Better times to come

Although the potential is there, legislative and economic hurdles remain in East-Central Europe

The European Union (EU) remains highly dependent on imports of raw materials, essential not only for the European industrial renaissance but also for the region's overall economic and social development.

If it is to remain competitive in the global market and meet society's needs, it urgently needs to reduce its dependency on imports of raw materials, promote production and exports and bring Europe to the forefront in the raw materials sector.

The Athens Declaration on sustainable access to resources, which promotes best practices in minerals policy and legal framework, land-use planning and permitting, was adopted in June 2014 to encourage EU member states to establish adequate regulatory frameworks to secure mineral deposits that facilitate investments, while ensuring that mineral property rights are sufficiently protected.

At the same time, member states have been tasked with establishing national mineral policies, linking them in an efficient way to the country's industrial policy and increasing their compatibility with other relevant policies.

Unfortunately, despite the growing need for raw materials, several countries in East-Central Europe with great mining potential still lack the appropriate policies to secure sustainable access to their domestic mineral resources. If they are able to change this, then this could position the EU as an important mining player in the global marketplace.

Romania

Romania's economy grew by 3.8% in the March quarter of 2014 and in March alone industrial production increased 10.7% compared with the previous year. Given the positive economic results and the country's progress in improving its external balances, in May 2014, Standard & Poor's upgraded Romania's credit rating from BB+ to BBB-.

In July last year, the Romanian government adopted a national plan for strategic investment and job creation aimed at taking all necessary measures to boost the country's economic and social development. The strategic plan set out key targets for 2013, including securing investment commitments into Romania of €10 billion (US$14 billion) and the creation of over 50,000 jobs in five strategic investment fields, including the mining sector.

The government identified seven projects in the mineral resources sector that it hopes will enable the country to achieve these targets. Certej and Rosia Montana, the largest known undeveloped gold projects in the country, were included in this list.

Romania is known worldwide as a country with significant mineral resource potential, especially rich in oil, natural gas, salt, gold, silver and non-ferrous metals. In fact, unexploited mineral reserves in Romania are estimated to total some 20,000Mt – including both ferrous and non-ferrous ores and salt, sand, gravel or decorative rocks – according to the most recent data from the Romanian National Agency for Mineral Resources (ANRM).

Photo: Christian Bortes

Rosia Montana, in Romania, is one of the largest undeveloped gold deposits in Europe

If these deposits were exploited, Romania could produce around 20Mt/y of ore, equivalent to around 15% of the EU's total mineral resource needs, so says think-tank Romania Energy Center.

If Romania's national and local authorities were to take all the necessary steps to modernise the mining sector and open up access to investors on the capital markets, the country could continue to improve its macroeconomic situation – not only through the creation of tens of thousands of jobs, but also by increasing its GDP.

Under the current mining code, the rights to all mineral resources located in Romania are owned by the state and these mineral rights are acquired only through prospecting and exploitation concessions granted by the National Agency for Mineral Resources (ANRM).

The latter recently issued a request for tender for 24 new exploration permits, the first such tender process for a number of years.

In January 2013, the government published an ordinance imposing special taxation measures for companies deriving income from exploiting mineral resources apart from natural gas. The law imposed a 0.5% tax rate on the revenues derived from extraction and exploitation of natural resources in the period February 1, 2013, until December 31, 2014.

Fast facts: Romania

- **Capital:** Bucharest
- **Population:** 20 million
- **Real GDP growth:** 3.5% (2013 est)
- **Currency:** Romanian leu

Slow reform

In September 2013, the government introduced a new mining bill aimed at modifying the existing mining code. The bill was intended to increase transparency and facilitate the development of all mining activities across Romania by providing:

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Focus: East-Central Europe

Construction and commissioning of underground crusher and conveyor system at the Chelopech mine in Bulgaria

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- Greater clarity surrounding the relationship between certain endorsements required under zonal planning laws;
- Reassurance to mining companies that an exploitation concession licence would be insulated throughout its term from any subsequent modifications of the applicable legal framework; and,
- A simplified procedure to acquire surface rights and clarify the legal framework concerning urbanism certificates and their relationship with other permits and approval processes.

