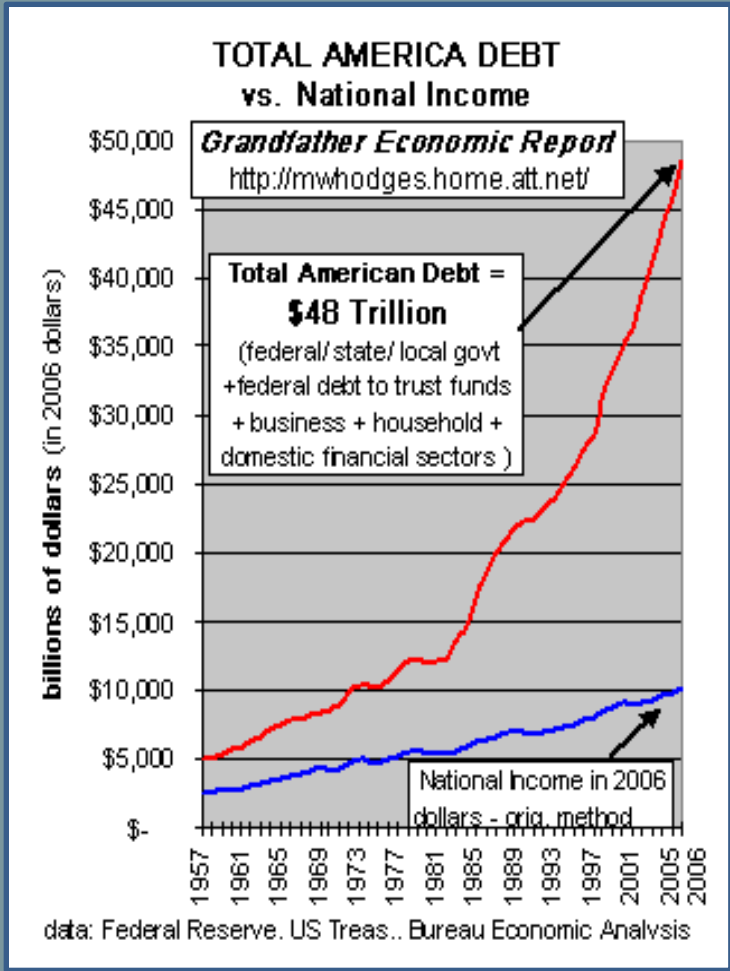
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# Why not in Brazil?

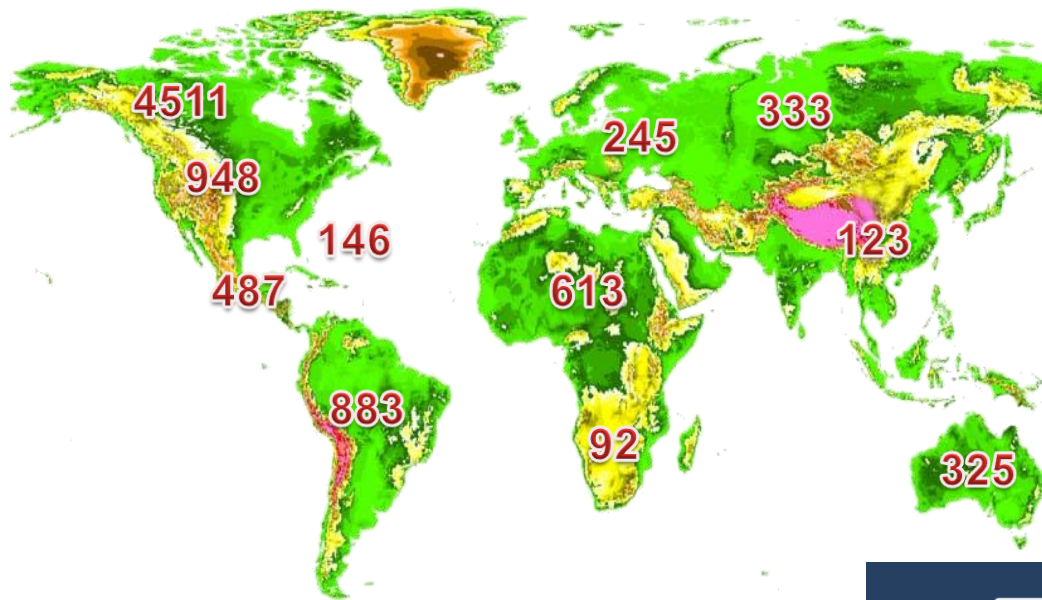
# The Global Adjustable Rate Mortgage Reset



