



7. MINING

#INVESTINGUATEMALA

A photograph of a mining site with two large yellow dump trucks. The background shows a steep, rocky hillside. The text 'Industry in Guatemala' is overlaid on the image.

Industry in Guatemala

General information of the country

Capital City	Guatemala
Currency	Quetzal
Exchange Rate (2013)	1US\$ = 7.86 quetzales
Official Language	Spanish
Population	15,438,384
Labor Force (2013)	5.9 Million
GDP (2013)	US\$53.8 Billion
FDI inflows (2013)	US\$1.3 Billion
Exports (2013)	US\$10.1 Billion

Source: Bank of Guatemala and National Institute of Statistics

MINING INDUSTRY in Guatemala

Guatemala, a country rich in minerals, has developed a high mining industry performance. Studies have determined that Guatemala's gold, nickel and other minerals' deposits are among the biggest in Latin America. In addition, the jade deposits located in Guatemala are one of a kind. For these reasons, the mining sector is appealing for both national and foreign investors.

The Ministry of Energy and Mining (MEM, for its acronym in Spanish), has approved a total of 97 exploration licenses and 97 exploitation licenses; 493 exploration and 156 exploitation licenses more are currently in process.

MINING INDUSTRY

at Glance

Total revenue (2013)	US\$993.9 Million
Growth rate (2004-2013)	10,000%
Exports (2013)	US\$777.8 Million
Main products	Gold, Silver, Nickel, Jade
Main companies	Goldcorp, Inc., Tahoe Resources, Solway Group (foreign) Cementos Progreso (national)

Source: Bank of Guatemala, Ministry of Energy and Mining and Invest in Guatemala

Why invest in this industry?

- Stable legal framework, focused on allowing market forces and dynamism to the market.
- Strategic geographical position, for export development and participation in major international markets; with access to both the Pacific and Atlantic oceans.
- The bridge within a market of more than 68 million people over a production area of about US\$319 million (Southern Mexico and Central America).
- Abundance of mineral deposits. Specifically, the country has a high potential to exploit gold, silver, nickel, iron, limestone, granite, jade, among others.
- Increasing international mineral demand and higher international prices, which allows our cost structure to be competitive.
- Experienced and skilled labor force for the mining industry.

Guatemala is the first Central American country and the second in Latin America to be certified by the Extractive Industries Transparency Initiative (EITI) for its transparency and accountability; which helps improve the business climate and strengthen the relationship among the government, private sector and civil society groups.

Source: Extractive Industries Transparency Initiative

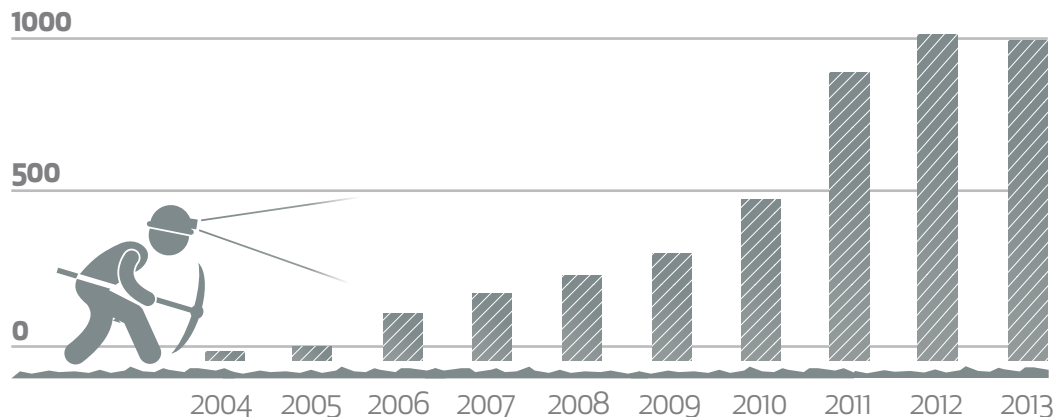
High Performance Mining Industry

According to information provided by the Ministry of Energy and Mining, the mining production raised in 2013 to approximately US\$993.9 million, increasing around 4.8% compared to 2011, and an impressive growth of 10,000% between 2004 and 2013. This amazing growth rate on the mining production is due to the establishment of multinational corporations that have proven that Guatemala is an excellent investment location for its potential.

The country's mining industry has engaged exponential growth during the last years, mainly extracting metals from Guatemalan soil. In 2013, 95% of the minerals extracted consisted of gold, silver and nickel.

Guatemala's current Government has recognized the country's mining potential and has demonstrated a strong interest in developing the sector. As a result, as of March 2013, a total of 97 Exploration and 285 Exploitation licenses more have been authorized.

