

Weekly Wrap

| Mining

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Chile's state-owned [Codelco](#), the world's largest copper producer, made headlines in the mining sector this week with a series of announcements that raised eyebrows around the globe.

First, news came that Codelco and London-based [Anglo American](#) had agreed to resume talks out of court during the month-long suspension of the court-battle, time in which the miners will explore the possibility of negotiating an agreement to a dispute that erupted last November, when Codelco's option to buy 49% of Anglo's central Chile assets, known as Anglo American Sur (AAS) came into question.

The original option was granted to state minerals company Enami when the assets - then known as Disputada de Las Condes - were privatized in 1978 and bought by Exxon, which in turn sold Disputada to Anglo in 2002.

Last October, Codelco announced its intention to exercise the option. However, one month later Anglo American sold a 24.5% stake in the assets to Japan's Mitsubishi for US\$5.39bn, a proportionately higher value than Codelco would pay under the option terms. The move was interpreted by Codelco as an attempt to block its option.

AAS' assets include the flagship Los Bronces mine, the smaller El Soldado mine and Chagres smelting plant.

Next, Codelco CEO Diego Hernández came out to say that investors and shareholders are demanding more discipline from mining companies in their investments and that there are growing concerns over rising project costs, which is perpetuating the notion that it might be better to buy rather than develop projects from scratch.

"The [current] crisis is not at the same level as in 2008 but we have seen that two things must be analyzed: first, commodity prices have gone down; [and second] that the value of mining companies has gone down more than commodities," he said.

Then, just to cap an exciting week, Codelco announced out of the blue that Hernández was resigning for personal reasons.

Codelco appointed CFO Thomas Keller to replace Hernández beginning June 1. Keller joined the copper giant in 2010.

And all that's apart from Codelco reporting its Q1 results, details of which can be found below.

Also this week in Mining:

Brazil

- Australia-based [Crusader Resources](#) will invest 400mn reais (US\$196mn) in its wholly owned Borborema gold project in the mineral province of Currais Novos, in the northeastern Rio Grande do Norte state, the company's managing director Robert Smakman told BNamericas this week.

- The Brazilian senate's science, technology, innovation, communications and computing committee (CCT) approved a proposal to set up a subcommittee to draw up a legal framework for the exploration and research of rare earth elements (REEs).

Panama

- Minera Panamá has given notice to a JV led by [SNC-Lavalin](#) to start construction of its US\$6.2bn Cobre Panamá copper project. The contract is worth US\$355mn.

The project's mine life has been estimated at more than 30 years and it will produce around 300,000t/y copper, 100,000oz/y gold and 2,500t/y molybdenum. Construction is expected to take four years to complete.

Mexico

- Vancouver-based [Goldgroup Mining's](#) change of soil use permit for its fully owned Caballo Blanco yellow metal project in Veracruz state was returned with recommendations by local environment ministry Semarnat.

Goldgroup submitted the technical study justifying the change in land use to Semarnat last December.

The environmental impact department recommended the company provide further details regarding rescue programs for the protected flora species, environmental mitigation measures, impacted ecosystems as well as economic and social benefits resulting from the project.

RESULTS & FIGURES

Codelco saw its pre-tax profit for the first quarter of 2012 fall 38% to US\$1.45bn from US\$2.34bn year-on-year.

The result was mainly due to a drop in output, lower grades, a decline in the copper price and an increase in costs.

Copper production was 373,000t, 10% down from 414,000t in the same quarter last year principally because of lower grades at the Chuquibambilla division.

US-based All Grade Mining's feasibility study demonstrated estimated reserves of 40Mt of iron ore worth US\$5.76bn for its Salitrosa mine located in Chile's northern region III.

Miners in Peru spent US\$1.63bn in the first three months of 2012, up 43% year-on-year, the mines and energy ministry (MEM) reported.

Gold miner [Yanacocha](#) topped the list with spending of US\$243mn in January-March, followed by Anglo-Swiss mining group [Xstrata's](#) (LSE: XTA) red metal division Xstrata Copper, which spent US\$209mn at the Las Bambas operation and Chinese-owned Chinalco spent US\$140mn at the Antamina operation.

Peruvian polymetallic miner Volcan expects silver production to increase 7% to 22.5Moz this year.

Overall silver output in Peru fell last year by 6% to 109.8Moz mainly due to lower grades. However, Volcan's production of was 21Moz in 2011.

And lastly, Chile's [CAP's](#) estimates its iron-ore production will grow 50% from 12Mt to 18Mt within the next three years through a US\$1bn investment.