

PARAGUAY

By Gerald M. Ellis

Paraguay is a country with no mining tradition but the government is supportive of mineral ventures and in a bill to be sent to Congress for approval shortly, a number of reforms to the existing mining legislation are proposed that are designed to encourage foreign investors. According to Antonio Servin, Deputy Minister, Energy and Mines, the sector is developing well and the prospects for some minerals, including diamonds, are good. Rex Mining is active in diamond exploration and another Canadian company, Morrison Mining Co. is searching for gold, as well as hydrocarbons. There has also been some exploration activity for cobalt, nickel and silver.

It is not all positive news, however. In April 2001, it was announced that Newmont Overseas Exploration Ltd was withdrawing from exploration in Paraguay and that it was terminating its option agreement with the Canadian junior, Yamana Resources, in respect of gold exploration over the Sapucaí alkaline igneous complex. Newmont's decision was based upon the results of an 11-hole, 2,724 m diamond-drilling programme (nine holes near Sapucaí) and two holes in the nearby Guazacua area. Newmont's withdrawal marks the end of a concerted two-year exploration effort to define and test gold targets at Sapucaí.

In a 1997 drilling campaign at Sapucaí, Yamana drilled Paraguay's first-ever bedrock gold, hitting high grades at shallow depth in a fluorite-bearing breccia. The company intersected 16 m at 2.48 g/t, including 2 m at 6.72 g/t Au. At first, Newmont geologists believed that the Picual breccia was part of a much larger intrusive complex, largely concealed by old lava flows and other cover rocks. Newmont's work generally confirmed the conceptual model, but its drilling found that gold did not extend to depth, possibly because the high-level, gold-rich parts of the alkaline

complex have been removed by erosion. Yamana will continue to examine on a low-priority basis, the extensive regional data package assembled by Newmont, in order to determine whether less eroded gold targets can be defined outside the Sapucaí area.

Sapucaí is located about 100 km east of Asunción and Yamana made the original discovery. When Newmont became the joint venture partner, extensive regional and detailed geophysical, geochemical and geological surveys were undertaken. The underlying intrusives are locally rich in sulphide minerals with geochemical soil surveys showing strong gold and fluorine anomalies clustered above these buried sulphide zones. It was thought that these anomalies could represent leakage through the fractured and broken cover rocks.

In the hydrocarbons sector, Morrison Mining Co. Ltda. (MMC) was granted prospecting rights last November to search for oil over the Boqueron Block. A concession law application to Congress was also being prepared at year end for submission by MMC in early January 2002. This concession law, once granted, will give MMC the right to continue with prospecting and to enter into exploration and exploitation stages under Congressional law status. Later, in February 2002, it was reported that negotiations were underway for a joint venture between local operator Primo Cano Martínez and MMC.

Separately, following production tests on the Independencia No.2 well, Primo Cano Martínez intends to drill four shallow 600 m holes in Middle Devonian/Givetian rocks in the Gabino Mendoza Block in the Carandaité sub-basin.

During 2001, the Paraguayan petroleum refinery continued to import crude from various producing countries.