

It's full steam ahead for aspiring miner Euromax Resources in Macedonia, as the company positions its Ilovica copper-gold porphyry deposit, 15 km west of the border with Bulgaria, to become the European country's first greenfield development of its kind in over 30 years. The company has tabled a feasibility study that shows marginal improvements in the resource estimate, along with a 5.5% reduction in capital costs to US\$474 million.

The news came on the heels of Euromax securing an off-take agreement on its copper-gold concentrate with German-owned Aurubis, the largest copper producer in Europe, which operates the Pirdop plant in Bulgaria.

The agreement was a key condition towards securing a US\$215-million facility for the project from the German United Loan Guarantee Scheme, and builds on a US\$25-million facility from Caterpillar Financial alongside a US\$175-million gold-streaming agreement with Royal Gold.

During a presentation at the Denver Gold Forum in Colorado in September last year, Steve Sharpe, president and CEO of Euromax, said that the sizable financing package, which measures "eight times the value of the company's market capitalization," validates the project.

"It's a robust project, as is demonstrated by our ability to raise large amount of debt financing against the project itself," he said, expecting that 80% of the capital cost would be either financed or streamed, with construction in this year's third quarter.

"As most new and expansion projects around the world are mothballed in response to the recent downturn in commodity prices, we believe that this is an ideal time for building, so as to exploit the supply shortages that will likely occur," he said in a company press release.

The Ilovica deposit is a 29-million-year-old copper-gold porphyry within an acutely trending magmatic arc that strikes northwest from northern Greece through Bulgaria and Macedonia, and onto Serbia and eastern Turkey.

Sharpe said during the presentation that after Euromax sold European Goldfields' Stratoni mine in Greece, along with its other assets in Romania, to Eldorado Gold (TSX: ELD) in a cash-and-share deal worth US\$2.5 billion in December 2011, the company "saw inherent value" in Macedonia, because the Ilovica deposit falls along the same geological trend.

The system is 1.5 km in diameter, with resources totalling 257 million tonnes at 0.32 gram gold per tonne and 0.2% copper in the measured and indicated categories, accounting for 2.6 million oz. gold and 1.2 billion lb. copper.

"This is a simple copper-gold porphyry that's low grade, but the grade is made up for by the exceptionally low strip ratio, it's simple to process and there's a smelter 120 km by rail from the mine site itself," he said. "And all of that comes together with spectacularly low cash

costs.”

The economics, as outlined in the feasibility study, returned a US\$440.1-million after-tax net present value, and a 17.8% after-tax internal rate of return (IRR), assuming a 5% discount rate and long-term price forecasts of US\$1,220 per oz. gold and US\$2.90 per lb. copper.

“The IRR is completely meaningless because it should reflect the pure equity component of this transaction, which is almost infinite in terms of that number,” Sharpe added.

The mine is scheduled to produce 83,000 oz. gold and 16,000 tonnes of copper over a 20-year mine life, at all-in costs of US\$372 per oz. gold, which was calculated assuming copper as a by-product.

Considering Macedonia has a 2.1-million population, a US\$10.2-billion gross domestic product and a 25.5% unemployment rate, Sharpe says that the country’s government has gone “above and beyond the call of duty” to help get Ilovica into development.

“The average age of the ministers is 30 years old ... it was an overwhelming surprise to find such a young and dynamic government that has really made foreign direct investment a cornerstone of its economic policy.”

“We’ve been so welcomed in the country that we made all our staff in London and in Canada redundant, and relocated those positions to Macedonia,” he continued. “We are the first international mining company that have its headquarters there, which is the right thing to do to be part of the emerging market, and we feel passionate about being part of that success.”

Corporate philosophy is also important to Sharpe, who says that the company’s shareholders should have a “transparent return” on their investments.

“We want to bring mining back to its fundamentals, in which our shareholders receive the full benefit of the performance of a mine, so we aim to develop a single project and return cash flow generated back to our shareholders,” he said.

On the horizon for Euromax is finishing the updated environmental and social impact study, expanding on its national environmental impact study and working on the main mining project, which is the final submission required under the Macedonian minerals law to obtain the construction permit.

“It’s a win-win, both for our shareholders and for Macedonia,” he said. “Neighbouring countries will look at what we’re doing here, and that will kick-start a lot of the projects that have been on hold.”

Euromax shares have traded within a 52-week range of 9¢ to 57¢, and closed at 35¢ at press time.

The company has a total of 116.8 million shares outstanding for a \$40.9-million market



Euromax sees a bright future for mining in Macedonia

capitalization.

source: northernminer.com