West Wits revives million ounce SA project

A 1.2 moz resource, at surface and close to existing infrastructure; it is the kind of project Australian gold investors are currently salivating over, but West Wits Mining Ltd chairman Michael Quinert knows there is still much work to be done if his company is to overcome the perceived political risk discount South Africa attracts.

"The reaction from Australian investors thus far has not been great, but then again we've not really engaged them in any big way," Quinert explained to **Gold Mining Journal**. "We're in a position where the market won't take us on face value; we first have to deliver, especially given the perceptions Australian investors have about South Africa."

It is an honest admission but one Quinert makes only because he believes both in the value of West Wits' asset and the company's ability to execute its plans.

West Wits listed on the ASX on Christmas Eve 2007 at a time when South African junior gold plays were finding a willing home on the Australian bourse with the likes of Mintails Ltd, Gold One International Ltd and Vantage Goldfields Ltd all joining the ASX.

West Wits' portfolio comprised prospecting rights over historical production areas on the West Rand and was split into two projects; the Randfontein and Soweto clusters.

The strategy was a simple one; consolidate the plethora of historical mines in the region into just a few licences and then test open pit targets, unmined underground reefs and underground remnant pillar targets in licences which between them had previously produced 30 moz gold.

"We began exploration just as the GFC was beginning to take effect," Quinert said. "We decided to concentrate on those targets which could generate either early revenue opportunities or asset sales. Randfontein had smaller targets which were closer to surface and was the obvious choice."

The move proved prescient. West Wits built 58,800oz of JORC-compliant reserves and 139,000oz of JORC-compliant resources on the West Wits, Rand Consolidated, Luipaardsvlei and East Champ D'Or leases and after a couple of false starts fellow ASX-listed junior Mintails paid $9 million for them in 2012, achieving West Wits' objective.

The company retained the DRD and Rand leases and their combined 237,000oz resource but with the newly acquired Dewero gold project in Indonesia commanding most of its attention, West Wits slowed the exploration pace in South Africa.

Even had it wished to increase activity, licensing issues were proving a road-block.

"By that time, the prospecting right had expired and although applied for, the extension had not been granted," Quinert said. "We decided to go into hiatus as we were reticent about spending money on the project when there was no guarantee it would be granted. It didn't worry us too

Shango Solutions' Manie Swart is heading West Wi zts' exploration push on the West Rand, having previously worked on the ground for DRD

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Illegal miners – or zama-zamas as they are locally known – sift through mine dumps on the Soweto Cluster project

Zama-zamas continue to find dangerous entry points to historic shafts

much because we had Indonesia on our plate and the DMR [the South African Department of Mineral Resources] had verbally assured us all the way through that it would be granted."

In South Africa's labyrinthine licensing system however, verbal assurance is far from a guarantee.

"In late 2014 we received a letter out of the blue from the DMR saying the prospecting right wouldn't be extended."

West Wits initiated legal action and in early 2015 saw the DMR's decision overturned with the prospecting right reinstated for a three-year period in April that year.

After a five-year hiatus, the company was ready to begin exploration in South Africa again.

Quinert believes the enforced delay, while not ideal, has led the company to a new

Despite the Department of Mineral Resources' efforts, illegal miners continue to access reefs across the Rand

Gold Mining Journal editor Dominic Piper at one of the shaft closure sites

understanding of the project.

"We are now in a far better position," he said. "When we first came in we did some good quality work but we didn't have access to all the historical geological knowledge of the leases.

"When we dusted the project off last year we recruited [consulting geologist] Patrick Harford and he went straight to [consultants] Shango Solutions and Manie Swart who had been mineral resource manager for DRD throughout the 1990s and early 2000s. Manie knew the ground better than anyone and eventually convinced the former DRD head geologist to give us all the old resource data."

Acquiring the information and the intimate understanding of it through Swart has given West Wits' exploration programme renewed vigour.

"Since April last year there has been a flurry of activity and we now have a three-year prospecting right; a new environmental plan and a new works programme lodged."

