URUGUAY

By Gerald M. Ellis
Santo Domingo, Dominican Republic.

During 2001, the Uruguayan Government's National Mining and Geology Directorate set out a list of objectives to be worked on in the coming year. They are as follows:

- development of geological background information focusing on metallic mineral reserves in co-operation with the Metal Mining Agency of Japan (MMAJ) and the Japanese International Co-operation Agency (JICA) in the Arroyo Grande and San Jose areas of southern Uruguay. Geochemical and geophysical studies were completed in 2001 and detailed work will be initiated at the more promising locations;
- completion of the updating of geological maps and mineral reserves in the Departments of Montevideo, San Jose and Canelones, jointly with the University of Uruguay;
- detailed geophysical studies of the continental platform resources;
- studies to define gravity anomalies in Laguna Merin and in the Department of Rocha where mineral sands deposits have been identified;
- studies to establish the origin of semi-precious stones, especially amethysts, that are exploited in northern Uruguay;
- approval of a new decree to regulate the Mining Code with special emphasis on processing mineral applications, using the digital Mining Registry, and the Registry of Prospecting Permits, Exploration and Exploitation Concessions;
- finalisation of a table of statistical data prepared in 1996 - 2000 on all mineral resources and their exploitation, including precious stones, ornamental rocks, industrial, metallic and non-metallic minerals, and construction aggregates.

The Republic of Uruguay has: one of the highest, perhaps the highest, *per capita* GDPs in Latin America; a major financial centre; no restriction on capital inflow and outflow; no foreign equity restrictions; excellent infrastructure; politically stability; an open economy; low inflation (less than 2% and falling); simple, effective and robust mining legislation; minerals vested in the State with manageable royalties; a pro-mining government; two gold mines, Mahoma and San Gregorio; membership of the Free Trade Zone with Brazil and Argentina; and a high ranking from Standard & Poors, Moody's and IBCA.

At the San Gregorio mine, the Canadian company Crystallex International Corp. milled 1.1 Mt in 2001 to produce 66,957 oz of gold at a cash operating cost of US$218/oz. In the fourth quarter, the mill operated at a rate of 3,118 t/d processing nearly 280,630 t with a head grade of 2.17 g/t Au and yielding nearly 18,000 oz, a considerable increase over previous quarters. Head grades were higher and the gold recovery rate was close to 92%. With further research and adjustments, Crystallex hopes to increase the recovery rate even further. These factors and certain cost-cutting measures resulted in a cash cost per ounce of approximately US$218.

In the third quarter of 2001, Crystallex began extracting material from the Santa Teresa orebodies located 1 km west of the San Gregorio main pit. Initial production has exceeded the geological model's projections in terms of grade and tonnage. Also, a new water treatment facility neared the commissioning stage.

Previously, Crystallex and Southern Era Resources had announced an agreement to form a diamond exploration joint venture in Uruguay and in March 2000, Crystallex initiated a 2,500 m drilling programme to test several kimberlitic diatremes in northwest Uruguay.

Uruguay Mineral Exploration Inc., a Canadian junior, focussed on evaluating exploration opportunities in Uruguay. The company is a leading mineral exploration company in Uruguay and has assembled a first-class portfolio, with excellent gold, silver, lead, zinc and diamond prospects.

Petroconsultants-IHS Energy Group reports that during 2001, there were no exploration and production contracts for hysrocarbons, no ongoing exploration drilling and no development drilling or production activities in Uruguay.

On January 8, 2002, Uruguay's President, Jorge Batlle, signed a bill ending Ancap's monopoly in the country's fuel sector. Ancap, the state oil company, will no longer retain its monopoly on oil imports and exports or on refining, and from 2006 it will no longer have control over the distribution, marketing and exporting of fuel and importing of refined products. This is intended to make the fuels sector more efficient.

In other developments, Ancap signed a contract with Compagnie Generale du Geophysiques (CGG) of France for the latter to perform seismic studies over some 10,000 km^2 offshore Uruguay in the Atlantic Ocean. In exchange for payment from Ancap, CGG will be permitted to sell the data it gathers to companies interested in the results.

Uruguay produces no natural gas, and its limited requirement is currently supplied solely by an Argentine gas pipeline that terminates at Paysandu. The construction of a 300 MW gas-fired power plant is being considered at Casablanca. The prospects for supply of natural gas to the Colonia-Montevideo corridor will be clearly identified after the construction of the Cruz del Sur gas pipeline, expected to be ready by early 2003. The forecast for gas demand for power in 2005 is 1.5-2.0 billion m^3. Installed power capacity in Uruguay is 2,100 MW, with 74% generated by cogeneration power plants fired by fuel oil.