COSTA RICA

By Michael Seaward and Tim Coates

The moratorium on granting new concessions for open-pit mining continued to discourage all but the most die-hard optimists. The government has made it clear that the moratorium will not be lifted during President Pacheco's term, which concludes in May 2006, due to the supposed inability of Costa Rican professionals to be able to evaluate the environmental impact of large, modern mining projects. This same argument has been used to deny Harken, a US petroleum exploration company, from proceeding with exploration expressly authorised under the HydroCarbon Law passed as recently as 1994.

Perhaps the most frustrating aspect of this for those in the mining field and living in Costa Rica, is that the dramatic rise in the price of gold and silver over the past year has finally made it possible to raise funds to finance exploration. Who will be willing to do this without the ability to obtain an exploitation concession, assuming an economic deposit is found? Costa Rica's Central American neighbours are benefiting mightily by the recently expressed view that Costa Rica's minerals will be there for future generations, so why the rush.

The moratorium has not affected projects with permits approved, or those in the process of being so. The Bellavista project of Glencairn Gold and the Cerro Crucitas project of Vannessa Ventures have both benefited from the rise in metal prices, with the former now in the construction phase.

Construction work at Bellavista began at the beginning of 2004. Most of 2003 was spent seeking alternate financing after negotiations with the Standard Bank of London were terminated in May. Glencairn reportedly recently closed a US$29.3 million underwriting with a syndicate led by Orion Securities and including BMO Nesbitt Burns and Desjardins Securities. The financing reportedly consisted of 34.5 million units priced at US$0.85/unit, with each unit consisting of one share and half a warrant, with each whole warrant entitling the holder to buy a share for US$1.25 until November 2008.

Contractors are currently installing the liners for the heap-leach pads and ponds; work which should be finished in May 2004 - what a difference a year makes. When complete, the mine should produce 60,000 oz/y of gold for 7.3 years based on the current reserves of 11.24 Mt averaging 1.54 g/t Au. Glencairn is planning an aggressive exploration programme on several promising targets on the 90 km^2 property.

Vannessa Ventures' Crucitas gold project is a bulk-tonnage, multi-million ounce gold deposit, and over US$32 million has already been spent on exploration and development (primarily by Placer Dome). The deposit is situated in northeastern Costa Rica and is accessible by road, being 105 km north of the capital, San Jose, and 16 km northeast of the small town of Coopevega.

In October 2003, Vannessa received a ruling from the Ministry of Environment, allowing for the recommencement of the process to obtain the environmental permit for the Cerro Crucitas project. The company, through its 100%-owned subsidiary Industrias Infinito SA, and its consultants, has been actively working with the national environmental secretariat, SETENA, a department within Costa Rica's Ministry of Energy and Mines.

In March 2004, SETENA appointed a technical commission to review the environmental impact study (EIS) submitted by the company. Vanessa has contracted five experts in various environmental disciplines from the University of Costa Rica who have been on the property to evaluate the project and to assist the company in its submission of information to SETENA, which is reviewing the environmental aspects of the study, the environmental management plan and the environmental monitoring plan.

Vannessa anticipates submitting a complete annexe to its previously-submitted environmental impact study to address any deficiencies identified by SETENA within a relatively short time after receiving SETENA's final requirements. It is difficult to speculate on the timing, but the company is confident that the submission of the required addenda will secure the final environmental approval needed to proceed with mine development and construction.

The Crucitas deposit comprises a gold-bearing saprolite (weathered oxidised rock) and a gold-bearing hard-rock resource. At a cut-off grade of 0.8 g/t Au, the Crucitas project contains measured and indicated resources of 29.7 Mt at a grade of 1.51 g/t Au for 1.44 Moz ounces of gold contained, and 3.41 g/t Ag (102.1 t of contained silver). Cerro Crucitas also contains inferred mineral resources of 10.1 Mt at 1.56 g/t Au 2.93 g/t Ag (as detailed in the company's press release of October 30, 2003).

