

Azumah readies to plant one in Ghana

A golden moment is in the making for Azumah Resources Ltd managing director Stephen Stone at the Wa gold project in Ghana's Upper West.

Having started as non-executive chairman and investing personally in Azumah, Stone has toiled hard for well over a decade to bring Wa – in Ghana's less prolific northern region – to the verge of development. He has ridden the highs of the West African gold boom and also endured the ensuing lull, remaining loyal to the cause throughout.

Now, he is on the cusp of delivering on the potential he first saw in 2006. By the end of this year, a new DFS on Wa – now subject to a JV with private equity group Ibaera Capital GP Ltd – will be unveiled.

"I could see the opportunity with the land package and the prospectivity despite all the naysayers saying that there wasn't much gold to be found in northern Ghana," Stone told **Paydirt** in light of a recent site visit.

"It has obviously taken a while to get to where we are because of the vagaries of the market and the availability of capital but when we have had the funds available we have applied that to drilling. The proof is in the steady increase in resources and we don't see any reason why, with the land package we have, it won't continue."

Flying solo at Wa, Azumah had defined a 2.1 moz gold resource (1.4 moz measured and indicated) for reserves of 624,000oz @ 2.14 g/t, which was sufficient for a seven-year project producing 90,000 ozpa, according to a 2015 feasibility study.

The 2015 study was updated the following year, with the fresh set of numbers indicating potential to deliver the 1.2 mtpa CIL operation for \$142 million.

The gold price was seeing some rejuvenation back in 2016 when Azumah updated its capital cost measures for Wa, however, by December gold dipped sharply to below \$US1,150/oz.

Azumah was among a clutch of gold

developers bereft of investor support, essentially placing Wa on hold. However, both company and project were thrown a lifeline in September 2017 with the arrival of Ibaera.

Under terms of the agreement, private equity group Ibaera could earn an initial 42.5% interest in Wa by spending \$US11.5 million over two years.

The cash injection has reinvigorated the project and given hope to a region of Ghana in desperate need of new economic opportunities.

"The potential benefits of the mines to the district and the region as a whole cannot be emphasised enough. It is going to give us economic benefits largely and it is also going to improve the population, tourism and the assembly is going to get royalties and fees from the company," Nadowli-Kaleo district chief executive Katherine Lankono told **Paydirt**.

"Natives who own the land where the mine is situated are going to get their royalties paid. The citizens will get jobs and will also create jobs as a result of the mine so it is a win-win situation and there are other economic activities that can go on. There will be guest houses, hotels and other things and largely the population will grow and increase and our local economy will grow.

"Azumah has been here for a while exploring and although they are not commercial yet, we have seen the intent from Azumah to the community and they have



Magdalene Agoe is among a host of young, enthusiastic geologists working on the Wa gold project

helped in some areas," she said.

The Nadowli-Kaleo district is one of the poorest in Ghana, with about 60% of the population in the region illiterate, well below the national average.

Currently, there are 54 Azumah employees at Wa, with 73% sourced from the Upper West region.

A total of about 1,500 people are estimated to be required at Wa during construction and more than 550 full-time employees when the project is in steady-state operation. It is intended that the Wa JV will exhaust as much local content as possible.

Building mining sector capacity and capability around Wa will be critical to Azumah's longevity in the area, a concept which the company has only begun considering since Ibaera's cash injection.

Wa itself is unfolding to be a 100,000 ozpa, 11-year project boasting an NPV of \$US177 million, a 35% IRR with initial capital payback estimated to take 1.6 years.

The Kunche and Bepkong deposits underpin the bulk of the 1 moz reserves and 2.5 moz resource at Wa where an average 107,000 ozpa gold for the first six

Azumah has established impressive camp facilities near the Wa project



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years at an 2.06 g/t (years 1-8) is estimated.

However, with the path to production looking increasingly clear, the JV can now begin considering longer term options.

“We have tended to focus on resources and reserves to support an open pit mining operation,” Stone said.

“We haven’t, until the JV with Ibaera, focused too much on what might be under those pits. We’ve always had high expectations that there is gold to be found and I think what we have delivered with Bepkong and, to a certain extent Kunche, this year highlights the opportunity there is throughout the whole project.”

Last month, Azumah announced a maiden underground resource from Bepkong – 279,700oz @ 3.59 g/t gold – increasing total resources at Wa to 2.8 moz.

“These deposits go down hundreds of metres, if not kilometres, so it comes down to the economics of mining what is down there,” Stone said.



