



THE MINING SECTOR



GLOBAL INDUSTRY¹

According to data from Marketline, the international mining and metal sector recorded a 21.5% growth during 2011, going from 2.465 billion dollars in 2010, to 2.997 billion dollars in 2011. It is estimated that by 2016 the industry will reach a value of 4.989 billion dollars at an AAGR of 10.7% between 2011 and 2016.

In 2011, Asia-Pacific was the region with the highest share in industry value, with 65.1%, followed by Europe with 17.4%.

MEXICO

PRODUCTION

During 2011, the value of mining production was 22.2 million dollars, a 6.7% growth over 2011.²

Extractive mining and expanded mining (excluding oil) accounted for 1.8% and 4.9% of the GDP, respectively.³

The Mexican mining sector is estimated to reach a market value of 17 billion dollars in 2017: the country will benefit from a stable business environment and an improved regulatory framework.⁴

The main producer states in the sector were Sonora, with 24.9% share; Zacatecas, with 21.8%; Chihuahua, with 12.2% and Coahuila with 4.5%. These four entities combined contributed with 63.4% of the total value of Mexican mining production.⁵

Mexico's mining production is divided into gold (24.9%), silver (24.2%), copper (18%), zinc (5.8%), sand (3.5%), gravel (3.5%), iron (3%), lead (2.2%) and other minerals (15.6%).⁵

In December 2012, the mining sector recorded 3,040 economic units⁶ and a total of 328,555 direct jobs.³

MEXICO'S RANKING IN GLOBAL PRODUCTION OF

SILVER First place	BISMUTH & FLUORITE Second place	CELESTITE & WOLLASTONITE Third place	CADMIUM, LEAD, DIATOMITE & MOLIBDENUM Fifth place
ZINC, GYPSUM & GOLD Seventh place	BARITE & GRAPHITE Eight place	Salt Ninth place	COPPER Tenth place

INTERNATIONAL TRADE

In 2012, Mexican mining exports reached a value of 22.7 billion dollars. Furthermore, imports accounted 10.1 billion dollars, a decrease of 26% over 2011.⁷

TRADE IN MEXICO'S METAL MINING SECTOR 2011/2012 (BILLIONS OF DOLLARS)

Concept	2011	2012
Exports	22.6	22.7
Imports	10.2	10.1
Trade balance	12.4	12.6

Source: ProMéxico with data by the Ministry of Economy

The same year, the trade balance recorded a 9.4 billion dollar.⁵

FDI (FOREIGN DIRECT INVESTMENT)

In 2012, total investment in the mining industry increased by 43.3% over the previous year, reaching a value of 8 billion dollars, which means a total investment of over 25 billion dollars during the 2007-2012 period.⁸

In December of 2012, 285 foreign equity companies were recorded in Mexico, with 853 mining projects.²

In 2012 was recorded foreign direct investment from 15 different countries. Of all the foreign equity companies operating in Mexico, 71% are from Canada, 16% United States, 3% China, 2% Australia and 8% from others.²



SUCCESS STORIES⁹



In 2011, Goldcorp invested 353 million of dollars to capital and 23 million of dollars in exploration. Goldcorp creates around 7,000 jobs in Mexico.



In 2012, for third consecutive year Peñoles established a new record of investment of 1,179.4 million dollars. It represents an increase of 23.1% over 2011 and it is five times the capital invested five years ago.



In 2012, Grupo México invested 2.118 million dollars, or a 74% increase over the record organic investment of 1.217 billion dollars it made in 2011.

Grupo México plans to increase its copper production by 625,000 tons, to reach a production of 1.4 million tons by 2015.

FOREIGN COMPANIES ESTABLISHED IN MEXICO



1. Source: Marketline Global Metals and Mining, October 2012. 2. Source: SGM, Anuario estadístico 2012. 3. Source: Ministry of Economy, Pronuario Industria minero-metalúrgica, 2013. 4. Source: Business Monitor, Mexico mining report, 2013. 5. Source: ProMéxico with information of Ministry of Economy. 6. Source: INEGI, DENUE 2012. 7. Source: Banco de México y Dirección General de Comercio Exterior, SE. 8. Secretaría de Economía. 9. Source: FDI Markets and the companies web sites.



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MEXICAN MINING COMPANIES

There are three large groups with various mining projects:



PROJECTS

Industrias Peñoles: Fresnillo, Velardeña y Tizapa.

Grupo Acerero del Norte: El Fénix.

