

## ROMANIA

*By a Special Contributor*

Romania remains a poor country, despite attempts by successive governments to build a market economy since the demise of the Communist dictator Nicolae Ceaucescu 12 years ago. Almost 46% of the 23 million population still work in the agricultural sector and the national average monthly wage is not much above US\$100. The country has a hefty trade deficit, inflation has been running at close to 40% and economic growth this year is forecast at no more than 2%.

(A former communist Ion Iliescu led the country in the period 1989-96 directly after the fall of the Ceaucescu regime. He has since become leader of the Social Democrats and was re-elected for a further presidential term at the end of last year. In the interim, the Presidency was held by Emil Constantinescu, a former geology professor. He strove to revitalise the economy but with only moderate success.)

Romania is rich in mineral resources and mining dates back to Roman times but during the modern era the mining sector has been struggling. Production has been in decline for much of the past decade, particularly in the coal sector where there have been tens of thousands of job losses. Nevertheless, mining could play an important role in revitalising the economy if existing operations were to be modernised and upgraded, and new projects developed. For this to happen, however, substantial foreign investment is necessary.

Efforts to encourage this were made in 1998 with the adoption of a Western-based mining law and appropriate environmental legislation which, the government says, satisfies World Bank and European Community guidelines. Both the World Bank and the EU have provided assistance to Romania in its efforts to restructure the local mining sector, with

operations either being upgraded or closed down if they cannot meet the standards required by the new mining and environmental law.

Nevertheless, the main news from the Romanian mining sector last year was of an environmental disaster in January, in the Baia Mare mining district in the northwest of the country. An estimated 50-100 t of cyanide from a gold tailings retreatment project was released into the local drainage system and led to the contamination of a major river flowing through Hungary into the Danube. A UN report into the accident drew attention to existing heavy metals contamination in the Baia Mare district, and the recommendations of an EU-led task force which investigated the spillage are to be used as the basis of proposed EU environmental legislation that would ban the use of tailings ponds for storage of cyanide and other dangerous substances.

The gold-tailings retreatment project, owned by Aurul SA, a joint venture between REMIN SA (a state-owned national company mining base and precious metals) and Esmeralda Exploration Ltd (a junior Australian company) was the first gold project in Romania to employ carbon-in-leach technology. Production began in 1999, and annual output was to have been around 50,000 oz/y, initially for ten years. In January this year it was announced that the Hungarian Government would launch a US\$98 million legal suit for compensation against Esmeralda, which, as operator, was held responsible for the tailings spill. Aurul resumed production in June 2000, but the international coverage given to the cyanide spillage has done considerable damage in Europe to the gold-mining industry and the use of cyanide.

On the positive side, a number of foreign companies remain interested in Romania's

gold potential, and at the most advanced project, Rosia Montana, in which Toronto-based Gabriel Resources Ltd has a majority interest, the resource estimate has been increased to 344 Mt at 1.3 g/t Au and 6 g/t Ag. The measured and indicated resource amounts to 296 Mt at 1.4 g/t Au and 6g/t Ag. The completion of a feasibility study being prepared under the responsibility of Minproc Ltd is due in July this year. In addition to the two known deposits at Rosia Montana – Cirnic and Cetate – the 2000 exploration programme identified a third, Orlea, to the northwest of Cetate. Towards the end of last year, the mining licence for Rosia Montana was transferred from Romania's state-owned mining company Minvest SA to Gabriel's 80%-owned subsidiary, Rosia Montana Gold Corp.

In mid-year, Romania's official gazette published a decree from the Agency for Mineral Resources concerning invitations to tender for up to 20 years for five mining concessions including 185 km<sup>2</sup> around the Rudaria- Urda Mare mine area for platinum group metals and nickel.

Minvest and REMIN are two of eight state-owned regional mining companies, and with their focus on metals have attracted most of the interest from outside investors. Minvest, based at Deva in west-central Romania, mines copper, gold, silver, lead, zinc and iron ore. REMIN, based in Baia Mare, operates mines at Baia Mare, Baia Borsa, Bucovina and Rodna, for copper, lead, zinc, gold and silver. It also has manganese and barite operations. In recent years it has been responsible for nearly two-thirds of lead output and 75% of zinc production. It has also contributed about 25% of copper production. However, the main copper producer is Minvest. Copper output is from both open pit and underground mines, and is based on large low-grade porphyry copper deposits. They include Moldova Noua, reported to

contain a resource of some 500 Mt averaging 0.35% Cu, and Rosia Poieni (350 Mt at 0.36% Cu).

Last year, Romania produced an estimated 29,500 t of zinc in concentrates and about 7,000 t of lead in concentrates. Annual copper output amounts to some 17,000 t. Figures for 2000 are not available for gold and silver but, output in 1999 was 470 kg and 17,800 kg respectively.

The International Energy Agency reports that Romania's total coal consumption last year rose by 25% to 34.6 Mt. Hard coal production increased for the first time since 1997, rising from 1.1 Mt to 1.3 Mt. Brown coal production (lower grade coal and lignite) rose by 28% from 21.8 Mt to 27.9 Mt.

Manganese and iron-ore output have virtually halved since 1995, and amounted to 82,000 t and 13,300 t respectively in 1999. Romania remains involved in an iron-ore pellet plant project in Krivoi Rog, Ukraine, together with the governments of Ukraine and Slovakia. The project was initiated in 1986 under an accord between communist governments in Eastern Europe and the former Soviet Union. (The Government of Ukraine is in negotiations with a number of banks to secure the US\$300 million needed to complete the project. The plant is reported to be close to completion and could reach its design capacity of 7 Mt/y within three years.)

Bauxite output over the period 1995-99 declined from 175,000 t to 136,000 t/y. In mid-2000, it was reported that Russian Aluminium was poised to restart production at the idled Oradea alumina refinery.

A variety of industrial minerals are produced in Romania, including barite, bentonite, diatomite, feldspar, sulphur, talc, graphite, kaolin and salt.