

# Mining in Central America & the Caribbean

*A rising region.*

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This report was researched and prepared by Global Business Reports ([www.gbreports.com](http://www.gbreports.com)) for Engineering & Mining Journal.

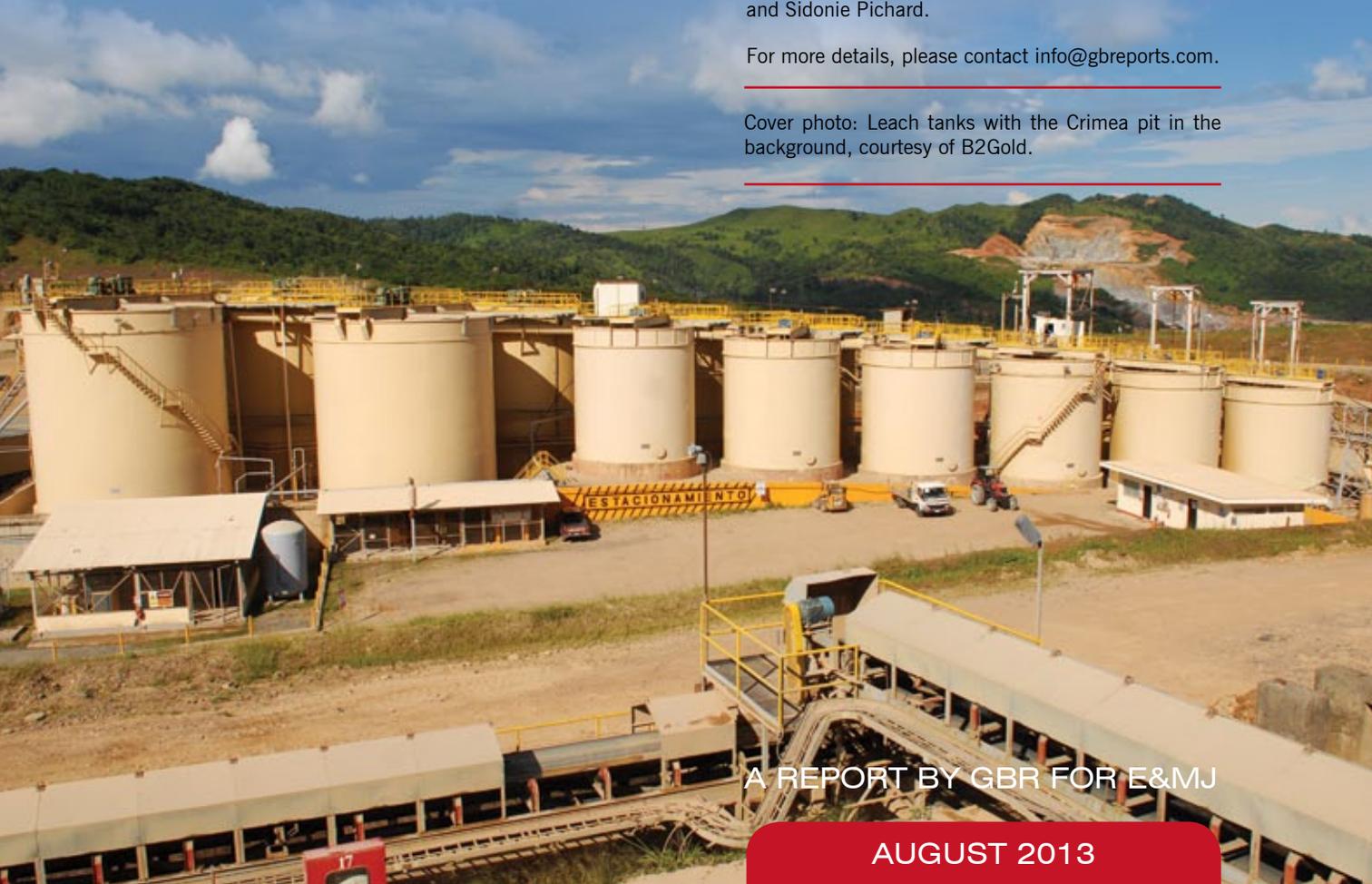
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Cover photo: Leach tanks with the Crimea pit in the background, courtesy of B2Gold.

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# Central America & the Caribbean: an Overview

After a period of inactivity the last decade has seen a renaissance in the region's mining industry.



Exploration activities in Nicaragua. Photo courtesy of Condor Gold.

Since the colonial time of the Spanish empire in Central America, mining has been part of the region's export economy. With the exception of Nicaragua, however, mineral production has never dominated the region's economies. On the contrary, the low metal prices of the 1980's and 1990's led some metal mining and processing operations to shut down. As mining activity declined, national economies became more diversified until, during the 2000s, metal commodity prices recovered, reviving mining companies interest in the region.

Today, juniors and majors are reaping the benefits of this resurgence and a number of mining operations are in production in Central America.

