

Mining Law – Argentina

Activity in the smaller and mid-size mining sector has been somewhat disappointing in 2011 so far; however, larger mining companies and those who specialise in precious metals are seeing heightened activity. Investment in larger companies is attracting a great deal of attention causing M&A activity and strategic alliances to increase. To find out about the legal issues that surround the mining sector in Argentina, *Lawyer Monthly* speaks to Mariano Gonzalez, one of the founding partners of Argentinean corporate legal boutique, Gonzalez & Ferraro Mila.

Q Please introduce yourself, your role and your firm.

Formed in 2005 by myself and Pablo Ferraro Mila, Gonzalez & Ferraro Mila (GFM) has become one of the leading law firms in the Argentine legal market, advising foreign and local clients on M&As, general corporate law, energy and mining, corporate and structure finance and real estate. One of our major areas of expertise is to structure complex transactions within limited periods of time, preserving the quality of our work and the personal attention to our clients by designing tailor made solutions.



Mariano Gonzalez

Our working system identifies GFM as a modern law firm, with a complete knowledge of the corporate and business environments.

When we decided to established our firm, we wanted to fulfill an existing gap between the classical big international firms, and the small, local ones. Considering our past professional experience and background with large law firms in Argentina, the USA and the UK, our goal was to create a law firm able to target big international and local clients with complex work, but at the same time, with the personal involvement of our partners in all aspects of those transactions, so as to assure the quality and delivery required at all times.

Personally, I am in charge of the corporate finance and the energy and mining departments of our firm, advising both local and international companies in those sectors. I also participate in M&A, infrastructure and real estate work, although my other partners are in charge of those areas.

Q What are the common challenges faced by your clients when involved in Mining Law– e.g. too many/not enough restrictions, working conditions/strikes, poverty for workers, etc.

It depends whether your client already has a presence in Argentina (through another investment) or if it is its first investment in the country. Mining regulations in Argentina involve the observance of not only federal regulations, but also local

regulations of the Province in which the site is located. Some Provinces in Argentina are more reluctant than others to approve and grant the 'social license' to mining activities (especially those Provinces which have a strong presence of original communities). Notwithstanding that, we can say that Argentina has a very favorable set of mining regulations, including 30-year tax stability, no import taxes for goods and machinery used in the mining activities and special foreign exchange rules. In addition, it is important to mention the high standard level of workers in the Argentine mining sector and the reasonable union regulations, which contribute for foreign investors to have a soft landing in the country.

Q How has/can your firm assist the client when such challenges arise?

As described above, Argentina has a vast set of mining regulations. In addition to that, mining companies also seek advice in other important areas of the law, such as labor, corporate, tax and environmental law, which complement their activities and are of the essence in every single mining investment. Therefore, it is very important that a law firm advising mining clients (especially foreign ones) also perfectly manages those areas of the law. In our particular case, we assist our clients integrally, identifying not only the different issues they may face at a particular moment but also, by using our experience, trying to forecast all other issues that they may face in the future, during the exploration, construction, operation and extraction cycles of their projects. We usually advise our clients not only in mining law, but also in all aspects of their investments and the relationship with the community, the suppliers, the workers, the government and the tax authorities in order to be both operative and cost-efficient.

Q M&A in the mining industry is rumored to be at an all time high since the recession, is this true? If so what do you attribute this to?

Even though M&A activity in the mining sector has been very high throughout the world in the last few years, such was not exactly the case in Argentina (which had just minor direct M&A activity in the sector). However, and considering that Argentina has been historically a mining country, the development of the mining activity is quite new in terms of investments. Currently, there are over 600 mining companies in Argentina, most of them from foreign capital. In addition, between 2003 and 2010

mining investments increased more than 1,100 per cent, the exports increased 300 per cent and employment in this sector increased 130 per cent, while the increase in production was more than 320 per cent. These figures and statistics show that Argentina woke up as a major player in the mining industry during the last 8 years and the future is very promising. I think that the main reasons to that would be the increase in the price of minerals and a good country policy in terms of legislation and promotion of the mining sector.

Q What are the future aspirations and direction for your company? How do you see your practice area progressing for the rest of 2011 in to 2012?

At GFM, we are sure that our mining practice will increase dramatically in the next years and we are preparing ourselves for that. When we started the firm in 2005, just 3 per cent of our revenue came from mining related work, closing 2010 with 52 per cent out of our revenue and good client diversification. Considering that today just 25 per cent of the mining potential areas are being developed in Argentina, we think that we still have a lot of room to grow in this fascinating field of legal practice. **LM**

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