

BULGARIA

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In Bulgaria, the past year will be remembered for the parliamentary and presidential elections. The results from the elections were quite surprising and unexpected, and may threaten the stabilisation and development of the economic and banking sectors that has been achieved during the past four years. The diminishing popularity of the Cabinet led to the creation of a political imbalance and an unfavourable economic situation. Nevertheless, estimates by specialists from leading economic and financial institutions are still favourable, despite the doubts expressed as to the maintenance (retention) of the achieved rate of economic growth. Consequently the credit rating of the country has been maintained at B+.

The year 2001 was crucial as regards the restructuring of Bulgaria's mining sector. Many assets were virtually privatised but there was no State policy on how the privatisation process should work. The lack of strategy resulted in the liquidation and failure of some potentially effective mining operations.

Initially, there was little interest in the delayed privatisation of the coal-mining industry. Nevertheless, three open-pit and two underground mines were privatised. There are, however, many factors that impact on the privatisation process that were not taken into account. The result has been that the future of coal mining could be at risk. The negative impact of the lack of a clear privatisation strategy was evidenced, for example, by the misunderstandings surrounding the privatisation of Maritza-Iztok, Bulgaria's largest lignite mine (accounting for 80% of national production). It is now 67%-owned by the German brown-coal producer, RWE Rheinbraun, and it is not known whether the necessary new development at Maritza-Iztok will go ahead.

In the metal-mining sector, the restructuring process was largely completed. For five of the companies involved, privatisation was effected by management/employee buyouts with the financial aid of major foreign shareholders. The year was difficult for the two open-pit copper producers, Ellatsite Copper and Assarel Medet. The two joint stock companies suffered as a result of low metal prices on the London Metal Exchange.

Three of the mining companies up for privatisation last year were bought by foreign companies not involved in mining. Both the lead-zinc miner Gorubso-Madan JSC and the copper ore processor Rudozem were bought jointly by a Russian consortium Rhodopes Investment Gorubso JSC, and the Bulgarian company Minstroi-Rhodopes JSC. Proposals made to the Bulgarian Government by representatives of the consortium cast doubts on the future development of Gorubso-Madan. They have given Rudmetal JSC the property rights of the Dimov dol mine in Rudosem for the purpose of recovering underground infrastructure and continuing mine development which had already started by the end of the year. Meanwhile, Gorubso-Kurdjali JSC is in negotiations with Dragon Capital Corp. for the establishment of a jointly-owned company to mine gold in the Kurdjali region.

London-listed Navan Mining plc is 92% owner and operator of the Chelopech copper-gold mining complex located east of Sofia in west central Bulgaria. Previous drilling indicated reserves of some 5 Mt at 1.5% Cu and 3.5 g/t Au, and a total resource of some 10 Moz of gold equivalent metal has been estimated. Navan has deepened the mine below 400 m to access higher-grade ore using sub-level caving and trackless mining equipment and was planning to raise mill throughput to 800,000 t/y for annual production of 60,000 oz of gold and 10,000 t/y of copper. In the first

half of 2001 the operation produced 25,748 oz of gold, 58,193 oz of silver and 4,755 t of copper. Navan also has a number of exploration targets in Bulgaria, including the highly regarded Krumovgrad property in the south of the country. Outside Bulgaria, its principal assets are its base metals operations in Spain. Low metal prices have taken their toll, however, and at year end, the company reported a liquidity crisis and embarked on a major financial restructuring.

For the past three years, Evromangan Ltd, owner of the Obrochishte manganese mine, has halted all production and a UK-based company is believed to be seeking to acquire the operation and restart mining. The Obrochishte manganese carbonate deposit is one of the largest in the world.

During 2001, seven metal mining companies were put into liquidation, although changes have been made to the Privatisation Act so as to make it possible for separate units of the companies in liquidation to be sold off. To date, however, the only mine to be sold in this manner is Gorubso in Rudosem. Other unsolved and difficult problems relating to the privatisation of ore-mining companies include the existing ecological and environmental problems, and the financial aid that will be needed to rectify them.

On a brighter note, Umicore (formerly Union Minière) of Belgium, which acquired Bulgaria's largest copper smelter, Pirdop, in 1997, has achieved major improvements in production. Output reached 165,000 t in 2000 compared with 100,000 t in 1999, and in the first half of 2001, Pirdop produced 86,734 t of anode copper, 2% more than in the previous first half, and 17,463 t of cathode copper (+19%). Most of the anodes are shipped by rail to Umicore's Olen refinery in Belgium, a journey time of some 36 h. Previously, Umicore had been reliant on anodes shipped from Africa. At the time of the Pirdop acquisition, Umicore had proposed the construction of a new US\$60 million refinery at Pirdop but this proposal has now been shelved in favour of expanding

existing facilities. By 2003, anode production is expected to reach 215,000 t/y and cathode output 45,000 t/y.

In the industrial minerals sector, some companies have been privatised, primarily by management/employee buyouts involving foreign investments. The Coshava gypsum pit is in the process of privatisation, whilst

Bulgarian Mineral and Metal Production (‘000 t except where stated)

Commodity	1999	2000	2001
Coal total	25,858	27,094	27,123
- brown coal	3,074	3,211	3,151
- lignite	22,660	23,765	23,856
- black coal	106	100	101
- anthracite	17	18	14
Crude oil	38.7	40.9	32.0
Gas (‘000 m ³)	26,900	15,300	22.2
Iron ore	699	589	464
Iron concentrate	361	304	240*
Manganese ore	0	0**	1,515
Dry Mn concentrate	0	0**	414
Steel	1,889	2,023	1,942
Copper ore	22,346	22,829	24,878
Copper concentrate-20%	484	485	488
Blister copper	107	178	157
Cathode copper	21.0	32.4	34.5
Gold (kg)	1,034	868	1,538
Silver (kg)	58,726	54,534	56,806
Lead and Zinc ore	604	531	662
Lead concentrate-70%	20.0	15.5	26.4
Zinc concentrate-52%	19.7	15.0	23.6
Lead, all forms	82	84	83
Zinc	84	84	88
Raw kaolin	858	1,011	959
Silica sand	533	690	677
Bentonite clay	232	296	320
Fire clay	47.6	34.0	37.4
Raw baryte	1,124	875	825
Perlite	12.7	16.7	11.6
Na pegmatite	28.3	21.8	22.5
Gypsum	149	170	167
Rock salt	1,300	1,700	1,931

**The output value shown is expected, but not confirmed.*

***In 1999 and 2000, no manganese ore was mined and there was no production of Mn-concentrate by privatised companies.*

two companies, Kaolin Ltd and Bentonit Ltd could improve their commercial success through greater marketing effort and investments directed towards enhancing production quality. The minerals industry sector that has moved quickest towards a real market economy is stone-facing materials. This sector is now completely private. However, it has been under pressure from cheap imports and at present only the limestones from the Vraca region have a significant export value.

After years of debate, a Ministerial decree has been issued for the restructuring of Bulgaria's uranium-mining companies, and in order to tackle the environmental problems associated with uranium mining, all recultivation and

monitoring activities are to be under the supervision of a specialised company, Eco-engineering. In addition, the decree provides for the privatisation of separate parts and assets of the companies. Despite the decree, there has been little opportunity for its implementation because of a seeming lack of government concern.

Foreign interest in exploration in Bulgaria is limited, and the existing Mining Act, which has substantial disadvantages needs some amendments if investment in exploration is to be encouraged. A number of large international mining companies have now withdrawn from the country although there is some junior activity -Hereward Ventures, for example, is exploring for gold near Pernic.