

GUATEMALA

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Guatemala may have the largest economy in Central America, but it faces numerous economic and social challenges, difficult legacies from a civil war that ended in 1997 after 36 years. Central America's worst drought in ten years has also hit Guatemala the hardest. Half of all children are chronically malnourished and 75% of the 11 million population live in poverty. The UN World Food Programme is going to announce a US\$4.8 million emergency programme to ease the situation especially for the country's youngest.

The government faces many allegations of corruption and the US has revoked the visa of a former Guatemalan intelligence chief widely considered influential in establishment circles. Crime has become particularly worrisome and in February Lizardo Arturo Sosa Lopez, the head of Guatemala's central bank known as Banguat, was kidnapped outside his home in the capital. As well as governor of the Guatemalan Central Bank, Sosa is the head of the country's monetary board in charge of banking and monetary policy.

Alfonso Portillo, who was inaugurated as President in January 2000, has tried to reduce the fiscal deficit with some tax increases, spending cuts, and privatisations. Lower international coffee prices have been painful in the significant coffee sector and could mean unemployment for some 120,000 of 800,000 coffee workers. The minimum wage was raised 16% in January 2001 which may soften the blow, but also fuel inflation. Congress approved legislation in December 2000 to allow foreign currency denominated salaries, bank accounts, and financial instruments as of May 1 2001, which might prove helpful. Other helpful developments include the Mexico-Northern Triangle free-trade agreement with Mexico, El Salvador, and Honduras that went into effect on March 15 2001, and also NAFTA

parity for clothing exports in October 2000, as part of the Caribbean Basin Initiative.

Exploration brings other interesting developments. In Guatemala's Peten wilderness north of the famous ruins at Tikal an archaeologist from the University of New Hampshire, William Saturno, has just discovered the oldest intact Mayan mural depicting the corn god. On the mining front, too, exploration continues. The Buena Vista nickel project was initiated in 1998 by Chesbar Resources Inc and its joint venture partner in Guatemala, Intrepid Minerals Corporation. Located in eastern Guatemala, the project comprises six exploration licences covering over 96 square miles owned by Minera Mayamerica in which Chesbar Resources has earned a 70% interest. Work by Chesbar has been concentrated on two properties, Sechol and Marichaj; test pits and assaying samples have confirmed resource calculations of previous owners. With new management and financing, Chesbar is optimistic and has been investigating extraction technologies. Nickel deposits occur within east-west ultrabasic intrusive rocks in the southeastern part of the country. One of the deposits was developed by Inco Limited in the 1970s and was briefly brought into production.

Radius Explorations Ltd. has focused attention for the past two years on central Guatemala and has generated numerous gold discoveries through prospecting and stream sediment sampling. Last year Radius Explorations formed an association with the South African major Gold Fields Ltd; Gold Fields became a significant shareholder of Radius and also entered into a letter of intent concerning a joint venture on a portion of Radius Explorations' holdings in Guatemala. On December 1st 2001 Gold Fields took over as operator of the Bella Vista, Tambor and Tierra Blanca Prospects. The exploration

programme on these prospects continued with a smooth transition.

The Bella Vista Project is located 15 km north of Guatemala City and 8 km west of the Tambor Project. Radius discovered the prospect in 2001 and completed an exploration programme that included the establishment of 100 line-km of grid and soil sampling. During 2001 Radius also completed a detailed surface exploration programme on the Tambor Gold Project located one hour north of Guatemala City. A series of gold anomalies along a 6 km trend hosted by metamorphic schists was investigated. Hand trenching indicated targets worthy of drilling and a total of 30 reverse circulation and diamond drill holes were completed on three zones. Drilling on the Sastre and Bridge Zones was largely disappointing. However, subsequent analysis at Sastre suggests that the target was not sufficiently tested by the drilling.

