

## NICARAGUA

*By Gavin Bowyer*

In November 2001 Enrique Bolanos of the Partido Liberal Constitucionalista (PLC) won the presidential election and took office on January 9 2002. He replaced the previous PLC President Arnoldo Aleman. The next elections will be in November 2006. In December 2003, ex-President Aleman was found guilty of corruption and money laundering and sentenced to 20 years in prison. Since taking office, President Bolanos has instituted an investigation into Arnoldo Aleman and this had divided the PLC. President Bolanos has had to rely on the support of the nine members of Azul y Blanco, a dissident group of lawmakers and, for critical votes, on the members of the Sandanista Party, which is led by Daniel Ortega.

Real GDP growth was 4.4% in 2001 falling to some 1.0% in 2002, but estimated to be 2.3% in 2003.

The country is a gold and silver producer, with other mining activity restricted to construction minerals. The estimated national gold product is some 108,000 oz. This is a decline from 2002, when Nicaragua produced some 125,500 oz of gold, slightly up on the 123,500 oz produced in 2001 but down on the peak 1999 production of 143,000 oz. Silver production in 2003, at some 66,000 oz, compares with 70,700 oz in 2002 and 80,400 oz in 2001.

The main gold production comes from El Limon mine. In October, 2003, Toronto-listed Glencairn Gold Corp merged with Black Hawk Mining to give Glencairn a 95% interest. The remaining 5% is held by Inversiones Mineras SA, a holding company representing unionised mine workers in Nicaragua.

In 2003, El Limon production fell to some 45,900 oz of gold; this is expected to rise back to 53,000 oz in 2004. In 2002, El Limon produced 55,388 oz of gold down on the 70,351 oz produced in 2001. The falls in 2002 and 2003 were mainly as a result of labour unrest. In January 2003, Black Hawk announced a new two-year labour agreement. Both this and the 5% interest of Inversiones Mineras SA should stabilise the situation.

Cash operating costs at El Limon in 2002 were US\$214/oz but in the last three quarters of 2003 cash operating costs increased to US\$248/oz, due to the fall in production. Since mid-2003, cash flow from mining improved significantly, with the expiry of a five-year contract to sell most of Limon's production at US\$270/oz.

At the end of December 2002, reserves at El Limon were estimated to be 268,600 t at 6.6 g/t Au proven and 705,000 t at 6.0 g/t Au probable, with resources amounting to 72,000 t at 8.4 g/t Au indicated and 920,000 t

inferred. The resource tonnages are undiluted and based on a cut-off grade of 4.5 g/t Au. Underground drilling continues to promote the resources to reserves, and has focussed on the inferred resources in the Talvera Este zone.

At Santa Pancha, located 5.5 km east of the Limon mill, drilling is under way to confirm an historical inferred mineral resource, which stands at 539,400 t averaging 7.1 g/t Au. Drilling is also under way on the recently discovered Santa Rosa vein structure.

RNC Gold Inc, a Canadian company, has taken over the Libertad open-pit mine, previously owned by Greenstone Resources, which halted production in 2000. RNC has 100% ownership of La Libertad and 80% ownership of the Bonanza mine and concessions in northeastern Nicaragua. There are four orebodies at La Libertad: Mojon, Crimea, Santa Maria and Esmeralda, with combined reserves of 3.6 Mt at 2.16 g/t Au proven and 4.0 Mt at 1.9 g/t Au probable. RNC plans a production rate of 80,000 oz/y of gold. At Bonanza, the company plans to produce some 31,000 oz/y from a 360,000 oz resource averaging some 7 g/t Au.

Other junior companies currently or recently active in Nicaragua include: Diadem Resources Ltd, Brett Resources Inc, Radius Gold, Chesapeake Gold Corp, and First Point Minerals Corp.

Radius has an expensive exploration portfolio in Nicaragua. A key prospect is El Pavon, which has potential for large, low sulphidation epithermal gold. Five veins have been discovered on the property to date and trenching has yielded up to 34 g/t Au over 4.9 m. Radius may also earn a 70% interest the San Ramon concession area through a cash payment and expenditure of US\$2 million over three years. The area contains epithermal gold and was mined intermittently in the early to mid-1900s. Other prospects include: Kuikuinita in the northeast of the country, a bulk-tonnage, intrusion-related gold target; El Castillo in central Nicaragua (epithermal gold); and La Patriota, some 35 km from Pavon.

Diadem reported an interest in the Mestiza gold deposit where five veins have been investigated by trenching, shafts and adits. Diadem estimates the deposit to have measured resources of 157,470 t at 10.63 g/t Au, indicated resources of 1.51 Mt at 9.3 g/t Au and inferred resources of some 3.47 Mt. Diadem's interest will be 68.25% upon production being achieved. Operating costs are estimated at US\$150-175/oz.

Brett Resources Inc applied for the 170 km<sup>2</sup> Cerro Ventura II concession area, located near the border with Costa Rica. The application area covers the historic Sabalos mining district, which lies on trend from the Cerro Crucitas discovery in Costa Rica. Brett has also applied for an exploration concession covering 327 km<sup>2</sup> in northeastern Nicaragua. This application area, Waulasa,

covers several historic gold-producing areas, with both high-grade vein potential and disseminated mineralisation.

First Point holds the Rio Luna gold property and is in a JV with BHP Billiton.

Nicaragua has deposits of industrial minerals including calcium bentonite, limestone, gypsum, kaolin, zeolite, pumice and dimension stone.