

PERSEUS MINING

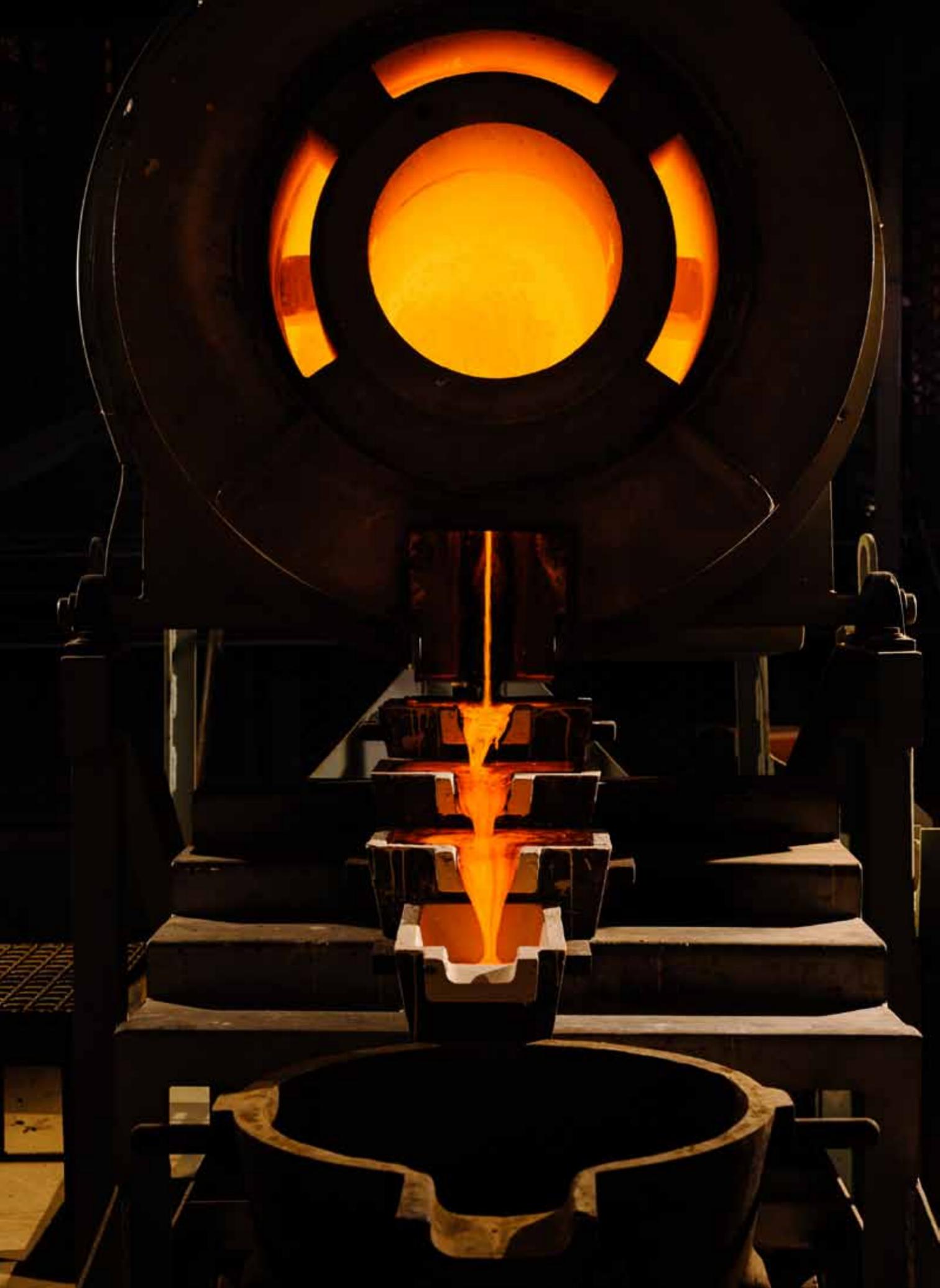
A PROMISE IS A PROMISE



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West Africa still hosts mineral deposits that for one reason or another have remained underdeveloped: for certain Australian prospectors they became an obsession that is now paying off

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Perseus Mining is very much a team effort: an overnight success that was 25 years in the making, as one of its founders Mark Calderwood has described it. Calderwood, the current chairman Reg Gillard and exec director Colin Carson have been taking an active interest in the under-explored mineral deposits of West Africa for that long, but it was not until 2004 that, having secured a couple of gold bearing deposits in Ghana, Côte d'Ivoire and the Kyrgyz Republic that they formed a company and floated it on the ASX.

