

# CEO CFO

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## With Turkey Rich In Base And Precious Metals Emerging As A Mining Powerhouse, Anatolia Minerals Development Limited Is In The Right Place At The Right Time As They Prepare To Bring Into Production Their Cöpler Mine; Which Is A Large Gold Resource At 6 Million Ounces

# ANATOLIA

MINERALS

Mining  
Gold Exploration  
(ANO-TSX)



**Edward C. Dowling, Jr.**  
President, CEO and Director

### BIO:

Mr. Dowling joined Anatolia in early 2008 after a successful tenure as CEO and President of Meridian Gold Inc. Mr. Dowling has 30 years of mining experience and his other leadership roles include: De Beers, Johannesburg, South Africa, as Executive Director, Mining and Exploration; Cleveland-Cliffs as Executive Vice-President – Operations; and Cyprus Amax Minerals Company in various leadership capacities. Mr. Dowling holds a Bachelor of Science in Mining Engineering as well as a Master

of Science and a Doctor of Philosophy in Mineral Processing, all granted from the Pennsylvania State University. Mr. Dowling is recognized in the industry for his ability to assemble and motivate teams of people to tackle and deliver challenging projects for creation of long-term value.

### Company Profile:

Anatolia Minerals Limited (TSX-ANO) is an emerging gold producer and leading minerals explorer in Turkey. The Company discovered and is developing the Cöpler Gold Project in eastern central Turkey. Cöpler hosts gold reserves and resources in excess of 6 million ounces and remains open. Cöpler is fully permitted, funded and under construction. First production is expected for fourth quarter 2010. Initial plans are to produce approximately 1.3 million ounces of gold at a cash cost of about \$260 per ounce. Additional production expansion of the oxide and sulfide gold resource is expected at Cöpler by taking advantage of the inherent large resource through on-going technical activities and additional drilling. In addition, Anatolia holds a significant pipeline of prospective gold and base metal projects.

Anatolia is pursuing a disciplined strategy for growth through development and resource discovery.

**Interview conducted by:**  
**Lynn Fosse, Senior Editor**  
**CEOCFOinterviews.com**

**CEOCFO:** Mr. Dowling, you have a long history in the industry, why are you with Anatolia Minerals today?

**Mr. Dowling:** I have done a lot of different things over the years. After leading Meridian Gold, which was ultimately taken over by Yamana, I could have done a lot of different things. Big companies, with big jobs, but as I looked around and thought about; the right sort of alignment, the ability to make a difference, what I called a zoom factor, the ability to create a lot of value, I quickly settled on Anatolia, which is a junior company. It fits my skills. First, it we have a large world-class gold resource and a pipeline of other opportunities in a pretty interesting part of the world. Secondly, I know a lot of the team here, and have supplemented the team subsequent to my arrival with other people who I know and are well known in the industry. Then it was addressing the challenge that we are making the transition from what has been historically strictly an exploring company to a producing company, which is the hardest thing we do in this business. So I felt that I had the right set of a challenge and reward profile, as well as an excellent Board of Directors, which I think is key in today's world. Finally, it was that we are located in the right place for my family. It looked like it is good hard challenge for work and a lot of fun at the same time.

**CEOCFO:** Would you tell us a little bit more about mining in Turkey?

**Mr. Dowling:** Mining in Turkey is interesting. As a nation, Turkey is emerging as a power house. It is a gateway to emerging parts of the world, such as Central Asia and the Middle East. Turkey is sort of an interface between the east and the west of those areas. Geologically it is rich, as the nation sits with basically the

confluence with three crustal plates and it has a history with earthquakes, tectonics, lots of water, and some volcanic events. As a result, it is relatively rich in base and precious metals. It is basically along a trend in that part of the world that goes through Turkey. Turkey has been historically mined for base and precious metals throughout recorded history, but generally through small mines and mining along geological contacts of relatively high-grade ores. As we move around on some of our different properties, we can actually see ancient workings from historical mining. Turkey has a history of large-scale mining for coal and other industrial ferrous metals, like iron, industries minerals and coal, but not so much for non-ferrous metals, such as gold and copper. In recent years, Turkey has become an emerging environment for large-scale mass mining. One of the advantages that Anatolia has is that we were one of the first into the country. At one point we had more than 2 million hectares of exploration land, we have narrowed that down to about a hundred mining licenses and about three hundred thousand hectares or prospective land where we have mining rights - it is very prospective land.