The bill was debated in the Romanian parliament, the Senate and the Chamber of Deputies, but failed to receive a majority vote.

In January 2014, the government stated its intention to continue modifying the existing mining law and establish a proper sustainable mining sector, ensuring resource efficiency, a stable and predictable legal and regulatory structure, transparency and integrity. However, to date, no legislation has been presented to parliament on this matter.

Moreover, in November 2013, the government issued an emergency ordinance to amend the fiscal code and provide a new set of royalties applicable to mineral resources to be applied from 2014 upon either the conclusion of a licence or the issuance of a mining permit.

For noble metals, including gold, a royalty of 6% of mining production value is to be applied under the government's new emergency ordinance. However, until parliament approves the emergency ordinance, the existing royalty rate of 4% will continue to apply.

Political support

While the legislative framework is still waiting for a major facelift, a number of large mining projects are also waiting for firm political decisions to enable them to get off the ground once and for all. The most-talked about project by far is Rosia Montana, one of the largest undeveloped gold deposits in Europe, currently in its 10th year of assessment.

The project is operated by Rosia Montana Gold Corporation (RMGC), owned 80.69% by Canada's Gabriel Resources Ltd and 19.31% by the Romanian government. Despite progress by RMGC, having successfully worked with all decision-makers to fulfil the environmental and socio-economic assessment, the permitting process for Rosia Montana is still awaiting government approval.

"If these deposits were exploited, Romania could produce around 20Mt/y of ore, equivalent to around 15% of the EU's total mineral resource needs"

Romanian prime minister Victor Ponta says that the natural resources industry in the country needs "clear political support"

Even in such a difficult context, which caused the company to adopt retrenchment measures in the first half of 2014, it remained "fully committed to identify, prevent and mitigate any unfavourable impacts this process would have on the local communities' and properly manage the impact of such decisions toward all affected stakeholders, beyond basic legal requirements".

According to an official company statement, despite being forced to lay off 80% of its workforce, "it remains willing to invest significant financial resources to build the first modern gold and silver mine in Romania and hopes that the current restructuring process represents just a temporary measure until such time as the government approves the mining project".

In the meantime, other mining investors are probably keeping an eye on Romania to see how this long story turns out. Historically, mining has always been an important job generator, bringing in about 1 million direct and indirect jobs before 1990. This number has drastically decreased in the past 25 years, with just a little over 2,500 people working in the metals and mining sectors in 2012, according to the country's national institute of statistics.

From the most recent political declarations, it is clear that mining is recognised as an important industrial sector. Economics minister Constantin Nita stated during a visit in Alba County at the end of May 2014, that "some mines could be reopened". Meanwhile, the prime minister, Victor Ponta also added to the debate, saying "it would be better for Romania to exploit all natural resources, including gold, if all environmental requirements are met, but this process needs clear political support".

Right now, Romania is waiting to close the gap between political declarations, clear decisions and updated legislation. Until then, the re-launch of Romania's mining sector remains just an aspiration.

Bulgaria

The mineral resources industry is an important strategic sector for Bulgaria's economy, forming the basis of other industries and contributing to the country's economic stability and energy independence. Bulgaria occupies a leading position in the European mining industry, ranking second in terms of gold production and third in copper production.

The main raw materials mined in the country include lignite coal, lead, zinc, copper and polymetallic ores, gypsum, limestone, bentonite, quartz sands and marble.

The number of identified deposits stands at 595, which includes 206 of metallic minerals; 115 of non-metallic minerals; three of oil and natural gas; 51 of natural stone; 151 of construction materials; and 69 of solid fuel. 80% of mining activities in the country are carried out at surface mines.

Despite these resources, Bulgaria's continued heavy reliance on imports highlights the great unexploited potential of the mining sector. Thankfully, this is slowly starting to change: preliminary data reveals that, of all the industries in Bulgaria, mining makes the greatest contribution, adding some 10% or US$2.8 billion to the country's total exports in 2012.

Annually, the industry contributes around 4% to the country's GDP and produces almost US$300 million in exports. Although 24,171 people were employed in the country's mining industry in 2013, 446 less than in 2012, the average annual salary of employees increased 23%.

