ALABC
Australia-Latin America Business Council

LATAM NEWS

Edition: August, 2010

This issue

Xstrata approves US$4.2bn investment for Peru

Xstrata plc announced on August 3 that it has approved the development of the major, low-cost, long-life, Las Bambas copper project in southern Peru's Apurimac Region. Project development will entail investment of US$4.2 billion and construction is scheduled to commence in the third quarter of 2011, subject to regulatory approvals. Xstrata will now formally exercise its option to transfer the Las Bambas mining titles from the Peruvian government agency Proinversión to Xstrata Copper.

Las Bambas will be a world-class copper mine with initial production of 400,000 tonnes per annum of copper in concentrate, including significant gold, silver and molybdenum by-products, and first quartile cash costs. First ore is expected to be processed in the second quarter of 2014 with ramp up and full production reached by the end of that year. A substantial resource base contained within three open pit mines provides a mine life of at least 18 years with significant further brownfield potential in the highly prospective Las Bambas Mineral District.

The recently announced US$1.47 billion Antapaccay expansion to the Tintaya operation paves the way for the development of the major Las Bambas greenfield project and together these projects will establish Southern Peru as a first tier copper-producing division for the Xstrata Group. The Antapaccay development will expand production at Tintaya by 60% to 160,000 tonnes per year, while extending the mine life by at least 20 years.

Located 150 kilometres apart, the Las Bambas and Antapaccay projects will benefit from important synergies. Concentrates from Las Bambas will be pumped through a 215 kilometre pipeline to a molybdenum and filter plant close to Tintaya-Antapaccay and then transported by the same railroad to Matarani Port. The projects will also share the existing Tintaya road network, a connecting road along the pipeline corridor, an established logistics centre in Arequipa, the expanded existing Matarani Port facilities and will benefit from shared management and administrative support functions to minimise overheads. Whilst being developed under dedicated project management organisation structures, key trained work teams will move sequentially from the construction of Antapaccay to the Las Bambas project, ensuring that the project is properly resourced and minimising delays or costs associated with the availability of skills.

Ore will be mined at a rate of 51.1 million tonnes per annum from three open pit mines (initially Ferrobamba, then Chalcobamba and Sulfobamba pits) and processed in a 140,000 tonnes per day sulphide grinding/flotation concentrator.

The decision to approve the Las Bambas project follows the completion of a positive feasibility study, and overwhelming community support given to the project during the Public Audience for the project's Environmental and Social Impact Assessment (ESIA) on 15 July. Public support for the project has been built upon Xstrata Copper's strong commitment to engaging with local communities in a meaningful way from the earliest stages of project development and our proven track record at Tintaya. Final government approvals of the ESIA and other permits are expected in the first half of 2011, based on the recent experience with Antapaccay.

The development of Las Bambas will generate an average of approximately 3,600 direct jobs during construction and 1,350 permanent jobs once in operation.

Xstrata Copper Chief Executive Charlie Sartain said: "Since our entry into Peru in 2004 through the acquisition of the option to develop Las Bambas, and the subsequent acquisition of Tintaya in 2006, we have progressively been establishing a world class mining division in Southern Peru that will produce well over 500,000 tonnes of copper per year for the Xstrata Group by the end of 2014.

"Over the past six years, we have rapidly transformed Las Bambas from an early stage exploration prospect with no defined Mineral Resources to a significant project with resources of over 1 billion tonnes that will support a long-life, low-cost mining operation and benefit from significant synergies with the recently approved Tintaya-Antapaccay expansion project. From our first involvement with the project, we have regarded our relationship with the communities associated with Las Bambas as vitally important in enabling us to proceed with the project and we have worked together with local stakeholders to ensure the project will provide sustainable benefits to the communities and region as a whole. It is very pleasing that the dialogue we have established over the past six years has been recognised in the strong public support the project enjoys.

"This latest approval reflects our confidence in Peru's longstanding fiscal and legal stability and is an important milestone in our strategy to progressively increase total annual copper production by 50% to almost 1.5 million tonnes by the end of 2014 through the construction of five brownfield expansion projects, all of which are under development, and now the greenfield Las Bambas project."

↑Return to Index

Troy talks up potential of Argentine operations

They have had the unlikely pleasure for shareholders of a junior miner of being on the receiving end of dividends for the past 10 years and, all things being equal, Troy Resources' shareholders could now be looking forward to a period of capital gains.

First production from the company's promising Casposo project in Argentina is imminent, and given production of about 100,000 ounces per annum for the next couple of years and life-of-mine cash costs of $US120/oz – which will see mine payback of a mere one year – the new mine is the obvious catalyst in the current gold price environment.

TROY RESOURCES NL

While six years of reserves at Casposo are positive for a company that has typically had less reserves up its sleeve than some of its peers there are also elements at play that are significant from a stock market perspective. Share volumes have been increasing, and six analysts from mainstream firms now cover the stock. Of particular interest to the market's forward lookers will be Troy's plans to significantly boost its exploration efforts. Speaking at the Diggers & Dealers mining forum in Kalgoorlie in early August, CEO Paul Benson said the company had a pipeline of targets at Casposo and nearby, and he pointed out the geological propensity of epithermal high grade, low sulphidation veins to not occur in isolation.

The poster child on this score, as pointed out by Benson, was Andean Resources, which had grown its resource from 300,000oz at acquisition to more than three million ounces over the past six years. "We'll settle for doing half as well as that," was the essence of Benson's comment, though undoubtedly any Troy success would quickly raise that percentage.

Troy is capitalised at around $A225 million, which given the production forecasts and current gold price would seem to more than justify Benson's optimism for the company's outlook after a relatively flat year.

