

DOMINICAN REPUBLIC

By Gerald M. Ellis

The year 2001 was considered favourable for the Dominican Republic as regards foreign commerce and trade negotiations. Treaties with the countries of the Caribbean Economic Community (Caricom) were established and negotiations reached an advanced stage with the Latin American Trade Organisation. Positive results were forthcoming during meetings with the World Trade Organisation where approval was gained in preferential arrangements for banana quotas, and in the free industrial zones the periods for benefits were extended. The economy was affected following the September 11 attacks, with fewer tourists and reduced remittances from Dominicans living abroad.

This year, the economy is expected to improve as the results of the negotiations with Caricom and other nations begin to bear fruit. President Hipolito Mejia has concentrated on fiscal and monetary policies, has made efforts to combat inflation, and has increased tax revenues. European, as well as US and Canadian investors, continue to recognise the country's growth potential, and notable advances have been made in the construction of hotels in tourist areas by Spanish and other European entrepreneurs.

Mining Sector

In the mining sector, one of the more significant developments was the decision in mid-October by the country's most important mineral producer, Falconbridge Dominicana (Falcondo), to close its nickel mining and processing operations for three months because of low metal prices and high energy costs. The closure was scheduled to take out of production about 8,000 t of ferro-nickel. Personnel were retained during the shutdown and deployed on maintenance work. Falcondo has six nickel laterite mining operations and production costs for nickel contained in ferro-nickel are reported to around US\$2.78/lb.

Production capacity is 32,000 t/y and the final product is exported to Europe, Japan, Korea and North America.

Shortly before the closure, the directors warned that the three-month shutdown might have to be extended as there was no evidence of improvement in nickel demand by the stainless-steel industry. However, at the end of the year Falcondo reported that mining and smelting operations would resume at the end of January, 2002. The price per barrel of oil was about US\$1.00/bbl lower than the price prevailing prior to the three-month closure, and this lower oil price would bring production costs down to about US\$2.00/lb. Production in 2001 totalled 2.76 Mt of ore at an average grade of 1.21% Ni. Output of nickel contained in ferro-nickel was 21,779 t compared with 27,800 t in 2000. Production for 2002 should be higher as only one month of lost production is anticipated as compared with two months' lost output in 2001.

Low metal prices during the year contributed to a US\$23.9 million loss for the third quarter compared with earnings of US\$55.1 million in same period a year previously. The fourth quarter showed a loss of US\$17.5 million compared with a profit of US\$13.6 million for the same period in 2000.

Falcondo's Canadian parent, Falconbridge, has been active in the country since the mid-1950s and has been mining nickel since 1972. During the 1990s the company undertook a very dynamic minerals exploration campaign in the country, concentrating on precious and base metals outside its principal concession area, but decreased this activity towards the end of the decade.

Energold Mining Ltd, a Canadian company, has a number of exploration concessions, including: Longyear, an oxide gold deposit

located 3 km from the Pueblo Viejo gold deposit; Los Pedregones, an epithermal deposit with several zones of high-grade gold and silver; San Antonio, a volcanic massive sulphide showing a 7 km long geochemical anomaly; Rey Midas, an epithermal gold deposit on the same geological belt as Pueblo Viejo; and Majagual, a copper-gold porphyry ready to be drilled.

During 1999, Energold was in joint venture on some of the above areas with Atna Resources Ltd and with Impact Minerals International Inc., both Canadian firms. Energold's strategy has also been to hold a large land position adjacent to Pueblo Viejo, and it has optioned part of this ground to Exploration & Discovery Latin America Inc. (E&D), now a subsidiary of Dublin-based Minmet plc. E&D has developed a new geological model for the Pueblo Viejo mineralised belt and has secured 100% control over 23,650 ha and an option to acquire a further 27,700 ha. A number of drilling targets have been identified with the focus on two concessions 100 km east of Pueblo Viejo, El Brujo and La Bruja. The former is now being fast-tracked under an option agreement with Impact Minerals. Soil sampling has defined an extensive copper-molybdenum anomaly and rock-chip samples have returned values of up to 12 g/t Au. All told, E&D has options on nine exploration concessions owned by either Energold or Impact Minerals.

Sarmin Exploration is a private Ontario company with an exploration portfolio in the Dominican Republic. It joined forces with Boreal Exploration to undertake exploration on former Falconbridge concessions and now owns Corporacion Minera Dominicana (CMD), a former Falconbridge subsidiary which holds a 100% interest in nine concessions covering 300 km². Boreal changed its name to TGW Corp. and has budgeted some US\$700,000 to explore the CMD concessions.

Interest is centred on the Managua concession which hosts the Cerro Kiosko deposit containing 4.9 Mt averaging 1% Cu,

2.0 g/t Au and 5.0 g/t Ag. In the Rincon Abajo concession, the Doña Amanda deposit contains 45.5 Mt at 0.45% Cu and 0.14 g/t Au. At the Doña Loretta prospect there are values of 2.03% Cu and 0.3 g/t Au over 24 m. In the Trinidad concession (formerly Guaymarote) a zone measuring 1.5 km x 3.5 km contains a prominent gold anomaly. Managua, Rincon Abajo and Trinidad are three contiguous concessions comprising an important hydrothermal system in the Los Ranchos Formation and are located some 50 km east of Pueblo Viejo. Doña Amanda was discovered by drilling 11 holes and, for 2002, a second drilling stage is being prepared to test a series of IP anomalies that extend along a strike length of 4 km. Supergene copper-gold mineralisation overlies a low-grade primary copper sulphide zone in epithermal veins in dacite porphyry and tuff.

