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Wits Gold commits to exploration spending

[miningmx.com] -- SOUTH African exploration company Wits Gold has committed to spending R33.5m on exploration activities during the next five years and will not be approaching the market to raise funds for this commitment.

"The directors believe that the company has sufficient capital to fund its planned exploration activities as well as cover its estimated operating expenses for the foreseeable future," Wits Gold said in its results statement for the year ended 28 February 2009.

The company recognises that in the long-term, its ongoing exploration activities will be dependent on the ability to obtain additional financing through joint venture partners, debt financing and equity financing.

Wits Gold made an operating loss of R18.3m, up R0.3m from the comparable period. However, loss for the year after taxation was R3.6m compared to a profit of R700,000 in the comparable period. The company does not expect to generate any operating income in the near future.

Wits Gold is on track to release two prefeasibility studies on its South African Free State Bloemhoek and De Bron projects in the third quarter of 2009.

Wits Gold has R117m in cash and is focusing on the Free State deposits, slowing drilling work on a host of other prospects near Potchefstroom and Klerksdorp.

Harmony has first right of refusal over 40% of the Bloemhoek project, having sold the old-order rights to Wits Gold. It is regularly updated on progress at the deposit.

Once the bankable study is done, Harmony can opt to pay 40% of the costs to get to that point where a mine may be built, thus earning a stake in the project.

TSX- and JSE-listed Wits Gold will not develop a mine itself. Instead it will bring in a joint venture partner or outright sell the asset or it could separately list the project, making it a standalone company.

Wits Gold's business model is finding and proving gold deposits, without taking on the risk of developing them by itself.