↑Return to Index

2010 ALABC Brisbane Dinner Photo Gallery

As the following pictures testify, the 2010 Brisbane Dinner was a great success, with 200 guests gathering to network and to hear the keynote address of Minister Stephen Robertson. Our thanks to all of the event sponsors, whose logos are featured below.

↑Return to Index

Latin Resources aims for Peru

Australian junior mining float Latin Resources is raising $5 million to do the seemingly impossible: develop a large iron ore project in Peru. South America's third-largest country is better known for gold and copper production. Peru has only one commercially significant iron ore producer, the Chinese-owned mine, Marcona.

This could change quickly as other Chinese companies invest in Peruvian iron ore projects. Najinzhao Group is investing $US3 billion to develop the Pampa de Pongo project, which expects production of 10-15 million tonnes of iron annually from 2015.

ASX-listed Strike Resources has a 44 per cent interest in two Peruvian iron ore projects that could be bigger than Pampa de Pongo if they get to production. Strike is moving towards a feasibility study on its Apurimac iron project, which has targeted annual production of 20 million tonnes. Other mid-cap stocks, notably Andean Resources, have recent success in South America. Andean has had strong exploration results at its Cerro Negro gold project in Argentina, its shares soaring from 75¢ in 2008 to $3.66.

Mid-cap miner Mirabela Nickel is ramping up production at its large Santa Rita nickel deposit in Brazil, expected to be the world's second-largest open-cut nickel sulphide mine. But speculators appear more interested in newer mining-stock hotspots, such West Africa or Mongolia, than South America.

Latin Resources has spent three years and almost $3 million to gain a promising foothold in the emerging Peruvian iron ore industry. The project began when Latin Resources managing director Christopher Gale and non-executive director Mark Rowbottom visited Peru after a US business trip.

Rowbottom and Gale run Perth corporate adviser Allegra Capital. Gale was founding chief executive of Swiftel, which merged with People Telecom in 2004. Gale did three months due diligence on Peruvian mining, before working two years full time on the project.

The goal was finding iron ore assets close to infrastructure and the coast. Gale believed Peru's iron ore potential had been underestimated due to the country's strong gold and copper production, and earlier civil unrest. A breakthrough came in early 2009 when Latin Resources secured a $2.24 million convertible note from a subsidiary of Tony Sage's Cape Lambert Resources.

Float facts

Company:	Latin Resources
Operations:	Iron ore, gold and iron sands exploration in Peru
Full subscription:	$5m
Maximum subscription:	$6m
Issue price:	20¢
Market cap at listing:	$25.5m
Offer manager:	Melbourne Capital
Offer closes:	August 6
Expected listing date:	August 16
Website:	www.latinresources.com.au

FINANCIAL REVIEW SOURCE: ASX

The subsidiary will be Latin Resources' largest shareholder with 17 per cent after 10 million options convert to shares.

The next boost was a deal with a subsidiary of Canada's largest diversified mining company, Teck. Latin Resources can reprocess information Teck collected in Peru in 2003, to help it find iron ore. Latin Resources believes Teck's data provides a significant advantage over other explorers trying to buy assets in Peru's five recognised iron ore provinces.

In return, Teck gets certain royalty rights for any iron ore sales and a right to earn in to gold or base metals projects that Latin Resources discovers in the area.

Latin Resources' main asset is the Ilo iron ore project near Peru's border with Chile in the south. The project is based on 22,000 hectares of granted concessions and 2,600 hectares of pending concessions. Latin has applied for another 32,200 hectares of concessions based on Teck's data.

The company believes Ilo potentially has similar mineralisation to the Marcona and Pampa de Pongo iron projects and the making of a commercially significant asset due to its proximity to well-established infrastructure and Brazilian steel smelters.

Latin Resources also has a right to conduct due diligence on the San Antonio gold project and has signed two options (with six month due diligence) over the Guadalipito iron sands project. Guadalipito's previous owner did considerable exploration; the gold projects are undeveloped. Latin Resources does not currently own either asset.

Latin Resources' multi-commodity strategy is unusual. The decision to target gold is based on general manager Stan Myers' 14 years as Newmont Peru's exploration manager. The plan is drilling Ilo later this year and having a JORC-compliant resource within 12 months. Guadalipito could be sold to raise capital and accelerate iron-ore exploration.

Investors must decide if Latin Resources' $25.5 million valuation at the full subscription is justified given its large land holding, previous investment, management, and proximity to infrastructure. Gale has built a team of 14, including six geologists, with considerable experience in Peru. The Ilo project is a few kilometres from the Pan American highway and close enough to the coast that iron ore could be trucked to a port.

↑Return to Index

Genesis moves into Chile

Genesis Minerals Limited has announced that it has entered into an agreement with a private Chilean company to acquire a 100% interest in the Cerro Blanco Gold-Copper-Silver Project ("Project") in northern Chile. Highlights of the acquisition include:

- Considerable potential to discover high grade gold-copper-silver mineralisation
- Rock chip sampling has defined strong gold, copper and silver mineralisation over a 4km by 2km area at surface
- Project hosts numerous precious and base metal‐bearing veins which remain largely untested and are open along strike, up dip and at depth
- Project located within the highly mineralised Palaeocene metallogenic belt of northern Chile.
- Potential also exists for large tonnage porphyry hosted gold – copper mineralisation within the project.
- Very good accessibility and surface infrastructure; located near existing processing facilities in Copiapó.

Mining in the area dates back to the 1800's but only limited modern exploration has been completed at the Project. Numerous high grade structures remain untested and the company states that the potential to discover new veins is considered high; as is the potential to define a large porphyry system on the Project.

