Chile Prepares for a New Wave of Mining Investments Totaling $84.231 Billion

The companies are concerned about whether construction and engineering firms will be able to meet the rising demand in terms of timing, quality, and cost.

Diario Financiero
November 26, 2024
By P. Marchetti and V. Ibarra

The $13.7 billion investment announced by BHP last week, the $7.57 billion in development by Antofagasta Minerals, and the $7.5 billion Freeport and Codelco are dedicating to expanding El Abra are some of the significant mining investments recently unveiled. Experts, business leaders, and authorities agree these moves signal the start of a new investment cycle.

According to 2024 data from Plusmining, Chile's copper project portfolio exceeds $84 billion, representing 53% of all mining investments in Latin America. Peru follows with $32.768 billion (21%), and Argentina with $22.132 billion (14%).

Chile's main ongoing initiatives total over $40 billion, while the Chilean Copper Commission (Cochilco) projects more than $65 billion in investments in large-scale initiatives by 2032, with two-thirds coming from the private sector. In 2025 alone, Cochilco estimates $9.583 billion in mining investments will materialize, with over 90% allocated to copper projects.

"We are indeed witnessing an increase in investments in the sector," said Aurora Williams, Chile's Minister of Mining, to Diario Financiero. "Market conditions are favorable, with strong demand for copper." Factors such as a projected deficit of 10 million tons over the next decade, copper prices exceeding $4.5 per pound, and growing demand create a perfect storm for the metal.

However, most announced initiatives focus on production recovery through expansion and operational continuity projects, underscoring a key industry challenge: declining ore grades and rising associated costs.

In 2023, copper production reached its lowest level in 18 years at 5.2 million tons. This year, production is expected to rise by at least 3%, and by 2025 it could reach 6 million tons. Efforts to discover new deposits are evident in Cochilco's 2023 figures, which identified 226 mining exploration projects involving $832 million in spending—the highest in a decade and the fourth largest globally. More than 50% of these explorations target copper.

The Central Bank's latest Monetary Policy Report (IPoM) predicts gross fixed capital formation in the mining sector will grow by around 20% in real terms between 2024 and 2026. Various sources cited in the report suggest mining investment will expand "significantly" in the coming years, following its 6.5% contribution to GDP in 2023, nearing the historic highs of 2012–2013.

A New Supercycle?

Pablo Carvallo, General Manager of Lomas Bayas at Glencore Plc., remarked, "The market is very active. I believe the cycle of increased investment has already begun, but this requires institutional dynamism, such as the streamlining of permitting processes."

"The signals from other companies are crucial because they demonstrate that the industry is at a unique moment of growth, which entails greater development for Chile," he added.

Matías Marañon, head of consulting at Plusmining, analyzed, "The recent investment announcements indicate the industry's strong intent to continue investing and contributing to the country's progress. Whether these investments materialize will also depend on other factors."

He emphasized that while the long-term fundamentals for critical minerals, especially copper, remain positive, "we haven't yet seen exuberant prices capable of triggering a massive investment cycle. For now, the data doesn't support that conclusion."

Joaquín Villarino, Executive President of the Mining Council, commented that the recent announcements from the private mining sector "demonstrate investors' confidence in Chile's potential as a leader in natural resources. We anticipate a significant investment cycle, but not a boom."

Jorge Riesco, President of the National Mining Society (Sonami), described the announcements as “very encouraging,” but cautioned that “the impact of a new investment cycle won’t be immediate due to the lengthy execution times for projects.”

Permits and Timelines

The issue of “permit-ology” has dominated sector debates this year. Riesco noted that “if we can expedite permitting processes and unblock projects, we could see greater dynamism in the coming years, especially with measures like a ‘fast track’ for mining authorizations.” He added that implementing industry-proposed measures could increase production by 20% across the sector.

Villarino highlighted that delays in approval processes are “a significant barrier to advancing projects at the necessary speed.”

Regarding the government’s proposed bill, Villarino said it is “well-oriented, but some provisions need adjustments. Conversely, other proposals seem to go in the opposite direction.”

Marañon observed that the trend in investment amounts for mining projects already approved for environmental assessment is declining. In fact, 2024 is expected to be the second-lowest year since 2015.

Other Challenges

Codelco Chairman Máximo Pacheco identified the mining industry’s main challenge as needing a stronger and broader base of construction, engineering, and specialized firms. “This bottleneck complicates executing investment projects on schedule and within budget. It’s a shared challenge with the construction sector,” he said.

He also stressed the importance of improving the quality of life in northern cities to attract talent to mining regions. “We must strengthen social and community infrastructure in our mining towns.”

This issue was addressed two weeks ago during the International Monetary Fund’s regular visit to Chile. The previous “supercycle” saw project costs rise and delays increase.

According to Plusmining, by the end of the decade, mining projects in Chile will require up to 40,000 workers at peak construction—nearly triple the 2023 workforce. Including investments in Peru and Argentina, the demand could exceed 90,000 workers by decade’s end.

