

GUATEMALA

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In December Congress approved a measure that allows dollars to be used alongside the quetzal, but the trend towards dollarisation does not cure everything, just as the peace accords have not quite transformed Guatemala from a war-torn country run by the military into a harmonious civilian one. The original deadline for their implementation was December 2000 and this was postponed, perhaps optimistically, until 2004. President Alfonso Portillo has not been able to keep up his promises and there is some political stress, with accusations of fiscal improprieties aimed at the government and the Guatemalan Republican Front (FRG) deputies. The armed forces have taken on crime-fighting again and have been patrolling with the weak police force. An attempt to increase tax revenue from 9% of GDP to a planned 12% by 2002 has also failed. Fortunately Guatemala is blessed with a diverse regional geology and as the only oil-producing country in Central America has the largest economy in the region.

Guatemala has proven oil reserves estimated at 526 Mbbl, mainly concentrated in the northern Peten jungle region and the government has been opening areas for bidding. Union Pacific acquired the largest producing Xan field in 1998 through its acquisition of Norcen Energy Resources of Canada. While the country's production has been in the 24,000 bbl/d range, it hoped to reach 40,000 bbl/d last year. Refining capacity is 20,000 bbl/d which Guatemala wants to increase in anticipation of increased crude production. Basic Oil (acquired by Norcen) had started a small refinery in the Peten area to produce asphalt, diesel fuel, distillate fuel oil, kerosene, and naphtha. While some significant natural gas reserves may exist, proven ones are small (3.08 billion m³ of estimated natural reserves) and the

country has not been fully explored. Last December Guatemala and Mexico signed a protocol for the construction of a natural gas pipeline from southern Mexico to Guatemala which will cost an estimated US\$350 million, be completed by 2004 and possibly extend to other Central American countries. Privatisation of state-owned electric companies has also begun and since the country relies heavily on hydro-electric power, the planned connection with Mexico's electricity grid and the SIEPAC project with the five other Central American nations should also improve existing systems.

The mining sector has been growing over the past decade with consistent activity by a number of companies. Nickel deposits occur within east-west belt of ultrabasic intrusives in the southeast of the country. One of the deposits was developed by Inco in the 1970s and was briefly brought into production. The Buena Vista nickel project was initiated in 1998 by Chesbar Resources and its joint venture partner in Guatemala, Intrepid Minerals. In May 1999 the joint venture agreement was amended to permit Chesbar to increase its interest from 50% to 70% by spending money on the nickel project. To date, work by Chesbar has been concentrated on two properties, Sechol and Marichaj, and has consisted mainly of digging test pits and assaying samples from them, which have confirmed the resource calculations of previous owners. Chesbar has concluded that there is potential to establish substantial reserves on its properties and has been investigating technologies available to extract their nickel and cobalt.

Last November, Aquest Minerals completed evaluation of the Phase II drill results from the Anabella Project in western Guatemala. The drilling tested major geochemical anomalies to the east of the deposit for their potential to

host ore-grade gold mineralisation, but the results were disappointing and the company decided that the project would not reach the critical number of ounces needed to justify its acquisition. A month later, however, Aquest announced that a letter of intent had been signed to acquire a 100% interest in a 30.3 km² concession hosting significant gold mineralisation, which will be the focus of the company's attention this year after completing the final agreement.

After the success of the trenching programme at the Tambor gold project, Radius Explorations has extended its exploration programme to cover a belt of prospective metasedimentary rocks to the west of Tambor. Gold in stream sediments and follow-up prospecting and rock sampling have identified two new target areas. At the San Pedro prospect, 10 km west of Tambor, rock and stream sediment sampling has outlined an area of 3.0 x 2.5 km with strongly anomalous gold values. Gold mineralisation is hosted in massive silica bodies and altered phyllites of the El Tambor Formation. At the Cerro Apazote prospect, 16 km west of Tambor, streams draining a broad, north-trending ridge of argillic and carbonate-altered phyllites returned strongly anomalous gold values. The company has obtained rights to the Tierra Blanca property which is to the north of Cerro Apazote and occupies an east-west trending ridge that follows the trace of the Montagua Fault Zone. The agreement calls for property payments of US\$1 million over four years with a 2.5% NSR to the property owner. Rock sampling by previous owners had returned multi-gram gold values over an area of 1.5 x 1.0 km.

Francisco Gold released results from recent drilling on its Marlin gold/silver property, where ten holes encountered significant mineralisation. Gold equivalent highs include 3.0 m of 84.0 g/t over 18.0 m, and 21.0 m of 3.35 g/t in a 90.0 m section of 1.52 g/t. Last year Glamis Gold released an estimate for the Cerro Blanco deposit; using a cut-off grade of 0.3 g/t Au, the resource is estimated at 2.6 Moz grading 0.96 g/t Au. Measured and indicated resources total 54%, while 46% is inferred. At a 1.0 g/t Au cut-off grade, the resource totals 1.2 Moz at 1.97 g/t Au. Initial testing indicates gold and silver recoveries of 85% and 78% respectively.

Guatemala has been the third largest producer of antimony in Latin America after Bolivia and Mexico. Antimony ore and concentrate 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. Production of pumice and volcanic sand, ash, basalt and andesite are used for construction, industry, and agriculture. Jade is also found. Cement consumption tends to exceed local supply with imports 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.