

Peru has shown unsurpassed rise to become Latin America's largest and one of the world's top 10 gold producers



Within 10 years, Peru has shown an unsurpassed rise into the league of the world's top 10 gold producers by more than five folded its output from 39.3 tonnes in 1994 to 207.8 tonnes (6.7 million ounces) in 2005. This compares with 45% of total gold production in Latin America (in 1994 just 16%), and reflects an average increase of more than 20% per year compared to a 2% growth in global gold production.

Peru is one of the world's major metal producers including copper, gold, silver, and zinc. The mining sector accounts for more than US\$ 6 billion in exports, equal to half of the country's total exports.

Gold represents 47% of the value of all mining exports and 23% of Peru's total exports.

Most of Peru's success has been down to Yanacocha, Latin America's largest and the world's second largest gold mine (52.3% owned by **Newmont Mining** and 43.7% by **Minas Buenaventura**) which in 2005 yielded 3.3 million ounces of gold, representing 50% of all the gold produced in Peru. The cash costs per ounce increased slightly from \$ 147 to \$ 150 per ounce. Total reserves are 32.6 million ounces.

For 2006 Yanacocha's gold production will be reduced to 2.6 million ounces.

Buenaventura's Uchucchacua, Orcopampa and Julcani mining units together produced 233,222 ounces of gold and 11.6 million ounces of silver. The Company's equity expenditures in exploration activities in non-operational mines were US\$ 19.3 million in 2005. The exploration efforts were focused on: Poracota in Arequipa, La Zanja in Cajamarca and Marcapunta in Cerro de Pasco.

Apart from Minas Buenaventura, Peru's most important local producers are:

Cia Minerias Ares (5.8 tonnes); **Minera Aurifera Retamas** (5.2 tonnes); **Consorcio Minero Horizonte** (4.6 tonnes); **Cia Minera Aurifera Santa Rosa** (3.7 tonnes); **Cia Minera Poderosa** (2.5 tonnes); and **Inversiones Minerias del Sur** (1.7 tonnes).

Other medium and small mines contribute approximately 13 tonnes, and an unknown number of informal miners also account for 13 tonnes, or around 7% of Peru's total gold production.

Barrick Gold's Pierina Mine, Peru's second largest operation, produced over 628,000 million ounces of gold in 2005 at a total cost of \$ 139 per ounce, representing 9% of total gold production in Peru. However, the highest grades at the mine have almost been depleted and 2003 was the final year of the high production levels (0.91 million ounces in 2003) the mine has experienced since opening in late 1998.

Based on existing reserves of 1.9 million ounces and current production capacity, the expected remaining life is approximately 3 years.

Having discovered the deposit in 2002, Barrick commenced operating the Alto Chicama Mine (La Libertad) by the end of last August, aimed at producing 880,000 ounces of gold during the first three years.

The Cerro Corona (Ajamarca) Gold-Copper Project, valued at \$ 277 million, is going to be developed by Gold Fields of South Africa; after having received the Peruvian State's approval of its Environmental Assessment Study.

The Project's construction commenced in February 2006, and eighteen months later the Mine will commence operating. Cerro Corona will produce 2.3 million ounces of gold and 412,000 tonnes of copper over 15 years of its useful life.

In the first quarter of 2006 the Untuca Project has started, which has a treatment capacity of 200 MT per day. Untuca, located in southern Peru, is being developed by Consorcio Minero Horizonte, owned by Peruvian investors.

The new Lagunas Norte Mine achieved start-up ahead of the original third quarter schedule and with its US\$ 340 million budget. The Mine has contributed 550,000 ounces to the Company's gold production for the second half of 2005 at total cash costs of \$ 110 per ounce.

Barrick expects Lagunas Norte's production to average 800,000 ounces per year at an average total cost of about \$ 155 per ounce for the first three years).

Reserves at the Lagunas Norte deposit located in Peru's northern Andes, amount to some 8.3 million ounces of gold.

