

ERITREA

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After fierce fighting on all fronts last year, Eritrea and Ethiopia signed a peace agreement in Algiers in April 2000. The peace process is advancing towards bringing a lasting peace. Both governments agreed to re-deploy their forces beyond the UN controlled 25-km wide Temporary Security Zone. The border and compensation commissions were established and started their work.

Despite the war some economic activities were going on effectively. There were substantial achievements in the infrastructure sector. Roads were constructed in different parts of the country, including the 600 km long road that connects the port cities of Massawa and Assab; electrical network connection among major cities and their offshoots were completed and direct telecommunication lines installed in the major towns of the western region.

Recent developments in the peace process has prompted the reactivation of most mineral projects. Sanu Resources and Nevsun Resources are considering launching an aggressive exploration including drilling. Both signed exploration agreements with the Ministry of Energy and Mines (the Ministry) last year. Sanu has reported the identification of 13 target areas in its Guluji and Fancob properties, in the southwestern part of the country, with promising assay results for gold mineralisation. Similarly, Nevsun has recommended a number of areas for further follow up on all its properties located northwest of Akordat.

Phelps Dodge Exploration Corp., after evaluating its exploration efforts at its Debarwa and Medrizien concessions, decided to transfer its rights to a junior company. Maiden Gold NL, an Australian

listed company, and Africa Wide Resources registered in the British Virgin Islands, jointly offered to acquire the Phelps Dodge properties and concluded a preliminary agreement. The jointly formed company is planning to sign a formal agreement with the Ministry for the grant of an exploration licence including the Adi Nefas property, which was previously held by Normandy La Source. A comprehensive work programme has been submitted, which incorporates a feasibility study for the Adi Nefas gold mineralisation. All three properties have potential for gold and base metals, (mainly copper, zinc and lead).

Based on the known reserves, a preliminary economic evaluation of volcanogenic massive sulphide deposits around Asmara was carried out. The different scenarios examined revealed that the Debarwa north main zone orebody and Adi Nefas on their own are only marginally economic because of their size. Combined development would yield the best return. Future exploration activities will focus primarily on finding additional tonnage.

Negotiation between the Ministry and an American company CMS Oil and Gas to explore for oil and gas, in a block known as Defnin consisting of offshore and onshore areas north of 16° N Latitude, was concluded recently. The formal agreement will be signed soon. Anadarko Petroleum Corp. was awarded licences in the blocks known as Zula and Edd in September 1995 and September 1997 respectively. Exploration included aeromagnetic survey, seismic survey (4,000 line km), and gravity surveys, and drilling (three wells). From the drill wells, significant oil and gas shows and good source rocks were recorded. However, Anadarko and its partners relinquished the two blocks on December 31, 1999.