The Lupita Zone holes cut significant mineralised intervals in three holes including 1.22 g/t Au over 135.6 m, 2.1 g/t Au over 25.9 m and 1.91 g/t Au over 29.0 m. The gold mineralisation was found to be structurally complex and Gold Fields is re-evaluating the zones and data sets and will implement the necessary work programmes. The Tierra Blanca Project is located 20 km north of Guatemala City and encompasses a strong gold in rock anomaly within limestones and phyllites. The zone has been traced for 3 km in an east-west direction by widely-spaced-rock chip sampling. The mineralisation is epithermal in nature and differs from the mesothermal mineralisation found at Bella Vista and Tambor. Gold Fields has hired additional staff to advance the Tierra Blanca to the drill stage.

Glamis Gold Ltd announced in March that it will acquire all of the issued and outstanding shares of Francisco Gold Corp.; it is optimistic about the merger and sees a plus-million ounce potential at the Marlin project in western Guatemala. Francisco Gold Corp. received the first set of assay results from the

diamond drilling programme completed last December for the gold-silver project. The latest drilling extends mineralisation on the main zone 150 m further to the west. Drilling at Marlin was scheduled to resume in February. In addition, last December Francisco's geologists discovered a new gold prospect 7.5 km southeast of Marlin, called 'Los Chocoyos'. The prospect is an epithermal low-sulphidation mineralised system that shows striking geological similarities to Marlin. Los Chocoyos covers an area 200 m by 600 m and contains numerous quartz veins and stockworks hosted in strongly argillised volcanic rocks. A preliminary, widely distributed, rock-chip sampling-programme has returned gold grades up to 3.5 g/t Au with greater than 25% of the samples collected exceeding 0.25 g/t Au. A follow-up detailed mapping and channel sampling programme is under way.

Guatemala has been the third largest producer of antimony in Latin America after Bolivia and Mexico. Antimony ore and concentrates have been produced by Minas de Guatemala from several mines at Ixtahuacan in the west. Output from the industrial minerals sector differs greatly from year to year. Various industrial minerals such as gypsum, barite, talc, feldspar, salt, limestone, clays, sand (including silica sand) and gravel are produced, often for domestic use. Marble from white through green is exported abroad, especially to Colombia. Volcanic production of pumice and volcanic sand, ash, basalt, or andesite is used for construction, industry, and agriculture. Jade is also found. Cement consumption tends to exceed local supply with imports of up to 40,000 t/y. Cementos Progreso has two plants and a 1.4 Mt/y capacity; expansions at its San Miguel plant have helped increase production.

Since Guatemala is the only oil producing country in Central America, its reserves estimated at 526 million barrels in the northern Peten jungle region near Mexico's Tabasco formations have created some interest and the government has been opening areas for

bidding. Production is in the region of 20,000 bbl/d and was expected to increase to 22,000 bbl/d by the end of last year.

Basic Resources International, a subsidiary of US based Anadarko, is the largest oil producer and also operates a mini-refinery (2,000 bbl/d) in Peten. Anadarko bought the former parent company of Basic, Union Pacific, in 2000 and two years earlier Union Pacific had acquired Xan field, the country's largest producing field through its acquisition of Norcen Energy Resources of Canada. Texaco operates the Escuintla Refinery plus gasoline stations and has a large downstream presence. Nevertheless, national consumption exceeds domestic production and refining capacity, so Guatemala is a net importer of petroleum and

receives a share of reduced price oil from Venezuela and Mexico as part of the San Jose Pact; the Caracas Energy Accord signed in October 2000 provides additional reduced price Venezuelan oil.

Some significant natural gas reserves may exist, but proven ones are small (109 billion cubic feet of estimated natural reserves) and the country has not been fully explored. Guatemala and Mexico have signed a protocol for the construction of a natural gas pipeline from southern Mexico to Guatemala which will cost an estimated US\$450 million, be completed by 2004, and possibly extend to other Central American countries. Cayman International's (Ecuador) Ramrod subsidiary is investing US\$40 million to drill five exploratory natural gas wells in Peten.