Unlike some parts of West Africa where exploration is led by artisanal miners, the transported soils at Wa effectively means exploration has been blind and artisanals have tailgated off the back of Azumah’s success

“Apart from the exploration opportunity and open cut mining opportunity it opens up a whole new dimension to the project, which we always knew was there but the market was obviously waiting for that to be demonstrated.”

The underground resource at Bepkong sits below the current design pit and has

burst into calculations after coming from virtually nothing six months ago.

Orelogy Mine Consulting was engaged in an underground scoping study, with an assessment of the benefits of mining due for completion at the time of print.

It has been stated that the underground development would only need to cover incremental development capital and associated operating costs, given open pit operations will generate enough capital to payback establishment costs within 1.6 years.

The addition of underground ounces would no doubt add to Wa’s bottom line and spur further interest in the project at a time when investors are pushing

miners to have multiple ore and revenue sources.

“We are very conscious of the fact that we are a single-asset company in West Africa and that is very much part of our thinking as to how we develop the company going forward and certainly part of our thinking in terms of how we finance

Unlike Western Australia, there is no super gene dispersion at Wa and auger drilling has been critical in providing samples at the rock interface for consistency



the project,” Stone said.

Project financing discussions will start to heat up in the near future and potential parties will begin looking at what Wa might offer beyond current reserves.

Azumah has compiled a land package totalling 2,400sq km in northern Ghana, a region with 10 moz gold resource endowment.

“Our approach to this project is to get it right and up and running. We see this as a starter project in what will be a regionally-focused operation. Once we get up and running we fully expect to either get bigger or go longer.

“It is very hard to put land packages together over the right rocks [like we have] and to me that is a real asset to the company – the regional scale ground. As long as we have the funds to explore, we will keep finding gold.”

Ibaera’s influence at Wa since entering JV terms with Azumah in 2017 extends well beyond its cash stocks. Consummated by a key group of Fortescue Metals Group Ltd alumni, including James Wallbank (managing director), Paul L’Herpinere (exploration manager) and Peter Hairsine (project manager), the group has Chris Alexander as chief financial officer, Dr John Hronsky as partner in global targeting and research,

while experienced African explorationist Jonathan Hunt gives Ibaera the necessary grunt on the ground to help the JV realise the absolute gold potential in northern Ghana.

Ibaera is approaching its expenditure hurdle of \$US11.25 million to earn a 42.5% interest in Wa.

Once Ibaera reaches that milestone, and if Azumah elects not to contribute its pro-rata 57.5% interest of the further \$US2.25 million programme to complete the feasibility study, Ibaera can earn an additional 5% interest in the project.

The group is fully committed to the project, according to Wallbank.

“This is a successful Ghana story which we should be promoting. Everyone has been keen to push all the resources into Ghana and we are all keen to see something built,” Wallbank told **Paydirt**.

The Azumah deal was done under Ibaera’s first



Nadowli-Kaleo district chief executive Katherine Lankono has welcomed Azumah’s contributions to the community during its exploration phase

Community leaders in WA hope new mining projects will help increase literacy level in the region



SITE VISIT

close of \$US30 million two years ago, with the group looking to deploy a further \$US100 million in Africa.

In the meantime, Ibaera and Azumah will look to get Wa – one of Ghana's largest undeveloped gold projects – off the ground in a timely fashion.

"We are starting to talk to financiers now and certainly there are no issues in lending into a Ghana-based operation and they consider it a pretty low risk jurisdiction," Stone said.

"Financing will probably look along the lines of a common debt facility and then the JV partners will be responsible for their pro rata shares of the remaining finance that is required which is also something we are looking at now. There is a lot of interest in financing the project and increasingly so with the gold price, a lot of financiers are interested in funding a project like this."

The West African gold sector is beginning to recover its pre-2011 lustre and projects like Wa are set up to cajole fair atten-

tion. Stone likens Wa to highly profitable, run-of-the-mill gold operations seen in Western Australia and is acutely aware of the challenges faced by some of his ASX peers recently.

"There have been some companies that have floundered recently and I think that's really puts the emphasis on making sure that before you develop you really know your geology and resources intimately and have a lot of confidence in metallurgy before you go ahead," Stone said.

"What is really exciting is that to the naysayers who said there was no gold up there to us building an inventory of 2.8 moz and Cardinal [Resources Ltd] having 6-7 moz a few hundred kilometres to the east. There is a lot of ground yet to be explored and northern Ghana is becoming a hot spot for exploration," he said.

– Mark Andrews

There is a lot of low-hanging fruit at Wa East, which could potentially be trucked to Wa for processing. It is not part of the plan to start mining that material earlier on as further exploration success could warrant a satellite operation



There is about 79,000oz gold at Collette. Pictured is Azumah senior geologist Prince Ofori Amponsah