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A B O G A D O S

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Last Trends in the Argentine Mining Industry

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1. Is Argentina a Mining Country?

➤ Argentine Mining Richness

- Argentina is the sixth country in mining resource potential in the world
- It has a surface of over 2 million square kilometers, and 75 % of areas with significant mining potential remaining unexplored
- Most mineral deposits lie along the Andes range, which extends over 4,500 km, bordering with Chile and Bolivia
- Trustworthy legal framework in Argentina during the 1990's facilitated a significant amount of investment for mineral exploration and production
- It comprises approximately 4.5% of the national GDP
- Argentine mining exports have grown from US\$70 million in the early '70s to over US\$ 4.5 billion in 2010

1. Is Argentina a Mining Country? (cont.)

➤ Major projects responsible for the growth

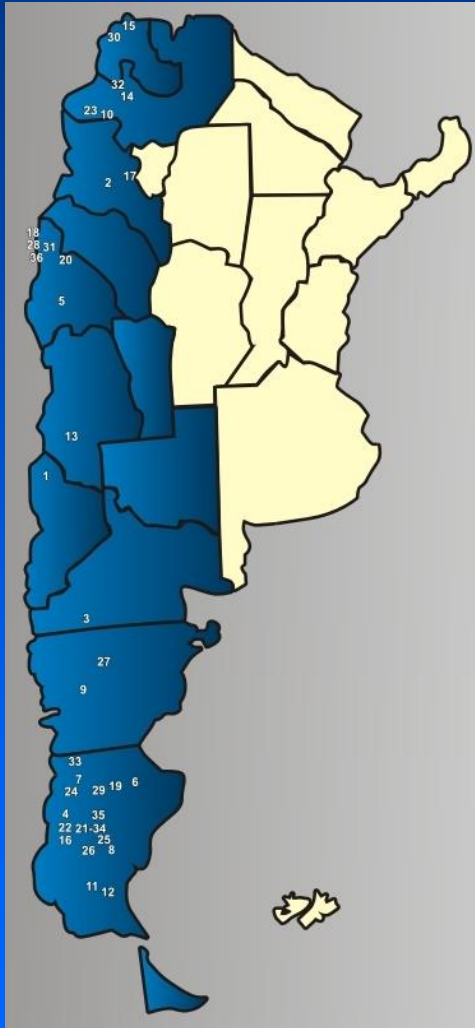
- Bajo de la Alumbrera (copper and gold) owned by Minera Alumbrera S.A. (Xstrata Pty Ltd- Yamana Gold)
- Salar del Hombre Muerto – Fenix Project (lithium) owned by Minera del Altiplano SA (FMC Lithium Co.)
- Cerro Vanguardia (gold and silver) owned by Anglo Gold Ashanti
- Veladero (gold-silver) owned by Barrick

1. Is Argentina a Mining Country? (cont.)

➤ New projects

- Pascua-Lama – a bi-national Chilean-Argentine project owned by Barrick Mining Co. (estimated investment is US\$ 3.3 billion)
- Potasio Rio Colorado, a potassium project owned by Vale (Brazil) (estimated investment is US\$1 billion)
- Pachon, a major copper resource owned by Xstrata Copper (estimated investment is US\$ 2.8 US\$2.8 billion)
- Agua Rica, a copper/gold project - Goldcorp, Xstrata, Yamana Gold entered agreement for Agua Rica project (estimated investment is US\$ 2.7 billion)

Gold and silver projects in Argentina



1. Andacollo – Minera Gold
2. Bajo La Alumbreira – Minera Alumbreira Ltd. – Xstrata (50%) / Goldcorp (37,5%) / Yamana (12,5%)
3. Calcatreu – Pan American Silver
4. Cap Oeste (El Tranquilo) – Patagonia Gold
5. Casposo – Troy Resources
6. Cerro Moro – Extorre
7. Cerro Negro – Andean Resources
8. Cerro Vanguardia – AngloGold Ashanti (92,5%) / Fomicruz (7,5%)
9. Crespo – Patagonia Gold
10. Diablillos – Silver Standard
11. Don Nicolás (La Paloma) – Minera IRL
12. Don Nicolás (Martinetas) – Minera IRL
13. Don Sixto – Extorre
14. El Quevar – Golden Minerals
15. El Torno – Soltera Mining
16. El Tranquilo – Patagonia Gold
17. Farallón Negro – Y.M.A.D.
18. Filo del Sol – NGEx Resources
19. Gertrudis – AuEx Ventures
20. Gualcamayo – Yamana Gold
21. Joaquín - Coeur d´Alene Mines
22. La Manchuria – Patagonia Gold
23. Lindero – Mansfield Minerals
24. Lomada de Leiva - Patagonia Gold
25. Manantial Espejo – Pan American Silver
26. Martha – Coeur d´Alene Mines
27. Navidad – Pan American Silver
28. Pascua – Lama – Barrick Gold
29. Pingüino – Argentex
30. Pirquitas – Silver Standard
31. Propiedades de Malbex Resources
32. Río Grande – Antares Minerals
33. San José / Huevos Verdes – Minera Santa Cruz – Hochschild Mining (51%) / Minera Andes (49%)
34. Sascha – Coeur d´Alene Mines
35. Sierra Blanca – Mariana Resources
36. Veladero – Barrick Gold Corp.