# Total American Debt is \$50 trillion, and the GDP is \$15 trillion

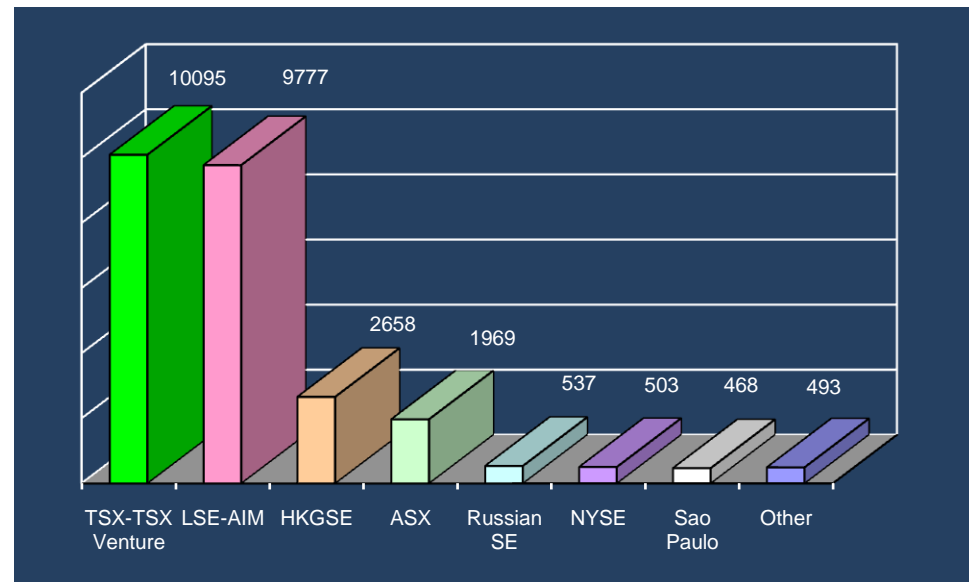


# Global distribution of Listed Projects



2006: 8,706 Projects Minerals / TSX and TSX - Venture companies, only 123 in China – South West of Asia.

Source: Gamah International, Diciembre 2006 Compilación por el Grupo TSX



# The Hong Kong Mining Sector

- With the growing influence of China on commodity prices, a listed Chinese mining sector is beginning to emerge on the Hong Kong Stock Exchange (“HKSE”).
- The sector currently consists of 9 companies with a market capitalization in excess of US\$84 billion.

## Chinese State-Owned Metals & Mining Companies Listed on the Hong Kong Stock Exchange

Company		Ticker	Listing Date	Mkt Cap (us\$m)	Free Float (us\$m)	Free Float (%)
Jiangxi Copper Corp.		358	Jun 1997	4,568	1,969	43%
Yanzhou Coal Mining Co. Ltd.		1171	Apr 1998	5,123	2,193	42%
Aluminum Corp. of China Ltd.		2600	Dec 2001	11,407	3,842	34%
Zijin Mining Group Co. Ltd.		2899	Dec 2003	6,473	1,969	30%
China Shenhua Energy Co. Ltd.		1088	Jun 2005	46,430	8,745	19%
Lingbao Gold Co. Ltd.		3330	Jan 2006	626	238	38%
Hunan Nonferrous Metals Corp. Ltd.		2626	Mar 2006	1,979	780	39%
China Coal Energy Co. Ltd.		1898	Dec 2006	11,508	4,027	35%
Zhaojin Mining Industry Co. Ltd.		1818	Dec 2006	1,424	417	29%

