

## HONDURAS

*By Peter W. Harben & J. M. Harris*

*Peter W. Harben Inc., New Mexico 88011, USA ([www.peterharben.com](http://www.peterharben.com))*

In January 2002, when Ricardo Maduro of the National Party was officially declared the President of Honduras, he promised a crackdown on crime as well as democratic reforms. He is the sixth democratically-elected president of Honduras since 1982, when military governments yielded power to civilians after 20 years. Characterised as a relatively young businessman, highly intelligent, bilingual, with international perspective and skills to 'sell' Honduras abroad, progress under President Maduro has been difficult and the country remains one of the least developed countries in the Western Hemisphere. In fact, the BCC suggested that "military rule, corruption, a huge wealth gap, crime and natural disasters have rendered Honduras one of the least developed and least secure countries in Central America."

The population of approximately 6.3 million face severe economic hardship that continues to force many Hondurans to seek work abroad, especially the US. One sign of progress was the December 2003 free-trade agreement with US that also included Guatemala, El Salvador and Nicaragua. The government continues to encourage foreign investment as well as foreign donors such as Japan, and mining activity is another possible boost to a weakened economy.

The country is geologically diverse and mountainous country, and the second-largest in Central America. Although a traditional industry in the country, mining is significantly underdeveloped, accounting for just 2% of GNP. There are hopes that the political stability enjoyed since 1978, plus a new Mining Code instigated in 1996, will encourage exploration and development of this favourable metallogenic region that is thought to host numerous precious and base metal deposits.

Breakwater Resources Ltd, which operates a number of base and precious mines in Canada, Chile and Tunisia, operates the underground zinc, lead, silver El Mochito mine in Honduras. El Mochito is near Las Vegas and some 88 km southeast of San Pedro Sula in northwest Honduras. Ore from the mine is sent to a 2,000 t/d concentrator which utilises conventional grinding, differential sulphide flotation, and pressure filters to produce separate zinc and lead concentrates. These are trucked to the concentrate/storage shed on tidewater at Puerto Cortés approximately 115 km northeast of the mine. Production of zinc in concentrate decreased by 5% in the third quarter of 2003 as a result of lower production, partially offset by higher grades. Lead production increased by 3% over the same period in 2002. Total cash costs decreased by 17% to US\$0.28/lb of payable zinc, from US\$0.34/lb in the third quarter of 2002.

The reduction in total cash costs per pound of payable zinc is attributable to lower treatment charges, higher by-product credits, and continued improvements in operating efficiencies. Exploration continues to focus on the extension of known mineral trends at El Mochito, and mineable reserves are being augmented by sectional drilling on trend within existing mineable reserve blocks. The search for new zones along productive trends continues to yield intriguing results that support further exploration in these areas.

Gold Ore Resources Ltd, a junior gold exploration company based in Vancouver, is participating in the Yuscaran gold/silver project in eastern Honduras where the company has the right to earn a 100% interest in the property from Breakwater Resources by expending US\$1.5 million over three years. Breakwater then has the option to earn back up to 70% interest or accept 1.5 million common shares of Gold-Ore to complete the acquisition. The 45 km<sup>2</sup> property hosts a number of epithermal mineralised vein swarms, many of which have seen historic production utilising underground mining techniques. The veins crop out over an area of 4 km by 2 km, and management believes that Yuscaran is the most promising undeveloped gold/silver property in Honduras.

The United Nations and Breakwater conducted studies during the 1980s and 1990s that culminated in an historic resource calculation within the Guayabillas Zone, of 1.5 Mt at an average grade of 10.94 g/t Au equivalent, for a contained 510,000 oz of gold equivalent. Approximately 50% of the value of the mineralisation occurs as silver. Gold Ore Resources commenced a Phase I, US\$400,000 exploration programme on the Guayabillas Zone in December, 2003. Geological mapping has shown that an intensely-altered andesite volcanic unit hosts the vein arrays. These rocks are overlain by a younger rhyolite that is not mineralised and forms a cap rock. The veins are only visible where erosion has stripped away the cover unit and numerous veins have now been traced up to the rhyolite cover. This opens up the possibility that many of the veins may be more extensive under the younger cap rocks. Detailed mapping will continue in order to construct the geological model. It is anticipated that the property will be drill-ready during the latter part of March 2004 and a minimum 2,500 m diamond -drilling programme has been put out to tender. The programme will include approximately 15 holes to test the continuity of the known mineralised shoots within Guayabillas, as well as strike and depth extensions. Other vein sets south of Guayabillas will also be tested.

Glamis Gold Ltd's San Martin gold mine, located in central Honduras, approximately 120 km north of the capital city of Tegucigalpa, started commercial production in 2001. Initially the mine was based on the Rosa deposit, which is adjacent to an active hot spring, containing oxide reserves in excess of 600,000 oz of gold. Mining has now shifted from the Rosa pit to the Palo Alto pit where both ore grades and recoveries are projected to be somewhat lower. Overall, production in 2003 was 101,835 oz at a total cash cost of US\$175/oz. Throughout much of the year, gold output was adversely affected by deferred recoveries due to leach-pad chemistry changes and solution availability. Production returned to normal levels in the fourth quarter.