The Project is located in the Atacama Desert in an area with very good infrastructure about 750 km north of Santiago, 80 km south of the city of Copiapó and 75km east of the Pacific Ocean. The Project is easily accessed by a sealed road and well formed gravel roads from Copiapó.

↑Return to Index

China on course to become biggest foreign direct investor in Brazil

China's direct investment in Brazil has surged, putting China on course to be the biggest foreign direct investor in Latin America's largest economy this year. Steel, iron ore, oil, auto industry, electricity and land for soybeans figure in the long list.

The following are some of the major deals that have been announced compiled by *Reuters*:

➢ Wuhan Iron and Steel Co is investing up to $5 billion to build a steel mill in northern Rio de Janeiro state. It previously paid $400 million for a stake in Brazilian mining firm MMX.

➢ China's Sinochem Corp won the bidding for a $3 billion stake in a Statoil offshore Brazilian oil field.

➢ East China Mineral Exploration and Development Bureau agreed in March to pay $1.2 billion for Brazilian iron ore miner Itaminas Comercio de Minerios.

➢ State Grid, China's biggest electrical utility, agreed to pay $1.7 billion for seven Brazilian electricity transmission companies.

➢ Automaker Chery Automobile Co. will invest about $700 million to build its first production plant in Brazil, according to media reports.

➢ Chinese investment group Honbridge Holdings bought an iron ore mining firm in Minas Gerais state for $390 million from Brazilian firm Votorantim.

➢ Construction machinery maker Sany Heavy Industry (600031.SS) is spending $200 million to build a plant in Sao Paulo.

➢ Chinese state firm Chongqing Grain Group is seeking to invest $300 million to buy 100,000 hectares of land in the north-eastern state of Bahia to cultivate soy.

➢ China agreed last year to lend $10 billion to Brazil's Petrobras in return for guaranteed oil supply over the next decade.

↑Return to Index

Chairman's Message

Whilst we all wait to see how the dust settles on the recent federal election, it is clear that Australian business is voting in favour of increased engagement with Latin America. As this edition of Latam News highlights, new companies are entering the region, established companies are expanding their operations (none more so than Xstrata Copper, which has announced over $6bn worth of investments in Peru) and State governments are establishing offices in the region to enhance their ability to suport their companies in seeking trade and investment opportunities.

The US and much of Europe may be in the doldrums (to put it mildly), but Latin America, along with other key emerging markets in Asia, is performing very strongly. Brazil is attracting much of the attention and applause, but other markets such as Peru, Argentina, Colombia and Chile are also doing very nicely, with solid growth figures in recent quarters.

Nowhere is the enthusiasm for Latin America more palpable than in Queensland. This month's ALABC annual Brisbane dinner was sold out well in advance and attracted a total of 15 corporate tables, plus many more guests. Guest of honour, Minister Stephen Robertson, confirmed that the Queensland Government would shortly be opening an office in Santiago and announced the appointment of Martin Vega as the first senior business development manager in that office. In his address, the Minister also indicated that there was a very strong likelihood that another office would follow within 12-18 months, based in Brazil.

Queensland sets the benchmark for commitment to Latin America at a state level and it will be interesting to see how other states respond.

With a view to exploring how best to expand Australia's engagement with Latin America and how the ALABC can lead this effort on behalf of the private sector, we are hosting in Canberra on August 30 a roundtable that brings together the directors of the ALABC, representatives of the Latin American heads of mission in Australia and of strategic allies such as Austrade, COALAR, DFAT, Trade & Investment Queensland, the Victorian Department of Innovation, Industry and Regional Development, the South Australian Department of Trade and Economic Development, the Australian Industry Group and ANCLAS, to name a few. Corporate Sponsors of the Business Council have also been invited to attend so as to witness the issues being discussed on the day and to have the opportunity to put forward their views.

The objective is to use the Roundtable to achieve better coordination between all of the parties and to hopefully prepare a plan of action that will ensure that Australia makes as much progress as possible in engaging with Latin America. On the Business Council front we propose to put forward a calendar of events for 2011 that will spread the Latin American message throughout Australia and will enhance our value to members and allies alike.

In the 20-odd years that the Business Council has been in existence, I cannot recall a better environment in which to promote Latin America in Australia. The region is performing very strongly, our traditional markets in Europe and the US are showing little (if any) growth, we have a growing number of companies that now have experience in operating in the region and the sectors where Latin America has good opportunities on offer are ones where Australia has considerable expertise. A strong dollar may hinder our exporters, but it does enhance the fire power of those companies wanting to invest in the region.

We therefore need to ensure that we do our homework and that we prepare as best as possible to seize the opportunities on offer across the full spectrum of sectors, including mining, energy, agribusiness, education, sport and culture, and many more.

Amongst the issues that we need to address are: developing a greater pool of human capital with the language and cultural nous to operate successfully in both Australia and Latin America; increasing the teaching of Spanish and Portuguese in our schools; revitalising the study of Latin America society, politics and economics in our universities; expanding air services with the region and bringing down the cost of travel; finding a way to introduce vastly improved shipping services between Australia and the region; improving the processing of travel visas; and much more.

Why do we need to do this when our economic future is so 'clearly' tied to China and Asia? The answer lies in the fact that it is never wise to put all your eggs in the one basket; that for some businesses, Latin America holds more appeal than the Asia region and is easier to manage; the region offers a market of over 500 million consumers with growing buying power; and it will contribute to Australia's development on the global stage.

