

## ERITREA

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The Border Commission, the commission nominated to delineate the border between Eritrea and Ethiopia, delivered its ruling on April 13, 2002 at the International Court of Arbitration. According to the agreement signed in Algiers by both heads of government in December 2000, the commission's ruling shall be final and binding. As the final step to end its mandate, it is anticipated that the commission will complete the demarcation on the ground between June and September this year.

The border war has strongly affected the normal economic growth of Eritrea, and the people and the government are keen to leave the war behind them. In view of this, the government is focusing on rebuilding the war-torn economy and, to this end, a plan has been drawn up for a major reconstruction of the country. The plan encompasses agricultural projects, road construction, improving the water and electricity supplies, sewage systems, and the construction of residential complexes in all major towns. A lot has already been done to this effect.

In the minerals sector, significant progress has been achieved in the past twelve months, and three companies, Nevsun Resources Ltd, Sanu Resources Inc. and Sub-Sahara Resources, are now actively exploring in their respective areas. Nevsun Resources Ltd is an emerging gold producer focusing on exploration in Africa. In Eritrea, it holds a 1,188 km<sup>2</sup>. land area covered by four exploration licences, including the Augaro area, awarded to Nevsun on March 25, 2003, by the Ministry of Energy and Mines.

In January, 2003, Nevsun announced the results from the initial phase of drilling, totalling 804 m in six holes at its Bisha property, located 150 km west of the capital city, Asmara. High-grade assays included: 6.27% Cu, 1.18 g/t Au and 42.1 g/t Ag over 24.5 m in Hole B-02-4; and 32.5 g/t Au, 1,382 g/t Ag over 7.62 m, and 4.92% Cu, 0.81 g/t Au and 34 g/t Ag over 8.23 m in Hole B-02-5. The second-phase drilling programme started on February 24, 2003, and ten holes totaling 1,570 m were drilled. Two of the first three holes yielded significant results including 16.8 g/t Au over 32.01 m and 16.6 g/t Au over 13.35 m respectively. A larger drill (Longyear 44) will drill the remaining 5,000 m. The drill has already been mobilised to the site and has commenced drilling. The purpose of the current diamond-drilling programme is to test various mineralised horizons along strike of the initial high-grade discovery holes to vertical depths of 200 m. Initial step-outs along strike will be at 50 m intervals.

On March 25, 2003, the Ministry approved Nevsun's request to increase its land position to the south and east so that the Bisha and Okreb properties are contiguous. In addition to the drilling programme, Nevsun has completed an airborne geophysics over the entire Bisha and Okreb properties. A

comprehensive exploration programme, including ground gravimetric, EM and magnetic geophysical surveys; soil, stream, auger and termite sampling; and trenching, detailed geological mapping and petrographic studies, are taking place at a larger scale. The airborne and additional groundwork are aimed at defining other drill targets as well as explaining many geophysical/geochemical targets that are already defined. An airborne geophysical survey was also carried out on the Augaro area. Furgo Airborne Surveys has undertaken the flying over Nevsun's properties.

Sanu Resources Inc. from British Virgin Islands has the right to explore in four different parts of Eritrea. It carried out intensive sampling on its Guluj and Fanco properties in the last two months of 2002 and results are awaited. Upon its request, the Ministry has granted Sanu an additional 135 km<sup>2</sup> of exploration groundland to the west of Guluj and south of its Fanco licences to protect anomalous extensions. Currently, Sanu is focusing on its northern licences of Dieba and Kerkebet. To date, 335 bulk leach extractable gold (BLEG) samples and 250 rock-chip samples have been collected from Dieba over approximately 66% of the licence area. Intensive follow-up work will be undertaken in identified target areas.

Sub-Sahara Resources NL, an Australian junior company, is the third active explorer in Eritrea. In November 2001, it acquired an 80% interest in three exploration licences, Debarwa, Medrizien and Adi Nefas, covering approximately 1,200 km<sup>2</sup> of highly prospective ground partially surrounding Asmara. In February 2003, the company signed a joint-venture agreement with Dragon Mining NL to potentially acquire up to 70% of the latter's interest in the Zara gold project in the north of Eritrea. The project had been suspended since early 1999. Recently, Sub-Sahara began diamond drilling at Debarwa to test for the presence of an oxide Cu-Au resource above the main sulphide and to test the new zinc discovery at depth. At its Zara project, diamond drilling will be carried out to test the grade, depth continuity and structures controlling the gold mineralisation.

Sub-Sahara Resources and Sanu Resources submitted applications for acquisition of additional exploration areas. Sub-Sahara has requested a 150 km<sup>2</sup> exploration right in the Galla-valley prospect area southwest of Asmara. Sanu has also shown an interest to obtain some part of the Galla-valley prospect area and is looking at more exploration areas east of its Dieba River License area.

There are a number of prospective areas equally as promising as the existing licence areas, and these are open for exploration. The Ministry of Energy and Mines is considering revising the Mining Act. Special attention is being given to the amendment of the financial regime to take account of the concerns of foreign companies. It includes, among others, lowering the income tax and minimising government participation.