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## VENEZUELAN GOLD INDUSTRY REPORT

### I. INTRODUCTION

Venezuela became one of the world's major gold producers when stamp milling was introduced late in the last century in the El Callao area, a small portion of an extensive greenstone belt located in the Venezuelan Guayana. Production peaked in 1885, when 8,193 kg of gold were produced in Nacupay, Panama, Mocupia, Potosi, and El Callao mines, with grades often surpassing 1.5 oz/tonne.

In 1924 cyanide and flotation processes were introduced in Venezuela, and output from the area (Chile vein and Union mine) peaked at 4,566 in 1940. However, in 1926, oil production became the primary source of income in Venezuela, and so mining, as well as other sectors of the national economy, became progressively of less interest. In 1945, a new mining law was decreed, establishing a 60 percent income tax rate to mining activities, which prevented any new significant investment in mining, including gold, until recently.

The steps towards developing the country's gold potential are well under way. A new Income Tax Law (passed by the Venezuelan Congress in 1991), states that foreign and domestic entities (including branches, joint ventures and subsidiaries) are given the same tax treatment under Venezuelan law. The new Tax Law slashed taxes on mining activities from 60% to 30%, a rate considered internationally competitive. A new Mining Law has been in consideration in the Venezuelan Congress since 1983 but is not expected to be approved before last quarter of 1994.

Gold production in Venezuela has soared at least ten fold in the last five years. According to the last Consolidated Gold Fields evaluation, since 1988 Venezuela has been the 10th largest Western world producer and has one of the highest positive growth rates among South American countries. However, actual production bears no relation to its world class potential.

### II. FOREIGN INVESTMENT

In Venezuela any individual or company, foreign or national, may own a gold mining concession. The mining sector has been declared a national priority for foreign investment promotion in Venezuela.

Venezuela's mining sector has been in a transition period for the past several years. Between irrational and rational exploitation, between the chaotic proliferation of small mining operations that cause enormous environmental damage and the orderly development of ecologically-sound mining programs.

Today, extensive improvements in infrastructure have improved

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