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OTHER FUNDS AND PROGRAMMES

UNITED NATIONS REVOLVING FUND FOR NATURAL RESOURCES EXPLORATION

Mineral Exploration in the Province of Chubut, Argentina,  
(ARG/NR/77/001): Supplementary short-term funding

Report of the Administrator

I. BACKGROUND

1. In 1977, the Government of Argentina and the United Nations Revolving Fund for Natural Resources Exploration (UNRFNRE) signed a project agreement to explore for minerals in three separate areas, all located in the Province of Chubut, and designated as: Area I, Gastre (105 sq km); Area II, Esquel-Corcovado (2,840 sq km); and Area III, Lagos Fontana-La Plata (1,880 sq km). The general objective of the project was to locate economic mineral deposits in the three areas.
2. At the conclusion of the first phase of exploration i.e., Minimum Work, in the three areas, the Fund considered that the results of the investigations at Huemules, in the northern part of Area II, were sufficiently favourable to warrant further work by the Fund. Upon completion of the detailed exploration work at Huemules prospect, the Fund determined that there exists in Area II (Esquel-Corcovado) a reported mineral deposit 1/ and the Fund specified copper, lead, zinc, silver and gold as reported minerals. Allocations totalling \$3,090,000 were provided by the Fund to complete the Minimum Work programme in all three areas as well as the detailed exploration at Huemules. Follow-up investment assistance has brought the total Fund expenditure to \$3.2 million.
3. Since the submission of the final report in 1983, there have been extensive negotiations and a number of programmes of further work proposed; to date, however, no exploration activity has taken place. It is clearly in the interest of both the

Fund and the Government of Argentina that additional work is done on the deposit as soon as possible with a view to bringing it into production. The difficulty of attracting investors in Huemules is a major disappointment to the Government and to the Fund, and is attributed in part to the world-wide prolonged depression in the mining industry, which has made mining companies even more hesitant to assume new investment risks in developing countries. Mining companies are interested mainly in those opportunities where risks are minimized and there is a relatively high level of confidence in the return of investment.

4. Proposals made by the Fund to move ahead on Huemules have included:

(a) A two-stage feasibility study to be funded jointly by the Fund and the World Bank through Banco Minero. There was apparent difficulty in obtaining funding through the Banco Minero for this purpose;

(b) Inviting international tenders. This effort, made in early 1986, was not successful;

(c) Following the unsuccessful effort of (b), a 4,000-metre drilling work programme was proposed by the Fund. Instead, the Government proposed a more comprehensive programme, as noted in paragraph 5 below.

## II. PROPOSED WORK

5. In recognition of the potential economic importance of Huemules, particularly to the Province of Chubut, the Government of Argentina prepared a comprehensive Plan to break the present evaluation and development impasse at Huemules. The Plan, prepared by the Ministry of Mines in October 1986, consists of a four-stage work programme designed to gain more knowledge of the structure of this deposit so as to increase the reliability of grade and tonnage estimates. Successive stages would be carried out only if results from the previous stage were positive. The concluding stage would be the economic feasibility study. The total cost of the Plan is estimated to exceed \$4 million.

6. The Fund has technically reviewed this Plan and finds it to be sound in its broad orientation, as it resembles the initial two-stage feasibility study proposed wholly by the Fund. It is also noted that the Plan involves a considerable amount of development work for possible production.

7. While the Government states that it is committed to provide the major share of funding resources to go ahead with the entire Plan, it prefers to attract national and international investment in this venture, recognizing that should future work indicate encouraging results through the feasibility stage, a substantial investment would still be required before a mining operation could begin. It would be to the advantage of the Government to have private sector participation as soon as possible in the additional work now being considered.

## III. FINANCIAL DATA

8. As indicated above, the entire programme envisaged by the Government of Argentina is estimated at more than \$4 million. The programme is to be phased, with the first stage to cost approximately \$1.2 million. The Fund contribution of \$375,000 will be applied to the first stage expenditures, to be used primarily for drilling and foreign currency expenses.

9. On 11 March 1987, the Administrator approved the allocation of \$375,000 under the supplementary short-term funding authority, as provided in Governing Council decision 81/8, paragraph I-2. The financial assets of the Fund are adequate to meet the increased allocation.

Notes

1/ Reported minerals and reported mineral deposits are defined in Section 3.05 of the project agreement signed on 28 October 1977. This reported mineral deposit is identified as the mineralization investigated by the Fund and described in detail in the final report, part 2 (April 1983).

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