

Seeking for gold in Europe

Interview with EMED Mining (Rio Tinto processing plant) and KEFI Minerals (drilling in Turkey)

Due to negative experience in regard to semi-legal and reviewed mining-contracts in Africa or environmental problems in Asia, more and more exploration companies put their focus on Europe. For many investors in the resource sector, Europe is a dark horse. Although, there has been a big mining tradition within the eastern and southeastern European countries since the existence of the Roman Empire. EMED Mining and KEFI Minerals, which was a spin-off from EMED, followed these tracks, went to Spain, Slovakia, Turkey and Cyprus, searched for reserves and discovered lots of them. The Rohstoff-Spiegel was able to get an interview with the Managing Directors of both companies and found many exciting aspects of the European mining business.

? Harry, where is EMED listed, with how many shares and who are your shareholders?

A We are listed on the AIM Board of the LSE. We have about 150 million outstanding shares, at a current share price of 0.19 GBP or about 0.285 US\$. We have a market cap of about 60 million US\$. 30% of our issued shares are held by our board and management, another 30% are held by two major mining companies: Oxiana Ltd and Gold Fields Ltd and three more institutional investors: RMB Australia Holdings Limited, Fidelity International Limited und Resource Capital Fund. The remaining 40% are held by smaller shareholders holding under 1% each.

? What are your main projects?

A We have two major projects in our portfolio: First is our Biely Vrch Gold Project in Slovakia, where we own 100% of the mineral rights, which was historically one of the main sources of precious metals for Europe. We have made a gold discovery there

which exceeds 1.2 million oz. This has attracted the interest of Gold Fields who only become interested in projects with potential for over 5 million oz. Our share market cap of 60 million US\$ reflects our gold project in Slovakia. For that reason, we are planning a dual listing in Toronto, where companies with such gold assets trade on bigger market caps than ours. Secondly, we have an option over 100% of the famous Rio Tinto Mine in Andalucia, Spain, including the processing facility. We are proposing to restart the copper production



Jeff Rayner

on there at the end of this year. If this restart will be successful, it will generate an average cash flow of 80 million US\$ p.a. That would be a higher cash flow than our current market cap. Recent analyst reports value EMED shares at 4-5 times of the current share price, based on the expectation that this project will proceed.

? Your most advanced project is the project in Spain, could you tell a bit more about this project. What are your plans for this year and what are your projections for the coming years? What are your projections for revenue and costs?

A Our Spanish project is the one

that is nearest to cash flow, subject to regulatory permissions to restart production. In Spain, we have the following plans for 2008: By June, we want to obtain the permission of the regulatory authorities and of our shareholders. By December, we want to start production. For the future, we have the following projections. Based on our current reserves, we expect 10 years of production at 40,000 t. p.a. of Cu. We anticipate a revenue at average 2 US\$ / lb and costs at an average of 1.20 US\$ / lb. including capex. Furthermore, we expect a net cash



Harry Anagnostaras-Adams

flow of 80 million US\$ p.a. at 2 US\$ / lb or of 180 million US\$ p.a. at 3 US\$ / lb.

? What hurdles do you have to take before you could start-up your Rio Tinto-project? What licenses do you still need and what are the main criteria for approval? What are the disputes and liabilities of the Rio Tinto vendor still to be settled?

A The only hurdle is the regulatory permission. This requires us to a legal clean-up of last disputes and agrees to the guarantees for protection of the environment and employment. We have started to do these things and are in communica-

tion with government authorities reporting our progress to them as we go along. The Rio Tinto Mine is an existing mine and processing facility. It is already licensed to operate, but it needs permission to restart. We have lodged all the formal applications and have started to negotiate the cleanup of past disputes between the vendor and other past stakeholders.

There are the following disputes to solve:

- to discharge a pledge with the government department
- to discharge the vendor's liability to a financier with a lien on part of the corporate structure
- to facilitate a cessation of litigation between the vendor and the government
- to use some required land owned by a 3rd party

The individual totals of the sums required are commercial-in-confidence but are all included within our publicly disclosed planned investment of up to US\$120M to cover all these matters, plus restart costs, plus bonding for the government plus sums payable to the vendor.

? How do you want to finance the start-up and how much do you need. Will this include issuing new shares on the LSE, TSX or another market?

A We are looking at financing US 120M to start with 100% ownership or USD80M to start with 51% and go to 100% over the following 2 years. We have a fixed-price option to go from 51% to 100% within 4 years but the plan would be to take no more than 2 years to go to 100% ownership

Nearly all of the funds are being arranged as debt because the pay-back is less than 3 years and we will minimize dilution of shareholders interest.

? You spend a lot of time and money in Spain and you plan your next AGM in Andalucía. Should

this be seen as a sign of your confidence in this project?

A Yes, and also the amount of work required. EMED time prides itself on its focus, commitment and transparency. That is why we are so far succeeding to clean up the obstacles for the restart.

