ERITREA

By Mebrahtu Ogbazghi Hadgu, Department of Mines, Eritrea

The leaders of Eritrea and Ethiopia signed a peace agreement in Algiers on December 12, 2000, to bring an end to 2½ years of armed conflict. Some progress has been achieved in promoting the normalisation of relations of the two neighbouring countries, and a border commission was to announce its findings to both parties in April this year. Hopefully, this will end hostilities and bring back peace to the people of both countries.

Eritrea, a young nation, was attaining significant economic achievements until the war broke out in 1998. Until 1997, the economic growth rate was over 7%. Since then the cumulative impact of the war has forced the economy into a decline and negative growth was recorded in 1999 and 2000. With the easing of tension at the border, the economy is now recovering, and a crude estimate suggests that GDP grew last year by more than 9%. The Eritrean National Assembly has now approved a national budget of Bi11 billion (US$850 million) for the year 2002.

With respect to mining, the only active company operating in Eritrea is Sub-Sahara, an Australian junior exploration company. It has been operating in Eritrea since October 2000 and was awarded the Adi Nefas exploration licence on November 16, 2001. On the same day the Debarwa and Medrizien licences were officially transferred to Sub-Sahara from a subsidiary of Phelps Dodge Exploration Corp. The three licences constitute the Asmara project and cover a total area of some 1,880 km^2. They contain a highly mineralised and under- explored volcanogenic massive sulphide belt. The Asmara project area has been previously explored by a number of companies and has been shown to be highly propsective for gold and base metals, mainly copper, zinc and lead.

Sub-Sahara has completed reconnaissance geological mapping and has collected 120 rock-chip samples. Significant gold results have been obtained in the vicinity of the former gold mines, Medrizien and Adi Shumagle, worked during colonial times. On the base metals front, sample values of 12% and 1.65% Cu were obtained respectively from near Filfil (about 32 km north of Asmara) and from near Adi Abieto (2.0 km north of Asmara). The company is now preparing to commence drilling on the Adi Nefas prospect.

Nevsun Resources has proposed a limited budget and work programme for the coming 12 months, including drilling in the identified target areas. Sanu Resources, Dragon Mining and Eritrean Minerals Corp. are maintaining a presence in the country and, following receipt of the upcoming border commission's decision, it is expected that several foreign exploration companies will once again be active.

The production of construction and industrial raw minerals has increased and data for 2001 from the Department of Mines give the following figures: basalt for masonry and aggregate, 442,525 t; granite, 54,790 t; clay for bricks, 107,216 t and sand, 14,200,881 m^2. In addition 176,652 m^3 of marble was excavated and processed into ornamental building material. A small amount of industrial minerals was also mined for cement, ceramics and lime.

In the petroleum sector, the Ministry of Energy and Mines has signed a Petroleum Sharing Contract (PSC) for the Defnin block with US-based CMS Oil and Gas. The agreement, signed on May 4, 2001, gives the company the right to hold the area for six years and conduct geophysical, geological and drilling of three wells as a minimum work obligation. Accordingly, CMS completed the acquisition of 3,377 line km of 2-D seismic surveying in late November 2001, and processing of the data is underway. In addition, regional and detail geological studies, as well as logistical preparation for drilling the first well, are under way.

For its part, the Ministry, in co-operation with Spectrum Geopex Egypt Ltd, is re-processing about 1,000 km of 2-D seismic data acquired by Anadarko on the Zula block in 1997. Previously processed seismic data have shown a big contrast to the results of the three wells drilled by Anadarko and this could be one of the main reasons for the company's failure in the Eritrean Red Sea. Similarly, negotiations are being conducted with two other companies for the southern part of the Eritrean Red Sea.

The Eritrean Red Sea basin covering about 125,000 km^2 is underexplored and offers attractive exploration opportunities in several stratigraphic horizons ranging from Mesozoic to early Quaternary age. Except for the area held by CMS, the rest of the basin is open for licensing under PSC. The Ministry revised its petroleum legislation in July 2000, adding more incentives to oil companies. Good faith negotiations on gas discovery, free of export and import duties, free foreign exchange rights, economic stabilisation, assignment of rights and reduction of the income tax from 50% to 35% could be mentioned among others. Work programme, royalty, rentals, oil profits and government participation are also negotiable terms.