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AFRICA

New Liberty's new look

Chris Cann

Aureus Mining has not, historically, had the best timing, but the dual-listed development company may have got it just right with a last minute revision to the mine plan on its run up to production at the New Liberty gold project in Liberia.

In 1996, New Liberty was just a glint in the eye of Mano River Resources (subsequently African Aura, then subsequently Aureus Mining), when it picked up a promising Liberian land package across an Archaean ultramafic shear zone.

As fate would have it, Mano drilled the discovery hole the year the Liberian Civil War began (1999-2003).

Geologists returned to site in 2005 but the hangover from the war lasted several years and it was not until 2010 that a preliminary economic assessment was released.

The project's timing seemed to improve when Aureus was split from African Aura in 2011 to establish an independent junior charged with developing New Liberty and exploiting its first mover advantage through additional discoveries in the newly democratically stable and relatively untouched country.

The company's shares traded hands at more than a £1 during their first month of listing on the promise of a 120,000oz/y gold mine delivered into a buoyant

Nearly ready to rock… early mine blast at the New Liberty gold mine

gold market – the metal spent that summer climbing up to US$1,900/oz.

By 2014, things had changed again. Investors had been dumping gold juniors like they were pimply high-schoolers, gold had started the year at 1200/oz after a shocker in 2013, and Liberia was over the course of the year one of three West African nations crippled by what many were likening to a modern plague, Ebola.

Aureus' share price ended the year at £0.18.

All the while, the company has been striding forward on the ground, taking its New Liberty gold project to the cusp of production.

This week, Aureus outlined an optimised mine plan based on knowledge garnered from extensive grade control drilling. With it comes a briefly adjourned start-up for New Liberty.

The optimised mine has two starter pits instead of one, with the Lajor pit to the west (grading up to 16g/t over 10m) joining the previously mooted stage-one Kinjor pit. Aureus also plans to build a drainage berm around the open pit using waste rock.

The consequences of these changes are more free cash – particularly at the front of the project – greater flexibility through multiple working faces giving Aureus a better chance of hitting its production targets, a bigger ore stockpile to protect against the wet season and any outages, and lower mining costs because the changes facilitate more efficient mining.

The revised mine will produce 122,000oz in year one versus 94,000oz previously, and operating costs and all-in-sustaining-costs will come down by 8% and 7% respectively to help hoist the post-tax net present value of the new plan up 15% to US$328 million (based on US$1,300/oz gold using a 5% discount).

An extra US$15 million was needed for the amended plan and Aureus announced a complementary raising of US$15.3 million through a brokered placement of which the International Finance Corporation took up more than half.

Aureus chief executive David Reading told *Mining Journal* the changes would have been implemented without the need to hit up shareholders had it not been for a difficult 2014 battling Ebola, as ships were delayed and some contractors were unable to get to site. The company estimates direct losses from the viral outbreak at some US$6 million, with further indirect losses tallying another US$12 million. Chief among these has been a rescheduling of the project start-up from early March to late May and the associated cost of missing contractual obligations.

"The challenge we faced was the tough year with Ebola," he said. "So we went back to shareholders and showed them that the mine plan was accretive however they looked at it – NPV, cash or any other metric.

"They were delighted, they supported the plan and now it's full steam ahead."

IFC global head of mining Tom Butler said Reading should

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New Liberty's new look

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be commended for his perseverance and commitment in moving New Liberty to within months of production in a geography he described as "challenged".

"He has really stuck with his project during a very difficult time, he's managed to persuade his contractors to stay on site, [*and*] managed to keep building while a lot of other companies were downing tools," he told *Mining Journal*.

He said the IFC was pleased to be able to support development in a nation such as Liberia that clearly needs projects like New Liberty to drag itself forward but, ultimately, the investment case made sense.

If you can ignore the significant cost of delays, a late May production start-up could actually represent perfect timing for Aureus for two reasons.

For starters, Liberia could be in a position to declare itself Ebola free by May. Only five new cases were confirmed in the week to February 1, down from a peak of 300 new cases a week in August and September 2014.

Announcing an Ebola-free Liberia at the same time as raising the curtain on the country's first gold mine could generate maximum positive exposure for the company.

Secondly, the oil price has fallen by 50% since mid-last year and has traded at around US$50/bbl since the start of the year. Diesel is typically bought on three or six month forward purchase contracts so the full effect of the price drop should come through just before first gold pour at New Liberty.

Nobody knows the future direction for oil, but for an African project reliant on diesel generators that has just changed its plan to include a much greater percentage of stripping up front, cheap oil now is good. Reading expects a cost saving of 7-10% compared to the original definitive feasibility study.

It just may be a fantastic time to welcome New Liberty and Liberia to the gold industry.