

Euromax CEO Steve Sharpe presents an extremely positive picture regarding the company's Ilovitza copper/gold porphyry mine development project in Macedonia. Although this is very low grade by most standards, the mining environment in landlocked Macedonia is extremely positive; power and road infrastructure is right there and many of the costs associated with developing big low grade deposits of this nature just don't apply and government is hugely supportive.

Like most juniors, Euromax's stock price has been decimated by the downturn in the gold and copper prices. It currently has a market capitalisation of only around C\$20 million, but is looking to develop Ilovitza at a cost of between \$350-450 million. While this may seem an improbable task in the current financial environment, the company has an ace up its sleeve. Its output of concentrate is to go to German company Aurubis' smelter in Bulgaria just across Macedonia's eastern border which has effectively secured it a German government guarantee of bank finance of up to \$350 million to develop the mine.

Sharpe describes the young Macedonian government's approach as being the best he has ever come across when it comes to a major new mine development. It appears to be helpful in every aspect, has an extremely low tax and royalty requirement - no doubt helped by the fact it desperately needs the Ilovitza development to go ahead given its potential huge positive impact on the Macedonian economy. (Macedonia has a population of only 2.1 million, a GDP of around \$21 billion and high unemployment of around 31%. A significant large mine at Ilovitza would be a great boost to the economy). With a very pragmatic government currently in power, although elections are due next year, the country will certainly pull out all the stops to help get the mine up and running.

Euromax has a strong board with its key executives people who built up European Goldfields and ended selling it to Eldorado Gold. CEO Sharpe feels the current very low stock price is largely irrelevant to the company's ability to get Ilovitza into production - it is too low to be able to raise cash through an equity issue and, in any case, he hopes to be able to announce that the project is fully financed early next year. Fully diluted there will only be 97.3 million shares in issue and over 50% of this share capital is tightly held by management and institutions. There is an aim to pay dividends of up to around 50% of free cash flow once the mine comes into steady state production, which is currently scheduled to be in around 2018.

The company has already announced results of a scoping study on Ilovitza and has a Preliminary Feasibility Study (PFS) under way, now due for completion early next year. The scoping study looked at a mine milling ore at a rate of 12 million tonnes a year and was based on a copper price of \$3.01/lb and [gold price](#) of \$1274/ounce. The measured and

indicated resource is put at 184 million tonnes at 0.33 g/t gold and 0.21% copper for 2.14 million ounces gold and 875 million lbs copper. There is a higher grade zone which could be mined first to increase NPV and project payback. Overall the study suggested production of 24,000 tonnes a year of copper and 133,000 ounces gold giving it a cash cost of \$625-675/ounce gold equivalent if you view it as a gold mine.

The scoping study suggested a cost to bring the mine to development of \$476 million, but studies since, which will presumably be confirmed in the PFS, or otherwise, have brought the base cost down to \$352 million - most notable among these was an increase in the pit slope which brings the strip ratio down to under 2:1. Sharpe also comments that the scoping study primarily used North American cost inputs as a guide, whereas costs in Macedonia will likely be lower. Inasmuch as there is any shortfall between the German financing guarantees and the eventual capital cost Sharpe feels this will be relatively easy to raise through perhaps selling a gold stream or a net smelter royalty to finance any balance. He told Mineweb that finalising the project finance is the 'easy part'.

In the meantime the company will have to find around \$25 million to take it through Phase 1 to construction start, but Sharpe reckons this will fall into place once the company is able to announce funding for Phase 2 construction to mine start-up is in place.

Despite the low grades Sharpe describes the project as a cash cow as the economics look very good providing the initial hurdle of raising the \$25 million finance to take the project to the construction phase can be put in place. Euromax itself has around \$4 million cash at the moment and no debt.

Sharpe also notes that by shipping a copper/gold concentrate, Ilovitza would be a gold mine which doesn't have to rely on the 'c' word to produce its gold. Cyanide is something of a no-no in most of eastern Europe, so without having to rely on this the main focus for drumming up environmental opposition to the project - the bane of many other prospective European gold developments can be avoided. He does note however that a proportion of the stripped waste would be gold bearing oxides which will be stockpiled and could perhaps be processed at a later date should opposition to this be negated.

Overall an interesting project. Euromax does have other exploration targets but to preserve costs it is doing the minimum work necessary on these to be able to keep them in its portfolio, thus concentrating its efforts almost wholly in getting Ilovitza into production. The PFS on the project will be awaited by Euromax followers with much interest as it will put some more definitive figures on the profit potential and payback times should the project go ahead and then we will have a better idea if it truly is a potential 'cash cow' as Sharpe suggests.



Macedonia: Euromax, low grade copper/gold but potential 'cash cow'

source: mineweb.com