Since then things have moved forward quite quickly despite a couple of years of quiescence while world markets were depressed and trying to sort themselves out. In 2006 it acquired the tenements that today host its Edikan Gold Mine, though exploration and feasibility work could not really get under way till 2009. By 2010 though the company had successfully recapitalised, obtained a positive full feasibility study and started to build its flagship project, the Edikan mine in Ghana's rich Ashanti gold belt.

It was just before the start of project development that Jeff Quartermaine joined the team as CFO. Up till then, he says, the company had been brought forward by a team whose main expertise lay in exploration and business development – and they were good at it, having grown the resource from about 130,000 ounces of gold at the time of acquisition to almost eight million ounces today. But they were not blind to the fact that along the development curve different skills are needed. In 2011, shortly before



A bar of gold
being weighed



Edikan went into commercial production, the team was joined by Jon Yelland as Chief Operating Officer and in February 2013 Quartermaine succeeded Mark Calderwood as Managing Director and CEO. “In three years we have come from being a junior to a fully integrated mid-tier gold producer,” he says.

The new boss certainly does not regret accepting Gillard’s invitation to come on board. “We have come a long way in the last few years, and my initial assessment of the people behind Perseus turned out dead right – it is a first-rate team. One thing Perseus has done without exception is to always try to deliver on its promises.” This despite some



View of pit at Edikan Mine

problems with the processing plant towards the end of 2012: the mine still managed to produce 51,000 ounces of gold in Q4 at an all-in site cost of \$1,060 an ounce, well below the industry average. The first three

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months of this year were a record quarter, continuing remediation work on the plant notwithstanding, and the first year's production a great success. "We are on track and the future is looking very promising," says Quartermaine.

Ghana, and West Africa generally, is not such a risky place to do mining business in as you might imagine. "We have worked hard to forge good relations with the government and our host communities, but I think it

is interesting when people talk about the political risk of mining in Africa: I don't think the risks are that much higher than in many other regions." The MRRT or super profits tax introduced in Australia from July 2012, he suggests, makes Perseus's base country as challenging a business environment as any, and Ghana in particular has a very forward-looking regime when it comes to co-operation with the mining companies.



Water quality monitoring at Edikan Mine

250,000 OUNCES

Annual gold production projected at Edikan



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In reciprocation Perseus has been assiduous in doing the right thing by the host country. Because Ghana has a longer history of mining than many other countries, it suffered more when the mining boom hit South Africa and other countries on the continent and all round the world. Its best brains were drained, tempted by the high salaries being offered. This created a shortage of experienced professionals back home, and Perseus is trying to redress this by actively



Environment Manager, Michael Sackey, on the revegetated main embankment of the tailings storage facility

trying to recruit Ghanaians from the diaspora into senior jobs.

Of course it would be unrealistic to seek

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for sixty (60) Queens and Opinion Leaders, Long Distance Drivers, Traders and Teachers sponsored by the UN System Gender Program. A Workshop/Quiz was organized for in and out school youth on behavioural modification strategy on HIV/AIDS sponsored by the Ghana AIDS Commission. At THEODORA ASUBONTENG ENTERPRISE, we are contracted to PERSEUS MINING GHANA LIMITED as a supplier of general goods and interior decoration. At THEODORA ASUBONTENG ENTERPRISE, we have also been a supplier and Interior decorator for NEWMONT GHANA GOLD LIMITED for about seven (7) years.



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experienced personnel in the surrounding community, so it is remarkable to learn that approximately 50 per cent of the workforce at Edikan is drawn from the five villages nearest the mine. “We could have drawn staff from mining operations elsewhere in Ghana,” says Quartermaine, “but we decided that while recruiting locally meant we’d have to spend more on training, it would put money into the local community and increase their engagement with the operation.”