Jose Blanco
Chairman
↑Return to Index

Opinion: A few Latin lessons will put us ahead of the class

(Editor's Note: The following article was written by Craig Foster, Chief Football Analyst/Sports Presenter of SBS Television and member of the Council on Australia Latin America Relations, and was published in the Sun-Herald on 22 August, 2010)

We often hear that sport is big business, and with billions of dollars in broadcast rights for major European leagues, clubs traded across international boundaries from the USA to the Middle East, and players such as Lionel Messi valued in nine figures, none is bigger than the world game.

The domestic business of football has grown tenfold this century already, but it is when we broaden our field of vision to include Australia's international interests that we see the true contribution that football makes.

Looking north, every Aussie is well aware of the importance of football as the only major sport in which we are an official member of an Asian confederation, and play regularly in Asian club and international competitions at all levels and across both genders. The federal and most state governments have been quick to recognise this new reality.

But the power of football is its omnipresence, and there are other regions of the world where football has a comparable power to build stronger relations and lead to economic outcomes that place Australia in a stronger position in the first half of this century. One of these is primed for one of the highest economic growth rates in the next decade, has a combined population close to 600 million, and a universal love of football through which Australia can build strategic links. It is called Latin America.

A collective of 20 countries, the elephant in the room in every respect is Brazil, the spiritual home of football, with a population of 192 million, the world's eighth largest GDP, and a stable political environment.

And soon to become the centre of the sporting world, with the 2013 FIFA Confederations Cup, the 2014 FIFA World Cup, the 2015 Copa America and the Rio 2016 Summer Olympic Games. Where there are major sporting events, there is major commercial opportunity.

The World Cup alone will see US$52 billion ($58b) in public works projects across the 12 host cities, and Rio an extra US$11 billion in stadium construction, roads and highways, airports, power and telecommunications, water and waste.

Like most of Latin America, we are separated from Brazil by geography, history and language, and doing business across these barriers presents unique challenges, so how do we create a common interest on which to build trust, and allow the wheels of commerce to turn?

With football, that's how. Barriers fall, mutual respect is established, and friendships flourish.

Happily then, while Latin America is fast becoming recognised as an exciting and valuable part of Australia's economic future, we have also recognised that we must begin the process of learning from the region in the field of football, and these two imperatives coincide at a time when Australia is becoming increasingly active in international football diplomacy.

With such extraordinary opportunity in the near term, it is time that we broadened our football vision to the Spanish- and Portuguese-speaking worlds and, while doing so, enable our diplomats and captains of industry to utilise the links created to benefit us all.

And if, along the way, we build new friendships, increase understanding, and inherit a little of the fabulous Latin culture, passion and love of life, then we'll be infinitely better off.

And that's the real business of sport.

↑Return to Index

Macquarie launches cropping fund focused on Brazil and Australia

Macquarie Group's agricultural division has launched a new cropping fund that will buy large-scale grain properties in Australia and Brazil. Macquarie has been low-key about its target for the fund, but investors approached by the group said it might seek to raise as much as $US600 million ($672 million).

The launch of the fund comes as the deregulated Australian grain industry faces major consolidation after Canadian giant Viterra's $1.6 billion acquisition of ABB Grain last year, and the recent takeover offer for AWB.

Macquarie Agricultural Funds Management division director Simon Aboud confirmed the fund was under way, and an initial close was likely later this year. "We have gauged the level of interest and it has been incredibly encouraging," Mr Aboud said. "We are encouraged by investor interest for real assets." "The growing global demand for grains and oilseeds coupled with Macquarie's significant experience in agriculture creates a solid foundation for the success of the fund."

The fund, named Macquarie Crop Fund, will purchase cropping country across Australia and Brazil based on the availability of scale and - geography.

"We will look to acquire farms in Australia across different geographies to reduce volatility," Mr Aboud said. "How we allocate between the two countries will come down to operating scale. I have been to Brazil a number of times and we have spoken to stakeholders in Brazil working out how to do business there."

Mr Aboud said the fund had a strong team of people in both countries ready to maximise agricultural advantages and access export markets.

Macquarie has established itself as a serious player in the agricultural sector with substantial investments across many soft commodities, the most significant being red meat. The group manages more than 3 million hectares for the Macquarie Pastoral Fund, which runs 200,000 sheep and 200,000 cattle across Australia. Many of those farms were purchased from successful operators and it is expected that approach will be used in creating the crop fund.

At present the fund has not yet set returns for investors. "We don't set a target return for our funds, but aim to deliver above average industry returns given that we seek to operate at scale," Mr Aboud said.

Administration and management fees are also not yet publicly disclosed. "This is an institutional fund so fees are of an institutional level. Our fee structure is determined in consultation with institutional investors," Mr Aboud said. The fund, which has a planned eight-year term from initial closing, is open to both institutional investors and private family companies.

↑Return to Index

SEEK adds Mexico to its growing empire

Thirteen years ago, brothers Andrew and Paul Bassat were struggling to convince employment agencies and media companies their new business – Seek – could be a serious competitor in the job advertising market. Today, Seek dominates the Australian online job ads sector – which accounts for 41 per cent of the total job advertising market – and has become one of Australia's most geographically diverse media companies.

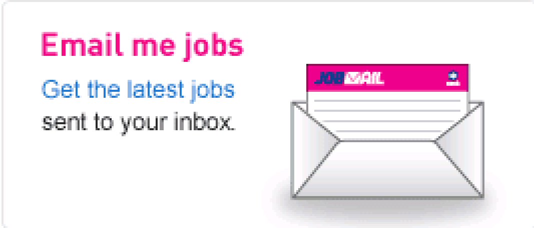
This month Seek stepped into its fifth overseas market, paying $US40 million ($43.9 million) for 40 per cent of Online Career Center, the largest company in Mexico's online job ads market. The acquisition, which was announced less than two weeks before Seek releases its 2009-10 results, was the company's second overseas deal this year and lifted its total spend on foreign investments to more than $240 million.

seek Australia's #1 job site

In March Seek spent $23.5 million to increase its stake in Malaysian company JobStreet from 10.1 per cent to 21.3 per cent. JobStreet runs websites in 10 countries including Malaysia, Singapore and the Philippines, and owns 16.7 per cent of Taiwanese online job ads business 104 Corporation.

