

spatial dimension
AN MS GROUP BUSINESS



flexicadastre

FlexiCadastre & Changing Legal Regimes

A case in Peru

Rogelio Castejon

Manager: South America

Jaco Crafford

Operations Manager

Changing Legal Regimes: Peru

Some Quick Facts (*From CIA World Factbook*)

Area:

total: 1,285,216 sq km

country comparison to the world: [20](#)

Population:

29,546,963 (July 2009 est.)

country comparison to the world: [39](#)

Languages:

Spanish (official), Quechua (official), Aymara, and a large number of minor Amazonian languages

Industries:

mining and refining of minerals; steel, metal fabrication; petroleum extraction and refining, natural gas; fishing and fish processing, textiles, clothing, food processing

GDP (purchasing power parity):

\$253.4 billion (2009 est.)

country comparison to the world: [45](#)



Changing Legal Regimes: Peru

Peru is considered a Mining Country: extractive industry represent aprox. 15% of GDP

Peru: World Leader in Production Volumes

2007 RANKING		
	América Latina	World
Copper	2	2
Gold	1	5
Zinc	1	2
Silver	1	1
Lead	1	4
Chin	1	3
Molybdenum	2	4
Bismuth	2	3
Tellurium	1	3

Source: Ministry of Energy and Mines of Peru



Changing Legal Regimes: Peru

FlexiCadaastre Presence in Peru:

- Barrick Gold (South America implementation)
- RTX – Rio Tinto Exploration
- Vale Peru (to be started next month)



Changing Legal Regimes: Peru

The legal regime:

- The process for obtaining and maintaining a mineral asset in Peru is relatively straightforward, with well established legal regulation without room for arbitrary decision
- No difference from Exploration to Exploitation
- Companies can freely negotiate the licenses (it is an asset)
- It is irrevocable as long as the company complies with the obligations established by law
- It will only extinguish if:
 - Termination: lack of payment of annual fee OR for non-compliance with minimum production
 - Nullify: application by unable person/company
 - Renounce: Voluntary



Changing Legal Regimes: Peru

A bit of history

- For some time the Peruvian were discussing changes on the mining regulation. Different proposal were under discussion with many different characteristics
- By June 2008 our implementation for Barrick Peru had already finished, and client was already on full production with FlexiCadastre
- After a discussion on Peruvian Congress, the changes were approved and Barrick requested SD to implement the changes according to the new regulation ASAP
- Using the workflow implemented at that moment it would create errors on the action schedule for the new licenses application

Changing Legal Regimes: Peru

The Changes

- The main change was related to the start of production. From now on companies will not be able to maintain indefinitely the licenses without production
- On the OLD Regulation, if not minimal production was archived after 6 years, the company would pay an extra tax (penalty = 6US\$/ha/year) and after 12 years that extra tax would increase (20US\$/ha/year). This penalty could be avoid if company prove expenditure on the license (minimum investment 100US\$/ha/year)

Changing Legal Regimes: Peru

- On the new regulation, to not reach no minimum production after 10 years (with an extension period of 5 years) would be cause of extinguish of the license
- The biggest difficulty was that during 10 years (from 2008 to 2018), there will exist in Peru 2 different legislation: for the licenses before October 8th 2008 and Licenses after that date.
- This was a major challenge as we had to apply different business rules (schedule different payment amount, minimum production actions and deal with expiry etc) based on the granting date.
- By 2019 there will be no more difference.