“The impact of a new investment cycle won’t be immediate due to lengthy project execution times. Reducing bureaucratic hurdles in permitting processes and fostering a pro-investment environment is essential.”

Jorge Riesco, President of Sonami

“We are indeed seeing increased investments in the sector, driven by growing demand. These investments reflect confidence in Chile and its responsible approach to mining.”

Aurora Williams, Minister of mining

“A series of positive factors for mining investment is emerging. Resolving issues around royalties and the constitutional process has generally created a better outlook for reactivating investments.”

Joaquín Villarino, Executive President of Consejo Minero

“The future of copper supply and demand is highly promising, driven by decarbonization, electric vehicles, batteries, and rising global living standards.”

John Mackenzie, CEO of Capstone Copper

“The world has a tremendous appetite for critical minerals, but it’s unclear where these resources will come from given the current challenges in developing new deposits and scaling production,”

Máximo Pacheco., Codelco Chairman

Anglo American Secures Billion-Dollar War Chest After Completing Sale of Steelmaking Coal Assets

The Anglo-South African mining giant finalized definitive agreements to divest its Australian steelmaking coal portfolio, generating approximately $3.8 billion in cash. The firm's restructuring continues after rejecting BHP's $49 billion offer, with further plans to exit its platinum and nickel businesses.

Pulso, By Víctor Guillou

Anglo American is making significant strides in its restructuring strategy, having declined BHP's $49 billion takeover bid in May. The Anglo-Australian miner had sought to acquire operations focused on copper—considered the crown jewel of the global mining industry in the race to supply critical materials for the energy transition.

On Monday, Anglo American announced it had reached definitive agreements to sell its entire steelmaking coal business. This deal includes its portfolio of coal mines in Australia, a key raw material for steel production, to Peabody Energy in a transaction that will yield up to $3.775 billion in cash.

The transaction covers five mines located in Queensland, which collectively produced 16 million tons of metallurgical coal in 2023.

With this sale, the company will generate gross revenues of up to $4.9 billion. This figure includes proceeds from Anglo American's earlier sale of its stake in Jellinbah Group, a joint venture with 70% ownership of the Jellinbah East and Lake Vermont steelmaking coal mines in Australia. Anglo American held a 33.3% share in the venture and agreed to sell it to Zashvin—a co-owner with an identical stake—for approximately $1.1 billion.

The agreement with Peabody involves an initial cash payment of $2.05 billion upon transaction closure, followed by a deferred cash payment of $725 million, payable in four installments starting one year after the transaction's completion. Additional contingent payments include up to $550 million tied to coal price performance and $450 million linked to the reopening of the Grosvenor mine.

Anglo American CEO Duncan Wanblad described the sale as a critical milestone in the company's strategy to streamline its operations. "The sale of our steelmaking coal business is another significant step toward delivering on the strategy we outlined in May: to create a world-class copper, premium iron ore, and crop nutrients business," Wanblad said in a statement released Monday regarding the Peabody deal.

The company is now turning its attention to divesting its majority stake in Anglo American Platinum, with a sale anticipated by 2025. Additionally, Anglo aims to exit its nickel mining business.

"By focusing on asset quality, growth opportunities, and concentration, Anglo American will offer a highly differentiated investment proposition, supported by strong cash generation and longstanding capabilities and relationships that unlock our full potential," Wanblad emphasized. "We are fully committed to executing this strategy, optimizing costs, and creating a simpler, more resilient, and agile business that reflects the full market value of our assets."

Anglo's restructuring also includes its stake in De Beers, the Anglo-South African diamond company where it owns 85%. Wanblad noted that any sale must account for De Beers' unparalleled market position and brand strength while ensuring long-term success through stakeholder collaboration.

In the Court of Appeals of Antofagasta:

SQM defends agreement with Codelco and claims no prior indigenous consultation was required

The mining company responds to a request from the Coyo community, which seeks to halt the partnership between the two companies.

MERCURIO DE SANTIAGO
T. VERGARA

The agreement between SQM and Codelco is being contested in several judicial venues, one of them being the Court of Appeals of Antofagasta, where the indigenous Coyo community is attempting to annul the pact signed on May 31 between the lithium producer and the state-owned company.
In a legal brief signed by the mining company's legal vice president, Gonzalo Aguirre, and submitted to the court, SQM requested that the petition be rejected.
The document states that on December 14, 2023, the Atacameño Peoples Council Association (CPA), to which the petitioner belongs, signed an agreement of intent to create a tripartite dialogue table (including Codelco), where meetings were held between the parties to address methodological issues. During these meetings, according to SQM, the CPA "did not express concerns or objections about the alleged illegalities and arbitrariness it now raises in its petition."
In this context, SQM argues that under the agreement with the state mining company, there is no obligation to carry out an indigenous consultation process. The company cited current regulations to support this position, stating, among other points, that "the agreement does not directly cause a specific or significant impact, nor is it likely to directly affect the community."
Furthermore, the mining company reiterated that the successful implementation of the agreement with Codelco is contingent on completing various indigenous consultation processes before the agreement's closing date.
This is because the modification of the existing contracts between Corfo and SQM, as well as the future signing of project and leasing agreements for the Tarar subsidiary (created to partner with Codelco), are conditional on the completion of an indigenous consultation process, which the state agency is currently conducting.