A number of industrial mineral 'parks' have been created in the Dominican Republic by the National Council for Mineral Development and the Directorate General of Mines for the purpose of developing and exploiting non-metallic deposits that can be made available for export. Products could include bauxite, calcium carbonate, limestone, dolomite, marble, silica, clays and shales suitable for ceramics, and aggregates. Cemento Andino, is already using the port at Cabo Rojo to import equipment for construction of infrastructure. Other companies involved in the initiative include Exportadora Lecanto and Exportadora Bauxita. To date, most industrial minerals are consumed internally.

Government Initiative

When President Mejia created the Council for Mineral Development, he entrusted the Mining Corporative Unit and the General Directorate of Mines to initiate steps to privatise several 'Fiscal Reserves' for exploration, and the Pueblo Viejo sulphide zone deposits, through an international bidding process. The Fiscal Reserves, designed years ago for exploration purposes, were offered at various locations: Ampliacion Pueblo Viejo, north of the main Pueblo Viejo gold deposits, cover 5,400 ha;

Neita, near the border with Haiti in the province of Elias Piña, covers 25,221 ha and possesses gold, silver, copper and zinc mineralisation; Sabaneta, in the provinces of Dajabon and Santiago Rodriguez, covers 55,720 ha, and has gold, silver, copper and zinc potential; La Cuaba, in Villa Altagracia, covers 4,857 ha and contains gold and silver; and the Pueblo Viejo Sulphide Zone underlying the mined out oxide gold and silver deposits at the Pueblo Viejo mine (which yielded some 5 Moz of gold between 1975 and 1999 and which is reported to contain a further 25 Moz of gold in 550 Mt of ore averaging 2 g Au/t and 13 g Ag/t).

By March 2001, bids had been received from Newmont Mining Corp. and MIM Holdings Ltd for the Ampliacion Pueblo Viejo, from Mali Mining Corp. for Neita, and from Placer Dome Latin America and MIM Holdings for the Pueblo Viejo Sulphide Zone. Newmont won Ampliacion Pueblo Viejo, Mali Mining won Neita and Placer Dome won the Pueblo Viejo Sulphide Zone. Later in the year, Newmont decided not to pursue exploration and Ampliacion Pueblo Viejo was awarded to MIM. Mali Mining, a Houston-based enterprise, also decided not to initiate exploration but Placer Dome devoted months to preparing a document outlining an environmentally acceptable location of infrastructure for the Pueblo Viejo Sulphide Zone.

On March 25, 2002, the long-awaited event took place - President Mejia signed the contract awarding the Pueblo Viejo Sulphide Zone reserves to Placer Dome Latin America, and the contract awarding the Ampliacion Pueblo Viejo Fiscal Reserve to MIM Holdings Ltd. The Pueblo Viejo lease is for 25 years, with an extension of up to 75 years. The technology proposed by Placer Dome will permit the Pueblo Viejo deposits to be mined in an environmentally -responsible and economically viable and sustainable manner that the Dominican State and the local communities. Likewise, the operation of the mine will gradually eliminate the environmental hazard presented by the

sulphide zone where it has been exposed at surface through the removal of the overlying oxide zone. The government expects the operation to produce an annual income of US\$700 million during the first 25 years and annual exports of more than 28.5 Moz of gold and 145 Moz of silver are anticipated.

Hydrocarbon Exploration

Petrolera Once, a Spanish-Dominican firm, continued its exploration programme in the Eastern Cibao basin in the Dominican northeast. To date, the firm has conducted seismic studies and has drilled four wells in search of natural gas which, if encountered in commercial quantities, could serve as an alternative source of fuel for the oil-fired Falcondo power plant. Petrolera Once is planning a fifth well for 2002. Murfin Dominicana, a subsidiary of Murfin Drilling Co. of Kansas, and local group, Maleno Oil Co., continued their exploration programme in the Dominican southwest in the Azua-Bani basins. Their activity was mainly seismic. Maleno Oil Co., operating alone in the Enriquillo basin in the southwest, completed a seismic programme and began to drill but encountered difficulties during the first well and had to initiate several drilling attempts.

CAMMA VI

During the month of November, the mining ministries of the Americas met in Santo Domingo for the Sixth Annual Conference of Mining Ministries of the Americas (CAMMA VI). The event was held over four days, concurrently with the Latin American Mining Society (SIM) and the Latin American Mining Organisation (OLAMI) meetings, and the first Dominican Expomin, EXPOMIN AMERICA 2001.

The CAMMA event concluded with the adoption of several resolutions including the creation of a working group to seek methods that will permit "access to American mineral and metal markets" and maintaining ministerial efforts to promote access to world markets by working together in international forums to reduce tariff and non-tariff barriers in

the mineral and metal commerce between countries and regions. The Ministers set a goal for the next conference to create a working plan that will allow carrying out the objective of accessibility to markets. The working group will establish contacts with the Secretariat of Free Trade of the Americas (ALCA), and with the Tripartite Committee -

the Organisation of American States (OAS), the Interamerican Development Bank (IDB), and the Economic Commission for Latin America and the Caribbean (ECLA). The group also would establish contacts with American investigating institutes such as CANMET of Canada, CETEM of Brazil, CIMM of Chile, and INTEMIN of Argentina.