

January 14, 2010

This Is The Year When Some Exciting Decisions Are Going To Be Made About The Future Of Mediterranean Resources

By Charles Wyatt

To some it might appear to be a pity that the joint venture proposed in December 2008 between Canadian-listed Mediterranean Resources and Cengiz fell apart within three months. Cengiz would seem to have been the ideal partner, as it is a large privately owned Turkish based conglomerate which operates, among other things, the Murgul copper mine, Turkey's largest such operation, where production runs at a rate of three million tonnes of ore per year. It also owns the smaller Kure copper mine and the Samsunn copper smelter, which is the only one in the country. It must have felt like Christmas had arrived several times over for Mediterranean's Peter Guest, as all the financial and a lot of the technical worry would have been taken off his shoulders, especially as the credit crunch was in full cry. But it was not to be.

The fact that it fell apart was simply due, says Peter Guest, to the fact that the disciplines of the two companies simply did not fit. Cengiz is involved in base metals and Mediterranean is a gold company. Mediterranean acquired the Corak and Tac properties from Teck in 2005, and has subsequently enlarged its landholding so that it covers a district-sized land package called the Yusufeli property. Yusufeli currently boasts four projects along a 12 kilometre mineralised trend. These properties are well serviced by roads, water and access to power, allowing for highly cost-effective exploration. As well, Turkey's modernized mining code and permitting process provide attractive incentives to exploration ventures, including rebates on expenditures.

The history of mining in Turkey goes back some 9,000 years and it now represents one of the most important new exploration frontiers for gold in the world, as until recently relatively little modern exploration had taken place. This has changed of late - there were only six exploration companies operating in the country in 2002 and now there are 25. Turkey lies within a globally significant metallogenic zone, the Tethyan Eurasian Metallogenic Belt, which extends from south-east Europe, through Turkey, Iran, Afghanistan and Pakistan, and on through to the Himalayas. This belt hosts some of the world's largest gold and copper deposits.

Situated in the northeast of Turkey, the Tac and Corak projects are only eight kilometers apart and they have NI 43-101 compliant resources which were put together by SRK and amount to 1.58 million ounces in the indicated category and a further 290,000 ounces inferred. These are constrained within Whittle pit shells, providing a materially enhanced level of confidence in the overall economic potential of the Yusufeli property. The resource estimates also demonstrate that both Corak and Tac are amenable to open-pit mining, and it looks reasonable now to make the assumption that they will be economically viable. This is an important point, and one which is giving Peter Guest, as a mining engineer, plenty to

think about at the moment. Maybe it will be possible to develop both, with operations focused around a central processing plant.

But there's also the Celtik discovery to be taken into account. This discovery was made in 2008 at the north eastern end of the mineralised trend, where an intercept of 18.4 metres grading 6.51 grammes per tonne gold and 0.9% copper was reported. Add to this the Cevreli zone, where there are multiple undrilled targets, and it easy to see that Mediterranean Resources is in a very strong position.

Just how strong will be known when the results of the current scoping studies or preliminary assessments as they are now called, are published. Metallurgical testwork is taking place to determine optimum recovery methods, and it is accepted already that the current mining licence areas are sufficient for the location of processing facilities, waste rock and tailings. In addition to this work being carried out by SRK, Golder has started an environmental impact study and all three – Mediterranean, SRK and Golder - will be meeting in Turkey in February to assess progress to date and decide on the next moves. Read all this through with a sniff from the SRK Technical Report which opines that “recoverable resources may have lower tonnage and higher grade” and it is hard to avoid concluding that Peter Guest is currently taking what amounts to a development decision. On the telephone he agrees that if all goes to plan the preliminary assessments will flow into a pre-feasibility study. He knows that all the work now being carried out is adding value, and points out that drilling is continuing at Celtik and that total discovery costs to date have averaged only US\$6.67 per ounce of gold. Not bad, when the current price on the market is still comfortably over US\$1,100 per ounce.

This will strengthen his hand in talks with potential joint venture partners, which are continuing. In the middle of last year Peter said that a deal with another local Turkish company was a possibility, but does not seem so keen on the idea now. Maybe it is a case of ‘once bitten, twice shy’. Now he is after a western partner, and a firm of brokers in Toronto is sifting through a list of interested parties. Peter makes the point that since Alamos Gold acquired the Agi Dagi and Kirazli gold projects in the northwest of Turkey from Fronteer Development and Teck Resources at the turn of the year, for US\$40 million plus four million Alamos shares, the attitude towards Turkey has changed significantly in North America. No longer is it seen as too close to Bush's Axis of Evil, though it may be some time before it is viewed as a holiday destination as it is in London. Peter still has C\$1.5 million in the bank, so is not under undue pressure, but there's no doubt that this is the year when some exciting decisions are going to be made about the future of the company.

For more articles like this, register for FREE at www.minesite.com