



## Mondo secures Slovak talc supply deal

20 March 2009

**Finland's talc producer Mondo Minerals BV has agreed to buy a minimum of 60,000 tpa crude talc for ten years from Rozmin sro of Slovakia, subsidiary of EuroGas GmbH, in turn a subsidiary of Ukrainian oil and gas company EuroGas Inc.**

Mondo Minerals, the world's second largest talc producer, is seeking to use this deal to "solidify its position as one of the leading talc providers and talc refiners", using the extra supply to feed its downstream production plants.

Mondo Minerals has been granted a right of first refusal to acquire Rozmin in the event that EuroGas opts to sell a 51% or greater interest in Rozmin. The deal also grants Mondo Minerals an option to extend the agreement by an additional 10 year term.

Wolfgang Rauball, president and chief executive officer of EuroGas, said: "Having secured a long-term purchaser of our talc output – a prerequisite to initiating production – we will now move forward to secure the project financing necessary to place the Gemerska Poloma deposit into production."

The talc is expected to be mined from the Gemerska Poloma deposit in Slovakia, with production scheduled to begin in 2009 or 2010.

Until recently, the development of the 150m. tonne talc deposit was under some doubt, as Rozmin had its mining concession cancelled by the Slovakian Ministry of Environment in 2005. But the Slovakian courts returned the concession in April 2008, allowing EuroGas to bring the resource into development (*see IM June '08, p.21*). However, there is an ongoing dispute between Rozmin and another Slovakian miner, VSK Mining sro, as to ownership of the mining rights.

While parties are officially awaiting a conclusion to this dispute through the European Court, VSK is clearly continuing its mine development of Gemerska Poloma regardless.

In a statement on the agreement, Wulf-Dietrich Keller, managing director of Mondo Minerals, commented: "We are convinced that the ownership and concession rights will be cleared in favour of Rozmin in connection with this signed Talc Delivery Contract, and we are also convinced that EuroGas Inc. will be a long-term reliable partner as far as the delivery of high-quality talc for Mondo Minerals is concerned."

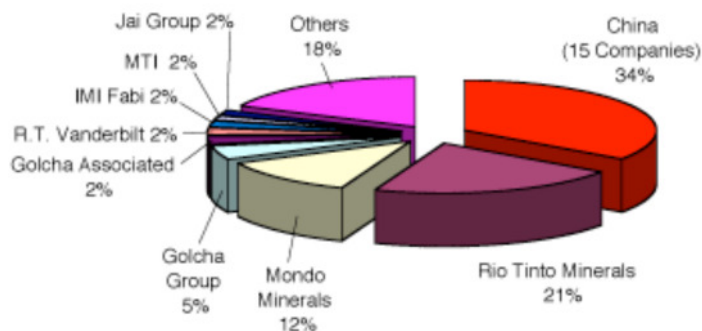
The Gemerska Poloma magnesite-talc deposit, is located in the Spiš-Gemer Ore Mountains near the village of Gemerska Poloma in eastern Slovakia. It is part of the early Palaeozoic of the Gemericum, the magnesite-talc rocks form a lens-shaped body that occurs between overlying phyllites, and underlying Permian granitoids.

The massive talc deposit was described by Mondo as "excellent" and suitable for most talc applications. The company said it was too early to reveal which Mondo plants the raw material would be destined for.

### Mondo's growth

Mondo Minerals was divested from Omya AG in September 2007, and acquired by private equity group, HgCapital, UK (*see IM 20 September 2007: Omya sells talc division*). Accounting for 12% of 2007 world talc production, the company is the world's second largest producer after the Luzenac Group, of Rio Tinto Minerals, whose talc (and borates) assets remain for sale (*see chart*).

### Main producing talc companies in 2007 (%)



Source: Ian Wilson, consultant, UK

Mondo mines talc from its own quarries in Finland and processes at its plants in Sotkamo, Vuonos and Kaavi, producing around 650,000 tpa talc from its Finnish operations. The company also has a processing plant in Amsterdam and a slurry makedown plant at Katwijk, the Netherlands.

In 2006, Mondo undertook its biggest investment project in its history, increasing fine grinding capacity at the Sotkamo plant to 330,000 tpa, making it the single largest talc production facility in the world. The Amsterdam plant was equipped with new jet mills, bringing the capacity up to 100,000 tpa. Total capacity at Mondo Minerals is now 760,000 tpa.

### VSK Mining

VSK is already active in developing the Gemerska Poloma deposit, and plans to produce 600 tpd once production gets underway, with estimated reserves for 30 years.

In November 2007, VSK celebrated its first 1,000 metres of tunnel excavation. However, challenges in tunnelling through the host rock caused delay in mine development, so VSK contracted Skanska BS a.s. and its GIA tunnelling equipment to create a 4.2km access tunnel featuring a cross sectional area of just 11.5m<sup>2</sup>.

Tunnelling equipment comprising two locomotives, four shuttlecars, and a crawler-mounted 9HR/B Haggloader, have been used by Skanska BS a.b for excavation of the tunnel. The tunnel was expected to be completed in April 2009.

VSK Mining is 75% owned by Kosice based VSK Mining Ltd and 25% by Schmid Industrieholding GmbH, Germany, and also wholly owns VSK Eurotalc s.r.o. VSK activities also include 23 aggregate quarries and an underground gypsum operation across Slovakia.