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HOW TO MAINTAIN STEADY OPERATING COSTS

Of the top ten issues mining companies are likely to face in 2015, mining productivity is at the top of the list, according to Deloitte's *Tracking The Trends 2014*. Not only have metal prices continuously decreased since 2012, but the average ore grade of deposits has also decreased for copper, gold, zinc and nickel projects. As companies look to cut costs and develop business cases that make marginal projects appealing, they may in fact be hurting their productivity by shrinking their talent pool or limiting their project opportunities. According to Deloitte, one way to overcome this is not by cutting costs, but rather by re-evaluating operating models "to ensure they have the management and reporting systems necessary to build a cost management culture." As companies reassess their projects, outsourcing the operation of a mine to a contractor may help to increase productivity and maintain stable operating costs. One such contractor is PEAL, a family-owned group from Spain with over 50 years of experience in the operation of mines.

repairs or equipment procurement, when needed. This ensures that the operations are carried out with minimum delays. Through local and international financing, and a long history with world-class brands such as Caterpillar and Komatsu, PEAL is able to guarantee that the equipment needed for the operation will be available throughout the project. In such way, the company is able to combine the latest drilling, excavating, loading and hauling equipment, with the most up to date techniques in planning and executing open-pit mining projects. Above all, PEAL prides itself on the satisfaction of its clients in the mining industry in Mexico, guiding its operations by its priority to deliver the results it promised to deliver. The last 60 years have given PEAL time to reflect on its strengths and limitations. As such, the company avoids committing to production targets and contract conditions that it cannot meet. Nonetheless, the group is prepared professionally and financially to take on more mining projects in Mexico and around the world.

The operations of PEAL date back to the 1960s in the coal mining region of Leon in Spain, where it still functions as a contracted open-pit mining operator. Since then, the group has diversified into civil construction work, such as roads, ports, and airports, yet its reputation as a responsible and honest open-pit mine operator still stands. In Mexico, the company was first hired to work in Cobre del Mayo's Piedras Verdes copper project in Alamos, Sonora, where it worked until 2008. Now, the company has its Mexican head office in Hermosillo, Sonora and is currently working as an operator at Timmins Gold's San Francisco mine in Sonora, Goldcorp's Peñasquito mine in Zacatecas, and Pan American Silver's Dolores mine in Chihuahua. With such important companies relying on its mine operating services, PEAL's aim is to operate of all its clients' mines at a reasonable cost, using state-of-the-art equipment. Its technical office in Spain offers mine feasibility studies, geological studies, cartography, and environmental impact studies, while its Mexico office takes care of the project management and daily operations, including mine planning, production, explosions, and restoration. When it is hired to work in a mine, the company takes care of procuring the equipment and technology according to the project's needs. The contract signed by the mine owner and PEAL commonly specifies terms such as production plan and budget. It is then PEAL's job to take care of the production, following the established plan and operational budget. This is beneficial for mining companies as they are able to sign off on steady operating costs, which PEAL then works to meet.

While the local mining industry has fared well since PEAL established its base in Hermosillo in 2004, the work of a mining contractor is always tied to global investment trends. As PEAL depends on the operation of mining projects in production, it requires that mining companies invest not only in the development and expansion of mines, but also in hiring contractors for open-pit mines. That being said, the PEAL group is currently following opportunities around the world through the civil works sector in Poland, exploration work in Sierra Leone, and mining projects in Colombia.

As the mining sector continues to battle through challenges with innovative strategies and technologies, contractors such as PEAL make themselves available to serve as strategic partners in the operations of open-pit mines. Mining companies can opt to outsource demanding operations to reduce its exposure to rising operating costs. It is therefore up to each mining company to assess its budget, plan, and production targets and decide whether contracting mine operators is the most economically viable and sustainable path to take.

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An important aspect for a contractor such as PEAL is the financial backup that it has in order to respond to urgent

GRUPO PEAL is a private Spanish company, which has constantly strived to reach the highest level of specialization in the following activities:

CONTRACT MINING OPERATOR:
 Opencast Mine/Pit, Reclamations.

PUBLIC SECTOR WORK:
 Land movements for road, rail, hydraulic, airport, and seaport infrastructures etc.

DEMOLITIONS:
 Specialized Demolitions, Large Scale Demolitions.

TECHNICAL OFFICE:
 Public Work Projects, Mining Feasibility Projects, Geological Studies, Wind Farms, Aerial Mapping, Cartographic Development and Management.

THE ENVIRONMENT:
 Reclamation Projects, Environmental Impact Studies.

SPECIAL TRANSPORT:
 Haulage of machinery, Haulage of structures.

PURCHASE, SALE AND LEASE OF MACHINERY.