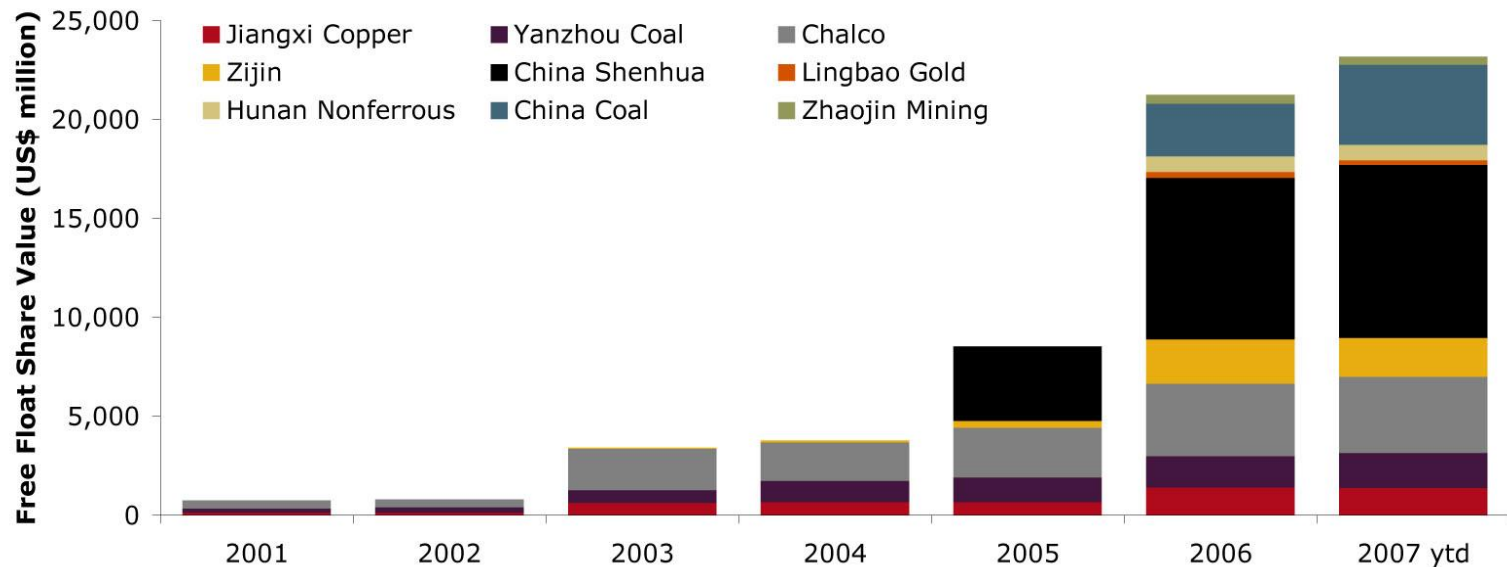
**Total 84,971 24,182**

**MAXY** GOLD Corp. *Subsidiary*

# The Hong Kong Mining Sector

- Over the past 6 years, the combined free float of the Chinese metals & mining companies on the Hong Kong Stock Exchange has increased significantly from US\$748 million in 2001 to US\$24.2 billion currently.