Nicaragua was one of the most active and attractive countries for investments in the region in 2012. It is the largest country in Central America and also has the highest historical gold production estimated at almost 10 million oz. There are currently three operating mines and gold accounted for \$422 million in exports in 2012, marking a 16% increase over 2011.

Guatemala is the largest economy in Central America and the mining sector accounts for approximately 2.5% of GDP. Guatemala produced 400,000 oz of gold and 8.9 million oz of silver in 2012, more than all the other countries of the region combined.

Panama, on the other hand, has a strong service based economy that was fueled by the expansion of the Panama Canal. Mining activities currently account for approximately 1.5% of GDP and gold became the country's top export in 2011 accounting for 13.2% of total exports. Once the Cobre Panama project will achieve commercial

production, the country is also poised to become a major exporter of copper.

Belize, Honduras, El Salvador and Costa Rica instead lack much geological potential and the negative political climate towards mining investments has dampened activity and depressed sentiment in recent years.

Moving to the Caribbean, in the Dominican Republic, mining accounted for a mere 0.4% of GDP in 2011. However, the mining sector's value and contribution to GDP is now expected to rise substantially due to the start of production at Pueblo Viejo (Barrick Gold Corp., 60% and Goldcorp Inc., 40%) and PanTerra Gold's Las Lagunas tailings.

In Cuba, Sherritt International through a vertically integrated nickel and cobalt mining, processing and refining joint venture owns the Moa Cuba mining and processing facility to produce lateritic nickel and cobalt ore, which is processed on site. In 2012, the Moa joint venture produced 34,264 mt of nickel and 3,792 mt of cobalt.

Other important operations in the region include Alcoa's Inc. operations in Jamaica

where the company has been mining for bauxite since 1959. Through a series of upgrades the production capacity of the refinery has now been increased to approximately 1.42 million mt/y.

Alcoa also operates from Suriname from where it produces approximately 3,150 mt/d of alumina from its Paranam location. Other players in Surinam include Newmont Mining that is planning to develop the Merian Gold project and IAMGOLD that in 2012 produced 382,000 oz of gold from the Rosebel gold mine and recently entered into a definitive agreement with the government in Surinam to extend the partnership at Rosebel and develop the mine until 2042. "The joint venture will require a fair amount of work before we can bring any resources from the new concessions into the mine plan. We will have to acquire exploration permits in some areas, execute the exploration to declare resources and then work out the economics needed to bring them into reserves," said Bob Tait, vice president of investor relations at IAMGOLD.

Finally, in the Co-operative Republic of Guyana gold output from artisanal miners (ASMs) soared to 438,645 oz in 2012, marking a 20.8% increase over 2011 and with Guyana Goldfields' Aurora gold project now in an advanced stage of development, that figure is set to increase substantially in 2014. "Gold exports, in excess of \$738 million, are Guyana's largest single foreign exchange earner. On their own, they are essential for our balance of payments and macroeconomic stability," said Hon. Robert M. Persaud, Guyana's Minister of Natural Resources and the Environment.



Hon. Robert M. Persaud, Guyana's Minister of Natural Resources and the Environment.

Also bauxite production improved significantly in 2012, from 1.8 million mt in 2011 to approximately 2.2 million mt. The country's bauxite producers are the Bauxite Co. of Guyana, which is a joint venture between Rusal and the Guyanese government and China's Bosai Minerals Group.

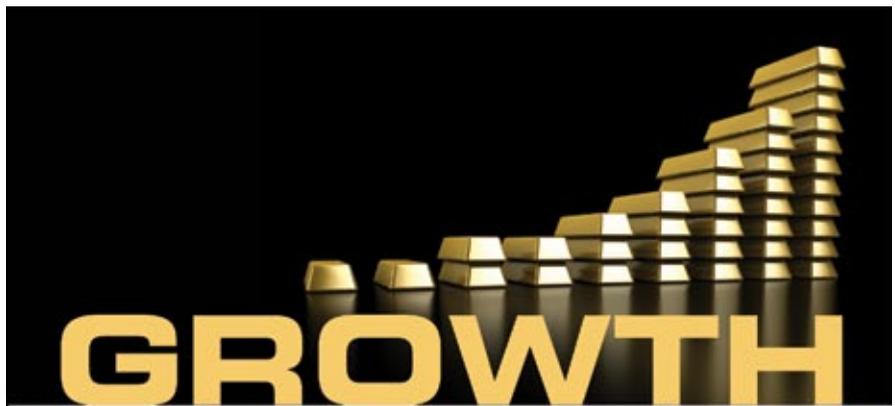
The Caribbean region is still considered an "untapped resource" according to Rory Forde, regional manager, Caribbean at Acme Analytical (Laboratories) Guyana. "I am of the firm belief that the Caribbean has one of the largest untapped mineral resources in the world. The Dominican Republic, for example, has Barrick's Pueblo Viejo mine, which is [the second largest high sulphidation gold deposit] in the world. Mining investors may not think much about Haiti, but there is also gold to be found there; we have seen high grades from the country and definitely lots of copper. In Guyana most of the focus has been on the northwestern region, but large parts of the country remain unexplored or underexplored. This great potential is one of the reasons Acme Labs originally justified investing in Guyana [and the region as a whole]," said Forde.