Licitation

Another criticism raised by the Coyo community concerns the selection of SQM without a prior bidding process. In response, the company maintains that this approach aligns with the government's strategy, which mandates initiating negotiations with SQM "given its current operation in the Atacama Salt Flat, a situation that enables the State's entry into the industry."
According to SQM, "no one has more experience in lithium exploitation in the Atacama Salt Flat" or the "necessary infrastructure" than they do. The company added that constructing new infrastructure and beginning operations in the salt flat would require additional investments, significantly delaying the start of lithium exploitation, with construction of facilities not commencing until after 2031.
When asked about this issue, Codelco declined to comment, while the Atacameño Peoples Council Association (CPA) did not respond to press inquiries.
Corfo, for its part, clarified that the indigenous consultation process, initiated on November 5, is currently in its planning phase. The agency is in dialogue with local communities to agree on a timeline and move forward to the next stage, the "Delivery of Information."

SQM contends that if another company had partnered with Codelco to exploit the Atacama Salt Flat, new infrastructure would not be ready until 2031, as Corfo's current lease agreement with SQM expires in 2030.

The indigenous consultation process initiated by Corfo on November 5 involves the communities of the Atacama Salt Flat.
The agreement between SQM and Codelco is expected to take effect in 2025.

Filo Corp. Expands the Scale and Quality of its Filo del Sol Project in Argentina

The drilling program will continue through the austral summer, with results expected consistently until 2025.

reporteminero.cl
By Agustín de Vicente

Filo Corp. (TSX: FIL) announced on Friday new drilling results from its Filo del Sol project in Argentina, revealing significant increases in the scale and quality of the deposit. These developments coincide with the company's progress toward completing a $4.1 billion acquisition by BHP Group (ASX, NYSE: BHP) and Lundin Mining (TSX: LUN), projected for the first quarter of 2025.

Currently, nine drill rigs are operating as part of a 30,000 to 35,000-meter drilling program. The results will inform future resource estimates, according to a company statement.

Among the highlighted findings, drill hole FSDH107 intersected 1,270 meters with 0.55% copper, 0.35 grams of gold per ton, and 12.6 grams of silver per ton, equivalent to 0.92% copper equivalent, beginning at a depth of 298 meters in the Aurora Zone. This section included 624 meters with 0.78% copper, 0.41 grams of gold, and 5.3 grams of silver, equivalent to 1.13% copper, starting at 606 meters.

The drilling extended the Aurora Zone 300 meters westward, increasing the mineralized area to a minimum width of 700 meters. "These results demonstrate the extraordinary scale and continuity of the deposit," the company stated. So far, mineralization stretches continuously over 5.5 kilometers, from Tamberias in the south to Bonita in the north.

Next Steps

Filo Corp. plans metallurgical testing on sulfides, further environmental studies, and additional drilling to define high-grade zones within the deposit. These initiatives are essential to advancing the project's development.

Emerging District for the Energy Transition

The Filo del Sol project is part of the Vicuña mining district, located on the border between Argentina and Chile. This district is becoming a key hub for copper and gold projects, including Lunahuasi and Los Helados by NGEx Minerals (TSXV: NGEX), reinforcing the region's potential as a critical source of metals for the global energy transition.

The project's growth aligns with rising copper demand, a metal essential for electrification. Experts estimate a 10-million-ton copper deficit over the next 12 years, positioning Filo del Sol as one of the few advanced projects capable of addressing this gap.

Additional Results

Drill hole FSDH112, located 1.5 kilometers northeast in the Bonita Zone, revealed 1,282.5 meters with 0.46% copper, 0.16 grams of gold, and 4.9 grams of silver, equivalent to 0.61% copper, beginning at 96 meters of depth. This section included 528.5 meters with 0.77% copper, 0.2 grams of gold, and 6 grams of silver, equivalent to 0.97% copper.

Meanwhile, the Tamberias Zone, located 4.3 kilometers southwest of Bonita, returned 610 meters with 0.15% copper, 0.39 grams of gold, and 2.2 grams of silver in drill hole FSDH116, indicating a gold-rich porphyry system.

Exploration Strategy

Filo Corp.'s strategy includes exploratory drilling and testing new areas. A magnetotelluric study has identified additional high-conductivity zones, suggesting potential for future discoveries.

The Filo del Sol deposit combines copper-gold porphyry systems with high-sulfidation epithermal mineralization, resulting in a complex, copper, gold, and silver-enriched deposit. Drilling has revealed mineralization up to 1.5 kilometers deep and 800 meters wide, with high-grade corridors enhancing the project's economic potential.

With indicated resources of 432.6 million tons grading 0.33% copper and inferred resources of 211.6 million tons at 0.27% copper, Filo Corp. is progressing toward developing one of the region's most promising deposits.