The company pared a JORC Code 1997 historical resource of 87.9mt @ 4.6 g/t for 12.82 moz gold from previous owner DRD Gold Ltd's 2000 annual report and used it to build an exploration target – based only on the top 400m – of 1-2.2 moz gold.

"From there, we were able to take that information and the knowledge of Manie about the individual shafts, etc, and build a resource of 1.2 moz," Quinert said.

The resource consists of 302,300oz measured, 566,400oz indicated and 350,000oz inferred ounces.

"That would have cost a substantial sum to develop or even acquire in the current market and we are still going, there are still areas the company is reviewing," Quinert said. "We also have sampling – both our own and historical – which points to further areas of interest outside both the resource and the exploration target."

The decision to restrict the JORC-compliant resource to the top 400m is designed to produce a mineable reserve at Soweto Cluster. While resources may be extensive, West Wits is deliberately keeping its ambitions for mining in check.

"The first targets we are looking for are those where mineralisation is outcropping at surface, many of which are running at 4 g/t gold. They provide an obvious opportunity for simple, clean slot mining where you can take a 15-20m shelf out to expose the reef, mine it and then rehabilitate by backfill.

"You could contract out most of the work and there

West Wits was able to build an initial resource from historic data but since November has been drilling in an effort to increase confidence in the resource

are plants all around us through which we could toll-treat," Quinert said. "That means we are not spending the capital and we can generate cash flow, allowing us to avoid going back to the market but still keep going until we develop a full mine plan for the entire lease."

Such simple methods not only minimise capital expenditure, they could also prove less disruptive to a densely populated area.

As the name suggests, the Soweto Cluster project sits just above and to the north of Soweto township, one of the largest urban areas in the Johannesburg area. Communities are present throughout the leases and while the company is adamant there will be no community opposition to development, it is still keen to ensure the impact is minimal.

In fact, West Wits believes its own plans can have a positive impact on both social and environmental management in the project area. As well as the environmental issues which proliferate throughout the Witwatersrand Basin, the Soweto Cluster project is subject to extensive artisanal mining activity – zama-zamas in the local parlance – which is both dangerous and illegal.

"The DMR is concerned about the zama-zamas," said Quinert. "There are old shafts and stopes being opened up by these illegal miners; it is highly dangerous. It is one of the reasons the DMR is supportive of our plans; they have tried to close the shafts but they keep getting in and they see our plans as a way of addressing the problem in this area."

Most of the zama-zamas are illegal immigrants which creates further tension in the local community. Quinert said West Wits had stepped up its community engagement to show it could help solve such issues and provide employment.

"These leases could turn into a 100,000 ozpa producer over 10 years. But for that to happen West Wits will have to gear up which would require significant re-skilling and restructuring of the company.

"Relations with the community are good. We are working with several community groups and are in discussions with the DRD community in Soweto. We are working with another group to create employment opportunities for locals and Shango has a programme in place to rehabilitate ex-convicts so we are in discussions with them about participating in that.

"We have had recent meetings with senior police, the local council and the DMR. If we do it properly, we can convince the Government and the community that we are helping to improve the area. If we can bring these shafts back into commercial operation

Michael Quinert

West Wits has also conducted trenching to expose shallow mineralisation on the Soweto Cluster

The 11 Shaft on the Rand Leases still hosts infrastructure from previous generations

> **"I think there would be interest, not from Australia but certainly from some of the bigger, emerging South African companies.**

we can go some way to solving the problem."

It is for both technical and social reasons that the Sol Plaatjes target – near the historic No.8 Shaft which targeted Kimberley Reef – has been identified as the most appropriate for initial mining.

"There is a big illegal mining presence in the area and the DMR has identified it as a problem and it is a good target for us so it suits everyone to start there," Quinert said.

The second priority is the 11 Shaft target on the Rand leases. Bird Reef was previously mined in this area via open pits on both sides and from underground on the 7 Level. The company sees an opportunity to mine the remaining outcrop by means of an open pit and the remaining underground resources from infrastructure that will utilise the high wall of the open pit.

