

Ecclestone on mining in Albania

Albania – Not Quite the Land that Time Forgot: In the not too distant past, with one of my other hats on, I was very involved with the mining scene in Albania. At the time I headed a company that desperately needed to diversify away from the mammoth country risk involved in doing business in Turkey (therein lies another story) and my glance turned to Albania for a couple of reasons. Firstly it was a country with a very strong mining history (in fact its fate post-WW2 was directly linked to mining). Secondly, its major resource was chromite, for which I have a particularly soft spot (as evidenced by my recent writings on Tasman's diversification into this metal). Thirdly it is geologically governed by the Eastern Ophiolite Belt which is a spur of the great Tethyan Copper Belt that stretches from the Carpathians in Slovakia, all the way through the Balkans, across, Turkey, Iran and ending in Afghanistan or Pakistan depending on your point of view.



I am more conflicted as to whether it is a positive or negative for the country that it is not currently a member of the EU.

Some Background

Albania, with a population of approximately 3.5 million people, has had an open market economy since 1991 though the country's potential (mineral and otherwise) remains largely untapped. The population of Albania is relatively young, (average age of 32) and the majority of people speak English, Greek and/or Italian. There is an ongoing effort in the country to improve infrastructure, sanitation facilities and

wealth creation amongst its population as part of an overall bid to eventually join the European Union.

Mining in Albania

Albania's mineral deposits included chromite, copper, ferronickel, limestone, and petroleum. After WW2, Communist state-run initiatives to mine became a priority.

Under central economic planning, especially from the late 1970's through 1990, Albania's chromite mining operations were among the most important components of the mineral industry. Indeed such was the strategic importance to China of Albanian chromite that the Chinese courted the Albanian *supremo*, Enver Hoxha, and managed to peel Albania off the Soviet Bloc and Albania was, for decades, a Chinese satellite rather than a creature of Moscow.



Albania had also been a producer of copper and nickel since the 1930s. Collapse in mining production of chromite, copper et al. followed the demise of the Communist regime and mining has been made into a priority by recent governments as a means to create jobs and export income.

In 1995 the Albanian government adopted a law to privatize the mining industry. Administrative preparation began in 1996 and to date the government continues to grant exploration concessions to international companies and individuals.

In cooperation on environmental issues, Albania participates in the Basel Convention on hazardous waste, the convention on biological diversity, and UN Conventions of the Law of the Seas on climate change.

Chromite – Not What it Was

During the Sinophile period, Albania was a leading world

producer and exporter of chromite and often was ranked second in terms of export (after South Africa) and third in terms of production (after the former South Africa and former Soviet Union). The export of chromite and ferrochromium also was among the country's chief sources of foreign exchange.

Although chromite deposits and outcroppings can be found throughout Albania, the principal commercial chromite deposits are in ultramafic massifs in the Midrita region, in the north-central and northern parts of the country. The mainly podiform ore was mined at seven mining districts, of which Bulqiza and Batra, about 30 km northeast of the capital, Tirana, represented about two-thirds of Albania's total production capacity. Albanian chromium ore grades from 18% to 43% chromium oxide (Cr_2O_3). The lumpy ores grade 39% to 42% Cr_2O_3 and the concentrates grade from 50% to 53% Cr_2O_3 . About 25% of the ore was suitable for direct shipment; the balance was divided equally between beneficiation and shipment as feedstock for the Burrel ferrochromium plant. In the late 1990s production was in steep decline as evidenced when in 1999, the production of run-of-mine chromite declined by 47% compared with that of 1998; the production of such marketable products as chromite concentrate, direct shipping chromite, and ferrochromium fell by 66%, 21%, and 7%, respectively.

Advantages & Pitfalls

A couple of important things should be noted here that I (and others in the mining space) learnt through experience rather than a website. Firstly, we need to look at the country in the context of it being essentially a backwater from 1950 (well, even more so before WW2) until the communist states fell in the late 1980s. Albania like every true socialist republic churned out geos like there was no tomorrow and with little consideration of the economic need for them. With all these skills and not many mines for them to work in, they were put to work scouring the country to find each and every mineral

deposit. No stone was left unturned for forty years and thus I would be as bold to say that it is probably the most thoroughly explored country on the planet. Not bad for Europe's only Third World country. The upshot of this is that when the government has its regular license auctions or tenders it produces very exact and very delineated properties for PRODUCTION. Thus a tender might read 175 hectares with a chromite resource of 25,760 tonnes of Chromite grading 46.3%. There is no fat or spare land on these production concessions. You can be pretty sure that the terms of what you bid for is what you get. Therefore you are also expected to get cracking and start exploiting what you have just bought as the tender usually contains a specified work commitment in Euros (and exploration is NOT work). You can hear Canadian promoters shuddering at the thought of all this transparency. There is not even a figleaf behind which a Vancouver promoter can hide when these deposits are so WYSIWYG.

