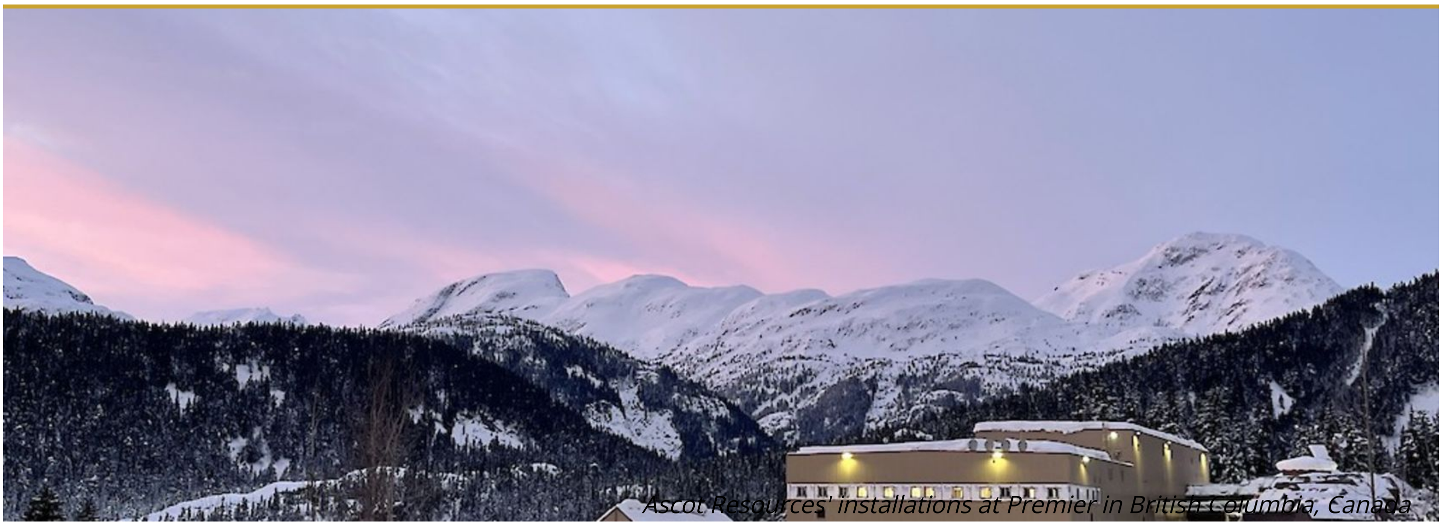
Edition

Ascot awaits its day at the races

With its Premier gold mine in the Golden Triangle of British Columbia, Canada half built, Ascot Resources aims to resume the running in the autumn when it hopes to be able to announce a financing package to enable it to complete the build, following an earlier financing falling earlier this year.



Ascot Resources' installations at Premier in British Columbia, Canada

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In April, Ascot said it had been unable to reach an agreement with Sprott Private Resource Lending on the satisfaction of the drawdown conditions for the remaining US$60 million of an $80 million senior facility and had to pursue alternative financing options for the development, which is expected to produce 151,000 ounces a year of gold-equivalent for eight years.

Sprott, smarting from cost overruns and development issues at Pure Gold Mines' PureGold development in Ontario, in which it was a big lender, became highly sensitised to the risks of single asset developers and imposed conditions on Ascot in order to draw down more of the loan than the junior was willing to accept.

"Sprott always had the right to approve the mine plan at every drawdown and they said they would like to see proven reserves for 12 months ahead of mining. That means we had to have a measured resource [to convert into a proven reserve]. Hardly any epithermal gold mines in the world have measured resources and proven reserves. We said that is not how we did our NI 43-101 and that is not how they lent us the money. We said we can't go in forward and build a project where they are going to change the rules on us," Ascot Resources president and CEO Derek White told Mining Journal.

In addition to replacing the $80 million Sprott facility, White now also has to grapple with the inflationary environment, and so may seek to raise C$120 million to have a cost overrun cushion, and possibly including more equity. "We want to make sure we are going to have enough liquidity," he said.

While other producers have reached out, no white knight is galloping-in looking for a bargain despite Ascot currently having a market capitalisation of C$150 million. "Some of the corporates have a lot of money right now and they are talking to us, but I think thier view is that every month the market gets cheaper so they are just watching the space. I think you will see them be more active in the fall, when they have a better feeling of has the market stabilsed," said White.

White is keen to point out that the issues which befell Pure Gold are unlikely at its Premier development. "In underground mining, typically, you build one ramp or shaft and you start to develop from that area so you are beholden to either the ventilation capacity or how much underground development you could do at one point. We are mining three mines and at least two of them are going to be developed up front. We have the opportunity to access completely different areas with completely different ventilation systems and different access points. To avoid the development squeeze, you need to be spread out and have multiple areas you can mine. Our mine plan allows that variability and ability to have lots of options," said White.

The financing situation has shifted the critical development path from the mill build to the tailings storage facility, which will be pushed back to 2023. The tailings dam has to be built between May and October to allow for its compaction without snow. The pipe connection between the water treatment plant to the tailings dam also needs to be completed in this time window, once the dam has advanced.

This is frustrating for White given that most of the mill and electrical installations are installed or on site, and underground mining at Big Missouri has advanced 200m and is within a week of reaching the first ore horizon. It is not all bad news for Ascot, however as the addition time means it can complete an optimised mining plan including different sequencing, which is due in August.

"Right now we plan to mine Big Missouri then Silver Coin and then the Northern Light area at Premier. Silver Coin is tricky, because the regulator is making us do a 900m underground drift all the way along that ridge and all water and waste has to come out. That is a lot of development upfront, which reduces your liquidity, so we want to be able to spread that out. If we went into the Northern Light area and Sebakwe earlier that would help us quite a bit," said White.

Sebakwe is a geophysical target near the Northern Light area and the Premier mill where Ascot has been getting high-grade drill hits, such as July's 1m grading 193 grams per tonne.

"Originally, we were going to enter Premier in the old workings and work our way back [towards Northern Light]. We did a road cut and we found we can go into the Northern Light area with a 600m ramp straight to the mill. Perpendicular to this is the Sebakwe structure. We are looking at changing the sequencing of the mine planning because we can do less development, have an opportunity to drill out Sebakwe and access Northern Light. It is closer to the mill and higher grade. This is something I we wish we had known about when we did our feasibility study," said White.

Shares in Ascot Resources are trading at C36c, valuing the company at C$157 million.