Julio Espallat, president and CEO of GoldQuest Corp., said: "The Caribbean region has good geological potential for mining occurrences, including large world class deposits like Pueblo Viejo. In terms of opportunities, the region is open to investment but still underexplored. Most areas are unknown and commitment and trust still have to be developed between governments and the international investment community."

While the region's mining industry seems poised for substantial growth it is also facing its challenges. Mining is often a source of controversy, sparking sometimes violent protests by residents who fear its impact on their land.

The lack of infrastructure in countries such as Guyana is hampering large-scale mineral development and is a significant source of frustration for mining operators. Labor shortages in Panama and disputes with the government in the Dominican Republic are also seen by many as stumbling blocks.

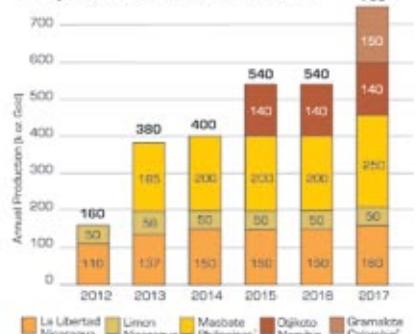
This report will provide a review of some of the most important projects in the region by focusing on the latest developments taking place in Nicaragua, Panama and the Dominican Republic. Furthermore, we will examine what is considered the backbone of the mining industry - its service and supply sector - and will shed further light on the potential opportunities and the challenges facing the region's growing mining industry.



## DRAMATIC PRODUCTION GROWTH

- **Recently completed acquisition** of the Masbate Mine in the Philippines through the acquisition of CGA Mining
- **Three mine development projects** - Jabali, La Libertad Mine (Nicaragua); Otjikoto (Namibia); Gramalote (Colombia)
- **B2Gold record Q1 total gold production** of 79,661 ounces\*
- **Construction underway at Otjikoto** - production expected Q4 2014
- **Several high quality exploration projects**
- **Strong financial position** - strong balance sheet and operating cash flow
- **Proven management team** - former management of Bema Gold, exploration, financing, development and production experience

Projected Gold Production



Based on CGA Disclosure  
\* Subject to feasibility study, permitting and financing. Production shown on attributable basis.

\* based on January 16, 2013 acquisition date of CGA Mining



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# Nicaragua

## A mining nation transforms



The Bonanza mining district in the North Atlantic Autonomous Region. Photo courtesy of Hemco.

Nicaragua has long been synonymous with instability and armed conflicts. Today, however, the country is focusing on its next chapter and is quickly emerging as Central America's leading mining investment destination.

According to the World Bank, the country's GDP was worth \$ 9.317 billion in 2011. The mining sector's contribution to GDP in 2010 was 2.2%, but with gold expected to become the country's major exported commodity in 2013, this figure is set to increase substantially.

Nicaragua contains three sizeable gold mines, mostly re-commissioned mines from the early part of the 20th century, but in recent years Nicaragua has also seen a significant flow of investments into new exploration projects.

### Mineral production and exploration

Mining activity is currently concentrated in three main areas – The El Limón and La Libertad mines in the department of León and the HEMCO mine in the municipality of Bonanza.

The El Limón and La Libertad mines are owned by B2Gold, Nicaragua's leading gold producer. La Libertad is an open-pit gold operation that was successfully brought into production by building a new milling facility between 2009 and 2010. Total production for 2012 was 108,935 oz of gold. "Based on the delivery of high-grade ore from the Jabali deposit, B2Gold now expects an increase in annual production at La Libertad to approximately 137,000 oz/y of gold in 2013 and 150,000 oz/y of gold by 2014," said Clive Johnson, president and CEO of B2Gold. In 2012, the El Limón mine instead produced 48,950 oz of gold. "The El

Limon mine has the potential to grow. Its output has fallen from 90,000 oz in 2000 and the grades have almost halved during this period but we are hopeful to make more high-grade discoveries. Exploration is one of B2Gold's strengths, and just because a mine started operating a long time ago does not mean we cannot find more ounces on it," said Johnson.

The third producing mine belongs to HEMCO, a Nicaraguan company that began operating in 1995 in Bonanza, a region that is considered one of the most prolific mining areas in Central America. "This year we will be producing 67,000 oz of gold and have increased our current reserves from 700,000 oz in 2008/2009 to close to 4.2 million in December of 2012. We operate an aggressive exploration program and have close to 250,000 hectares of exploration grounds," said Sergio Ríos, president at HEMCO.

In March 2013, a leading Colombian gold producer, Mineros S.A., acquired 90% of HEMCO's mining related assets in Nicaragua. Commenting on the acquisition, Ríos

said: "The acquisition by Mineros S.A. reflects the stability of our economy and the fact that the government in Nicaragua is open to serious foreign investors. [...] From an operational standpoint, this acquisition will not change HEMCO's plan in the near term. We remain committed to capitalize on our exploration potential and believe that Bonanza is poised to become a top gold producer."

