

# How gold fever runs hot and cold

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**IT is something of a metallurgical mystery, but there are now two types of gold - hot gold and cold gold.**

The hot stuff is found in West Africa and is being sought by a range of Australian explorers.

While the cold stuff is in Australia and the rest of the world and has attracted much less investor interest.

It is not hard to see why the West African gold rush has captured so much attention, given the returns that modern exploration techniques are bringing when applied to the greenstone belts running through Ghana, Burkina Faso, Mali and Ivory Coast.

And the likes of Adamus, Ampella, Azumah, Gryphon, Perseus, West African Resources, Vital Metals and Papillon Resources, to name a few, are on the ground building up resources to mine.

Naturally the share prices of all of them have been hit by the recent fall in gold prices, but in general the hot gold stocks are still travelling better than many of the cold ones.

Out of the hot field I quite like Perseus, mainly active in Ghana and Ivory Coast. Though it still has plenty of exploration upside, Perseus's Central Ashanti gold project in Ghana is on track to start producing gold in the third quarter of this year.

Initially, that mine should churn out about 220,000 ounces a year, scaling up to 300,000 ounces a year from 2013 with an aspirational company target of 450,000 ounces a year when the Tengrela gold project in Ivory Coast comes online.

Drilling in Ghana is aiming to swell gold reserves from 3.3 million ounces to 4 million ounces to extend mine life and significant drilling is planned at Tengrela, making Perseus a buy for gold bulls.

OUR West African roughie is PMI Gold Corporation which yesterday appointed Thomas Amoah its African exploration manager.

With extensive exploration and project development experience -- most recently with Avocet Mining in Burkina Faso -- Thomas will be trying to push through a pre-feasibility study for the company's Ghana Obotan project (resources of 1.2 million ounces) and continue exploration at the nearby Kubi project (348,000 ounces).

It is obviously early days, but with \$35 million in the bank from last year's capital raising and another 70km tenement in a highly prospective gold belt, it is a speculative buy.

**THE cold gold companies offer much better value, with Lachlan Star earning a speculative buy.**

**A huge share register with more than 3.2 billion shares is being cleaned up with a 1-for-60 consolidation that will drag the stock out of its penny-dreadful status.**

**Unlike many small gold companies, its Compania Minera Dayton mine in Chile is producing about 45,000 ounces a year.**

**As a low-grade/high-tonnage mine, the more processing, the cheaper the gold.**

**And an 8 million tonne a year crushing plant is running at only a third of that capacity.**

**Resources already have risen to 1.4 million ounces with more to come and cash costs of US\$840 an ounce should fall.**

**Some of the hidden value in the company include significant tax losses and some drilling for copper and gold.**