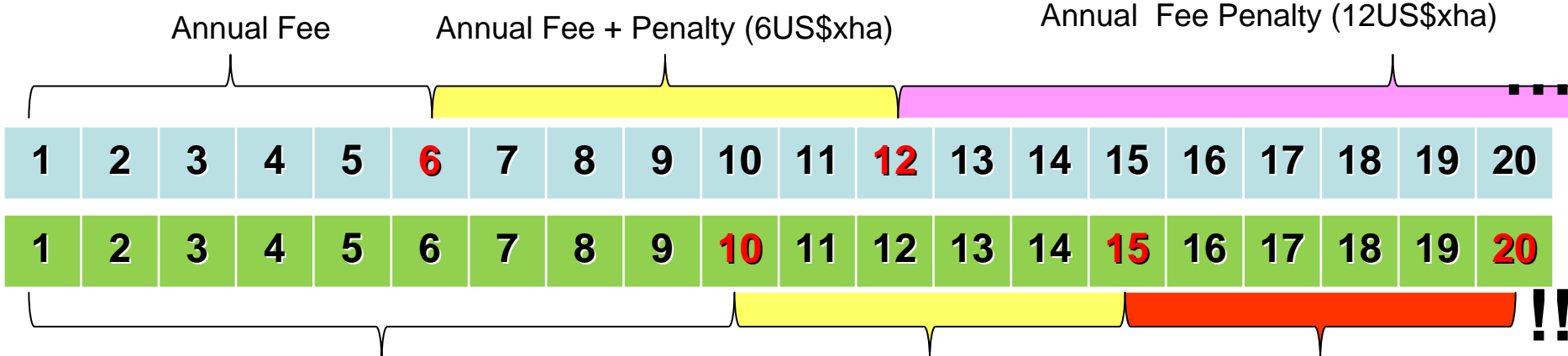
Changing Legal Regimes: Peru

	Before	After
Annual Fee	3 US\$/ha/year	same
Penalty	If not in production -From 6 th to 12 th = 6US\$/ha -From 12 th = 30US\$/ha	Old License: same rule up to 2018 New Licenses: After the 10 th year = 10% of UIT (~US\$120)/ha
License Term	N/A	15 year if no production with 5 year extension (if minimum production is certified on investment)
Minimum Production	N/A	1 UIT/ha/year (~US\$1,200 /ha/year)

UIT = Unidad Impositiva Tributaria (a monetary unit) adjusted every year. UIT=S/.3.500 (aprox US\$1,250)
In FlexiCadastré it is a PARAMETER VALUE

Changing Legal Regimes: Peru

Before Changes



After Changes

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Changing Legal Regimes: Peru

- We have created the table on the next page to help us on the new conditions respecting the old and the new regulation...

Changing Legal Regimes: Peru

Date Grant	1st	2nd	3th	4th	5th	6th	7th	8th	9th	10th	11th	12th	13th	14th	15th	16th	17th	18th	19th	20th	21st	22nd	23rd	24th	25th	26th	27th
2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	
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before 10th Oct 2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028							
After 10th Oct 2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028							
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- Penalty = US\$ 6/Ha/Year **OR** Min Prod = US\$ 100/Ha/Year **OR** Investment = US\$ 60/Ha/Year
- Penalty = US\$ 20/Ha/Year **OR** Min Prod = US\$ 100/Ha/Year **OR** Investment = US\$ 200/Ha/Year
- Penalty = 10% UIT/Ha/Year **OR** Min Prod = 1 UIT/Ha/Year
- Penalty = 10% UIT/Ha/Year + Investment = 1 UIT/Ha/Year **OR** Min Prod = 1 UIT/Ha/Year

Changing Legal Regimes: Peru

The process of change:

- Diagram changes and discussion with client
- Implementation on QC site
- test and validation by client
- Implementation of Changes on Production
- Final Test and Acceptance

It took approximately 2 months to roll out
(partial time)

In the meantime production was full throttle

Changing Legal Regimes: Peru

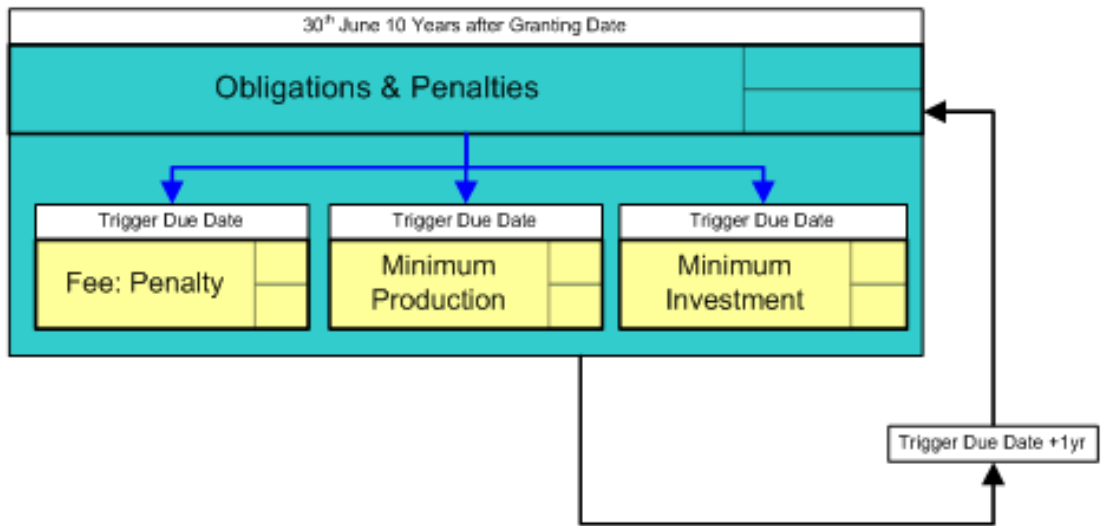
The Message

- Every now and then governments will change their regulation to follow trends, new expectation of society, changes on government ideology and so on.
- FlexiCadastre is flexible enough to handle those complex situations even when in normal production environment.
- This is the guarantee of the investment made by our clients is protected without the need for major expenditure and code building.
- The client himself, with proper qualified personnel for the task, could implement those types of changes without depending on Spatial Dimension.

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THANK YOU