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August 2015

ANTOFAGASTA MINERALS AGREEDS TO BUY 50% STAKE IN THE ZALDÍVAR COPPER MINE FROM BARRICK GOLD

Toby Luckhurst

Cassels Brock & Blackwell LLP in Toronto and Bofill Mir & Alvarez Jana Abogados in Santiago have helped Chilean miner Antofagasta Minerals buy a 50 per cent stake in the Zaldívar copper mine in Chile from Barrick Gold for US$1 billion as the Canadian company attempts to clear its debt.

Barrick Gold hired Davies Ward Phillips & Vineberg LLP in Toronto and Carey in Santiago for the agreement, which the companies signed on 30 July. The deal is expected to close later this year.

Antofagasta will pay Barrick US$980 million in cash upon closing and an additional US$25 million over the next five years, beginning in 2016. Both companies will each nominate three members for a six-person board of directors. Antofagasta will operate Zaldívar under the supervision of these directors and appoint the first chairman of the mine's board, with the right to appoint a chairman switching between the two companies annually.

The purchase is part of Antofagasta's strategy to focus on its mining operations. In April, Carey advised Antofagasta in the sale of its water subsidiary Aguas de Antofagasta to Colombian state utilities provider Empresas Públicas de Medellín (EPM) for US$965 million, with Jara del Favero Abogados advising Aguas and EPM hiring Cariola, Díez, Pérez-Cotapos & Cía Ltda.

Partner Darrell Podowski at Cassels Brock & Blackwell explains that Barrick sold the stake in a bid to clear US$3 billion of debt by the end of the year. At the end of 2014, the company announced debt of over US$10 billion. Through this latest deal, they have cleared US$1.85 billion of that debt. Podowski says Barrick wanted Antofagasta's copper mining expertise. "Antofagasta is a big operator in Chile, and they know what they're doing. Barrick is handing the keys over to

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Carey y Cía. Ltda.
Isidora Goyenechea 2800, 43rd Floor.
Las Condes, Santiago, Chile.
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them to make the mine more efficient," he says. "This is a very lucrative mine. Historically it has been very profitable. These types of mines do not come up for sale often."

The Zaldívar copper mine is located in the north of the mineral-rich Antofagasta region on the border with Bolivia. The mine produced 100,000 tonnes of copper last year and is predicted to hold reserves of 2.5 million tonnes. Barrick received environmental approval to expand the mine in 2010 and hired Urrutia & Cía in Santiago. The Canadian company is the world's largest gold miner.

Chile produces over 30 per cent of the world's copper, but prices of copper have dropped by 27 per cent over the last year to just US$2.36 per pound. Chilean companies as a result have in recent months attempted to consolidate and stabilise their mining assets. In March, Carey helped the local subsidiary of Canada's Amerigo obtain funding to expand the world's largest underground copper mine, with Larraín y Asociados advising the lenders.

Counsel to Antofagasta Minerals

Cassels Brock & Blackwell LLP

Partners Darrell Podowski, Paul Stein, Brian Dominique, Cather Mercer and Deepak Gill and associate Andrew Spenser in Toronto

Bofill Mir & Alvarez Jana Abogados

Partners Pablo Mir, Blanca Oddó and Guillermo Fonseca and associates Heleny Caratazos, Marcos Moreno, María Ignacio Castro, Jorge Valenzuela, Pablo Gutiérrez, Felipe Allende, Joaquin Perez, Alina Bendersky, Esteban Fresno, Felipe Davanzo, Luis Alberto Cruchaga and Cristian Franetovic in Santiago

Counsel to Barrick Gold

Davies Ward Phillips & Vineberg LLP

Partners Melanie Shishler, Joshua Kuretzky, Jennifer Grossklaus, Geoffrey Turner, Sarah Powell, John Bodrug and Jim Dinning and associate Atanas Varbanov in Toronto

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Partners Francisco Ugarte and Alex Fischer and associates Jorge Ugarte, Alejandra Donoso, Isabel Espinoza, Camila Noreña, Raúl Morales, Josefina Joannon, Macarena Pivcevic, Héctor Hernández, José Tomás Barrueto, Miguel Saldivia and Tomás De la Maza in Santiago