**CEOCFO:** What is the government's role in Turkey; are they helpful?  
**Mr. Dowling:** I characterize the political risk in Turkey as moderate. In my career, I have lived and worked all over the world. There are some places that are easier to work, as compared to Turkey, and a lot more places that are more difficult to work. The prospectivity there for new economic discoveries is high, because for a long time all of the resources were controlled by the state and did not participate in more commercial driven mineral development. So it was state run mining. That changed 15 years ago, and so it is a new area for mine development, which is what I mean for it to be a new emerging mining environment for the way that we western miners look at mining. The government would like to see the development, particularly as you move farther in east in Turkey, and the fact they passed new incentives to encourage new investment by targeting certain industries including mining, which

we will take advantage of at Anatolia. The difficulty that the Turkish government and really all governments have is that they are trying to balance many divergent interests in the nation. You have the west of Turkey, which is very European and very westernized; the east of Turkey, which is very rural, very agrarian culture. As the crossroad of civilizations for recorded history, there are many influences. So you have a lot of conflicting interest in Turkey, and the government does the best it can trying to navigate those interests. It is a little harder than normal, but if you do things right and manage a process they will engage, you can get things done.

**CEOCFO:** Tell us about your projects.

**Mr. Dowling:** We probably have 20 certain exploration projects at Anatolia. What we are really focus on at this point, is what you might say are our top objectives. First, is to build the Cöpler Mine; which is a large gold resource at 6 mil-

**We have a great, low cost, high cash flow mine fully permitted and financed, yet less than a year away from production. We have construction momentum, so we are well under way and things are going according to plan.**

**- Edward C. Dowling**

lion ounces at this point in all resource categories. What we are doing is we are developing the top part of the mine, which is an oxide type resource and spending a little less than \$200 million to build an open pit mine, crush heap leach facility, bringing in all the local infrastructures we need, relocating a village and doing all the things we need to do there. We are fully permitted and fully financed. It is going to be a very low cost mine; it will be in the first cost quartile. We are well less than a year away from our first gold pour. Some of the other things that we have done is try to align our business with success in Turkey by bringing a local Turkish partner who will, at one point own about 20% of the gold mine. As well, he has the opportunity to do other things with us in Turkey with our other resources. Beyond our Cöpler Mine we have a couple of copper and gold prospects, one called Karakartal, which means Black Eagle. It is located about 10 miles as the crow flies from Cöpler on the

back side of the hill, which is a very nice, excellent metallurgy, midsize copper gold porphyry with exploration potential. At about another 80 miles to the east of our Cöpler Mine, we have a world-class potential copper and gold prospect called Cevizlidere, which means Walnut Creek, which used to be a joint venture between Rio Tinto and Anatolia, to which we have the mining licenses now. We are looking to develop this property as it could be a world class deposit. We have developed and initial resource on this property from earlier exploration drilling, and at this point it is only a little bit less than an half billion tons, but it is only half drilled out. It could be a very, very large resource in Turkey, so we are excited about that. What we are working on this year is to try to bring more pure gold resources along in our pipeline of prospects and other things that we know in this country. What we really want to do is use the cash flow from the Cöpler Mine, once it is up and going later this year, to reinvest in some of these other properties to really generate kind of a flywheel in terms of generating high a capital return type of company.

**CEOCFO:** You mentioned the difficulty of going from exploration to a producing company; what are the challenges?

**Mr. Dowling:** You must understand the valley-of-death the way you look at that, as a sort of life cycle with development type companies. When you look at a stock price per the net asset value of the company, or P/NAV ratio, is the y-axis and the x-axis is time. What you will see generally in a company that is early on that price to net asset value ratio will go up through exploration if a company has discovered something of high interest. Of course, some of that is speculation that a bigger company would come and swoop and take it over. But, as things progress and that company says that plans to develop the resource themselves; then that P to NAV ratio goes down through what we call the valley-of-death while the technical, social, political, permitting financing risk are managed. Once the company has mitigated the risks and is actually producing, generally what you see is that the P to NAV valuation of the stock basically

doubles. That is why it is so difficult making such a transition as you are really managing all of the inherent risks of a project in an environment where you don't have any other sources of cash or capital coming in. You have to go to the equity markets, or the financial markets to raise the capital to be successful. You also have to work your way through all of the legal permitting and what is increasingly important earning a social license, which is getting an agreement and fairly strong support from all of the local villages from around the mine development sites for sustainability reasons. It is also doing your engineering, managing that technical risk and execution of your project. You must do all of that working and living within your financial means. So, that is a very challenging thing to do and not many people do it well. For example, if you look at capital projects completed in the industries since, say 1980, and at mining projects globally and how many of those projects actually have returned the cost of capital or did what the company initially intended to do, probably 80% of those projects wouldn't be characterized as a success - at least in the way that the project was initially presented in terms of the capital investment. It is a challenging environment to start with and as a junior company trying to manage this development, it's an extra challenge. Of the emerging gold producers, Anatolia Minerals is the furthest along the development cycle, i.e. most de-risked of the new producers.

