

"I thought I'd take a chance and see what happened"

Nic Limb

Speed mining

ONLY three years and ten months after drilling its first hole into the Sabodala deposit, Mineral Deposits Ltd (MDL) poured its first gold bar. As Nic Limb, MDL's executive chairman, points out, "it couldn't have been done faster anywhere else in the world".

Yet Sabodala is in a very remote part of the west African country of Senegal. Mr Limb insists that no corners were cut to speed development of the US\$300 million mine. He says: "We have ended up with a project with first-world standards."

The pace at which MDL got Sabodala up and running was partly the result of what Mr Limb calls "a very brave decision" after the company gained control of the deposit. It was decided not to do more exploration work but, instead, "we went for a patterned drill-out".

Using the very limited information available from past exploration by other companies, "we knew where to put the first drill holes. So we started in the middle and worked our way out. We made some mistakes doing it that way – but we saved a lot of time."

Another important factor in the Sabodala story was that MDL had the full support of the Senegalese government. Mr Limb says: "The government is extremely keen to follow Mali and other west African countries and develop a thriving mining industry." And Sabodala is Senegal's first substantial new mine for many a long year.

He is confident that Sabodala will have produced at least 160,000oz of gold by the end of December this year at a cash cost of US\$450/oz. Some output has been hedged at US\$846/oz, so MDL's cash flow is strong.

Mr Limb is particularly complimentary about those employees who experienced very difficult conditions in the early stages of the project: living in primitive accommodation – "not the US\$20 million, four-star accommodation we have today" – enduring temperatures of 42°C every day, and still 33°C at night, as well as having to watch out for the occasional lion or poisonous snake.

During the construction stage, 1,400 people worked on the project. Now it has settled to about 460 – nine out of ten of them Senegalese. Mr Limb says that, because Senegal is a Muslim country, the people are easy to get along with as they are not naturally aggressive and, certainly in the Sabodala area, have a good work ethic.

However, Mr Limb points out that Senegal is a former French colony so the main language is French and the country still follows the French system of law and bureaucracy. "It's a good system but it



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takes some time to adjust to when you come from a country with an entirely different system." Among other things, "we found that we needed to keep track of every single receipt, every invoice received for the government audit".

MDL on March 31 this year completed a share placing that raised C\$33 million (US\$28.6 million) which was used to pay down project debt. This has been reduced to US\$40 million, or less than one year's cash flow. Raising the money in Canada might also help to improve share trading liquidity there. MDL is listed in Australia and Toronto.

Consequently, MDL now finds itself in a position to expand its gold business in west Africa, the second-fastest-growing gold area behind China. There are, Mr Limb suggests, many projects and companies that MDL might possibly pick up at bargain prices because of current market conditions.

One potential target – Oslo-

Sabodala achieved its first gold pour on March 15 this year

listed Wega Mining ASA, which owns the 1.7Moz Inata gold project in Burkina Faso – was recently snatched away from MDL when it agreed to accept a US\$108 million takeover by Avocet Mining plc.

On the other hand, MDL's attractions have not been lost on rivals in west Africa. Red Back Mining, which is another ASX-listed company and has mines in Ghana and Mauritania, bought a 13% stake in MDL last September from Osprey Management, a New York hedge fund that had bought shareholdings in a handful of mineral sands producers with the idea of rationalising that industry.

However, in the recent chaotic financial market conditions, Osprey, which was part-owned by Lehman Brothers, decided to wind itself up and sold all its mineral sands holdings.

Mr Limb says Red Back made some tentative overtures about a possible merger but obviously was not interested in making a decent offer. And Red Back has now sold its holding to some institutional shareholders.

He says MDL will also now get on with doing some gold exploration, particularly on the Sabodala licence areas which cover more than 150km², to see if it "can find another Sabodala". He points out that Randgold Resources recently announced it had made a significant, "multi-million-ounce" gold discovery at Massawa, about 24km from Sabodala.

FIRST EXPOSURE

Mr Limb, now 54, was born in Adelaide and holds a BSc degree from the University of Adelaide and a BSc (Hons) degree in geology and geophysics from Flinders University. He spent nine years as an exploration project geophysicist, principally for CRA Limited, BHP Minerals and the South Australian Department of Mines and Energy. He says he got his first exposure to the gold business with CRA in Kalgoorlie, Western Australia.

In 1983, he was invited to join a boutique stockbroker, May & Mellor, in Melbourne.

"There were not many mining specialists in broking in those days but I thought I'd take a chance and see what happened."

There followed ten years in broking and investment banking, with Wardley James Capel, where he was involved mainly in resource industry corporate finance and played a part in many mining industry restructurings, takeovers and capital raisings.

He reckons the most significant deal was the restructuring and relisting of Queensland Nickel following the financial collapse of its owner, the Bond Corp, and QN's





subsequent sale to BHP for A\$300 million – “a big sum in those days”.

Mr Limb says that after ten years he wanted to strike out on his own and had enough money saved to buy a controlling stake in an ASX-listed shell, New Hampton Goldfields Ltd. He went back to Kalgoorlie, raised a few million dollars and in the following seven years New Hampton became one of Australia's biggest gold producers, 300,000oz/y from two mines – Big Bell and Jubilee – in Western Australia.

The Jubilee project was acquired from Normandy Mining which consequently ended up with 15% of New Hampton. Mr Limb says that Normandy's founder and chairman, Robert Champion de Crespigny, was very helpful at that time.

He points out: “It was hard work and not easy running a business in the 1990s when the gold price was so depressed.”

New Hampton was taken over in 2001 after South Africa's Harmony Gold Mining Co Ltd made a hostile bid as part of its strategic push into Australia.

