

***Montana Exploradora de Guatemala, S.A. – Marlin Project***  
***“Environmental and Social Performance Annual Monitoring Report (2004)”***  
***Executive Summary***

The Montana Exploradora 2004 Environmental and Social Performance Annual Monitoring Report (AMR) to the International Finance Corporation of the World Bank was submitted on its due date, March 31, 2005. It is a review of the year 2004 activities of the Marlin Project located in the municipalities of San Miguel Ixtahuacán and Sipacapa in the Department of San Marcos, Guatemala. This is a summary of some of the pertinent data from the complete AMR which is available in its entirety.

**Project Status**

The Guatemalan Ministry of Energy and Mines issued an exploitation license for development and operation of the Marlin Project on November 27, 2003. The project entered the construction phase during the second quarter of 2004 and mine commissioning activities are scheduled to begin in August 2005. As of the end of December, construction as a whole was 27 percent complete. Major construction milestones included completion of the access road, substantial completion of earthworks, mine tunnel advancement to 767 meters, and substantial completion of the permanent camp, warehouse facilities and ANFO magazine building

**Employment**

At the close of 2004 there were 1,527 workers involved in the construction of the Marlin Project. The employees of Montana Exploradora and the construction contractors were 84% Guatemalan residents of whom 57% were from San Miguel Ixtahuacán and Sipacapa: 16% were from outside of Guatemala.

**Payroll**

The total payroll for 2004 was \$4,868,000 (Q/38.7 million). 84% of the payroll went to employees who live in Guatemala and one-half of the total payroll (\$2.42 million) went to employees from San Miguel Ixtahuacán and Sipacapa. Montana Exploradora de Guatemala's full-time employees receive medical, vacation, life insurance, and transportation employment benefits.

**Purchasing**

To date, the Marlin Project has paid \$9,092,168 for land purchase and improvements. Over \$270,000 was spent on goods and services during 2004 in the Guatemalan cities of San Marcos, Huehuetenango and Quetzaltenango; of that amount, \$100,309 was spent in San Miguel Ixtahuacán and Sipacapa.

### Community Relations Group

Local public consultation and disclosure activities are conducted primarily by the Marlin Project Community Relations Group, which is made up of trained local indigenous residents of San Miguel and Sipacapa. During 2004, the group carried out its mandate to present the Marlin Project to the neighboring communities, listen to community members concerns, and analyze and make recommendations on community projects. In 2004, 100 informational meetings attended by 6,400 persons were held in communities (79 meetings attended by 5,209 persons were held during 2003). During these meetings community members learned about various aspects of the Marlin Project and representatives from Montana Exploradora solicited community ideas, opinions and concerns about project-related issues and opportunities. Also during 2004, the Community Relations group conducted 150 visits to the Marlin Project for a total of 2,574 persons (40 visits for 815 persons occurred during 2003). In addition to these visits, a variety of Marlin Project personnel held numerous formal, informal and ad-hoc meetings with community, departmental and national leaders, NGOs and individuals during the year. These meetings took place on a daily basis and addressed a wide range of topics.

On-going public communication took place throughout the year in various forms. An external newsletter, *Horizontes*, was distributed to the neighboring communities as well as pamphlets and flyers discussing various aspects of mining and the Marlin project. Also at the local level, Montana conducted radio interviews and announcements. At the national level, Montana conducted a newspaper advertisement campaign and informational inserts. In 2004, the *Sierra Madre Development News* was distributed locally, nationally and internationally in Spanish and English. [The Sierra Madre Foundation received its principal funding from Glamis Gold, Ltd. during 2004.]

### San Martin Mine Visits

During 2003 and 2004, Montana conducted 14 tours to the San Martin mine in Honduras, in order to provide community leaders and local, departmental and national officials firsthand experience with an operating mine. In all, 126 Guatemalan officials and local community members were given tours of the San Martin mine (not including Marlin Project employees, some of whom were also members of local communities). The tours provided participants the opportunity to see facilities associated with a working mine and to discuss community effects with local officials in a community adjacent to the mine site.

### Education and Training

Montana Exploradora funded the salaries for teachers at nine schools in the Marlin Project area, made infrastructure improvements at eight schools and provided construction materials for four schools during 2004. The Marlin Project participated with the Sierra Madre Foundation (FSM) and INTECAP (Guatemala vocational training agency) to carry out nineteen training courses in Sipacapa and San Miguel Ixtahuacán with a total of 231 participants of which 72% were women and virtually all were

indigenous. Fifty-two Marlin Project employees received vocational training in order to qualify at the appropriate level for operations jobs.

