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May 01, 2013

Toro Gold's Mako Project In Senegal Begins To Take Shape, After A Scoping Study Confirms Its Economic Potential

By Alastair Ford

Martin Horgan of Toro Gold declares himself pretty pleased with the results of the scoping study that his technical teams have just turned in on the company's Mako gold project in Senegal.

"The scoping study was put together for management to say: do we have enough ounces to make a development decision", he says, "and if not, how many do we need?"

But Martin's a man who plays the long game, and like everything to do with Toro a lot of thought went into exactly how to present the information, and what assumptions should be used.

The thinking was simple.

Companies that put an overly positive spin on scoping studies have a tendency to disappoint when further studies are released at the pre-feasibility and feasibility stages and costs come in higher and returns lower. Ultimately the project may still turn out to be robust, but investors will already have been disappointed twice, and before construction has even begun.

Inside the Toro camp there was a determination that that would not happen here. "What we wanted to do was to use conservatively appropriate inputs on financing costs, ramp-up costs, EPCM costs and the rest", says Martin. "We said: 'Let's be conservative', and we feel that the numbers are credible".

At Mako the key prospect is Petowal, which lies in the central eastern section of the 214 square kilometre project. The study showed that, as things stand, Petowal has the potential to yield a million ounces over an 11 year period, based on a 1.6 million ounce resource grading two grams per tonne.

The plan is to process 1.5 million tonnes of ore per year for eight years, and then to come round again and process a lower grade stockpile for the final three.

Overall development costs are likely to come in at US$255 million, which might be viewed as a fairly daunting prospect in this market until you consider that Martin and the team that stands behind him are experienced ex-bankers and entrepreneurs.

Martin himself was in the senior ranks at Barclays Capital, in the days when BarCap really was a force in mining finance, but he also gained experience as director of an Aim listed mining company when he took on a role at BDI Mining, and then helped sell it on to Gem Diamonds at a nice profit to all concerned.

Toro's chairman is Adonis Pouroulis, the man who founded Petra Diamonds and was instrumental in turning it into one of the world's largest diamond mining companies, in the forefront of the second rank after De Beers and Alrosa. In the sixteen years since he founded Petra, Adonis has learned his way around the global capital markets pretty well, and he also now stands behind Chariot Oil & Gas and Alufer, amongst others.

Between them, Martin and Adonis have managed to bring a group of upstanding blue-chip shareholders onto the Toro register, in spite of the fact that Toro is, as yet, unlisted. And so it is that Macquarie, RCF, and African Lion between them hold around 60 per cent of the shares, and, following on from a recent site visit, Martin reports that "the feedback is good".

So, with those boys on the register and happy, Toro's ability to raise the US$255 million it will need looks substantially more achievable. "We've got the support", says Martin, "I don't worry about funding".

Further detail will be necessary of course, before any big money gets committed, but at this stage Toro has remained fairly reserved about putting out any detail on the NPV at Petowal, the IRR on the project as envisaged, or indeed costs per ounce.

That reticence, says Martin circumspectly, is "for strategic reasons", but he will say that costs are forecast to be at the lower end of the cost curve, and that an "already robust" NPV can be improved upon at the pre-feasibility stage.

Given his confidence about funding, one might be tempted to speculate that the numbers look pretty good, but as yet, since Toro is not listed on any exchange, it is under no obligation to disclose anything, and the amount of information that's in the public domain is already substantially greater is usual for a comparable pre-IPO company.

With the gold price yo-yoing around, it might be argued that a US$225 million price tag might be an over-reach for any junior, listed or no. But Martin's done his homework, and he's comfortable that US$255 million is in the ballpark.

"What's the capacity for a junior to fund a development?" he asks rhetorically. "The maximum is between US$200 million and US$300 million. I think there's bank capacity. We think that's achievable."

Of course, Martin knows it won't necessarily be a walk in the park. Allowing that it is do-able in the first place, finessing the structure of the funding from here on in represents one of his next big challenges.

At the moment there's around US$10 million in the bank. That, says Martin, "will get us to year end", as the company continues to drill and to progress with the pre-feasibility study. The whispers are that a small financing may be in the offing, but a bigger raise may be more appropriate at pre-feasibility. But at some stage a listing looks likely too.

After an earlier preference for Toronto, Martin's now focussed on Aim, although with his experience in BDI in the back of his mind, he's under no illusions about the amount of shoe leather he'll have to wear out promoting Toro if it does indeed list in London.

Between now and then though, it's highly probable that further upside may emerge from Petowal and from the wider Mako project. "It works in a range of gold prices, it's a high grade simple as they come open pit truck and shovel operation, into a CIP metallurgical circuit."

But within those simple parameters there are plenty of opportunities for finessing the numbers. "We kind of expect more ounces to be discovered", says Martin, as Petowal is still open at depth and along strike. And there's always the possibility that one of the three or four additional targets that lie within a few kilometres of Petowal could also yield up a substantial resource comparable to Petowal itself.

But even if the satellites turn out to be smaller, now that Petowal itself looks economic, any additional ounces are more than welcome.