

EL SALVADOR

By Laurence Curtis

El Salvador, despite a troubled history, still maintains a high ranking among its peers for economic investment. Last year, GDP growth was sustained at 3.2%, the same as for year 2000. Major export trading partners remain the US (60%) and Central American neighbours (22%). Since January 1, 2001, the US dollar has been legal tender and annual inflation has been maintained at about 1.8%.

Recent progressive revisions to the 1996 Mining Act enacted in mid-2001 have been given a favourable review by the exploration companies working within El Salvador. Royalties have been lowered from 4% to 2% and an escalating rental system has been enacted which restricts retention of large areas. The tenure of Exploration Licences has been extended from five to eight years. These parameters are now more aligned with Mining Acts in neighbouring Guatemala and Nicaragua.

In 2001, exploration in El Salvador was restricted to a handful of companies who have traditionally been working in this country. The most advanced exploration enterprise in El Salvador remains Dayton Mining's El Dorado gold-silver property which totals 75km² and covers the former El Dorado gold mine, last operated by Rosario in the 1950s. The currently indicated resource at El Dorado totals 742,100 oz of gold and 5.53 Moz of silver and an inferred resource of 117,800 oz of gold and 0.86 Moz of silver. In January 2002, Dayton Mining Corp. announced that it would amalgamate with Pacific Rim Mining Corp. to form a new entity to develop El Dorado District. This should prove to be a very positive step in bringing El Dorado Mine to fruition after eight years of exploration.

Elsewhere in the country Intrepid Minerals Corp. was active on its Aldea Zapote and San

Cristobal projects. At Aldea Zapote, Intrepid in conjunction with Apex Silver Mines Ltd continued to explore silver-zinc targets in the Metapan District in northwestern El Salvador. The Santa Carolina anomaly was drill tested with seven diamond drill holes, however no significant mineralisation was encountered. The last hole was drilled to extend the Cerro Colorado Zone and resulted in an intercept of 42 m averaging 180 g/t Ag and 2.3% combined Pb-Zn. This intercept included a higher grade feed structure grading 311 g/t Ag and 3.97% combined Zn-Pb over 16 m. Apex Silver Mines has earned a 40% interest in the property after spending US\$350,000 and has indicated that it will proceed to Phase II of the venture agreement. Drilling on Cerro Colorado is planned for 2002 at a budget of US\$300,000.

At the San Cristobal project in eastern El Salvador, Intrepid continued to explore its 550 km² of concessions. The concessions host the former Encuentros, Divisadero, Montecristo, Hormiguero and Barrios gold-silver mines worked intermittently from 1900 to 1950. Exploration in 2001 and early 2002 delineated a new zone on the San Pedro concession in the centre of the property. Assays of up to 1,000 g/t Ag and 18 g/t Au were returned from bonanza veins and a bulk tonnage target known as the Rio Seco Zone which averages about 3 g/t Au equivalent. Intrepid plans to spend US\$500,000 on drilling several zones on the property in 2002.

Brett Resources Inc. carried out work on its Cerro Potosi project in eastern El Salvador. El Potosi has extensive historic underground workings and in 2001 Brett sampled the surface expressions of these vein systems. Best assays returned were 26.5 g/t Au over 3.9 m true width.

Commerce Group's San Sebastian mine and mill has been closed subject to re-financing of the company.

Cementos De El Salvador (CESSA) remains the principal miner in the country, sourcing limestone in Metapan for its expanded 2,500 t/d cement plant. CESSA is now fully

integrated and ships cement to neighbouring Guatemala and Honduras as well as distributing throughout El Salvador.

A number of gold-mining companies have carried out evaluations in the country over the past 12 months including Newmont Mining Co. and Bema Gold Corp.