Total mineral production decreased slightly in 2013, slipping 0.5% to 82,500t. However, several projects are expected to come on stream in 2014. These are set to not only increase mining, but stimulate economic growth in areas that are below the poverty line and create more than 1,000 jobs in areas of high unemployment.

The Gorubso-Madan lead and zinc mine, operated by local company Varba-Batantsi AD, is one mine that is due to come on stream. After a difficult few years when operations at the mine were suspended due to financial debts by the previous owners and labour disputes over unpaid wages, Varba-Batantsi acquired a 90% stake in the mine in March 2012 and paid miners their wage arrears, totalling some US$800,000.

Then early last year Bulgaria's anti-trust watchdog finally gave Varba-Batantsi the green light to acquire the remaining 10% stake in the operations and the mine is set to start producing by the end of July.

Copper country

Although not a new mine, the Ellatzite copper mine, owned by Ellatzite-Med AD, which is part of construction group Geotechmin OOD, continues to ramp up production and generated around 48Mt of copper last year.

Elsewhere, Dundee Precious Metals Inc continues apace at the Chelopech mine, which produces copper concentrate containing gold and silver.

Following an extensive mine and mill expansion project in 2013, the underground mine processed 2Mt of ore, a 12% increase on the previous year. In

Construction of a mine wastewater treatment facility at the Ellatzite mine, Bulgaria's largest copper mine

Fast facts: Bulgaria

- **Capital:** Sofia
- **Population:** 7.3 million
- **Real GDP growth:** 0.5% (2012 est)
- **Currency:** Bulgarian lev

March the company also updated its mineral resources for the mine, citing proven and probable reserves of 23.9Mt at 3.26g/t Au, 7.37g/t Ag and 0.99g/t Cu, and a measured and indicated resource of 28.7Mt grading at 2.71g/t Au, 11.22g/t Ag and 0.92g/t Cu.

Dundee completed construction of a pyrite recovery project in 2013 and entered into a three-year agreement to sell up to 200,000t/y of pyrite concentrate to Xiangguang Copper Company Ltd. It commissioned the pyrite recovery circuit in the March quarter and the company said it has already completed its first shipment of pyrite concentrate.

Further south, the company is advancing the development of its Krumovgrad gold-silver project, which comprises an open-pit mine and plant designed to treat as much as 840,000t/y of ore over an eight-year mine life.

Sustainable development

In recognition of the mining industry's increasingly significant role in developing Bulgaria's economy, in 2012 the Bulgarian Chamber of Mining and Geology created the first voluntary sustainable mining standard.

The main objective of the standard is to contribute to the sustainable development and prosperity of the mining industry in Bulgaria. It also aims to:

- Improve energy and resource efficiency;
- Minimise environmental impacts;
- Provide maximum socio-economic benefits;
- Establish long-term, dynamic and effective relationships with stakeholders; and,
- Strength the sector's reputation.

Several companies have already successfully introduced the standard and the first results will be reported during the forthcoming European mining business forum, held on September 29-30 in Plovdiv.

"Bulgaria occupies a leading position in the European mining industry, ranking second in terms of gold production and third in copper production"

Fast facts: Macedonia

- **Capital:** Skopje
- **Population:** 2.1 million
- **Real GDP growth:** 3.1% (2013 est)
- **Currency:** Macedonian denar

Macedonia

After a dismal 2012, when economic growth in the Former Yugoslav Republic of Macedonia came to a screeching halt, the country's economy seemed to be back on track in 2013 as GDP grew 3.1%.

One problem still weighing heavily on the country, though, is its woeful unemployment rate, which hovered just below the 29% mark last year. Following snap elections in April, re-elected prime minister Nikola Gruevski pledged to boost the economy and create around 64,000 jobs.

Lofty ambitions these may seem, but mining may be something that will help Macedonia's economy turn a corner. Mining and quarrying already made up 11.8% of the country's overall volume of industrial production in 2013, according to Macedonia's state statistical office.

What is more, the total number of employees in the country's mining and quarrying sector increased by 0.7% in 2013. This was particularly encouraging given the context of recent mining activities in Macedonia, which more or less came to a standstill following the break-up of Yugoslavia and Macedonia declaring itself an independent country in 1991.

