

Montana Exploradora: Marlin gold project

In June 2004, the International Finance Corporation, the private sector arm of the World Bank Group, provided a US\$45 million loan to Montana Exploradora de Guatemala S.A. to help develop the Marlin gold project in the Western Guatemala highlands. The project is the country's first major mining investment in over 20 years.

In addition to the financing, IFC is assisting in the effective planning and implementation of Montana Exploradora's environmental and social programs by working closely with the company, NGOs, local municipalities, and community members. IFC is also facilitating community partnerships and identifying and developing potential links with small and medium enterprises, thus creating jobs and enhancing the positive impact in the local economy.

The project

Montana Exploradora's Marlin mine is a greenfield gold project located in the municipality of San Miguel Ixtahuacán of the San Marcos province, approximately 90 air miles northwest of Guatemala City, near the village of San Miguel Ixtahuacán. The nearest major community is the town of Huehuetenango, 20 miles to the north of the mine.

Marlin is owned by Montana Exploradora, a wholly-owned subsidiary of Glamis Gold Limited, a mid-tier gold producer listed on both the Toronto and the New York Stock Exchanges. It is expected to produce an average of 217,000 ounces of gold and 3.3 million ounces of silver annually. The Marlin project is in line with the government of Guatemala's efforts to invigorate investment in the mining sector.

Job creation

As of November 1, 2004, about 1,300 workers were employed by Montana and its contractors and more than 800 of those were from the municipalities of San Miguel Ixtahuacán and Sipacapa. Job creation and commitment with social and environmental standards are aimed at raising the standard of living of local communities and provide sustainable economic opportunities that will outlast closure of the mine.

Setting Standards

Marlin will help develop a competitive mining industry as well as set the standard for social, environmental, and technical management for future mining projects in the country.

Social and Environmental commitment

Marlin has invested over Q10 million to date in social and environmental programs that directly benefit the communities close to the mine, including the following:

- Installation of chlorinators in the municipal water systems of San Miguel Ixtahuacán and Sipacapa
- Reforestation: transplanted over 105,000 saplings to the reforestation areas in the Marlin project and surrounding areas, or donated them to the community. More than 100 hectares of reforestation have been carried out by Marlin in 2004.

- Construction of a medical clinic, which is now operational, with 24 hour service and as required to the community (Marlin has purchased and equipped an ambulance, and helicopter rescue service is available)
- Worked with Banco de Desarrollo Rural to establish the first branch of a bank in San Miguel Ixtahuacán to provide services and financing to small and medium enterprises
- Funded the hiring of 11 teachers for 7 schools in close-by communities, as well as provided books and materials, for the past school year.
- Funded repairs to school facilities for these and other schools in the area.
- Built much needed roads between towns, including an access roads from La Hamaca to Salitre, and from San José Nueva Esperanza to Sipacapa
- Built a Bailey-type bridge that will benefit 12 communities from San Marcos and Huehuetenango facilitating communications, transport and trade.
- Equipped rural First Aid Rural Kits (*botiquines rurales*) and trained personnel.

Support to Fundación Sierra Madre

Montana supports the community development efforts of the local Fundación Sierra Madre in towns close to the mine. Some of the accomplishments of the Foundation to date are:

- More than 250 people trained in vocational skills such as carpentry, sewing, cooking and bread-making
- 50 people employed in local reforestation projects
- 118 midwives trained on maternal health topics
- More than 1,200 people received health services during 5 company-sponsored Health Fairs
- Established 16 communal banks with 308 local women participating
- Recently hired a doctor to supervise the Foundation's health activities in San Miguel Ixtahuacán and Sipacapa.

Economic benefits

To date the company has paid more than Q30 million in IVA tax. Once production begins, Montana will pay royalties on gross revenues to the Government and the local municipalities. These municipalities will receive approximately Q45 million in royalties over the next 10 years depending on actual mineral output and the international prices for gold and silver. Montana will pay the *impuesto único sobre inmuebles* of about Q8 million per year beginning in Q4 2005. In addition, over the life of the project the company will pay approximately Q350 million in corporate taxes.

Status of the project

All of the property needed for the Marlin project has now been purchased from the local landowners. Access road construction, upgrades and installation of the bridge to the property are largely complete. Pouring of concrete foundations for the mill and other buildings is near completion, and steelwork is underway. Mill equipment has begun to arrive at the site. The underground access ramp for the underground mine has surpassed the 600 meter mark towards its final target of 800 meters, and construction of the tailings impoundment facility is well underway. Initial gold and silver production is expected by late 2005.

Project information reviewed by IFC as part of the environmental and social due diligence included the Environmental Impact Assessment, the Public Consultation and Disclosure Plan, the Indigenous People Development Plan and the Land Acquisition Procedures. These documents are publicly available and can be accessed at: <http://www.worldbank.org/infoshop/>

The mission of IFC (www.ifc.org) is to promote sustainable private sector investment in developing countries, helping to reduce poverty and improve people's lives. IFC finances private sector investments in the developing world, mobilizes capital in the international financial markets, helps clients improve social and environmental sustainability, and provides technical assistance and advice to governments and businesses.

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