The most important investments in Guatemala in the mining sector have been done by well known international corporations, translating into high FDI inflows for the country. These investments, as stated by these companies, will continue to grow in the following years, estimating investments of more than US\$3.8 billion during 2013-2015 just for 6 mining projects alone (Escobal, Cerro Blanco, FeNix, Mayaniquel, Montufar y San Juan Sacatepéquez).



Evolution of mining production (million of US\$)

Source: Mining Department from the Ministry of Energy and Mines.

Recent investments

Project and owner company	Exploited Minerals	Estimated Investment (US million)	License Type	Actual Stage	Start of Business (Estimated)	Value of Income (annually)
Escobal (Tahoe Resources)	Silver	350	Exploration	Tunnel Construction	2014	8,375
Cerro Blanco (Goldcorp)	Gold and Silver	250	Exploration	Tunnel Construction	2013	8,375
FeNix (Solway Investment Group)	Nickel	1,200	Exploration	Plant Modernization	2014	8,375
Mayaniquel (Mayaniquel, S.A.)	Nickel	1,200	Exploration	Exploration	2015	8,375
Montúfar (Gorpcorp)	Nickel	100	Exploration	Drilling	2013	8,375
San Juan Sacatepéquez (Cementos Progreso)	Cement	700	Exploration	Building	2014	8,375

Source: Ministry of Energy and Mining (MEM) and Invest in Guatemala

Main mineral deposits in the country

Despite the important growth that the sector has experienced during the last years, Guatemala still has important mineral deposits to exploit. This has attracted many important international investors, which can be proven by the number of mining licenses requests submitted to the Ministry of Energy and Mining. Guatemala has high potential in minerals like gold, silver, nickel, iron and copper. Nevertheless, minerals like lead, zinc, antimony and tungsten can also be found in different locations within the country.

- LEAD (Pb) and ZINC (Zn): There are different deposits in the Western, Eastern, and Northern regions. Most of these are still unexploited, especially in the Western and Eastern regions. The deposits already being exploited are located in the North and present average contents of 12% of lead and 30% of zinc, and concentrates between 36-62% of lead have been produced.

- GOLD (Au) and SILVER (Ag): The Western region of Guatemala has important deposits of silver, located close to the border with Mexico. There are deposits of gold with small amounts

of silver in quartz veins in the Eastern region. The Northern region also has a series of gold and silver deposits that are being exploited. These deposits show average contents of 10 ounces / ton of silver, which produce concentrates between 15 and 20 ounces / ton of silver.

- COPPER (Cu): The main deposits of this mineral are located in the Western and Northern regions. There are also small deposits in the department of Chiquimula in the Eastern region.

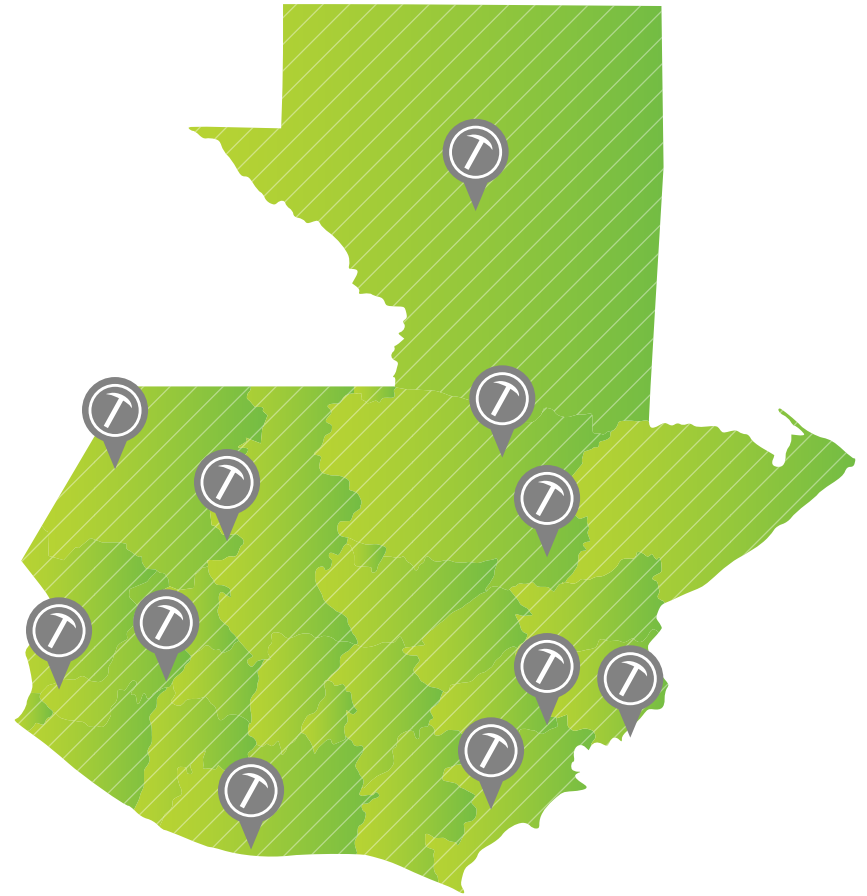
- TITANIUM (Ti) and MAGNETITE (Compound Fe_3O_4): The country has important amounts of these materials in the coastal zone of the Pacific Ocean, where there are great amounts of sands rich in Titanium and Magnetite, which are part of the national mining potential, not being exploited now.

