

## PERU

*By C.G. Soldi*

**P**eru experienced a modest 0.2% growth in its GDP during 2001, compared with the 3.6% reached during the previous year. Inflation for the year was negative (-0.13%) due mainly to the sharp decrease in domestic demand and the application of a very cautious economic policy. The value of all Peruvian exports increased to US\$7.1 billion during 2001, imports also increasing to US\$7.2 billion, reducing the trade deficit of the country to US\$100.6 million, 31% of that of the previous year. Peru's net international reserves at the end of the year totalled US\$8.61 billion, a figure similar to that of the previous year.

Following President Fujimori's resignation in November 2000, a transitional government headed by the President of the Congress was

appointed to conduct a new election that took place in May 2001, as a result of which Alejandro Toledo, a US-trained academic, was elected President of Peru.

The Peruvian mining industry suffered the effects of the sharp decline of international metal prices, the zinc producers being the most affected. Among the most important news for the Peruvian mining sector was the inauguration of the US\$2.3 billion Antamina project, which started production in October 2001.

Peru's mine production experienced a 12.8% growth during the year. Output of most metals increased, the most important being molybdenum (32%), copper (30%), zinc (16%), silver (10%) and iron (10%).

### IN PERU, WE'RE DEVELOPING MORE THAN JUST PROFITS.

While profits and shareholder value are important to us, so are human values.

That's why, in the remote Peruvian villages surrounding our Minera Yanacocha mine, where we have already invested \$1 billion (with another \$850 million on the way), we also are proudly investing in making life better for families who live nearby.

For instance, since 1994, we have volunteered the necessary building materials and money for villagers to construct 28 schools. We have also helped train and provide transportation for 300 teachers from more than 60 schools.

With well-equipped, well-staffed schools now close at hand, the dropout rate has



plunged from nearly 43 percent to less than four percent.

We are helping improve health care, having built two new clinics. We have also constructed 20 potable water systems in an area where, in 1994, only 17.5 percent of the villages had drinking water systems. Today 72

percent have them. Our mining operation is keeping the local economy healthy, too, directly employing 6,000 people; 15,000 more indirectly. As a result, the Department of Cajamarca has a Gross Domestic Product (GDP) that has jumped 109 percent since 1993, compared to the 45 percent national GDP growth.

We're happy to be doing well with our mine in Peru. We're also happy to be doing good.



The value of Peruvian mining production for 2001 is estimated at US\$3.90 billion, whilst the value of all mining products exported during the year was US\$3.48 billion, a figure slightly higher than that of year 2000. Mining and oil export earnings amounted to US\$4.29 billion during 2001, representing 60% of the country's total exports income.

Peruvian gold production increased by 4% during the year, Minera Yanacocha and Barrick Misquichilca contributing 63% of the country's gold output. Towards the end of 2001, two new gold operations started production: Antapite and La Quinua.

Manhattan Sechura Cia Minera continued with the feasibility study of its Tambo Grande project, which is expected to be completed before the end of 2002.

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### **Copper**

Peru's copper production increased by 30.3% during 2001, reaching 722,035 t, with a value estimated at US\$1.06 billion. Copper exported during 2001 was 685,800 t, valued at US\$987 million (including the value of silver contained in copper concentrates).

SPCC remained the largest copper producer, reporting an output of 341,947 t of fine copper content from its mining operations at Toquepala and Cuajone, a figure slightly higher than that achieved in 1999.

Antamina became the second largest Peruvian copper producer with 161,947 t, BHP Tintaya moving to a third position with 85,148 t.

Cyprus Cerro Verde reported a total production of 76,65 t of fine copper at its Cerro Verde mine in Arequipa, a figure 7% higher than that of the previous year. Doe Run Peru produced 16,509 t of copper during the year from its Cobriza mine. Cia Minera Condestable, now operating the mine previously managed by Cia. Minera Pativilca, reported production of 8,919 t in 2001. Cia. Minera Raura produced 6,080 t, Cia. Minera Atacocha reported a production of 2,880 t, Volcan Cia. Minera 2,848 t, Empresa Minera Yauliyacu 2,583 t, and other medium and small-sized mines located throughout the country accounted for the remaining 16,473 t of copper produced during 2001.

### **Lead, Zinc and Silver**

Lead production in 2001 was 289,543 t fine content, zinc was 1,056,629 t and silver 2,673 t. Export values were US\$196 million for lead (containing silver), US\$419.4 million for zinc (also containing silver) and US\$168.6 million for silver. Paragsha, the former Cerro de Pasco mine, now operated by Volcan Cia. Minera, remained as the country's largest lead and zinc producer, reporting an output of 76,135 t of lead, 319,317 t of zinc and 334.31 t of silver for 2001, thus becoming also the largest silver producer in the country.

Empresa Minera, owned by Glencore, increased its zinc output by 23% during the year reporting a total production of 121,507 t, remaining the country's second largest zinc producer. Cia. Minera Milpo, the country's third largest private zinc producer, reported an output of 76,755 t of this metal, 23,071 t of lead and 109.83 t of silver during 2001. Cia. Minera Antamina became the fourth largest zinc producer, with an output of 68,909 t and Atacocha remained the second largest lead producer, reporting output of 29,573 t of this metal, 56,366 t of zinc and 127,332 t of silver.