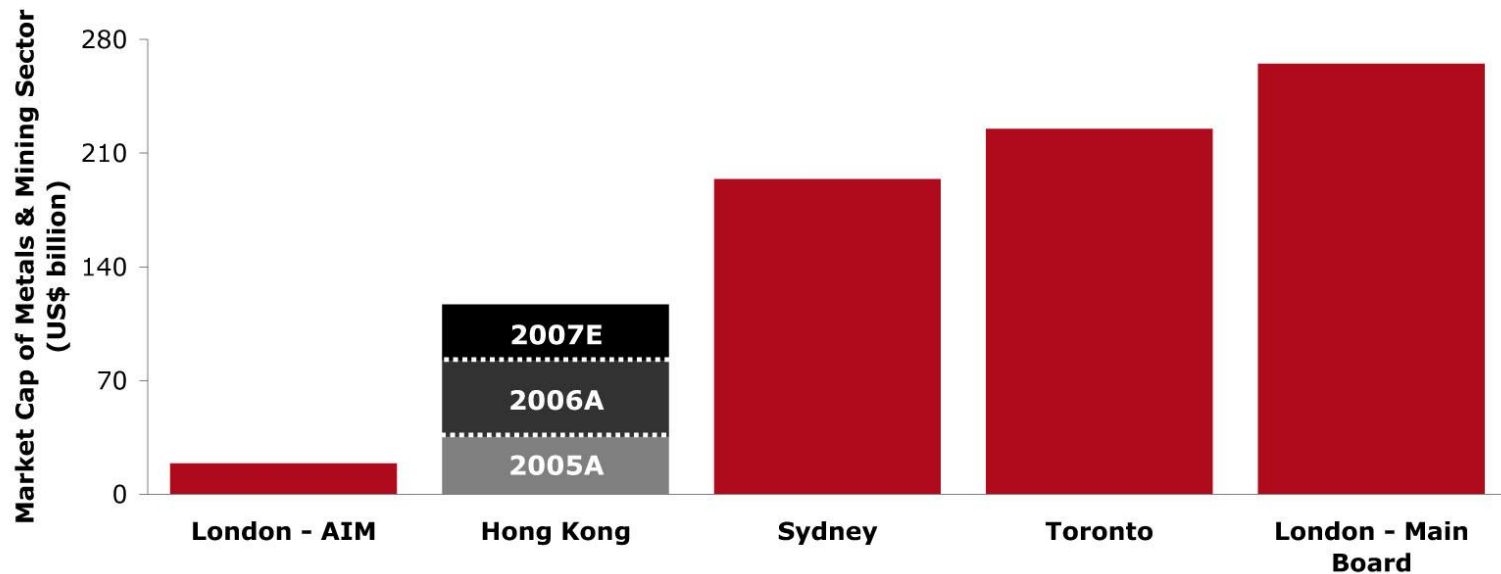
## Combined Free Float Shares of Chinese M&M Companies on the Hong Kong Stock Exchange



# The Hong Kong Mining Sector

- As a result, the Hong Kong mining sector has begun to emerge as an important player among other major metals & mining exchanges in the world.

Comparison of Market Capitalization of Metals & Mining Sectors<sup>1</sup>



# 2009 Financing Conclusions

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- Many more junior companies in the world, over 4 times more
- More companies listed on various exchange , especially Asia ,Europe
- Financing 2009 more oriented to gold Producer for Acquisition or
- Base metals rescue, large discount
- No Grass root financing, more advanced stage project ( in jeopardy )
- Much more private financing , Asia ,America
- Year of consolidation , money made in M-A
- May take few years to come back

# Financial Crisis CONCLUSIONS

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- China is accumulating gold since they realized that GOLD is very important
- Especially in crisis time
- High risk of dollar devaluation , mid-long term
- Bullish on Gold
- Pressure on Global Inflation is accelerating
- World economy crisis is far from recovering
- China ,Brazil and Asia ( en general ) will be stronger after crisis
- Will become important source of financing risk money ( venture capital )

# GENERAL CONCLUSIONS, EXPLORATION FINANCING

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**Exploration has shifted from Major to Junior, junior are not necessary more efficient**