Seek also owns 100 per cent of Seek New Zealand, 30.1 per cent of Brasil Online and 56.1 per cent of Chinese company Zhaopin.

The investment in Brasil Online in September 2008 led to the OCC deal. Seek bought its stake in the Brazilian company from New York-based private equity firm and hedge fund Tiger Global Management. Tiger had investments in myriad online companies around the world, including 80 per cent of OCC. The other 20 per cent was owned by OCC's founder and chief executive Jose Alvarez.



Andrew Bassat said Tiger asked Seek to invest in OCC at the same time as the Brasil Online deal was done. "We wanted to wait to see how the Brazil operation went," he said. "Tiger raised OCC a few months ago and we thought the time was right."

Tiger and Mr Alvarez have both sold down their stakes to allow Seek to invest.
Seek's director of corporate strategy, Jason Lenga, said the Australian company would have two seats on OCC's five-person board and would get involved in developing the company's strategic and growth plans.

Tiger has interests in other online advertising companies in emerging markets. Mr Bassat would not discuss if Seek had been approached about investing in other Tiger-backed companies. (Tiger's highest profile deal this year was the $US20 million purchase of 1 per cent of online networking site LinkedIn.)

Seek has steadily increased its stakes in Zhaopin and JobStreet, but Mr Lenga said there were no immediate plans to acquire more of Brasil Online or OCC. "We're happy to sit on our current shareholdings for the time being," he said. "We like and trust the Tiger guys. They will exit Brasil Online and OCC at some stage, but that isn't going to happen any time soon."

Seek's first overseas purchase was 25 per cent of Zhaopin in 2006 for $US20 million. It has since spent $US50 million to increase its stake to 56.1 per cent. In 2008 it paid $US67.5 million for 30.1 per cent of Brasil Online and $19.3 million for 10.1 per cent of JobStreet. Earlier this year Brasil Online mimicked Seek's move into the online education sector.

↑Return to Index

Queensland Government to set up office in Chile

Queensland companies will soon have access to local business specialists in Latin America, with the announcement by Trade Minister, Stephen Robertson, that Latin America is a growing market and the Bligh Government is creating an on-the-ground presence to help give Queensland businesses first mover advantage.

Mr Robertson said there was an increasing Queensland business support network in Latin America particularly in the mining equipment, technologies and services sector where Queensland already had a global reputation.

"A growing number of Queensland companies are using Chile to service Latin American markets and approximately 30 have already established a business presence there," Mr Robertson said. "I can officially announce that a new Senior Business Development Manager has been appointed to act as a gateway for Queensland business to Latin American markets.

"Mr Martin Vega has been appointed as the Senior BDM and will be located in Santiago within the Austrade office from September. "Mr Vega has strong links to Santiago and currently has a position within the Catholic University of Chile as well as extensive experience in research and technology commercialisation.

Queensland Government

"Mr Vega will be a foot-in-the-door business contact for Queensland companies wanting to enter Latin American markets."

Mr Robertson said that doing business globally meant adapting to different cultures, languages and business practices. "Local trade representatives assist Queensland companies with negotiating and developing strategies to address these and other issues," Mr Robertson said.

"By providing market advice and on the ground support with logistics, Queensland companies will be well placed to take advantage of these growth economies."

↑Return to Index

Opposition to PanAust's bid for Inca de Oro

Chilean state copper producer Codelco's workers will ask President Sebastian Piñera to reject a deal in which a 66% stake in the company's Inca de Oro copper deposit will be sold to Australian miner PanAust, a source from Codelco's supervisors union FESUC told BNamericas.

The agreement between Codelco and PanAust was originally announced at end-February this year. The latter has offered to pay US$45mn for the stake.

Codelco is allowed to create JVs with third parties to develop mining projects in Chile and abroad, but the deals need to be ratified by the government. The state company has said the sale of the Inca de Oro stake is not in doubt since the size of the deposit is not attractive enough for Codelco to develop and operate on its own.

FESUC, however, believes Codelco should mine Inca de Oro and create synergies with Salvador, its smallest and least profitable division, which was originally set to stop operating in 2011, the source said.

Salvador's minelife has been extended to 2021 as current copper prices have made it profitable to keep mining low grade ore from the deposit. Codelco plans to further extend operations at Salvador until 2038 by developing the US$238mn San Antonio project, which aims at mining remaining ore from old deposits surrounding current operations.

Since the Inca de Oro deal was approved by a previous administration, Codelco's CEO Diego Hernandez has asked for time to evaluate the transaction before sending it for approval to Piñera, BNamericas reported previously. It has not been made public whether Hernandez has completed his evaluation.

Inca de Oro is in the prefeasibility stage and is a porphyry deposit with 250Mt grading 0.46% copper in sulfides, and also has gold, silver and molybdenum. According to the most recent estimates, Inca de Oro will be an open pit operation and is expected to produce close to 50,000t/y of fine copper and 40,000oz/y of gold over a 10-year minelife.

↑Return to Index

Earth Heat seeks funding for project in Argentina

The managing director of geothermal energy outfit, Earth Heat Resources, Torey Marshall, has been meeting lenders this month to seek financial backing to develop the company's flagship geothermal project in Argentina.

