

CESCO proposes legal reforms to promote mineral exploration in Chile

Specific proposals to improve mineral exploration in Chile, especially in the segment of junior companies, were presented during the first International Conference on Mining Exploration in Latin America. The Center for Copper and Mining Studies, CESCO, organized the Conference during a series of activities this week that brought the most important players in the mining world to Chile.

Cristián Quinzio, Director of CESCO, emphasized three issues in his presentation. The first, proposed modifications to the Mining Code directed at setting an effective time limit on the duration of exploration concessions, incorporating a penalty for inactivity after a determined period. These measures are aimed at preventing indefinite and unproductive control of vast extensions in the hands of a few owners. This would allow new actors to access properties productively which are, at present, limited.

Mr. Quinzio's second proposal deals with the fact that, at present, geological information gathered by companies that carry out exploration and then abandon the concession cannot be used productively by concession owners that may follow. This prevents new parties interested in the properties to benefit from the information already gathered. To stimulate exploration activity, it is necessary to make mandatory the transfer of geological information obtained as a result of mineral exploration and prospecting, as it is in other mining countries. This implies setting standards for the information that should be given to the State, as well as the periodical delivery of the information, and sanctions (fines) when these obligations are not met. The proposal is to modify article 21 of the Mining Code and regulate its application, which is not common practice at present.

Finally, the attorney pointed out that the country must have legal instruments in place, similar to those used elsewhere in the world, to ease the legal operation of exploration companies in Chile. To reach this goal, the present contract alternatives recognized by the standing mining legislation must be enlarged. This will give recognition to other contractual arrangements used globally by mining actors, such as the explicit recognition of the so-called "shared risk contract" or "joint-venture", and give them the same strength as that given to preparatory contracts by the present legislation (mainly mining options).

Juan Carlos Guajardo, Executive Director of CESCO, endorsed the need for reforms in the Chilean legal framework by pointing out the low amount of investment in exploration for new projects (greenfield) registered in Chile. This was observed even during 2007, when Chile climbed to take the 6th place of worldwide mining exploration, according to the report "Trends in Mining Exploration". This report by the Metals Economic Group was presented in Spanish during the Conference.

"The rise of Chile in the worldwide ranking as a location for mining exploration is explained because Chile is one of the most stable and proven countries for mining. This has permitted exploration around large existing deposits (brownfield exploration). However, in the exploration for new deposits (greenfield exploration), Chile occupies a position far behind. This is a matter for concern in the medium and long term." The proposed reforms suggest a way to address precisely this concern.

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