Cambior's La Arena Property, located 480 km north-northwest of Lima, geologically lies within a multimillion ounces gold district that includes the Alto Chicama, Tres Cruces, Shahuindo and Comarsa deposits and has measured & indicated resources of 536,300 ounces of gold.

Southwestern Resources fully owns the 3,500 hectare Liam Property in southern Peru that hosts a high sulphidation gold/silver system that is in the same group of mineralization types that characterise the Yanacocha and Pierina deposits. In November 2003, Southwestern Resources executed a formal agreement with **Newmont Peru** pursuant to which Newmont Peru can earn a 50% interest in the Liam Core Area (3,500 hectares) by spending US\$ 5 million over a 3-year period, with a minimum annual expenditure of US\$ 1.0 million, which must include 5,000 metres of drilling. Newmont has the option to earn an additional 10% interest in the Liam Project Area by producing a feasibility study, and Newmont can earn a further 10% interest (for a total of 70%) by funding all the costs to place the main project into commercial production.

In addition, Newmont and Southwestern have formed a 50/50 Joint Venture to explore the Liam Regional Area (91,195 hectares) and jointly spend US\$ 5 million over 5 years. The Liam project Area is underlain by 9 known gold-silver zones and an aggressive regional exploration program is ongoing. The next drill phase will concentrate on Cerro Queshca, Astana, Farallon and Careli.

Newmont Mining also purchased 450,000 common shares from Southwestern at Cdn\$ 15 per share for total proceeds of Cdn\$ 6.75 million.

In addition, Southwestern entered into a heads of agreement with **Anglo American Peru** under which Anglo American can earn a 55% interest in Southwestern's Anlay Project by spending US\$ 5 million on exploration and subscribing for US\$ 5 million in Southwestern shares over five years.

Exploration

There has been considerable gold exploration activity in Peru over the past two years. Much of it has been to the north of Yanacocha at La Zanja, where a source of at least 900,000 ounces has been delineated by a joint venture involving **Buenaventura** and **Newmont Mining**, the operator at Yanacocha.

At Marcapunta in the Colquijirca mining district, some 49 million tonnes averaging 1.9% copper, 22 g/t silver and 0.3 g/t gold have already been identified.

At La Virgen, reserves of 7.2 million tonnes averaging 1.4 g/t gold have been proved.

At La Arena there is porphyry hosting a 19.7 million tonnes resource averaging 1.09 g/t gold.

Newmont Mining also signed a Strategic Alliance Agreement with Solitario Resources (SLR – TSE) in 2005, which required Newmont to purchase 2.7 million shares of Solitario at Cdn\$ 1.70 per share for total proceeds of Cdn\$ 4.6 million in exchange for an agreement under which the two companies select exploration projects for Solitario to manage.

Peru's southern Andes are also generating considerable interest, not least as a result of the discovery and development of a large, low-grade gold deposit by the wholly-owned Peruvian company, **Minera Aruntani**.

The deposit, which is made up of the Santa Rosa and Tucari mines, produced approximately 200,000 ounces of gold in the last two years, significantly up from 120,000 ounces produced in 2003, at a total production cost of \$ 150 per ounce. Of this output 70,000 ounces came from Santa Rosa and 130,000 ounces from Tucari. Planned enlargement of Tucari should take the amount of ore treated daily to 30,000 tonnes and increase the output to 250,000 ounces of gold in the next 5-6 years. Aruntani has invested US\$ 30 million in Tucari.

As one of Peru's most exciting current projects, Minera Aruntani is open to partnership discussions with other gold producers.

In July 2005, Aruntani took 100% control of **AngloGold Ashanti's Rescatada Project**, also in the southern gold belt. Production is scheduled from January 2006. Output would begin at 60,000 ounces of gold, rising to 100,000 ounces in the short term.

Exploration costs so far have been around US\$ 20 million and contained resources are estimated at between 0.5-1.0 million ounces of gold.

Minsur SA, Peru's largest tin miner, is reported to be exploring a promising gold prospect in the south at Santo Domingo.

Gold exploration in Peru is very much fragmented through a number of foreign exploration companies, particularly from Canada.