Consequently, gold production will decline and total cash costs will increase over time. Future capital requirements will be minimal, and San Martin is expected to generate significant cash flows based on a planned production for 2004 in excess of 100,000 oz of gold.

First Point Minerals Corp, a Canadian precious and base metals exploration company focused on the Americas, signed an exploration and property option agreement with BHP Billiton to explore porphyry copper-gold deposits in Honduras, Nicaragua and El Salvador. This includes its Cacamuyá gold-silver and the Cedros silver-zinc-lead properties, both in Honduras.

At Cacamuyá, a reverse circulation drill programme of 20 holes, totalling 2,000 m, is designed to test targets in the D4/D5 and Cerro Chachagua areas. The D4/D5 target is a broad area of strongly-altered volcanics and abundant epithermal quartz veins and stockworks evident in both float and outcrop carrying significant gold values. The target area exhibits potential for bulk tonnage mineralisation that could contain centres of high-grade veins and stockwork zones and more focussed bonanza veins at depth. The Cerro Chachagua target is a relatively deep-seated, high-grade epithermal vein mineralisation immediately south of the D4/D5 target and approximately 2 km east of Filo Lapa. Cerro Chachagua is a classic bonanza epithermal vein similar to Meridian Gold's El Peñón Gold Mine in Chile.

Drilling is also planned for the Carmen-Esperanza veins, which were mined between 1910 and 1920, when mining stopped once the veins reached the water table and pumps were unavailable. Follow-up drilling is also planned at both the Filo Lapa and Hilo Libre Targets, where reverse circulation holes drilled prior to the wet season last year encountered previously-reported significant gold grades.

The Cedros property, located 110 km east of El Mochito, is at the southern end of a belt of world-class, carbonate-hosted, silver-zinc-lead deposits and was mined by the Spanish in the 1500s to 1800s for high-grade silver. The mineralised belt stretches from northern Mexico to El Mochito, and the latter has been in production since 1948.

Maya Gold Ltd is conducting exploration on its copper-gold porphyry deposit in Honduras. BHP Billiton may earn a 51% undivided interest in this property by funding US\$2.25 million of exploration prior to February 2004. The current Phase II programme marks the first US\$375,000 expenditure to be made under this agreement. Maya's two exploration concessions in Honduras cover some 49,000 ha. Early reconnaissance exploration has discovered two significant targets, a copper-gold porphyry deposit, Los Lirios, and the Rio Rico potential epithermal precious metals deposit.

Honduras has hundreds of opal prospects and mines, although most high-quality opal is produced from small informal mines in the cool tropical highlands of southwestern Honduras. In particular, the Tablon Mine near Erandique is based on the country's largest-known opal deposit in large blocks of volcanic black basalt. Miners hand-chisel the boulders to extract

small vertical veinlets of thin, colourful precious opal including black-seam opals and black-matrix opals. Seam opals, varying from near paper-thin to rare specimens more than 1 cm thick, have a crystal clear, milky white, slightly blue or brownish orange colouration (valued up to US\$5,000/ct); due to the thinness, gems tend to be cut with the black basalt forming the back of the stone, forming black-matrix opals (finer grades are US\$12-120/ct). The Colinas mine, located on a steep mountainside near Sosoal, Municipio de San Andres in the Departamento de Lempira, is a small producer of crystal, light, blue and matrix opals. The opal occurs as veins and pockets within grey to red andesite which, itself, occurs as weathered blocks. These andesite opals from Las Colinas have base colours ranging from milky white through crystal clear to a fine sky blue. Solid Light, Crystal, and Blue Opals from the same mine are priced from US\$1.00 up to US\$1,000/ct.

Apparently, local communities, environmental groups, and municipal governments are protesting to the government that Honduras' national mining law allows development licences to be issued despite concerns over environmental issues and safety and health. The initial protests came from the residents of Valle de Siria, in the central departments of Francisco Morazán, where US-based Entremares Transnational mines gold. Locals claim that the mining created an outbreak of skin diseases and an increase in baldness among the population. Similar protests have taken place in western Honduras, where two communities have mobilised against the Canadian-based Maverick Co and Minerales de Occidente SA (Minosa), owned by the Honduran Banco Atlántida. In early 2004, the government revoked Maverick's right to search for gold near a nature reserve after environmental protesters blocked a major road for two days. Protesters opened the road in western Ocotepeque Province after government negotiators agreed to overturn a concession allowing the Canadian mining exploration company to search for gold in a 385 ha site bordering the Guisayote nature reserve. Patricia Panting, Natural Resources and Environment Minister, said that the exploration and exploitation contract granted to Maverick in July 2003, will be rescinded.