

PMI Gold Takes an Equilateral Approach to Production in Ghana's Golden Triangle

By Sylvia Young

Quid novi ex Africa? is a phrase that has echoed down through the ages. It translates from the Latin as 'What's new out of Africa?' As it turns out, plenty – PMI Gold (TSX.V:PMV) has closed its deal with Nevsun Resources (Barbados) to acquire the Kubi Gold project in Ghana's Ashanti Gold Belt. This latest acquisition rounds out the company's existing portfolio to four past-producing Ghanaian gold properties, giving PMI control of a total 698 sq km in the Golden Triangle. PMI has issued 9,000,000 common shares at \$0.30, with a further \$3 million in cash and/or shares to go to Nevsun within six months.

Kubi is located 20 km south of the world famous AngloGold Ashanti Obuasi mine and 46 km southeast of PMI's Obotan project. The property has a history of artisanal mining, and was a former producer for Ashanti, who mined 58,696 ounces of gold in 500,230 tonnes of oxide ore grading 3.65 g/t gold from two small pits, with the recovered grade being 28% higher than previously predicted. According to the company's NI 43-101 prepared by Golder Associates – one of the world's top consulting firms – Kubi contains an Indicated Resource of 604,085 ounces of gold – 5.15 million tonnes grading 3.66 g/t and an Inferred Resource of 315,079 ounces of gold – 5.38 million tonnes grading 1.88 g/t.

Obotan, which yielded 730,000 ounces of gold prior to closing in 2003, is located in the Asankrangwa Gold Belt. A full project review by SRK Consultants Inc. established 17 regional target areas, only 6 of which have been partially drill tested so far. Near surface drilling has returned intersections to 43 metres grading 3.0 g/t gold and 23 metres of 5.7 g/t gold. PMI has just completed a deep-penetrating (VTEM) geophysical survey on 50m centres underneath the Nkran pit at Obotan to depths of 200m. The next month will be spent interpreting the data and comparing with the Obotan drill data base to outline further untested mineralization.

Ghana is extremely mining-friendly and has a 1000-year history of gold production. Ghana is Africa's second largest gold producer and has recently attracted US\$1.5 billion in committed foreign investment due to its long mining history, prospective resource base, reasonable taxation and stable government. "In Ghana, if you've got the project, if you've got the money– the government will do anything in their power to get you to production...permitting time can be as short as six months," said Douglas MacQuarrie, PMI's president and CEO, a geoscientist with over 30 years experience, 14 of it in West African gold exploration.

PMI is in good company in the Ashanti Gold Belt. It is one of the few juniors working in Ghana, alongside majors such as AngloGold-Ashanti, whose Obuasi mine has been in continuous production for 110 years, as well as Newmont, GoldenStar and Goldfields. High metals prices, improved exploration methods, and political reforms in some African countries (with Ghana being a leading example) has tipped the risk-reward balance in favour of investors. "Rio Tinto is spending 50% of its exploration money in Africa," Mr. MacQuarrie points out.

AngloGold, Ghana's largest producer, describes the overall geology of the country's 'Golden Triangle' as follows: "The gold deposits at Obuasi are part of a prominent gold belt of Proterozoic (Birimian) volcano-sedimentary and igneous formations which extend for a distance of approximately 300km in a north-east/south-west trend in south-western Ghana. Obuasi mineralization is shear-zone related and there are three main structural trends hosting gold mineralization: the Obuasi trend, the Gyabunsu trend and the Binsere trend." Both the Obuasi and Gyabunsu trends continue to the south onto PMI Gold's Kubi project.

The company has an innovative way to lever itself up in terms of value: it plans to build an inexpensive 500 to 1000 ton per day (tpd) mill to produce a gravity concentrate that should recover some 60-70% of the contained gold. Tailings would then be stored and processed later in a CIL circuit to be added later once cash flow is established.

Mr. MacQuarrie was keen to discuss all facets of the business, especially PMI's community-building initiatives. "We've commenced a \$100,000 community relations sustainability program," he said. Last month, PMI began a year-long baseline study, the first stage of which will consist of asking people in local communities what long-term benefits they want to see as a result of Obotan and Kubi's going into production. Then, the company's plan is to implement programs based on those wishes that will have a positive impact on future generations.

Environmental stewardship is also a high priority. "Our plan is minimum environmental impact," he said. While many juniors adopt a "go big or go home" attitude, the company's management is attuned to the idea of small, high-grade production with a long-term perspective. This approach offers maximum flexibility for the operator and the community, making it feasible for an underground mining, rather than an open-pit scenario, and reduces the mine's environmental impact.

There are also fiscal advantages to such a philosophy. Eric Hinton, one of the senior mining engineers at Golder, highlights them in a special article

written for the Northern Miner: “The relatively low costs of [so-called] micro-mining mean significantly lower financing needs and concentrating on shallow deposits means quick positive cash flow. This allows junior explorers to move into production stages quickly and without excessive spending.”

Political influence in Africa is also critical, and is something that is not earned overnight. PMI's board reflects years of relationship-building in the country and includes not only heavy North American technical and financial talent, but also eminent Ghanaian individuals with senior political, legal and mining experience.

Several structural elements are in place that strongly suggest the eventual achievement of mid-tier status for PMI: high-powered management with many years of technical, legal, financial, and political experience; a focused portfolio with four formerly producing properties in Africa's second richest gold-producing area; projects at advanced stages with substantial resources; and a long-term, broad outlook with a moderate, culturally sensitive approach.

In evaluating an individual's character, the ancients were also fond of saying 'ignis aurum probat'— fire tests gold. This is one test PMI's management—and projects— are well-prepared to pass in the months ahead.

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