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Mediterranean Resources Sets The Drill Rigs Turning In Turkey Again, Hoping To Add To Its Existing 1.6 Million Ounces

By Ryan Jackson in Vancouver

A little less than a year ago Mediterranean Resources was making headlines for all the wrong reasons, as infighting between shareholders and management erupted out into the open, and the arguments got ugly. But fast forward a year and the company has well and truly moved on, and looks to be in much better shape.



Exploration at Çorak

A positive preliminary economic assessment is in hand for the Red Mountain project, supported by a strong defined resource. There's more drilling underway, environmental permitting expected soon, and newly discovered zones of mineralization to investigate.

The 9,583 hectare Red Mountain project is Mediterranean's main focus. It consists of three main exploration areas, known as Taç, Çorak, and Çevreli, in north eastern Turkey. Of the three, Taç and Çorak are the more advanced, while Çevreli is an early stage exploration target where soil samples have shown promise but no drilling results have yet confirmed mineralization at depth.

Taç and Çorak have a long history, as initial exploration began back in the 1970s, and was followed by more than US\$4 million of development spend by Teck Cominco during the 1990's. Since then, Mediterranean has spent US\$3.1 million on exploration at Taç in 2006, after which it earned a 100 per cent interest, and during 2007 Mediterranean spent an additional US\$4.5 million on exploration at both Taç and Çorak.

All that work was pulled together in 2008 when Mediterranean announced a NI 43-101 compliant indicated resource estimate for Taç and Çorak which showed 1,598,417 ounces of gold, on a gold-equivalent basis, as well as an inferred resource of 730,889 ounces of gold equivalent. The deposits are polymetallic in nature and host silver, copper, lead, and zinc in addition to gold.

To date, the exploration carried out by Mediterranean Resources has been extremely cost effective, and discovery costs have come in at an average of US\$7 per ounce. Not too shabby considering the average discovery cost over the last decade was US\$25 per ounce (adjusted for 2011 dollars).

And there should be more ounces to come. A new drilling program began drilling in November of 2011. The new campaign has two goals: firstly to infill drill the Çorak deposit with a view to collecting additional data in sparsely tested areas. Secondly, to drill a deep target at Taç, identified in the previous resource statement as having potential to add ounces to the deposit and extend the pit shell design.

Though company chief executive, Christopher E. Ecclestone expressed frustration at the, “chronically slow”, progress Mediterranean has made in drilling, he reports that all five holes at Çorak are now finished and that the campaign is now 70 per cent complete. The results are expected later in the first quarter and may end up adding more ounces to the resource and allowing for an expansion of the planed open pit at Taç.

With a strong resource defined at Red Mountain, the company subsequently commissioned SRK Consulting to write a Preliminary Assessment on the project. The report showed that both the Taç and Çorak deposits would be amenable to open pit mining and could produce approximately two million tonnes of mill throughput per year.

This level of production could result in an undiscounted pre-tax net cash flow of US\$343 million per year after an initial capital expenditure of US\$125 million, according to SRK's calculations. Under those parameters the payback period should be around two years, the net present value comes in at US\$165 million the internal rate of return (IRR) works out at 34 per cent.

Though the Red Mountain Project is the flagship property for Mediterranean Resources, the company is also interested in diversifying metals exposure and evaluating the potential of additional properties in Turkey. In line with this tenet, the company has conducted exploration on the Çeltik prospect, located only two kilometres North-East of the Taç deposit.

Çeltik is a large surface expression which has yielded soil and rock samples showing more than two grams per tonne gold. In 2008 and 2009 14 holes were drilled at Çeltik for a total of 1,900 metres. Among the highlights from that round of drilling was 18.4 metres of 6.51 grams per

tonne gold, 16.85 grams per tonne silver, and 0.9% copper. In another hole, 20.6 metres of 1.62 grams per tonne gold and 16.79 grams per tonne silver was returned.

Mediterranean has now partnered with a private Turkish company, called Lovet A.S. which has undertaken an environmental impact assessment. In return Lovet may purchase a 20 per cent interest in the Red Mountain Project. Lovet is a construction company based in Istanbul and is part of a mini-conglomerate that includes interests in oil & gas exploration, textiles, hotels and property development.

A strong local partner like Lovet is essential in an environment like Turkey, which is broadly mining friendly, but which can occasionally spring nasty surprises on the unwary. But forewarned is forearmed, and 2012 looks like shaping up into an interesting year for Mediterranean.