While El Limón, La Libertad and Bonanza are currently the only operating mines, Nicaragua's output is set to grow substantially over the next years. At least two of the three mines have in fact substantial options for growth and an active exploration sector looks set to change the landscape going forward.

Golden Reign Resources' San Albino gold project had its high grade mineral estimate delineated after only 15 months of drilling and comprises both open pit and underground resources. Condor Gold, a U.K. based AIM listed company, is also focused on proving a large commercial reserve on its La India project and in September 2012



A waterlogged site in Nicaragua, Photo Courtesy of Esinsa

released a NI 43-101 compliant resource estimate of 2.4 million oz of gold at 4.6 g/mt, of which 977,000 oz are open pittable at 3.7 g/mt. Calibre Mining owns a number of properties in northeastern Nicaragua with good potential for copper and gold discoveries and Corazon Gold, guided by historic anomalies that were identified by Rosario Resources in the 1970s at the Coco mine, is also operating in an area that could yield further world class discoveries.

### The support and service sector

Nicaragua's service and support sector is currently trying to keep up with the current expansion of the mining industry. Javier Chamorro Rubiales, executive director of ProNicaragua, Nicaragua's investment and export promotion agency, said: "With the lack of competition in the service area and the amount of capital being currently invested on mining development projects, moving into Central America and Nicaragua specifically will be one of the best future investment opportunities for companies in the sector."

The recent expansion in the mining industry is however leading local construction companies to adapt and diversify into mining. Espinoza Ingenieros (Esinsa) made the transition and can now count on a well equipped fleet of construction and transportation equipment suitable for mining. "Esinsa started as a construction company and eventually the opportunity came to expand into mining. Today, this industry accounts for 80% of our overall business activities," said Arlin Emilio Espinoza Solis, general manager at Esinsa.

Esinsa provides for open pit exploration and material extraction services and partners with Caterpillar's distributor to provide its customer base with the most comprehensive solutions possible. "Esinsa works by providing for the extraction of sterile or mineralized material from the mines. We work by adhering to stringent security and design guidelines and our services also include road maintenance and machinery rental," said Emilio Espinoza Solis. "We believe that the mining industry in Nicaragua has significant potential for expansion and in the short term we are expecting for more mines to come on-line," he said.

The potential to assist with the expansion of the mining industry is also being noted by international advisory firms such as Behre Dolbear that have traditionally been focusing on larger markets in the region, such as Mexico, but are now beginning to look at the country with interest. "Nicaragua is an interesting jurisdiction; it

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is still a quiet mining sector, but beginning to emerge with lots going on. Behre Dolbear recently advised on a merger and acquisition deal on the La Libertad property between CGA Mining Ltd. and B2Gold Corp. The deal was a great experience, a good introduction to Nicaragua and enabled us to have an opportunity to address mining sector concerns of President José Daniel Ortega Saavedra," said Karr McCurdy, president and CEO at Behre Dolbear Group Inc.

### Artisanal Mining

What is perhaps most striking about Nicaragua is the way in which the country is integrating small scale and artisanal miners ('ASM') into the formal economy by building a more socially inclusive mining industry and providing ASMs with access to social security and the opportunity to work in a safer environment.

The Ministry of Energy and Mines considers the formalization and legalization of ASMs as a priority. "In Nicaragua, the mining industry provides employment to approximately 7,000 people while the ASM industry employs more than 10,000 people. We are therefore working to formalize the relations between ASMs and large-scale operators for the benefit of

both parties," said Emilio Rappaccioli, Nicaragua's Minister of Energy and Mines.

HEMCO provides ASMs with the technical support necessary to increase their productivity. To this end, an industrial plant to process the ore received from the ASMs, or *güiriseros* as they are known locally, was opened in 2010. "We operate on a large concession and there are only certain areas where industrial mining can work; we therefore believe that helping small scale-miners to operate in the areas that are not industrial benefits all," Ríos said.

Indeed, HEMCO's approach benefits all parties, including the environment. The ore processed by HEMCO eliminates the use of mercury while the *güiriseros* and their families both increase the mine's productivity and reduce its security costs. Other benefits include job creation and the expansion of the local economy coupled with the improved community relations.

### The Future

Although challenges remain, particularly the underdeveloped state of the country's infrastructure, Nicaragua is positioning itself for growth.

From a regulatory standpoint, important progress has been made in improving the country's investment climate. The main leg-

islation governing foreign investments (Law 344) establishes a series of guarantees including the freedom to expatriate all capital and profits and in 2011 the World Bank's Doing Business Indicators ranked Nicaragua as top location in Central America for investor protection.

"Nicaragua is currently the shining light of Central America in terms of security, an established mining law and advancements in infrastructure," said Gregory Smith, president and CEO at Calibre Mining Corp.

The biggest challenge perhaps remains convincing international investors that the years of instability and oppression are over. "What hurts Nicaragua is the erroneous image that foreign investors have about the country," said Jose Eveno Taboada, president at Consortium Centro America Abogados, a law firm in Nicaragua.