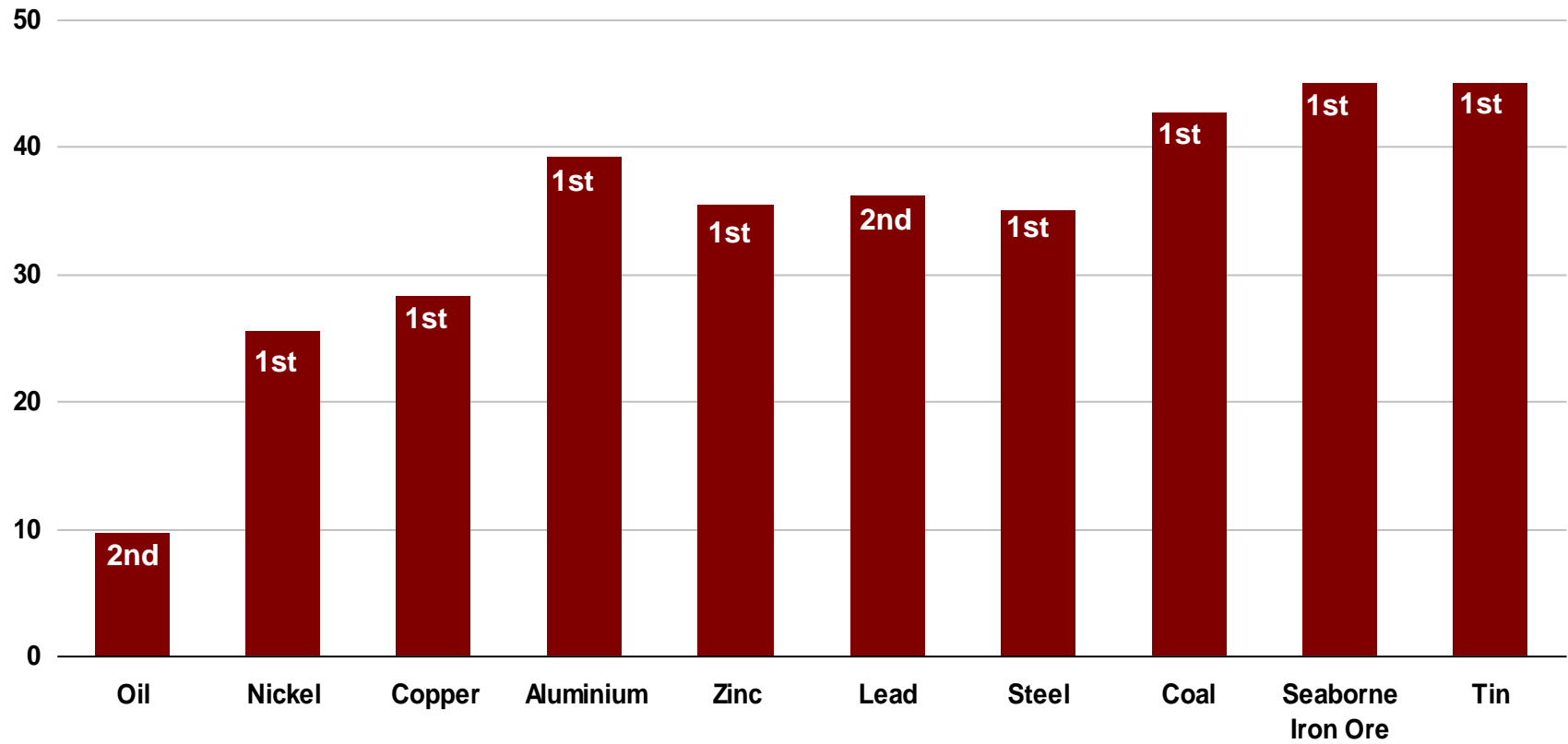
- **Junior think short term and exploration should be a long term approach with short term goal**
- **Major are doing very little grass root either , real generative grass root**
- **State enterprises are very important in controlling resources and exploration**
- **Success rate of new discovery is very poor , taking in account the extreme sum spend in exploration**
- **China is becoming a very important source of capital to finance exploration, more advance stage at the beginning but soon to move toward grass root as well, especially after the financial crisis hitting the western world.**
- **China , the country is one of the most promising potential for new grass root discovery**

- 
- **Metal prices should not come back to extreme high last experimented in 2007-2007 as it is non sustainable ( capital cost , manpower, equipment , services costs, etc..)**
  - **Many of undeveloped deposit are non-economic on the basis of forecasted metal price ( many years down the road ) and therefore , exploring those deposit is inefficient expense although good for stock market**
  - **Metals demand will still be very ( excellent ) for long term**
  - **The amount of listed mining companies ( including junior and major ) is way over 2500 and adding Chinese ones , it can and adding Chinese ones , it can be over 4000**

