

# Colonial chases golden riches in west Africa

After a few years of slim pickings around Kalgoorlie, Colonial Resources is joining the rush for gold in Mali.

**T**HERE is a bit of buzz surrounding Perth-based Colonial Resources (ASX: CLN) and its push into Mali. Floated back in 2007 with exploration near Kalgoorlie as its focus, Colonial notched up what might be best described as some technical successes before deciding that it would need to look elsewhere for a potential company-making project. Its move into Mali might just do the trick.

Mali is in the thick of things when it comes to the boom in gold exploration and production in West Africa, a boom that has set the region on its way to becoming the world's second biggest source of gold behind the hidden goldfields of China.

As part of the push, there will be a name change from Colonial to Papillon Resources, which is probably a good idea given Mali is a former French colony and all that. There is also an underwritten \$8.33 million share and option issue under way (7-for-1 at 7¢ a share with an attached one-for-two option) to fund the push.

The funds are needed to complete the \$US5 million (\$A5.6 million) acquisition of an 80 per cent interest in two gold properties, one in west Mali and the other in the southern region. The vendor is the London AIM-listed group Central African Gold. It wants to focus on its gold projects in Zimbabwe, and good luck to it too.

The beauty of all that for Colonial is that it gets a walk-up entry into advanced exploration projects in Mali. So much so that the deal comes with a stock exchange compliant resource at the Medinandi/west Mali project of 522,000 ounces of gold (net to Colonial). That equates \$US9.58 an ounce or less than one-third the average acquisition cost of in-the-ground gold ounces in Australia in the past three years.

Colonial plans to hit the ground running next month. A new managing director with deep African experience, Alan Campbell, is on board. The plan is get the resource base to more than 1 million ounces in the short-term while also hunting for targets capable of hosting the multimillion-ounce deposits found elsewhere on the prospective Birimian greenstone belt.

That's all very interesting for a company that closed on Friday at 9¢ a share. Even after the explosion in the number of shares on issue as a result of the current fund raising, Colonial's market capitalisation will be all of \$13 million.

**B**ACK on December 19 Garimpeiro suggested it might be worth watching Falcon Minerals' (ASX: FCN) 2010 exploration program at its now wholly owned Collurabie nickel/copper/platinum project, 200 kilometres north of Laverton in Western Australia's North-Eastern Goldfields region.

Falcon was 22¢ a share at the time and has since managed to get to all of 23¢ a share. So Garimpeiro had no effect. But maybe a research note on Falcon sent out last week by Bell Potter will.

Noting that drilling at Collurabie is due to restart in April, the broker has slapped a speculative "buy" recommendation on the stock, with a target price of 75¢ a share, would you believe.

Collurabie was originally a 2003-2004 discovery by WMC in a 70/30 per cent joint venture with Falcon. Chasing down the big time potential of Collurabie's magic mix of metals became BHP Billiton's responsibility on its takeover of WMC in 2005. Late last year

BHP moved on, giving Falcon the lot but retaining exclusive rights to buy any nickel produced from the ground, and a second right to match any third-party offers for ore or concentrates.

The Olympia deposit within the Collurabie project area accounts for most of the 75¢ a share valuation by Bell Potter. The broker reckons there could be 18,000 tonnes of nickel, 14,000 tonnes of copper and 110,000 ounces of platinum group metals (PGMs) at Olympia. While warning it could be wrong, Bell Potter said it rates Collurabie as an exciting new base metals discovery, with added value from its PGMs content.

Then there is the "significant" exploration upside. Kerry Harmanis' nickel group, Jubilee Mines, must have once thought that was the case. It paid the equivalent of \$1.15 in cash and shares in early 2005 to get hold of a 14 per cent Falcon stake. Through an options underwriting deal later that year, the stake was increased to 16.2 per cent.

That stake is now held by Xstrata following its \$3 billion takeover of Jubilee in 2007. Given Xstrata paid \$2 billion too much for Jubilee, it will be as keen as anyone to see Jubilee's investment in Falcon come good.



**T**HAS been a tough couple of years for the nickel exploration stocks, what few of them are left out there at any rate.

Breakaway Resources (ASX: BRW) is a case in point. Back in 2007 it harboured a dream of becoming a \$500 million company within three years. And no one could have blamed it. At the time it was a \$100 million company riding high on the strength of one of the best nickel exploration portfolios in WA, plus a handsome net profit interest in the Eloise copper mine in Queensland. Nickel was also trading at record prices of more than \$US50,000 a tonne.

Last Friday Breakaway was a \$14 million company (5.8¢ a share). Eloise has dried up for the time being and nickel is looking humble at no more than \$US18,000 a tonne.

But the quality exploration WA nickel portfolio is still there. So too is the ambition to find a nickel sulphide deposit of no less than 30,000 tonnes of about 3 per cent nickel grading, a company maker if you like.

To that end, Breakaway has regrouped for a 2010 drilling program that could deliver the goods. It has topped up its cash kitty through a \$3.6 million rights issue at 6¢ a share and pushed its Altia silver/lead/zinc project area in Queensland off to BHP in a joint venture under which BHP can earn a 70 per cent interest by spending \$10 million.

Breakaway's 2010 nickel hunt has just kicked off at its Wildara project in near Leinster.

Extensions to the previously announced Horn deposit (8300 tonnes of nickel) and new targets will be put to the test. It could be worth watching, although Garimpeiro's personal preference is the drilling program to come at the Miranda project up the road later in the year.

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