"I believe that when people judge a country they should do so with first-hand knowledge. Do not judge a place by its history, but look for countries that are starting to change. When we entered Chile in 1988, people were concerned, but in fact we had anticipated the economic and political transformation of the country. Do not listen to what people say - by definition, the bold initiatives are taken by the few and not the many," said Johnson of B2Gold.



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# Panama

## Central America's copper resource



The Cobre Panama concession in the Colon province. Photo courtesy of Minera Panama.

Panama is home to one of the largest undeveloped copper deposit worldwide in terms of recoverable reserves, the development of which will be the largest initiative in the country since the construction of the Panama Canal. Although mining still only accounts for approximately 1.5% of GDP, it is one of the fastest growing sectors and, with the entering into production of the Molejón mine in 2010, gold is the country's top export, accounting for 13.2% of total exports in 2011.

### Gold Production

In 2010 Molejón was the first metallic mine to achieve commercial production status in Panama since the country's independence in 1903. In the fiscal year of 2012, the open pit mine produced 68,002 oz of gold, marking a 22% increase compared to 2011. Cash operating costs were \$574 per ounce, down 8% year-on-year. As part of the company's strategy to increase gold production, at the end of 2012, a fourth ball mill was installed, along with two additional LIX tanks, two additional carbon-in-pulp tanks and a second electro-winning circuit.

### The Future waits on copper

The picture that emerged from the interviews held is that the success of the Cobre Panamá project should set the stage for the future development of the mining industry in the country.

Following completion of the acquisition of Inmet Mining Corp. in April 2013, First Quantum Minerals assumed a 80% interest in Minera Panamá, a Panamanian entity that operates the Cobre Panamá concession.

Estimated annual production as described in the basic engineering study released by

Inmet is 266,000 mt/y of copper, 87,000 oz/y of gold, and 1,545,000 oz/y of silver over a 30 year mine life. In December 2012, Inmet also announced an increase to proven and probable mineral reserves that increased total estimated contained copper by 27% to approximately 26 billion lb and increased the estimated contained gold by 41% to approximately 7.3 million ounces. "The additional mineral reserves were integrated into

a revised mine plan that extended the estimated mine life from 31 to 40 years. In addition to these known reserves and resources, there exists significant exploration potential given the large size of the concession (approximately 13,000 ha.)," said Steven Botts, president and CEO at Minera Panamá.

### Support and Service Sector

Panama's growing mining industry can count on an impressive service industry that flourished on the back of the Panama Canal's expansion project. From drilling contractors with different degrees of expertise, to explosives suppliers and heavy equipment providers, the growing mining industry can already be considered as well served. The recent expansion in the mining industry has also attracted some of the world's leading engineering and construction firms. SNC Lavalin, for instance, is well established.

Within the explosives suppliers industry, Orica Mining Services provides rock on ground services, which is a complete service where Orica undertakes a totally integrated blasting service to deliver blasted ground to a specification that has been agreed with the customer. "Our rock on ground services include also the management of the drilling process and Orica can count on specific software to deal with the simulation of the

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Rock blasting. Photo courtesy of Austin Powder.

fragmentation aimed at ensuring that our customers are achieving optimum results," said Roberto L. Prates de Noronha, business manager at Orica Mining Services. "For instance, included in our contracts is a system called rock to specification (R2S) which is aimed at delivering significant advanced fragmentation benefits according to our customers' needs and draws on Orica's expertise in novel design of blast parameters, leading edge visioning systems and database management systems." Orica in Panama can also count on a local emulsion plant and is ideally positioned for interacting with the rest of the Central American and Caribbean region. "Orica plans to improve our existing bulk emulsion production facility to meet the rising demand from the local market and ideally begin to export," said Prates de Noronha.

The presence of international explosives suppliers ensures the quality of the

products on offer. Competitive advantage is therefore often based on the additional services a given company is able to offer.

"We work in partnership with our customers during the planning and execution phases of mining projects. Our people are related to the customer or involved in the project from different angles and we consider ourselves as part of a project, rather than just a supplier," said Mario Julio Alcedo, regional manager at Austin Powder Panama. Austin Powder Panama also utilizes applications that are aimed at optimizing the downstream process of mining companies. "From the construction phase of a mine, to controlled blasts, to wall control for stabilization and specialized blasts for the construction part and the tailing ponds, Austin Powder can assist significantly on any mining operation," said Alcedo.