The country is home to deposits containing copper, iron, lead and zinc, as well as precious metals such as silver and gold. And following recent changes to ownership conditions and legislation governing public-private partnerships, it has never been easier for foreign companies to invest in the country.

Macedonia has already attracted the attention of a number of miners, including Canadian-based exploration company Euromax Resources Ltd, which is developing its flagship Ilovitza gold-copper porphyry project, in the southeast of the country.

At the beginning of June, Euromax released the results of a prefeasibility study (PFS) for Ilovitza. The results revealed a much bigger deposit than the company originally expected when it acquired the

Left: Bulgaria's heavy reliance on imports highlights the great unexploited potential of the mining sector

Below, left to right: drill cores from Euromax Resources' Ilovitza gold-copper deposit, the Plavica mine in Macedonia, FENI Industries ferro-nickel plant in Kavardaci

project in 2008 from what was then Phelps Dodge Exploration Corp (now Freeport-McMoRan Copper & Gold Inc), indicating a maiden total probable reserve of 225Mt containing 2.45Moz of gold and 905Mlb of copper.

Off the back of the PFS, Euromax is now envisaging a 10Mt/y open-pit mining operation producing 95,000oz/y of gold and 16,000t/y of copper for 23 years.

Euromax's president and chief executive Steve Sharpe said the results highlighted the "exceptionally robust economics" at Ilovitza. "This is a massively important project for Macedonia, and as one of the few permitted mining projects in Europe, will dramatically enhance the economic profile of the country," he said.

"The overwhelming local, national, and indeed supranational support for the project places us in the enviable position of certainty of development."

All-in costs at Ilovitza are expected to be US$334/oz of gold net of a copper by-product with a hefty capital expenditure figure of US$502 million, reflecting the scale of the operation.

Pat Forward, chief operating officer of Euromax, said that the company was now in a good position "to build and operate the first major modern mine in Macedonia."

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Boosting foreign investment

Although it may not be too much longer before we see other Canadian miners eyeing up what Macedonia has to offer. In November last year, Canadian foreign affairs minister John Bair announced that the two countries had begun negotiations towards brokering a foreign investment promotion and protection agreement (FIPA), identifying mining as one of the primary sectors ripe for Canadian investment.

And as Macedonia remains one of only a handful of countries in Europe to maintain a 10% corporate tax rate (payable on distribution) throughout the recession years, this is clearly a factor that will only serve to sweeten any future deals.

Australian explorer Genesis Resources Ltd already recognised Macedonia's potential when it inked a deal over four years ago to develop the Plavica gold-copper-silver project with local joint-venture (JV) partner RIK Sileks AD Kratovo (Sileks).

The JV soon secured seven concession licences for the area, which was previously explored by Rio Tinto and what was then European Minerals Corp (now Orsu Metals Corp), and has continued to forge ahead with exploration.

In October last year, the company took out a US$2 million loan, which it said was partly to help progress its drilling programme. Although harsh weather conditions forced drilling to be suspended towards the end of the March quarter, recent positive results include 54m at 3.51g/t Au, 2.79% Cu and 72m at 1.47g/t Au.

Clearly Plavica's potential has not gone unnoticed. As *Mining Journal* reported in January, Singapore-listed Blumont Group Ltd identified Genesis as the latest in an increasingly long line of investment targets – it has since announced a takeover bid for fellow Australian miner Merlin Diamonds Ltd – in the energy and natural resources sector.

Genesis has already met one key condition of the takeover bid, having completed the first part of a final feasibility study (FFS) for the first of its seven concessions at Plavica.

Local joint-venture partner RIK Sileks AD Kratovo (Sileks) has since lodged the FFS with the Macedonian government for approval.

Once granted, Plavica's tenement will be converted from a four-year exploration licence into a 30-year exploitation licence and Genesis will then have the right to acquire a 62% interest of the project. ▼

–Staff reporter

Members from Euromines, the recognised representative of the European metals and minerals mining industry, contributed to this article. Ivan Andreev, executive director of the Bulgarian Chamber of Mining and Geology, contributed to the Bulgarian section

Photo: Euromax Resources