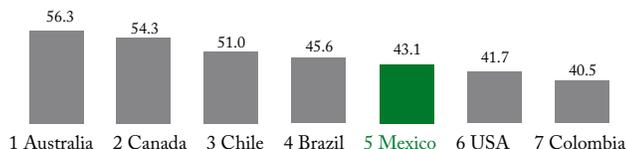
Grupo México: Cananea.

Minera Frisco: San Francisco del Oro, Concheño, El Coronel y El Porvenir.

COMPETITIVENESS

For second consecutive year in 2012, Mexico ranked fifth among the best destinations to invest in mining projects, considering economic, political and social factors, as well as corruption, financial stability and tax regime, according to Behre Dolbear.⁹

RANKING OF COUNTRIES FOR INVESTMENT 2013
TOP SCORE=70



Mexico is the first country in Latin America and the fourth most attractive country globally for exploration projects.¹⁰

Mexico ranks 2nd in Latin America considering mining policies, industrial best practices and land use restrictions.¹¹

Mexico ranks 53rd globally for doing business, surpassing BRIC countries and leading the TIMBI countries.¹²

Opening a business in Mexico is quicker and more efficient than in BRIC countries, requiring only nine days and six procedures.¹³

In 2012, the number of engineering graduates in the country exceeded 110,000.¹⁴

A MESSAGE FOR INVESTORS

Mining is the first link in the production chain of many industries.

Silver is used to create electronic devices, car catalytic converters, jewelry, medical instruments, clothing and photographic tools, among others.

Gold is used as a medicine to treat cancer, for computer parts, spacecraft circuits, as a reliable investment medium and in jewelry.

The use of these two minerals in the production of new technologies will depend on their price and on new product research and development.

México has a portfolio of mining projects and a map of geological potential to provide national and foreign investors with technical information on mining prospects.

A MESSAGE FOR INVESTORS

According to FIFOMI, only 25% of the country has been explored; leaving the remaining 75% suitable for the development of projects to explore and exploit new deposits, with the confidence that Mexico is rich in several important minerals.

Mexico is an attractive country in this sector due to the wealth and diversity of its resources, and the facilities it offers for establishing foreign companies.

Mexico has access to a potential market of 1.2 billion consumers and more than 60% of the global GDP through free trade agreements with more than 44 countries.¹⁴

The country has 28 Reciprocal Investment Promotion and Protection Agreements (RIPPA) and double taxation avoidance agreements with more than 40 countries.¹⁵

Mexico plays a strategic role due to its geographic location: it has access to the Atlantic and Pacific oceans and is an intermediary in the North American and South American markets, which are growing steadily.

LEGAL FRAMEWORK

Mining concessions in Mexico are granted by the Ministry of Economy. They can last up to 50 years and can be renewed for a similar period; the number of concessions granted is unlimited.

Foreign companies can be created with 100% foreign equity and enjoy other advantages such as no government duties on mineral products. In addition, mineral rights can be transferred to Mexican citizens or companies.

There are 26,071 existing mining concessions that account for a total surface area of 30.9 million hectares, that is, close to 15% of national territory.¹⁶

CHAMBERS & ASSOCIATIONS

GENERAL MINING COORDINATION. Applies mining regulations to ensure free competition among companies in exploration and exploitation of the country's mineral resources, to ensure the legal security required by investments in this area.

MEXICAN GEOLOGICAL SERVICE (SGM). Provides the mining industry with mandatory elements and promotes investment and use of resources. Currently, it offers several mineral exploitation projects as well as technical information by state.

MEXICO CHAMBER OF MINING (CAMIMEX). A public and autonomous institution with a different legal status than each of its members. It represents the general interests of the country's metal mining industry before authorities and third parties.

MINING PROMOTION TRUST (FIFOMI). Its goal is to promote the development of Mexican mining, and create jobs and investment through training, technical assistance and/or funding for entities and individuals. It grants funding of up to five million dollars or its equivalent in pesos.

NATIONAL CHAMBER OF THE IRON AND STEEL INDUSTRY (CANACERO). An autonomous consultation and collaboration body of the State to promote and defend the Mexican steel industry both domestically and internationally, and to collaborate with the government to achieve socio-economic growth and the creation and distribution of wealth.

9. Behre Dolbear, Behre Dolbear's 2012 ranking of countries available in <http://www.dolbear.com/Default.aspx?SiteSearchID=50&ID=/search-results> (7 de junio de 2013).

10. Source: Metal Economics Group, Worldwide exploration trends, 2013. 11. Source: Fraser Institute, Survey of Mining Companies 2012-13. 12. Source: Doing Business WB. 13. Source: Conacyt. 14. Source: Ministry of Economy/SCHP. 15. Source: Ministry of Economy. 16. Source: ProMéxico with information of SGM.