

May 14, 2009

Midlands Minerals' Deal With Avion Should Help To Accelerate Its Sian Project In Ghana Into Production

By Charles Wyatt

The hatches at Canadian-listed Midlands Minerals were battered down by chief executive Kim Harris towards the end of last year in an effort to conserve cash, but she never lost faith in her company's assets in Ghana. Now another Canadian company, Avion Resources has shown that it shares her vision by acquiring a 16 per cent interest in Midlands Minerals from the unlamented RAB Special Situations (Master) Fund. Interestingly it is not injecting money into Midlands Minerals, but is swapping 4.29 million of its own shares for 8.5 million shares in Midlands Minerals, which will give it a 16 per cent holding. Avion is focused in West Africa where it holds an 80 per cent interest in the Tabakoto and Segala gold projects in Mali. Its shares are currently priced at C35 cents each so it effectively paid C\$1.5 million for the holding in Midlands Minerals, or C17cents per share, which is just about in line with the current share price.

Gold production at Tabakoto and Segala has commenced ahead of schedule, with approximately 66,000 ounces of production forecast for 2009 at a cash cost of US\$505 per ounce rising to almost 101,000 ounces by 2012. Avion is clearly confident that there is plenty of potential at Tabakoto as it has recently acquired more ground around it from Great Quest Metals. The previous owner of Tabakoto and Segala was Nevsun and it is amusing to note that it pulled the plug on these two mines in September 2007 when the cash operating costs were just about equal to the price of gold, that's to say US\$650/oz. Readers of Minesite will remember that was the time when silly old Lex at the Financial Times decided to knock gold and the price then shot up in an almost straight line to US\$1,000. Poor old Nevsun, but lucky Avion.

The acquisition of this interest in Midlands is consistent with Avion's growth strategy in West Africa. Avion believes that Midlands' fully permitted Sian project on the prolific Ashanti gold belt in Ghana offers promising exploration potential. The chairman of Avion is Stan Bharti who is well known to us at Minesite as he was chairman of Desert Sun Mining between 2002 and 2006, before it was acquired by Yamana Gold. At that time it owned the Jacobina mine and the 155 kilometre long Bahia gold belt in northeastern Brazil. That mine had re-started operations earlier in 2005 after the refurbishment and re-commissioning of the existing plant enabled it to process 4,200 tonnes of ore per day, and by the end of that year production was approaching 20,000 ounces per quarter.

Stan knows a good thing when he sees it, so we will be keeping a close eye on both Midlands Minerals and Avion in the future. Midlands has some assets on the Lake Victoria goldfield in Tanzania, but Kim Harris's main focus is on the Sian project which contains two previously producing open pit mines, Esaase and Ampeha. The similarity with Avion's Tabakoto and Segala project immediately comes to mind. Both are said to have plenty of potential to expand their resources. Midlands Minerals also owns the Kwahu Praso project which is bang next door and contains extensions of the Esaase and Ampeha trends. In fact Kwahu Praso was originally part of Sian and is only 30 kilometres northeast of Newmont Mining's Akyem gold deposit, also on the Ashanti gold belt, which has a resource of over 8.7 million ounces of gold.

Kim Harris anticipates that Sian will host a multi million ounce resource, and last month reported that a review of drill data from the main Esaase zone shows there is a wide structural gold-bearing mineralized corridor offering a potential 10 to 20 million tonnes at between 0.4 grammes per tonne and 1.2 grammes per tonne to add to the existing resource estimate. The last estimate a year ago for the Esaase pit was 2,568,000 tonnes at 2.33 g/t for 192,400 ounces of gold, while the inferred resource was 2,694,000 tonnes at 2.35 g/t gold for 203,500 ounces.

Sian was acquired from a company called Sian Gold in 2006 which was partly owned by Chinese interests. This company did a fair amount of drilling and trenching and drove no less than 12 adits into the mineralization as a result of which it collected a total of 69, 454 samples. At least 25 per cent of the drill cores were never assayed, but adjacent holes drilled by Midlands have proved to be gold bearing which means there is potential to add significant ounces to what is already known and estimated from the Esaase zone.

Avion has already proved in Mali that it knows all about restarting a mining operation and it will not have missed Stan Bharti's attention that Midlands Minerals has a carbon-in-leach plant which was constructed at Sian in 2001 and has a gold recovery rate of 91 per cent. Kim Harris will make a useful partner for Stan in West Africa, and vice versa, as she is "an African African" having been born in Zimbabwe "and a woman as well" as she points out, somewhat unnecessarily. Speaking from Toronto today she is confident that Avion can provide vital help in accelerating the Sian project back into production, and that has been her aim all along.