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- **NICKEL (Ni) and COBALT (Co):** The main nickel and cobalt deposits are located in the Northern region, especially in the departments of Alta and Baja Verapaz, and Izabal. A potential of up to 90 million tons has been evaluated in these areas, with contents between 1.25-1.5% of nickel, and between 0.04% - 0.05% of cobalt.

- **IRON (Fe):** Important deposits of iron oxide can be found mainly in the Eastern region of Guatemala. In the departments adjoining the Honduras border there are important zones in use, mainly to supply the cement industry of Guatemala and El Salvador.

- **ANTIMONY (Sb) and TUNGSTEN (Wo):** The main deposits of these minerals are located in the Western zone of Guatemala, mainly in Huehuetenango, a department adjoining Mexico. These resources are being currently exploited, yielding a mineral concentrate with 60% of Antimony and up to 8% of Tungsten.



Some foreign companies
that have trusted in
Guatemala:

 **GOLDCORP**

 **Tahoe.**
RESOURCES INC


SOLWAY GROUP

Legal Framework

In Guatemala, the mining sector is regulated by the Ministry of Energy and Mining, through the Mining Department, as is established in the Mining Law (Decree 48-97) and its regulations. Through them, the attributions and functions of the Ministry, the areas of mining interest, the operations control and all other legal framework are determined. This law is of great interest for the investor, since it establishes the entire legal and operative framework through which the Ministry of Energy and Mining, along with other Government Ministries and agencies, regulate the sector.

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Inside this law, some important concepts are established, like the different Mining Licenses, maximum area length, period, and the different royalties to be paid to the Government.

Areas	Period	Length
Recognition	6 months	Closed polygon between 500 and 3000 Km ² (310.7 and 1864.1 mi ²)
Exploration	3 years	Closed polygon of 100 km ² (62.1 mi ²) maximum
Exploration	25 years	Closed polygon 20 km ² (12.4 mi ²) maximum

Source: Ministry of Energy and Mining

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As contemplated in the Mining Law, the procedure to obtain a mining license starts by submitting an application (a clear and precise petition of the kind of right sought, the specific area applied for, and a description of the area, among other pieces of information) to the General Directorate of Mining from the Ministry of Energy and Mines. After this, no later than 30 days, the Directorate performs an inspection of the area, to further hand in a technical-legal Environmental Impact Study of predictive nature which allows to identify, understand, know, and manage the environmental impacts that the mining project might cause. The study is done by an entity

approved by the Ministry of the Environment and Natural Resources. If the area geographically adjoins a Protected Zone, the study must also be submitted before the National Commission of Protected Areas (CONAP) for its review. Once approved by the appropriate entities, the Directorate of Mining from the Ministry of Energy and Mines will publish a decree in the official newspaper and another in the leading newspaper, publishing the license application. The final resolution that leads to the registration of the mining rights is expected 30 days later.



Source : Ministry of Energy and Mines.

Process for obtaining a mining license

- one** request entry
- two** cadastre
- three** inspection
- four** work program
- five** Enviromental Impact Study
- six** legal unit MEM
- seven** PGN
- eight** granting
- nine** registration
- ten**

Other Institutions that offer support for this sector are:



Ministry of Energy and
Mining
www.mem.gob.gt



National Competitiveness
Program
www.pronacom.org



Guatemalan Chamber of
Industry
www.industriaguatemala.com

At Invest in Guatemala we are ready to help you...

Invest in Guatemala offers direct support to foreign investors looking for opportunities for investment. Expert consultants in each sector provide customized and professional counseling, including coordination of visits into the country, contacts and references, facilitation for the start of operations, practical and professional assistance, operational support and assistance during and after the establishment of operations in the country.

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