## Conclusion

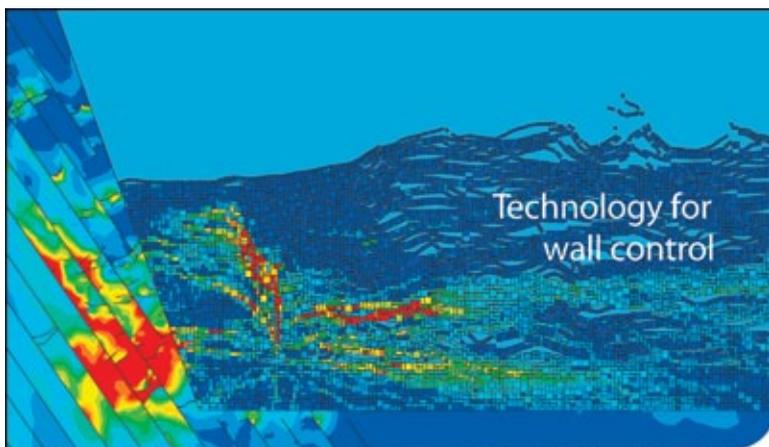
With important projects such as the Cobre Panamá, a government that understands the importance of international investments and an extensive service sector, the future of Panama's mining industry looks promising indeed. However, challenges undoubtedly remain.

In 2011, for instance, the government passed an amendment to the Code of Mineral Resources that later had to be repealed due to opposition by native groups who feared that mining exploitation necessarily entailed the loss of their ancestral lands.

Apart from the public's negative perception, other challenges include the lack of culture in mining, the need for a more modern set of regulations and a lack of qualified human resources.

"One of the main challenge to operating in Panama consists in finding qualified personnel and projects like the Cobre Panamá will now increase competition for local talent," said Prates de Noronha.

Industry players remain nonetheless optimistic. "We anticipate steady growth," said Alcedo. "Welcome to Panama. Panama is a growing country and a melting pot. It is a good place to conduct business and a good hub to work out of."



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# Dominican Republic

## A Rising Star



Unigold geologist logging core. Photo courtesy of Unigold.

The Dominican Republic occupies the eastern two thirds of the island of Hispaniola, which it shares with Haiti. The arrival of the Spaniards in 1492, as part of the first Columbus expedition to the Americas, marked the beginning of the exploitation of the island's rich gold and silver reserves. However, these reserves were soon depleted and other goods such as sugar began to shape the Dominican Republic economy until the 1950's, when large scale exploitation of ferronickel and gold began again, with the opening of the first open pit gold mine in 1975.

Today, the Dominican Republic is consolidating its position as a leading mining investment destination in the Caribbean. Global mining giants such as Barrick Gold and Xstrata are shaping the modern mining history of the country and raising its international status. Also new players like PanTerra Gold, Perliya and GoldQuest entered the scene proving that persistence and long-term vision lead to success stories in the Dominican Republic.

The country's GDP was worth \$59.1 billion at current prices in 2012, up from \$55.6 billion in 2011. Mining remains a cornerstone of the country's economic growth, with the sector's contribution to GDP rising 74% in 2011. The positive outlook and strong economic performance resulted in Fitch ratings reaffirming the country's B rating in 2012. In particular, Fitch cites the Dominican Republic's improving prospects for export earnings as a result of the development of its mining sector and increased availability of external and domestic financing sources.

If managed correctly, the country's mining sector could prove to be one of the great success stories of the Caribbean islands.

### Producers

The Dominican Republic produces gold, copper, silver and nickel from four operating mines.

In particular, Pueblo Viejo achieved commercial production status in January 2013 and is expected to ramp up to full capacity in the second half of the year. Barrick Gold holds a 60% interest in the project and is the project operator with Goldcorp holding the remaining 40%. "Pueblo Viejo represents the largest foreign investment in the Dominican Republic with over \$4 billion invested. Our economy depended mostly on the tourism industry that generated approximately \$2.4 billion in recent years; Pueblo Viejo now nearly doubles that figure. It is the company's long-term interest to support

the economic stability and development of the country from where we will be operating for the next three decades," said Jorge Esteva, communication manager at Pueblo Viejo Dominicana Corp., the local entity that manages the operation.

Annual output from Pueblo Viejo is expected to reach more than 1 million oz of gold during the first five years of production at a cash cost of less than \$350/oz with copper and silver also being produced.

PanTerra Gold, through its wholly owned subsidiary Envirogold, operates the Las Lagunas gold and silver retreatment project that entered in production in August 2012. The project involves the re-

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\* Gold values and \*\* NI 43-101 Financial Report

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processing of high gold silver and refractory tailings from the Pueblo Viejo mine and is expected to produce approximately 60,000 oz/y of gold and 600,000 oz/y of silver over the next five years. The process adopts Xstrata's Albion process of ultrafine grinding and oxidative leaching to recover the precious metals from the sulphide tailings, with expected recoveries of approximately 60% of gold and silver and is now progressing towards its target performance after experiencing design issues with the Isa Mill and the agitators in the Albion tanks. "In the precious metals sector, PanTerra was the first company to adopt the Albion Oxidation process commercially. There are only two other Albion circuits in operation today, both for zinc refineries owned by Xstrata and the installation of the process within a standard CIL circuit has not lived up to its expectation unfortunately. However, we are now optimizing gold and silver production as deficiencies with design and mechanical equipment are resolved," said Brian Johnson, executive chairman and CEO at PanTerra Gold.

