

## The milestone of Pascua-Lama



After three years of negotiations to determine how service taxes could be distributed to cover the indivisible border between Argentina and Chile, an agreement was finally reached between the two countries. This allowed the Canadian company, Barrick Gold to announce the development of its Pascua-Lama gold project, a bi-national initiative that lies right on the border between the mountain highlands of the Province of San Juan, in Argentina, and the Atacama Region of Chile.

This project marks the greatest advance made in the scope of the Treaty on Mining Integration and Complementation between the Republics of Chile and Argentina, an agreement which was signed in 1997. One point that this accord covers is that the tax payable to the two nations will be based on the origin of the ore extracted. In the case of Pascua-Lama, the site is located 75% in Chile and the rest of the claim is positioned in Argentina.

Ever since discussions began regarding the development of this project, it has been subject to differences of opinion from the authorities of both nations, especially regarding the formula for distributing tax on their services. Finally, the Administrative Commission decided to distribute the tax from this project to both countries, along with creating the necessary formula to enable them to clarify this situation. It should be recalled that the initiative has previously held environmental approvals since the year 2006.

The total projected investment of around US\$3,000 million will convert Pascua-Lama into a world class project. A percentage of income from this mine will be received by Chile and the rest by Argentina, where the process plant is located. The start-up is expected to take place late in the year 2012, to enable production to commence in early 2013, with an estimated useful life of nearly 25 years. The expected annual production is between 750,000 and 800,000 ounces of gold and 35,000,000 ounces of silver during the first five years of its existence. Total cash costs for first years are estimated to be between US\$20 and US\$50 per oz, which, if achieved, will position this project to become one of the world producers of gold at lowest cost. "This is a flagship project for Barrick", said Peruvian, Igor Gonzales, the President of Barrick Sudamérica.

This is the first project taking shape under the Chilean-Argentine Mining Treaty and opens huge opportunities for mining, given the long border of 4,000 km between the two countries, one of the most extensive in the world. The El Pachón copper initiative of Xstrata Copper would be next on the list, to be followed by a series of potential discoveries, thanks to the generous geology of the Andes mountain range.

With the recent resurgence in prices of metals, more particularly of copper, the exploration representatives in the area are beginning to pick up their scouting activities. And the Chilean-Argentine border area of the Andes mountains appears as a target with huge potential. Therefore, the many industry players will be attentive to the success of Pascua-Lama, a pioneering initiative that has stimulated development of distinct laws and varied cultures between the two different countries, to enable them to address the mining industry there.

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