Mr Marshall is in Europe to meet the Inter-American Development Bank, DEG (a member of Germany's KfW Bankengruppe), and the FMO development bank in the Netherlands. "Those represent some of the more mature lending organisations first and foremost for the Argentinian project," he said.

Mr Marshall's comments follow the Australian-listed company's recent announcement of plans to buy assets in Africa, where it may develop geothermal energy and coal-seam gas projects. Mr Marshall declined to reveal how much the company wants to raise for the Argentinian project, except to say it would need $20 million to $40 million.

"That's based on the debt-to-equity mix that you traditionally look at – one-third, two-thirds – so if our project in Argentina is estimated to cost $105 million, the equity contribution or need for that project over the next five years is going to be approximately $20 million to $40 million," he said.

The company's Argentinian Copahue geothermal project has the capacity to produce 30 megawatts of power, with expansion opportunities. There are four geothermal wells on the site and the company plans to produce power and revenue by 2014.

Previously, Mr Marshall was in Canada meeting brokers Cormark

Securities, Clarus Securities, National Bank Financial, Wellington West Capital Markets, Raymond James and Jacob Securities. "I've been treading the boards in Vancouver and Toronto, talking to securities dealers and equities dealers," he said.

A deeper understanding of geothermal energy, and a market that follows the sector more closely, make it easier to get funding in North America. "The analyst coverage enormously enhances the understanding of the market here and the willingness to look at projects," he said. Britain, too, offered a warmer reception for geothermal energy companies.

"There are specific boutique investment funds and investors that like this type and style of project, and we're certainly engaging with them and to date the feedback has been actually really positive," Mr Marshall said.

"Most definitely the understanding of the business in North America facilitates a good reception and people willing to meet. In Australia, it's hard to even get people to agree to see you, let alone believe in the financial viability of the projects."

Australia was a hard place to raise money for such projects, and limited funds were available.
↑Return to Index

LAN to merge with TAM to form regional powerhouse

LAN Airlines, Latin America's biggest carrier by market value, has agreed to buy Brazil's TAM Airlines in a $US3.7 billion ($4.1 billion) transaction that allows it to expand in Brazil as rising incomes bolster demand for leisure travel.

Shareholders in LAN, which is based in Chile, would own 70 per cent of the combined company and investors in Sao Paulo, Brazil-based TAM the rest under terms of a non-binding agreement, LAN's chief financial officer, Alejandro de la Fuente, said.

The deal follows similar tie-ups of US and European carriers trying to cut costs and lift revenue by offering a broader global market to passengers. Carriers worldwide have been battered in the past two years by record high fuel prices and a drop-off of business travel during the economic slowdown. The announcement comes five months after Chile's President, Sebastian Pinera, sold his 26 per cent stake in LAN for $US1.5 billion and after LAN shares doubled in the past year.

"At a recent IATA conference the view for the industry was that in the future we will see no more than 10 global players," Libano Barroso, CEO of TAM, said. "We are ensuring that we will be among the global players."

With TAM, LAN is gaining an airline that has more revenue and a lock on the Brazilian market. TAM's revenue last year was $US4.9 billion against LAN's $US3.7 billion, the airlines said yesterday. TAM has 63 destinations in 14 countries while LAN has 70 destinations in 17 countries.

LAN's Enrique Cueto will be CEO of the company, to be called LATAM Airlines Group, while TAM's Mauricio Rolim Amaro will be chairman. TAM investors would receive 0.9 LAN shares for each TAM share, the airlines said. A binding accord might be reached in two to three months.

LATAM Airlines, based in Santiago, would have combined revenue of $US8.5 billion, making it the world's 15th largest carrier, the airlines said. The tie-up would generate $US400 million in annual savings and service 116 destinations in 23 countries. LAN and TAM would form the world's 11th largest airline by passengers, ahead of China Eastern Airlines and Qantas, the airlines said.

TAM
A STAR ALLIANCE MEMBER

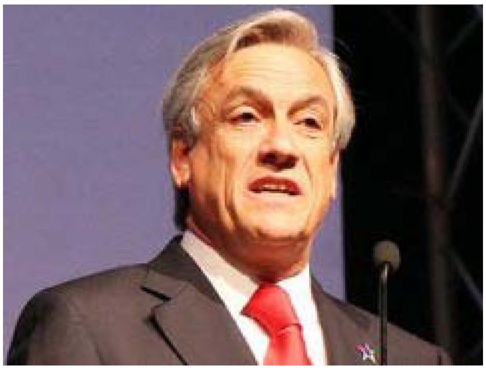
"They'll have vast economies of scale between the two of them and will be able to dilute costs over a higher base of assets and increase margins," said Ed Kuczma, emerging markets analyst of Van Eck Associates in New York. "They could drive prices lower."

LAN's purchase will allow it to expand in Brazil, a market where the middle class increased last year to 53 per cent of the population of 200 million, from 42 per cent in 2002, according to government estimates.
↑Return to Index

Strategic Insight – Chile, Brazil and Bolivia to launch bi-oceanic corridor

Presidents from Chile, Brazil and Bolivia will be inaugurating next November a Mercosur bi-oceanic corridor that will link the three countries, connecting the Atlantic with the Pacific oceans.

The announcement was made by Chilean president Piñera on August 20. “We agreed with Brazilian president Lula da Silva, Bolivia’s Evo Morales to inaugurate next November the 4,000 kilometres link or Oceanic Corridor”, said Chilean president Sebastián Piñera during a meeting with foreign journalist.