Secondly, there is a rule in Albania that you must surrender half your territory, if it is not a production license, after a relatively short period of time. Then after that you must surrender another half until you eventually are on a shrinking island in a rising sea. This is all well and good for it is *use it or lose it*. This all comes together in the third point and the grand maxim. Because of the first point, most deposits in Albania are known. Thus Canadian and Australian miners who want to "reinvent the wheel" by making a discovery and spending large amounts on a drill program are wasting their time. The maxim is that Albania favours the producer over the explorer. The explorer is doomed to find something and then lose it. We heard of one case where a certain amount of exploration had been done and obviously that would be the part the concession holder would want to keep and give up another part. Instead some Chinese interests came in and offered somebody in high places some persuasion and the explorer was left with a donut AROUND the territory they had worked. If this story is not apocryphal, then it would seem that,

contrary to practice in other countries with “give-up” rules, here it is NOT the company that gets to decide which half of the acreage it gives up.

The Players

One of the first players into the Albanian chromite space was London’s Anglo-Pacific group that picked up some prime mines that had formerly been producers for the state mining entity. It then vended those on to Robert Giustra’s Empire Mining (which is now called Columbus Copper). Things were going well there with a very short timeline to production (less than a year) until rather suddenly ownership issues reared their ugly head. This totally derailed Empire’s production plans and stymied financing, while both mine-financing and chromite prices went soft. Eventually legal hearings resolved the issue but Empire had already moved on to greener pastures.

My own experience was in the putative takeover of a TSX junior that had a swathe of interesting chromite and PGM-chromite properties plus a gold property. Here we found that the “give-up rules” were looming over several of the properties making them rather binary as to whether they had any residual value or not, or what part of them one would be left with. We worked out it was cheaper to go to the tenders and acquire proven acreage rather than speculative territory.

The veteran player in Albania that has stood the test of time is Tirez, a company which we have known, and admired, for what is a long-time in what we might call “mining-years”. Here though is not the place to discuss their progress at length.

Kosovo

Ask an Albanian about Kosovo and they will comment “Greater Albania”. No-one would deny that most of the population of Kosovo are in fact Albanians but because of the vagaries of history (and the US wariness of redrawing borders) the Kosovar Albanians were first embedded in Yugoslavia and now have their

“own” state which they share with a Serbian minority (and some Macedonians and Bulgarians).

As for the geology, Kosovo is also somewhat of a mixture of Serbia and Albania. It has a lot of mountains but also has substantial valleys and foothills whereas Albania is almost all mountainous. It's the northern part of Kosovo that is most interesting where it borders Serbia and has a substantial history of base metal mining, Lead/Zinc and Copper, particularly around Trepca. Avrupa Minerals have a base metals project in Kosovo, the Trepca region.

Conclusion

Despite the pitfalls of my abortive acquisition I ended up starting an office in Albania to act as a listening post for upcoming auctions and to keep an eye out for potential targets in Albania, and Kosovo. The area remains as prospective as ever and no-one can point to any overt regulatory debacles to totally dissuade miners from heading into the fray. The problem is more the malaise in mining, than any malaise in the target country.

We are surprised that so many have been surprised by the success of Reservoir Minerals and its efforts in neighboring Serbia. We liked the prospects of this story since we first encountered it. The Balkans are all about fascinating geology from the historic gold mines of Greece and Romania, all sorts of base metals from Serbia and Bulgaria, Antimony in Serbia and Kosovo and the chromite riches of Albania. Other names to conjure that are exploring in the region are Euromax Resources (with interests in Macedonia and Serbia) and Pan Global Resources with its Lithium/Borates project in Serbia.

The region however is not for the faint-hearted, and particularly in Albania, this is a country where one has to go in eyes-wide-open and no delusions whatsoever.