



Distr.
GENERAL

DP/NRE/PROJECTS/4
17 April 1981

ORIGINAL: ENGLISH

GOVERNING COUNCIL
Twenty-eighth session
June 1981
Agenda Item 7(d)

UNITED NATIONS REVOLVING FUND FOR NATURAL RESOURCES EXPLORATION

SUPPLEMENTARY PROJECT RECOMMENDATION BY THE ADMINISTRATOR

Mineral Exploration in the Province of Chubut
(ARG/NR/77/001)

I. Background

1. The project ARG/NR/77/001 (see DP/288) was approved by the Governing Council in January 1978^{1/} with the objective of locating ore-grade mineralization in three separate areas on the eastern slopes of the Patagonian Andes in southern Argentina. The project site is centered near Esquel in the Province of Chubut (approximately 2,000 kilometres by road to the south of Buenos Aires). Project cost estimates, prepared in 1977, were \$940,000 for Minimum Work and \$1,500,000 for subsequent stages. Field operations began in August 1978.

II. Completed work and exploration results

2. Regional exploration covered three project areas indicated in the project agreement and the most promising targets identified during the course of this work were investigated in more detail by means of topographic and geologic

^{1/} Official Records of the Economic and Social Council, 1978, Supplement No. 13, E/1978/53/Rev.1, page 210.

mapping, geophysical methods, geochemical investigations, trenching and diamond drilling. Exploration work was stopped as soon as it was determined that results in any given area were not sufficiently encouraging to justify further activity.

3. A promising zone of mineralization was discovered in an area known as Huemules in project area II (Esquel-Corcovado). Geological mapping, supported by geophysical surveys, assays of 16 drill holes and outcrop samples indicate gold mineralization with potential by-product support of copper, lead, zinc and silver. Mineralization has been mapped over more than 3 kilometres of strike length in Huemules. However, the technical data generated by the project so far, although very promising, are insufficient to allow estimates on possible grade and tonnages of an acceptable order of accuracy. Therefore, no indication on the possible economic potential of the deposit, as required by the project agreement, can be made without further exploration work.

III. Further activities

4. The diamond drilling of deposits such as Huemules, which are characterized by erratically disseminated precious metals, provides at best an initial indication of the mineralization geometry and structure. Only underground exploration work can generate valid data that would permit meaningful estimates on grade and tonnages. Furthermore, only work of this nature would permit sufficient samples to be generated for a first evaluation of the metallurgical characteristics of this complexly mineralized material. These tests could very significantly influence the economic potential of the deposit.

5. Further exploration work in the Huemules zone consists mainly of underground entry, bulk sampling and metallurgical testing. Given the difficult dirt road access to the project area, which has a permanent snow cover during the winter season, it is proposed to suspend present field operations during May 1981 and to resume them in September-October 1981. The proposed work plan for further exploration has been reviewed and endorsed by three independent consultants.

6. The proposal for the project extension was presented to the Fund's advisory body, the Joint Operations Group and received its support on 7 April 1981. Detailed evaluation strongly suggests that the further work now proposed has a good probability of leading to the successful discovery of an economic ore-body which can be developed to the economic benefit of Argentina in the priority development zone of Patagonia and from which a replenishment contribution to the Fund could be generated.

IV. Financial data

7. Positive exploration results have led to further detailed investigation including more extensive diamond drilling than required by the Minimum Work. The high rate of inflation in Argentina has also increased project costs, thus effectively reducing funds available for subsequent work to a level insufficient to complete the job. The initial allocation of \$2.4 million has been completely utilized.

8. Additional financing of \$650,000 is now required for the proposed work, which is scheduled for completion in June 1982.

9. The financial assets of the Fund are adequate to meet the cost of this supplementary allocation.

V. Recommendation

10. In the light of the above, the Administrator recommends that:

The Governing Council,

Approve additional funding required to complete field work, up to a maximum of \$650,000, for project ARG/NR/77/001, Mineral Exploration in the Province of Chubut.

- - - - -