# CHINA IS THE WORLD'S LARGEST CONSUMER OF A LARGE NUMBER OF RESOURCES

As its economy continues to boom, China is intent on getting the resources needed to sustain rapid growth

China's Consumption of Commodities as a Share of World Total (%), World Ranking, 2008

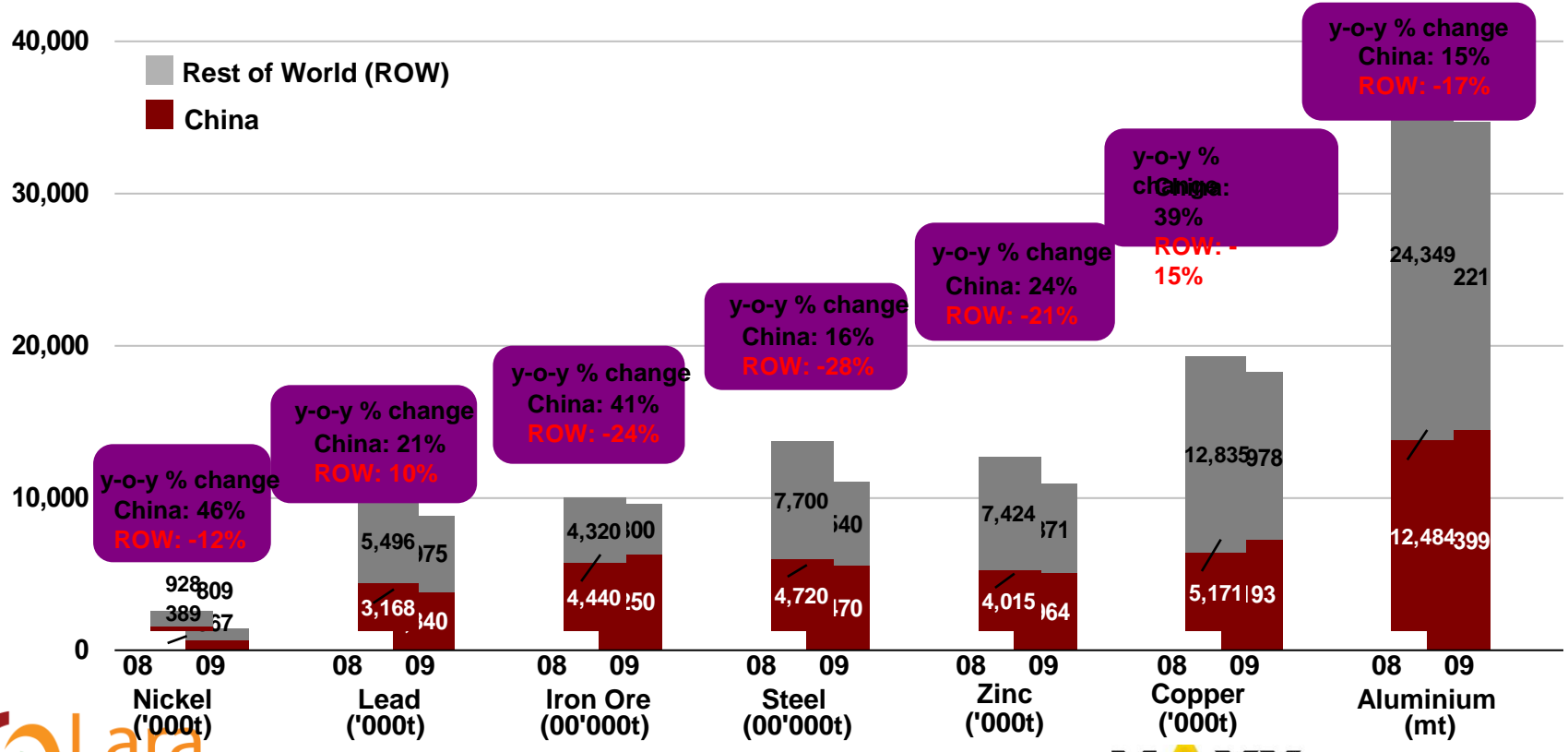


Source: BP; WBMS; Barlow Jonker; IEA; BP; Macquarie; THE BEIJING AXIS Analysis

# WHILE OTHER COUNTRIES EXPERIENCED DECLINES IN COMMODITY DEMAND, CHINA'S DEMAND CONTINUED TO RISE IN 2009

For commodities such as nickel, lead, zinc, copper and aluminium, demand increased by as much as 40% while the rest of the world slumped

China and World Demand Comparison, Selected Commodities (2008 and 2009)

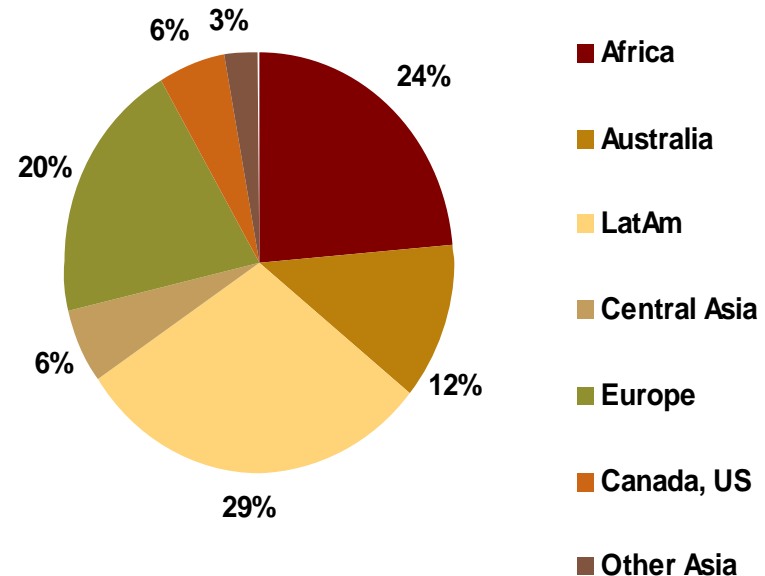


# CHINESE RESOURCE FIRMS SHOW A WILLINGNESS TO INVEST IN DIVERSE LOCATIONS

The official statistics, when released, may show a record breaking year for Chinese overseas FDI in 2009

- An estimated USD 157 billion in resource-related deals were initiated by China within the last 12 months
- Although China made the most deals with Australian firms in this time period, investment totals in both Africa and Latin America were higher by value
- Two large oil deals – USD 16 bn by CNPC in Venezuela and USD 22.6 bn jointly by CNPC and CNOOC in Repsol's Argentinean unit – account for a majority of China's investment in Latin America

Resource-based OFDI Initiated by China per Target Region (Apr 2009-present)



Note: In the absence of specific mention of assets related to a given location, the target region was determined to be the headquarters of the target company, hence Europe's large share despite its lack of Chinese mining/resource related facilities.

