

URUGUAY

By Gerald M. Ellis

The minerals industry in Uruguay continues to develop and its activities cover three distinct fields: metallic, nonmetallic and energy industries, all supported by the National Directorate of Mining and Geology (Dinamige). This is the government agency responsible for the control and administration of all mining and exploration claims and sub-soil management. Advice on procedures to obtain licences for the different stages such as prospecting, exploration and exploitation is one of its principal functions. It also provides laboratory services including multi-element geochemical analysis, petrochemical studies and polished-section analysis. Its library contains over 15,000 titles relating to mining and geology. Dinamige also conducts hydrogeological research and has a widespread data base for environmental purposes.

Dinamige undertakes geophysical studies of ore deposits, drilling services to obtain geological samples, with test recovery, or to find groundwater resources. In the field of publications it edits geological, gravimetric and hydrogeological maps. It also offers legal advice on the mining law and legal system, environmental requirements, investment legislation and conditions to operate in the country. The agency facilitates contacts with the different offices and organisations involved in the mining sector, such as departments dealing with military aerophotographs, satellite images, and education faculties of science, engineering and geology.

Dinamige believes that Uruguay has one of the few still-unexplored greenstone belts in the world, and has stated that its Florida Greenstone Belt has similar characteristics to the South African geological formations, and hosts lode seams of rocks mineralised with gold, silver, copper and zinc.

Mining industry

In October 1998, Crystallex Corp. announced the acquisition of Minera San Gregorio in Uruguay. Since then, gold production at the mine has averaged about 70,000 oz/y and is expected to maintain a similar output throughout 2004. Resources at the start of 2002 were around 12.95 Mt, with an average grade of 1.30 g/t Au, and with mineral reserves in the order of 6.52 Mt averaging 1.59 g/t Au.

At current production levels, cash operating costs of are US\$220/oz. Mill throughput increased 10% in 1999 to 3,100 t/d and plans were announced to increase this to 3,600 t/d. Exploration is ongoing within the acquired land package, with promising perspectives. Exploration was under way in 2002 in the Rivera Crystalline Island and Florida Greenstone belt. The exploration rights total approximately 30,000 ha.

In July 2002, Crystallex International announced a Joint venture with Uruguay Mineral Exploration Inc. (UME) which would provide the former with access to UME's Sobre Saliente mineral property in the vicinity of the San Gregorio operation. Crystallex would undertake the initial drilling on the UME property to determine the quantity and quality of the reserve. Once this has been established, and following additional drilling, Crystallex will have the option to commence a mining operation and the ore will be processed at the San Gregorio mill. Crystallex will recover from cash flow its operating costs and receive a 5% fee on charges incurred 'in-house', including milling and processing charges incurred at the San Gregorio mill. If less than 200,000 oz of profitable gold are confirmed, Crystallex will receive 70% of any net cash flow from the operation. If more than 200,000 oz are confirmed, the cash flow distribution will be shared evenly by both companies.

UME has been exploring in Uruguay for a number of years and has developed an extensive portfolio of mineral exploration projects. The company has identified a 200,000 oz gold reserve at the Sobre Saliente property, one of a number of promising gold targets in the Minas de Corales area. Following the successful negotiation of the arrangement with Crystallex International, exploration of other promising gold targets in the vicinity of the San Gregorio mill will be advanced.

The metallic mineral industry in Uruguay is well advanced in its development, as can be confirmed from the successful results so far by two mining firms.

Precious minerals

Dinamige has reported that expert studies have led to the identification of geological formations that can be associated with the existence of diamonds. Foreign companies have found 12 kimberlites in the Department of Tacuarembó and its adjacent areas. RTZ laboratories in Brazil has worked together with these companies in preparing analyses that set the bases for prospecting and exploration, and drilling has already started.

High-quality Uruguayan amethysts, famous for their deep violet colour, are located in the Department of Artigas. Traditional exploitation methods by open pit have given way to modern 'room and pillar' systems that provide access to highly productive levels.

Industrial minerals

There are important granite reserves in a broad range of colours, such as oriental black, absolute black and, grays. Uruguayan granites are of a high quality and renowned for their brightness and the purity of their colours. Black granites stand out and are comparable to those of South Africa.

Limestone deposits, crushed stone, sand and gravel are present and are in proximity to markets that have shortages of these materials, such as Brazil and Argentina. Major infrastructure projects such as the international Colonia-Buenos Aires bridge and the road axis joining Argentina and Brazil across Uruguay assure an additional demand for these products.

Energy

At the start of 2003, a group called 'The Commission of Defence of ANCAP' delivered 671,805 signatures, collected during 2002, to call for a referendum that would overturn hydrocarbon law No.17.448, of December 2001. The Electoral Court had to verify the validity of the signatures, within 150 days, prior to a referendum, would be held in September 2003. Experts believed the Law would be overturned, based on previous experiences dealing with previously privatised State firms. ANCAP is Uruguay's State oil company and has been trying to create a joint venture with a major oil company which, according to the new law, is authorised. ANCAP's monopoly on oil and fuel imports is set to end on January 2006, but if the new hydrocarbon law is repealed by referendum, the existing monopoly will continue.

At present there are no oil exploration and development contracts in effect in Uruguay. The most recently-held contract area was Chevron's offshore Block 1 PSC covering 26,000 km² in the Pelotas Basin which was relinquished in February 1978.

An international bidding round was announced in 1993 that included three onshore blocks in the Parana Basin and three offshore blocks in the Punta del Este Basin. Bids were also invited for the remaining onshore ground, provided a designated block was no larger than 12,000 km². Since March 1994 companies have been invited to register and bid for acreage on the last working day of every quarter. Areas are available under risk contract terms for an eight-year exploration period. However, to date, no applications have been filed. IHS Energy permanently monitors hydrocarbon developments in Uruguay, as well as in other countries worldwide, including all of Latin America.