### Health Care

The Sierra Madre Foundation and APROSAM (a local health NGO) renovated twelve health care centers and community medicine stores in the villages near the Marlin Project. Basic health services and training were provided to more than 10,000 people in 14 surrounding communities. Health fairs were held in both Sipacapa and San Miguel Ixtahuacán. The Sierra Madre Foundation and APROSAM increased their staff during the year (FSM – 1 doctor; APROSAM – 1 nurse's aide). Montana Exploradora installed chlorination systems to the municipal water supplies of San Miguel Ixtahuacán and Sipacapa and trained staff in their use. Montana Exploradora and the FSM installed twenty-three latrines in nearby villages. The Sierra Madre Foundation and APROSAM gave classes on pre-natal care, prevention of childhood diseases and nutrition.

### Community Development and Sustainability

The Marlin Project has upgraded roads and built bridges in the surrounding communities, providing improved access to commercial centers. During 2003 and 2004, Montana Exploradora directly contributed \$724,000 to 108 separate community projects and charitable events in San Miguel Ixtahuacán and 41 in Sipacapa.

In July 2003, Montana Exploradora hired Citizens Development Corps (CDC) to design and implement an integrated community development program for the communities adjoining the Marlin project, with the primary goal to create the foundation for sustainable multi-sectoral development that will improve the quality of lives in these communities for the immediate future and beyond the life of the mine (Integrated Community Development Plan – ICDP). FSM, with funding from Corporate Citizenship Facility (CCF), implemented the *Seeds for Development* forest nursery project. ICDP started a pilot nursery which sold \$29,584 worth of goods and services to Marlin project in 2004. FSM provides technical assistance to a second nursery with 34 members, including 18 women. FSM has provided technical assistance to local residents in starting their own businesses, including lending seed capital. FSM and its NGO partner FAFIDESS (Fundación de Asesoría Financiera a Instituciones de Desarrollo y Servicio Social), inaugurated 17 communal banks with 311 members in communities near the Marlin Project. These communal banks have loaned a total of \$104,000 to-date. In addition, a number of technical assistance and training activities were held with bank members on topics ranging from business skills to social/health issues (34 courses with a total attendance of 595).

### Environmental Activities and Monitoring

The Marlin Mining Project Environmental and Social Impact Statement (EIA&S) was approved by the *Direccion de Gestión Ambiental y Recursos Naturales* (Directorship) of

the *Ministerio de Ambiente y Recursos Naturales* (MARN) in Resolution No. 779-2003/CRMM/EM on September 29, 2003.

Environmental monitoring at the Marlin project is conducted by an independent Guatemalan environmental consulting firm. Even though the Marlin project is currently in the construction phase and was not discharging mining effluents, a comprehensive program of air emissions, groundwater and surface water monitoring was conducted during 2004. Air quality was sampled at 10 separate monitoring stations, groundwater quality was monitored at three separate locations and surface water quality was monitored at eight separate locations.

A third party Environmental Audit and Review (Audit) was conducted by Dorey & Associates in late October and early November, 2004 with the final report issued in January, 2005.

Approximately 117 hectares of land were reforested in 2004, both within the project area and in the surrounding municipalities of San Miguel Ixtahuacán y Sipacapa. Reforestation activities were carried out by Marlin project staff and by local contractors, who received training and support from FSM.

#### Occupational Health and Safety

The Ministry of Energy and Mines, along with Ministry of Environment and Natural Resources and the Ministerio Publico conducted two Marlin Project site inspections during 2004. No citations were issued and no serious problems encountered.

The Marlin Project had a total of five lost time accidents during 2004 and had a lost time incidence rate of 0.0006751, based on the IFC's incidence formula. A total of 1,477 Marlin Project and contractor workers were trained in health and safety procedures during 2004 and 96 workers were trained in first aid.

Marlin Project Occupational Health and Safety staff conducted a total of 411 internal inspections during 2004.

The newly appointed commission for monitoring mining in Guatemala (*Commission de Vigilancia Independiente de la Minería*) visited the Marlin Project during December for their first orientation of the project. The group includes representatives from the major universities in Guatemala as well as a representative of ASOREMA, the association of environmental NGOs in Guatemala. It is anticipated that the commission will issue their report to congress during the second quarter of 2005.