Training local people from scratch has the added advantage that they understand how Perseus operates, he adds. “We went out and



Geologist Emmanuel Djourjee reviewing cores

“WHILE RECRUITING LOCALLY MEANT SPENDING MORE ON TRAINING, IT PUT MONEY INTO THE LOCAL COMMUNITY AND INCREASED THEIR ENGAGEMENT WITH THE OPERATION”



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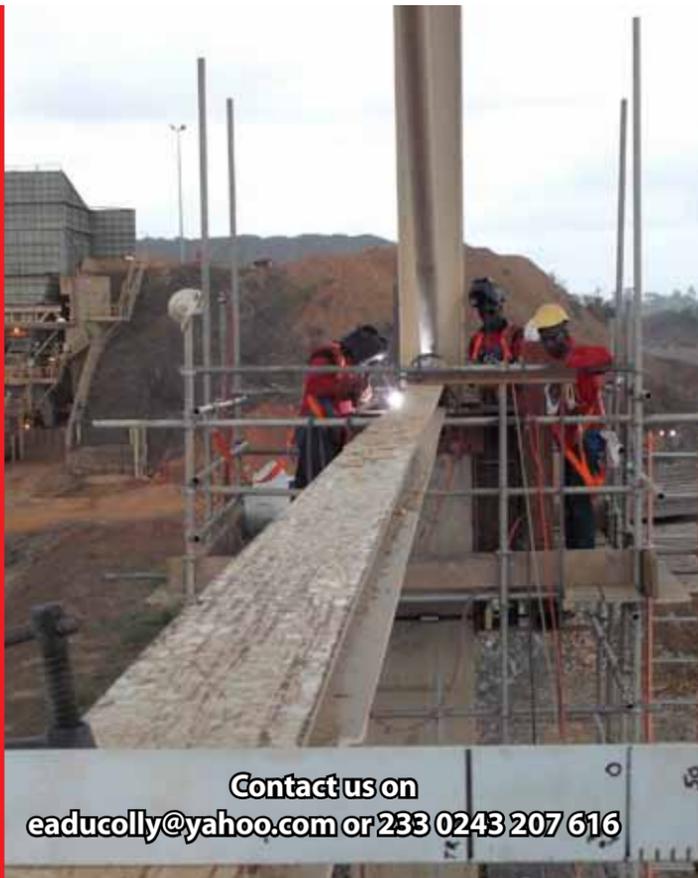
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did aptitude tests to identify who would be best suited to the challenge of working in our operation. I was fortunate to be on site the day the first trainees arrived and had the honour of welcoming them to the site.” There were around a hundred young men and women, he says, all mightily enthused at the opportunity to become a part of a serious operation within their own community and at having the chance to learn new skills.

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Quartermaine believes the best way to generate sustainability is through education because it equips people make their own choices. Over the last two years Perseus has sponsored 90 students at Kumasi Technical Institute (KTI), instituted a scholarship scheme for students in the Edikan communities to further their education in second and in the future, tertiary institutions in the country and announced a six-month apprenticeship programme to train 120 young people in masonry, carpentry, electrical installation and plumbing.

Meanwhile his objectives for this year remain firmly to deliver on what has been promised, or at least planned. The process plant will be upgraded to increase throughput from its



A view of the Edikan plant

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present level of 5.5 million tonnes per annum to eight million tonnes per annum by July 2013. From that point he expects gold production to go forward at a rate of some 250,000 ounces a year, with costs kept low so that the company can generate a substantial cash margin. Gold prices may be past their peak, but following this policy will keep Perseus in business where high cost producers crash out, benefiting proportionally when prices rally.

With the world class Edikan mine at full throttle, the subsidiary property in the Ashanti belt, Grumesa 20 kilometres to the east, is taking a back seat though drilling continues

50%

Of workforce from just five local villages

there. Any spare energy is being diverted to the Sissingué Gold Project in north-east Côte d'Ivoire. Only perhaps 300 miles distant, they are very different. If Ghana is switched on to its resources, its neighbour has less of a mining tradition though Quartermaine thinks it could vastly benefit from development. Following a very difficult and unsettled era, the country is now working very hard to upgrade its mining code so it presents a more attractive investment than its neighbours. But late last year, when the Perseus board was preparing to give the green light to construction of the fully permitted and funded Sissingué project, the Ivorian government started to talk about a super profits tax.

While not denying their need to benefit from their resources, developing governments sometimes overlook the need of overseas investors to see a fair return. So Perseus along with the rest of the world's mining community is waiting to see what the awaited mining code will contain. "We would be delighted to be able to get into mine development in the second half of this year, with first production in the second quarter of 2014. But," says Quartermaine, ever the prudent professional accountant, "we won't commit if we are not certain we can achieve the kind of returns we need."

However Sissingué is projected to 170,000 ounces of gold a year, at low cost. Adding this project to Edikan would firmly establish Perseus among the leading West African gold producers. **BE**

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