Once generating cash flow from the first few locations, West Wits can then open up other areas.

"We will probably look for the flexibility of five or six targets," Quinert said. "If we can keep that many faces open, using manual mining at shallow depths feeding one central mill then you are de-risking by diversifying the resource."

From there, it will be a question of how willing and/or able West Wits is to expand the scope of the project.

"These leases could turn into a 100,000 ozpa producer over 10 years," Quinert said. "But for that to happen West Wits will have to gear up which would require significant re-skilling and restructuring of the company."

The other option is to divest the assets. However, the South African gold majors of the 1980s are either gone (the original incarnation of DRD Gold, JCI, etc) or rapidly exiting the domestic scene (Harmony Gold Mining Co Ltd, Gold Fields Ltd, AngloGold Ashanti Ltd) and the once king of global gold mining is now only the world's fifth largest producer of the precious metal.

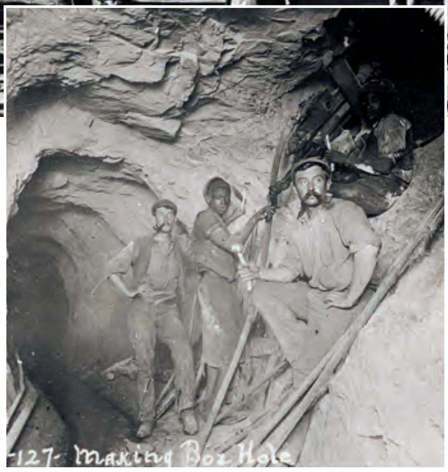
Furthermore, the assets West Wits acquired are leftovers from that era; who, then, would make such a move?

"I think there would be interest, not from Australia but certainly from some of the bigger, emerging South African companies," Quinert said. "A number of local companies are experiencing a rebirth. The majors who dominated the Rand up until the 90s have largely gone. A few entrepreneurs filled that space for a while – Brett Kebble, etc – but now they've also gone and there is a space to be filled. We are starting to see a few emerge, led by Sibanye Gold [Ltd]."

Since being spun out of Gold Fields in 2012, Sibanye has grown into South Africa's largest domestic gold producer and has now moved into platinum and coal.

Patrick Harford

A sample of mineralisation from the Soweto Cluster



For nearly a century, the Witwatersrand Basin was the most prolific gold producing region in the world

However, the company – led by chief executive Neal Froneman – is not averse to picking up smaller assets, as proven by its acquisition of the 130,000 ozpa Cooke underground mine from Gold One International Ltd in 2013.

There is also West Wits' largest shareholder, DRD Gold, which has built a 150,000 ozpa business re-treating tailings dumps along the Witwatersrand.

The notion that the Soweto Cluster is just a handful of unwanted leases is also dismissed by Quinert. Instead, they were caught up in South African gold's corporate battles of the late-90s, when the Kebble family's ownership of the DRD Gold group of companies saw leases shifted about with alarming regularity. By the time the dust had settled, DRD Gold's attention had moved to the East Rand and its tailings retreatment projects. Swart, who was intimately involved with DRD Gold's exploration programmes at the time, has been eager to return to the ground for more than a decade.

Quinert knows, however, that any corporate activity would only come once West Wits has demonstrated it can execute its strategy.

"From testing the water with other groups and investors, we think our theory for commercialising this project continues to stack up," Quinert said. "But, whether we are looking at full-scale expansion or a sale, there is nothing better than proving it can be done. We have to show we can deal with the zama-zamas and the local community and get into production. It is the proof-of-principle approach."

West Wits shareholders would also want to see any takeover offer come at a much higher price than the current 2c/share. However, Quinert is cognisant that convincing Australian investors of the company's ability to get into production will be even more difficult.

"As yet we have not been embraced but we are not concerned at this stage," he said. "If we start to open up some of those outcropping areas and start making money toll-treating the ore then the market will react. It needs results before we can expect it to follow, especially as investors are currently still gun-shy, especially about South Africa."

– Dominic Piper