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GOLDCORP AND TECK COMBINE ASSETS IN A USD3.5 BILLION JOINT VENTURE

Toby Luckhurst

Canadian miner Goldcorp has upped its stake in fellow Canadian miner New Gold's Chilean El Morro mine, giving it full control of the project, which it will combine with Teck Resources' Relincho mine in a US$3.5 billion joint venture.

Goldcorp hired Cariola, Díez, Pérez-Cotapos & Cía Ltda in Santiago and Canadian firm McCarthy Tétrault LLP in Vancouver for the deal, while Teck turned to Chile's Carey. The two announced the joint venture, which will temporarily be called Project Corridor, on 27 August.

Goldcorp purchased the remaining shares in the El Morro mine it did not own from New Gold before it could enter a joint venture with Teck. Cariola Díez and McCarthy Tétrault advised Goldcorp on the acquisition, while New Gold hired Bofill Mir & Alvarez Jana Abogados in Santiago. It is thought Canadian firm Davies Ward Phillips & Vineberg LLP also advised New Gold, but this could not be confirmed before publication. Goldcorp initially bought a 70 per cent stake in the El Morro mine for US$513 million from Anglo-Swiss miner Xstrata in 2010. It paid US$90 million for the remaining 30 per cent stake, and agreed to give New Gold four per cent of future gold production from the El Morro operation.

Cariola Díez partner Gonzalo Grez says the deal was made particularly complicated by the need to focus on two different transactions, both of which required complex negotiations, at the same time.

Goldcorp and Teck each have a 50 per cent stake in Project Corridor. The companies intend to build a conveyor to transport copper and gold ore from El Morro to the Relincho mine, where there is an existing crushing line mill, to break down and process the ore. Both mines are in the central northern province of Huasco and are located 40 kilometres away from each other. In a joint press release, the two

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Carey y Cía. Ltda.
Isidora Goyenechea 2800, 43rd Floor.
Las Condes, Santiago, Chile.
www.carey.cl

miners said the joint venture will cut costs and reduce their environmental footprint.

In 2014, the Chilean Supreme Court ordered Goldcorp to halt its plans to build processing facilities at the site of the El Morro mine until it carried out further consultations with local indigenous groups. Locals voiced fears the process could pollute the Huasco River watershed, a vital source of water for farmers in the semi-arid Huasco region. Aninat Schwenke & Cia helped grape producers and local indigenous peoples obtain a ruling from a Chilean environmental court last year which could see fellow Canadian mining company Barrick Gold fined up to US$145 million for polluting the Huasco valley through its Pascua Lama mining project.

Grez believes the joint venture could set a precedent for combining mining operations in Chile. At the moment there are numerous individual mines in close proximity to one another, but Grez believes companies are realising that combining their operations could maximise profits for shareholders. “There are no other combined projects of this size in Chile,” says Grez. “[but] we think other companies will do the same in the future.”

Project Corridor is one of the largest undeveloped copper, gold and molybdenum mines in the Americas. Proven and probable reserves in the project total 16.6 billion pounds of copper, 8.9 million ounces of gold and 464 million pounds of molybdenum. Teck and Goldcorp project production of 190,000 tonnes of copper and 315,000 ounces of gold each year for the first decade of the project, and a mine lifespan of at least 32 years.

Teck Resources’ Chilean subsidiary Teck CDA signed a US$525 million offtake agreement with US precious metals company Royal Gold in July. The Chilean company agreed to sell and deliver 100 per cent of the gold it produces to Royal Gold over a 40-year period. Carey and Borden Ladner Gervais LLP advised Teck CDA on the agreement, while Royal Gold hired Urenda, Rencoret, Orrego y Dörr Abogados, McCarthy Tétrault and Hogan Lovells LLP.

For the El Morro stake purchase

Counsel to Goldcorp

Cariola, Díez, Pérez-Cotapos & Cía Ltda

Partner Gonzalo Grez and associates Iván Betrand-Galindo and Florencia Hirmas in Santiago

McCarthy Tétrault LLP

Partner Roger Taplin and associates Adam Wanke, Patrick Deutscher and Maureen Gillis in Vancouver

Counsel to New Gold

Bofill Mir & Alvarez Jana Abogados

Partner Pablo Mir and associates Felipe Allende and Jorge Valenzuela in Santiago

For the joint venture

Counsel to Goldcorp

Cariola, Díez, Pérez-Cotapos & Cía Ltda

Partner Gonzalo Grez in Santiago

McCarthy Tétrault LLP

Partner Roger Taplin and associates Adam Wanke, Patrick Deutscher and Maureen Gillis in Vancouver

Counsel to Teck

In-house counsel – Peter Rozee and Nick Uzelac

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Partners Rafael Vergara and Cristián Eyzaguirre and associate Francisco Guzmán in Santiago