Towards the end of his tenure at New Hampton, Mr Limb, with Jeff Williams, now MDL's managing director, acquired from BHP the mining assets of Mineral Deposits, a company that in the 1940s started the mineral sands business in Australia with its operations on the east coast. “Everyone in the mineral sands business knows it. It is a good brand to own,” says Mr Limb.

There were five years of life left in the east coast dredging operations when he acquired MDL and there was no room to expand reserves, so it was

closed down in 2003. Meanwhile, MDL looked for other potential mineral sands projects and decided on one on the east coast of Senegal.

At that time, the Senegalese government had not modernised the country's mining act, “but we knew the World Bank was pressing them to do so”.

MORE THAN MONEY

Then, in 2004, the government put Sabodala out to tender. MDL and some major mining companies took part in the tender. To the surprise of most of the opposing companies, MDL won. Mr Limb suggests this was because “the government was looking for more than just money, it was also looking for social programmes – and we already had some under way”.

What the government wanted, he says, was for the winning company to provide such basic things as water wells for local villages, the provision of sanitation, health care and so on.

Also, MDL executives spent a considerable time in Senegal during the tender process, not only

getting to know government officials but also having discussions with village chiefs and religious leaders.

Sabodala was discovered in 1961 by BRGM (Bureau de Recherches Géologiques et Minières), the state-owned French group. Many companies had walked over the ground before MDL acquired it and there were about 20 drill holes – but most of the data relating to that work had been lost by the time MDL took over.

Now mining is running smoothly, MDL, as well as looking to grow its gold operations, is focusing on the high-grade zircon project that took it to Senegal in the first place. Mr Limb says the company could start construction of the US\$200 million Grande Côte zircon and ilmenite project at short notice. But first big chunks of the feasibility study will have to be redone “because costs have moved so much. For example, the cost of steel is 60% lower than the figure we used in the study and shipping costs have come down by 85%”.

The Sabodala gold processing plant



PEOPLE & APPOINTMENTS

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RIVERSTONE BOARD APPOINTMENT

Riverstone Resources Inc has appointed **Ron Cooper** to its board of directors. He worked for a Vancouver brokerage firm for 3½ years as a compliance officer and for the past 28 years has been a marketing consultant to private and public companies. During that time, he has arranged financing and provided marketing services to more than 80 companies, several of which have become major corporations. Mr Cooper has been providing Riverstone with marketing services for the past two years and will continue to do so.

COMMERCE RESOURCES DIRECTOR

Sven Olsson has joined the board of Commerce Resources Corp. Mr Olsson held the position of director of media and corporate communications for Axino AG, a European consulting firm specialising in communications for companies in the resource sector, since 2001. In his role with Axino AG, he was responsible for investor relations in Europe for numerous major and micro-cap resource-based companies in all phases of development.

PART-TIME VOLTA CFO

Volta Resources Inc has named **Alan Rootenberg** as chief financial officer and corporate secretary, on a part-time basis. He replaces **Rob Whittall**, who is pursuing other opportunities but will remain on Volta's board of directors. Mr Whittall was an original founder of Volta's predecessor company. Mr Rootenberg is an accountant and has more than 25 years of industry experience in senior management, accounting, corporate finance and corporate administration. His experience includes serving as the chief financial officer of a number of mineral exploration companies.

AUSTRALIAN ZIRCON APPOINTMENTS

Australian Zircon NL has made two appointments with finance executive **Giga Bedineishvili** joining the board as a non-executive director and **Richard Fagan** as general manager of operations. Mr Bedineishvili is director of business development for DCM Decometal, which is global commodity leader and Australian Zircon's major shareholder. He has a business and global finance background, having previously worked with US bank Salomon Brothers and Salford Capital Partners, and as chief economic adviser to the president of Georgia. Mr Fagan has 30 years' experience in the resources industry, with more than 20 years specialising in mineral sands. He has a metallurgical engineering background, and has worked with leading mineral sands equipment suppliers and consultants Downer MT and Roche Mining MT, in Australia, Africa, Europe and Asia.

RICHMONT VICE-CHAIRMAN

Gregory Chamandy has been appointed vice-chairman of the board of Richmond Mines Inc. As co-founder, chairman and chief executive of Gildan Activewear, he built the textile manufacturer into a large apparel manufacturing company. After his time of employment with Gildan, Mr Chamandy moved on to become the chairman and co-owner of Europe's Best, North America's largest-selling brand of frozen fruit, which was sold to JM Smucker in 2008. Mr Chamandy is currently also the chairman of Oxbridge Private Wealth Management, a Canadian asset management company catering to high net-worth individuals, and is the co-chairman of Liquid Nutrition Inc, a Canadian smoothie and health bar chain.

TAILINGS

Mystery not solved

One mystery of the mining industry is how to pronounce the name Johnson Matthey. Is it Mattay, without the h, or is it Matthey, with the h? *Mining Journal* quizzed Johnson Matthey staff at its annual launch of its Platinum year book at the Dorchester Hotel in London this week. One senior member of staff said: “Nobody knows. People at the company pronounce it both ways. I don't think it matters and there is nobody from the family left to tell us the right way to pronounce it.” It is just about as clear as what the price of platinum will do this year (see page 3).

A prickly solution

Mining companies are always looking for ways to develop ‘clean energy’ and Chile's Codelco is turning to a local fruit for inspiration. Who would have thought that the nuclear-strength prickly pear – don't try peeling one with your bare hands – could produce enough gas to power a sub-station? And that's even before they're eaten. The Solar Platform of Atacama project, a collective effort with local and national governments, will use solar and wind energy to fuel power production sub-stations. The gas which can be extracted from prickly pears, also known as cactus fruit, comes into play at night when solar power is obviously not available.

A tough exterior, but soft and juicy on the inside

