

NEWS

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West Wits Mining Closes In On Open-Cut Gold Production, And Is Now Turning Its Attention To Sizeable Targets Underground

By Alastair Ford

West Wits Mining put out a nice announcement on 29th May, to the effect that the resource at its Emerald gold deposit on South Africa's prolific Witwatersrand Basin now totals 95,600 JORC-standard ounces in the measured category. A further 7,400 ounces in the indicated category puts the reported numbers on the deposit at over 100,000 ounces, and you can add a further 20 per cent to take it to a total of 124,000 ounces if you're prepared to add in a bit of old data. This is all to the good. It may be small, but it's a start, and it's exactly the type of result that West Wits chief Grant Ferguson had been expecting. West Wits boasts approximately 300,000 other ounces across the Radiant and Marquise deposits, so the resource base is beginning to look meaningful. "As a company we're excited about where we've got to so quickly", says Grant, referring to the fact that West Wits's listing on the Australian stock exchange is less than two years old.

"Our business philosophy from day one", he continues, "was to look for the low-hanging fruit to generate cash flow, then go to shallow underground levels, like our next door neighbour Central Rand Gold has done". That business philosophy is still in place, as the latest announcements show. Low-hanging fruit in the context of West Wits's mining leases essentially means shallow oxide mineralization down to a depth of 85 metres. It's this type of mineralization that the company is reporting on at the moment, and it's this type of mineralization that West Wits hopes to convert into a standard open-cut mine in the not-too-distant future.

Longer-term, though, as the reference to Central Rand Gold might imply, West Wits is a company with much greater ambitions. Supported by the cash flow from what should shape up as a small, high-grade open-pit mine centred around Emerald, West Wits plans to get to work exploring at depths of up to 700 metres, and hopes to get underground in fairly short order - in 2010. And that's just the sort of story the London investment community should eat for breakfast, you'd think – high stakes gold exploration supported by cashflow.

You'd be half right. There was plenty of interest from London at the time the company listed, but in the huge market sell-off that gathered momentum during 2008, as the global economic news got worse and worse, London's institutional investors sold West Wits down heavily. And not because they wanted to bail out of the company, but because they could. West Wits, explains Grant Ferguson, offered good liquidity in Australia, and for funds stuck in plenty of illiquid and near-worthless assets, the opportunity to realize much-needed cash quickly. Those Londoners have yet to revisit West Wits, but now might just be the opportune moment to do so.

Major shareholders DRD and **Mintails** have remained resolutely supportive of West Wits, so the company's not been entirely friendless during the recent market turmoil. And there's more strength in depth in the A\$7 million the company has in the bank, and in its plans to be in production by the end of this year. With costs on the South African operations initially estimated at around US\$500 per ounce, West Wits will be able to generate what Grant Ferguson calls "a fair margin". At this stage it looks as though the company won't need to raise further funds to get into production, though second guessing the issues that might arise on a development project always leaves one hostage to fortune. Still, Grant Ferguson is fairly positive that costs will be kept to a minimum. "We're trying to do things as economically as possible", he says. "We're looking at toll-treating, and we're looking at contract mining". The company has been fully compliant with South Africa's black empowerment legislation since it listed, so there will be no lengthy legalistic wrangling on that score to distract attention from

the main event.

Once in production, attention will turn to the deeper operations, and here the company is helped by the existence of historical shafts, and even a headframe. Much of the necessary infrastructure is therefore already in place, as well it might be when you consider that West Wits ground, which boasts an overall strike length of 20 kilometres has already yielded up historic production of around 61 million ounces of gold, and a fair amount of uranium too. The mind-boggling size of that number sometimes blind-sides potential West Wits investors, giving rise to the question: can there be anything left? But as Grant Ferguson points out, it's actually a very strong position to be in. "In an area where we thought there'd be 30,000 ounces", he says, "we got 100,000 ounces". And, he adds, Central Rand Gold has 35 million ounces, and at fairly shallow depths. This may be a well-trodden trail, but the chances are it could still yield up a few big beasts yet.

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