Xstrata Nickel Falcondo instead resumed operations at the Falcondo nickel laterite mine at 50% capacity in 2011. "Falcondo is currently a fourth quartile producer, but the potential is there to transition into a second quartile producer and increase our profits substantially," said Darren Bowden, president and general manager of Xstrata Nickel Falcondo. Bowden insisted that the decision in August 2008 to temporarily discontinue operations was due to a combination of low nickel prices and record high oil prices that were making the company's power plant uneconomic to run. "Falcondo is a cyclical operation and in the last 20 years it has alternated between profit and non-profit situations. After having restarted operations in March 2011 we are now connected to the local grid and are negotiating the terms of our commercial agreement to increase our power consumption," he said.

Completing the list of producers in the country is Perilya's Cerro de Maimón mine that in the first three months of 2013 produced 2,573 mt of copper, 4,193 oz of gold and 97,930 oz of silver.

### Emerging exploration companies

One unique aspect of the Dominican Republic is that companies with exploration concessions do not have a right to access the concessions lands before coming to an agreement with each individual landowner. However, while this might seem onerous, companies like GoldQuest and Everton Resources have not encountered any problems.



Julio Espailat, president and CEO of GoldQuest.

"Everton has not been hindered by the requirement to reach agreements with all individual landowners. We employ people specifically to take care of these communications and spend as much time with the landowners as it takes for them to be completely comfortable with us," said Hugo Domínguez, exploration manager at Everton Minera Dominicana.

In particular, GoldQuest, a name now held in reverence by aspiring juniors throughout the country, commenced exploration in the Dominican Republic in 2001, when it unveiled a large program that was initially financed by Gold Fields and has now staked close to the Dominican Republic's maximum concession allowance per company of 30,000 ha. "With the ground secured, we initiated more detailed mapping, rock and soil sampling and drilling. This led to our first discovery, Escandalosa, in 2004. More drilling followed until 2011, when a geophysical program in the area uncovered many new anomalies, including Romero, which includes some of the best interceptions ever drilled in the Dominican Republic," said Espailat of GoldQuest.

GoldQuest's discovery at the new Romero Zone at Las Tres Palmas was significant, returning a drill intersection of 231 m grading 2.4 g/t gold including 160.3 m grading 2.9 g/t gold and 0.62% copper in hole LTP-90. Despite the importance of the discovery at Romero, Espailat insisted that to understand the potential of the company's properties you have to consider them as a whole, rather than looking at individual discoveries like La Escandalosa and Romero at Las Tres Palmas. "These are tiny spots within the big land package we hold [...]. Parallel to Romero is the new Guama trend where geophysical results are even more interesting and may prove to be bigger than Las Tres Palmas," said Espailat.

In January 2012, Everton Resources released an NI 43-101 mineral resource

estimate for the La Lechoza deposit on the Ampliación Pueblo Viejo, adjacent to the northern edge of the Pueblo Viejo mine. "We hope to expand the resource and have good reason to believe this will be possible. There is not yet a resource in the southern part of the block, but the signs are encouraging," said Domínguez. "The company's second priority is the Loma Hueca (Ponton) project, an area that includes volcanic clastic rocks and intercalated carbonaceous units similar to the Pueblo Viejo deposit."

André Audet, chairman of Everton Resources said: "Everton is targeting the type of small, profitable operations that are the future of mining and we seem to be in the right place at the right time. Pueblo Viejo is the second biggest gold deposit in the Western Hemisphere, and glitches with the government have recently been resolved."

Other companies currently advancing exploration projects in the country include Nevada registered Santo Mining and Unigold, that continues to explore on the Candelones area and the nearby Candelones extension at Neita. "While we are working on obtaining a NI 43-101 compliant resource, we are simultaneously drilling for new discoveries beyond Candelones and seeking to advance our metallurgical studies," said Andrew Cheate, president and CEO at Unigold.

### The service and support sector - heavy equipment providers

The expansion of the mining industry in the country has worked as a catalyst for some of the world's largest mining equipment suppliers. Caterpillar, Komatsu, Atlas Copco and Volvo are all well established for instance, mainly through local distributors.

Heavy equipment providers in the Dominican Republic are at an advantage due to the country's geographical location, with quick access to the east coast of the United States, as well as the Caribbean and Central American regional markets. Its location on route between Latin America and Europe also lowers freight costs and enables rapid responses for capacity orders.

"Today, the growth of the mining industry is giving us the opportunity to invest further in technology and human resources and is also allowing us to bring our controls and financial statements in line with international standards. IMCA relied substantially on the growth of the mining industry deciding to invest in its facilities before the real opportunities came," said Pedro T. Esteva, president at Implementos y Maquinarias (IMCA), Caterpillar machinery, Mobil lubricants, Michelin tyres and Kenworth trucks distributor in the Dominican Republic.

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Pedro T. Esteva, president at Implementos y Maquinarias (IMCA).

