



# A GOLDEN OPPORTUNITY

The eagerly-awaited re-opening of the Gold Ridge mine could kick-start the Solomons' resources sector.

When Spanish explorer Álvaro de Mendaña de Neira discovered gold in the mouth of a river in 1568, he mistakenly believed he had stumbled upon the source of King Solomon's legendary gold. He thus named the archipelago in question the Solomon Islands, a name it retains to this day.

Nearly half a millennium later, that gold source is again the focus of foreign interest and, as the Solomons' economy enters a new decade in which its vital logging revenues are set to slump, there are high hopes domestically that the Gold Ridge Mine (about 30km upstream from the very spot Mendaña visited) will help make up the shortfall.

## PROVEN RESERVES

In the project's favour is that the mine already has a history of production. Between 1998 and 2000 it was operated by Ross Mining yielding about 210,000 ounces of gold, perhaps 10% of its full potential. The mine was abandoned, and vandalised, during the tensions that climaxed between 2000 and 2003. Since 2005, Australia-based Australian Solomons Gold (ASG) has been working towards re-opening the mine.

It certainly has not been easy. Besides the necessary work to reinvigorate the site and re-establish relations with local land owners, financing the project has been challenging. Firstly, ASG needed to obtain political risk insurance, due to the Solomons' recent history, then the global economic crisis struck.

## ALLIED GOLD TAKEOVER

With all major hurdles apparently out of the way by late 2009, the story provided a twist: Allied Gold, an Australia-based firm with existing gold mining operations in nearby Papua New Guinea (Simberi Mine in the remote Tabar Islands), made a takeover bid

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for ASG. By December 2009, Allied had gained control of ASG (at the time of writing, it held 95.7% of its shares) and was in the process of conducting a full review of the Gold Ridge project, as well as integrating ASG into its own operations.

It is unlikely though that the change of operator will cause further delay to the project. In fact, it may even speed it up. Allied's larger size and existing operations in PNG could make raising capital easier. Indeed, no sooner was ownership of ASG secured, Allied promptly announced it was applying to list on the Toronto Stock Exchange (it is already listed on Australia's ASX and London's AIM). The fact that gold is currently trading at record prices will also act as a catalyst.

## RE-STARTING WORK

It is likely Allied Gold will aim to begin producing gold at Gold Ridge in 2011 since it is estimated that final preparations will take at least 15 months. With work on a tailing dam already completed, this will involve engineering work to make the mine production-ready, and the relocation of 1800 people who live in the immediate area (land has already been set aside for this). The current workforce of around 200 could increase to 450 once the mine is fully operational.

The mine life would be a minimum of seven years but it is hard to estimate exactly what the impact on the Solomons economy would be. The mine reportedly contributed 30% of the country's GDP in its former life.

## GOLD RIDGE IN BRIEF

- Operational between 1998 and 2000
- Potentially a 2 million ounce mine
- Additional deposits possible in adjoining lease
- Allied Gold confirmed as new operator in late 2009
- Production could recommence in 2011

## IGNITING THE SECTOR

Restarting Gold Ridge could also kick start the country's mining sector. Even the wider Gold Ridge site has not yet been comprehensively surveyed, and there is every possibility the adjoining lease (also now held by Allied) could extend Gold Ridge's extractable reserves significantly. Meanwhile, LSX-listed junior miner Solomon Gold PLC has entered into a joint venture with mining giant Newmont to fund further exploration on its own lease in the same area. Besides gold, the Solomons also has confirmed deposits of copper and nickel, as well as massive under-sea deposits. Of 55 exploration licenses valid as of the beginning of 2009, 33 were for under-sea exploration.

Converting this activity into tangible economic benefits will inevitably take time though, as the history of mineral development in neighbouring PNG illustrates. A stronger regulatory framework would surely expedite the process. The World Bank's recent 'Sources of Growth' survey highlighted the need for the Solomon Islands Government to develop a new 'coherent minerals and mining policy' in order to obtain the 'best medium-term outcomes from this sector.' ■



CREDIT: AUSTRALIAN SOLOMONS GOLD

*WITH MUCH OF THE REGION AROUND THE GOLD RIDGE MINE YET TO BE SURVEYED, THERE IS POTENTIAL FOR FURTHER DEPOSITS TO BE FOUND.*



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