Summit Mining International finds success in Bolivia at Minera San Cristobal

by William Gleason, Senior Editor

Summit Mining International, a Denver, CO-based wholly owned subsidiary of Sumitomo Corp. of Japan has achieved some remarkable success with its Minera San Cristobal silver and zinc mine in the Nor Lipez province of Bolivia.

Since 2011, Summit Mining has increased production from the mine by 100 percent, from 150 kt/d (165,000 stpd) to 300 kt/d (330,000 stpd), increased mill production by 25 percent, from 40 kt/a (44,000 stpd) to 52 kt/d (57,000 stpd) and increased overall reserves while adding five years to the life of the mine. Summit Mining also reduced water consumption by 50 percent and reduced power consumption by 12 percent in that same time frame.

And what might be even more impressive is that it was done in the notoriously complex mining region of Bolivia.

“The business of mining is no longer about the mining,” Mike Bunch, executive vice president and chief operating officer of Summit Mining told Mining Engineering. “It’s about all the other things that go with it.”

The mine was brought into production by Apex Silver in 2008. Sumitomo Corp. was a junior investor in the project and when a poor financing plan was too much for Apex to bear, Sumitomo Corp. purchased the project outright. Sumitomo Corp. has a history of mining that dates to 1691 and the Besshi Copper Mines of Japan. According to the company’s website (http://www.sumitomocorp.co) the origins of the company date to founder Masatomo Sumitomo (1585-1652) who opened a book in a medicine shop in Kyoto and wrote the company’s founding principles called the “Founder’s Precepts” in which he expounds concisely the points in conducting business. His precepts still serve as the foundation of the “Sumitomo spirit.”

Masatomo’s brother-in-law, Riemon Soga (1572-1636), ran a copper smelting and coppersmithing business in Kyoto (under the trade name Izumiya). He developed a copper smelting technology called “Nanban-buki”
(Western Refining) to extract silver from crude copper.

Izumiya then went into the copper mining business and opened the Besshi Copper Mines after obtaining permission from the Tokugawa Shogunate. The Besshi Copper Mines continued operations for 283 years, forming the backbone of Sumitomo’s business.

But it was not until 2011 that Sumitomo took 100 percent ownership of a mine again, preferring instead to be an investor in projects such as Newmont Mining’s Batu Hiju Mine and Freeport-McMoRan’s Cerro Verde Mine.

Summit Mining was formed to operate Minera San Cristobal. And similar to the parent company’s Founder’s Precepts, Summit Mining has operated with a value-based management philosophy that has not only earned it a social license to operate in a country that saw its energy sector nationalized in 2006 and Glencore’s tin and silver operations nationalized in 2012, but has earned the praise from the same president responsible for those government takeovers, President Evo Morales.

As the largest private investment in Bolivia, Minera San Cristobal has worked diligently to be more than just a mine. “Mining brings jobs and conquers poverty,” said Bunch.

Minera San Cristobal employs 1,500 full time workers, 99 percent of whom are indigenous to the region. The mine is also responsible for 5,000 contract personnel and an additional 12,000 indirect jobs that support the mine.

Additionally, Summit Mining has built five health clinics that have provided care to more than 3,800 people from three local communities as well as schools and other infrastructure.

“This $1.8 billion investment has taken a workforce that had virtually no experience and turned it into a world-class workforce,” said Bunch. “This workforce has taken itself from the poorest region in the poorest country in South America and is now the highest paid workforce in all of Bolivia.

“We are the peace corp of the mining industry, 40 percent of the patients who come to the clinic are not even connected to the project but are out in the region and when they show up at our door we treat them,” said Bunch. “We have day cares and the largest restaurant in Bolivia (1.2 million meals/year) and we have the largest hotel with 22,000 beds.”

A new mining law in June 2014. A new mining law denies cooperatives the right to partner with private companies, whether domestic or foreign and is the first major overhaul of the country’s mining sector since 1997. The law also bans private firms from registering minerals as property, which means they can’t use them as collateral for loans or include them as assets in stock market filings.

Bolivians, however, can now form mixed business enterprises with or through the state mining agency, Comibol.

Until now, some of Bolivia’s largest mines had operated as partnerships between exchange-listed multinationals and small local cooperatives. The new mining law, while bringing the sector in line with the 2009 constitution, could have an important impact on those operations, including Sumitomo’s San Cristobal.

“The primary change in the new law is that mining and exploration in Bolivia will now be administered under ‘contracts’ with the state vs. ‘concessions’ as we currently use,” said Bunch. “As with any new law or regulation, there are always some unforeseen challenges. However, we do not anticipate any major changes in the way we do business in Bolivia under the new law. We believe our right to continue running our operation will be protected. We expect to sign this contract with Bolivia sometime this year (2015).”

Under the revised regulations, which create a new government division to oversee the mining sector, all pre-existing contracts will be respected, though concessions will be limited to 62,000 hectares. Those whose terms and conditions do not conform to the new law can be renegotiated over 12 to 18 months.