

EL SALVADOR

By Laurence Curtis

El Salvador was ranked 14th in the 2003 Index of Economic Freedom (Heritage Foundation and *Wall Street Journal*) and 17th in Transparency International's Corruption Index. The indexes are a measure of government reforms, fiscal and regulatory responsibility, which underscore investment risk. As such, El Salvador maintains its premium position in Central America as a place to invest, and is second only to Chile in all of Latin America, a position it has held for five years.

Exploration activity increased slightly in El Salvador during 2003. The country has maintained its practice of US dollarisation of its currency and hence exploration costs for Canadian-funded companies have decreased from a year ago. Two companies have dominated the exploration scene in El Salvador during the past few years, Pacific Rim Mining Corp (formerly the Kinross affiliate Mirage, which was acquired by Dayton Mining in 2000, and subsequently merged with Pacific Rim in 2002) and Intrepid Minerals Corp, which has held concessions in the country since 1997. Bema Gold Corp and Apex Silver Mines maintained joint-venture options with Intrepid during 2002 and 2003.

Under El Salvador mining law, Exploration Licenses can only be held for eight years before their conversion to Exploitation Concession status. Owing to the protracted downturn in the industry from 1997 to 2002, long-term explorers in El Salvador are currently facing tenure constraints. Pacific Rim has accelerated its efforts to complete a feasibility study on the Eldorado epithermal gold-silver deposit in central El Salvador. This deposit consists of several high-grade veins at a depth of 200-300 m which will be mined from underground.

Pacific Rim released the results of its most recent resource evaluation at Eldorado in October 2003 (Table Pacific Rim results). The Minita and Coyotera resources are based on a 5.0 g/t Au cut-off. The Nueva Esperanza resource is near surface, potentially mineable by open pit and is based on a 0.8 g/t Au cut-off. Pacific Rim plans to have a final feasibility study on these vein deposits completed by the end of 2004. The company has also carried out an extensive exploration programme on peripheral properties to Eldorado, with notable results from its La Calera gold property.

Intrepid Minerals continued exploration on its 280 km² San Cristobal holdings. Over 3,000 m of drilling were completed on various targets in the Barrios concession, with mixed results. Bema Gold undertook a technically difficult programme of 3,500 m at the Divisadero mine. Narrow, high-grade silver-gold veins were intersected beneath the workings within wide zones of breccia. However, the results were not sufficiently encouraging for Bema to continue, and the option was relinquished at the end of 2003. Apex Silver withdrew

from the Aldea Zapote joint venture after further drilling did not expand the resource at the Cerro Colorado deposit.

Intrepid reported a new discovery on its San Cristobal concession in late 2003. Referred to as Oro Nuevo, the discovery is a bulk-tonnage gold target, averaging between 2-3 g/t Au, and hosted by lacustrine and volcanoclastic sediments and a dacitic porphyry. A total of 3,000 m of drilling is planned for this project in 2004.

Other companies conducting limited exploration programmes include Brett Resources and Commerce Group. The San Sebastian project, owned by Commerce has been on care-and-maintenance for over two years.

Cemento de El Salvador SA (a Holcim associate) continues to dominate the country in terms of industrial mineral production, deriving income principally from its 2,000 t/d cement complex in Metapan.

Pacific Rim Results

		Gold	Silver	Contained	Contained
Resource				Gold	Silver
category	'000 t	(g/t)	(g/t)	(oz)	('000 oz)
Minita Vein System					
Measured and indicated	1,599	11.38	70.3	585,200	3,615
Inferred	116	9.77	62.8	36,600	235
Coyotera Vein					
Measured and indicated	535	9.07	70.7	156,000	1,216
Inferred	15	8.29	89.2	4,000	43
Nueva Esperanza Vein					
Indicated	1,083	2.30	14.2	80,000	494
Inferred	997	1.34	8.6	43,000	274