The corridor is set to link the port of Santos, Brazil, on the Atlantic with the ports of Iquique and Arica belonging to Chile on the Pacific, added Piñera, a huge step for integration and to promote trade.

“This is an example of how countries when they join efforts they are capable of overcoming divisions from the past and together confront the challenges of the future”, said Piñera.

Chile and Bolivia since 1978 do not have formal diplomatic relations because they could not agree on a sea outlet for landlocked Bolivia. A strip of land leading to the Pacific was lost by Bolivia, when in alliance with Peru they attacked Chile in the second half of the XIXth. century.

This however has not impeded the conclusion of a very ambitious project which basically makes Brazil, among the leading economies of the world, and Mercosur main associate, together with Chile, and Bolivia, bi-oceanic countries.

↑Return to Index

Mining IT - What the competitors are planning

Chilean IT industry association, Acti, will significantly increase its presence in both the local mining industry as well as the mining sectors in neighbouring countries such as Colombia, Peru, Argentina and Bolivia, according to Acti president Raul Ciudad. The mining industries in those five countries are expected to shell out US$80bn in overall investments during the next five years, and a significant chunk of those expenditures will be destined to technology overhaul, Ciudad said.

Encouraging technology adoption in areas such as energy and healthcare will also remain important for Acti, but Ciudad, who assumed the organization's presidency earlier this year, emphasized that efforts to solidify the local IT industry's knowledge and experience in the mining industry will represent one of the top priorities during his two-year term.

"There are two technology worlds [in the mining industry]. The first is transversal technology, which is used to administer activities. And then there are technologies that have to do with processes," he said. "There is more and more convergence between both areas, and consequently there is more and more need to connect them. The middleware needs that are there but are not yet satisfied, are a point where we can intervene."

Mining companies will also be seeking technologies to slash production costs, increase efficiency, reduce accidents and create safer working conditions for employees, the executive added.

OTHER PRIORITIES

During the next two years, Acti will divide its work along the lines of country, market and ICT industry development, Ciudad said. Country development will focus on digitalizing government agencies and increasing the use of broadband. Acti will also continue to push for ICT adoption in areas that have a significant social impact, such as healthcare and education.

In this sense, Chile has much to learn from Uruguay, Ciudad said, pointing to the latter country's drive to promote telecommuting and hand out PCs to public school students. "It would require more work to bring these benefits to Chile's larger population," he said. "But the effects would be just as beneficial. The only differences would be the logistics and the cost, but I don't think that they are limiting."

Meanwhile, market development activities would drive innovation across vertical markets in addition to e-government use.

Finally, ICT industry development will entail creating entrepreneurialism and export synergies between local companies, and encouraging more tech firms to go public. Ciudad said increasing exports will represent a priority, and that Acti will continue to hone in on the US market.

Services and outsourcing are expected to drive 9.8% growth in Chile's IT market this year, after having moved 1.51tn pesos (currently US$2.88bn) in 2009, a 1% decline from 2008 levels. For the current year, services are expected to take up 30% of the IT pie, while software will contribute 14% to the market and hardware 56%.

↑Return to Index

“Fantastic Summit” effectively turns Mercosur into a customs union

Mercosur concluded this month in Argentina one of its most successful summits after having reached agreements on issues that consolidate integration and at the same avoiding being drawn into a frustrating debate on a renewed chapter of the ongoing Venezuela/Colombia conflict.

Following six years of negotiations Argentina, Brazil, Paraguay and Uruguay, Mercosur full members reached an agreement on crucial points of the Common Customs Code.

The distribution of customs revenue as well as the double charge of the common external tariff, AEC, was finally agreed helping to further integrate the block and facilitating negotiations with third parties.

The Mercosur summit also decided on commercial benefits for quake ravaged Haiti and agreed on the fundamentals for the protection of the Guaraní aquifer, considered one of the world’s largest drinking water reservoirs and which extends under the four countries of the group.

“It was an extraordinary, fantastic result that has left us all most satisfied”, said Argentine president and host of the summit Cristina Fernandez de Kirchner and her successor in the Mercosur pro tempore chair Brazil’s Lula da Silva.

The Brazilian leader who underlined he’s the most “senior” member of these summits insisted that the San Juan summit was the “most important” since December 1994, when the meeting at Ouro Preto, Brazil set the foundations for the customs union.

Discussions at the San Juan summit, which also involved Bolivia’s Evo Morales and Chile’s Sebastian Piñera have been “the most easy going and cool”, said Lula da Silva recalling all types of disputes in previous meetings.

Landlocked Paraguay was reluctant in trusting that the Customs offices of its associate Mercosur members would effectively mail the cheque of its share of levies. But agreeing on the issue opened the way for ending the double or triple charge of the external tariff for any goods entering Mercosur, before it reaches the final recipient country.

The advance on these issues effectively makes Mercosur a customs union facilitating negotiations with third parties.

↑Return to Index

Mexico’s economy grows 7.6% in second quarter

Mexico’s National Statistics Agency said the nation's gross domestic product rose 7.6 percent in the second quarter compared with the same period last year.

The quarterly GDP increased 3.22 percent from the first quarter. Agriculture production gained 6.8 percent from April to June compared with a quarter earlier, but only up 4.8 percent year-on-year. Industrial output rose 7.8 percent year-on-year, and 1.7 percent from last quarter. Mexican manufacturing has been experiencing a boom thanks to exports to the United States, the nation's main trading partner.

Mexico's auto industry, which heavily depends on the U.S. market, reported a quarterly increase of 57.9 percent in exports, compared with a year earlier and nearly 80 percent for the first seven months of the year.