Esteva raises an important point. Investing in the employees of the future to generate employment will be indispensable for the country's continued economic growth. "Our vocational schools offer good graduates, however the technology has improved considerably in terms of the overall efficiency of the machines, the engines, the hydraulics and the electric systems and our standard technicians' have to undertake substantial training to meet our customers' needs," said Esteva. "IMCA therefore entered into association with other leading companies in the Dominican Republic and founded the Business Initiative for Technical Education

(BITE). BITE works with the country's largest vocational school, Politécnico Loyola, to transform and create the technical workforce of the future and hired the US-based Center for Occupational Research and Development, which works with vocational schools worldwide to align their curriculums with employer demands. Our vision is to raise the overall quality of the country's technical schools to support the country's sustainable economic and social development. Our technicians today are the single most important differentiator serving the local mining industry in a professional manner and this is making our customers very pleased."

**Exploration consultancies**

The recent expansion of the mining industry is also promoting the expansion of local companies that compete to develop technologies aimed at overcoming the challenges present for mining companies in the country.

Rocas y Minerales Dominicanos is an example of a company that is working to develop sustainable solutions for the wide range of environmental concerns that mining companies face. The Dominican Republic is subject to the Environmental Impact Assessments (EIA) Technical Review Guidelines that were developed by the United States Environmental Protection Agency in collaboration with



Mining concession in the Dominican Republic. Photo Courtesy of Rocas. Photo courtesy of Rocas.

partners from the Central American and Dominican Republic Free Trade Agreement to strengthen EIA's in the region.

Rocas y Minerales Dominicanos, based in Santo Domingo, primarily offers consultancy services relating to such EIA's. "Environmental impact assessments determine the type and level of effects that a proposed mining operation would have on its natural environment and are therefore key to the sustainable development of any mining operation in the Dominican Republic," said Alberto Holguin, manager at Rocas y Minerales Dominicanos.

Rather than only providing services to the mining industry, Rocas y Minerales

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Alexander Medina Herasme, director general of mines at the Ministry of Industry and Commerce

also owns two metallic concessions in the country, Dajabon and Rio San Juan, and is currently looking for joint venture partners to proceed with its ongoing exploration activities. "The Dominican Republic is a friendly country, with excellent natural resources and an open culture. Currently, there are great opportunities to work on both metallic and non-metallic projects. Pueblo Viejo, for instance, is the second largest high sulphidation gold deposit in the world and the country does not discard the possibility of finding other deposit of similar size. In particular, there are two places in the country where prospectors should focus: one is to the north of Santiago, in San José de Las Matas. The other is in the area of the northeastern coast, also known for being gold-bearing," said Holguin.

### Drilling companies

The drilling industry in the Dominican Republic is dominated by Geocivil and Energold drilling. In particular, Geocivil offers diamond core drilling in several diameters and to depths in excess of 1,000 m. "As geologists want a more detailed evaluation of the deposits, our clients have recently been requesting deeper drilling depths and Geocivil is, to my knowledge, the only company in the Dominican Republic with the capability to drill at depths in excess of 1,000 m," said Alejandro Gil, executive director at Geocivil SA. "One of the advantages of diamond core drilling relates to the quality of the soil samples that our customers end up with. This technique is used by the local mining industry to test the contents of known ore deposits and potential sites. By withdrawing a smaller diameter core of rock from the ore body, geologist can analyze the core by chemical assay and conduct petrologic, structural and mineralogic studies of the rock samples."

On the geotechnical side, Geocivil offers in situ testing, ground improvements and remediation services. Gil also explained that one of the biggest challenges that min-

ing companies currently face in the country consists in overcoming the general negative public perception. "The general perception in the Dominican Republic is that mining companies are not here to spread the wealth. Mining exploration companies must work hard to explain to the surrounding communities that they are also here to bring prosperity," he said.

### Conclusion

The mining market in the Dominican Republic is one of vast potential. Some of the challenges of operating from the country are similar to the challenges of some of the world's leading mining economies: skilled labor shortages and lack of reliable energy sources. However, the Dominican Republic also faces more unique challenges, such as those presented by the growing tension between the government and mining investors and the general negative public perception. In this regard, it is worth noting that Barrick Gold and the government recently reached an agreement in principle concerning amendments to the Pueblo Viejo Special Lease Agreement. Currently, it is anticipated that there will be an approximate 50/50 split of the expected cash flows from the mine between Pueblo Viejo Dominicana Corp. and the Government over the years 2013-2016.

Also the permitting process has been criticized for having become increasingly lengthy over time. "In the current volatile market, it would be a great help if the government was to expedite the permitting process. In spite of the world-class mines here, and the huge investment made by Barrick, the Dominican Republic does not have a mining tradition. The economy is mainly focused on tourism and services, with mining as an afterthought. It is an ongoing effort to educate the public and the authorities on the potential for development that the mining industry is presenting the country with," said Dominguez.

Despite this, prospects for growth remain good. "The mining sector contribution to GDP is expected to increase to 2% in 2013 with the coming on-line of Pueblo Viejo and Las Lagunas tailings facility and this figure should increase to approximately 3% in coming years as other promising projects are developed," said Alexander Medina Herasme, director general of mining at the Ministry of Industry and Commerce in a recent statement.

It will however be important for mining investors and government officials to continue working together and for the mining industry in the country to change its generally negative public perception.



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