Cia. Minera Santa Luisa, the Mitsui Mining subsidiary, produced 21,816 t of lead, 47,405 t of zinc, and 45 t of silver from its Huanzala mine. Soc. Minera El Brocal reported a production of 46,952 t of zinc, 18,416 t of lead and 110 t of silver, and Cia. Minera San Ignacio de Morococha, which used to be the country's largest zinc producer, dropped to eighth position after reporting an output of 35,198 t during 2001, a 13% drop on the previous year.

Despite its 18% increase in silver production, Cia de Minas Buenaventura was displaced by Volcan Cia. Minera from its traditional position of being the largest private producer of this metal, after reporting an output of 333 t of silver for 2001. The company also reported lead and zinc production of 7,651 t and 9,341 t respectively. Soc. Minera Corona, remained the third largest silver producer, after reporting output of 158 t of silver for 2001. Cia de Minas Arcata became the fifth largest private silver producer, reporting production of 138 t of this metal, and Empresa Minera Yauliyacu reported output of 13,484 t of lead, 36,238 t of zinc and 154 t of silver for 2001.

Panamerican Silver of Canada, operating the underground Quiruvilca mine in northern Peru, reported production of 123 t of silver, 22,009 t of zinc and 8,778 t of lead for the year.

Antamina became an important silver producer, after reporting an output of 120 t of this metal during 2001.

### Iron and Steel

Shougang Hierro Peru, the country's only iron-ore producer, managed to increase its production by 9.75% during 2001, reporting output of 2.99 Mt in 2001. Siderperu, the largest privately-owned steel plant in the country was reported as facing some financial problems following the completion of its modernisation plan. The value of Peruvian iron exports during 2001 was US\$81.4 million for all iron products (pellets and sinter feed), representing a figure 22% higher than that of 2000.

### Gold

Peruvian gold production experienced a 4.1% growth during 2001, reaching a total output of 138,022 kg. Peru has thus managed to remain the leading Latin American producing country and third in the Americas, following the US and Canada. Peruvian gold exports in 2001 were valued at US\$1.17 billion, a figure slightly higher than that of the previous year. During 2001, gold represented 30% of the value of all mining exports.

Minera Yanacocha remained the largest gold producer in the country, reporting output of 58,657 kg at the end of 2001, which represents a 7% increase on the previous year's mine output. Other important gold producers during 2001 were Minera Barrick Misquichilca, the operator of the Pierina mine, which reported an output of 28,338 kg (13% increase); Minera Aurifera Retamas with 5,177 kg; Cia. Minera Ares, with 5,211 kg; Consorcio Minero Horizonte with 4,282 kg; Cia. Minera Aurifera Santa Rosa with 3,155 kg; Cia. Minera Poderosa with 2,314 kg and Cia. Minera Sipan with 1,404 kg.

Gold contained in different types of concentrates produced in the country was estimated at 7,236 kg for 2001. Other medium and small mines accounted for 4,375 kg and an unknown number of informal miners accounted for 16,620 kg, representing around 12% of the country's total gold production.

## Tin

Minsur remained Peru's only tin producer. The company's reported output for the year was 38,182 t from its San Rafael mine. The company also operates a tin smelting and refining installation located in Pisco, south of Lima.

## Petroleum

Peruvian crude oil production was 97,100 bbl/d during 2001, a 3% reduction on the previous year's output. The value of oil exports in 2001 totalled US\$376 million (US\$249.3 million of which corresponded to refined products), whilst imports amounted to US\$907 million, generating a trade deficit of US\$531 million.

Oil exploration in Peru continued during 2001, aimed mainly at finding new oil fields to replace part of the oil that the country currently imports to cover the increasing local demand.

Natural gas production experienced a decrease during the year, reaching a level of 370 million m<sup>3</sup>. Following Shell/Mobil consortium decision not to proceed with the second phase of the development of the Camisea gas field, the project was finally awarded to the consortium formed by Pluspetrol of Argentina, Hunt Oil of the US, SK Corp. of South Korea and Hidrocarburos Andinos of Argentina.

The contract for the transport of gas to the coast and its distribution in Lima and Callao was awarded to the consortium formed by Techint and Pluspetrol of Argentina, Hunt Oil of the US, SK Corp., Sonatrach of Algeria and Graña y Montero of Peru. The project is expected to start production in 2004, with a total of eight wells.

Following the transfer of Occidental Petroleum to Pluspetrol in May 2000, the latter became the largest oil producer in the country, accounting for 63% of total crude oil production, the balance being produced by Petrotech (13%), Perez Companc (12%), Sapet (4%) and the remaining 8% by other minor producers.

## Peruvian Mine Production (t except where stated)

Product	1997	1998	1999	2000	2001 <sup>e</sup>
Gold	76.82	93.57	128.09	132.59	138.02
Silver	2,077	2,025	2,217	2,438	2,673
Copper ('000 t)	503	483	536	554	722
Lead ('000 t)	258	258	271	271	290
Zinc ('000 t)	865	869	899	910	1,056
Tin ('000 t)	28.0	25.7	30.4	30.4	38.2
Iron ore (Mt)	3.0	3.2	2.5	2.5	3.0
Molybdenum ('000 t)	3.8	4.3	5.5	5.5	9.5
Arsenic	837	624	1,611	1,611	2,800
Antimony	242	364	255	255	274
Bismuth	774	868	705	705	640
Cadmium	562	132	465	465	456
Indium	3.80	4.23	5.00	5.10	4.00
Selenium	12.68	18.01	23.00	23.00	16.00
Tellurium	24.75	21.68	17.00	17.00	19.00
Tungsten	280	76	0	0	na
Crude oil (Mbbl)	44	42	37	36	na

<sup>e</sup> - Estimates, na - not available.