2. Mining Legal Framework

➤ Mining and Tax Stability

- Mining regulations are mainly established in the Mining Code
- Law No. 24,196 (Mining Investments Law):
 - 30-year tax stability
 - 3% highest royalties to be applied by provinces
 - Export taxes between 5 and 10%
- Decree No. 1,722/2011 establishes the obligation for oil & gas and mining companies to repatriate foreign currency related to exports and exchange it to local currency



3. Environmental Mining Legislation

➤ Federal Regulation

- Section 41 of the Argentine Constitution provides that the federal government will enact laws imposing certain minimum environmental standards, while provincial governments will enact supplemental regulations as necessary, and federal laws will not alter local jurisdiction
- The Argentine Mining Code (added by Law No. 24585) requires:
 - Submit an EIA
 - Obtain the Environmental Impact Statement (“EIS”)
- General Environmental Policy Act No. 25,675;
- Water Environmental Management Act No. 25,688



4. Environmental Protection and Social License

➤ The Villivar Case

- Strong citizen opposition to the mining project owned by Minera El Desquite – Meridian's subsidiary
- In 2003, after a referendum, the Esquel City Counsel passed ordinances banning the use and transport of cyanide within city limits
- 81% of the citizens rejected the project through a referendum
- Next, The Province of Chubut passed Law No. 5001, banning open pit mining and the use of cyanide in mining operations



4. Environmental Protection and Social License (cont.)

- The Court in the Province of Chubut, issued an injunction ordering the suspension of the project due to the failure of comply with a public hearing
- In 2007, the case was appealed to the Supreme Court of Argentina which ruled against the mining operation and upheld Law 5001. The Court stated that national laws merely provided a “minimum protection standard” that could be strengthened by local communities
- This case triggered other Argentine Provinces (Tucuman, La Rioja, Mendoza, La Pampa, and Rio Negro) **to enact regulations against mining activities**



4. Environmental Protection and Social License (cont.)

➤ Environmental claims against mining projects

- In 2012, the Diaguita First People's Community filed an injunctive relief against Minera Agua Rica LLC (Argentine branch), the provinces of Catamarca, Tucuman, Salta and La Rioja, and the Federal Government, regarding the exploitation of Agua Rica deposit
- They seek the immediate cease of activity
- The Supreme Court upheld that the case cannot fall within its jurisdiction, as it has not been proved that interjurisdictional natural resources are affected
- Dissenting vote → widening the Supreme Court jurisdiction?



5. Argentina's Environmental Laws and How They Affect Mining

➤ Minimum Standards for Glacier Protection Act

- In 2010, the Congress passed Law No. 26,639, which sets forth the Minimum Standards for the Preservation of Glaciers and the Periglacial Environment
- It prohibits performing certain activities on the glaciers that may damage them
- It prohibits mining and oil & gas exploration and exploitation
- It establishes that an Environmental Impact Assessment must be conducted, along with a Strategic Environmental Assessment



5. Argentina's Environmental Laws and How They Affect Mining (cont.)

➤ Is Law No. 26,639 Constitutional?

- In 2011, the Federal Judge of the Province of San Juan suspended the application of several sections of the Law ("A.O.M.A et al v. Estado Nacional")
- He held "*this Law is unconstitutional since it prohibits developing certain activities on areas where there might be glaciers or a periglacial environment. This prohibition may affect the economical development and the right to work in the Province of San Juan*"

5. Argentina's Environmental Laws and How They Affect Mining (cont.)

➤ Law No. 26,639 and the Supreme Court

- In 2011, the Supreme Court declared its original jurisdiction to rule in "A.O.M.A et al v. Estado Nacional" due to the issue raised in this case is substantially analogous to that examined in the "Barrick Exploraciones Argentinas S.A. y otro vs. Estado Nacional s/ Acción Declarativa de Inconstitucionalidad" case
- In 2012, the Supreme Court ordered the National and the San Juan provincial governments to submit the environmental evaluation approval process related to the bi-national Pascua Lama Project (operated by Barrick Gold)



6. The Mining Sector and the Energy Sector

- The National Government and its role in the economy
 - Recent expropriation of 51% of the shares of YPF
 - Is the mining sector different?
 - ✓ OFEMI (Federal Organization of Mining States) seeks to coordinate provincial energy and mining policy
 - ✓ Creation of provincial, government-owned companies to develop, individually or in a joint venture with private companies
 - ✓ Regulations against mining have been repealed (e.g. Rio Negro Province)

7. Conclusions

➤ Current Situation and Future Tendencies at the Mining Sector

- At the national level ~~The~~ government is supportive to foreign mining investments
- At the local level ~~Pro~~vinces are focus on joint ventures and agreement with foreign companies
- Argentina boasts a stable legal and tax framework for the mining industry, which provides very attractive tax benefits
- Mining litigation will increase based on:
 - ✓ regulations against mining
 - ✓ environmental claims