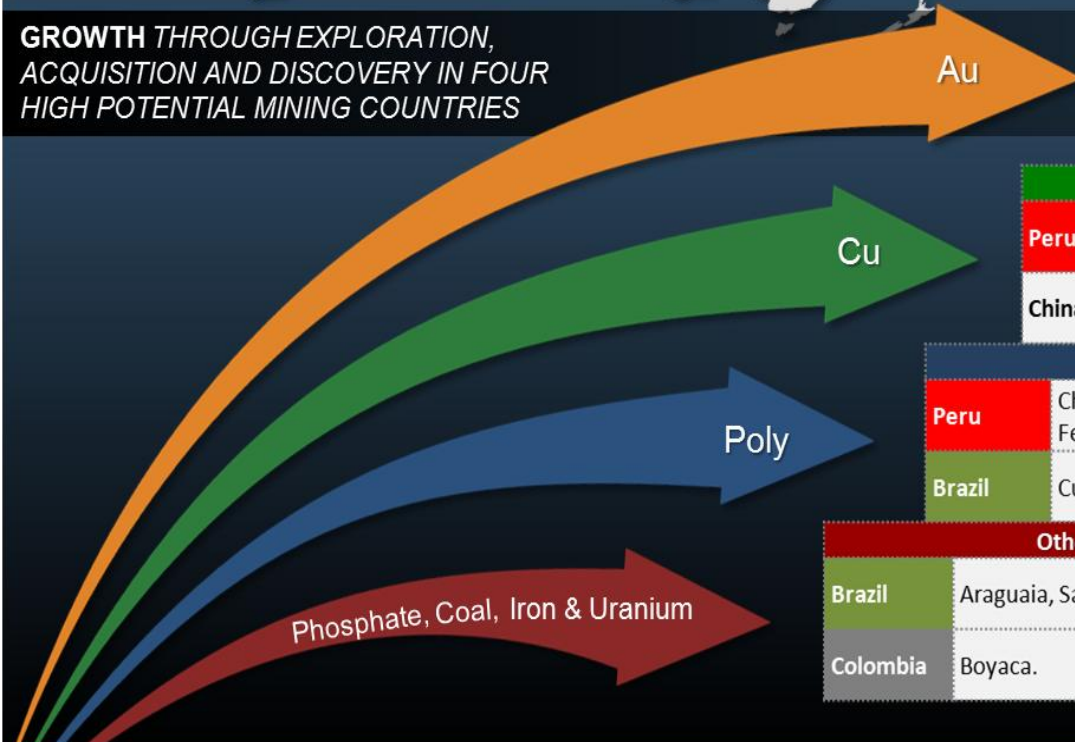
Source: Multiple sources; Press; THE BEIJING AXIS Analysis

# The Industry of the Mining Explorations in Peru ...

... An Achievable dream



**GROWTH THROUGH EXPLORATION,  
ACQUISITION AND DISCOVERY IN FOUR  
HIGH POTENTIAL MINING COUNTRIES**

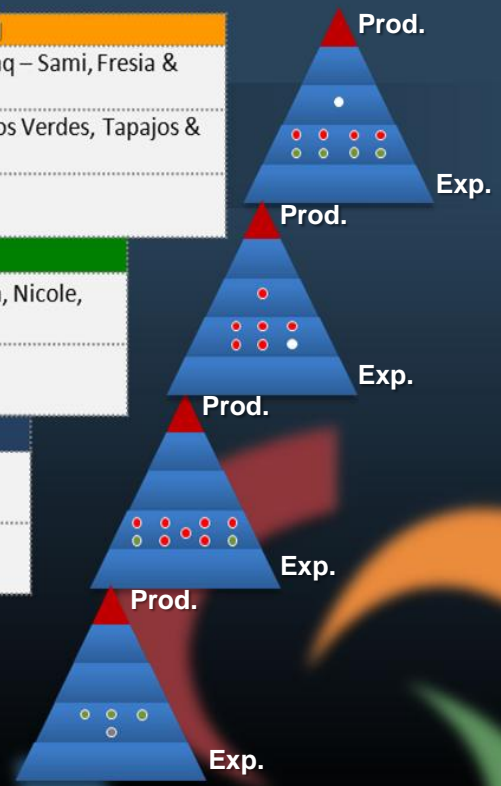


Gold	
Peru	Corina, Sumaq – Sami, Fresia & Marcia.
Brazil	Goias, Campos Verdes, Tapajos & Fortuna.
China	Midu.

Copper	
Peru	Condorama, Lara, Picha, Nicole, Coporaque & Atenea.
China	Huangnan.

Polymetallic	
Peru	Chocos, Milagros, Lampa, Joshy, Fedra, Grace & Tizoc.
Brazil	Curionopolis & Canabrava.

Others	
Brazil	Araguaia, Sao Lorenzo & Sergipe.
Colombia	Boyaca.



THANK YOU