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## **Carpathian Marches On Towards A Production Goal Of 500,000 Ounces Of Gold Equivalent Per Year**

*By Alastair Ford*

“We’re very happy”, says Dino Titaro, chief executive of Carpathian Gold. He’s got plenty to be happy about too, as the company has just passed another major milestone on its path to production at the Rovina Valley gold-copper project in Romania. A preliminary economic assessment, conducted by various agencies and brought together by PEG of Ontario, has shown that the project is capable of producing 6.22 million gold-equivalent ounces over a 19 year life. That equates to production of around 238,000 ounces over the first five years, to taper off later for an overall life of mine average of 196,000 ounces per year. Similarly with the copper, the study envisages Rovina producing an initial 53.5 million pounds of copper for the first five years, tapering off to deliver an average of 49.4 million pounds over the life of mine. Cash costs should come in at less than US\$380 per ounce, with copper as a by-product credit, or rolling the two commodities together, at around US\$483 per gold ounce, on the basis of copper costs at US\$1.05 per pound. With gold and copper both trading high on the markets at the moment, that leaves plenty of room for a nice fat margin. No wonder Dino’s happy.

The study has also gone a long way to addressing one of the major concerns that had been floating around about Rovina – namely, that it’s low grade. At 193.1 million measured and indicated tonnes grading 0.49 grammes per tonne gold and 0.18% copper, with a further 177 million inferred tonnes at 0.68 grammes per tonne and 0.17% copper, there’s no doubt that the grades are not spectacular, and never will be. But what’s crucial are the economics. At a US\$900 gold price and US\$2.25 copper price Rovina offers an internal rate of return of 15.7 per cent and payback within less than five years. Take those commodity prices slightly nearer to the current spot levels, and those numbers improve still further. The next trick will be for Carpathian to find the US\$500 that it needs to get the project built.

But Dino Titaro has a few aces up his sleeves as far as that goes. The first is that two of the porphyrys that will be mined at Rovina have high grade cores, offering that extra production boost early on in the mine life. There’s nothing like big profits early on in a project life to whet the appetites of potential investors. Then, there’s every chance that, as the project moves into the fully-fledged feasibility stage, recoveries can be improved. What’s more, parts of Rovina are not completely drilled off, offering the potential of yet more ounces of gold and pounds of copper to add to the already substantial totals currently hovering at around seven million ounces of gold and 14 billion pounds of copper. It’s a sizeable resource base, and if it gets bigger as metals prices strengthen, that can only go towards enhancing the project economics.

Markets can go down as well as up, of course, as we all know only too well, but in the three years that Dino reckons it will take to bring Rovina on stream, global demand for copper is unlikely to slacken. In fact it may well accelerate further as the global recovery gathers steam. The outlook for gold also remains strong as the global purchasing power of the world's major currencies continues to diminish. So, nice metals to have, and it's perhaps no wonder that Carpathian regularly receives expressions of interest from bigger mining companies, from smelters, and from end users of copper. Dino doesn't give too much away regarding his responses to these expressions of interest, other than to say that down the line, such interest may eventually crystallise into a form of financing that will prevent a big equity dilution. After all, US\$509 million is not small change, even if it is supporting a project the size of Rovina.

Still, it's interesting to note that as far as interest in Carpathian's projects are concerned, the Brazilian operation, Riacho dos Machados, is the most popular. This is smaller-scale, but nearer term, and, according to a preliminary economic study completed in August of 2009, will support a 100,000 ounce per year operation over a seven year life, producing ounces at a cash operating cost of US\$428 per ounce. Money will be required to get that up and running too, but Dino is fairly confident that the appetite will be there. "There's a lot of funds and institutions knocking on the door", he says. The plan is to get the non-equity component of the Riachos dos Machados fundraising in place first, and then tap the equity markets to make up the balance of the likely US\$120 million to US\$130 million requirement.

Production from Riachos should be up and running by the end of next year, by which time Rovina won't be too far behind. And as the company's plans to become a 500,000 ounce gold-equivalent producer start to fall into place, the shares should start to gain real traction. A re-rating from last year's lows is already underway. Expect more to come.

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