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Midlands Minerals May Find That Its Gold Projects In Ghana Are Just Too Tempting For Newmont

By Charles Wyatt

UK Investors like Ghana, and the older ones can even remember when it was called the Gold Coast. The title left no one in doubt about what could be found there, and the memory remains. Funny, then, that Aussie companies such as Adamus Resources and Perseus Mining, both of whom might actually develop a mine there one day, don't bother to come up for the Mines & Money conference in London to remind attendees of the progress they are making. The chief executives of Pelangio Exploration and Midlands Minerals, on the other hand, were there today, promoting their companies for all they were worth. These last two are both Canadian companies and they are both run by women. That may be the crucial difference. So often women exhibit cool common sense while men pat each other on the back, bluster and rely on contacts made aeons ago. Contacts have to be kept up to date or they may be forgotten, and that is a danger these Aussies face.

Minesite ran a story on Ingrid Hibbard and Pelangio a few weeks ago and now it is the turn of Kim Harris of Midlands Minerals. Her company's main focus is on the Sian project, which contains two previously producing open pit mines, Esaase and Ampeha. Sian was acquired from a company called Sian Gold in 2006, which was partly owned by Chinese. 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. Probably even more important, Sian is a fully permitted mine on the famous Ashanti gold belt with an existing carbon-in-leach gold processing plant, a renewable 30 year mining lease and all infrastructure is in place.

Another great advantage that goes with Sian is that it is only 30 kilometres northeast of Akyem, a deposit owned by the mighty Newmont Mining, which has a resource of around nine million ounces of gold. Newmont has learned a lot since it has been operating in Ghana - its two prime assets in the country, Akyem and Ahafo, account for 20 per cent of its assets worldwide. This may come as a surprise to North American investors, and they may be even more surprised to know that Sian, and the other Midland Minerals project, Kwahu Praso, which abuts it, are completely surrounded by Newmont. Ahafo, which lies to the south west of Akyem, produced its first million ounces of gold last year, while Akyem is still at the feasibility stage. Interestingly a little Dublin-based company called Moydow Mines International sold the Ntotroso part of Ahafo to Newmont back in 2004 for US\$40 million and retained a two per cent net royalty. It is still a year or so away from any income from this particular part of the mine, but Franco Nevada recently made a bid for Moydow and its royalty.

The reason for bringing this into the Midlands Minerals story is that the deal valued the royalty itself at US\$65 million which was about four times what Brian Kiernan, chief executive of Moydow, claimed it was worth a few months earlier. It is too early to make many deductions from this for Akyem, but it is clear that Newmont realises that the gold belts of Ghana are highly prospective, that both these projects have the makings of big mines, and that grade tends to improve at depth.

Kim Harris is aiming for a multi-million ounce resource at Sian, and is encouraged by the fact that the bulk mineable gold near surface, which is carbonate-potassium pyrite, is fairly low grade while the different mineralization below 120 metres is considerably higher in grade. So far 14,000 metres of drilling since April 2007 has produced a resource estimate of 400,000 ounces averaging 2.3 grams per tone, but little of this drilling has taken place below 120 metres as yet. In addition to this, less than five per cent of the 16 kilometres of the strike length at Sian has been touched and the structures are thought to extend into neighbouring Praso.

The potential is therefore big, and clearly Avion Resources thought so when it acquired a 16 per cent holding in Midlands back in May from RAB Special Situations Fund. A scoping study on the Chinese plant has confirmed that it was in much better condition than thought, and seems to indicate that it can be fully re-commissioned and that capacity is expandable. All of which adds up to put Kim Harris and her company in a good position to make further progress.

The priority now is to jack up the reserves and resources. An initial tranche of C\$3.2 million of a C\$6 million funding has already been raised for that purpose. Up to 18,000 metres of RC drilling and 2,500 metres of diamond drilling will take place in the next six months, focusing on three specific aims. The first of these is to increase the resource at Sian to over a million ounces of gold.

The second is to promote at least 30 per cent of the resource to reserves through infill drilling. And the third is to demonstrate the potential of the whole combined project by drilling on Kwahu Praso to the north and south of Sian. Kim is also keen to point out that a check on drill cores at Sian has indicated that the fire assays used to calculate grade may not take full account of the nugget effect and coarse gold in the mineralization. But Midlands is working to put that right.

A lot of value will be added to the company over the coming months from this work. Kim Harris is determined to keep up the impetus in case Newmont makes a move. It is worth noting that she is also going to extend an MMI soil survey right up to the northeastern part of Kwahu Praso where it borders Newmont's Nkokoo property. The results will provide targets for drilling on Praso North as she is determined to get a handle on the full potential as soon as possible. She also has a nice each way bet in Ghana on which she cannot really lose. Newmont, after all, has been taught a bit about future values.