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Azumah Is At The Cutting Edge Of Development In The New Gold Province Of North-West Ghana

By Our Man in Oz

It's been a long time between speeding fines for Stephen Stone. But last week, as chief executive of Australian-based Azumah Resources, he would probably have been both dismayed and delighted at copping a ticket from the watchdogs at the Australian Securities Exchange. Why, they asked, had the company's share price had hit A31 cents? "Not aware of any market sensitive information" was the bog standard reply, coupled with the cheeky observation that the board of Azumah shared the view of the stockbroking firm, BGF Equities, that the company's shares were "currently undervalued". Tempting as it is to call on that famous "he would say that, wouldn't he" quip from Mandy Rice-Davies when she was told that Lord Astor denied an affair with her, there is in this case every reason to believe the Azumah board, and to remind Minesite's faithful readers that four months ago (June 29th) we gave the company a positive review when it was trading at A14 cents.

Back then Minesite's Man in Oz had been impressed by what appeared to be the sniff of a substantial gold strike from early drilling at the Collette and Julie prospects which were acquired as part of a deal to expand the footprint of Azumah's Wa project in north-west Ghana. This is a region that's fast-becoming one of the world hot new gold provinces. Minesite's man was also curious as to how Azumah was digging itself out of the tricky situation created by being closely associated with the failed Australian goldminer, Croesus Mining, a relationship which dragged Azumah's share price as low as A4 cents in 2008. Stephen did a good job in June, and he did a better job this week, explaining why the Azumah story has moved ahead rapidly, why confidence is growing inside the company, how it has left the past behind, and how it is on the way to completing its transformation from explorer into emerging producer with a strong business model.

"I'm certainly seeing our work as more of a developing business than an exploration play", he said on the sidelines of a mining conference in Brisbane. "The scoping study we have underway at Wa is now into a continuous process, addressing critical issues such as environmental studies, in preparation for more detailed work." The aim is to use Wa as a jumping-off point for Azumah, when it's up and running and producing around 70,000 ounces of gold a year at a cash cost of around US\$483 an ounce. Preliminary mine studies assume the processing of one million tonnes of ore assaying an average of 2.24 grams a tonne over an initial life of 4.5 years, sufficient to generate a pre-capital operating surplus of A\$138 million.

Modest as this start up sounds, it is only the start. In fact, there's a growing belief that Azumah is positioned to grow far beyond 70,000 ounces of a gold a year thanks to its ground position in what Stephen is now referring to as "Ghana's emerging north-west gold

province". Part of his conviction stems from Azumah's own exploration results, part from what's happening on the tenements of neighbours, and part from the way the geology of north-west Ghana is being re-interpreted as a direct extension of the southern portion of the country, which is home to some of the world's biggest gold mines. The only reason the north-west has been slow to develop is that it was always regarded as too remote. Translated, that means explorers couldn't be bothered in the early years, because the pickings were so rich in the south.

Times change, even if the geology does not, which is why Azumah is about 10 days away from launching its next drilling assault on its tenement package. Scheduled to run into the new year, the next round of work calls for a total of 41,000 metres of reverse circulation, air core and diamond drilling. First assays from the campaign can be expected in about six weeks, and will continue to come in over Christmas. Stephen said the focus would be on extending the existing Kunche and Bepkong deposits, which have already been shown to contain a resource of 750,000 ounces of gold. "We'll also be infilling shallow, high-grade mineralisation outlined at Julie and Collette", he said.

In terms of commitment, the 41,000 metre campaign is the biggest ever mounted by Azumah on its 3,100 square kilometre tenement package. "We aim to substantially increase the momentum of our exploration effort and our development studies", Stephen said. "The aim is very simple. We want to build the first stand-alone commercial goldmine in north-west Ghana. As we currently see the project evolving, it will consist of a central processing plant close to Kunche and Bepkong with material from Julie and Collette trucked across. Trucking means we might lose half or three-quarters of a gram [in gold, because of the cost involved] but they're looking to be pretty robust deposits."

On the market, Azumah shares have pulled back after their high-speed dash to A31 cents and are now be trading around A22.5 cents, a price which values the company at a lazy A\$34.6 million. Lazy because Azumah is at the cutting edge of work on what is shaping up as an exciting new gold province, and because it already has sufficient gold in the ground to start a small mine. Added to that, it is about the start one of the biggest drilling campaigns ever seen in the region. Given that the southern Ghanaian gold industry started small and grew like topsy there are reasons to believe that northern Ghana will follow the same route, and Azumah has booked itself a ringside seat.

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