Services, which had been lagging other sections of the economy, increased 7.4 percent from a year earlier and 4.8 percent compared with last quarter.

"The annual growth was better than both our expectations," the Banamex bank said in a report. "The difference between the final result and our predication stems from the primary sector," it added.

Mexico's economy is close to reaching the production levels seen in the first quarter of 2008, before the crisis had begun to impact the country.

↑Return to Index

More government land to Cuban small farmers will boost production

The Cuban government has awarded in usufruct over a million hectares to small farmers one of the main reforms promoted by President Raúl Castro to help the country's economy recover from its deep recession and cut the huge imported food bill that conditions Cuban international reserves.

In September 2008 the Cuban government approved a bill to hand idle land for its exploitation under an usufruct regime, after admitting that over half of the islands' farm land remained untilled and non productive.

All the land in Cuba is in government hands but only 60% is currently in production. Government run farms and cooperatives only manage to supply 30% of the country's food demand. Sugar production which was closely linked to Cuban farming when the Castro brothers and the revolution took over half a century ago stood then at more than seven million tons. The latest harvests are in the range of a million tons making the economy basically dependent on tourism and nickel.

President Raul Castro since taking over from his ailing brother and leader Fidel has gradually opened the economy to small private enterprises and one of the clue instruments has been food production, described as a matter of "national security" to help reduce imports and the drain on foreign exchange reserves.

"This is an effort to revitalize an agriculture sector hampered by decades of government mismanagement" said Raul Castro. "Of the land awarded so far over half has been for livestock; 26.8% for vegetables and beans and 7.7% for rice", said Pedro Olivera head of the National Centre for the Control of Land.

Speaking with Juventud Rebelde one of the government's newspaper that is more intrepid in pushing for the reforms, Olivera said that "only 46% of the land delivered so far is now in production".

The bottle neck has been that "the government is the only source of seed and fertilizer and the Cuban bureaucracy had been unable to deliver".

But small farmers said the Cuban government has begun for the first time to open supply shops where they can buy and bargain for input, tools and other agriculture provisions under a free system, "another of the steps implemented by the government to boost farming which still remains highly centralized".

Nevertheless small farms more than double the production of government managed land.

As part of the sweeping economic reforms Raul Castro recently announced that one fifth of the government workers will have to find jobs in the private sector. In other words a million jobs would be slashed from the state's payroll. He added that the government has agreed to expand the range of self-employment jobs, and their use as another alternative for workers who lose their jobs".

This is not the first Cuban experience of opening to the private sector. Some years ago thriving self employed little service businesses, especially restaurants, were extremely successful. But it also aroused resentment among the population and the government of Fidel Castro sensitive to the political outcome, burdened the budding private sector with taxes and regulations, making licences harder to obtain until the self employed sector was largely paralysed.

↑Return to Index

Profile: Marcelo Salas takes the reins of Tersainox operations in Australia

Since August 5, former Chilean Trade Commissioner, Marcelo Salas, has assumed responsibility for the Australian subsidiary of Chile's Tersainox S.A.. This is a new career challenge for Mr Salas, who held trade commissioner roles in both Sydney and New York over a 10 year period.

Since Tersainox S.A opened an office in Australia in November 2008, it has primarily focused on the wine industry by successfully supplying important wineries in South Australia and Tasmania. Stainless steel equipment supplied includes large tanks, fermenters, catwalks, platforms, ladders, gratings and gutters to name a few.

Mr Salas will be responsible for expanding the company's operations in Australia, by positioning the company as a key supplier to the Australian mining sector of high tech processing, transportation and storage equipment of carbon steel and stainless steel. Amongst others these include large industrial boilers, LPG tanks, pressure vessels, tanks and dump cars for railroad and road transportation of various substances, pressure pipes, high diameter ducts, rock breakers and mill liner handlers machines.

"To bring our equipment to Australia represents a great challenge, but we have the latest technology, modern facilities and the know how to compete side by side with world class suppliers in this market. In addition, we have the experience of having worked for many years with most of the mining and engineering firms that operate both in Latin America and in Australia, which undoubtedly represents a great advantage." said Salas.

↑Return to Index

For the diary

Date:	26-29 September, 2010
Event:	**4th International Forum on Investment in Mining**
Venue:	Santiago & Antofagasta, Chile
Organiser:	CORFO
Contact:	Mr Miguel Cerpa - mcerpa@corfo.cl or telephone (56 2) 631 8724

Date:	October 4-8, 2010
Event:	**ALABC Infrastructure Mission to Chile**
Venue:	Santiago, Chile
Organiser:	Australia-Latin America Business Council
Contact:	Robert Trzebski - execdir@alabc.com.au or telephone 02 9458 7393

Date:	October 14, 2010
Event:	**ALABC Sydney Annual Dinner**
Venue:	Tattersalls Club, Sydney
Organiser:	Australia-Latin America Business Council
Contact:	Robert Trzebski - execdir@alabc.com.au or telephone 02 9458 7393

Date:	October 25-29, 2010 [To be confirmed]
Event:	**ALABC – Austrade Financial Services Mission to Brazil, Chile & Mexico**
Venue:	Latin America
Organiser:	Australia-Latin America Business Council & Austrade
Contact:	Jose Blanco – chairman@alabc.com.au or telephone 02 8297 2323

Date:	November, 2010 [To be confirmed]
Event:	**ALABC – ABCC Sport Infrastructure and Services Mission to Brazil**
Venue:	Brazil
Organiser:	Australia-Latin America Business Council & Australia-Brazil Chamber of Commerce
Contact:	Robert Trzebski - execdir@alabc.com.au or telephone 02 9458 7393

↑Return to Index