Despite Australian companies spreading themselves across the global resources sector, some believe they are thin on the ground in mineral hubs such as Peru.

“The presence of Australian companies in Peru is not that strong,” Baker & McKenzie, Peru, partner Valentín Paniagua told Paydirt on the sidelines of Latin America Down Under.

“Like Australia, Peru is a mining country, however Australia has a far more experienced and developed industry, but it is quite interesting to note the interest from Australian companies in Peru.”

There are almost 20 ASX-listed resources companies currently in Peru, and with the country ranked in the top five producers of copper, gold, zinc, silver, lead, molybdenum and tin in the world, the attraction to its resources sector is easy to comprehend.

Furthermore, it appears that the welcome mat is out, with legal frameworks and legislation in place conducive to foreign investment.

“Our [Peru’s] legal framework is quite friendly and open and pretty much you’re allowed to do anything you like provided you pay your taxes,” Paniagua said.

Regarding mining taxes and royalties, some aspects to consider include income tax of 30% and 4.1% on dividends, while royalties are based on operating profits.

“From our point of view there aren’t too many difficulties to set up a company and work in Peru, which is the same as getting mining concessions and mining properties.”

Titleholders of mining concessions, which are irrevocable if conditions are met, have the right to explore and extract mineral resources, however this does not include the granting of surface lands.

“From that perspective I don’t think there is that legal challenge there. I believe the challenges are on site: community and social relations and being lucky with exploration,” Paniagua said.

There are granted mining concessions over 14.76 million hectares in Peru, with 2.5% under exploration and 7% of that title in production.

“We have been quite exposed to Canadian investors [assessing Peru’s mineral potential] so it is interesting to come to this conference and get the perspective from Australian investors,” Paniagua said.

With offices in Argentina, Brazil, Peru, Chile, Colombia, Venezuela and Mexico, Baker & McKenzie is well positioned to gauge the level of activity in the region and provide an insight into the countries of choice for miners.

“AT the moment we are seeing a great interest from Australia into Latin America,” Baker & McKenzie partner John Mollard told Paydirt.

“The conference has seen 15–20 juniors with projects in the region and a lot of companies are looking to go from where they are in Peru into other jurisdictions and they have a lot more appetite to expand now.

“Mexico at the moment seems to be a very popular place to look at. It is unexplored and under invested, so we are seeing trends from companies that are already there wanting to expand their presence because they like what they are seeing. I think the difficulty is attracting other listed companies into the space and it is up to promotion from Latin America to do that,” Mollard said.

Mollard said the principles of attaining exploration permits and moving forward into development and production stages of mining operations were similar across Latin American destinations, however companies were urged to be diligent in their practices.

“The onus is to make sure you are liaising early with the government and local communities. And as Valentín [Paniagua] reminded us, it is not only people that are affected on the site that you are mining; there are a lot of other areas that are influenced around the mine and project area which you have to take into consideration doing community liaisons,” Mollard said.

– Mark Andrews

With new countries emerging as prospective mining and exploration destinations in Latin America, Ecología Environment general manager Lazaro Roque-Albelo has called for legislation and policy changes in the region.

There are 202 mining-related social issues spanning 19 countries in Latin America, which affect 305 communities.

The task of meeting local community, state and national government requirements has not been easy for mining companies and as more countries open up to promoting their mining and energy sectors it is unlikely to get any easier.

“Developing a legislation policy that is in line with international standards can bring security to investors and bring security to everyone,” Roque-Albelo said.

Environmental and social legislation is country specific in Latin America, however the legislation may not be as clear in up-and-coming mining jurisdictions as it is in established mining powerhouses such as Chile, Brazil, Peru and Argentina.

“In countries like Ecuador, Colombia and Guatemala, there are a few projects that are starting and we need to recognise the social issues in these places, as has been done in other countries,” Roque-Albelo said.

Roque-Albelo encouraged companies to impose compliance mechanisms and develop a holistic approach to EISs, as inadequate legislation and a lack of accountability and democratic cultures in Latin America in the past has caused social and environmental issues.

“Make sure your EIS is absolutely word-on because this will avoid potential future problems,” Roque-Albelo said.

With 43% of the world’s plant species found across Latin America, managing environmental practices in the region requires much attention to detail, particularly from mining companies that have failed in the past to deliver economic growth and social progress.

“The challenge for us is to create a Latin American model for sustainable development that recognises the need for mining and delivers the social and environmental solutions. This is our challenge and this is what we have to focus on. We have recognised biodiversity as an important area to overcome and our challenge is to create that model,” he said.

Roque-Albelo said early community consultation was critical for all projects to be successful while communication remained important in understanding different cultures and languages in Latin America.

– Mark Andrews