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Carpathian Gold Sets Out On The Path To Production, Supported By A Million Ounces On The Riacho Dos Machados Project In Brazil

By Chris Cann

With the gold price pushing back towards US\$950 an ounce it's a fantastic time to announce that you've proven up significant gold resources. It's even better if those new ounces are complemented by the relevant infrastructure and permits. And it's better still if they occur at a place with a mining-friendly address. Such is the state of play at Toronto-listed Carpathian Gold, which released its initial NI 43-101 resource for the Riacho dos Machados (RDM) project in Minas Gerais State, Brazil on Monday 18th May. The estimate includes 1.01 million ounces in the inferred category and 290,000 ounces measured and indicated resources.

Almost 80 per cent of Carpathian's entire resource falls within a projected open-pit shell designed using a 0.3 grams per tonne gold cut-off, industry relevant costs, and a gold price of US\$800 an ounce. Below the open-pit shell and excluding a 20 meter crown pillar, a higher-grade cut-off at one gram per tonne was used to define a resource for an underground operation. RDM was last operated as an open-pit mine by CVRD until it was closed down in 1997 because of the dwindling gold price. Up until that point it had produced 170,000 ounces in just under 10 years.

Carpathian's president and chief executive Dino Titaro said the latest numbers represented a "starting point" for the resource potential of RDM, and that the figures had exceeded the company's initial expectations. He said the result supported Carpathian's view that the project could be fast-tracked back into production. The company has envisaged a 4,500 tonne per day open pit operation followed by an underground operation at 2,500 tonnes per day. The initial life of the open-pit mine phase could be in the order of 10 years. A scoping study is due for release in a month's time and drilling to expand and upgrade the resource was ready to begin this week.

And Carpathian's Mike O'Brien told Minesite that with established infrastructure, a mining licence already granted, and exploration licenses for more than 21,000 hectares of the surrounding area, Carpathian was ready to develop and expand RDM. He said the project could be in production as early as the December quarter next year. "RDM is in immaculate condition," O'Brien said. "We're going to have to up the power source ... and there is some dewatering to be done, but everything is in excellent shape. You can drive right into it, the open pits have been very well maintained, and all the monitoring stations are there. The beauty of it is we have the mining permit."

From the project description so far it's hard to imagine that RDM is not Carpathian's flagship. In actual fact the project shares the honours with the Rovina gold-copper porphyry exploration play in Romania , which has delineated 10.8 million gold equivalent ounces at US\$675 an ounce gold and US\$1.80 per pound copper over three deposits, with one mining analyst last week describing the potential for further discoveries as "exceptional".

So, among other things, RDM will be able to provide cash flow for the ongoing evolution of Rovina. But RDM has beyond its immediate operational attraction, an exploration value that Carpathian is keen to exploit. The RDM mine site mineralisation occurs within a 14 kilometre-long shear zone hosted in pre-Cambrian metamorphic rocks that has a "demonstrated gold endowment". The current resource represents only two kilometres of the southern portion of this shear zone and there are numerous surface gold targets of similar grade mineralisation that occur along strike to the north.

The company plans to evaluate these targets in early 2010 "as they have the potential to provide additional mill feed to increase the sustainable mine life and annual gold production rate". In addition to the immediate on-strike extension possibilities, the underground resource at RDM could host over a million ounces of gold. "The 1,000 hectare mining concession is one thing but we plan on expanding that down the road," O'Brien said. "We see significant exploration upside potential at RDM and we have a couple of very good targets already."

Meanwhile, like every non-producing company, Carpathian must answer the questions of how it will pay for its plans – scoping then feasibility studies at RDM, preliminary economic assessment at Rovina and the drill programs for both sites. That question was comfortably fielded earlier this month by a bought deal private placement for more than C\$5.5 million. The next time Carpathian returns to the market it is likely to be for a significantly larger amount to pay for the development of RDM.

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