From little things big things grow

Having successfully deployed a small target strategy over the last decade, West Wits Mining Ltd is now emboldened enough to test the true limits of its Witwatersrand Basin gold project.

ASX-listed West Wits has been plugging away in South Africa since listing in 2007, testing various combinations of development, mining and toll-treatment over its litany of historical resources on the western side of the Rand.

The approach has produced modest, if inconsistent, success but a new scoping study and DFS developed last year gives West Wits a foundation on which to build a much larger project.

The DFS was based on the 278,000oz gold Qala Shallows reserve. It envisaged production of up to 60,000 ozpa from Qala but, according to West Wits managing director Jac van Heerden, it represents just a portion of the project's true potential.

The DFS for Qala Shallows followed release of a scoping study for the entire Witwatersrand Basin project (WBP) which incorporated development of four other targets.

"The scoping study and DFS focused on conserving capex and getting people interested in the project without the need to invest millions of dollars into South Africa," van Heerden explained. "But now we've got that base case, let's see what this project can actually do."

Chairman Michael Quinert has overseen every iteration of the West Wits development plan and is excited by the latest strategy.

"When Jac came into the company I told him: 'Build a mine plan that works' because there are always concerns about South Africa's sovereign risk perception and we had a $20 million market cap," he said. "With the DFS on Qala Shallows Jac has been able to show the market we can do it. Now we are at that point, I've said to him: 'If we gave you more, what can you do?'."

For van Heerden, the potential answers to that question are myriad. In December, the company released an updated resource with global measured-indicated-inferred numbers reaching 29.05mt @ 4.58 g/t for 4.27 moz gold.

"After the recent resource update, it is making sense to really have a look at how far we can take it," van Heerden said, with an eye on further growth.

"It is a 400m-deep resource, but we have data down to 1,000m," van Heerden said. The addition of existing resources and potential for further ounces have been brought together into a new initiative, Project 200, which aims to increase production to 200,000 ozpa.

"If you add 50,000 ozpa from Bird Reef, 50,000 ozpa from Main Reef and 50,000 ozpa from Qala Deeps, you are getting serious."

Accessing ore from multiple sources may appear a challenge to the average Australian mining engineer used to single open pit operations but van Heerden sees advantages in the staged approach.

"They will be individually assessed and will have built-in flexibility over the price," he said. "The grade varies across the mines, so if gold is $US2,000/oz, everything is mineable. If it drops off, we can slow down some areas. It is entirely scalable because each area has its own shaft infrastructure, so it is not a binary 200,000 ozpa or nothing. If we run into trouble in one area, we can move to a different one."

Resources on the Witswatersrand Basin project are only defined to 400m but mineralisation is known to extend beyond the 1,000m mark

The DFS for Qala Shallows assumes toll-treatment at one of several nearby processing facilities but van Heerden is not ruling out building a dedicated plant if West Wits can meet its targets.

"If we build a plant with capacity to produce 150-200,000 ozpa, we could bring in toll-treatment if we have spare capacity," he said.

While Project 200 is West Wits' clearest ever vision for plus-100,000 ozpa production, van Heerden knows it will only be achieved if he gets the initial steps right.

First ore was intercepted at Qala Shallows in February, West Wits having received its mining right in September. The first ore is part of an early works programme designed by the company to reduce the nine-month rehabilitation and construction timeframe.

Van Heerden said development was advancing at about 6m/day with rates to increase once a multiple blasting permit was received. He admitted it had been slow going in the early days of development thanks to equipment problems.

"As we wanted to start quickly, we used rental equipment because the boom would have meant waiting 6-8 months for our own equipment," he said. "But, just like a rental car, no one looks after it properly, so we had some availability issues in January-February. It was quite tough. We took two weeks to fix up and service the equipment and since then availability has picked up and we are back on track. We will run with the rental fleet while we complete the tender process for an owner-operator fleet."

The early works strategy will also allow the company to find its mining feet ahead of the ramp-up of development later in the year.

"By the time we have project finance in place, we will be in a position to understand the lay of the land, the old workings and what stopes are available, and the crew will have gained experience," van Heerden said.

"Also, it will allow us to show the mill owners in the area that we can fill their plant consistently. Even though there is spare mill capacity, the mill owners don't want to commit to contracts if we can't deliver. So, we must show we are serious about mining, and we are a competent operator who is fully permitted."

The company has options when it comes to toll-treatment with both Harmony Gold Co. Ltd and Sibanye Ltd eager to fill underutilised plants.

The box cut at Qala Shallows which will produce up to 60,000 ozpa

"There is a bit of competitive tension," Quinert said. "We can deliver 50,000 tpm of ore. That would help companies having trouble feeding the mill. It would suit them to stop dealing with five or six separate parties and just take from a single company."

Securing a toll-treatment contract will be key to finalising project financing for the $US50 million full development of Qala Shallows.

"We don't want to go to the banks till we have that toll-treatment locked in," Quinert said.

Financing junior mining projects in South Africa has not been easy in the last decade given the country's deteriorating reputation among international resources investors. Perceptions of corruption, regulatory confusion, community opposition and the infiltration of organised crime into illegal mining have blighted the industry's standing.

Quinert rails against such perceptions.

"I don't think the situation in South Africa has deteriorated and in my 17 years operating there I have never seen those negatives we read about in Australia," he said. "It has a good legal system that works – the trial of former President Jacob Zuma is evidence of that – there is little or no evidence of corruption and it has a strong independent media. It has still got a lot of poverty and angst that the country is not actually progressing on inequality, but you can do business there."

The WBP itself was the sight of extensive illegal mining activity but van Heerden said it was an issue relatively easy to solve.

"It was as simple as talking to them," he said. "We asked ourselves what a big company would do and we did the opposite. So, instead of going in all guns blazing we had a meeting with them to find out what they wanted. They basically wanted a big farewell so we put on a big braai and they left happy.

"We hope to continue that process of communication."

Community support will be crucial for a project in the outer suburbs of Johannesburg, but the company knows employment opportunities for locals will go a long way to achieving that.

"We are fortunate that we are already in an old mining area so there are skills available," he said. "Our challenge is not the first 50-80 employees, but as we move to bigger numbers and more mechanised equipment we have to look for skilled operators in that area."