Additional inferred resources at the nearby Conchudita concession are 3.2 Mt averaging 4.56 g/t Au. The combined resource estimate of 2.37 Moz of contained gold is based on exploration and development work completed by Vannessa and previous owners. The database includes more than 31,000 gold assays from 385 diamond and auger drill holes totaling over 36,000 m.

Inversiones Valle Columbia, with an exploitation concession in the heart of the historic Las Juntas mining district, continued to be the only gold producer currently operating in Costa Rica. Two veins La Pita and Olga developed underground, supplied mill-feed running at 10-20 g/t Au to the 80 t/d plant.

The La Pita vein, like most in the district, strikes north-south and dips steeply to the east. Mining is occurring from the 350 to 290 levels using shrinkage stoping. The Olga vein has been developed from the 350 level down to the 285 level, following ore shoots within the predominately quartz-filled structures.

An exploration crosscut, started in 2002, was continued in 2003. After some 225 m it cut the Villalobos vein and north-south drives are now under way along the vein, with sampling to locate the downward extension of values encountered in near-surface, old workings.

The owner of Inversiones Valle Columbia, Luis Cantú, purchased the Rio Chiquito mine (Corporación Minerales Laguna SA) in 2002 with the intention to prove and exploit stated resources of 176,871 t averaging 11.18 g/t Au and 21.2 g/t Ag. An adit was driven 80 m south from the old pit wall to test a zone indicated by previous drilling from surface. Crosscuts were driven 60 m to the east and 30 m to the west but no significant values were found. At the time of writing, this project was inactive. Cantú continues to seek investors interested in his Las Juntas property.

With the rising gold price, owners of mining rights at Tres Hermanos (Exp. 96) and El Recio (Exp. 878) in the Juntas de Abangares District, represented by Giovanni Sosto, leased the properties to a US/Costa Rica investor group. Mr Sosto reports that operations should start in 2004 and that owners are seeking new venture proposals.

The most recent in situ geological resources estimate for Tres Hermanos, prepared by TC & A Geological Consultants in November 1997, totaled 177,000 t averaging 6.8 g/t Au. The most recent undiluted geological mineral reserves estimate for El Recio (Exp.878), prepared by Strathcona Mineral Services Ltd in 1990, gave near surface reserves of 241,100 t at 2.7 g/t Au. Underground reserves, above drift level, were 144,200 t at 7.5 g/t Au. Below drift level an additional 82,200 t averaging 9.0 g/t Au were reported. Exploration targets that could increase the resources exist in the northern part of the Tres Hermanos property on the extension of the Ramal Oeste and Tres Hermanos veins, and in the Palo Negro sector of El Recio.

Tierra Colorada SA's Santa Rosa property is located 19 km southeast of Juntas de Abangares. In the Envidia vein, which strikes northwest and dips 65º northeast, some 206 m of development on three levels have outlined a measured resource of 4,150 t at 12.0 g/t Au. An exploitation permit has been applied for and is currently under review by the government.

At its Lilas property, located 50 km northeast of Liberia, Tierra Colorada has outlined measured resources of 3 Mt averaging 0.53 g/t Au in a silica cap, and 700,000 t averaging 5.42 g/t Au in a steeply-dipping quartz-stockwork structure. A feasibility study has been prepared and submitted to the government as part of the normal Exploitation Permit application process. Of seven diamond drillholes drilled between October 2001 and January 2003 by Consolidated Serena Resources, all encountered mineralisation Serena tested the eastern extension of the structure, established the depth continuity of higher grade mineralisation with best grades over 30 g/t Au and obtained core samples for geotechnical studies. The zone remains open to the east and at depth. The agreement with Serena was terminated in February 2004, so Tierra Colorada is seeking new venture partners to continue drill-evaluation of Lilas.

The plant at the Chassoul mine, 4 km east of Miramar, was last reported as operating at 25 t/d, processing old mill tailings averaging 8 g/t Au while evaluation of the six known veins continues. A 200 m long crosscut is planned to intersect two of the veins where bonanza gold grades of up to 100 g/t Au have been found. The Inversiones Valle Columbia group is supervising and financing this work.