? Could you tell more about your project in Slovakia?

A We went to Slovakia because it was overlooked by the modern mining industry despite that it was the source of most silver for the Renaissance, which was a silver-based economy.

The area we acquired the mineral rights to includes the area around the mining towns of Banska Stiavnica and Hodrusa. 200 years ago Banska Stiavnica was the 2nd largest town in the Austro-Hungarian Empire and was the source of much wealth for the Habsburg dynasty.

The whole of the Hodrusa-Stiavnica region yielded 120M oz of silver plus 2.4Moz gold and base metals.

Under the Soviet Union, no exploration was allowed there for precious metals.

We formed a technical alliance with local technical institutions and government departments and brought in some international techniques and skills from other parts of the world where such areas have yielded major new discoveries of different deposit types – deposit

types not economic in past times. We are very proud to have discovered a major gold province at Detva. It is early days but so far we have confirmed the existence of 3 large gold deposits. So we are confident that we will prove up a large economic project.

So far we have confirmed with diamond drilling at an area called Biely Vrch, within the Detva Project Area that we have over 1.2M oz of gold, and that we need to do a lot more drilling to define the total resource

Gold Fields of South Africa want to get involved with the project and bought 10% of EMED. We are all very excited about the possibility of this project.

? What are your plans for this project in 2008 and further on?

A In 2008, we will double the amount of drilling in Slovakia. We have expanded the team and will send in another drill rig in March. 2008 is the year to demonstrate 2 things: to confirm the Biely Vrch discovery is economic and to demonstrate the existence of other potentially economic gold deposits.

There are only 2 or 3 gold discoveries each year globally, of more than 1M oz. Gold Fields is interested in our project because it is likely to be one of those 2 or 3 in 2008.

? Can you work on this project the whole winter, or are winter



Source: EMED Mining, KEH Minerals

conditions too severe?

A Field work stops with snow and ice. So the field season is about 8 months p.a. unless it is a mild winter like this year. So you schedule desk-work for the winter.

? What is the estimated tonnage and grade for an economic viable project in Slovakia?

A 50M t at 0.8g/t would be of interest, as long as gold is over say \$400/oz. Of course today gold is more than double that and we are targeting something bigger.

? Is a JORC or NI 43-101 resource calculation planned for this year?

A Yes, for at least part of Biely Vrch.

? Anything you want to say about the other projects in Cyprus and Georgia?

A They follow the same pattern. Go to an old mining district, get a strong local position and apply new techniques, international skills and work with local alliances. The projects in Cyprus and Georgia are dwarfed by Slovakia and Spain, but they have potential for the same reasons. We are building a European mining company and not just a one or two mine company.

EMED is no.1 or No. 2 in each of the countries we have started activities since company formation 3 years ago.

? Jeffrey, KEFI Minerals originates from EMED Mining. Why did you split-off and how is your current relationship?

A EMED formed KEFI because Turkey is a great underexplored minerals-rich country, but a different business model had to be applied there. Turkey has many mining industry competitors there and EMED did not want to be just another competitor. KEFI Minerals, as a separate listed

company with 32% ownership by EMED Mining, will become a naturalized Turkish company over time. It will have Turkish shareholders and Directors and Management. That is one of the reasons it will succeed competitively.

? What makes you different from other exploration companies in Turkey?

A We own a proprietary exploration database of many Turkish mineral targets. We have a strong management, both international people with good discovery-record and also good local people. EMED support plus other shareholders means a solid financial basis for KEFI.

? Could you shortly describe your properties and how do you see their potential? When do you start drilling in Turkey and on what properties?

A We have already assessed over 100 properties all over Turkey and have secured 4 clusters of properties so far. Derinin Tepe project is a series of epithermal high-grade gold veins and was previously mined in shallow underground mines by ancient Romans. We expect much more potential in the depth of this project. We will have a better understanding of it after our drilling program which will start in March 2008. In April or May, we will be back to

our discovery in Artvin, our second major project. We identified good gold-in-soils over a zone of 1.5km x 1km. There are also some interesting copper porphyry deposits nearby. Artvin is a large-tonnage/low-grade porphyry style target.

? How do you see the company in, say, three to four years from now?

A We will be mining, either by exploration & development of our own current projects or by acquisition of local mines whereby the local Turkish owners would become shareholders in KEFI.

? Do you have any properties in your database that you would still like to acquire?

A Many properties have been assessed. KEFI has only existed for one year and is already in 4 good properties and looking at many more.

? Why should potential investors invest in EMED and KEFI right now?

A EMED expects to get conditional permits for Spain within the next 2 months and has restarted drilling in Slovakia. KEFI is focused on Turkey (a most prospective country), has an excellent team (already delivering results in only 1 year of life) and will start drilling on its high-potential projects again in March.

