

HONDURAS

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Honduras, one of the least developed countries in the Western Hemisphere with 6.3 million people and a GDP of about US\$10 billion, needed assistance even before Hurricane Mitch, which has had lingering after-effects. Some 80% of the population live below the poverty line and considerable loans from the World Bank and other donors like Japan announced this year will no doubt prove very useful. The maquila sector has probably displaced both coffee and bananas as the ranking earner of foreign currency, and trade with Europe is outpacing that with the US. The government is encouraging foreign investment and mining may help bolster the economy.

Honduras hosts numerous mineral systems which occur within a geologically favourable zone. It contains a rich diversity of mineral deposits thanks to the eastward migration of the Caribbean tectonic plate which created a series of elongate, intercontinental basins and consequent sediment deposition. Honduras has produced mainly lead and zinc with ancillary copper, gold and silver, as well as minor amounts of cadmium associated with the zinc, a little antimony, and some opals. Industrial minerals include gypsum and marble, largely for export, and salt in the Choluteca district. Local limestone is used by Cementos de Honduras and Industria Cementera Hondurena, with capacities of 600,000 t/y and 450,000 t/y, respectively. Cemento Progreso at San Miguel is expanding production to 2.5 Mt/y.

A number of mining companies have been working in Honduras, although some have fallen prey to modest metal prices. Geomaque Explorations has had the first gold pour at its Vueltas del Rio mine and expects to produce 56,000 oz gold this year at a cash cost of about US\$200/oz. Mining began in December 2000, and as of late February

contained gold in the first four benches of ore mined was 39% higher than expected. Geomaque began a series of diamond drilling programmes in 1997 that by late 1998 identified over 800,000 oz in resources. A positive feasibility study was completed in November of that year with 410,000 oz of gold in the proven and probable reserve categories. A preliminary shallow drilling programme at the El Zapotal exploration target 2 km west of Vueltas del Rio intersected significant gold, lead and zinc values over mineable widths with positive results from trenching.

First Point Minerals is increasing its interest in the Cacamuya gold/silver project. The company announced that its partner, Breakwater Resources, will not be participating in the next exploration programme and so First Point will increase its interest to 75%. The next US\$500,000 programme will include surface mapping and trenching followed by RC drilling to increase its interest. Cacamuya was discovered by the former Battle Mountain-Breakwater joint venture, with significant gold-silver mineralisation drilled at two targets. At one, Cerro Chachagua, results included an intersection with an estimated true width of 6.2 m grading 104.7 g/t Au and 743 g/t Ag.

Operating earnings at Breakwater Resources' El Mochito mine were US\$1.6 million in 2000 compared with US\$4.6 million in 1999. The reduction in earnings was due primarily to lower realised metal prices. During the latter part of the year, two diamond drill holes intersected 12.5 m averaging 7.7% Zn, 9.9% Pb, 0.7% Cu and 181 g/t Ag, and 3.8 m averaging 6.4% Zn, 3.4% Pb and 74 g/t Ag, which all indicate the presence of a potential new ore zone.

Commercial production began in January this year at Glamis Gold's San Martin mine about 112 km north of the capital Tegucigalpa. Gold production is exceeding the design feasibility level of 85,000 oz/y and it is in the process of increasing annual production to over 110,000 oz. January saw the mine produce a total of 10,900 oz at a total cash cost of less than US\$120/oz, with just over 1.65 Mt at 0.93 g/t being mined compared with the 1.73 Mt of 0.86 g/t ore predicted.

Maya Gold is a junior exploration company involved in a strategic alliance with Billiton. It holds three exploration concessions in Honduras which cover about 48,600 ha within a highly prospective geologic terrain. Maya has conducted early reconnaissance exploration on these properties, which has led to the successful discovery of two significant targets: a copper/gold deposit, Los Lirios, and a potential epithermal precious metal deposit, Rio Rico. Further exploration will focus on them. Billiton signed the letter of intent with Maya in 1999 in relation to Maya's El Triunfo copper-gold property and under the terms of a proposed option and joint venture exploration agreement, subject to due diligence and approvals, Billiton was to complete a private placement financing in Maya for a total investment of C\$750,000. Billiton would acquire an option to earn a 51% interest in Maya's El Triunfo exploration property by spending C\$2.25 million over a period of three years and thereafter may elect to earn a further 19% in the venture through

financing the development of projects identified under the agreement. The initial work programme, to be managed by Maya, will consist of drill testing the Los Lirios porphyry prospect.

Standard Mining has had initial trenching results from Zopilote that have been very encouraging. They are very similar in grade to those previously sampled on the Main and Zopilote zones where a gold resource of 10,537,000 t grading 1.32 g/t for a total of 446,000 oz has been outlined by drilling. The host rock is similar in all areas. Standard's Zopilote property lies along the developing Motagua Gold Trend as presently defined by the Zopilote, Vueltas del Rio, San Andres and Cerro Blanco gold deposits. The property location, which is close to San Pedro Sula, the country's second largest city, is a positive aspect for property development and convenience of operation.

Honduras depends on imported petroleum products for domestic consumption, but there are several undeveloped oil basins with 500,000 bbl of oil produced annually by Texaco near the Mosquitia coast. Texaco will handle the importing of fuel through Puerto Cortés, the principal Caribbean port, the first of a series of concessions to private operators by the state-run port authority. There has been active seismic exploration and increased gas extraction by the petroleum industry with production at 19,545 bbl/d.