

PMI Gold Sees Shareholder Growth in Micro-mining

By Gregory Gethard

PMI Gold Corporation (TSX.V: PMV) is betting that micro-mining, the practice of operating smaller, high margin gold mines, will help it grow over time into a significant producer.

Case in point: the firm's activity on Kubi, a property located in Ghana's Golden Triangle. PMI Gold CEO and President Douglas MacQuarrie believes Kubi could yield significant amounts of gold without using an enormous amount of resources to do so.

PMI Gold finalized its purchase of the Kubi site from Nevsun Resources (TSX: NSU) in October. PMI Gold, in conjunction with engineering firm Golder Associates, is currently conducting initial studies into Kubi. Analysts covering the company project Kubi to start producing gold in 2009.

MacQuarrie says that Kubi, "subject to final engineering studies should be a low-tonnage, high-grade underground operation" and estimates the site could yield ore grading 12 to 15 g/t Au at 500 tons per day. MacQuarrie said that typical large scale open cut mining operations produce 1.5 g/t Au ore at 5000 tons per day.

"They both produce the same amount of gold," MacQuarrie said.

The principal benefit of this type of mining operation is seen in increased margins. And smaller operations have more flexibility as the price of gold continuously changes.

Larger operations also have a lot more to worry about from major cost increases in items like fuel, steel and transportation costs, because they use proportionally so much more of them. In addition, financing a smaller mining operation is simply easier, according to MacQuarrie.

While Ghana is both a well-developed country and a safe investment bet for West Africa – a nation with a stable, democratic government and an English-speaking populace – PMI Gold must remain sensitive to potential political situations arising from its operations. As a proactive measure, the company has two well-connected Ghanaians on its management team.

PMI Gold also owns other sites in Ghana, controlling 698-square kilometers of land.

"Underground mining means lower environmental impact. Reclamation costs are smaller," MacQuarrie said. "Plus, the political costs will be small because there are no villages to move."

MacQuarrie also said more jobs could be developed in areas where micro-mining exists. He said that a large pit operation typically has a life span of seven to ten years. Once the pit reaches the design limit, production stops, and there are no more jobs associated with the site. Small-scale underground mining operations take longer to mine, providing jobs for a longer stretch of time.

"At 500 tpd, Kubi could produce for at least ten years, and odds are good that once we go underground we will find more gold, possibly enough to extend our operations for another ten or twenty years," MacQuarrie said.

The big AngloGold Ashanti underground mine at Obuasi – just a 20 minute drive north of Kubi – has been in continuous operation for 110 years and is now mining from depths of 2 km, but originally started out as a small high grade operation – like Kubi.

Experts on micro-mining say that the concept hasn't taken hold yet due to the traditional economics of the industry. Most firms use big pit mining techniques because they are the only way to mine low grade material; others do so to make their assets more lucrative to bigger companies which, one day, may want to make a purchase.

PMI Gold differs from its competitors in other ways as well: MacQuarrie said that his firm plans to issue annual dividends to its investors once any debt incurred for production, was paid back.

"The standard North American junior only talks about 'growth.' They want to keep all the earnings for additional acquisitions so that the share price will go up as high as possible. And then all the insiders can exercise their options and sell," MacQuarrie said. "This logic is flawed, in my opinion, because once the share price stalls for reasons beyond the company's control, and without paying a strong dividend, then the investor just sells, which attracts

more selling. Instead, why not pay your long term shareholders for their continued support?"

The company's stock trades on both the TSX Venture Exchange and the Frankfurt Stock Exchange, and ranged from \$0.21 to \$0.47 per share over the past 52 weeks on the Venture. The biggest shareholder in PMI Gold is Nevsun Resources, which was granted over 11 percent of PMI Gold's common stock in exchange for the rights to the Kubi site.

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