

## EL SALVADOR

*By Laurence Curtis*

**D**espite the fact that El Salvador was rocked by several severe earthquakes in early 2001, the economy and political situation remain stable. The present government is committed to free-market reforms and inflation has been shrinking. Progress is being made between El Salvador and its neighbours to streamline trade. However, El Salvador has been unable to negotiate a free trade agreement with the US, its largest trading partner. El Salvador continues to score highly in economic risk, relative to its Latin American peers, and now stands equal with Canada and Chile in ranking (2000 Index of Economic Freedom, the Heritage Foundation). El Salvador has maintained a 1.8% inflation rate (1990 to 1999) and sustained a GDP growth rate of 3.2%. From a mining perspective there is no restriction on repatriation of capital, and corporate tax is maximised at 25%. In 2001, the economy will be dollarised whilst maintaining parity with the colon. This is part of a long-term strategy aimed at reactivating the economy and enhancing long-term investment and growth prospects.

El Salvador has an excellent mining code which was implemented in 1996. Throughout 2000, representatives from local Chamber of Mines have been working with the Director of Mines to ensure that the existing royalties are competitive with those in neighbouring Honduras and Guatemala. Although the country has in the past seen production from gold and gold-silver mines, more recent activity has been restricted to exploration by only a handful of companies.

The project closest to production remains Dayton Mining's El Dorado near Sensuntepeque, central El Salvador. Previously explored between 1993 to 1999 by Mirage Resources, this property became Dayton's via a merger with Mirage which was consummated in 2000. Dayton immediately

commenced a 3,725 m confirmatory and in-fill HQ core-drilling programme on the Minita vein system at the centre of the El Dorado property. This drilling was completed in order to raise confidence in the reserves. Prior to the in-fill programme, the total resource was estimated at 3.933 Mt containing 867,800 oz gold and 6,501,200 oz silver at grades of 6.86 g/t Au and 51.4 g/t Ag. The 2000 in-fill drilling programme allowed the conversion of 880,000 t of drill indicated resource to a probable reserve of 358,500 oz gold at a grade of 13.0 g/t gold equivalent. Dayton is intending to proceed with a feasibility study based upon an underground mineable resource at a 6 g/t cut-off. Dayton has outlined resources in only three of the 35 veins known to host mineralisation on the El Dorado property.

Brett Resources continued evaluation of its five exploration licences in eastern El Salvador. Following disappointing results on the Tinta Amarilla concession, Barrick Gold withdrew from its option with Brett.

Commerce Group's San Sebastian operations are currently on care and maintenance due to low gold prices. The San Sebastian District remains a focus of exploration, currently being carried out by Intrepid Minerals and Brett Resources.

Intrepid together with Montana Gold Corp. (a subsidiary of Francisco Gold Corp.) continued to evaluate their five concessions to the west of San Sebastian. These now total over 200 km<sup>2</sup> and include three former gold-silver producers. IP/resistivity surveys plus sampling and mapping were completed over the Virginia-Agua Caliente-Los Encuentros zone and on the Hormiguero concession. Gold values ranging up to 18 g/t over 3 m, together with anomalous Sb, Hg, Cu, Bi, As and Te, are associated with these structures. On the Hormiguero project, five epithermal

targets are now drill ready, including several 1 km-long bulk-tonnage targets as well as bonanza-vein systems.

In the Metapan District, Intrepid completed Phase II of its drilling on the Aldea El Zapote project, confirming the existence of a high-grade breccia-hosted silver-zinc system at Cerro Colorado III. In addition, Intrepid carried out further surface work on the Carolina skarn target which now measures 1,000 x 200 m. The Carolina zone is delineated by anomalous values of silver, zinc and lead that are comparable to those at Cerro Colorado III and are associated with an

intrusive-limestone contact. In February 2001, Intrepid announced that Apex Silver Mines had optioned the Aldea El Zapote project. Apex can earn a 60% interest by spending US\$400,000 on exploration and funding Intrepid with US\$200,000 as a private placement.

Cementos De El Salvador (CESSA) continue to source limestone from Intrepid's Aldea El Zapote concession to support its 2,000 t/d cement operation in Metapan. CESSA is the largest industrial mineral consortium in El Salvador.