**CEOCFO:** Is your team in place and what did the people of Anatolia know that has allowed you to be successful?

**Mr. Dowling:** Getting the "right" team in place is absolutely vital! We work very hard to get really proven executives in the high leverage slots and proven professionals through the organization. But, you must be careful about how the organization is structured. For example, you need to separate your mind builders from your mine operators and make sure that you have the right accountabilities in place and support systems to manage interfaces between parts of the organization. We try to divide that company up into different horizons - long term, medium term and short term. We say that our exploration group is horizon three, so

it is the Anatolia the day after tomorrow. Our development group is creating the Anatolia of tomorrow and our operating group is the Anatolia of today. We try to work out all of those interfaces so it's really clear who is accountable for what. What we've done is when I joined the company, there were certain people here who I had worked with in the past and had a lot of confidence in and they are doing very well. We've had to make some changes in other functions by bringing other into the Company and some other people were better of working elsewhere. So we brought in some additional people trying to get the right people in the right spot to be as successful as we could. Junior companies and junior mining companies in particular suffer from a dearth of management talent. However, if you really look at our organization here, I would say that one thing that Anatolia distinguishes itself with is that we have a very strong team with a couple of hundred years of experience with just our top group. One of the things that we need to manage going forward is how do we transition the organization. We have people from all over the world working in the Company, but how do we transition that in Turkey particularly to be increasing Turkish? That is something that we're working on today. What you see in Turkey is that there's really a lot of great technical and business trained people, but they don't really have a lot of particularly relevant experience to what we're going to be doing. What we're trying to do is have a proven expert in the organization, but part of the person's objective is to get a replacement trained so that he or she can go do something else and we can leave a Turkish national in the position in the organization.

**CEOCFO:** Anatolia raised a substantial amount of money recently; how were you able to do that in this economic climate?

**Mr. Dowling:** More than a year ago in September (2008), we reviewed the project with the board after receiving our final legal permits, and the board said to arrange the rest of the financing that was needed to complete the project, so we were happy. We left that meeting and about five days later Lehman Brothers fell over. I could remember flying into London to talk to different financial peo-

ple; I had the Wall Street Journal with me that day and it was probably one of those headlines that you want to frame and put on your office wall to remember 20 years from now. It was about as dark as a 1929 type headline. Of course, what the world economy has suffered has been something like that. We were going to go see financing people and I was going through customs in London, and there was a Russian banker that I sat next to on the plane behind me and the customs lady said "Geez Ed, what are you here for?" To crack a joke I said, "We're here to save the global financial market." And about 500 people behind me started laughing. We actually got into town and the people we wanted to see said, "It's nice to see you, but we're not doing anything until next year".

Nevertheless, we were successful in arranging financing in late 2008, because of the strength of the project at Cöpler. This mine will produce very significant cash flows even in very low gold prices. Our expected cash operating costs are about \$260 an ounce and even if you put our G&A and our DDN&A on top of that, this mine throws off a lot of free cash flow. Even at \$450 or \$500 per ounce of gold, the project covers the cost of capital and at higher gold prices generates a very high capital return. You don't see projects like this a lot. Nevertheless, we were able to put together a senior debt facility with the mining group of Unicredit Bank in Munich Germany late last year. We announced the arrangement of the facility, which was for \$62.5 million, and that announcement was very well received by the capital markets as a vote of confidence in the project from an independent bank that was very conservative. We topped that off with an equity issue in February 2009, which between the two facilities looks like it would give us sufficient headroom to execute the project. As we went further through in the course of the year, what was decided in the fall of this last year was that we would just do another equity issue, get the money in the bank, cancel the bank loans eliminating all the restrictions and everything it we had to live with a bank facility. Right now, it looks like we have about just \$10 to \$15 million worth of headroom to execute the project and other corporate requirement. But it is always good to have a

bit of a backstop in place, so that's something that you'll probably see us look at over the course of 2010, albeit we are not going to do a new financing unless we have a real purpose for the proceeds. We're well supported by our investor base and people recognize the project as one of the few really large resource projects coming on here in the next year or so.

**CEOCFO:** Final thoughts, why should potential investors pick Anatolia Minerals out of the crowd?

**Mr. Dowling:** For one, you see the junior gold producer space starting to trade up and that is a vote from the capital markets, which are efficient in the belief in the long term gold price. So, if you believe in gold and are looking for investment, Anatolia offers a new vehicle for gold value. We have a great, low cost, high cash flow mine fully permitted and financed, yet less than a year away from production. We have construction momentum, so we are well under way and things are going according to plan. We put out regular reports to that affect.

Once we're in production, the company equity value should re-rate. The general rule of thumb is that price basically doubles, all things being equal. There is significant upside for the investment community and of course that's why our long term investors are with us. Beyond that, we are well positioned in Turkey and have growth potential at the Copler mine and beyond, so it's a great growth story. There is a lot of gold in our projects, so we have great leverage and you might say "optionality" to gold price going forward.

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